Report for the first three quarters 2018 Q3

1 January to 30 September

SURTECO GROUP

we create.
we innovate.

€ million	1/7/-30/9/ 2017	1/7/-30/9/ 2018	Δ %	1/1/-30/9/ 2017	1/1/-30/9/ 2018	Δ %
	Q3			Q1-3		
Sales revenues	182.3	**169.0**	-7	516.4	**534.2**	+3
of which						
- Germany	44.2	**42.0**	-5	134.1	**132.4**	-1
- Foreign	138.1	**127.0**	-8	382.3	**401.8**	+5
EBITDA	25.1	**18.4**	-26	62.1	**62.2**	-
EBITDA margin in %	13.7	**10.9**		12.0	**11.7**	
EBIT	14.4	**8.4**	-42	33.7	**31.9**	-5
EBIT margin in %	7.9	**5.0**		6.5	**6.0**	
EBT	11.6	**7.0**	-39	26.2	**28.0**	+7
Consolidated net profit	8.5	**4.2**	-50	18.4	**19.3**	+5
Earnings per share in €	0.55	**0.27**	-50	1.19	**1.25**	+5
Number of shares	15,505,731	**15,505,731**		15,505,731	**15,505,731**	

	30/9/2017	30/9/2018	Δ %	31/12/2017	30/9/2018	Δ %
Net financial debt in € million	210.2	**220.3**	+5	190.0	**220.3**	+16
Level of debt in %	61	**62**	+1 pts.	54	**62**	+8 pts.
Equity ratio in %	46.9	**41.9**	-5.0 pts.	41.4	**41.9**	+0.5 pts.
Number of employees	3,342	**3,333**	-	3,295	**3,333**	+1

DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

Macroeconomic and sector-related framework conditions

Increasing global uncertainties put a break on global economic growth

The general economic situation in the individual country regions defines the operational business of the SURTECO Group because the economic development of our customers is directly influenced by the resulting preferences for procurement and investment. In an appraisal of the different customer sectors, the furniture and wood-processing industry are the dominant forces. The Group also supplies other types of manufacturer including the caravan industry and manufacturers of cruise ships.

According to the latest forecast in October 2018, the International Monetary Fund (IMF) is predicting a significant slowdown in global economic growth in view of the increasing uncertainties. The experts have adjusted down their last forecast for global economic growth from 3.9 % to 3.7 % on account of rising trade conflicts, geopolitical risks and increasing oil prices. Since the emerging economies and developing countries are particularly susceptible to the problems outlined, the IMF has reduced its growth expectations for this group of countries from the previous level of 4.9 % to 4.7 %. Conversely, the developed economies can continue to hope for an increase of 2.4 %. Economic stimulus packages and a comprehensive tax reform are intended to deliver 2.9 % growth to the US economy.

Conversely, forecasts for the eurozone have been capped for the second time this year, reduced from an increase of 2.4 % in April to an increase of 2.2 % in July, and then further reduced to the current level of 2.0 %. The fall is particularly marked in Germany, where growth has been reduced from 2.5 % in April to the current level of 1.9 % (July: plus 2.2 %).
According to the IMF, virtually all the other important EU nations will have to contend with reduced growth (France: +1.6 %, previously +1.8 % and Spain: +2.7 % from the previous level of +2.8 %). Moderate growth of 1.4 % is still being forecast unchanged for the United Kingdom and 1.2 % for Italy. The IMF has significantly reduced its expectations for economic output in Central and Eastern Europe from 4.3 % to only 3.8 %. China remains the global engine for growth with a growth projection of 6.6 % in spite of the threat of a trade war with the USA. Political uncertainties mean that Brazil can now only anticipate growth of 1.4 % after the previous prediction of 1.8 %, while the projection for Russia's gross annual product is unchanged with a predicted expansion of 1.7 %.

Another milestone of the SURTECO 2025+ strategy implemented

In the third quarter of 2018, the three biggest subsidiary companies of the Group, SURTECO DECOR GmbH, BauschLinnemann GmbH (both in the Strategic Business Paper) and Döllken-Kunststoffverarbeitung GmbH (Strategic Business Unit Plastics) were merged to form SURTECO GmbH with head office in Buttenwiesen in order to drive forward the realignment of the previous orientation based on products to sector orientation. As a full-service provider of comprehensive decorative surfaces, SURTECO GmbH sets future-centric benchmarks in the sector and thereby offers customers the entire product range in the areas of paper and plastics from a single source. An even better match can be provided between the surface elements of design, colour, gloss and haptic touch, creating an overarching strategy for products and materials, using synergies more efficiently and significantly reduced product development times.
As part of strategic alignment on sectors and markets, and the ongoing streamlining of the group of companies, the specialist for technical extrusions (profiles) Döllken Profiltechnik GmbH (Dunningen) has been merged with Döllken Profiles GmbH (Nohra). Together with the British subsidiary companies of the Nenplas Group, Döllken Profiles forms the second biggest mainstay of the SURTECO Group.
This report will continue to provide information separately for the Strategic Business Units Paper and Plastics to ensure that the indicators are comparable. Reporting will switch to the new segments from the business year 2019.

Sales and business performance

During the months of January to September 2018, the sales revenues of the SURTECO Group increased by 3 % compared with the value for the previous year of € 516.4 million to € 534.2 million. Based on exchange rates from the previous year, the business volume would have increased by 6 % to € 546.5 million. By comparison with the individual quarters, sales in the third quarter fell by 7 % compared with the previous year after significant growth rates had still been generated in the first two quarters, primarily on account of the Probos companies acquired in June 2017. The declining development in the third quarter results from a tangible weakening of demand from the furniture and wood-processing sector as a consequence of generally restrained economic growth. According to sector information, European laminate flooring production eased significantly in the third quarter and the German furniture industry is looking at a significantly more restrained development than at the beginning of the year. According to the Federal Statistical Office of Germany, the production volume of the entire manufacturing sector in Germany underwent a noticeable decline during the period from June to August. This was reflected in market-related production shutdowns in the paper-processing supply industry. These increasingly difficult framework conditions were already addressed in the half-yearly report and they are reflected in the majority of the geographical markets relevant for the SURTECO Group. Sales eased in Germany, the Group's biggest individual market, by 1 % during the first three quarters of the year. In the rest of Europe (not including Germany), contributions from the Probos companies ensured that revenues increased (+5 %) along with revenues in North and South America (+2 %). The regional markets in Asia and Australia developed largely independently of the acquisition. They achieved gratifying growth of 21 % and 4 % respectively. Sales revenues abroad at € 401.8 million increased by 5 % overall. The foreign sales ratio increased by 1.2 percentage points to 75.2 % compared with the first three quarters of the previous year.

Strategic Business Unit Paper

During the first three quarters of 2018, the sales revenues of the Strategic Business Unit Paper amounted to € 270.2 million and this meant they were 4 % below the comparable year-earlier value from 2017 (€ 280.3 million). Adjusted by exchange rate effects, the business volume would have been € 274.5 million. Business with impregnated products was particularly impacted by declining demand in the sector. This business is essentially contract manufacture for the wood-processing industry. As a result of this setback, sales with this product segment fell back by 11 %. However, sales of pre-impregnates (-4 %) and paper-based edgebandings (-5 %) languished below the values for the previous year. By contrast, sales for decorative printing and fully impregnated finish foils achieved the equivalent year-earlier level in the first three quarters of 2018. Significant gains of +16 % were achieved with release papers. The regional overview reveals that markets in Germany (-4 %), in the rest of Europe (-1 %) and in North and South America (-16 %) were below the values for the first three quarters of the previous year. Although business in the Asia Pacific region underwent a significant percentage increase at +43 %, this only represents a small proportion of sales in the paper line of business. The foreign sales ratio remained stable at 74.9 %.

Strategic Business Unit Plastics

Sales at € 264.0 million for the Strategic Business Unit Plastics represented an increase of 12 % compared with the comparable year-earlier period (€ 236.0 million). Adjusted by the exchange-rate effects also evident in the plastics line of business, sales at € 270.0 million would have been 14 % above the year-earlier figure. On account of the sales gained from the Probos companies acquired in June 2017, sales with plastic-based edgebandings increased by 19 %, although the weakening of demand was also tangible in the European markets served by Probos, whereas gains in the local currency were generated in Brazil. Without Probos sales, business with plastic edgings would have undergone a significant drop. In business with technical extrusions (profiles), the first impacts from the upcoming Brexit were tangible in the companies of the British Nenplas Group. However, these deficits were offset with new business and price increases. The business volume with technical extrusions (profiles) therefore rose by 3 % during the months from January to September compared with the equivalent year-earlier period. Sales with skirtings (+5 %) and thermoplastic foils (+2 %) also underwent slight organic growth. Domestic business in the plastics line rose slightly by 1 %. Sales in the rest of Europe (+13 %) and in North and South America (+29 %) increased significantly driven by acquisitions. Organic growth was achieved in Asia (+7 %) and in Australia (+4 %). The foreign sales ratio in the plastics line rose from 73.0 % in the previous year to 75.5 %.

Expenses

Particularly in the Strategic Business Unit Paper, purchase prices for the most important raw materials increased continuously throughout 2018. Significantly increased world market prices for cellulose and the ongoing high level of prices for titanium dioxide drove up costs for all types of raw paper. Moreover, the purchase prices for plastics were also essentially above the expected levels in the Strategic Business Unit Plastics. As a consequence, the cost of materials ratio (cost of materials / total output) of the Group rose continuously and at the end of the first three quarters was 49.3 % after 47.9 % on 30 September 2017. The total for cost of materials at € 266.4 million was significantly above the year-earlier value of € 247.9 million also on account of the Probos companies acquired in June 2017. Personnel expenses also rose on account of the Probos companies from € 131.3 million in the previous year to € 134.9 million in the first three quarters of 2018. The personnel expense ratio (personnel expenses / total output) improved as a result to 25.0 % (2017: 25.4 %). Other operating expenses were negatively impacted owing to process costs amounting to € 1.5 million on account of a lost case relating to warranty refunds arising from the Süddekor acquisition in 2013. As a result of the countermeasures introduced, other operating expenses at € 78.8 million were around the level of the previous year (€ 78.5 million). The ratio (other operating expenses / total output) was reduced from 15.2 % in the previous year to 14.6 %.

Group results

Increased costs of raw materials at the same time as a fall in demand put a brake on the development of earnings especially in the third quarter. The total output rose by 4 % to € 539.8 million (2017: € 517.1 million) in the first three quarters, while expenses increased by a total of 5 % to € 480.0 million (2017: € 457.6 million). After other operating income amounting to € 2.5 million following € 2.7 million in the months of January to September 2017, the operating result (EBITDA) at € 62.2 million was only slightly above the value for the previous year of € 62.1 million. Scheduled depreciation and amortization amounting to € 30.3 million (2017: € 28.4 million) resulted in profit before financial result and taxes (EBIT) of € 31.9 million after € 33.7 million in the first three quarters of 2017. On account of balance-sheet date valuations, the financial result at € -3.9 million improved significantly compared with the equivalent year-earlier period (€ -7.5 million). Insofar, the pre-tax result (EBT) improved by 7 % to € 28.0 million (2017: € 26.2 million). Taxes amounting to € 8.5 million (2017: € 7.8 million) lead to net income of € 19.5 million for 2018 after € 18.3 million in the previous year. Consolidated net profit after deduction of non-controlling interests was € 19.3 million (2017: € 18.4 million) and earnings per share was € 1.25 (2017: € 1.19).

Result of Strategic Business Units

On account of the demand-led reduction in sales and the increased costs of raw materials, EBIT in the paper line fell back from € 20.3 million in 2017 to € 12.9 million in the months from January to September. The contribution of profit from the Probos companies and the ongoing positive development of skirtings and technical extrusions (profiles) more than compensated for the difficult framework conditions with plastic edgings. Consequently, EBIT of the Strategic Business Unit Plastics rose to € 23.9 million after € 18.7 million in the previous year.

Net assets, financial position and results of operations

The balance sheet total of the SURTECO Group rose slightly by 1 % to € 847.0 million (31 December 2017: € 842.6 million) compared with year-end 2017. Equity at € 354.6 million was 2 % above the equivalent year-earlier value (€ 349.2 million). As a result, the equity ratio increased from 41.4 % at year-end 2017 to 41.9 % at 30 September 2018. On the assets side of the balance sheet, reduced factoring resulted in a reduction in cash and cash equivalents from € 133.4 million at year-end 2017 to € 99.4 million on the balance sheet date, accompanied by a build-up of trade accounts receivable from € 57.8 million to € 85.7 million. Inventories increased during the reporting period from € 119.7 million to € 128.0 million, while other current non-financial assets came down from € 9.5 million to € 6.1 million. Overall, current assets were virtually equal to the value at year-end 2017 at € 326.1 million (2017: € 326.2 million). Owing to current investments in technical systems, the value of property, plant and equipment rose from € 258.2 million to € 268.5 million. Conversely, intangible assets fell back primarily on account of purchase price allocation (PPA) depreciation from € 66.7 million at 31 December 2017 to € 60.7 million at the end of the quarter. The accumulated non-current assets amounting to € 520.8 million increased by 1 % above the value of € 516.4 million at year-end 2017. On the liabilities side of the balance sheet, the upcoming payment of the last tranche of the US Private Placement (USPP) in August 2019 resulted in a reclassification of non-current liabilities to current liabilities. Consequently, short-term financial liabilities rose from € 5.7 million on 31 December 2017 to € 65.6 million on 30 September 2018. This led to an increase in current liabilities from € 106.4 million to € 167.8 million. This was the main reason that long-term financial liabilities came down from € 317.7 million to € 254.1 million and the total non-current liabilities fell from € 386.9 million to € 324.6 million. On 30 September 2018, the level of debt rose to 62 % (31 December 2017: 54 %) and the net financial debt increased from € 190.0 million to € 220.3 million.

The payment for the acquisition of the Probos companies in June 2017 was included in the cash flow of the first three quarters of 2017. As a consequence of this, the cash flow from investment activities improved from € -102.2 million to € -34.3 million. The cash flow from current business activity amounting to € 16.8 million (Q1-3 2017: € 44.2 million) was influenced by the reduced factoring activity. The free cash flow in the months from January to September 2018 therefore amounted to € -17.5 million after € -58.0 million in the comparative year-earlier period.

Calculation of free cash flow

€ million	1/1/-30/9/ 2017	1/1/-30/9/ 2018
Cash flow from current business operations	**44.2**	**16.8**
Purchase of property, plant and equipment	-24.0	-32.6
Purchase of intangible assets	-0.9	-1.3
Gains and losses from the disposal of fixed assets	-0.4	-0.7
Acquisition of companies	-82.8	0.0
-net of cash acquired	5.9	0.0
Dividends received from investments accounted for using the equity method	0.0	0.3
Cash flow from investment activities	**-102.2**	**-34.3**
Free cash flow	**-58.0**	**-17.5**

Risk and opportunities report

The SURTECO Group is exposed to a large number of risks on account of global activities and intensification of competition. The detailed description of the Risk Management System is provided in the Risk and Opportunities Report that forms part of our Annual Report 2017. The identified individual risks are allocated to damage and probability classes on the basis of their expected gross financial burden on EBT for the current and subsequent years as set out in the following tables.

In the months from January to September 2018, a new market risk with a probability class 4 and a damage class 2 was identified in the Strategic Business Unit Paper compared with the year-end 2017. In the Strategic Business Unit Plastics, a new regulatory risk with a damage class 2 and a probability class 1 was identified since December 2017, whereas a production risk with a probability class of 2 was downgraded from a damage class 2 to a damage class 1, and a procurement risk with a probability class 4 and damage class 1 was classified as below the reporting threshold of € 000s 500.
In the Annual Report 2017, claims in relation to infringement of warranties amounting to € 2.1 million were additionally recognized as a regulatory opportunity. However, following the decision by the Court of Arbitration, the company had to make a payment amounting to € 1.5 million in the third quarter of 2018.

Damage class	Qualitative	Quantitative
1	Minor	> € 0.5 - 0.75 million
2	Moderate	> € 0.75 - 1.5 million
3	Major	> € 1.5 - 3.0 million
4	Threat to existence as a going concern	> € 3.0 million

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

Outlook for business year 2018

Against the background of the information gained in the course of the third quarter about the macroeconomic situation and the development of the relevant sectors, the company is further adjusting the forecast for the business year 2018, which was already revised on 10 August. The sales revenues of the Group are now expected to be in the range of € 685 million to € 695 million. The significant drop in demand is exerting a direct impact on earnings in combination with rising prices of raw materials. Consequently, a Group EBIT including negative exchange-rate effects must currently be anticipated in the range from € 37 million to € 39 million. Since indications of sustained weakness in demand into the next business year are increasing, a programme for structural optimization was initiated (see Events after the Balance Sheet Date). As part of this programme, one-off expenses amounting to around € 7 million are likely to be incurred and this will exert an additional negative impact on the result.

SURTECO shares

The price performance of SURTECO shares was negatively influenced in the third quarter of 2018 by the adjustment in sales and earnings forecasts for the entire year 2018 communicated on 10 August. The increasing negative operating uncertainties which led to this measure were reflected by a significant reduction in price from more than € 24.60 to € 21.30. On the day of the release, the shares consequently went down to a low for the year. Up to that day, the price had fluctuated during the reporting quarter within a relatively restricted corridor between € 24 and € 25. By the end of the quarter, prices had then stabilized. The SURTECO share posted a closing price of € 21.90 on the last trading day, 28 September. After publication of the forecast adjustment on 26 October 2018 (see events after the balance sheet date), the share fell back to around € 20.30 after the editorial deadline for this report.
Against this background, the market capitalization of SURTECO GROUP SE fell to € 339.6 million at the end of September 2018 for an unchanged number of shares amounting to around 15.5 million no-par-value shares. Around 44.5 % of the shares continue to be in free float. The other shares remain in the hands of the founding shareholders of the company.

You will find additional information including the latest share analyses and valuations by major financial institutions on the Internet page www.surteco-group.de under the category “Investor Relations/Research”.

Additional service for investors

Since June 2018, SURTECO has offered its shareholders a new service on the Internet portal: www.surteco-group.com under the category “Investor Relations/Research”. From now on, you will regularly find the latest share analyses and valuations by the following three leading financial institutions: Hauck & Aufhäuser, equinet Bank and Sphene capital. These institutions currently value the share at prices between € 26.50 and € 35.60. Important note: SURTECO states explicitly that the company is unable to accept any responsibility for the accuracy of the content of these studies and the statements contained therein do not represent any invitation whatsoever from the perspective of SURTECO to purchase shares.

January - September 2018	
Number of shares	15,505,731
Free float in %	44.5
Price on 2/1/2018 in €	26.40
Price on 28/9/2018 in €	21.90
High in €	28.55
Low in €	21.30
Market capitalization as at 28/9/2018 in € million	340

Price performance
January – September 2018 in €

Quarterly financial statements
Income statement (Short version)

SURTECO GROUP

€ 000s	Q3 1/7/-30/9/ 2017	Q3 1/7/-30/9/ 2018	Q1-3 1/1/-30/9/ 2017	Q1-3 1/1/-30/9/ 2018
Sales revenues	**182,328**	**168,970**	**516,372**	**534,185**
Changes in inventories	1,266	1,254	-2,934	1,999
Own work capitalized	1,202	1,315	3,686	3,624
Total output	**184,796**	**171,539**	**517,124**	**539,808**
Cost of materials	-89,214	-85,473	-247,857	-266,352
Personnel expenses	-44,020	-42,972	-131,273	-134,853
Other operating expenses	-27,271	-25,540	-78,519	-78,839
Other operating income	761	891	2,650	2,469
EBITDA	**25,052**	**18,445**	**62,125**	**62,233**
Depreciation and amortization	-10,680	-10,080	-28,442	-30,346
EBIT	**14,372**	**8,365**	**33,683**	**31,887**
Financial result	-2,768	-1,316	-7,525	-3,874
EBT	**11,604**	**7,049**	**26,158**	**28,013**
Income tax	-3,208	-2,751	-7,826	-8,488
Net income	**8,396**	**4,298**	**18,332**	**19,525**
Of which				
Owners of the parent (consolidated net profit)	8,482	4,219	18,447	19,305
Non-controlling interests	-86	79	-115	220
Basic and diluted earnings per share in €	0.55	0.27	1.19	1.25
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Statement of Comprehensive Income

SURTECO GROUP

	Q3		Q1-3	
€ 000s	1/7/-30/9/ 2017	1/7/-30/9/ 2018	1/1/-30/9/ 2017	1/1/-30/9/ 2018
Net income	**8,396**	**4,298**	**18,332**	**19,525**
Components of comprehensive income not to be reclassified to the income statement	**820**	**0**	**820**	**0**
Net gains/losses from hedging of net investment in a foreign operation	12	220	-83	-480
Exchange differences for translation of foreign operations	1,081	-1,562	-4,459	-1,230
Financial instruments available-for-sale	59	0	-86	0
Components of comprehensive income that may be reclassified to the income statement	**1,152**	**-1,342**	**-4,628**	**-1,710**
Other comprehensive income for the period	**1,972**	**-1,342**	**-3,808**	**-1,710**
Comprehensive income	**10,368**	**2,956**	**14,524**	**17,815**
Owners of the parent (consolidated net profit)	10,450	2,877	14,640	17,595
Non-controlling interests	-82	79	-116	220

€ 000s	31/12/2017	30/9/2018
ASSETS		
Cash and cash equivalents	133,373	99,388
Trade accounts receivable	57,826	85,661
Receivables from affiliated enterprises	731	1,129
Inventories	119,732	128,000
Current income tax assets	1,377	1,795
Other current non-financial assets	9,457	6,060
Other current financial assets	3,666	4,108
Currents assets	**326,162**	**326,141**
Property, plant and equipment	258,208	268,477
Intangible assets	66,676	60,704
Goodwill	163,303	162,835
Investments accounted for using the equity method	1,988	2,195
Financial assets	830	855
Other non-current non-financial assets	69	60
Other non-current financial assets	6,333	6,730
Deferred taxes	19,027	18,975
Non-current assets	**516,434**	**520,831**
	842,596	**846,972**

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€ 000s	31/12/2017	30/9/2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	5,656	65,631
Trade accounts payable	63,174	62,783
Liabilities to affiliated companies	3	0
Income tax liabilities	3,154	2,270
Short-term provisions	3,966	4,429
Other current non-financial liabilities	4,241	3,063
Other current financial liabilities	26,234	29,643
Current liabilities	**106,428**	**167,819**
Long-term financial liabilities	317,662	254,091
Pensions and other personnel-related obligations	12,814	12,898
Long-term provisions	0	4
Other non-current non-financial liabilities	41	23
Other non-current financial liabilities	4,372	4,430
Deferred taxes	52,043	53,151
Non-current liabilities	**386,932**	**324,597**
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	181,861	193,848
Consolidated net profit	26,192	19,305
Capital attributable to owners of the parent	**346,314**	**351,414**
Non-controlling interests	2,922	3,142
Equity	**349,236**	**354,556**
	842,596	**846,972**

Consolidated Cash Flow Statement

SURTECO GROUP

	Q1-3	
€ 000s	**1/1/-30/9/ 2017**	**1/1/-30/9/ 2018**
Earnings before income tax	**26,158**	**28,013**
Reconciliation to cash flow from current business operations	29,310	20,380
Internal financing	**55,468**	**48,393**
Changes in assets and liabilities (net)	-11,263	-31,619
Cash flow from current business operations	**44,205**	**16,774**
Cash flow from investment activities	-102,196	-34,301
Cash flow from financial activities	19,463	-15,644
Change in cash and cash equivalents	**-38,528**	**-33,171**
Cash and cash equivalents		
1 January	60,416	133,373
Effect of changes in exchange rate on cash and cash equivalents	-550	-814
30 September	**21,338**	**99,388**

Consolidated Statement of Changes in Equity

SURTECO GROUP

€ 000s	Capital stock	Capital reserve	Retained earnings				Consolidated net profit	Non-controlling interests	Total
			Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings			
1 January 2017	**15,506**	**122,755**	**86**	**-1,977**	**-620**	**183,947**	**23,867**	**2,988**	**346,552**
Net income	0	0	0	0	0	0	18,447	-115	18,332
Other comprehensive income	0	0	-86	820	-4,541	0	0	-1	-3,808
Comprehensive income	**0**	**0**	**-86**	**820**	**-4,541**	**0**	**18,447**	**-116**	**14,524**
Dividend payout SURTECO SE	0	0	0	0	0	-12,405	0	0	-12,405
Allocation to retained earnings	0	0	0	0	0	23,867	-23,867	0	0
Other changes	0	0	0	0	0	-3.533	0	0	-3.533
Changes in equity	**0**	**0**	**0**	**0**	**0**	**7,929**	**-23,867**	**0**	**-15,938**
30 September 2017	**15,506**	**122,755**	**0**	**-1,157**	**-5,161**	**191,876**	**18,447**	**2,872**	**345,138**
1 January 2018	**15,506**	**122,755**	**0**	**-1,923**	**-8,768**	**192,552**	**26,192**	**2,922**	**349,236**
Net income	0	0	0	0	0	0	19,305	220	19,525
Other comprehensive income	0	0	0	0	-1,709	0	0	0	-1,709
Comprehensive income	**0**	**0**	**0**	**0**	**-1,709**	**0**	**19,305**	**220**	**17,816**
Dividend payout SURTECO SE	0	0	0	0	0	-12,405	0	0	-12,405
Allocation to retained earnings	0	0	0	0	0	26,192	-26,192	0	0
Other changes	0	0	0	0	0	-91	0	0	-91
Changes in equity	**0**	**0**	**0**	**0**	**0**	**13,696**	**-26,192**	**0**	**-12,496**
30 September 2018	**15,506**	**122,755**	**0**	**-1,923**	**-10,477**	**206,248**	**19,305**	**3,142**	**354,556**

Segment Reporting

by Strategic Business Units

SURTECO GROUP

Sales revenues

€ 000s	SBU Paper	SBU Plastics	Recon-ciliation	SURTECO Group
1/1/-30/9/2018				
External sales	270,199	263,986	0	534,185
Internal sales	496	4	-500	0
Total sales	**270,695**	**263,990**	**-500**	**534,185**
1/1/-30/9/2017				
External sales	280,332	236,040	0	516,372
Internal sales	591	4	-595	0
Total sales	**280,923**	**236,044**	**-595**	**516,372**

Segment earnings

€ 000s	SBU Paper	SBU Plastics	Recon-ciliation	SURTECO Group
1/1/-30/9/2018				
EBIT	**12,941**	**23,860**	**-4,914**	**31,887**
1/1/-30/9/2017				
EBIT	**20,313**	**18,655**	**-5,285**	**33,683**

Segment Reporting

by regional markets

SURTECO GROUP

Sales revenues SURTECO Group

€ 000s	1/1/-30/9/2017	1/1/-30/9/2018
Germany	134,048	132,382
Rest of Europe	236,055	248,136
America	105,204	106,980
Asia, Australia, Others	41,065	46,687
	516,372	**534,185**

Sales revenues SBU Paper

€ 000s	1/1/-30/9/2017	1/1/-30/9/2018
Germany	70,326	67,819
Rest of Europe	139,154	138,332
America	63,620	53,193
Asia, Australia, Others	7,232	10,855
	280,332	**270,199**

Sales revenues SBU Plastics

€ 000s	1/1/-30/9/2017	1/1/-30/9/2018
Germany	63,722	64,563
Rest of Europe	96,901	109,804
America	41,584	53,787
Asia, Australia, Others	33,833	35,832
	236,040	**263,986**

Accounting principles

The consolidated financial statements of the SURTECO Group for the period ended 31 December 2017 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) as they were adopted by the EU, in the version valid on the closing date for the accounting period. As a matter of principle, the same accounting and valuation principles were used for the preparation of this interim report as at 30 September 2018 as in the preparation of the consolidated financial statements for the business year 2017. The objective and purpose of interim reporting is to provide an information tool building on the consolidated financial statements and we therefore refer to the standards and interpretations applied in the valuation and accounting methods used in the preparation of the consolidated statements of the SURTECO Group for the period ending 31 December 2017 for further information. The comments included in this report also apply to the quarterly financial statements and the half-yearly financial statements for the year 2018 if no explicit reference is made to them.
The regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" for abbreviated interim financial statements and the German Accounting Standard (DRS) 16 "Interim Reporting (Zwischenberichterstattung)" were applied for this interim report.
Where the standards adopted by the IASB had to be applied from 1 January 2018, 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 2018 were taken into account when drawing up the interim financial statements. The application of these IFRS regulations exerted no material effect on the net assets, financial position and results of the Group. Furthermore, reference is made to the explanations on the applicable standards provided in the notes to the consolidated financial statements on 31 December 2017. No significant effects on the financial statements for the Group result from the first-time application of the standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. Reference is made to the notes to the consolidated financial statements on 31 December 2017 for further explanations.

The overall activities of the SURTECO Group are typically not subject to significant seasonal conditions.
The Group currency is denominated in euros (€). All amounts are specified in thousand euros (€ 000s), unless otherwise indicated.
We draw your attention to the fact that differences may occur when using rounded amounts and percentages on account of commercial rounding.
These interim financial statements and the interim report have not been audited and they have not been subject to an audit review by an auditor.

Group of consolidated companies

As at 30 September 2018, the SURTECO Group interim consolidated financial statements include SURTECO GROUP SE and all the major companies which are material for the net assets, financial position and results of operations in which SURTECO GROUP SE holds a controlling interest.

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.

Dividend payout for the business year 2017

The Annual General Meeting of SURTECO GROUP SE held on 28 June 2018, resolved to pay out a dividend for the business year 2017 amounting to € 0.80 for each no-par-value share. The payout sum amounting to € 12,404,584.80 was paid out on 3 July 2018.

Events after the balance sheet date

On account of the significantly increased pace for the decline in sales, the company initiated an optimization programme after the balance sheet date of the quarterly report. This programme envisages adjustments for processes and structures in the Group to meet the market-related changes. One-off expenses amounting to approximately € 7 million are likely to be incurred for this programme. After they have been worked out in detail, they will be set aside as provisions in the fourth quarter and will form an additional burden for the result in 2018.
After 30 September 2018 up to the date when this report went to press, there were no further events or developments that would be likely to lead to a significant change in the recognition or valuation of the individual assets or liabilities.

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT	Earnings before financial result and income tax
EBIT margin in %	EBIT/Sales revenues
EBITDA	Earnings before financial result, income tax and depreciation and amortization
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Balance sheet total
Level of debt 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 2019	Annual report 2018
15 May 2019	Three-month report January – March 2019
27 June 2019	Annual General Meeting
02 July 2019	Dividend payout

Q3

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SURTECO GROUP

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we innovate.

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