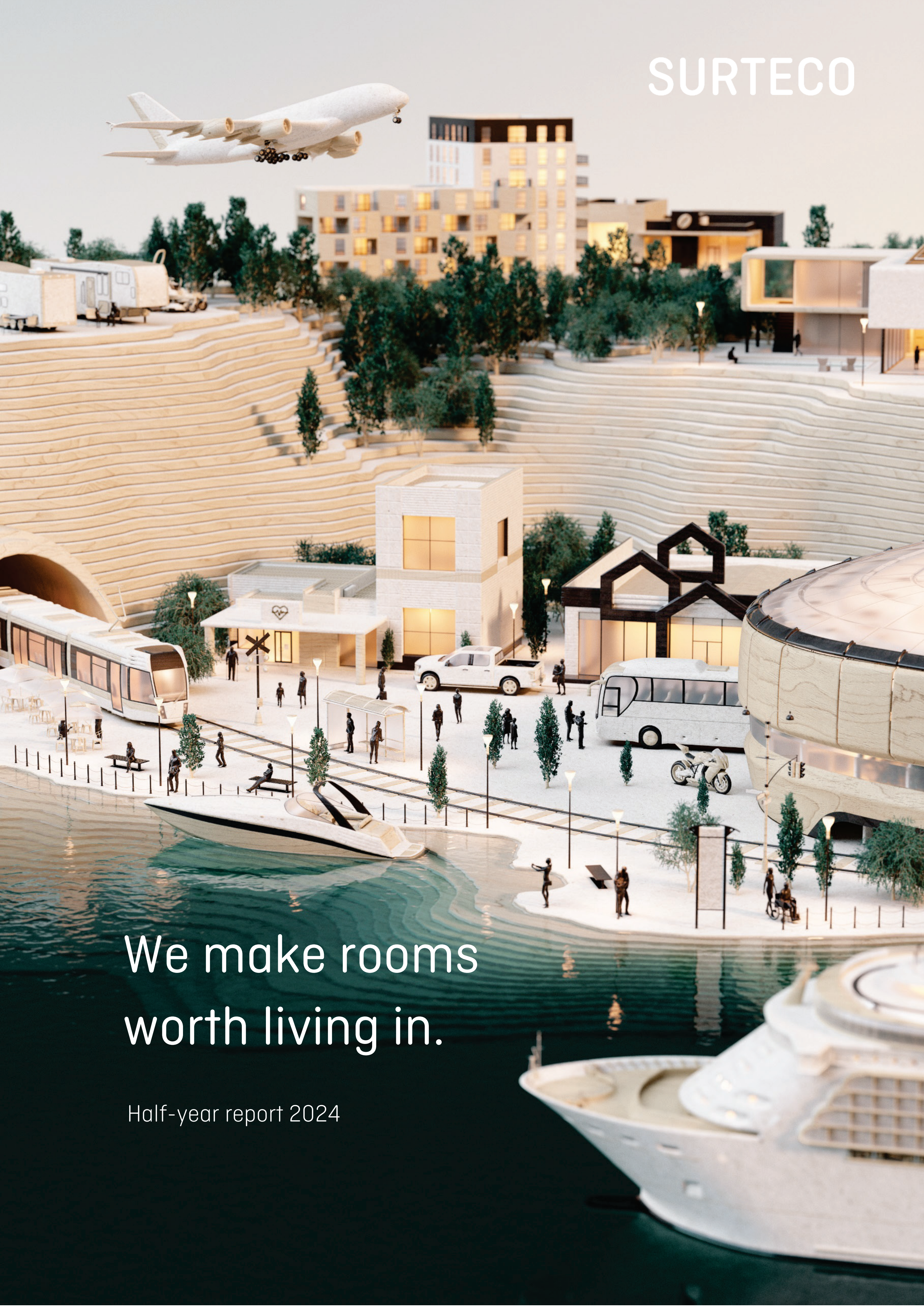
SURTECO



We make rooms worth living in.

Half-year report 2024

At a glance

€ million	Q2 1/4/-30/6/ 2023	1//4/-30/6/ 2024	Δ %	Q1-2 1/1/-30/6/ 2023	1/1/-30/6/ 2024	Δ %
Sales revenue	223.1	225.2	+1	428.8	447.6	+4
EBITDA	16.2	28.7	+77	35.3	56.4	+60
EBITDA-margin in %	7.3	12.7	+5.4 pts.	8.2	12.6	+4.4 pts.
EBITDA adjusted	24	29.3	+22	45.1	57.0	+26
EBITDA-margin adjusted in %	10.8	13.0	+2.2 pts.	10.5	12.7	+2.2 pts.
Depreciation and amortization	-16.2	-15.1	+7	-27.7	-30.3	-9
EBIT	0	13.7	-	7.6	26.1	+243
EBIT-margin in %	0	6.1	+6.1 pts.	1.8	5.8	+4.0 pts.
Financial result	-2.3	-4.0	-74	-4.7	-6.6	-40
EBT	-2.3	9.7	+522	2.9	19.5	+572
Consolidated net profit / loss	-7.7	6.9	+190	-4.0	13.8	+445
Earnings per share in €	-0.49	0.45	+191	-0.26	0.89	+443
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/6/2023	30/6/2024	Δ %
Net financial debt in € million	381.0	353.2	-7
Level of debt in %	94.0	85.8	-8.2 pts.
Equity ratio in %	37.4	38.6	+1.2 pts.
Number of employees	3,716	3,722	-

	31/12/2023	30/6/2024	Δ %
Net financial debt in € million	359.3	353	-2
Level of debt in %	91.5	85.8	-5.7 pts.
Equity ratio in %	37.7	38.6	+0.9 pts.
Number of employees	3,685	3,722	+1

Interim Management Report SURTECO Group 30 June 2024

Economic report

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

Experience demonstrates that the demand for long-term capital goods such as furniture correlates with general economic growth. This is currently very restrained. The spring report published by the Council of Experts (Sachverständigenrat) for assessing macroeconomic development projects a continuing delay in the recovery of the German economy. The Council of Experts perceives significant risk factors for the global economy, particularly in light of the ongoing war in Ukraine and the conflict in the Middle East. Consequently, Germany is only projected to generate growth of 0.2 % for gross domestic product in 2024, following the projection of an increase of 0.7 % for 2024 given in the annual expert report published in October 2023. The growth forecast for the eurozone was also reduced to 0.8 % (October 2023: 1.1 %), while the projection for the global economy was increased to 2.6 % (October 2023: 2.2 %).[1]

The slack demand is also evident within the German wood-based and furniture industry. According to the Federal Statistical Office, sales by German manufacturers of veneer, plywood, wood-fibre boards and chipboards fell by -18.4 % in the first quarter of 2024 compared with the year-earlier quarter. Business transacted by manufacturers of kitchen furniture declined by -16.4 % over this period. Sales from the manufacture of other furniture, including furniture for living areas, dining rooms and bedrooms, also came down by -17.8 % during the months of January to March compared with the equivalent year-earlier period.[2]

[1] Source: The Council of Experts (Sachverständigenrat) for assessing macroeconomic development, Spring Expert Report dated 15 May 2024
[2] Source: Destatis Federal Statistical Office. www.destatis.de Wirtschaftszweige WZ08-1621, WZ08-3102, WZ08-3109

SALES AND BUSINESS PERFORMANCE FOR THE SURTECO GROUP

During the first half year of 2024, sales revenues of the SURTECO Group increased by +4 % to € 447.6 million (2023: € 428.8 million). A key factor here were the acquired divisions of Omnova, which were consolidated in the current reporting period for six months (2023: four months). Adjusted by these sales, a slight drop in sales of -2 % reflected the ongoing slack demand in our sectors. Hence, during the first half year of 2024, business in Germany fell back by -6 % compared with the previous year. In the rest of Europe (not including Germany), sales eased by -4 %. Owing to the acquisition of Omnova, sales increased by +26 % in North and South America and decreased by -2 % in Asia, Australia and the other markets compared with the previous year.

SURFACES

The surface activities of the Group, including melamine edgebandings in Europe and South America, are grouped together in the Segment Surfaces. The sales revenues of the segment fell back slightly to € 141.5 million in the first half year of 2024 after € 142.3 million in the equivalent year-earlier period. This decrease of -1 % is largely due to the restrained demand in Germany and Europe owing to the high rate of inflation and increase in interest rates.

EDGEBANDS

The Segment Edgebands comprises all the plastic edging activities of the Group in Europe and South America. Owing to the ongoing weak demand in Europe, segment sales of € 77.0 million generated in the months from January to June 2024 were -2 % below the year-earlier level of € 78.8 million.

PROFILES

The Segment Profiles bundles the activities with technical extrusions (profiles), skirtings and associated products in Europe and South America. Sales in the first half year of € 67.6 million were -7 % below the value of € 73.1 million in the first half year of 2023. This fall was likewise attributed to weakening of the construction and refurbishment industries in Germany and Europe.

NORTH AMERICA

The Segment North America includes the activities with all the products of the Group in this region. Sales in the acquired divisions of Omnova are allocated to this segment and they include the manufacturing facility in Thailand. Consequently, sales of the segment increased by +26 % to € 137.1 million in the first half year of 2024 after € 108.9 million in the first half year of 2023.

ASIA / PACIFIC

The Segment Asia / Pacific encompasses business with all product groups in the area of Asia, Australia and Oceania. During the first half year of 2024, the Asian market was similarly impacted by a downward trend in demand. As a consequence, sales eased by -5 % to € 24.3 million. (2023: € 25.6 million).

Net assets, financial position and results of operations

BALANCE SHEET / CASH FLOW STATEMENT

In the first half year of 2024, the balance sheet total of the Group amounted to € 1,067.5 million after € 1,041.8 million at year-end 2023. This involved an increase in current assets to € 378.9 million (31 December 2023: € 342.8 million) on the assets side of the balance sheet, primarily as a result of higher trade accounts receivable and elevated inventories, while non-current assets fell back to € 688.6 million after € 699.0 million at year-end 2023, mainly due to depreciation on property, plant and equipment. On the liabilities side of the balance sheet, current liabilities increased to € 209.5 million (31 December 2023: € 199.9 million) as a result of a rise in trade accounts payable, while non-current liabilities at € 446.2 million remained approximately at the level of € 449.0 million at year-end 2023. Equity went up to € 411.7 million after € 392.9 million at year-end 2023. Consequently, the equity ratio increased from 37.7 % on the balance sheet date for 2023 to 38.6 % on 30 June 2024. Net financial debt eased slightly from € 359.3 million to € 353.2 million, which entailed an improvement in the level of debt (net financial debt/equity) from 91.5 % on 31 December 2023 to 85.8%.

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/2023	30/6/2024
ASSETS		
Current assets	342.8	378.9
Non-current assets	699.0	688.6
Balance sheet total	**1,041.8**	**1,067.5**
LIABILITIES		
Current liabilities	199.9	209.5
Non-current liabilities	449.0	446.2
Equity	392.9	411.7
Balance sheet total	**1,041.8**	**1,067.5**

Cash flow from current business operations in the first half year of 2024 amounted to € 27.6 million after € 37.2 million in the previous year. In spite of an increased EBT, this reduction was due to a rise in inventories and trade accounts receivable, resulting in a change in assets and liabilities (net) from € -24.6 million after € 15.5 million in the previous year. The acquisition of the Omnova divisions influenced cash flow from investment activities in the year-earlier period, and during the first half year of 2024 it fell to € -15.0 million after € -242.4 million in the previous year. The item acquisition of companies in the first half year of 2024 essentially relates to the payment of a deferred purchase price arising from the Omnova acquisition. This item also reflects the acquisition of extrusion specialists in the United Kingdom (-> section Group of Consolidated Companies in the abbreviated Notes to the Consolidated Financial Statements). Overall, free cash flow improved in the first six months of 2024 to € 12.6 million after € -205.2 million in the previous year.

Working capital rose from € 129.2 million at year-end 2023 to € 149.7 million on 30 June 2024. The covenants (financial indicators with threshold values, entailing compliance or non-compliance with these values being monitored) were complied with up to the half-year balance sheet date.

Calculation of free cash flow

€ million	1/1/-30/6/ 2023	1/1/-30/6/ 2024
Cash flow from current business operations	**37.2**	**27.6**
Acquisition of business	-228.4	-6.3
Purchase of property, plant and equipment	-13.5	-9.6
Purchase of Intangible assets	-0.5	-0.1
Proceeds from disposal of property, plant and equipment	0.0	1.0
Cash flow from Investment activity	**-242.4**	**-15.0**
Free cash flow	**-205.2**	**12.6**

GROUP RESULTS

In the first half year of 2024, purchase prices of the most important raw materials for the Group were on average below the year-earlier level, essentially owing to weakness in the economy. In conjunction with improvements generated from the Performance Plus programme, the cost of materials ratio came down from 50.9 % in the previous year to 47.5 % during the reporting period. Personnel costs in relation to total output went up slightly from 25.2 % in the previous year to 25.7 % in the first half year of 2024. The ratio of other operating expenses eased primarily owing to the decline of acquisition-related one-off costs from 16.5 % in the previous year to 15.2 % during the months from January to June 2024. Overall, the expense items amounted to € -400.8 million after € -394.4 million in the previous year. On the basis of a total output of € 453.1 million (2023: € 425.9 million) and other operating income of € 4.1 million (2023: € 3.8 million), earnings before financial result, income tax and depreciation and amortization (EBITDA) rose by 59.5 % to € 56.4 million (2023: € 35.3 million). The EBITDA margin (EBITDA/Sales) amounted to 12.6 % after 8.2 % in the previous year. Taking account of one-off expenses, adjusted EBITDA amounted to € 57.0 million in the first half year of 2024 after € 45.1 million in the previous year. The corresponding margin was 12.7 % (2023: 10.5 %). Amortization and depreciation at € -30.3 million were above the year-earlier value of € -27.7 million, primarily due to the purchase price allocation (PPA) arising from the Omnova acquisition. As a result, earnings before financial result and income tax (EBIT) of the Group amounted to € 26.1 million in the first half year of 2024 after € 7.6 million in the previous year. As a ratio of sales, the EBIT margin was 5.8 % (2023: 1.8 %). Interest expenses rose as a result of taking on outside capital for the acquisition of the Omnova divisions. Hence, the financial result amounted to € -6.6 million after € -4.7 million in the previous year. Overall, earnings before income tax (EBT) rose to € 19.5 million (2023: € 2.9 million). After deduction of € -5.8 million (2023: € -6.9 million) income tax and minority interests of € 0.1 million (2023: € 0.1 million), consolidated net profit amounts to € 13.8 million after € -4.0 million in the previous year. On the basis of the unchanged amount of 15,505,731 no-par-value shares, the earnings per share amounted to € 0.89 in the first half year of 2024 after € -0.26 in the previous year.

RESULT OF THE SEGMENTS

Adjusted EBITDA of € 15.9 million meant that half-year earnings for the Segment Surfaces were above the year-earlier value of € 7.3 million owing to margin improvements. The adjusted EBITDA of Edgebands at € 14.7 million was at the level of the € 14.7 million reported in the previous year. Primarily due to volume effects, adjusted EBITDA of Profiles at € 9.2 million was below the year-earlier value of € 11.5 million. As a result of the acquired divisions of Omnova, adjusted EBITDA for the Segment North America rose from € 9.5 million in the previous year to € 18.0 million in the first half year of 2024. Adjusted EBITDA of Asia / Pacific eased to € 3.7 million (2023: € 4.7 million), primarily on account of volume effects.

Risk and Opportunity Report

SURTECO GROUP SE with its segments is exposed to a large number of risks on account of global activities and intensifying competition. The detailed description of the Risk Management System and the individual risk categories is provided in the Risk and Opportunities Report in the Annual Report for 2023. The recorded individual risks are allocated to damage and probability classes using the following tables based on their anticipated gross financial impact on EBT for the current and subsequent years.

Damage class	**Qualitative**	**Quantitative**
1	Slight	€ 000s 1,000 - € 000s 4,999
2	Minor	€ 000s 5,000 - € 000s 9,999
3	Moderate	€ 000s 10,000 - € 000s 14,999
4	Major	€ 000s 15,000 - € 000s 19,999
5	Threat to existence as a going concern	> € 000s 20,000

Probability class	**Qualitative**	**Quantitative**
1	Very improbable	1 % - 15 %
2	Improbable	16 % - 40 %
3	Possibly	41 % - 60 %
4	Probably	61 % - 85 %
5	Very probably	86 % - 100 %

		Damage class				
		1	2	3	4	5
Probability class	5	L	M	H	H	H
	4	L	M	M	H	H
	3	L	L	M	M	H
	2	L	L	M	M	M
	1	L	L	L	M	M

Compared to year-end 2023, an additional slight market risk was identified in the Business Unit Surfaces, whereas a slight production risk was eliminated. A new slight market risk was identified in the Business Unit Edgebands and the damage potential of a market risk was increased so that this risk is now above the threshold of € 000s 1,000 and it was classified as a slight risk. In the Business Unit Profiles, a new slight market risk was identified. In the Business Unit North America, a new slight procurement risk was identified and the damage potential of a production risk increased so that this risk is now above the threshold of € 000s 1,000 and it was classified as a slight risk.

OVERALL RISK ASSESSMENTS

The Group regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Management Board and the Supervisory Board are informed of risks at an early stage. 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.

The overall risks have slightly increased as at 30 June 2024 compared with year-end 2023. The substantive influencing factors for the business activity of the SURTECO Group arise from the framework conditions for the global economy and the relevant sectors, as well as the procurement markets. The procurement markets have so far generally demonstrated a certain amount of relaxation, although in certain areas they are subject to significant uncertainties relating to ongoing development. The economic forecasts anticipate only a slight recovery in the macroeconomic framework conditions for the remainder of the year. The association of the German Furniture Industry at least reported some stabilization for incoming orders in the first half year of 2024 and the association hopes for an upswing in home-living consumption after the summer months.[3]

3 Source: Association of the German Furniture Industry, Press Release dated 21 May 2024

Outlook for the Business Year 2024

The framework conditions for business development are currently continuing to be somewhat unfavourable. On the basis of the muted macroeconomic development already described, restrained demand is anticipated for our most important sales markets over the remainder of the year. However, the divisions acquired from Omnova were consolidated over the entire year for the first time in the business year 2024, and the one-off acquisition and integration costs are therefore no longer incurred in 2024.

Hence, the forecast provided in the Annual Report for 2023 is confirmed, according to which Group sales are projected to be between € 860 million and € 910 million, and adjusted EBITDA is expected to be in the range from € 85 million to € 105 million.

Transactions with related parties

Readers are referred to the notes for transactions with related parties.

Interim Consolidated Financial Statements SURTECO Group

Income Statement for the period 1 January to 30 June

	Q2		Q1-2	
€ 000s	**1/4/-30/6/ 2023**	**1/4/-30/6/ 2024**	**1/1/-30/6/ 2023**	**1/1/-30/6/ 2024**
Sales revenues	**223,078**	**225,243**	**428,753**	**447,552**
Changes in inventories	-3,161	1,284	-4,258	4,006
Own work capitalized	739	987	1,433	1,523
Total output	**220,656**	**227,514**	**425,928**	**453,081**
Cost of materials	-115,095	-106,644	-216,623	-215,385
Personnel expenses	-53,864	-58,919	-107,294	-116,371
Other operating expenses	-37,290	-36,127	-70,487	-69,080
Other operating income	1,796	2,909	3,800	4,113
EBITDA	**16,203**	**28,733**	**35,324**	**56,358**
Depreciation and amortization	-16,207	-15,052	-27,740	-30,275
EBIT	**-4**	**13,681**	**7,584**	**26,083**
Financial result	-2,289	-3,972	-4,728	-6,562
EBT	**-2,293**	**9,709**	**2,856**	**19,522**
Income tax	-5,416	-2,876	-6,937	-5,844
Net income	**-7,709**	**6,834**	**-4,081**	**13,678**
Non-controlling interests	59	94	59	144
Consolidated net profit / loss	**-7,650**	**6,928**	**-4,022**	**13,822**
Basic and undiluted earnings per share in €	-0.49	0.45	-0.26	0.89
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Statement of Comprehensive Income for the period 1 January to 30 June

	Q1-2	
€ 000s	**1/1/-30/6/ 2023**	**1/1/-30/6/ 2024**
Net income	**-4,081**	**13,678**
Components of comprehensive income not to be reclassified to the income statement		
Remeasurements of defined benefit obligations	-308	-575
Components of comprehensive income that may be classified to the income statement		
Net gains / losses from hedging of net investments in a foreign operation	-2,176	-5,392
of which included deferred tax	653	1,618
Exchange differences for translation of foreign operations	-3,619	9,469
Other comprehensive income	**-5,450**	**5,120**
Comprehensive income	**-9,531**	**18,798**
Owners of the parent (consolidated net profit / loss)	-9,486	18,796
Non-controlling interests	-45	2

Consolidated Balance Sheet

€ 000s	31/12/2023	30/6/2024
ASSETS		
Cash and cash equivalents	111,811	111,798
Trade accounts receivable	72,802	92,838
Inventories	139,692	155,578
Current income tax assets	4,795	1,803
Other current non-financial assets	7,943	9,907
Other current financial assets	5,767	6,961
Current assets	**342,810**	**378,885**
Property, plant and equipment	310,554	302,522
Intangible assets	107,887	102,455
Rights of use	34,740	34,871
Goodwill	223,437	225,414
Investments in associates	399	390
Financial assets	1	1,599
Non-current income tax assets	4,507	4,507
Other non-current non-financial assets	443	26
Other non-current financial assets	209	261
Deferred taxes	16,801	16,523
Non-current assets	**698,978**	**688,568**
	1,041,788	**1,067,453**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	68,678	64,501
Trade accounts payable	83,322	98,686
Contract assets under IFRS 15	4	4
Income tax liabilities	2,390	3,132
Short-term provisions	4,512	5,506
Other current non-financial liabilities	3,776	3,369
Other current financial liabilities	37,188	34,319
Current liabilities	**199,870**	**209,517**
Long-term financial liabilities	402,432	400,527
Pensions and other personnel-related obligations	11,451	11,766
Long term provisions	133	133
Other non-current non-financial liabilities	40	23
Other non-current financial liabilities	15	15
Deferred taxes	34,947	33,774
Non-current liabilities	**449,018**	**446,238**
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	266,658	259,487
Consolidated net profit/loss	-12,289	13,822
Capital attributable to owners of the parent	**392,630**	**411,570**
Non-controlling interests	270	128
Equity	**392,900**	**411,698**
	1,041,788	**1,067,453**

Consolidated Cash Flow Statement

	Q1-2	
€ 000s	1/1/-30/6/ 2023	1/1/-30/6/ 2024
Earnings before income tax	**2,856**	**19,522**
Reconciliation of cash flow from current business operations	18,845	32,772
Internal financing	**21,701**	**52,294**
Changes in assets and liabilities (net)	15,495	-24,649
Cash flow from current business operations	**37,196**	**27,645**
Cash flow from investment activities	-242,423	-15,057
Cash flow from financial activities	183,874	-13,475
Change in cash and cash equivalents	**-21,353**	**-887**
Cash and cash equivalents		
1 January	117,752	111,811
Effects of changes in the exchange rate on cash and cash equivalents	379	874
30 June	**96,778**	**111,798**

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit/loss	Minorities	Total
1 January 2023	**15,506**	**122,755**	**-1,245**	**-13,675**	**277,500**	**25,233**	**0**	**426,074**
Consolidated net profit from P & L	0	0	0	0	0	-4,022	-59	-4,081
Other comprehensive income	0	0	-308	-5,156	0	0	14	-5,450
Allocation to retained earnings	0	0	0	0	25,233	-25,233	0	0
Dividend payout SURTECO GROUP SE	0	0	0	0	-10,854	0	0	-10,854
Withdrawals from consolidation group	0	0	0	0	0	0	385	385
30 June 2023	**15,506**	**122,755**	**-1,553**	**-18,831**	**291,878**	**-4,022**	**340**	**406,073**
1 January 2024	**15,506**	**122,755**	**-951**	**-24,071**	**291,680**	**-12,289**	**270**	**392,900**
Consolidated net profit from P & L	0	0	0	0	0	13,822	-144	13,678
Other comprehensive income	0	0	-575	5,533	160	0	2	5,120
Allocation to retained earnings	0	0	0	0	-12,289	12,289	0	0
Withdrawals from consolidation group	0	0	0	0	0	0	0	0
Addition to consolidation group	0	0	0	0	0	0	0	0
30 June 2024	**15,506**	**122,755**	**-1,526**	**-18,538**	**279,551**	**13,822**	**128**	**411,698**

Notes to the Consolidated Financial Statements as at 30 June 2024

I. Accounting principles

SURTECO GROUP SE (Societas Europaea) is a company listed on the stock exchange under European law and is based in Buttenwiesen, Germany. The company is the ultimate parent company of the Group 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 the SURTECO Group for the period ended 31 December 2023 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 2024, as in the preparation of the consolidated financial statements for the business year 2023. Owing to the hedging of variable interest payment flows from an existing syndicated loan contract resulting from three interest collars, hedge accounting in accordance with the rules defined in IFRS 9 will be applicable from the business year 2024.

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 financial statements of the SURTECO Group for the period ending 31 December 2023 for further information. The comments included in this report also apply to the quarterly financial statements for the year 2024 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*)” have been applied for this interim report.

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 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. Rounding differences of +/- one unit may arise for computational reasons.

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.

II. Group of consolidated companies

Company mergers

With effect from 3 April 2024, SURTECO GROUP SE purchased, as part of a share deal through its subsidiary company Nenplas Ltd, Ashbourne, United Kingdom, in each case 100% of the company shares in Wand Plastic Profiles Limited, Stourbridge, CJM Development Ltd., Stourbridge, and R&D Extrusions Ltd., Kettering, all with registered office in the United Kingdom. The acquired companies specialize in the production and sale of technical extrusions (profiles) of all kinds based on plastic, and these companies recently generated substantial profits in the double-digit range. The companies have particular expertise in the British construction market, as a result of which further growth potential in residential construction can be leveraged in addition to expanding the existing business. The acquisition of these companies opens up new market opportunities, broadens the product portfolio and empowers access to new customers. The acquired companies strongly represent an integrated business, and the resulting synergies between the companies are being used to exploit their full potential and accelerate growth. These acquisitions are part of the BU Profiles strategy of diversifying and reducing our dependence on individual industries. Owing to various issues mainly relating to criteria of scale, a final decision on inclusion within the group of consolidated companies has not yet been made. The final purchase price for the shares amounts to GBP 000s 1,334. So far, additional acquisition costs amounting to GBP 000s 119 have been incurred.

III. Factoring agreement

During the half year of 2024, two Factoring Agreements continued to be in place at the SURTECO Group. SURTECO Italia S.r.l., Zero Branco, Italy, has made use of factoring since 2015. Factoring in Germany was initially introduced between PB Factoring GmbH, Bonn, and Surteco GmbH, Buttenwiesen, with effect from 27 June 2023. The contract was subsequently extended on 28 September 2023 with Döllken Profiles GmbH, Bönen, and DAKOR Melamin Imprägnierungen GmbH, Heroldstatt. In the current business year, this factoring agreement was supplemented by Proadec Portugal S.A., Mindelo, Portugal, with effect from 28 March. On the basis of these agreements, existing and future trade accounts receivable are being sold to the factor. The maximum nominal sales volume amounts to € 10.0 million in Italy and € 20.0 million in Germany.

The character of the factoring relating to the contract with PB Factoring GmbH is that of an in-house factoring arrangement – protected default / true sale. Regardless of the transfer of the claims to the factor, the factor commissions the customers to administer and collect the sold claims in trust as part of their ordinary business operations (accounts receivable and debt recovery in accordance with the principles of proper bookkeeping) until revocation, which is permissible at any time. The companies thereby act in their own name but on account of the factor. Hence, the companies act as vicarious agents of the factor and have the role of commission agents. In Italy, full non-recourse factoring is applied openly.

In the contract with PB Factoring GmbH, Bonn, the risk determining the disposal of the assets is the default risk and the late-payer risk. While the default risk is transferred fully to the factor, parts of the late-payer risk remain with SURTECO. Overall, neither all opportunities nor risks are retained and only the ongoing commitment from the sold receivables is recognized as part of the partial disposal. The calculated ongoing commitment amounts to € 000s 249.7 (2023: € 000s 0) on 30 June 2024 and is presented separately as an asset under trade accounts receivable and as a liability under other financial liabilities (working capital). In addition, the verity risk (legal integrity risk) remains with SURTECO and the associated verity guarantee is covered by the agreed security retention. The guarantee has not been used by the factor to date.

No opportunities and risks are retained in Italy. The contract provides for the assignment and purchase of the receivables without recourse ('pro soluto', or by way of performance). The assigned receivables are paid by the factor on the day of assignment without taking account of a blocked amount. The fees are deducted immediately from the day of assignment until the due date of the invoice and the debtor settles the bill directly with the factor.

In Germany and Portugal, a de-facto proportional derecognition of the debtor's receivable is carried out with the inflow of the proportional purchase price. Initially, the 10% blocked amount associated with factoring forms a new separate financial asset (receivable for payment of remaining purchase price factor). In Italy, the primary debtor receivables are written off in full immediately when the receivable is purchased.

€ 000s	SURTECO Italia S.r.l.		SURTECO GmbH Döllken Profiles GmbH[1.)] Dakor Melamin Imprägnierungen GmbH[1.)] Proadec Portugal S.A.[2.)]	
	2023	2024	2023	2024
Transfer of opportunities and risks				
Material risks and in % Late payer risk (-) or early payer advantage (+)	0	0	0	1.7
Validity risk	0	0	0	0
Responsibility for managing accounts receivables	**Factor**		**Companies**	
Recognition on the consolidated financial statements				
€ 000s				
Max. nominal volume according to factoring agreement as at 30/6	10,000	10,000	15,000	20,000
Limit utilized on 30/6	6,276	7,911	13,604	18,960
Derecognition of the sold receivables	yes	yes	partial derec-ognization	partial derec-ognization
Book value of all offered and purchased receivables	12,831	13,446	13,315	68,960
Book value of the total receivables derecognized	12,831	13,466	2,385	54,457
Book value of the sold receivables that represent the continuing involvement on 30/6	0	0	10,930	14,503
Fair value of the sold receivables that represent the continuing involvement on 30/6	0	0	10,930	14,503
Asset for continuing involvement as of 30/6	0	0	0	250
Liability for continuing involvement as of 30/6	0	0	0	250
Interest and fees - recorded in the profit and loss statement	139	140	3	179

1.) Factoring since September 2023

2.) Factoring since March 2024

IV. Financial assets

The other participations and the shares reported at-equity are unchanged compared with year-end 2023. Due to their subordinate importance, subsequent valuation was not carried out for shares reported at-equity. The shares in non-consolidated affiliated companies are reported in the amount of € 000s 1,576 for the companies Wand Plastic Profiles Limited, Stourbridge, CJM Development Ltd., Stourbridge, and R&D Extrusions Ltd., Kettering, all with registered office in the United Kingdom.

V. Financial Liabilities

Financial liabilities essentially comprise the promissory note loans currently in the amount of € 000s 225,000 raised in the business years 2017 and 2022, and a loan in the amount of € 000s 200,000 obtained for financing the acquisition of the Omnova divisions in the business year 2023. These liabilities are divided into tranches with different terms of up to ten years. The interest rates are in a range between 1.536 % and 6.222 %.

The financial liabilities are made up as follows:

€ 000s	31/12/2023	30/6/2024
Long-term financial liabilities to banks	378,523	377,388
Long-term financial liabilities for leases	23,909	23,139
Long-term financial liabilities	**402,432**	**400,527**
Short-term financial liabilities to banks	62,233	57,548
Short-term financial liabilities for leases	6,445	6,953
Short-term financial liabilities	**68,678**	**64,501**
Financial liabilities	**471,110**	**465,028**

Interest rate risks – hedging

Interest-rate risks represent the risks of increasing finance costs brought about by the increase in the level of interest rates. The financial liabilities with variable interest rates essentially consist of an unsecured syndicated loan with a bullet loan tranche (Term Loan/Facility A) and a revolving working capital credit facility (Framework Credit/Facility B). Interest is paid in each case at Euribor money-market conditions plus a credit margin. The loan tranche dated 30 November 2023 amounting to € 200 million has a fixed term of three years and can be extended twice by a period of one year. The framework credit is a credit line with a volume of € 30 million and it has not been drawn on yet.

Furthermore, SURTECO GROUP SE has outstanding promissory note loans in a volume of € 225 million with residual terms of between 4 and 94 months. These include variable interest tranches amounting to € 20 million, on which interest is paid based on Euribor money-market conditions.

Up to now, only the interest risk for the syndicated loan is hedged with three interest collars. An interest collar sets a range between two fixed interest rates. Under the hedging transaction, the company receives compensation payments in relation to interest periods when the Euribor rate is determined to be above the hedged interest-rate cap. If the Euribor rate is below the agreed lower limit for the interest rate, the company makes compensation payments for the corresponding interest periods. If the market interest rates lie between these two interest rates, no compensation payment is made and the variable interest rate agreed under the secured underlying transactions is payable. The lower interest rate limit of 0 percent in relation to the Euribor fixing in the underlying transaction was replicated in the hedging transactions so that no incongruities can arise in the event of negative Euribor fixings.

The market values are calculated on the basis of a standard option pricing model.

If it is anticipated that the interest collars will compensate for the interest-induced changes in cash flow arising from the variable-interest loans secured as part of the hedging strategy to a sufficiently high extent during the term, these are designated as a hedging instrument in a cash-flow hedge. The effectiveness is measured using the hypothetical derivative method. This involves comparing changes in the market value of the hedging instrument with the changes in the market value of a "perfect" hypothetical derivative, i.e. that completely replicates the interest-induced cash flows and changes in the value of the underlying transaction. The hedging instruments match the secured interest payments in terms of the nominal amounts, the secured interest rates, the terms and the payment dates. Hedge ineffectiveness can therefore only arise from changes in the credit default risk of the hedging instruments. If the change in market value of the hedging instrument is greater than the change in market value of the hypothetical derivative, the excess amount is immediately recognized in profit or loss as hedge ineffectiveness. The effective part is initially placed in the cash flow hedge reserve in equity and is only recognized in profit or loss when the secured interest payment affects the profit and loss statement.

Since 28 March 2024, SURTECO GROUP SE has had three interest collars with a nominal volume amounting to a total of € 150 million (2023: € 0 million). These collars hedge the Euribor interest risk during the period up until 30 November 2026 and were designated as a hedging instrument in a cash-flow hedge. The hedging ratio based on the term loan tranche in the amount of € 200 million is therefore 75 % over the first three years.

The average lower and upper interest rate limits for the interest collars are 2.47 % and 3.20 % per annum up until 30 June 2024.

On 30 June 2024, the market value of the three interest collars is € 0.2 million (2023: € 0 million).

The interest-rate risk driven by a risk of changes in market value is not regarded as relevant since the financial liabilities are not held for trading purposes or for other transfers to third parties.

VI. Segment reporting

With effect from the business year 2023, the management of the company and hence the segment reporting will be carried out through the segments "Surfaces", "Edgebands" and "Profiles", which encompass the regions Europe and South America, and through the regional segments "North America" and "Asia / Pacific". The segments are organized across the companies on the basis of the sales markets. All surface activities including melamine edgings in Europe and South America are situated in Surfaces. The Segment Edgebands bundles the activities with plastic edgebandings in these regions, while Profiles concentrates on skirtings and technical extrusions (profiles). The regional segments comprise all activities in the relevant geographical markets irrespective of the specific products.

Segment Information

€ 000s	BU Surfaces	BU Edgebands	BU Profiles	BU North America	BU Asia Pacific	Reconcili-ation	SURTECO Group
1/1/-30/6/2024							
External sales	141,526	76,980	67,645	137,143	24,258	0	447,552
Internal sales with the SURTECO Group	9,334	835	69	0	0	-10,238	0
Total sales	150,860	77,815	67,714	137,143	24,258	-10,238	447,552
Segment earnings (EBITDA)	15,881	14,691	9,191	18,048	3,717	-4,572	56,956
1/1/-30/6/2023							
External sales	142,336	78,820	73,115	108,854	25,628	0	428,753
Internal sales with the SURTECO Group	7,507	642	205	0	0	-8,354	0
Total sales	149,843	79,462	73,320	108,854	25,628	-8,354	428,753
Segment earnings (EBITDA)	7,270	14,703	11,457	9,463	4,687	-2,522	45,058

Segment information by regional markets

Sales revenues € 000s	BU Surfaces	BU Edgebands	BU Profiles	BU North America	BU Asia Pacific	SURTECO Group
1/1/-30/6/2024						
Germany	40,686	13,727	30,734	0	0	85,147
Rest of Europe	95,357	33,280	36,458	528	285	165,908
America	1,839	25,751	0	125,546	0	153,136
Aisia, Australia, Others	3,644	4,222	453	11,069	23,973	43,361
	141,526	**76,980**	**67,645**	**137,143**	**24,258**	**447,552**
1/1/-30/6/2023						
Germany	39,112	15,906	35,128	0	0	90,146
Rest of Europe	99,817	34,775	37,835	95	0	172,522
America	1,143	25,316	14	95,302	190	121,965
Aisia, Australia, Others	2,264	2,823	138	13,457	25,438	44,120
	142,336	**78,820**	**73,115**	**108,854**	**25,628**	**428,753**

VII. Supplementary information

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.

Report on important transactions with related parties.

The LUDA Foundation holds 26.2 % of the voting rights in SURTECO GROUP SE.

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.

Up until 29 July 2024, 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 as at 30 June 2024.

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 29 July 2024.

VIII. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial 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 material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Buttenwiesen, 29 July 2024

The Management Board

Wolfgang Moyses	Andreas Pötz

Calculation of indicators

EBITDA adjusted	Earnings before financial result, income tax and depreciation and amortization - extraordinary effects
EBIT	Earnings bevor financial result and income tax
Cost of materials ratio in %	Cost of materials/Total output
Debt-service coverage in %	(Consolidated net profit + Depreciation and amortization) / Net debt
Earnings per share in €	Consolidated net profit/Weighted average of the issued shares
EBIT margin in %	EBIT/Sales
EBITDA margin in %	EBITDA/Sales
Leverage	Net dept/EBITDA adjusted for the last 12 month
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash flow from current business operations - (Acquisition of property, plant and equipment + Acquisition of intangible assets + Acquisition of companies + Proceeds from disposal of property, plant and equipment + Dividends received)
Interest cover factor	EBITDA/Interest (net) (Interest income – Interest expenses)
Level of debt in %	Net debt/Equity
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel expenses/Total output
Working Capital in €	(Trade accounts receivable + Inventories) – Trade accounts payable

Contact

Martin Miller
Investor Relations
T: +49 8274 9988-508
ir@surteco.com

SURTECO GROUP SE
Johan-Viktor-Bausch-Straße 2
86647 Buttenwiesen
Germany

ISIN: DE0005176903

www.surteco.com