

# REPORT FOR THE FIRST THREE QUARTERS

1 January to  
30 September

2014  
Q3

# SURTECO

SOCIETAS EUROPAEA

SPECIALISTS  
FOR  
SURFACE  
TECHNOLOGIES



## DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

### MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

#### DETERIORATION OF ECONOMIC EXPECTATION IN EUROPE

In its publication entitled “World Economic Outlook” dated 7 October 2014, the International Monetary Fund (IMF) scaled back its global growth forecasts compared with its prediction from July of this year from +3.4 % to +3.3 %. According to the IMF, the risks for the global economy have increased over recent months. The IMF stated that many countries urgently needed to undertake essential structural reforms. It continued by highlighting the risk of stagnation in the eurozone rather than the hoped-for upswing after many

years of economic crisis. The fallout from the major recession of some six years ago was turning out to be more enduring than had previously been realized. Most importantly, investments were lagging behind in the major economic powers despite the environment of low interest rates. Current geopolitical crises like those in Ukraine and in the Middle East could well continue to exert a negative impact on the economy. The IMF also perceived potential overheating in the financial markets as a risk, particularly against the background that current prices on stock markets did not reflect the fragility of the economic recovery. The detailed forecast predicted by the IMF is as follows: The advanced economies are likely to expand by 1.8 % this year while the emerging economies and developing countries are likely to grow by 4.4 %. The prospects for Europe continue to be depressed and growth of as little as 0.8 % is attributed to the eurozone, after an increase of 1.1 % was assumed in July. The forecast for Germany (+1.4 %) was also reduced by 0.5 percentage points. Compared with the forecast in July, the anticipated growth in France was diminished (+0.4 % instead of +0.7 %), while Italy (-0.2 % instead of +0.3 %) is confronted with a contraction in economic output. According to the IMF, only the USA has the prospect of improved performance in the future, since expectations for 2014 were raised by 0.5 percentage points to +2.2 %. China remains the growth engine for the emerging economies and developing countries. The projected growth in China continues unchanged at the July forecast of 7.4 %. Eastern Europe and the Russian economy in particular are burdened by the sanctions resulting from the crisis in Ukraine. Only minimal growth of 0.2 % is expected for Russia in 2014.

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**FURNITURE INDUSTRY STANDS STILL  
IN ECONOMIC TERMS DURING 2014**

Companies from the furniture and wood-based industry are by far the most important customers for the SURTECO Group. The relevant associations for these target groups are HDH (Federation of the German Wood Industry and Plastics Processing Industry and Associated Industrial and Commercial Sectors) and VDM (Association of the German Furniture Industry), and their latest prediction records uneven trends in the assessment for their sectors in the first seven months of 2014. Monthly sales for the furniture industry were below the values achieved in the previous year in each of the months January, April and June, while they were above the year-earlier values for the months February, March and May. The manufacturers likewise recorded an increase in sales of 1.6 % in the final month of July. According to this report, domestic sales rose by 1 % in July, while revenues abroad were increased by 3 %. Overall, the German furniture industry achieved an increase in sales of 1.6 % during the first half of 2014. Kitchen furniture posted an increase of 3.1 % and furniture for living areas went up by 1.9 %. In view of the uneven development over the course of these months, VDM currently perceives no general change of trend for the furniture industry. Against this background, the Association for the German Furniture Industry only continues to anticipate "zero growth" throughout 2014.

**SALES AND BUSINESS PERFORMANCE****ONGOING ORGANIC AND  
ACQUISITION-RELATED GROWTH**

The sales revenues derived from the acquisition of the Súddekör companies in December of last year continued to remain the driving force for the strong increase in consolidated sales in the reporting period. However, the SURTECO Group also succeeded in posting organic growth amounting to 2.5 % in the months between January and September of 2014, adjusted by this effect and by the cladding business sold at the end of last year. The increase in sales was primarily generated in business with plastic edgings and fully impregnated finish foils. However, in the third quarter it emerged that the anticipated upswing in the sector was not going to be forthcoming in the plastics or paper sector. Furthermore, demand was remaining more restrained than had originally been anticipated. The volatile exchange rates also exerted a negative impact on business.

In January to September 2014, the SURTECO Group generated sales revenues amounting to € 470.1 million after € 295.9 million in the equivalent year-earlier period. € 135.5 million (2013: € 91.3 million) were generated in the domestic market and € 334.6 million (2013: € 204.6 million) came from foreign markets. The foreign sales ratio increased by two percentage points to 71.2 % compared with the first three quarters in 2013.

**STRATEGIC BUSINESS UNIT PLASTICS**

The Strategic Business Unit Plastics enjoyed stable business development and generated sales revenues amounting to € 172.4 million (Q1-3 2013:

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€ 174.8 million) in the first nine months of 2014. Adjusted by the sale of the cladding business, the plastics division generated organic growth of 2.7 %. A key contribution was made by plastic edgebandings (+2 %) and skirtings (+5 %) which outperformed the figures for the previous year with sales growth of € 2.4 million and € 1.2 million respectively. Sales with plastic foils (+2 %), technical extrusions (profiles) (+5 %) and ranges for home-improvement stores (+3 %) were also increased, whereas business with roller-shutter systems fell back by 8 %.

Sales revenues in the domestic market were at the level of the previous year at € 52.0 million. In the rest of Europe, they amounted to € 67.1 million and were 1 % below the value for the previous year, although the majority of sales revenues generated by the sold cladding business during the previous year were in Europe. In North America, business lagged 6 % behind the outcome for the first three quarters of 2013 due to a number of factors including exchange rates. Growth was generated in Asia (+11 %) and Australia (+2 %).

## STRATEGIC BUSINESS UNIT PAPER

Sales revenues of the Strategic Business Unit Paper continued to be powered by the business of the Süddekor companies acquired in December of last year and rose during the first three quarters of 2014 to € 297.7 million after € 121.1 million in the corresponding year-earlier period. Business involving products without overlapping effects was subject to countervailing developments. Sales with melamine edgebandings fell back by 4 % compared with the equivalent year-earlier period, whereas an increase of 6 % was generated with fully impregnated finish foils. After adjustment for the Süddekor sales, organic growth amounting

to 2.1 % was generated overall. Impregnates (for compression to melamine surfaces) and release papers (for refining – texture and level of gloss – of melamine surfaces) have been new features in the range since the Süddekor takeover and contributed a total of € 80.9 million to segment sales in the months January to September 2014. In Germany, sales amounting to € 83.5 million (2013: € 39.1 million) were generated in the first three quarters of the year under review. Sales of € 214.2 million were attributable to foreign sales after € 82.0 million in the previous year.

## EXPENSES

COST OF MATERIALS RATIO STABLE  
BUT AT A HIGH LEVEL

The proportion of the cost of materials in relation to sales continued to remain at a high level during the reporting period. At 50.9 % - measured by total output – the ratio was 6.2 percentage points above the value of the previous year. This increase is explained solely by shifts in the product mix. Accumulated over the first three quarters of 2014, the cost of materials amounted to € 244.2 million (2013: € 132.9 million) at Group level. The personnel expenses over this period amounted to € 115.0 million after € 78.5 million in 2013. The personnel expense ratio (calculated from the ratio of personnel expenses to total output) fell by 2.4 percentage points to 24.0 %. Other operating expenses in percentage terms were also below the value for the previous year (€ 67.1 million after € 47.9 million in 2013).

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## GROUP RESULTS

During the months of January to September, the operating result (EBITDA) of the SURTECO Group rose by 42 % from € 40.3 million in the previous year to the current level of € 57.2 million. The acquisition-related shifts in product mix impacted negatively on margins. Depreciation and amortization increased from € 15.8 million in 2013 to € 26.6 million in the year under review due to the company acquisition. The financial result of € -3.2 million (2013: € -6.6 million) essentially reflects the increase in the price of the US dollar. Together with a higher operating profit, this led to an increase in the pre-tax result (EBT) by 54 % to € 27.5 million (2013: € 17.9 million). After tax the consolidated net profit therefore rose by 56 % to € 19.3 million (2013: € 12.4 million). This yields earnings per share of € 1.24 based on 15,505,731 issued shares (2013: € 1.12, based on 11,075,522 shares).

## RESULT OF THE STRATEGIC BUSINESS UNITS

After the Strategic Business Unit Plastics succeeded in more than compensating for the absence of contributions to earnings generated by the sold cladding business in the first half-year, the accumulated pretax earnings (EBT) for the first three quarters amounted to € 14.2 million and were slightly below the value of € 14.5 million from the previous year. After adjustment for the cladding business, a slight rise in earnings was recorded.

The EBT of the Strategic Business Unit Paper essentially rose on the back of the acquisition from € 12.1 million in 2013 to the current figure of € 20.1 million in the first nine months of 2014.

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The balance sheet total of the SURTECO Group had increased by two percent to € 636.9 million as at 30 September 2014 compared with the year-end 2013. On the asset side, trade accounts receivable increased (+ € 22.9 million) and inventories rose by € 8.6 million. Cash and cash equivalents fell by € 14.9 million after the dividend payment was made for the business year 2013 and the planned repayment of the first tranche of a US private placement. Non-current assets at € 395.8 million on the quarterly closing date fell slightly short of the value on 31 December 2013 (€ 398.7 million).

On the assets side, current liabilities came down by € 33.5 million to € 94.0 million compared with 31 December 2013, whereas non-current liabilities rose by € 39.2 million to € 226.9 million. This shift was essentially due to the planned repayment and refinancing of a tranche of € 40.0 million from the US private placement.

The equity ratio of 49.6 % at the quarterly closing date was at the level of 31 December 2013 (49.7 %). The net financial debt at € 151.8 million only changed slightly (year-end 2013: € 151.2 million). The gearing (level of debt) was reduced by one percentage point to 48 %.

The free cash flow increased from € 11.6 million in the months from January to September 2013 to € 15.7 million during the period under review.



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## CALCULATION OF FREE CASH FLOW

€ 000s	1/1-30/9/ 2013	1/1-30/9/ 2014
<b>Cash flow from current business operations</b>	<b>29,215</b>	<b>38,192</b>
Purchase of property, plant and equipment	-14,270	-22,042
Purchase of intangible assets	-2,466	-490
Acquisition of companies	-866	0
<b>Cash flow from investment activities</b>	<b>-17,602</b>	<b>-22,532</b>
<b>Free cash flow</b>	<b>11,613</b>	<b>15,660</b>

## RESEARCH AND DEVELOPMENT

The focus of research and development work at the SURTECO Group is on improving production procedures, technical implementation of new product ideas, research into alternative raw materials and additives, and on the ongoing development of existing manufactured products. The expansion of technical properties is particularly important with a view to opening up new areas of application and processing opportunities for the products.

One example of research currently being carried out by the Strategic Business Unit Plastics is the possibility of expanding its jointless plastic edging by another option for bonding. The jointless edgings can be used to laminate the cut edges of a wood-based board without the conventional

glue joint. A number of processing options such as laser or hot-air technology have already been established in the marketplace. Near Infrared Radiation (NIR) technology presents a new option for carrying out lamination. This technology is able to transfer the heat energy precisely, quickly and with pinpoint accuracy. The Strategic Business Unit Plastics has developed its jointless edging to match this new processing option and is currently carrying out comprehensive tests to check compatibility with NIR technology. In this way, the availability of the jointless edging from SURTECO will be ensured with all conventional processing technologies.

When SURTECO purchased the Süddekor companies, the Group also acquired a production site for the manufacture of printing inks. The testing and successful certification for the application of these printing inks at different sites was one of the functions carried out by the research and development departments of the Strategic Business Unit Paper.

## RISK AND OPPORTUNITIES REPORT

SURTECO SE with its Strategic Business Units Plastics and Paper is exposed to a large number of risks on account of global activities and intensification of competition. A detailed description of the Risk Management System is provided in the Risk and Opportunities report included in our Annual Report 2013.

During the first three quarters of 2014, there were no significant changes to the risks and opportunities recorded, and no risks were identified which could pose a threat to the continued existence of the company as a going concern.

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The overall risk assessment did not essentially change during the first three quarters of 2014 compared with the year 2013.

**OUTLOOK FOR THE FISCAL YEAR 2014**

The framework conditions for the SURTECO Group are currently dominated by a slowdown in the domestic market and in most European countries. Furthermore, a number of sales markets in Eastern Europe came under increasing pressure as a result of the conflict in Ukraine. The sector associations are also currently anticipating a trend towards a more restrained business performance in the furniture industry. Nevertheless, SURTECO is not anticipating any significant collapse of business for the remainder of the year. The previously forecast sales target of € 630 million to € 640 million is no longer achievable under these conditions. Assuming that there are no further deteriorations in the economic environment, the company is currently projecting sales revenues amounting to between € 615 million and € 625 million. Nevertheless, the company confirms the forecast increase in pretax result

(EBT) compared with the value for the previous year of € 28.1 million, although it is important to bear in mind that the previous year's result was impacted by a non-operating positive one-off effect of € 13.5 million.

This forecast does not yet include any restructuring expenses which will arise from the merger of the printing division in the Strategic Business Unit Paper. The prerequisites for the formation of reserves relating to this are not yet in place.

The sales revenues of the Strategic Business Unit Plastics are likely to be slightly below the level for the previous year. Taking the absence of sales generated by the cladding business sold at the close of 2013 into account, this would correspond to slight organic growth. Revenues at the level for the previous year are currently anticipated for the pretax result. The sales revenues of the Strategic Business Unit Paper are primarily increasing on account of consolidation of the Süddekor companies as forecast. The segment result (EBT) of the Strategic Business Unit Paper should undergo a slight increase compared with the amount for the previous year (without restructuring expenses).



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## SURTECO SHARES

After a dynamic start to the year 2014, the quoted price of the SURTECO share underwent a minor downturn in April and then rose to achieve a high for the year so far in mid-June. At the beginning of the third quarter, the share price eased slightly and from August made a sideways move and continued at a level above the value at the beginning of the year. During the year under review, the share was quoted at prices in a range from €22.43 (6 January 2014) and the high of €31.45 (13 and 16 June 2014). On the last trading day of the reporting period, 30 September 2014, the SURTECO share ended trading at €25.58, which represents an increase in price of 11 % over the previous nine months. This meant that the share once again significantly outperformed the SDAX German Small Cap Index, which only rose by 0.9 % in the first nine months of 2014. As from 24 March 2014, the shares of SURTECO SE were listed in the SDAX of the German Stock Exchange (Deutsche Börse). The key factors in achieving this listing were the marked increase in market capitalization and the significantly higher trading volume of SURTECO shares.

At the end of September 2014, the market capitalization of SURTECO SE amounted to € 396.6 million based on a total of 15,505,731 shares. The proportion of shares in free float remains unchanged compared with the previous accounting period at 45.35 %.

## January - September 2014

Number of shares	15,505,731
Free float in %	45.35
Price on 2/1/2014 in €	22.70
Price on 30/9/2014 in €	25.58
High in €	31.45
Low in €	22.43
Market capitalization as at 30/9/2014 in € 000s	396,637

Share price performance  
January - September 2014 in €

CONSOLIDATED INCOME STATEMENT  
 SURTECO GROUP

Q3

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2013*	1/7/-30/9/ 2014	1/1/-30/9/ 2013*	1/1/-30/9/ 2014
<b>Sales revenues</b>	<b>97,489</b>	<b>154,797</b>	<b>295,882</b>	<b>470,098</b>
Changes in inventories	-1,321	655	-455	6,096
Own work capitalized	708	1,162	1,863	3,705
<b>Total output</b>	<b>96,876</b>	<b>156,614</b>	<b>297,290</b>	<b>479,899</b>
Cost of materials	-43,089	-79,542	-132,910	-244,203
Personnel expenses	-24,820	-37,747	-78,459	-115,013
Other operating expenses	-15,917	-23,236	-47,905	-67,115
Other operating income	804	1,471	2,236	3,630
<b>EBITDA</b>	<b>13,854</b>	<b>17,560</b>	<b>40,252</b>	<b>57,198</b>
Depreciation and amortization	-5,208	-8,587	-15,777	-26,576
<b>EBIT</b>	<b>8,646</b>	<b>8,973</b>	<b>24,475</b>	<b>30,622</b>
Financial result	-2,647	686	-6,618	-3,155
<b>EBT</b>	<b>5,999</b>	<b>9,659</b>	<b>17,857</b>	<b>27,467</b>
Income tax	-1,535	-3,228	-5,405	-8,208
<b>Net income</b>	<b>4,464</b>	<b>6,431</b>	<b>12,452</b>	<b>19,259</b>
Group share (consolidated net profit)	4,341	6,425	12,361	19,255
Non-controlling interests	123	6	91	4
Basic and diluted earnings per share in €	0.39	0.41	1.12	1.24
Number of shares	11,075,522	15,505,731	11,075,522	15,505,731

\*Adjusted on the basis of IFRS 11 and IAS 28

# STATEMENT OF COMPREHENSIVE INCOME

SURTECO GROUP

Q3

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2013	1/7/-30/9/ 2014	1/1/-30/9/ 2013	1/1/-30/9/ 2014
<b>Net income</b>	<b>4,464</b>	<b>6,431</b>	<b>12,452</b>	<b>19,259</b>
<b>Components of comprehensive income not to be reclassified to the income statement</b>	<b>0</b>	<b>-1,087</b>	<b>0</b>	<b>-1,387</b>
Net earnings from hedging of net investment	38	47	-59	-632
Exchange differences translation of foreign operations	-1,408	2,429	-4,008	-2,134
Financial instruments available-for-sale	-300	113	-310	-500
<b>Components of comprehensive income to be reclassified to the income statement</b>	<b>-1,670</b>	<b>2,589</b>	<b>-4,377</b>	<b>-3,266</b>
<b>Other comprehensive income for the period</b>	<b>-1,670</b>	<b>1,502</b>	<b>-4,377</b>	<b>-4,653</b>
<b>Comprehensive income</b>	<b>2,794</b>	<b>7,933</b>	<b>8,075</b>	<b>14,606</b>
Group share	2,853	7,926	8,166	14,601
Non-controlling interests	-59	7	-91	5

# CONSOLIDATED BALANCE SHEET

## SURTECO GROUP

Q3

€ 000s	31/12/2013*	30/9/2014
<b>ASSETS</b>		
Cash and cash equivalents	51,124	36,228
Trade accounts receivable	54,750	77,603
Inventories	102,925	111,556
Current income tax assets	6,503	5,633
Other current assets	12,028	10,113
Assets held for sale	721	0
<b>Current assets</b>	<b>228,051</b>	<b>241,133</b>
Property, plant and equipment	244,773	239,531
Intangible assets	29,734	26,645
Goodwill	111,330	110,971
Investments in associated enterprises	3,282	3,560
Financial assets	22	23
Non-current tax assets	407	407
Other non-current assets	1,507	1,707
Other non-current financial assets	0	3,564
Deferred taxes	7,616	9,364
<b>Non-current assets</b>	<b>398,671</b>	<b>395,772</b>
	<b>626,722</b>	<b>636,905</b>

# CONSOLIDATED BALANCE SHEET

## SURTECO GROUP

Q3

€ 000s	31/12/2013*	30/9/2014
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term financial liabilities	55,600	4,919
Trade accounts payable	37,479	48,818
Income tax liabilities	1,198	3,264
Short-term provisions	3,330	3,973
Other current liabilities	29,924	33,067
<b>Current liabilities</b>	<b>127,531</b>	<b>94,041</b>
Long-term financial liabilities	146,740	183,113
Pensions and other personnel-related obligations	10,967	13,691
Other non-current financial liabilities	561	0
Deferred taxes	29,491	30,130
<b>Non-current liabilities</b>	<b>187,759</b>	<b>226,934</b>
Capital stock	15,506	15,506
Capital reserve	122,798	122,798
Retained earnings	150,887	158,054
Consolidated net profit	21,899	19,255
<b>Capital attributable to shareholders</b>	<b>311,090</b>	<b>315,613</b>
Non-controlling interests	342	317
<b>Equity</b>	<b>311,432</b>	<b>315,930</b>
	<b>626,722</b>	<b>636,905</b>

\*Adjusted on the basis of IFRS 11 and IAS 28



# CONSOLIDATED CASH FLOW STATEMENT

SURTECO GROUP

Q3

€ 000s	Q1-3	
	1/1/-30/9/ 2013	1/1/-30/9/ 2014
<b>Earnings before income tax and non-controlling interests</b>	<b>17,857</b>	<b>27,467</b>
Reconciliation to cash flow from current business operations	18,321	23,526
<b>Internal financing</b>	<b>36,178</b>	<b>50,993</b>
Change in assets and liabilities (net)	-6,963	-12,801
<b>Cash flow from current business operations</b>	<b>29,215</b>	<b>38,192</b>
Cash flow from investment activities	-17,602	-22,532
Cash flow from financial activities	-13,791	-31,280
<b>Change in cash and cash equivalents</b>	<b>-2,178</b>	<b>-15,620</b>
<b>Cash and cash equivalents</b>		
1 January	61,386	51,124
Effect of changes in exchange rate on cash and cash equivalents	-880	724
<b>30 September</b>	<b>58,328</b>	<b>36,228</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SURTECO GROUP

Q3

€ 000s	Capital stock	Capital reserve	Fair value measurement for financial instruments	Retained earnings				Non-controlling interests	Total
				Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit		
<b>31 December 2012</b>	<b>11,076</b>	<b>50,416</b>	<b>1,260</b>	<b>-652</b>	<b>-3,998</b>	<b>149,748</b>	<b>15,028</b>	<b>300</b>	<b>223,178</b>
<b>Adjustment on the basis of IFRS 11 and IAS 28</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>587</b>	<b>0</b>	<b>0</b>	<b>587</b>
<b>1 January 2013 after adjustment</b>	<b>11,076</b>	<b>50,416</b>	<b>1,260</b>	<b>-652</b>	<b>-3,998</b>	<b>150,335</b>	<b>15,028</b>	<b>300</b>	<b>223,765</b>
Dividend payout	0	0	0	0	0	0	-4,984	0	-4,984
Net income	0	0	0	0	0	0	12,361	91	12,452
Acquisition of shares of non-controlling interests	0	0	0	0	0	0	0	-279	-279
Other changes	0	0	-310	0	-4,067	10,044	-10,044	0	-4,377
<b>30 September 2013</b>	<b>11,076</b>	<b>50,416</b>	<b>950</b>	<b>-652</b>	<b>-8,065</b>	<b>160,379</b>	<b>12,361</b>	<b>112</b>	<b>226,577</b>
<b>31 December 2013</b>	<b>15,506</b>	<b>122,798</b>	<b>767</b>	<b>-726</b>	<b>-9,331</b>	<b>159,792</b>	<b>21,899</b>	<b>342</b>	<b>311,047</b>
<b>Adjustment on the basis of IFRS 11 and IAS 28</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>385</b>	<b>0</b>	<b>0</b>	<b>385</b>
<b>31 December 2013 after adjustment</b>	<b>15,506</b>	<b>122,798</b>	<b>767</b>	<b>-726</b>	<b>-9,331</b>	<b>160,177</b>	<b>21,899</b>	<b>342</b>	<b>311,432</b>
Dividend payout	0	0	0	0	0	0	-10,079	0	-10,079
Net income	0	0	0	0	0	0	19,255	4	19,259
Other changes	0	0	-500	-1,387	-2,766	11,820	-11,820	-29	-4,682
<b>30 September 2014</b>	<b>15,506</b>	<b>122,798</b>	<b>267</b>	<b>-2,113</b>	<b>-12,097</b>	<b>171,997</b>	<b>19,255</b>	<b>317</b>	<b>315,930</b>

BY STRATEGIC BUSINESS UNITS

Sales revenues				
€ 000s	SBU Plastics	SBU Paper	Recon- ciliation	SURTECO Group
<b>1/1/-30/9/2014</b>				
External sales	172,395	297,703	0	470,098
Internal sales	299	623	-922	0
<b>Total sales</b>	<b>172,694</b>	<b>298,326</b>	<b>-922</b>	<b>470,098</b>
<b>1/1/-30/9/2013</b>				
External sales	174,776*	121,106	0	295,882*
Internal sales	944	810	-1,754	0
<b>Total sales</b>	<b>175,720*</b>	<b>121,916</b>	<b>-1,754</b>	<b>295,882*</b>

Segment earnings (EBT)		
€ 000s	1/1/-30/9/2013	1/1/-30/9/2014
SBU Plastics	14,510	14,196
SBU Paper	12,059	20,082
Reconciliation	-8,712	-6,811
<b>EBT</b>	<b>17,857</b>	<b>27,467</b>

### BY REGIONAL MARKETS

#### Sales revenues SURTECO Group

€ 000s	1/1-30/9/2013*	1/1-30/9/2014
Germany	91,258	135,474
Rest of Europe	130,920	219,987
America	43,406	77,570
Asia, Australia, Others	30,298	37,067
	<b>295,882</b>	<b>470,098</b>

#### Sales revenues SBU Plastics

€ 000s	1/1-30/9/2013*	1/1-30/9/2014
Germany	52,142	52,020
Rest of Europe	68,076	67,127
America	28,600	25,784
Asia, Australia, Others	25,958	27,464
	<b>174,776</b>	<b>172,395</b>

#### Sales revenues SBU Paper

€ 000s	1/1-30/9/2013	1/1-30/9/2014
Germany	39,116	83,454
Rest of Europe	62,844	152,860
America	14,806	51,786
Asia, Australia, Others	4,340	9,603
	<b>121,106</b>	<b>297,703</b>

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## ACCOUNTING PRINCIPLES

The consolidated financial statements of SURTECO SE for the period ended 31 December 2013 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 2014 as in the preparation of the consolidated financial statements for the business year 2013.

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 2013 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 2014 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 2014, 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 2014 exerted no material effect on the net assets, financial position and results of the Group.

IFRS 11 "Joint arrangements" replaces IAS 31 "Interests in joint ventures" and discontinues the previous option of consolidating joint ventures proportionately. The investment in a joint venture will now be reported in accordance with the equity method taking into account the regulations of the amended IAS 28 "Investment in Associates and Joint Ventures". The first-time application of IFRS 11 and IAS 28 is mandatory in the EU for business years which begin on or after 1 January 2014. Earlier application is permissible. The SURTECO Group has been applying these standards since 1 January 2014 taking the transitional regulations into account.

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

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

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

The SURTECO Group interim consolidated financial statements include all domestic and foreign companies which are material for the net



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assets, financial position and results of operations in which SURTECO SE holds a direct or indirect majority of the voting rights.

The joint venture company of the Strategic Business Unit Plastics, Canplast Mexico S.A. de C.V., Chihuahua, Mexico, was consolidated proportionately in previous years whereas it is now reported using the equity method in accordance with IFRS 11.

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

The following adjustments were made in the income statement for the first three quarters of 2013: Reduction of sales revenues by € 000s 1,212, decrease in EBITDA by € 000s 232, fall in EBIT by € 000s 216 and increase in the financial result by € 000s 216.

The following adjustments were carried out in the balance sheet for the period ended 31 December 2013: Reduction in current assets by € 000s 1,047, rise in non-current assets by € 000s 1,302, reduction in current liabilities by € 000s 130 and increase in equity by € 000s 385.

The balance sheet as at 31 December 2012 was adjusted as at 1 January 2013 as follows: Increase in equity by € 000s 587.

This change in the group of consolidated companies does not exert a substantial effect on the net assets, financial position and results of operations of the Group.

## FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

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

**LEVEL 1** – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.

**LEVEL 2** – Directly or indirectly observable input factors which cannot be classified under Level 1.

**LEVEL 3** – Unobservable input factors.

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

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

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

Further information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as at 31 December 2013.

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€ 000s	Category acc. IAS 39	FAIR VALUE / BOOK VALUE					
		31/12/2013			30/9/2014		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets from derivative financial instruments</b>							
with hedge relationship	n.a.	0	0	0	0	3,564	0
without hedge relationship	FAaFV	0	14	0	0	10	0
<b>Liabilities from derivative financial instruments</b>							
with hedge relationship	n.a.	0	561	0	0	0	0
without hedge relationship	FLaFV	0	0	0	0	0	0

## Key to abbreviations

FAaFV Financial Assets at Fair Value through profit/loss

FLaFV Financial Liabilities at Fair Value through profit/loss

## DIVIDEND FOR FISCAL 2013

The Annual General Meeting of SURTECO SE passed a resolution on 27 June 2014 to pay out a dividend for the business year 2013 amounting to € 0.65 for each no-par-value share. The payout amounted to a total of € 10,078,725.15.

## 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

After 30 September 2014 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 individual assets or liabilities.

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## 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 receivables + Inventories - Trade accounts payable

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## FINANCIAL CALENDAR

30 April 2015	Annual Report 2014
15 May 2015	Three-month report January - March 2015
26 June 2015	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
29 June 2015	Dividend payout

# Q3

Ticker Symbol: SUR  
ISIN: DE0005176903

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# SURTECO

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