ANNUAL REPORT 2008

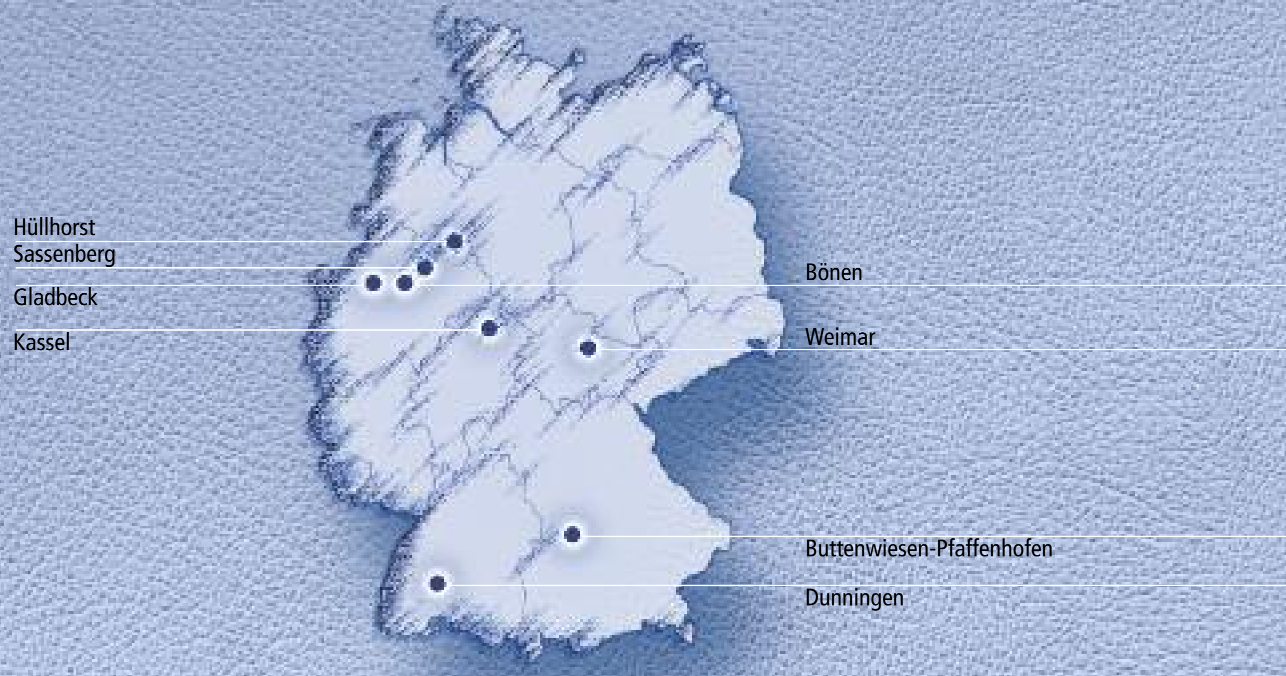
SPECIALISTS FOR SURFACE TECHNOLOGIES

SURTECO

SOCIETAS EUROPAEA

SURTECO WORLDWIDE

● 16 production and sales locations
○ 12 additional sales locations



Germany

AT A GLANCE

SURTECO SE

[€ 000s]	2007*	2008	Variation in %
Sales revenues	414,519	402,984	-3
Foreign sales in %	65	66	
EBITDA	74,358	58,321	-22
Depreciation and amortization	-19,060	-19,731	
EBIT	55,298	38,590	-30
Financial result	-8,371	-22,813	
EBT	46,927	15,777	-66
Consolidated net profit	31,837	6,754	-79
Earnings per share in €	2.87	0.61	-79
Additions to fixed assets	48,123	44,092	-8
Balance sheet total	516,728	490,073	-5
Equity	189,506	180,516	-5
Equity in % of the balance sheet total	36.7	36.8	
Net financial debt at 31 December	143,977	171,283	+19
Gearing (level of debt) at 31 December in %	76	95	+24
Average number of employees for the year	2,121	2,194	+3
Number of employees at 31 December	2,181	2,137	-2

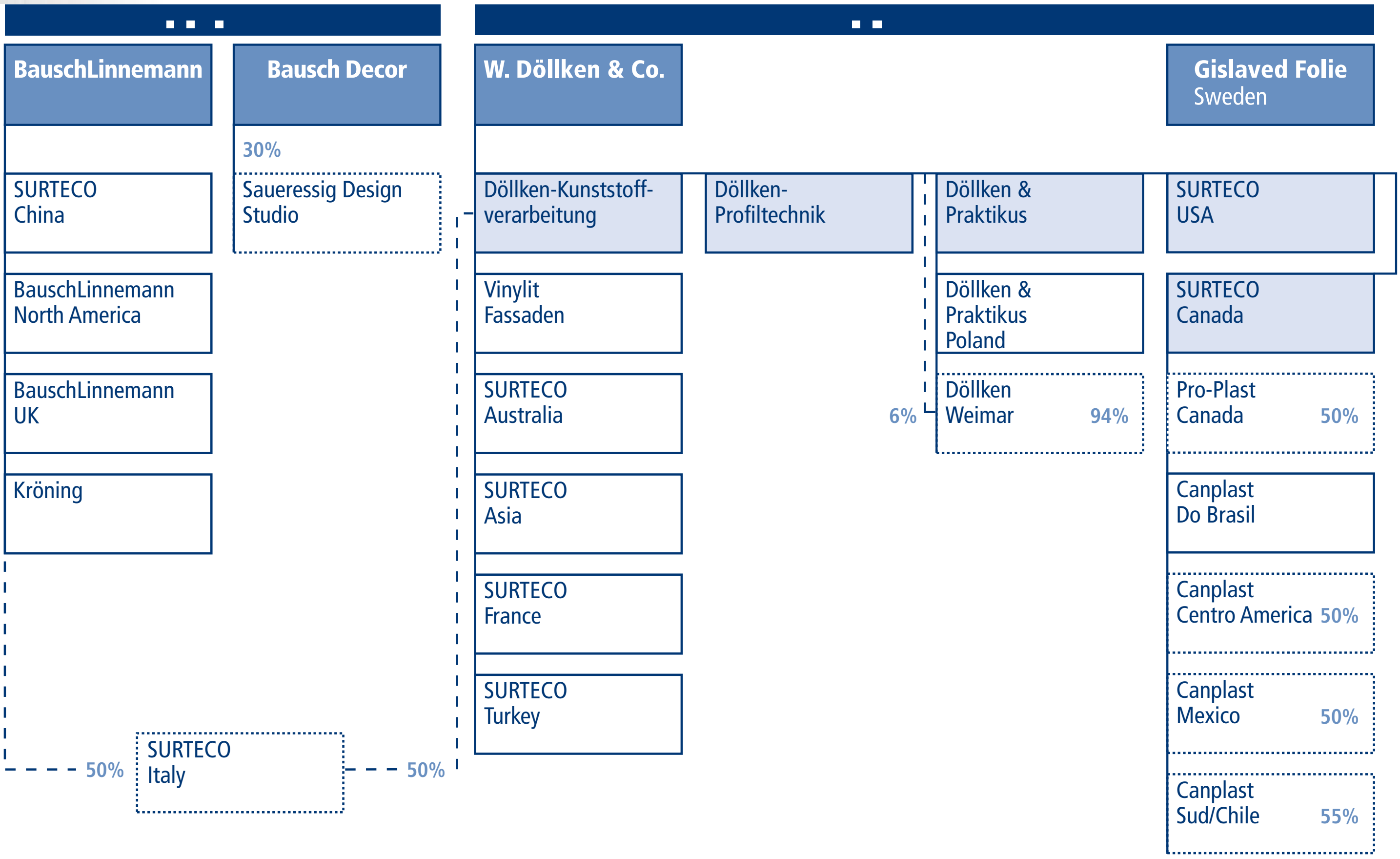
PROFITABILITY INDICATORS IN %

	2007*	2008
Return on sales	11.3	3.9
Return on equity	15.8	3.8
Total return on total equity	11.1	6.0

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

GROUP STRUCTURE

OPERATING GROUP STRUCTURE OF SURTECO SE



SALES DISTRIBUTION FOR 2008 (%)

SURTECO Group

by regions	
Germany	34
Rest of Europe	44
America	13
Australia	6
Asia	3

by products	
Edgebandings	50
Foils	24
Skirtings	7
Decorative printing	5
Tech. extrusions	5
DIY	3
Cladding systems	3
Other	3

Percentage of total sales: 63 %

Strategic Business Unit Plastics

by regions	
Germany	33
Rest of Europe	41
America	15
Australia	7
Asia	4

by products	
Edgebandings	58
Skirtings	11
Foils	11
Tech. extrusions	7
DIY	5
Cladding systems	4
Other	4

Percentage of total sales: 37 %

Strategic Business Unit Paper

by regions	
Germany	37
Rest of Europe	49
America	8
Australia	3
Asia	3

by products	
Foils	45
Edgebandings	38
Decorative printing	13
Laminates (CPL)	2
Other	2

THE PRODUCT RANGE OF SURTECO SE

STRATEGIC BUSINESS UNIT PLASTICS

Plastic edgebandings

Roller shutter systems

Edgings and extrusions for cabinet making

Technical extrusions for industry

Skirtings and extrusions for professional floor layers

Ranges for building suppliers and DIY stores

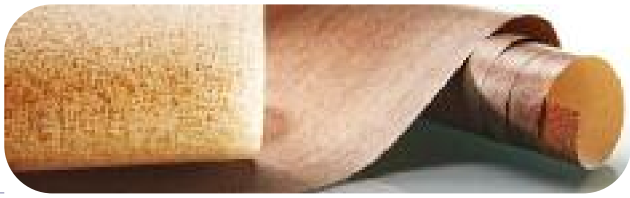
Cladding systems

Plastic foils

Printing decorative designs

Edgebandings based on paper

Finish foils based on paper



Multilayer laminates

IMAGES IN THE ANNUAL REPORT

Products from SURTECO cover a wide range of different areas in furniture manufacture and interior design, as well as industrial applications and the building industry. They are icons of quality and functionality in the market, while also reflecting sophisticated aesthetic and design standards.

The “scribbles” depicted in the Annual Report represent sketches for ideas and visualize typical applications of plastic and paper products from the SURTECO Group. The focus is on edging tapes and flat foils for refining the surfaces of furniture, doors and products for use in interior design. The latest roller shutter systems and exclusive skirtings are used in the home and in office environments. The Group supplies decorative papers for manufacturers of laminate flooring and has recently introduced finish foils with exceptionally wear-resistant surfaces. Skirtings and extrusions for industry, product ranges for building suppliers and DIY markets, cladding systems for renovation and insulation of external walls in residential buildings, and foils for ship interiors and plastic carpets complete the comprehensive product range marketed by SURTECO.

ISIN: DE0005176903 Ticker symbol: SUR

SURTECO

DÖLLKEN

BauschLinnemann

vinylit

Praktikus

BAUSCH DECOR

GISLAVED FOLIE AB

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BOARD OF MANAGEMENT

Dear shareholders and friends of our company,

SURTECO SE has come through the most difficult year in the history of the company. The global economic framework conditions deteriorated during the second half of the year at a pace that has not been witnessed since the Second World War. The financial and real-estate crisis that started in the USA exerted a massive impact on the real economy and slammed the brakes on the global economy at the end of 2008.

Energy and raw-material prices reached unprecedented highs and led to a strong surge in inflation. The strength of the euro against the majority of the world's currencies, and the volatility of the foreign-exchange markets, exerted an extremely adverse effect on exports. The collapse of Lehmann Brothers triggered a chain reaction across the world and banks at risk of insolvency were propped up by governments through a variety of measures including capital increases, guarantees, loans, etc. Massive interventions by central banks were not sufficient to stem the tide and countries across the world had to introduce economic stimulus packages, although these are only likely to show an effect during the second half of 2009 or in 2010.

After the first half year had proceeded satisfactorily for SURTECO, strong signs of a slowdown emerged during the third quarter. In the fourth quarter, the full force of the crisis impacted on our company. Foreign markets, in particular North America, Great Britain and Spain, were especially negatively affected. A trend towards smaller batch sizes and more keenly priced products was evident in the course of the business year. Development in our customers' sectors was also weak. The construction of residential units declined further and home construction plummeted in the USA and Spain in particular. The parts of the furniture industry that are of central relevance for SURTECO continue to operate at a low level. The caravan sector sank to a low when a major manufacturer went bankrupt. The changes in currency parities have also exerted a negative effect.

The SURTECO share was unable to escape from the downward slide experienced in the global equity markets. Daily losses in value of up to 8 % were commonplace even among the lead indexes. Unfortunately, this development impacted on the 3.02 % share package of the capital stock in Pfleiderer AG, Neumarkt, purchased in January 2008. We had to carry out an impairment as a result of the development in the share price, although prospects for development of the company over the medium and long term continue to be assessed as positive.

Despite the development in the global economy described above and the impacts on the raw materials side, SURTECO was able to generate earnings that are satisfactory by comparison with many other companies and given the extraordinary circumstances. This becomes all the more obvious if the one-off effect of restructuring and the impairment on the share package in Pfleiderer AG are taken into account.

Nevertheless, we certainly cannot afford to be complacent and we have therefore taken measures which will equip the company for the challenges of the changed framework conditions:

Friedhelm Päfgen, Chairman of the Board of Management

Dr.-Ing. Herbert Müller

• At the start of the business year 2008, we adopted a cost-cutting programme and reduced investments by around 30 %.
• In 2009, edging production in the SBU Paper was discontinued at the Buttenwiesen site and transferred to Sassenberg. The Buttenwiesen site is now focusing on finish foils.
• In North America, the transfer of production from Montreal/Canada to Greensboro/USA already started in 2007 is being extended. Facilities are also being transferred to Brampton/Canada.
• These measures are unavoidable due to the slump in demand and unfortunately they will lead to the loss of around 320 jobs. The negative charges anticipated have been reported in the annual financial statements for 2008.

Projects already in the pipeline developed positively:
• Our new sales company in Turkey started up successfully and has booked the first orders from major Turkish customers.
• Gislaved Folie AB, Sweden, acquired in September 2007 has been fully integrated. The rapid generation of synergies was progressed in joint project teams.
• In November, we started up production of plastic edgings in Chile in the context of a joint venture for the South American market.
• In order to reduce the complexity of the organization and to cut costs we carried out further integration of the SBU Paper and the SBU Plastics. For example, we merged our subsidiary companies in Asia and rebranded them SURTECO Asia.
• The internal organization in North America was streamlined even further. The companies of the SBU Plastics in North America were merged and they will have a market profile as SURTECO USA and SURTECO Canada with effect from 1 September 2009.

The development of the SURTECO Group for the current business year is very difficult to predict. There is no end in sight for the negative reports. The forecasts from economics institutes are constantly being corrected downwards. We continue to anticipate a strong downturn in economic output in the major industrial nations.
In view of the results for 2008, the Board of Management and the Supervisory Board believe it is reasonable to recommend a dividend amounting to € 0.35 per share (2007: € 1.10) to the Annual General Meeting to be held in Munich on 19 June 2009.
The SURTECO Group continues to be well positioned. The Group's technology leadership and its high level of productivity enable the Group to exploit future opportunities even in this exceptionally difficult economic environment.
We regret that we are having to discontinue employing some of the members of our workforce owing to the current economic circumstances. We should like to take this opportunity to thank them for their efforts in the past. Our particular thanks go to all our employees, who have demonstrated huge commitment and dedication during the business year under review.
Furthermore, we should like to thank our customers, partners, suppliers and in particular our shareholders for the confidence they have placed in our company and for the constructive and smooth-running cooperation.

Friedhelm Päfgen
Chairman of the Board of Management

Dr.-Ing. Herbert Müller
Member of the Board of Management

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann	Chairman of the Board of Management of RWE Aktiengesellschaft Essen	Chairman
Björn Ahrenkiel	Lawyer Hürtgenwald	Vice-Chairman
Bernd Dehmel	Businessman Marienfeld	Deputy Chairman
Johan Viktor Bausch	Engineer Munich	Honorary Chairman
Dr. Matthias Bruse	Lawyer Munich	
Hans-Jürgen Diesner	Marketing Salesman Versmold	Employee Representative
Jakob-Hinrich Leverkus	Businessman Hamburg	
Richard Liepert	Chairman of the Works Council Wertingen	Employee Representative
Christa Linnemann	Businesswoman Gütersloh	Honorary Chairwoman
Udo Sadlowski since 1 February 2008	Training Manager Essen	Employee Representative
Dr.-Ing. Walter Schlebusch	Managing Director of Banknotes Division Giesecke & Devrient GmbH Munich	
Udo Semrau until 31 January 2008	Chairman of the Works Council Gladbeck	Employee Representative

BOARD OF MANAGEMENT

Friedhelm Päfgen	Businessman Buttenwiesen-Pfaffenhofen	Chairman, SBU Paper
Dr.-Ing. Herbert Müller	Engineer Heiligenhaus	SBU Plastics

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

SBU PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Oliver Beer Hartwig Schwab
VINYLIT FASSADEN GMBH Kassel	Stefan Schmatz
SURTECO AUSTRALIA PTY. LTD. Sydney/Australia	Marc Taylor
SURTECO PTE LTD. Singapore	Hans Klingeborn
PT DOELLKEN BINTAN Bintan/Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	André Plank
SURTECO DEKOR A.Ş. Istanbul/Turkey	Emre Özbay
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Hartwig Schwab
DÖLLKEN & PRAKTIKUS GMBH Gladbeck	Frank-Jörg Schilaski
DÖLLKEN & PRAKTIKUS SP. Z O.O. Kattowitz/Poland	Rafael Pospiech
DÖLLKEN-WEIMAR GMBH Nohra	Tibor Aranyossy Wolfgang Breuning Frank-Jörg Schilaski
SURTECO CANADA LTD. Brampton/Ontario	Jürgen Krupp Tom Rieke Peter Schulte
SURTECO USA INC. Greensboro	Tom Rieke
GISLAVED FOLIE AB Gislaved/Schweden	Roland Andersson

SBU PAPER

BAUSCH DECOR GMBH Buttenwiesen-Pfaffenhofen	Wolfgang Buchhart
BAUSCHLINNEMANN GMBH Sassenberg	Dr.-Ing. Gereon Schäfer Dieter Baumanns
SURTECO CHINA Taicang	Yabin Li Klaus Peper
BAUSCHLINNEMANN UK LTD. Burnley	Tim Barber David Fleming
BAUSCHLINNEMANN NORTH AMERICA INC. Greensboro/USA	Mike Phillips
SURTECO ITALIA S.R.L. Martellago	Marco Francescon
KRÖNING GMBH & CO. Hüllhorst	Reinhold Affhüppe

Dear shareholders, partners and friends of our Company

The Supervisory Board regularly monitored the work of the Board of Management and provided advice in the business year 2008. The basis for the monitoring function of the Supervisory Board was formed by comprehensive, written and verbal reports by the Board of Management. The Supervisory Board was always kept informed about the intended business policy, the corporate plans including finance, investment and personnel planning, the profitability of the company, the current business situation, and the economic position of the company and the Group overall.

If decisions or measures required agreement on account of legislation, the Articles of Association or rules of procedure, the Members of the Supervisory Board, having been briefed by its committees, reviewed the proposals for resolutions in its meetings, or adopted them on the basis of written information. The Members of the Board of Management took part in the meetings of the Supervisory Board. The Supervisory Board was involved in all key decisions relating to the company. The economic situation presented in reports by the Board of Management and the development perspectives of the Group, the individual business areas and the important participations in Germany and abroad were the subject of careful and detailed discussion.

The Supervisory Board convened for four meetings during the course of the year 2008. Two of these meetings took place in the first calendar half year and two further meetings in the second calendar half year. The Chairman of the Supervisory Board furthermore maintained regular telephone contact with the Board of Management outside these meetings, in order to continue providing advice on key items of business policy and strategic issues. No Member of the Supervisory Board took part in less than half the meetings.

FOCUSES OF ADVICE AND CONSULTATION IN THE SUPERVISORY BOARD

During the year under review, the Supervisory Board addressed the reporting of the Board of Management 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 latest relevant indicators of the Strategic Business Units in the SURTECO Group (SBU Paper and SBU Plastics) and the subsidiary companies and participations were presented by the Board of Management at the meetings of the Supervisory Board where they were analyzed and compared with the projected figures. The Members of the Supervisory Board addressed questions on individual items to the Members of the Board of Management which the Members of the Board of Management answered comprehensively.

The economic environment in which the company is operating was also discussed by the Supervisory Board. This related, for example to the development of energy costs, raw material prices and the availability of raw materials, exchange rates and product specifications with specific suppliers, and the resulting alternatives for action by the company. The situation of the most important customers was also discussed.

Dr.-Ing. Jürgen Großmann,
Chairman of the Supervisory Board of SURTECO SE

SUPERVISORY BOARD

In the business year 2008, the Supervisory Board devoted particular attention to the effects exerted by the financial crisis on the SURTECO companies in the business year 2008. This crisis has led to substantial declines in sales and income for all Strategic Business Units of the Group as a consequence of the increasingly difficult macroeconomic environment. Cash and cash equivalents of the Group were allocated to a range of different banks in the light of the banking crisis in order to reduce the risk of default. Against the background of a deteriorating consumer climate, especially with respect to the purchase of furniture, the Supervisory Board discussed various countermeasures with the Board of Management. The Board of Management presented some concrete proposals, which were approved by the Supervisory Board. Apart from an adjustment of prices, this programme of measures also includes savings under other operating expenses and personnel expenses, as well as cuts in investments. The first measures were already implemented in 2008. The top priority in these deliberations was to maintain a flexible capability to react to a worsening of the crisis or to an improvement in the situation. This principle will continue to remain the priority.

The plans submitted by the Board of Management for the business year 2009 could not be adopted in the business year 2008 as a result of the financial crisis, because the planning premises were no longer realistic on account of the deterioration in developments during the fourth quarter at the time of the meeting of the Supervisory Board on 23 December 2008. The plans for 2009 were therefore updated and only discussed at the extraordinary meeting of the Supervisory Board on 25 February 2009, reviewed by the Supervisory Board and adopted.

Integration of the Swedish company Gislaved Folie AB, acquired in 2007, into the SURTECO Group was considered by the Supervisory Board.
During the period under review, the Supervisory Board also addressed the issue of the corporate loan that was issued by the company at favourable conditions as a private placement in the USA (USPP) with a volume of up to € 150 million before the onset of the financial crisis. The Board of Management reported on the use of the funds up to the present time and on compliance with the covenants attached to the loan, whereby non-compliance with the covenants could result in the USPP loan being called in by the creditors. Such grounds for termination of the loan were not present during the period under review. The strategic shareholding held by the company in Pfleiderer AG was also discussed by the Supervisory Board. 3.02 % of the capital stock is held by the company but the value of this share package sustained losses on account of the current situation on the stock exchange.

The strategic direction of the group of companies was the subject of ongoing discussion in the meetings of the Supervisory Board and during discussions with the Board of Management. Meanwhile, it was stated that the Supervisory Board backs the overall strategic direction adopted by the Board of Management. In view of the current financial crisis, the Board of Management and the Supervisory Board were in agreement that the growth strategy of the Group should not be moved forward for the time being in favour of a policy of concentrating on profitability and core business areas. However, this approach was not intended to signal a retreat from the underlying strategy of continuing to increase the corporate value of SURTECO SE in the future by means of internal and external growth.

ELECTION OF THE CHAIRMAN AND HIS DEPUTY AND APPOINTMENT TO THE COMMITTEES OF THE SUPERVISORY BOARD

On the basis of the re-election of the Supervisory Board at the Annual General Meeting held on 24 June 2008, the Supervisory Board re-elected Dr. Jürgen Großmann as Chairman of the Supervisory Board of SURTECO SE at its meeting held on that day, and, Mr. Björn Ahrenkiel and Mr. Bernd Dehmel were elected as Deputy Chairmen. At this meeting of the Supervisory Board, the committees of the Supervisory Board were reconstituted with the same appointees as those made when the company was converted to an SE in 2007.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee. There is also a Presiding Board in accordance with the rules of procedure of the Supervisory Board. During the year under review, the Presiding Board comprised Dr. Jürgen Großmann (Chairman), Mr. Björn Ahrenkiel, Mr. Bernd Dehmel and Dr. Matthias Bruse. During the year under review, the Personnel Committee comprised Dr. Jürgen Großmann (Chairman), Mr. Björn Ahrenkiel and Dr. Matthias Bruse. During the year under review, the Audit Committee comprised Mr. Björn Ahrenkiel, Dr. Matthias Bruse, Dr. Jürgen Großmann and Dr. Walter Schlebusch.

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. However, the Presiding Board did not need to meet during the year under review. The Presiding Board did not need to grant consent for measures and transactions requiring consent in urgent cases, since the appropriate matters were dealt within in plenary sessions of the Supervisory Board.

The Audit Committee addressed issues relating to accounting and risk management, the mandatory independence of the auditor, commissioning the auditor to carry out the audit and the agreement of the fee. The Chairman of the Audit Committee is available to the auditors as a contact. The auditors report to the Audit Committee on the result of their audit. The Audit Committee had one meeting during the course of the business year on 23 April 2008 at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit. Members of the Audit Committee took part in the final meeting on the audit of the annual financial statements.

The Personnel Committee takes the place of the Supervisory Board in making decisions on the conclusion, amendment and termination of the contracts of employment with the Members of the Board of Management. It also defines the bonuses and compensation of the Members of the Board of Management and the pensions of former members of the Board of Management. The power to appoint Members of the Board of Management is held by the full Supervisory Board. The Personnel Committee did not need to meet during the year under review. There were no new appointments of Members of the Board of Management or changes to the contracts of employment of the Members of the Board of Management during the reporting period.

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

CORPORATE GOVERNANCE

SURTECO SE complies with the German Corporate Governance Code, which describes the control, management and organization of a company, and its business principles and guidelines. The Supervisory Board addressed the ongoing development of the corporate governance principles and took account of the amendments to the German Corporate Governance Code made on 6 June 2008. Within the scope of the efficiency inspection (item 5.6 of the German Corporate Governance Code), the Supervisory Board carried out a self-evaluation of its members and discussed the results in the plenary session of the Supervisory Board. A new Declaration of Compliance was submitted by the Board of Management and the Supervisory Board on 23 December 2008. The text of this declaration is printed in the Annual Report under the section entitled "Corporate Governance" and may also be viewed on the Homepage of the company's Internet site.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, AUDITING

The annual financial statements were drawn up in accordance with German accounting principles. The consolidated financial statements for the fiscal year 2008 were prepared on the basis of the principles of the International Financial Reporting Standards (IFRS). The Board of Management submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The auditors, Röver-Brönner KG, (auditors and tax consultants), audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO SE and the Management Report and the Consolidated Management Report. The auditor explained the auditing principles applied in his audit report. The findings of the audit confirmed compliance with the relevant applicable accounting standards for drawing up the Annual Financial Statements and the Consolidated Financial Statements. The Consolidated Financial Statements and the Annual Financial Statements were granted an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management 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 were carried out in the Audit Committee meeting in relation to the financial statements. At the balance sheet meeting of the Supervisory Board held on 24 April 2009, the Supervisory Board also discussed these documents in detail in the presence of the auditor and on the basis of a report by the auditor.

We examined the Annual Financial Statements, the Management Report and the proposal for appropriation of profit, as well as the Consolidated Financial Statements, and the Consolidated Management Report. 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 Board of Management. 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. This also applies to the dividend policy and the decisions on reserves in the company.

We agree with the proposal by the Board of Management for the appropriation of net profit that recommends payment of a dividend of € 0.35 for each no-par-value share.

Mr. Bernhard Schlautmann died during the business year 2008. He was one of the founding shareholders of the company and was a Member of the Supervisory Board from July 1999 until July 2003. The Supervisory Board saluted the services rendered to the company by Mr. Schlautmann in the meeting held on 28 October 2008. The Supervisory Board will always retain fond memories of Mr. Schlautmann and the contribution he made.

The Supervisory Board would like to extend its thanks to the Board of Management, the executive managers, the members of the Works Council and all members of staff for the contribution they have made to the development of the company during the course of the last year.

Buttenwiesen-Pfaffenhofen, April 2009

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman of the Supervisory Board of SURTECO SE

PREAMBLE

This report explains the implementation of corporate governance of SURTECO SE in accordance with item 3.10 of the German Corporate Governance Code. The German Corporate Governance Code, in the version dated 6 June 2008, contains important statutory regulations on the management and controlling of the company and includes nationally and internationally recognized standards for good and responsible corporate management. The code is intended to make the German Corporate Governance System transparent and accountable. The aim is to increase the confidence of national and international investors, customers, employees and the general public in the management and monitoring of German companies listed on the stock exchange.

The Board of Management and the Supervisory Board engaged intensively with the regulations of the German Corporate Governance Code in the year under review. They devoted particular attention to the new requirements defined on 6 June 2008. On the basis of these deliberations, the Board of Management and the Supervisory Board submitted the Declaration of Compliance in accordance with § 161 Stock Corporation Act (AktG) on 23 December 2008. The declaration is printed at the end of this report and published on the home page of the company (www.surteco.com).

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of SURTECO SE exercise their rights at the Annual General Meeting and are entitled to cast their votes at the meeting. Each of the no-par-value bearer shares is entitled to one vote.

The Board of Management submits the annual financial statements and the consolidated financial statements to the Annual General Meeting. The Annual General Meeting decides on the appropriation of profit and the discharge of the Board of Management and the Supervisory Board. The Annual General Meeting also elects the representatives of the shareholders on the Supervisory Board and appoints the auditor, agrees any changes to the Articles of Association and – if required by law – votes on any significant corporate measures.

Each shareholder is authorized to participate in the Annual General Meeting, to speak on the items listed in the agenda, and to ask relevant questions and put forward appropriate motions. The Chairman of the Supervisory Board is responsible for chairing the Annual General Meeting. He is responsible for ensuring the smooth-running of the Annual General Meeting.

The Annual General Meeting of Shareholders is convened by the Board of Management at least once every year and an agenda is provided for the meeting. The ordinary Annual General Meeting will in future be held during the first six months of a business year, as defined in the statutory regulations for European companies. Minority shareholders are entitled to convene an Annual General Meeting and to request an extension to the agenda. The Board of Management will draw up the documents required under statutory regulations, including the Annual Report, and shall provide such documents to the shareholders on request. These reports and documents are also published on the Internet site of the company (www.surteco.com), together with the agenda for the meeting.

In order to make it easier for shareholders to exercise their rights, the Board of Management appoints a representative so that shareholders can exercise their right to cast votes by issuing instructions for proxy voting, and this representative can also be reached during the Annual General Meeting.

INTERACTION OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD

SURTECO SE has a dual management system which has separate officers for the management and monitoring bodies.

The Board of Management and the Supervisory Board of SURTECO SE work closely together to promote the well-being of the company. The Board of Management agrees the strategic direction with the Supervisory Board and discusses the status of strategy implemen-

tation with the Supervisory Board at regular intervals. Ensuring that the Supervisory Board is provided with adequate information is a joint function of the Board of Management and the Supervisory Board. The Board of Management provides the Supervisory Board with regular, timely and comprehensive reports on all the issues of planning, business development, the risk position, risk management and compliance relevant to the company. The Board of Management addresses all deviations in the current business situation from the plans and goals that have been prepared and provides reasons for such deviations.
The Board of Management and the Supervisory Board observe the rules of proper corporate management. If they culpably breach the duty of care incumbent on a prudent and conscientious Board of Management or Supervisory Board, they shall be liable in respect of the company for compensation for damages. When entrepreneurial decisions are made, there shall be no breach of the duty of care if the Member of the Board of Management or Supervisory Board was entitled to reasonably assume on the basis of reasonable information that he or she was acting in the interests of the company (business judgement rule). The company has taken out a D&O insurance policy for the Board of Management and the Supervisory Board with an appropriate excess.
The Annual Report by the Board of Management and the Supervisory Board on corporate governance also provides details of deviations from the recommendations of the code. Declarations of Compliance on the code that are no longer current are kept accessible on the Internet site of SURTECO SE for five years.

BOARD OF MANAGEMENT

The Board of Management of SURTECO SE is responsible for managing the company. It has a duty to act in the interests of the company and to bring about a sustainable increase in the corporate value. The Board of Management develops the strategic direction of the company, agrees it with the Supervisory Board and implements the strategy. It ensures compliance with the statutory regulations and internal company guidelines and ensures that they are observed by the Group companies. In addition, it establishes an appropriate system of risk management and risk controlling in the company. The Board of Management has also implemented a Code of Conduct for the SURTECO Group beyond the statutory requirements. This code contains additional regulations governing cooperation within the company and with respect to business partners and third parties.
The Board of Management comprises two members. Rules of procedure govern the allocation of business and cooperation in the Board of Management.
The compensation for the Members of the Board of Management comprises a small fixed element and a significant variable element. The variable element is a performance-based bonus which is calculated on the basis of the earnings before taxes (EBT) of the Group in accordance with IFRS and taking the return on sales into account.
The members of the Board of Management are subject to a comprehensive prohibition on competition during the course of their activity for SURTECO SE. Important transactions require the consent of the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board regularly advises the Board of Management on the management of the company. It shall be involved in decisions of fundamental importance for the company and appoints and dismisses the Members of the Board of Management. The Supervisory Board is governed by rules of procedure which include a definition of the measures and transactions subject to an obligation of agreement.
The composition of the Supervisory Board is based on § 95 sentence 2 of the Stock Corporation Act (AktG) in conjunction with § 8 Section 1 of the Articles of Association and the provisions of the agreement pursuant to §§ 13 Section 1 sentence 1, 21 SEBG between the special negotiating committees and the management of SURTECO AKTIENGESELLSCHAFT relating to the participation of the employees of SURTECO SE dated 13 February 2007. This states that the Supervisory Board of the Company shall be composed of nine members. Six members are elected by the Annual General Meeting. Three members are nominated to the Supervisory Board as employee representatives in accordance with the provisions of the agreement referred to above by the Works Councils of the three German companies of SURTECO SE with the most employees.
The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the requirements of the Supervisory Board in the public domain. He is also chairman of the committees with the exception of the Audit Committee. This is chaired by another Member of the Supervisory Board.
Members of the Supervisory Board should not exercise a total of more than five memberships of Supervisory Boards for companies outside the Group listed on the stock exchange. The Supervisory Board should not have more than two former members of the Board of Management. Members of the Supervisory Board should not be older than 63 years of age when they take up their office.
Each Member of the Supervisory Board has a duty to

act in the interests of the company. The Supervisory Board makes all resolutions by a simple majority vote. If there is parity of voting, the Chairman of the Supervisory Board holds the casting vote.
The Supervisory Board is in regular contact with the Board of Management and discusses the strategy, business performance and risk management of the company. The Supervisory Board must also agree the annual financial plan and approve the annual financial statements of SURTECO SE and the Group.
The Supervisory Board of SURTECO SE has a Presiding Board and two committees made up of appropriately qualified members. The Personnel Committee deals with the level of compensation paid to Members of the Board of Management and the other conditions of the contracts between the company and the Board of Management. The Audit Committee addresses issues relating to accounting and risk management, the mandatory independence of the auditor, 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 remuneration of the Members of the Supervisory Board comprises fixed and performance-oriented components.
Each Member of the Supervisory Board will disclose to the Supervisory Board any conflicts of interest, in particular such conflicts which may arise as a result of consultancy or exercise of official duties with customers, suppliers, lenders or other business partners. The Supervisory Board will provide information on any conflicts of interest that have occurred in its report to the Annual General Meeting and on how these conflicts have been dealt with. Any substantial conflicts of interest to which a Member of the Supervisory Board is subject and which are not temporary should lead to termination of membership of the Supervisory Board.
The Supervisory Board of SURTECO SE will review the efficiency of its activities on a regular basis.

TRANSPARENCY

SURTECO SE immediately publishes insider information that relates directly to the company, insofar as it is not exempt from publication in individual cases. As soon as the company receives notification or finds out in some other way that an individual has reached, exceeds or falls below a shareholding of 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in the company by means of purchase or disposal or in some other manner, the Board of Management is under an obligation to disclose such information immediately.
Notification is also necessary for any transactions in shares initiated by persons with management functions and by legal or natural persons who are closely related to such executive officers (spouses, registered partners, dependent children and other relatives, who at the point in time when the transaction is concluded have lived in the household for at least one year) and notified to the company pursuant to 15a of the Securities Trading Act (WpHG).
Punctual and consistent information is provided by means of ad hoc communications and press releases so that any new facts are immediately available to the shareholders, financial analysts, and comparable persons. SURTECO SE publishes quarterly and annual reports in German and English within the scope of regular reporting.
All shareholders and other interested parties are able to request the publications of SURTECO SE or have themselves entered on the postal and electronic circulation list. In addition, all publications and press releases are made available on the home page of the company. All important dates for publications and events are also published here (financial calendar). The Internet site has a user-friendly structure. All information is also published in German and English.

ACCOUNTING AND AUDITING

The annual financial statements are the main source of information for shareholders and third parties. During a business year, they are kept up to date through regular interim reports. The accounts are drawn up at the SURTECO Group pursuant to the accounting regulations of the International Financial Reporting Standards (IFRS). The annual financial statements of SURTECO SE are prepared in accordance with the German Commercial Code (HGB).
The Annual Financial Statements are drawn up by the Board of Management and audited by the auditor and by the Supervisory Board. The Supervisory Board appoints the auditor and makes the financial arrangements with the auditor for remuneration. The auditor participates in the deliberations of the Supervisory Board relating to the annual financial statements and consolidated financial statements and reports on the main results of the audit. Independently of the audit, the auditor should immediately report on all significant findings and circumstances relevant to the functions of the Supervisory Board which are revealed by the audit. The Supervisory Board audits and approves the annual financial statements and the consolidated financial statements.

DECLARATION OF COMPLIANCE

The Board of Management and the Supervisory Board submit the following Declaration of Compliance pursuant to § 161 sentence 1 Stock Corporation Act (AktG) for the fiscal year 2008:

"Declaration on the German Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG)

I. The Board of Management and the Supervisory Board declare that the recommendations issued by the Federal Ministry of Justice on conduct by the "Government Committee on the German Corporate Governance Code" in the version dated 6 June 2008 published in the electronic Federal Gazette (Bundesanzeiger) were implemented in full during the past business year with the following deviations:

1. In accordance with the resolution of the Annual General Meeting adopted on 24 June 2008, details of remuneration for Members of the Board of Management are not listed individually. The principles of the compensation system are not disclosed, in particular this information is not published on the Internet site of the company and details are not explained in the Annual Report. The Chairman of the Supervisory Board does not inform the Annual General Meeting of the principles of the remuneration system and their modification (deviation from section 4.2.3 last subsection, 4.2.4 and 4.2.5 of the Code).

2. The contracts of service for the Members of the Board of Management include change of control conditions which entitle the Members of the Board of Management to terminate their contracts prematurely and in this case make provision for payments to be made by the company to the Member of the Board of Management for the remaining term of their contract of service. The level of payments declines as the term of the contract increases. Depending on when the Member of the Board of Management implements a premature termination of the contract due to a change of control, the maximum amount defined in section 4.2.3 sub-sections 4 and 5 of the Code may therefore be exceeded. The recommendation in section 4.2.3 sub-sections 4 and 5 of the Code would not then be complied with.

3. A Nomination Committee of the Supervisory Board was not set up – notwithstanding section 5.3.3 of the Code.

4. In accordance with the resolution of the Annual General Meeting adopted on 24 June 2008, details of remuneration for Members of the Supervisory Board in the Corporate Governance Report (section 5.4.6 subsection 3 of the Code) are not listed individually and broken down according to components.

5. Within 120 days of the close of a fiscal year the consolidated financial statements will be published on the Internet site of the company (deviation from section 7.1.2 of the Code).

6. Elections to the Supervisory Board are only carried out on the basis of an individual vote if a shareholder requests this procedure at the Annual General meeting (deviation from section 5.4.3 sentence 1 of the code).

7. Half-year and quarterly financial reports were only discussed with the Board of Management by the Chairman of the Audit Committee of the Supervisory Board before their publication (deviation from section 7.1.2 sentence 2 of the Code).

II. The recommendations of the German Corporate Governance Code in the version dated 6 June 2008 were complied with since this date and such compliance will continue with the following deviations:

1. In accordance with the resolution of the Annual General Meetings adopted on 24 June 2008, details of remuneration for Members of the Board of Management are not listed individually. The principles of the compensation system are not disclosed, in particular this information is not published on the Internet site of the company and details are not explained in the Annual Report. The Chairman of the Supervisory Board does not inform the Annual General Meeting of the principles of the remuneration system and their modification (deviation from section 4.2.3 last subsection, 4.2.4 and 4.2.5 of the Code).

2. The contracts of service for the Members of the Board of Management include change of control conditions which entitle the Members of the Board of Management to terminate their contracts prematurely and in this case make provision for payments to be made by the company to the Member of the Board of Management for the remaining term of their contract of service. The level of payments declines as the term of the contract increases. Depending on when the Member of the Board of Management implements a premature termination of the contract due to a change of control, the maximum amount defined in section 4.2.3 sub-sections 4 and 5 of the Code may therefore be exceeded. The recommendation in section 4.2.3 sub-sections 4 and 5 of the Code would not then be complied with.

3. A Nomination Committee of the Supervisory Board was not set up – notwithstanding section 5.3.3 of the code.

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5. Within 120 days of the close of a fiscal year the consolidated financial statements will be published on the Internet site of the company (deviation from section 7.1.2 of the Code).

6. Elections to the Supervisory Board are only carried out on the basis of an individual vote if a shareholder requests this procedure at the Annual General meeting (deviation from section 5.4.3 sentence 1 of the code).

7. Half-year and quarterly financial reports were only discussed with the Board of Management by the Chairman of the Audit Committee of the Supervisory Board before their publication (deviation from section 7.1.2 sentence 2 of the Code).

SURTECO SE
Board of Management and Supervisory Board"
Buttenwiesen-Pfaffenhofen,
23 December 2008

EXPLANATION OF THE DEVIATIONS FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

SURTECO SE complies with the majority of the recommendations of the German Corporate Governance Code. These include the new recommendation under section 4.2.2 of the code adopted in June 2008, whereby the full Supervisory Board shall determine and regularly review the Management Board compensation system including the main contract elements. If there are deviations from the recommendations, we explain such deviations in accordance with section 3.10 of the code as follows:

1. The deviation in item 1 of the Declaration of Compliance (No individualized disclosure of Board of Management remuneration) is based on the resolution by the Annual General Meeting on 24 June 2008. The other deviations in item 1 and in item 4 relate to subsequent regulations to the effect that the resolution by the Annual General Meeting cannot be circumvented by any other lines of reporting.

2. The deviation in item 2 (severance payment cap) results from the fact that the existing contracts for Members of the Board of Management had already been concluded before the introduction of the corresponding recommendation in the German Corporate Governance Code in June 2008 and therefore amendments could not and should not be made in current contracts.

3. A nomination committee of the Supervisory Board has not been set up so far because the size of the Supervisory Board and the current shareholder structure do not require such a committee at present.

4. Section 7.1.2 of the code provides for publication of the consolidated financial statements within 90 days of the end of the reporting period. This deadline has been extended at SURTECO to 120 days, in order to be make it possible to continue the existing internal work required for preparing the annual financial statements and the consolidated financial statements. An information deficit is not incurred as a result because the relevant figures are available promptly before the Annual General Meeting. The relevant deviation is in item 5 of the Declaration of Compliance.

5. Elections to the Supervisory Board at SURTECO will only be carried out as elections of individual persons if this is requested by a shareholder at the Annual General Meeting (item 6 of the Declaration of Compliance). Past experience indicates that there is generally no need for the election of individual persons, so that the election of the board in entirety is preferable to the election of the individual members and allows the Annual General Meeting to be conducted more efficiently as a result. An election of individual persons is only carried out if this is requested by a shareholder at the Annual General Meeting.

6. The deviation in accordance with item 7 of the Declaration of Compliance (discussion of the half-year and quarterly financial reports only with the Chairman of the Audit Committee) is in accordance with current practice at SURTECO, which in the opinion of the Supervisory Board and the Board of Management has proved adequate in the past. The inclusion of the entire Audit Committee or even the Supervisory Board prior to each publication of the interim reports would be associated with expenditure that would not be in proportion to the benefit gained. The Chairman of the Audit Committee is fully informed about the financial data of the company and is in a position to be available as a contact for the Board of Management prior to publication of the interim reports.

SURTECO GROUP AND SURTECO SE

GROUP STRUCTURE AND BUSINESS ACTIVITY

OVERVIEW

SURTECO is a complete supplier of high-quality decorative finishes for the furnishing and coating industries, and for interior design. The Group is divided into the Strategic Business Units (SBU) Plastics and Paper. Apart from a range of specialist products, the two segments manufacture edgebandings and foils to give value added to wood-based materials. The companies in the SURTECO Group are global market leaders in edgebandings (share of total Group sales for 2008: 50 %). Thermoplastic (SBU Plastics) and duroplastic (SBU Paper) edgebandings are used to coat the narrow side of wood-based products. Since this is a finished product, the surface needs no further processing after the edgebandings have been applied. Finish foils are the finish of choice used to add value to large surfaces. Plastic foils manufactured by Gislaved Folie AB are also used in many other areas, particularly for the interiors of ships where the substrate materials are generally coated steel panels. During the year under review, foils represented a share of 24 % of total Group sales. Trims and extrusions for professional floor-laying, including the product ranges for building suppliers and DIY stores generated 10%, specialist papers printed with decorative designs 5 %, technical plastic extrusions (profiles) and roller shutter systems together 4 % and cladding systems 3 %.

ORGANIZATION AND BUSINESS UNITS

The holding company SURTECO SE is based in Buttenwiesen-Pfaffenhofen and fulfils all the central management and control functions for the Group. These include the definition and management of strategic goals, optimization of the business portfolio geared to the global market, acquisitions and investments, cross-segment coordination of potential synergies, strategic distribution of resources, and financial and risk management.
The legally independent operating companies of SBU Plastics and SBU Paper bear full responsibility for the sales and earnings in their particular segment. They supply their customers directly as well as through a comprehensive network of dealers and representatives.

STRATEGIC BUSINESS UNIT PLASTICS

The Strategic Business Unit Plastics includes all the companies operating under the umbrella of W. Döllken & Co. GmbH as well as Gislaved Folie AB.
W. Döllken & Co. GmbH is divided into Döllken-Kunststoffverarbeitung GmbH, Döllken-Profiltechnik GmbH, Döllken & Praktikus GmbH and from 1 January 2009 the restructured North American companies SURTECO USA Inc. and SURTECO Canada Ltd. with their relevant subsidiary companies.
Döllken-Kunststoffverarbeitung GmbH is based in Gladbeck. Plastic edgebandings are the main products manufactured at this location. Other production sites for this product line are located in Australia (SURTECO Australia Pty. Ltd.) and in Indonesia (PT Doellken Bintan Edgings & Profiles). In common with

the sales companies SURTECO PTE Ltd. (Singapore), SURTECO France S.A.S. and SURTECO DEKOR A.Ş. Turkey, these companies are subsidiary companies of Döllken-Kunststoffverarbeitung GmbH. The only exception is the 50 % holding in SURTECO Italia s.r.l. (the other 50 % is attributed to the SBU Paper on account of the composition of the product range). The subsidiary company Vinylit Fassaden GmbH is a specialist for panels and facade elements ready for suspension on the underlying structure.
Döllken-Profiltechnik GmbH in Dunningen has specialized in the manufacture and sale of technical extrusions and roller-shutter systems.
Döllken & Praktikus GmbH, Gladbeck, owns the producer of skirtings and extrusions for professional floor layers, Döllken-Weimar GmbH, as well as subsidiary companies in Poland and the Czech Republic.
Plastic edgebandings are produced at the Brampton and Montreal sites. The US production facility is located in Greensboro. It also manufactures high-quality plastic edging products. Other production sites are located in Santiago de Chile and in Taicang, China.
Gislaved Folie AB, Sweden, is a manufacturer of decorative plastic foils which have been designed mainly for specialist applications such as ship interiors or woven carpets.

STRATEGIC BUSINESS UNIT PAPER

BauschLinnemann GmbH and its subsidiaries and representatives, and printer of decorative designs Bausch Decor GmbH take care of the paper side – specialist papers for technical applications are the basic material for this product segment.
Decorative prints by Bausch Decor GmbH based in Buttenwiesen-Pfaffenhofen are primarily sold to external customers for further processing. Around one third of production relates to prints for further processing at companies within the BauschLinnemann Group.
BauschLinnemann GmbH manufactures paper edgebandings and flat foils at its company headquarters in Sassenberg and in Buttenwiesen-Pfaffenhofen. The subsidiary company Kröning GmbH & Co. has specialized in the manufacture of specialist products and is also in a position to deliver small batches tailored to specific orders. Paper products are finished much closer to their markets for logistic reasons. This is why sales companies have been established in China (SURTECO China), USA (BauschLinnemann North America Inc.), Great Britain (BauschLinnemann UK Ltd.) and in Italy (SURTECO Italia s.r.l.).

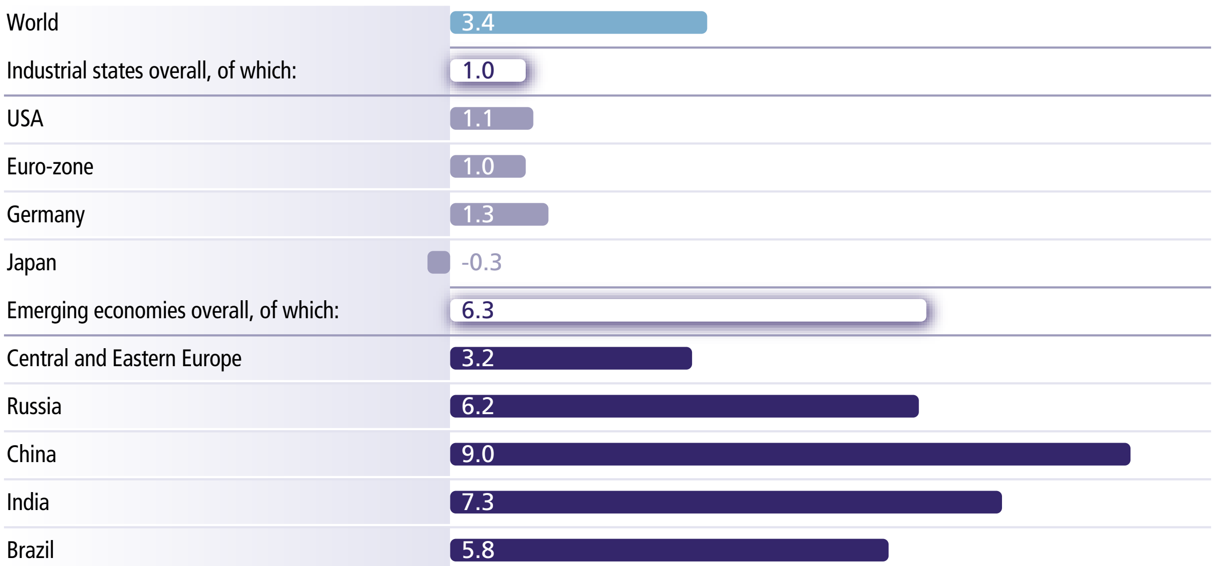
MANAGEMENT AND CONTROLLING

The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Board of Management are appointed by the Supervisory Board and manage the affairs of the company in accordance with the statutory regulations, the articles of the association and the rules of procedure governing the Board of Management. The Board of Management bases its actions and its decisions on the interests of the company. It is committed to the objective of increasing the value of the company in a sustainable manner.
The Supervisory Board is comprised of six representatives of the shareholders and three representatives of the employees. It monitors and advises the Board of Management and the senior managers of the company. The Supervisory Board has formed an Audit Committee and a Personnel Committee in order to fulfil its obligations.
In accordance with the rules and regulations applicable to a Societas Europaea (SE), the Ordinary General Meeting of the company is held during the first six months after the end of a business year. Any amendments to the Articles of Association can only be made with legal effect following consent by the shareholders at the Annual General Meeting and subsequent entry in the Company Register.

CORPORATE GOVERNANCE

Corporate Governance comprises the entire system of management and monitoring of a company, including its organization, its business principles and guidelines, and the system of internal and external checks and balances. Good and transparent Corporate Governance guarantees responsible management and controlling for the company directed towards value creation. The management committees of SURTECO SE welcome the code and the objectives pursued by the code. They are in accordance with the recommendations of the German Corporate Governance Code Codes with a few exceptions (see Corporate Governance Report).

ECONOMIC GROWTH FOR 2008 IN %



COMPENSATION REPORT

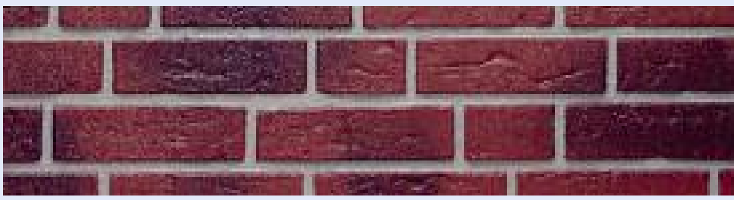
Total compensation for the Supervisory Board of the business year 2008 amounted to € 000s 178 (2007: € 000s 508).

The remuneration for the Members of the Board of Management is primarily based on success. It comprises a small fixed element and a primarily variable element. The variable element is a bonus based on earnings and is calculated on the basis of the Earnings Before Income Tax (EBT) of the Group in accordance with IFRS taking the return on sales into account. The fixed remuneration of the active Members of the Board of Management for the business year 2008 amounted to a total of € 000s 504 (2007: € 000s 504). A provision amounting to € 000s 1,600 (2007: € 000s 2,888) was formed for the bonus based on earnings. The other remuneration elements amounted to € 000s 193 (€ 000s 102). In accordance with § 286 Section 5 German Commercial Code (HGB), reporting of information on individual remuneration in accordance with § 285 sentence 1 no. 9 letter a sentences 5 to 9 German Commercial Code (HGB) will not be implemented on account of the resolution of the Annual General Meeting held on 31 August 2007 and 24 June 2008.

ECONOMIC FRAMEWORK CONDITIONS

GLOBAL RECESSION AS A CONSEQUENCE OF THE FINANCIAL CRISIS

The negative consequences of the financial crisis have increasingly impacted on the real economy during the second half of 2008 and they have taken the global economy into a deep recession, most particularly in the industrial states. Up until the middle of the year, the economic indicators continued to indicate a significant upward trajectory, resulting in a number of effects including record prices on the raw materials and energy side. The oil price broke through the record price of 150 US dollars a barrel



for the first time in its history. The collapse of the investment bank Lehman Brothers in September then took the financial crisis to a low point. The consequence was a drastic reduction in the amount of credit available and a global decline in investments and orders booked. The dynamic decline of manufacturing industry that commenced as a result was not predicted by any economics expert. Economic output of the USA collapsed in the final quarter of the year by 3.8 %. The central banks attempted to counteract the trend with massive reductions in the interest base rate and fiscal stimuli in the marketplace. The US Central Bank reduced its base rate from 4.25 % to zero within the space of a few weeks. The European Central Bank reacted by reducing the base rate five times to the final value of 1.5 %.
The economists of the major economic research institutes are anticipating a significant collapse in growth rates particularly in the business year 2009. The International Monetary Fund (IMF) is predicting global economic growth of 3.2 % for the business year 2008. After a good start to the year, the USA reported growth of 1.1 %, with the Euro-zone registering 0.9 %. According to the statistics of the Federal Statistical Office, Germany achieved an increase in economic output of 1.3 %. The emerging economies had been experiencing dynamic growth up to that point but were no longer able to avoid the negative development by the close of the year. China's economy went through a significant fall in growth from 13 % to 9 %. The other BRIC countries were still posting above-average growth rates throughout the entire year, Russia (plus 6.2 %), India (plus 7.3 %) and Brazil (plus 5.8 %). However, the last quarter of the year was also by far the weakest of the year in these countries.

FURNISHING INDUSTRY AND WOOD-BASED SECTOR
The developments in the furniture industry and wood-based sector also reflected the development of the financial crisis in 2008. As in the previous year, the main impact of the negative effects exerted by the real-estate crisis on construction activity was focused on North America. In Western Europe, the picture became even bleaker from the middle of the year on account of rising anxieties about recession. A significant slowdown of the positive development was noticeable even in Eastern Europe by the close of the year. This downturn was particularly evident in the Russian market which had been experiencing dynamic growth up to that point.
According to reports by the Association of the German Wood-based Materials Industry (VHI), different developments were taking place in different segments within the key German market. German furniture manufacturers were gratified to have a slight increase in sales of 1.6 % during 2008, despite a decline in development during the final quarter. According to information provided by the associations of the wood and furniture industry (HDH/VDM), total sales of the furniture sector are likely to have risen in line with this to € 15.9 billion. This development was again driven by exports. By contrast, domestic business remained virtually unchanged – as in the previous year.

By comparison with this, the impacts of the decline in residential construction were evident in the sector associated with the construction industry in 2008. Manufacturers of chipboard and fibreboard were unable to continue the good results generated in the previous year and had to adjust their production capacities to falling demand by the end of the year. New record prices for raw materials and energy witnessed in the middle of the year brought about a significant increase in the pressures being exerted. The situation following the price corrections entailed by the economic downturn has relaxed to the advantage of manufacturing industry. This has been reflected in a certain degree of easing on the

OF SALES OF
THE SURTECO GROUP
34 %

cost side particularly in the year 2009. The entire German wood-based industry experienced a decline in sales of 1.8 % to € 31.2 billion in the business year 2008.

WEAK DEMAND WITH SURFACE MANUFACTURERS

After a very mediocre fourth quarter in 2008, surface manufacturers including SURTECO SE are experiencing a great deal of uncertainty in relation to the short-term and medium-term development of their economic situation. As the year 2008 came to a close, the decline in planning approvals for construction of residential accommodation accelerated so that no stimuli are anticipated from new interior furnishings and fittings for apartments and houses over the short term. Since furnishings, doors, flooring and interior furnishings are generally economic assets with a long life, many households are also postponing the purchase of replacements. Many decorative paper manufacturers, impregnators, decorative printers and edgebanding providers have been forced to adapt their production to the weak demand. The increasing trend towards plain colours is also exerting a negative effect on level of activity. Plant downtimes or measures for short-time working have impacted negatively on surface manufacturers through higher fixed costs and they have led to a significant deterioration in the results of operations in conjunction with the heavy downward pressure on prices.

SURTECO SE: DECLINE IN ACTIVITY DURING THE FOURTH QUARTER

As a supplier, the level of activity at SURTECO SE is largely dependent on the capacity position at their industrial customers. A slackening of incoming orders booked was experienced when the effects of the North American financial and real-estate crisis began to impact on the world economy at the end of the third quarter of 2008. The full extent of the crisis unfolded during the remainder of the business year.
The negative impacts from the raw materials sector and the strength of the euro against many currencies were an additional factor. A satisfactory result for annual sales under these circumstances is therefore exclusively due to business development during the first half of the year. Despite initial preliminary indicators pointing towards a negative trend, the Group had achieved good results up to that point, not least due to the consistent implementation of cost-reduction and harmonization programmes. SURTECO is well positioned in technological and business terms to respond quickly and flexibly to new market conditions in order to continue its profitable growth and expand its market and technological leadership.

SALES AND INCOME SITUATION

WEAK GLOBAL ECONOMY IMPACTS NEGATIVELY ON THE SALES DEVELOPMENT OF THE GROUP

The sales of the SURTECO Group in the year 2008 amounted to € 403.0 million. They fell short of the figure for the previous year (€ 414.5 million) by 3 % and achieved the level of 2006 (€ 403.2 million). Until the middle of the year under review, sales revenues were still 3 % higher on a year-earlier comparison, and even after the third quarter an increase of 1 % was reported. The marked collapse in sales during the last quarter corroborated the forecasts already published in the 9-month report of 2008 to such an extent that a repeat of the record figures from 2007 was no longer a possibility.
The Group lost 4 % of its volume in Germany. It generated € 138.7 million (2007: € 144.9 million). Foreign markets declined by 2 % to € 264.3 million (2007: € 269.6 million). The individual regions experienced very varied developments. North American business at € 43.0 million sustained a very tangible decline (-18 %). SURTECO Australia at € 21.0 million posted its first drop in sales (-5 %) for many years. By contrast a positive result was recorded in European countries outside Germany with a one percent increase (€ 175.1 million), with the non-EU countries, particularly in Eastern Europe contributing disproportionately to the success by generating a positive increase of 7 %. The SURTECO Group was also able to strengthen its position in the Asian market. Sales of € 15.5 million are equivalent to an increase of 28 % here.
The percentage of foreign sales increased by one percentage point to 66 %.
An additional difficulty emerged during the year

under review on account of the development of the exchange rates relevant for SURTECO, which had again deteriorated by comparison with the average for the previous year. The sales losses arising from the conversion of business figures to euros amounted to € 7.4 million for SURTECO SE during the reporting year 2008. Virtually half of this amount was due to the development of the US dollar against the euro. The remainder was distributed in particular over sterling, the Australian dollar, the Swedish krone and the Turkish lira.

SBU PLASTICS WITH BROADLY BASE PRODUCT RANGE

The plastics segment generated € 254.7 million overall with growth of € 6.4 million or 3 % compared with 2007. However, it is important to take account of the fact that the Swedish plastic foil manufacturer Gislaved Folie AB has only been consolidated in the SURTECO Group since September 2007 and the two business years are hence not comparable. After adjustment for Gislaved, sales of the SBU Plastics would have been 5 % down on the figure for the previous year.

Gislaved has a high level of exports but only supplies small volumes to Germany. This favoured the export sales of the SBU Plastics which increased by 5 % to € 171.6 million. The business with plastic products in Europe (without Germany) experienced strong growth with an increase of 13 %. Growth was also achieved in Asia with € 11.3 million (+49 %). On the Australian continent, the steady upward trajectory of business volume to date was interrupted for the first time as a result of general consumer weakness. The consequence was a decline by 8 % to € 17.4 million.

The situation in North America remained problematic. The economic conditions were already difficult throughout the entire business year and they underwent further dramatic deterioration at the end of the year. Nevertheless, SURTECO Canada and SURTECO USA are well positioned from the supply side. A comprehensive and versatile programme is available for furniture manufacturers and wholesalers which has generated a market share of some 60 %. However, the decline in sales volume (-15 %) continued the market trend from the previous year. In order to avoid currency-related disadvantages, volumes that have been produced in Canada to date have been transferred to the USA.

The manufacture of plastic edgebandings was started up in Chile during the course of 2008 with the aim of expanding business volume in South America.

The German market concluded with a decline of 2 % to € 83.1 million. Although no customer losses were recorded, order batch sizes underwent a tangible reduction. There was also a general trend towards thinner and therefore most keenly priced edgebandings.

Plastic edgebandings, which represent 58 % of the sales of the SBU Plastics, lost 6 % of their volume in 2008 (€ 146.8 million; previous year: € 156.6 million). The segment skirtings and extrusions for floorlayers generated an increase of 6 % with new products like the increasingly popular cable-duct profiles. Other successful product groups included technical profiles (+3 %), roller-shutter systems (+8 %) and cladding systems (+10 %). Wall claddings produced by Vinylit GmbH, which is part of the SBU Plastics, are currently a trend development on account of their outstanding heat insulation properties. Vinylit is currently promoting the sales of its products in European countries outside Germany, particularly in France, Italy and Russia. Over the long term, the company is anticipating a sustained increased in the export share.

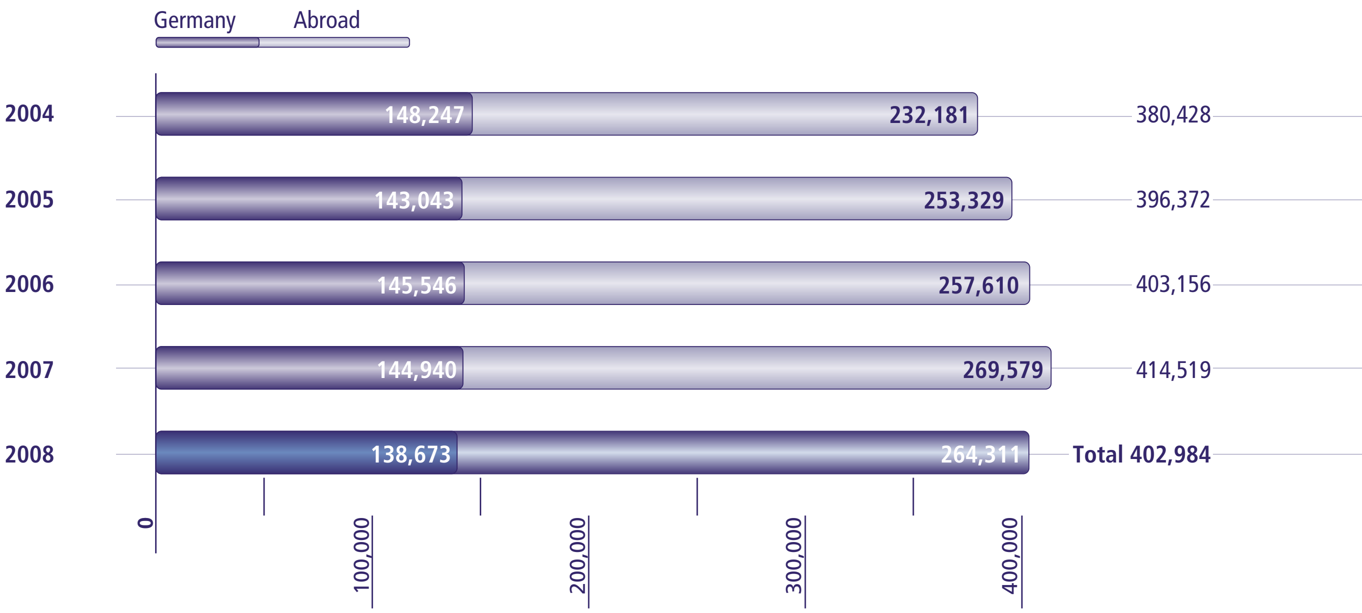
ECONOMIC CRISIS EXACERBATES THE SALES PROBLEMS OF SBU PAPER

The SBU Paper contributed 37 % to sales of the SURTECO Group at € 148.3 million during the year 2008. The market for products in the paper line already reflected the significant restraint demonstrated by consumers throughout the year 2008. The general crisis in the second half of the year strengthened this trend so that annual sales were ultimately 11 % lower in a year-on-year comparison (2007: € 166.2 million). Domestic volume eased by 8 % from € 60.6 million to € 55.6 million. Sales abroad posted a downturn of 12 % (2007: € 105.6 million; 2008: € 92.7 million). Market weakness in European countries outside Germany (-13 %) and the sustained North American crisis (-25 %) impacted particularly negatively.

During the year under review, the sales downturns

OF SALES OF
THE SURTECO GROUP
44 %

SALES REVENUES IN € 000s SURTECO GROUP



were distributed over all the product areas of the SBU Plastic. Decorative prints (-14 %), edgebandings (-12 %) and post-impregnated and pre-impregnated flat foils (-9 %) were affected.

The global recession has meant that customers of the SBU Paper have also ordered lowered volumes in these product lines. The consequences were small production batch sizes which reduced manufacturing productivity. The area of finish products was developed as a countermeasure and to stimulate demand among customers: "Tecoline Speed" has been designed especially for short-term delivery of small volumes of edgebandings from a defined colour and decor range. The new "Modular" system for edgebandings and wrapping foils allows the desired coating product to be assembled on the basis of quality, decorative design, level of gloss or surface structure. Smaller batches can be ordered as usual and these are also very attractive to processors carrying out further refinement in terms of delivery time and price on account of the focused product diversity.

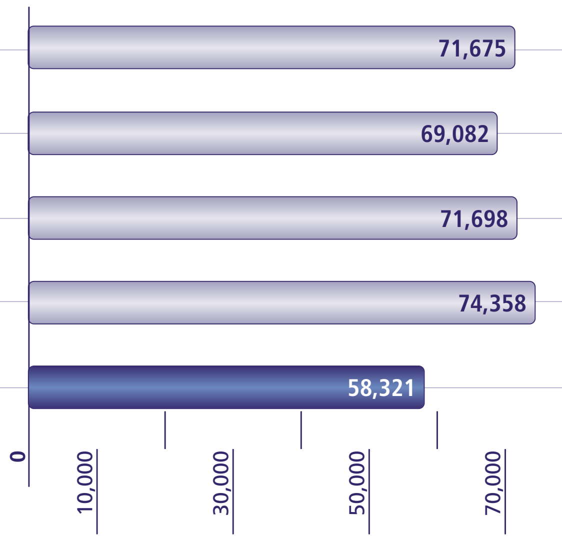
COST OF MATERIALS

The annual average rise in the cost of materials was only 43.5 % as a proportion of sales compared with 2007 (42.5 %). Although this represents a relatively small increase, the year under review was divided into two extremely divergent developments, the effects of which reached an extent previously unknown. The first phase until around July 2008 was characterized by a massive increase in the cost of all raw materials derived from oil. By contrast, the global economic collapse triggered by the international banking crisis, released an equally strong drop in oil prices from October 2008.

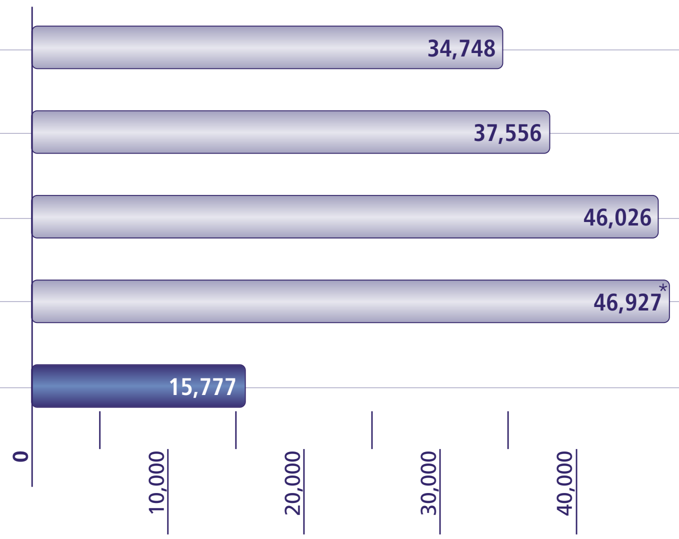
A longer-term contract ensured that the price paid by the Group for electricity remained constant in 2008. The costs for natural gas also remain fixed until the close of the third quarter.

The favourable prices for decorative papers continue to remain stable for the paper-processing companies in the Group. However, the fact that the process of consolidation in the decorative paper industry led to the shutdown of four production facilities is a cause for concern in 2008 since this reduced the number of high-quality providers of decorative papers and pre-impregnated papers. The

EBITDA IN € 000s SURTECO GROUP



EBT IN € 000s SURTECO GROUP



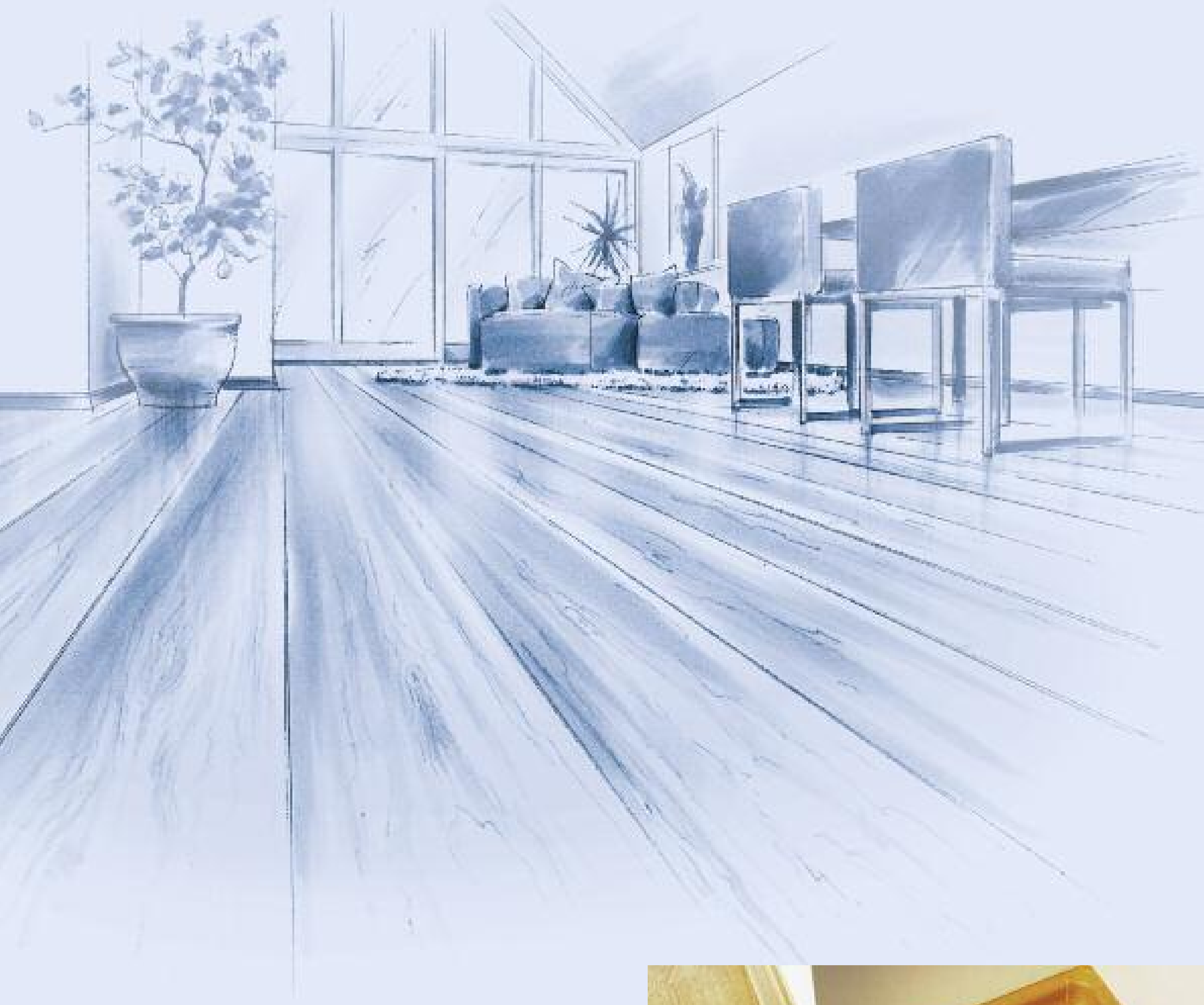
majority of the chemical materials that are used in the production of the SBU Paper were subject to massive upward pressure on prices during the year under review. Evaluation of alternative raw materials is being driven forward intensively by Purchasing and Development and will therefore be extremely significant in the years to come.
The raw materials prices in the SBU Plastics were subject to significant fluctuations in 2008. At the end of the year, reduced material prices for relatively small production batches were contrasted with lower material prices. The aim in future is to integrate the global purchase of raw materials even more intensively in order to make the pricing situation for raw materials even more transparent throughout the world and hence exploit price advantages.
All raw materials were available in the desired quantities for the entire Group during the course of 2008.

GROUP RESULTS

EBITDA generated at the SURTECO Group for the business year 2008 was € 58.3 million and hence 22 % below the equivalent year-earlier value. The EBITDA margin came down significantly by 3.4 percentage points to 14.5 %.

One-off restructuring costs amounting to € 7.3 million impacted negatively on the operating result. These expenses essentially relate to personnel expenses for redundancy payments. The reduction in some 320 jobs is necessary throughout the Group in order to harmonize the personnel headcount to the level of business activity. Furthermore, the restructuring programme at the SBU Paper envisages the transfer of edging production from the Buttenwiesen site to the Sassenberg manufacturing facility. The transfer of production started in the SBU Plastics from Montreal/Canada to Greensboro/USA in 2007 is being extended. EBIT achieved € 38.6 million (2007: € 55.3 million). The EBIT margin changed from 13.3 % to 9.6 %.
The financial result amounted to € -22.8 million. It is essentially comprised of interest income of € 2.9 million (2007: € 1.5 million), interest expenses of € -13.8 million (2007: € -10.4 million) and other financial expenses and income of € -11.9 million (2007: € 0.5 million). The latter were significantly influenced by the necessary corrections based on prices to the investment book value of a share package held by SURTECO in Pfleiderer AG, Neumarkt, amounting to € 11.5 million. The increase in interest expenses is

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).



VALUE ADDED CALCULATION SURTECO GROUP

	2007* € 000s	in %	2008 € 000s	in %
Sales revenues	414,519		402,984	
Other income	9,409		10,908	
Corporate performance	**423,928**	**100.0**	**413,892**	**100.0**
Cost of materials	-177,562	-41.9	-175,499	-42.4
Depreciation and amortization	-19,060	-4.5	-19,731	-4.8
Other expenses	-66,814	-15.8	-84,839	-20.5
Creation of value added (net)	**160,492**	**37.9**	**133,823**	**32.3**
Shareholders (dividends)	11,075	6.9	12,183	9.1
Employees (personnel expenses)	103,044	64.2	104,208	77.9
Government (taxes)	15,090	9.4	9,048	6.8
Lenders (interest)	10,398	6.5	13,838	10.3
Allocation of value added	**139,607**	**87.0**	**139,277**	**104.1**
Remaining in the company (value added)	**20,885**	**13.0**	**-5,454**	**-4.1**

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

due to the fact that the borrowed funds taken out in August 2007 amounting to € 150 million in the private placement were applied throughout the year during the reporting year. Earnings before Income Tax (EBT) amounted to € 15.8 million (2007: € 46.9 million).
Consolidated net profit of SURTECO SE totalled € 6.8 million (2007: € 31.8 million) in the year 2008, earnings per share – based on an unchanged number of shares at 11,075,522 no-par shares – came down to € 0.61 as a result (2007: € 2.87).

RESULT FOR SURTECO SE

Earnings from ordinary activities at SURTECO SE based on the German Commercial Code (HGB) amounted to € 8.4 million and were hence 73 % below the value for the previous year (€ 31.4 million). Net income fell from € 20.3 million in the previous year to € 4.4 million (-78 %).

ADJUSTMENT OF DIVIDEND

The Board of Management and the Supervisory Board will recommend to the Annual General Meeting of SURTECO SE to be held in Munich on 19 June 2009 that a dividend of € 3,877,390.30 be paid out of net profit of € 3,876,432.70 for the business year 2008. This corresponds to a dividend of € 0.35 (2007: € 1.10) for each no-par-value share issues (11,075.522 no-par-value shares). € 957.60 will be carried forward.

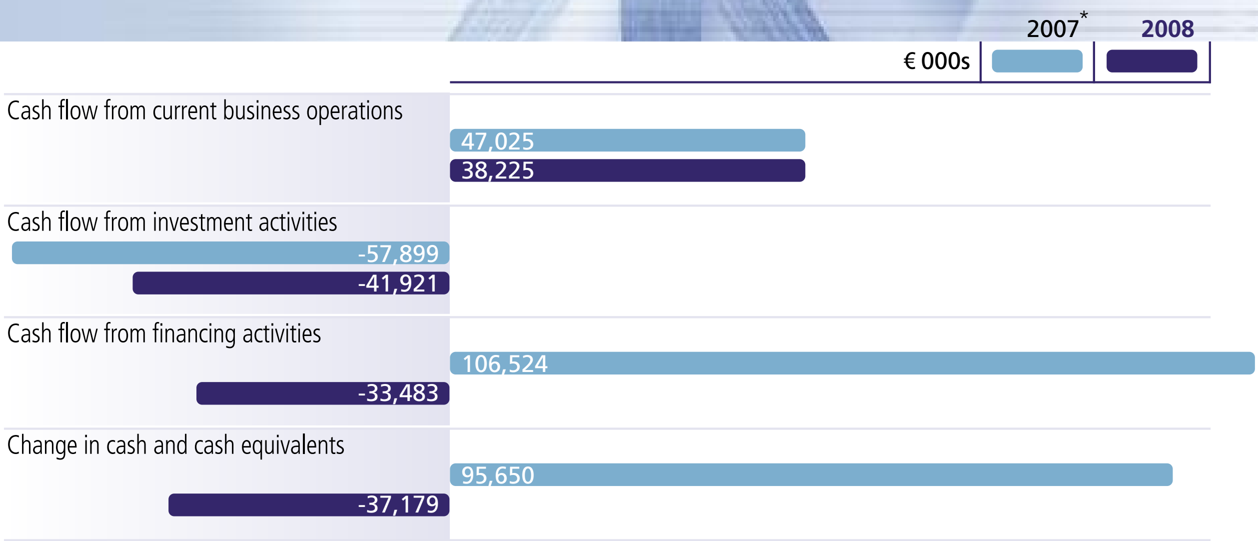
FINANCIAL POSITION AND NET ASSETS

SPECIAL EFFECTS IMPACT NEGATIVELY ON VALUE ADDED

Apart from the reduction in sales amounting to € 11.5 million, value added has been compromised by two one-off effects under other expenses. Without restructuring expenses (€ -7.3 million) and the impairment of the package of shares in Pfleiderer AG (€ - 11.5 million), € 13.3 million value added would have remained in the company.



CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER SURTECO GROUP



CASH FLOW STATEMENT

Cash flow from operating activities fell by € 13.2 million compared with the previous year, primarily due to the decline in sales revenues and the increase in cost of materials, which resulted in reduced cash flows overall.

Investments in property plant and equipment were adjusted to the changed economic framework conditions and reduced by € 6.2 million. The payouts for investments relate to the package of shares acquired in Pfleiderer AG.

Cash flow from financial activity entailed by cash inflows from the placement of long-term debt amounting to € 165 million in the business year 2007. During the year under review, the low cash inflows resulting from taking out short-term debt and interest income contrasted with cash outflows as a result of higher interest expenses due to reporting the US private placement over the entire year, an increased dividend payout and scheduled repayments of long-term loans.

REDUCTION OF LONG-TERM LIABILITIES BY € 21 MILLION

The SURTECO Group has used the cash and cash equivalents generated during the year under review to repay the non-current liabilities. Additional foreign currency loans were settled in addition to regular repayments.

The assets reflect this development through the decline in current assets. In particular, the cash and cash equivalents fell by € 39.3 million which is specifically due to the acquisition of the equity package in Pfleiderer AG, Neumarkt.

The non-current assets increased overall by € 12.7 million as a result of the shares held in Pfleiderer AG and the positive market development of derivatives in the amount of € 5.2 million.

While the balance sheet total came down by 5.2 %, the capital ratio remained nearly unchanged at 36.8 % (2007: 36.7 %).

WORKING CAPITAL REDUCED BY 11 %

The Group has reduced inventories by € 7.9 million and trade accounts payable by € 4.3 million on account of the current difficult economic situation. By contrast, short-term provisions (€ 7.5 million) have increased on account of restructuring provisions and trade accounts receivable (€ 2.8 million). On balance, this has led to a reduction in working capital by € 8.3 million to € 67.0 million.

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

OF SALES OF
THE SURTECO GROUP
13 %

CALCULATION OF FREE CASH FLOW SURTECO GROUP

in € 000s	1/1/ - 31/12/2007*	**1/1/ - 31/12/2008**
Cash inflow from operating activity	65,401	52,213
Tax payments	-18,376	-13,988
Investments in property, plant and equipment	-26,875	-20,659
Investments in intangible assets	-1,947	-1,180
Cash inflow from disposal of assets	447	1,141
Free cash flow	**18,650**	**17,527**

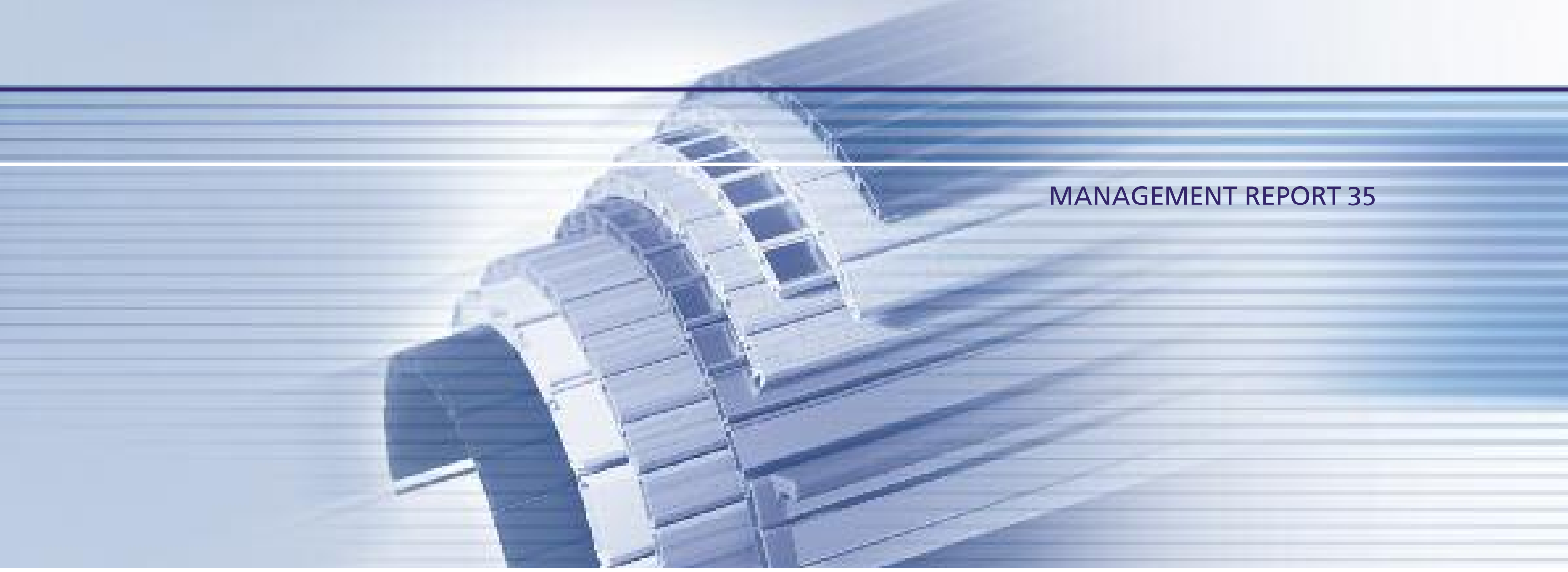
BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

	31/12/2007* € 000s	Percentage in the balance sheet total (%)	**31/12/2008 € 000s**	Percentage in the balance sheet total (%)
ASSETS				
Current assets	210,965	40.8	171,654	35.0
Non-current assets	305,763	59.2	318,419	65.0
Balance sheet total	**516,728**	**100.0**	**490,073**	**100.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	76,650	14.8	80,034	16.3
Non-current liabilities	250,572	48.5	229,523	46.9
Equity	189,506	36.7	180,516	36.8
Balance sheet total	**516,728**	**100.0**	**490,073**	**100.0**

BALANCE SHEET INDICATORS

	2007*	**2008**
Capital ratio in %	36.7	36.8
Gearing in %	76	95
Working capital in € 000s	75,284	67,001
Interest cover factor in %	8.4	5.3
Debt-service coverage ratio in %	35.4	22.2

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).



RESEARCH AND DEVELOPMENT

3D Premium Gloss edgebandings are a highlight from the high-quality 3D range of the SBU Plastics. Complex production procedures have been developed in order to create a coating material with this kind of high-gloss finish. The key features of the product include simplified processing because polishing is no longer necessary, resistance to scratching (extremely important for high-gloss finishes), and very good surface resistance to mechanical and chemical effects.
High-gloss edgebandings are gaining increasingly important in furniture manufacture and interior design. However, in order to cater for this application, relatively small sales volumes of edgebandings have to be supplied to match high-gloss panels. A large number of popular colours and decorative designs were integrated in the extensive warehouse range so that craft joinery businesses also have easy access to these products through the wood trade.
Glass is gaining an increasing profile as a design element. This is because the refined visual properties of glass enhance worktops and front panels. SBU Plastics has developed alternatives for furniture manufacture in the form of a special plastic edging combined with a high-gloss panel. This ingenious solution presents a deceptively genuine glass appearance and the substantially lower weight means that it is easy to process. The material is not brittle and there is hence no danger of breakage. The edging tape is provided with two colours and decorative designs in parallel. The upper section is in colours typical for glass, such as green, black, white or red, and the lower section is designed to give a neutral aluminium or stainless-steel effect. The transparent acrylic material and the high-gloss finish achieve mirror effects similar to glass. Applying this edge to a high-gloss surface of the same colour creates the visual appearance of a glass panel that has been placed on top of the surface.
The development team working on extrusion technology at SBU Plastics originated an innovative approach to frame extrusions for flat screens. The product replaces the injection-moulded parts previously used industrially on account of the wide range of impressive advantages offered. It can be deployed flexibly for different screen dimensions, the frame is more competitively priced and presents a visually attractive appearance. The coating with high-gloss plastic or genuine aluminium foils provides the frame profile with an appealing and high-quality visual appearance.
New materials and additional applications are currently being tested in the segment for plastic foils which are being produced in the Swedish subsidiary company Gislaved Folie AB. Examples of these innovations include self-adhesive foils, foils for air-conditioning systems, or foils which can be laminated on plastic extrusions for external applications.
During the year under review, the SBU Paper continued working on development of the new product Corulan. Corulan is a highly resistant finish foil used for manufacturing flooring panels. It is easy to process and in contrast to established laminate flooring manufacture favours cost-efficient application of relatively small production batches. The manufacturing process also allows individual customer requirements for surface texture and specified abrasion resistance to be taken into account. The new finish foils are now ready for production. Pilot production runs with test customers have been successful and the coating product is now ready for market launch on a broader front.
Research at the SBU Paper has focused on another core competence in the product group of high-resistance surfaces. This work has concentrated on developing pre-impregnated foils that are produced exclusively using materials with zero formaldehyde content. The properties of the varnish and the corresponding varnish hardening technology play a decisive role here. The toughness properties of the surface in combination with excellent environmental properties provide an extremely attractive coating material for furniture manufacture and interior design. In combination with its environmentally friendly properties, the foil makes a key contribution to the positive overall assessment of an item of furniture in terms of ecological benefits.
In the light of the general reconfiguration of foil papers, the development department of the SBU Paper is continuing to carry out research into

EMPLOYEES BY REGIONS SURTECO GROUP

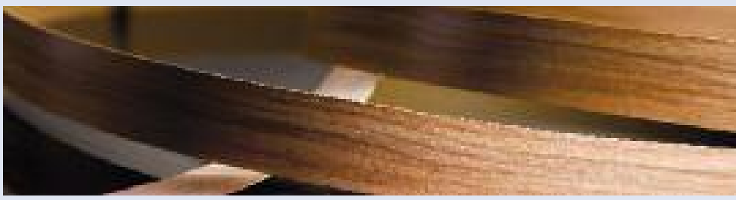
Site	Employees 31/12/2007	**Employees 31/12/2008**	Change
Germany	1,440	**1,421**	-19
Canada	241	**189**	-52
Sweden	144	**149**	+5
Australia	87	**86**	-1
USA	61	**64**	+3
Indonesia	44	**50**	+6
China	24	**38**	+14
South- and Central America	35	**34**	-1
Italy	32	**31**	-1
Great Britain	32	**29**	-3
Poland	11	**13**	+2
France	12	**13**	+1
Singapore	13	**12**	-1
Turkey	5	**8**	+3
	2,181	**2,137**	**-44**

alternative chemical raw materials with the objective of securing long-term delivery certainty, and achieving improvements in quality and purchase costs over the long term. Raw materials are only approved for volume production if they are released by the research and development department after extensive testing and rigorous inspection. Development engineers also use this form of qualification for procurement of paper raw materials and in the manufacture for specifying machine parameters. The integrated qualification process guarantees a high level of process security and efficient production flow with minimal interruptions.

PEOPLE AND TRAINING

On 31 December 2008, the SURTECO Group employed a total of 2,137 employees. The number of employees had come down by 44 persons or 2 % compared with the year-earlier comparable value. The decline in headcount was concentrated in the fourth quarter of 2008 due to a marked downturn in utilization of capacity. At the close of the third quarter, there were still 2,220 employees. At the beginning of the current business year, job cuts were continued within the framework of a social compensation scheme after all other options had been exhausted. The total number of jobs to be cut amounts to 320 employees throughout the Group.

Analysis of the average number of employees over the year is based on the figures at the end of the relevant quarters. This means there is a different profile for the employees over the year. In 2008, the average number of employees working in the SURTECO Group was 2,194. This represents an increase of 73 employees or 3 % compared with the previous reporting period. This increase was primarily due to the acquisition of the Swedish company Gislaved Folie AB in September 2007. 1,411 (2007: 1,327) were employed by the SBU Plastics, 768 (2007: 780) at the SBU Paper and 15 (2007: 14) at the SURTECO holding company.



Personnel expenses amounted to € 104.2 million (2007: € 103.0 million). The proportion of personnel costs to total output increased by 1.1 percentage points to 25.8 %. Since Gislaved Folie AB was only partially consolidated within the SURTECO Group in the year 2007, which reported € 2.6 million for the proportion of personnel costs to total output, the equivalent expenses in the first fully consolidated year amounted to € 7.6 million. The adjusted personnel expenses would therefore have been 4 % below the level for the previous year.

The personnel indicators continue to be at the level of previous years: average age profile 41.6 years, average length of service 13.5 years, level of absenteeism due to sickness 3.1 %. 48 employees at plants in Germany celebrated their tenth anniversary with the company during the last reporting year, 31 employees celebrated their 25th anniversary and 6 employees even celebrated 40 years with the company. Fluctuation has increased slightly at 5.9 % compared with 4.4 % in 2007.

Despite the difficult economic situation, SURTECO is continuing to pursue its proven training concept. The training ratio at 8.4 % again underwent an increase (2007: 7.1 %). This means that the companies in the SURTECO Group were training an average of 120 (2007: 103) young people during the year under review. Alongside commercial vocations, training was also offered for practical vocations such as process mechanic for plastic and rubber technology and printers.

SURTECO has also continued to invest in further training and career development for employees.

During the year under review, the SBU Plastics also made an external commitment to the important matter of training by supporting the Global Campaign for Education in its latest international project "Literacy and life-long learning".

ENVIRONMENTAL PROTECTION

Corporate environmental protection in the SURTECO Group is focused on energy efficiency, energy saving, use of environmentally friendly raw materials and procedures, recycling of production rejects, and separation of waste according to type and environmentally friendly disposal. Ongoing projects were continued during the year under review and they were augmented by further projects.

The most effective way of protecting the environment and reducing costs at the same time is to take a prudent and careful approach to the use of energy. A number of project teams systematically defined potential for savings and opportunities for improvement in the course of the year under review. These scenarios were discussed – partly in cooperation with external partners – and implemented. This work focused on ventilation systems, heating, steam systems, compressed-air systems and IT.

Research work into substitution of raw materials by low-pollutant alternatives was moved forward.

The result of all these activities will lead to a sustainable reduction for greenhouse gas emissions in all the operating units of the Group.

In May 2008, SURTECO reported to the Carbon Disclosure Project (CDP) for the first time. CO_2 emissions for the business year 2007 were analyzed and calculated in accordance with the defined criteria and then reported to the Carbon Disclosure Project. They were hence disclosed in the public domain. The publications of the Carbon Disclosure Project (www.cdproject.net) contribute to raising the importance of environmental aspects for corporate value and disseminating information about greenhouse gases emitted by companies to the financial market.

AUSTRALIA

OF SALES OF
THE SURTECO GROUP
6 %

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT SYSTEM

SURTECO SE and its Strategic Business Units are exposed to a large number of risks on account of global activities and intensification of competition. In order to ensure long-term growth and increase in corporate value, the Group avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies and deploying derivative financial instruments, 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 Board of Management of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Board of Management works together with the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Board of Management and is responsible within this framework for risks that it enters into in the course of its business activities. The management includes the employees in the course of exercising their management functions.

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 of SURTECO and its subsidiary companies. There is no independent structural organization. In order to measure, monitor and control risks, SURTECO SE uses a detailed controlling system. The controlling system encompasses the key controlling parameters specific to the industry and sector. Apart from regular reporting to the Board of Management and 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 internally at regular intervals by the Board of Management and the managers of the subsidiary companies, and externally by the auditor. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.

The risks described below may impact negatively on the net assets, financial position and results of operations for the Group. Additional risks that are unknown at this point in time and that are currently believed to be very low could also affect business activities in the future.

The significant risks for SURTECO SE are as follows:

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

MACROECONOMIC RISKS AND MARKET RISKS

In the market supplying coating products for the furniture and interior design industry, a local presence in the relevant countries and markets is crucially important. This enables customers to be supplied quickly and permits trends in regional markets to be identified at an early stage. SURTECO is very well positioned in international markets with 16 production and sales sites, and a further 12 sales sites. The development of the business is highly dependent on economic performance in the furniture and construction industries operating in the countries and markets where SURTECO supplies its product range. Economic fluctuations in our sales markets can exercise a very negative effect on business development. The continuing internationalization of the Group means that fluctuations can be compensated in individual countries. The economic trends and sales development in individual markets are monitored continuously so that changes in trend can be anticipated or identified at an early stage. The qualitative and quantitative findings are recorded and evaluated with the assistance of a differentiated internal reporting system. They are then subjected to detailed assessment and analysis. Any deviations from budgets, the feasibility of planning goals and the occurrence of new monetary and non-monetary risks are highlighted and analyzed. The business is then managed on the basis of the results of reporting. The furniture industry is anticipating a shrinking trend for the fiscal year 2009. Detailed information on the development of the global economy and the furniture industry is provided in the outlook report. In addition, cost leadership is a key factor for the mar-

ket positioning and economic success of SURTECO SE. This entails a complete and diversified product portfolio tailored to the needs of the market and highly efficient operating processes. During the course of the business year under review, the local presence was further expanded by the sales location in Turkey, the launch of production in Chile in November 2008, and the production startup for SBU Plastics at the Chinese plant in Taicang.

TECHNOLOGICAL RISKS

Technological leadership is crucial for future profitability. The company's technologies are continually being developed to retain this leadership. Technological development within the sector and related industries are also monitored and analyzed in order to retain leading-edge capability.

COMPETITIVE RISKS

SURTECO is generally very well positioned in the relevant markets. However, competitive pressure continues to growth throughout the world. New providers have come on the scene as a result of increases in production depth at major printers and new, locally active surface manufacturers who are operating in selected product areas. This market consolidation could exert a negative effect on revenues. SURTECO is countering massive pressure on prices by expanding and strengthening existing business, introducing innovative products and not least by further increasing efficiency.

OPERATING RISKS

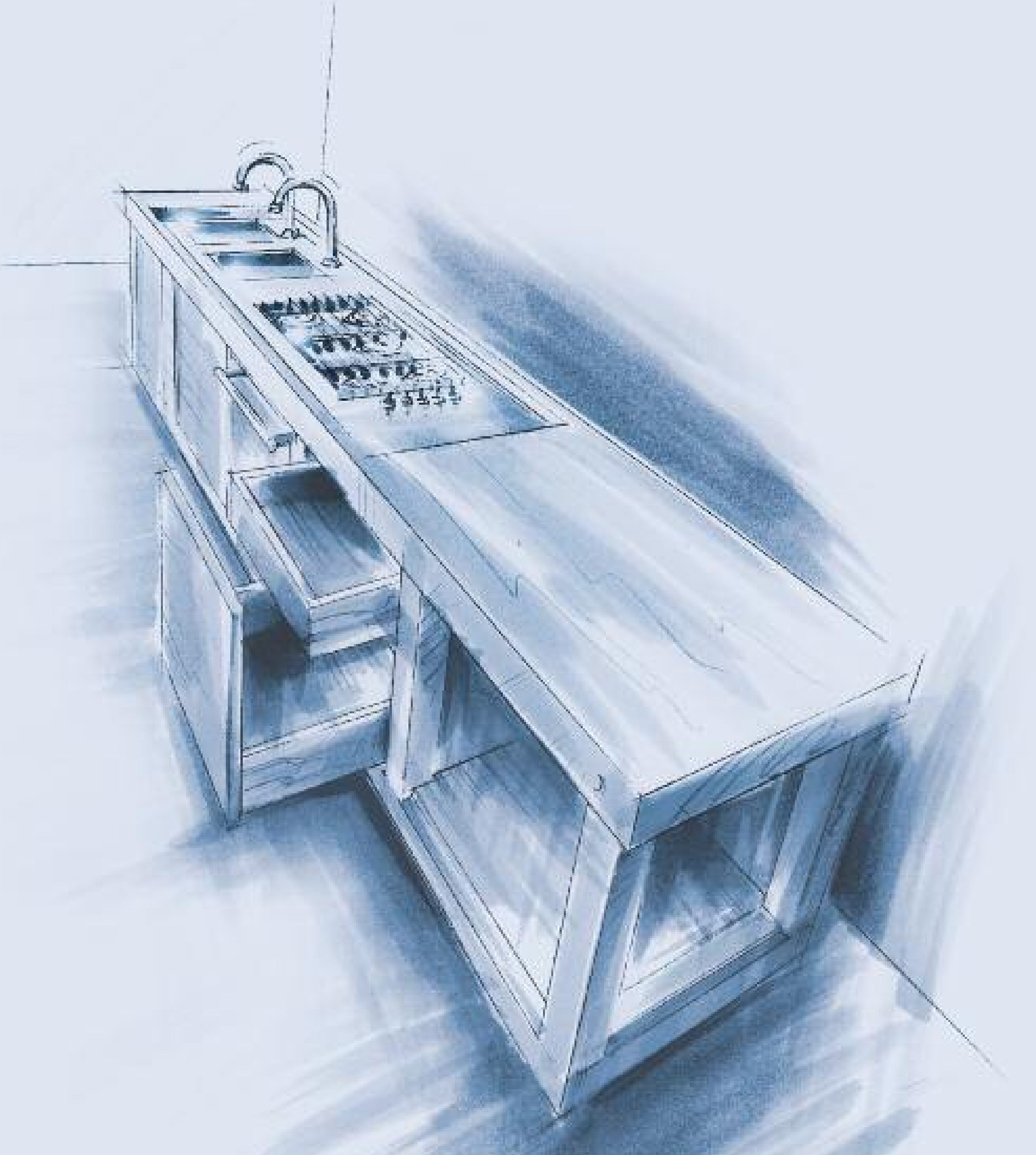
PROCUREMENT RISKS

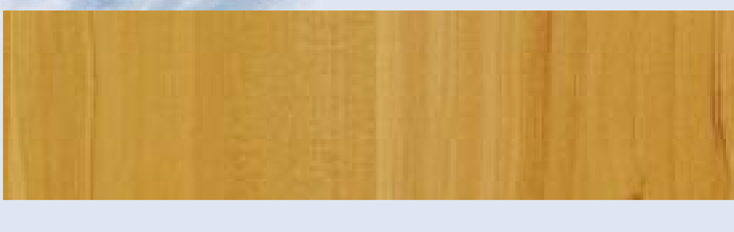
SURTECO SE is dependent on outsourcing from other providers for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks such as unexpected supply difficulties or unforeseeable price increases resulting from market bottlenecks or currency effects, 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 monitoring the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications and arranging supply contracts. There is a risk of increasing energy costs that is rising over the medium to long term. Following the sharp price rises for plastics and other chemical products during 2008, prices are expected to ease in 2009. However, prices are projected to settle at a higher level over the medium term.

It is a fundamental fact that rising energy prices and price increases for raw materials and consumables inevitably lead to additional expenses in production. This means that further financial impacts can only be compensated by price increases.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and adaptation 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 the IT systems are limited by the ongoing measures SURTECO adopts to harmonize our systems with prevailing conditions and requirements. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These measures also include implementation of uniform software systems within which all production-related and commercial aspects are integrated and processed efficiently.





PERSONNEL RISKS

The success of the company is closely associated with provision of qualified staff at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the capabilities of specialist and management staff. In order to safeguard the necessary qualifications in the relevant functions and countries, members of staff at SURTECO SE receive regular career training both inside the company and with external providers. Information on apprenticeship training and career training is provided in the section entitled people and training.

PRODUCTION RISKS

The continuous improvement process ensures that potential for efficiency increases can be identified and implemented continuously. Furthermore, production procedures, manufacturing technologies, machinery assets and workflows are continually being developed and optimized. Systems and equipment are maintained and serviced to a high standard and employees receive intensive training. If customers make complaints, the causes of complaint are carefully researched. The environmental safety of products and production is ensured by environmental officers.

FINANCIAL RISKS

INTEREST AND CURRENCY RISKS

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Invoicing in euros is the preferred method of billing. Currency risks arising from the procurement of raw materials are negligible since the majority of procurement is carried out in euros. 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 SE meets the remaining interest and currency risks by hedging positions with derivative financial instruments and regular and intensive observation of a range of early-warning indicators. In order to limit exchange-rate risks associated with changes in interest rates, the Group operates a policy of systematic currency and interest management. This is controlled centrally by the holding company in Germany.

LIQUIDITY RISKS

Corporate Treasury 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 SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.

However, earnings and liquidity can be compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit rating 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 appropriate trade credit insurance policies. The difficult economic situation is likely to entail higher levels of default on receivables and relatively low cover from trade credit insurance.

FINANCING RISKS

The refinancing of the Group and the subsidiary companies is generally carried out by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years (see also maturity structure in the Notes to the Consolidated Financial Statements item 23) and is structured with fixed interest rates. Repayment of significant long-term loans is not necessary in the business year 2009. The Group operates with a wide range of lenders comprising insurance companies and banks.

OF SALES OF THE SURTECO GROUP
3 %

Financial indicators were agreed with lenders at standard market conditions in loan agreements and these have to be met by SURTECO.

FLUCTUATIONS IN VALUE FOR SECURITIES/DERIVATIVES

In January 2008, SURTECO SE acquired a share package amounting to 3.02 % of the share capital in Pfleiderer AG, Neumarkt. The turbulence in the financial markets and the associated massive falls in share price meant that an impairment of 11.5 million euros had to be carried out for the share package in the business year 2008. The possibility of further impairments cannot be excluded as a result of sustained weakness in the equity markets and the declining share price of Pfleiderer AG.
The derivative financial instruments concluded by the Group for hedging purposes and in order to reduce risks are valued on a monthly basis. If there are significant fluctuations in underlying values such as interest rates, this may exert a negative impact on the earnings of the Group. Item 28 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.

RISKS FROM CORPORATE GOVERNANCE/COMPLIANCE

Changes in regulatory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on our sales and 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 products manufactured by the SURTECO Group acts to reduce risk. SURTECO SE is not currently involved in any court or arbitration proceedings that could exert a significant influence on the commercial situation of the Group.

OVERALL RISK ASSESSMENT

SURTECO regularly monitors the achievement of business goals, as well as the risks and risk limitation measures. The Board of Management and Supervisory Board are informed of any risks at an early stage. An overall analysis of all risks shows that the main risks relate to market risks. These include developments relating to price and volume due to economic conditions prevailing in customer industries or sectors, and in the procurement markets.

EFFECTS OF THE FINANCIAL CRISIS

The financial crisis is exerting a significant effect on new-build activity so that reduced volumes are anticipated for the business year 2009. The long-term refinancing of the Group means that the company is not significantly affected at present by the shortage of lending capacity and the higher costs of refinancing. It is currently assumed that it will be possible to meet the financial indicators agreed with lenders in the business year 2009. However, a risk may emerge in an increasingly negative development of the global economic framework conditions. The defaults on receivables to be expected cannot be quantified due to the lack of empirical data and historically low write-off rates in the SURTECO Group. The volatility of raw material prices and currency parities is likely to be less marked in the business year 2009 than in 2008. The management has responded to the financial crisis with a rigorous programme of cost-cutting, personnel adjustment measures and production relocations. Future investments will only be implemented following careful consideration of all the advantages and disadvantages.

SUMMARY

The early-warning risk identification system has been checked by our auditors. It meets the requirements of § 91 (2) of the Stock Corporation Act (AktG). Review of the risk situation has revealed that thanks to efficient, regular and comprehensive risk management the risks at SURTECO SE are limited and transparent, and there are hence no risks that alone or in combination with other risks could endanger the continued existence of the company and future risks likely to endanger existence as a going concern cannot currently be identified.
SURTECO has good prospects for overcoming this difficult phase in the global economy on account of the timely action taken and the financial strength of the company. The Group is also likely to benefit from the position of competitors who are less well placed.

INFORMATION PURSUANT TO §§ 289, 315 GERMAN COMMERCIAL CODE (HGB)

CAPITAL STOCK

The unchanged capital stock of SURTECO SE amounts to € 11,075,522.00 and is divided into 11,075,522 no-par-value bearer shares (ordinary shares). Each share grants one vote at the Annual General Meeting of the company. Apart from statutory restrictions in specific cases, there are no restrictions on the voting right. There are no varying voting rights.

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

The Board of Management is authorized to increase the capital stock of the company once or in several stages by overall up to € 1,100,000.00 with the consent of the Supervisory Board by the issue of no-par-value bearer shares for a cash consideration (Authorized capital I) and once or in several stages by overall up to € 4,400,000.00 by the issue of no-par-value bearer shares for a cash or non-cash consideration (Authorized capital III). We refer to item 25 of the notes to the consolidated financial statements or item 4 of the notes of SURTECO SE for further information on the capital stock.

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Board of Management is aware that shareholders of SURTECO SE have joined together to form an association under civil law entitled "Share pool SURTECO". The objective of this pool is to jointly exercise the voting rights of 6,131,475 no-par-value shares in SURTECO SE (status 1 January 2009). Dispositions over shares in SURTECO SE are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

DIRECT OR INDIRECT PARTICIPATIONS GREATER THAN 10 % OF THE VOTING RIGHTS

The following shareholders have notified us of a direct or indirect participation in our company that is greater than 10 % of the voting rights:

Name	Voting rights in %
1. Mr. Claus Linnemann	11.7990
2. Mr. Jens Schürfeld	11.9306
3. Klöpfer & Königer Management GmbH*, Garching	22.5965
4. Klöpfer & Königer GmbH & Co. KG*, Garching	22.5965

* The shares of the subsidiary company Klöpfer & Königer Management GmbH are attributable in the amount of 100 % to the parent company Klöpfer & Königer GmbH & Co. KG. The publication of the participation is obligatory for both companies, although the same shares are involved.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT

The appointment and dismissal of Members of the Board of Management 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).

„CHANGE OF CONTROL“ CLAUSE

In the case of a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the following month specified on the declaration. They have the right to payment of a fixed annual remuneration for the remaining term of the contract of service.

FOLLOW-UP REPORT

The initial months of the current business year demonstrated that the weak sales experienced in the fourth quarter of 2008 were continuing unchanged. The negative development of the share price of Pleiderer AG at the close of the first quarter of 2009 meant that a further impairment amounting to € 6.0 million had to be carried out on the package of shares held by SURTECO.

When this Annual Report went to press there were no other events of special significance that will exert an effect on the net assets, financial position, and results of operations of the Group.

OUTLOOK REPORT

GLOBAL RECESSION LEADS TO A COLLAPSE IN GROWTH WORLDWIDE

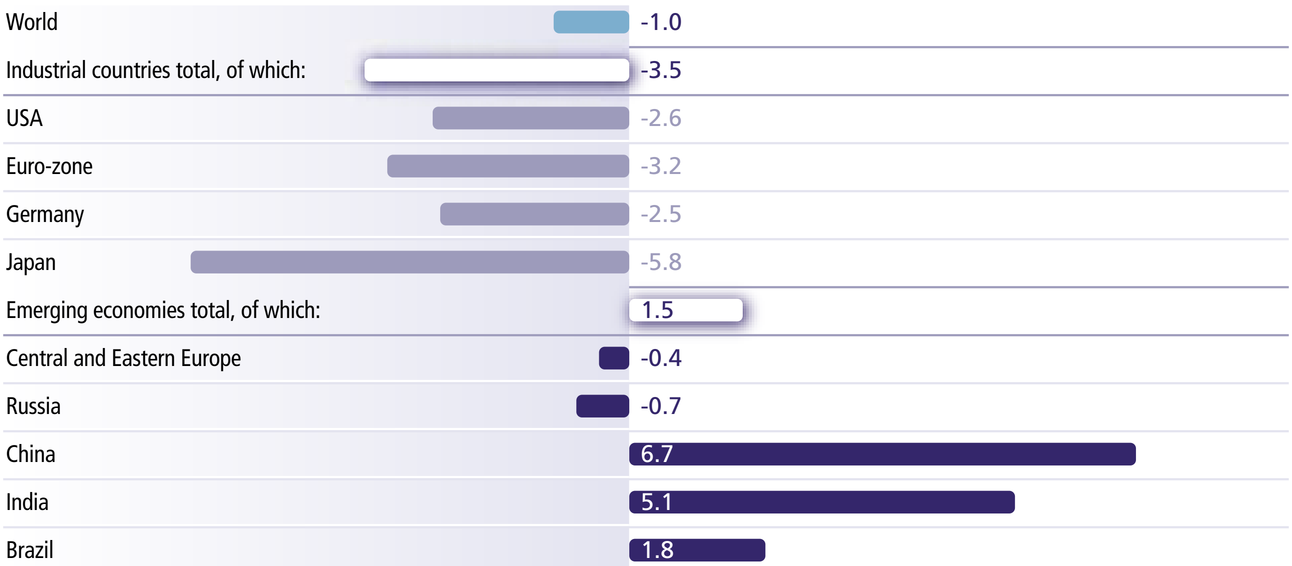
All the experts believe that the global economy is being gripped by a deep recession during the course of 2009. The International Monetary Fund (IMF) again brought down its projections for this calendar year in mid-March. For the first time in more than 60 years, the IMF expects negative development of between 0.5 and 1 %. All industrial sectors are likely to be confronted by a difficult year on account of the credit crunch, the resulting severely dampened investment trend, and the anticipated restraint in consumer spending. Stabilizing effects are only expected in the second half of the year at the earliest in response to the big falls in raw material prices, the investment projects initiated by many governments, and the significant reductions in interest rates introduced by central banks. The IMF has forecast a decline in economic output of between 3 and 3.5 % for the industrial nations during the current year. A drop of 2.6 % is projected for the USA, 3.2 % for the euro-zone, and as much as 5.8 % for Japan. As the world's biggest export nation, the global recession will exert a disproportionately big effect on Germany.

The emerging economies will no longer benefit from the record growth rates experienced during recent years. Accordingly, the IMF is predicting that these economies will only grow by between 1.5 and 2.5 %. China's economy may look to growth of 6.7 % on the back of the planned state investment programmes, India's domestic product is projected to increase by 5.1 %. Russia will be very adversely affected by the collapse in the prices of raw materials and energy and will have to contend with a decline in economic output of 0.7 % for the first time in many years. Projections for 2010 are beset by a great deal of uncertainty. The IWF is anticipating a moderate increase of between 1.5 to 2.5 %, although the big industrial nations can only anticipate growth of at best 0.5 %. However, this growth projection is based on the hypothesis that the large number of state investment programmes, the reductions in interest rates and the low costs of raw materials will bring about the desired positive recovery effect in the world economy.

DIFFICULT YEAR FOR THE FURNITURE AND WOOD-BASED INDUSTRY

The Association of the German Wood-based Materials Industry (VHI) is predicting a difficult year for the sector in 2009. The downturn in orders booked at the end of 2008, with some areas showing steep falls, offers little hope for the new business year. The shortage of liquidity being experienced by a large number of companies fuelled by the financial crisis is exerting additional negative impacts. Sector experts are therefore correspondingly sceptical, at least for the opening months of the year. Exports have generated positive stimuli in previous years but these are also likely to suffer during 2009. Apart from the traditional industrial nations, the emerging economies of Eastern Europe are likely to be most adversely affected by the global recession. In many industrial sectors – for example in the chipboard and fibreboard sectors – some production capacities were cut back significantly at the beginning of the year and adjusted to take account of weak demand.

IMF GROWTH FORECASTS FOR 2009 IN %

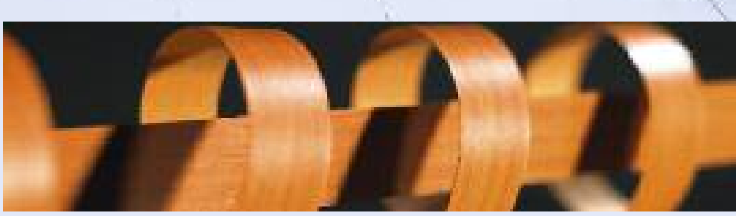


SURTECO RISES TO THE CHALLENGE OF THE CRISIS

A revival of demand is not anticipated for the current business year 2009. It is more likely that the consequences of the crisis will continue to impact negatively on the business activity of the Group until well into the year 2010.

SURTECO SE has responded to these challenges with a large number of adjustment measures, including a reduction in the size of the workforce, savings in all areas of the Group, and restraint in implementation of investment projects.

The SURTECO Group also perceives opportunities in the current crisis. Plant shutdowns, site closures and insolvencies among competitors will bring about consolidation in the surface manufacturers' sector during the next few years. The SURTECO Group continues to maintain an effective technological and commercial platform and is therefore in a position to adjust quickly and flexibly to new market conditions.



CALCULATION OF INDICATORS

Debt/Equity ratio in %	Debt/Equity
Debt-service coverage ratio %	(Consolidated net profit + depreciation) / Net debt
Earnings per share in € (net income per share)	Consolidated net profit / Number of shares
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash inflow from operating activities less (Tax payments + investments in property, plant and equipment, and intangible assets) + cash inflow from asset sales
Gearing in %	Net debt / Equity
Interest cover factor in %	EBITDA / Interest income
Market capitalization in €	Number of shares x Closing price on the balance-sheet
Net debt	Short-term and long-term debt less cash and cash equivalents
Personnel expense ratio in %	Personnel costs / Total output
Return on equity in %	Consolidated net profit / Equity without minority interests after appropriation of profit
Return on sales in %	(Consolidated net profit + income tax) / Sales
Total return on total equity in %	(Consolidated net profit before income tax and interest expense)/ Total equity (= balance sheet total)
Value added	(Sales revenues + other income) less (Cost of materials + Depreciation and amortization + Other expenses)
Value added ratio (net)	Value added (net) in % of sales
Working capital in €	(Trade receivables + inventories) less (Trade liabilities + Short-term accrued expenses)

2008 WAS ONE OF THE WEAKEST YEARS IN THE HISTORY OF THE STOCK EXCHANGE

The year on the stock exchange – particularly in the second half – reflected economic concerns and the negative impacts of the financial crisis on the real economy anticipated by investors. As a result, 2008 will go down as one of the weakest years in the history of the stock market. The leading global indexes posted collapses in prices between 35 % and more than 45 %. While the American Dow Jones was around 35 % below the level for the previous year, the EuroStoxx50 fell by 45 %, the Japanese Nikkei went down by around 42 % and the German DAX30 fell by 40 %. Relatively small and mid-sized joint-stock companies sustained bigger falls on account of their comparatively lower levels of liquidity. The index of smaller securities – the SDAX – lost 46 % of the index value.

Shares in SURTECO SE were unable to buck this trend. During the first six months of the business year 2008, the share price performance was down 11 % but still remained significantly above the development of the comparable SDAX index for mid caps and small caps of – 20 %. In view of a general downward acceleration in world stock markets and heightened economic anxieties following the collapse of investment bank Lehmann Brothers in September, the shares nevertheless came under increasing pressure in the months from September to December. Up until the end of August, the share was still being quoted at 20 euros. The high for the year came at the end of May with € 30.02. At the end of October, the share price even fell below € 10 for the first time, where it remained relatively stable until the close of the year. The last quotation of the year was in Xetra trading at € 10.20 on 30 December.

FREE FLOAT UNCHANGED AT 23.7 %

The number of shares remains unchanged at some 11.1 million shares compared to the previous year. Of these shares, 76.3 % continues to be held by existing shareholders of the company and the remaining 23.7 % are in free float. The trading volume of the SURTECO share rose by an average of 41,445 shares per month in the year 2007 to 148,213 shares.

DIVIDEND PROPOSAL OF € 0.35 PER SHARE

Against the background of weak economic framework conditions and the management focus on sound liquidity management, the Board of Management and the Supervisory Board will propose to the Annual General Meeting that a payout of a dividend of € 0.35 per share (2007: € 1.10) be made for the business year 2008. This means that the share of SURTECO SE posts a dividend yield of 3.4% on the year-end price (€ 10.20).

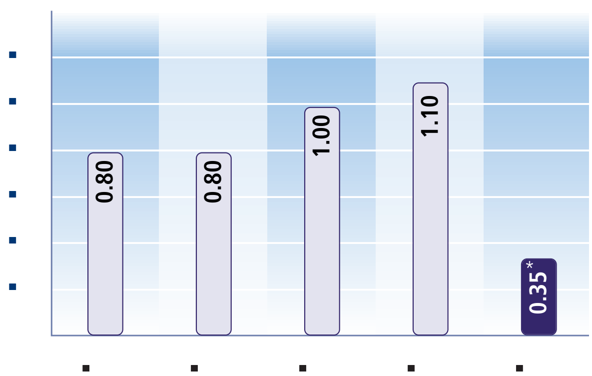
Proactive and transparent dialogue with all investors is the focus of communication by SURTECO SE in the public domain. Personal interviews with investors and analysts, presentations at international capital market conferences and regular publication of company indicators and corporate developments complement the information and content available on the Internet pages of SURTECO SE (www.surteco.com) which can be accessed by all interested parties at all times.

INDICATORS OF THE SHARE

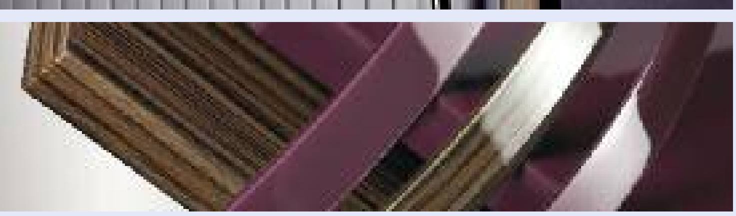
Type of security	No-par-value share
Market segment	Official market, Prime Standard
WKN	517690
ISIN	DE0005176903
Ticker symbol	SUR
Reuter's ticker symbol	SURG.D
Bloomberg's ticker symbol	SUR
Date of first listing	2 November 1999

SHARE PRICE PERFORMANCE 2008 IN €

DEVELOPMENT OF THE DIVIDEND IN €



* Proposal by the Board of Management and Supervisory Board

SURTECO SHARES

€	2007	2008
Number of shares	11,075,522	11,075,522
Price at start of year	32.60	27.15
Year-end price	26.56	10.20
Price per share (high)	42.20	30.02
Price per share (low)	25.60	8.66
Stock-market turnover in shares per month	41,445	148,213
Market capitalization at year-end in € 000s	294,166	112,970
Free float in %	23.7	23.7

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

€ 000s	2007*	2008
Sales	414,519	402,984
EBITDA	74,358	58,321
EBIT	55,298	38,590
EBT	46,927	15,777
Consolidated net profit	31,837	6,754

INDICATORS OF THE SURTECO GROUP PER SHARE

€	2007*	2008	
Earnings	2.87	0.61	
Dividend	1.10	0.35	Proposal by the Board of Management and Supervisory Board
Dividend yield at year-end in %	4.1	3.4	

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).










Notes to the Consolidated Financial Statements for the business year 2008

CONSOLIDATED INCOME STATEMENT

	Notes	1/1/-31/12/2007* € 000s	1/1/-31/12/2008 € 000s
Sales revenues	(1)	**414,519**	**402,984**
Changes in inventories		1,422	-349
Own work capitalized	(2)	1,476	1,149
Total		**417,417**	**403,784**
Cost of materials	(3)	-177,562	-175,499
Personnel expenses	(4)	-103,044	-104,208
Restructuring expenses	(21)	0	-7,297
Other operating expenses	(5)	-66,814	-65,323
Other operating income	(6)	4,361	6,864
EBITDA		**74,358**	**58,321**
Amortization and depreciation	(15)	-19,060	-19,731
EBIT		**55,298**	**38,590**
Interest income		1,531	2,895
Interest expenses		-10,398	-13,838
Other financial expenses and income		496	-11,870
Financial result	(7)	-8,371	-22,813
EBT		**46,927**	**15,777**
Income tax	(8)	-15,090	-9,048
Net income		**31,837**	**6,729**
of which consolidated net profit		31,837	6,754
of which minority interests		0	-25
Basic and undiluted earnings per share (€)	(9)	2.87	0.61

CONSOLIDATED BALANCE SHEET

	Notes	31/12/2007* € 000s	31/12/2008 € 000s
ASSETS			
Cash and cash equivalents	(10)	97,782	60,468
Trade accounts receivable	(11)	31,662	34,465
Inventories	(12)	67,659	59,759
Current income tax assets	(13)	4,098	6,912
Other current assets	(14)	9,764	10,050
Current assets		**210,965**	**171,654**
Property, plant and equipment	(16)	177,296	175,840
Intangible assets	(17)	9,325	8,471
Goodwill	(18)	109,860	108,227
Investments in associated enterprises	(19)	1,732	1,683
Financial assets	(19)	208	10,804
Non-current tax assets	(13)	1,358	1,233
Other non-current assets	(23)	1,563	6,768
Deferred taxes	(8)	4,421	5,393
Non-current assets		**305,763**	**318,419**
		516,728	**490,073**
LIABILITIES AND SHAREHOLDERS' EQUITY			
	(23)	26,897	35,239
Short-term financial liabilities		22,580	18,290
Trade accounts payable	(20)	5,891	3,131
Income tax liabilities	(21)	1,457	8,933
Short-term provisions	(22)	19,825	14,441
Other current liabilities		**76,650**	**80,034**
Current liabilities	(23)	214,862	196,512
Long-term financial liabilities	(24)	11,242	9,589
Pensions and similar obligations	(23)	1,853	0
Other non-current financial liabilities	(8)	22,615	23,422
Deferred taxes		**250,572**	**229,523**
Non-current liabilities		11,076	11,076
Capital stock		146,593	162,711
Reserves		31,837	6,754
Net profit		**189,506**	**180,541**
Capital attributable to shareholders		0	-25
Minority interests	(25)	**189,506**	**180,516**
Equity		**516,728**	**490,073**

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

CONSOLIDATED CASH FLOW STATEMENT

	1/1/-31/12/2007* € 000s	1/1/-31/12/2008 € 000s
Earnings before income tax and minority interests	**46,927**	**15,777**
Reconciliation to cash flow from current business operations:		
- Depreciation on property, plant and equipment	19,060	19,731
- Write-downs on investments	0	11,186
- Write-ups on property, plant and equipment	37	0
- Interest income and result from investments	8,371	10,407
- Income/losses from disposals of fixed assets	210	48
- Change in long-term provisions	-1,019	-1,593
- Other expenses/income with no effect on liquidity	-1,950	-2,913
Internal financing	**71,636**	**52,643**
Increase/decrease in		
- Trade accounts receivable	645	-4,873
- Other assets	-704	-983
- Inventories	-3,690	6,669
- Accrued expenses	160	7,445
- Trade accounts payable	-1,776	-3,686
- Other liabilities	-870	-5,002
Change in assets and liabilities (net)	**-6,235**	**-430**
Cash flow from operating activities	**65,401**	**52,213**
Payments for income tax	-18,376	-13,988
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	**47,025**	**38,225**
Acquisition of consolidated companies	-29,582	-107
Acquisition of non-consolidated companies	-36	0
Acquisition of other participations	0	-21,862
Acquisition of property, plant and equipment	-26,875	-20,659
Acquisition of intangible assets	-1,947	-1,180
Proceeds from the disposal of property, plant and equipment	447	1,375
Dividends received	94	512
CASH FLOW FROM INVESTMENT ACTIVITIES	**-57,899**	**-41,921**

	1/1/- 31/12/2007* € 000s	1/1/- 31/12/2008 € 000s
Dividend paid to shareholders and minority interests	-11,273	-12,183
Issue of long-term financial liabilities	164,993	0
Repayment of long-term liabilities	-15,598	-13,552
Change in short-term financial liabilities	-25,710	2,227
Interest received	3,524	2,895
Interest paid	-9,412	-12,870
CASH FLOW FROM FINANCIAL ACTIVITIES	**106,524**	**-33,483**
Change in cash and cash equivalents	**95,650**	**-37,179**
Cash and cash equivalents		
1 January	2,233	97,782
Effect of changes in exchange rate on cash and cash equivalents	-101	-135
31 December	**97,782**	**60,468**

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[€ 000s]	Capital stock	Additional capital paid in	Retained earnings				Consolidated net profit	Minority interests	Total
			Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings			
31 December 2006	**11,076**	**50,416**	**0**	**-386**	**-7,069**	**82,135**	**28,761**	**745**	**165,678**
Dividend payout	0	0	0	0	0	0	-11,076	0	-11,076
Net income	0	0	0	0	0	0	31,615	0	31,615
Decrease in minority interests through payout	0	0	0	0	0	0	0	-197	-197
Acquisition of minority interests	0	0	0	0	0	0	0	-548	-548
Market value of financial assets and cash flow hedges	0	0	3,436	0	0	0	0	0	3,436
Actuarial gains	0	0	0	431	0	0	0	0	431
Currency changes	0	0	0	0	-3,875	0	0	0	-3,875
Other changes	0	0	0	0	0	0	191	0	191
Reclassification to retained earnings	0	0	0	0	0	17,876	-17,876	0	0
31 December 2007*	**11,076**	**50,416**	**3,436**	**45**	**-10,944**	**100,011**	**31,615**	**0**	**185,655**
Adjustment in accordance with IAS 8 and IFRS 3	0	0	0	0	0	3,629	222	0	3,851
	11,076	**50,416**	**3,436**	**45**	**-10,944**	**103,640**	**31,837**	**0**	**189,506**
Dividend payout	0	0	0	0	0	0	-12,183	0	-12,183
Net income	0	0	0	0	0	0	6,754	-25	6,729
Actuarial gains/losses (net)	0	0	0	605	0	0	0	0	605
Market value of financial assets and cash flow hedges	0	0	2,995	0	0	0	0	0	2,995
Currency differences from net investment in foreign business operations	0	0	0	0	-2,519	0	0	0	-2,519
Currency changes	0	0	0	0	-4,617	0	0	0	-4,617
Reclassification to retained earnings	0	0	0	0	0	19,654	-19,654	0	0
31 December 2008	**11,076**	**50,416**	**6,431**	**650**	**-18,080**	**123,294**	**6,754**	**-25**	**180,516**
Total changes in equity with/without effect on income 2008			2,995	605	-7,136		6,754	-25	3,193
Total changes in equity with/without effect on income 2007			3,436	431	-3,875		31,837	0	31,829

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

I. ACCOUNTING PRINCIPLES

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

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2008 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 § 315a (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. The option of advance compliance will not be taken up. Application and change to the valuation and accounting methods will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

Pursuant to § 315a 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 (IFRS) promulgated by the International Accounting Standards Board (IASB) in the version dated 31 December 2008 and were supplemented by specific information and the consolidated management report was adjusted in conjunction with § 315a 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 (€ 000s).

The balance sheet date of SURTECO SE and the consolidated subsidiaries is 31 December 2008.

An adjustment in accordance with IAS 8.41 ff and the final purchase price allocation arising from the acquisition of Gislaved Folie AB in accordance with IFRS 3 made it necessary to adjust the consolidated balance sheet as at 31 December 2007 and the consolidated income statement for the business year 2007. Details are provided in section IX. Adjustments to the consolidated financial statements. Otherwise, the figures for the previous year were calculated on the basis of the same principles as the figures for the business year 2008.

The consolidated financial statements and the consolidated management report for 2008 will be published in the electronic 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. The income statement has been drawn up in accordance with the cost of production method.

The auditors RöverBrönner KG and other appointed auditing companies have audited the financial statements or the sub-groups that form part of the consolidated financial statements.

On 8 April 2009, the Board of Management of SURTECO SE approved the consolidated financial statements for forwarding to the Supervisory Board of the company. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements.

II. ACCOUNTING PRINCIPLES IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Change in accounting and valuation methods

The accounting and valuation methods correspond to the methods applied in the previous year.

During the business year, the following interpretations of the International Financial Reporting Interpretations Committee (IFRIC) listed below were applied for the first time. Application of these interpretations exerts no effects on the net assets, financial position and results of operations of the Group.

Standard/Interpretation		Obligatory from	Adoption by the EU Commission	Effects on SURTECO
IFRIC 11	IFRS 2: Group and treasury share transactions	1/3/2007	yes	none
IFRIC 12	Service Concession Arrangements	1/1/2008	yes	none
IFRIC 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1/1/2008	yes	none

The following new and revised standards and interpretations, which are not to be applied mandatorily during the reporting period or were not yet adopted by the European Union, are not applied in advance with the exception of IFRS 8 (segment reporting):

Standard/Interpretation		Application obligation from	Adoption by the EU Commission
IFRS 2	Share-based Payment	1/1/2009	yes
IFRS 3 (r)	Business Combinations	1/7/2009	still open
IFRS 7/IAS 39	Reclassification of Financial Assets	1/11/2008	yes
IFRS 8	Operating Segments	1/1/2009	yes
IAS 1	Presentation of Financial Statements	1/1/2009	yes
IAS 23	Borrowing Costs	1/1/2009	yes
IAS 27	Consolidated and Separate Financial Statements in accordance with IFRS	1/7/2009	still open
IAS 32	Financial Instruments: Presentation	1/1/2009	yes
IAS 39	Amendment to IAS 39 "Financial Instruments: Recognition and Measurement"	1/7/2009	still open
IFRIC 13	Customer Loyalty Programmes	1/7/2008	yes
IFRIC 15	Agreements for the Construction of Real Estate	1/1/2009	still open
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1/10/2008	still open
IFRIC 17	Distribution of Non-cash Assets to Owners	1/7/2009	still open

The earlier application of IFRS 8 has led to changes in information in the notes to the consolidated financial statements compared with the previous year.

In the scope of the Annual Improvements Project, minor amendments were adopted for individual standards already in existence on 22 May 2008. The majority of the amendments already adopted by the EU Commission shall be applied for financial years that begin on or after 1 January 2009.

The relevant standards and interpretations for the SURTECO Group will only be applied from the business year 2009 or later. The SURTECO Group is currently examining the extent to which first-time application of the standards and interpretations will exert effects on the net assets, financial position and results of operations of the Group.

III. CONSOLIDATED COMPANIES

SURTECO SE and all the German and all foreign subsidiary companies, in which SURTECO SE is directly or indirectly able to exercise a dominant influence over their finance and business policy in such a manner that the companies of the Group derive a benefit from the activity of these companies, are included in the consolidated financial statements on 31 December 2008. Consolidation begins at the point in time from which the control exists and ends when it is no longer possible to exercise such control.

Joint-venture companies were included proportionately in the consolidated financial statements.

Companies are included in accordance with the equity method if SURTECO SE holds between 20 % and 50 % of the voting rights and is in a position to exert a significant influence on the net assets, financial position and results of operations of the company.

One company is not included in the consolidated financial statements for 2008 (2007: 3 companies) on the grounds that it either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

Apart from SURTECO SE, the following companies are included in the Group:

	31/12/2007	Additions / Disposals	Reclassification	Reorganization within the Group	31/12/2008
Consolidated subsidiaries					
- of which in Germany	13	0	0	-1	12
- of which abroad	22	3	2	0	27
Subsidiaries reported at acquisition costs					
- of which abroad	3	0	-2	0	1
Companies accounted for using the equity method					
- of which domestic	1	0	0	0	1
	39	**3**	**0**	**-1**	**41**

The reorganization within the Group relates to the merger of BauschLinnemann International GmbH with BauschLinnemann GmbH agreed with retrospective effect to 1 January 2008.

The companies consolidated in the consolidated financial statements at 31 December 2008 and information on subsidiaries and participations held directly and indirectly by SURTECO SE are listed in a separate section of the Notes to the Consolidated Financial Statements. The consolidated financial statements and the management report of SURTECO SE for the business year 2008 are submitted to the electronic Federal Gazette (Bundesanzeiger) and published there.

IV. COMPANY ACQUISITIONS

No acquisitions of subsidiary companies were made during the business year. The additions relate to the establishment of new companies.

On 1 September 2007, SURTECO SE purchased 100% of the shares in Gislaved Folie AB, Sweden, in a share deal at a purchase price of € 000s 24,238. The company was first-time consolidated on 1 September 2007.
The merger was reported for the first time without undertaking purchase price allocation, because the identification of the assets taken over or the fair value could not be carried out on account of the complexity of the acquisition and conversion to the accounting principles of IFRS. The correction of the valuations has been carried out over a period of 12 months in accordance with IFRS 3.62. Adjustments were carried out in the financial statements for 2007. The final purchase price calculation is given in the following table:

[€ 000s]	**Recognition at the point of acquisition**	**Adjustment of purchase price allocation**	**Fair value**
Receivables	3,105	0	3,105
Inventories	3,639	0	3,639
Other assets	333	0	333
Property, plant and equipment	8,608	3,358	11,966
Intangible assets			
Customer base	0	3,710	3,710
Development costs	0	538	538
Liabilities	-1,654	0	-1,654
Other non-current liabilities	-2,392	0	-2,392
Deferred taxes	-2,202	-2,130	-4,332
Net assets	**9,437**	**5,476**	**14,913**
Purchase price	24,238	0	24,238
Incidental acquisition costs included therein	256	0	256
Cash and cash equivalents taken over	-607	0	-607
Goodwill	**14,194**	**-5,476**	**8,718**

V. USE OF § 264 (3) GERMAN COMMERCIAL CODE (HGB) OR § 264B HGB

The exemption regulations pursuant to § 264 (3) German Commercial Code (HGB) or § 264b German Commercial Code (HGB) were applied for the following subsidiary companies included in the consolidated financial statements, releasing them from the requirement to draw up their management report and to disclose their annual financial statements:

Name	Registered office
BauschLinnemann GmbH	Sassenberg
Bausch Decor GmbH	Buttenwiesen-Pfaffenhofen
Kröning GmbH & Co.	Hüllhorst
W. Döllken & Co. GmbH	Gladbeck
Döllken-Kunststoffverarbeitung GmbH	Gladbeck
Vinylit Fassaden GmbH	Kassel
Döllken-Profiltechnik GmbH	Dunningen

VI. CONSOLIDATION PRINCIPLES

The financial statements of the domestic and foreign subsidiaries included in the consolidation have been prepared on the basis of the accounting and valuation methods uniformly applicable – which have remained fundamentally unchanged compared to the previous year – to the SURTECO Group in accordance with IAS 27.

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

With the exception of Canplast Mexico, the balance sheet date of the consolidated financial statements coincides with the balance sheet date of the financial statements for the individual companies included in the consolidated financial statements (31/12/2008). However, the balance sheet date of the relevant interim financial statements does not extend back further than three months.

Company mergers are reported in accordance with IFRS 3. Accordingly, the acquisition costs of the business combination are allocated to the acquired identifiable assets and the identified liabilities and contingent liabilities taken over on the basis of their fair value at the date of acquisition. The acquisition costs of the acquired shareholdings are then offset with the proportionate newly valued equity capital of the subsidiary company. Any remaining positive netting difference between the purchase price and the identified assets and liabilities is reported as goodwill. The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity capital as "Minority interests". Minority interests are calculated on the basis of the book value of the assets and liabilities attributable to them.

Goodwill arising from the acquisition of an associated enterprise is included in the amortized investment book values of associated enterprises. Goodwill resulting from the acquisition of a subsidiary company or business operation is recognized separately in the balance sheet.

In accordance with IFRS 3 and in conjunction with IAS 36 and IAS 38, goodwill arising from company acquisitions is not subject to scheduled amortization, but is subject to an annual impairment test if there is any evidence of a reduction in value.

Participations in associated enterprises are valued at the equity method. An associated enterprise is a company over which the Group can exert a significant influence by influencing 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. Reporting in the balance sheet is at acquisition costs plus any changes in the share of the Group in the net assets of the associated enterprise which have occurred after the acquisition. The goodwill of the associated enterprise is included in the book value of the share and is neither subject to scheduled amortization nor to a separate impairment test. The income statement includes the share of the Group in the success of the associated enterprise. Proportionate gains and losses arising from transactions between the Group and the associated enterprise are eliminated in accordance with the share in the associated enterprise.

The business year of an associated enterprise ends at a differing closing. Interim financial statements are therefore available at 31 December 2008. Adjustments to uniform consolidated accounting and valuation methods are carried out as necessary. Proportionate gains and losses are reported in the balance sheet as a change in book value and in the income statement for the Group under the item "Results from associated enterprises". Any dividends reduce the book value.

The Group is involved in joint ventures in the form of jointly managed commercial activity carried out by the relevant company. There are contractual agreements between the partner companies for jointly managing the commercial activity of the relevant company. The Group reports its shareholdings in joint ventures using proportionate consolidation. The Group records its shares in the assets, liabilities, income and expenses of the joint venture under the appropriate items in the consolidated financial statements.

Receivables, liabilities and loans between the Group companies are netted. Differences arising from debt consolidation are included in the income statement.

Sales, expenses and income within the Group and intercompany profits arising from sales within the Group, which have not yet been disposed of to third parties, are eliminated if they materially affect the presentation of the current net assets, the financial position and results of operations. Elimination of interim profits from trade account relationships with associated enterprises is waived on account the immateriality.

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

In addition, sureties and guaranties, which SURTECO SE or one of its subsidiaries assumes in favour of other consolidated companies, are eliminated.

Intercompany trade accounts are accounted for on the basis of market prices and on the basis of accounting prices that are determined according to the principle of "dealing at arms length".

VII. CURRENCY TRANSLATION

In the financial statements of the companies, business transactions in foreign currency are reported at the price on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the balance sheet date are reported at the price on the balance sheet date. Gains and losses arising from changes in price are reported with effect on earnings under other operating expenses or income.

Foreign subsidiaries included in the consolidated financial statements draw up their individual financial statements in the relevant local currency. These financial statements are translated into euros in accordance with IAS 21, based on the concept of the functional currency. Because all consolidated companies transact their business autonomously from a financial, commercial and organizational perspective, the relevant national currency is the functional currency. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the balance sheet 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 the income statement under shareholders' equity (currency differences)".

Loans in foreign currencies to subsidiary companies of the Group, which have met the requirements for a net investment in a foreign business operation, were reported as such in the SURTECO Group for the first time during the year under review. These are directed towards presenting the unrealized gains and losses arising from the currency translation of loans within the Group in equity with no effect on income until the disposal of the net investment.

Translation was based on the following currency exchange rates:

Exchange rates with the euro		**Rate on the balance sheet date**		**Average rate**	
		31/12/2007	**31/12/2008**	31/12/2007	**31/12/2008**
US dollar	USD	0.6795	0.7155	0.7308	0.6832
Sterling	GBP	1.3613	1.0417	1.4618	1.2579
Swedish krona	SEK	0.1060	0.0916	0.1081	0.1042
Singapore dollar	SGD	0.4728	0.4956	0.4849	0.4822
Australian dollar	AUD	0.5961	0.4937	0.6118	0.5773
Canadian dollar	CAD	0.6925	0.5828	0.6817	0.6420
Chinese renminbi	CNY	0.0931	0.1041	0.0972	0.0984
Polish zloty	PLN	0.2783	0.2391	0.2640	0.2848

VIII. ACCOUNTING AND VALUATION PRINCIPLES

Uniform accounting and valuation principles
The annual financial statements of all the companies included in the consolidated financial statements were prepared in accordance with IAS 27 on the basis of the classification, accounting and valuation policies applied uniformly in the SURTECO Group.

Consistency of accounting and valuation methods
The accounting and valuation methods have always been complied with, unless defined otherwise below, by comparison with the previous year.

Structure of the balance sheet
Assets and liabilities are recognized in the balance sheet as non-current if their residual term is more than one year. 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 similar obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities. Insofar as assets and liabilities have a current and a non-current share, this is divided into its term components and recognized in accordance with the classification scheme for the balance sheet as current and non-current assets and liabilities.

Income and expense realization
Income is 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 received.

Sales revenues from the sale of goods have been recorded as soon as the substantial opportunities and risks of ownership have been transferred to the purchaser and the level of realizable sales can be reliably determined. Sales are only defined as the product sales resulting from the ordinary activities of the company. 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, are recognized in the same period in which the sales were reported.

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 investments is recorded when the legal right to payment has occurred.

Earnings per share
The basic earnings per share are calculated by dividing the proportion of the share in the net income attributable to the shareholders of SURTECO 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.

Financial instruments
In accordance with IAS 39, a financial instrument is a contractually agreed claim or a contractually agreed obligation from which an inflow or outflow of financial assets or financial liabilities or the issue of equity capital rights results. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, financial receivables, debts and other financial liabilities. They also include derivative financial instruments which are used to hedge risks arising from changes in currency exchange rates and interest rates. Financial instruments are reported on the date at which the obligation to buy or sell an asset is entered into.

a) Determination of the fair value
The fair value of financial instruments is equivalent to the amount which the Group would receive or pay, if it wanted to exchange or settle the financial instruments on the balance sheet date. If market prices are quoted on the markets for financial instruments, these values are used. This relates in particular to financial instruments which are classified as available for sale. Otherwise, the fair values are calculated using the average price on the basis of the market conditions – interest rates, foreign exchange rates, commodity prices – prevailing on the balance sheet date. The fair values are calculated us-

ing recognized actuarial models. The fair value for derivatives is based on external valuations by our financial partners.

b) Primary financial instruments

Primary financial instruments are reported on first-time recognition at the fair value taking into account transaction costs. Transaction costs which are incurred during the acquisition of financial assets valued at cash-effective fair value are recorded directly to expense.

For purposes of subsequent valuation in accordance with IAS 39, financial assets are allocated to one of four categories in accordance with their relevant purpose. The allocation is reviewed on each balance sheet date and influences recognition as current or non-current assets as well as defining the valuation as being at amortized acquisition costs or fair values:

1. Changes in fair value of assets "valued at fair value through profit and loss" – which are either categorized accordingly at first-time recognition or are classified "as held for trading" – are immediately reported in the income statement. They are also reported as current assets if they are either held for trading or are likely to be realized within twelve months of the balance sheet date.
2. "Financial assets held to maturity" – which include fixed or determinable payments at the date of first-time recognition and have a fixed maturity and are to be held until that point – are reported at amortized acquisition costs and recognized in accordance with their remaining term as non-current or current assets. Impairments are recorded in the income statement with an effect on earnings.
3. "Loans and receivables" – which have fixed or determinable payments and are not listed in a market are valued at amortized acquisition costs taking into account necessary impairments. Insofar as they did not arise as a result of supplies and services, they are recognized in the balance sheet under other financial assets in accordance with their maturity as non-current or current assets.
4. "Financial assets available for sale" – which are designated at the date of first-time recognition as available for sale – are insofar recognized at current value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized under equity (market valuation financial instruments). A calculation is carried out on every balance sheet date to determine whether there is objective evidence to suggest that an impairment of an asset or a group of assets has incurred. In the case of equity instruments, a significant or sustained decline in the current value of the instrument below its purchase costs would amount to objective evidence. If a sale or impairment is carried out on the balance sheet date, the fluctuations in value recognized up to that point under equity capital are recognized in the income statement. Impairments for equity instruments are not reversed with effect on income; an increase in the fair value after a reduction in value is recorded directly under equity. If no fair values are available, for example for financial assets of non-consolidated companies and participations, the assets are recognized at acquisition costs.

The liabilities arising from primary financial instruments can either be recognized at their amortized acquisition costs or as "liabilities valued at fair value through profit and loss". SURTECO values all financial assets at amortized acquisition costs. Liabilities arising from finance leasing are recognized at the cash value of leasing rates on the basis of the interest rate applied when the leasing contract was concluded. The financial obligations with fixed or determinable payments, which are neither listed on a market arising from financial liabilities nor derivative financial obligations, are recognized in the balance sheet under other liabilities in accordance with their remaining term.

c) Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as forward exchange contracts and interest 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 at the date on which the contract is closed and valued in the subsequent periods at the fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

The fair value of forward exchange contracts is calculated on the basis of the current forward exchange rates for contracts with similar maturity structures. The fair value of interest swap contracts is calculated on the basis of market values for similar instruments.

For purposes of reporting hedging relationships, 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.

At the beginning of the hedging transaction, the hedging relationship and the risk management objectives and strategies of the Group are formally defined and documented as risk management objectives and strategies 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. Hedging relationships of this nature are assessed as being highly effective in relation to achieving compensation for the risks arising from changes in the fair value or cash flow. They are continuously assessed on the basis of these terms of reference to ascertain whether they were highly effective during the entire reporting period for which the hedging relationship was defined.

Hedging transactions which meet the criteria for the reporting of hedging relationships are designated by SURTECO during the business year 2008 as being exclusively cash flow hedges.

The effective proportion of profit or loss arising from a hedging instrument is recorded directly in equity. The amounts reported in equity are transferred during the period to the income statement in which the hedged transaction affects the result for the period, e.g. if hedged financial income or expenses are reported or if an anticipated sale is carried out. If planned transactions are hedged and if these transactions lead to the recognition of a financial asset or financial liability during subsequent periods, the amounts recorded up to this date in equity should be released and included in income during the period in which the asset or the liability influences the result for the period. If a hedging transaction results in recognition of a non-financial asset or a non-financial liability, the amounts recorded in equity become part of the acquisition costs at the date of addition of the non-financial asset or non-financial liability.

If the occurrence of the planned transaction or fixed obligation is no longer anticipated, the amounts recorded in equity are transferred to the income statement. If the hedging instrument matures, comes to an end or is exercised without a replacement or roll-over of the hedging instrument into another hedging instrument, the amounts recorded so far in equity remain as separate items under equity until the planned transaction or fixed obligation has occurred.

Derivative financial instruments where the requirements for a hedging relationship are not met are designated as being part of the trading portfolio. Any changes in fair value for these instruments are recorded immediately with an effect on earnings.

Cash and cash equivalents have been recorded at face value.

Receivables and other financial assets are reported at face value with the exception of derivative financial instruments. Impairments are carried out in accordance with the default risks anticipated in individual cases or determined at a flat-rate on the basis of qualitative values. Trade receivables with standard commercial payment terms are recorded at face value, less bonuses, discounts and impairments. The Group sells trade receivables in the context of genuine factoring. The receivables are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred.

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

Raw materials, consumables and supplies are always valued at cost prices or at the lower net sale value. Carrying values have been calculated by the weighted-average method. Downward valuation adjustments have been undertaken to reflect 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 manufacture is likely to bring commercial benefit to the SURTECO Group and the value can be reliably assessed.

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. A fixed value is calculated to cover spare parts for machinery.

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 direct costs and an appropriate flat-rate 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 (repair and maintenance costs) 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 replacement, insofar as the criteria for recognition are recognized. All other maintenance and repair costs are immediately recognized under income.

A fixed asset (property, plant and equipment) is either derecognized as a disposal if no economic benefit can be derived from further use or sale of the asset. The resulting gains or losses resulting 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 in the period in which the asset is derecognized.

Leasing transactions are either classified as finance lease or as operating lease. Commercial ownership in lease items should be assigned to the lessee in accordance with IAS 17, if the lessee carries all major rewards and risks associated with the item (finance lease). If commercial ownership should be assigned to the enterprises of the SURTECO Group, the lease item is capitalized as an asset in the amount of the market value or the lower cash value of the future leasing rate at the point in time at which the contract was concluded and the reporting of the corresponding liabilities to the lessee as a debt. Depreciation and repayment of the liability is effected according to schedule over the useful life or over the term of the lease, if this is shorter – corresponding to comparable items of property, plant and equipment acquired. The difference between the entire leasing obligation and the market value of the leased item corresponds to the finance costs that are distributed over the term and included in income, so that a uniform interest rate is applied to the remaining debt over the period. All other lease agreements, where SURTECO is the Lessee, are treated as operating leases, with the consequences that the leasing rates are reported to expenditure when they are paid.

State grants and subsidies have been accrued as liabilities and released over the useful life of the underlying assets.

Intangible assets acquired free of charge acquired for a consideration have been capitalized as assets at acquisition cost and amortized over their useful life using the straight-line method.

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

	Years
Intangible assets	3-10
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Factory and office equipment	6-13

The shares in unconsolidated companies recorded under financial assets are recognized at acquisition costs because fair values are not available and other valuation methods do not yield reliable results. Associated enterprises are recorded with their proportionate equity capital using the equity method. If there are indications that associated companies will be subject to impairments, an impairment test will be carried out on the book value of the affected participation.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there are grounds for reducing the value of an asset. 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 utility value. 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 utility value, the expected future cash flows are discounted to their cash value based on a discounting rate before taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. A reasonable valuation model is applied in order to determine the fair value less sale costs. This is based on valuation multiplicators, stock-market prices of shares in subsidiary companies traded on stock exchanges or other indicators available for the fair value.

A test is carried out for assets, with the exception of goodwill, on every balance sheet date, in order 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 acquisition 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. We refer to our comments under item 18 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) revised in this connection no longer permit goodwill and intangible assets to be subject to scheduled depreciation and amortization with an unspecified period of usage, rather the value of these assets is reviewed at regular intervals in an impairment test and if there is evidence of a potential reduction in value at other points in time.
If goodwill or intangible assets with an undefined period of use, for which no future own cash flows can be identified on an individual basis, 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 residual book values of the individual cash generating units are compared with their individual recoverable amount, i.e. the higher

value from the net sale price and utility value. In the determination of the utility value, the cash value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit and their disposal at the end of the useful life are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.

The cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account regional allocations on the basis of strategic business units (Strategic Business Unit Paper and Strategic Business Unit Plastics).

In the cases in which the cash value of the cash generating units is higher than their recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected Strategic Business Unit is amortized in the amount of the impairment thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant Strategic Business Units proportionately to the book value. Any impairment carried out as necessary is recognized under other operating expenses in the income statement.

The cost of capital at SURTECO is calculated as a weighted average of the costs of equity and debt, and the relevant proportions of total capital are decisive.

The actual tax refund claims and tax liabilities for the current and earlier periods are measured at the amount of the expected refund by the tax authority or the payment to the tax authority. They also include tax relief claims arising from the anticipated utilization of existing losses carried forward in subsequent years and where there is sufficient likelihood that they will be realized. The calculation of the amount is based on the tax rates and tax regulations that are applicable on the balance sheet date.

Deferred taxes are determined on the basis of the liability method. According to this method, deferred taxes result from temporary difference between the carrying amount (value) of an asset or a liability in the balance sheet and the tax value. Deferred tax liabilities are reported for all taxable temporary differences, with the exception of:

- deferred tax liability 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 nor taxable earnings, and

- deferred tax liability arising from the taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, associated enterprises and shares in joint ventures, if the temporal reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will not be reversed in the foreseeable future.

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 income 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:

- deferred tax assets comprising deductible temporary differences from first-time recognition of an asset or a liability arising from transaction that is not a business combination and at the point in time of the transaction neither influences the result for the period nor the taxable earnings, and

- deferred tax assets arising from temporary differences which occur in conjunction with shareholdings in subsidiary companies, associated enterprises and shares in joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future and no appropriate taxable earnings will be available against which the temporary differences can be used.

The book value of the deferred taxes is audited on each balance sheet date and reduced by the amount by which it is no longer likely that an adequate taxable result will be available against which the deferred tax claim can be at least partly applied. Unrecognized deferred taxes are audited on each balance sheet 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 claim. Deferred tax assets and liabilities are measured on the basis of the tax rates that are likely to be valid in 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 balance sheet date, are used as the basis for calculation. Future changes in tax rates should be taken into account on the balance sheet date, insofar as material requirements for effectiveness are fulfilled pursuant to a legislative procedure.
Deferred taxes that relate to the items that are reported directly under equity are not reported in the income statement but are also recorded under equity. Deferred tax assets and deferred tax liabilities are offset, if the Group has a 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 1.70, deferred taxes are recognized as long term.

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

Pension accruals and similar obligations include obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards. The pension institutions were closed in the past and new employees joining the company receive no payments from the company pension scheme.
Pension accruals are valued using the projected unit credit method in accordance with IAS 19. This method recognizes the pensions and projected unit credits acquired on the balance sheet date. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The calculation has been carried out using actuarial methods taking into account biometric accounting principles. The expense of allocating pension accruals, including the interest portion contained therein, is reported under "Personnel expenses". Actuarial gains or losses from defined benefit plans are reported under equity with no effect on income ("Other comprehensive income").

Provisions for long-service bonuses are calculated on the basis of actuarial methods. In the case of phased retirement contracts that have been concluded, the full amount of the promised increases is set aside and the wage and salary payments to be paid during the passive phase of phased retirement are collected in instalments.

The obligations principally exist in Germany and they are calculated taking the following actuarial assumptions into account:

	2007 %	**2008** %
Interest rate	5.25	6.25
Salary increases	2.00	2.00
Pension increases	2.00	2.00

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. Reserves for warranty claims are formed on the basis of previous or estimated future claims. Other reserves 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. Provisions for restructuring measures are formed, to the extent that a detailed, formal restructuring plan has been drawn up and this has been communicated to the relevant parties.

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 a current obligation which is 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 obligation cannot be estimated with a sufficient level of reliability.

Decisions of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires up to a certain level decisions of judgment, 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 judgment and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of the impairment test and the formation of reserves for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

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.

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, which have to be based on estimates, do not necessarily exert significant effects on the reporting. There is only the possibility of significant effects. The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

IX. ADJUSTMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8 AND IFRS 3

A non-standard assessment of finance lease relationships was adjusted when the consolidated financial statements were prepared as at 31/12/2008. The first-time reporting and valuation of financial liabilities arising from finance leasing relationships was carried out on the basis of a leasing duration over the entire lease term of the finance leasing items without taking into account the required capitalization of the relevant lessee loans. The revision of the financial liabilities arising from the finance leasing relationships was therefore carried out with the premises of a leasing duration over the basic lease term of the finance leasing relationships. The information in the financial statements was adjusted accordingly. The revision was carried out in accordance with IAS 8.41ff based on a restatement with no effect on earnings within the equity of the SURTECO Group as at 1/1/2008.

The effects of the purchase price allocation on 30/6/2008 relating to Gislaved Folie AB (see section IV, company acquisitions) acquired on 1 September 2007 led to reclassifications in the balance sheet and to write-downs on account of capitalization of intangible assets and the valuation of the property, plant and equipment at the time.

Effects of the revision and the purchase price allocation on the consolidated balance sheet as at 31/12/2007:

[€ 000s]	Before adjustment 31/12/2007	Revision in acc. with IAS 8	Adjustment purchase price allocation	After adjustment 31/12/2007
ASSETS				
Current assets	**210,965**	**0**	**0**	**210,965**
Property, plant and equipment	173,976	0	3,320	177,296
Intangible assets	5,223	0	4,102	9,325
Goodwill	115,335	0	-5,475	109,860
Investments in associated enterprises	1,732	0	0	1,732
Financial assets	208	0	0	208
Non-current tax credits	1,358	0	0	1,358
Other non-current assets	1,563	0	0	1,563
Deferred taxes	4,421	0	0	4,421
Non-current assets	**303,816**	**0**	**1,947**	**305,763**
	514,781	**0**	**1,947**	**516,728**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term financial liabilities	**76,650**	**0**	**0**	**76,650**
Long-term financial liabilities	220,511	-5,649	0	214,862
Pensions and similar obligations	11,242	0	0	11,242
Other non-current financial liabilities	1,853	0	0	1,853
Deferred taxes	18,870	1,667	2,078	22,615
Non-current liabilities	**252,476**	**-3,982**	**2,078**	**250,572**
Capital stock	11,076	0	0	11,076
Reserves	142,964	3,629	0	146,593
Net income	31,615	353	-131	31,837
Capital attributable to shareholders	**185,655**	**3,982**	**-131**	**189,506**
Minority interests	0	0	0	0
Equity	**185,655**	**3,982**	**-131**	**189,506**
	514,781	**0**	**1,947**	**516,728**

Effects of the revision and the purchase price allocation on the consolidated income statement as at 31/12/2007:

[€ 000s]	Before adjustment 31/12/2007	Revision in acc. with IAS 8	Adjustment purchase price allocation	After adjustment 31/12/2007
Income statement				
EBITDA	**74,358**			**74,358**
Depreciation and amortization	-18,877		-183	-19,060
EBIT	**55,481**		**-183**	**55,298**
Interest income	1,531			1,531
Interest expenses	-10,895	497		-10,398
Other financial expenses and income	496			496
Financial result	-8,868	497		-8,371
EBT	**46,613**	**497**	**-183**	**46,927**
Income tax	-14,998	-144	52	-15,090
Net income	**31,615**	**353**	**-131**	**31,837**

X. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales revenues

Sales revenues are comprised as follows:

[€ 000s]	2007	**2008**
Business (product)		
Edgebandings	220,390	203,184
Foils	83,200	95,143
Skirtings	26,083	27,727
Do-It-Yourself sector	16,824	12,938
Printing	21,908	18,815
Technical extrusions	17,431	18,047
Cladding systems	9,182	10,105
Other	19,501	17,025
	414,519	**402,984**
Geographical (regions)		
Germany	144,940	138,673
Abroad	269,579	264,311
	414,519	**402,984**

(2) Other own work capitalized

Other own work capitalized principally relates to tools manufactured in the company at the SBU Plastics.

(3) Cost of materials

Composition of the cost of materials in the Group:

[€ 000s]	2007	**2008**
Cost of raw materials, consumables and supplies and purchased merchandise	173,872	172,465
Cost of purchased services	3,690	3,034
	177,562	**175,499**

(4) Personnel expenses

The following table shows personnel expenses:

[€ 000s]	2007	**2008**
Wages and salaries	86,103	86,160
Social security contributions	15,734	16,317
Pension costs	1,207	1,731
	103,044	**104,208**

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. These payments entail no further obligations for the company to make payments. The current contribution payments are included as expenses under social deductions for the relevant year. Contributions are included under personnel expenses that result from the addition of accrued interest / discounting of pension accruals and similar obligations.

The following table shows the personnel structure with the average number of employees over the year:

	2007			**2008**		
	Industrial	Salaried	Total	**Industrial**	**Salaried**	**Total**
Production	1,097	133	1,230	1,145	148	1,293
Sales	13	272	285	12	261	273
Engineering	90	31	121	95	33	128
Research and development, quality assurance	43	53	96	39	64	103
Administration/ Materials management	120	269	389	105	292	397
	1,363	**758**	**2,121**	**1,396**	**798**	**2,194**

The number of employees by regions is as follows:

	2007	**2008**
Germany	1,443	1,440
European Union	161	238
Rest of Europe	1	8
Asia/Australia	163	187
America	353	321
	2,121	**2,194**

(5) Other operating expenses

The following table shows how operating expenses are structured:

[€ 000s]	2007	**2008**
Operating expenses	16,290	15,067
Sales expenses	33,571	34,869
Administrative expenses	15,744	13,034
Currency losses from operating expenses	170	1,511
Impairment losses	1,039	842
	66,814	**65,323**

The research and development expenses (personnel and materials costs) in the Group amounted to € 000s 5,162 (2007: € 000s 3,900).

Other operating expenses include the following fees for the Group auditor RöverBrönner KG:

[€ 000s]	2007	**2008**
Auditing	381	358
Tax consultancy	116	94
Other consultancy	97	94
	594	**546**

(6) Other operating income

The following table shows other operating income:

[€ 000s]	2007	**2008**
Release of unused amounts of provisions and obligations	599	978
Currency gains	883	3,004
Claims for compensation	620	236
Income from fixed asset disposals	133	245
Other operating expenses	2,126	2,401
	4,361	**6,864**

(7) Financial result

[€ 000s]	2007	**2008**
Interest and similar income	1,531	2,895
Interest and similar expenses	-10,398	-13,838
Interest (net)	**-8,867**	**-10,943**
Income from market valuation for financial derivatives	564	238
Expenses from market valuation for financial derivatives	-123	-839
Income from investments	0	483
Earnings from associated enterprises	55	-22
Impairment on shares in Pfleiderer AG	0	-11,509
Miscellaneous financial expenses and income	0	-221
Other financial expenses and income	**496**	**-11,870**
Financial result	**-8,371**	**-22,813**

In accordance with IAS 17 (Leases), the proportion of interest included in financial leasing instalments is recorded in the financial result.

(8) Income tax

Income tax expense is broken down as follows:

[€ 000s]	2007	**2008**
Current income taxes		
- Germany	11,564	6,927
- Other countries	5,913	2,742
	17,477	9,669
Deferred income taxes		
- from time differences	-2,387	1,412
- on losses carried forward	0	791
	-2,387	-621
	15,090	**9,048**

Within the scope of the company tax reform in 2008, the measures included a reduction in the corporate income tax rate from the present rate of 25 % to 15 % and the basic trade tax rate from the present rate of 5% to 3.5% with effect from 1 January 2008. By contrast, the deductibility of trade tax was excluded from the company's own basis of assessment and as the basis of assessment for corporate income tax. An average overall tax burden of 29.5 % therefore results for the German companies, which is recognized for calculation of deferred taxes.

The applicable local income tax rates for the foreign companies vary between 25 % and 40 %.

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.

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:

	Deferred tax assets			Deferred tax liabilities		
[€ 000s]	2007	Change	**2008**	2007	Change	**2008**
Inventories	567	242	809	245	-245	0
Receivables and other assets	291	-70	221	656	952	1,608
Tax losses carried forward	0	724	724	0	0	0
Goodwill	0	0	0	0	1,514	1,514
Property, plant and equipment	273	-9	264	20,249	1,307	21,556
Intangible assets	30	-27	3	2,757	-1,723	1,034
Other non-current assets	1,456	84	1,540	746	-718	28
Financial liabilities	6,508	-2,223	4,285	4,051	-2,262	1,789
Pension accruals	933	-330	603	206	-109	97
Other liabilities	871	325	1,196	213	-165	48
	10,929	**-1,284**	**9,645**	**29,123**	**-1,449**	**27,674**
Netting	-6,508	2,256	-4,252	-6,508	2,256	-4,252
	4,421	**972**	**5,393**	**22,615**	**807**	**23,422**

Reconciliation between expected and actual tax expenditure is as follows:

[€ 000s]	2007	**2008**
Earnings before Taxes (EBT)	**46,927**	**15,777**
Expected income tax (29.5 %)	18,302	4,655
Reconciliation:		
Effects from changes in the tax rate	-3,191	0
Tax rate differences	12	679
Losses for which no deferred taxes were formed	240	421
Expenses not deductible from taxes	78	3,768
Taxes not related to the reporting period	-64	-112
Tax-free income	0	-169
Other effects	-287	-194
Income tax	**15,090**	**9,048**

Taxes recorded directly in equity

[€ 000s]	2007	**2008**
Actuarial changes arising from defined benefit plans	206	258
Fair value measurement of financial instruments	846	1,187
Actual taxes	-579	-991
	473	**454**

(9) Earnings per share

	2007	**2008**
Net income after proportionate earnings of minority interests in € 000s	31,837	6,754
Number of no-par-value shares issued	11,075,522	11,075,522
Basic and diluted earnings per share in €	2.87	0.61

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO SE by the weighted average of the issued shares. There were no measures which led to dilution effects.

XI. NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) Cash and cash equivalents

Cash and cash equivalents include all liquid funds, sight deposits and extremely liquid financial investments available at short notice, which can be converted to cash at any time, and are only subject to insignificant fluctuations in value.

[€ 000s]	2007	**2008**
Cash in hand and bank balances	30,282	20,454
Fixed-term deposits	67,500	40,014
	97,782	**60,468**

(11) Trade accounts receivable

All trade accounts receivable have a residual term of less than one year. Provisions for specific debts and general bad debt charges have been recorded in the amount of € 000s 1,294 (2007: € 000s 1,146) to take account of general interest, processing and credit risks.

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

Development of impairments

[€ 000s]	2007	**2008**
1/1/	1,321	1,146
Recourse	-403	-208
Release of unused amounts	-90	-466
Addition (effect on expenses)	318	822
31/12/	**1,146**	**1,294**

The following table shows the maturity structure of receivables:

[€ 000s]		2007	**2008**
Book value		**31,662**	**34,465**
of which: not overdue nor impaired		21,571	25,558
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	9,794	8,008
	3 - 6 months	152	530
	6-12 months	41	306
	more than 12 months	104	63

(12) Inventories

The inventories of the Group are comprised as follows:

[€ 000s]	2007	**2008**
Raw materials, consumables and supplies	26,941	19,082
Work and services in progress	7,891	8,406
Finished products and goods	32,827	32,271
	67,659	**59,759**

Impairments of € 000s 4,632 (2007: € 000s 3,740) are reported as inventories.

(13) Current and non-current income tax assets

Claims arising from income tax are recognized under current tax assets.

Corporate income tax credits are recognized under non-current tax assets. These were granted when the law on tax measures to accompany the adoption of European companies and amendment to additional tax regulations (SE Introductory Act, SEStEG) came into force. On 13 December 2006, a legal unconditional claim to refund of corporate income tax credits from the period of the tax imputation system (§ 37 Corporate Income Tax, KStG amended version) came into effect for the first time with expiry on 31 December 2006. The credit will be paid out in ten equal annual instalments from 2008 to 2017. The present value of the corporate income tax credit on the balance sheet date amounts to € 000s 1,358 (2007: € 000s 1,479), of which € 000s 121 are recognized under current income tax assets.

(14) Other current assets

[€ 000s]		2007		**2008**
Tax credits (sales tax, wage tax)		511		514
Land		2,983		3,714
Accrued interest		0		734
Prepaid expenses		898		1,311
Financial assets				
Financial derivatives	1,066		158	
Bonuses, receivables	958		694	
Debit balances in accounts payable	1,212		1,025	
		3,236		1,877
Other		2,136		1,900
		9,764		**10,050**

The item financial derivatives comprises in particular forward exchange deals, interest and currency swaps. No significant impairments were carried out on other current financial assets.

(15) Fixed assets

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Financial assets	Total
Acquisition costs					
1/1/2007	**332,655**	**12,679**	**143,684**	**1,938**	**490,956**
Currency differences	-3,611	-218	-802	0	-4,631
Change in scope of consolidation	26,754	14	224	0	26,992
Additions	28,293	1,816	17,918	96	48,123
Disposals	-4,050	-477	0	-94	-4,621
Write-ups	0	529	0	0	529
Transfers	-117	117	0	0	0
31/12/2007 before purchase price allocation	**379,924**	**14,460**	**161,024**	**1,940**	**557,348**
Adjustment of purchase price allocation	3,358	4,248	-5,475	0	2,131
31/12/2007 after purchase price allocation	**383,282**	**18,708**	**155,549**	**1,940**	**559,479**
Currency differences	-6,894	-71	-1,566	0	-8,531
Additions	20,803	1,193	275	21,821	44,092
Disposals	-5,595	-242	0	-89	-5,926
Transfers	545	-545	0	0	0
31/12/2008	**392,141**	**19,043**	**154,258**	**23,672**	**589,114**
Depreciation and amortization					
1/1/2007	**174,032**	**8,058**	**46,139**	**0**	**228,229**
Currency differences	-1,301	-43	-450	0	-1,794
Changes in scope of consolidation	18,899	12	0	0	18,911
Additions	17,947	1,110	0	0	19,057
Disposals	-3,677	-403	0	0	-4,080
Write-ups	48	503	0	0	551
31/12/2007 before purchase price allocation	**205,948**	**9,237**	**45,689**	**0**	**260,874**
Adjustment of purchase price allocation	38	146	0	0	184
31/12/2007 after purchase price allocation	**205,986**	**9,383**	**45,689**	**0**	**261,058**
Currency differences	-3,615	-10	342	0	-3,283
Additions	18,297	1,441	0	11,185	30,923
Disposals	-4,367	-242	0	0	-4,609
31/12/2008	**216,301**	**10,572**	**46,031**	**11,185**	**284,089**
Book value at 31/12/2008	**175,840**	**8,471**	**108,227**	**12,487**	**305,025**
Book value at 31/12/2007	**177,296**	**9,325**	**109,860**	**1,940**	**298,421**

(16) Property, plant and equipment

[€ 000s]	Land and buildings	Leased land and buildings (finance leasing)	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2007	**84,017**	**29,261**	**159,241**	**53,631**	**6,505**	**332,655**
Currency adjustment	-1,396	0	-1,967	-229	-19	-3,611
Change in scope of consolidation	3,176	0	20,192	3,386	0	26,754
Additions	5,991	0	13,094	6,118	3,090	28,293
Disposals	-175	0	-1,468	-2,274	-133	-4,050
Write-ups/Transfers	2,435	0	2,798	269	-5,619	-117
31/12/2007 before purchase price allocation	**94,048**	**29,261**	**191,890**	**60,901**	**3,824**	**379,924**
Adjustment of purchase price allocation	3,358	0	0	0	0	3,358
31/12/2007 after purchase price allocation	**97,406**	**29,261**	**191,890**	**60,901**	**3,824**	**383,282**
Currency adjustment	-2,337	0	-4,060	-555	58	-6,894
Change in scope of consolidation	0	0	0	0	0	0
Additions	554	0	10,578	5,155	4,516	20,803
Disposals	-1,667	0	-1,107	-2,709	-112	-5,595
Write-ups/Transfers	1,444	0	3,180	499	-4,578	545
31/12/2008	**95,400**	**29,261**	**200,481**	**63,291**	**3,708**	**392,141**
Depreciation and amortization						
1/1/2007	**27,370**	**4,886**	**101,255**	**40,521**	**0**	**174,032**
Currency adjustment	-185	0	-860	-256	0	-1,301
Change in scope of consolidation	1,023	0	15,053	2,823	0	18,899
Additions	2,652	729	10,359	4,207	0	17,947
Disposals	-291	0	-1,175	-2,211	0	-3,677
Write-ups/Transfers	-2	-3	162	-109	0	48
31/12/2007 before purchase price allocation	**30,567**	**5,612**	**124,794**	**44,975**	**0**	**205,948**
Adjustment of purchase price allocation	38	0	0	0	0	38
31/12/2007 after purchase price allocation	**30,605**	**5,612**	**124,794**	**44,975**	**0**	**205,986**
Currency adjustment	-350	0	-2,903	-362	0	-3,615
Change in scope of consolidation	0	0	0	0	0	0
Additions	2,708	729	10,732	4,128	0	18,297
Disposals	-1,386	0	-686	-2,295	0	-4,367
Write-ups/Transfers	23	0	-79	56	0	0
31/12/2008	**31,600**	**6,341**	**131,858**	**46,502**	**0**	**216,301**
Book value at 31/12/2008	**63,800**	**22,920**	**68,623**	**16,789**	**3,708**	**175,840**
Book value at 31/12/2007	**66,801**	**23,649**	**67,096**	**15,926**	**3,824**	**177,296**

The review of the recoverable amount for property, plant and equipment resulted in unscheduled depreciation amounting to € 000s 740 on technical equipment and machines in the Strategic Business Unit Paper during the business year 2007.

Finance leasing contracts were concluded over a basic leasing period of between 15 and 25 years and after the expiry of the basic leasing period provided for a purchase option or the option of extending the contract at least once for a period of 5 years. Apart from finance leasing contracts, the SURTECO Group has also concluded rental and leasing contracts that qualify as operating lease contracts on the basis of their commercial profile, whereby the lease item should be reported by the lessor.

Reference is made to our comments under section IX. in relation to leased land and buildings (finance leasing).

(17) Intangible assets

Intangible assets comprise primarily IT software and assets acquired in the framework of acquisitions.

[€ 000s]	Concessions, patents, licences and similar rights	Customer relations and similar values	Development expenses	Total
Acquisition costs				
1/1/2007	**12,679**	**0**	**0**	**12,679**
Currency adjustment	-218	0	0	-218
Changes in scope of consolidation	14	0	0	14
Additions	1,816	0	0	1,816
Disposals	-477	0	0	-477
Write-ups/Tranfers	646	0	0	646
31/12/2007 before purchase price allocation	**14,460**	**0**	**0**	**14,460**
Adjustment of purchase price allocation	0	3,710	538	4,248
31/12/2007 after purchase price allocation	**14,460**	**3,710**	**538**	**18,708**
Currency adjustment	75	-146	0	-71
Additions	1,193	0	0	1,193
Disposals	-242	0	0	-242
Transfers	-545	0	0	-545
31/12/2008	**14,941**	**3,564**	**538**	**19,043**
Depreciation and amortization				
1/1/2007	**8,058**	**0**	**0**	**8,058**
Currency adjustment	-43	0	0	-43
Changes in scope of consolidation	12	0	0	12
Additions	1,110	0	0	1,110
Disposals	-403	0	0	-403
Write-ups	503	0	0	503
31/12/2007 before purchase price allocation	**9,237**	**0**	**0**	**9,237**
Adjustment of purchase price allocation	0	123	23	146
31/12/2007 after purchase price allocation	**9,237**	**123**	**23**	**9,383**
Currency adjustment	10	-39	19	-10
Additions	1,062	321	58	1,441
Disposals	-242	0	0	-242
Transfers	0	0	0	0
31/12/2008	**10,067**	**405**	**100**	**10,572**
Book value at 31/12/2008	**4,874**	**3,159**	**438**	**8,471**
Book value at 31/12/2007	**5,223**	**3,587**	**515**	**9,325**

(18) Goodwill

Goodwill is comprised of the following amounts from the takeover of business operations (asset deals) and from capital consolidation.

Goodwill developed as follows:

[€ 000s]	2007	**2008**
1/1/	**97,545**	**109,860**
Currency adjustment	-352	-1,908
Addition	18,142	275
	115,335	**108,227**
Adjustment of purchase price allocation	-5,475	0
31/12/	**109,860**	**108,227**

Goodwill is allocated to cash generating units (CGU level) for purposes of carrying out annual or event-related (triggering events) impairment tests. Goodwill is comprised as follows:

[€ 000s]	2007	**2008**
Strategic Business Unit Paper	6,878	6,878
Strategic Business Unit Plastics	102,982	101,349
	109,860	**108,227**

The useful value to be used for carrying out the impairment text is calculated on the basis of 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 Board of Management and is valid at the time when the impairment test was carried out. The 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 macro-economic framework data of the regional market, the market opportunities and experiences in the past.

The costs of capital are calculated as a weighted average of the costs of equity and debt, whereby the relevant proportions of total capital are decisive. The costs of equity capital correspond to the expectations of return held by investors in our shares. Market conditions for loans should be taken into account for the costs of outside capital. The discount rate derived from the cost of capital of the SURTECO Group in December 2008 is 9.0 % before tax.

During the business year 2008, the SURTECO Group established that it was not necessary to carry out an impairment in the case of cash generating units where goodwill was allocated with unlimited commercial useful life.

(19) Shares in associated enterprises and financial investments

[€ 000s]	FINANCIAL INVESTMENTS				
	Shares in affiliated enterprises	Participations	Securities	Associated enterprises	Total
Acquisition costs					
1/1/2007	**167**	**0**	**0**	**1,771**	**1,938**
Additions	0	41	0	55	96
Disposals	0	0	0	-94	-94
31/12/2007	**167**	**41**	**0**	**1,732**	**1,940**
Additions	1	6	21,814	0	21,821
Disposals	0	-40	0	-49	-89
31/12/2008	**168**	**7**	**21,814**	**1,683**	**23,672**
Depreciation and amortization					
1/1/2007	**0**	**0**	**0**	**0**	**0**
Disposals	0	0	0	0	0
31/12/2007	**0**	**0**	**0**	**0**	**0**
Depreciation and amortization	0	0	11,185	0	11,185
31/12/2008	**0**	**0**	**11,185**	**0**	**11,185**
Book value at 31/12/2008	**168**	**7**	**10,629**	**1,683**	**12,487**
Book value at 31/12/2007	**167**	**41**	**0**	**1,732**	**1,940**

Detailed information on shares in affiliated enterprises, participations and associated enterprises are not given for reasons of materiality. The securities recognized under financial assets relate to a share package amounting to 3.02 % of the capital stock in Pfleiderer AG, Neumarkt.

(20) Income tax liabilities

Tax liabilities include the income tax due for the business year 2008 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(21) Short-term provisions

[€ 000s]	1/1/2008	Expense	Release	Allocation	31/12/2008
Restructuring provisions	0	0	0	7,011	7,011
Warranty	483	-40	-63	960	1,340
Fair value measurement for financial derivatives	446	0	-34	34	446
Legal disputes	313	0	-313	0	0
Other	215	-14	-123	58	136
	1,457	**-54**	**-533**	**8,063**	**8,933**

The restructuring costs amounting to € 7.0 primarily include personnel costs for redundancy payments. Some 320 jobs need to be cut across the Group in order to adapt the size of the workforce to the level of activity. Furthermore, the restructuring programme at SBU Paper provides for the transfer of the production of edgebandings from the Buttenwiesen site to the Sassenberg production site. The transfer of production from Montreal/Canada to Greensboro/USA started in the SBU Plastics in 2007 is being extended.

Forward exchange deals and interest and currency swaps with a term of less than one year are recognized under financial derivatives.

(22) Other current liabilities

[€ 000s]	2007	**2008**
Liabilities from employment relationships	12,956	8,760
Bonuses and promotion costs	2,031	897
Debit balances in accounts payable	1,859	1,890
Tax liabilities (wage tax, value added tax)	138	151
Social insurance against occupational accidents	525	535
Supervisory Board remuneration	512	178
Other	1,804	2,030
	19,825	**14,441**
- of which social security	990	686

The liabilities from employment relationships primarily include obligations arising from profit shares, bonuses, holiday and working time credits.

(23) Debt and other financial liabilities

Interest liabilities, including the liabilities of finance leasing, of the SURTECO Group, are recognized under short-term and long-term debt.

The debt is secured in the amount of € 000s 1,444 (2007: € 000s 5,151) by charges on property.

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US private placement. The US private placement comprised a US$ tranche amounting to US$ 70 million with a term of 10 years and euro tranches of € 100 million with terms of 7 to 12 years. The loans are repayable on maturity and are fixed-interest agreements charged at 5.5 % - 5.7 % before hedging. The capital payment and interest flows in US$ were fully hedged in euros with interest and currency swaps. This resulted in the following effects during the year under review: realization of interest income amounting to € 000s 219 (2007: € 000s 257), increase in equity capital (before deduction of deferred taxes) by € 000s 8,665 (2007: € 000s 4,366) through direct recording of the cash flow hedge under the item market valuation financial instruments, reduction of the US$ liability by € 000s 1,711 (2007: € 000s 4,226) on the basis of the valuation on the balance sheet date and recording the market value of the hedging transactions amounting to € 000s 5,181 under other non-current liabilities (2007: € 000s 1,853 in other non-current financial liabilities).

Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 3.75 % and 5.80 %.

Short-term debt includes short-term credit lines that have been drawn down and variable-interest credit lines for supplies, the short-term proportion of loan liabilities and finance leasing liabilities of € 000s 6,564 (2007: € 000s 1,429).

The liabilities from finance leasing obligations are released over the contract term and are due on the balance sheet date as follows:

[€ 000s]	2007	**2008**
Leasing payments to be made in the future		
due in less than one year	2,890	9,307
due between one year and five years	11,905	3,410
due after more than five years	7,693	6,826
Interest share		
due in less than one year	-951	-2,629
due between one year and five years	-4,198	-1,566
due after more than five years	-1,579	-1,513
Present value		
due in less than one year	1,939	6,678
due between one year and five years	7,707	1,844
due after more than five years	6,114	5,313
	15,760	**13,835**

The other non-current financial liabilities are comprised as follows:

[€ 000s]	2007	**2008**
Fair value measurement of financial derivatives	**1,853**	**0**

The maturity structure of long-term debt and other financial liabilities is as follows:

[€ 000s]	2007			**2008**		
	1-5 years	more than 5 years	Total	**1-5 years**	**more than 5 years**	**Total**
Financial liabilities						
- of which to banks	50,745	149,786	200,531	34,802	154,453	189,255
- of which from finance lease	8,217	6,114	14,331	2,208	5,049	7,257
	58,962	**155,900**	**214,862**	**37,010**	**159,502**	**196,512**
Other liabilities	0	1,853	1,853	0	0	0
	58,962	**157,753**	**216,715**	**37,010**	**159,502**	**196,512**

(24) Pensions and similar obligations

Agreements for company pension provision were concluded for staff of the SURTECO Group, which were financed exclusively within the scope of defined benefit plans through pension accruals. The provisions for pensions and similar obligations developed as follows:

[€ 000s]	**Pensions**	**Partial retirement**	**Anniversary bonuses**	**Total**
1/1/2007	**9,216**	**2,171**	**1,244**	**12,631**
Payments	-584	-172	-30	-786
Current service expense	283	-466	42	-141
Interest expense	385	0	0	385
Actuarial gains/losses	-699	0	0	-699
Release	-78	-25	-4	-107
	8,523	**1,508**	**1,252**	**11,283**
Plan assets	81	-122	0	-41
31/12/2007	**8,604**	**1,386**	**1,252**	**11,242**
Payments	-533	-887	-142	-1,562
Current service expense	136	409	33	578
Interest expense	419	0	0	419
Actuarial gains/losses	-855	0	7	-848
Release	-198	0	-17	-215
	7,573	**908**	**1,133**	**9,614**
Plan assets	14	-39	0	-25
31/12/2008	**7,587**	**869**	**1,133**	**9,589**

The Group recognizes actuarial gains and losses from defined-benefit plans in shareholders' equity (Other comprehensive income). The amount included for 2008 taking into account deferred tax is € 000s 604 (2007: € 000s 432).

(25) Shareholders' equity
The subscribed capital (capital stock) of SURTECO SE remains at € 11,075,522.00, unchanged from the previous year. It is divided into 11,075,522 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 each.

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 7 July 2010 by overall up to € 1,100,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration (Authorized capital I). The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders up to a proportionate amount of the capital stock of € 1,100,000.00, if the new shares are issued at an issue amount, which is not significantly lower than the stock-market price. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. If the Board of Management does not make use of the above authorizations to exclude pre-emptive rights, the pre-emptive right of the shareholders may only be excluded for equalization of fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 7 July 2010 by overall up to € 4,400,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash or a non-cash consideration (Authorized capital II). In the case of a capital increase for a cash consideration, the shareholders should be granted a pre-emptive right, although the Board of Management is authorized to exclude the fractions from shareholders' statutory pre-emptive right. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. In the case of a capital increase for a non-cash consideration, the Board of Management is entitled to exclude the statutory pre-emptive right of shareholders. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve
The capital reserve of SURTECO SE includes the amounts by which the capital investment values of investments in affiliated enterprises 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.

Netting differences capitalized as assets arising from capital consolidation on account of the pooling of interests method were netted in the consolidated financial statements of SURTECO SE against the capital reserve during the year of first-time consolidation.

Retained earnings
Retained earnings include:
- Transfers from the net income of the Group,
- Offsetting of actuarial gains and losses with no effect on income,
- Differences arising from currency translations from annual financial statements of foreign subsidiaries with no effect on income,
- Effects arising from valuation of derivative financial instruments with no effect on income
- Unrealized gains from equity instruments reported as available for sale
- Corrections in accordance with IAS 8 including deferred taxes
- Changes arising from the purchase price allocation for Gislaved Folie AB
- Unrealized gains and losses arising from foreign-currency loans to subsidiary companies which met the requirement of a net investment

Dividend proposal
The dividend payout of SURTECO SE is based on net profit reported in the financial statements of SURTECO SE in accordance with the commercial law in conformity with § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG). The financial statements drawn up in accordance with commercial law have recorded a net profit of € 000s 3,877 (2007: € 000s 12,183). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual

General Meeting that a dividend payout of € 0.35 (2007: € 1.10) per share, amounting to a total of € 000s 3,876 (2007: € 000s 12,183), be paid out. The Board of Management further recommends carrying forward the residual amount of € 000s 1 (2007: € 000s 0) as profit carried forward.

(26) Other financial obligations

[€ 000s]	2007	**2008**
Rental and operate leasing contracts, due		
- within one year	916	1,381
- between one year and five years	917	1,157
- more than five years	0	200
Purchase committment	13,745	0
	15,578	**2,738**

Obligations arising from rental, hire and leasing contracts relate exclusively to rental contracts whereby the companies of the SURTECO Group are not the commercial owners of the leased assets in accordance with IFRS.

Payments from leasing arrangements in the period are recorded in the amount of € 000s 2,263 (2007: € 000s 2,194).

(27) Capital management

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. Measures for achieving the goals of capital management are optimization of the capital structure, equity measures, compliance with covenants, acquisitions and divestments, as well as the reduction of debts. The dividend was increased during the year under review. Cash flow not required for investments and dividend payments was used to reduce the existing net debt. The private placement of the loan in the business year 2007 is directed towards the future-oriented strategy of the Group.

The financial controlling is based on the indicators defined in our finance strategy. The interest cover factor was 5.3 in 2008 (2007: 8.4). The debt-service coverage ratio was 22.2 % (2007: 35.4 %) in 2008. The equity ratio was 36.8 % (2007: 36.7 %).

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 is tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(28) Financial instruments and financial risk management

1. Security guidelines and principles of financial risk management

The international activities of the SURTECO Group mean that changes in interest rates and currency exchange rates exert an effect 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.

Corporate Treasury controls centrally the currency and interest-management of the Group and correspondingly the key 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. Contract partners are major German and international banks. 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.
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 attributes relevant to decision-making.
Derivative financial instruments are used by the Group exclusively for hedging purposes and to reduce risk. They are valued on a monthly basis. If significant fluctuations of underlying values, such as interest base rates and currency parities occur, this can impact negatively on the earnings of the Group.

2. Financing risks
The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years and is structured with fixed interest rates. Repayment of significant long-term loans is not necessary in the business year 2009. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with lenders at standard market conditions in loan agreements and these have to be met by SURTECO.

3. Liquidity risks
Corporate Treasury 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 SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.
However, earnings and liquidity can be compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit rating 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 appropriate trade credit insurance policies. The difficult financial situation is likely to entail higher levels of default on receivables and relatively low cover from trade credit insurance.

The following table shows the undiscounted contractually agreed cash outflows in respect of financial liabilities to banks without current account liabilities:

Cash flows		2009		2010 - 2012		2012 ff.	
[€ 000s]	**Book value 31/12/2008**	**Interest**	**Repayment**	**Interest**	**Repayment**	**Interest**	**Repayment**
Financial liablities	203,480	10,797	14,306	28,388	36,331	40,022	155,341

4. Interest and currency risks
The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Invoicing in euros is the preferred method of billing. Currency risks arising from the procurement of raw materials are negligible since the majority of procurement is carried out in euros. 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 SE meets the remaining interest and currency risks by hedging positions with derivative financial instruments and regular and intensive observation of a range of early-warning indicators. In order to limit exchange-rate risks associated with changes in interest rates, the Group operates a policy of systematic currency and interest management. This is controlled centrally by the holding company in Germany.

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

[€ 000s]	Income statement		Equity	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2008				
Variable-interest instruments	254	-254	254	-254
Derivatives	58	22	4,021	-4,302
Total	**312**	**-232**	**4,275**	**-4,556**
31/12/2007				
Variable-interest instruments	24	-327	24	-327
Derivatives	573	-111	573	-111
Total	**597**	**-438**	**597**	**-438**

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

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

[€ 000s]	Income statement		Equity	
	10 % Rise	10 % Fall	10 % Rise	10 % Fall
31/12/2008				
Financial instruments	200	-245	200	-245
Derivatives	1,674	-2,045	284	2,209
Total	**1,874**	**-2,290**	**484**	**1,964**
31/12/2007				
Financial instruments	580	-709	580	-709
Derivatives	0	0	-2,501	-1,114
Total	**580**	**-709**	**-1,921**	**-1,823**

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

5. Fluctuations in value for securities

In January 2008, SURTECO SE acquired a share package amounting to 3.02% of the share capital in Pfleiderer AG, Neumarkt. The turbulence in the financial markets and the associated massive falls in share price meant that an impairment of 11.5 million euros had to be carried out for the share package in the business year 2008. The impairment results in a changed subsequent measurement of the securities reported as available for sale. An impairment reversal may only be carried out under equity. Each additional reduction in the market value of the share package below the impaired book value results in a further cash-effective impairment. The possibility of further impairments cannot be excluded as a result of sustained weakness in the equity markets and the declining share price of Pfleiderer AG. The change in the MDAX stock-exchange index make exert the following effect on the portfolio of shares in Pfleiderer AG, Neumarkt, classified as available for sale:

[€ 000s]	Income statement		Equity	
	10 % Rise	10 % Fall	10 % Rise	10 % Fall
31/12/2008				
Pfleiderer AG	0	-560	882	-882

6. Valuations of financial instruments

The **book values and market values based on valuation categories** for the financial assets and liabilities classified according to the classes of the balance sheet are structured as follows:

[€ 000s]	Category acc. to IAS 39	Book value 31/12/2007	Market value 31/12/2007	Book value 31/12/2008	Market value 31/12/2008
Assets					
Cash and cash equivalents	LaR	97,782	97,782	60,468	60,468
Trade receivables	LaR	31,662	31,662	34,465	34,465
Other assets	LaR	5,048	5,048	5,044	5,044
Other investments	AfS	208	208	10,804	10,804
Derivatives not designated as hedging instruments	FAHfT	1,066	1,066	158	158
Derivatives designated as hedging instruments	n.a.	0	0	5,181	5,181
Liabilities					
Financial liabilities	FLAC	225,999	230,101	217,930	201,645
Liabilities from finance leasing	n.a.	15,760	15,760	13,820	13,820
Trade liabilities	FLAC	22,580	22,580	18,290	18,290
Other miscellaneous liabilities	FLAC	18,633	18,633	13,593	13,593
Derivative financial liabilities					
- not designated as hedging instruments	FLHfT	446	446	444	444
- designated as hedging instruments	n.a.	1,852	1,852	0	0
Of which aggregated according to valuation categories in accordance with IAS 39					
Loans and Receivables	LaR	134,492	134,492	99,977	99,977
Available for Sale Financial Assets	AfS	208	208	10,804	10,804
Financial Assets Held for Trading	FAHfT	1,066	1,066	158	158
Financial Liabilities Measured at Amortised Cost	FLAC	267,212	271,314	249,813	253,269
Financial Liabilities Held for Trading	FLHfT	446	446	444	444

Key to abbreviations

FAHfT	Held for Trading
LaR	Loans and Receivables
AfS	Available for Sale
FLAC	Financial Liability at Amortised Cost
FLHfT	Financial Liability Held for Trading

Financial instruments in the categories available for sale and held for trading are reported at current value, unless this cannot be reliably calculated. In this case, the financial assets are recorded at acquisition costs. Cash and cash equivalents, trade receivables, other financial assets in the category "receivables and loans" and trade liabilities and other financial liabilities mostly have short residual terms. The values reported therefore approximate to the fair value on the balance sheet date.

7. Derivative financial instruments

The derivative financial instruments concluded are reported in the balance sheet for the first time at the date when the contract is closed. They are recognized at acquisition costs and subsequently revalued on the balance-sheet date at their market value.
The market values of derivative financial instruments are derived from the amounts at which the relevant derivative financial transactions are traded or listed on the balance-sheet date, without taking into account opposite developments in value arising from the underlying transactions. The market values of currency-related transactions are determined on the basis of current reference prices, taking into account forward discounts and premiums. The market values of the interest-related transactions are determined on the basis of discounted cash flows expected in the future. The applicable market interest rates for the residual term of the financial instruments are used.

The Board of Management anticipates that commitments in transactions of this nature will not exert any significant negative effects on the financial situation.

Nominal and market values of derivative financial instruments:

[€ 000s]	2007		**2008**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Interest-related transactions	41,904	-99	42,269	-168
Currency-related transactions	2,704	-27	19,082	-847
Interest- and currency-related transactions	50,892	-1,582	50,082	5,181
Hedging a planned transaction	0	495	0	0
	95,500	**-1,213**	**111,433**	**4,166**

Negative market values of derivative financial instruments are reported under "Other provisions".

XII. SUPPLEMENTARY INFORMATION

(29) Notes to the cash flow statement

The cash flow statement was prepared in accordance with IAS 7. It is structured on the basis of cash flows arising from operating activities and those arising 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, the cash flow arising from operating activity is derived indirectly from earnings before taxes and minority interests. Compared with the previous year, the initial figure for the cash flow statement is earnings before tax and minority interests.

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 gains on disposal of assets, are eliminated in cash flow from operating activities.

The cash flow from financing activity is comprised of dividend payments, capital payments from and repayments of debts, and interest payments from loans.

(30) Segment reporting

The activities of the SURTECO Group are segmented on the basis of the rules defined in IFRS 8 (Operating Segments) within the scope of segment reporting. The breakdown is based on internal controlling and reporting. It takes into account the product-oriented split of SURTECO into the two Strategic Business units (SBU) Paper and Plastics. Each company within the Group is assigned to the appropriate segment in accordance with the list giving an overview of "shareholder structure".

- The Strategic Business Unit Paper (SBU Paper) comprises the production and sale of melamine-coated edgebandings, finish foils and laminates, and the printing of specialist technical papers for use in the international furnishing industry.
- The Strategic Business Unit Plastics (SBU Plastics) includes the production and sale of thermoplastic edgings, foils, roller shutter systems, technical profiles, skirtings and extrusions for flooring wholesalers, cladding systems and ranges for building suppliers and do-it-yourself markets.
- Consolidation measures, the holding company SURTECO SE and income, expenses, assets and liabilities, which are not directly attributable to the segments, are recognized in the "Reconciliation" column.

The segment information is based on the same recognition, accounting and valuation methods as those used in the consolidated financial statements. There are no changes in valuation methods 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 Board of Management holds the power of decision-making with regard to resource allocation and the measurement of the earnings power of the segments required to report. Uniform parameters for measuring success and assets 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-arms-length. Administrative services are allocated on the basis of cost.

Segment information 2008

[€ 000s]	SBU Paper	SBU Plastics	Reconciliation	SURTECO Group
2008				
External sales	148,341	254,643	0	402,984
Internal sales in the Group	1,241	832	-2,073	0
Total sales	149,582	255,475	-2,073	402,984
Interest income	45	139	2,711	2,895
Interest expenses	-855	-1,746	-11,237	-13,838
Depreciation and amortization	-9,030	-10,599	-102	-19,731
Segment earnings (EBT)	6,089	28,030	-18,342	15,777
Income from associated enterprises	-20	0	0	-20
Segment assets	150,778	235,940	10,243	396,961
Segment liabilities	63,352	61,466	-83,599	41,219
Net segment assets	87,426	174,474	93,842	355,742
Book value of participations recorded at equity	1,683	0	0	1,683
Investments in property, plant and equipment	8,845	13,083	67	21,995
Employees	768	1,411	15	2,194
2007				
External sales	166,245	248,274	0	414,519
Internal sales in the Group	1,465	1,121	-2,586	0
Total sales	167,710	249,395	-2,586	414,519
Interest income	32	111	1,388	1,531
Interest expenses	-304	-492	-9,602	-10,398
Depreciation and amortization	9,528	9,419	113	19,060
Segment earnings (EBT)	19,874	36,437	-9,384	46,927
Income from associated enterprises	55	0	0	55
Segment assets	158,741	238,652	8,671	406,064
Segment liabilities	81,850	31,275	-69,707	43,418
Net segment assets	76,891	207,377	78,378	362,646
Book value of participations recorded at equity	1,732	0	0	1,732
Investments in property, plant and equipment	20,200	9,896	13	30,109
Employees	780	1,327	14	2,121

Segment information by regional markets

[€ 000s]	2007		**2008**	
	Sales revenues	Investments	**Sales revenues**	**Investments**
Germany	144,940	26,052	138,673	37,904
Rest of Europe	173,971	1,914	175,119	2,517
Asia/Australia	34,289	783	36,518	1,639
America	58,402	1,360	49,659	1,749
Other	2,917	0	3,015	0
	414,519	**30,109**	**402,984**	**43,809**

Reconciliation of balance sheet total with net segment assets

[€ 000s]	2007	**2008**
Balance sheet total	**516,728**	**490,073**
Less financial assets		
- Cash and cash equivalents	97,782	60,468
- Investments	1,939	12,535
- Tax credits/deferred taxes	9,877	14,770
- Financial derivatives	1,066	5,339
Segment assets	**406,064**	**396,961**
Current and non-current liabilities	**327,222**	**309,556**
Less financial liabilities		
- Short-term and long-term financial liabilities	241,758	231,751
- Financial derivatives	2,298	444
- Tax liabilities/deferred taxes	28,506	26,553
- Pension accruals	11,242	9,589
	283,804	268,337
Segment assets	**43,418**	**41,219**
Net segment assets	**362,646**	**355,742**

(31) Remuneration for the executive officers and former executive officers

Total compensation for the Supervisory Board for the fiscal year 2008 amounted to € 000s 178 (2007: € 000s 508). Incentive-based remuneration for the Board of Management: Most of the remuneration for the Members of the Board of Management is incentive-based. It includes a small fixed element and a primarily variable element. The variable element is a bonus based on earnings and is calculated on the basis of the Earnings Before Tax (EBT) of the Group in accordance with IFRS taking the return on sales into account. The fixed salary of the active members of the Board of Management amounted to € 000s 504 (2007: € 000s 504) for the business year 2008. A provision amounting to € 000s 1,600 (2007: € 000s 2,888) was made for the earnings-dependent bonus. The other fixed salary elements amounted to € 000s 193 (€ 000s 102).

In accordance with § 286 (5) German Commercial Code (HGB), reporting of information on individual remuneration in accordance with § 285 sentence 1 no. 9 letter a sentences 5 to 9 German Commercial Code (HGB) will not be implemented on account of the resolution of the Annual General Meeting dated 31 August 2007 and 24 June 2008.

(32) Share ownership of the Board of Management and Supervisory Board of SURTECO SE

On the balance sheet date, 10,230 shares (2007: 7,130) of the company were held by the members of the Board of Management and 205,755 shares (2007: 170,455) were held by the members of the Supervisory Board.

(33) Events after the balance sheet date

No events or developments occurred up until 2 April 2009 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2008. At the end of the first quarter of 2009, an impairment amounting to € 6.0 million had to be carried out on the package of shares in Pfleiderer AG, Neumarkt, held by SURTECO on account of the development in share price.

XIII. EXECUTIVE OFFICERS OF THE COMPANY (at 31/12/2008)

Board of Management

Name	Memberships in other companies *
Friedhelm Päfgen Businessman Buttenwiesen-Pfaffenhofen Chairman, SBU Paper	Deputy Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck Member of the Supervisory Board of Pfleiderer AG, Neumarkt
Dr.-Ing. Herbert Müller Engineer Heiligenhaus SBU Plastics	Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke

Supervisory Board

Name	Memberships in other companies *
Shareholder representatives	
Dr.-Ing. Jürgen Großmann Chairman of the Board of Management of RWE Aktiengesellschaft, Essen Chairman	Member of the Supervisory Board of Deutsche Bahn AG, Berlin Member of the Supervisory Board of Volkswagen AG, Wolfsburg Member of the Supervisory Board of – British American Tobacco (Industrie) GmbH, Hamburg – BATIG Gesellschaft für Beteiligungen mbH, Hamburg – British American Tobacco (Germany) Beteiligungen GmbH, Hamburg Member of the Board, Hanover Acceptances Limited, London
Björn Ahrenkiel Lawyer, Hürtgenwald Vice Chairman	
Bernd Dehmel Businessman, Marienfeld Deputy Chairman	
Dr. Matthias Bruse Lawyer, Munich	Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching Member of the Supervisory Board of Smart IPO AG, Munich
Jakob-Hinrich Leverkus Businessman, Hamburg	Member of the Advisory Council of Drewsen Spezialpapiere GmbH + Co. KG, Lachendorf Member of the Advisory Council of Dinse GmbH, Hamburg Member of the Supervisory Board of SFC, Smart Fuel Cell AG, Ottobrunn Member of the Supervisory Board of MIT Munich Industrial Technologies AG, Unterhaching (since 31/3/2008) Member of the Advisory Council of elcomax GmbH, Munich (since 14/11/2008)
Dr.-Ing. Walter Schlebusch Managing Director Banknotes Division Giesecke & Devrient GmbH Munich	

* Memberships in Supervisory Boards to be formed in accordance with the statutory regulations and comparable domestic and foreign supervisory boards.

Employee representatives
Hans-Jürgen Diesner Marketing Salesman, Versmold
Richard Liepert Chairman of the Works Council Wertingen
Udo Semrau Chairman of the Works Council Gladbeck bis 31/1/2008
Udo Sadlowski Head of Training, Essen since 1/2/2008

XIV. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 SENTENCE 1 STOCK CORPORATION ACT (AKTG)

The Board of Management and the Supervisory Board of SURTECO SE have submitted a Declaration of Compliance pursuant to § 161 sentence 1 of the Stock Corporation Act (AktG) on 23 December 2008 and made this declaration available to shareholders on the website of the company. This declaration is intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

XV. DISCLOSURE IN ACCORDANCE WITH CLAUSE § 21 OF THE SECURITIES TRADING ACT (WPHG) / CLAUSE § 160 SECTION 1 NO. 8 OF THE STOCK CORPORATION ACT (AKTG)

Pursuant to Clause § 160 section 1 no. 8 of the Stock Corporation Act (AktG) we are required to disclose the content of the notifications received by us during the course of the business year pursuant to Clause § 21 section 1 or section1a of the Securities Trading Act (WpHG). Persons are required to submit these notifications if their voting rights in SURTECO SE as a result of acquisition, disposal or other method directly or indirectly reaches, or exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%. We received notice of the following thresholds being exceeded:

DISCLOSURE IN ACCORDANCE WITH CLAUSE § 21 OF THE SECURITIES TRADING ACT (WPHG) / CLAUSE § 160 SECTION 1 NO. 8 OF THE STOCK CORPORATION ACT (AKTG)

Shareholder	Date of reaching the threshold limit of the portfolio	Percentage of voting rights held in %	Addition in %	
Christa Linnemann, Gütersloh	18/03/05	72.2495	§ 22 (2) WpHG	64.2209
Claus Linnemann, Gütersloh	18/03/05	73.0873	§ 22 (2) WpHG	61.2883
Elke Schlautmann, Hamburg	01/04/02	74.2394	§ 22 (2) WpHG	72.2480
Katrin Schlautmann, Gütersloh	01/04/02	74.2394	§ 22 (2) WpHG	72.2480
Christian Schlautmann, Gütersloh	01/04/02	74.2394	§ 22 (2) WpHG	72.2480
Klöpfer & Königer Management GmbH, Garching	01/04/02	73.7969	§ 22 (2) WpHG	52.9312
Klöpfer & Königer GmbH & Co. KG, Garching	01/04/02	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	20.8657 52.9312
G.Schürfeld + Co. (GmbH & Co.), Hamburg	01/01/07	6.4155	§ 22 (1) no. 1 WpHG	6.4155
G.A.Schürfeld Verwaltungs GmbH, Hamburg	01/01/07	6.4155	§ 22 (1) no. 1 WpHG	6.4155
PKG Schürfeld GmbH, Hamburg	01/01/07	6.4155		
Jens Schürfeld, Hamburg	01/01/07	11.9306	§ 22 (1) no. 1 WpHG	6.4155
Johan Viktor Bausch, Munich	01/04/02	73.8181	§ 22 (2) WpHG § 22 (1) no. 4 WpHG	69.3983 0.1580
J.V.Bausch GmbH & Co. Vermögensverwaltungs KG, Grünwald	09/03/06	70.4653	§ 22 (2) WpHG	68.6596
J. V. Bausch GmbH, Grünwald	09/03/06	70.4653	§ 22 (1) no. 1 WpHG § 22 (2) WpHG	1.8057 68.6596
Ricarda Bausch, Glashütten	01/04/02	73.8283	§ 22 (2) WpHG § 22 (1) no. 6 WpHG	73.4110 0.0213
Oliver Bausch, Osnabrück	01/04/02	73.8290	§ 22 (2) WpHG	73.3773
Th. Bausch GmbH & Co. Vermögensanlage KG, Berlin	01/04/02	73.7969	§ 22 (2) WpHG	65.5132
Th. Bausch GmbH, Berlin	01/04/02	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Dr. Dr. Thomas Bausch, Berlin	01/04/02	74.2715	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Coralie Anna Bausch, Berlin	01/04/02	73.8111	§ 22 (2) WpHG	73.6550
Camilla Bausch, Berlin	01/04/02	73.8330	§ 22 (2) WpHG	73.6550
Constanze Bausch, Berlin	01/04/02	73.8181	§ 22 (2) WpHG	73.6550
Marion Ramcke, Hannover	01/04/02	73.8725	§ 22 (2) WpHG	70.7774
Hans Christian Ahrenkiel, Hürtgenwald	01/04/02	73.8612	§ 22 (2) WpHG	73.5699
Björn Ahrenkiel, Hürtgenwald	01/04/02	73.7973	§ 22 (2) WpHG	71.0048

On May 28 2008, the stake of Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Str. 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd Europees Deelnemingen Fonds NV held 5.01 % in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).

On May 28 2008, the stake of Delta Lloyd Asset Management NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesent-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd Asset Management NV held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Delta Lloyd Asset Management NV via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 WpHG.
The controlled undertaking through which the voting rights are held is Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Delta Lloyd NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd NV held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Delta Lloyd NV via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of CGU International Holdings BV, London, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, CGU International Holdings BV held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to CGU International Holdings BV via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Aviva International Holdings Limited, London, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Aviva International Holdings Limited held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Aviva International Holdings Limited via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: CGU International Holdings BV, Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Aviva Insurance Limited, Perth, Scotland, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Aviva Insurance Limited held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Aviva Insurance Limited via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Aviva International Holdings Limited, CGU International Holdings BV, Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Aviva International Insurance Limited, London, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Aviva International Insurance Limited held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Aviva International Insurance Limited via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Aviva Insurance Limited, Aviva International Holdings Limited, CGU International Holdings BV, Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Aviva Group Holdings Limited, London, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Aviva Group Holdings Limited held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Aviva Group Holdings Limited via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Aviva International Insurance Limited , Aviva Insurance Limited, Aviva International Holdings Limited, CGU International Holdings BV, Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Aviva plc., London, United Kingdom, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Aviva plc. held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Aviva plc. via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Aviva Group Holdings Limited, Aviva International Insurance Limited , Aviva Insurance Limited, Aviva International Holdings Limited, CGU International Holdings BV, Delta Lloyd NV, Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On 28th November 2008, Prudential plc., London, United Kingdom, fell below the 3 % threshold of section 21 para. 1 WpHG and now holds 2.91% (323,034 shares held with voting rights) of the voting rights in Surteco SE. It was attributed these 2.91 % (323,034 shares held with voting rights) of the voting rights in Surteco SE pursuant section 22 para. 1 sent 1 no. 6 in connection with section 22 para. 1 sent. 2 WpHG.

On 1 Januar 2009, the share of voting rights held by Gustav und Catharina Schürfeld Stiftung, Lachendorf, Germany, in SURTECO SE, Buttenwiesen-Pfaffenhofen, fell below the threshold of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% pursuant to seciton 21 para. 1 WpHG. On this date, Gustav und Catharina Schürfeld Stiftung held 2.24 % in relation to all voting rights in SURTECO SE (voting rights arising from 47,600 ordinary shares (Stammaktien)). Of these, Gustav und Catharina Schürfeld Stiftung held 2.23 % of the voting rights (voting rights arising from 246,600 ordinary shares (Stammaktien)) directly, 0.01 % of the voting rights (voting rights arising from 1,000 ordinary shares (Stammaktien)) are attributed to Gustav und Catharina Schürfeld Stiftung pursuant to section 22 para. 1 no. 1 WpHG and simultaneously pursuant to section 22 para. 2 WpHG.

On January 2009, the share of voting rights in SFO Holding GmbH, Hamburg, Germany, in SURTECO SE, Buttenwiesen-Pfaffenhofen, fell below the threshold of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% pursuant to section 21 para. 1 WpHG. On this date, SFO Holding GmbH held 0.05 % in relation to all voting rights in SURTECO SE (voting rights arising from 5,000 ordinary shares (Stammaktien)). Of these, SFO Holding GmbH held 0.01 % of the voting rights (voting rights arising from 1,000 ordinary shares (Stammaktien)) directly, 0.04 % of the voting rights (voting rights arising from 4,000 ordinary shares (Stammaktien)) are attributed to SFO Holding GmbH pursuant to section 22 para. 2 WpHG.

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-Pfaffenhofen, 2 April 2009

Board of management

Friedhelm Päfgen Dr.-Ing. Herbert Müller

INDEPENDENT AUDITOR'S REPORT

We have audited the Consolidated Financial Statements prepared by SURTECO Aktiengesellschaft, comprising the balance sheet, the income statement, and the statements of changes in the shareholders' equity and cash flows, as well as the Notes to the Consolidated Financial Statements and the Management Report on the Company and the Group, for the business year from 1 January 2008 to 31 December 2008. The preparation of the Consolidated Financial Statements and the Management Report on the Company and the Group in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) of the German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the Consolidated Financial Statements and the Management Report on the Company and the Group based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with § 317 German Commercial Code (HGB) and taking into account German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Those standards require that we plan and perform the audit such that material misstatements and irregularities that could significantly affect the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Management Report on the Company and the Group are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and Management Report on the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Management Report of the Company and the Group.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements are in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) German Commercial Code (HGB), and give a true and fair view of the net assets, financial position and results of operations of the Group. In our opinion, on the whole, the Management Report on the Company and the Group is consistent with the Consolidated Financial Statements and provides a suitable understanding of the Group's position and suitably presents the risks and opportunities of future development.

Berlin, 6 April 2009

RöverBrönner KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rainer Weichhaus, Independent Auditor
Udo Heckeler, Independent Auditor

SURTECO HOLDINGS

at 31 December 2008

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	PARENT COMPANY				
100	**SURTECO SE, Buttenwiesen-Pfaffenhofen**	Germany			
	STRATEGIC BUSINESS UNIT PAPER				
300	Bausch Decor GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
310	Saueressig Design Studio GmbH, Mönchengladbach	Germany	E	30.00	300
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100.00	100
210	Bausch (U.K.) Limited, Burnley	Great Britain	F	100.00	100
405	BauschLinnemann UK Ltd., Burnley	Great Britain	F	70.00 30.00	210 401
410	Kröning GmbH & Co., Hüllhorst	Germany	F	100.00	401
420	Kröning Verwaltungsgesellschaft mbH, Hüllhorst	Germany	F	100.00	401
441	BauschLinnemann North America, Inc., Greensboro	USA	F	100.00	401
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	F	100.00	401
470	Arbe s.r.l., Martellago (from 1/1/2009: SURTECO Italia s.r.l.)	Italy	F	50.00 50.00	401 510
499	BauschLinnemann Beteiligungsgesellschaft mbH, Sassenberg	Germany	F	100.00	100
	STRATEGIC BUSINESS UNIT PLASTICS				
500	W. Döllken & Co. GmbH, Gladbeck	Germany	F	100.00	100
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	F	100.00	500
511	Vinylit Fassaden GmbH, Kassel	Germany	F	100.00	510
512	SURTECO Australia Pty Limited, Sydney	Australia	F	100.00	510
513	Doellken PTE Ltd., Singapore (1/1/2009: SURTECO PTE Ltd.)	Singapore	F	100.00	510
514	PT Doellken Bintan Edgings & Profiles, Bintan	Indonesia	F	99.00 1.00	510 513
515	Döllken-Profiltechnik GmbH, Dunningen	Germany	F	100.00	500
516	SURTECO France S.A.S., Beaucouzé	France	F	100.00	510

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş., Istanbul	Turkey	F	89.00 8.00 1.00 1.00 1.00	510 520 300 401 500
520	Döllken-Weimar GmbH Profile für den Fachmann, Nohra	Germany	F	94.00 6.00	530 500
530	Döllken & Praktikus GmbH, Gladbeck	Germany	F	100.00	500
531	Döllken & Praktikus Sp.z o.o., Kattowitz	Poland	F	100.00	530
532	Döllken CZ s.r.o., Prague	Czech Republic	NC	100.00	520
550	Doellken-Woodtape Inc., Washington	USA	F	100.00	500
551	Doellken USA Inc., Washington	USA	F	100.00	550
552	Canplast USA Inc., Greensboro	USA	F	100.00	550
560	Doellken-Woodtape Ltd, Mississauga	Canada	F	100.00	500
561	Doellken-Canada Ltd., Mississauga	Canada	F	100.00	560
562	Canplast Canada Ltd., Montreal	Canada	F	100.00	560
563	1784824 Ontario Inc, Mississauga	Canada	F	100.00	562
564	2054872 Ontario Inc., Quebec	Canada	F	100.00	560
565	Pro-Plast Distribution Inc., Quebec	Canada	P	50.00	564
566	Canplast Centro America S.A., Guatemala	Guatemala	P	50.00	562
567	Canplast Do Brasil S/A Comercio E Importacao de Componentes Para Moveis, Curitiba	Brazil	F	100.00	562
568	Inversiones Doellken South America Ltd, Santiago	Chile	F	100.00	562
569	Canplast SUD Ltd, Santiago	Chile	F	55.00	568
572	Canplast Mexico S.A. de C.V., Chihuahua	Mexico	P	50.00	562
599	W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Gladbeck	Germany	F	100.00	500
610	SURTECO Svenska AB, Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB, Gislaved	Sweden	F	100.00	610

F = Full Consolidation E = Consolidation at Equity P = Proportionate Consolidation NC = Not Consolidated

BALANCE SHEET (HGB)

	31/12/2007 € 000s	31/12/2008 € 000s
ASSETS		
Intangible assets	4	0
Tangible assets	302	254
Investments	300,880	307,771
Fixed assets	**301,186**	**308,025**
Receivables and other assets		
- Receivables from affiliated enterprises	55,475	60,452
- Other assets	5,022	6,618
Cash in hand, bank balances	91,873	54,583
Current assets	**152,370**	**121,653**
Prepaid expenses	**50**	**60**
	453,606	**429,738**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Capital stock	11,076	11,076
Additional paid-in capital	94,864	94,864
Retained earnings	83,198	83,684
Net profit	12,183	3,877
Equity	**201,321**	**193,501**
Pension accruals	194	221
Tax accruals	3,856	1,690
Other accruals	4,275	2,483
Accrued expenses	**8,325**	**4,394**
Liabilities to banks	205,017	203,352
Trade accounts payable	92	52
Liabilities to affiliated enterprises	38,769	28,170
Other liabilities	82	269
Liabilities	**243,960**	**231,843**
	453,606	**429,738**

INCOME STATEMENT (HGB)

	1/1/-31/12/2007 € 000s	1/1/-31/12/2008 € 000s
Income from profit transfers - of which income from tax allocations transferred from subsidiaries: € 000s 3,483 (previous year: T€ 11.132)	39,439	28,085
Investment income	0	1,782
Other operating income	5,557	5,397
Personnel expenses	-5,010	-3,513
Amortization and depreciation on intangible assets and property, plant and equipment	-134	-101
Other operating income	-3,257	-2,957
Income from loans from financial assets - of which to affiliated enterprises € 000s 1,443 (previous year: € 000s 417)	417	1,443
Interest income	-5,082	-7,357
Write-downs on investments	-504	-14,429
Result from ordinary activities	**31,426**	**8,350**
Income taxes	-11,072	-3,983
Other taxes	-5	-5
Net income	**20,349**	**4,362**
Profit carried forward from the previous year	4	0
Transfer to retained earnings	-8,170	-485
Net profit	**12,183**	**3,877**

The Annual Financial Statements of SURTECO SE have been published in the Official Gazette of the Federal Republic of Germany (Bundesanzeiger) and filed at the Company Register of the Local Court (Amtsgericht) Augsburg. RöverBrönner KG, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, audited the Annual Financial Statements and provided them with an unqualified auditor's opinion. The Balance Sheet and the Income Statement from these Annual Financial Statements are published here.

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

Authorized capital Authorized capital relates to the authorization of the Board of Management to increase the capital stock up to a specified nominal amount by issuing new shares subject to the approval of the Supervisory Board. The authorization is granted by the Annual General Meeting and requires a three-quarter majority of the represented capital The term is a maximum of five years. Furthermore, the authorized capital may not be higher than half of the capital stock. Authorized capital gives the Board of Management the opportunity to increase the equity capital of the company at a favourable time for the company and in accordance with the capital requirement and situation on the stock exchange, without having to convene an Annual General Meeting.

Capital stock The capital stock is the minimum capital defined in law which has to be provided by the shareholders of a joint-stock company or a European Company (SE). The capital stock of a joint-stock company (AG) must be at least EUR 50,000 (§ 7 Stock Corporation Act, AktG), the capital stock of an SE must be EUR 120,000 (Clause 4 Section 2 SE-VO). The capital stock in an AG and an SE is divided into shares. In the case of par shares, the total of all the par values form the capital stock. In the case of no-par-value shares, each share forms a numerical share of the capital stock.

Corporate Governance Corporate Governance rules were developed with the aim of making management structures in international companies comparable. These rules for German companies were compiled in the German Corporate Governance Code. Corporate Governance in this context describes responsible management and control geared towards sustained creation of value. This includes the entire system of internal and external control and monitoring mechanisms within a company. The issues addressed under the heading Corporate Governance range from the structure of the ownership and capital relationships, the rights and obligations of the shareholders, the composition of the personnel, appointments to and effectiveness of the committees for managing and controlling the company including issues of co-determination for the employees, accounting principles and transparency, through to acquisition by corporate takeovers.

Dealing-at-arm’s-length principle Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must be subject to the test of dealing-at-arm’s-length, which would involve 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.

Declaration of Compliance Pursuant to § 161 Stock Corporation Act (AktG), the Board of Management and the Supervisory Board of German companies listed on the stock exchange must submit a Declaration of Compliance every year. The declaration is a statement by the Board of Management and Supervisory Board clarifying whether the recommendations made by the Federal Ministry of Justice in the Corporate Governance Code have been and will be complied with or which recommendations have not been or are not being applied.

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.

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

EBIT Earnings before financial result and income tax

EBT Earnings before income tax

Equity method Method of consolidation 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.

Finance lease Leasing contract in which the lessor essentially takes over the financing function. The commercial ownership is transferred to the lessee.

German Corporate Governance Code The German Corporate Governance Code is intended to make transparent the rules for corporate management and monitoring that prevail in Germany for national and international investors. The aim is to strengthen confidence in the corporate management of German companies. The text of the German Corporate Governance Code in the latest version can be accessed on the Internet under “www.surteco.com” in the menu item Corporate Governance.

Impairment test According to the regulations of the IFRS, it is necessary to recognize an impairment if the comparable value – the recoverable amount – is less than the book value (carrying amount). The recoverable amount is the higher value in a comparison of the net sale price with the utility value of the asset in question.

International Accounting Standards Board (IASB) IASB has been the abbreviation for the International Accounting Standards Board since 2001. The IASB is based in London and is organized and financed under private law. The function of the IASB is to draw up international accounting standards (IFRS - International Financial Reporting Standards). The goal of the IASB is to develop high-quality, comprehensible and feasible accounting standards in the interests of the public that result in the presentation of high-quality, transparent and comparable information in financial statements and other financial reports. The aim of this is to assist participants in the capital markets to make economic decisions and to create convergence between national standards and IAS / IFRS. The IASB is developing standards on an ongoing basis. Since 2000, the EU Commission has implemented many of these standards as binding EU law in a special endorsement procedure.

International Financial Reporting Interpretations Committee (IFRIC) The IFRIC is a committee in the International Accounting Standards Committee Foundation. The group has twelve members. 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 in the previous standards was not adequately taken into account. The IFRIC meets every six weeks and initially publishes interpretations as a draft for purposes of discussion in the public domain.

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) or the former Standing Interpretation Committee (SIC).

Prime Standard New share segment on the Frankfurt Stock Exchange (alongside the General Standard) with uniform registration obligations. Participation in the Prime Standard entails compliance with higher international requirements for transparency than required for the General Standard. Quarterly reporting, application of international accounting standards, publication of a corporate calendar, an annual analysts’ conference, publication of ad hoc press releases and ongoing reporting in English are the key obligations consequent on admission to the Prime Standard.

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

Sensitivity analysis The sensitivity analysis is a form of analysis used for complex systems and problems in which simple relationships between system variables are linked together to form a sphere of influence. The influence of input factors (individual or joint) is examined on the basis of specific parameters determining results. The analysis can be mathematical by using model equations for analysis or by the application for varied individual input factors (iteration procedure) and hence allow the comparison with the results of the standard input.

SBU Strategic Business Unit

2009-2010 FINANCIAL CALENDAR

2009	**12 May**	Three-month report January - March 2009
	19 June	Annual General Meeting Hotel The Westin Grand Munich Arabellapark
	22 June	Dividend payout
	11 August	Six-month report January – June 2009
	11 November	Nine-month report January - September 2009
2010	**30 April**	Annual Report 2009
	12 May	Three-month report January – March 2010
	24 June	Annual General Meeting Hotel Sheraton Arabellapark, Munich
	25 June	Dividend payout
	11 August	Six-month report January – June 2010
	11 November	Nine-month report January - September 2010

PUBLICATION DETAILS

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TEN YEAR OVERVIEW

BAUSCH + LINNEMANN AG	HGB 1999	HGB 2000	IFRS 2001	IFRS 2002
Sales revenues € 000s	170,519	193,375	270,551	367,642
Foreign sales %	60	64	61	60
Restructuring expenses € 000s	0	0	0	0
EBITDA € 000s	36,793	44,010	45,666	69,761
Depreciation and amortization € 000s	-9,166	-11,659	-15,207	-27,025
EBIT € 000s	27,627	32,351	30,459	42,736
Financial result € 000s	-1,959	-4,776	-4,134	-12,721
EBT € 000s	25,668	27,575	26,325	30,015
Consolidated net profit € 000s	14,243	18,120	13,091	17,616
Balance sheet total € 000s	133,271	198,400	372,235	390,510
Equity € 000s	47,411	54,438	101,863	104,046
Equity in % of balance sheet total	36	27	27	27
Average number of staff employed for the year	871	940	2,159	2,053
Number of staff employed at 31/12	883	964	2,113	2,033
Capital stock €	8,293,325	8,293,325	10,575,522	10,575,522
Number of shares	8,293,325	8,293,325	10,575,522	10,575,522
Earnings per share €	1.70	2.02	1.28	1.67
Dividend per share €	0.66	0.92	1.10	0.65
Dividend payout € 000s	5,512	7,633	11,633	6,874
PROFITABILITY INDICATORS				
Return on sales %	13.7	14.3	9.7	8.2
Return on equity %	41.1	38.9	14.5	18.1
Total return on total equity %	19.3	16.5	9.2	11.0

SURTECO SE					
IFRS 2003	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007 *	**IFRS 2008**
355,037	380,428	396,372	403,156	414,519	**402,984**
60	61	64	64	65	**66**
0	1,329	3,871	0	0	**7,297**
63,976	70,346	65,211	71,698	74,358	**58,321**
-26,762	-25,912	-17,765	-17,612	-19,060	**-19,731**
37,214	44,434	47,446	54,086	55,298	**38,590**
-10,120	-9,686	-9,890	-8,060	-8,371	**-22,813**
27,094	34,748	37,556	46,026	46,927	**15,777**
14,847	18,205	21,987	28,761	31,837	**6,754**
356,414	362,130	370,121	373,198	516,728	**490,073**
108,710	116,609	148,967	165,678	189,506	**180,516**
31	32	40	44	37	**37**
1,941	1,998	2,132	2,059	2,121	**2,194**
1,937	2,192	2,109	2,051	2,181	**2,137**
10,575,522	10,575,522	11,075,522	11,075,522	11,075,522	**11,075,522**
10,575,522	10,575,522	11,075,522	11,075,522	11,075,522	**11,075,522**
1.40	1.72	1.97	2.60	2.87	**0.61**
0.70	0.80	0.80	1.00	1.10	**0.35**
7,403	8,860	8,860	11,076	12,183	**3,876**
7.6	9.1	9.4	11.4	11.3	**3.9**
14.7	17.0	15.6	18.4	15.8	**3.8**
10.5	12.3	12.8	14.7	11.1	**6.0**

* Adjusted on the basis of IAS 8 and IFRS 3 (see Notes to the Consolidated Financial Statements Section IX. Adjustments to the consolidated financial statements).

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