SURTECO

SOCIETAS EUROPAEA

ANNUAL REPORT 2014

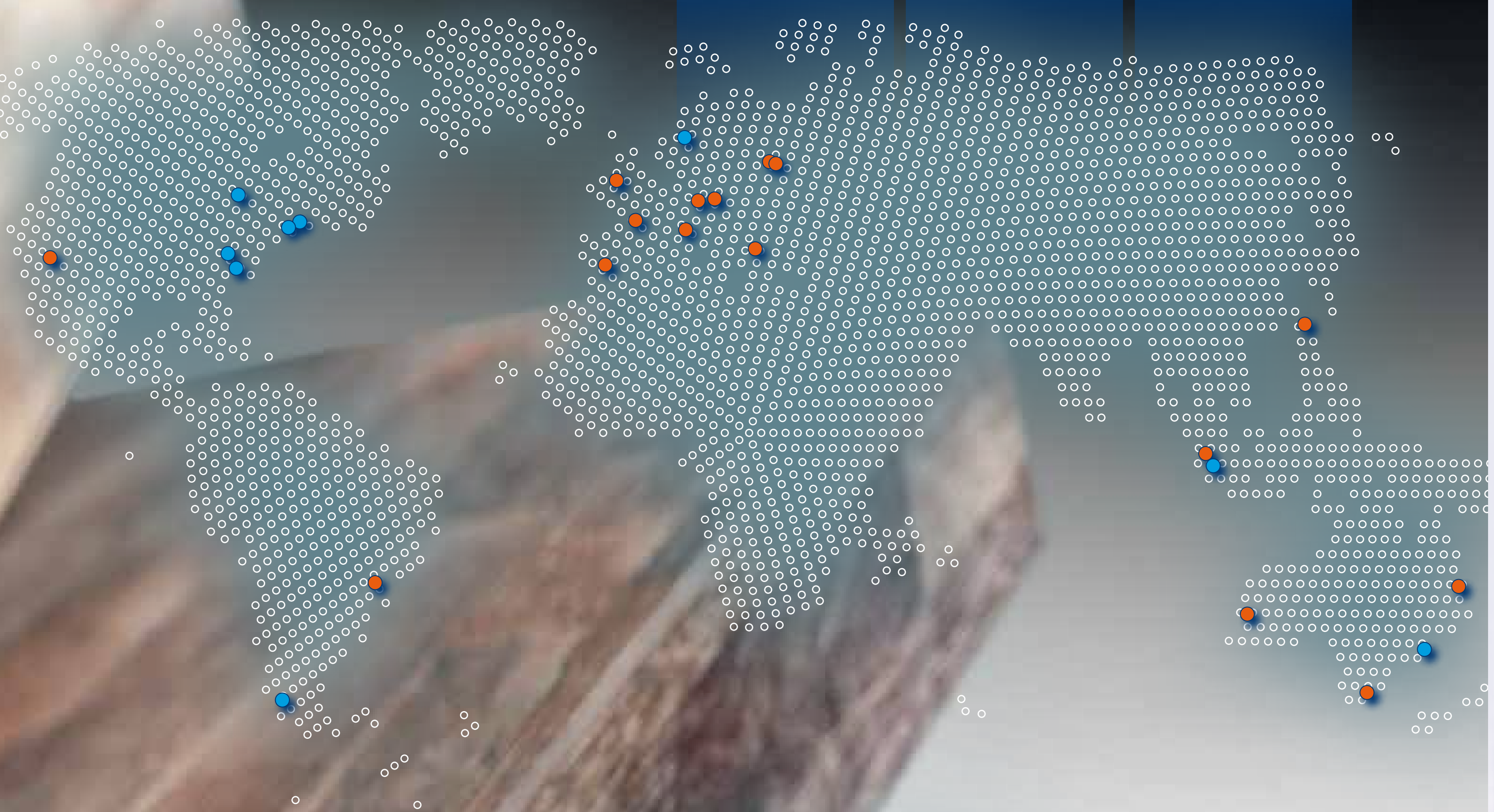
SURTECO WORLDWIDE

- 20 production and sales locations
- 16 additional sales locations

AMERICA
Agawam
Brampton
Chihuahua
Curitiba
East Longmeadow
Greensboro
Myrtle Beach
Santiago

EUROPE
Angers
Burnley
Gislaved
Istanbul
Katowice
Madrid
Prague
Venice

ASIA / OCEANIA
Batam
Brisbane
Melbourne
Moscow
Perth
Singapore
Sydney
Tokyo



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

AT A GLANCE
SURTECO SE

[€ 000s]	2013*	2014	Variation in %
Sales revenues	402,115	**618,469**	+54
Foreign sales in %	70	**72**	
EBITDA	59,660	**62,842**	+5
EBITDA margin in %	14.8	**10.2**	
Depreciation and amortization	-22,613	**-35,235**	
EBIT	37,047	**27,607**	-25
EBIT margin in %	9.2	**4.5**	
Financial result	-9,056	**-5,344**	
EBT	27,991	**22,263**	-20
Consolidated net profit	21,876	**18,464**	-16
Earnings per share in € (by weighted average of shares issued)	1.86	**1.19**	-36
Number of shares at 31 December	15,505,731	**15,505,731**	
Number of shares weighted average	11,767,363	**15,505,731**	
Additions to fixed assets	30,749	**29,197**	
Balance sheet total	626,109	**636,669**	+2
Equity	311,025	**321,101**	+3
Equity ratio in %	49.7	**50.4**	+0.7 pts.
Net financial debt at 31 December	151,216	**145,839**	-4
Gearing (level of debt) at 31 December in %	49	**45**	-4 pts.
Average number of employees for the year	2,114	**2,682**	+27
Number of employees at 31 December	2,664	**2,705**	+2

PROFITABILITY INDICATORS IN %		
Return on sales	6.9	**3.6**
Return on equity	7.3	**6.0**
Total return on total equity	5.9	**5.1**

*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

SALES DISTRIBUTION
2014 IN %

SURTECO GROUP

Germany	28
Rest of Europe	47
America	17
Australia	4
Asia	4

Edgebandings	30
Foils	21
Decorative printing	19
Impregnated products/ Release papers	17
Skirtings	5
Technical extrusions	3
DIY	1
Other	4

STRATEGIC BUSINESS UNIT PLASTICS

Germany	30
Rest of Europe	39
America	15
Australia	9
Asia	6
Other	1

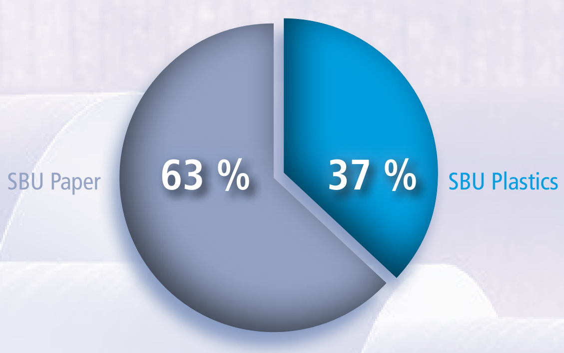
Edgebandings	59
Skirtings	14
Foils	10
Technical extrusions	7
DIY	4
Other	6

STRATEGIC BUSINESS UNIT PAPER

Germany	28
Rest of Europe	51
America	18
Asia	3

Decorative printing	30
Foils	28
Impregnated products/ Release papers	27
Edgebandings	14
Other	1

PERCENTAGE OF TOTAL SALES



WELCOME
TO THE SPECIALISTS FOR
SURFACE TECHNOLOGIES

We make a key contribution to the success of our customers by providing a steady stream of new, environmentally-friendly products tailored to the needs of the market. A group of mutually complementary companies is integrated under the roof of the SURTECO Group. They specialize in refining surfaces in the furniture, wood-based and flooring industries. SURTECO is the global market leader in the edgebandings product segment, and the Group ranks among the world's leading companies for decorative printing and finish foils. We would like to present our company here and show you how the products of SURTECO form an enriching part of our daily lives in many different areas.

SURTECO SE
ISIN: DE0005176903
Ticker symbol: SUR

THE PRODUCT RANGE

SBU PLASTICS

Plastic edgebandings

Roller shutter systems

Technical extrusions for industry

Skirtings and extrusions for the flooring industry

Plastic foils

Ranges for home-improvement and DIY stores

SBU PAPER

Decorative printing

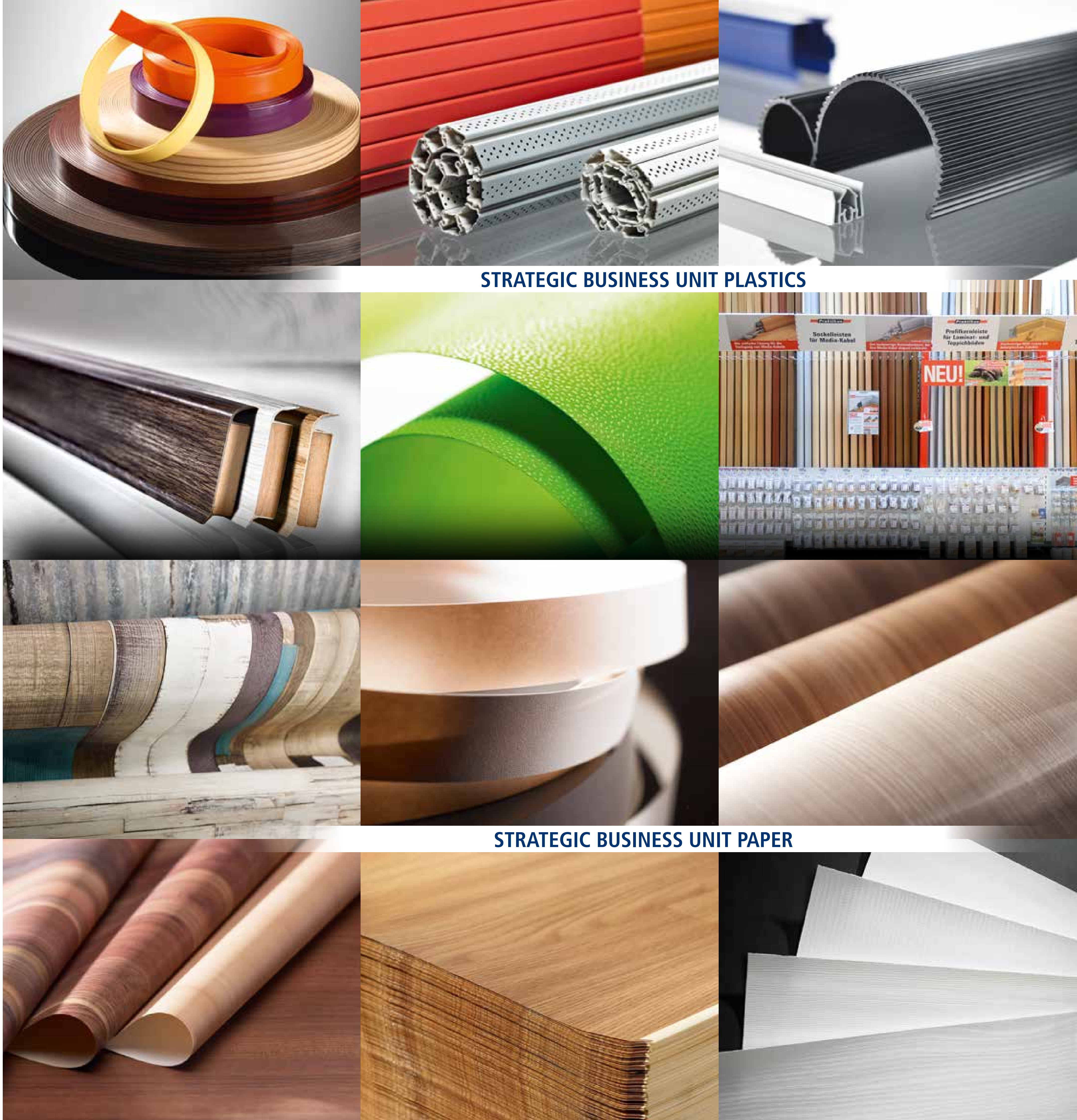
Edgebandings based on paper

Fully impregnated finish foils based on paper

Preimpregnated finish foils based on paper

Impregnated products

Release papers



MODERN VISUAL APPEAL
FOR STYLISH LIVING

Trend themes from the sphere of interior design transpose decorative papers from SURTECO into the world of surfaces for individual living elements. Applications range from shelving through laminated flooring to the dining table. We dress furniture with expressive surfaces and attractive decorative designs.


Noce Donatello

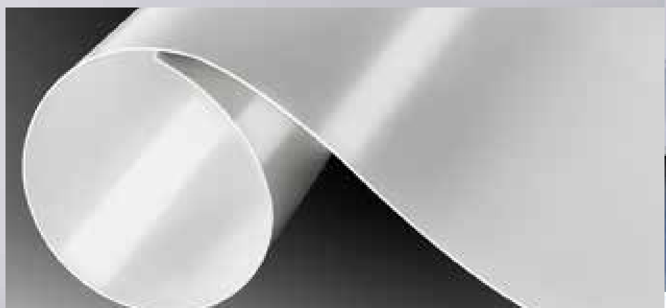

Andersen Pine


Oak Arminius

PERFECTLY CHOREOGRAPHED IDEAS FOR FUNCTIONAL SURFACES

Strong design and classic contours create contemporary kitchen furniture enhanced with SURTECO edgebandings and finish foils made of plastic. The designs combine exceptional visual appeal with superlative product quality for hardwearing applications.

3D 2in1 plastic edgebanding



Single colour plastic foil

GLOBAL PRESENCE

AND INTERNATIONAL SERVICE

Closeness to the customer is the key to success. The successful marketing of our products across the globe depends on continuous contact with our customers. SURTECO is represented in all important international markets with 20 production locations and 16 additional sales sites. Direct contacts guarantee safe delivery and an individual, comprehensive service package.


Gislaved Folie, Sweden


SURTECO Canada


BAUSCHLINNEMANN North America, USA


SURTECO Asia, Indonesia


SURTECO Australia

CREATIVE DESIGN
FOR SOPHISTICATED INTERIOR

Individual Look&Feel, the best possible technical attributes and a high level of haptic quality define the level of high-quality bedroom furniture. SURTECO finish foils and edgebandings create a sense of well-being and provide highlights in room designs.


Rothaar Beech


Drake Pine

PROFESSIONAL QUALITY

FOR MODERN FLOORS

Contemporary design ideas become hardwearing reality with the expressive designs of SURTECO skirtings and flooring extrusions. They provide a professional interface from floor to wall in any room, creating supreme visual appeal.

Skirting Cubu flex life

A STRONG TEAM

GENERATING SUCCESS WITH THE HUMAN FACTOR

The commitment and expertise of each employee provide important potential for the success of the SURTECO Group. We promote expertise, a sense of responsibility, and dedication through our corporate culture. This offers every employee the opportunity to develop their knowledge and skill set with basic training and career development packages. A workforce with approximately 2,700 people is employed across the world at present.

VISION AND FUNCTION

FOR ATTRACTIVE OFFICES

Good design and optimum functionality for office furniture enhance motivation at work. Edgebandings, finish foils, decorative papers and impregnated materials from SURTECO ensure high-quality furniture for the world of work and bring colour into the routine, everyday office environment.

Salento

Bubinga Mahé

Acapulco

COMPANY MANAGEMENT

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

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

Björn Ahrenkiel
Vice Chairman
Lawyer, Hürtgenwald

Dr. Markus Miele
Deputy Chairman
Industrial engineer, Gütersloh

until 27 June 2014
Josef Aumiller
Employee Representative
Industrial clerk, Unterthürheim

Dr. Matthias Bruse
Lawyer, Munich

since 27 June 2014
Horst-Jürgen Dietzel
Employee Representative
Vice Chairman of the Works Council, Laichingen

Markus Kloepfer
Managing Director of alpha logs GmbH, Essen

Christa Linnemann
Honorary Chairwoman
Businesswoman, Gütersloh

Udo Sadlowski
Employee Representative
Chairman of the Works Council, Essen

Dr.-Ing. Walter Schlebusch
Chairman of the Managing Board of
Giesecke & Devrient GmbH, Munich

Thomas Stockhausen
Employee Representative
Chairman of the Works Council, Sassenberg

BOARD OF MANAGEMENT

Friedhelm Päfgen
Chairman
SBU Paper
Businessman, Unterwössen

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

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

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

SBU PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Frank Bruns Peter Schulte
SURTECO AUSTRALIA PTY LTD. Sydney	Maximilian Betzler
SURTECO ASIA (SURTECO PTE LTD. + PT DÖLLKEN BINTAN) Singapore + Batam, Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	Gilbert Littner
SURTECO DEKOR A.Ş. Istanbul, Turkey	Emre Özbay
SURTECO IBERIA S.L. Madrid, Spain	Peter Schulte
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Wolfgang Buchhart
DÖLLKEN-WEIMAR GMBH Nohra	Hartwig Schwab Tibor Aranyossy Wolfgang Breuning
DÖLLKEN SP. Z O.O. Katowice, Poland	Rafael Pospiech
DÖLLKEN CZ S.R.O Prague, Czech Republic	Jan Vitu
SURTECO USA INC. Greensboro	Tim Valters
SURTECO CANADA LTD. Brampton/Ontario	Tim Valters
CANPLAST SUD S.A. Santiago de Chile	Raimundo Undurraga
GISLAVED FOLIE AB Gislaved, Sweden	Per Gustafsson
SURTECO OOO Moscow, Russia	Rashid Ibragimov

SBU PAPER

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

THE BRANDS OF SURTECO GROUP

SURTECO DECOR

DÖLLKEN

BauschLinnemann

BAUSCH DECOR

GISLAVED FOLIE AB

Kröning

CANPLAST

Praktikus

DAKOR

SÜDDEKOR

Art SÜDDEKOR

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Chairman of the Board of Management
Group strategy, Strategic Business Unit Paper

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

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

FOREWORD BY THE BOARD OF MANAGEMENT

Dear shareholders and friends of our company,

Our first year as the "new" SURTECO after the takeover of the Süddekor companies is now behind us. The result of this acquisition is reflected in our sales amounting to significantly more than € 600 million. Adjusted by one-off effects in the years 2013 and 2014, the comparable operating result has increased by more than 50 %.

In the business year 2014, we laid the foundation for the sustainable, profitable growth of the SURTECO Group. In the process of integrating the Süddekor companies, we streamlined the corporate structure and merged former Bausch Decor GmbH and Süddekor GmbH to form a single company SURTECO DECOR GmbH. The sales activities and materials procurement within the Strategic Business Unit Paper were also brought together and we decided to concentrate the decorative printing activities in Germany at a single location. This will involve relocating the printing facility in Laichingen to the plant at the head office of SURTECO SE. This is necessary in order to retain the competitiveness of our printing activities over the long term.

Last year, we continued our strategy of concentrating on our core competences and focusing on growth markets with consistent expansion of our sales activities. This enabled us to generate growth in our Business Unit Plastics which more than compensated for the shortfall in sales for the cladding business divested at the end of 2013.

Overall, sales at the SURTECO Group increased by 54 % compared with the previous year and achieved a record value of € 618.5 million. Adjusted by restructuring provisions we succeeded in significantly increasing the comparable pretax result at € 31.7 million against the equivalent year-earlier result.

We want the shareholders in our company to enjoy appropriate participation in this success. In conjunction with the Supervisory Board, we are therefore going to submit a proposal to the Annual General Meeting on 26 June 2015 in Munich that a resolution should be passed to increase the dividend to € 0.70 per share (previous year € 0.65).

Integration of the Süddekor companies is proceeding as planned, and we are anticipating increasing synergies in the course of the business year 2015. Given the robust development of business at the beginning of the year, we have set our sights on modest organic growth for sales. If the conflict in Ukraine and the sustained uncertainties in a number of Eurozone countries do not deteriorate further, we therefore have an optimistic perspective on the business year 2015.

We should like to take this opportunity to thank all our shareholders, customers and business partners for the trust they have placed in us. Most importantly, our particular thanks are also extended to our employees for their understanding, their readiness to embrace change, and for the outstandingly high level of commitment which makes the success of our business possible.

Friedhelm Päfgen
Chairman of the Board of Management

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

Dr.-Ing. Gereon Schäfer
Member of the Board of Management

REPORT OF THE SUPERVISORY BOARD

Dear shareholders, partners and friends of our Company

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

In the business year 2014, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We regularly advised the Board of Management on the management of the company and monitored the measures it took. In this process, we were involved in all the fundamental decisions taken. The Board of Management regularly kept us informed in comprehensive written and verbal reports. We were informed promptly about the key aspects of the performance of the business and about significant business transactions. We were also given detailed information about the current income situation and planning, as well as the risks and their management. The economic situation presented in the reports by the Board of Management and the development perspectives of the Group, the individual business areas and the important participations in Germany and abroad, as well as the general economic environment were the subject of careful and detailed discussion in the Supervisory Board. Resolutions were adopted as far as this was necessary in compliance with statutory regulations or the Articles of Association.

The Supervisory Board convened for a total of five meetings during the course of the business year 2014. No member of this governance body took part in fewer than half of the meetings. The Chairman of the Supervisory Board furthermore remained in regular contact with the Board of Management outside these meetings.

FOCUSES OF ADVICE

Once again in 2014, the Supervisory Board – as in previous years – intensively addressed the reporting of the Board of Management in detail and discussed the position of the company and the business strategy on the basis of the latest business figures available for the company. The latest relevant indicators of the Strategic Business Units in the SURTECO Group (SBU Paper and SBU Plastics) and the subsidiary companies and participations were presented by the Board of Management at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures.

The economic environment in which the company is operating was subject to particularly intensive discussion. These deliberations continued with the themes of energy costs, raw material prices and the availability of raw materials, and exchange rates. The situation with the most important customers, the divisions of the foreign companies, and the conduct of the key competitors in the market were also considered.

The Supervisory Board spent several meetings engaging in detail with the reports submitted by the Board of Management relating to the integration of the Süddekor companies acquired in 2013 and addressed overall the future direction of the printing business. The issues under discussion included in particular the concentration of the printing business in Germany at the Buttenwiesen-Pfaffenhofen location, the shutdown of the printing facility in Laichingen and relocation to Buttenwiesen-Pfaffenhofen, and simplification of the existing Group structure, in each case including the impacts from budget calculations for the upcoming business years. In this connection, reports were received about the negotiations for a social compensation package and a reconciliation of interests with the employee representatives and unions at SÜDDEKOR GmbH. These negotiations had not yet been concluded by the close of 2014. The Chairman of the Supervisory Board was also in continuous contact with the Board of Management and was informed on an ongoing basis about progress of the integration and merger process. As far as necessary, the Supervisory Board in each case approved the measures adopted relating to this issue.

At its meeting on 21 October 2014, the Supervisory Board engaged intensively with the situation of the SURTECO companies in North America and discussed together with the Board of Management possibilities for increasing the efficiency of the companies in North America. In this connection, the Supervisory Board addressed the issue of the sale of the impregnating facility of Süddekor LLC in Biscoe (USA) and agreed to the conclusion of an appropriate contract of sale. At the same time, the Supervisory Board agreed to further investments at the plant located in East Longmeadow (USA) of Süddekor LLC.

During the reporting year 2014, the Supervisory Board once again discussed the issues associated with the corporate loan that was floated by the company as a private placement ("USPP") in the USA with a volume of € 150 million in the business year 2007. The financial indicators whereby non-compliance could have resulted in the conditions of the loan deteriorating or such non-compliance could have led to the loan being called in by creditors were also complied with in 2014. At the same time, the Supervisory Board agreed to a proportionate settlement of the USPP loan at the due date subject to taking out loans at more favourable conditions.

The plans (budget and investment plan) submitted by the Board of Management for the business year 2015 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 18 December 2014.

At its meeting held on 21 October 2014, the Supervisory Board also amended the Rules of Procedure for the Board of Management and passed a resolution adopting the amended rules.

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

At its meeting held on 27 April 2014, the Supervisory Board adopted the proposals for the agenda of the Ordinary General Meeting 2014.

COMPENSATION FOR THE BOARD OF MANAGEMENT

At the meeting of the Supervisory Board held on 27 April 2014, the variable compensation elements of the Members of the Board of Management for the business year 2013 were standardized.

PERSONNEL DECISIONS OF THE SUPERVISORY BOARD

The term of office of the Chairman of the Board of Management, Friedhelm Päfgen, comes to an end as planned on 30 June 2015. At its meeting on 18 December 2014, the Supervisory Board drew up arrangements for the succession on the basis of a corresponding proposal submitted by the Personnel Committee. To this end, the Supervisory Board once again appointed the existing Member of the Board of Management Dr.-Ing. Herbert Müller as a Member of the Board of Management and with effect from 1 July 2015 nominated him as Chairman of the Board of Management. At the same time, the Supervisory Board appointed the current General Representative of the Strategic Business Unit Paper, Dr.-Ing. Gereon Schäfer, as a Member of the Board of Management with effect from 1 April 2015.

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTEE

At its meeting held on 18 December 2014, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to § 12 Section 3 of the Articles of Association at a total amount of € 30,000.00, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 30,000.00 was allocated to the individual members of the Audit Committee on a time basis.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

The periods of office of Mr. Thomas Stockhausen and Mr. Josef Aumiller as employee representatives on the Supervisory Board ended at the conclusion of the ordinary Annual General Meeting for the business year 2014. The Board of Management had already previously requested the relevant Members of the Works Council pursuant to § 1.4 of the agreement relating to the participation of employees in SURTECO SE dated 13 February 2007 to appoint the employee representatives to be seconded from the eligible members of the Works Council under the agreement. As a result, Mr. Thomas Stockhausen was confirmed in his office and (on account of the integration of Süddekor) Mr. Horst-Jürgen Dietzel was appointed as an employee representative instead of Mr. Josef Aumiller.

Mr. Björn Ahrenkiel, whose term of office as a Member of the Supervisory Board ended when the Annual General Meeting 2014 came to a close, was reappointed as a Member of the Supervisory Board by the Annual General Meeting 2014. At its meeting on 27 June 2014, the Supervisory Board elected Mr. Björn Ahrenkiel as Vice Chairman of the Supervisory Board and Member and Chairman of the Audit Committee and as Member of the Personnel Committee.

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

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed on page 101 of the Annual Report. The committees have the function of preparing issues, topics and resolutions for the meetings of the Supervisory Board. There is also a Presiding Board in accordance with the rules of procedure of the Supervisory Board.

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

The Audit Committee addressed issues relating to accounting and risk management, the annual financial statements and the quarterly figures, the mandatory independence of the auditor, the appointment of the auditor to carry out the audit, the determination of the focuses of the audit and the agreement of the fee. The Chairman of the Audit Committee and from time to time the other members of the committee were in regular contact with the Board of Management and the auditors. The Chairman of the Audit Committee kept the other Members of the Audit Committee informed about individual issues in writing. The Audit Committee held one meeting during the course of the business year at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit.

The Personnel Committee held seven meetings during the year under review. In particular, the committee addressed the proposal to calculate the variable compensation elements of the Members of the Board of Management for the business year 2013 and drew up the succession arrangements for the Board of Management and a resolution was passed by the plenary Supervisory Board at the meeting of the Supervisory Board held on 18 December 2014.

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

CORPORATE GOVERNANCE

The Supervisory Board addressed the ongoing development of the corporate governance principles in the company in 2014 and also took account of the amendments to the German Corporate Governance Code made on 24 June 2014. Within the scope of the efficiency audit, the Supervisory Board regularly carries out a self-evaluation of its members and discusses the results in the plenary session of the Supervisory Board. In view of only slight deviations in the individual self-assessments during previous years, the self-assessment will only be carried out every two years, i.e. for the business years 2014 and 2015 at the end of 2015.

On 18 December 2014, the Board of Management and the Supervisory Board submitted a new Declaration of Compliance, which was included in the Declaration on Company Management pursuant to § 289a German Commercial Code (HGB) and may be viewed on the Internet site of the company.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, AUDITING

The annual financial statements of the company were drawn up in accordance with German accounting principles. The consolidated financial statements for the fiscal year 2014 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Board of Management submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO SE, as well as the Management Report and the Consolidated Management Report and granted each of the documents an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management Report, and the audit reports of the auditor, and the recommendation for the appropriation of the net profit were submitted punctually to all the Members of the Supervisory Board. Intensive discussions were carried out in the Audit Committee meeting and at the Balance Sheet Meeting of the Supervisory Board held on 23 April 2015 in the presence of the auditor and following a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents. Furthermore, we took note of the report by the auditor. We have no objections. We therefore concur with the result of the audit. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements prepared by the Board of Management. The Annual Financial Statements have therefore been adopted. We are in agreement with the Management Reports and in particular with the assessment of the ongoing development of the company. We agree with the proposal by the Board of Management for the appropriation of net profit that recommends payment of a dividend of € 0.70 for each no-par-value share.

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

The Supervisory Board would like to thank the Board of Management, the executive managers, the members of the Works Councils, and all the members of staff for the work they have carried out and for their commitment during the business year 2014.

Buttenwiesen-Pfaffenhofen, April 2015.

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman

SUMMARY MANAGEMENT REPORT 2014
SURTECO GROUP AND SURTECO SE

BASIC PRINCIPLES OF THE GROUP

OVERVIEW

The SURTECO Group (hereinafter also referred to as SURTECO) is a Group of complementary companies which have primarily specialized in the production of decorative surface coatings. These are mainly used by the international flooring, wood-based and furniture industry, as well as by carpenters and artisan businesses. The products are generally used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with an appealing visual profile and the desired technical properties such as chemical resistances or haptic textures. The product range of the SURTECO Group also includes technical extrusions (profiles) made of plastic for all areas of industry, skirtings for professional floorlayers and product lines associated with flooring for the do-it-yourself sector.
SURTECO enjoys the status of global market leader for edgebandings as the product with the strongest sales in the group of companies. This manufactured product is used to refine the narrow edges of wood-based boards, for example in kitchens. The offering ranges from endless single-layer melamine coated edgings based on paper for straight and profiled narrow edges and door rebates, through to thermoplastic edgebandings which are manufactured from a range of different plastics tailored to the area of application. Since SURTECO manufactures edgebandings from plastic and paper, customers can choose from a virtually unlimited number of variations in terms of qualities, finishes, dimensions, decorative designs and colours to suit any application.
SURTECO also ranks as one of the world's leading suppliers in the product area of finish foils. These are used for coating large areas of wood-based materials and therefore play a major role in the visual appraisal of the finished products, such as items of furniture or panelling. As in the case of edgebandings, SURTECO supplies finish foils based on specialist technical papers and formed with plastics. A distinction is made with respect to finish foils based on paper between fully impregnated and pre-impregnated materials. Fully impregnated finish foils are saturated in a resin bath within the Group and then dried, whereas the raw paper for pre-impregnates has already been impregnated at the paper manufacturer. Both versions are sealed with a layer of lacquer which forms the final surface of the work piece laminated with the finish foils. Finish foils based on paper are typically used to manufacture furniture for living areas, bedrooms and teenage settings. They are also used for profile wrappings and for the manufacture of panellings. Plastic foils are used to cater for special applications, such as interior design for ships, providing a finish for doors within the home, or for furniture surfaces requiring particularly hard-wearing properties.
Impregnates from SURTECO are also used to put coatings on large areas of wood-based materials, although they only receive their final surface in the compression stage at the manufacturer of the refined product. The base is formed by the printed decor paper which is impregnated, dried and cut to different formats. The product range is mainly used for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. SURTECO's product portfolio also includes release papers, which are required for the compression of impregnates. This product forms a protective layer between the impregnate and the hot pressed board. It can additionally be used to give the melamine surface the desired texture.
SURTECO ranks among the biggest international suppliers of decor papers. The specialist papers printed with decorative designs serve as a material providing a decorative finish and are applied for the manufacture of finish foils and impregnates within the Group. They are also supplied directly to external customers in the furniture and flooring industries, the wood-based sector, and customers in the world of interior design. More than 100 new decor textures are produced each year in co-operation with the Group's in-house design studio. This steady stream of new designs enhances the extensive collection of wood, stone and creative decor designs. The printing cylinders necessary for production and also some of the printing inks are produced within our company.
SURTECO manufactures high-quality floor edgings and skirtings for the specialist flooring and wholesale trade. These are either made entirely of plastics or they are provided with a core of wood-based materials in a special three-part extrusion process. These products are mainly used by professional floorlayers. SURTECO also has a long track record of experience in manufacturing a wide range of extruded products for interior design and for a broad spectrum of industrial applications. High-quality manufactured products like flooring extrusions, stair edges, cover and transition extrusions, as well as angle rails and roller-shutter systems complete the range.
The Group also supplies high-quality product ranges for home improvement and DIY stores as well as for the wholesale business. These ranges are compiled from products manufactured in-house and purchased parts.
The Group markets its products by direct sales or through the Group's own sales locations, and it also has a dense network of dealers and agents in more than 77 countries on all continents of the world. The most important sales markets for the SURTECO Group include Germany, Europe (not including Germany) and North America. Production and sales facilities in Europe, North and South America, Australia and Asia ensure reliable and fast production tailored to the target market.

INTERNAL CORPORATE CONTROLLING SYSTEM

Central controlling for the Group is carried out by the holding company SURTECO SE with registered office in Buttenwiesen-Pfaffenhofen near Augsburg, Germany. The holding company implements strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting and investor relations activities. The individual subsidiary companies of the Group manage their business independently on the basis of group-wide parameters. The subsidiaries are organized in the Strategic Business Units (SBU) Plastics and Paper in line with the base materials used. The companies of the SBU Plastics manufacture the majority of their products by extruding and calendaring plastics. The product range of this business unit includes plastic edgebandings, skirtings, technical extrusions (profiles) and roller-shutter systems, plastic foils and many other products made of plastic for interior design, and for artisan and trade applications. The companies of the SBU Paper manufacture products based on specialist technical papers for the furniture and flooring industries, and interior design. These include finish foils, decorative papers, edgebandings, impregnates and release papers.
The corporate structure within the SBU Paper was simplified during the year under review with the aim of merging the decor printing activities in Germany on a stable platform. On 1 January 2014, SURTECO Decorative Surfaces GmbH and Süddekor GmbH were merged with SURTECO DECOR GmbH (formerly: Bausch Decor GmbH).
Sales revenues and the pre-tax result (EBT) are the most important financial controlling parameters for the SURTECO Group and the Strategic Business Units. At Group level alone, the Group also uses a summarized true and fair view of a number of indicators, the "covenants", as a key financial controlling parameter. This is comprised of the indicators equity ratio, level of debt (gearing) and interest cover factor. The covenants define threshold values which the Group does not intend to exceed or fall short of. Compliance or non-compliance with the "covenants" indicator is monitored, and reports are regularly submitted. Non-financial controlling parameters are not used as key controlling parameters at Group level or within the Strategic Business units.
Financial and non-financial performance indicators play a subordinate role for SURTECO SE as an individual company, while compliance with statutory requirements is unaffected.

OPERATING GROUP STRUCTURE

STRATEGIC BUSINESS UNIT PLASTICS

The SBU Plastics includes W. Döllken & Co. GmbH with its subsidiary companies* and Gislaved Folie AB in Sweden.

The companies of W. Döllken & Co. GmbH included the enterprises Döllken-Kunststoffverarbeitung GmbH, Döllken-Profiltechnik GmbH, Döllken-Weimar GmbH, SURTECO USA Inc. and SURTECO Canada Ltd.

Döllken-Kunststoffverarbeitung GmbH and its subsidiaries have specialized in the production and marketing of plastic edgebandings. Manufacture is carried out at the main production facility in Gladbeck, and in Australia (SURTECO Australia Pty Limited) and Indonesia (PT Doellken Bintan Edgings & Profiles). Global delivery capability is also ensured by sales companies in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S.), Spain (SURTECO Iberia S.L.), Turkey (SURTECO DEKOR A. Ş.) and – in cooperation with the SBU Paper– in Italy (SURTECO Italia s.r.l.) and Russia (SURTECO OOO).

The production and sale of plastic edgebandings in North America is carried out by SURTECO USA Inc., Greensboro, and SURTECO Canada Ltd. at its headquarters in Brampton, Canada. The subsidiary company of SURTECO Canada Ltd. in Santiago, Chile (Canplast SUD S.A.) is responsible for the production and sale of plastic edgebandings in South and Central America. Other sales locations in Brazil (SURTECO Do Brasil S/A) and as a joint venture in Mexico (Canplast Mexico S.A. de C.V.) ensure comprehensive sales support for markets on the American continent.

Döllken-Profiltechnik GmbH in Dunningen has specialized in the manufacture of technical extrusions for industrial applications and furniture roller-shutter systems.

Döllken-Weimar GmbH based in Nohra near Weimar and its subsidiary in Bönen manufacture products for professional floorlayers, and for home-improvement and specialist stores. The products include floor strips and skirtings as well as wall edging systems. The accessories required for laying the products are also supplied as product ranges for resale. The company has sales venues in Poland (Döllken Sp. z o.o.) and the Czech Republic (Döllken CZ s.r.o.).

STRATEGIC BUSINESS UNIT PAPER

The SBU Paper comprises SURTECO DECOR GmbH (up to 19 June 2014: Bausch Decor GmbH) and BauschLinnemann GmbH, including their respective subsidiary companies*.

BauschLinnemann GmbH is based in Sassenberg and produces edgebandings and finish foils at its production facility there. Meanwhile, the production facility in Buttenwiesen has focused entirely on the manufacture and refining of finish foils. The subsidiary company Kröning GmbH located in Hüllhorst is a specialist supplier for surface coatings with exceptionally complex specifications. The product portfolio comprises edgebandings, finish foils and hybrid products. In the USA, the production company for finish foils, BauschLinnemann North America, Inc., Myrtle Beach produces and sells products specially tailored to the North American market. Semi-finished products are delivered to the sales companies located in the United Kingdom, SURTECO UK Ltd., and in cooperation with the SBU Plastics in Italy (SURTECO Italia s.r.l.) and Russia (SURTECO OOO). They are then finished to customers' specific orders and supplied there.

SURTECO DECOR GmbH manufactures decor papers in Germany at its main site in Buttenwiesen and at the facility in Laichingen. Finish foils and release papers are also produced here. The subsidiary company SUDDEKOR LLC, Agawam, carries out production of decor papers in the USA and also maintains production sites there for impregnates in East Longmeadow and – until 26 January 2015 – in Biscoe (see also Follow-up Report). Dakor Melamin Imprägnierungen GmbH based in Heroldstatt carries out the manufacture and sale of impregnates in Germany.

SÜDDEKOR Art Design + Engraving GmbH in Willich is responsible for the development of new decorative designs and engraving new print cylinders, and for in-house production of printing inks. It is supported by Saueressig Design Studio GmbH, Mönchengladbach, and SURTECO DECOR has a 30 % shareholding in this company.

MANAGEMENT AND CONTROLLING

As laid down in the rules and regulations applicable to a Societas Europaea (SE), the Ordinary General Meeting of the company is held during the first six months after the end of a business year. Any amendments to the Articles of Association can only be made with legal effect following consent by the shareholders at the Annual General Meeting and subsequent entry in the Company Register.

The Supervisory Board monitors and advises the Board of Management of the company. It is made up of nine members. Six members are appointed by the Annual General Meeting as representatives of the shareholders. Three members are appointed by the Works Councils of the three domestic companies with the largest number of employees as representatives of the workforce.

The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Board of Management are appointed by the Supervisory Board and manage the affairs of the company in accordance with the statutory regulations, the Articles of Association, and the rules of procedure governing the actions of the Board of Management and the Supervisory Board. The Board of Management and the Supervisory Board base their actions and their decisions on the interests of the company. They are committed to the objective of increasing the value of the company in accordance with the interests of the shareholders, our business partners, the employees and other stakeholders.

ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

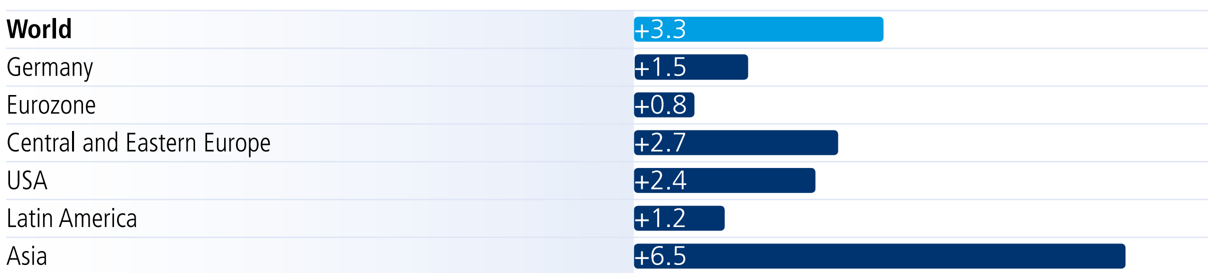
Global economic growth slower than anticipated in 2014

The International Monetary Fund (IMF) carried out a downward adjustment on its forecast for development of the global economy a number of times as the year proceeded. One of the reasons put forward by the IMF related to the geopolitical tensions and the increasing economic risks, which could not be compensated by the sharp fall in the price of oil during the second half of the year. Dynamic global growth therefore continued at 3.3 % as in the previous year. The individual countries and regions posted significant differences in their development. Growth in the developed economies rose from 1.3 % in 2013 to 1.8 % in 2014, primarily because of the stable situation in North America and the recovering economies in Europe. The momentum of growth in emerging markets and the developing countries eased slightly and only increased by 4.4 %, with Asia achieving an almost stable increase of 6.5 %.

Growth in the eurozone started to rise again after the setback in development during 2013, and

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

ECONOMIC GROWTH FOR 2014 IN %



Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2015.

increased by 0.8 %. Central and Eastern Europe revealed relatively stable performance with an increase of 2.7 %. Germany succeeded in increasing its economic output from 0.2 % in 2013 to 1.5 % in 2014 in spite of the negative impacts caused by the crisis between Russia and Ukraine. A positive effect was exerted in the USA by robust private consumption, stable industrial growth and the drop in the oil price. Economic growth at 2.4 % was somewhat higher here than expected at the beginning of the year.

Surprising recovery in the German furniture industry during the course of 2014

Companies in the flooring, furniture and wood-based industries are the most important customers for the SURTECO Group. The associations of the German wood and furniture industries (HDH and VDM) were positively surprised in view of an increase in total annual sales amounting to 2.5 %. This trend was fuelled both by domestic demand and by exports. Contrary to the scepticism expressed at the beginning of the year, it proved possible to redress some of the setback of 3.7 % suffered in 2013. Nevertheless, the number of companies operating in the sector fell by 2.7 % and the number of sector employees declined by 1.7 % during the year under review. The German kitchen industry is able to post growth in sales amounting to 1.9 % for the year 2014 and the household furniture industry reports an increase of 4.2 %. Only the sector for office furniture and shop fittings failed to live up to year-earlier sales with a shortfall of -1.8 %. Domestic sales for the German furniture industry overall went up by 1.7 % in 2014. Export sales grew by an average of 4.5 % over the same period. The biggest growth rates (calculated from sales reported from January to October 2014) were generated in Poland at 16 % and the USA with 13 %, followed by the United Kingdom with 6 % and Switzerland with 3 %. Sales fell in France (-6 %), the Netherlands (-1 %) and Austria (-1 %). The improvements in the German furniture sector are also documented in the import figures for furniture with an increase of 9 % between January and October 2014 compared with the previous year.
In particular, the companies of the Strategic Business Unit Paper supply their products also to the laminated flooring industry. The association covering this business sector – Association of European Laminate Flooring Manufacturers (EPLF) – reported a slight increase in sales of 0.4 % for the global market compared with the previous year for its members in the business year 2014. However, the regions posted varying developments. While business eased slightly in Western Europe, Eastern Europe succeeded in posting a modest rise and North America reported a marked positive development. Nevertheless, the highest growth rates were delivered by the market in Asia.

Adjustment of the figures for the previous year

The figures for the previous year were adjusted in the text of the economic report on account of first-time application of IFRS 11 and IAS 28. For details see section VIII in the Notes to the Consolidated Financial Statements.

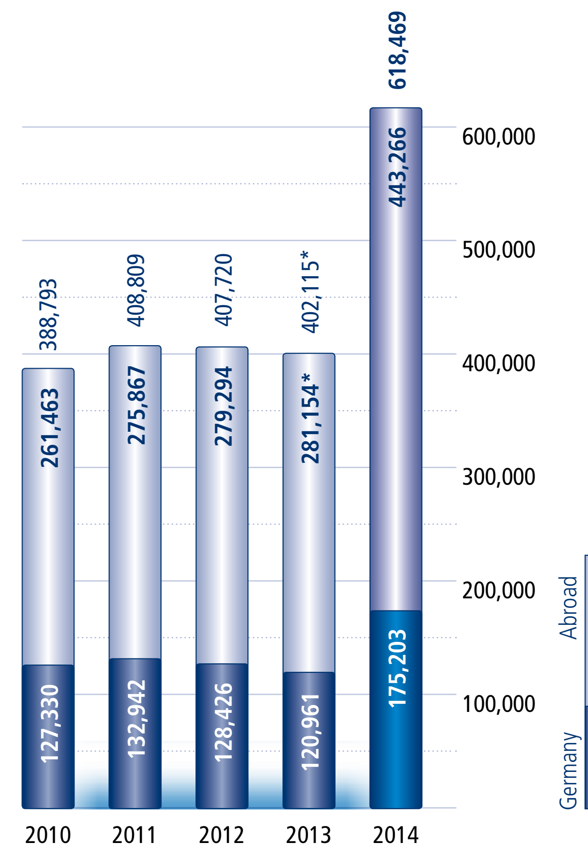
SALES AND BUSINESS PERFORMANCE

Record sales through acquisition and organic growth

Sales revenues at the SURTECO Group increased by 54 % in the business year 2014 to the record value of € 618.5 million powered by the acquisition of the Süddekor companies at the close of 2013

SALES REVENUES IN € 000S

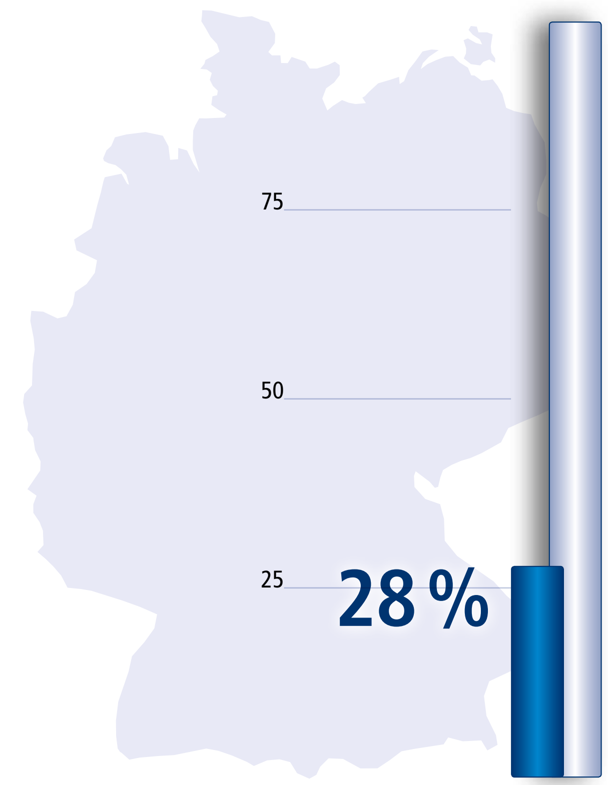
SURTECO GROUP



*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

PERCENTAGE OF TOTAL SALES

SALES REVENUES GERMANY



and organic growth. The sales forecast from the last Annual Report of € 630 million to € 640 million had already been adjusted in the interim report for the third quarter to a target corridor of € 615 million to € 625 million, because the economic situation in most European countries was not developing in line with the expectations of the company's management, particularly during the second half of the year. The tense political situation relating to the conflict between Russia and Ukraine exerted an especially negative effect on this development. The conversion of sales revenues generated by the subsidiary companies outside Germany into the Group currency also resulted in negative foreign exchange effects.
Business in the internal market at Group level went up by 45 % to the level of € 175.2 million. Foreign sales even increased by 58 % compared with the previous year and achieved a value of € 443.3 million. This raised the foreign sales ratio by two percentage points to 72 %. On account of the strong presence of the Süddekor companies in the USA, the biggest increase in business volume of 91 % was posted in the North American market. Business in Europe (without Germany) grew by 59 %, in Asia by 47 % and in Australia by 5 %.

STRATEGIC BUSINESS UNIT PLASTICS:

Significant organic growth

The sales revenues of the Strategic Business Unit Plastics were € 227.2 million in the business year 2014 after € 227.4 million in the previous year. Here it should be taken into account that the equivalent year-earlier figure still included sales amounting to € 8.6 million related to the cladding business sold at the end of November 2013. Nevertheless, the forecast made by the company in the last Annual Report assumed a slight increase in sales revenues for the business year 2014. The underlying platform for this was the strategy of a stronger focus on growth markets and an increase in market

shares. The strategy was successfully implemented in the year under review but essentially resulted in negative exchange rate effects amounting to € 5.5 million so that the figures did not quite correspond to the forecast. Particularly in Sweden, Australia and Turkey, disproportionately high growth was generated in the local currency so that the exchange rate effects were more than compensated. A further acceleration of sales activities succeeded in significantly increasing sales, especially in the area of skirtings (+ 9 %), technical extrusions (+ 10 %) and in the do-it-yourself sector (+ 20 %). Business with plastic edgings (+ 2 %) and plastic foils (+ 5 %) similarly also went up in the business year 2014. Setbacks were only recorded in the product segment of roller-shutter systems (- 4 %). Overall, the plastics segment still posted organic growth net of consolidation effects of 3.4 % despite negative exchange rate effects during the year under review.
Against the background of the cladding business sold at the end of 2013, which generated a large proportion of its sales in Germany, the development in the domestic market was exceptionally gratifying with an increase in sales amounting to one percent in the business year 2014. Uneven development was recorded in Europe during the business year under review. While significant growth was generated in Sweden and Turkey, and sales in the United Kingdom, France and Spain demonstrated positive development, the situation in Eastern and Southern Europe in particular tended to be problematic on account of the economic stagnation in a number of countries. Overall, sales revenues in Europe (without Germany) fell back by two percent. Demand in North America also posted surprising weakness in the first half of 2014. This involved a reduction in sales of the Strategic Business Unit Plastics by 5 % in North and South America compared with the previous year. The development proved to be satisfying in Australia and Asia. Here sales rose by 4 % and 16 % respectively. The foreign sales ratio in the plastics segment amounted to 70 % and was therefore at the level for the previous year.

STRATEGIC BUSINESS UNIT PAPER:

Süddekor acquisition generates strong growth
In 2014, the sales revenues of the Strategic Business Unit Paper underwent a strong increase as a result of the first-time recognition of sales for the entire year from the Süddekor companies acquired at the end of 2013. There was a certain amount of overlap in the sales revenues generated by the Süddekor companies and the existing Group companies in the product segment of decor prints and preimpregnated finish foils. The product groups impregnates and release papers represent new additions to the product range of the SURTECO Group since the acquisition. By contrast, there are no overlaps for fully impregnated finish foils and melamine edgebandings. The market for this product continued to be driven by the trend for single-colour furniture during the business year 2014. The sales revenues for edgebandings eased by 4 % against the previous year on account of the low production depth for single-colour products by comparison with decors. Substitution of fully impregnated finish foils with preimpregnates in previous years has now been largely brought to a close. Demand for this product once again increased slightly with an increase in sales of 2 % in 2014. Sales of decorative prints and preimpregnated finish foils expanded by 312 % and 72 % respectively on account of the acquisition. Organic development also grew as reflected by successful placement of a wide variety of new decors in the marketplace. Taken together with release papers and impregnates as new products in the range, the Strategic Business Unit generated sales revenues amounting to € 391.2 million. This is equivalent to an increase of 124 % compared with the previous year. The forecast from the previous year of a strong rise in sales was therefore fulfilled.
Sales in Germany rose by 100 % compared with the business year 2013 in the context of robust economic development in the domestic market and the overlaps relating to the acquisition. Similar to the plastics segment, the Strategic Business Unit Paper tended to experience tough framework conditions during the period under review, particularly in Southern and Eastern Europe. Nevertheless, the companies succeeded in performing well and increased their sales in the entire European market (not including Germany) by 117 %. Even more impressive growth of 232 % was generated in North America (USA and Canada) because the acquired companies have a strong presence there. Furthermore, the paper segment in the USA had succeeded in achieving modest organic growth. The increase in business volume for the continent of North and South America was 217 %. In Asia, sales revenues rose by 129 % and in Australia they went up by 35 %. The foreign sales ratio for the Strategic Business Unit Paper rose by 3 percentage points to 72 % during the year under review.

FINANANCIAL POSITION, NET ASSETS AND RESULTS OF OPERATIONS

VALUE ADDED

Corporate performance increased essentially on account of full-year consolidation of the Süddekor companies from € 423.7 million in the previous year to € 637.8 million in 2014. This first-time consolidation of the acquired companies also exerted effects on the expense items which rose overall from € 278.3 million to € 445.4 million in the year under review. The acquisition-related change in the product mix entailed an increase in the cost of materials from 43.5 % to 49.7 % in relation to corporate performance. Conversely, other expenses came down to 14.6 % (2013: 16.9 %) of corporate performance on account of consistent cost management, especially at the acquired companies throughout 2014. The net value added ratio could therefore be increased by € 47.1 million to € 192.5 million. The distribution of value added essentially involved an increase in the amount paid to shareholders and the employees. Accordingly, shareholders received a dividend that was overall € 5.1 million higher, while personnel expenses were defined by the full-year consolidation of the acquired companies and the restructuring provisions (€ 9.4 million). After the one-off effect of restructuring provisions had been taken into account, value added amounting to € 8.4 million remained with the company after the year under review, compared with € 17.0 million in 2013.

VALUE ADDED CALCULATION

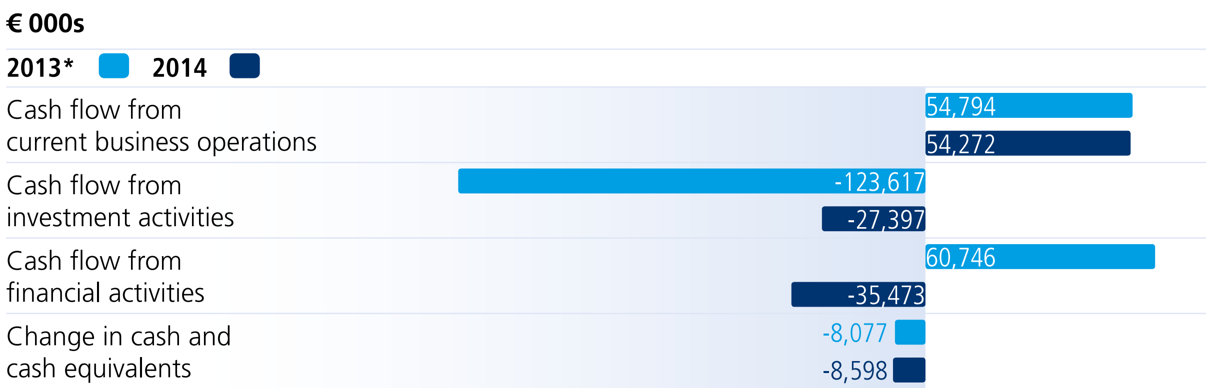
€ 000s	2013*	in %	2014	in %
Sales revenues	402,115		618,469	
Other income	21,619		19,356	
Corporate performance	**423,734**	100.0	**637,825**	100.0
Cost of materials	-184,284	-43.5	-317,212	-49.7
Depreciation and amortization	-22,613	-5.3	-35,235	-5.5
Other expenses	-71,447	-16.9	-92,914	-14.6
Creation of value added (net)	**145,390**	**34.3**	**192,464**	**30.2**
Shareholders (dividends)	4,984	3.4	10,079	5.2
Employees (personnel expenses)	108,074	74.3	159,841	83.0
Government (taxes)	6,010	4.1	3,765	2.0
Lenders (interest)	9,325	6.4	10,360	5.4
Allocation of value added	**128,393**	**88.3**	**184,045**	**95.6**
Remaining in the company (value added)	**16,997**	**11.7**	**8,419**	**4.4**

*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

CASH FLOW STATEMENT

During the year under review, the cash flow from current business operations at € 54.3 million essentially remained at the level of the previous year (€ 54.8) based on a pre-tax result of € 22.3 million (2013: € 28.0 million). Internal financing rose to € 53.4 million (2013: € 36.3 million) on account of full-year consolidation of the Süddekor companies. Conversely, the change in assets and liabilities (net) amounted to € 0.9 million in the business year 2014 after € 18.5 million in the previous year and this was essentially due to increased volumes of business.
The investment activity in the business year 2013 (€ -123.6 million) was primarily determined by the acquisition of the Süddekor companies. Adjusted by these outflows, the cash flow from investment activities for the year under review at € -27.4 million was at the level of the previous year.
After the capital increase in 2013 led to total incoming payments for cash flow from financial activities amounting to € 60.7 million, an outflow of € 35.5 million was posted during the year under review. A higher payout to shareholders (€ 10.1 million after € 5.0 million in 2013) and a repayment of short-term financial liabilities (€ 50.1 million) with an increase in long-term financial liabilities (€ 33.0 million) resulted in this value.
Cash and cash equivalents therefore fell by € 8.1 million to € 43.1 million as at 31 December 2014.

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/12/2013*	1/1/-31/12/2014
Cash flow from current business operations	**54,794**	**54,272**
Purchase of property, plant and equipment	-26,093	-26,731
Purchase of intangible assets	-4,854	-2,466
Acquisition of business	-99,000	0
- net of cash acquired	797	0
Disposal of companies	5,044	0
Proceeds from disposal of property, plant and equipment	370	1,680
Dividends received	119	120
Cash flow from investment activities	**-123,617**	**-27,397**
Free cash flow	**-68,823**	**26,875**

*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

€ 000s	31/12/2013*	Percentage in the balance sheet total in %	31/12/2014	Percentage in the balance sheet total in %
Assets				
Current assets	228,022	36.4	242,417	38.1
Non-current assets	398,087	63.6	394,252	61.9
Balance sheet total	**626,109**	**100.0**	**636,669**	**100.0**
LIABILITIES				
Current liabilities	127,325	20.3	91,545	14.4
Non-current liabilities	187,759	30.0	224,023	35.2
Equity	311,025	49.7	321,101	50.4
Balance sheet total	**626,109**	**100.0**	**636,669**	**100.0**

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2013*	2014
Capital ratio in %	49.7	50.4
Gearing in %	49	45
Working capital in € 000s	120,402	126,949
Interest cover factor	7.0	6.5
Debt-service coverage ratio in %	29.4	36.8

*Adjusted on the basis of first-time application of IFRS 11 and IAS 28

Ongoing robust balance sheet quality

The balance sheet total of the SURTECO Group as at the balance sheet date for 2014 rose slightly by 2 % compared with 31 December 2013 to € 636.7 million. On the assets side of the balance sheet, current assets increased (€ 242.4 million after € 228.0 million as at the balance sheet date for 2013) as compared to slightly reduced non-current assets of € 394.3 million after € 398.1 million in the previous year. Within current assets, the planned reduction and refinancing of the first tranche of the US private placement was primarily responsible for a reduction in cash and cash equivalents by € 8.1 million to € 43.1 million. Trade accounts receivable increased on account of the rise in business activities by € 6.9 million compared with the balance sheet date for the previous year to € 61.7 million on 31 December 2014. The assets held for sale amounting to € 7.3 million reflect the production site Biscoe/USA, which was disposed of in January 2015 (→ Follow-up report).
The non-current assets came down mainly as a result of reclassification for assets of the Biscoe/USA location into current assets, and scheduled write-downs. This was reflected in reduced property, plant and equipment (€ 237.2 million after € 244.8 million in 2013) and in intangible assets (€ 26.3 million after € 29.7 million as at 31 December 2013). This contrasts with the market valuation of hedging instruments as at the balance sheet date amounting to € 8.2 million for other non-current financial assets.
On the liabilities side of the balance sheet, the significantly reduced current financial liabilities amounting to € 91.5 million on the balance sheet date 2014 after € 127.3 million in the previous year were due to the release of the first tranche of the US private placement. Short-term financial liabilities therefore fell back from € 55.6 million to € 5.6 million in 2014. Other current financial liabilities also fell by € 3.1 million to € 22.4 million. Conversely, short-term provisions went up by € 8.7 million to € 12.1 million on account of the provisions for restructuring expenses. The refinancing of the scaled-back tranche from the US private placement was reported under long-term financial liabilities, which rose from € 146.7 million in 2013 to € 183.3 million at year-end 2014.

Overall, net financial debt came down by € 5.4 million to € 145.8 million on 31 December 2014 compared with the equivalent year-earlier value, and the level of debt (gearing) decreased by 4 percentage points to 45 %. Equity at € 321.1 million was slightly above the amount for the previous year of € 311.0 million. This is also reflected in the stable equity capital ratio of 50.4 % after 49.7 % in the previous year.
The Covenants (→ Internal corporate controlling system) were maintained during the business year 2014 as in the previous year.
On 31 December 2014, the SURTECO Group has external credit lines in the amount of € 45.5 million. At this point, € 1.0 million has been drawn on these lines.

EXPENSES

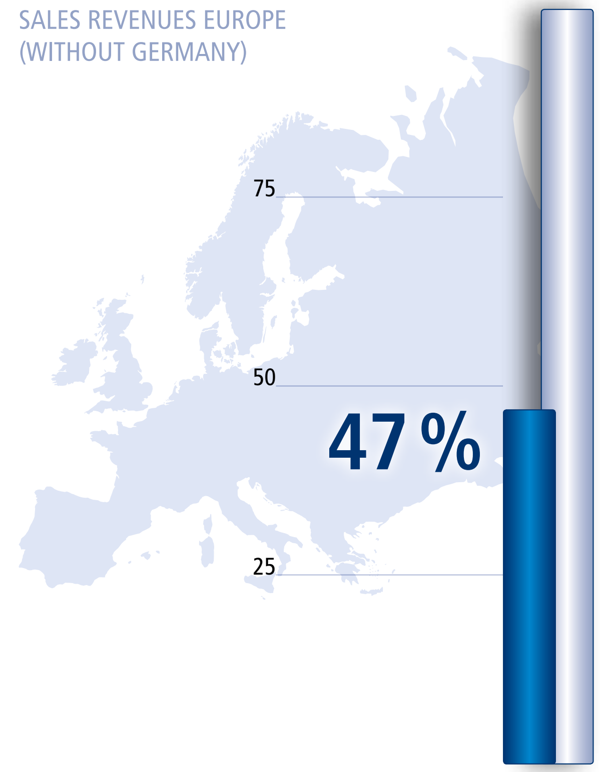
Expenses went up significantly in the business year 2014 compared with the values for the previous year on account of the first-time full-year consolidation of the Süddekor companies and on account of a one-off effect under personnel expenses (restructuring provisions). The cost of materials was again the biggest block of costs within the expense items of the two Strategic Business Units.
Pricing of raw papers for technical applications as the most important raw material in the Strategic Business Unit Paper is based on a number of factors including the development of costs for intermediate products like titanium dioxide and cellulose. While purchase prices for titanium dioxide relaxed somewhat during the year under review, a significant increase was posted at the end of 2014 for cellulose. This was primarily brought about by currency effects, since the cellulose used for specialist papers is purchased in US dollars. The tanker effect means that this price inflation during the business year 2014 has not yet exerted an impact on price development of raw papers. Overall, the price level of technical papers for 2014 was slightly below the level for the previous year. The costs for the chemical raw materials and additives eased slightly at the Strategic Business Unit Paper in 2014 compared with the previous year. This is likely to be due in part to the drop in the price of crude oil at the end of the year. The Strategic Business Unit Plastics mainly uses as raw materials the plastics PVC (polyvinyl chloride), ABS (acrylonitrile butadiene styrene), PP (polypropylene) and PMMA (polymethyl methacrylate). In procuring these materials, it was not possible to benefit fully from the plunge in the prices of crude oil, even though the price level in the business year 2014 was marginally below the values for the previous year.

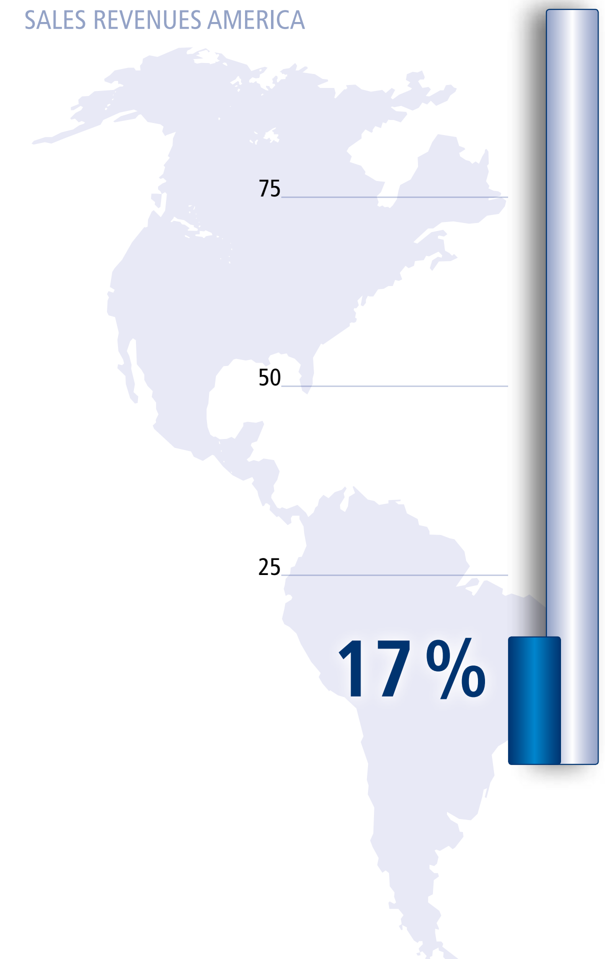
Since the cost of materials at the Süddekor companies was included in the financial statements over the entire business year for the first time, the cost of materials incurred by the SURTECO Group rose from € 184.3 million in the previous year to € 317.2 million in 2014. The cost of materials ratio – calculated from the ratio of the costs of materials to total output – rose by 5.0 percentage points to 50.6 %. This is due exclusively to shifts in the product mix, since production in the paper segment is more material intensive than in the plastics sector, and acquisition of the Süddekor companies has significantly displaced the proportion of quantities in the direction of the Strategic Business Unit Paper.
Alongside the cost of materials, total personnel expenses with a value of € 159.8 million increased significantly compared with the previous year (€ 108.1 million) due to the consolidation of the Süddekor companies. The personnel expenses at the Strategic Business Unit Paper were also impacted by restructuring expenses amounting to € 9.4 million. These expenses were formed as a provision which will be used for a social compensation plan and reconciliation of interests for the employees of the printing location in Laichingen. This facility is being integrated within the Buttenwiesen-Pfaffenhofen location in the course of concentration of decor printing activities in Germany. The ratio of personnel expenses to total output amounted to 25.5 % and was 1.2 percentage points below the value for 2013 in spite of the one-off effect of restructuring expenses. This effect is also explained by the shift in quantity requirements in favour of the Strategic Business Unit Paper.
Other operating expenses also went up from € 69.4 million in 2013 to € 92.9 million in the business year 2014 with the addition of other consolidated companies.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

In the business year 2014, fixed assets at the SURTECO Group recorded additions of € 29.2 million after € 30.7 million in the previous year. The lion's share of this capital expenditure at € 26.7 million (2013: € 26.2 million) was invested in property, plant and equipment. During the course of 2014, intangible assets recorded additions of € 2.5 million after € 4.6 million in 2013.
Property, plant and equipment essentially reflect investments in plant and machinery, alongside outgoings on factory and office equipment. Investments were made in expanding existing production facilities at both Strategic Business Units and in modernization of buildings but there was no notable single investment. The intangible investments essentially result from licences and capitalized

PERCENTAGE OF TOTAL SALES





implementation costs for applications programs, particularly at the Strategic Business Unit Plastics.
In the Strategic Business Unit Plastics, investments in property, plant and equipment and in intangible assets in the business year 2014 amounted to a total of € 15.8 million after € 12.8 million in the previous year, and the Strategic Business Unit Paper recorded additions of € 13.2 million, after € 17.7 million in 2013.

GROUP RESULTS

The result of the SURTECO Group in the business year 2014 was influenced by restructuring expenses of € 9.4 million (→ expense items) which exerted a negative effect on the operating result (EBITDA) and therefore impacted equally on all items relating to earnings. In a comparison with the values for the previous year, it is also important to take into account that in 2013 a non-operating positive contribution to the operating result amounting to € 13.5 million was included from the Süddekor acquisition. Nevertheless, the operating result for the Group increased by 5 % to € 62.8 million in the year 2014. The EBITDA margin of 10.2 % after 14.8 % in the previous year can be explained by the one-effects described above.
Since depreciation and amortization at € 35.2 million (previous year: € 22.6 million) went up significantly on account of the full-year consolidation of the Süddekor companies, earnings before financial result and income tax (EBIT) at € 27.6 million were 25 % below the value for the previous year of € 37.0 million.
The financial result improved from € -9.1 million to € -5.3 million compared with the previous year. This is essentially due to currency gains arising from Group financing activities.
Compared with the previous year, the pre-tax result (EBT) came down by 20 % to € 22.3 million. When restructuring expenses amounting to € 9.4 million and the improved financial result are taken into account, the forecast in the last Annual Report of a slight improvement in pre-

tax result could be achieved. After income tax of € 6.0 million in 2013, income tax fell back to € 3.8 million during the year under review owing to the lower EBT by comparison with the previous year and as a result of currency effects not impacting on tax. Consolidated net profit at € 18.5 million was therefore 16 % below the value for the previous year. The earnings per share are calculated on the basis of the weighted average of issued shares. Owing to the capital increase in the fourth quarter of 2013, the weighted average in the previous year was based on 11,767,363 no-par value shares. During the year under review, the earnings per share were based on 15,505,731 no-par value shares and this yields earnings per share of € 1.19 after € 1.86 in 2013.

RESULT OF THE STRATEGIC BUSINESS UNITS

Since sales revenues remained at virtually the same level, the Strategic Business Unit Plastics was able to comply with its forecast of a slight increase in the pre-tax result. After € 14.9 million in the previous year, an EBT of € 15.1 million was generated in the business year 2014.
The EBT of the Strategic Business Unit Paper at € 15.8 million was significantly below the value for the previous year of € 25.1 million on account of restructuring provisions. After taking this one-off effect into account, the EBT fell slightly short of the forecast from the previous year after a slight increase in earnings before tax.

HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO SE

The balance sheet total of SURTECO SE increased by comparison with the previous year by the amount of € 9.8 million to € 542.2 million. Thereby the fixed assets increased by € 4.8 million to € 316.2 million and current assets increaced by € 4.6 million to € 225.7 million.
A key factor for the increase in fixed assets was the capital increase in the amount of € 20.0 million at the subsidiary company SURTECO DECOR GmbH. This was offset by the liquidation of the non-operating subsidiary company Bausch UK Ltd in the amount of € 8.8 million. Long-term loans to affiliated enterprises amounting to € 6.4 million were reclassified to current assets.
The increase in current assets from € 221.0 million to € 225.7 million is essentially due to receivables from affiliated companies which increased by € 10.0 million compared with the previous year. Cash in hand and bank balances decreased by € 7.9 million compared with the previous year, while other assets increased by € 2.5 million.

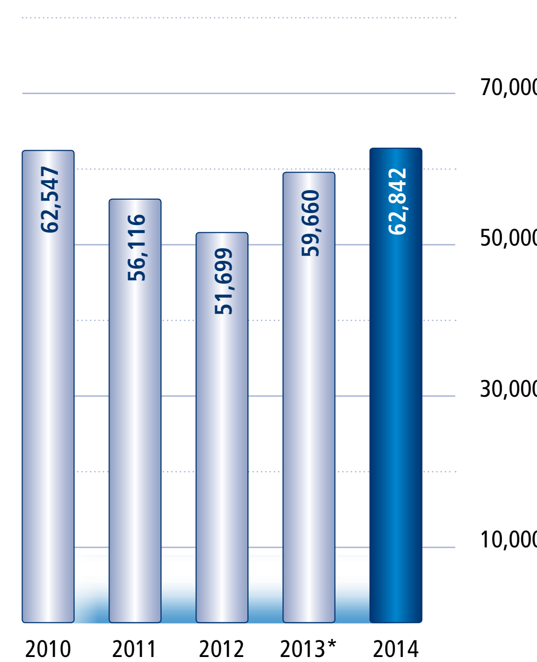
On the liabilities side of the balance sheet, the development reflects the fall in liabilities by € 13.9 million to € 218.6 million. The individual factors impacting on the fall in liabilities were liabilities to banks at € -7.3 million, trade accounts payable at € -0.6 million, liabilities to affiliated enterprises at € -2.8 million and other liabilities amounting to € -3.3 million.
The equity increased to € 320.7 million (2013: € 297.1 million). The equity ratio rose from 55.8 % in the previous year to 59.2 %.
Earnings from the profit transfer agreements and participations increased to € 43.2 million (2013: € 23.7 million). Here it is important to take into account that during the course of the business year, the profit transfer of the subsidiary company SURTECO DECOR GmbH was significantly influenced by a book profit from the merger with Süddekor GmbH.
Personnel expenses rose to € 3.9 million (2013: € 3.6 million).
Other operating expenses amounted to a total of € 3.5 million (2013: € 6.7 million). The value for the previous year included in particular the costs for carrying out the capital increase at around € 4.2 million.
Interest expenses amounted to € 9.2 million (2013: € 10.7 million).
Earnings from ordinary activities at SURTECO SE amounted to € 34.9 million (2013: € 7.6 million) in the business year 2014.
Income taxes increased to € 1.3 million (2013: € 0.5 million). Net income achieved € 33.7 million after € 7.2 million in the previous year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In the business year 2014, the economic situation of the SURTECO Group was played out within the framework of expectations. Business development was driven forward by the acquired companies and through organic growth, although the original sales target was slightly corrected during the course of the business year. The development of the earnings position did not produce any surprises so that after adjustment for one-off effects a significant increase was achieved. The financial position of the SURTECO Group continued to remain very robust on the basis of gearing at 45 % and an equity ratio of 50.4 %. Business development was also satisfactory overall from the perspective of the scheduled integration of the Süddekor companies within the group of companies.

EBITDA IN € 000s

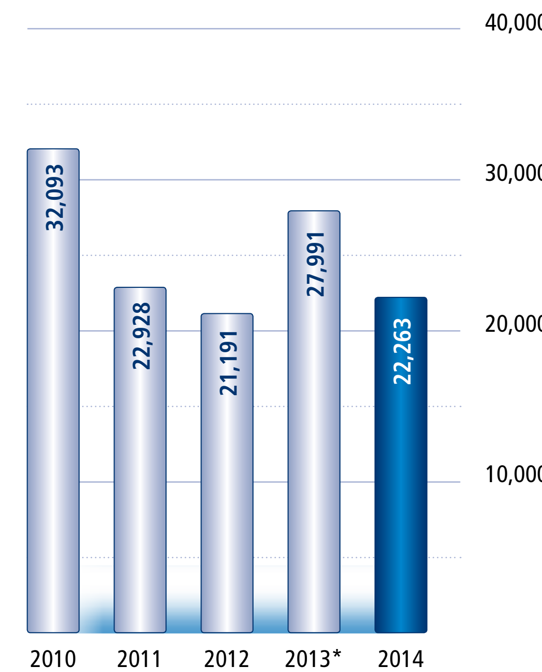
SURTECO GROUP



* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

EBT IN € 000s

SURTECO GROUP



RESEARCH AND DEVELOPMENT

An average of 150 employees were working in research and development departments of the SURTECO Group during the year under review. The increase of 39 people compared with the previous year was almost exclusively due to the first-time consolidation of the Süddekor companies. The expenses for research and development work amounted to € 3.8 million for the year 2014 after € 4.4 million in the previous year. They include personnel expenses and cost of materials. The personnel costs for research and development are also included under the item personnel expenses in the consolidated income statement.
In the business year 2014, the focus of the Strategic Business Unit Plastics was primarily on optimizing production processes. Other improvements to product quality and production reliability were also foregrounded. Research on application of alternative raw materials and additives was also driven forward in an ongoing programme. The Strategic Business Unit Plastics developed a plastic-based surface foil as a completely new product in cooperation with the paper line of business. The product was given the brand name TOM. This is a special plastic foil which is printed at SURTECO using proven technology. In combination with a highly transparent utility surface, this product can be further enhanced with a wide range of different surfaces using lamination and compression techniques without involving major investment at the manufacturer of the refined product. This creates a high-quality surface combining sophisticated textures and a haptic finish providing a pleasantly warm feeling in a contemporary design. These properties are ideal for application in the flooring sector because the process allows a pleasant and hard-wearing surface to be created for the floor covering. The first application trials have already been successfully implemented.
The new product "GentleFloor" from the Strategic Business Unit Paper is also ideal for application in the flooring industry. This hybrid product comprising decorative paper and a plasticizer-free plastic coating can be produced at SURTECO with the existing systems technology and processed in industry using standard printing presses. The final surface also features a warm and soft feel with a high level of resistance. In the business year 2014, intensive

EMPLOYEES BY REGIONS

Location	Employees 31/12/2013*	Employees 31/12/2014	Change
Germany	1,824	1,849	+25
USA	255	262	+7
Canada	128	123	-5
Sweden	112	116	+4
Australia	76	76	-
Asia	71	76	+5
South and Central America	55	53	-2
United Kingdom	34	36	+2
Poland	29	33	+4
Italy	23	23	-
France	20	20	-
Turkey	16	17	+1
Russia	9	11	+2
Czech Republic	6	5	-1
Romania	6	5	-1
	2,664	**2,705**	**+41**

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

research was carried out on bringing this product to maturity for volume production and application as flooring. When the Süddekor companies were acquired, SURTECO also purchased in-house production of printing inks. The qualification and certification of these colours produced in-house to the other production machines of the Strategic Business Unit Paper was another important function to be carried out by the research and development departments. The development of further haptic surfaces, in particular for digital production, was also the subject of research and development activities during the year under review.

PEOPLE AND TRAINING

On 31 December 2014, 2,705 employees were in the workforce of the SURTECO Group. By comparison with the balance sheet date of the previous year, this represents an increase of 2 %. This increase is essentially due to the organic increase in business volumes and to the preparations for the merger of the decor printing activities at the Strategic Business Unit Paper in Germany.
Overall, the average number of employees for the year underwent a disproportionately marked increase from 2,114 in the previous year to 2,682 in the business year 2014, because in 2013 the employees of the acquired Süddekor companies were recognized in accordance with the principles of the German Commercial Code (HGB) as at the fourth quarter of 2013. The figures for the previous year of the annual average number of employees and number of employees on the balance sheet date were also adjusted on the basis of first-time application of IFRS 11 and IAS 28. This involved the company Canplast Mexico S.A. de C.V., Chihuahua, which had been previously consolidated on a proportionate basis, now being reported by means of the equity method.
During the year under review, an average of 1,425 employees (2013: 851) worked in the Strategic Business Unit Paper, 1,244 (2013: 1,247) in the Strategic Business Plastics and 13 (2013: 16) in the holding company of SURTECO SE. The average age of all employees fell to 43.0 years, after 44.2 years in the previous year, and the average length of service came down to 13.1 years (2013: 15.0). The sickness ratio during the year under review at 3.7 % remained virtually equivalent with the value for the previous year (3.6 %) and fluctuation went up from 3.4 % in 2013 to 4.1 %. An average of 96 (2013: 79) members of staff were being trained in all German subsidiaries of the SURTECO Group during the business year 2014. This represents an training ratio in relation to the average number of employees working in Germany of 5.2 % after 5.6 % in the previous year.
Once again in the business year 2014, comprehensive measures were made to increase the level of qualification and career training for employees and to improve employee satisfaction. For example, the Strategic Business Unit Plastics initiated comprehensive employee surveys with the objective of identifying potential for improvement in internal cooperation and implementing the relevant improvements. Several so-called health days were held at the Strategic Business Unit Paper within the framework of company healthcare management. These days involve various services being provided to employees, such as medical examinations for preventive screening and nutritional advice. Offers by the companies to make a financial contribution to private career training measures or fitness packages were once again taken up enthusiastically by the workforce during the year under review.

FOLLOW-UP REPORT

With effect from 26 January 2015, SURTECO disposed of an impregnating plant in Biscoe, USA, which had been taken over at the end of 2013 as part of the acquisition of the Süddekor Group, to wood-based materials manufacturer Arauco North America. The production activities for impregnates in North America were concentrated at the East Longmeadow location where capacity had already been expanded.
Up to 22 April 2015, there were no further events of special significance that will exert an effect on the net assets, financial position and results of operations of SURTECO SE.

RISK AND OPPORTUNITIES REPORT

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

RISK MANAGEMENT SYSTEM

The SURTECO Group with its individual subsidiary companies is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any circumstance that can prevent the SURTECO Group now and/or in future from attaining the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies and deploying derivative financial instruments, if this is feasible at reasonable commercial conditions. However, it is not possible to exclude the possibility that insurance cover or hedging with financial instruments is inadequate in individual cases or that appropriate protection cannot be obtained for specific risks.
The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization of SURTECO and its subsidiary companies. The Board of Management of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Board of Management works together with the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Board of Management and is responsible within this framework for risks that it enters into in the course of its business activities. The management includes the employees in the course of exercising their management functions. The Risk Management Manual applicable throughout the Group defines binding rules and conditions for the risk management process. This ensures that the identified risks are classified into damage and probability classes on the basis of their anticipated gross financial burden (EBT) with respect to the current and subsequent years using the following tables. Overcoming individual risks up to € 000s 500 is deemed to be the responsibility of the individual companies.

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

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

After identification and evaluation of the risks, a detailed presentation of the causes that have led to this risk is carried out.
Appropriate measures for reducing the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. Apart from regular reporting to the Board of Management and Supervisory Board, managers have a duty to report risks that occur unexpectedly without delay. The usefulness and efficiency of risk management and the controlling systems are monitored at regular intervals by the Board of Management and the management of the subsidiary companies. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise. Any opportunities identified are also recorded and documented, although they are not allocated to classes. The individual identified opportunities are below the threshold of € 000 500.

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

The ICS comprises the accounting-based processes and controls which are significant for consolidated financial statements. The SURTECO Group bases the structure of its internal controlling system on the relevant publications of the Institute of Auditors (Institute der Wirtschaftsprüfer, IDW). There were no significant amendments to the account-based ICS between the balance sheet date and the preparation of the management report.
The preparation of the accounts and the financial statements is primarily carried out locally and in accordance with local standards. The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). A uniform chart of accounts and the use of an accounting manual form the basis for these documents. The Group holding company supports the companies as a central service provider on issues relating to accounting and manages the consolidated accounting process.
The subsidiary companies are included in the consolidated financial statements using an integrated accounting and consolidation system and on the basis of reporting packages. Consolidation is initially carried out as a multistage process at the level of the subsidiary companies, then at the level of segments and finally at Group level. The consolidated financial statements are prepared using a permanent structured process based on a calendar for the financial statements.
The plausibility of the figures is ensured at every level by manual and systematic checks. Transparent responsibilities and access rules for IT systems relevant to the financial statements are significant elements in this process. The controlling principles of separation of functions, double-check principle and approval and release procedures are applied to the annual financial statements and the consolidated financial statements. Information from external service providers is checked for plausibility.

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

MACRO-ECONOMIC RISKS, MARKET RISKS AND MARKET OPPORTUNITIES

The business development of the SURTECO Group depends significantly on macro-economic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of a country is also analysed as an indicator for the business performance since the manufactured products of SURTECO are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods increases when there is an economic upswing. The performance of the flooring, furniture and wood-based industry, and construction activity in the individual countries and markets is therefore important for the business development of the Group. Both the Strategic Business Units operate in more or less the same countries and sectors.
A local profile and cost leadership are key factors for market position and economic success in the market for coating products for furniture and interior design. This entails a product portfolio tailored to the market and control of operating processes and costs. SURTECO has 20 production locations and 16 additional sales locations on four continents and this places the Group in the position of being able to supply its customers worldwide quickly as well as being able to identify trends in regional markets at an early stage. This gives SURTECO the opportunity to gain first-mover advantage when participating in trends.
The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered. The most relevant geographical markets for SURTECO are located in Germany, Europe and in North America. In the business year 2014, the economic framework conditions in the eurozone developed moderately positively with an increase of 0.8 % in economic output. The economic development in Eastern Europe is assessed as weak on account of the tense political situation in Russia and Ukraine over the course of 2014. The framework conditions were more robust in Germany and North America with growth of 1.5 % and 2.4 % respectively.
SURTECO may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the company to participate indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at SURTECO.
Similar to the development of geographical markets, the Group also monitors the dynamic performance of sectors relevant for SURTECO. The focus of this analysis is essentially on the German flooring, furniture and wood-based industry. Over the past business year, the German furniture and wood-based sector developed surprisingly positively with an estimated growth of 2.5 %. Stagnation had still been expected at the beginning of 2014. However, business with laminate flooring in Europe only posted very slight growth.
SURTECO will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.
A number of individual risks with a damage potential of less than € 000s 500 were identified in the category of market risks for both Strategic Business Units. Beyond the threshold of € 000s 500, a risk of damage class 1 and probability class 3 was identified for the Strategic Business Unit Plastics.
Further information on the likely development of the global economy and the furniture sector is given in the outlook report.

COMPETITIVE RISKS AND OPPORTUNITIES

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

RISKS AND OPPORTUNITIES ARISING FROM CONCENTRATION OF DECOR PRINTING ACTIVITIES

In the business year 2014, the management decided to concentrate decor printing activities in Germany at the Buttenwiesen-Pfaffenhofen location. This measure provides an opportunity to leverage potential synergies in the areas of administration, materials procurement and production. The reduction of operating units also leads to a decrease in the complexity of Group controlling. On the other hand, there is a risk of disrupting the operational processes when integrating administration and production. The company counters this risk with detailed project planning and consistent controlling.

OPERATIONAL RISKS

PROCUREMENT RISKS AND OPPORTUNITIES

SURTECO is dependent on outsourcing from suppliers and partners for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks such as unexpected supply difficulties or unforeseeable price increases resulting from market consolidation, market bottlenecks or currency effects which could impact negatively on results. The Group meets risks associated with supply by a process of continuous material and supplier management. The measures involve analyzing the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications, arranging supply contracts, and detailed research into alternative raw materials. At the end of the business year 2014, the intermediate product cellulose was impacted by negative currency influences whereas the price for titanium dioxide eased slightly. The supply contracts meant that the development in prices for the intermediate products of raw paper were included in price determination. An effect on the purchase prices for raw paper cannot yet be quantified at this stage and is only expected in the business year 2015 on account of the so-called tanker effect (delayed effect of market prices due to stockpiling). When the situation is analyzed overall, the costs for the most important raw materials of the two Strategic Business Units remained slightly below the level of the previous year during the year under review.

A risk was identified in the procurement risks for the Strategic Business Unit Plastics in damage class 3 and probability class 3. The other procurement risks for the two Strategic Business Units were below the threshold of € 000s 500.

The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significant positive impact on the earnings situation. However, the falling price of crude oil at the end of the business year 2014 only exerted a marginal impact on the procurement situation of SURTECO, because raw papers are not dependent on this raw material and prices for plastics only eased slightly.

The integration of the SÜDDEKOR Group also offers an opportunity to generate synergies in the sourcing of raw materials. Furthermore, the research and development departments have a rolling programme of research into alternative raw materials and additives so that there is a possibility of identifying cheaper substitute projects or higher quality materials at the same price.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and adaptation of the information technologies used in the Group. Against the background of a growing potential for risk based on increasing integration of computer-supported business processes in communication between the Group companies and in communication with customers, suppliers and business partners, ongoing development of the measures used to make information secure are a top priority. SURTECO limits risks relating to the availability, dependability and efficiency of information technology systems by making strategic investments. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can be avoided through implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.

No significant risks were identified for information technologies in either of the Strategic Business Units.

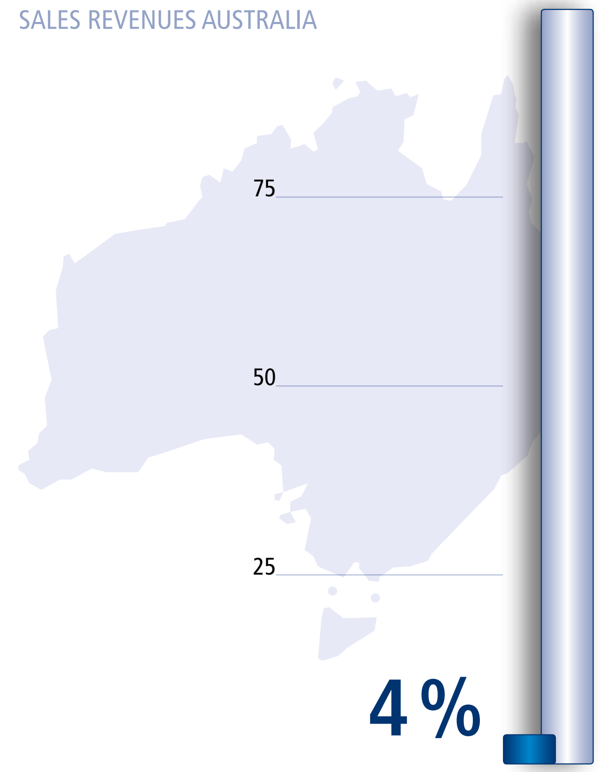
PERSONNEL RISKS

The success of the company is dependent on having a workforce of qualified personnel at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the skills of technical specialists and managers. The employees of SURTECO receive regular basic and advanced training inside the company and with external providers in order to ensure staff have the appropriate qualifications in the relevant functions and countries.

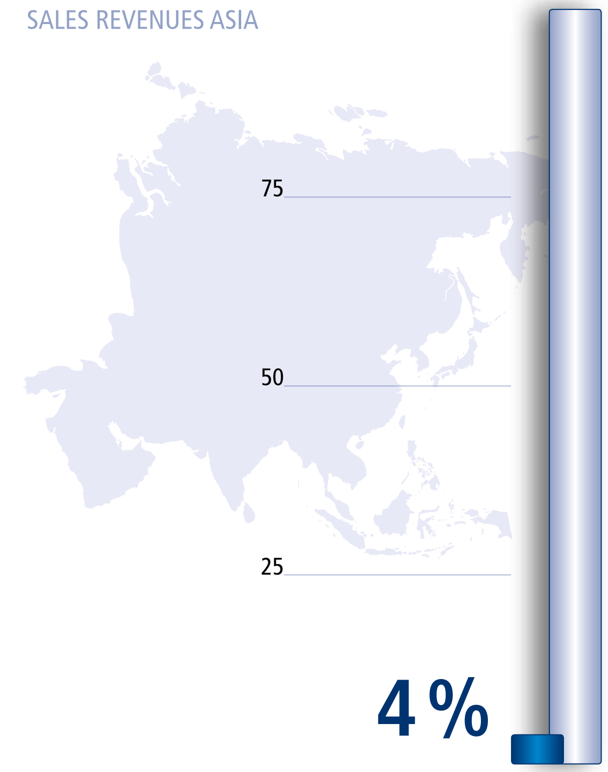
No significant personnel risks were identified above the threshold of € 000s 500 in the SURTECO Group.

PERCENTAGE OF TOTAL SALES

SALES REVENUES AUSTRALIA



SALES REVENUES ASIA



PRODUCTION RISKS / TECHNOLOGY OPPORTUNITIES

An efficient and smooth-running production process is the enabler for the delivery capability of the companies. This entails the risk that machines or equipment may break down or the production workflow may be disrupted in some other way. To a certain extent, SURTECO is able to distribute production over several sites and thereby virtually eliminate the risk of downtime. The production procedures, manufacturing technology, the machines used and the processes are being permanently developed and optimized. Furthermore, the systems and equipment are carefully maintained and the employees receive intensive training. If there are any complaints, extensive investigations are carried out in order to ascertain the causes. It is not possible to exclude the possibility that complaints may actually be traced to intermediate products, and when this is the case it is not always effective to seek recourse with the supplier. Environmental officers apply defined standards and regulations to monitor the environmental safety of products and production.

A number of individual risks were identified in this risk category for both Strategic Business Units with potential damage of less than the threshold of € 000 500. A production risk above the threshold of € 000 500 was identified for the Strategic Business Unit Plastics. This risk was in the damage class 3 and the probability class 3.

The product area also offers opportunities. A continuous improvement process was therefore implemented to identify and continuously realise any established potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company. Particularly in the case of plastics production, manufacturing processes continued to be optimized in the business year 2014 and the production facilities were harmonized to bring about a further increase in efficiency.

FINANCIAL RISKS

INTEREST AND CURRENCY RISKS, CURRENCY OPPORTUNITIES

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros may entail risks which can only

be hedged to a certain extent. Opportunities may arise from correspondingly positive developments in currencies. For example, it was possible to generate positive effects in the Group finances during the course of the business year 2014, particularly from the conversion of the USD. However, negative currency effects were posted in operating business overall in the conversion of business figures.
Interest risks are mainly incurred for current financial liabilities. The majority of non-current financial liabilities are structured with fixed-interest rates. SURTECO meets the remaining interest and currency risks by hedging positions with derivative financial instruments, and regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed by the central Treasury with the Board of Management and the responsible Managing Directors, and decisions are arrived at jointly.
A currency risk in damage class 1 and probability class 4 was identified for the Strategic Business Unit Plastics.

LIQUIDITY RISKS

The Corporate Treasury Department is responsible for monitoring and controlling the liquidity of the Group and the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.
Nevertheless, there is a risk that earnings and liquidity can be compromised by default on accounts receivable and non-compliance with payment targets. The company counters this risk by regularly reviewing the credit rating of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and cover provided by appropriate trade credit insurance policies.
No significant liquidity risks were identified above the threshold of € 000s 500 in the SURTECO Group.

FINANCING RISKS AND FINANCING OPPORTUNITIES

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the financial liabilities of the Group have residual terms of up to five years (see also maturity structure in the item 30.3) and have fixed interest rates. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with the lenders at standard market conditions in loan agreements, e.g. interest coverage factor, and these have to be complied with by SURTECO. These indicators are continuously monitored by the Board of Management and the Supervisory Board. If there is an impending breach of any of the indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with during the business year 2014. The current view is it will be possible to comply with the financial indicators in the business year 2015. No significant financial risks above the threshold of € 000 500 were identified in the SURTECO Group.

FLUCTUATIONS IN VALUES FOR DERIVATIVES AND PARTICIPATIONS

The SURTECO Group recognizes goodwill in the balance sheet. The values in use for the cash generating units of the Group were assessed as being higher than the book values within the scope of the impairment test for the business year 2014. As a consequence, no impairments were carried out. There was also no requirement for adjustments in any of the participations of SURTECO SE. However, the possibility that planned targets may not be reached in the future cannot be excluded; there may also be a requirement to carry out an impairment.
The derivative financial instruments concluded by the Group for hedging purposes and in order to reduce risks are valued on a monthly basis. If there are significant fluctuations in underlying values such as interest base rates and currency parities, this may exert a negative impact or improve the earnings of the Group. Item 30 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.
No significant risks arising from fluctuations in the value of derivatives and participations above the threshold of € 000s 500 were identified in the SURTECO Group.

RISKS FROM CORPORATE GOVERNANCE/ COMPLIANCE

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on sales and profitability.
The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the products manufactured by the SURTECO Group acts to reduce risk. SURTECO is not currently involved in any court or arbitration proceedings that could exert a significant influence on the commercial situation of the Group.
When business activities are located in third-party countries and at foreign locations of the Group, there is a risk of social unrest, and economic and political instability. This may result in nationalization of private assets.
A risk with damage class 1 and probability class 2 and a risk with damage class 1 and probability class 3 was identified in the Strategic Business Unit Plastics above the threshold of € 000s 500 in this risk class. At Group level, a risk with damage class 2 and probability class 1 was identified in this risk class.

OVERALL RISK ASSESSMENT

SURTECO regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Board of Management and the Supervisory Board are informed of risks at an early stage. The risk early warning system was reviewed in the course of the audit of the annual financial statements by audit company PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. It meets the statutory requirements for this kind of system. There are no risks which alone or in combination with other risks could pose a threat to the continued existence of the company as a going concern. Future risks posing a threat to the continued existence of the company as a going concern cannot currently be identified.
An overall analysis of all risks and opportunities demonstrates that the material influencing factors for SURTECO come from the markets. These risks include developments in price and quantity caused by the economic cycle impacting on customer industries and sectors, and developments in the procurement markets. Consequently, the main potential for risk relates to a recession in the global economy or in individual markets relevant for SURTECO and an ensuing collapse in the relevant sectors. By the same token, a global or regional economic upswing also offers the most significant opportunities for more positive business development at the SURTECO Group.
An overall assessment of all the opportunities and risks for the Strategic Business Unit paper yields a balanced relationship. The potential of the identified risks outweighs the opportunities in the Strategic Business Unit Plastics.
The opportunities and risks described can exert a significant effect on the net assets, financial position and results of the Group's operations. Additional risks that are unknown at the moment and that are believed to be very low at the current point in time could also impact negatively on business activities.

OUTLOOK REPORT

Robust growth in the global economy expected for 2015

The latest forecast by the International Monetary Fund (IMF) in January 2015 predicts global economic growth of 3.5 % and this therefore represents a slight increase compared with the previous year (+3.3 %). A significantly positive stimulus has been provided in this context by the low prices for oil. However, negative factors are counteracting this effect, such as the slow-down in dynamic growth in China, uncertainties in the international financial markets and sustained geopolitical tensions. In the eurozone, the IMF is anticipating a further improvement albeit at a low level and growth of 1.2 %. The recovery in the crisis countries of Spain and Italy should provide a positive effect here, although slightly lower growth than in 2014 (+1.3 %) is projected for Germany. The experts have given a positive forecast for the US economy. The increase in economic output of 3.6 % is primarily powered by domestic demand, which is being strengthened by the low price of oil and financial measures taken by the government. An increase in output of 6.4 % means that Asia will again be the region with the highest economic growth out of the country groups that are relevant for SURTECO, although a bigger fall in economic growth to 6.8 % is forecast for the biggest economy there in the form of China.

Furniture industry expects no further setbacks in the sector for 2015

The sector association VDM expects the German furniture industry to post moderate growth between one and two percent in the year 2015. The

IMF GROWTH FORECASTS FOR 2015 IN %

World	+3.5
Germany	+1.3
Eurozone	+1.2
Central and Eastern Europe	+2.9
USA	+3.6
Latin America	+1.3
Asia	+6.4

Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2015

positive development is anticipated both in Germany and abroad. The association attributes the domestic demand to the time-delayed effect of the positive development in the construction sector and to higher disposable income and greater financial scope for manoeuvre due to falling energy costs. As far as countries outside Germany are concerned, positive developments are expected in the United Kingdom, the Netherlands and parts of Eastern Europe. Additional growth is also anticipated in the USA. The difficult economic situation in France means that no improvement in export sales is likely there. Further declines in exports are expected in China and Russia on account of the slowdown in the economy and the geopolitical position.

FRAMEWORK CONDITIONS FOR THE SURTECO GROUP

The framework conditions for the SURTECO Group are essentially influenced by the global economic development, dynamic performance in the wood-based materials, flooring and furniture sector, and the employment situation. Although the desired upswing in southern and eastern European markets is likely to be delayed, the company is assuming a marginally positive development in global demand. SURTECO is also expecting the sectors to generate modest stimuli for growth. However, this is subject to the prerequisite that there is no deterioration in the conflict in Ukraine and that the economic situation in Greece does not lead to turbulence in the markets. There are also uncertainties on the procurement side because the positive effect of low crude oil prices may be counteracted by currency effects and these could impact negatively on prices for raw paper.

SALES FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

The Strategic Business Unit Paper and the Strategic Business Unit Plastics are planning organic growth for the business year 2015 and anticipating a modest increase in sales revenues. This forecast is also transferred to the consolidated sales of the SURTECO Group so that a slight increase is anticipated for 2015 compared with the previous year.

EARNINGS FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

As far as the earnings forecast is concerned, SURTECO is assuming a pre-tax profit which has been adjusted by restructuring expenses (€ 9.4 million). On this basis, the company expects a modest increase and is forecasting EBT just above € 32 million for 2015.
A slight increase in the pre-tax result is expected as a result of a modest increase in sales at the Strategic Business Unit Paper and synergy effects taking into account integration costs. The expected increase in business volume at the Strategic Business Unit Plastics should also lead to a slight increase in the pre-tax result.

COVENANTS

SURTECO assumes that the covenants will be complied with for the year 2015.

COMPENSATION REPORT

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

COMPENSATION OF THE BOARD OF MANAGEMENT

Definition and review of the compensation structure

The compensation structure and the level of compensation of the Members of the Board of Management are defined on the basis of the proposal of the Supervisory Board's Personnel Committee and are regularly reviewed. The existing compensation system establishes a level of remuneration appropriate to the activity and responsibility of the Members of the Board of Management. Alongside the functions of the individual Members of the Board of Management and their personal performance, further factors taken into account include the economic situation, the success and future prospects of the company, and the commensurate nature of the compensation in view of the comparative environment and the compensation structure otherwise applicable within the SURTECO Group.
Against the background of the Act on the Appropriateness of Management Board Compensation (VorstAG), which came into force on 5 August 2009, the Supervisory Board has reviewed the compensation system with the assistance of external expert consultants and has come to the conclusion that it complies with the applicable statutory regulations and the recommendations of the German Corporate Governance Code with the exception of the deviation published in the Declaration of Conformity.

The compensation system is described below for the reporting year.

Compensation elements

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

Basic salary

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

Bonuses

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

Non-cash benefits and other payments

The Members of the Board of Management receive fringe benefits in the form of non-cash benefits that fundamentally entail values to be recognized from the tax guidelines for use of a company car and various insurance premiums. The Members of the Board of Management each receive an annual allowance amounting to € 100,000 for retirement provision. To the extent that the company does not have to pay employer contributions for the members of the Board of Management, each Member of the Board of Management receives an additional remuneration amounting to the relevant employer contributions that have been saved.

D&O insurance

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

Payments by third parties

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

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

Awarded allowances	Friedhelm Päfgen				Dr.-Ing. Herbert Müller			
	Chairman, Group Strategy, Strategic Business Unit Paper				Strategic Business Unit Plastics			
€ 000s	**2013**	**2014**	**2014 (Min)**	**2014 (Max)**	**2013**	**2014**	**2014 (Min)**	**2014 (Max)**
Fixed compensation	252	252	252	252	252	252	252	252
Fringe benefits	32	25	0	-[1]	34	34	0	-[1]
Total	**284**	**277**	**252**	**-[1]**	**286**	**286**	**252**	**-[1]**
Variable compensation for one year	871	1,001	0	-[1]	729	845	0	-[1]
Variable compensation over several years	-[2]	-[2]	-[2]	-[2]	-[2]	-[2]	-[2]	-[2]
Total	**1,155**	**1,278**	**252**	**-[1]**	**1,015**	**1,131**	**252**	**-[1]**
Pension expenses	100	100	100	100	100	100	100	100
Total compensation	**1,255**	**1,378**	**352**	**-[1]**	**1,115**	**1,231**	**352**	**-[1]**

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

The following table shows the inflow (amount paid out) for the business years 2013 and 2014 from fixed remuneration, fringe benefits, variable compensation for the year and pension expenses. The table contains the same values as the table showing the allowances granted because in previous years there was no loss arising from ordinary business activities and this could not therefore be taken into account when measuring the variable compensation.

Cash inflow	Friedhelm Päfgen		Dr.-Ing. Herbert Müller	
	Chairman, Group Strategy, Strategic Business Unit Paper		Strategic Business Unit Plastics	
€ 000s	**2014**	**2013**	**2014**	**2013**
Fixed compensation	252	252	252	252
Fringe benefits	25	32	34	34
Total	**277**	**284**	**286**	**286**
Variable compensation for one year	1,001	871	845	729
Variable compensation over several years	-[1]	-[1]	-[1]	-[1]
Miscellaneous	-	-	-	-
Total	**1,278**	**1,155**	**1,131**	**1,015**
Pension expenses	100	100	100	100
Total compensation	**1,378**	**1,255**	**1,231**	**1,115**

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

Loans to Members of the Board of Management

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

Benefits for preliminary termination of employment

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

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

COMPENSATION FOR THE SUPERVISORY BOARD

Compensation elements

The compensation for Members of the Supervisory Board is regulated in § 12 of the Articles of Association. Accordingly, the Members of the Supervisory Board receive, apart from reimbursement of their expenses, compensation payable after the business year has come to an end and after the resolution on the appropriation of the profit has been passed by the Annual General Meeting. The compensation is € 400.00 per eurocent dividend per share for the year for which compensation is paid, but a minimum of € 18,000.00. If the dividend exceeds 90 eurocents per share, the compensation per eurocent shall only be € 200.00 for the part of the dividend which exceeds 90 eurocents. The compensation increases by a factor of two times

Compensation for the Supervisory Board 2014:

€	Total compensation		Basic salary	Compensation for work carried out on the Audit Committee
	2013	**2014**		
Dr.-Ing. Jürgen Großmann, Chairman	61,800	62,100	56,000	6,100
Björn Ahrenkiel, Vice Chairman	60,100	53,700	42,000	11,700
Dr. Markus Miele, Deputy Chairman	42,300	42,000	42,000	-
Josef Aumiller until 27 June 2014	28,200	13,700	13,700	-
Dr. Matthias Bruse	33,600	34,100	28,000	6,100
Horst-Jürgen Dietzel from 27 June 2014	-	14,300	14,300	-
Markus Kloepfer	28,200	28,000	28,000	-
Udo Sadlowski	28,200	28,000	28,000	-
Dr.-Ing. Walter Schlebusch	33,600	34,100	28,000	6,100
Thomas Stockhausen	28,200	28,000	28,000	-
Total	**344,200**	**338,000**	**308,000**	**30,000**

for the Chairman of the Board of Management and by one and a half times for a deputy chairman. The members of the Audit Committee also receive a further remuneration amounting to a total of up to € 40,000 annually. The Supervisory Board decides on the amount and allocation of this further remuneration based on the proposal by the Audit Committee, at their discretion taking into account the time taken by each of the members of the Audit Committee to carry out their functions.

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

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

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

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

CAPITAL STOCK

The subscribed capital (capital stock) of SURTECO SE is € 15,505,731.00 and is fully paid up. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case.
Each share guarantees one vote at the Annual General Meeting of the company. Apart from the statutory restrictions in certain cases, there are no restrictions on the voting right. There are no different categories of voting rights.

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

The Board of Management is authorized to increase the capital stock of the company once or in partial amounts by up to € 1,500,000.00 overall with the consent of the Supervisory Board through the issue of no-par-value bearer shares, for a cash consideration (Authorized Capital I) and once or in partial amounts by up to € 6,200,000.00 overall through the issue of no-par-value bearer shares, for a cash consideration or non-cash contributions (Authorized Capital II). Further information on capital stock is provided in the notes to the consolidated financial statements (no. 27) or in the notes of SURTECO SE (item 5).

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Board of Management is aware that shareholders of SURTECO SE have joined together to form an association under civil law entitled "Share pool SURTECO". The objective of this pool is to jointly exercise the voting rights of 6,131,475 no-par-value shares in SURTECO SE (status 31 December 2014). Dispositions over shares in SURTECO SE are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

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

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

Name, place	Voting rights in %
1. Klöpfer & Königer Management GmbH*, Garching	14.39
2. Klöpfer & Königer GmbH & Co. KG*, Garching	14.39

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

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT

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

"CHANGE OF CONTROL" CLAUSE

If there is a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the month specified following the month of their submitting the notice of termination. They are entitled to payment of the outstanding fixed annual remuneration for the remaining term of the contract as a lump sum and an amount in the sum of € 500,000.00 for each year of the contract term commenced for which a bonus has not yet been paid.

DECLARATION ON CORPORATE MANAGEMENT

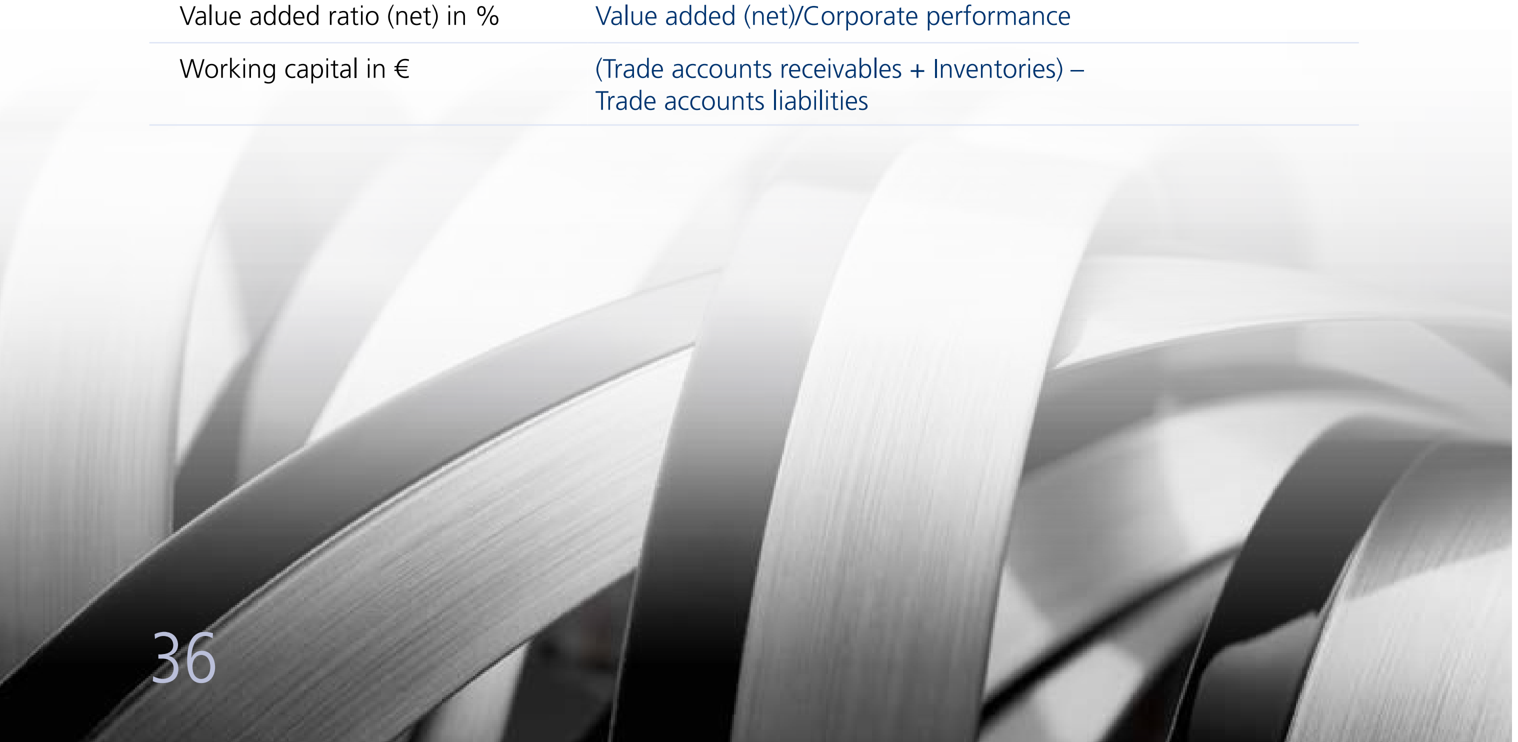
The Declaration on Corporate Management pursuant to § 289a German Commercial Code (HGB) in the form of the Corporate Governance Report, the Declaration of Compliance with justification and archive, relevant information on company management practices, the composition and working methods of the Board of Management and the Supervisory Board including its committees, the Articles of Association (statutes), the information on Directors' Dealings, and the auditor for 2014, can be accessed on the home page of the company by going to www.surteco.com and clicking on the menu item "Explanation of Corporate Management".

DIVIDEND PROPOSAL

The Board of Management and Supervisory Board of SURTECO SE will recommend that the Annual General Meeting of the company to be held on 26 June 2015 in Munich adopt a resolution that the net profit of SURTECO SE amounting to € 16,898,158.58 should be distributed as follows: payment of a dividend per share amounting to € 0.70 (2013: € 0.65). This corresponds to a total amount distributed as dividend of € 10,854,011.70 for 15,505,731 shares. Transfer to retained earnings of € 6,000,000.00 and carry-forward of € 44,146.88.

CALCULATION OF INDICATORS

Cost of materials in %	Cost of materials/Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation and amortization)/Net debt
Dividend yield at year end in %	Dividend per share/Year-end share price
Earnings per share in €	Consolidated net profit/ Weighted average of the issued shares
EBIT margin in %	EBIT/Sales revenues
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash flow from current business operations – (Acquisition of property, plant and equipment + Acquisition of intangible assets + Acquisition of companies + Proceeds from disposal of property, plant and equipment + Dividends received)
Gearing in %	Net debt/Equity
Interest cover factor	EBITDA/(Interest income – Interest expenses)
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities and Long-term financial liabilities – Cash and cash equivalents
Personal expense ratio in %	Personnel expenses/Total output
Return on equity in %	Consolidated net profit/(Equity – non-controlling interests – Appropriation of profit)
Return on sales %	(Consolidated net profit + Income tax)/Sales revenues
Total return on total equity in %	(Consolidated net profit + Income tax + Interest expense)/Total equity (= Balance sheet total)
Value added in €	(Sales revenues + Other income) – (Cost of materials + Depreciation and amortization + Other expenses)
Value added ratio (net) in %	Value added (net)/Corporate performance
Working capital in €	(Trade accounts receivables + Inventories) – Trade accounts liabilities



THE SURTECO SHARE

SHARE PRICE PERFORMANCE 2014 IN €

HIGH LEVEL OF VOLATILITY IN EUROPEAN EQUITY MARKETS IN 2014

2014 was a turbulent year for global equity markets which was defined by various economic framework conditions. The robust economic performance in the USA was reflected in positive price performance on US stock exchanges. The Dow Jones achieved an all-time high of more than 18,000 points at the end of December and the year concluded with a price gain of 7.5 %. In contrast to this positive performance, the European equity market was subject to high levels of volatility in view of the weaker economic development. The significantly positive trend experienced in the first half of the year was brought to a halt by the deteriorating crisis in Ukraine and this led to a significant collapse in prices during August. After the situation calmed down somewhat in September, a further collapse of the DAX saw share performance descending to a low for the year at 8,572 points. Economic confidence bolstered by the major drop in the price of oil then brought about a rally at the close of the year which drove the DAX above 10,000 points in December. At the end of the year, the German benchmark index was at 9,805.55 points, posting an increase of 2.7 % for the year.

A similarly high level of volatility was evident in the SDAX Small Cap Index. This lists the 50 biggest companies by market capitalisation and share turnover on the stock exchange below the MDAX, and the shares in SURTECO have been listed on the SDAX since spring 2014. Following the volatility during the course of the year, the SDAX ended the year with an increase of 5.9 % to 7,186.21 points. The EURO STOXX50 benchmark index also concluded the year on a positive note with modest growth of 1.2 %.

SURTECO SHARE CONTINUES TO INCREASE IN 2014

The SURTECO share booked a dynamic start to 2014. Starting from a price of around 23 euros at the beginning of the year, the listed price climbed to a high for the year of € 31.45 in the middle of June, despite a minor price setback in April. Once again, the share continued to lose significant ground through to the fourth quarter. On 15 December, a low for the year of € 22.27 was reached. However, the end of the year witnessed a resurgent demand and the share ended the reporting year at € 24. Over the course of the year, the share therefore posted a price gain of 4.1 % with a dividend yield of around 2.9 %.

MARKET CAPITALISATION ROSE THROUGH PRICE PERFORMANCE TO € 372 MILLION

The market capitalization of the company went up from € 357 million at year-end 2013 to € 372 million at the end of December 2014 due to the positive price performance of the SURTECO share. The free float remained constant at 45.4 %, as did the number of shares at 15,505,731 no-par-value shares. 54.6 % of the shares continue to be in the hands of the founding shareholders.

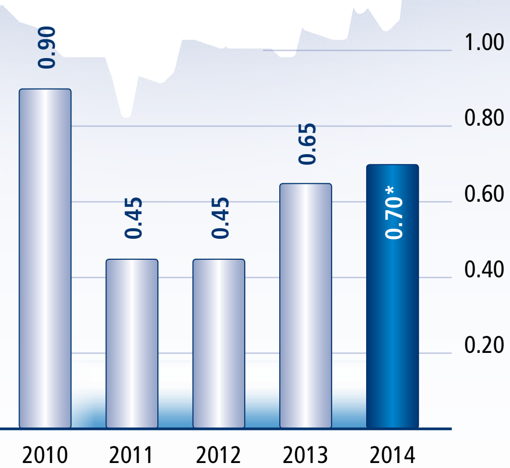
INCREASE IN DIVIDEND PAYOUT PLANNED

SURTECO has traditionally been a dividend share which enables its shareholders to participate appropriately in the success of the company. The Board of Management and the Supervisory Board intend to submit a proposal at the Annual General Meeting for the business year 2014 to pass a resolution for a modest increase in dividend to € 0.70 (2013: € 0.65) in view of the robust operating performance. Based on the closing price for the share at the end of 2014, this represents a dividend yield of around 2.9 %.

INTENSIFIED INVESTOR RELATIONS WORK ON THE BASIS OF THE SDAX LISTING

The SURTECO share was listed in the SDAX with effect from 24 March 2014 as a result of the successful capital increase following the acquisition of Süddekor at the end of 2013 and on account of the associated significant increase in the trading volume of the shares. As a result of this listing, the company significantly increased its investor relations activities.
Open and transparent communication with all the participants in the capital market is a top priority for the Board of Management of SURTECO SE. Personal discussions with investors and analysts, and presentations at capital market conferences in Germany and abroad will continue to be the focus of investor relations activities in 2015. All information on the company can be found on the Internet pages of SURTECO SE (www.surteco.com), and the Investor Relations Department can be contacted directly at any time to address questions or matters you wish to discuss.

DEVELOPMENT OF THE DIVIDEND 2010-2014 IN €



* Proposal by the Board of Management and the Supervisory Board

SURTECO SHARES (CLOSE PRICE XETRA)

€	2013	2014
Number of shares at 31 December	15,505,731	15,505,731
Number of shares weighted average	11,767,363	15,505,731
Price at start of year	17.25	22.70
Year-end price	23.05	24.00
Price per share (high)	24.02	31.45
Price per share (low)	16.50	22.27
Stock-market turnover in shares per month	173,214	161,529
Market capitalization at year-end in € 000s	357,407	372,138
Free float in %	45.4	45.4

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

in € 000s	2013*	2014
Sales	402,115	618,469
EBITDA	59,660	62,842
EBIT	37,047	27,607
EBT	27,991	22,263
Consolidated net profit	21,876	18,464

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2013	2014
Earnings (by weighted average of shares issued)	1.86	1.19
Dividend	0.65	(Proposal by the Board of Management and Supervisory Board) 0.70
Dividend yield at year-end in %	2.8	2.9

INDICATORS OF THE SHARE

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

CONSOLIDATED FINANCIAL STATEMENTS 2014

CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2013*	1/1/-31/12/ 2014
Sales revenues	(1)	**402,115**	**618,469**
Changes in inventories	(2)	-1,575	3,803
Other own work capitalized	(3)	3,840	5,209
Total output		**404,380**	**627,481**
Cost of materials	(4)	-184,284	-317,212
Personnel expenses	(5)	-108,074	-159,841
Other operating expenses	(6)	-69,378	-92,914
Other operating income	(7)	17,016	5,328
EBITDA		**59,660**	**62,842**
Depreciation and amortization	(17)	-22,613	-35,235
EBIT		**37,047**	**27,607**
Interest income		763	707
Interest expenses		-9,325	-10,360
Other financial expenses and income		-733	4,124
Share of profit of investments accounted for using the equity method		239	185
Financial result	(8)	-9,056	-5,344
EBT		**27,991**	**22,263**
Income tax	(9)	-6,010	-3,765
Net income		**21,981**	**18,498**
Of which:			
Owners of the parent (consolidated net profit)		21,876	18,464
Non-controlling interests		105	34
Basic and diluted earnings per share (€)	(10)	1.86	1.19
Number of shares at 31 December		15,505,731	15,505,731
Weighted average number of shares		11,767,363	15,505,731

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

STATEMENT OF COMPREHENSIVE INCOME

€ 000s		1/1/-31/12/2013*		1/1/-31/12/2014
Net income		**21,981**		**18,498**
Components of other comprehensive income not to be reclassified to the income statement				
Remeasurements of defined benefit obligations	-106		-1,342	
of which included deferred tax	32		387	
		-74		**-955**
Components of other comprehensive income that may be reclassified to the income statement				
Net gains/losses from hedging of net investment in a foreign operation	-739		-1,469	
of which included deferred tax	222		444	
Exchange differences translation of foreign operations	-4,792		3,952	
Financial instruments available-for-sale				
Fair valuation of cash flow hedges	-448		-136	
of which including deferred tax	129		43	
Reclassification amounts in the income statement	-248		-253	
of which included deferred tax	74		74	
		-5,802		**2,655**
Other comprehensive income for the year		**-5,876**		**1,700**
Comprehensive income		**16,105**		**20,198**
Owners of the parent (consolidated net profit)		16,042		20,182
Non-controlling interests		63		16

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2013*	31/12/2014
ASSETS			
Cash and cash equivalents	(11)	51,124	43,060
Trade accounts receivable	(12)	54,750	61,670
Inventories	(13)	102,925	110,638
Current income tax assets	(14)	6,503	8,025
Other current non-financial assets	(15)	10,248	9,171
Other current financial assets	(15)	1,751	2,524
Assets held for sale	(16)	721	7,329
Current assets		**228,022**	**242,417**
Property, plant and equipment	(18)	244,773	237,198
Intangible assets	(19)	29,734	26,266
Goodwill	(20)	110,717	110,808
Investments accounted for using the equity method	(21)	3,311	3,545
Financial assets	(21)	22	21
Non-current income tax assets	(14)	407	282
Other non-current financial assets	(25)	1,507	8,182
Deferred taxes	(9)	7,616	7,950
Non-current assets		**398,087**	**394,252**
		626,109	**636,669**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(25)	55,600	5,563
Trade accounts payable		37,273	45,359
Income tax liabilities	(22)	1,198	2,968
Short-term provisions	(23)	3,330	12,052
Other current non-financial liabilities	(24)	4,408	3,220
Other current financial liabilities	(24)	25,516	22,383
Current liabilities		**127,325**	**91,545**
Long-term financial liabilities	(25)	146,740	183,336
Pensions and other personnel-related obligations	(26)	10,967	12,738
Other non-current financial liabilities	(25)	561	0
Deferred taxes	(9)	29,491	27,949
Non-current liabilities		**187,759**	**224,023**
Capital stock		15,506	15,506
Capital reserve		122,798	122,755
Retained earnings		150,503	164,050
Consolidated net profit		21,876	18,464
Capital attributable to owners of the parent		**310,683**	**320,775**
Non-controlling interests		342	326
Equity	(27)	**311,025**	**321,101**
		626,109	**636,669**

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1/-31/12/ 2013*	1/1/-31/12/ 2014
Earnings before income tax		**27,991**	**22,263**
Payments for income tax		-8,798	-7,435
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(17)	22,613	35,235
- Interest income and result from investments	(8)	9,351	5,540
- Gains/losses from the disposal of fixed assets		0	-594
- Change in long-term provisions		-429	1,755
- Gains from business combination		-13,450	0
- Other expenses/income with no effect on liquidity		-1,010	-3,374
Internal financing		**36,268**	**53,390**
Increase/decrease in			
- Trade accounts receivable	(12)	11,327	-5,498
- Other assets		-315	1,090
- Inventories	(13)	3,133	-5,156
- Accrued expenses		-104	8,708
- Trade accounts payable		3,617	6,149
- Other liabilities		868	-4,411
Change in assets and liabilities (net)		**18,526**	**882**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(31)	**54,794**	**54,272**
Acquisition of business		-99,000	0
- net of cash acquired		797	0
Sale of companies		5,044	0
Purchase of property, plant and equipment	(18)	-26,093	-26,731
Purchase of intangible assets	(19)	-4,854	-2,466
Proceeds from the disposal of property, plant and equipment		370	1,680
Dividends received		119	120
CASH FLOW FROM INVESTMENT ACTIVITIES	(31)	**-123,617**	**-27,397**
Proceeds from capital increase		75,545	0
Dividend paid to shareholders	(27)	-4,984	-10,079
Proceed of long-term financial liabilities	(30)	0	33,000
Repayment of long-term financial liabilities	(30)	-1,008	-437
Changes in short-term financial liabilities	(30)	544	-50,068
Interest received	(8)	763	707
Interest paid	(8)	-10,114	-8,596
CASH FLOW FROM FINANCIAL ACTIVITIES	(31)	**60,746**	**-35,473**
Change in cash and cash equivalents		**-8,077**	**-8,598**
Cash and cash equivalents			
1 January		61,290	51,052
Effect of changes in exchange rate on cash and cash equivalents		-1,292	606
Acquisition of cash and cash equivalents		-797	0
31 December	(11)	**51,124**	**43,060**

* Adjusted on the basis of first-time application of IFRS 11 and IAS 28

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Capital reserve	Retained earnings				Consolidated net profit	Non-controlling interests	Total
			Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings			
1 January 2013	**11,076**	**50,416**	**1,260**	**-652**	**-3,998**	**149,748**	**15,028**	**300**	**223,178**
Net income	0	0	0	0	0	0	21,876	105	21,981
Other comprehensive income	0	0	-493	-74	-5,309	0	0	0	-5,876
Comprehensive income	**0**	**0**	**-493**	**-74**	**-5,309**	**0**	**21,876**	**105**	**16,105**
Dividend payout SURTECO SE	0	0	0	0	0	0	-4,984	0	-4,984
Issue of ordinary shares	4,430	72,382	0	0	0	0	0	0	76,812
Acquisition of shares of non-controlling interests	0	0	0	0	0	0	-23	-63	-86
Allocation to retained earnings	0	0	0	0	0	10,021	-10,021	0	0
Changes in equity	**4,430**	**72,382**	**0**	**0**	**0**	**10,021**	**-15,028**	**-63**	**71,742**
31 December 2013	**15,506**	**122,798**	**767**	**-726**	**-9,307**	**159,769**	**21,876**	**342**	**311,025**
1 January 2014	**15,506**	**122,798**	**767**	**-726**	**-9,307**	**159,769**	**21,876**	**342**	**311,025**
Net income	0	0	0	0	0	0	18,464	34	18,498
Other comprehensive income	0	0	-272	-955	2,977	0	0	-50	1,700
Comprehensive income	**0**	**0**	**-272**	**-955**	**2,977**	**0**	**18,464**	**-16**	**20,198**
Dividend payout SURTECO SE	0	0	0	0	0	0	-10,079	0	-10,079
Issue of ordinary shares	0	-43	0	0	0	0	0	0	-43
Allocation to retained earnings	0	0	0	0	0	11,797	-11,797	0	0
Changes in equity	**0**	**-43**	**0**	**0**	**0**	**11,797**	**-21,876**	**0**	**-10,122**
31 December 2014	**15,506**	**122,755**	**495**	**-1,681**	**-6,330**	**171,566**	**18,464**	**326**	**321,101**

SURTECO SE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE BUSINESS YEAR 2014

I. ACCOUNTING PRINCIPLES

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

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2014 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 2014.

The consolidated financial statements and the consolidated management report for 2014 will be published in the Federal Gazette (Bundesanzeiger).

Some items in the consolidated income statement and the consolidated balance sheet for the Group have been combined and stated separately in the Notes to the Consolidated Financial Statements. This is intended to improve the clarity and informative nature of presentation. The income statement has been drawn up in accordance with the cost of production method.

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

On 22 April 2015, the Board of Management of SURTECO SE approved the consolidated financial statements for forwarding to the Supervisory Board of the company. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements.

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

CHANGE IN ACCOUNTING AND VALUATION METHODS

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

During the business year, the following new and revised standards and interpretations listed below were applied for the first time. They give rise to the following effects on the net assets, financial position and results of operations.

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Effects on SURTECO
IAS 27 (R)	Separate financial statements	1/1/2014	yes	none
IAS 28 (R)	Shares in associated companies and joint ventures	1/1/2014	yes	yes
IAS 32 (A)	Financial instruments: Presentation Offsetting financial assets and financial liabilities	1/1/2014	yes	none
IAS 36 (A)	Impairment of assets: Recoverable amount disclosures of non-financial assets	1/1/2014	yes	none
IAS 39 (A)	Financial instruments: Recognition and measurement Novation of derivatives and continuation of hedge accounting	1/1/2014	yes	none
IFRS 10	Consolidated financial statements	1/1/2014	yes	none
IFRS 11	Joint arrangements	1/1/2014	yes	yes
IFRS 12	Disclosure on interests in other entities	1/1/2014	yes	yes
IFRS 10/12 and IAS 27 (A)	Amendment to the standards – Investment companies	1/1/2014	yes	none
IFRS 10/11/12	Amendment to the standards – transition guidelines	1/1/2014	yes	none
(A) Amended				
(R) Revised				

IFRS 11 "Joint arrangements" replaces IAS 31 "Interests in joint ventures" and removes the previously existing possibility of proportionate consolidation of joint ventures. The shareholding in a joint venture is now accounted for using the equity method under the regulations of the amended IAS 28 "Shares in associated companies and joint ventures". The first-time application of IFRS 11 and IAS 28 is mandatory in the EU for business years which begin on or after 1 January 2014. Earlier application is permissible. The SURTECO Group has been applying this standard since 1 January 2014 taking account of the transitional regulations.

The joint ventures of the Strategic Business Unit Plastics, which were previously reported proportionately in the consolidated financial statements, Canplast Mexico S.A. de C.V., Chihuahua, Mexico and Canplast Centro America S.A., Guatemala, are now accounted for using the equity method in accordance with IFRS 11. Reference is made to our comments in section VIII. Adjustment to the consolidated financial statements on the basis of IFRS 11 and IAS 28 in the notes to the consolidated financial statements for further details.

The following new and amended standards and interpretations which did not have to be applied mandatorily during the reporting period or were not yet adopted by the European Union are not be applied in advance. Individual standards were changed in the framework of Annual Improvement Projects (AIP 2010-2012, AIP 2011-2013 und AIP 2012-2014).

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

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 1 (A)	Initiative to improve disclosure requirements (Disclosure Initiative)	1/1/2016*	no	yes
IAS 16 (A)/ IAS 38 (A)	Clarification of acceptable methods of depreciation and amortization for property, plant and equipment and intangible assets	1/1/2016*	no	none
IAS 16 (A)/ IAS 41 (A)	Agriculture: Bearer plants	1/1/2016*	no	none
IAS 19 (A)	Defines the recognition of employees' contributions for defined benefit plans	1/2/2015	yes	none
IAS 27 (A)	Separate financial statements (equity method)	1/1/2016*	no	none
IFRS 9	Financial instruments: Classification and measurement	1/1/2018*	no	yes
IFRS 10(A)/ IAS 28 (A)	Disposal of the assets of an investor in, or contribution to its associated company or joint venture	1/1/2016*	no	none
IFRS 10(A)/ IFRS 12(A)/ IAS 28 (A)	Investment entities – Applying the consolidation exception	1/1/2016*	no	none
IFRS 11(A)	Purchase of shares in joint operations	1/1/2016*	no	none
IFRS 14	Regulatory deferral accounts	1/1/2016*	no	none
IFRS 15	Revenue from contracts with customers	1/1/2017*	no	yes
IFRIC 21	Recognition of a liability for a levy imposed by a government	17/6/2014	yes	none
Changes due to the Annual Improvement Projects (AIP 2010-2012)				
IAS 16	Property, plant and equipment: Revaluation method	1/2/2015	yes	none
IAS 24	Related party disclosures: Key management personnel	1/2/2015	yes	none
IAS 37	Provisions, contingent liabilities and contingent assets	1/2/2015	yes	none
IAS 38	Intangible assets: Revaluation method	1/2/2015	yes	none
IAS 39	Financial instruments: Recognition and measurement	1/2/2015	yes	none
IFRS 2	Share-based payment: Definition of "vesting conditions"	1/2/2015	yes	none
IFRS 3	Business combinations: Accounting of contingent consideration regarding a business combination	1/2/2015	yes	none
IFRS 8	Operating segments: Aggregation of operating segments and reconciliation of the total assets of the operating segment being reported to the assets of the entity	1/2/2015	yes	none

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
Changes due to the Annual Improvement Projects (AIP 2011-2013)				
IAS 40	Investment property: Clarification of the interrelationship between IFRS 3 and IAS 40 in classification of a property as an investment property or owner-occupied	1/1/2015	yes	none
IFRS 3	Business combinations: Scope of exception for joint ventures	1/1/2015	yes	none
IFRS 13	Fair value measurement: Scope of paragraph 52 (portfolio exception)	1/1/2015	yes	none
Changes due to the Annual Improvement Projects (AIP 2012-2014)				
IAS 19	Employees benefits: Outlines the accounting requirements in an international currency area	1/1/2016*	no	none
IAS 34	Interim reporting: Meaning of "statement at another place in the interim report"	1/1/2016*	no	none
IFRS 5	Non-current assets held for sale and discontinued operations: Changes in methods of disposal	1/1/2016*	no	none
IFRS 7	Financial instruments: Disclosure requirements in connection with contracts for managing financial assets and applicability of changes in IFRS 7 to condensed interim financial statements	1/1/2016*	no	none
(A) Amended				
(R) Revised				

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

III. CONSOLIDATED COMPANIES

SURTECO SE and all significant companies (including special-purpose entities), in which SURTECO SE has a controlling influence, are included in the consolidated financial statements on 31 December 2014. Control exists if SURTECO SE is exposed to variable returns from the relationship with a company and has power over the company. Power means that SURTECO SE has existing rights that give it the current ability to direct the relevant activities of the company and thus exert a significant influence over the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. In the case of structured entities, control normally derives from contractual agreements. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which the control exists until it is no longer possible to exercise such control.

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

Four companies are not included in the consolidated financial statements for 2014 (2013: four companies) on the grounds that they either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

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

[€ 000s]	2013	2014
Services rendered (income)	646	1,224
Services received (expense)	82	1
Receivables (31/12/)	1,352	1,421
Liabilities (31/12/)	253	0

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

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

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

	31/12/2013	Change on account of new standards	Additions	Disposals	31/12/2014
Consolidated subsidiaries					
- of which in Germany	14*	0	0	-2	12*
- of which abroad	25	-2	0	-2	21
Subsidiaries reported at acquisition costs					
- of which abroad	4	0	0	0	4
Companies accounted for using the equity method					
- of which in Germany	1	0	0	0	1
- of which abroad	0	2	0	0	2
	44	**0**	**0**	**-4**	**40**

* of which 2 special-purpose entities

The companies included in the consolidated financial statements at 31 December 2014 and the information on subsidiaries and participations held directly and indirectly by SURTECO SE are included in the list under "SURTECO Holdings". The annual financial statements and the management report of SURTECO SE for the business year 2014 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

The first-time consolidation of the Süddekor companies taken over in the previous year was carried out as at 1 December 2013. The preliminary purchase price allocation made in the context of this transaction has not been subject to any adjustment on the basis of new information and knowledge within a period of one year after the acquisition and this is now therefore final.

The joint ventures of the Strategic Business Unit Plastics, which were previously reported proportionately in the consolidated financial statements, Canplast Centro America S.A., Guatemala, and Canplast Mexico S.A. de C.V., Chihuahua, Mexico, are now accounted for using the equity method in accordance with IFRS 11. Reference is made to our comments in section VIII. Adjustment to the consolidated financial statements on the basis of IFRS 11 and IAS 28 in the notes to the consolidated financial statements for further details.

Bausch Decor GmbH was renamed to SURTECO DECOR GmbH with the entry made in the Company Register on 20 June 2014. SURTECO Decorative Surfaces GmbH, Buttenwiesen-Pfaffenhofen, and Süddekor GmbH, Laichingen, were merged with SURTECO DECOR GmbH, Buttenwiesen-Pfaffenhofen, on 26 August 2014. In addition, Bausch (U.K.) Limited, Burnley, United Kingdom, and SUDDEKOR Management, Inc., Agawam, USA, were liquidated during the year under review. This exerted no significant influences on the net assets, financial position and results of operations of the SURTECO Group.

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

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

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

V. CONSOLIDATION PRINCIPLES

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

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

The balance sheet date of the consolidated financial statements coincides with the balance sheet date of the individual companies included in the consolidated financial statements (31/12/2014).

The accounting of business combinations is carried out by the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets provided, the equity instruments issued, and the liabilities incurred or taken over on the date of exchange. Assets, liabilities and contingent liabilities identified in the course of a business combination were valued for first-time consolidation at their fair values at the time of acquisition. For each business acquisition, the Group decides on an individual basis whether the non-controlling shares in the acquired company should be recognized at the fair value or on the basis of the proportionate share in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses if they are incurred.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is reported as goodwill. Any remaining negative difference is recognized in profit or loss.

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

The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity capital as "non-controlling interests". Currently existing non-controlling interests were valued on the basis of the proportionate net assets.

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

An associated enterprise is a company over which the Group can exert a significant influence by influencing the finance and business policy but where the Group does not exercise control. A significant influence is assumed if the Group has a share of the voting rights amounting to 20 % or more. Investments in associated enterprises are valued in accordance with the equity method.

The business year of an associated company ends on a different balance sheet date (30.09). On 31 December 2014, an interim report was therefore available.

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

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

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

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

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

Receivables, liabilities and loans between the Group companies are netted.

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

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

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

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

VI. CURRENCY TRANSLATION

Business transactions in foreign currency are reported at the price on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the balance sheet date are reported at the price on the balance sheet date. Gains and losses arising from changes in price are reported with effect on earnings in the financial result (from non-operating matters) or in other operating income or other operating expenses (from operating matters).

The earnings and the balance sheet items of the foreign subsidiary companies included in the consolidated financial statements which have a different functional currency to the euro are converted into euros as follows. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the balance sheet date, whereas equity capital is translated at historic rates. Expenses and income and hence also the profit/loss for the year recognized in the income statement are translated at the average rate for the year. Differences arising from currency translation for assets and debts compared with translation in the previous year and translation differences between the income statement and the balance sheet are reported with no effect on the income statement under shareholders' equity in retained earnings (currency differences). Since all consolidated companies operate their financial, business and organizational transactions independently, the relevant national currency is the functional currency.

Translation was based on the following currency exchange rates:

Exchange rates in euros		Rate on the balance sheet date		Average rate	
		31/12/2013	**31/12/2014**	31/12/2013	**31/12/2014**
US dollar	USD	0.7264	0.8227	0.7531	0.7536
Canadian dollar	CAD	0.6832	0.7105	0.7314	0.6822
Australian dollar	AUD	0.6496	0.6753	0.7294	0.6796
Singapore dollar	SGD	0.5750	0.6227	0.6019	0.5946
Swedish krona	SEK	0.1133	0.1064	0.1156	0.1100
Sterling	GBP	1.2003	1.2840	1.1775	1.2405
Turkish lira	TRY	0.3395	0.3535	0.3966	0.3443
Polish zloty	PLN	0.2410	0.2336	0.2383	0.2390
Russian rouble	RUB	0.0221	0.0139	0.0237	0.0199
Czech koruna	CZK	0.0365	0.0361	0.0385	0.0363

VII. ACCOUNTING AND VALUATION PRINCIPLES

UNIFORM ACCOUNTING AND VALUATION METHODS

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

CONSISTENCY OF ACCOUNTING AND VALUATION METHODS

The accounting and valuation principles have been complied with, unless defined otherwise below, by comparison with the previous year. As the Süddekor companies were further integrated, processes of standardization were implemented in the course of 2014. This particularly affects the valuation discounts in respect of the inventories and offsetting the deferred tax assets and liabilities. In this connection, there are no significant impacts on the net assets, financial position and results of operations.

STRUCTURE OF THE BALANCE SHEET

Assets and liabilities are recognized as non-current in the balance sheet if their residual term is more than one year or realization is expected within the normal business cycle. Liabilities are generally recognized as current if there is no unrestricted right to fulfil the obligation within the period of the next year. Shorter residual terms are recognized as current assets or liabilities. Pension provisions and other personnel-related obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities.

INCOME AND EXPENSE REALIZATION

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

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

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

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

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

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

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

EBIT
EBIT is earnings before financial result and income tax.

EBT
EBT is earnings before income tax.

EARNINGS PER SHARE

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

DETERMINATION OF THE FAIR VALUE

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

a) Classification
For purposes of subsequent valuation, financial instruments are divided into categories:

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

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

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

1. Financial instruments valued at fair value through profit and loss are financial assets and liabilities which are held for trading purposes. Financial instruments valued as held for trading are allocated to this category if they have been purchased or entered into with the intention of selling them or buying them back in the short term. Derivatives also belong to this category unless they qualify as hedges. SURTECO does not make use of the fair value option.
   Changes in fair value of "financial instruments valued at fair value through profit and loss" are immediately reported in the income statement. They are also reported as current assets and liabilities if they are likely to be realized within twelve months of the balance sheet date.

2. "Financial assets held to maturity" are non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the company intends to hold to maturity and is in a position to do this. Financial instruments in this category are reported at amortized acquisition costs and recognized in accordance with their remaining term as non-current or current assets. Impairments are recorded in the income statement with an effect on earnings. No "financial assets held to maturity" are held in the SURTECO Group.

3. "Loans and receivables" are financial assets which have fixed or determinable payments and are not listed in an active market. They are valued at amortized acquisition costs taking into account necessary impairments. Insofar as they did not arise as a result of supplies and services, they are recognized in the balance sheet under other financial assets in accordance with their maturity as non-current or current assets. Allowances are made for receivables on the basis of objective criteria, in particular in cases of repeated lack of success with reminder activities and subsequent handover of the receivable to external collection service providers, in cases of application for insolvency proceedings and in cases of receivables subject to legal dispute, they are regarded as doubtful and where no knowledge is available which would justify a different assessment. Necessary allowances are recognized in an allowance account.

4. "Financial assets available for sale" are financial assets which at the date of first-time recognition do not come under one of the other categories. They are recognized at fair value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized due to tax effects under equity capital (market valuation of the financial instruments). A calculation is carried out on every balance sheet date to determine whether there is objective evidence to suggest that an impairment of an asset or a group of assets has been incurred. In the case of equity instruments listed on a stock exchange, a permanent decline in the fair value by more than 20 % in the six months prior to the balance sheet date or on a daily average by more than 10 % in the previous twelve months before the balance sheet date below the purchase costs would amount to objective evidence. If a sale or impairment is carried out on the balance sheet date, the fluctuations in value recognized up to that point under equity capital are recognized in the income statement. Impairments for equity instruments are not reversed with effect on income. In the case of equity instruments, an increase in the fair value after a reduction in value is recorded under equity. If financial investments in equity instruments, for which no quoted price is available in an active market, and their fair values cannot be reliably determined, for example for financial assets of non-consolidated companies and participations, the assets are recognized at acquisition costs as appropriate less impairments.

b) Primary financial instruments
Primary financial instruments are reported on the date of fulfilment.
Primary financial instruments are reported on first-time recognition at the fair value taking into account transaction costs. Transaction costs which are incurred during the acquisition of financial assets valued at cash-effective fair value are recorded directly to expense. Derecognition of the financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks, which are associated with the property, were essentially transferred, or otherwise if the power of disposal over assets was transferred.

The liabilities arising from primary financial instruments can either be recognized at the amortized acquisition costs or as "liabilities at fair value through profit and loss". SURTECO values all financial liabilities at amortized acquisition costs. The financial obligations with fixed or determinable payments, which are neither listed on a market arising from financial liabilities nor derivative financial obligations, are recognized in the balance sheet under other liabilities in accordance with their remaining term.

c) Derivative financial instruments and hedging
The Group uses derivative financial instruments, such as forward exchange contracts and interest/currency swaps, in order to hedge risks associated with foreign currency and changes in interest rate which can occur in the course of ordinary business activities and with the scope of investment and financial transactions. Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at the fair value on the date at which the contract is closed. They are subsequently revalued at market value on the balance sheet date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

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

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

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

Hedging transactions which meet the criteria for the reporting of hedging relationships are designated by the SURTECO Group during the business year 2014 as being exclusively cash flow hedges.

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

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

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

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

d) Offsetting of financial assets and liabilities
Financial assets and liabilities are only netted and then recognized as a net amount in the balance sheet if there is a legal entitlement to this and it is intended to bring about a settlement on a net basis or release the associated liability and realize the asset simultaneously.
The legal entitlement to offsetting must not depend on a future event and must be implementable in the course of normal business and in the case of a default, an insolvency or a bankruptcy.

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

Receivables and other financial assets are reported at amortized acquisition costs with the exception of derivative financial instruments. Allowances are made in accordance with the default risks expected in individual cases and are carried out through an allowance account; final derecognition is carried out when the receivable is no longer recoverable. The determination of the requirements for specific allowances is carried out on the basis of the age structure of the receivable and knowledge of the credit risk, and the risk of default associated with specific customers. A lump-sum allowance on receivables takes adequate account of the general credit risk. Trade accounts receivable with standard payment terms are recorded at amortized acquisition costs, less bonuses, discounts and allowances. The Group sells trade accounts receivable in the context of factoring agreements. The receivables and other financial assets are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred. If the prerequisites for derecognizing the receivables are not fulfilled, the assets are not removed from the accounts. The incoming payment arising from the sale of the receivable is recognized under cash and cash equivalents. A current financial liability in the same amount is also recognized under current liabilities.

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

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

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

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

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

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

Property, plant and equipment have been recognized at acquisition or production cost, including incidental acquisition expenses, less accumulated scheduled depreciation and, if necessary, extraordinary depreciation.
Finance costs have not been capitalized under income as an element of acquisition or production costs because no manufacturing processes are involved over an extended period of time. Interest and other borrowing costs are recognized as expenses for the period.

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

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

The costs for replacement of part of a fixed asset are included in the book value of the fixed asset (property, plant and equipment) at the date on which they were incurred, insofar as the criteria for recognition are fulfilled. When a major inspection is carried out, the costs are capitalized in the book value of the fixed asset as a replacement, insofar as the criteria for recognition are recognized. All other maintenance and repair costs are immediately recognized under income.
A fixed asset (property, plant and equipment) is either derecognized as a disposal if no economic benefit can be derived from further use or sale of the asset. The resulting gains or losses incurred from derecognition of the asset are calculated as the difference between the net sale proceeds and the book value of the asset and reported in the income statement for the period in which the asset is derecognized.

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

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

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

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

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

On each balance sheet date, the Group checks the book values of intangible assets and property, plant and equipment in order to ascertain whether there might be grounds for carrying out an impairment. If such grounds exist, or if an annual impairment test is necessary for an asset, the Group carries out an estimate of the recoverable value for the relevant asset. The recoverable value of an asset is the higher of the two values comprising the fair value of an asset less the sale costs and the value in use. The recoverable value should be determined for each individual asset, unless an asset does not generate cash flows which are largely independent of the cash flows of other assets or other groups of assets. In this case, the recoverable amount is determined for the cash generating unit to which the asset is allocated. If the book value of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In order to determine the value in use, the expected future cash flows are discounted to their present value based on an discounting rate before taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. The fair value less the sales costs is calculated using a recognized valuation method. This method takes into account market data on current transactions available externally and valuations of third parties.
A test is carried out for assets, with the exception of goodwill, on every balance sheet date, in order to ascertain whether there are grounds indicating that a previously recorded impairment expense no longer exists or has been reduced. If such grounds exist, the Group estimates the recoverable amount. A previous recorded impairment expense is only reversed if a change in the estimates, which were used to determine the recoverable amount, has occurred since the last impairment expense was recorded.

If this is the case, the book value of the asset is increased to its recoverable amount. However, this amount must not exceed the book value which resulted after taking into account scheduled depreciation, if no impairment expense would have been recorded for the asset in previous years. An impairment reversal is recorded in the result for the period.

Goodwill resulting from company acquisitions is allocated to the identifiable cash generating units which are supposed to derive benefit from the synergies arising from the acquisition. Such cash generating units are the lowest reporting level in the Group at which the goodwill is monitored by the management for internal controlling purposes. The recoverable amount of a cash generating unit, which is allocated goodwill, is subjected to an annual impairment test. Reference is made to our comments under item 20 in the notes to the consolidated financial statements for further details.

Referred to IFRS 3 (Business Combinations) and the IAS 36 (Impairment of assets) no longer permit goodwill to be subject to scheduled depreciation and amortization, rather a review of the value of these assets is carried out at regular intervals in an impairment test and if there is evidence of a potential reduction in value at other points in time.
If goodwill or intangible assets with unlimited useful life are to be allocated to the cash generating unit, the impairment test of those assets should be carried out annually or also, if events or changed circumstances result which could indicate a possible impairment, more frequently. The net asset values of the individual cash generating units are compared with their individual recoverable amount, i.e. the higher value from the net sale price and value in use. In the determination of the value in use, the present value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit, are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.

The cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account regional allocations on the basis of strategic business units. The cash generating units of the SBU Plastics are the operating divisions under the reportable segment or in the case of the SBU Paper the reportable segment.
In the cases in which the book value of the cash generating unit is higher than their recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected Strategic Business Unit is amortized in the amount of the impairment thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant Strategic Business Unit proportionately to the book value. Any impairment carried out as necessary is recognized under other depreciation and amortization in the income statement. A subsequent write-up of the goodwill as a result of the reasons no longer being applicable is not permitted.

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

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

Deferred tax liabilities are reported for all taxable temporary differences, with the exception of
- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, if the temporal reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits to the extent it is probable that taxable earnings will be available against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used, with the exception of
- deductible temporary differences from first-time recognition of an asset or a liability arising from a transaction that is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor the taxable earnings.

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

Income and expenses arising from actual and deferred income taxes that relate to the items that are reported directly under equity or in other comprehensive income for the year are not reported in the income statement but are also recorded directly under equity or in other comprehensive income for the year. Deferred tax assets and deferred tax liabilities are offset, if the Group has an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

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

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

Pensions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards.
Obligations arising from regulations relating to company pension provision relate to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining and is generally based on the period of service and pay of the employee. The majority of pension obligations in Germany based on contractual conditions relate to lifetime pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.

The pension institutions were closed in the past. New employees will be offered a company pension plan through an external welfare fund and pension scheme; they will not receive any direct commitments from the company.
Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken account in the determination of the provision.
The pension obligations of SURTECO are subject to various market risks. The risks essentially related to changes in market interest rates, inflation which exerts an effect on the level of pension adjustments, the longevity and on general market fluctuations.

Pensions are valued using the projected unit credit method in accordance with IAS 19 (2011). This method recognizes the pensions and projected unit credits acquired on the balance sheet date. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pension accruals, including the interest portion contained therein, is recognized under Personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on income. The standardized income on the plan assets is generated in the amount of the discounting rate of the pension obligations at the start of the reporting period. These returns are recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income are to be recognized with no effect on income in equity (other comprehensive income). Furthermore, the past service costs are to be recognized immediately at the point of arising with an effect on earnings.

Provisions for long-service bonuses are calculated on the basis of actuarial methods. The settlement backlogs and top-up amounts for phased retirement obligations were added pro rata for phased retirement obligations until the end of the active phase. For 2014, only phased retirement obligations arose in the release phase.

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

	2013	**2014**
Interest rate	3.5 %	2.3 %
Salary increases	2.0 %	2.0 %
Pension increases	2.5 %	2.0 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a uniform 2.3 % (2013: 3.5 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms.

Provisions have been formed in accordance with IAS 37, if a legal or de facto obligation arises from a past event in respect of a third party, which is likely in the future to lead to an outflow of resources and where it can be reliably estimated. If a large number of similar obligations exist – as in the case of statutory warranty – the probability of a charge on assets is calculated on the basis of the group of these obligations. A provision is recognized under liabilities, if the probability of a charge on assets is lower in relation to an individual obligation held within this group. Provisions for warranty claims are formed on the basis of previous or estimated future claims. The provisions for legal disputes and other provisions have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not recognized with rights of recourse. A provision for restructuring measures is recognized as soon as the Group has approved a detailed and formal restructuring plan and the restructuring measures have either commenced or have been announced in the public domain. When a restructuring provision is measured, only the direct expenses for the restructuring are entered. This therefore only relates to amounts which have been caused by restructuring and are not related to the ongoing business operations of the Group.

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

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

Segment reporting

Reporting on the business segments is of a type and scope that is consistent with internal reporting to the main decision-maker. The main decision-maker is responsible for decisions on the allocation of resources to the operating segments and for reviewing their earnings power. The Board of Management of SURTECO was defined as the main decision-maker.

Decisions of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires up to a certain level decisions of judgment, estimates and assumptions of the management which exert effects on the recognition, measurement and reporting of assets, liabilities, income and expenses, and contingent assets and liabilities. The significant facts which are affected by such decisions of judgment and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of impairment tests and purchase price allocations, accrual of cash generating units, the formation of provisions for restructuring, for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

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

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

VIII. ADJUSTMENT TO THE CONSOLIDATED FINANCIAL STATEMENTS ON THE BASIS OF IFRS 11 AND IAS 28

Since 1 January 2014, the new and revised standards relating to the account of investments in other companies have been applied.
These regulations for the consolidated financial statements essentially redefine the concept of controlling which forms the basis for companies joining the group of fully consolidated companies.

The following changes related to SURTECO from first-time application of IFRS 11 and IAS 28:

The joint ventures of the Strategic Business Unit Plastics, which were previously reported proportionately in the consolidated financial statements, Canplast Mexico S.A. de C.V., Chihuahua, Mexico, and Canplast Centro America S.A., Guatemala, are now accounted for using the equity method in accordance with IFRS 11.

When reporting is transferred from proportionate consolidation to the equity method, the investment in the joint ventures is recognized as the total of the book values, the assets and the liabilities, which were previously proportionately consolidated by the Group, at the beginning of the immediately preceding business year (1 January 2013). These are the acquisition costs of the investment in the joint venture for purposes of the application of the equity method.

Effects of adjustment on the income statement 1 January to 31 December 2013:

[€ 000s]	Before adjustment	Adjustment	After adjustment
Sales revenues	**404,059**	**-1,944**	**402,115**
Changes in inventories	-1,575	0	-1,575
Other own work capitalized	3,840	0	3,840
Total output	**406,324**	**-1,944**	**404,380**
Cost of materials	-185,512	1,228	-184,284
Personnel expenses	-108,284	210	-108,074
Other operating expenses	-69,542	164	-69,378
Other operating income	16,956	60	17,016
EBITDA	**59,942**	**-282**	**59,660**
Depreciation and amortization	-22,636	23	-22,613
EBIT	**37,306**	**-259**	**37,047**
Interest income	763	0	763
Interest expenses	-9,325	0	-9,325
Other financial expenses and income	-733	0	-733
Share of profit of investments accounted for using the equity method	120	119	239
Financial result	-9,175	119	-9,056
EBT	**28,131**	**-140**	**27,991**
Income tax	-6,127	117	-6,010
Net income	**22,004**	**-23**	**21,981**
Of which attributable to:			
Owners of the parent (consolidated net profit)	21,899	-23	21,876
Non-controlling interests	105	0	105

Effects of adjustment on the consolidated balance sheet:

	1/1/2013			31/12/2013		
[€ 000s]	Before adjustment	Adjust-ment	After adjustment	Before adjustment	Adjust-ment	After adjustment
ASSETS						
Cash and cash equivalents	61,386	-96	61,290	51,196	-72	51,124
Trade accounts receivable	41,745	-220	41,525	55,001	-251	54,750
Inventories	61,052	-660	60,392	103,644	-719	102,925
Current income tax assets	2,692	-19	2,673	6,508	-5	6,503
Other current non-financial assets	7,176	-2	7,174	10,277	-29	10,248
Other current financial assets	1,266	0	1,266	1,751	0	1,751
Assets held for sale	0	0	0	721	0	721
Current assets	**175,317**	**-997**	**174,320**	**229,098**	**-1,076**	**228,022**
Property, plant and equipment	158,520	-111	158,409	244,937	-164	244,773
Intangible assets	12,658	0	12,658	29,734	0	29,734
Goodwill	112,718	-640	112,078	111,330	-613	110,717
Investments accounted for using the equity method	1,660	1,604	3,264	1,780	1,531	3,311
Financial assets	569	0	569	22	0	22
Non-current income tax assets	527	0	527	407	0	407
Other non-current financial assets	2,485	0	2,485	1,507	0	1,507
Deferred taxes	2,796	-18	2,778	7,652	-36	7,616
Non-current assets	**291,933**	**835**	**292,768**	**397,369**	**718**	**398,087**
	467,250	**-162**	**467,088**	**626,467**	**-358**	**626,109**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Short-term financial liabilities	1,975	-43	1,932	55,600	0	55,600
Trade accounts payable	26,483	-39	26,444	37,518	-245	37,273
Income tax liabilities	1,253	-80	1,173	1,289	-91	1,198
Short-term provisions	2,349	0	2,349	3,330	0	3,330
Other current non-financial liabilities	2,851	0	2,851	4,408	0	4,408
Other current financial liabilities	16,895	0	16,895	25,516	0	25,516
Current liabilities	**51,806**	**-162**	**51,644**	**127,661**	**-336**	**127,325**
Long-term financial liabilities	161,246	0	161,246	146,740	0	146,740
Pensions and other personnel-related obligations	11,139	0	11,139	10,967	0	10,967
Other non-current financial liabilities	0	0	0	561	0	561
Deferred taxes	19,881	0	19,881	29,491	0	29,491
Non-current liabilities	**192,266**	**0**	**192,266**	**187,759**	**0**	**187,759**
Capital stock	11,076	0	11,076	15,506	0	15,506
Capital reserve	50,416	0	50,416	122,798	0	122,798
Retained earnings	146,358	0	146,358	150,502	1	150,503
Consolidated net profit	15,028	0	15,028	21,899	-23	21,876
Capital attributable to owners of the parent	**222,878**	**0**	**222,878**	**310,705**	**-22**	**310,683**
Non-controlling interests	300	0	300	342	0	342
Equity	**223,178**	**0**	**223,178**	**311,047**	**-22**	**311,025**
	467,250	**-162**	**467,088**	**626,467**	**-358**	**626,109**

Effects of adjustment on the cash flow statement 1 January to 31 December 2013:

[€ 000s]	Before adjustment	Adjust-ment	After adjustment
Earnings before income tax	**28,131**	**-140**	**27,991**
Payments for income tax	-8,897	99	-8,798
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	22,636	-23	22,613
- Impairment on investments	0	0	0
- Interest income and result from investments	9,351	0	9,351
- Change in long-term provisions	-429	0	-429
- Gains from business combination	-13,450	0	-13,450
- Other expenses/income with no effect on liquidity	-1,010	0	-1,010
Internal financing	**36,332**	**-64**	**36,268**
Increase/decrease in			
- Trade accounts receivable	11,358	-31	11,327
- Other assets	-302	-13	-315
- Inventories	3,170	-37	3,133
- Accrued expenses	-104	0	-104
- Trade accounts payable	3,702	-85	3,617
- Other liabilities	857	11	868
Change in assets and liabilities (net)	**18,681**	**-155**	**18,526**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	**55,013**	**-219**	**54,794**
Acquisition of business	-99,000	0	-99,000
- less of cash acquired	797	0	797
Sales of companies	5,044	0	5,044
Purchase of property, plant and equipment	-26,170	77	-26,093
Purchase of intangible assets	-4,854	0	-4,854
Proceeds from the disposal of property, plant and equipment	370	0	370
Dividends received	0	119	119
CASH FLOW FROM INVESTMENT ACTIVITIES	**-123,813**	**196**	**-123,617**
Proceeds from capital increase	75,545	0	75,545
Dividend paid to shareholders	-4,984	0	-4,984
Repayment of long-term financial liabilities	-1,008	0	-1,008
Changes in short-term financial liabilities	501	43	544
Interest received	763	0	763
Interest paid	-10,114	0	-10,114
CASH FLOW FROM FINANCIAL ACTIVITIES	**60,703**	**43**	**60,746**
Change in cash and cash equivalents	**-8,097**	**20**	**-8,077**
Cash and cash equivalents			
1 January	61,386	-96	61,290
Effect of changes in exchange rate on cash and cash equivalents	-1,296	4	-1,292
Acquisition of cash and cash equivalents	-797	0	-797
31 December	**51,196**	**-72**	**51,124**

IX. NOTES TO THE INCOME STATEMENT

Due to the first-time application of IFRS 11 and IAS 28, the values for the previous year were adjusted. This was indicated in the following table with ("adjusted"). Reference is made to our comments in section VIII. Adjustment to the consolidated financial statements on account of IFRS 11 and IAS 28 in the notes to the consolidated financial statements for further details.

(1) SALES REVENUES

The sales revenues are comprised as follows:

Business (product) [€ 000s]	2013 (adjusted)	**2014**
Edgebandings	188,700	188,627
Foils	102,504	131,483
Decorative printing	28,583	117,648
Impregnates / Release papers	6,139	104,434
Skirtings	30,002	32,839
Technical extrusions	14,929	15,922
Do-It-Yourself sector	6,787	8,127
Cladding systems	8,649	0
Other	15,822	19,389
	402,115	**618,469**

The Süddekor Group acquired in November 2013 has now been fully consolidated for a period of twelve months. There are therefore differences compared with the previous year for foils, decorative printing, and impregnates and release papers.

The business with cladding systems was sold in December 2013.

(2) CHANGES IN INVENTORIES

The changes in inventories relate to work in progress amounting to € 000s -1,012 (2013: € 000s 1,964) and finished products amounting to € 000s 4,815 (2013: € 000s -3,540).
Changes in inventories due to the company acquisition of the Süddekor Group were recognized in the consolidated financial statements in the previous year from the date on which they were consolidated.

(3) OTHER OWN WORK CAPITALIZED

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

(4) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2013 (adjusted)	**2014**
Cost of raw materials, consumables and supplies, and purchased merchandise	182,240	315,025
Cost of purchased services	2,044	2,187
	184,284	**317,212**

(5) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2013 (adjusted)	2014
Wages and salaries	90,045	135,991
Social security contributions	10,735	14,411
Pension costs	7,294	9,439
	108,074	159,841

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 802 (2013: € 000s 811) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 7,463 (2013: € 000s 4,977) to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

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

The average number of employees for the year amounted to 2,682 (2013: 2,114). The employees from the Süddekor companies acquired during 2013 were reported pro rata with time.

The following table shows the employee structure:

	Industrial	Salaried	2013 Total (adjusted)	Industrial	Salaried	2014 Total
Production	1,085	138	1,223	1,357	227	1,584
Sales	15	281	296	19	329	348
Engineering	96	28	124	125	37	162
Research and development, quality assurance	49	62	111	62	88	150
Administration, materials management	97	263	360	113	325	438
	1,342	772	2,114	1,676	1,006	2,682

The number of employees by regions is as follows:

	2013 (adjusted)	2014
Germany	1,400	1,835
European Union	220	225
Rest of Europe	32	38
Asia/Australia	147	152
America	315	432
	2,114	2,682

(6) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2013 (adjusted)	2014
Operating expenses	16,989	25,967
Sales expenses	35,011	43,520
Administrative expenses	15,871	22,289
Impairment losses on receivables	1,507	1,138
	69,378	92,914

Uncapitalized research and development costs (personnel and material costs) in the Group amounted to € 000s 3,813 (2013: € 000s 4,390).

(7) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2013 (adjusted)	2014
Release of unused amounts of provisions and obligations	762	1,449
Claims for compensation	391	641
Income from fixed asset disposals	105	594
Difference from company acquisition (badwill)	13,450	0
Other operating income	2,308	2,644
	17,016	5,328

(8) FINANCIAL RESULT

[€ 000s]	2013 (adjusted)	2014
Interest and similar income	763	707
Interest and similar expenses	-9,325	-10,360
Interest (net)	**-8,562**	**-9,653**
Income from market valuation for financial derivatives	0	32
Expenses from market valuation for financial derivatives	-134	0
Currency gains/losses, net	-654	4,082
Income from investments	55	10
Other financial expenses and income	**-733**	**4,124**
Share of profit of investments accounted for using the equity method	**239**	**185**
Financial result	-9,056	-5,344

In accordance with IAS 17 (leases), the proportion of interest included in financial leasing instalments is recorded in interest expenses in the amount of € 000s 1,741 (2013: € 000s 274).

(9) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2013 (adjusted)		2014
Current income taxes				
- Germany	172		1,287	
- International	3,491		4,063	
		3,663		5,350
Deferred income taxes				
- from time differences	2,347		-1,585	
- on losses carried forward	0		0	
		2,347		-1,585
		6,010		3,765

Due to the lower EBT by comparison with the previous year and on account of currency effects which could not be taken into account for tax purposes, income taxes came down from € 000s 6,010 in 2013 to € 000s 3,765 during the year under review. The consolidated net profit at € 000s 18,464 was 16 % below the value for the previous year.

An average overall tax burden of 29.4 % (2013: 30.2 %) therefore results for the German companies. The tax rate takes account of trade tax (13.6 %, 2013: 14.3 %), corporate income tax (15.0 % unchanged compared with the previous year) and the solidarity surcharge (5.5 % of corporate income tax unchanged compared with the previous year). The applicable local income tax rates for the foreign companies vary between 19 % and 40 % (2013: between 17 % and 40 %).
Tax rate changes abroad resulted in no significant effects on total tax expense in the business year 2014 (as in the previous year).

Deferred tax losses carried forward have been capitalized in the consolidated financial statements on the basis of a 5-year projection of earnings before income tax at the level of the individual companies. Uncertainties relating to different projected premises and framework conditions have been taken into account.

No deferred taxes under assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 7,736 (2013: € 000s 5,599) 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		
	2013 (adjusted)	Change	2014	2013 (adjusted)	Change	2014
Inventories	1,046	-495	551	524	-400	124
Receivables and other assets	141	727	868	294	-9	285
Tax losses carried forward	70	-70	0	0	0	0
Goodwill	3,025	498	3,523	3,530	20	3,550
Property, plant and equipment	1,146	-60	1,086	27,987	-1,432	26,555
Intangible assets	1	0	1	5,576	-711	4,865
Other current assets	11	37	48	0	0	0
Other non-current assets	0	0	0	374	3,072	3,446
Financial liabilities	10,311	1,346	11,657	523	-523	0
Pensions and other personnel-related obligations	1,349	345	1,694	0	0	0
Other liabilities	827	-604	223	994	-169	825
	17,927	**1,724**	**19,651**	**39,802**	**-152**	**39,650**
Netting	-10,311	-1,390	-11,701	-10,311	-1,390	-11,701
	7,616	334	7,950	29,491	-1,542	27,949

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

[€ 000s]	2013 (adjusted)	2014
Earnings before Taxes (EBT)	**27,991**	**22,263**
Expected income tax (29.4 %; 2013: 30.2 %)	8,453	6,545
Reconciliation:		
Differences from foreign tax rates	-97	109
Share of profit of investments accounted for using the equity method	-36	-54
Losses for which no deferred taxes were recorded	535	228
Expenses not deductible from taxes	966	958
Tax-free income	-4	-2,884
Allowance on deferred tax assets	-127	0
Tax-free income from company acquisition	-4,062	0
Tax expenses/income not related to the reporting period	510	-686
Other effects	-128	-451
Income tax	6,010	3,765

The average tax rate amounted to 29.4 % (2013: 30.2 %). The reduction results from the inclusion of the Süddekor Group, acquired in 2013, in the consolidated financial statements for the full business year.

Tax-free income amounting to € 000s 2,884 essentially relates to unrealized exchange gains.

Income taxes recorded directly in equity

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

[€ 000s]	2013	2014
Actuarial gains/losses	32	387
Fair value measurement of financial investments	129	43
Net investment in a foreign operation	224	444
Release to other comprehensive income	75	74
	460	948

In the previous year, in connection with the capital increase, deferred taxes amounting to € 000s 1,267 on the associated costs were recorded in equity.

(10) EARNINGS PER SHARE

	2013 (adjusted)	2014
Consolidated net profit in € 000s	21,876	18,464
Weighted average of no-par value shares issued	11,767,363	15,505,731
Basic and undiluted earnings per share in €	1.86	1.19

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO SE by the weighted average of the issued shares. The weighted average of the issued shares was 11,767,363 in 2013 and 15,505,731 in 2014 on account of the capital increase at the end of 2013. There were no measures which led to dilution effects.

X. NOTES TO THE BALANCE SHEET

Due to the first-time application of IFRS 11 and IAS 28, the values for the previous year were adjusted. This was identified in the following tables with “(adjusted)”. Reference is made to our comments in section VIII. Adjustment to the consolidated financial statements on account of IFRS 11 and IAS 28 in the notes to the consolidated financial statements for further details.

(11) CASH AND CASH EQUIVALENTS

[€ 000s]	2013 (adjusted)	**2014**
Cash in hand and bank balances	31,526	39,950
Fixed-term deposits	19,598	3,110
	51,124	**43,060**

(12) TRADE ACCOUNTS RECEIVABLE

[€ 000s]		2013 (adjusted)		**2014**
Trade accounts receivable	57,208		64,396	
Less allowances	-3,810		-3,347	
Trade accounts receivable, net		53,398		61,049
Accounts receivable from affiliated enterprises		1,352		621
Book value		**54,750**		**61,670**

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

The allowances relate to specific allowances and lump-sum allowances. The calculation of the specific allowance is carried out on the basis of the age structure, and on account of knowledge about the customer-specific credit and default risk.

The allowances developed as follows:

[€ 000s]	2013	**2014**
1/1/	**1,135**	**3,810**
Allocation of company acquisition	1,890	0
Recourse	-255	-658
Release of unused amounts	-135	-340
Addition (effect on expenses)	1,175	535
31/12/	**3,810**	**3,347**

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

The following table shows the maturity structure of receivables:

[€ 000s]		2013 (adjusted)	**2014**
Book value		**54,750**	**61,670**
of which: not impaired and not overdue		41,833	52,541
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	11,113	8,624
	3-6 months	880	152
	6-12 months	442	81
	more than 12 months	723	519
Less lump-sum allowances		-241	-247

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

(13) INVENTORIES

The inventories of the Group are comprised as follows:

[€ 000s]	2013 (adjusted)	**2014**
Raw materials, consumables and supplies	36,655	38,210
Work in progress	10,532	12,318
Finished products and goods	55,738	60,110
	102,925	**110,638**

Impairments of € 000s 1,968 (2013: € 000s 2,867) were reported on inventories.

Out of the inventories, € 000s 36,797 (2013: € 000s 32,177) were recognized under assets at the net disposal value.

(14) CURRENT AND NON-CURRENT INCOME TAX RECEIVABLES

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

Corporate income tax credits are recognized under non-current tax assets. These were granted when the law on tax measures to accompany the adoption of European companies and amendment to additional tax regulations (SE Introductory Act, SEStEG) came into force. On 13 December 2006, a legal unconditional claim to refund of corporate income tax credits from the period of the tax imputation system (§ 37 Corporate Income Tax Act, KStG amended version) came into effect for the first time with expiry on 31 December 2006. The credit will be paid out in ten equal annual instalments from 2008 to 2017. The present value of the corporate income tax credit on the balance sheet date amounts to € 000s 407 (2013: € 000s 527), of which € 000s 125 are recognized under current income tax assets.

(15) OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

[€ 000s]	2013 (adjusted)		2014	
Other current non-financial assets				
Income tax assets (value added tax, wage tax)	3,252		3,686	
Prepaid expenses	1,767		1,515	
Land	1,946		1,423	
Other	3,283		2,547	
		10,248		9,171
Other current financial assets				
Bonuses, receivables	254		1,167	
Receivable factoring	1,103		1,073	
Security deposits	182		187	
Debit balances in accounts receivable	212		97	
		1,751		2,524
		11,999		**11,695**

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

Other current non-financial assets
The land recognized relates to a former production site that is being sold in individual lots.

Other current financial assets
The receivables recognized from factoring result from the sales of trade receivables of SURTECO to a factor. These receivable sales led to a continuing involvement, while the receivable sales of the company Dakor Melamin Imprägnierungen GmbH taken over in the business year 2013 did not lead to derecognition of the receivables. The reason for this is that in all cases the settlement risk remains with the SURTECO Group. Apart from the continuing involvement, the receivables include the reservation amount of the factor for invoice deductions by the customer. Sales of receivables with a book value at 31 December amounting to € 000s 8,575 (2013: € 000s 12,889) led to a partial disposal. A continuing involvement asset in the amount of € 000s 166 (2013: € 000s 141) was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 166 (2013: € 000s 141) was reported under current liabilities. The maximum amount of the receivables sold amounts to € 000s 11,671 (2013: € 000s 12,889) in the business year.

In the case of the other receivable sales, the full amount of the receivables was included in the balance sheet at a book value of € 000s 2,390 (2013: € 000s 11,605). The payment received for the sale of the payables was recognized under cash and cash equivalents. An associated current financial liability was recorded in the same amount.

Obligations in respect of the factor amounting to € 000s 2,468 (2013: € 000s 5,759) are also recognized under other current financial liabilities settled by the balance sheet date.

(16) ASSETS HELD FOR SALE

The item assets held for sale relates to the impregnating plant in Biscoe, USA, which SURTECO took over with the acquisition of the Süddekor Group at the end of 2013. The production activities for impregnates in North America were concentrated at the location East Longmeadow, USA. The reclassification did not give rise to a requirement for an allowance adjustment. The asset held for sale is allocated to the paper segment. Reference is made to our comments under item 36 Events after the balance sheet date in the notes to the consolidated financial statements in relation to the date of disposal for further details.

The parcel of land with buildings at a former sales location of the SBU Paper in Greensboro, USA, recognized under this item in the previous year was sold in August 2014. The gain on the disposal was recognized under other operating income.

(17) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Total
Acquisition costs				
1/1/2013 before adjustment	**425,755**	**33,529**	**159,853**	**619,137**
Adjustment in accordance with IFRS 11 and IAS 28	-199	0	-613	-812
1/1/2013 after adjustment	**425,556**	**33,529**	**159,240**	**618,325**
Currency adjustment	-5,515	-38	-1,856	-7,409
Addition to consolidated companies	86,626	16,976	0	103,602
Disposal from consolidated companies	-11,661	-90	0	-11,751
Additions	26,177	4,572	0	30,749
Disposals	-5,889	-352	0	-6,241
Transfers	-86	86	0	0
Reclassification to assets held for sale	-1,538	0	0	-1,538
31/12/2013	**513,670**	**54,683**	**157,384**	**725,737**
1/1/2014 before adjustment	**513,670**	**54,683**	**157,384**	**725,737**
Adjustment in accordance with IFRS 11 and IAS 28	-29	0	0	-29
1/1/2014 after adjustment	**513,641**	**54,683**	**157,384**	**725,708**
Currency adjustment	6,725	-206	565	7,084
Additions	26,732	2,465	0	29,197
Disposals	-16,894	-233	0	-17,127
Transfers	-941	834	107	0
Reclassification to assets held for sale	-7,913	0	0	-7,913
31/12/2014	**521,350**	**57,543**	**158,056**	**736,949**
Depreciation and amortization				
1/1/2013 before adjustment	**267,235**	**20,871**	**47,157**	**335,263**
Adjustment in accordance with IFRS 11 and IAS 28	-88	0	0	-88
1/1/2013 after adjustment	**267,147**	**20,871**	**47,157**	**335,175**
Currency adjustment	-3,318	63	-490	-3,745
Disposal from consolidated companies	-8,800	-89	0	-8,889
Additions	18,554	4,061	0	22,615
Disposals	-4,049	43	0	-4,006
Reclassification to assets held for sale	-637	0	0	-637
31/12/2013	**268,897**	**24,949**	**46,667**	**340,513**
1/1/2014 before adjustment	**268,897**	**24,949**	**46,667**	**340,513**
Adjustment in accordance with IFRS 11 and IAS 28	-49	0	0	-49
1/1/2014 after adjustment	**268,848**	**24,949**	**46,667**	**340,464**
Currency adjustment	1,656	20	581	2,257
Additions	28,609	6,626	0	35,235
Disposals	-14,376	-318	0	-14,694
Reclassification to assets held for sale	-585	0	0	-585
31/12/2014	**284,152**	**31,277**	**47,248**	**362,677**
Book value at 31/12/2014	**237,198**	**26,266**	**110,808**	**374,272**
Book value at 31/12/2013	**244,773**	**29,734**	**110,717**	**385,224**

(18) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised as follows:

[€ 000s]	Land and buildings	Financial leasing for land and buildings	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2013 before adjustment	**117,173**	**10,408**	**225,699**	**67,982**	**4,493**	**425,755**
Adjustment in accordance with IFRS 11 and IAS 28	-49	0	-59	-91	0	-199
1/1/2013 after adjustment	**117,124**	**10,408**	**225,640**	**67,891**	**4,493**	**425,556**
Currency adjustment	-1,545	0	-3,666	-407	103	-5,515
Addition to consolidated companies	14,887	25,851	35,956	3,288	6,644	86,626
Disposal from consolidated companies	-4,529	0	-4,873	-2,259	0	-11,661
Additions	6,005	0	10,835	3,490	5,847	26,177
Disposals	-1,339	0	-2,379	-2,075	-96	-5,889
Transfers	401	0	8,031	749	-9,267	-86
Reclassification to assets held for sale	-1,538	0	0	0	0	-1,538
31/12/2013	**129,466**	**36,259**	**269,544**	**70,677**	**7,724**	**513,670**
1/1/2014 before adjustment	**129,466**	**36,259**	**269,544**	**70,677**	**7,724**	**513,670**
Adjustment in accordance with IFRS 11 and IAS 28	-6	0	-11	-12	0	-29
1/1/2014 after adjustment	**129,460**	**36,259**	**269,533**	**70,665**	**7,724**	**513,641**
Currency adjustment	2,109	0	4,395	79	142	6,725
Additions	2,207	0	12,298	5,749	6,478	26,732
Disposals	-1,458	0	-11,849	-3,586	-1	-16,894
Transfers	-3,262	2,941	5,715	901	-7,236	-941
Reclassification to assets held for sale	-2,619	0	-5,271	-23	0	-7,913
31/12/2014	**126,437**	**39,200**	**274,821**	**73,785**	**7,107**	**521,350**
Depreciation and amortization						
1/1/2013 before adjustment	**47,674**	**3,170**	**164,698**	**51,693**	**0**	**267,235**
Adjustment in accordance with IFRS 11 and IAS 28	-15	0	-29	-44	0	-88
1/1/2013 after adjustment	**47,659**	**3,170**	**164,669**	**51,649**	**0**	**267,147**
Currency adjustment	-402	0	-2,636	-280	0	-3,318
Disposal from consolidated companies	-2,728	0	-4,095	-1,977	0	-8,800
Additions	3,147	278	10,911	4,218	0	18,554
Disposals	-128	0	-2,056	-1,865	0	-4,049
Reclassification to assets held for sale	-637	0	0	0	0	-637
31/12/2013	**46,911**	**3,448**	**166,793**	**51,745**	**0**	**268,897**
1/1/2014 before adjustment	**46,911**	**3,448**	**166,793**	**51,745**	**0**	**268,897**
Adjustment in accordance with IFRS 11 and IAS 28	-2	0	-30	-17	0	-49
1/1/2014 after adjustment	**46,909**	**3,448**	**166,763**	**51,728**	**0**	**268,848**
Currency adjustment	417	0	1,166	68	5	1,656
Additions	3,489	1,491	18,544	5,085	0	28,609
Disposals	107	0	-11,384	-3,099	0	-14,376
Transfers	-38	0	38	0	0	0
Reclassification to assets held for sale	-111	0	-469	-5	0	-585
31/12/2014	**50,773**	**4,939**	**174,658**	**53,777**	**5**	**284,152**
Book value at 31/12/2014	**75,664**	**34,261**	**100,163**	**20,008**	**7,102**	**237,198**
Book value at 31/12/2013	**82,555**	**32,811**	**102,751**	**18,932**	**7,724**	**244,773**

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

(19) INTANGIBLE ASSETS

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

[€ 000s]	Concessions, patents, licences and similar rights	Customer relations and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2013 before adjustment	**18,964**	**11,488**	**905**	**2,172**	**33,529**
Adjustment in accordance with IFRS 11 and IAS 28	0	0	0	0	0
1/1/2013 after adjustment	**18,964**	**11,488**	**905**	**2,172**	**33,529**
Currency adjustment	-198	156	4	0	-38
Addition to consolidated companies	7,268	9,705	0	3	16,976
Disposal from consolidated companies	-90	0	0	0	-90
Additions	1,029	614	453	2,476	4,572
Disposals	-6	0	0	-346	-352
Transfers	4,143	66	0	-4,123	86
31/12/2013	**31,110**	**22,029**	**1,362**	**182**	**54,683**
1/1/2014 before adjustment	**31,110**	**22,029**	**1,362**	**182**	**54,683**
Adjustment in accordance with IFRS 11 and IAS 28	0	0	0	0	0
1/1/2014 after adjustment	**31,110**	**22,029**	**1,362**	**182**	**54,683**
Currency adjustment	284	-228	-262	0	-206
Additions	1,917	0	540	8	2,465
Disposals	-221	0	0	-12	-233
Transfers	894	0	-36	-24	834
31/12/2014	**33,984**	**21,801**	**1,604**	**154**	**57,543**
Amortization and depreciation					
1/1/2013 before adjustment	**14,548**	**5,945**	**378**	**0**	**20,871**
Adjustment in accordance with IFRS 11 and IAS 28	0	0	0	0	0
1/1/2013 after adjustment	**14,548**	**5,945**	**378**	**0**	**20,871**
Currency adjustment	35	-39	67	0	63
Disposal from consolidated companies	-89	0	0	0	-89
Additions	1,268	2,377	416	0	4,061
Disposals	-4	0	47	0	43
Transfers	-245	245	0	0	0
31/12/2013	**15,513**	**8,528**	**908**	**0**	**24,949**
1/1/2014 before adjustment	**15,513**	**8,528**	**908**	**0**	**24,949**
Adjustment in accordance with IFRS 11 and IAS 28	0	0	0	0	0
1/1/2014 after adjustment	**15,513**	**8,528**	**908**	**0**	**24,949**
Currency adjustment	234	-116	-98	0	20
Additions	3,372	2,838	416	0	6,626
Disposals	-318	0	0	0	-318
Transfers	-64	64	0	0	0
31/12/2014	**18,737**	**11,314**	**1,226**	**0**	**31,277**
Book value at 31/12/2014	**15,247**	**10,487**	**378**	**154**	**26,266**
Book value at 31/12/2013	**15,597**	**13,501**	**454**	**182**	**29,734**

(20) GOODWILL

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

Goodwill developed as follows:

[€ 000s]	2013	**2014**
1/1/	**112,718**	**110,717**
Adjustment in accordance with IFRS 11 and IAS 28	-613	0
Transfer	0	107
Currency adjustment	-1,388	-16
31/12/	**110,717**	**110,808**

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

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

[€ 000s]		2013 (adjusted)		**2014**
CGU edgebandings	68,175		68,721	
CGU skirtings	25,746		25,746	
CGU technical extrusions	692		692	
CGU technical foils	9,226		8,664	
Strategic Business Unit Plastics		103,839		103,823
Strategic Business Unit Paper		6,878		6,985
		110,717		**110,808**

The value in use to be applied for carrying out the impairment test is calculated on the basis of a company valuation model (discounted cash flow). The calculation is carried out using cash flow plans which are based on medium-term planning for a period of five years that has been approved by the Board of Management and is valid at the time when the impairment test was carried out. These plans include experience and expectations relating to the future market development. Growth rates are estimated individually for each subsidiary company on the basis of the macro-economic framework data for the regional market, the market opportunities and experiences in the past. The underlying growth rates applied for the impairment test are based on medium-term planning for a period of 5 years amounted to an average of 3.5 % for sales and 9.4 % for EBITDA. For the period after the fifth year, a growth rate of 1 % was used for sales and 0 % for EBITDA, since the value in use is mainly determined by the terminal value and this responds in a particularly sensitive way to changes in assumptions with respect to its growth rate and its interest rate.

The costs of capital are calculated as a weighted average of the costs of equity and debt. As far as possible, external information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors in our shares. Market conditions for loans are taken into account for borrowing costs. This yielded an interest rate of 8.7 % (2013: 9.5 %) before taxes in December 2014.

On the basis of impairment tests carried out in the business year 2014, the values in use of the cash generating units are estimated as higher than the net asset values. As a result, no impairments have been recognized.

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

[€ 000s]	**Investments in associated companies**	**Investments in joint ventures**	**Investments accounted for using the equity method**
Acquisition costs			
1/1/2013 before adjustment	**1,660**	**0**	**1,660**
Adjustment in accordance with IFRS 11 and IAS 28	0	1,604	1,604
1/1/2013 after adjustment	**1,660**	**1,604**	**3,264**
Currency adjustment	0	-68	-68
Proportionate earnings	120	119	239
Payout	0	-124	-124
31/12/2013	**1,780**	**1,531**	**3,311**
Currency adjustment	0	204	204
Proportionate earnings	85	99	184
Payout	-120	-34	-154
31/12/2014	**1,745**	**1,800**	**3,545**

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

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

The end of the business year for Saueressig Design Studio GmbH is 30 September. In the articles of association of the company this end of period date is defined. A change in the balance sheet date is not possible. The balance sheet date of 30 September 2014 is used for purposes of accounting by the equity method.

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

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

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

[€ 000s]	Associated company	Joint ventures	2013 Total	Associated company	Joint ventures	2014 Total
Current assets	461	2,152	**2,613**	358	2,437	**2,795**
Non-current assets	1,517	399	**1,916**	1,444	451	**1,895**
Current liabilities	-644	-671	**-1,315**	-584	-760	**-1,344**
Non-current liabilities	0	0	**0**	0	0	**0**
Net assets (100 %)	1,334	1,880	**3,214**	1,218	2,128	**3,346**
Share of the Group in the net assets (50 % or 30 %)	400	940	**1,340**	366	1,065	**1,431**
Book value of the share	1,660	1,780	**3,440**	1,800	1,745	**3,545**
Sales revenues	3,771	3,979	**7,750**	3,566	4,013	**7,579**
Profit	603	472	**1,075**	428	0	**428**
Profit after taxes	401	238	**639**	285	322	**607**
Other comprehensive income	-	-	**-**	-	-	**-**
Comprehensive income	401	238	**639**	285	322	**607**
Share of the Group in the comprehensive income	120	119	**239**	85	161	**246**
Payout received from associated company	0	-	**0**	120	-	**120**
Payout received from joint ventures	-	34	**34**	-	124	**124**
Book value	**1,780**	**1,531**	**3,311**	**1,745**	**1,800**	**3,545**

The financial assets developed as follows:

[€ 000s]	2013	2014
1/1/	**188**	**22**
Currency adjustment	0	-1
Disposal from consolidated companies	-166	0
31/12/	**22**	**21**

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

(22) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2014 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(23) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2014	Expense	Release	Allocation	31/12/2014
Restructuring	0	0	0	9,400	9,400
Warranty	2,545	-1,008	-483	691	1,745
Legal disputes	485	0	-60	65	490
Impending losses	83	-83	0	376	376
Other	217	-169	-21	14	41
	3,330	**-1,260**	**-564**	**10,546**	**12,052**

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

The provision for impending losses was essentially formed for risks arising from pending sales transactions. It is likely that the sale of products will be below the costs of manufacture. The time of anticipated outflow will come with fulfilment of the sales transactions.

(24) OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

[€ 000s]	2013 (adjusted)		2014	
Other current non-financial liabilities				
Tax liabilities (value added tax)	1,093		1,270	
Social insurance against occupational accidents	770		826	
Supervisory Board remuneration	341		338	
Other	2,204		786	
		4,408		3,220
Other current financial liabilities				
Liabilities from employment relationship*	14,902		14,193	
Other currently liabilities factoring	5,900		2,634	
Bonuses and promotion costs	1,116		2,226	
Debit balances in accounts payable	2,004		2,153	
Payments on account received	858		597	
Commission	736		580	
		25,516		22,383
		29,924		**25,603**
* of which social security		697		922

Other current financial liabilities:

The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the balance sheet date, obligations arising from profit shares, bonuses, holiday and working time credits.

Obligations in respect of the factoring agent for receivables settled as at the balance sheet date are recognized under other current liabilities arising from factoring. Reference is made to our comments on receivables from factoring under item 15 "Other current assets" in the notes to the consolidated financial statements for further details.

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

Loans amounting to € 000s 1,399 (2013: € 000s 978) are included in other non-current financial assets, of which loans in the amount of € 000s 800 (2013: € 000s 0) are in respect of affiliated non-consolidated subsidiary companies.

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

Financial liabilities amounting to € 000s 2,726 (2013: € 000s 2,976) in the special-purpose entities is secured by charges on property and assignment of receivables of the special-purpose entities.

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US private placement. The US private placement comprised a tranche amounting to USD 70 million with a term of 10 years and tranches of € 100 million with terms of 7 to 12 years. The loans are repayable on maturity. They are payable under fixed-interest agreements charged at 5.5 % - 5.7 % before hedging and with six-monthly payment points. During the course of the business year, the 1st tranche of the US private placement amounting to € 40 million was repaid as planned. Long-term loans totalling € 33 million with terms between 7 and 10 years were raised for repayment of the tranche.

The capital payment and interest flows in USD were fully hedged in euros with interest-currency swaps. The interest cash flows were hedged in advance of the transaction against changing interest payments up to the issue of the loans. This resulted in the following effects during the year under review: realization of interest income amounting to € 000s 253 (2013: € 000s 224), increase in equity capital (before deduction of deferred taxes) by € 000s 709 (2013: € 000s 1,080) through direct recording of the cash flow hedge under the item market valuation of financial instruments, increase in the USD liability by € 000s 5,796 (2013: decrease by € 000s 947) on the basis of the valuation on the balance sheet and recording the market value of the hedging transactions amounting to € 000s 6,065 with no effect on income in the other non-current financial assets (2013: other non-current financial liabilities € 000s 561). In addition, € 000s 5,796 from equity was transferred to the result for the accounting period (2013: € 000s 947). The cash flows from the interest-currency swaps occurred every six months at the interest payment points until repayment in August 2017 and are recognized in the income statement with an effect on earnings. The prospective and retrospective effectiveness test is carried out in accordance with the hypothetical derivative method.

Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 1.55 % and 4.20 %.

Short-term financial liabilities include short-term credit lines that have been drawn down and variable-interest credit lines for supplies, the short-term proportion of loan liabilities and non-current finance leasing liabilities of € 000s 2,168 (2013: € 000s 2,125).

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

[€ 000s]	2013	**2014**
Leasing payments to be made in the future		
in less than one year	3,696	3,653
between one year and five years	14,020	14,480
after more than five years	22,829	19,350
Interest share		
in less than one year	-1,571	-1,485
between one year and five years	-5,200	-4,776
after more than five years	-2,260	-1,256
Present value		
in less than one year	2,125	2,168
between one year and five years	8,820	9,704
after more than five years	20,569	18,094
	31,514	**29,966**

(26) PENSIONS AND OTHER PERSONNEL-RELATED OBLIGATIONS

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

The financing of the projected benefit obligations arising from pension obligations amounts to € 000s 10,970 internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 198, which secures the obligations partly or fully congruently.

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

[€ 000s]	2013			**2014**		
	Present value of obligation	**Fair value of plan assets**	**Provision**	**Present value of obligation**	**Fair value of plan assets**	**Provision**
1/1/	**9,881**	**-185**	**9,696**	**9,692**	**-545**	**9,147**
Pension payments on account	-415	-	-415	-407	-	-407
Payments from plan settlements	0	-	0	0	-	0
Current service expense	35	-	35	84	-	84
Interest income	0	-9	-9	0	14	14
Interest expense	353	-	353	312	-	312
Remeasurements						
Actuarial gains/losses						
- from changes in demographic parameters	0	-	0	0	-	0
- from experience adjustments	-246	-	-246	-86	-	-86
- from changes to financial parameters	140	-	140	1,441	-	1,441
- Other	-	2	2	-	333	333
	-106	2	-104	1,355	333	1,688
Addition of consolidated companies	353	-353	0	0	0	0
Release	-409	-	-409	-66	-	-66
31/12/	**9,692**	**-545**	**9,147**	**10,970**	**-198**	**10,772**

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

The Group recognizes remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2014 before deferred taxes amounts to € 000s 1,342 (2013: € 000s 39). Up to now, a total of € 000s 1,681 has been recognized in shareholders' equity.

The annual payments by the employer over the coming years are expected to be in the same order of range as the payments for previous years at € 000s 400.

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

[€ 000s]	**Change in present value of pension obligation**			
	2013		**2014**	
	Increase	**Decrease**	**Increase**	**Decrease**
Increase in the interest rate by 0.25%		269		328
Decrease in the interest rate by 0.25%	245		345	
Increase in future pension rises by 0.25%	234		290	
Reduction in future pension rises by 0.25%		226		277

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

The weighted average residual term of the benefit obligations is 13.8 years to 31 December 2014.

The additional personnel-related obligations are comprised of phased-retirement and long-service agreements. The phased retirement obligations amount to € 000s 148 (2013: € 000s 155 on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 3 (2013: € 000s 63) on account of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 1,867 on the balance sheet date (2013: € 000s 1,727).

Out of the non-current obligations arising from phased-in retirement arrangements € 000s 105 (previous year: € 000s 97) are due in 2015.

(27) SHAREHOLDERS' EQUITY

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

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

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

Capital reserve

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

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

The capital reserve amounted to € 000s 122,755 (2013: € 000s 122,798). The capital increase carried in the business year 2013 led to a change in the capital reserve.

Retained earnings

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

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

Reconciliation of the equity components affected by comprehensive income

[€ 000s]	31/12/2013 Reserve				31/12/2014 Reserve			
	Fair value measurement for financial instruments	Other comprehensive income for the year	Currency translation adjustments	**Total other comprehensive income**	Fair value measurement for financial instruments	Other comprehensive income for the year	Currency translation adjustments	**Total other comprehensive income**
Components of other comprehensive income not to be reclassified to the income statement								
Remeasurements of defined benefit obligations		-74				-955		
Components of other comprehensive income that may be reclassified to the income statement								
Net gains/losses from hedging of a net investment in a foreign operation			-518				-1,025	
Exchange differences in translation of foreign operations			-4,792				3,952	
Fair valuation of cash flow hedges	-319				-93			
Reclassification amounts in the income statement	-173				-179			
Other comprehensive income	**-492**	**-74**	**-5,310**	**-5,876**	**-272**	**-955**	**2,927**	**1,700**

Dividend proposal

The dividend payout of SURTECO SE is based on net profit reported in the financial statements of SURTECO SE in accordance with commercial law in conformity with § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG). The financial statements of SURTECO SE drawn up in accordance with commercial law have recorded a net profit of € 000s 16,898 (2013: € 000s 10,079). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.70 (2013: € 0.65) per share, amounting to € 000s 10,854 (2013: € 000s 10,079) be paid out and the amount of € 000s 6,000 be transferred to the capital reserve. The Board of Management further recommends carrying forward the residual amount of € 000s 44 (2013: € 000s 0) as profit carried forward.

(28) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities were recognized on 31 December 2014 in the amount of € 000s 199 (2013: € 000s 242) and relate exclusively to a special-purpose entity. The probability of occurrence is assessed as low. There are no identifiable points of reference for assuming that the conditions underlying the investment allowance are no longer applicable.

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

[€ 000s]	2013	**2014**
Rental and operate leasing obligations, due		
in less than one year	1,861	1,940
between one year and five years	2,494	3,168
after more than five years	325	173
	4,680	5,281

Payments from operate leasing contracts in the period are recorded in the amount of € 000s 2,808 (2013: € 000s 2,135).

Commitments amounting to € 000s 1,122 (2013: € 000s 573) were recognized arising from orders for investment projects already in progress or planned in the area of items of property, plant and equipment and intangible assets (commitments from orders).
The corresponding payments are due in full in the business year 2015.

(29) CAPITAL MANAGEMENT

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. The capital is defined as the shareholders' equity recognized in the balance sheet and the net debt.

Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts. The Group is not subject to the imposition of any statutory capital requirements.

The dividend payout for the business year 2014 amounted to € 000s 10,079. The increase compared with the previous year by € 000s 5,095 resulted from the higher dividend and the increased number of shares entitled to receive a dividend after the capital increase in 2013.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 6.5 (2013: 7.0) in 2014. The debt-service coverage ratio was 36.8 % (2013: 29.4 %) in 2014. The net debt amounted to € 000s 145,839 (2013: € 000s 151,216) on 31 December 2014 and the equity ratio was 50.4 % (2013: 49.7 %). The calculation of the indicators is presented in the management report.

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

(30) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

1. Security guidelines and principles of financial risk management

The international activities of the SURTECO Group mean that changes in interest rates and currency exchange rates exert an effect on the net assets, financial position and results of operations of the SURTECO Group. The risks result from foreign currency transactions carried out in the course of operating business, from financing and from investment.
Corporate Treasury controls centrally the currency and interest-management of the Group and correspondingly the key transactions with financial derivatives and other financial instruments. In individual cases, currency hedging transactions are concluded at the foreign subsidiaries in close consultation with central treasury. Financial instruments and derivatives are used exclusively to hedge interest and currency risks. Only commercial instruments with sufficient market liquidity are used for this purpose. Derivative financial positions for trading purposes are not held. Risk assessments and checks are carried out continuously.

The subsidiaries report on their key currency and interest-rate risks within the scope of Group reporting. These risk positions are then analyzed and evaluated on the basis of the gross burden (EBT) and the likelihood of occurrence.
Derivative financial instruments are used by the Group exclusively for hedging purposes and to reduce risk. They are valued on a monthly basis. If significant fluctuations of underlying values, such as interest base rates and currency parities occur, this can impact negatively on the earnings of the Group.

2. Financial risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the Group's financial liabilities have residual terms of up to five years and they are structured with fixed interest rates (see maturity structure item 30.3 in the Notes). The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with lenders at standard market conditions in loan agreements, e.g. Interest Coverage Factor (see Notes to the Consolidated Financial Statements item 29) and these have to be complied with by the SURTECO Group. The core figures are continuously monitored by the Board of Management and the Supervisory Board. If there is impending breach of any indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with in the business year 2014.

3. Liquidity and credit risk

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

The following table shows the undiscounted contractually agreed cash outflows and inflows from primary financial liabilities and derivative financial instruments with gross fulfilment. If the maturity date is not fixed, the liability relates to the earliest liability date.

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

2013	Book value	2014		2015 - 2018		2019 ff.	
[€ 000s] (adjusted)	31/12/2013	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities to banks	154,069	8,332	40,887	22,730	53,182	2,147	60,000
Payments from derivatives							
Cash outflow		2,913	-	7,656	50,604	-	-
Cash inflow		-3,406	-	-8,949	-51,790	-	-
Subtotal		7,839	40,887	21,437	51,996	2,147	60,000
Financial liabilities from finance leasing	36,183	1,772	2,625	5,735	10,894	2,427	22,664
Financial liabilities	190,252	9,611	43,512	27,172	62,890	4,574	82,664
Trade accounts payable	37,273	-	37,273	-	-	-	-
Other financial liabilities	25,516	-	25,516	-	-	-	-

4. Interest and currency risks

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

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

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

[€ 000s]	Income statement		Equity / Other comprehensive income	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2014				
Variable interest instruments	378	-378	0	0
Derivatives	0	0	0	0
	378	**-378**	**0**	**0**
31/12/2013				
Variable interest instruments	305	-305	0	0
Derivatives	0	0	0	0
	305	**-305**	**0**	**0**

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

The Group operates in several currency areas. In particular, effects arise from the performance of the US dollar.
A rise in the key relevant foreign currencies for SURTECO against the euro would exert the following effects:

[€ 000s]	Income statement		Equity / Other comprehensive income	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2014				
Primary financial instruments				
in US dollars	1,626	-1,330	-6,399	5,235
in other currencies	2,678	-2,191	2,004	-1,640
Derivatives				
in US dollars	0	0	7,263	-5,943
in other currencies	0	0	0	0
	4,304	**-3,521**	**2,868**	**-2,348**
31/12/2013				
Primary financial instruments				
in US dollars	1,506	-1,232	-5,650	4,622
in other currencies	4,340	-3,551	2,845	-2,328
Derivatives				
in US dollars	-222	182	6,697	-5,479
in other currencies	40	-33	0	0
	5,664	**-4,634**	**3,892**	**-3,185**

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

5. Valuations of financial instruments

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

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.
Level 2 – Directly or indirectly observable input factors which cannot be classified under Level 1.
Level 3 – Unobservable input factors.

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

31/12/2014 [€ 000s]	Cate-gory acc. IAS 39	Book value	(amortized) Acquisition costs	Fair value not affecting income	 affect-ing income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	LaR	43,060	43,060				n.a.	n.a.
Trade accounts receivable	LaR	61,670	61,670				n.a.	n.a.
Other current financial assets	LaR	2,524	2,524				n.a.	n.a.
Financial assets								
- Shares in affiliated companies	AfS	21	21				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	2,117	2,117				2,211	2
- Financial derivatives (with hedging)	n.a.	6,065		6,065			6,065	2
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	2,584				2,584	2,584	n.a.
- Liabilities to banks	FLAC	2,979	2,979				3,015	2
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	31,588				31,588	n.a.	n.a.
- Liabilities to banks	FLAC	151,748	151,748				173,679	2
Trade accounts payable	FLAC	45,359	45,359				n.a.	n.a.
Other current financial liabilities	FLAC	22,383	22,383				n.a.	n.a.
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	109,370	109,370				2,211	
Available for Sale Financial Assets	AfS	21	21				0	
Financial Assets at Fair Value through profit/loss	FAaFV	0	0				0	
Financial Liabilities Measured at Amortised Cost	FLAC	222,469	222,469				176,694	
Financial Liabilities at Fair Value through profit/loss	FLaFV	0	0				0	

31/12/2013 [€ 000s] (adjusted)	Cate-gory acc. IAS 39	Book value	(amortized) Acquisition costs	Fair value not affecting income	 affect-ing income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	LaR	51,124	51,124				n.a.	n.a.
Trade accounts payable	LaR	54,750	54,750				n.a.	n.a.
Other current financial assets	LaR	1,751	1,751				n.a.	n.a.
Financial assets								
- Shares in affiliated companies	AfS	22	22				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	1,507	1,507				1,607	2
- Financial derivatives (without hedging)	FAaFV	14			14		14	2
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	2,625				2,625	2,625	n.a.
- Liabilities to banks	FLAC	52,975	52,975				53,501	2
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	33,558				33,558	n.a.	n.a.
- Liabilities to banks	FLAC	113,182	113,182				120,203	2
Trade accounts payable	FLAC	37,273	37,273				n.a.	n.a.
Other current financial liabilities								
- Other financial liabilities	FLAC	25,516	25,516				n.a.	n.a.
- Financial derivatives (with hedging)	n.a.	561		561			561	2
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	109,132	109,132				107,625	
Available for Sale Financial Assets	AfS	22	22				0	
Financial Assets at Fair Value through profit/loss	FAaFV	0	0				0	
Financial Liabilities Measured at Amortised Cost	FLAC	228,946	228,946				236,493	
Financial Liabilities at Fair Value through profit/loss	FLaFV	0	0				0	

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

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

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

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

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

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

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

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

[€ 000s]	2013	**2014**
Loans and Receivables	-1,284	1,136
Available for Sale Financial Assets	1	1
Financial Assets and Liabilities at Fair Value through profit/loss	-133	32
Financial Liabilities Measured at Amortised Cost	-654	-4,343

The net gains and losses from Loans and Receivables essentially related to changes in allowances, as well as currency translations, allowance reversals and interest income.
The net gains and losses from Financial Assets and Liabilities at Fair Value through profit/loss include effects from the market value of derivatives that are not part of a hedging arrangement.
Net gains and losses from currency translation and from interest expenses are shown for Financial Liabilities Measured at Amortized Cost.

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

[€ 000s]	2013		**2014**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Currency-related transactions	3,549	14	0	0
Interest and currency-related transactions	50,846	-561	57,589	6,065
	54,395	**-547**	**57,589**	**6,065**

6. Offsetting of financial assets and financial liabilities

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

[€ 000s]	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Related amounts not set off in the balance sheet: Financial instruments**	**Cash collateral received**	**Net amount**
31/12/2014						
Derivative financial instruments	6,065	-	6,065	0	-	6,065
Trade accounts receivable	67,541	-5,871	61,670	-	-	61,670
	73,606	**-5,871**	**67,735**	**0**	**-**	**67,735**
31/12/2013 (adjusted)						
Derivative financial instruments	14	-	14	14	-	0
Trade accounts receivable	60,251	-5,501	54,750	-	-	54,750
	60,265	**-5,501**	**54,764**	**14**	**-**	**54,750**

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

[€ 000s]	**Gross amounts of recognized financial liabilities**	**Gross amounts of recognized financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**	**Related amounts not set off in the balance sheet: Financial instruments**	**Cash collateral provided**	**Net amount**
31/12/2014						
Derivative financial liabilities	0	-	0	0	-	0
Trade accounts payable	51,230	-5,871	45,359	-	-	45,359
	51,230	**-5,871**	**45,359**	**0**	**-**	**45,359**
31/12/2013 (adjusted)						
Derivative financial liabilities	561	-	561	14	-	547
Trade accounts payable	42,774	-5,501	37,273	-	-	37,273
	43,335	**-5,501**	**37,834**	**14**	**-**	**37,820**

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

XI. SUPPLEMENTARY INFORMATION

(31) NOTES TO THE CASH FLOW STATEMENTS

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

The financial resources only include the cash and cash equivalents of the SURTECO Group reported in the balance sheet. By contrast, financial controlling in the SURTECO Group is based on the financial balance, which apart from cash and cash equivalents also includes debt.

The operating expenses and income with no effect on liquidity and results from disposal of assets, are eliminated in cash flow from current business operations.

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

(32) SEGMENT REPORTING

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

- The SBU Paper comprises the production and sale of paper-based edgebandings, finish foils, impregnates, release papers and decor papers. The acquisition of the Süddekor companies in December 2013 extended the sales volume of finish foils and decor papers and expanded the product portfolio of the SBU Paper by impregnates and release papers.

- The SBU Plastics includes the production and sale of thermoplastic edgings, foils, roller shutter systems, technical extrusions (profiles), skirtings and extrusions for flooring wholesalers, (in the previous year cladding systems, the business was sold in December 2013) and ranges for home-improvement and do-it-yourself stores.

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

The segment information is based on the same recognition, accounting and valuation methods as those used in the consolidated financial statements. There are no changes in valuation methods compared with previous periods. Assets and liabilities, provisions, income and expenses, as well as earnings between the segments are eliminated in the consolidations. Internal sales within the Group are transacted at commercial prices.

The operating segment assets and the operating segment liabilities are comprised of the assets necessary for operations and borrowings – without liquid funds, interest-bearing assets and liabilities, and tax assets and liabilities.

The Board of Management holds the power of decision-making with regard to resource allocation and the measurement of the earnings power of the reportable segments. Uniform parameters for measuring success and assets are used in the relevant business segments for this purpose.

The business relationships between the companies in the segments are organized on the basis of dealing-at-arm’s-length. Administrative services are allocated on the basis of cost.

Due to the first-time application of IFRS 11 and IAS 28, the values for the previous year were adjusted. This was identified in the following tables with “(adjusted)”. Reference is made to our comments in section VIII. Adjustment to the consolidated financial statements on account of IFRS 11 and IAS 28 in the notes to the consolidated financial statements for further details.

SEGMENT INFORMATION [€ 000s]	SBU Paper	SBU Plastics (adjusted)	Reconciliation	SURTECO Group
2014				
External sales	391,224	227,245	0	618,469
Internal sales in the Group	871	449	-1,320	0
Total sales	392,095	227,694	-1,320	618,469
Interest income	-3,507	-2,087	-4,766	-10,360
Interest expenses	289	808	-390	707
Depreciation and amortization	-23,768	-11,302	-165	-35,235
Segment earnings (EBT)	15,770	15,086	-8,593	22,263
Share of profit of investments accounted for using the equity method	85	100	0	185
Segment assets	339,958	259,479	-33,115	566,322
Segment liabilities	179,403	88,316	-184,705	83,014
Net segment assets	160,555	171,163	151,590	483,308
Book value of investments accounted for using the equity method	1,746	1,799	0	3,545
Investments in property, plant and equipment and intangible assets	13,165	15,791	241	29,197
Employees	1,425	1,244	13	2,682
2013				
External sales	174,688	227,427	0	402,115
Internal sales in the Group	931	1,142	-2,073	0
Total sales	175,619	228,569	-2,073	402,115
Interest income	1,284	919	-1,440	763
Interest expenses	-828	-2,620	-5,877	-9,325
Depreciation and amortization	-10,873	-11,341	-399	-22,613
Segment earnings (EBT)	25,069	14,901	-11,979	27,991
Share of profit of investments accounted for using the equity method	120	119	0	239
Segment assets	327,001	248,397	-18,248	557,150
Segment liabilities	177,002	71,786	-178,264	70,524
Net segment assets	149,999	176,611	160,016	486,626
Book value of investments accounted for using the equity method	1,780	1,531	0	3,311
Investments in property, plant and equipment and intangible assets	17,661	12,824	264	30,749
Employees	851	1,247	16	2,114

SEGMENT INFORMATION BY REGIONAL MARKETS [€ 000s]	2013			**2014**		
	Sales Revenues (adjusted)	Non-current assets (adjusted)	Investments (adjusted)	**Sales Revenues**	**Non-current assets**	**Investments**
Germany	120,961	261,093	18,883	175,203	247,599	20,333
Rest of Europe	181,453	42,096	2,712	287,913	43,621	2,874
America	58,874	53,917	8,494	104,963	53,000	593
Asia/Australia	37,383	28,118	660	45,931	30,052	5,397
Other	3,444	0	0	4,459	0	0
	402,115	**385,224**	**30,749**	**618,469**	**374,272**	**29,197**

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

Non-current assets include property, plant and equipment, intangible assets and goodwill.

The non-current assets from the year 2013 and 2014 were allocated to goodwill by regions.

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2013 (adjusted)	**2014**
Balance sheet total	**626,109**	**636,669**
Less financial assets		
- Cash and cash equivalents	51,124	43,060
- Financial assets	3,309	4,965
- Tax assets/deferred tax assets	14,526	16,257
- Financial derivatives	0	6,065
Segment assets	**557,150**	**566,322**
Current and non-current liabilities	**315,084**	**315,568**
Less financial liabilities		
- Short-term and long-term financial liabilities	202,340	188,899
- Financial derivates	561	0
- Tax liabilities/deferred tax liabilities	30,689	30,917
- Pensions and other personnel-related obligations	10,970	12,738
Segment liabilities	**70,542**	**83,014**
Net segment assets	**486,626**	**483,308**

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

Supervisory Board

Total compensation of the Supervisory Board for the business year 2014 amounted to € 000s 338 (2013: € 000s 344). It includes basic remuneration of € 000s 308 and compensation for audit-committee activities of € 000s 30. In the previous year, the compensation for the Supervisory Board comprised fixed remuneration of € 000s 33, a variable component of € 000s 277 and compensation for audit-committee activities of € 000s 34.

Board of Management

Most of the remuneration for Members of the Board of Management is performance based. It includes a small fixed element and a primarily variable element. The variable element is a bonus based on performance and is calculated on the basis of the Earnings Before Tax (EBT) of the Group in accordance with IFRS, taking account of the return on sales. The total remuneration of the active members of the Board of Management amounted to € 000s 2,609 (2013: € 000s 2,370) for the business year 2014. Out of this amount, € 000s 504 (2013: € 000s 504) were attributable to the fixed compensation, € 000s 1,846 (2013: € 000s 1,600) were accounted for by performance-based compensation and € 000s 59 (2013: € 000s 66) to fringe benefits and € 000s 200 (2013: € 000s 200) to pension expenses.

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

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

On the balance sheet date, 14,282 shares (2013: 83,413) of the company were held directly and indirectly by the members of the Board of Management and 243,277 shares (2013: 243,277) were held directly or indirectly by the Members of the Supervisory Board. No Member of the Board of Management or the Supervisory held a stake in excess of 1 % in the company either directly or indirectly on the balance sheet date.

(35) AUDITOR'S FEE

At the Annual General Meeting on 27 June 2014, auditing firm PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor of the financial statements and auditor to carry out the audit inspection of the interim financial reports for the business year 2014.

The total fee determined for the business year amounts to € 000s 833. Out of this € 000s 522 was attributed to services for auditing the financial statements, € 000s 129 for other confirmation services, € 000s 146 for tax consultancy services and € 000s 36 for miscellaneous services.

(36) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 22 April 2015 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2014.
With effect from 26 January 2015, an impregnating plant in Biscoe, USA, which was taken over with the acquisition of the Süddekor Group at the end of 2013, was sold. This transaction did not exert a significant effect on the results of operations.

XII. EXECUTIVE OFFICERS OF THE COMPANY

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

MEMBERS OF THE SUPERVISORY BOARD (at 31/12/2014)		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Jürgen Großmann Engineer, Hamburg (Chairman)	Shareholder of the GMH Group, Georgsmarienhütte	• Member of the Supervisory Board of Deutsche Bahn AG, Berlin • Member of the Supervisory Board of - British American Tobacco (Industrie) GmbH, Hamburg - BATIG Gesellschaft für Beteiligungen mbH, Hamburg - British American Tobacco (Germany) Beteiligungen GmbH, Hamburg • Member of the Board, Hanover Acceptances Limited, London • Chairman of the Board of Trustees of RAG Stiftung, Essen
Björn Ahrenkiel Lawyer, Hürtgenwald (Vice Chairman)	Lawyer	-
Dr. Markus Miele Industrial engineer, Gütersloh (Deputy Chairman)	Managing Director of Miele & Cie. KG, Gütersloh	• Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf
Josef Aumiller* Industrial clerk, Unterthürheim (until 27 June 2014)	Chairman of the Works Council of SURTECO DECOR/ BauschLinnemann GmbH, Buttenwiesen-Pfaffenhofen	-
Dr. Matthias Bruse Lawyer, Munich	Partner, P+P Pöllath + Partners Rechtsanwälte Steuerberater mbB, Munich	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching (until 4 July 2014) • Member of the Supervisory Board of Wacker Neuson SE, Munich (until 27 May 2014)

MEMBERS OF THE SUPERVISORY BOARD (at 31/12/2014)		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Horst-Jürgen Dietzel* Laboratory supervisor Laichingen (until 27 June 2014)	Vice Chairman of the Works Council of SURTECO DECOR GmbH, Laichingen	-
Markus Kloepfer Engineer, Essen	Managing Director of alpha logs GmbH, Essen	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching (until 4 July 2014)
Udo Sadlowski* Training Manager, Essen	Chairman of the Works Council of Döllken-Kunst-stoffverarbeitung GmbH, Gladbeck	-
Dr.-Ing. Walter Schlebusch Engineer, Munich	Chairman of the Executive Management of Giesecke & Devrient GmbH, Munich	-
Thomas Stockhausen* Specialist in safety at work, Sassenberg	Chairman of the Works Council of BauschLinnemann GmbH, Sassenberg	-

* Employee representative

COMMITTEES OF THE SUPERVISORY BOARD			
Presiding Board			
Dr.-Ing. Jürgen Großmann (Chairman)	Björn Ahrenkiel	Markus Kloepfer	Dr. Markus Miele
Personnel Committee			
Dr.-Ing. Jürgen Großmann (Chairman)	Björn Ahrenkiel	Dr. Matthias Bruse	
Audit Committee			
Björn Ahrenkiel (Chairman)	Dr. Matthias Bruse	Dr.-Ing. Jürgen Großmann	Dr.-Ing. Walter Schlebusch

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

The Board of Management and the Supervisory Board of SURTECO SE have submitted Declarations of Compliance pursuant to § 161 sentence 1 of the Stock Corporation Act (AktG) on 18 December 2014 and made these declarations available to shareholders on the website of the company: www.surteco.com. These declarations are intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

SURTECO HOLDINGS AT 31/12/2014

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

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

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

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

AUDITOR'S REPORT

INDEPENDENT AUDIOTOR'S REPORT

We have audited the consolidated financial statements prepared by the SURTECO SE, Buttenwiesen-Pfaffenhofen, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the consolidated notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the SURTECO SE for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, April 22, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Jürgen Schumann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

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

Buttenwiesen-Pfaffenhofen, April 22, 2015

The Board of Management

Friedhelm Päfgen

Dr.-Ing. Herbert Müller

Dr.-Ing. Gereon Schäfer

BALANCE SHEET (HGB) (SHORT VERSION)

€ 000s	31/12/2013	31/12/2014
ASSETS		
Intangible assets	264	221
Tangible assets	213	243
Investments		
- Interest in affiliated enterprises	286,484	297,716
- Notes receivable to affiliated enterprises	24,405	18,035
- Participations	1	1
Fixed assets	**311,367**	**316,216**
Receivables and other assets		
- Receivables from affiliated enterprises	176,772	186,774
- Other assets	9,703	12,249
Cash in hand, bank balances	34,559	26,632
Current assets	**221,034**	**225,655**
Prepaid expenses	**20**	**323**
	532,421	**542,194**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	15,506	15,506
Additional paid-in capital	170,177	170,177
Retained earnings	101,327	118,127
Net profit	10,079	16,898
Equity	**297,089**	**320,708**
Tax accruals	631	0
Other accruals	2,212	2,461
Accrued expenses	**2,843**	**2,461**
Liabilities to banks	152,084	144,800
Trade accounts payable	735	147
Liabilities to affiliated enterprises	73,692	70,930
Other liabilities	5,978	2,711
Liabilities	**232,489**	**218,588**
Deferred taxes	**0**	**437**
	532,421	**542,194**

INCOME STATEMENT (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2013	1/1/-31/12/ 2014
Earnings from profit and los transfer agreements	23,652	43,160
Other operating income	1,938	3,867
Personnel expenses	-3,609	-3,922
Amortization and depreciation on intangible assets and property, plant and equipment	-166	-170
Other operating expenses	-6,738	-3,484
Investment income	141	920
Income from loans from financial assets	1,583	1,202
Interest income	-9,175	-6,680
Result from ordinary activities	**7,626**	**34,893**
Income taxes	-466	-1,267
Other taxes	-3	72
Net income	**7,157**	**33,698**
Profit carried forward from the previous year	66	0
Transfer to / from retained earnings	2,856	-16,800
Net profit	**10,079**	**16,898**

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

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

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

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

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

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

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

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

EBIT
Earnings before financial result and income tax

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

EBT
Earnings before income tax

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

SBU
Strategic Business Unit

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

FINANCIAL CALENDAR

2015

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

2016

29 April	Annual Report 2015
13 May	Three-month report January – March 2016
30 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
1 Juli	Dividend payout
12 August	Six-month report January – June 2016
14 November	Nine-month report January – September 2016

PUBLICATION DETAILS

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CONCEPT & DESIGN DesignKonzept, Mertingen

PHOTOS Ebbing + Partner, Iserlohn
Kaloo Images, Hirschbach
Z-Studio, Wertingen

PRINTING Schätzl, Donauwörth

	2005	2006	2007	2008	2009	2010	2011	2012	2013**	2014
Sales revenues in € 000s	396,372	403,156	414,519	402,984	341,145	388,793	408,809	407,720	402,115	618,469
Foreign sales in %	64	64	65	66	64	67	67	69	70	72
EBITDA in € 000s	65,211	71,698	74,358	56,828	54,317	62,547	56,116	51,699	59,660	62,842
Depreciation and amortization in € 000s	-17,765	-17,612	-19,060	-19,731	-19,892	-20,934	-21,099	-22,045	-22,613	-35,235
EBIT in € 000s	47,446	54,086	55,298	37,097	34,425	41,613	35,017	29,654	37,047	27,607
Financial result in € 000s	-9,890	-8,060	-8,371	-21,320	-16,860	-9,520	-12,089	-8,463	-9,056	-5,344
EBT in € 000s	37,556	46,026	46,927	15,777	17,565	32,093	22,928	21,191	27,991	22,263
Consolidated net profit in € 000s	21,987	28,761	31,837	6,754	9,239	21,754	12,484	15,028	21,876	18,464
Balance sheet total in € 000s	370,121	373,198	516,728	490,073	481,676	480,996	482,135	467,250	626,109	636,669
Equity in € 000s	148,967	165,678	189,506	180,516	191,815	212,969	216,504	223,178	311,025	321,101
Equity ratio in %	40	44	37	37	40	44	45	48	50	50
Average number of employees for the year	2,132	2,059	2,121	2,194	1,979	1,990	2,050	1,994	2,114	2,682
Number of employees at 31/12	2,109	2,051	2,181	2,137	1,903	2,003	2,005	1,967	2,664	2,705
Capital stock in €	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	15,505,731	15,505,731
Number of shares at 31/12	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	15,505,731	15,505,731
Earnings per share in € (by weighted average of shares issued)	1.97	2.60	2.87	0.61	0.83	1.96	1.13	1.36	1.86	1.19
Dividend per share in €	0.80	1.00	1.10	0.35	0.40	0.90	0.45	0.45	0.65	0.70*
Dividend payout in € 000s	8,860	11,076	12,183	3,876	4,430	9,968	4,984	4,984	10,079	10,854
PROFITABILITY INDICATORS										
Return on sales in %	9.4	11.4	11.3	3.9	5.1	8.2	5.6	5.3	6.9	3.6
Return on equity in %	15.6	18.4	15.8	3.8	4.9	10.8	5.9	6.9	7.3	6.0
Total return on total equity in %	12.8	14.7	11.1	6.0	6.2	8.9	6.8	6.6	5.9	5.1

* Proposal by the Board of Management and Supervisory Board

** Adjusted on the basis of first-time application of IFRS 11 and IAS 28

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