

REPORT FOR THE FIRST THREE QUARTERS

2013

1 January to
30 September

Q3



SURTECO

SOCIETAS EUROPAEA

SPECIALISTS
FOR SURFACE
TECHNOLOGIES

OVERVIEW

SURTECO GROUP

Q3

€ 000s	1/7/-30/9/ 2012	1/7/-30/9/ 2013	Variation in %
Sales revenues	102,056	97,882	-4
of which			
- Germany	30,986	29,134	-6
- Foreign	71,070	68,748	-3
EBITDA	14,434	13,916	-4
EBITDA margin in %	14.1	14.2	
EBIT	8,741	8,702	-
EBIT margin in %	8.6	8.9	
EBT	6,586	5,999	-9
Consolidated net profit	5,344	4,341	-19
Earnings per share in €	0.48	0.39	-19

Q1-3

	1/1/-30/9/ 2012	1/1/-30/9/ 2013	Variation in %
Sales revenues	312,978	297,094	-5
of which			
- Germany	99,170	91,258	-8
- Foreign	213,808	205,836	-4
EBITDA	40,959	40,484	-1
EBITDA margin in %	13.1	13.6	
EBIT	24,216	24,691	+2
EBIT margin in %	7.7	8.3	
EBT	18,066	17,857	-1
Consolidated net profit	13,145	12,361	-6
Earnings per share in €	1.19	1.12	-6

	30/9/2012	30/9/2013	Variation in %
Net financial debt in € 000s	114,990	103,207	-10
Gearing (level of debt) in %	51	46	-5 pts.
Equity ratio in %	47.5*	47.9	+0.4 pts.
Number of employees	2,004	1,984	-1

	31/12/2012	30/9/2013	Variation in %
Net financial debt in € 000s	101,835	103,207	+1
Gearing (level of debt) in %	46	46	-
Equity ratio in %	47.8	47.9	+0.1 pts.
Number of employees	1,967	1,984	+1

* Adjusted comparative value in accordance with IAS 8, see explanation "Adjustment of values for the previous year" in the notes to the consolidated financial statements

DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

GLOBAL ECONOMY CONTINUES TO LOSE DYNAMIC IMPETUS

The latest projections in October 2013 by the International Monetary Fund (IMF) once again significantly revised its growth forecast for the global economy in 2013 downwards. According to these figures, the prediction for global economic growth in 2013 fell by 0.3 percentage points to 2.9 % by comparison with the forecast in July. This is despite the fact that the IMF assessed the situation in the core countries of the eurozone with rather greater – albeit cautious – optimism. A decline of 0.4 % was projected for eurozone output in the current year. In July, the IMF was still predicting a higher negative figure. The reason for the rise is also the slightly increased expecta-

tion for the growth rate in Germany, where an increase of 0.5 % has now been assumed. The forecasts for France (+0.2 %) and Spain (-1.3 %) have also improved, while in Italy the assumption of a decline in economic output of 1.8 % continued unchanged.

While according to the IMF the emerging economies and developing countries previously acted as economic engines, the industrial countries are increasingly returning to the forefront of the action. The economy in the USA is set to grow by 1.6 % in 2013 mainly thanks to robust private demand for consumption and investment. The IMF is predicting growth of 2.0 % for Japan. The IMF sees the biggest potential problems for emerging economies and developing countries, where the IMF is projecting economic growth of 4.5 % after 5.0 % in July. Dynamic growth continued to slow down in China. The growth forecast for the current year has been reduced by 0.2 percentage points to 7.6 %. Downward corrections or sideways movements have also been observed in the other BRIC countries.

The IMF stated that the depressed expectations were mainly due to the lower potential for growth in the emerging economies, the high level of unemployment in Europe and uncertainty about the consequences of tighter monetary policy in the US.

WEAK DEVELOPMENT OF THE FURNITURE INDUSTRY IN 2013

Companies from the furniture and wood industry constitute the key customer base for the SURTECO Group. The relevant associations for this group of customers (HDH and VDM) identified a decline of 4 % in the first half-year of 2013 for sales in the German furniture industry by comparison with the year-earlier period. The previous development in

2013 was therefore disappointing for this sector. Business also underwent negative development in foreign markets. During the period from January to July 2013, 4.8 % less furniture was exported than in the corresponding period of the previous year. In particular, sales to EU countries underwent significant falls of 10.2 %, with exports to France and the Netherlands declining significantly. Conversely, more furniture was exported to China (+20 %) and to the USA (+25.8 %). The export drive of German furniture manufacturers bore fruit and "Made in Germany" is now regarded as a quality seal for first-class manufacturing.

Stabilization of sales within the sector is anticipated by the close of 2013. This assumption is based on the robust rise in planning permissions for new-build projects which was recorded in Germany for the first half of 2013. This will in turn stimulate the purchase of furniture, although there will be a delayed effect.

Against this background, the association has downplayed overall business expectations for the sector in the coming year. Instead of predicting sales around the level of the previous year, VDM is anticipating a fall in sales of 2 to 3 %. The forecast for 2014 is modestly optimistic.

SURTECO: IMPROVEMENT IN MARGINS WITH DOWNTURN IN SALES

The continuing slowdown in the dynamic of the global economy and the unsatisfactory development of the German furniture industry ensured restrained demand for furniture. As in the first half of the year, this development was also tangible for the SURTECO Group in the third quarter of the year. The internal market and foreign business of both Strategic Business Units was defined by a decline in business development.

The cause continues to be problems associated with sovereign debt which lead to uncertainties among consumers, and this in turn constrains the desire to purchase long-term investments like furniture. Although the SURTECO Group succeeded in improving its margins in the third quarter, the declining sales are now also reflected in the result.

SALES AND MARKETS

SALES CONTINUE TO BE BELOW THE LEVEL FOR THE PREVIOUS YEAR

After sales revenues at the SURTECO Group declined in the first quarter by 7 % and in the first half-year by 6 % compared with the equivalent year-earlier figures, sales in the months January to September of the current business year were only 5 % below the values for 2012. Domestic business with a volume of € 91.3 million declined by 8 %. Sales amounting to € 205.8 million were generated abroad (-4 %). Declining sales revenues, particularly in Asia (-14 %) and Australia (-16 %), only posted slight gains in North and South America (+3 % and +1 % respectively). The share of foreign sales in total sales rose by 1 percentage point to 69.3 %. The SURTECO Group achieved aggregated sales amounting to € 297.1 million in the first three quarters of 2013 compared with € 313.0 million in the previous year.

STRATEGIC BUSINESS UNIT PLASTICS

The German office and kitchen furniture industry found itself in a difficult position on capacity utilization in the first three quarters of 2013. This was also reflected in business development of the Strategic Business Unit Plastics because plastic edgelandings represent the highest-selling product in the Business Unit and they are used primarily in these sectors. Sales revenues for this product in the months January to September declined from € 107.9 million in 2012 to € 101.8 million in the reporting period. Gratifying gains with other revenues (+25 %) and skirtings (+10 %) could not prevent sales in the Strategic Business Unit amounting to only € 176.0 million and thus remaining 4 % below the year-earlier nine-month value for 2012 (€ 182.5 million). € 52.2 million (-8 %) were attributed to domestic business. Foreign sales achieved a value of € 123.8 million (-2 %), with business on the North and South American continent rising slightly overall by 4 %, whereas sales losses had to be absorbed in Asia (-5 %) and Australia (-10 %).

STRATEGIC BUSINESS UNIT PAPER

The uninterrupted trend towards more cost-effective pre-impregnated materials continues to be experienced in the Strategic Business Unit Paper at the expense of fully impregnated foils. The preference of consumers for white or single-colour surfaces also continues to prevail and this exerts a direct effect on business in decorative printing. An unsatisfactory order situation in the furniture industry with weak employment in the bedroom and flat-pack furniture sector also contributed to a 7 % decline in sales revenues to € 121.1 million for the Strategic Business Unit

Paper during the months January to September 2013 compared with the equivalent value for the previous year (€ 130.5 million). Foreign sales fell by 7 % to € 82.0 million (2012: € 88.0 million), declining almost as strongly as domestic business, which fell by 8 % to € 39.1 million (2012: € 42.5 million). Business in the country segments only developed positively in North America (+5 %) whereas losses were posted in all other country segments.

EXPENSES

PROPORTION OF COST OF MATERIALS IN RELATION TO SALES IS STABLE

Within the SURTECO Group, the cost of materials is the biggest item of expenditure. Despite increased energy costs and volatile prices for some chemical intermediate products, the SURTECO Group succeeded in keeping the cost of materials ratio (cost of materials/total output) stable during the period under review. After 44.7 % in the first quarter and 44.8 % in the first half-year, this ratio was 44.7 % in the first three quarters of 2013. Shifts in the product mix essentially brought about an improvement in the ratio of 1.7 percentage points compared with the value for the previous year. The aggregated cost of materials amounted to € 133.5 million during the first nine months of 2013.

Personnel expenses came down by 5 % to € 78.6 million (Q1-3 2012: € 82.5 million) during the period under review. This fall was essentially due to a provision of € 1.7 million formed in the previous year for restructuring measures. The personnel expense ratio – calculated from the ratio of

personnel expenses to total output – rose slightly from 25.9 % in the previous year to 26.3 % in the months of January to September 2013.

The other operating expenses only fell slightly by -2 % and aggregated over the first nine months of 2013 amounted to € 48.1 million after € 49.0 million in 2012.

EARNINGS

A slight improvement in margins in the third quarter of 2013 was unable to compensate for sales losses in the months from January to September. The accumulated operating result (EBITDA) of the SURTECO Group at € 40.5 million was slightly below the year-earlier value of € 41.0 million. The EBITDA margin rose from 13.1 % in 2012 to a respectable 13.6 % in the current business year. Depreciation and amortization amounting to € 15.8 million (2012: € 16.7 million) resulted in an EBIT of € 24.7 million after € 24.2 million in the previous year. The EBIT margin rose by 0.6 percentage points to 8.3 %. After deducting the financial result of € -6.8 million (2012: € -6.2 million) earnings before tax (EBT) amounted to € 17.9 million (2012: € 18.1 million). The result was impacted negatively by a slightly higher tax rate compared with the previous year. Consolidated net profit of € 12.4 million for the first three quarters lagged by € 0.7 million behind the equivalent year-earlier value (€ 13.1 million). On 30 September 2013, the number of shares remained unchanged at 11,075,522 no-par-value shares. This yields earnings per share of € 1.12 after € 1.19 in 2012.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

On 30 September 2013 the balance sheet total of the SURTECO Group at € 472.0 million was € 4.7 million above the value for year-end 2012 (€ 467.3 million). The key items on the asset side responsible for this increase were trade receivables (€ +8.2 million), property, plant and equipment (€ +1.8 million) and intangible assets (€ +1.2 million). This was offset against cash and cash equivalents (€ -3.1 million), other current assets (€ -1.4 million) and other non-current financial assets (€ -1.5 million). The main increase on the liabilities side was other current liabilities (€ +3.0 million). The net financial debt rose to € 103.2 million due to higher investments on the balance sheet date for the quarter (31 December 2012: € 101.8 million). This is also reflected in the constant gearing (level of debt) unchanged at 46 %. The equity ratio at 47.9 % remained virtually at the year-end value for 2012 (47.8 %).

During the first three quarters of 2013, the company generated a cash flow from ordinary activities amounting to € 29.2 million after € 33.8 million in the previous year. Investments in a new production site in Myrtle Beach, USA, at BauschLinnemann North America, in a new digital printing system at the Strategic Business Unit Paper and in a company software system resulted in cash outflows of € 17.6 million after € 14.1 million in 2012. The free cash flow in the reporting period was therefore € 11.6 million (year-earlier period: € 19.7 million). At the end of the third quarter, cash and cash equivalents amounted to € 58.3 million.

CALCULATION OF FREE CASH FLOW

€ 000s	1/1-30/9/ 2012	1/1-30/9/ 2013
Cash flow from current business operations	33,761	29,215
Purchase of property, plant and equipment	-12,062	-14,270
Purchase of intangible assets	-526	-2,466
Acquisition non-controlling interests (2012: Acquisition of business)	-1,575	-866
Dividends received	55	0
Cash flow from investment activities	-14,108	-17,602
Free cash flow	19,653	11,613

RESEARCH AND DEVELOPMENT

FURTHER INVESTMENTS AND NEW APPLICATIONS IN DIGITAL PRINTING TECHNOLOGY

The Strategic Business Unit Plastics has a long and successful track record in digitally printed plastic edgings alongside edgings manufactured using conventional processes. The company joined forces with a coating manufacturer and cooperated in developing a new version of the digital edging. This enabled "true-to-scale" decors to be designed which, for example, reproduce stone

replicas on a scale that is true to life. The special feature of this process is a repeat length of 2000 mm, which means that the decor can be repeated at the earliest after 2 metres of edging length. Thanks to the technical know-how of the Strategic Business Unit Plastics in digital printing technique, these decors can be harmonized so precisely with the worktop that the edging continues the decor of the worktop virtually seamlessly. The premium high-gloss surface has already been proven in conventional edgings and this has been further developed for digital edgings. In conjunction with the new decorative designs, workpieces can be manufactured from wood-based boards which look as though they are made from a piece of granite or marble.

The Strategic Business Unit Paper has also expanded its competence in digital printing technology by investing in a new system. This new machine allows digital printing and varnishing to be carried out in a single operation. Inline varnishing offers attractive value for money in conjunction with the benefits of digital printing technology for small and mid-sized order volumes. Customers therefore benefit from the option of being able to place orders for individual decors and small batches at short notice and at an attractive price.

SURTECO SHARES

After the SURTECO share started the year positively and increased by 15.1 % during the first quarter, it lost these gains as the year proceeded, and the price had returned to the level of the beginning of the year by the close of the reporting period. Overall, the share decreased slightly by 0.9 % in the first nine months of 2013. This meant it lagged significantly behind the performance of the SDAX German comparator index, which gained 19.8 % in the same period. The share attained the high of € 20.01 for the reporting period on 20 March. After that date, the performance of the share started a trend of decline and ended trading on 30 September, the last trading day of the reporting period, with a value of € 17.09. The planned takeover of the Süddekor Group (→ Events after the balance sheet date) received a positive reception on the capital market. After the announcement of the intended acquisition at the end of October, the share price rose to more than € 23. The price then remained stable until the middle of November when the capital increase carried out for purposes of the takeover was successfully concluded.

At the end of September 2013, the market capitalization of SURTECO SE was € 189.3 million based on an unchanged number of shares at 11,075,522. The percentage of shares in free float continued unchanged at 22.6 %. The capital measure completed in November for the purchase of Süddekor increased the volume of shares to around 15.5 million. The free float rose to 45.4 %. This significantly increases the chances of SURTECO being listed in the German SDAX Small Cap Index.

January - September 2013

Number of shares	11,075,522
Free float in %	22.6
Price on 2/1/2013 in €	17.25
Price on 30/9/2013 in €	17.09
High in €	20.01
Low in €	16.50
Market capitalization as at 30/9/2013 in € 000s	189,281

Share price performance
January - September 2013 in €

OUTLOOK FOR THE FISCAL YEAR 2013

In October, a purchase contract for the takeover of all the shares in the Súddekor companies was concluded (→ Events after the balance sheet date). However, it is not yet possible to provide an assessment of when these companies will be included in the financial statements. This forecast therefore expects the existing Group structure still to be in place at the end of the third quarter of 2013.

Although the global economic development is assessed differently in the individual countries, a slight improvement in sentiment has been evident since September. In Germany and Europe – the most important markets for the SURTECO Group – the company is not expecting an upturn in the economy by year-end 2013. Business operations in the company are traditionally rather muted at the end of the year. SURTECO anticipates sales of less than € 400 million for the end of the business year 2013. Apart from the lower sales volume, the costs incurred in conjunction with the acquisition of the Súddekor companies are also impacting negatively on the result. The bottom line is that earnings before tax will not reach the level of the previous year.

QUARTERLY FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
 SURTECO GROUP

(SHORT VERSION)

Q3

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

€ 000s	Q3		Q1-3	
	1/71-30/9/ 2012	1/71-30/9/ 2013	1/11-30/9/ 2012	1/11-30/9/ 2013
Sales revenues	102,056	97,882	312,978	297,094
Changes in inventories	1,388	-1,321	3,791	-455
Own work capitalized	522	708	1,600	1,863
Total	103,966	97,269	318,369	298,502
Cost of materials	-47,991	-43,272	-147,720	-133,505
Personnel expenses	-25,783	-24,890	-82,512	-78,649
Other operating expenses	-16,463	-15,950	-49,003	-48,061
Other operating income	705	759	1,825	2,197
EBITDA	14,434	13,916	40,959	40,484
Depreciation and amortization	-5,693	-5,214	-16,743	-15,793
EBIT	8,741	8,702	24,216	24,691
Financial result	-2,155	-2,703	-6,150	-6,834
EBT	6,586	5,999	18,066	17,857
Income tax	-1,228	-1,535	-5,116	-5,405
Net income	5,358	4,464	12,950	12,452
Group share (consolidated net profit)	5,344	4,341	13,145	12,361
Non-controlling interests	14	123	-195	91
Basic and diluted earnings per share in €	0.48	0.39	1.19	1.12
Number of shares	11,075,522	11,075,522	11,075,522	11,075,522

STATEMENT OF COMPREHENSIVE INCOME

SURTECO GROUP

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

Q3

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2012*	1/7/-30/9/ 2013	1/1/-30/9/ 2012*	1/1/-30/9/ 2013
Net income	5,358	4,464	12,950	12,452
Difference from currency translation	-1,716	-1,274	2,033	-3,971
Financial instruments available-for-sale	588	-299	409	-309
Components of comprehensive income that may be reclassified in the income statement in future	-1,128	-1,573	2,442	-4,280
Components of comprehensive income that will not be reclassified in the income statement in future	-202	0	-989	0
Other comprehensive income for the period	-1,330	-1,573	1,453	-4,280
Total comprehensive income	4,028	2,891	14,403	8,172
Group share	4,014	2,768	14,598	8,081
Non-controlling interests	14	123	-195	-91

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

€ 000s	31/12/2012	30/9/2013
ASSETS		
Cash and cash equivalents	61,386	58,328
Trade accounts receivable	41,745	49,959
Inventories	61,052	61,824
Current income tax assets	2,692	2,406
Other current assets	8,442	7,008
Current assets	175,317	179,525
Property, plant and equipment	158,520	160,342
Intangible assets	12,658	13,902
Goodwill	112,718	111,885
Investments in associated enterprises	1,660	1,626
Financial assets	569	550
Non-current tax assets	527	527
Other non-current assets	335	446
Other non-current financial assets	2,150	656
Deferred taxes	2,796	2,583
Non-current assets	291,933	292,517
	467,250	472,042

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

€ 000s	31/12/2012	30/9/2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	1,975	981
Trade accounts payable	26,483	27,463
Income tax liabilities	1,253	364
Short-term provisions	2,349	2,528
Other current liabilities	19,746	22,763
Current liabilities	51,806	54,099
Long-term financial liabilities	161,246	160,554
Pensions and other personnel-related obligations	11,139	11,510
Deferred taxes	19,881	19,794
Non-current liabilities	192,266	191,858
Capital stock	11,076	11,076
Capital reserve	50,416	50,416
Retained earnings	146,358	152,120
Consolidated net profit	15,028	12,361
Capital attributable to shareholders	222,878	225,973
Non-controlling interests	300	112
Equity	223,178	226,085
	467,250	472,042

CONSOLIDATED CASH FLOW STATEMENT

SURTECO GROUP

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

Q3

Q1-3

€ 000s	1/1/-30/9/ 2012	1/1/-30/9/ 2013
Earnings before income tax and non-controlling interests	18,066	17,857
Reconciliation to cash flow from current business operations	15,625	18,321
Internal financing	33,691	36,178
Change in assets and liabilities (net)	70	-6,963
Cash flow from current business operations	33,761	29,215
Cash flow from investment activities	-14,108	-17,602
Cash flow from financial activities	-36,741	-13,791
Change in cash and cash equivalents	-17,088	-2,178
Cash and cash equivalents		
1 January	66,739	61,386
Effect of changes in exchange rate on cash and cash equivalents	311	-880
30 September	49,962	58,328

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SURTECO GROUP

REPORT FOR THE FIRST THREE QUARTERS 2013 SURTECO SE

Q3

€ 000s	Retained earnings								
	Capital stock	Capital reserve	Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit	Non-controlling interests	Total
31 December 2011	11,076	50,416	1,953	368	-2,649	142,248	12,484	608	216,504
Dividend payout	0	0	0	0	0	0	-4,984	0	-4,984
Net income	0	0	0	0	0	0	13,145	-195	12,950
Acquisition of non-controlling interests	0	0	0	0	0	-98	0	0	-98
Other changes	0	0	409	-989	2,130	7,500	-7,500	0	1,550
30 September 2012*	11,076	50,416	2,362	-621	-519	149,650	13,145	413	225,922
31 December 2012	11,076	50,416	1,260	-652	-3,998	149,748	15,028	300	223,178
Dividend payout	0	0	0	0	0	0	-4,984	0	-4,984
Net income	0	0	0	0	0	0	12,361	93	12,454
Acquisition of non-controlling interests	0	0	0	0	0	0	0	-281	-281
Other changes	0	0	-310	0	-3,972	10,044	-10,044	0	-4,282
30 September 2013	11,076	50,416	950	-652	-7,970	159,792	12,361	112	226,085

BY STRATEGIC BUSINESS UNITS

Sales revenues				
€ 000s	SBU Plastics	SBU Paper	Recon- ciliation	SURTECO Group
1/1/-30/9/2013				
External sales	175,988	121,106	0	297,094
Internal sales	944	810	-1,754	0
Total sales	176,932	121,916	-1,754	297,094
1/1/-30/9/2012				
External sales	182,543	130,435	0	312,978
Internal sales	411	848	-1,259	0
Total sales	182,954	131,283	-1,259	312,978

Segment earnings (EBT)		
€ 000s	1/1/-30/9/2012	1/1/-30/9/2013
SBU Plastics	15,261	14,510
SBU Paper	9,821	12,059
Reconciliation	-7,016	-8,712
EBT	18,066	17,857

BY REGIONAL MARKETS

Sales revenues SURTECO Group		
€ 000s	1/1/-30/9/2012	1/1/-30/9/2013
Germany	99,170	91,258
Rest of Europe	135,371	130,920
America	43,551	44,618
Asia, Australia, Others	34,886	30,298
	312,978	297,094

Sales revenues SBU Plastics		
€ 000s	1/1/-30/9/2012	1/1/-30/9/2013
Germany	56,725	52,142
Rest of Europe	69,282	68,076
America	28,707	29,812
Asia, Australia, Others	27,829	25,958
	182,543	175,988

Sales revenues SBU Paper		
€ 000s	1/1/-30/9/2012	1/1/-30/9/2013
Germany	42,445	39,116
Rest of Europe	66,089	62,844
America	14,844	14,806
Asia, Australia, Others	7,057	4,340
	130,435	121,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (ABBREVIATED)

ACCOUNTING PRINCIPLES

The consolidated financial statements of SURTECO SE for the period ended 31 December 2012 are 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 September 2013 as in the preparation of the consolidated financial statements for the business year 2012.

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 SURTECO SE for the period ending 31 December 2012 for further information. The comments included in this report also apply to the quarterly financial statements and the half-yearly financial statement for the year 2013 if no explicit reference is made to them.

The regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" for 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 2013, 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 2013 exerted no material effect on the net assets, financial position and results

of the Group. The following change in reporting results from the change in IAS 1 with mandatory application for the financial years subsequent to the business year 2013: The comprehensive income will be regrouped according to items, which will be reclassified in the income statements in future, and in items which will not be reclassified in the income statement in future.

Due to the first-time application of IFRS 13, the notes to the consolidated financial statements for the half year were amended. The first-time application of IAS 19R did not result in any material changes. 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). 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.

ADJUSTMENT OF VALUES FOR THE PREVIOUS YEAR AS AT 30 SEPTEMBER 2012

The adjustment of the values for the previous year was carried out due to an incorrect presentation of the actuarial profits and losses as at 30 September 2012. On this balance sheet date no actuarial losses essentially originating from the change in the discount rate during the course of the year were recorded under pension provisions. The effects are presented below:
Comprehensive income:

The item "Components of comprehensive income that may not be reclassified in the income statement in future" has been reduced by € 000s -989 (before amendment: € 000s 0, after amendment € 000s -989). The share of the Group in total comprehensive income therefore came down by € 000s -989.

Development of equity capital:

The "Other comprehensive income" in equity capital came down as a result of the amendment by € 000s -989 (before amendment: € 000s 0, after amendment € 000s -989).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (ABBREVIATED)

GROUP OF CONSOLIDATED COMPANIES

The SURTECO Group interim consolidated financial statements include all domestic and foreign companies which are material for the net assets, financial position and results of operations in which SURTECO SE holds a direct or indirect majority of the voting rights. The group of consolidated companies has only undergone minor changes that are insignificant compared with the consolidated financial statements for the period ended 31 December 2012.

Döllken CZ s.r.o., Czech Republic, was included in the consolidated financial statements for the first time on 1 January 2013 due to its increased importance. With effect from 1 January 2013, SURTECO acquired the outstanding minority shareholdings of 20 % in BauschLinnemann South Carolina LLC, USA,

which was then merged to BauschLinnemann North America, Inc., USA. A purchase price amounting to €000s 281 was agreed with the minority shareholders, which was made up of the nominal value of the shareholding and a premium.

These changes in the group of consolidated companies exerted no significant effects on the net assets, financial position and the results of the Group.

FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

The following table shows the financial instruments whose subsequent valuation is carried out at the fair value. There were no reclassifications between the stages in the fair-value hierarchy during the reporting or comparator period.

€ 000s	Category	FAIR VALUE / BOOK VALUE					
		31/12/2012			30/9/2013		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets / (liabilities) from derivative financial instruments							
with hedge relationship	n.a.	0	2,150	0	0	656	0
without hedge relationship	FlaFV	0	21	0	0	-11	0
		0	2,171	0	0	645	0

The financial instruments from the categories "Recorded at fair value" are valued at the current value. The cash and cash equivalents, trade accounts receivable, other financial assets in the category "Loans and receivables" and trade accounts payable and other financial liabilities have overwhelmingly short residual terms. The values reported in the balance sheet on the reporting date therefore approximate to the fair value.

The calculation and recognition of the fair values of financial instruments is based on a fair value hierarchy which takes account of the significance of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (ABBREVIATED)

the input data used for the valuation and classifies it as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Derivative financial instruments reported under level 2 include forward exchange contracts and interest swaps. The forward exchange operations are valued at fair value using the expected exchange rates which are quoted on the regulated market. Interest swaps are valued at the fair value using the expected interest rates based on recognized interest curves. The effects from discounting are generally not material for derivatives classified under level 2.

Level 3 - inputs for the valuation of the asset and liability that are not based on observable market data (unobservable inputs).

DIVIDEND FOR FISCAL 2012

The Annual General Meeting of SURTECO SE passed a resolution on 28 June 2013 to pay out a dividend for the business year 2012 amounting to € 0.45 for each no-par-value share. The payout amounted to a total of € 4,983,984.90.

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 23 October 2013, a purchase contract for the takeover of all the shares in the companies of the SÜDDEKOR Group was concluded. This takeover involves the companies SÜDDEKOR GmbH in

Laichingen, Dakor Melamin Imprägnierungen GmbH in Heroldstatt, SÜDDEKOR Art Design + Engraving GmbH, Willich, SÜDDEKOR LLC, Agawam, USA, SÜDDEKOR Management Inc. Agawam, USA and SÜddekor OOO in Moscow, Russia. The transaction is due to be closed on 2 December 2013 following approval by the German Federal Antitrust Office on 25 November 2013.

In order to finance the transaction, the Board of Management and the Supervisory Board passed a resolution on 30 October 2013 to increase the capital stock of the company by EUR 4,430,209 from EUR 11,075,522 to EUR 15,505,731 for purposes of financing the transaction by issuing 4,430,209 no-par-value bearer shares without nominal value, each share representing a proportionate amount in the capital stock of EUR 1.00 and with full participation in profits from 1 January 2013 ("New Shares") by way of a capital increase against cash contribution from subscribed capital with pre-emptive rights for shareholders. The implementation of the capital increase was entered in the company register on 4 November. The New Shares were taken up at the lowest issue amount by Joh. Berenberg, Gossler & Co. KG, Hamburg, who managed the offer as the Sole Lead Manager and Sole Bookrunner, and Berenberg offered the shares to shareholders by way of an indirect pre-emptive right based on a subscription offer published in the Federal Gazette (Bundesanzeiger) on 31 October 2013. This generated gross issue proceeds for the company amounting to some € 80 million.

The company is also currently reviewing the corporate and product portfolio with a view to optimization in order to continue pursuing its strategy of focusing on the core business of the company following the concentration.

After 30 September 2013 when this Report went to press, there were no further events or developments that could lead to a significant change in the recognition or valuation of individual assets or liabilities.

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT margin in %	EBIT/Sales revenues
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

30 April 2014	Annual Report 2013
15 May 2014	Three-month report January - March 2014
27 June 2014	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
30 June 2014	Dividend payout

REPORT FOR THE FIRST THREE QUARTERS 2013

TICKER SYMBOL: SUR
ISIN: DE0005176903

Q3



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