

SURTECO

SOCIETAS EUROPAEA

REPORT FOR THE FIRST HALF YEAR 2017

Q2



1 January to 30 June

OVERVIEW

SURTECO GROUP

€ million

Sales revenues

of which

- Germany

- Foreign

EBITDA

EBITDA margin in %

EBIT

EBIT margin in %

EBT

Consolidated net profit

Earnings per share in €

Number of shares

Net financial debt in € million

Level of debt in %

Equity ratio in %

Number of employees

1/4- 30/6/2016	1/4- 30/6/2017	Δ %	1/1- 30/6/2016	1/1- 30/6/2017	Δ %
Q2			Q1-2		
167.5	164.3	-2	337.7	334.0	-1
45.2	43.5	-4	94.6	89.8	-5
122.3	120.8	-1	243.1	244.2	-
19.4	17.5	-10	38.3	37.1	-3
11.6	10.6		11.3	11.1	
11.2	8.6	-23	21.6	19.3	-11
6.7	5.2		6.4	5.8	
10.0	5.6	-43	17.2	14.5	-15
6.7	3.8	-44	12.0	10.0	-17
0.43	0.24	-44	0.78	0.64	-17
15,505,731	15,505,731		15,505,731	15,505,731	

30/6/2016	30/6/2017	Δ %	31/12/2016	30/6/2017	Δ %
120.3	114.4	-5	135.6	114.4	-16
36	34	-2 pts.	39	34	-5 pts.
48.4	49.2	+0.8 pts.	51.4	49.2	-2.2 pts.
2,679	2,866	+7	2,833	2,866	+1



1 JANUARY - 30 JUNE 2017



**DEAR SHAREHOLDERS,
PARTNERS AND FRIENDS
OF OUR COMPANY**

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

GLOBAL ECONOMY WITH ROBUST GROWTH IN 2017

The current forecast by the International Monetary Fund (IMF) given in July 2017 reaffirms its growth forecast for the global economy of 3.5 % in 2017. However, there were slight shifts compared with the April assessment in relation to expectations for a number of developed economies. According to projections by the experts, the risks for the US economy are increasing significantly. The IMF therefore reduced its projection for the economy there from the previous level of +2.3 % to just +2.1%. The prospects for the United Kingdom have also become increasingly depressed (+1.7 % after the previous level of +2.0 %) in view of the rising uncertainties surrounding the impacts of Brexit. Conversely, the IMF predicts slightly higher dynamic growth of +1.9 % (previously +1.7 %) for the eurozone. Germany can hope for an increase of 1.8 % (April estimate: +1.6 %) and France can hope for +1.5 % (April estimate: +1.4 %). The experts are significantly more confident than in the previous quarter for Italy (+1.3 % instead of +0.8 %) and Spain (+3.1 % instead of +2.6 %). Overall, the developed economies can anticipate growth of 2.0 %.

The IMF perceives development of a sustained, solid upswing of 4.6 % for the emerging economies and developing countries, driven by the Asian economic engine (+6.5 %). Once again, China's economy is projected to set the pace with +6.7 %. After several years of decline, the Russian economy can anticipate expansion of 1.4 % once again. The IMF has raised its previous projection of +3.0 % for Central and Eastern Europe to +3.5 % for 2017.

The main risks perceived by the IMF relate to uncertainties for the future economic and fiscal policy in the USA and the imponderable impacts arising from the end of the low-interest policy of the central banks

FURNITURE INDUSTRY WITH ROBUST GROWTH FIGURES

According to the sector association for the German furniture industry (VDM), the good employment market, rising incomes of German consumers and buoyant foreign demand for furniture "Made in Germany" meant that German furniture manufacturers were able to continue increasing their sales in the first months of 2017. The German furniture industry is one of the most important sales sectors for the SURTECO Group. After the industry already generated growth of 3.2 % last year and achieved a record value of almost € 18 billion euros, sales improved by 3.1 % in the first quarter of 2017 to € 4.5 billion euros. Foreign sales increased by 3.9 % and developed rather more dynamically than domestic sales, which went up by 2.8 %. The German furniture industry association is therefore assuming that the result obtained in the previous year will be exceeded once again in the current year.

SALES AND BUSINESS PERFORMANCE

The uneven sales development of the two strategic business units continued in the second quarter of the current business year. After purchasers undertook above-average stockpiling of inventories in the first half of 2016 essentially due to the concentration of German decorative printing activities, paper sales were below the equivalent year-earlier values during the months of January to June 2017. Conversely, the plastics segment succeeded in growing during the period under review through organic growth and owing to the acquisition of the Nenplas Group in December 2016. However, this was unable to compensate fully for the setback in the paper segment. The sales revenues posted by the Group therefore eased by 1 % in the first half year of 2017 compared with the previous year and achieved a value of € 334.0 million. A volume of € 89.8 million (-5 %) was generated in Germany as the biggest retail market. In the Rest of Europe, sales eased by 1 % and in Asia by 8 %, whereas business on the entire American continent rose by 4 % and in Australia by 9 %. The foreign sales ratio of the SURTECO Group increased from 72.0 % in the equivalent year-earlier period to 73.1 %.

The Portuguese Probos Group taken over in July (-> Events after the balance sheet date) will only be consolidated in the plastics segment from the second half year of 2017.

STRATEGIC BUSINESS UNIT PAPER

In the first half of the last business year, the product segment for decorative prints in particular posted a high sales volume due to advance orders on account of the concentration of German decorative printing activities. This explains the

22 % decline in sales during the first six months of the current business year for decorative prints. Impregnates were also impacted by this effect, reporting a drop of 10 %. Sales revenues for paper-based edgebandings fell back by 2 % compared with the equivalent year-earlier period. The decline of 14 % for pre-impregnated finish foils essentially reflected a deliberate discontinuation of volume business with weak margins. Conversely, fully impregnated finish foils underwent gratifying development with growth of 6 %, in common with release papers. Growth of 25 % was generated here with new products. Overall, the sales revenues of the Strategic Business Unit Paper at € 188.1 million were 10 % below the value of € 209.0 million for the previous year. Aside from the North and South American continent (+2 %), this fall was distributed across all the country groups. Hence sales in domestic business came down by 12 %, in the rest of Europe by 13 %, and in the Asia-Pacific region (proportion of sales 2 %) by 22 %.

STRATEGIC BUSINESS UNIT PLASTICS

Sales at the Strategic Business Unit Plastics rose by 13 % to some € 145.9 million (1st half year 2016: € 128.7 million) during the months of January to June 2017. Acquisition of the British Nenplas Group in December 2016 and organic growth contributed to this growth. Sales of plastic edgebandings increased by 7 % compared with the equivalent year-earlier period. Shifts in the product mix to cheaper products were more than compensated by increases in volume. Business with skirtings and the associated products also increased by 7 %. The increase of 178 % for technical extrusions (profiles) reflects the acquisition of Nenplas. Business only posted a fall in

plastic-based finish foils (-3 %) and with roller-shutter systems (-15 %) as the smallest product segment of the plastics line. Growth was distributed over all the major country groups. Sales in the German domestic business rose by 4 % and in the rest of Europe by 27 %, essentially driven by the Nenplas acquisition. Business in North and South America grew by 8 % and business in Asia by 3 %. Australia once again posted double-digit growth of 11 %.

EXPENSES

At the beginning of the current business year, purchasing prices for the important raw material ABS (acrylonitrile butadiene styrene) deteriorated significantly. Other plastics like PVC (polyvinyl chloride) and PP (polypropylene) also underwent unexpected price increases and persisted at a very high level throughout the second quarter. The Strategic Business Unit Paper also posted a significantly increasing price level for virtually all raw papers and chemical additives from the second quarter. During the course of the reporting period, relatively long lead times meant that these inflationary prices did not fully impact on the cost of materials in the paper line. Productivity and efficiency gains on the back of the successful conclusion of the relocation project also exerted a positive impact by comparison with the previous year. At Group level, the total cost of materials in the first half of 2017 amounted to € 158.6 million after € 175.6 million in the equivalent year-earlier period. The cost of materials ratio – the ratio of the cost of materials to total output – fell from 51.1 % in the previous year to 47.7 %.

Personnel expenses in the months from January to June rose from € 80.7 million in 2016 to € 87.3 million in the current business year on account of the acquisition of the Nenplas Group, wage and salary increases under collective bargaining agreements in the second quarter of 2017 and a slightly bigger workforce. Since total output in the first half of 2017 was 3 % below the level of the equivalent year-earlier value due to slightly lower sales and a reduction of inventories, the personnel expense ratio – defined as the ratio of personnel expenses to total output – rose from 23.5 % in the previous year to 26.3 % during the reporting period.

Other operating expenses rose from € 50.6 million in the previous year to € 51.2 million in the first half of 2017.

GROUP RESULTS

In the development of the Group's total output during the first half of the year, a reduction of inventories of € 4.2 million in 2017 contrasts with an equivalent increase of inventories for the previous year. The total output at € 332.3 million was therefore 3 % below the equivalent year-earlier value of € 343.7 million with slightly lower sales revenues. Deducting expense items amounting to € 297.1 million (2016: € 306.9 million) and adding other operating income totalling € 1.9 million (2016: € 1.5 million) yields an operating result (EBITDA) for the SURTECO Group of € 37.1 million (2016: € 38.3 million). On account of the acquisition of the Nenplas Group, depreciation and amortization increased to € 17.8 million (2016: € 16.7 million). Earnings before the financial result and taxes (EBIT) at € 19.3 million were 11 % below the equivalent year-earlier value of € 21.6 million.

Negative currency effects of € -1.6 million after € -0.3 million in the previous year led to a financial result of € -4.8 million (2016: € -4.4 million) in spite of an improvement in interest expense. The pre-tax result (EBT) fell by 15 % and achieved the value of € 14.5 million (2016: € 17.2 million). After deduction of income tax totalling € -4.6 million (2016: € - 5.2 million) and non-controlling interests, consolidated net profit of € 10.0 million (2016: € 12.0 million) was generated during the first half of the year. Earnings per share amounted to € 0.64 after € 0.78 in the previous year.

RESULT OF THE STRATEGIC BUSINESS UNITS

In spite of the decline in sales development at the Strategic Business Unit Paper, the business unit succeeded in increasing EBIT during the first two quarters from € 12.6 million in the previous year to € 13.0 million in 2017 owing to increases in profitability. The Strategic Business Unit Plastics generated EBIT of € 11.2 million in the same period after € 12.1 million in the previous year.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The equity of the SURTECO Group amounted to € 338.3 million at the end of the first half of 2017 after € 346.6 million on 31 December 2016. The balance sheet total of the SURTECO Group amounting to € 687.1 million rose by 2 % at 30 June 2017 compared with 31 December 2016 (€ 673.9 million). As a result of this increase, the equity ratio came down to 49.2 % (31 December 2016: 51.4 %).

Cash and cash equivalents rose by € 13.2 million and trade account receivables went up by € 13.5 million. This resulted in an increase in current assets to € 284.3 million at the end of the first half of the year. Property, plant and equipment fell by € 3.7 million and intangible assets came down by € 3.6 million so that non-current assets decreased to € 402.8 million on the balance sheet date. Trade account payables rose by € 11.6 million, other current financial liabilities went up by € 18.6 million and income tax liabilities by € 2.2 million. Overall, current liabilities at 30 June 2017 amounted to € 179.8 million after € 151.8 million on 31 December 2016. Non-current liabilities came down slightly to € 169.1 million (31 December 2016: € 175.5 million) essentially due to a decrease in deferred tax of € 4.0 million on the liabilities side.

On account of the improved net financial debt amounting to € 114.4 million (31 December 2016: € 135.6 million), the level of debt (gearing) came down from 39 % to 34 %. Cash flow from current business operations at € 35.0 million in the first half of 2017 was significantly above the equivalent year-earlier value of € 18.8 million. If the cash flow from investment activities amounting to € -15.0 million (2016: € -11.0 million) is

deducted, this results in free cash flow of € 20.0 million (2016: € 7.8 million) for the months from January to June 2017.

CALCULATION OF FREE CASH FLOW

€ million	1/1/-30/6/ 2016	1/1/-30/6/ 2017
Cash flow from current business operations	18.8	35.0
Purchase of property, plant and equipment	-9.6	-14.4
Purchase of intangible assets	-1.4	-0.6
Cash flow from investment activities	-11.0	-15.0
Free cash flow	7.8	20.0

RESEARCH AND DEVELOPMENT

During the first half of 2017, the Research and Development Department of the Strategic Business Unit Plastics concentrated on advanced technical development of the production facilities for thermoplastic edgebandings. This involved installing new processing systems on the extruders and developing varnish systems specially designed for this purpose. This technology enables a supermatt and scratch-resistant surface to be manufactured even on edgebandings made of the raw material ABS (acrylonitrile butadiene styrene). A newly developed varnishing system will also allow a new

high-gloss version of the PP edging (poly-propylene) to be supplied, which offers an outstanding surface quality.

The Strategic Business Unit Paper presented a newly developed product called "Sedatecs" at Interzum, the leading international exhibition for suppliers to the furniture industry. This is a highly scratch-resistant finish foil specially designed for the door industry. This finish foil combines a popular dull matt look that is currently extremely popular with technical properties such as scratch resistance and lack of sensitivity to finger prints.

RISK AND OPPORTUNITIES REPORT

SURTECO SE with its Strategic Business Units Plastics and Paper is exposed to a large number of risks on account of global activities and intensification of competition. The detailed description of the Risk Management System is provided in the Risk and Opportunities Report given in our Annual Report 2016. This involves allocating the identified individual risks to damage and probability classes on the basis of their expected gross financial burden to EBT for the current and subsequent years on the basis of the following tables.

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 %

During the first half of 2017, the overall potential of risks increased due to significant price rises for important raw materials mainly in the area of procurement risks compared with the risk and opportunities report in the Annual Report 2016. As a consequence, two new procurement risks were identified in the Strategic Business Unit Paper, one risk with a damage class 2 and probability class 4 and one with damage class 3 and probability class 4. A market risk with damage class 2 and probability class 4 was also identified. A new procurement risk with damage class 1 and probability class 4 was also identified in the Strategic Business unit Plastics. By contrast, the probability class of a market risk in the Strategic Business Unit Plastics was reduced from 3 to 2 while the damage class remained 1. The damage class of a procurement risk in the Strategic Business Unit Plastics was reduced from 3 to 2, while the probability class remained 3.

OUTLOOK FOR THE FISCAL YEAR 2017

The forecasts for the business year 2017 are firstly influenced by the significant, unplanned price increases for raw materials in the two business units and secondly by the acquisition of the Portuguese Probos Group (->Events after the balance

sheet date). However, this acquisition has not exerted any effect on the Strategic Business Unit Paper. Since significant falls in sales revenues have already been posted in this segment, significantly drop in sales revenues is anticipated for the Strategic Business Unit Paper over the entire year compared with the previous year. Sales of the Strategic Business Unit Plastics will substantially exceed the level of the previous year as a result of organic growth and because the Probos Group can be consolidated for half a year. Although there will be negative impacts on the raw materials side, productivity increases mean that a slight increase in EBIT is forecast for the paper line. Including the contribution to earnings from Probos, the management now expects EBIT for the Strategic Business Unit Plastics that is substantial above the value for the previous year.

At Group level, sales revenues including consolidation of the Probos Group over the second half of the year are likely to increase substantially compared with the previous year rather than slightly as originally forecast. The very high cost of raw materials and the expenses for acquisition and resulting purchase price allocation effects mean that the company is continuing to assume EBIT amounting to between € 42 and € 46 million for the year as a whole in 2017, including consolidation of the Probos Group for the second half of the year.

SURTECO SHARES

Against the background of significantly increased raw material prices, the SURTECO share initially continued its sideways trend commenced at the beginning of 2017 during the second quarter. The share price fluctuated around € 23 into May and an Xetra closing price of € 22.40 on 8 May marked the low point for the half year. Over the course of the following weeks, the share succeeded in posting significant increases in a stock market environment that was friendly overall. At the beginning of June, it climbed to breach the value of 24 euros once more. Announcement of the successful takeover of the Portuguese Probos Group encountered a positive reception from the capital market and facilitated the rise of the SURTECO share to a price of € 24.80 on 24 June – the high for the first half of 2017. The share ended the reporting period at a price of € 23.73 and this was slightly above the value for year-end 2016. The ex-dividend date should be taken into account here since a resolution on the dividend of € 0.80 per share to shareholders was approved at the end of the quarter and paid out in July. The DAX and SDAX comparative indexes increased by 7 % and 14 % respectively at the end of the quarter compared with their status on 31 December 2016.

The market capitalization of SURTECO SE amounted to € 368.0 million on 30 June 2017. The proportion of the shares owned by the founding shareholders increased slightly to 55.5 % by comparison with 31 December 2016. Based on the definition of the German Stock Exchange (Deutsche Börse) the free float is correspondingly 44.5 %.

January - June 2017

Number of shares	15,505,731
Free float in %	44.5
<hr/>	
Price on 2/1/2017 in €	24.22
Price on 30/6/2017 in €	23.73
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High in €	24.80
Low in €	22.40
<hr/>	
Market capitalization as at 30/6/2017 in € million	368.0
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SHARE PRICE PERFORMANCE

January - June 2017 in €



QUARTERLY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SURTECO GROUP

€ 000s

Sales revenues

Changes in inventories

Own work capitalized

Total output

Cost of materials

Personnel expenses

Other operating expenses

Other operating income

EBITDA

Depreciation and amortization

EBIT

Financial result

EBT

Income tax

Net income

Of which:

Owners of the parent
(consolidated net profit)

Non-controlling interests

Basic and diluted earnings
per share in €

Number of shares

Q2		Q1-2	
1/4/-30/6/ 2016	1/4/-30/6/ 2017	1/1/-30/6/ 2016	1/1/-30/6/ 2017
167,478	164,322	337,687	334,044
3,715	-1,936	4,231	-4,201
995	1,339	1,819	2,485
172,188	163,725	343,737	332,328
-88,102	-78,111	-175,591	-158,643
-40,339	-43,362	-80,724	-87,253
-25,136	-25,959	-50,577	-51,248
829	1,133	1,462	1,889
19,440	17,426	38,307	37,073
-8,286	-8,855	-16,712	-17,762
11,154	8,571	21,595	19,311
-1,155	-2,917	-4,395	-4,757
9,999	5,654	17,200	14,554
-3,296	-1,948	-5,170	-4,618
6,703	3,706	12,030	9,936
6,710	3,753	12,029	9,965
-7	-47	1	-29
0.43	0.24	0.78	0.64
15,505,731	15,505,731	15,505,731	15,505,731

STATEMENT OF COMPREHENSIVE INCOME

SURTECO GROUP

€ 000s

Net income

Components of comprehensive income not to be reclassified to the income statement

Net gains/losses from hedging of net investment in a foreign operation

Exchange differences translation of foreign operations

Financial instruments available-for-sale

Components of comprehensive income that may be reclassified to the income statement

Other comprehensive income for the period

Comprehensive income

Owners of the parent
(consolidated net profit)

Non-controlling interests

Q2		Q1-2	
1/4/-30/6/ 2016	1/4/-30/6/ 2017	1/1/-30/6/ 2016	1/1/-30/6/ 2017
6,703	3,706	12,030	9,936
-760	0	-760	0
7	-143	-51	-95
736	-7,087	-2,605	-5,540
-58	-368	150	-145
685	-7,598	-2,506	-5,780
-75	-7,598	-3,266	-5,780
6,628	-3,892	8,764	4,156
6,650	-3,842	8,776	4,190
-22	-50	-12	-34

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

€ 000s

ASSETS

Cash and cash equivalents

Trade accounts receivable

Receivables from affiliated enterprises

Inventories

Current income tax assets

Other current non-financial assets

Other current financial assets

Current assets

Property, plant and equipment

Intangible assets

Goodwill

Investments accounted for using the equity method

Financial assets

Other non-current financial assets

Deferred taxes

Non-current assets

31/12/2016	30/6/2017
60,416	73,594
52,072	65,602
626	1,012
119,596	119,963
2,318	2,170
6,607	7,558
19,650	14,388
261,285	284,287
245,628	241,889
34,109	30,516
118,828	118,382
1,694	1,585
21	21
5,778	5,998
6,526	4,451
412,584	402,842
673,869	687,129

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

€ 000s

LIABILITIES AND SHAREHOLDERS' EQUITY

Short-term financial liabilities

Trade accounts payable

Income tax liabilities

Short-term provisions

Other current non-financial liabilities

Other current financial liabilities

Current liabilities

Long-term financial liabilities

Pensions and other personnel-related obligations

Other non-current financial liabilities

Deferred taxes

Non-current liabilities

Capital stock

Capital reserve

Retained earnings

Consolidated net profit

Capital attributable to owners of the parent

Non-controlling interests

Equity

31/12/2016	30/6/2017
72,357	66,989
48,888	60,513
2,639	4,827
3,583	4,085
2,655	3,042
21,650	40,296
151,772	179,752
123,629	120,998
13,030	13,155
4,300	4,300
34,586	30,621
175,545	169,074
15,506	15,506
122,755	122,755
181,436	187,123
23,867	9,965
343,564	335,349
2,988	2,954
346,552	338,303
673,869	687,129

CONSOLIDATED CASH FLOW STATEMENT

SURTECO GROUP

€ 000s

Earnings before income tax

Reconciliation to cash flow from current business operations

Internal financing

Change in assets and liabilities (net)

Cash flow from current business operations

Cash flow from investment activities

Cash flow from financial activities

Change in cash and cash equivalents

Cash and cash equivalents

1 January

Effect of changes in exchange rate on cash and cash equivalents

30 June

Q1-2

1/1/-30/6/ 2016	1/1/-30/6/ 2017
17,200	14,554
11,268	16,297
28,468	30,851
-9,684	4,138
18,784	34,989
-11,039	-15,032
13,001	-6,982
20,746	12,975
65,654	60,416
-211	203
86,189	73,594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SURTECO GROUP

€ 000s	Capital stock	Capital reserve	Fair value measurement for financial instruments
31 December 2015	15,506	122,755	481
Adjusted on the basis of IAS 8 *)	0	0	0
1 January 2016	15,506	122,755	481
Net income	0	0	0
Other comprehensive income	0	0	150
Comprehensive income	0	0	150
Dividends – Outstanding payments	0	0	0
Allocation to retained earnings	0	0	0
Changes in equity	0	0	0
30 June 2016	15,506	122,755	631
31 December 2016	15,506	122,755	86
Net income	0	0	0
Other comprehensive income	0	0	-145
Comprehensive income	0	0	-145
Dividends – Outstanding payments	0	0	0
Allocation to retained earnings	0	0	0
Changes in equity	0	0	0
30 June 2017	15,506	122,755	-59

*) Comparison values adjusted on the basis of IAS 8 (see abbreviated Notes to the Consolidated Financial Statements section "Adjustment to the Consolidated Financial Statements in accordance with IAS 8").

Retained earnings			Consolidated net profit	Non-controlling interests	Total
Other comprehensive income	Currency translation adjustments	Other retained earnings			
-1,770	822	179,176	17,695	235	334,900
0	0	-545	26	0	-519
-1,770	822	178,631	17,721	235	334,381
0	0	0	12,029	1	12,030
-760	-2,643	0	0	-13	-3,266
-760	-2,643	0	12,029	-12	8,764
0	0	-12,405	0	0	-12,405
0	0	17,695	-17,695	0	0
0	0	5,290	-17,695	0	-12,405
-2,530	-1,821	183,921	12,055	223	330,740
-1,977	-620	183,947	23,867	2,988	346,552
0	0	0	9,965	-29	9,936
0	-5,630	0	0	-5	-5,780
0	-5,630	0	9,965	-34	4,156
0	0	-12,405	0	0	-12,405
0	0	23,867	-23,867	0	0
0	0	11,462	-23,867	0	-12,405
-1,977	-6,250	195,409	9,965	2,954	338,303

SEGMENT REPORTING

SURTECO GROUP

BY STRATEGIC BUSINESS UNITS

Sales revenues

€ 000s

1/1/-30/6/2017

External sales

Internal sales

Total sales

1/1/-30/6/2016

External sales

Internal sales

Total sales

Segment earnings

€ 000s

1/1/-30/6/2017

EBIT

1/1/-30/6/2016

EBIT

SBU Paper	SBU Plastics	Recon- ciliation	SURTECO Group
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188,155	145,889	0	334,044
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359	3	-362	0
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188,514	145,892	-362	334,044
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209,004	128,683	0	337,687
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724	4	-728	0
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209,728	128,687	-728	337,687
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SBU Paper	SBU Plastics	Recon- ciliation	SURTECO Group
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13,003	11,183	-4,875	19,311
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12,556	12,122	-3,083	21,595
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SEGMENT REPORTING

SURTECO GROUP

BY REGIONAL MARKETS

Sales revenues SURTECO Group

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

Sales revenues SBU Paper

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

Sales revenues SBU Plastics

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

1/1/-30/6/2016	1/1/-30/6/2017
94,640	89,825
152,606	151,056
64,976	67,658
25,465	25,505
337,687	334,044

1/1/-30/6/2016	1/1/-30/6/2017
53,922	47,527
105,480	91,284
43,618	44,615
5,984	4,729
209,004	188,155

1/1/-30/6/2016	1/1/-30/6/2017
40,718	42,298
47,126	59,772
21,358	23,043
19,481	20,776
128,683	145,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ABBREVIATED)

ACCOUNTING PRINCIPLES

The consolidated financial statements of the SURTECO Group for the period ended 31 December 2016 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) as they were adopted by the EU, in the version valid on the closing date for the accounting period. As a matter of principle, the same accounting and valuation principles were used for the preparation of this interim report as at 30 June 2017 as in the preparation of the consolidated financial statements for the business year 2016.

The objective and purpose of interim reporting is to provide an information tool building on the consolidated financial statements and we therefore refer to the standards and interpretations applied in the valuation and accounting methods used in the preparation of the consolidated statements of the SURTECO Group for the period ending 31 December 2016 for further information. The comments included in this report also apply to the quarterly financial statements and the half-yearly financial statements for the year 2017 if no explicit reference is made to them.

The regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" for abbreviated interim financial statements and the German Accounting Standard (DRS) 16 "Interim Reporting (Zwischenberichterstattung)" were applied for this interim report.

Where the standards adopted by the IASB had to be applied from 1 January 2017, they were taken into account in this interim report if they exert effects on the SURTECO Group.

The preparation of the interim report requires assumptions and estimates to be made by the management. This means that there may be

deviations between the values reported in the interim report and the actual values achieved. The mandatory standards and interpretations to be applied for the first time in the business year as from 1 January 2017 were taken into account when drawing up the interim financial statements. The application of these IFRS regulations exerted no material effect on the net assets, financial position and results of the Group. Furthermore, reference is made to the explanations on the applicable standards provided in the notes to the consolidated financial statements on 31 December 2016.

The overall activities of the SURTECO Group are typically not subject to significant seasonal conditions.

The Group currency is denominated in euros (€). All amounts are specified in thousand euros (€ 000s), unless otherwise indicated.

We draw your attention to the fact that differences may occur when using rounded amounts and percentages on account of commercial rounding. These interim financial statements and the interim report have not been audited and they have not been subject to an audit review by an auditor.

GROUP OF CONSOLIDATED COMPANIES

As at 30 June 2017, the SURTECO Group interim consolidated financial statements include SURTECO SE and all the major companies which are material for the net assets, financial position and results of operations in which SURTECO SE holds a controlling interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ABBREVIATED)

ADJUSTMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8

Reference is made to the notes for the consolidated financial statements as at 31 December 2016, for the adjustments carried out in the comparative period 2015 in accordance with IAS 8.

FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

The following table shows the financial instruments reported at fair value and classified according to a fair value hierarchy. The individual levels within the hierarchy are defined as follows:

€ 000s	Category acc. IAS 39
Assets from derivative financial instruments	
with hedge relationship	n.a.
without hedge relationship	FAaFV
Liabilities from derivative financial instruments	
with hedge relationship	n.a.
without hedge relationship	FLaFV

Key to abbreviations

FAaFV	Financial Assets at Fair Value through profit/loss
FLaFV	Financial Liabilities at Fair Value through profit/loss

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.

FAIR VALUE / BOOK VALUE

31/12/2016

30/6/2017

Level 1

Level 2

Level 3

Level 1

Level 2

Level 3

0 14,536 0

0 9,502 0

0 0 0

0 0 0

0 0 0

0 0 0

0 0 0

0 0 0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ABBREVIATED)

The fair value of forward exchange contracts and crosscurrency swaps of SURTECO SE is determined using the discounted cash flow method with recourse to current market parameters. The bankers determine the fair values on the basis of specific assumptions and valuation methods which can take account of the influence of market, liquidity, credit and operational risks and can be derived entirely or partly from external sources (which are regarded as reliable) and market prices.

During the course of this reporting period and in the comparison period, there were no reclassifications between the measurement categories or reclassifications within the fair value hierarchy.

In the case of financial instruments which are not valued at fair values but are reported on the basis of other valuation concepts, the fair values correspond to the book values.

Further information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as at 31 December 2016.

DIVIDEND PAY-OUT FOR THE BUSINESS YEAR 2016

The Annual General Meeting of SURTECO SE passed a resolution on 29 June 2017 to distribute a dividend amounting to € 0.80 for each no-par-value share for the business year 2016. The total pay-out amounting to € 12,404,584.80 was paid out on 4 July 2017.

REPORT ON IMPORTANT TRANSACTIONS WITH RELATED PARTIES

During the period under review, the companies of the Group undertook no business transactions with related parties that could have exerted a material influence on the net assets, financial position and results of operations of the Group.

EVENTS AFTER THE BALANCE SHEET DATE

On 24 June 2017, SURTECO concluded a purchase contract for the acquisition of the Portuguese Probos Group through its subsidiary company Döllken-Kunststoffverarbeitung GmbH. This purchase contract was closed on 7 July 2017. The Probos Group headquartered in Porto, Portugal, has a workforce of approximately 470 employees primarily specialized in the production of PVC plastic edgebandings. In 2016, the Group generated sales amounting to € 66.5 million and EBITDA of € 11.0 million according to Portuguese GAAP. Thanks to the production locations of Probos in Brazil and Portugal, and other sales and processing locations, SURTECO will strengthen its regional presence particularly in the strategically important markets of South and Central America. In future, SURTECO will also have greater opportunities to market its own products in these regions. The purchase price of € 99 million is being financed exclusively through borrowings. After 30 June 2017 up to the date when this report went to press, there were no further events or developments that would be likely to lead to a significant change in the recognition or valuation of the individual assets or liabilities.



APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION

The Management Board has approved this set of interim consolidated financial statements for publication as a result of the resolution of 10 August 2017.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim consolidated reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group review of operations 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 for the remaining months of the financial year.

Buttenwiesen-Pfaffenhofen, 10 August 2017

The Board of Management




Dr.-Ing. Herbert Müller



Dipl.-Kfm. Andreas Riedl



Dr.-Ing. Gereon Schäfer



REPORT FOR THE FIRST HALF YEAR 2017 · SURTECO SE

Q2

1 JANUARY - 30 JUNE 2017

CALCULATION OF INDICATORS

Cost of materials ratio in %

Earnings per share in €

EBIT

EBIT margin in %

EBITDA

EBITDA margin in %

Equity ratio in %

Gearing (debt level) in %

Market capitalization in €

Net debt in €

Personnel expense ratio in %

Working capital in €

Cost of materials/Total output

Consolidated net profit/Number of shares

Earnings before financial result and income tax

EBIT/Sales revenues

Earnings before financial result and
income tax

EBITDA/Sales revenues

Equity/Balance sheet total

Net debt/Equity

Number of shares x Closing price on the balance
sheet date

Short-term financial liabilities + Long-term financial
liabilities – Cash and cash equivalents

Personnel costs/Total output

Trade accounts receivable + Inventories –
Trade accounts payable



FINANCIAL CALENDAR

14 November 2017

27 - 29 November 2017

30 April 2018

15 May 2018

Nine-month report January – September 2017

German Equity Forum, Frankfurt

Annual Report 2017

Report for the first three months January –
March 2018

SURTECO

SOCIETAS EUROPAEA

Q2

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SURTECO SE

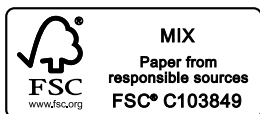
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Germany

Ticker Symbol: SUR

ISIN: DE0005176903



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