SURTECO

We make rooms worth living in.

Annual Report 2021

At a glance...

[€ million]	2019	2020	2021	Δ 20-21 in %
Sales revenues	675.3	627.0	757.1	+21
Foreign sales ratio in %	75	73	75	
EBITDA	66.3	88.3	114.8	+30
EBITDA margin in %	9.8	14.1	15.2	
Deprecation and amortization	-45.2	-42.2	-42.2	-
EBIT	21.1	46.1	72.5	+57
EBIT margin in %	3.1	7.4	9.6	
Financial result	-4.9	-2.8	-2.6	
EBT	16.2	43.3	70.0	+62
Consolidatet net proft	9.4	33.7	47.8	+42
Earnings per share in €	0.61	2.17	3.08	+42
Number of shares	15.505.731	15.505.731	15.505.731	
Additions to fixed assets	36.4	38.4	33.1	
Balance sheet total	780.3	798.8	795.1	-
Equity	354.6	373.3	413.7	+11
Equity ratio in %	45.4	46.7	52.0	+5,3 pts
Net financial debt at 31 December	179.9	144.7	152.6	+5
Gearing (level of debt) at 31 December in %	51	39	37	-2 pts
Average number of employees for the year	3,217	3,103	3,144	+1
Number of employees on 31 December	3,174	3,052	3,165	+4

Profitability indicators in %

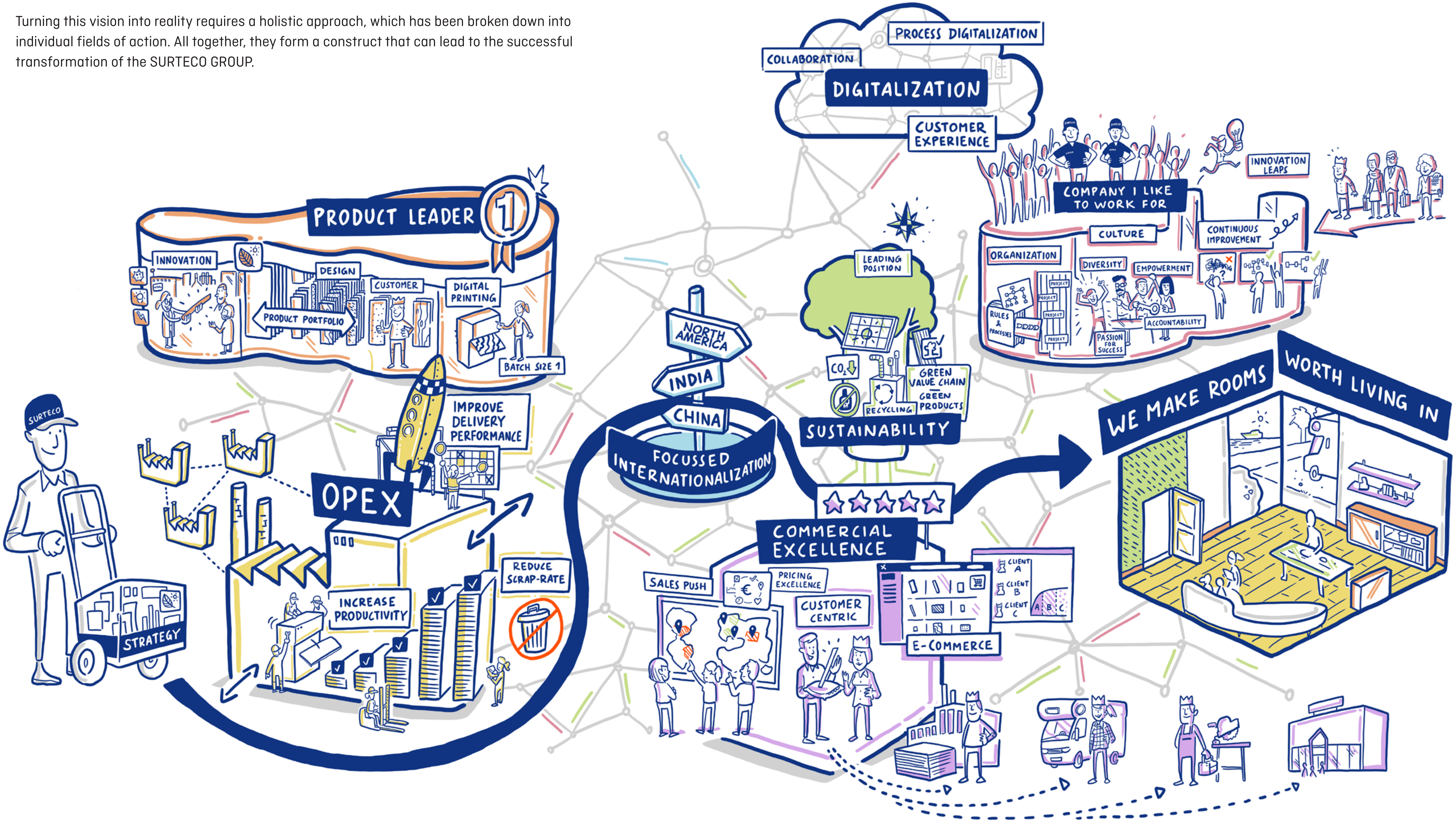
Return on sales	2.4	6.9	9.2
Return on equity	2.7	9.3	12.0
Total return on total equity	3.0	6.0	9.4

2021 was a year of transformation for SURTECO. And that doesn't mean constantly shifting operating conditions, which have to be mastered as a matter of course. It concerns our new strategy, which we have specified with seven fields of action. On the next few pages, we would like to offer you an unders-tanding of this strategy with a summary overview in a "hidden object picture", and a short description of the individual topics. People spend a significant proportion of their lives indoors. Our vision is to make this environment stylish and comfortable with our surfaces:

We make rooms worth living in.

We make rooms worth living in

Turning this vision into reality requires a holistic approach, which has been broken down into individual fields of action. All together, they form a construct that can lead to the successful transformation of the SURTECO GROUP.



Melinda de Blaine
France

"In the new strategy, commercial excellence is illustrated in terms of four different elements: a customer-centric approach, pricing excellence, e-commerce and a push for sales. SURTECO is profoundly committed to these principles. Our market approach is focused on both proposing the right products to the market and serving all types of customers, from the smallest to the biggest players, at a reasonable price. SURTECO's distinguishing feature is that we sell all types of products manufactured within the Group: those of interest to the furniture industry and those relevant to the construction industry. We offer our products, with the same commitment to high-quality service, to small, medium-sized and industrial customers alike. Consequently, we describe ourselves as a service company with customised and flexible offers."

COMMERCIAL EXCELLENCE

We offer best-in-class service for our customers.

More than ever before, we're going to place the customer at the very heart of our activities. We will, therefore, consistently align our sales processes to the needs of the customers, in order to make it as easy as possible for them to do business cooperation with SURTECO. Digital solutions – such as online shops or customer platforms like the tradesman's community – play just as much a role in this for our skirting as the improved use of existing sales channels. We want to reach out to our customers as individually as possible to increase our share of sales and boost our market share in existing markets. Efficient processes and better pricing will support a sustainable growth in sales.

PRODUCT LEADERSHIP

We offer our customers competitive and innovative products – as well as technical support.

SURTECO is already distinguished by its wide product spectrum and the sheer range of technologies we master. Extensive knowledge covering a wide range of production techniques is available in the Group. We're going to establish and reinforce this USP even more definitively in the market. The aim is to consistently expand our range of decorative products and to find new applications for our products or new materials. The focus on a sustainable product range and system solutions for entire industries ensures opportunities for further market penetration.

Kathrin Körner
Germany

"For innovative solutions, you need the ability to understand the customer – and want to create added value for them. The focus for us is always to be able to offer the customer not only individual products, but an overall solution. Differentiation from the competition is a basic prerequisite for this. It is my conviction that a fault tolerance and the desire to try new things spurs on motivation to develop a customer-oriented solution. This requires an organization and people who both enjoy implementing such solutions and inspiring our customers. For me, this is one of the core tasks of product leadership. In my role as lead, I encourage the employees, promote and generate ideas, control and calibrate the processes and take responsibility."

FOCUSED INTERNATIONALISATION

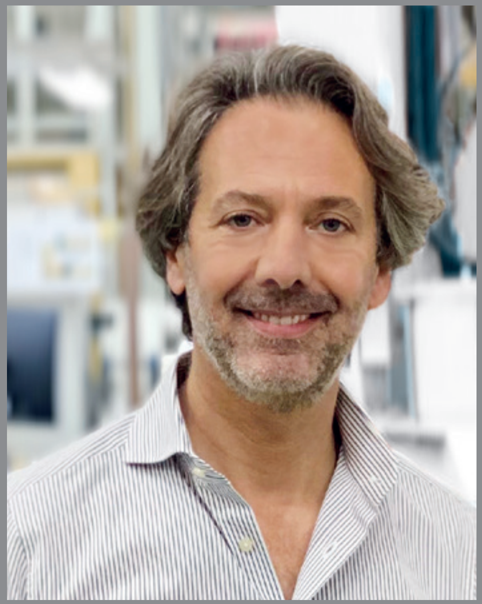
We're expanding our market share in high-growth regions to exploit market potential as effectively as possible.

SURTECO wants to expand its presence and market shares in high-growth regions. In Asia, in particular, there are opportunities to participate in some tremendous market dynamics. In addition, capacity at existing locations – such as Australia, North America and Indonesia – can be further expanded to include related markets.

Spencer Tsang
China

"China has been emerging as the world's biggest décor paper market. It's strategically important for us to crack the puzzle of China to keep pace with the growth of its global market share. Our prospects for internationalization, which is SURTECO's strategic project, are closely aligned with the solidity of our presence on the Chinese market. It's an honour and a pleasure for me to be the leader of the China Market Entry project, in which we've adopted a step-by-step go-to-the-market approach. We went on to establish a wholly owned local sales company, which was in place by May 2021, to build up local sales using Chinese staff and ensure that we would offer a premium service and local invoicing for customers. We're confident that fostering links between German and Chinese cultures will have an alchemical effect on the success of the project. Finding the perfect partner is the key to success."

João-Pedro Cunha
Portugal



“The goal of the project is to put the ‘best practices’ based on benchmarks, lessons learned and stretch goals in place across all operations to achieve ‘world class manufacturing’ status. During 2021, we were able to share knowledge, experiences and design actions with weekly follow-up meetings which brought us substantial results and, above all, an enriching learning experience. These were the first steps, but more and better results are expected for 2022. This Operational Team expects to achieve gains, including enhanced output performance, a reduction in gross waste, and recycling leverage, making the best use of all the expertise and complementary technology available within the SURTECO GROUP.”

OPERATIONAL EXCELLENCE

We are a reliable and efficient partner to our customers.

As a customer-centric company which can lay claim to operational excellence, we aim to continually improve our performance as a supplier. We will succeed in this by aligning our production processes and capacities more effectively with our market environment. We want to respond more dynamically to market requirements, and to continue to cast a critical eye over our work processes to become even more effective. To this end, we apply systematic Lean Management processes to existing measures, an approach which is monitored with defined key figures. In addition to increasing productivity and improving material consumption, the focus is on increasing customer satisfaction through a more effective and efficient delivery and product service. Digital printing also opens up the possibility of using changes to production concepts or new business models to gain a competitive edge. An opportunity we aim to exploit.

Dr. Martin Staiger
Germany

"We are in a time of complex ecological and social changes. This is why it was essential to give the topic of sustainability a very central role in the development of the new corporate strategy. Our core objective to overcome the challenges caused by climate change is to become climate neutral by 2045. Step by step, but continuously, we will reduce our CO_2 footprint in order to make our contribution to achieving the goals of the Paris Climate Agreement and the EU Green Deal."

SUSTAINABILITY

We promote engagement in sustainability as part of our DNA.

SURTECO sees it as its obligation not only to act in the economic interests of the shareholders, but also to treat the resources of our planet with care. Acting sustainably means ensuring sustainable development in economic, environmental and social spheres, in a way that takes into account the needs of current generations without depriving future generations of the opportunity to fulfil their own aspirations. In this respect, sustainability represents an integral part of our corporate strategy. All measures pursue the goal of maintaining our planet "worth living in".

Moritz Diehl
Germany

"With the project ‚digital transformation', we are aiming to set the framework for accelerating digital transformation. The special feature of this project is that it makes a comprehensive contribution to the transformation of SURTECO – all while considering the requirements for our employees of the future. It is important to me to sharpen my view of the dynamically growing digital possibilities with my colleagues and to accompany them in the implementation. For some time now, I have been working not only on my personal digital transformation, but also on the potential that Web 3.0 will bring us."

DIGITAL TRANSFORMATION

State-of-the-art systems and digital processes will ensure our company's success.

We want to ensure that SURTECO is fit for the future on the basis of new technologies. Digitising our processes will help us achieve our twin aims of operational and commercial excellence. We will facilitate new forms of cooperation and improve knowledge sharing. Involving customers and suppliers in the digital value chain will pave the way to new competitive opportunities.

COMPANY I LIKE TO WORK FOR

We're committed to a high-performing organisational approach based on knowledge sharing, empowerment and commitment.

It is important to SURTECO to offer employees a professional working atmosphere, in order to promote the health of employees, on the one hand, and the company's performance as a whole, on the other. We promote a common identity in which every employee can find themselves, and in which a mutual knowledge exchange, diversity and the appreciative nature of leadership are part of our fabric. With the future-ready qualification of our company talent, we want to fulfil and surpass external and internal demands, and maintain a healthy performance with maximum resilience.

Lisa Mayinger
Germany

"As a company, we want to have the courage to break new ground, to be innovative, to act sustainably and to develop solutions quickly – for this we need a high-performance organization and an appreciative culture that creates a good working environment for every single employee. This is the only way we, as 'Team SURTECO', can produce outstanding services and products.
I was very pleased that I was able to use the products from SURTECO during my renovation."

Annual Report 2021

ISIN: DE0005176903
Ticker symbol: SUR

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FOREWORD BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

The business year 2021 was the most successful year in the company's history. This was the case both for sales and for earnings. After the collapse in sales in 2020 due to the pandemic, a surprisingly strong demand emerged soon afterwards. Contrary to experiences from the years prior to the pandemic, this demand did not decline as the year proceeded but continued at a constant high level. This enabled us to conclude the business year with record sales of around € 757 million.

The generally tense situation in the raw materials markets impacted on our most important intermediate products such as paper, plastic and chemicals. Although we were able to maintain our production at all times, we had to absorb some external cost increases. We were only able to pass on some of these costs and with a time lag. However, as a result of our improved structures put in place by the restructuring from the end of 2019, we were able to more than compensate for the increased purchase prices. Consequently, we ended up with an EBIT of approximately € 73 million, far beyond our original earnings target.

Ongoing robust balance sheet structure

In the business year 2021, we discontinued sales of trade receivables owing to our satisfactory liquidity. In conjunction with increased inventories owing to the enormous inflation in prices for raw materials and for safeguarding production processes, this led to an unavoidable increase in working capital. Nevertheless, our balance sheet is eminently respectable. An equity ratio of 52.0 % and a fall in the level of debt by two percentage points to 37 % bear testimony to this.

Appropriation of the net profit

SURTECO sees itself as a dividend stock which traditionally allows its shareholders to participate in the success of the company. The Supervisory Board and Management Board therefore intend to propose a dividend of € 1.00 for approval at the Annual General Meeting being held on 7 June 2022 – which will unfortunately once again take place virtually owing to the uncertain coronavirus situation. This represents a payout rate in relation to the net profit of 32.4 % and a dividend return of 2.6 % in relation to the annual closing price of the SURTECO share.

Strategy

We have given further concrete form to our corporate strategy. We are concentrating on the seven pillars of digital transformation, product leadership, operational excellence, commercial excellence, focused internationalization, sustainability and a corporate culture under the motto "Company I like to work for". The first concrete milestones, for example in sustainability, have already been defined. Further milestones will gradually follow. The objective of the strategy is to make our vision a reality: "We make rooms worth living in".

Outlook

We are deeply alarmed about the conflict between Ukraine and Russia and we are following the developments with the utmost concern. We too are supporting Ukrainian citizens who have had to leave their homeland.

This dramatic situation, together with the still smouldering Covid-19 pandemic and the high costs of raw materials are creating massive uncertainties in relation to economic development in 2022. It therefore appears very unlikely that the successes of the year 2021 can be repeated. We are currently projecting sales of between € 730 million to € 750 million and an EBIT of € 55 million to € 65 million.

Over the long term, our strategy is targeting sustainable organic growth and continuous improvement in processes. We would be delighted if you were to continue to retain your connection with our company.

At this point we would also like to extend special thanks to our employees throughout the world for their commitment and performance under these exceptionally difficult and challenging circumstances.

Regards,

WOLFGANG MOYSES
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In the business year 2021, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We advised the Management Board regularly on the management of the company and monitored the measures it took. In this process, we were involved in all the fundamental decisions taken. The Management Board regularly kept us informed in comprehensive written and verbal reports. We were notified promptly about the key aspects of the performance of the business and about significant business transactions. We were also given detailed information about the current income situation and planning, as well as the risks and risk management. The economic situation presented in the reports by the Management Board and the development perspectives of the Group, the individual business areas and important participations in Germany and abroad, as well as the general economic environment were the subject of careful and detailed discussion in the Supervisory Board. Resolutions were adopted as far as this was necessary in compliance with statutory regulations or the Articles of Association.

The Supervisory Board convened for a total of six meetings during the course of the business year 2021, which were partly held as video conferences – with the consent of the Members of the Supervisory Board – owing to measures to contain the Covid-19 pandemic. The Members of the Supervisory Board took part in the meetings of the Supervisory Board and the meetings of its committees as follows in the business year 2021:

	Plenary Supervisory Board		Audit Committee		Personnel Committee	
Meeting participation / Total number of meetings	Number	In %	Number	In %	Number	In %
Mr. Andreas Engelhardt Chairman	6/6	100	4/4	100	2/2	100
Dr. Christoph Amberger Deputy Chairman until 8 April 2021	0/1	0	-	-	-	-
Mr. Tim Fiedler Deputy Chairman	5/5	100	-	-	2/2	100
Mr. Tobias Pott Vice Chairman	6/6	100	4/4	100	2/2	100
Mr. Jens Krazeisen	6/6	100	-	-	-	-
Mr. Jochen Müller	6/6	100	4/4	100	-	-
Mr. Dirk Mühlenkamp since 1 September 2021	2/2	100	-	-	-	-
Mr. Jan Oberbeck since 12 April 2021	4/4	100	-	-	1/1	100
Mr. Thomas Stockhausen	6/6	100	-	-	-	-
Mr. Heinz-Dieter Stöckler until 30 June 2021	4/4	100	-	-	-	-
Mr. Jörg Wissemann	6/6	100	4/4	100	-	-

At the extraordinary meeting of the Supervisory Board held on 20 April 2021, the Supervisory Board engaged with the statement on the takeover offer by PKG Schürfeld GmbH. Mr. Tim Fiedler and Mr. Jan Oberbeck, as Managing Directors of PKG Schürfeld GmbH, did not take part in this meeting or in the corresponding agenda items at other meetings in order to avoid conflicts of interest.

The Presiding Board of the Supervisory Board did not need to convene in the business year 2021.

The Chairman of the Supervisory Board furthermore remained in regular contact with the Management Board outside these meetings.

Focuses of advice

In the business year 2021, the Supervisory Board intensively addressed the reporting of the Management Board in detail and discussed the position of the company and the business strategy on the basis of the latest business figures available for the company. The most recent relevant indicators of the SURTECO Group and the subsidiary companies and participations, in particular also relating to the relevant capacity utilization of facilities and liquidity, were presented by the Management Board at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures.

The economic environment in which the company is operating was subject to especially intensive discussion. These deliberations continued in particular with the themes of raw material prices and the availability of raw materials, as well as exchange rates. The situation with the most important customers, the divisions of the foreign companies, and the conduct of the key competitors in the market were also considered.

The current status of the claims pursuant to § 93 Stock Corporation Act (AktG) against the former Chairman of the Management Board of the company, Dr.-Ing. Herbert Müller, were also discussed. Up to now, the claims could be realized through offsetting the bonus claims. However, Dr. Müller instituted legal proceedings against this approach. The litigation has not yet been brought to a conclusion.

The Supervisory Board held a detailed discussion about the strategy of the company at several meetings. The Supervisory Board gave a positive reception to the strategy presented by the Management Board and gave its approval to the plan. The design of the various initiatives involved in the strategy and the prioritization was carried out in close agreement between the Management Board and the Supervisory Board.

At the meetings on 25 March 2021 and 20 April 2021, the Supervisory Board engaged with the voluntary public offering submitted by PKG Schürfeld GmbH, Hamburg, and resolved on a joint statement by the Management Board and the Supervisory Board. The background to the voluntary takeover offer was the establishment of a new pooling agreement between the shareholders of the Schürfeld Group and the shareholders of the SURTECO share pool, which holds a majority of the capital stock. As a result of the voluntary takeover offer, PKG Schürfeld GmbH created the prerequisites for being able to form the new SURTECO Pool without any legal disadvantages.

At its meeting held on 28 April 2021, the Supervisory Board approved the annual financial statements of SURTECO GROUP SE and the SURTECO Group for the business year 2020, as well as the Management Report and the Sustainability Report, and the Report of the Supervisory Board.

At the meeting held on 28 April 2021, the Supervisory Board also adopted the proposals for the agenda of the ordinary Annual General Meeting 2021. The Audit Committee had already made a recommendation for the appointment of an auditor for the Consolidated and Annual Financial Statements for 2021 and the audit review of interim financial statements for the business years 2021 and 2022. At this meeting, the Supervisory Board resolved to again hold the Annual General Meeting as a virtual Annual General Meeting without physical presence of the shareholders owing to the ongoing uncertain pandemic situation.

At the meeting held on 19 October 2021, the Supervisory Board approved an expansion of the investment budget for new production installations and production facilities in the amount of up to approximately EUR 22 million.

The plans submitted by the Management Board (budget and investment plan) for the business year 2022 were discussed at the meeting of the Supervisory Board held on 21 December 2021 and the investments requested by the Management Board with a total volume of around EUR 50 million were approved. At this meeting, the Supervisory Board also approved the sale of an office building no longer in use together with the land and a sale-and-leaseback deal for a warehouse at the same site.

Compensation of the Management Board

The Supervisory Board approved the variable compensation elements for the Members of the Management Board for the business year 2020 at the meeting held on 28 April 2021. Furthermore, the Supervisory Board approved the resolution proposal to the Annual General Meeting relating to the compensation system for the Management Board at this meeting. The Annual General Meeting held on 23 June 2021 approved the compensation system with an approval rate of 98.18 % percent.

Establishment of the compensation for the Audit Committee, Supervisory Board compensation

At its meeting on 21 December 2021, the Supervisory Board defined the compensation for the members of its Audit Committee for the business year 2021 pursuant to § 12 (3) of the Articles of Association at a total amount of € 36,000.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 36,000.00 was allocated to the individual members of the Audit Committee on the basis of their respective time commitment. At its meeting on 28 April 2021, the Supervisory Board approved the resolution proposal to the Annual General Meeting on the compensation system for the Supervisory Board. The Annual General Meeting held on 23 June 2021 approved the compensation system with an approval rate of 99.96 %.

Personnel changes in the Supervisory Board

Dr. Christoph Amberger, Member of the Supervisory Board and Deputy Chairman, resigned his position with effect from 8 April 2021. At the request of the Management Board and with the agreement of the Supervisory Board, the Local Court Augsburg (Amtsgericht Augsburg) appointed Mr. Jan Oberbeck, Economist, resident in St. Augustin, by a resolution passed on 12 April 2021 as a Member of the Supervisory Board pursuant to § 104 (2) Sentence 1 and 2 Stock Corporation Act (AktG). On 23 June 2021, the Annual General Meeting elected Mr. Oberbeck – forthwith for a regular term of office – to the Supervisory Board and thereby confirmed him in his office. At its meeting on 28 April, the Supervisory Board elected Mr Jan Oberbeck as a Member of the Personnel Committee. At this meeting, the Supervisory Board also appointed Mr. Tim Fiedler as the Deputy Chairman of the Supervisory Board.

The period of office of the Member of the Supervisory Board Mr. Heinz-Dieter Stöckler ended at midnight on 30 June 2021. With effect from 1 September 2021, Mr. Dirk Mühlenkamp was appointed as employee representative instead of Mr. Stöckler in accordance with the regulations of the agreement dated 13 February 2007 relating to the participation of the employees in SURTECO GROUP SE.

The period of office of the Member of the Supervisory Board Mr. Jens Krazeisen ended at the conclusion of the ordinary Annual General Meeting on 23 June 2021. The Works Council of the Buttenwiesen location has once again appointed Mr. Krazeisen to the Supervisory Board with the resolution passed on 24 February 2021 in accordance with the regulations contained in the agreement dated 13 February 2007 relating to participation of the employees in SURTECO GROUP SE.

No other personnel changes took place on the Supervisory Board during the period under review.

Work of the committees

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed in the Notes of the Annual Report. The committees have the function of preparing issues, topics and resolutions for the meetings of the Supervisory Board. There is also a Presiding Board in accordance with the Rules of Procedure of the Supervisory Board.

The Presiding Board of the Supervisory Board prepares the resolutions of the Supervisory Board if they relate to measures requiring the consent of the Supervisory Board. In urgent cases, the Rules of Procedure permit the Presiding Board to take the place of the Supervisory Board and grant consent to specific measures and transactions requiring approval. The Presiding Board did not need to make any decisions in the reporting period.

The Audit Committee addressed issues relating to accounting and risk management, the Annual Financial Statements and the quarterly figures, the mandatory independence of the auditor, the tender for the audit of the financial statements, the appointment of the auditor to carry out the audit, the determination of the focuses of the audit and the agreement of the fee. The Audit Committee was in regular contact with the Management Board and the auditors. The Audit Committee was convened four times during the course of the business year, and held one of these meetings at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit.

The Personnel Committee primarily addressed the proposal for the compensation system of the Management Board and the Annual General Meeting. The Personnel Committee convened twice during the course of the reporting year.

Reports on the meetings convened by the committees were submitted to the plenary session of the Supervisory Board.

Corporate Governance

The Supervisory Board continued to address the development of the corporate governance principles in the company in 2021 and also took account of the regulations of the German Corporate Governance Code from 16 December 2019.

Within the scope of the efficiency audit, the Supervisory Board regularly carries out a self-assessment of its members and discusses the results in the plenary session of the Supervisory Board. In view of only slight deviations in the individual self-assessments during previous years, the self-assessment will be carried out in a two-year cycle, most recently in October 2021 for the business years 2020 and 2021.

The results of this self-assessment were presented and discussed at the meeting of the Supervisory Board held on 21 December 2021.

On 21 December 2021, the Management Board and the Supervisory Board submitted a new Declaration of Compliance, which was included in the Declaration on Corporate Governance pursuant to § 289a German Commercial Code (HGB) and may be viewed on the Internet site of the company.

Annual Financial Statements and Consolidated Financial Statements, auditing

The Annual Financial Statements of the company were drawn up in accordance with German accounting principles. The Consolidated Financial Statements for the business year 2021 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Management Board submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report, and the Sustainability Report together with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The professional services firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO GROUP SE, as well as the Management Report and the Consolidated Management Report and granted each of the documents an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management Report, and the Sustainability Report, and the audit reports of the auditor, and the recommendation for the appropriation of the net profit were submitted punctually to all the Members of the Supervisory Board. Intensive discussions on the financial statements were carried out in the Audit Committee meeting and at the Balance Sheet Meeting of the Supervisory Board held on 13 April 2022 in the presence of the auditor and following a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents. Furthermore, we took note of the report by the auditor. We have no objections. We therefore concur with the result of the audit. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements prepared by the Management Board. The Annual Financial Statements have therefore been adopted. We are in agreement with the Management Reports and in particular with the assessment of the ongoing development of the company and the Sustainability Report. We agree with the proposal by the Management Board relating to the appropriation of net profit that provides for a dividend of € 1.00 for each no-par-value share.

The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2022 and the Supervisory Board also accepted this proposal.

The Supervisory Board would like to thank the Management Board, the executive managers, the members of the Works Councils, and all the members of staff for the work they have carried out and for their commitment during the business year 2021.

Buttenwiesen, April 2022.

The Supervisory Board

Andreas Engelhardt
Chairman

COMBINED MANAGEMENT REPORT

SURTECO GROUP AND SURTECO GROUP SE, BUTTENWIESEN FOR THE BUSINESS YEAR 2021

Basic principles of the Group

At a glance

The SURTECO Group is a Group of mutually complementary companies operating on the global stage. It has primarily specialized in the manufacture of decorative surface coatings for furniture, flooring and interior design. The Group also develops, produces and sells skirtings and technical extrusions (profiles). SURTECO GROUP SE operates within this structure as the holding company with a controlling function.

The products are mainly used in the flooring, wood-based, caravan and furniture industries, as well as by carpenters and artisan businesses. The manufactured surface products are used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with appealing visual and haptic properties. The skirtings and technical extrusions (profiles) are supplied to craft trades, wholesale, industry and do-it-yourself stores.

Paper and plastic-based edgebandings constitute the product group generating the strongest sales within the SURTECO Group. These products are used to refine the narrow edges and the cut edges of wood-based boards. The finish foils of SURTECO are used for coating large areas of wood-based materials and consequently influence the visual and haptic properties of finished products such as items of furniture or panelling. As in the case of edgebandings, the finish foils are based on specialist technical papers and on plastics. The SURTECO Group is also a producer of decorative papers (printed decorative designs). These specialist papers are printed with wood, stone or fantasy decors and used as a material for providing a decorative finish. They are deployed within the Group for the manufacture of finish foils and impregnates. They are also supplied directly to customers from the flooring, furniture and wood-based materials industry. Decor development takes place at the Group's in-house design studio, which also produces the printing cylinders necessary for production. Similar to finish foils, impregnates from SURTECO are used to refine large areas of wood-based materials. The base is formed by printed or single-colour decor paper, overlay or release paper, which is impregnated, dried and cut into formats. The product range is mainly deployed for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. The skirtings produced by the SURTECO Group are either manufactured entirely of plastic or they consist of a wood core that is wrapped in a special extrusion process. The Group also has a long track record in the manufacture of a wide range of extrusion products for interior design, furniture shutter systems and manifold industrial applications.

The products are either marketed by direct sales or shipped to customers through the Group's own sales locations, and through dealers and agents on all continents of the world. The most important sales markets for the Group include Germany, the rest of Europe, and North and South America. Production and sales facilities in Europe, North and South America, and Australia and Asia ensure fast delivery tailored to the target market.

Internal corporate controlling system

Central controlling for the Group is carried out by the holding company SURTECO GROUP SE with registered office in Buttenwiesen, Bavaria, Germany. The holding company implements strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting, IT management and investor relations activities. The individual subsidiary companies of the Group manage their business on the basis of group-wide parameters. The controlling for the Group is carried out through the Segments Decoratives, Profiles and Technicals. Technicals comprises all other non-reportable business segments. SURTECO GmbH is positioned in the Segment Decoratives together with its subsidiary companies and it primarily serves the wood-based, flooring, door and furniture industries, and the caravan sector. The Segment Profiles comprises Döllken Profiles GmbH including its subsidiary companies and supplies trade floorlayers and the interior-design industry. Technical extrusions (profiles) are also manufactured in this segment by the same type of production processes. They are used for a wide range of applications such as mobile homes or in the automotive industry. The companies Kröning GmbH, Dakor Melamin Imprägnierungen GmbH and Gislaved Folie AB are bundled in the other Segment Technicals as specialist manufacturers in niche markets.
Sales revenues and earnings before financial result and income tax (EBIT) are the most important financial controlling parameters for the SURTECO Group. A combined true and fair view of a number of indicators, the covenants, is also used as a bundle of key financial controlling parameters. These are comprised of the indicators equity ratio, level of debt (gearing) and interest cover factor. The covenants define threshold values which the Group does not intend to exceed or fall short of. Compliance or non-compliance with these covenants is monitored, and reports are regularly submitted. Non-financial controlling parameters are not used as controlling parameters at Group level or within the holding company.
For SURTECO GROUP SE as an individual company, financial and non-financial performance indicators and hence also their forecast play a subordinate role. Compliance with statutory requirements under corporate law is not affected by this.

Production and sales locations Decoratives

The Segment Decoratives comprises SURTECO GmbH including its subsidiary companies*. The companies produce decor papers, finish foils and edgebandings. The registered office of SURTECO GmbH is in Buttenwiesen. Other production sites are located in Sassenberg, Laichingen and Gladbeck.
Outside Germany, the subsidiary companies of SURTECO GmbH have production facilities in the USA, Canada, Brazil, Portugal, Indonesia and Australia. Other sales and finishing sites in the United Kingdom, Italy, France, Russia, Mexico, China and Singapore ensure worldwide distribution.
The subsidiary SURTECO art GmbH in Willich is responsible for the development of new decors and for engraving new printing cylinders.

* If not specially identified, the locations of the individual companies are in Germany.

Profiles

Döllken Profiles GmbH manufactures floor strips and skirtings, wall edging systems and technical extrusions (profiles) at its headquarters in Bönen* and its branch in Nohra and Dunningen. Additionally, the accessories and other products required for laying the products relating to all aspects of flooring are supplied as product ranges for resale. The company maintains sales subsidiary companies in Poland and the Czech Republic. Nenplas Ltd. Including its subsidiary company Polyplas Extrusions Ltd., both located in Ashbourne, UK (Nenplas Group) also manufacture technical extrusions (profiles) for a wide range of industrial applications.

Technicals

The manufacture and sale of impregnated products in Germany is carried out through Dakor Melamin Imprägnierungen GmbH in Heroldstatt*. Gislaved Folie AB in Gislaved, Sweden, produces finish foils based on plastic and technical plastic foils for other industrial sectors and for further processing to form carpets. Kröning GmbH in Hüllhorst is a specialist provider for surface coatings with individual, customer-specific requirements. The product portfolio comprises edgebandings, finish foils and multilayer hybrid foils made of genuine metals, paper and plastic.

* If not specially identified, the locations of the individual companies are in Germany.

Management and controlling

The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Management Board are appointed by the Supervisory Board and manage the affairs of the company in accordance with the statutory regulations, the Articles of Association, and the rules of procedure governing the Management Board and the Supervisory Board. The Management Board and the Supervisory Board gear their actions and their decisions to the interests of the company. They are committed to the objective of sustainably increasing the value of the company in accordance with the interests of the shareholders, business partners, employees and general collectivity of stakeholders.
The Supervisory Board monitors and advises the Management Board on the running of the company. It is made up of nine members. Six members are appointed by the Annual General Meeting as representatives of the shareholders. Three members are sent by the works councils of the three domestic companies with the largest number of employees to represent the employees.

Economic report

Macroeconomic framework conditions

Our experience indicates that the inclination of consumers to consume and hence the demand for our products correlates with general economic growth. The assessment by the German Council of Economic Experts[1] indicates that in 2021 the global economy recovered from the decline due to the coronavirus in 2020 (-3.6 %) and grew by +6.0 % compared with the previous year. In the twelve-month review, the economic output of the advanced economies grew by +5.1 % (2020: -4.8 %) and the emerging economies posted growth of +7.6 % (2020: -1.2 %). According to the Council, growth in Germany at +2.9 % (2020: -5.3 %) was less than in the Euro area, where growth stood at +5.3 % (2020: -6.8 %). The economy in the USA posted an increase of +5.7 % (2020: -3.5 %) and in the United Kingdom of +7.5 % (2020: -9.9 %). The Council reports growth of +5.5 % in Central and Eastern Europe in 2021 after -4.0 % in 2020, +7.6 % in Latin America (2020: -8.5 %) and +6.5 % in Asia (2020: -1.0 %).

The customer sectors relevant for SURTECO underwent varying development in the business year 2021. According to official figures[2], sales in the German veneer, plywood, fibreboard and chipboard industry increased by +23.7 % following on from an increase of +0.7 % in 2020. In the German kitchen industry, sales grew by +8.7 % (2020: +4.3 %) and the German office and shop furniture industry by +5.8 % (2020: -9.3 %). Meanwhile, sales at German manufacturers of other types of furniture fell back by -5.1 % (2020: -6.0%).

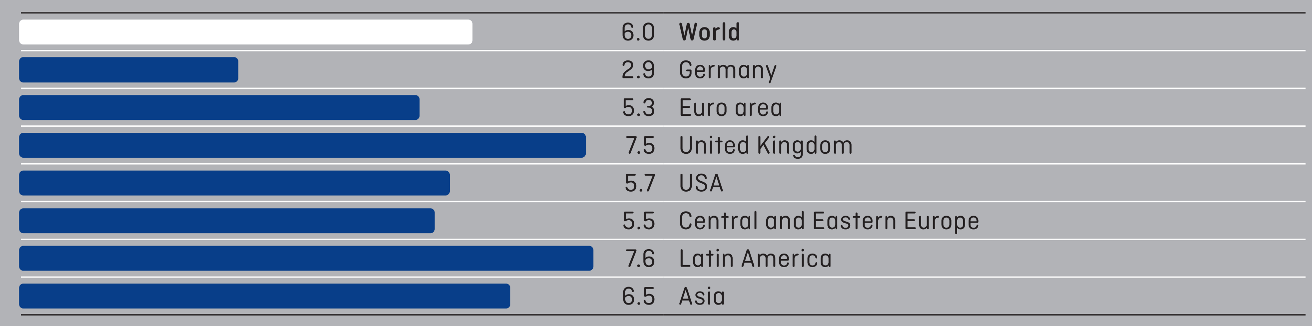
Sales and business performance for the Group

In the business year 2021, sales revenues of the SURTECO Group reached a historic high at € 757.1 million. Against the background of a recovering global economy, consistently good business development throughout the year contributed to this success. In line with this trend, the fourth quarter of 2021 was unusually the quarter with the strongest sales of the year. Sales overall went up by +21 % compared with the year-earlier value of € 627.0 million. Although the original sales forecast of between € 650 million and € 675 million had already assumed an increase in comparison with the sales for 2020, this target was exceeded. Growth was distributed over all the regional markets of the Group. North and South America posted the biggest growth with a rise of +26 %. Business transacted in Germany went up by +16 %, in the rest of Europe (not including Germany) it rose by +21 % and in Asia, Australia and other markets it rose by +24 %. The proportion of foreign sales rose by two percentage points to 75 % in 2021.

[1] Source: German Council of Economic Experts, Economic Outlook 30 March 2022; 17 Mach 2021.

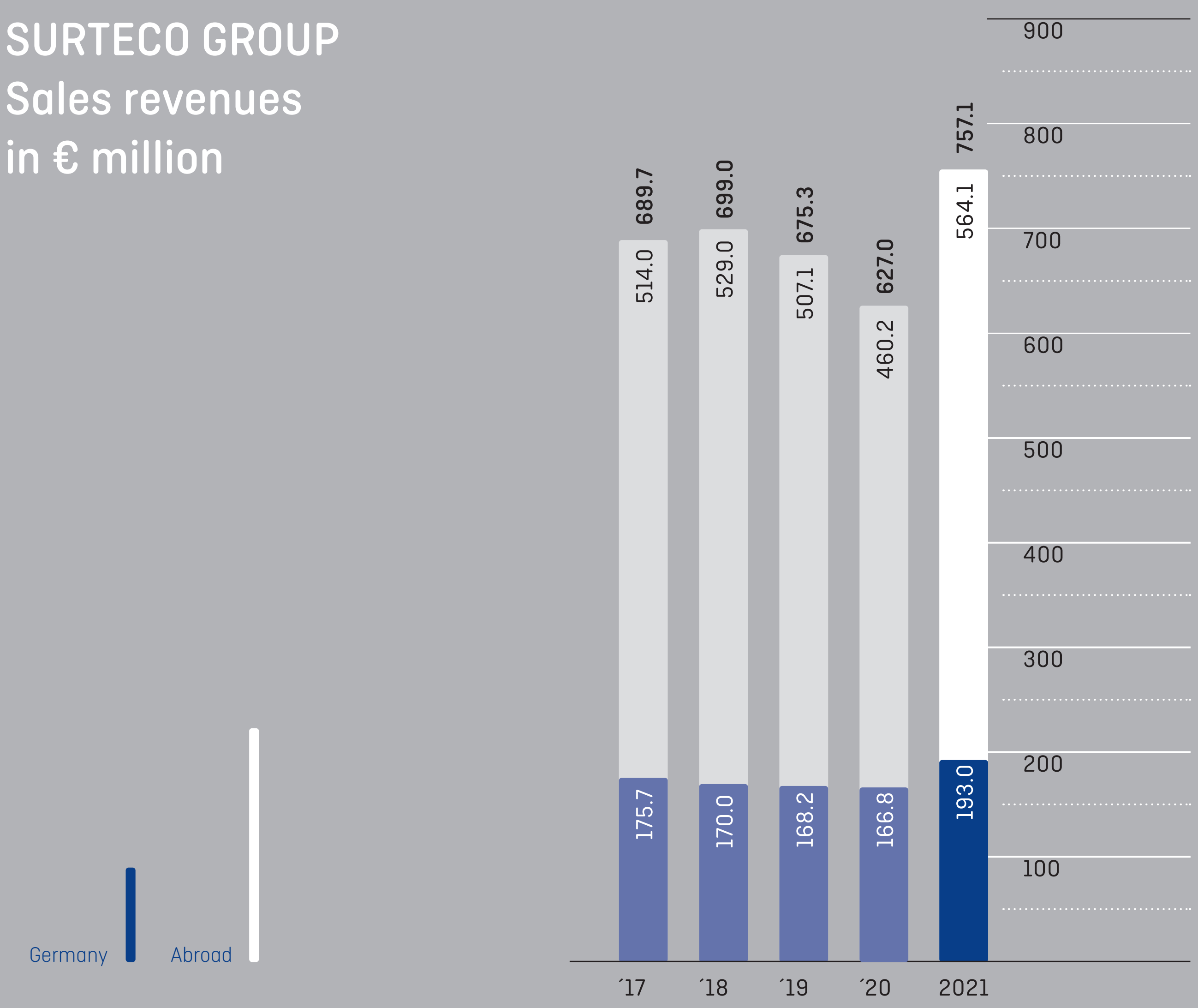
[2] Source: Destatis Federal Statistical Office. https://www.destatis.de. Economic Sectors WZ08-1621, WZ08-3101, WZ08-3102, WZ08-3109

Economic growth in 2021 in %[1]



[1] Source: German Council of Economic Experts, Economic Outlook 30 March 2022.

SURTECO GROUP Sales revenues in € million



Decoratives

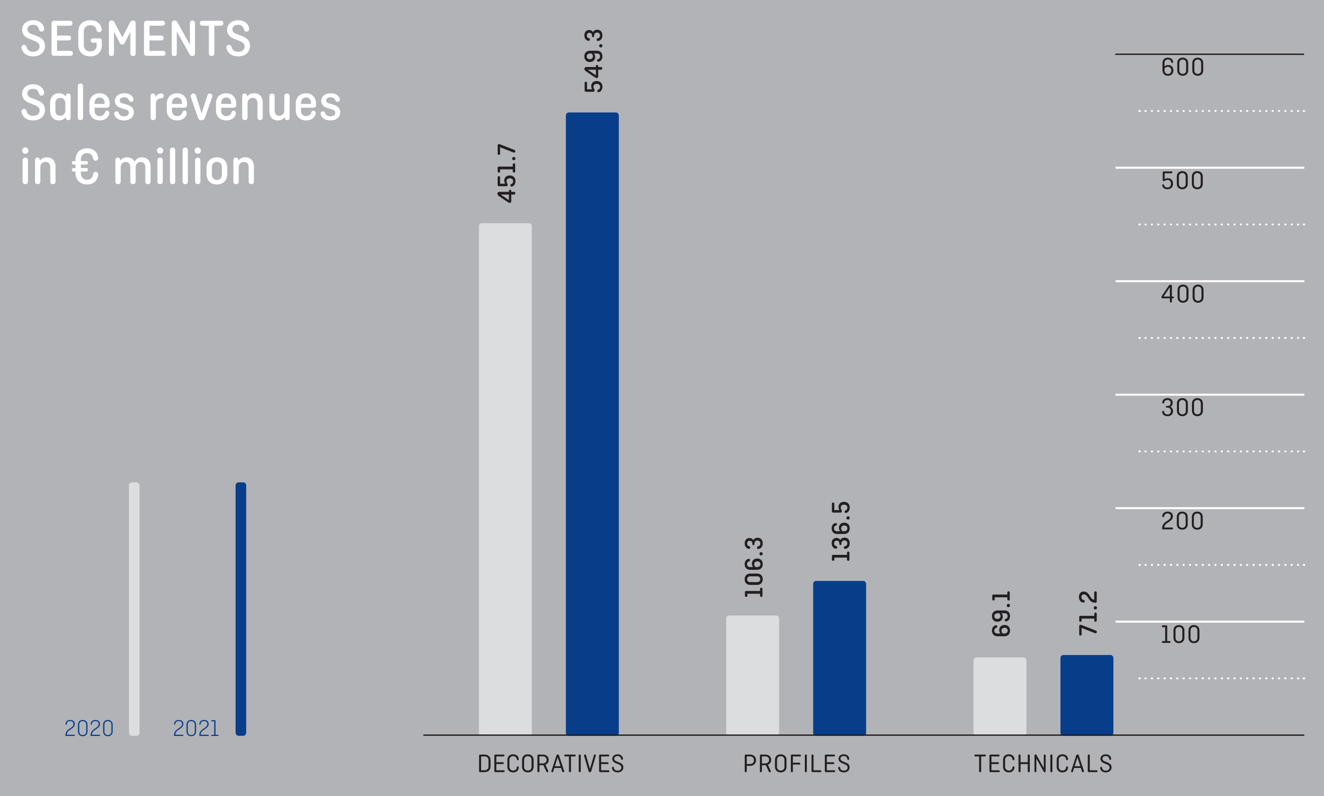
Customers in the Segment Decoratives are primarily in the household, office and kitchen furniture industries, in the wood-based sector and in the door and caravan industries. Along with a generally good capacity utilization in the sales markets and price-increase effects, sales in the segment rose by +22 % in 2021 to the level of € 549.3 million (2020: € 451.7 million). This means that the level before the Covid-19 pandemic and indeed the original forecast (significant increase in sales) was exceeded. All the product groups of the segment contributed to this development. Sales with decorative prints went up by +19 %, with finish foils by +12 %, with edgebandings by +23 % and with other products and commercial goods by +40 % compared with the previous year.

Profiles

The Segment Profiles sells its skirtings primarily to trade floorlayers, the wholesale sector, and to the home improvement market and do-it-yourself stores. The technical extrusions (profiles) of the segment are also used in numerous industrial applications. Generally speaking, extrusions benefited from a strongly performing economy in the German home-building sector in the business year 2021. Furthermore, the expanded main production facility in Bönen started up operations at the beginning of 2021. This involved the merger of logistics and administration, as well as creation of additional warehouse floorspace and production lines. As forecast, the segment was therefore able to achieve a significant increase in sales. At € 136.5 million, they were +28 % above the year-earlier value of € 106.3 million. Supported by good economic framework conditions in the United Kingdom (see macroeconomic framework conditions), where the segment maintains two production facilities, sales with technical extrusions increased by +42 % compared with the previous year. Growth in skirtings amounted to +21 % and for commercial goods and other products it was +27 %.

Technicals

Providers of specialist products, such as products for use in ship construction, and products for small series and niche markets in the furniture industry are grouped in Technicals. After a volatile business performance in 2021, sales revenues at € 71.2 million were +3 % above the year-earlier value of € 69.1 million. It therefore proved impossible to achieve the significant increase in sales revenues as forecast. This was essentially due to the business with impregnates that ultimately fell back by -4 % compared with the previous year. Conversely, sales with edgebandings increased by +9 % and with finish foils by +10 % by comparison with the year-earlier figure.

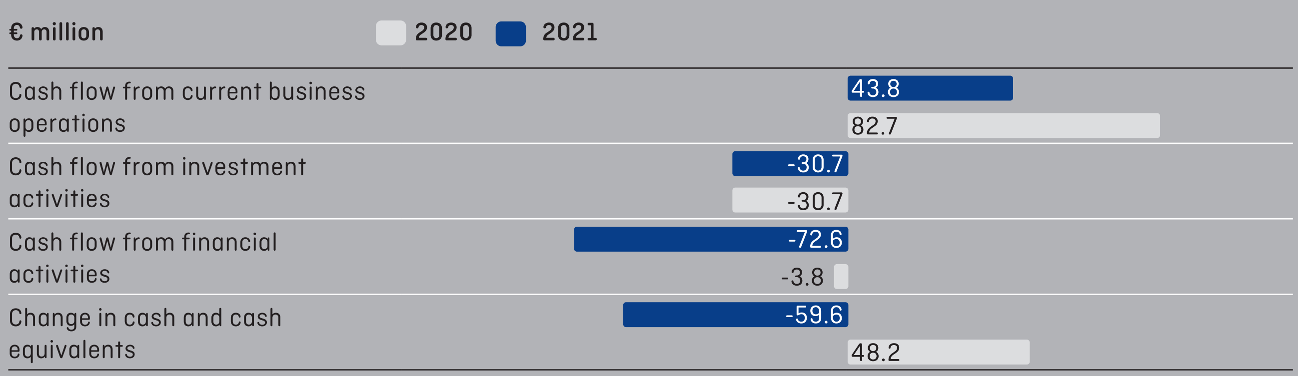


Net assets, financial position and results of operations

Cash flow statement

Essentially due to the increased earnings before income tax (EBT), the internal financing of the Group rose to € 99.1 million (2020: € 73.4 million) in 2021. In the business year 2021, factoring (sale of accounts receivable) was partly discontinued and this was reflected in the cash flow account by a change in trade accounts receivables of € -20.7 million. Furthermore, the increased prices of raw materials and the stockpiling of inventories to safeguard production led to a change in inventories by € -31.6 million. Consequently, the change in assets and liabilities (net) in the business year 2021 amounted to € -55.3 million after € 9.2 million in the previous year. Overall, this led to cash flow from current business operations of € 43.8 million after € 82.7 million in the previous year. After deduction of cash flow from investment activities in the amount of € -30.7 million (2020: € -30.7 million), free cash flow of € 13.1 million (2020: € 52.0 million) is the outcome for the year 2021. Primarily due to the dividend payment in 2021 amounting to € -12.4 million (2020: € 0 million) and repayment of financial liabilities totalling € -79.4 million (2020: € -3.7 million), cash flow from financing activities amounted to € -72.6 million after € -3.8 million in the previous year. Hence, cash and cash equivalents fell from € 133.5 million at year-end 2020 to € 73.1 million at 31 December 2021.

Change in financial resources at 31 December



Calculation of free cash flow

€ million	1/1/-31/12/2020	1/1/-31/12/2021
Cash flow from current business operations	82.7	43.8
Purchase of property, plant and equipment	-36.5	-28.7
Purchase of intangible assets	-1.9	-4.4
Proceeds from disposal of property, plant and equipment	2.4	2.4
Dividends received from investments accounted for using the equity method	0.5	0
Disposal of participation held at equity	4.8	0
Cash flow from investment activity	**-30.7**	**-30.7**
Free cash flow	**52.0**	**13.1**

Balance sheet performance

On 31 December 2021, the balance sheet total of the SURTECO Group eased slightly to € 795.1 million (31 December 2020: € 798.8 million). On the assets side, current assets at € 303.5 million were below the value of € 310.6 million on the year-earlier balance sheet date in spite of an increase in inventories and trade receivables. This primarily resulted from a fall in cash and cash equivalents owing to repayments of financial liabilities. Non-current assets edged up slightly to € 491.6 million (2020: € 488.2 million). On the liabilities side of the balance sheet, a loan amounting to € 55.0 million due in 2022 led to a shift from non-current to current financial liabilities. Hence, the non-current liabilities fell back to € 177.3 million (2020: € 278.8 million) on 31 December 2021, while current liabilities rose from € 146.7 million in the previous year to € 204.1 million. Equity went up owing to the increased net profit and transfers to

Balance sheet structure of the SURTECO Group

€ million	31/12/2020	Percentage of the balance sheet total in %	31/12/2021	Percentage of the balance sheet total in %
ASSETS				
Current assets	310.6	38.9	303.5	38.2
Non-current assets	488.2	61.1	491.6	61.8
Balance sheet total	**798.8**	**100.0**	**795.1**	**100.0**
LIABILITIES				
Current liabilities	146.7	18.4	204.1	25.7
Non-current liabilities	278.8	34.9	177.3	22.3
Equity	373.3	46.7	413.7	52.0
Balance sheet total	**798.8**	**100.0**	**795.1**	**100.0**

Balance sheet indicators of the SURTECO Group

	2020	2021
Equity ratio in %	46.7	52.0
Level of debt in %	38.8	36.9
Working capital in € million	99.6	151.8
Interest cover factor	19.8	26.2
Debt-service coverage ratio in %	52.4	59.0

retained earnings from € 373.3 million in the previous year to € 413.7 million at year-end 2021. The equity ratio (equity / balance sheet total) increased from 46.7 % on the year-earlier balance sheet date to 52.0 % at 31 December 2021. Net financial debt rose from € 144.7 million to € 152.6 million, while the level of debt improved from 38.8 % in the previous year to 36.9 % in 2021 owing to the robust increase in equity. Thanks to the increased level of receivables as a result of the partial discontinuation of factoring and the rise in inventories, working capital went up to € 151.8 million (2020: € 99.6 million). In the business year 2021, the "covenants" (-> internal corporate controlling system) were complied with. On 31 December 2021, the Group had external credit lines amounting to € 37.3 million. At this point, € 1.2 million had been drawn on these lines.

Investments

Additions to property plant and equipment, and intangible assets (investments) amounted to € 33.1 million (2020: € 38.4 million) in the business year 2021. An addition of € 28.7 million (2020: € 36.5 million) was attributable to property, plant and equipment. This essentially results from replacement and expansion investments in technical systems and machinery, and for land and buildings. The addition to intangible assets amounted to € 4.4 million (2020: € 1.9 million) and primarily includes software expenses. In the business year 2021, investments of € 17.0 million (2020: € 16.8 million) were attributable to Decoratives, € 12.6 million (2020: € 18.1 million) to Profiles and € 3.4 million (2020: € 3.5 million) to Technicals.

Expenses

The cost of materials forms the biggest expense item in all the segments of the Group. Purchase prices for technical raw papers, various plastics and chemical additives exert the greatest impact. In the case of plastics, increases in purchase prices were already beginning to emerge by year-end 2020. This development continued in the business year 2021 and in some cases led to very strongly rising prices. Furthermore, the supply situation was very poor. In 2021, some types of technical raw papers and chemical additives were impacted by very steep price increases during a critical supply situation. Since the higher prices could only be partly passed on and with a time lag, the cost of materials went up in relation to total output (cost of materials ratio) to 49.4 % after 45.5 % in 2020. The absolute cost of materials amounted to € -381.8 million after € -282.8 million in the previous year. Primarily owing to the increased number of employees, personnel expenses at € -175.2 million were +8 % higher than the year-earlier value of € -162.6 million in the business year 2021. In relation to the steep increase in total output, the personnel expense ratio came down from 26.1 % to 22.7 % during the reporting period. Other operating expenses are also subject to the same trend. In absolute terms, at € -107.4 million they were above the year-earlier value of € -92.2 million owing to the increase in business activity. However, in relation to total output, the ratio eased downwards to 13.9 % (2020: 14.8 %).

Group results

The positive business development in 2021 led to an increase in total output of the Group by +24 % to € 773.2 million (2020: € 622.1 million). This improvement significantly exceeded the increased expense items. Taking account of the other operating income amounting to € +6.4 million (2020: € +4.0 million), earnings before financial result, income tax and depreciation and amortization (EBITDA) increased by +30 % to € 114.8 million (2020: € 88.3 million). The EBITDA margin (EBITDA / sales) improved from 14.1 % in the previous year to 15.2 %. Depreciation and amortization at € -42.2 million remained at the year-earlier value. Consequently, earnings before financial result and taxes (EBIT) increased by +57 % to € 72.5 million (2020: € 46.1 million). The original EBIT target of € 47 million to € 52 million was thereby significantly exceeded. The EBIT margin (EBIT / sales) improved from 7.4 % in the previous year to 9.6 % in the reporting period. The financial result in the business year 2021 amounted to € -2.6 million after € -2.8 million in the previous year. Earnings before income tax (EBT) therefore increased by +62 % to € 70.0 million (2020: € 43.3 million). Deducting income tax in the amount of € -22.2 million (2020: € -9.5 million) yielded consolidated net profit of € 47.8 million in the business year 2021 after € 33.7 million in the previous year. Earnings per share amounted to € 3.08 for an unchanged number of shares at 15.5 million after € 2.17 in the previous year.

Results of the segments

The forecast significant increase in results was exceeded in all segments of the Group in the business year 2021. Hence, against the background of increased sales, Decoratives achieved a rise in EBIT by 60 % to € 62.3 million (2020: € 38.9 million). Increased expense items in the Segment Profiles were more than compensated by the prospering business activity. Insofar, the segment increased EBIT by +24 % to € 12.7 million (2020: € 10.3 million). EBIT in Technicals rose by +7 % to € 5.6 million (2020: € 5.2 million) in the business year 2021.

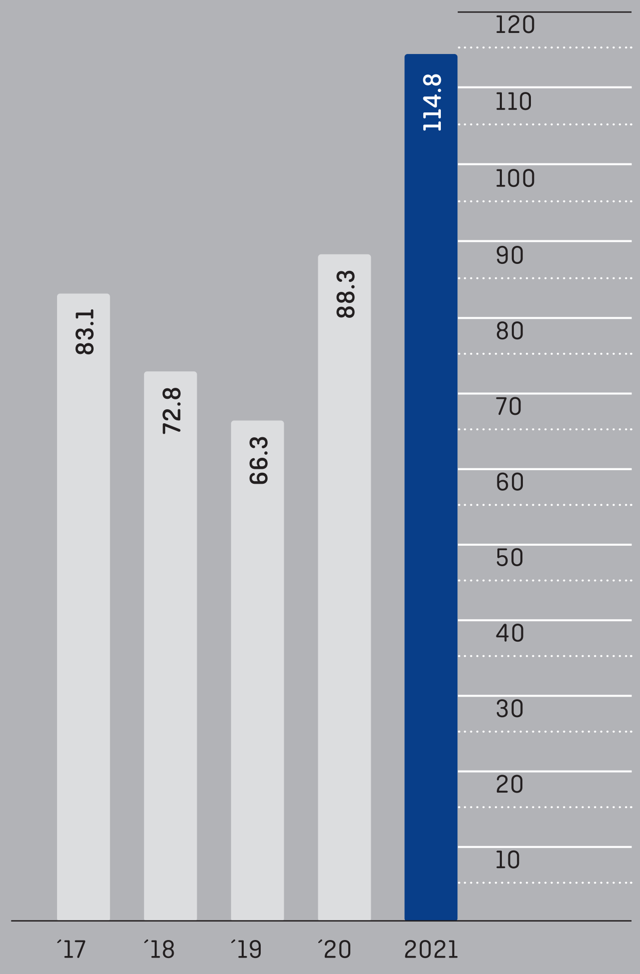
HGB (German Commercial Code) financial statements for SURTECO GROUP SE

The financial statements of the holding company SURTECO GROUP SE were prepared on the basis of the accounting principles in accordance with the Third Book of the German Commercial Code (§§ 242 ff. and 264 ff. German HGB) in the version of the Balance Sheet Directive Implementation Act (Bilanzrichtlinie- Umsetzungsgesetz, BilRUG) for large joint-stock companies and the Stock Corporation Act (Aktiengesetz, AktG).
As at 31 December 2021, the balance sheet total of SURTECO GROUP SE amounted to € 588.3 million (2020: € 618.8 million). On the assets side of the balance sheet, fixed assets at € 314.5 million remained approximately at the year-earlier level of € 314.9 million. Net assets and liabilities came down to € 273.5 million (2020: € 303.4 million), essentially due to the repayment of a tranche from a promissory note loan and a scheduled settlement of a loan.
Mainly on account of this repayment and settlement, liabilities on the assets side of the balance sheet also came down from € 297.4 million in the previous year to € 241.6 million, while provisions rose from € 6.1 million at year-end 2020 to € 15.5 million on the balance sheet date 2021. With a net profit amounting to € 27.8 million (2020: € 28.0 million), equity at 31 December 2021 increased to € 330.7 million after € 315.3 million in the previous year owing to the decision made at the Annual General Meeting in 2021 to make a transfer to retained earnings. The equity ratio rose to 56.2 % (2020: 51.0 %).
The sales revenues of SURTECO GROUP SE in the amount of € 1.8 million (2020: € 1.5 million) result entirely from intragroup reallocations. Personnel expenses in the business year 2021 amounted to € -7.3 million (2020: € -6.5 million) and other operating expenses amounted to € -4.7 million (2020: € -3.8 million). Owing to the good business performance in the Group, income from profit and loss transfer agreements increased to € 50.8 million after € 32.9 million in the previous year. The interest income amounted to € -2.7 million (2020: € -2.4 million) and income taxes amounted to € -11.2 million after € -1.2 million in the previous year. Insofar, the net income for 2021 increased to € 27.8 million after € 21.8 million in the previous year.

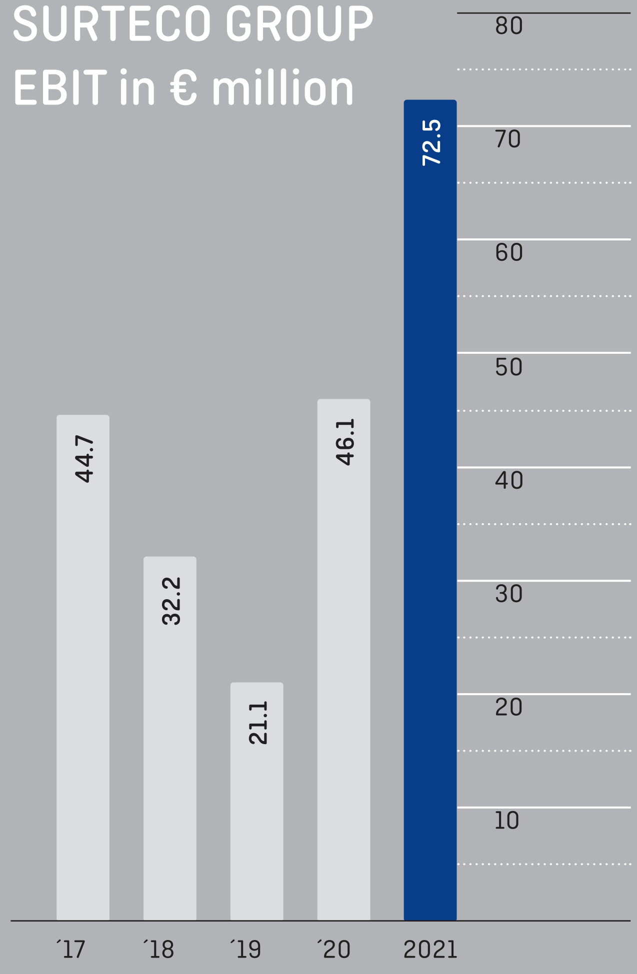
Overall statement on the economic situation

In the business year 2021, demand underwent a surprisingly strong recovery after weak sales in the previous year due to the coronavirus. As a result, sales surpassed the level prior to the COVID-19 pandemic and even achieved an all-time high for the Group. However, some drastic cost increases were posted for raw materials prices. These were more than compensated by the good business situation and the optimized structures resulting from the restructuring launched at the end of 2019 so that EBIT also reached a historic high.

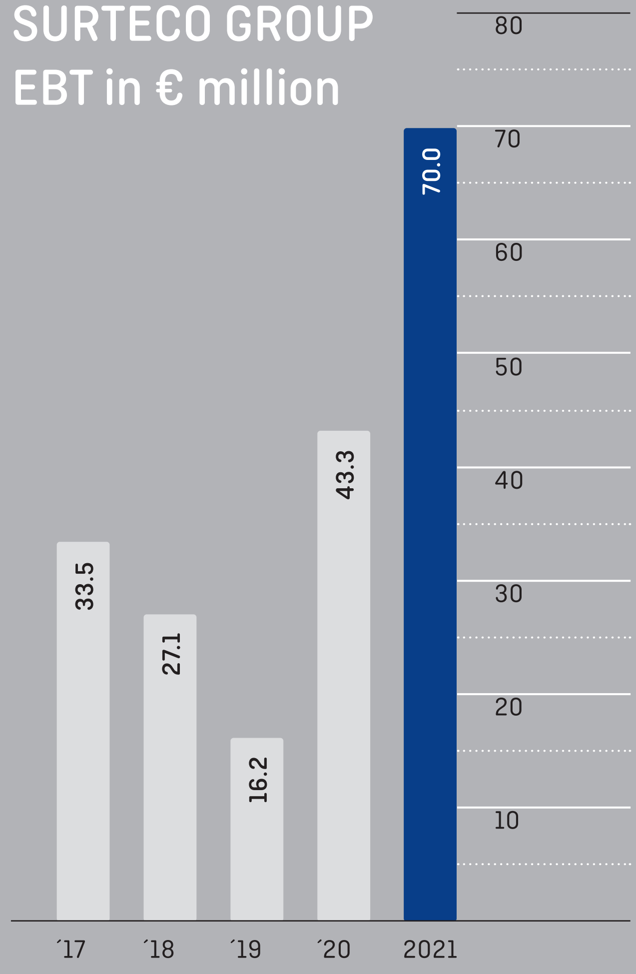
SURTECO GROUP
EBITDA in € million



SURTECO GROUP
EBIT in € million



SURTECO GROUP
EBT in € million



Research and development

Research and development at the SURTECO Group is carried out at local level owing to the specialization of the production locations. In the case of surface products, the focus is on advanced development of the optical and haptic characteristics and the resilience of the products. The focus for technical extrusions and skirtings is on the technical characteristics. The research and development departments also work consistently on achieving qualification for alternative raw materials, the development of new product categories and optimization of the production processes. In the business year 2021, expenses for research and development in the Group amounted to € 2.1 million after € 2.3 million in the previous year. An average of 140 (2020: 160) employees were working in the research and development departments of the Group. The corresponding personnel costs for employees in research and development are included in the Group's personnel expenses.

People and training

The number of employees throughout the Group increased to 3,165 at year-end 2021 after 3,052 at 31 December 2020. The workforce was bolstered particularly in the Segment Profiles following the expansion of the warehouse areas and the production capacities. Hence, the number of employees increased in this segment at the end of the year to 579 (2020: 505). In the case of Decoratives, the number of employees rose slightly at the end of the year from 2,256 in the previous year to 2,289 and in Technicals the number of employees at 278 remained approximately at the level of the previous year amounting to 272. As at 31 December 2021, 19 employees were working in the holding company SURTECO GROUP SE (2020: 19). The average age of the employees in the Group fell to 41.8 years (2020: 42.7 years) and the average length of service was down to 12.1 years (2020: 12.8 years). The average sickness rate in 2021 went down to 4.3 % (2020: 4.5 %) while the fluctuation rate increased to 11.0 % (2020: 8.7 %). In the business year 2021, an average of 99 (2020: 115) apprentices were employed at the German Group sites. In relation to the average number of employees in Germany, the training rate was therefore 5.9 % (2020: 6.7 %).

Employees by regions

Location	31/12/2020	31/12/2021	Change
Germany	1,670	1,698	+28
Portugal	268	277	+9
Brazil	212	238	+26
United Kingdom	162	190	+28
USA	160	176	+16
Sweden	117	118	+1
Asia	112	116	+4
Canada	107	104	-3
Australia	94	92	-2
Poland	41	42	+1
Mexico	37	40	+3
Italy	24	25	+1
France	22	23	+1
Russia	11	14	+3
Czech Republic	14	12	-2
Turkey	1	0	-1
	3,052	**3,165**	**+113**

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

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

Risk and opportunities report

Risk Management System

The SURTECO Group with its individual subsidiary companies is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any event or circumstance that can lead to a negative deviation for the SURTECO Group now and/or in future from the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies, if this is feasible at reasonable commercial conditions. However, it is not possible to exclude the possibility that insurance cover or hedging with financial instruments is inadequate in individual cases or that appropriate protection cannot be obtained for specific risks.

The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization. The Management Board of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Management Board works together with the management of the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Management Board and is responsible within this framework for risks that it enters into during the course of its business activities. The management includes the employees in the Risk Management Department in the framework of exercising their management functions. The Risk Management Manual applicable throughout the Group defines binding rules and conditions for the risk management process. This ensures that the identified individual risks are classified into damage and probability classes on the basis of their anticipated gross financial burden on EBT with respect to the current and subsequent years using the following tables. Overcoming individual risks up to € 1.0 million is deemed to be the responsibility of the individual companies.

The identified individual risks are also allocated to risk categories to which the SURTECO Group is fundamentally exposed. The following risk and opportunities report explains these risk categories in general terms and provides information about the recorded individual risks in each category.

Appropriate measures for reducing and overcoming the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing over time, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. Apart from regular reporting to the Management Board and the Supervisory Board, managers have a duty to report risks that occur unexpectedly without delay. The usefulness and efficiency of risk management and the controlling

systems are monitored at regular intervals by the Management Board and the management of the subsidiary companies. The Group is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.
Opportunities essentially arise on account of positive developments from outside influences of the kind that are described in the risk categories. Any opportunities identified are also recorded and documented, although they are not allocated to classes.

Accounting-based Internal Controlling and Risk Management System (ICS) – report in accordance with § 289 (4) and § 315 (4) German Commercial Code (HGB)

The ICS comprises the accounting-based processes and controls which are significant for consolidated financial statements. The SURTECO Group bases the structure of its internal controlling system on the relevant publications of the Institute of Auditors (Institute der Wirtschaftsprüfer, IDW). There were no significant amendments to the accounting-based ICS between the balance sheet date and the preparation of the management report.
The preparation of the accounts and the financial statements is primarily carried out locally and in accordance with local standards. The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS) and the application of accounting guidelines. A uniform chart of accounts and the use of accounting policies form the basis for these documents. The Group holding company supports the companies on issues relating to accounting and manages the consolidated accounting process.
The subsidiary companies are included in the consolidated financial statements and in the combined management report using a partly integrated accounting and consolidation system, and on the basis of reporting packages. Consolidation is initially carried out as a multistage process at the level of the subsidiary companies, then at the level of segments and finally at Group level. The consolidated financial statements are prepared using a permanent structured process based on a calendar for the financial statements.
The plausibility of the figures is ensured at every level by manual and systematic checks. Transparent responsibilities and access rules for IT systems relevant to the financial statements are significant elements in this process. The controlling principles of separation of functions, double-check principle and approval and release procedures are applied to the annual financial statements and the consolidated financial statements. Information from external service providers is checked for plausibility.

The risks and opportunities presented below apply equally to SURTECO GROUP SE and the SURTECO Group.

Strategic corporate risks and opportunities

MACROECONOMIC RISKS, MARKET RISKS AND MARKET OPPORTUNITIES

In our opinion, the business development of the SURTECO Group depends significantly on macroeconomic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of the relevant countries is therefore analyzed as an indicator for the business performance of the company since the manufactured products are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods correlates with economic development. Furthermore, the performance of the flooring, furniture and wood-based industries in the individual countries and markets is important for the business development of the Group. After the tangible turbulence in conjunction with the COVID-19 pandemic in 2020, the global economy recovered during the reporting period. This recovery was also noticeable by the demand experienced in the SURTECO Group.
The Group has production sites and additional sales locations on four continents, and this places the Group in the position of being able to supply its customers worldwide quickly, as well as being in a position to identify trends in regional markets at an early stage. This gives the company an opportunity to gain first-mover advantage when participating in trends. The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans, and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered. The most relevant geographical markets are located in Europe, in North and South America, and Australia. The Group may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the companies to benefit indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at the SURTECO Group.
Similar to the development of geographical markets, the Group also monitors the dynamic performance of relevant sectors. The focus of this analysis is essentially on the flooring, furniture and wood-based industries. The Group will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.
Two individual risks in this category with damage class 1 and probability class 2 were identified in the Segment Decoratives above the threshold of € 1.0 million. An individual risk in this category was identified in the Segment Profiles with damage class 1 and probability class 2.

COMPETITIVE RISKS AND OPPORTUNITIES

An increased production depth has been observed in the market over recent years. This can lead to excess capacities and tougher competition. Furthermore, new local competitors may enter the market at any time. Digital printing offers risks and opportunities in equal measure. New competitors can also enter the market in the paper segment with this technology at any time. However, it also provides the Group with new opportunities to expand its market position.
The Group is countering the high level of competitive pressure by expansion and reinforcement of existing business, innovative products, and not least through a further increase in efficiency and productivity.
Since the SURTECO Group is represented worldwide through its network of sales companies and, in our opinion, already holds a strong market position in its most important divisions, there is an opportunity to achieve further market penetration, for example on the back of integration of sales and marketing activities of the individual subsidiary companies. There is also an opportunity to play a proactive role in future consolidation within the sector.
No individual risk above the threshold of € 1.0 million was identified in this risk class.

Operational risks

PROCUREMENT RISKS AND OPPORTUNITIES

The Group is dependent on outsourcing from suppliers and partners for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks, for example unexpected supply difficulties or unforeseeable price increases resulting from market consolidation, market bottlenecks or currency effects which could impact negatively on results. The Group meets risks associated with supply by a process of continuous

material and supplier management. The measures involve analyzing the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications, arranging supply contracts, the qualification of alternative suppliers and detailed research into alternative raw materials. Many important raw materials for the SURTECO Group posted price rises in 2021, which were drastic in some cases. Furthermore, the supply situation was at times very tense and, in some cases, led to production outages or production postponements.
One individual risk above the threshold of € 1.0 million with damage class 3 and probability class 4 was identified in the Segment Profiles and one individual risk with damage class 4 and probability class 4 was identified in the Segment Decoratives.
The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significantly positive impact on the earnings situation. The research and development departments have a rolling programme of continuously carrying out research into alternative raw materials and additives so that there is a possibility of identifying cheaper or higher quality substitute products.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and improvement of the information technologies used in the Group. Against the background of a growing potential for risk based on increasing integration of computer-supported business processes in communication between the Group companies and in communication with customers, suppliers and business partners, ongoing development of the measures used to make information secure are a top priority. Risks relating to the availability, dependability and efficiency of information technology systems are limited by making strategic investments and as appropriate by commissioning specialist companies. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can also be avoided through implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.
No individual risk above the threshold of € 1.0 million was identified in this risk class.

PERSONNEL RISKS

The success of the company is bound up with having a workforce of qualified personnel at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the skills of technical specialists and managers. The unexpected loss of employees, temporary absence of personnel, for example as a result of the COVID-19 pandemic, or difficulties in the search for suitable employees can exert negative impacts on business activities.
One individual risk above the threshold of € 1.0 million with damage class 1 and probability class 4 was identified in this class.

PRODUCTION RISKS / TECHNOLOGY OPPORTUNITIES

An efficient and smooth-running production process is the enabler for the delivery capability of the companies. This entails the risk that machines or equipment may break down or the production workflow may be disrupted in some other way, for example as a result of lack of personnel. To a certain extent, the companies of the Group are able to distribute production over several sites and thereby effectively minimize the risk of downtime. Production processes that cannot be distributed, or this can only be done with difficulty, are protected against production outage with standard measures such as subdivision into different fire zones. Furthermore, the production procedures, manufacturing technologies, machinery used and processes are continuously developed and optimized, the systems and equipment are carefully maintained, and the employees receive training. If there are any complaints, extensive investigations are carried out in order to ascertain the causes. It is not possible to exclude the possibility that complaints may actually be traced to semi-finished products, and when this is the case, it is not always effective to seek recourse with the supplier. Environmental officers apply defined standards and regulations to monitor the environmental safety of products and production.
One risk with damage class 1 and probability class 4 was identified in this risk class above the threshold of € 1.0 million.
The production area also offers opportunities. A continuous improvement process was implemented to identify and continuously realize any established potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company.

Financial risks

INTEREST AND CURRENCY RISKS, CURRENCY OPPORTUNITIES

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros may entail currency risks (translation risks). For example, the Proadec Group generates around one third of its sales revenues in Brazil denominated in the historically volatile currency of the Brazilian real. The biggest proportion of sales in a foreign currency within the SURTECO Group was represented by the US dollar with approximately 11.6 % in 2021. The translation risk is not hedged because the influences are non-cash. Conversely, transaction risks arise as a result of the procurement or sale of goods in different currencies and from foreign-currency loans, which are given out to Group companies for financing. Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. The company meets the remaining interest and currency risks with regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed and decided by the central Treasury Department with the Management Board and the responsible Managing Directors. Where possible, currency fluctuations are balanced through natural hedging.
Opportunities are possible if there are appropriate positive developments of the currencies.
No individual risks were identified in this risk class within the Group.

LIQUIDITY RISKS

The Corporate Treasury Department in the holding company SURTECO GROUP SE is responsible for monitoring and controlling the liquidity of the Group and the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of operating cash flow and the short payment targets mean that the companies have adequate liquid funds continuously available. There is also the option of drawing on open credit lines and on a factoring agreement.
Nevertheless, there is a risk that earnings and liquidity can be compromised by default on customer accounts receivable and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit ratings of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly-based customer structure and cover provided by appropriate trade credit insurance policies.
No individual risks were identified in this risk class within the Group.

FINANCING RISKS AND FINANCING OPPORTUNITIES

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. The majority of the financial liabilities of the Group have residual terms of up to five years (-> maturity structure in sub-section 33.3 of the Notes to the Consolidated Financial Statements) and primarily have fixed interest rates. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with the lenders at standard market conditions in a number of loan agreements, for example the ratio of EBITDA to interest income, and these have to be complied with. These indicators are continuously monitored by the Management Board and the Supervisory Board. If there is an impending breach of any of the indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with during the business year 2021. From today's perspective, the financial indicators can also be complied with in the business year 2022.

No individual risks were identified in this risk class within the Group.

FLUCTUATIONS IN VALUE FOR PARTICIPATIONS

The SURTECO Group recognizes goodwill in the balance sheet. The values in use for the cash generating units of the Group were assessed as being higher than the net asset values within the scope of the impairment test for the business year 2021. As a consequence, no impairments were carried out. There was also no requirement for adjustments in any of the participations of SURTECO GROUP SE. However, the possibility that planned targets may not be reached in the future cannot be excluded; there may also be a requirement to carry out an impairment.

No individual risks were identified in this risk class within the Group.

Legal and regulatory risks / opportunities

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on the sales and the profitability.

The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the manufactured products reduce risk.

Risks can also arise from compliance breaches. The Management Board has implemented a Compliance Management System in order to prevent this from happening. Nevertheless, the possibility of becoming involved in court or arbitration proceedings cannot be excluded.

When business activities are carried out in third-party countries and at foreign locations of the Group, there are risks of social unrest and economic and political instability. In particular, the conflict between Russia and Ukraine could lead to restrictions on trade in these countries.

Furthermore, there is a general risk that unexpected fiscal risks may occur on account of the international alignment of the Group and the large number of subsidiaries.

One individual legal risk was identified for this risk class above the threshold of € 1.0 million in damage class 4 and probability class 1 for the Segment Decoratives.

Risks from the COVID-19 pandemic

In the business year 2021, the SURTECO Group benefited from the recovery in the global economy after the huge disruptions resulting from the coronavirus in the previous year. Nevertheless, the developments at the end of the year in 2021 demonstrated that the pandemic continues to hold the potential for risk. Hence, measures cannot be excluded in the future that could exert a negative impact on the general economic situation or tangibly impair delivery chains, sales markets or production processes. In order to maintain the smooth-running of operational workflows, the Group has set up a crisis staff, which regularly assesses the current situation and authorizes measures as appropriate. Where possible, the workforce is offered vaccination opportunities by company medical officers. Nevertheless, a tangible absence of personnel cannot be excluded.

Risks from the conflict between Russia and Ukraine

Owing to the conflict between Russia and Ukraine, the company has decided not to produce any orders relating to the Russian market until further notice and to discontinue deliveries to the Russian market. In the business year 2021, the proportion of sales in Russia amounted to approximately 2.9 % of total sales. The proportion of sales to Ukraine was less than one percent. Furthermore, the conflict could lead to distortions in the general economic situation and on the procurement market and hence exert negative impacts on the results of operations and financial position of the SURTECO Group. At Group level, the company has identified the risk in damage class 2 and probability class 4.

Overall risk assessment

The Group regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Management Board and the Supervisory Board are informed of risks at an early stage. There are no risks which alone or in combination with other risks could pose a threat to the continued existence of the company as a going concern. Even taking the COVID-19 pandemic and the conflict between Russia and Ukraine into account, risks of this nature posing a threat to the continued existence of the company as a going concern cannot currently be identified.

The analysis of all risks and opportunities leads to the conclusion that the substantive influencing factors for the business operations of the SURTECO Group come from the procurement markets and arise from the framework conditions for the global economy and the relevant sectors. Consequently, the main potential for risk relates to an unexpected price increase or shortage of raw materials, and in a major and extended recession in the global economy or in individual markets and sectors relevant for the Group. By the same token, an economic upswing or more favourable purchasing conditions also offer the most significant opportunities for more positive business development.

In principle, the risk situation of the SURTECO Group has not changed significantly compared to the previous year, apart from the uncertain effects of the Russia-Ukraine conflict and procurement risks.

The opportunities and risks described can exert a significant effect on the net assets, financial position and results of the Group's operations. Additional risks that are unknown at the moment could also impact negatively on business activities.

Outlook report

Macroeconomic framework conditions

In view of the Russia-Ukraine conflict, increased energy prices and high level of inflation, the German Council of Economic Experts[1] is only projecting growth of +3.3 % for the global economy in the year 2022. An upturn of +3.0 % is anticipated for the advanced economies, with an increase of +3.3 % expected in the USA and a rise of +2.9 % in the Euro area. The Council projects growth of +1.9 % for Germany and +3.8 % for the United Kingdom. The Council attributes an upturn of 3.9 % to emerging economies. The economy in Central and Eastern Europe is projected to grow by +3.1 % and in Latin America by +3.2 %, while a more significant expansion by +4.3 % is expected in Asia.
The associations of the German furniture industry (VDM/VHK) expect a sideways movement in terms of sales volume for the German furniture industry (including upholstered furniture and the mattress industry) in 2022. However, on the back of necessary price adjustments, the associations anticipate increased sales of around +10 %.[2]

Framework conditions for the SURTECO Group

The conflict between Russia and Ukraine is currently causing a great deal of uncertainty in relation to the ongoing political and economic impacts. Furthermore, the biggest challenges in operating business continue to be the ebb and flow of the COVID-19 pandemic, as well as the availability and prices of raw materials. What is more, there is currently no prospect of a relaxation of the vastly inflated purchase prices for the most important raw materials. These prices can only be passed on to a certain extent and with a time lag, and this is likely to exert a negative impact on margins. The following forecast takes into account the potential effects of these general conditions, which are subject to great uncertainty.

Sales forecast for the Group and segments

In the business year 2022, a slight decline in sales is anticipated for Decoratives and Technicals. In the case of Profiles, sales are likely to be approximately at the year-earlier level. Sales are projected to be between € 730 million and € 750 million across the Group.

Earnings forecast for the Group and segments

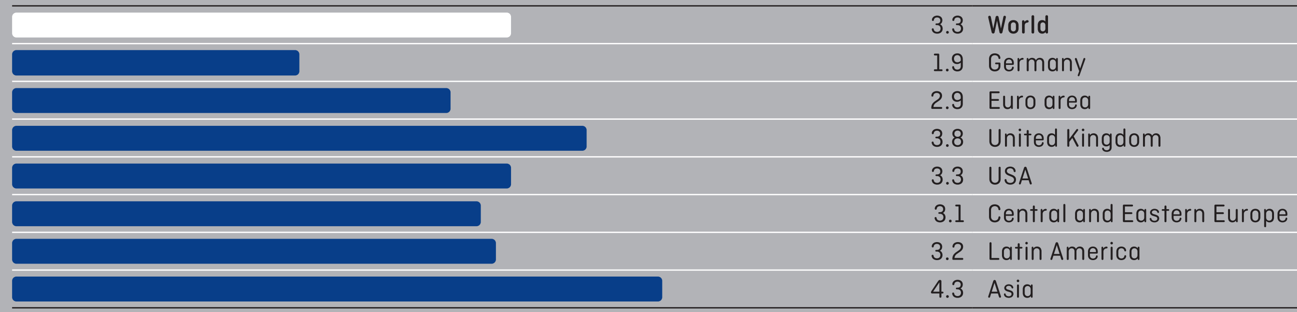
In the business year 2022, Decoratives and Technicals are expected to undergo a slight fall in EBIT. In the Segment Profiles, EBIT approximately at the year-earlier level is anticipated. Group EBIT is likely to be in the region of € 55 million to 65 million.

Overall statement on expected performance

Owing to the dramatic conflict between Russia and Ukraine, the capacity to arrive at a reliable forecast for the future is significantly restricted. Furthermore, there is little likelihood of being able to pass on the high costs of raw materials in full. Insofar, it appears improbable that the very good results of 2021 can be repeated in the current business year. Compliance with the covenants is likely in the business year 2022.

[1] Source: German Council of Economic Experts, Economic Outlook 30 March 2022.
[2] Source: Associations of the German Furniture Industry (VDM/VHK). Press release dated 21 February 2022

Forecast economic growth 2022 in %[1]



[1] Source: German Council of Economic Experts, Economic Outlook 30 March 2022.

Information pursuant to § 289a and § 315a German Commercial Code (HGB)

Capital stock

The subscribed capital (capital stock) of SURTECO GROUP SE is € 15,505,731.00 and is fully paid up. it is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case. Each share guarantees one vote at the Annual General Meeting of the company. Apart from the statutory restrictions in certain cases, there are no restrictions on the voting right. There are no different categories of voting rights.

Restrictions on voting rights and share transfers

The Management Board is aware that shareholders of SURTECO GROUP SE have joined together to form a share pool. The objective of this pool is to jointly exercise the voting rights of 8,818,310 no-par-value shares in SURTECO GROUP SE (in accordance with voting rights announcements), which is equivalent to a proportion of 56.87 % of the voting rights.

Direct or indirect participations greater than 10 % of the voting rights

Alongside the share pool, the following shareholders have notified us of a direct or indirect participation in our company that is greater than 10 % of the voting rights (status 31 December 2021):

Name, place	Voting rights in %
Banasino Investments Ltd., Malta	11.22
ECCM Bank plc, Malta	15.00

Significant agreements subject to conditions

On the balance sheet date, SURTECO GROUP SE had several promissory note loans and credit lines with a total nominal value of € 204 million outstanding. If there is a change of control, the creditors have the right to terminate their outstanding loans early.

Appointment and dismissal of Members of the Management Board

The appointment and dismissal of Members of the Management Board is carried out pursuant to §§ 84 ff. Stock Corporation Act (AktG). Changes to the Articles of Association are made in accordance with the regulations of §§ 179 ff. Stock Corporation Act (AktG).

Separate Non-financial Group Report

The Non-financial Group Report (Sustainability Report) for the business year 2021 pursuant to § 315b German Commercial Code (HGB) is published on the Internet portal of the company at www.surteco.com.

Follow-up report

After the balance sheet date, the company issued promissory notes in the amount of € 125 million for the purpose of general corporate financing and for refinancing of existing liabilities. These are divided into tranches of five, seven and ten years.
The consequences of the Russia-Ukraine conflict may have a negative impact on the net assets, financial position and results of operations in the 2022 financial year. Further explanations can be found in the chapters "Outlook Report" and "Risk and Opportunities Report".
Up until 13 April 2022, there were no further events or developments that could lead to a significant change to the recognition or valuation of individual assets or liabilities as at 31 December 2021.

Declaration on corporate governance

The Declaration on Corporate Governance pursuant to § 289f and § 315d German Commercial Code (HGB) in the form of the Corporate Governance Report including details on defining the promotion of women in management positions in accordance with § 76 (4) and § 111 (5) Stock Corporation Act (AktG), the description of the diversity concept in relation to the composition of the body authorized to represent the company and the Supervisory Board, the Declaration of Compliance with justification and archive, the information on the practices of company management, the composition and working methods of the Management Board and the Supervisory Board including its committees, the Articles of Association (statutes), and the auditor for 2021, can be accessed on the home page of the company by going to www.surteco.com and clicking on the menu item "Investor Relations – Corporate Governance".

Dividend proposal

The Management Board and the Supervisory Board of SURTECO GROUP SE will submit a proposal to the ordinary Annual General Meeting of the company being held on 7 June 2022 that the net profit of SURTECO GROUP SE amounting to € 27,793,969.76 is to be appropriated as follows. Payment of a dividend per share of € 1.00 (2020: € 0.80). This corresponds to a total amount distributed as dividend of € 15,505,731.00 for 15,505,731 shares. Appropriation is made to retained earnings in the amount of € 12,288,238.76.

For computational reasons, rounding differences of +/- one unit can occur.

Calculation of indicators

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

THE SURTECO SHARE

SURTECO shares with impressive development in 2021

Against the background of the buoyant business development, the price of the SURTECO share (ISIN DE0005176903) also increased by around 57 % over the course of the year. On the basis of the closing price of € 24.10 for the year 2020, the share rose by nearly 14 % already in the first half of the year 2021 within a corridor between € 22.10 and € 27.40. After the Annual General Meeting and the preliminary sales and earnings figures for the first half year with an increase in targets for the year as a whole, the share leapt ahead impressively, an advance that was only intermittently interrupted by a downbeat mood on the stock market. Hence, the share reached a high for the year of € 40.00 on 11 November 2021. After a further setback against the background of general uncertainty about the ongoing course of the Covid-19 pandemic, the price went up again to € 37.90 at the close of the year. This development meant that the share significantly outperformed the benchmark indexes DAX, MDAX and SDAX in 2021.

Share price performance 2021 in €

Market capitalization of € 588 million at year-end

The market capitalization rose to € 588 million on 31 December 2021 after € 375 million in the previous year with an unchanged number of shares amounting to 15,505,731 no-par-value issued shares. In the business year 2021, a joint "SURTECO Pool" was formed from the Schürfeld pool members and the SURTECO pool members which together hold 56.9 % of the voting rights shares. On the basis of the last voting rights notifications, the LUDA Foundation currently holds 26.2 % of the voting rights shares and Lazard Frères Gestion holds 4.7 %. Since Lazard as a fund company counts as part of the free float, this is 16.9 %.

All information on the company can be found on the Internet pages of SURTECO GROUP SE (www.surteco.com). Furthermore, you are always very welcome to contact the Investor Relations Department of the company directly if you have any questions or ideas you wish to discuss:

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SURTECO shares (Close price XETRA)

€	2020	2021
Number of shares at 31 December	15,505,731	**15,505,731**
Year-end price	24.10	**37.90**
Price per share (high)	24.20	**40.00**
Price per share (low)	15.04	**22.10**
Stock-market turnover in shares per month	75,405	**92,430**
Market capitalization at year-end in € million	373.7	**587.7**

Shareholder indicators for the SURTECO Group

Mio. €	2020	2021
Sales	627.0	**757.1**
EBITDA	88.3	**114.8**
EBIT	46.1	**72.5**
EBT	43.3	**70.0**
Consolidated net profit	33.7	**47.8**
Earnings per share	2.17	**3.08**

Indicators of the share

Type of security	No-par-value share
Market segment	Official market, Prime Standard
WKN	517690
ISIN	DE0005176903
Ticker symbol	SUR
Reuters' ticker symbol	SURG.D
Bloomberg's ticker symbol	SUR
Date of first listing	2/11/1999

Consolidated financial statements 2021

Consolidated Income Statement

€ 000s	Notes	1/1/-31/12/ 2020	1/1/-31/12/ 2021
Sales revenues	(1)	**626,989**	**757,060**
Changes in inventories	(2)	-8,802	12,382
Other own work capitalized	(3)	3,934	3,750
Total output		**622,121**	**773,192**
Cost of materials	(4)	-282,836	-381,759
Personnel expenses	(5)	-162,564	-175,244
Other operating expenses	(6)	-92,247	-107,392
Income/Expenses due to impairments under IFRS 9	(7)	-140	-458
Other operating income	(9)	3,988	6,425
EBITDA		88,322	114,764
Depreciation and amortization	(18)	-42,177	-42,240
EBIT		46,145	72,524
Interest income		292	438
Interest expenses		-4,757	-4,810
Other financial expenses and income		1,193	1,818
Share of profit of investments accounted for using the equity method		425	0
Financial result	(10)	-2,847	-2,554
EBT		43,298	69,970
Income tax	(11)	-9,531	-22,164
Net income		33,767	47,806
Of which:			
Owners of the parent (consolidated net profit)		33,687	47,806
Non-controlling interests		80	0
Basic and diluted earnings per share (€)	(12)	2.17	3.08
Number of shares at 31 December		15,505,731	15,505,731

Statement of Comprehensive Income

€ 000s	1/1/-31/12/ 2020	1/1/-31/12/ 2021
Net income	33,767	47,806
Components of other comprehensive income not to be reclassified to the income statement		
Remeasurements of defined benefit obligations	223	520
of which included deferred tax	-67	-156
Components of other comprehensive income that may be reclassified to the income statement		
Exchange differences translation of foreign operations	-11,797	3,118
Exchange differences in translation of foreign participations valued at equity	725	0
Other comprehensive	-10,916	3,482
Comprehensive income	22,851	51,288
Owners of the parent (consolidated net profit)	22,771	51,288
Non-controlling interests	80	0

Consolidated Balance Sheet

€ 000s	Notes	31/12/2020	31/12/2021
ASSETS			
Cash and cash equivalents	(13)	133,466	73,056
Trade accounts receivable	(14)	53,794	74,515
Inventories	(15)	109,273	140,900
Current income tax assets	(16)	779	2,745
Other current non-financial assets	(17)	6,522	9,156
Other current financial assets	(17)	6,719	3,136
Current assets		**310,553**	**303,508**
Property, plant and equipment	(19)	236,215	241,527
Intangible assets	(20)	48,738	46,822
Rights of use	(21)	35,552	27,769
Goodwill	(22)	162,902	162,911
Financial assets	(23)	10	10
Non-current income tax assets		0	4,507
Other non-current non-financial assets		126	148
Other non-current financial assets		274	1,358
Deferred taxes	(11)	4,406	6,590
Non-current assets		**488,223**	**491,642**
		798,776	**795,150**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(27)	40,594	92,784
Trade accounts payable		63,423	63,582
Contract assets under IFRS 15		4	4
Income tax liabilities	(24)	2,598	10,692
Short-term provisions	(25)	10,791	7,047
Other current non-financial liabilities	(26)	3,482	3,276
Other current financial liabilities	(26)	25,780	26,758
Current liabilities		**146,672**	**204,143**
Long-term financial liabilities	(27)	237,585	132,827
Pensions and other personnel-related obligations	(28)	13,245	11,888
Long term provisions		449	505
Other non-current non-financial liabilities		147	107
Other non-current financial liabilites		0	39
Deferred taxes	(11)	27,349	31,959
Non-current liabilities		**278,775**	**177,325**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		201,381	227,615
Consolidated net profit		33,687	47,806
Equity	(29)	**373,329**	**413,682**
		798,776	**795,150**

Consolidated Cash Flow Statement

€ 000s	Notes	1/1/-31/12/ 2020	1/1/-31/12/ 2021
Earnings before income tax		**43,298**	**69,970**
Payments for income tax		-6,873	-18,488
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(18)	42,177	42,240
- Interest income and result for investments	(10)	1,730	4,372
- Gains/losses from the disposal of fixed assets		-87	-770
- Change in long-term provisions		-197	-1,300
- Other expenses/income with no effect on liquidity		-6,631	3,047
Internal financing		**73,417**	**99,071**
Increase/decrease in			
- Trade accounts receivable	(14)	-992	-20,720
- Other assets		5,779	-157
- Inventories	(15)	13,788	-31,627
- Accrued expenses		-9,232	-3,745
- Trade accounts payable		517	160
- Other liabilities		-619	771
Change in assets and liabilities (net)		**9,241**	**-55,318**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(34)	**82,658**	**43,753**
Purchase of property, plant and equipment	(19)	-36,542	-28,659
Purchase of intangible assets	(20)	-1,874	-4,441
Proceeds/losses from the disposal of property, plant and equipment		2,408	2,417
Dividends received from investments accounted for using the equity method		545	0
Disposal of participation held at equity		4,762	0
CASH FLOW FROM INVESTMENT ACTIVITIES	(34)	**-30,701**	**-30,683**
Business transactions with non-controlling interests		-3,693	0
Dividend paid to shareholders	(29)	0	-12,405
Repayment of lease obligations		-7,502	-6,444
Borrowing of financial liabilities	(33)	15,520	30,000
Repayment of financial liabilities	(33)	-3,661	-79,412
Interest received	(10)	292	438
Interest paid	(10)	-4,757	-4,810
CASH FLOW FROM FINANCIAL ACTIVITIES	(34)	**-3,801**	**-72,633**
Change in cash and cash equivalents		**48,156**	**-59,563**
Cash and cash equivalents			
1 January		83,579	133,466
Effect of changes in exchange rate on cash and cash equivalents		1,731	-847
31 December	(13)	**133,466**	**73,056**

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Other comprehensive income	Currency translation adjustments	Other retrained earnings	Consolidated net profit	Non-controlling interests	Total
1 January 2020	15,506	122,755	-2,784	-8,837	215,017	9,428	3,548	354,633
Net income	0	0	0	0	0	33,687	80	33,767
Other comprehensive income	0	0	156	-11,072	0	0	0	-10,916
Allocation to retained earnings	0	0	0	0	9,428	-9,428	0	0
Business transactions with non-controlling interests	0	0	0	0	3,773	0	-3,628	145
Other changes	0	0	0	0	-4,300	0	0	-4,300
31 December 2020	15,506	122,755	-2,628	-19,909	223,918	33,687	0	373,329
1 January 2021	15,506	122,755	-2,628	-19,909	223,918	33,687	0	373,329
Net income	0	0	0	0	0	47,806	0	47,806
Other comprehensive income	0	0	364	3,118	0	0	0	3,482
Allocation to retained earnings	0	0	0	0	33,687	-33,687	0	0
Dividend payout SURTECO GROUP SE	0	0	0	0	-12,405	0	0	-12,405
Withdrawals from consolidation group	0	0	0	1,470	0	0	0	1,470
31 December 2021	15,506	122,755	-2,264	-15,321	245,200	47,806	0	413,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2021

SURTECO GROUP SE, JOHAN-VIKTOR-BAUSCH-STR. 2, 86647 BUTTENWIESEN (GERMANY)

I. Accounting Principles

SURTECO GROUP SE (Societas Europaea) is a company listed on the stock exchange under European law and is based in Buttenwiesen, Germany. The company is the ultimate parent company of the Group and is registered in the Company Register of the Local Augsburg Court (Amtsgericht Augsburg) under HRB 23000. The purpose of the companies consolidated in the SURTECO Group is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO GROUP SE and its subsidiaries for the fiscal year 2021 have been prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the balance-sheet date, as they were adopted by the EU, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the regulations to be applied in addition pursuant to § 315e (1) German Commercial Code (HGB). New standards adopted by the IASB will be applied after they have been adopted by the EU from the date on which they are first mandatory. Application and change to the valuation and accounting principles will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

Pursuant to § 315e German Commercial Code (HGB), the consolidated financial statements have been drawn up in accordance with Clause 4 of Directive (EU) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002 relating to application of the International Accounting Standards in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and were supplemented by specific information and the consolidated management report, and were adjusted in conjunction with § 315e German Commercial Code (HGB).

The consolidated financial statements have been drawn up in the reporting currency euros (€). Unless otherwise indicated, all amounts have been given in thousand euros (€ 000).

We refer to that fact that differences may occur when rounded amounts and percentages are used on account of commercial rounding.

The reporting date of SURTECO GROUP SE and the consolidated subsidiaries is 31 December 2021.

The consolidated financial statements and the combined management report of the SURTECO Group and SURTECO GROUP SE for 2021 will be published in the Federal Gazette (Bundesanzeiger).

Some items in the consolidated income statement and the consolidated balance sheet for the Group have been combined and stated separately in the Notes to the Consolidated Financial Statements. This is intended to improve the clarity and informative nature of presentation of the consolidated financial statements. The income statement has been drawn up in accordance with the cost of production method.

The professional services firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and other appointed auditing firms have essentially audited the financial statements or the sub-groups that form part of the consolidated financial statements.

The consolidated financial statements of SURTECO GROUP SE for the fiscal year 2021 were prepared on 13 April 2022 and forwarded to the Supervisory Board for auditing. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements. The Supervisory Board is to approve the consolidated financial statements at the meeting on 13 April 2022. The Management Board will then release the statements for publication.

II. Accounting principles in accordance with the International Financial Reporting Standards

Change in accounting and valuation methods

With the exception of the changes presented below, the accounting and valuation methods correspond to the methods applied in the previous year.

Accounting standards and interpretations applied

During the business year, revised standards and interpretations were applied for the first time. They give rise to no material effects on the net assets, financial position and results of operations of the Group.

Standard/Interpretation	Application obligation to apply for the business on or from	Adoption by the EU Commission	Expected effects on SURTECO
Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9	01/01/2021	yes	none
Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2	01/01/2021	yes	none
Amendments to IFRS 16: COVID-19-related Rent Concessions beyond 30 June 2021	01/04/2021	yes	none

International financial reporting standards and interpretations that have been published and have to be applied in the future but are not yet mandatory

The following new and revised standards and interpretations, which were not yet mandatory during the reporting period or had not yet been adopted by the European Union, are not being applied in advance.

Standard/Interpretation	Application obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
Amendments to IFRS 3: Reference to the Conceptual Framework	01/01/2022	yes	being analyzed
Amendments to IAS 16: Proceeds before Intended Use	01/01/2022	yes	being analyzed
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022	yes	being analyzed
Annual Improvements to IFRS (2018-2020 Cycle) with amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	01/01/2022	yes	being analyzed
IFRS 17 and amendments to IFRS 17 from June 2020 for Deferral of Effective Date	01/01/2023	yes	being analyzed
Amendments to IAS 1 und Practice Statement 2: Disclosure of Accounting Policies	01/01/2023	yes	being analyzed
Amendments to IAS 8: Definition of Accounting Estimates	01/01/2023	yes	being analyzed
Amendments to IAS 1: Classification of Liabilities as Current or Non-current incl. the Deferral of Effective Date published in July 2020	01/01/2023 *	no/open	being analyzed
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01/01/2023 *	no/open	being analyzed
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	01/01/2023 *	no/open	being analyzed

(A) Amended
(R) Revised

* Date of first-time application in accordance with IASB-IFRS (since these regulations have not yet been adopted in EU law)

III. Consolidated Companies

SURTECO GROUP SE and all significant companies, in which SURTECO GROUP SE has a controlling influence, are included in the consolidated financial statements as of 31 December 2021. Control exists if SURTECO GROUP SE has a right to receive variable returns based on the relationship with a company and possesses power of disposal over the company. The term "power" implies that SURTECO GROUP SE has existing rights enabling it to direct the relevant activities of the company and thus exert a significant influence on the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. Within structured entities, control usually derives from contractual agreements. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which control exists until it is no longer possible to exercise such control.
As of the reporting date, one company, as in the previous year, is not included in the consolidated financial statements as there were only minimal business activities in the course of the year under review and the influence of their aggregate value on the true and fair view of the net assets, financial position and results of operations of the Group was not significant.

Alongside SURTECO GROUP SE, the following companies are included in the consolidated financial statements for the Group:

	31/12/2020	Additions	Disposals	31/12/2021
Consolidated subsidiaries				
- of which in Germany	9	0	-3	6
- of which abroad	24	1	-1	24
Subsidiaries reported at acquisition costs				
- of which in Germany	0	0	0	0
- of which abroad	1	0	0	1
	34	**1**	**-4**	**31**

The companies included in the consolidated financial statements as of 31 December 2021 and disclosures on subsidiaries and participations held directly and indirectly by SURTECO GROUP SE are included in the list under "Shareholdings". The annual financial statements and the management report of SURTECO GROUP SE for the business year 2021 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

In the business year 2021, the following structural changes were recognized within the SURTECO Group:

- Establishment of SURTECO (Foshan) Decorative Material Co. Ltd
- Liquidation of Proadec Deutschland GmbH
- Liquidation of SURTECO DEKOR Ürünleri Sanayive Ticaret A.S.
- Winding up of the special-purpose company Jorna Grundstücks- und Vermietungsgesellschaft mbH & Co. KG
- Winding up of the special-purpose company Sandix Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Weimar KG

IV. Use of § 264 (3) German Commercial Code (HGB)

The exemption clauses pursuant to § 264 (3) German Commercial Code (HGB) were applied for the following subsidiary companies included in the consolidated financial statements in order to provide them exemption from the requirement to draw up their respective management report and notes, and to audit and to disclose their annual financial statements:

Name	Registered office
SURTECO GmbH	Buttenwiesen
SURTECO art GmbH	Willich
Dakor Melamin Imprägnierungen GmbH	Heroldstatt
Kröning GmbH	Hüllhorst
Döllken Profiles GmbH	Bönen
SURTECO Beteiligungen GmbH	Buttenwiesen

V. Consolidation Principles

The financial statements included in the consolidation process have been prepared on the basis of the accounting and valuation principles, uniformly applicable – which have remained fundamentally unchanged by comparison with the previous year – to the SURTECO Group.

The consolidated financial statements have been prepared on the basis of historic acquisition and production cost, with the exception of measuring derivative financial instruments and financial assets available for sale at their fair value or market value.

The reporting date of the consolidated financial statements coincides with the reporting date of the individual companies included in the consolidated financial statements (31 December 2021).

The accounting of business combinations is carried out by the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets provided, the equity instruments issued, and the liabilities incurred or taken over on the date of exchange. In the context of a business combination, assets, liabilities and contingent liabilities identified within the course of a first-time consolidation are measured at their acquisition date fair values. For each business acquisition, the Group decides on an individual basis whether the non-controlling shares in the acquired company should be recognized at their respective fair value or on the basis of their proportion in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses at the time they occur.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is recognized as goodwill. Any remaining negative difference is recognized as profit or loss in the income statement.

Goodwill arising from the acquisition of a subsidiary company or business operation are recognized separately in the balance sheet.

The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity capital as "non-controlling interests". Non-controlling interests are measured on the basis of the proportionate net assets.

In accordance with IFRS 3 and in conjunction with IAS 36, goodwill arising from company acquisitions is not subject to scheduled amortization, but is subject to an annual impairment test if there are any indications of declines in value.

An associated company is a company over which the Group can exert a significant influence by involvement in the finance and business policy but where the Group does not exercise control. A significant influence is assumed if the Group has a share of the voting rights amounting to 20 % or more. Investments in associated companies are measured using the equity method.

In accordance with IFRS 11, there are two forms of joint agreement depending on the arrangement of the contractual rights and obligations of the individual investments: joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control have rights and obligations in respect of the assets and liabilities of the arrangement. The assets, liabilities, income and expenses are recognized proportionately.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights in respect of the net assets of the arrangement. Joint ventures are reported in accordance with the equity method.

Investments in associated companies and joint venture companies are accounted for with their acquisition costs by using the equity method and they are increased or decreased annually by the proportionate changes in equity. If impairments exceeding the value of the individual participation occur, any available non-current assets being associated with the participation are written down. If the book value of the participation and these assets is reduced to zero, additional losses are accounted for in the appropriate scope and recognized as a liability, if the Group has entered into legal or de facto obligations to cover losses, or makes payments instead of the associated company or joint venture.

If a Group company carries out significant transactions with an associated company or joint venture, any resulting unrealized gains or losses are eliminated in accordance with the share of the Group in the associated company or joint venture.

Special-purpose entities are integrated in the consolidated financial statements on a contractual basis.

Adjustments to uniform consolidated accounting and valuation principles are performed as necessary.

Receivables, liabilities and loans between the Group companies are netted.

Sales, expenses and income within the Group and intercompany profits arising from sales of assets within the Group, which have not yet been disposed of to third parties, will be eliminated if they materially affect the presentation of the actual relationships of current net assets, financial position and results of operations.

Deferred income tax arising from consolidation measures recognized in the income statement has been accrued.

Intercompany trade accounts are accounted on the basis of market prices and transfer prices that are determined according to the principle of "dealing at arm's length".

Transactions with non-controlling interests without loss of control are accounted for as transactions with the owners of the Group who act in their capacity as owners. A difference between the fair value of the consideration paid and the acquired share in the carrying value of the net assets of the subsidiary company arising from the purchase of a non-controlling interest is recognized in equity. Gains and losses which arise on the disposal in respect of non-controlling interests are also recorded in equity.

VI. Currency Translation

Business transactions in foreign currency are reported at the exchange rate on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the reporting date are reported at the rate on the balance sheet date. Gains and losses arising from changes in rates are reported with effect on earnings in the financial result (from non-operating matters) or in other operating income or other operating expenses (from operating matters).

The earnings and the balance sheet items of the foreign subsidiary companies included in the consolidated financial statements which have a different functional currency to the euro are converted into euros as follows. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the reporting date, whereas equity capital is translated at historic rates. Expenses and income and hence also the profit/loss for the year recognized in the income statement are translated at the average rate for the year. Differences arising from currency translation for assets and debts compared with translation in the previous year and translation differences between the income statement and the balance sheet are reported with no effect on income under shareholders' equity in retained earnings (currency translation adjustments). Since all consolidated companies operate their financial, business and organizational transactions independently, the relevant national currency is the functional currency.

Translation was based on the following currency exchange rates:

Exchange rates in euros		Rate on the reporting date		Average rate	
		31/12/2020	31/12/2021	2020	2021
US dollar	USD	0.8149	0.8829	0.8776	0.8454
Canadian dollar	CAD	0.6937	0.6948	0.6543	0.6744
Australian dollar	AUD	0.6291	0.6404	0.6046	0.6351
Singapore dollar	SGD	0.6166	0.6545	0.6359	0.6292
Swedish krone	SEK	0.0997	0.0976	0.0954	0.0986
Sterling GBP	GBP	1.1123	1.1901	1.1253	1.1629
Turkish lira	TRY	0.1097	0.0656	0.1264	0.0977
Polish zloty	PLN	0.2193	0.2175	0.2252	0.2191
Russian rouble	RUB	0.0109	0.0117	0.0122	0.0115
Czech koruna	CZK	0.0381	0.0402	0.0378	0.0390
Mexican peso	MXN	0.0410	0.0432	0.0411	0.0417
Brazilian real	BRL	0.1569	0.1585	0.1685	0.1570
Chinese yuan	CNY	0.1246	0.1390	0.1271	0.1311

VII. Accounting and Valuation Principles

Uniform accounting and valuation principles

The consolidated financial statements were drawn up in accordance with uniform accounting and valuation principles for similar business transactions and other events in similar circumstances.

Consistency of accounting and valuation principles

The accounting and valuation principles have been complied with, unless defined otherwise below, by comparison with the previous year.

Structure of the balance sheet

Assets and liabilities are recognized as non-current in the balance sheet if their residual term is more than one year or realization is expected within the normal business cycle. Liabilities are generally recognized as current if there is no unrestricted right to fulfil the obligation within the period of the next year. Shorter residual terms are recognized as current assets or liabilities. Pension provisions and other personnel-related obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities.

Revenue and expense realization

IFRS 15 establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that a company shall recognize revenues to depict the transfer of promised goods and services in an amount that likely reflects the consideration.

All components of IFRS 15 relevant for Surteco were reviewed and accounted for within the scope of revenue and expense realization relating to the business year 2021.

Revenues should be recorded when a performance obligation is satisfied by the transfer of a promised good or promised service to a customer. An asset is deemed to have been transferred if the customer is able to exert power of disposal over the asset.

Revenues should be recognized if it is likely that the economic benefit will accrue to the Group and the amount of the income can be reliably determined. Income is valued at the fair value of the reciprocal product or service.

Sales originating from the sale of goods have been recorded if the following conditions are fulfilled:
- The Group has transferred the power of disposal over them arising from ownership of the goods to the purchaser.
- The level of the sales revenues can be reliably determined.
- It is probable that the economic benefit arising from the business will accrue to the Group.
- The costs incurred or still to be incurred due to the sale can be reliably determined.

SURTECO realizes sales revenues when the power of disposal over definable goods or services is transferred to the customer. In other words, as soon as the customer has the capability to determine the use of the transferred goods and services, and essentially derives the remaining benefit from them. The prerequisite is the existence of a contractual agreement which establishes legally enforceable rights and obligations.
The level of the recorded sales revenues corresponds to the expected consideration to which Surteco has a contractual claim.

Sales revenues are recorded without value added tax and after sales reductions, such as bonuses, discounts or rebates. Provisions for customer price reductions and rebates, as well as returns, other allowances, and warranties are recognized in the same period in which the sales were reported.

Volume discounts partly acting retrospectively are agreed for the sale of products. These are based on the total sales of a 12-month period. The revenues from these sales are reported in the amount of the price defined in the contract, less the estimated volume discount. The estimate for the liability is based on experience values. Sales revenues are only reported in the scope in which it is highly probable that a significant cancellation of the sales is not necessary, insofar as the associated uncertainty no longer exists.

Sales revenues arising from the sale of goods are realized on the date when the power of disposal is transferred to the purchaser, generally when the goods are delivered. The sales revenues derived from services are recorded over the period of service provision because the customer benefits from the use uniformly over the period when the service is provided and the customer consumes this use at the same time.

When goods are sold to the customer, the customer makes payment after invoicing takes place following delivery. As appropriate, advance payments are requested from customers. The payment conditions vary in accordance with the standard conditions applicable in the individual countries and sectors, and usually grant short-term payment conditions.

All revenues are realized on a specific date in the SURTECO Group. Revenues are recorded on transfer of risk depending in each case on the agreed delivery and shipping conditions, i.e. on a defined date.

A financial component remains for the level and the time of the sales realization when the period between the transfer of goods or services and the payment by the customer is a maximum of one year.

Additional costs for contract initiation whose amortization period would be no longer than one year are always recognized immediately as expense.

Sales are only defined as the product sales resulting from the ordinary activities of the company.

A receivable is recognized when the goods are dispatched because at this point the claim to a consideration is unconditional, i.e. the due date is defined automatically from this point in time.

Dividend income arising from financial assets available for sale is recognized if the legal right to payment of SURTECO as a shareholder has arisen.

Overall, expenses are recognized if it is probable that there will be an outflow of economic resources from the company.

Operating expenses are reported as expenses at the point in time at which they are incurred when the service is used, insofar as they fall within the reporting year.

Interest income and interest expenses are recorded pro rata. Income from financial assets is recorded when the legal right to payment has occurred.

EBITDA

EBITDA is earnings before financial result, income tax and depreciation and amortization.

EBIT

EBIT is earnings before financial result and income tax.

EBT

EBT is earnings before income tax.

Earnings per share

The basic earnings per share are calculated by dividing the proportion of the share in the consolidated net profit attributable to the shareholders of SURTECO GROUP SE by the weighted average of the issued shares. Shares which have been newly issued or bought back during a period are recognized pro rata for the period in which they are in free float. There were no dilution effects during the reporting periods referred to.

Determination of the fair value

In accordance with IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at arm's length between market participants at the measurement date. This applies independently of whether the price can be observed directly or has been estimated.

When applying valuation procedures for calculating the fair value, it is important to use as many (relevant) observable input factors as possible and as few non-observable input factors as possible.

A three-level fair value hierarchy is to be applied. The input factors used in the valuation procedures are classified 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 scope of IFRS 13 is far-reaching and encompasses non-financial assets and liabilities and equity instruments. IFRS 13 is always used if another IFRS prescribes or permits a valuation at fair value or information on the calculation of the fair value is requested.

Financial instruments

In accordance with IAS 32, a financial instrument is a contract, which simultaneously leads to a financial asset for one entity and a financial liability or an equity capital instrument for another entity. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, financial receivables, debts and other financial liabilities, as well as derivative financial instruments which are used to hedge risks arising from changes in currency exchange rates and interest rates.

First-time recognition and derecognition of financial instruments in the balance sheet are carried out on the date of fulfilment. When first-time recognition is carried out, the SURTECO Group measures a financial asset at the fair value plus the transaction costs incurred directly on the acquisition of this asset, insofar as the asset is subsequently not reported at fair value. In the case of such instruments, the transaction costs are recorded immediately in the income statement. The following exception applies to this regulation for trade accounts receivable that are first valued at their transaction price in accordance with IFRS 15. Derecognition of the receivables and other financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets, and essentially all opportunities and risks associated with the property have been transferred, or alternatively if the power of disposal over the asset has been transferred. If the prerequisites for derecognition of the receivables are not fulfilled, the assets are not derecognized.

Financial assets and liabilities are netted and recognized as a net amount in the balance sheet if there is a legal entitlement to this and it is intended to bring about a settlement on a net basis or release the associated liability and realize the relevant asset simultaneously. The legal entitlement to offsetting must not depend on a future event and must be implementable in the course of normal business and in the case of a default, an insolvency or a bankruptcy.

The liabilities arising from primary financial instruments can either be recognized at the amortized costs or as liabilities "at fair value through profit and loss". SURTECO measures all financial liabilities at amortized costs. Financial obligations with fixed or determinable payments are recognized in the balance sheet under other liabilities in accordance with their remaining term. A financial liability is then derecognized when it is settled, i.e. the obligations defined in the contract have been fulfilled or have been cancelled or have expired.

Classification and valuation

In accordance with IFRS 9, principle-based regulations are applicable for the classification of financial assets. A distinction is drawn between the following valuation criteria set out below.

Debt instruments

The valuation of debt instruments depends on the business model of the SURTECO Group for managing the asset and the cash flows of the asset. The SURTECO Group classifies its debt instruments at amortized costs. These are defined as assets that are held to collect contractual cash flows, and for which payment flows are exclusively interest payments and settlement repayments, and they are measured at amortized costs. Interest income from these financial assets is recognized in financial income by applying the effective interest method. Profits or losses from derecognition are reported directly in other operating income or expenses. Impairments are recognized under impairment expenses or impairment reversal income in accordance with IFRS 9.

These regulations are to be applied to a financial asset in entirety, even if this includes an embedded derivative. The fair value option is not applied in the SURTECO Group.

In the SURTECO Group, financial instruments are classified in the following categories:

- At amortized costs (AC) for trade accounts receivable and for other assets (loans issued, etc.)
- At fair value through profit and loss for trade accounts receivable which have been assigned in the scope of the factoring programme

The SURTECO Group only reclassifies debt instruments if the business model used to manage such assets changes.

Equity instruments

Equity instruments are generally measured at fair value through profit and loss. Adjustments to the fair value are reported in the income statement under the other financial expenses and income.

The SURTECO Group does not make use of the fair-value OCI option.

Derivative instruments

The Group uses derivative financial instruments, such as forward exchange contracts and interest/currency swaps, in order to hedge risks associated with foreign currency and changes in interest rate which can occur in the course of ordinary business activities and within the scope of investment and financial transactions.

Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at the fair value on the date at which the contract is closed. They are subsequently revalued at market value on the reporting date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

At the beginning of the hedging transaction, the hedge between both the underlying transaction and the hedging transaction as well as the risk management targets and Group strategy are formally defined and documented in relation to hedging. The documentation includes the definition of the hedging instrument, the underlying transaction or the hedged transaction, as well as the type of hedged risk and a description of how the company calculates the effectiveness of the hedging instrument in the compensation of the risks arising from changes in the fair value or cash flow of the hedged underlying transaction.

For purposes of hedge accounting, hedging instruments are classified as follows:
- as hedging of the fair value, if the relationship relates to hedging the risk of a change in the fair value of a reported asset or a reported liability or a fixed obligation not reported (apart from currency risk),
- as hedging of cash flow, if the relationship relates to hedging the risk of fluctuations in the cash flow, which can be assigned to the risk associated with a reported asset, a reported liability or with a future transaction very likely to occur or to the currency risk of a fixed obligation not reported, or
- as hedging of a net investment in a foreign business operation.

The accumulated amounts reported in equity are reclassified to the periods in which the hedged underlying transaction exerts effects on the profit or loss, as follows:
- If the hedged underlying business leads to the recognition of a non-financial asset, the deferred hedging gains and losses are included in the original acquisition costs of the asset.
- The profit or loss from the effective part of the interest swap, which hedges the variable interest borrowings, is recognized under the item financial expenses under profit or loss for the period in which the interest expense is incurred for the hedged borrowings.

If a hedging instrument expires, is sold or terminated, or the hedging relationship no longer meets the criteria for the reporting of hedging relationships, any accumulated deferred hedging gains/losses at this point and the deferred hedging costs remain in equity until the expected transaction occurs and then leads to recording of a non-financial asset. If the transaction is no longer expected to occur, the accumulated hedging gains and losses and the deferred hedging costs are reallocated to profit or loss.

Impairments

IFRS 9 requires expected losses to be reported. The scope of application includes all financial instruments which are reported at amortized costs and at fair value through other comprehensive income, and contractual and leasing assets. Here, a distinction is drawn between the general and simplified model used to determine impairments.

General impairment model

The level of impairment depends on the allocation of the financial instrument to one of the following levels:

1. Level 1: All financial instruments are allocated to this level when they are first recognized. The expected loss corresponds to the amount which can arise from possible default events within the next 12 months after the reporting date. An expected loss is already recognized when the item is first reported. In the case of financial instruments whose credit risk has not increased significantly since first-time recognition, a company must record a risk provision in the amount of the credit defaults, whose occurrence is expected within the next twelve months, i.e. 12-month ECL. This should be understood as the present value of the payment defaults which arise from possible default events over the next twelve months after the reporting date.
2. Level 2: If, since the first-time recognition, a significant increase of the default risk has been recorded for the counterparty, the financial instrument should be transferred to Level 2. The impairment expense corresponds to the amount which can arise from possible default events during the residual term of the instrument.
3. Level 3: If there is an objective indication that an impairment has taken place, the financial asset should be transferred to this level. The risk provision to be recorded should be determined using the same approach as in Level 2. However, interest can only be recognized for these financial instruments using the effective interest method on the basis of the (impaired) net book value.

Expected losses are a probability weighted estimate of losses. Default probabilities are determined for this which are multiplied by the nominal amount for the receivable.

Simplified impairment model

The simplified approach is distinguished by the fact that there are no differences in the credit risk and the expected credit losses are always recorded from the first-time recognition. Instead, a risk provision in the amount of the total term ECL must be recorded on first-time recognition and on every subsequent reporting date. The simplified approach must be applied mandatorily for trade accounts receivable without significant financial components and for contractual assets.

The SURTECO Group only has trade accounts receivable. The expected credit losses are calculated using a provision matrix depending on the overdues of individual receivables. The underlying default rates were established on the basis of historical experience data and current expectations and are updated on each reporting date. In addition, future-oriented information (for example forecasts on economic performance indicators) are taken into account if these imply a connection with expected credit defaults on the basis of the historical data. Depending on the diversity of the customer base, appropriate groupings (for example on the basis of geographical area, product type, etc.) can be used if previous experience with credit losses demonstrates outcome patterns with significant deviation between different customer segments. The customers of the SURTECO Group are allocated within a homogenous portfolio because no special characteristics were identified here, for example in relation to the customer's country of origin.

Receivables with a clear indication of lack of recoverability continue to be checked individually for an impairment. If it is highly certain that no further incoming cash flow is to be expected, the instruments are impaired.

The book value of the financial assets corresponds to the maximum amount at risk of default.

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. For the valuation category in accordance with IFRS 9, the cash and cash equivalents are classified as "debt instruments at amortized costs (AC).

Receivables and other financial assets, apart from derivative financial instruments and any receivable assigned under the factoring programme, are reported at amortized costs (AC). Allowances are carried out on a case-by-case basis in accordance with the expected default risks through an allowance account. Final derecognition is carried out if the receivable is not recoverable. Measurement of the requirement for individual allowance adjustments is based on the age structure of the receivable and the findings related to the customer-specific credit and default risk. Objective indications for an increased default risk are provided, for example, in the case of a pending insolvency, compulsory enforcement proceedings for the customer, one/several complaints and late payments by customers, an affidavit by the customer, composition proceedings or a lawsuit in connection with the customer. The payment targets for the customers are agreed individually with the customer. No predefined critical overdues are applicable in the SURTECO Group. Critical receivables are assessed on the basis of the objective evidence available. Trade accounts receivable with standard payment terms are recognized at amortized costs, reduced by bonuses, discounts and allowances. The Group sells trade accounts receivable under factoring agreements. Most of these agreements were terminated in the business year 2021, with the exception of Italy.

These receivables are reported at fair value through profit and loss. The incoming payment from the sale of receivables is recognized under cash. Recognition of a short-term financial liability in the same amount is reported under current liabilities.

Inventories comprise raw materials, consumables and supplies, services in progress, purchased merchandise and work in progress and finished goods. They are valued at acquisition or production cost or at the lower net sale value. The net sale value corresponds to the estimated recoverable proceeds from disposal in normal business operations less the necessary variable sales expenses.

Raw materials, consumables and supplies are valued at cost prices or at the lower net sale value of the goods to be manufactured. Carrying values have been calculated by the weighted-average method. Downward valuation adjustments have been undertaken to reflect impairments due to obsolescence and technically restricted application.

Finished products and work in progress have been recognized at production cost. These costs include costs directly attributable to the manufacturing process and a reasonable proportion of production-related overheads. These include production-related depreciation, proportionate administrative expenses, and proportionate social security costs. Inventory risks arising from the storage period or reduced usability have been taken into account by write-downs.

In the case of inventories, write-downs on the net sale proceeds are carried out, if the book values of the inventories are too high on the basis of the lower stock-market or market values.

Development costs for intangible assets produced within the company have been capitalized under income at directly attributable acquisition or production cost, if the following criteria are complied with:

- The technical feasibility of completing the intangible asset is such that it will be available for use.
- The management intends to complete the intangible asset and to use or sell it.
- There is an ability to use or to sell the intangible asset.
- The form and manner in which the intangible asset will generate probable future economic benefits are traceable.
- Adequate technical, financial and other resources are available in order to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs which do not meet with these criteria are recorded as expenses in the period when they were generated. Development costs already recognized as expenses are not subsequently capitalized as assets.

Property, plant and equipment have been recognized at acquisition or production cost, including incidental acquisition expenses, less accumulated scheduled depreciation and, if necessary, extraordinary depreciation.

Finance costs have not been capitalized under income as an element of acquisition or production costs because no manufacturing processes are involved over an extended period of time. Interest and other borrowing costs are recognized as expenses for the period.

The production costs of self-constructed plant include directly attributable costs and an appropriate proportion of the overheads and depreciation.

If significant proportions of a non-current asset have varying useful lives, they are reported as separate non-current assets under "Property, plant and equipment" and are subject to scheduled depreciation (component accounting).

The costs for replacement of part of a fixed asset are included in the book value of the fixed asset (property, plant and equipment) at the date on which they were incurred, insofar as the criteria for recognition are fulfilled. When a major inspection is carried out, the costs are capitalized in the book value of the fixed asset as a replacement, insofar as the criteria for recognition are fulfilled. All other maintenance and repair costs are immediately recognized under income.
A fixed asset (property, plant and equipment) is either derecognized on disposal or if no economic benefit can be derived from further use or sale of the asset. The resulting gains or losses incurred from derecognition of the asset are calculated as the difference between the net sale proceeds and the book value of the asset and reported in the income statement for the period in which the asset is derecognized.

Leasing activities

Leases are reported as a right of use and corresponding leasing liability at the date on which the leased item is delivered to the SURTECO Group for use in accordance with IFRS 16 "Leases". The right of use has to be recognized as part of the fixed assets and is depreciated straight line over the term of the lease/rental agreement. The liability is capitalized as a liability in the amount of the present value of the lease payments to be made in the future and depreciated using the effective interest method.

The SURTECO Group makes use of the following simplifications defined by the standard:
- Application of a fixed-term interest rate
- Application of a single interest rate on a portfolio of similarly structured lease agreements
- Leases for "small tickets" (low-value assets) and "short-term" leases are not reported
- Excluding initial costs in the valuation of rights of use at the date of first-time application
- The retrospective determination of the term of leases in the case of contracts with extension or termination options.

Initial and subsequent valuation
The starting point is the present value of the obligations for payment of future leasing rates. At the point of taking on a new lease/rental relationship, the amount of the right of use corresponds to the amount of the leasing liability.

The leasing liabilities include the present value of the following leasing payments:
- Fixed payments (incl. de facto fixed payments), less any leasing incentives receivable
- Variable lease payments which are linked to an index or (interest) rate, initially valued with the index or interest at the delivery date
- Expected payments from making use of residual value guarantees
- The exercise price of a call option, the exercise of which by the SURTECO Group is sufficiently certain
- Penalty payments in conjunction with the termination of a leasing relationship as long as the term provides for the SURTECO Group taking up the relevant termination option

Furthermore, leasing payments arising from adequately certain utilization of extension options should be included in the valuation of the leasing liability.

The interest rates underlying the leasing payments are defined by the SURTECO Group for fixed terms and adjusted each year. Country-specific classification of the interest rate is not carried out because the important financing for the SURTECO Group is carried out through SURTECO GROUP SE.

Rights of use are valued at acquisition costs and they are comprised as follows:
- The amount of initial valuation of the leasing liability
- All leasing payments made at or before delivery less all/any leasing incentives received
- All direct costs initially incurred by the lessee and
- Any estimated costs which are likely to be incurred by the lessee on disassembly/disposal of the underlying asset, on reinstatement of the location at which the asset is set up, or for refurbishing the underlying asset and returning to the conditions required in the leasing agreement.

Rights of use are depreciated straight line over the shorter of the two periods relating to the useful life and term of the underlying lease agreement. If the exercise of a call option is regarded as sufficiently certain from the perspective of the SURTECO Group, depreciation is carried out over the useful life of the underlying asset. The SURTECO Group applies the acquisition cost method for reporting rights of use.

Owing to the different rules relating to (scheduled) subsequent valuation – the right of use primarily "at cost" (IFRS 16.29/30: after the start of the lease, the lessee values the right of use on the basis of a cost model, i.e. acquisition costs less accumulated depreciation and accumulated impairments, and the liability in accordance with the "effective interest method"), the recognized items no longer correspond over the term of the agreements.

The following rights of use are categorized in the SURTECO Group:

- Rights of use for land and buildings
- Rights of use for technical plant and machinery
- Rights of use for office equipment
- Rights of use for vehicles
- Rights of use for IT and communication

The SURTECO Group rents land and buildings, technical plant and machinery, office equipment, vehicles, and IT and communications equipment. Rental agreements are generally concluded over fixed periods from six months to eight years, but they may also have extension options. Rental conditions are negotiated individually and include different conditions, such as variable lease payments, residual value guarantees and extension and termination options. Leasing agreements do not include any credit conditions and are not used as collateral for drawing on credit lines.

Expenses in connection with variable leasing payments, payments on account and other expenses which are not included in leasing liabilities, are recognized in the framework of other operating expenses.

Intangible assets are recognized at acquisition costs or production costs. Such assets with a limited useful life are depreciated over their limited useful life using the straight-line method. Intangible assets with unlimited duration are checked every year to ascertain if a possible impairment arises.

Scheduled depreciation of assets has been carried out exclusively by the straight-line method. The remaining useful lives and the method of depreciation are reviewed each year and adjusted to future expectations. Depreciation is essentially based on the following commercial service lives applied uniformly across the Group:

	Years
Concessions, patents, licences and similar rights	3-15
Customer relations, trademarks, technology and similar values	10-15
Development expenses	3
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Other equipment, factory and office equipment	6-13

The **shares in unconsolidated companies** recorded under financial assets are recognized at acquisition costs.

On each reporting date, the Group checks the book values of intangible assets and property, plant and equipment to ascertain whether there might be grounds for carrying out an **Impairment**. If such grounds exist, or if an annual impairment test is necessary for an asset, the Group carries out an estimate of the recoverable value for the relevant asset. The recoverable value of an asset is the higher of the two values comprising the fair value of an asset less the sale costs and the value in use. The recoverable value should be determined for each individual asset, unless an asset does not generate cash flows which are largely independent of the cash flows of other assets or other groups of assets. In this case, the recoverable amount is determined for the cash-generating unit to which the asset is allocated. If the book value of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In order to determine the value in use, the expected future cash flows are discounted to their present value based on a discount rate after taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. The fair value less the sales costs is calculated using a recognized valuation method. This method takes into account market data on current transactions available externally and valuations of third parties.

A test is carried out for assets, except for goodwill, on every reporting date, to ascertain whether there are grounds indicating that a previously recorded impairment expense no longer exists or has been reduced. If such grounds exist, the Group estimates the recoverable amount. A previous recorded impairment expense is only reversed if a change in the estimates, which were used to determine the recoverable amount, has occurred since the last impairment expense was recorded. If this is the case, the book value of the asset is increased to its recoverable amount. However, this amount must not exceed the book value which resulted after taking into account scheduled depreciation, if no impairment expense would have been recorded for the asset in previous years. An impairment reversal is recorded in the result for the period.

Goodwill resulting from company acquisitions is allocated to the identifiable cash-generating units which are supposed to derive benefit from the synergies arising from the acquisition. Such cash-generating units are the lowest reporting level in the Group at which the goodwill is monitored by the management for internal controlling purposes. The recoverable amount of a cash-generating unit, which is allocated goodwill, is subjected to an annual impairment test. Reference is made to our comments under section (22) in the notes to the consolidated financial statements for further details.

The standard IFRS 3 (Business Combinations) and the standard IAS 36 (Impairment of Assets) no longer permit goodwill to be subject to scheduled depreciation and amortization, rather a review of the value of these assets is carried out at regular intervals in an **impairment test** and additionally if there is evidence of a potential reduction in value at other points in time.

If goodwill or intangible assets with unlimited useful life are to be allocated to the cash-generating unit, the impairment test of those assets should be carried out annually or also, if events or changed circumstances result which could indicate a possible impairment, more frequently. The asset values taking into account the net working capital of the individual cash-generating units are compared with their individual recoverable amount, i.e. the higher value from the net sale price and value in use. In the determination of the recoverable amount, the present value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit, are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.

The group of cash-generating units of the Group are identified in consultation with the internal reporting of the management taking into account customer-centric allocations. The group of cash-generating units are the operating divisions under the reportable segments. The group of cash-generating units relates to 'Decoratives', 'Profiles', and 'DAKOR', 'Kröning' and 'Technical Foils'.

In the cases in which the book value of the cash-generating unit is higher than its recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected group of cash-generating units is amortized in the amount of the allowance thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant group of cash-generating units proportionately to the book value. Any allowance carried out as necessary is recognized under other depreciation and amortization in the income statement. A subsequent write-up of the goodwill as a result of the reasons no longer being applicable is not permitted.

The actual income taxes paid or owed for the current and earlier periods are measured with the amount at the level at which a rebate from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the country-specific tax rates and tax regulations which are applicable on the reporting date.

The actual income tax liabilities relate to the relevant tax year and any obligations arising from the previous years. The valuations are subject to the applicable statutory regulations taking into account current legal precedents and the prevailing professional opinion.

The reporting of income tax uncertainties is generally based on individual income tax treatment. If it is unlikely that an income tax treatment will be accepted by the local tax authorities, the SURTECO Group uses the amount with the highest probability for determining the taxable profit or the tax base.

Deferred income tax is determined in accordance with IAS 12 on the basis of the liability method. According to this method, deferred taxes result from temporary differences between the carrying amount (value) of an asset or a liability in the balance sheet and the tax value.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits to the extent it is probable that taxable earnings will be available against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used, with the exception of

- deductible temporary differences from first-time recognition of an asset or a liability arising from a transaction that is not a business combination and at the point in time of the transaction influences neither the result for the period in accordance with IFRS nor the taxable earnings.

Deferred tax liabilities are reported for all deductible temporary differences, with the exception of

- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, if the temporal reversal of the temporary differences can be controlled and it is likely that the temporary differences will not be reversed in the foreseeable future.

The book value of the deferred tax assets is audited on each reporting date and as necessary reduced by the amount by which it is no longer likely that an adequate taxable result will be available against which the deferred tax assets can be at least partly applied. Unrecognized deferred taxes are audited on each reporting date and recognized in the amount at which it has become likely that a future taxable result will be available to realize the deferred tax assets. Deferred tax assets and liabilities are measured on the basis of the tax rates that are likely to be valid during the period in which an asset is realized or a debt liability is fulfilled. The tax rates (and tax laws), which are applicable or adopted on the reporting date, are used as the basis for calculation. Future changes in tax rates should be considered at the reporting date, insofar as material requirements for effectiveness are fulfilled pursuant to a legislative procedure.

Income and expenses arising from actual and deferred income taxes that relate to the items that are reported directly under equity or in other comprehensive income for the year are not reported in the income statement but are also recorded directly under equity or in other comprehensive income for the year. Deferred tax assets and deferred tax liabilities are offset, if the Group has an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

In accordance with IAS 1.56, deferred taxes are recognized as long term.

Current non-financial liabilities have been recorded with their repayment or performance amount.

Contractual liabilities correspond to the obligation to transfer goods to a customer for which the SURTECO Group has already received a consideration.

Pension provisions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, partial retirement and long-service awards.

Obligations arising from regulations relating to company pension provision relate to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining and is generally based on the period of service and pay of the employee. The majority of pension obligations in Germany based on contractual conditions relate to life-time pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.

The pension funds were closed in the past. New employees will be offered a company pension plan through an external welfare fund and pension scheme; they will not receive any direct commitments from the company. Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken into account for the determination of the provision.

The pension obligations of SURTECO are subject to various market risks. The risks essentially relate to changes in market interest rates, inflation which exerts an effect on the level of pension adjustments, longevity and on general market fluctuations.

Pension provisions are valued using the projected unit credit method in accordance with IAS 19. This method not only recognizes the pensions and projected unit credits acquired on the reporting date, it takes account of the increases in pensions and salaries anticipated in the future. The obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pension accruals, including the interest portion contained therein, is recognized under personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on net income. The standardized income on the plan assets is generated in the amount of the interest rate of the pension obligations at the start of the reporting period. These returns are recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income based on the standard return on plan assets are to be recognized with no effect on net income in equity (other comprehensive income for the year). Furthermore, the past service costs are to be recognized immediately at the point of arising with an effect on earnings.

Provisions for long-service bonuses are calculated by actuarial methods. The settlement backlogs and top-up amounts for partial retirement obligations were added pro rata for partial retirement obligations until the end of the active phase.

The obligations from defined-benefit plans principally exist in Germany and they are calculated by taking the following actuarial assumptions into account:

	2020	2021
Interest rate	0.52 %	0.90 %
Salary increases	2.0 %	2.0 %
Pension increases	2.0 %	2.0 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2018G	Heubeck 2018G

The interest rate for the pension obligation is currently a uniform 0.90 % (2020: 0.52 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms.

Provisions have been formed in accordance with IAS 37, if a legal or de facto obligation arises from a past event in respect of a third party, which is likely in the future to lead to an outflow of resources and where it can be reliably estimated. If numerous similar obligations exist – as in the case of statutory warranty – the probability of a charge on assets is calculated on the basis of the group of these obligations. A provision is recognized under liabilities, if the probability of a charge on assets is lower in relation to an individual obligation held within this group. Provisions for warranty claims are formed on the basis of previous or estimated future claims. The provisions for legal disputes and other provisions have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not recognized with rights of recourse. A provision for restructuring measures is recognized as soon as the Group has approved a detailed and formal restructuring plan and the restructuring measures have either commenced or have been announced in the public domain. When a restructuring provision is measured, only the direct expenses for the restructuring are entered. This therefore only relates to amounts which have been caused by restructuring and are not related to the ongoing business operations of the Group.

Changes in equity without effect on income are also reported under the item Statement of Changes in Equity, if they are not based on capital transactions of the shareholders. This includes the difference arising from currency translation, accrued actuarial gains and losses arising from the valuation of pensions, and unrealized gains and losses arising from the fair valuation of financial assets available for sale and derivative financial instruments.

Contingent liabilities are possible obligations which result from events in the past, whereby their existence can only be confirmed through the occurrence or non-occurrence of one or more events in the future, which are not fully under the control of the SURTECO Group. Furthermore, contingent liabilities arise from current obligations which are based on past events, but which cannot yet be reported in the financial statements because the outflow of resources is not likely or the level of the obligations cannot be estimated with a sufficient level of reliability.

Segment reporting

Presentation of the business segments is consistent with internal reporting to the main decision-maker. The main decision-maker is responsible for decisions on the allocation of resources to the operating segments and for reviewing their earnings power. The Management Board of SURTECO was defined as the main decision-maker.

Decisions of judgement and estimates

The preparation of consolidated financial statements in accordance with IFRS requires, up to a certain level, decisions of judgement, estimates and assumptions of the management which exert effects on the recognition, measurement and reporting of assets, liabilities, income and expenses, and contingent assets and liabilities. The significant facts which are affected by such decisions of judgement and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of purchase price allocations and impairment tests, accrual of cash-generating units, the formation of provisions for restructuring, for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

The costs for obtaining contracts include additional commissions that are paid in connection with the listing of our products and which would not have arisen without the conclusion of the contract. These costs are amortized on a straight-line basis over a period of four years because this represents the expected term of the contracts.

The assumptions and estimates are based on premises that rely on the knowledge available at the time. In particular, the expected future business development takes account of the circumstances prevailing at the time when the consolidated financial statements were prepared and realistic assumptions on the future development of the global and sector-specific environment. Any developments of these framework conditions deviating from these assumptions and outside the sphere of influence of the management may result in deviations of the actual amounts from the estimated values originally projected. If the actual development deviates from the projected development, the premises and, if necessary, the book values of the relevant assets and liabilities are adjusted appropriately. Further explanations are described under the appropriate items.

Reporting and valuation principles should be regarded as important if they significantly influence the presentation of the net assets, financial position, results of operations and cash flows of the SURTECO Group and require a difficult, subjective and complex assessment of facts and circumstances that are often uncertain in nature, may change in subsequent reporting periods, and whose consequences are therefore difficult to estimate. The published accounting principles, based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects.

State grants and subsidies

State grants and subsidies are reported in conformity with IAS 20.7, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded. The subsidies are recorded in profit or loss in accordance with IAS 20.12 during the periods when the company recognizes the expenses eligible for support.

If expenses or losses have already been incurred or if the grants and subsidies serve to provide immediate financial support independently of special expenses, the grants and subsidies will be recorded in accordance with IAS 20.20 in profit or loss during the period when the corresponding claim exists.

SURTECO has correspondingly recorded the state grants and subsidies for the business year 2021 in accordance with IAS 20, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded.

SURTECO has deducted from the personnel expenses government grants and subsidies relating to the social security contributions attributable to short-time work and other comparable grants and subsidies relating to the COVID-19 pandemic in conjunction with the foreign subsidiary companies.

The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

VIII. Notes to the Income Statement

(1) Sales revenues

The sales revenues are comprised as follows:

Business (product) € 000s	2020	2021
Edgebandings	234,117	286,441
Finish foils	118,848	132,430
Decorative printing	88,866	105,545
Impregnates / Release papers	57,408	62,220
Skirtings and related products	65,044	78,531
Technical extrusions	36,629	52,490
Other	26,077	39,403
	626,989	**757,060**

The sales revenues are broken down into individual segments as follows:

€ 000s	2021			
	Decoratives	Profiles	Technicals	Total
Edgebandings	274,750	406	11,285	286,441
Finish foils	102,042	0	30,388	132,430
Decorative printing	105,545	0	0	105,545
Impregnates / Release papers	33,496	0	28,724	62,220
Skirtings and related products	3,016	75,515	0	78,531
Technical extrusions	1,866	50,624	0	52,490
Other	28,625	9,976	802	39,403
	549,340	**136,521**	**71,199**	**757,060**

€ 000s	2020			
	Decoratives	Profiles	Technicals	Total
Edgebandings	223,458	331	10,329	234,117
Finish foils	91,326	0	27,523	118,848
Decorative printing	88,866	0	0	88,866
Impregnates / Release papers	27,586	0	29,822	57,408
Skirtings and related products	2,518	62,525	0	65,044
Technical extrusions	1,091	35,538	0	36,629
Other	16,832	7,857	1,388	26,077
	451,676	**106,252**	**69,062**	**626,989**

(2) Changes in inventories

The changes in inventories relate to work in progress amounting to € 000s 3,246 (2020: € 000s -2,285) and finished products amounting to € 000s 9,136 (2020: € 000s -6,517).

(3) Other own work capitalized

Other own work capitalized is essentially self-manufactured tools and printing cylinders.

(4) Cost of materials

Composition of the cost of materials in the Group:

€ 000s	2020	2021
Cost of raw materials, consumables and supplies, and purchased merchandise	281,442	380,658
Cost of purchased services	1,394	1,101
	282,836	381,759

(5) Personnel expenses

The following table shows personnel expenses:

€ 000s	2020	2021
Wages and salaries	135,444	145,924
Social security contributions	17,649	19,514
Pension costs	9,471	9,806
	162,564	175,244

Regarding the defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 573 (2020: € 000s 585) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 7,784 (2020: € 000s 7,363) to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

Personnel expenses include amounts resulting from the net interest expense/income and the current service cost for pension obligations.

State grants and subsidies for reimbursement of social security contributions due to COVID-19 amounting to € 000s 74 (2020: € 000s 1,355) were included in personnel expenses. Short-time work allowances amounting to € 000s 96 (2020: € 000s 2,149) were passed on to employees. Furthermore, other government grants and subsidies in connection with the COVID-19 pandemic amounting to € 000s 188 (2020: € 000s 600) were received by the foreign companies.

The average number of employees amounts to 3,144 (2020: 3,103).

The following table shows the employee structure:

			2020			2021
	Industrial	Salaried	Total	Industrial	Salaried	Total
Production	1,586	218	1,804	1,653	214	1,866
Sales	46	370	416	34	356	390
Engineering	130	38	168	152	47	198
Research and development, quality assurance	62	98	160	54	86	140
Administration, materials management	179	376	555	185	364	549
	2,003	1,100	3,103	2,077	1,067	3,144

The number of employees by regions is as follows:

	2020	2021
Germany	1,729	1,692
European Union	633	485
Rest of Europe	25	207
America	511	550
Asia/Australia	205	210
	3,103	3,144

The shift in headcount between the European Union and the rest of Europe is a result of the United Kingdom leaving the EU.

(6) Other operating expenses

The other operating expenses are composed as follows:

€ 000s	2020	2021
Operating expenses	26,956	30,729
Sales expenses	43,236	52,812
Administrative expenses	21,865	23,851
Expenses arising from the ending of legal disputes	190	0
	92,247	107,392

The operating expenses essentially include expenses for maintenance, servicing, repairs, waste removal and temporary workers.

The sales expenses essentially include expenses for transport, travel, trade fairs, promotion and commissions.

The administrative expenses essentially include expenses for deductions, contributions, insurance policies, IT and consulting.

Uncapitalized research and development costs (personnel and materials costs) in the Group amounted to € 000s 2,107 (2020: € 000s 2,323).

The effects of changes in exchange rate through profit and loss included in other operating expenses amounted to € 000s 220 (2020: € 000s 1,627) in the business year 2021.

We refer to explanations in the sections (8) and (21) for rental and lease expenses.

(7) Impairment expenses / Impairment reversal income in accordance with IFRS 9

In the business year 2021, expenses in the amount of € 000s 99 (2020: € 000s 13) were recorded for trade accounts receivable. These were determined by the simplified impairment model (provision matrix). Total expenses arising from impairments on trade accounts receivable amount to € 000s 458 (2020: € 000s 140).

The following financial instruments are subject to general impairment recognition in accordance with IFRS 9:

	Credit risk	Impairment recognition
Bank balances	Slight	12-M Expected Credit Loss

On account of the slight default risk for bank balances, no allowance should be carried out for reasons of materiality.

(8) Leases

Depreciation and amortization on rights of use are broken down as follows:

€ 000s	2020	2021
Depreciation and amortization on rights of use		
Land and buildings	3,670	3,532
Technical plant and machinery	54	49
Office equipment	159	297
Vehicles	651	608
IT and communication	208	23
	4,741	**4,509**

The following expenses from rental/leasing obligations are included in other operating expenses:

€ 000s	2020	2021
IFRS 16: Expenses in other operating expenses:		
Expenses in conjunction with short-term leases	834	896
Expenses in conjunction with small-ticket assets	11	12
Expenses in conjunction with variable lease payments not included in leasing liabilities	60	0
Expenses in conjunction with payments in advance and other expenses not included in leasing liabilities	31	0
	936	**908**

In the business year 2021, payments for leasing liabilities amounted to € 000s 5,371 (2020: € 000s 7,502).

An interest expense for leases/rents in the amount of € 000s 518 (2020: € 000s 512) was recognized in interest expense.

(9) Other operating income

The following table shows other operating income:

€ 000s	2020	2021
Income tax rebates (abroad)	455	0
Rental income	499	457
Claims for compensation	294	173
Income from reductions of allowances	445	824
Income from asset disposals	388	1,191
Other operating income	1,907	3,780
	3,988	**6,425**

The rental income recorded in the company is to be classified as an operating lease. It essentially results from subletting of individual building floorspaces.

(10) Financial results

€ 000s	2020	2021
Interest and similar income	292	438
Interest and similar expenses	-4,757	-4,810
Interest (net)	**-4,465**	**-4,372**
Currency gains/losses, net	-1,118	1,818
Gains on disposal of investments accounted for using the equity method	2,311	0
Other financial expenses and income	**1,193**	**1,818**
Share of profit of investments accounted for using the equity method	**425**	**0**
Financial result	-2,847	-2,554

(11) Income tax

Income tax expense is broken down as follows:

€ 000s	2020	2021
Current income taxes		
- Germany	1,131	10,723
- international	11,155	9,385
	12,286	20,108
Deferred income taxes		
- from time differences	-2,582	-1,570
- on losses carried forward	-173	3,626
	-2,755	2,056
	9,531	**22,164**

An average overall tax burden of 30.00 % unchanged from the previous year results for the German companies. The tax rate takes into account the trade tax (14.2 %; 2020: 14.1 %), the corporate income tax (15.0 % unchanged by comparison with the previous year) and the solidarity surcharge (5.5 % of corporate income tax unchanged by comparison with the previous year). The applicable local income tax rates for the foreign companies vary between 19 % and 34 % (2020: 19 % - 34 %).

Deferred tax losses carried forward have been capitalized in the consolidated financial statements on the basis of a 5-year projection of earnings before income tax at the level of the individual companies. Uncertainties relating to different projected premises and framework conditions have been taken into account.

No deferred tax assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 464 (2020: € 000s 434) due to restricted utility. The loss carry-forwards amounting to € 000s 6,392 (2020: € 000s 20,014) can be carried forward indefinitely.

On the balance sheet date, a number of Group companies that had generated a tax loss recognized a net surplus of deferred tax assets amounting to € 2.58 million (2020: € 1.48 million) which essentially result from SUR CANADA LTD (560) (2020: from SUR CANADA LTD (560)). The realization of the full amount of deferred tax assets was estimated to be probable because the losses were generated from one-off effects in the course of the COVID-19 pandemic and sufficient taxable earnings are expected for the three-year planning period.

Deferred tax liabilities were not recognized on temporary differences in connection with investments in subsidiaries amounting to € 000s 7,876 (2020: € 000s 7,591), as the Group is in a position to control the timing of the reversal and these temporary differences will not be reversed in the foreseeable future.

The deferred tax assets and liabilities reported in the financial statements listed below are attributable to differences in recognition and valuation of individual items on the balance sheet and to tax losses carried forward:

€ 000s	Deferred tax assets			Deferred tax liabilities		
	2020	Change	2021	2020	Change	2021
Inventories	1,573	-40	1,533	1,108	-444	664
Receivables and other assets	2,374	657	3,031	1,927	-1,711	217
Tax losses carried forward	5,153	-3,626	1,527	0	0	0
Goodwill	60	-60	0	3,839	378	4,217
Property, plant and equipment	1,463	183	1,646	24,075	-2,373	21,702
Intangible assets	14	5	18	10,323	510	10,833
Other non-current assets	196	-109	87	0	269	269
Financial liabilities	6,626	-656	5,970	812	2,008	2,820
Pensions and other personnel-related obligations	1,960	161	2,121	998	-516	482
Trade accounts payable	2,302	-1,312	990	883	-630	253
Other liabilities	1,968	-806	1,162	2,667	-669	1,998
	23,689	**-5,604**	**18,085**	**46,631**	**-3,178**	**43,453**
Netting	-19,282	7,788	-11,494	-19,282	7,788	-11,494
	4,406	**2,184**	**6,590**	**27,349**	**4,610**	**31,959**

Non-current deferred taxes are included in the deferred tax assets in the amount of € 000s 11,369 (2020: € 000s 15,471), in the deferred tax liabilities in the amount of € 000s 40,322 (2020: € 000s 40,691).

Reconciliation between expected and actual income tax expenditure is as follows:

€ 000s	2020	2021
Earnings before Taxes (EBT)	**43,298**	**69,970**
Expected income tax	12,989	20,991
Reconciliation		
Changes in tax rates	-482	88
Differences in tax rates	-2,213	-1,391
Share of profit of investments accounted for using the equity method	-108	0
Use of loss carry-forwards not including deferred tax assets	-1,819	-25
Expenses not deductible from taxes	1,710	3,779
Tax-free income	55	-4,157
Tax expenses / income not related to the reporting period	-2,311	3,298
Permanent differences	767	-23
Other effects	941	-396
Income tax	**9,531**	**22,164**

The average expected tax rate amounts to 30.0% (2020: 30.0%).

In accordance with IFRIC 23, sufficient provision was made for tax risk items.

Income taxes recorded directly in other comprehensive income

Income tax which directly exerts a negative impact on, or was credited to, other comprehensive income for the year is comprised as follows:

€ 000s	2020	2021
Actuarial gains/losses	-67	-156
	-67	-156

(12) Earnings per share

	2020	2021
Consolidated net profit in € 000s	33,687	47,806
Weighted average of no-par-value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	2.17	3.08

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO GROUP SE by the weighted average of the issued shares.

IX. Notes to the Balance Sheet

(13) Cash and cash equivalents

€ 000s	2020	2021
Cash in hand and bank balances	97,861	39,084
Fixed-term deposits	35,605	33,792
	133,466	73,056

(14) Trade accounts receivable

€ 000s	2020	2021
Trade accounts receivable	55,968	75,865
Less allowances	-2,174	-1,350
Book value	53,794	74,515

The allowances relate to the specific allowances and the allowances in accordance with the simplified impairment model.

The allowances developed as follows:

€ 000s	2020		2021	
	Specific allowance	Allowance matrix	Specific allowance	Allowance matrix
1/1/	2,614	403	1,799	375
Recourse	-232	0	-151	0
Release of unused amounts	-588	-28	-1,575	0
Addition (effect on expenses)	63	0	371	464
Exchange rate differences	-58	0	67	0
31/12/	1,799	375	511	839

There is no significant concentration of risk in the trade accounts receivable on account of the diversified customer structure of the SURTECO Group. The current values of the trade accounts receivable essentially correspond to the book values.

The following table shows the maturity structure of receivables and the allowances due in accordance with IFRS 9:

€ 000s	Total	Receivables not overdue	up to 3 months	3-6 months	6-12 months	over 12 months
			Overdue receivables			
31/12/2021		0 %	4 %	20 %	33 %	53 %
Book value of trade accounts receivable (without factoring)	73,408	65,985	6,152	745	393	133
Allowance	839	273	221	147	128	71
31/12/2020		1 %	3 %	25 %	37 %	50 %
Book value of trade accounts receivable (without factoring)	38,498	34,877	3,337	136	53	95
Allowance	375	165	109	34	20	47

There were no indications on the reporting date that payment defaults would occur for trade accounts receivable which were neither overdue nor impaired.

(15) Inventories

The inventories of the Group are comprised as follows:

€ 000s	2020	2021
Raw materials, consumables and supplies	35,020	47,805
Work in progress	9,493	12,739
Finished products and goods	64,700	80,355
Payments on account for inventories	60	1
	109,273	140,900

Impairments of € 000s 4,223 (2020: € 000s 2,511) were reported on inventories.

Of the inventories, € 000s 23,728 (2020: € 000s 22,035) were recognized under assets at the net disposal value.

(16) Current income tax receivables

Claims arising from income tax are recognized under current tax assets insofar as their due date is not twelve months after the reporting date.

(17) Other financial and non-financial assets

A: Current assets

€ 000s	2020	2021
Other current non-financial assets		
Income tax assets (value added tax, wage tax)	4,019	4,185
Prepaid expenses	2,292	3,437
Other	211	1,534
	6,522	9,156
Other current financial assets		
Receivables factoring	2,568	0
Receivables tenant loans	2,046	0
Bonuses receivables	781	801
Securities deposits	119	0
Creditors with debit balances	169	492
Receivables from employment relationships	170	152
Other	866	1,691
	6,719	3,136
	13,241	12,292

No significant allowances were carried out on the other current assets recognized.

By the 2021 financial year, SURTECO GROUP SE had sold receivables as part of a factoring agreement, with the agreement being terminated with effect from 31 December 2021. In previous years, the sale of receivables led to a continuing involvement. From the contracts sold, the late payment risk remained with SURTECO. In addition to the continuing involvement, the factoring receivables included the amount blocked by the factor for customer invoice deductions. Sales of receivables with a book value of € 000s 0 as of 31 December 2021 (previous year: € 000s 11,046) led to a partial disposal. For this purpose, a continuing involvement asset of € 000s 0 (previous year: € 000s 141) was recognized under receivables from factoring. The associated liability of € 000s 0 (previous year: € 000s 141) was recognized under other current liabilities. The maximum amount of receivables sold in the financial year was € 000s 18,186 (previous year: € 000s 21,610).

The Italian subsidiary company SURTECO Italia s.r.l. continues to operate the sale of receivables (factoring) from which no financial risks result.

B: Non-current assets

€ 000s	2020	2021
Other non-current non-financial assets		
Other non-current assets	126	148
Other non-current financial assets		
Assets from contracts with customers	0	1,066
Other non-current assets	274	293
	400	1,507

(18) Fixed assets

The fixed assets are comprised as follows:

€ 000s	Property, plant and equipment	Intangible assets	Goodwill	Rights of use	Total
Acquisition costs					
1/1/2020	674,996	125,881	182,487	42,136	1,025,501
Currency adjustment	-10,342	-866	-452	-812	-12,472
Additions	36,542	1,874	0	9,849	48,265
Disposals	-11,434	-529	0	-943	-12,906
Transfers	1,609	-1,829	0	220	0
31/12/2020	691,371	124,532	182,035	50,450	1,048,388
1/1/2021	691,371	124,532	182,035	50,450	1,048,388
Currency adjustment	8,416	1,237	661	568	10,882
Additions	28,659	4,441	0	3,990	37,090
Disposals	-18,537	-897	-167	-2,585	-22,186
Transfers	9,846	738	0	-10,584	0
31/12/2021	719,755	130,051	182,529	41,839	1,074,175
Depreciation and amortization					
1/1/2020	438,122	72,114	19,643	10,663	540,542
Currency adjustment	-5,876	-106	-510	-298	-6,790
Additions	30,197	7,239	0	4,741	42,177
Disposals	-9,113	-528	0	-1,306	-10,948
Transfers	1,826	-2,925	0	1,099	0
31/12/2020	455,156	75,794	19,133	14,898	564,981
1/1/2021	455,156	75,794	19,133	14,898	564,981
Currency adjustment	5,173	783	485	276	6,718
Additions	30,765	7,547	0	4,633	42,945
Disposals	-16,892	-895	0	-1,714	-19,501
Transfers	4,024	0	0	-4,024	0
31/12/2021	478,226	83,230	19,618	14,070	595,144
Book values at 31/12/2020	236,215	48,738	162,902	35,552	483,406
Book values at 31/12/2021	241,529	46,822	162,911	27,769	479,031

(19) Property, plant and equipment

Property, plant and equipment are comprised as follows:

€ 000s	Land and buildings	Financial leasing for land and buildings	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2020	145,252	0	416,296	95,565	17,884	674,997
Currency adjustment	-2,951	0	-6,410	-1,519	538	-10,342
Additions	139	0	9,315	3,957	23,131	36,542
Disposals	-2,684	0	-3,104	-3,035	-2,612	-11,433
Transfers (incl. on account of IFRS 16)	2,747	0	7,945	2,011	-11,094	1,609
31/12/2020	142,503	0	424,042	96,979	27,847	691,371
1/1/2021	142,503	0	424,042	96,979	27,847	691,371
Currency adjustment	2,000	0	5,965	426	25	8,416
Additions	3,564	0	9,848	4,630	10,617	28,659
Disposals	-292	0	-11,580	-5,639	-1,026	-18,537
Transfers (incl. on account of IFRS 16)	22,025	0	7,130	3,610	-22,919	9,846
31/12/2021	169,800	0	435,405	100,006	14,544	719,755
Depreciation and amortization						
1/1/2020	61,286	0	304,796	70,131	1,908	438,122
Currency adjustment	458	0	-4,464	-166	-1,703	-5,875
Additions	3,283	0	20,092	6,611	211	30,197
Disposals	-1,516	0	-3,051	-2,602	-1,944	-9,113
Transfers	0	0	3	290	1,534	1,826
31/12/2020	63,511	0	317,376	74,263	5	455,156
1/1/2021	63,511	0	317,376	74,263	5	455,156
Currency adjustment	676	0	4,229	268	0	5,173
Additions	4,573	0	19,421	6,771	0	30,765
Disposals	-244	0	-11,171	-5,477	0	-16,892
Transfers	5,028	-951	0	-53	0	4,024
31/12/2021	73,544	-951	329,855	75,772	5	478,226
Book values 31/12/2020	78,992	0	106,666	22,715	27,842	236,215
Book values 31/12/2021	96,257	951	105,550	24,233	14,539	241,529

As at 31 December 2021, property, plant and equipment with a carrying amount of € 000s 0 (2020: € 000s 268) was pledged as collateral for existing liabilities.

(20) Intangible assets

Intangible assets are comprised as follows:

€ 000s	Concessions, patents, licences and similar rights	Customer relations, trademarks, technology and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2020	34,264	81,437	9,473	708	125,881
Currency adjustment	-834	-973	940	0	-866
Additions	885	0	644	345	1,874
Disposals	-529	0	0	0	-529
Transfers	757	-2,667	301	-220	-1,829
31/12/2020	34,543	77,797	11,360	833	124,532
1/1/2021	34,543	77,797	11,360	833	124,532
Currency adjustment	267	1,145	-175	0	1,237
Additions	1,628	0	1,074	1,739	4,441
Disposals	-435	0	-459	-3	-897
Transfers	843	0	13	-118	738
31/12/2021	36,846	78,942	11,813	2,450	130,051
Depreciation and amortization					
1/1/2020	29,860	36,828	5,426	0	72,114
Currency adjustment	-705	-230	828	0	-106
Additions	1,890	4,515	835	0	7,240
Disposals	-528	0	0	0	-528
Transfers	0	-2,925	0	0	-2,925
31/12/2020	30,517	38,188	7,089	0	75,794
1/1/2021	30,517	38,188	7,089	0	75,794
Currency adjustment	220	676	-112	0	784
Additions	2,004	4,571	972	0	7,547
Disposals	-436	0	-459	0	-895
Transfers	5	0	-5	0	0
31/12/2021	32,310	43,435	7,485	0	83,230
Book values at 31/12/2020	4,026	39,609	4,271	832	48,738
Book values at 31/12/2021	4,536	35,507	4,328	2,450	46,821

A trademark right in the amount of € 000s 3,420 (2020: € 000s 3,420) with an unlimited useful life is included in the category “Customer relations, trademarks, technology and similar values”. The trademark rights generate inflows for an unlimited period of time.

(21) Rights of use

The following rights of use with the book values shown are differentiated in the SURTECO Group:

€ 000s	31/12/2020	31/12/2021
Rights of use		
Land and buildings	33,574	25,895
Technical plant and machinery	168	251
Office equipment	218	93
Vehicles	1,071	1,126
IT and communication	521	404
	35,552	27,769

The allocations to rights of use during the business year 2021 amounted to € 000s 3,990 (2020: € 000s 9,849).

(22) Goodwill

Goodwill is comprised of the following amounts from the takeover of business operations and from capital consolidation.

Goodwill developed as follows:

€ 000s	2020	2021
1/1/	162,844	162,902
Currency adjustment	58	176
Disposal	0	-167
31/12/	162,902	162,911

Goodwill is allocated to the groups of cash-generating units for purposes of carrying out annual or event-related (triggering events) impairment tests. These correspond to the cash-generating units ‘Decoratives’, ‘Technical Foils’ ‘Dakor’ and ‘Kröning’ in the Group.

The book value of the goodwill was attributed to the groups of cash-generating units as follows:

€ 000s	2020	2021
Decoratives	117,022	117,202
Profiles	36,281	36,281
Technical Foils	8,119	7,948
DAKOR	498	498
Kröning	982	982

The book value of intangible assets with an unlimited useful life in the amount of € 000s 3,420 (2020: € 000s 3,420) was allocated to the Group cash-generating unit Decoratives.

The value in use to be applied for carrying out the impairment test is calculated based on a company valuation model (discounted cash flow). The calculation is carried out using cash flow plans which are based on medium-term planning for a period of five years that has been approved by the Management Board and is valid at the time when the impairment test was carried out. These plans include experience and expectations relating to the future market development. Growth rates are estimated individually for each subsidiary company on the basis of the macroeconomic framework data for the regional market, the market opportunities and experiences in the past. The underlying growth rates applied for the impairment test are based on medium-term planning for a period of five years and amount to an average of 5.0 % for sales and 11.2 % for EBITDA. For the period after the fifth year, a growth rate of 0.25 % (unchanged compared with 2020) was used in relation to all Group cash-generating units for sales and for EBITDA in order to take sufficient account of the inflation rate.

Significant influencing factors impacting an impairment are on the one hand sales and EBITDA and on the other hand development of the interest rate and the terminal value. Expected changes in the input variables sales, EBITDA and terminal value do not lead to a significant impairment requirement for any of the group of cash-generating units.

If the interest rate rises by 0.3 % (2020: 0.4 %), the recoverable amount corresponds to the book value of the group of cash-generating units Dakor. On the basis of experience in the group of companies, a change in the interest rate that is considered possible amounts to +1.0 % after tax. This leads to an impairment requirement for the group of cash-generating units Dakor in the amount of € 000s 1,973 (2020: € 000s 1,195). Under the current assumptions, a headroom of € 000s 1,072 (2020: € 000s 715) exists before the impairment occurs.

The table below shows details for development of growth rates for sales and EBITDA in the groups of cash-generating units:

Values in %	Sales	EBITDA
Decoratives	5.20	10.20
Profiles	5.20	7.80
Technical Foils	5.80	10.50
DAKOR	3.00	2.80
Kröning	2.10	2.50
SURTECO	**5.00**	**11.20**

The costs of capital are calculated as a weighted average of the costs of equity and debt. External information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors in shares. Market conditions for loans are taken into account for borrowing costs. This yielded an interest rate for all cash-generating units of 5.7 % (2020: 5.7 %) after taxes in December 2021.

Based on the impairment tests carried out in the business year 2021, the values in use of the cash-generating units are estimated higher than the net asset values. As a result, no impairments have been recognized.

(23) Investments accounted for using the equity method

In the business year 2020, the shares in Canplast Mexico S.A. de C.V. were sold so that there were no shares in companies accounted for at equity on the balance sheet date 31 December 2021. The following overview provides a comparison with the previous year.

€ 000s	Investments in companies accounted for at equity
Acquisition costs	
1/1/2020	**2, 516**
Currency adjustment	-37
Proportionate earnings	436
Payout	-545
Disposal	-2,370
31/12/2020	**0**
Proportionate earnings	0
Payout	0
Currency adjustment	0
Disposal	0
31/12/2021	**0**

The financial assets developed as follows:

€ 000s	2020	2021
1/1/	**30**	**10**
Participations	-20	0
31/12/	**10**	**10**

(24) Income tax liabilities

Tax liabilities include the income tax due for the business year 2021 or earlier business years and not yet paid, and the anticipated tax payments for previous years.

(25) Short-term provisions

€ 000s	1/1/2021	Currency adjustment	Expense	Release	Addition	31/12/2021
Warranty	1,110	4	-627	-208	603	882
Legal disputes	2,906	9	-260	-13	300	2,942
Restructuring	4,873	0	-3,801	-554	118	635
Impending losses	115	0	-115	0	289	289
Other	1,787	5	-401	-582	1,489	2,299
	10,791	**18**	**-5,204**	**-1,357**	**2,799**	**7,047**

The warranty provision was formed for warranty obligations arising from the sale of products. The valuation is made on the basis of experience values.

The legal disputes essentially relate to a protective rights agreement and warranty matters. Provisions were set aside in accordance with the best possible estimates at the current time. The maturity of the obligations is based on the current estimates and can be varied as necessary.

The restructuring provision includes expenses which are used for personnel measures in order to adjust to the changed market conditions.

The provision for impending losses was essentially formed for risks arising from pending sales transactions. It is likely that the sale of products will be below the costs of manufacture. The time of anticipated outflow is determined with fulfilment of pending sales transactions.

(26) Other current financial and non-financial liabilities

€ 000s	2020	2021
Other current non-financial liabilities		
Tax liabilities (value added tax)	1,969	1,468
Social insurance against occupational accidents	914	941
Supervisory Board remuneration	390	454
Deferred income	113	304
Other	96	109
	3,482	3,276
Other current financial liabilities		
Liabilities from employment relationships *	16,585	19,818
Other current liability arising from factoring	4,672	0
Debtors with credit balances	2,064	2,931
Bonuses and promotional costs	1,081	1,480
Payments on account received	453	540
Commissions	291	257
Other	634	1,732
	25,780	26,758
	29,262	**30,034**
* of which social security.	818	984

The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the reporting date, obligations arising from bonuses, holiday and working time credits

(27) Financial liabilities

The financial liabilities are comprised as follows:

€ 000s	2020	2021
Long-term financial liabilities to banks	219,326	115,958
Long-term financial liabilities for leases	18,259	16,869
Long-term financial liabilities	**237,585**	**132,827**
Short-term financial liabilities to banks	34,428	88,552
Short-term financial liabilities for leases	6,166	4,232
Short-term financial liabilities	**40,594**	**92,784**
Financial liabilities	**278,179**	**225,611**

Financial liabilities are essentially made up of a promissory note loan in the amount € 000s 155,000 raised in the business year 2017. This is divided into three tranches with terms of between five and ten years. The interest rates of the promissory note loan are in a range between 1.055 % and 2.112 %.

The liabilities from leasing obligations are repaid over the contract term and are due on the reporting date as follows:

€ 000s	2020	2021
Leasing payments to be made in the future		
in less than one year	6,650	4,676
between one year and five years	18,800	17,620
after more than five years	844	669
Interest share		
in less than one year	-484	-444
between one year and five years	-1,357	-1,404
after more than five years	-28	-17
Present value		
in less than one year	6,166	4,232
between one year and five years	17,443	16,216
after more than five years	816	652
	24,425	**21,100**

(28) Pensions and other personnel-related obligations

Commitments for company pensions were concluded for individual employees of the SURTECO Group. The defined-benefit commitments were concluded through individual contracts and in collective agreements. They essentially provide for pension payments when an employee retires, becomes incapacitated and/or in cases of death. The level of the provision payments depends on the final salary achieved taking account of length of service with the company and fixed pension components for each year of service. The pension commitments in Germany are subject to the German Company Pensions Act (Betriebsrentengesetz).

The financing of the projected unit credits arising from pension obligations results in the formation of a pension provision in the amount of € 000s 9,917 (2020: € 000s 11,199). This is made up of the present value of the obligation in the amount of € 000s 10,137 (2020: € 000s 11,421) and through pledged reinsurance amounting to € 000s 220 (2020: € 000s 222), which secures the obligations partly or fully congruently.

The pension obligations, the plan assets and the provision developed as follows:

€ 000s	2020			2021		
	Present value of obligation	Present value of plan assets	Provision	Present value of obligation	Present value of plan assets	Provision
1/1/	11,800	-212	11,588	11,421	-222	11,199
Pension payments on account	-456	0	-456	-857	0	-857
Payments from plan settlements	0	7	7	0	7	7
Current service expense	139	0	139	84	0	84
Interest income	0	0	0	0	-5	-5
Interest expense	90	-17	73	54	0	54
Remeasurements						
Actuarial gains / losses						
from changes in demographic parameters	17	0	17	0	0	0
from experience adjustments	-569	0	-569	-53	0	-53
from changes in financial parameters	396	0	396	-467	0	-467
	-156	0	-156	-520	0	-520
Other changes	0	0	0	0	0	0
Currency adjustments	3	0	3	-45	0	-45
31/12/	11,421	-222	11,199	10,137	-220	9,917

There is no active market price quotation for the plan assets.

The Group recognizes remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2021 before deferred taxes amounts to € 000s 520 (2020: € 000s 223). Up to now, a total of € 000s 3,230 (2020: € 000s 3,750) has been recognized in shareholders' equity.

The annual payments by the employer (expected pension payments) in the next business year are likely to be € 000s 487.

If the other assumptions remain constant, the changes which were possible, subject to an objective analysis on the reporting date, would have exerted an influence on the defined-benefit obligation in the event of one of the significant actuarial assumptions set out below (sensitivity analysis):

€ 000s	2020		2021	
	Increase	Decrease	Increase	Decrease
Decrease in the interest rate by 0.25 %	349		298	
Increase in the interest rate by 0.25 %		331		283
Decrease in future pension rises by 0.25 %		323		251
Increase in future pension rises by 0.25 %	271		262	

A similar approach is adopted by determining the sensitivities and the scope of obligation. The other valuation assumptions were applied unchanged. If several assumptions are changed at the same time, the overall effect does not necessarily have to correspond to the sum of the individual effects due to the changes in the assumptions. Furthermore, the effects are not linear.

The weighted average residual term of the benefit obligations is 12.6 years to 31 December 2021.

The additional personnel-related obligations include partial-retirement and long-service agreements. The partial-retirement obligations amount to € 000s 61 (2020: € 000s 144) on the reporting date and these obligations are balanced by plan assets amounting to € 000s 37 (2020: € 000s 91) because of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 1,947 on the reporting date (2020: € 000s 1,933).

(29) Shareholders' equity

The subscribed capital (capital stock) of SURTECO GROUP SE is € 15,505,731.00 and is fully paid in. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case.

Capital reserve

The capital reserve of SURTECO GROUP SE includes the amounts by which the capital investment values of shareholdings in affiliated companies paid within the scope of capital increases against non-cash considerations exceed the amounts of capital stock allocated to the SURTECO shares released for this purpose.

The capital reserve is unchanged by comparison with the previous year and amounts to € 000s 122,755.

Retained earnings

Retained earnings include transfers from consolidated net profit and the accumulated comprehensive income resulting from the following items:

- Offsetting of actuarial gains and losses with no effect on net income
- Differences arising from currency translations of annual financial statements of foreign subsidiaries with no effect on net income

Reconciliation of the equity components affected by other comprehensive income:

€ 000s	31/12/2020			31/12/2021		
	Fair value measurement for pension provisions	Currency translation adjustments	Total other comprehen-sive income	Fair value measurement for pension provisions	Currency translation adjustments	Total other comprehen-sive income
Components of other comprehensive income not to be reclassified to the income statement						
Remeasurements of defined benefit obligations	156			364		
Components of other comprehensive income that may be reclassified to the income statement						
Exchange differences in translation of foreign companies		-11,797			3,118	
Exchange differences in translation of foreign participations valued at equity		725			0	
Other comprehensive income	156	-11,072	-10,916	364	3,118	3,482

Dividend proposal

The Management Board and the Supervisory Board of SURTECO GROUP SE will submit a proposal to the ordinary Annual General Meeting of the company being held in Munich on 7 June 2022 that a resolution be passed such that the consolidated net profit of SURTECO GROUP SE amounting to € 27,793,969.76 is to be appropriated as follows. Payment of a dividend per share of € 1.00 (2021: € 0.80). This corresponds to a total amount distributed as dividend of € 15,505,731 for 15,505,731 shares and appropriation is made to retained earnings in the amount of € 12,288,238.76.

(30) Non-controlling interests

In the business year 2020, the SURTECO Group acquired the non-controlling interests in the Nennplas Group on 7 April 2020.

€ 000s	2020	2021
Book value of the acquired non-controlling interests	3,628	0
Considerations paid out to non-controlling interests	3,693	0
Surplus of consideration paid out which is recorded under shareholders' equity in the provision for business transactions with non-controlling interests	65	0

(31) Contingent liabilities and other financial obligations

Obligations arising from rental, hire and leasing contracts are explained in the disclosures relating to IFRS 16 (see section (27)).

Commitments amounting to € 000s 53 (2020: € 000s 1,300) were recognized arising from orders for investment projects already in progress or planned in the area of the items property, plant and equipment and intangible assets (commitments from orders).

(32) Capital management

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. The capital is defined as the shareholders' equity recognized in the balance sheet and the net debt.

Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts. The Group is not subject to the imposition of any statutory capital requirements.

A dividend in the amount of € 000s 12,405 (2020: € 000s 0) was paid out in the business year 2021.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 26.2 (2020: 19.8) in 2021. The debt-service coverage ratio was 59 % in 2021 (2020: 53 %). The net debt amounted to € 000s 152,555 (2020: € 000s 144,714) on 31 December 2021 and the equity ratio was 52.0 % (2020: 46.7 %). The calculation of the indicators is presented in the management report.

The international business profile of the Group means that different legal and supervisory regulations have to be observed according to the region. The status and development of these regulations are tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(33) Financial instruments and financial risks management

The significant financial risks of the Group are described below. More extensive descriptions of the risks are included in the risk and opportunities report provided in the management report.

1. Security guidelines and principles of financial risk management

Due to the international activities of the SURTECO Group, changes in interest rates and currency exchange rates impact on the net assets, financial position and results of operations of the SURTECO Group. The risks result from foreign currency transactions carried out in the course of operating business, from financing and from investment.

The Corporate Treasury Department of the SURTECO GROUP SE holding company controls centrally the currency and interest-management of the Group and also the key business transactions with financial derivatives and other financial instruments. In individual cases, currency hedging transactions are concluded at the foreign subsidiaries in close consultation with Central Treasury. Financial instruments and derivatives are used exclusively to hedge interest and currency risks. Only commercial instruments with sufficient market liquidity are used for this purpose. Derivative financial positions for trading purposes are not held as at 31 December 2021. Risk assessments and checks are carried out continuously.

The subsidiaries report on their key currency and interest-rate risks within the scope of Group reporting. These risk positions are then analyzed and evaluated on the basis of the gross financial burden anticipated on EBT and the likelihood of occurrence.

2. Financial risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. Most of the Group's financial liabilities have residual terms of up to seven years and they are structured with fixed interest rates (see maturity structure section (27)). The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with some of the lenders at standard market conditions in loan agreements, for example the ratio of EBITDA to interest income (Interest Coverage Factor, see Notes to the Consolidated Financial Statements section (32)) and these have to be complied with by the SURTECO Group. The key indicators are continuously monitored by the Management Board and the Supervisory Board. If there is an impending breach of any indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with in the business year 2021.

No risk concentration was identified for financial risks.

3. Liquidity and credit risk

The Corporate Treasury Department of the SURTECO GROUP SE holding company monitors and controls the development of liquidity for the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that the SURTECO Group has adequate liquid funds continuously available. There is also the option of drawing on open credit lines and on a factoring agreement.

However, there is the risk that earnings and liquidity are compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing credit rating and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low due to the broad customer structure and credit insurance policies.

The following table shows the undiscounted contractually agreed cash outflows and inflows from primary financial liabilities and derivative financial instruments with gross fulfilment. If the maturity date is not fixed, the liability relates to the earliest liability date.

2021 € 000s	Book value 31/12/2021	2022 Interest	2022 Repayment	2023 - 2026 Interest	2023 - 2026 Repayment	2027 ff. Interest	2027 ff. Repayment
Financial liabilities to banks	204,510	2,988	88,537	6,828	56,764	1,257	59,500
Financial liabilities from leasing obligations	21,100	444	4,676	1,404	17,620	17	669
Financial liabilities	225,610	3,432	93,213	8,232	74,384	1,274	60,169
Trade accounts payable	63,582	-	63,582	-	-	-	-
Other financial liabilities	26,797	-	26,758	-	39	-	-

2020 € 000s	Book value 31/12/2020	2021 Interest	2021 Repayment	2022- 2025 Interest	2022- 2025 Repayment	2026 ff, Interest	2026 ff, Repayment
Financial liabilities to banks	253,754	3,492	34,417	8,811	160,229	2,513	59,572
Financial liabilities from leasing obligations	24,425	484	6,650	1,357	18,800	28	844
Financial liabilities	278,179	3,976	41,067	10,168	179,029	2,541	60,416
Trade accounts payable	63,423	-	63,423	-	-	-	-
Other financial liabilities	25,780	-	25,780	-	-	-	-

4. Interest and currency risks

Due to the global nature of the business activities of the SURTECO Group, delivery and payment flows result in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros can entail risks which can only be hedged to a certain extent.

Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. SURTECO GROUP SE meets the remaining interest and currency risks in the business year 2021 by hedging positions with derivative financial instruments, and regular and intensive observation of a range of early-warning indicators. No derivative financial instruments are outstanding on the reporting date. Hedging of individual risks is discussed and decided through the Central Treasury with the Management Board and the responsible Managing Directors.

The following table shows the sensitivity on the reporting date of the available derivatives and variable-interest primary financial instruments in the SURTECO Group to the rise or fall of interest rates by 100 basis points (bp):

€ 000s	Income statement	
	100 bp Rise	100 bp Fall
31/12/2021		
Variable interest assets	527	-527
Variable interest liabilities	-129	1
	398	**-526**
31/12/2020		
Variable interest assets	1,134	-1,134
Variable interest liabilities	-368	155
	766	**-979**

The analysis assumes that all other variables, in particular exchange rates, remain unchanged.

The Group operates in several currency areas. In particular effects arise from the performance of the US dollar.

A rise in the key relevant foreign currencies in the Group against the euro would exert the following effects:

€ 000s	Income statement		Equity / Other comprehensive income	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2021				
Primary financial instruments				
in US dollars	310	-253	0	0
in other currencies	-338	276	1,838	-1,504
	-28	**23**	**1,838**	**-1,504**
31/12/2020				
Primary financial instruments				
in US dollars	434	-355	0	0
in other currencies	539	-441	1,878	-1,536
	973	**-796**	**1,878**	**-1,536**

The analysis assumes that all other variables, in particular interest rates, remain unchanged.

No risk concentration was identified for risks relating to change in interest rates and currency.

5. Valuations of financial instruments

The calculation and recognition of the fair values of financial instruments is based on a fair value hierarchy which takes into account the significance of the input data used for the valuations and classifies it 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 inputs.

The following table shows the book values and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy.

No fair value reporting is carried out in accordance with IFRS 7.29 for short-term financial instruments or financial instruments reported at acquisition costs.

€ 000s	Category acc. IFRS 9	Book value at 31/12/2021	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IFRS 16	Fair value (IFRS 13)	Level
		Book value at 31/12/2021						
Assets								
Cash and cash equivalents	AC	73,056	73,056	-	-	-	-	-
Trade accounts receivable (not including factoring)	AC	72,080	72,080	-	-	-	-	-
Trade accounts receivable (including factoring)	FVPL	2,435	0	-	-	-	2,435	3
Other current financial assets								
- Continuing involvement	n.a.	0	-	-	-	-	-	-
- Receivable tenant loan	AC	0	0	-	-	-	-	-
- Other current financial assets								
of which in the scope of IFRS 7	AC	1,492	1,492	-	-	-	-	-
of which not in the scope of IFRS 7	n.a.	1,644	1,644	-	-	-	-	-
Financial assets								
- Participations	FVPL	10	-	-	10	-	-	-
Other non-current financial assets								
- Miscellaneous other non-current financial assets	AC	1,358	1,358	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities to banks	AC	88,552	88,552	-	-	-	89,289	2
- Liabilities acc. to IFRS 16	n.a.	4,232		-	-	4,232	-	-
Trade accounts payable	AC	63,582	63,582	-	-	-	-	-
Other current financial liabilities								
- Continuing involvement	n.a.	0	-	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Other current financial liabilities								
- of which not in the scope of IFRS 7	n.a.	25,025	25,025	-	-	-	-	-
- of which in the scope of IFRS 7	AC	1,729	1,729	-	-	-	-	-
Long-term financial liabilities								
- Liabilities acc. to IFRS 16	n.a.	16,869		-	-	16,869	-	2
- Liabilities to banks	AC	115,958	115,958	-	-	-	123,340	2

€ 000s	Category acc. IFRS 9	Book value at 31/12/2020	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IFRS 16	Fair value (IFRS 13)	Level
		Book value at 31/12/2020						
Assets								
Cash and cash equivalents	AC	133,466	133,466	-	-	-	-	-
Trade accounts receivable (without factoring)	AC	34,498	34,498					
Trade accounts receivable (with factoring)	FVPL	19,380	0				19,380	3
Other current financial assets								
- Continuing involvement	n.a.	141	-	-	-	-	-	-
- Receivable tenant loan	AC	2,045	2,045	-	-	-	-	-
- Miscellaneous other current financial assets				-	-	-	-	-
of which in the scope of IFRS 7	AC	4,192	4,192					
of which not in the scope of IFRS 7	n.a.	1,091	1,091					
Financial assets								
- Participations	FVPL	10	-	-	10			
Other non-current financial assets								
- Miscellaneous other current financial assets	AC	274	274	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities to banks	AC	34,428	34,428	-	-		-	
- Liabilities acc. to IFRS 16	n.a.	6,092				6,092		
Trade accounts payable	AC	63,423	63,423	-	-	-	-	-
Other current financial liabilities								
- Continuing involvement	n.a.	141	-	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Miscellaneous other current financial liabilities				-	-	-	-	-
- of which not in scope of IFRS 7	n.a.	19,800	19,800					
- of which in scope of IFRS 7	AC	5,735	5,735					
Long-term financial liabilities								
- Liabilities acc. to IFRS 16	n.a.	18,694	-	-	-	18,694		2
- Liabilities to banks	AC	219,326	219,326	-	-	-	249,810	2

Key to abbreviations	
AC	Amortised Cost
FVPL	At Fair Value through Profit & Loss

Cash and cash equivalents, trade accounts receivable, (not including those receivables which are separated in the framework of a factoring programme), supplies to associated companies and components of other current financial assets and current financial liabilities, trade accounts payable and other financial liabilities that primarily have short residual terms are recognized at "Amortized Costs" (AC). The values reported therefore correspond approximately to the fair values on the reporting date.

The trade accounts receivable that are separated in the framework of the factoring programme are ecognized at fair value through profit and loss.

The fair value of liabilities to banks is determined as a present value taking account of the payments associated with the liabilities based on the relevant interest structure curve in each case and the credit spread curve differentiated according to currencies.

During this business year and the previous business year, there were no reclassifications between the measurement categories or reclassifications within the fair value hierarchy. The SURTECO Group decides as necessary with the date of the event or the change in circumstances which have caused a regrouping whether a reclassification is necessary.

The net gains and losses in the income statement arising from financial instruments are presented in the following table:

€ 000s	2020	2021
Gains from assets recognized at amortized costs	1,097	1,706
Losses from assets recognized at amortized costs	-1,779	-723
Gains/losses from assets recognized at amortized costs	**-682**	**983**
Gains from assets recognized at amortized costs	749	451
Losses from assets recognized at amortized costs	-6,375	-3,918
Gains/losses from assets recognized at amortized costs	**-5,626**	**-3,467**

The net gains and losses for assets recognized at amortized costs essentially relate to changes in allowances and currency translations, allowance reversals and interest income. The net gains and losses for liabilities recognized at amortized costs result from currency translation and interest expenses.

No derivative financial instruments were held on the reporting date.

Interest income on financial instruments in the amount of € 000s 438 (2020: € 000s 143) and interest expenses in the amount of € 000s 3,651 (2020: € 000s 4,202) relate to the net gains and losses respectively.

X. Supplementory Information

(34) Notes to the cash flow statement

The cash flow statement was prepared in accordance with IAS 7. It is structured by cash flows arising from operating activities, from investment and financing activities. The effects of changes in the group of companies consolidated are eliminated in the relevant items. The cash flows arising from investment and financing activities are calculated on the basis of payments, cash flow arising from current business operations is derived indirectly.

The financial resources only include the cash and cash equivalents of the SURTECO Group reported in the balance sheet. By contrast, financial controlling in the SURTECO Group is based on the financial balance, which apart from cash and cash equivalents also includes debt.

The operating expenses and income with no effect on liquidity and results from disposal of assets, are eliminated in cash flow from current business operations.

The cash flow from financing activities is comprised of dividend payments, borrowing and repayment of debts and leasing obligations, business transactions with non-controlling interests, as well as interest payments from loans and financial liabilities.

The change in net liabilities is made up as follows:

€ 000s	2020	2021
Cash and cash equivalents	133,466	73,056
Borrowings (including current account)	-253,754	-204,511
Leasing liabilities	-24,425	-21,100
Net liabilities	**-144,713**	**-152,555**
Cash and liquid financial investments	133,466	73,056
Gross liabilities – fixed interest rates	-217,679	-195,611
Gross liabilities – variable interest rates	-60,500	-30,000
Net liabilities	**-144,713**	**-152,555**

€ 000s	Liabilities from financial activities			
	Cash/Bank current account	Borrowings	Leases	Total
Net liabilities at 1 January 2020	83,579	-241,747	-21,717	-179,885
Cash flows	51,326	-7,782	8,182	51,726
New leases	0	0	-10,379	-10,379
Adjustment resulting from currency translation	-1,731	21	0	-1,710
Other changes	292	-4,246	-511	-4,465
Net liabilities at 31 December 2020	**133,466**	**-253,754**	**-24,425**	**-144,713**
Net liabilities at 1 January 2021	133,466	-253,754	-24,425	-144,713
Cash flows	-61,695	53,535	4,562	-3,598
New leases	0	0	-719	-719
Adjustment resulting from currency translation	847	0	0	847
Other changes	438	-4,292	-518	-4,372
Net liabilities at 31 December 2021	**73,056**	**-204,511**	**-21,100**	**-152,555**

(35) Segment reporting

The activities of the SURTECO Group are segmented by operating segments according to IFRS 8 within the scope of reporting. The breakdown is based on internal controlling and reporting. It takes into account the customer-centric alignment of SURTECO into the Strategic Business Units (SBUs) Decoratives, Profiles and Technicals. The latter comprises all other non-reportable business segments. Each company within the Group is assigned to the appropriate segments essentially in accordance with the list “Shareholdings”.

- The Segment Decoratives primarily serves the wood-based, flooring, door and furniture industries, and the caravan industry.
- The Segment Profiles supplies trade floorlayers and the interior design and construction industries.
- The other segment Technicals is a specialist provider supplying niche markets in the furniture, flooring and caravan industries, and in interior design for ships.

The segment information is based on the same recognition, accounting and valuation principles as those used in the consolidated financial statements. There are no changes in valuation principles compared with previous periods. Assets and liabilities, provisions, income and expenses, as well as earnings between the segments are eliminated in the consolidations. Internal sales within the Group are transacted at commercial prices.

The segment working capital describes the difference between current assets and current liabilities. The current assets include current liabilities and inventories.

The SURTECO Group uses two controlling parameters in segment reporting and EBIT is applied as the primary controlling parameter.

The Management Board holds the power of decision-making with regard to the allocation of the resources and the measurement of the earnings power of the reportable segments. Uniform performance and asset values are used in the relevant business segments for this purpose.

The business relationships between the companies in the segments are organized on the basis of dealing at arm’s length. Administrative services are calculated as cost allocations.

Segment information € 000s	SBU Decoratives	SBU Profiles	SBU Technicals*	Reconcili-ation	SURTECO Group
2021					
External sales	549,340	136,521	71,199	0	757,060
Internal sales with the SURTECO Group	14,646	1,887	4,792	-21,325	0
Total sales	563,986	138,408	75,991	-21,325	757,060
Depreciation and amortization	-29,199	-8,681	-4,225	-135	-42,240
Segment earnings (EBIT)	62,345	12,678	5,608	-8,107	72,524
Interest income	309	21	175	-67	438
Interest expenses	-1,610	-739	-614	-1,847	-4,810
EBT	62,411	11,959	5,437	-9,837	69,970
Segment working capital	115,564	34,558	13,737	-2,345	161,514
Voluntary disclosures:					
Income tax	-16,148	-7,267	-2,941	4,192	-22,164
Investments (property, plant and equipment, and intangible assets)	17,026	12,603	3,410	61	33,100
Employees	2,290	561	274	19	3,144
2020					
External sales	451,676	106,252	69,062	0	626,989
Internal sales within the SURTECO Group	16,259	1,023	3,250	-20,533	0
Total sales	467,935	107,275	72,312	-20,533	626,989
Depreciation and amortization	-30,433	-7,792	-4,138	187	-42,177
Segment earnings (EBIT)	38,875	10,251	5,197	-8,178	46,145
Interest income	266	230	155	-359	292
Interest expenses	-1,874	-694	-543	-1,646	-4,757
EBT	39,260	9,799	4,833	-10,595	43,298
Share of profit of investments accounted for using the equity method	2,654	0	0	82	2,736
Segment working capital	86,331	25,612	10,030	-3,493	118,481
Voluntary disclosures:					
Income tax	-6,800	-1,035	-281	-1,415	-9,531
Investments (property, plant and equipment, and intangible assets)	16,825	18,079	3,470	43	38,416
Employees	2,301	509	275	19	3,103

* All other segments in accordance with IFRS 8.16

Segment information by regional markets € 000s	2020			2021		
	Sales revenues	Non-current assets	Invest-ments	Sales revenues	Non-current assets	Invest-ments
Germany	166,780	255,552	25,668	192,999	252,690	21,193
Rest of Europe	295,658	150,824	5,207	357,863	146,590	6,688
America	110,810	46,269	6,229	139,727	48,849	4,415
Asia/Australia	48,854	30,763	1,312	59,461	30,899	804
Other	4,887			7,010		
	626,989	483,407	38,416	757,060	479,028	33,100

Sales revenues were allocated according to the destination of goods delivery. Non-current assets were recorded in accordance with the location of the relevant asset.

Non-current assets include property, plant and equipment, intangible assets and goodwill.

Goodwill was allocated to the non-current assets by regions.

Reconciliation of balance sheet totals with net segment assets € 000s	2020	2021
Balance sheet total	798,776	795,150
Less financial assets		
- Cash and cash equivalents	133,466	73,056
- Financial assets and investments accounted for using the equity method	10	10
- Tax assets / deferred tax assets	5,185	13,842
Segment assets	660,115	708,242
Current and non-current liabilities	425,447	381,468
Less financial liabilities		
- Short-term and long-term financial liabilities	278,179	225,610
- Tax liabilities / deferred tax liabilities	29,947	42,651
- Pensions and other personnel-related obligations	13,245	11,888
Segment liabilities	104,076	101,319
Net segment assets	556,039	606,923

(36) Transactions with non-controlling interests and related companies and persons

The following table shows the scope of relationships between the SURTECO Group and the company accounted for using the equity method which was divested in the business year 2020. The scope of relations continues until the date of disposal.

€ 000s	2020	2021
Services rendered (income)	290	0
Services received (expense)	0	0
Receivables (31/12/)	148	0
Liabilities (31/12/)	0	0

The following table shows the scope of relationships between the SURTECO Group and the non-consolidated companies.

€ 000s	2020	2021
Services rendered (income)	45	0
Services received (expense)	319	0
Receivables (31/12/)	43	0
Liabilities (31/12/)	0	0

Outstanding items in respect of these companies are not secured.

The exchange of services essentially comprises the delivery of inventories at market conditions.

On 31 December 2021, the SURTECO Group issued guarantees amounting to € 000s 0 (2020: € 000s 91) to a non-consolidated company for the fulfilment of individual contracts by non-consolidated companies. It is assumed that no obligations will arise as a result of these guarantees.

(37) Compensation for executive officers and former executive officers

Supervisory Board
The remuneration granted and owed (inflow) for the Supervisory Board, including former Board Members, amounted to € 000s 390 for the business year 2021. It includes basic remuneration of € 000s 352 and compensation for Audit Committee activities in the amount of € 000s 38.

Management Board
The Members of the Management Board, including former Members of the Management Board, received granted and owed remuneration (inflow) amounting to € 000s 3,247 in the business year 2021. This includes € 000s 300 for pension provision which is paid to an external welfare fund.

(38) Auditor's fee

At the Annual General Meeting on 23 June 2021, professional services firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor of the financial statements and auditor to carry out the audit inspection of the interim financial reports for the business year 2021.

The total fee for the business year amounted to € 000s 599 (2020: € 000s 598). Out of this, € 000s 501 (2020: € 000s 509) were attributed to services for auditing the financial statements, € 000s 98 (2020: € 000s 83) to tax consultancy services. Miscellaneous services were not invoiced in the business year (2020: € 000s 7). The auditing services include auditing of the consolidated financial statements and auditing of the separate financial statements of SURTECO GROUP SE and the domestic subsidiary companies. The tax consultancy services essentially relate to consultancy services for the preparation of tax returns and support for the ongoing company audit. The other services include project-related consultancy services.

(39) Events after the reporting date

After the balance sheet date, the company issued promissory notes in the amount of € 125 million total for the purpose of general corporate financing and for refinancing of existing liabilities. These are divided into tranches of five, seven and ten years.

The consequences of the conflict between Russia and Ukraine may entail negative impacts on the net assets, financial position and results of operations in the business year 2022. You will find further details and explanations in the sections "Outlook report" and "Risk and opportunities report".

Up until 13 April 2022, there were no further events or developments that could lead to a significant change to the recognition or valuation of individual assets or liabilities as at 31 December 2021.

XI. Executive Officers of the Company

Management Board (in the business year 2021)

Name	Main activity	Supervisory Board memberships of other companies and other mandates
Wolfgang Moyses Business Manager, Munich	Chairman of the Management Board	• Member of the Advisory Board of Brabender Inc., South Hackensack, USA • Customer Member of the Advisory Board of Landesbank Rheinland-Pfalz, Mainz
Manfred Bracher Engineer, Frankfurt am Main	Member of the Management Board COO	-

Members of the Supervisory Board (in the business year 2021)

Name	Regular occupation	Supervisory Board memberships of other companies and other mandates
Christa Linnemann Gütersloh Honorary Chairwoman	-	-
Andreas Engelhardt Bielefeld (Chairman)	Personally liable shareholder of Schüco International KG, Bielefeld	• Member of the Supervisory Board of SAINT-GOBAIN ISOVER G+H AG, Ludwigshafen • Member of the Supervisory Board of BDO AG WPG, Hamburg (Chairman since 16 December 2021)
Dr. Christoph Amberger Utting am Ammersee (Vice Chairman) (until 8 April 2021)	Independent Businessman	• Member of the Advisory Board of Frischpack GmbH, Mailling • Member of the Advisory Board of the Detia Degesch Group, Laudenbach • Vice Chairman of the Supervisory Board of Klöpfer & Königer GmbH und Co. KG, Garching
Tim Fiedler Düsseldorf (Vice Chairman)	Economist	• Member of the Advisory Board of nevisQ GbmH, Aachen • Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Advisory Board of Drewsen Spezialpapier GmbH & Co. KG, Lachendorf • Member of the Board of Trustees of the Gustav & Catharina Schürfeld Foundation, Lachendorf • Member of the Advisory Board of Geiger Notes AG, Mainz-Kastel (from 13 September 2021)
Tobias Pott Gütersloh (Deputy Chairman)	Business Administrator	• Vice Chairman of the Management Board of the Robert und Christa Linnemann-Foundation, Gütersloh
Jens Krazeisen* Buttenwiesen	Chairman of the Works Council of SURTECO GmbH, Buttenwiesen	-

* Employee representatives

Members of the Supervisory Board (in the business year 2021)

Name	Regular occupation	Supervisory Board memberships of other companies and other mandates
Jochen Müller Neunkirchen-Seelscheid	Engineer	• Deputy Chairman of the Supervisory Board of A.S. Création Tapeten AG, Gummersbach • Member of the Supervisory Board of WKW Aktiengesellschaft, Velbert
Dirk Mühlenkamp* Gladbeck (from 1 September 2021)	Chairman of the Works Council of SURTECO GmbH, Gladbeck	-
Jan Oberbeck St. Augustin (from 12 April 2021)	Economist	• Member of the Supervisory Board of All4Lables GmbH, Hamburg • Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Supervisory Board of Geiger Notes AG, Mainz-Kastel (from 13 September 2021)
Thomas Stockhausen* Sassenberg	Chairman of the Works Council of SURTECO GmbH, Sassenberg	-
Heinz Dieter Stöckler* Essen (until 30 June 2021)	Chairman of the Works Council of SURTECO GmbH, Gladbeck	-
Jörg Wissemann Schlossborn	Business Administrator	-

* Employee representatives

Committees of the Supervisory Board (as at 31 December 2021)

Presiding Board			
Andreas Engelhardt (Chairman)	Tim Fiedler	Tobias Pott	
Personnel Committee			
Andreas Engelhardt (Chairman)	Tim Fiedler	Jan Oberbeck	Tobias Pott
Audit Committee			
Jochen Müller (Chairman)	Andreas Engelhardt	Tobias Pott	Jörg Wissemann

XII. Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of SURTECO GROUP SE submitted the Declaration of Compliance in respect of the Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG) on 21 December 2021 and made this declaration available to shareholders on the website of the company at: www.surteco.com.

Shareholdings as at 31/12/2021

		Town/City	Country	Consolidated	Percentage of shares held	Participation
Parent Company						
100	SURTECO GROUP SE	Buttenwiesen	Germany			
BUSINESS UNIT DECORATIVES						
401	SURTECO GmbH	Buttenwiesen	Germany	F	100.00	100
321	SURTECO art GmbH	Willich	Germany	F	100.00	401
341	SÜDDEKOR LLC	Agawam	USA	F	100.00	401
405	SURTECO UK Ltd.	Burnley	United Kingdom	F	100.00	401
441	BauschLinnemann North America Inc.	Myrtle Beach	USA	F	100.00	401
443	SURTECO North America Inc.	Myrtle Beach	USA	NC	100.00	401
470	SURTECO Italia s.r.l.	Martellago	Italy	F	100.00	401
501	Global Abbasi, S. L.	Madrid	Spain	F	100.00	401
502	Proadec Portugal, S. A.	Mindelo	Portugal	F	100.00	501
503	Proadec Brasil Ltda.	Sao José dos Pinhais	Brazil	F	100.00	502
504	Chapacinta, S. A. de C. V.	Tultitlán	Mexico	F	99.99	502
					0.01	501
505	Proadec UK Ltd.	Greenhithe (Kent)	United Kingdom	F	100.00	502
512	SURTECO Australia Pty Limited	Sydney	Australia	F	100.00	401
513	SURTECO PTE Ltd.	Singapore	Singapore	F	100.00	401
514	PT Doellken Bintan Edgings & Profiles	Batam	Indonesia	F	99.00	401
					1.00	513
516	SURTECO France S.A.S.	Beaucouzé	France	F	100.00	401
518	SURTECO OOO	Moscow	Russia	F	100.00	401
550	SURTECO USA Inc.	Greensboro	USA	F	100.00	401
560	SURTECO Canada Ltd	Brampton	Canada	F	100.00	401
580	SURTECO Decorative Material Co. Ltd.	Foshan	China	F	100.00	513

		Town/City	Country	Consolidated	Percentage of shares held	Participation
BUSINESS UNIT TECHNICALS						
200	Surteco Beteiligungen GmbH	Buttenwiesen	Germany	F	100.00	100
410	Kröning GmbH	Hüllhorst	Germany	F	100.00	200
330	DAKOR Melamin Imprägnierungen GmbH	Heroldstatt	Germany	F	100.00	200
610	SURTECO Svenska AB	Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB	Gislaved	Sweden	F	100.00	610
BUSINESS UNIT PROFILES						
520	Döllken Profiles GmbH	Bönen	Germany	F	100.00	100
531	Döllken Sp.z o.o.	Katowice	Poland	F	100.00	520
532	Döllken CZ s.r.o.	Prague	Czech Republic	F	100.00	520
540	Nenplas Holdings Ltd.	Ashbourne	United Kingdom	F	100.00	520
541	Nenplas Ltd.	Ashbourne	United Kingdom	F	100.00	540
542	Polyplas Extrusions Ltd.	Stourport-on-Severn	United Kingdom	F	100.00	541

F = Full Consolidation NC = Not Consolidated

"The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3a HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette."

Independent Auditor's Report

To SURTECO GROUP SE, Buttenwiesen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SURTECO GROUP SE, Buttenwiesen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated income statement, statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SURTECO GROUP SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matter:

❶ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to EUR 162.9 million (20.5 % of total assets or 39.4 % of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.
Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section IX (22) of the notes to the consolidated financial statements

Other Information

The executive directors are responsible for the other information.
The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB
- the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.
Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.
The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file SURTECO_KA_LB_ESEF-2021-12-31-de.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.
In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.
In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.
The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on June 21, 2021. We were engaged by the supervisory board on November 12, 2021. We have been the group auditor of the SURTECO GROUP SE, Buttenwiesen, without interruption since the financial year 2011.
We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT
Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Jürgen Schumann.

Munich, 13 April 2022
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schumann	ppa. Andreas Sulzer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Buttenwiesen, 13 April 2022

The Management Board

Wolfgang Moyses	Manfred Bracher	Andreas Pötz

Balance Sheet (HGB) (SHORT VERSION)

€ 000s	31/12/2020	31/12/2021
ASSETS		
Intangible assets	13	24
Tangible assets	178	149
Investments		
- Interest in affiliated enterprises	297,767	297,767
- Notes receivable to affiliated enterprises	16,892	16,536
- Participations	1	1
Fixed assets	**314,851**	**314,477**
Receivables and other assets		
- Receivables from affiliated enterprises	201,663	224,641
- Other assets	3,694	3,629
Cash in hand, bank balances	98,053	45,256
Current assets	**303,410**	**273,526**
Prepaid expenses	**508**	**293**
	618,769	588,296
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	15,506	15,506
Additional paid-in capital	170,177	170,178
Retained earnings	101,580	117,222
Net profit	28,047	27,794
Equity	**315,310**	**330,700**
Tax accruals	636	8,531
Other accruals	5,426	6,975
Accrued expenses	**6,062**	**15,506**
Liabilities to banks	253,206	204,797
Trade accounts payable	114	441
Liabilities to affiliated enterprises	39,449	36,252
Other liabilities	4,628	92
Liabilities	**297,397**	**241,582**
Deferred income	**0**	**3**
Deferred taxes	**0**	**505**
	618,769	588,296

Income Statement (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2020	1/1/-31/12/ 2021
Sales revenues	1,543	1,755
Income from profit and loss transfer agreements	32,894	50,801
Other operating income	998	880
Personnel expenses	-6,544	-7,343
Amortization and depreciation on intangible assets and property, plant and equipment	-112	-78
Other operating expenses	-3,774	-4,729
Income from long-term securities and loans from financial assets	438	450
Interest income	-2,395	-2,699
Income taxes	-1,200	-11,240
Earnings after tax	**21,848**	**27,797**
Other taxes	-3	-3
Net income	**21,845**	**27,794**
Profit caried forward from the previous year	6,202	0
Net profit	**28,047**	**27,794**

The Annual Financial Statements of SURTECO GROUP SE have been published in the Federal Gazette (Bundesanzeiger) and filed at the Company Register of the Local Court Augsburg (Amtsgericht Augsburg). The Balance Sheet and the Income Statement (short version) from these Annual Financial Statements are published here. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Annual Financial Statements and provided them with an unqualified auditor's opinion.

The Annual Financial Statements can be requested from SURTECO GROUP SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen, Germany.

GLOSSARY

Corporate Governance
Corporate Governance relates to the framework for managing a company based on legal and objective principles.

Dealing-at-arm's-length principle
Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must stand up to the test of dealing-at-arm's length, which involves an offset of an exchange of services between affiliated companies at conditions that were agreed or would have been agreed under comparable circumstances with or among third parties.

Derivative financial instruments
Financial products in which the market value can be derived from classic underlying instruments or from market prices such as interest rates or exchange rates. Derivatives are used for financial management at SURTECO in order to limit risk.

German Corporate Governance Code
The German Corporate Governance Code includes principles, recommendations and ideas for the Management Board and Supervisory Board that are intended to contribute to the company being managed in the interests of the enterprise. The code elucidates the duties of the Management Board and Supervisory Board to act in harmony with the principles of the social market economy taking into account the concerns of the shareholders, the workforce and the other groups associated with the enterprise (stakeholders) in the interests of the enterprise and creating the enterprise's long-term value added (interest of the enterprise).

EBIT
Earnings before financial result and income tax

EBITDA
Earnings before financial result, income tax and depreciation and amortization

EBT
Earnings before income tax

Equity method
Method for presenting participations in companies whereby a controlling influence can be exerted over their business and financial policy. The participation is initially valued at acquisition cost and this value is then adjusted on a pro rata basis to reflect performance of the associated enterprise.

Extrusion
The process of extrusion involves plastics being squeezed through a nozzle in a continuous procedure. The plastic is initially melted as it passes through an extruder by the application of heat and internal friction, and homogenized. The necessary pressure for extruding the material through the nozzle is built up in the extruder. After the plastic has been extruded from the nozzle, it generally sets in a water-cooled calibration. The merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

Hybrid products
This product group covers finish foils which combine in a multilayer structure the technical and optical advantages of several different basic materials such as paper, plastic or true metals.

Impairment test
Periodic comparison of an asset´s book value with its recoverable amount (fair value). A company must record an impairment charge if it determines that an asset´s fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

International Accounting Standards Board (IASB)
IASB is the abbreviation for the International Accounting Standards Board. The function of the IASB is to draw up and revise international accounting standards (IFRS - International Financial Reporting Standards).

International Financial Reporting Interpretations Committee (IFRIC)
The IFRIC is a committee in the International Accounting Standards Committee Foundation. The function of the IFRIC is to publish interpretations of accounting standards in cases where different or incorrect interpretations of the standard are possible, or new factual content was not adequately taken into account in the previous standards.

International Financial Reporting Standards (IFRS)
The International Financial Reporting Standards (IFRS) are international accounting standards. They comprise the standards of the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the International Accounting Standards Committee and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standards Interpretation Committee (SIC).

Impregnated products
Impregnates are special papers (generally decorative papers) which are saturated in a resin bath in the same way as fully impregnated materials. However, in contrast to these materials, the impregnates are not provided with a final varnish coating. They only receive their final surface when they are compressed with the wood-fibre boards.

SE
Abbreviation for Societas Europaea – legal form of a European joint-stock company.

Release papers
These are an auxiliary material used in the compression of melamine impregnates with wood-fibre boards. The release papers form a separating layer between the hot pressed boards and the material. The release paper controls the texture and the degree of gloss finish to be provided on the surface being generated.

Ten year overview

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales revenues in € 000s	407,720	402,115	618,469	638,394	639,815	689,651	698,977	675,272	626,989	757,060
Foreign sales in %	69	70	72	72	73	75	76	75	73	75
EBITDA in € 000s	51,699	59,660	62,842	64,957	74,338	83,093	72,779	66,294	88,322	114,764
Depreciation and amortization in € 000s	-22,045	-22,613	-35,235	-33,847	-33,461	-38,423	-40,577	-45,175	-42,177	-42,240
EBIT in € 000s	29,654	37,047	27,607	31,110	40,877	44,670	32,202	21,119	46,145	72,524
Financial result in € 000s	-8,463	-9,056	-5,344	-4,293	-5,840	-11,155	-5,069	-4,901	-2,847	-2,554
EBT in € 000s	21,191	27,991	22,263	26,843	35,037	33,515	27,133	16,218	43,298	69,970
Consolidated net profit in € 000s	15,028	21,876	18,464	17,721	23,867	26,192	18,630	9,428	33,687	47,806
Balance sheet total in € 000s	467,250	626,109	636,669	655,727	673,869	842,596	844,541	780,325	798,776	795,150
Equity in € 000s	223,178	311,025	321,101	334,381	346,552	349,236	353,205	354,633	373,329	413,682
Equity ratio in %	48	50	50	51	51	41	42	45	47	52
Average number of employees for the year	1,994	2,114	2,682	2,727	2,736	3,091	3,329	3,217	3,103	3,144
Number of employees at 31/12	1,967	2,664	2,705	2,695	2,833	3,295	3,304	3,172	3,052	3,165
Capital stock in €	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Number of shares at 31/12	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Earnings per share in € (by weighted average of shares issued)	1.36	1.86	1.19	1.14	1.54	1.69	1.20	0.61	2.17	3.08
Dividend per share in €	0.45	0.65	0.70	0.80	0.80	0.80	0.55	-	0.80	1.00*
Dividend payout in € 000s	4,984	10,079	10,854	12,405	12,405	12,405	8,528	-	12,405	15,506
PROFITABILITY INDICATORS										
Return on sales in %	5.3	6.9	3.6	4.2	5.5	4.8	3.8	2.4	6.9	9.2
Return on equity in %	6.9	7.3	6.0	5.5	7.2	7.8	5.5	2.7	9.3	12.0
Total return on equity in %	6.6	5.9	5.1	5.5	6.5	5.0	4.1	3.0	6.0	9.4

* (Proposal by the Management Board and Supervisory Board)

FINANCIAL CALENDAR 2022

29 April 2022	Three-month report January – March 2022
7 June 2022	Virtual Annual General Meeting
10 June 2022	Dividend payout
29 July 2022	Six-month report January – June 2022
26 October 2022	Nine-month report January – September 2022

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