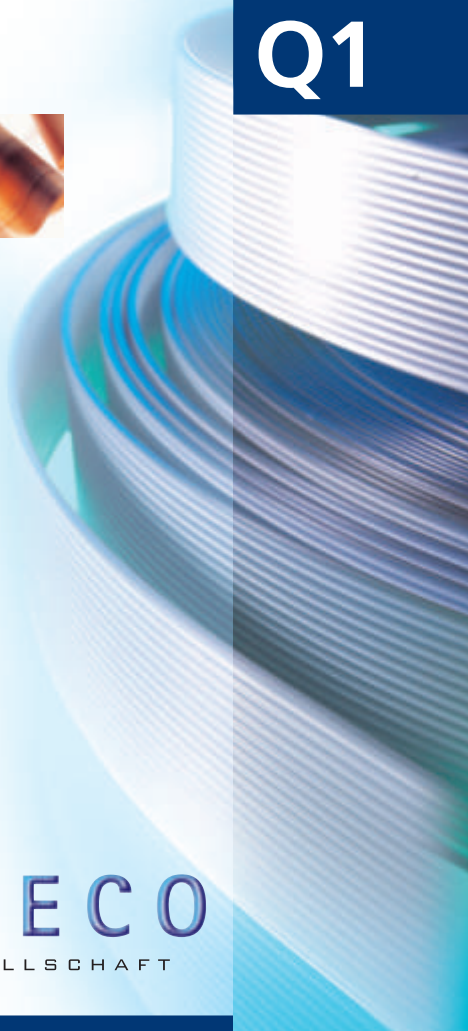


# REPORT FOR THE FIRST QUARTER

2006

SPECIALISTS  
FOR SURFACE  
TECHNOLOGIES

Q1



# SURTECO

AKTIENGESELLSCHAFT

1 January to 31 March

## » OVERVIEW

### SURTECO GROUP

Q1

| € 000s                              | Q1/2005           | Q1/2006           | Variation<br>in % |
|-------------------------------------|-------------------|-------------------|-------------------|
|                                     | 1/1/<br>31/3/2005 | 1/1/<br>31/3/2006 |                   |
| Sales revenues                      | 101,680           | <b>106,214</b>    | +4                |
| of which                            |                   |                   |                   |
| - Germany                           | 39,307            | <b>39,428</b>     | -                 |
| - Foreign                           | 62,373            | <b>66,786</b>     | +7                |
| EBITDA                              | 18,723            | <b>19,498</b>     | +4                |
| EBIT                                | 14,238            | <b>15,021</b>     | +5                |
| EBT                                 | 12,059            | <b>13,078</b>     | +8                |
| Net income                          | 7,448             | <b>8,188</b>      | +10               |
| Minority interest                   | -71               | <b>-65</b>        |                   |
| Consolidated net income             | 7,377             | <b>8,123</b>      | +10               |
| Net income per share in €           | 0.67              | <b>0.73</b>       | +9                |
| Cash flow from operating activities | 10,522            | <b>13,253</b>     | +26               |
| EBIT margin                         | 14.0              | <b>14.1</b>       | +1                |
| Net financial liabilities           | 147,444           | <b>129,995</b>    | -12               |
| Gearing (debt ratio)                | 105               | <b>83</b>         | -21               |
| Capital ratio at 31 March in %      | 37.4              | <b>41.5</b>       | +11               |
| Number of employees at 31 March     | 2,134             | <b>2,057</b>      | -4                |

## » DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

This report on the first quarter of 2006 follows on from the development of performance during 2005. The German sales market continues to stagnate, and the SURTECO Group is meanwhile generating growth exclusively in foreign markets. For example, sales in European countries outside Germany rose by a total of 9 % compared with the equivalent period in 2005. In Australia, the Group attained growth of 37 %, albeit at a lower level. In Germany, business stabilized at the level of the first quarter in 2005 after the setbacks of recent years.

SURTECO AG is currently operating in a changing marketplace and increasingly complex competitive environment. This means that the Group is having to adjust to more intensive and tougher global competition. This involves, not least, conclusion of the company-based collective agreement that came into force on 1 January 2006 and will lead to a saving of 15 percent in personnel costs per year for Germany by 2007.

During the first quarter of 2006, SURTECO AG succeeded in posting growth in revenues and all income indicators.

## » SALES AND MARKETS

Sales up in foreign business

Sales at the SURTECO Group increased by 4 % during the reporting period and reached € 106.2 million (1st quarter 2005: € 101.7 million). Foreign sales recorded an increase of 7 % or € 4.4 million to € 66.8 million so that the proportion of foreign sales to total sales climbed to 63 % (1st quarter of 2005: 61 %). Business in Germany remained at the year-earlier level with € 39.4.

### Strategic Business Unit Plastics

After the companies in the SBU Plastics succeeded in posting high growth in fiscal year 2005 (+12 %), also favoured by the first-time full consolidation of the Canadian Canplast Group, the first quarter of 2006 again posted a positive development. Segment sales rose by 10 % to € 60.4 million. While the business volume in Germany remained unchanged at € 22.4 million, foreign business went up disproportionately by 17 % to € 38.0 million. The main sales drivers are plastic edging tapes, which now represent 63 % in Group sales of the SBU Plastics after a further rise of 14 % to € 38.3 million. This innovative top-quality product allows the SBU Plastics to market a broadly-based and practical range of different qualities, strengths, optical variations and surface designs. Excellent sales successes have been achieved in Europe, particularly in Italy, Spain and Poland. Setbacks in the American market, which is served by the two companies Woodtape and Canplast on the basis of local production, result exclusively from the sale of the veneer business in April 2005. Otherwise, growth of 3 % would have

been posted in this sector. The other extruded plastic products comprising skirtings, roller-shutter systems and technical extrusions contributed 7 % to total earnings with a total of € 10.3 million.

#### Strategic Business Unit Paper

The SBU Paper achieved sales of € 45.8 million during the year under review. It therefore fell short of the year-earlier value by 2 %. The German market grew by 1 % to € 17.0 million. While it's true that the sector environment relaxed slightly during the first quarter of 2006, this only affects the kitchen and office furniture industry. The sectors living-room and bedroom furniture, and self-assembly and occasional furniture continued to remain weak. Interior design (doors, panels, shop construction) also had to contend with capacity problems owing to the unusually long winter. Foreign markets fell back by 3 % with sales revenues amounting to € 8.8 million. Decorative printers are increasingly raising their profile as competitors in the European market by expanding their product portfolio with the production of pre-impregnated flat foils, and they are seeking to gain market shares with an aggressive price policy.

Business in decorative printing (Bausch Decor GmbH) underwent gratifying development, expanding business with external customers by 27 % to € 4.9 million (the majority of the printing products is delivered to BauschLinnemann GmbH for further processing).

#### » EXPENSES

Proportion of personnel costs to total output is noticeably lower

The proportion of the cost of materials in relation to sales at the SURTECO Group was 43.5 % (1st quarter 2005: 42.6 %) in the first three months of 2006. The cost of materials amounted to € 47.1 million compared to € 43.5 million in the equivalent year-earlier months.

While prices of raw papers for edgings and pre-impregnated materials remained constant, an increase in purchase costs could not be avoided for flat raw papers that are smooth on one side for foil manufacture. Prices for chemicals, decorative prints and printing inks continued more or less unchanged. There were no supply problems in procuring all the quantities required. The prices for raw materials at SBU Plastics underwent partial increases again. The position continued to remain tense in the energy sector.

Personnel costs during the first quarter of the reporting year amounted to € 25.1 million, remaining at the year-earlier level in absolute terms. However, the significantly higher total output meant that the proportion of personnel costs to total output fell noticeably from 24.5 % to 23.1 %. The initial effects of the company-based collective agreement in place since January 2006 are becoming evident in this area. This pay agreement extends the weekly working time without wage compensation and is significantly more flexible. The number of employees at the end of the quarter was 77 employees less than the equivalent period in 2005 at 2,057. This corresponds to a reduction in the workforce of 4 %. Other operating expenses exceeded the figure for the equivalent year-earlier quarter by nearly € 2 million at € 17.3 million.

## » EARNINGS

Positive profits performance

With € 19.5 million, the SURTECO Group achieved a 4 % increase in the operating result (EBITDA) during the first quarter of 2006. With reference to sales, the EBITDA margin amounted to 18.4 %, as in the 1st quarter of 2005 (fiscal year 2005: 17.4 %). Earnings before the interest (financial result) and tax (EBIT) were € 15.0 million, exceeding the equivalent quarter for the previous year by 5 %. The EBIT margin at 14.1 % was slightly above the equivalent year-earlier level, but significantly above the margin of 12.9 % for the fiscal year 2005.

Earnings before tax went up by 8 % to € 13.1 million. The return on sales amounting to 12.3 % exceeded the year-earlier value by 0.5 percentage points. The calculations in the period under review were based on a tax rate of 37.4 % (1st quarter 2005: 38.2 %).

Earnings for the period amounted to € 8.2 (+10 %) million, Group earnings for the period were € 8.1 million (+10 %). Earnings per share amounted to € 0.73 on the basis of the number of shares issued of 11,075,522 (1st quarter 2005: € 0.67).

## » NET ASSETS AND FINANCIAL POSITION

Net financial liabilities significantly reduced

Scheduled investments were carried out during the first quarter of 2006, focusing on improving and optimizing production. Additions of € 5.1 million compared with write-downs of € 4.5 million.

On the basis of a slightly improved business performance, working capital increased by 5 % to € 66.1 million compared with the annual financial statements for 2005. However, this amounted to a reduction of 7 % by comparison with the previous year (€ 71.1 million).

Net financial liabilities were reduced by a further 3 % in the first quarter to € 130 million. Compared with the equivalent year-earlier value, the figure declined by 12 % (31/3/2005: € 147.4 million).

At 31/3/2006, the equity ratio was 41.5 % (31/12/2005: 40.2 %). However, the ratio would have been 39.1 % taking the proposed dividend payment of € 0.80 per share into account.

### Calculation of Free Cash flow

| € 000s   | 1/1/ - 31/3/2006 |
|--|------------------|
| Cash inflow from operating activity  | 13,253           |
| Tax payments   | -2,890           |
| Investments in property,<br>plant and equipment<br>(without financial investments) | -4,265           |
| <b>Free Cash flow</b>  | <b>6,098</b>     |

## » RESEARCH AND DEVELOPMENT

### New profile geometry for roller-shutter systems

Modern furniture design is increasingly using roller shutters instead of conventional double doors, because they save space inside cupboards. The SBU Plastics offers a complete system with the new FF roller shutter where each individual roller-shutter bar is laminated with highly resistant flat foil. A large selection of foil designs is already available. Development engineers have achieved another quantum leap in the visual and functional quality of the roller shutter under the designation DUO 20/12. The new design of the profile geometry means that there is almost no visible joint between the individual bars of a roller shutter and hence also the foil design. Combined with an increase in the width of the bars to 20 mm, this ensures a homogeneous visual appeal for the roller shutter.

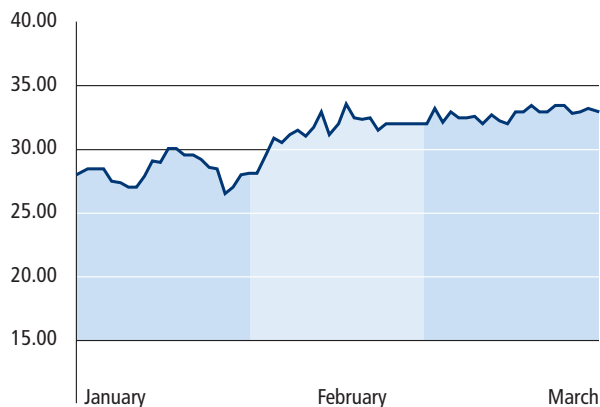
In the segment of high-quality finishes, the SBU Paper has opened up the possibility of developing and producing customer-specific, high-quality textures with the production of a dedicated structural facilitator. An in-house production technology has been developed for the purpose, and this allows special papers to be processed with tailored paint and embossing techniques. In-house manufacture harnesses a substantial cost-saving potential and also exerts a positive influence on the quality of the end products. The products refined in this way are being marketed under the brand name Tecotop. Tecotop is used as edge-bandings or flat foils in areas subject to heavy-duty requirements for moisture resistance or impact

strength. The SBU Paper has supplemented its Tecotop range with a more flexible version. The new surface is easier to mould and opens up additional areas of new applications in industrial furniture production.

## » SURTECO SHARES

**January - March 2006**

|                               |            |
|-------------------------------|------------|
| Number of shares              | 11,075,522 |
| Free float in %               | 14.5       |
| <hr/>                         |            |
| Price on 2/1/2006 in €        | 28.00      |
| Price on 31/3/2006 in €       | 33.00      |
| <hr/>                         |            |
| Share price performance       |            |
| 1st quarter 2006 in %         | +18        |
| <hr/>                         |            |
| High in €                     | 33.50      |
| Low in €                      | 26.50      |
| <hr/>                         |            |
| Market capitalization         |            |
| as at 31/3/2006 in € millions | 365.5      |

**Share price performance of the SURTECO share  
January - March 2006 in €**

## » OUTLOOK FOR FISCAL YEAR 2006

The overwhelming majority of customers supplied by SURTECO AG is in the furniture industry and related areas, such as interior design and renovation. We are not expecting a tangible economic upswing for this group of customers. We do not share the view that there will be a mini-boom in advance of the increase in value added tax from 1 January 2007. We regard overall development in foreign markets as positive, even if growth will ease in individual markets.

Adjusted by exchange-rate changes, we maintain our previous forecast of a slight increase in growth with above-average earnings performance.

» CONSOLIDATED  
INCOME STATEMENT  
SURTECO GROUP

| € 000s                                     | Q1/2005<br>1/1/<br>31/3/2005 | Q1/2006<br>1/1/<br>31/3/2006 |
|--|------------------------------|------------------------------|
| <b>Sales revenues</b>                      | <b>101,680</b>               | <b>106,214</b>               |
| Changes in inventories                     | 308                          | 1,965                        |
| Production of own fixed assets capitalized | 87                           | 101                          |
| <b>Total output</b>                        | <b>102,075</b>               | <b>108,280</b>               |
| Cost of purchased materials                | -43,515                      | -47,074                      |
| Personnel expenses                         | -24,972                      | -25,064                      |
| Other operating expenses                   | -15,378                      | -17,333                      |
| Other operating income                     | 513                          | 689                          |
| <b>EBITDA</b>                              | <b>18,723</b>                | <b>19,498</b>                |
| Depreciation and amortization              | -4,485                       | -4,477                       |
| <b>EBIT</b>                                | <b>14,238</b>                | <b>15,021</b>                |
| Financial result                           | -2,179                       | -1,943                       |
| <b>EBT</b>                                 | <b>12,059</b>                | <b>13,078</b>                |
| Income tax                                 | -4,611                       | -4,890                       |
| <b>Net income</b>                          | <b>7,448</b>                 | <b>8,188</b>                 |
| Minority Interest                          | -71                          | -65                          |
| <b>Consolidated net income</b>             | <b>7,377</b>                 | <b>8,123</b>                 |
| Net income per share in €                  | 0.67                         | 0.73                         |
| Number of shares issued                    | <b>11,075,522</b>            | <b>11,075,522</b>            |



## » CONSOLIDATED BALANCE SHEET SURTECO GROUP

| € 000s                            | 31/12/2005     | 31/3/2006      |
|-----------------------------------|----------------|----------------|
| <b>ASSETS</b>                     |                |                |
| Cash and cash equivalents         | 2,209          | 3,746          |
| Trade accounts receivable         | 33,839         | 37,403         |
| Inventories                       | 53,868         | 57,455         |
| Other current assets              | 11,164         | 11,731         |
| <b>Current assets</b>             | <b>101,080</b> | <b>110,335</b> |
| Plant property and equipment, net | 156,048        | 155,377        |
| Intangible assets                 | 4,691          | 4,619          |
| Goodwill                          | 98,027         | 97,884         |
| Investments                       | 1,917          | 167            |
| Interests in associated companies | 0              | 1,822          |
| Other non-current assets          | 1,420          | 1,494          |
| <b>Non-current assets</b>         | <b>262,103</b> | <b>261,363</b> |
| <b>Deferred tax asset</b>         | <b>6,938</b>   | <b>6,817</b>   |
|                                   | <b>370,121</b> | <b>378,515</b> |

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» CONSOLIDATED  
BALANCE SHEET  
SURTECO GROUP

| € 000s   | 31/12/2005     | 31/3/2006      |
|--|----------------|----------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |                |                |
| Current financial liabilities                      | 34,256         | 41,157         |
| Trade accounts payable                             | 20,736         | 24,919         |
| Tax liabilities                                    | 12,543         | 11,994         |
| Short-term accrued expenses                        | 4,273          | 3,854          |
| Other current liabilities                          | 16,675         | 18,215         |
| <b>Total short-term liabilities and provisions</b> | <b>88,483</b>  | <b>100,139</b> |
| Non-current financial liabilities                  | 102,570        | 92,584         |
| Pensions and similar obligations                   | 13,085         | 13,154         |
| Other non-current liabilities                      | 353            | 388            |
| <b>Non-current liabilities</b>                     | <b>116,008</b> | <b>106,126</b> |
| <b>Deferred tax liability</b>                      | <b>16,663</b>  | <b>15,231</b>  |
| Capital stock                                      | 11,076         | 11,076         |
| Reserves   | 115,364        | 115,227        |
| Net profit   | 21,831         | 29,955         |
| <b>Capital attributable to shareholders</b>        | <b>148,271</b> | <b>156,258</b> |
| Minority interest                                  | 696            | 761            |
| <b>Equity capital</b>                              | <b>148,967</b> | <b>157,019</b> |
|  | <b>370,121</b> | <b>378,515</b> |

» CONSOLIDATED  
CASH FLOW STATEMENT  
SURTECO GROUP

| € 000s   | Q1/2005           | Q1/2006           |
|--|-------------------|-------------------|
|  | 1/1-<br>31/3/2005 | 1/1-<br>31/3/2006 |
| <b>Earnings before Interest and Income Tax</b>     | <b>12,059</b>     | <b>13,078</b>     |
| Adjustments  | 4,613             | 1,863             |
| <b>Internal financing</b>                          | <b>16,672</b>     | <b>14,941</b>     |
| Change in net current assets                       | -10,761           | -4,578            |
| <b>Cash flows from current business operations</b> | <b>5,911</b>      | <b>10,363</b>     |
| Cash flows from investing activities               | -5,700            | -4,265            |
| Cash flows from financing activities               | 487               | -4,561            |
| <b>Change in cash and cash equivalents</b>         | <b>698</b>        | <b>1,537</b>      |
| Cash and cash equivalents                          |                   |                   |
| 1 January  | 4,480             | 2,209             |
| <b>31 March</b>                                    | <b>5,178</b>      | <b>3,746</b>      |

## » SCHEDULE OF EQUITY CAPITAL SURTECO GROUP

| € 000s                  | Capital stock | Capital reserves | Other comprehensive income | Revenue reserves | Consolidated net retained profits | Minority interest | Total          |
|-------------------------|---------------|------------------|----------------------------|------------------|-----------------------------------|-------------------|----------------|
| <b>31 December 2004</b> | <b>10,576</b> | <b>35,860</b>    | <b>0</b>                   | <b>50,637</b>    | <b>18,205</b>                     | <b>1,331</b>      | <b>116,609</b> |
| Consolidated net income | 0             | 0                | 0                          |                  | 7,377                             | 71                | 7,448          |
| Capital increase        | 500           | 14,596           | 0                          | 0                | 0                                 | 0                 | 15,096         |
| Other changes           | 0             | 0                | 0                          | 2,048            | 0                                 | -592              | 1,456          |
| <b>31 March 2005</b>    | <b>11,076</b> | <b>50,456</b>    | <b>0</b>                   | <b>52,685</b>    | <b>25,582</b>                     | <b>810</b>        | <b>140,609</b> |
| <b>31 December 2005</b> | <b>11,076</b> | <b>50,416</b>    | <b>-404</b>                | <b>65,352</b>    | <b>21,831</b>                     | <b>696</b>        | <b>148,967</b> |
| Consolidated net income | 0             | 0                | 0                          | 0                | 8,124                             | 65                | 8,189          |
| Other changes           | 0             | 0                | 0                          | -137             | 0                                 | 0                 | -137           |
| <b>31 March 2006</b>    | <b>11,076</b> | <b>50,416</b>    | <b>-404</b>                | <b>65,215</b>    | <b>29,955</b>                     | <b>761</b>        | <b>157,019</b> |

## » SEGMENT REPORTING

### SURTECO GROUP

Q1

#### SALES REVENUES AND FINANCIAL RESULTS BY STRATEGIC BUSINESS UNITS

| € 000s               | Segment revenues  |                   | Operating Segment earnings before interest (financial result) and taxes |                   |
|----------------------|-------------------|-------------------|---|-------------------|
|                      | 1/1-<br>31/3/2005 | 1/1-<br>31/3/2006 | 1/1-<br>31/3/2005   | 1/1-<br>31/3/2006 |
| SBU Paper            | 46,798            | <b>46,347</b>     | 6,484   | <b>6,617</b>      |
| SBU Plastics         | 56,238            | <b>61,801</b>     | 8,678   | <b>9,919</b>      |
| SURTECO AG           | 0                 | <b>0</b>          | -812  | <b>-1,545</b>     |
| Consolidation        | -1,356            | <b>-1,934</b>     | -112  | <b>30</b>         |
| <b>SURTECO Group</b> | <b>101,680</b>    | <b>106,214</b>    | <b>14,238</b>   | <b>15,021</b>     |

#### SALES REVENUES BY REGIONAL MARKETS

| € 000s                     | SURTECO GROUP     |                   |
|----------------------------|-------------------|-------------------|
|                            | 1/1-<br>31/3/2005 | 1/1-<br>31/3/2006 |
| Germany                    | 39,377            | <b>39,489</b>     |
| Europe (without Germany)   | 38,073            | <b>41,547</b>     |
| America                    | 18,460            | <b>18,571</b>     |
| Asia, Australia, Others    | 7,126             | <b>8,541</b>      |
|                            | <b>103,036</b>    | <b>108,148</b>    |
| Consolidation              | -1,356            | <b>-1,934</b>     |
| <b>Total SURTECO Group</b> | <b>101,680</b>    | <b>106,214</b>    |

# » SEGMENT REPORTING

## SURTECO GROUP

Q1

## SALES REVENUES BY REGIONAL MARKETS

|                           | SBU Plastics      |                   |
|---------------------------|-------------------|-------------------|
| € 000s                    | 1/1-<br>31/3/2005 | 1/1-<br>31/3/2006 |
| Germany                   | 22,503            | 22,443            |
| Europe (without Germany)  | 15,419            | 19,320            |
| America                   | 13,844            | 13,424            |
| Asia, Australia, Others   | 4,472             | 6,614             |
|                           | <b>56,238</b>     | <b>61,801</b>     |
| Consolidation             | -1,158            | -1,341            |
| <b>Total SBU Plastics</b> | <b>55,080</b>     | <b>60,460</b>     |

|                          | SBU Paper         |                   |
|--------------------------|-------------------|-------------------|
| € 000s                   | 1/1-<br>31/3/2005 | 1/1-<br>31/3/2006 |
| Germany                  | 16,874            | 17,046            |
| Europe (without Germany) | 22,654            | 22,227            |
| America                  | 4,616             | 5,147             |
| Asia, Australia, Others  | 2,654             | 1,927             |
|                          | <b>46,798</b>     | <b>46,347</b>     |
| Consolidation            | -198              | -593              |
| <b>Total SBU Paper</b>   | <b>46,600</b>     | <b>45,754</b>     |

This unaudited report of the SURTECO Group for the first three months of 2006 is in accordance with the international Accounting Standard 34. The same accounting and valuation principles are applied as in the preparation of the consolidated financial statements for the year 2005. Changes resulting from the IFRS accounting standards, which had to be applied from 1 January 2006, were applied when the interim report was drawn up.

The interim report includes statements about the future. These statements are based on the assessments of the management of SURTECO, on assumptions made by SURTECO and on information that is currently available to SURTECO. The statements made about the future are only valid at the point in time when they are made. SURTECO does not intend to – and assumes no obligation – to update any forward-looking statements contained herein or to adapt such information to future results or developments.

## FINANCIAL CALENDAR

- » **22 June 2006**  
Annual General Meeting Gasteig, Carl-Orff-Saal, Munich
- » **23 June 2006**  
Dividend payout
- » **31 August 2006**  
Six-month report January - June 2006
- » **30 November 2006**  
Nine-month report January - September 2006

### Calculation of indicators:

**EBIT margin in %**  
EBIT/sales revenues

**EBITDA margin in %**  
EBITDA/sales revenues

**Earnings per share in €**  
Consolidated net income/number of shares

**Gearing (debt level) in %**  
(Current and non-current financial liabilities  
. / . liquid assets)/equity capital

**Cost of materials ratio in %**  
Cost of materials/total output

**Net financial debt in €**  
Liquid assets . / . (current financial liabilities +  
non-current financial liabilities)

**Personnel expense ratio in %**  
Personnel expense ratio/total output

**Return on sales in %**  
(Consolidated net income + income tax)/sales revenues

**Working Capital in €**  
(Trade receivables + Inventories) . / . (Trade liabilities +  
short-term accrued reserves)

ISIN: DE0005176903

TICKER SYMBOL: SUR

# Q1



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