

Report for the first half year 2019 Q2



1 January to 30 June

SURTECO
GROUP



we create.
we innovate.

€ million	1/4/-30/6/ 2018	1/4/-30/6/ 2019	Δ %	1/1/-30/6/ 2018	1/1/-30/6/ 2019	Δ %
	Q2			Q1-2		
Sales revenues	178.5	170.8	-4	365.2	352.7	-3
of which						
- Germany	41.4	40.8	-2	90.4	88.5	-2
- Foreign	137.1	130.0	-5	274.8	264.2	-4
EBITDA	20.3	19.8	-3	43.8	42.3	-3
EBITDA margin in %	11.4	11.6		12.0	12.0	
EBIT	10.1	8.7	-14	23.5	20.2	-14
EBIT margin in %	5.7	5.1		6.4	5.7	
EBT	10.0	7.1	-29	21.0	17.6	-16
Consolidated net profit	7.1	5.0	-29	15.1	12.7	-16
Earnings per share in €	0.46	0.32	-29	0.97	0.82	-16
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/6/2018	30/6/2019	Δ %	31/12/2018	30/6/2019	Δ %
Net financial debt in € million	200.5	204.6	+2	197.5	204.6	+4
Level of debt in %	57	57	-	56	57	+1 pts.
Equity ratio in %	40.4	41.1	+0.7 pts.	41.8	41.1	-0.7 pts.
Number of employees	3,347	3,241	-3	3,304	3,241	-2

SURTECO GROUP GROUP INTERIM MANAGEMENT REPORT AT 30 JUNE 2019

Business report

Macroeconomic and sector-specific framework conditions

Slowdown in growth across many parts of the world

The operational business development of the SURTECO Group is closely connected with the global economic situation because the purchasing and investment sentiment of our customers ultimately depends on the economic performance of the individual countries and regions. This exerts an impact on the demand for SURTECO products. The most important geographical markets for SURTECO are Europe, and North and South America. The proportion of these regions, including Germany, amounts to approximately 92 % of Group sales. As far as customer industries are concerned, the dominant force continues to be demand from the furniture, flooring, door and wood-processing industries. Furthermore, the Group also generates sales in the interior-design sector, with the caravan industry and as a supplier for the construction of cruise ships.

The International Monetary Fund (IMF) published its forecast of 3.2 % for the development of the global economy in its "World Economic Outlook" dated July 2019 and consequently reduced its projection for the second time this year (January 2019: 3.5 % / April 2019: 3.3 %). The main reasons for the decline in optimism identified by the experts are the increasing risks and uncertainties owing to the trade conflicts originating from the USA, Brexit, the indebtedness prevalent in important EU countries and the burgeoning conflicts in the Middle East. These developments are exerting an increasing effect on those emerging markets and developing countries which have to date evidenced powerful growth. Over the past three months, their growth prospects for 2019 have come down from 4.4 % to 4.1 %. In view of the strong development of the US economy with growth of 2.6 % [forecast April 2019: 2.3 %], the IMF has increased its forecast from +1.8 % to +1.9 % for the developed economies.

The prospects for the eurozone remain stable at 1.3 % compared with expectations in April. While the German economy is only projected to have moderate upside at 0.7 %, France can anticipate a rise of 1.3 % and Spain can anticipate growth of 2.3 %. Given the high level of sovereign debt, Italy's economy is likely to stagnate (+0.1 %). Although the economy in the United Kingdom is increasingly suffering under the burden of Brexit uncertainty, the IMF is anticipating expansion of 1.3 % in 2019. A continuing trend of lacking notable growth momentum is expected in the countries of Central and Eastern Europe (+1.0 %). Among the BRIC countries, disappointing development is forecast in Brazil (+0.8 % after +2.1 % in April) and Russia (+1.2 % in the July outlook after +1.6 % in April).¹

Sales and business performance

While sales in the Profiles Segment were once again above the year-earlier quarter, the decline in business performance of the Decoratives and Technicals Segments that manifested itself at the beginning of the year continued in the second quarter of the business year 2019. This was due to the muted development in the furniture and flooring sectors, and the declining performance in important geographic markets during the second quarter of the business year 2019. At Group level, sales fell back by 4 % compared with the comparable year-earlier period in the second quarter of 2019. Accumulated sales in the Group at € 352.7 million from January to June 2019 were 3 % below the year-earlier level of € 365.2 million. Business in the biggest single regional market of Germany went down by 2 % and in the rest of Europe by 4 % owing to the volatile economic development. Growth in North and South America was supported by positive exchange rate effects and this enabled an increase of 2 % to be generated. In Australia, sales eased by 1 % in the first half year of 2019 compared with the equivalent year-earlier period, essentially due to negative exchange rate effects. Meanwhile, business in Asia fell by 17 % owing to slack demand. Foreign sales overall totalled € 264.2 million after € 274.8 million in the previous year. As a result, the foreign sales ratio came down slightly from 75.2 % in the previous year to 74.9 % in the first six months of 2019.

Decoratives

The companies in the Decoratives Segment primarily supply the wood-processing sector and the furniture, door, flooring and caravan industries. Germany is the biggest single market in this sector and Europe is the geographical region with the strongest sales, followed by North America, South America, Australia and Asia.

Since according to the Federal Statistical Office, the German furniture industry started with a slight downturn in development in 2019 and demand for laminated flooring continued to be restrained, the segment's sales for the half year in the single market were 3 % below the year-earlier values. In the rest of Europe, the volume of business also eased by 5 % compared with the first half year of 2018 in the wake of flagging economic growth in key countries for sales. This development was particularly evident in the large market of Italy. Supported by positive exchange rate effects emanating from the US dollar, business in North and South America grew by 4 %, whereas a contrary exchange rate development caused a fall of 1 % in Australia. In Asia, segment sales for the first half year were at a relatively low level and fell by 18 % compared with 2018. This volatility was also reflected in the development of product groups. Consequently, business with paper and plastic based edgebandings came down by 7 % compared to the year-earlier value in the months of January to June 2019. Sales with decor papers were also 3 % below the year-earlier values not least owing to the ongoing trend toward unicolour surfaces. On the back of the sustained trend towards haptic surfaces, the Decoratives Segment invested in this area and succeeded in increasing sales with release papers by 10 % during the first half of the year in 2019. The demand for fully impregnated finish foils also increased slightly by 1 %, while sales with pre-impregnated finish foils fell back by 10 %. The Decoratives Segment generated accumulated sales amounting to € 253.7 million in the months of January to June 2019 after € 262.6 million in the previous year.

Profiles

Thanks to broadly based sector differentiation and expanded sales activities, the Profiles Segment was able to increase sales revenues by 7 % to € 47.2 million

(2018: € 44.1 million) in the first six months of the current business year. In Germany, the biggest single geographical market, sales climbed by 6 % and in the rest of Europe by 8 %. Overseas markets play a subordinated role for the segment. Numerous new contracts led to sales gains of 4 % in skirtings and in technical profiles (including roller-shutter systems). Sales of complementary products for skirtings and floorlaying held for resale and other sales rose from a relatively low starting level by 42 % compared with the previous year during the first half of 2019.

Technicals

The Technicals Segment comprises manufacturers for special applications. For the impregnating business in particular, the declining demand was clearly reflected in the laminated flooring sector. Consequently, business with impregnates came down by 15 % compared with the year-earlier period in the first half of 2019. Business with specialised finish foils such as patina foils was 20 % below the year-earlier value on account of falling demand, particularly in Poland and Russia. Sales with plastic foils for the shipping and furniture sector, alongside further processing to form carpets made from artificial fibres and for diverse technical applications, fell by 4 % on account of exchange rate conditions. When reported in local currency, sales of the production business based in Sweden were slightly above the year-earlier value. Sales in specialist edgebandings remained around the level of the previous year. Overall, the sales revenues generated in the segment were reduced by 11 % to € 51.8 million (2018: € 58.5 million) during the first half of 2019. This development was evident in all the important sales regions. Business in the rest of Europe (without Germany) as the biggest geographical market fell back by 9 %. Sales in Germany fell back by 18 % and on the American continent by 8 %.

Expenses

In the first half of 2019, the average price level for technical raw papers fell back slightly compared with the annual average in 2018. However, owing to the relatively long lead times for paper processing, the more favourable purchasing prices only exerted an effect on the cost of materials with a time lag. The main plastics used in processing are ABS (acrylonitrile butadiene styrene), PP (polypropylene) and PVC (polyvinylchloride) and the purchase prices fell slightly in a year-on-year comparison, whereas energy costs posted significant increases, particularly at the German production facilities. The cost of materials ratio in the Group of 49.3 % was slightly above the year-earlier value of 49.1 %. The total expenses for the cost of materials in the first half year of 2019 amounted to € 174.6 million after € 180.9 million in the previous year.

Personnel expenses for a slightly reduced level of personnel amounted to € 90.4 million and these were slightly below the year-earlier level of € 91.9 million. Against the background of falling total output, the personnel expense ratio increased from 24.9 % in the previous year to 25.5 % in the first six months of 2019.

Owing to the new IFRS 16 accounting standard (for a detailed explanation of IFRS 16 see Annual Report 2018), but also as a result of strict cost discipline, other operating expenses fell from € 53.3 million in the previous year to € 49.8 million in the first half year of 2019. As a function of total output, other operating expenses were 14.0 % after 14.5 % in the previous year.

Group results

Associated with the declining sales development, the total output of the Group came down by 4 % from € 368.3 million in the previous year to € 354.4 million

in the first half year of 2019. At the same time, other own work capitalized rose from € 2.3 million in the previous year to € 2.5 million, while changes in inventories amounted to € -0.9 million (2018: € 0.7 million). Total expenses were € 314.8 million (2018: € 326.1 million) and operating income rose from € 1.6 million in 2018 to € 2.7 million in the first half year of 2019. This yielded an operating result (EBITDA) of € 42.3 million after € 43.8 million in the previous year. The EBITDA margin (EBITDA / Sales) remained at the year-earlier level of 12.0 %. On account of the strategic investments during recent years and additional depreciation and amortization arising from the new IFRS 16 accounting standard, amortization and depreciation increased from € 20.3 million in 2018 to € 22.0 million in the months from January to June 2019. As a result, EBIT at € 20.2 million was 14 % below the year-earlier value of € 23.5 million. Although interest expenses came down significantly compared to the previous year, the financial result remained persistently at the year-earlier level of € -2.6 million owing to exchange rate effects. This yields a pretax result (EBT) of € 17.6 million (2018: € 21.0 million). After deduction of income tax amounting to € -4.8 million (2018: € -5.7 million) and taking into account virtually uniform shares of minority interests amounting to € 0.1 million, the consolidated net profit amounts to € 12.7 million after € 15.1 million in the previous year. The number of shares continued constant at 15,505,731 non-par-value shares so that earnings per share of € 0.82 (2018: € 0.97) were calculated.

Result of the segments

Owing to the decline in business development and increased depreciation and amortization, EBIT for the Decoratives Segment at € 17.3 million was below the

year-earlier value of € 19.2 million. The falling business development alongside the drop in positive PPA effects and one-off costs for the sales process of a business operation (→ Events after the balance sheet date) exerted a negative impact in the Technicals Segment. EBIT for the segment therefore came down from € 3.1 million in the previous year to € 1.1 million in the year under review. Conversely, EBIT developed positively in Profiles. In spite of higher depreciation and amortization, segment EBIT rose from € 4.7 million in 2018 to the present value of € 5.0 million.

Net assets and financial position

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/ 2018	30/6/ 2019
ASSETS		
Current assets	343.7	361.0
Non-current assets	500.8	508.6
Balance sheet total	844.5	869.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	177.9	192.6
Non-current liabilities	313.4	319.5
Equity	353.2	357.5
Balance sheet total	844.5	869.6

On 30 June 2019, the balance sheet total of the Group at € 869.6 million increased by 3 % compared with 31 December 2018 (€ 844.5 million). The increase in current assets essentially results from increased trade accounts receivable due to the reporting date (€ 70.1 million after € 57.5 million at year-end 2018). The assets held for sale amounting to € 16.8 million reflect the impregnating business in the USA sold after the balance sheet date (→ Events after the balance sheet date). Rights of use amounting to € 11.7 million arising from the new IFRS 16 accounting standard are reported under non-current assets for the first time.

Other current financial liabilities at € 42.9 million were € 13.3 million above the value for year-end 2018 primarily on account of the dividend payment made after the balance sheet date and short-term financial liabilities amounting to € 69.1 million (31 December 2018: € 65.9 million) include the last tranche of € 60 million from the US Private Placement falling due in August 2019 (detailed explanation in the Annual Report 2018). Owing to the new IFRS 16 accounting standard, long-term financial liabilities rose slightly from € 252.6 million at year-end 2018 to € 258.4 million. Equity at € 357.5 million went up slightly by € 4.3 million compared with the value at year-end 2018 (€ 353.2 million). Owing to the more marked increase in balance sheet total, the equity ratio accordingly eased from 41.8 % as at 31 December 2018 to 41.1 % on 30 June 2019.

Calculation of Free Cash flow

€ million	1/1/-30/6/ 2018	1/1/-30/6/ 2019
Cash flow from current business operations	14.7	33.9
Purchase of property, plant and equipment	-20.4	-15.1
Purchase of intangible assets	-1.0	-1.0
Losses from disposal of fixed assets	0.0	-1.7
Dividend received	0.2	0.3
Cash flow from investment activities	-21.2	-17.5
Free cash flow	-6.5	16.4

Cash flow from current business operations amounted to € 33.9 million in the first half year of 2019 and this was significantly above the year-earlier value of € 14.7 million, which was impacted by reduced factoring activity. Deducting the cash flow from investment activities amounting to € -17.5 million after € -21.2 million in 2018 meant that the Group generated free cash flow of € 16.4 million (2018: € -6.5 million).

Research and development

The research and development departments are positioned locally within the SURTECO Group and in the individual Segments Decoratives, Profiles and Technicals. Since the individual locations are primarily specialized in a product or a product group, the individual requirements can be addressed strategically. In particular, the work in each research and development department focuses on the qualitative improvement of the existing product portfolio, the search for alternative raw materials and production procedures, and continuous optimization of production efficiency. However, innovation management for identifying opportunities in new product or process developments are also included in the mission of research and development at SURTECO. The deployment of employees was arranged to match restructuring of the segments. Staff in quality control are now allocated to production. Hence, in the first half year of 2019, 167 employees (2018: 209 employees) were working in research and development throughout the Group.

Risk and opportunities report

SURTECO GROUP SE with its Segments Decoratives, Profiles and Technicals 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 and the individual risk categories is provided in the Risk and Opportunities Report that forms part of the Annual Report 2018. The identified individual risks are allocated 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. From the business year 2019, the damage classes were adjusted appropriately to the new corporate structure.

In the first half year of 2019, 4 market risks with a damage class 1 and a probability class 4 were identified in the Decoratives Segment, and 1 personnel risk with a damage class 1 and probability class 4 was identified, along with 1 procurement risk with a damage class 1 and probability class 3. No significant risks above the reporting threshold of € 1.0 million were identified in the Profiles and Technicals Segments.

We refer to the Group Management Report 2018 for further information on opportunities.

Damage class	Qualitative	Quantitative
1	Minor	> € 1.0 - 2.0 million
2	Moderate	> € 2.0 - 3.0 million
3	Major	> € 3.0 - 4.5 million
4	Threat to existence as a going concern	> € 4.5 million

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

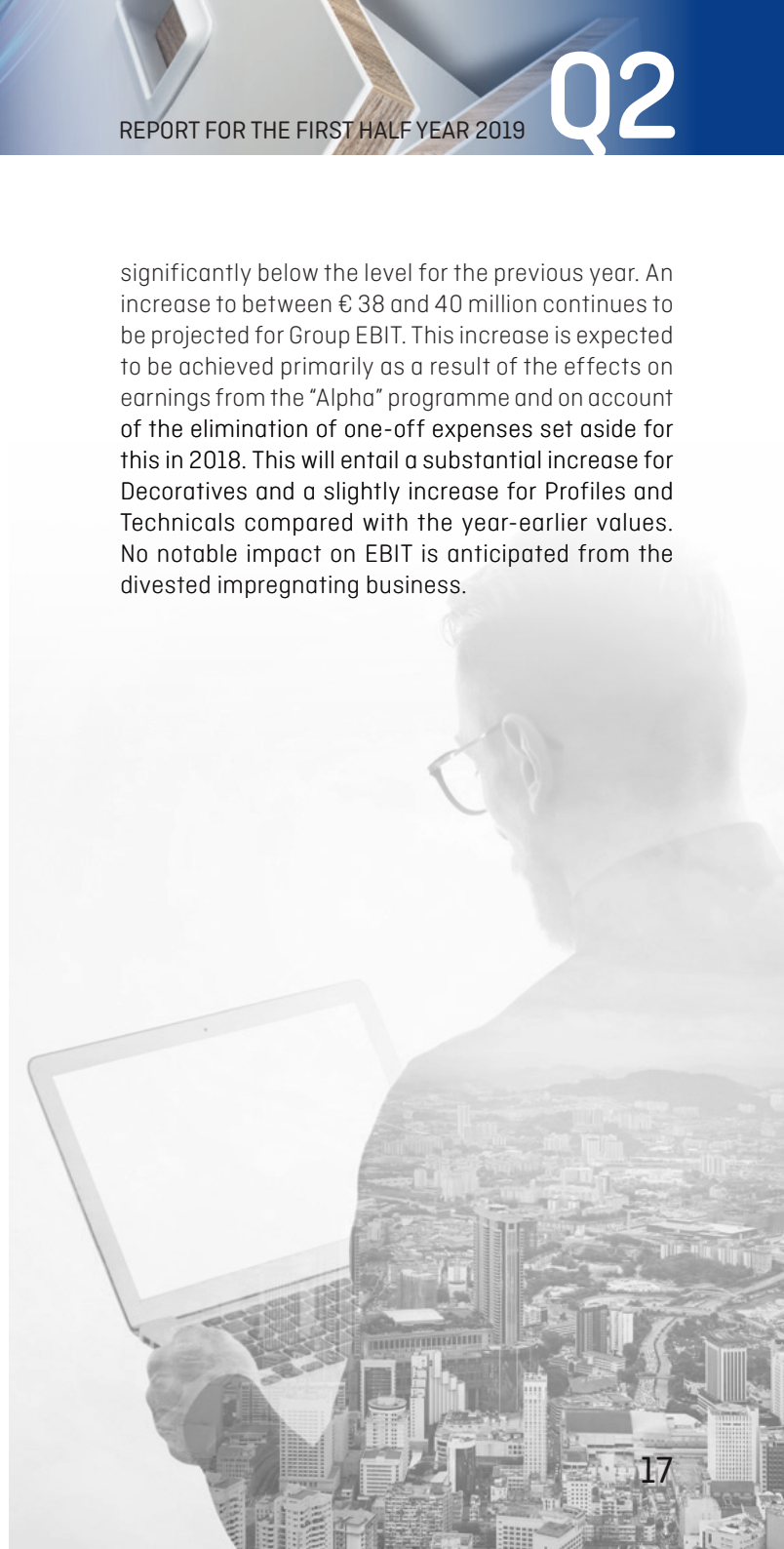
Transactions with related parties

Readers are referred to the Appendix for information on transactions with related parties.

Outlook for the business year 2019

The declining business development in the first half year of 2019 was in line with expectations owing to the deteriorating economic performance in important geographical markets. Against the background of on-going and existing global uncertainty factors, such as the threat of trade wars and Brexit, the company is not expecting any notable positive momentum from markets for the remainder of the business year. Based on the assumption that the economy and the sector environment do not undergo further deterioration, the management confirms the forecasts from the Annual Report 2018. After deduction of the proportionate consolidated sales revenues from the divested impregnating business in the USA (around € 15 million → Events after the balance sheet date), Group sales revenues should be in the range between € 655 and 685 million. Up to now, sales including the impregnating business were forecast between € 670 and 700 million. In the Decoratives Segment, slightly falling sales continue to be anticipated while sales in Profiles are expected to rise slightly. Since the divested impregnating business was allocated to the Technicals Segment, sales revenues in this segment will now be

significantly below the level for the previous year. An increase to between € 38 and 40 million continues to be projected for Group EBIT. This increase is expected to be achieved primarily as a result of the effects on earnings from the “Alpha” programme and on account of the elimination of one-off expenses set aside for this in 2018. This will entail a substantial increase for Decoratives and a slightly increase for Profiles and Technicals compared with the year-earlier values. No notable impact on EBIT is anticipated from the divested impregnating business.



The SURTECO share

In the first half year of 2019, the SURTECO share underwent gratifying development with a rise of 14 % (including a dividend of +16 %) and hence followed the equally positive trend of the German DAX and SDAX stock indexes. The share price initially rose continuously from an initial value of € 22.30 to € 26.95 on 24 January, but then eased downwards to prices in the region of € 25. On 10 May, the SURTECO share reached its high for the reporting period at € 27.50. Following uneven development up to the close of the second quarter, the share closed at € 25.40 on 28 June 2019. The dividend payout of € 0.55 for the business year 2018 was made on 2 July 2019.

The market capitalization of SURTECO GROUP SE climbed to € 393.8 million based on an unchanged number of shares of around 15.5 million no-par-value shares at the end of June 2019. 24.1 % of the shares are currently in free float. 57.9 % of the shares continue to be in the hands of the company's founding shareholders.

Shareholders will find additional information including the latest share analyses and valuations by major financial institutions on the Internet page: www.surteco-group.com under the category "Investor Relations".

January - June 2019

Number of shares	15,505,731
Free float in %	24.1
Price on 28/12/2018 in €	22.30
Price on 28/6/2019 in €	25.40
High in €	27.50
low in €	22.25
Market capitalization as 28/6/2019 in € million	393.8

Share price performance January - June 2019 in €



SURTECO GROUP

€ 000s	1/4/-30/6/ 2018	1/4/-30/6/ 2019	1/1/-30/6/ 2018	1/1/-30/6/ 2019
Sales revenues	178,467	170,834	365,215	352,740
Changes in inventories	1,240	-319	745	-895
Own work capitalized	1,057	1,337	2,309	2,549
Total output	180,764	171,852	368,269	354,394
Cost of materials	-89,468	-85,416	-180,879	-174,646
Personnel expenses	-45,190	-43,133	-91,881	-90,416
Other operating expenses	-26,399	-25,399	-53,299	-49,758
Other operating income	626	1,880	1,578	2,695
EBITDA	20,333	19,784	43,788	42,269
Depreciation and amortization	-10,216	-11,112	-20,266	-22,036
EBIT	10,117	8,672	23,522	20,233
Financial result	-123	-1,610	-2,558	-2,599
EBT	9,994	7,062	20,964	17,634
Income tax	-2,809	-1,967	-5,737	-4,821
Net income	7,185	5,095	15,227	12,813
Of which				
Owners of the parent (consolidated net profit)	7,106	5,020	15,086	12,663
Non-controlling interests	79	75	141	150
Basic and diluted earnings per share in €	0.46	0.32	0.97	0.82
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

SURTECO GROUP

€ 000s	1/4/-30/6/ 2018	1/4/-30/6/ 2019	1/1/-30/6/ 2018	1/1/-30/6/ 2019
Net income	7,185	5,095	15,227	12,813
Components of comprehensive income not to be reclassified to the income statement	0	0	0	0
Net gains/losses from hedging of net investment in a foreign operation	-166	-238	-700	-458
Exchange differences for translation of foreign operations	2,686	-2,754	332	493
Financial instruments available-for-sale	0	0	0	0
Components of comprehensive income that may be reclassified to the income statement	2,520	-2,992	-368	35
Other comprehensive income for the period	2,520	-2,992	-368	35
Comprehensive income	9,705	2,103	14,859	12,848
Owners of the parent (consolidated net profit)	9,626	2,028	14,718	12,698
Non-controlling interests	79	75	141	150

SURTECO GROUP

€ 000s	31/12/2018	30/6/2019
ASSETS		
Cash and cash equivalents	120,954	122,924
Trade accounts receivable	57,519	70,108
Receivables from affiliated enterprises	676	915
Inventories	126,969	127,963
Current income tax assets	5,442	6,769
Other current non-financial assets	7,690	6,516
Other current financial assets	7,378	9,010
Assets available for sale	17,124	16,774
Currents assets	343,752	360,979
Property, plant and equipment	255,751	255,040
Rights of use	0	11,708
Intangible assets	59,329	55,880
Goodwill	162,864	162,659
Assets accounted for using the equity method	2,378	2,393
Financial assets	30	36
Other non-current non-financial assets	54	58
Other non-current financial assets	2,098	2,101
Deferred taxes	18,285	18,700
Non-current assets	500,789	508,575
	844,541	869,554

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SURTECO GROUP

€ 000s	31/12/2018	30/6/2019
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	65,905	69,097
Trade accounts payable	65,078	63,997
Contractual liabilities in accordance with IFRS 15	165	8
Income tax liabilities	3,096	4,160
Short-term provisions	11,598	8,939
Other current non-financial liabilities	2,468	3,490
Other current financial liabilities	29,578	42,859
Current liabilities	177,888	192,550
Long-term financial liabilities	252,584	258,407
Pensions and other personnel-related obligations	12,828	12,903
Long-term provisions	5	124
Other non-current non-financial liabilities	18	23
Deferred taxes	48,013	48,069
Non-current liabilities	313,448	319,526
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	193,093	203,183
Consolidated net profit	18,630	12,663
Capital attributable to owners of the parent	349,984	354,107
Non-controlling interests	3,221	3,371
Equity	353,205	357,478
	844,541	869,554

SURTECO GROUP

€ 000s	1/1/-30/6/ 2018	1/1/-30/6/ 2019
Earnings before income tax	20,964	17,634
Reconciliation to cash flow from current business operations	20,952	20,002
Internal financing	41,916	37,636
Changes in assets and liabilities (net)	-27,250	-3,725
Cash flow from current business operations	14,666	33,911
Cash flow from investment activities	-21,169	-17,540
Cash flow from financial activities	-5,502	-14,328
Change in cash and cash equivalents	-12,005	2,043
Cash and cash equivalents		
1 January	133,373	120,954
Effect of changes in exchange rate on cash and cash equivalents	-575	-73
30 June	120,793	122,924

SURTECO GROUP

€ 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 2018	15,506	122,755	0	-1,923	-8,768	192,552	26,192	2,922	349,236
Net income	0	0	0	0	0	0	15,086	141	15,227
Other comprehensive income	0	0	0	0	-368	0	0	0	-368
Comprehensive income	0	0	0	0	-368	0	15,086	141	14,859
Dividends - outstanding payments	0	0	0	0	0	-12,405	0	0	-12,405
Allocation to retained earnings	0	0	0	0	0	26,192	-26,192	0	0
Other changes	0	0	0	0	0	-1,268	0	0	-1,268
Changes in equity	0	0	0	0	0	12,519	-26,192	0	-13,673
30 June 2018	15,506	122,755	0	-1,923	-9,136	205,071	15,086	3,063	350,422
1 January 2019	15,506	122,755	0	-2,148	-9,674	204,915	18,630	3,221	353,205
Net income	0	0	0	0	0	0	12,663	150	12,813
Other comprehensive income	0	0	0	0	35	0	0	0	35
Comprehensive income	0	0	0	0	35	0	12,663	150	12,848
Dividends - outstanding payments	0	0	0	0	0	-8,528	0	0	-8,528
Allocation to retained earnings	0	0	0	0	0	18,630	-18,630	0	0
Other changes	0	0	0	0	0	-47	0	0	-47
Changes in equity	0	0	0	0	0	10,055	-18,630	0	-8,575
30 June 2019	15,506	122,755	0	-2,148	-9,639	214,970	12,663	3,371	357,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [abbreviated]

Segment Reporting

REPORT FOR THE FIRST HALF YEAR 2019

Q2

Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Recon- ciliation	SURTECO Group
1/1/-30/6/2019					
External sales	253,720	47,224	51,796	0	352,740
Internal sales	8,441	654	1,751	-10,846	0
Total sales	262,161	47,878	53,547	-10,846	352,740
1/1/-30/6/2018					
External sales	262,614	44,075	58,526	0	365,215
Internal sales	9,073	738	2,220	-12,031	0
Total sales	271,687	44,813	60,746	-12,031	365,215

Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Recon- ciliation	SURTECO Group
1/1/-30/6/2019					
EBIT	17,281	5,022	1,058	-3,128	20,233
1/1/-30/6/2018					
EBIT	19,171	4,738	3,061	-3,448	23,522

By regional markets

Sales revenues SURTECO Group

€ 000s	1/1/-30/6/2018	1/1/-30/6/2019
Germany	90,422	88,484
Rest of Europe	171,869	164,452
America	71,527	72,717
Asia, Australia, Others	31,397	27,087
	365,215	352,740

Sales revenues Decoratives

€ 000s	1/1/-30/6/2018	1/1/-30/6/2019
Germany	55,802	54,296
Rest of Europe	124,263	117,898
America	54,655	57,032
Asia, Australia, Others	27,894	24,494
	262,614	253,720

Sales revenues Profiles

€ 000s	1/1/-30/6/2018	1/1/-30/6/2019
Germany	23,993	25,495
Rest of Europe	19,697	21,213
America	20	180
Asia, Australia, Others	365	336
	44,075	47,224

Sales revenues Technicals

€ 000s	1/1/-30/6/2018	1/1/-30/6/2019
Germany	10,627	8,693
Rest of Europe	27,909	25,341
America	16,852	15,505
Asia, Australia, Others	3,138	2,257
	58,526	51,796

Accounting principles

The consolidated financial statements of the SURTECO Group for the period ended 31 December 2018 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 these abbreviated consolidated interim financial statements as at 30 June 2019 as in the preparation of the consolidated financial statements for the business year 2018.

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 2018 for further information. The comments included in this report also apply to the quarterly financial statements for the year 2019 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 2019, they were taken into account in these abbreviated consolidated interim financial statements if they exert effects on the SURTECO Group.

The preparation of the abbreviated consolidated interim financial statements 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 2019 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. The content of IFRS 9 "Financial Instruments" yielded no substantial changes compared to the Annual Report 2018. The first-time application of IFRS 16 "Leases" was carried out as the modified retrospective approach in accordance with IFRS 16 C5b without any adjustment of the previous year. The leasing contracts formerly classified as "operating Lease" in accordance with IFRS 17 are recognized at the cash value of the outstanding leasing rates in accordance with the new standard. The weighted average interest rate of the lessee is applied to the leasing liabilities. The associated rights of use were recognized in the amount of the associated leasing liability. An allowance was not necessary. Furthermore, reference is made to the explanations on the applicable standards provided in the notes to the consolidated financial statements on 31 December 2018.

The overall business 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.

Since 1 January 2019, the Management Board has been managing the company through the new Decoratives, Profiles and Technicals Segments. Up until 31 December 2018, the management of the company was steered through the previous Paper and Plastics Segments. The reporting to the Management Board was adjusted to take account of this. The year-earlier values were presented on a pro-forma basis. 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 2019, the SURTECO Group interim consolidated financial statements include SURTECO GROUP SE and all the major companies which are material for the net assets, financial position and results of operations in which SURTECO GROUP SE holds a controlling interest.

Explanations of the important changes in the abbreviated balance sheet and the abbreviated income statement

The explanations of the most important changes to items in the balance sheet and income statement, and to the development in the reporting period are presented in the interim report.

Dividend payout for the business year 2018

The Annual General Meeting of SURTECO GROUP SE resolved on 27 June 2019 to pay out a dividend for the business year 2018 amounting to € 0.55 per no-par-

value share. The payout amount of € 8,528,152.05 was payable on 2 July 2019.

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 19 July 2019, the company sold the Impregnating Division owned by subsidiary company Sūddekör LLC, East Longmeadow, USA in an asset deal. The Impregnating Division relates to the manufacture and sale of refined surfaces which are produced through the impregnation of paper using liquid resins. Sūddekör LLC will continue to produce decor paper and finish foils at the location in Agawam. This represents a further simplification of the production network in North America under the long-term corporate strategy SURTECO 2025+ and internal processes for cost reduction are being optimized. Sales of approximately € 33 million were anticipated for the business year 2019 from the divested division.

After 30 June 2019 up to the date when this report went to press, there were no 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 1 August 2019.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim 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 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 in the remaining business year.

Buttenwiesen, 1 August 2019

The Management Board



Dr.-Ing. Herbert Müller

Andreas Riedl



Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT	Earnings before financial result and income tax
EBIT margin in %	EBIT/Sales revenues
EBITDA	Earnings before financial result, income tax and depreciation and amortization
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Balance sheet total
Gearing (debt level) in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities + Long-term financial liabilities - Cash and cash equivalents
Personnel expense ratio in %	Personnel costs/Total output
Working capital in €	Trade accounts receivable + Inventories - Trade accounts payable

FINANCIAL CALENDAR

14 November 2019	Nine-month report January – September 2019
30 April 2020	Annual Report 2019
15 May 2020	Three-month report January – March 2020
25 June 2020	Annual General Meeting

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**SURTECO
GROUP**

we create.
we innovate.



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