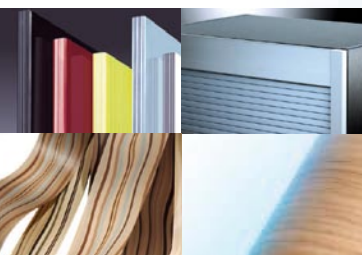


REPORT FOR THE FIRST QUARTER

2007

SPECIALISTS
FOR
SURFACE
TECHNOLOGIES

Q1



SURTECO
AKTIENGESELLSCHAFT

1 January to 31 March

» OVERVIEW

SURTECO GROUP

€ 000s	Q1		Deviation in %
	1/1- 31/3/2006	1/1- 31/3/2007	
Sales revenues	106,214	107,632	+1
of which			
- Germany	39,428	41,642	+6
- Foreign	66,786	65,990	-1
EBITDA	19,498	20,918	+7
EBIT	15,021	16,315	+9
EBT	13,078	14,398	+10
Consolidated net income	8,123	8,972	+10
Net income per share (€)	0.73	0.81	+11
Cash earnings	11,541	13,635	+18
EBIT margin in %	14.1	15.2	+8
Net financial liabilities at 31 March	129,995	122,484	-6
Gearing (debt ratio) at 31 March in %	83	70	-17
Equity capital in % of balance sheet total at 31 March	41.5	45.3	+9
Number of employees at 31 March	2,057	2,048	-

4 » DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

GROWTH IN THE GLOBAL ECONOMY CONTINUES

According to the assessment of the International Monetary Fund (IMF), the global economy will continue to develop positively over the course of 2007. The IMF expects an increase of 4.9 % in international output over the entire year. The most dynamic growth continues to be anticipated in the emerging countries of Asia. The leaders are China with an increase of 10.0 % and India with an increase of 7.3 %. By contrast, a significant slowdown is forecast for the economy in the USA. Here, growth is likely to slow down to 2.2 %. The OECD (Organization for Economic Development) is predicting a continuation in the upward trend for the euro-zone with growth of 2.2 %. This will be primarily driven by the good performance in Germany. The spring forecasts published by leading economic research institutes in Germany for 2007 are predicting growth potential of 2.4 %. The IMF also anticipates that the Japanese economy is likely to grow by a similar rate (plus 2.3 %). Countries in Central and Eastern Europe are continuing to deliver dynamic performance with an advance of 5.0 %. Russia is likely to continue the favourable trend of previous years with growth of 6.5 %.

CONTINUATION OF THE MODEST POSITIVE TREND IN THE FURNISHING INDUSTRY

The good economic performance and the modest associated upswing in private consumption are likely to exert a positive impact on the furnishing industry during 2007. This sector is a key factor for the operating business of SURTECO AG. The Federation of the German Furnishing Industry (VDM) is anticipating growth rates in the region of at least two percent. The main engine for this growth is again likely to be export business. By contrast, no significant stimuli are anticipated from domestic demand. Following the rapid advance of sales figures for the previous year, the Federation of the German Kitchen Furniture Industry is only predicting moderate growth for this sector during 2007.

OPTIMIZATION OF GROUP STRUCTURE

The first quarter of 2007 continued to post gratifying development at SURTECO AG. The Group achieved a disproportionate increase in earnings for virtually the same level of sales. The management took appropriate measures to optimize efficiency and costs within the Group structure in order to drive forward the positive development at the SURTECO Group. During the first quarter of 2007, the Group decided to take over French trading company SDCA S.A.S. in Angers. The company will be integrated within the Strategic Business Unit (SBU) Plastics under the company name Döllken France S.A.S. The company finishes and markets products for the furniture industry, in particular plastic and melamine edging tapes. In addition, the remaining shares (25 %) in Arbe s.r.l., Martellago, Italy, were also acquired in January 2007. This finishing and marketing location will be operated as a joint-venture company of

SURTECO subsidiaries BauschLinnemann GmbH and Döllken-Kunststoffverarbeitung GmbH.

On 31 May, SURTECO AG will take over the line in skirtings and edging systems from the Gardinia Home Decor Group. Within the SURTECO Group, the acquired line of business will form part of Döllken-Weimar GmbH in Nohra, Thuringia. The company will also take on the 27 employees currently working in this Gardinia line. Sales of Gardinia skirting and edging systems in the German-speaking region will continue to be operated by the former Gardinia sales team under the management of Döllken-Weimar. In Eastern Europe, the Gardinia regional offices in the relevant countries will continue to be the responsible sales partners.

» SALES AND MARKETS

GROUP SALES SLIGHTLY UP ON EQUIVALENT YEAR-EARLIER QUARTER

The fiscal year 2006 had posted a slight increase in sales (1.7 %). With growth of 1.3 % to € 107.6 million (2006: € 106.2 million), the trend continued during the first quarter of this fiscal year. Although the increases in 2006 were uniformly distributed over the German market and foreign sales areas, the first three months of 2007 saw the SURTECO Group bucking the generally observed trend in the furniture industry with stronger domestic growth and a slight easing in export markets. In Germany, the SURTECO Group generated € 41.6 million (+6 %; 2006: € 39.4 million). Consolidated foreign sales fell back by 1 % to € 66.0 million (2006: € 66.8 million).

STRATEGIC BUSINESS UNIT PLASTICS

The Strategic Business Unit (SBU) Plastics expanded its sales volume after three months in the fiscal year 2007 to € 61.8 million (2006: € 60.4 million). Compared with the equivalent period in 2006, this corresponds to an increase in excess of 2 %. Growth nudging seven percent in Germany is based on the gratifying sales successes in virtually all product groups. DIY store products are mainly supplied to German DIY stores and this line of business was strategically rationalized to eliminate articles generating low margins. Domestic sales of the SBU Plastics amounted to € 23.9 million (2006: € 22.4 million) during the first quarter of 2007. Foreign business remained virtually at the level for the previous year with € 37.9 million (2006: € 38.0 million). The North American market presented difficulties because SURTECO AG is confronted with a significantly weakened economy in its core markets. By contrast, the SBU Plastics was mainly able to grow in European countries outside Germany and in Asia.

STRATEGIC BUSINESS UNIT PAPER

As already reported in the fiscal year 2006, sales at the SBU Paper continued to stagnate. At € 45.8 million, they were at virtually the same level as the previous year. While Bausch Decor GmbH increased foreign sales by € 1.1 million or 23 % with its printing products and the segment of paper-based edgebandings registered an increase of 2 %, the price-sensitive area of flat foils was forced to concede ground. Overall, this product group lagged behind the equivalent year-earlier figures by € 1.5 million or 6 %.

Growth in line with the fiscal year 2006 continued to be generated in Germany. Sales went up by € 0.7 million or 4 % to € 17.7 million. Foreign sales fell back slightly by 2 %. The difficult American economy was also reflected in the SBU Paper. The decline in overseas sales could not be fully compensated by other foreign sales markets which were partly stagnating or only experiencing slight growth.

» EXPENSES

FALL IN EXPENSES FOR PERSONNEL AND MATERIALS

The prices for raw materials are currently undergoing uneven development. Overall, a slight fall in expenses occurred during the first quarter of 2007. The situation in the raw materials market for plastic products was stable at the beginning of the year. Raw papers for technical applications also remained overwhelmingly constant. Slight discounts were even achieved in individual segments. However, price concessions had to be made for urea and melamine impregnating resins for the SBU Paper on account of record price levels for these basic raw materials. When the agreements on electricity price expired at the end of 2006, prices went up considerably during the year under review. The cost of purchased materials for the SURTECO Group amounted to € 46.4 million (2006: € 47.1 million). The proportion of cost of materials in relation to sales fell noticeably by 0.8 percentage points to 42.7 %.

Personnel expenses amounted to € 24.6 million. This meant they remained 2 % below the equivalent year-earlier value (€ 25.1 million). The proportion of personnel costs to total output was 22.7 % (2006: 23.1 %). The number of employees

at 2,048 was slightly less than the figure for the first quarter of 2006. However, there were shifts within the Strategic Business Units. The SBU Paper reduced its workforce by 21 people, whereas the SBU Plastics increased the headcount by 13 employees exclusively due to the employees taken on from SDCA by Döllken France S.A.S.

Other operating expenses remained equivalent to the level of the previous year at € 17.2 million.

» EARNINGS

DISPROPORTIONATE INCREASES

During the first three months of the year under review, the SURTECO Group generated a disproportionate increase in earnings to continue the trend during the fiscal year 2006.

EBITDA reached € 20.9 million (2006: € 19.5 million). Hence, the EBITDA margin went up from 18.4 % to 19.4 %.

EBIT rose by 9 % to € 16.3 million (2006: € 15.0 million). The EBIT margin improved correspondingly by 1.1 percentage points to 15.2 %.

Earnings before tax (EBT) at € 14.4 million exceeded the corresponding value for the previous year by € 1.3 million or 10 %.

Consolidated net income also rose by 10 %. At € 9.0 million it was € 0.9 million higher than during the first quarter of 2006.

The return on sales improved by 9 % to 13.4 %. Earnings per share (based on: 11,075,522 shares issued) went up to € 0.81 (2006: € 0.73).

» NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

GEARING RATIO REDUCED FURTHER

The balance sheet total increased by 3 % to € 384.8 million during the first quarter. The good trend in the first quarter and strategic increases in inventories for raw materials to exploit price advantages brought about an increase in working capital of 6 % to € 68.8 million. Property, plant and equipment rose because the investment ratio (€ 6.3 million) advanced above the depreciation rate (€ 4.5 million), in particular due to the expansion of printing capacities. The acquisition of the remaining shares in Arbe s.r.l, Martellago, Italy, and French trading partner SDCA S.A.S., Angers, increased goodwill – subject to a Purchase Price Allocation to be introduced pursuant to IFRS 3 – by 3% to € 100.5 million. In this connection, reporting of minority shareholdings is also eliminated. Net financial liabilities were reduced by 4.1 % to € 122.5 million compared with the year-end figure despite taking out project finance amounting to € 9.6 million. A remarkable factor in this connection is the reduction in gearing ratio (net financial liabilities/equity capital) from 77 % at 31 December 2006 to 70 % at the end of the first quarter. The equity ratio improved accordingly from 44.4 % to 45.3 %.

CASH FLOW STATEMENT

Cash flow from operating activities improved by € 5.2 million to € 15.6 million compared with the previous year. Cash flow from investment activity amounted to € -9.4 million as a result of company acquisitions (SDCA S.A.S., residual shares in Arbe s.r.l.) and expansion investments. The planned

settlement of loans necessitates cash flow from financing activity amounting to € 3.8 million.

CALCULATION OF FREE CASH FLOW

€ 000s	1/1- 31/3/2006	1/1- 31/3/2007
Cash inflow from operating activity	13,253	18,255
Tax payments	-2,890	-2,609
Investments in property, plant and equipment (without financial instruments)	-4,265	-6,494
Free cash flow	6,098	9,152

» RESEARCH AND DEVELOPMENT

INNOVATIVE ROLLER SHUTTER AND SKIRTING SYSTEMS

The engineers at the SBU Plastics have designed “Easy Box” as a ready-to-assemble roller-shutter set for immediate vertical installation. The roller-shutter box is preassembled and can easily be inserted into the existing main unit. Another system with a high-quality visual profile was developed specially for the do-it-yourself sector. It has been specially tailored to the requirements of the private sphere. Anyone can install this system without professional knowledge or special tools. The skirtings “Multimedia Ambience” and “Mediaflex” provide innovative solutions for concealed installation of media cables in domestic and business settings. The practical guide runners also serve as assembly runners and they are able to conceal a large volume of cables behind an innovative cover strip, also with retrofitting.

In response to market demand, the SBU Paper developed a new three-dimensional furniture surface with excellent resistance. It can be applied to all the usual substrate materials. A range of different coatings is applied in several stages. These are contoured with a striking three-dimensional surface in final processing during production at the customer. The three-dimensional structure of the visual profile obtained by this process is particularly successful in enhancing the appearance of fantasy decors.

» SURTECO SHARES

Period January - March 2007

Number of shares	11,075,522
Free float in %	19.9

Price on 2/1/2007 in €	32.60
Price on 31/3/2007 in €	38.50
Share price performance for the 1st quarter of 2007 in %	+18
High in €	38.90
Low in €	32.60

Market capitalization as at 31/3/2007 in € 000s	426,408
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Share price performance of the SURTECO share January - March 2007 in €



» OUTLOOK FOR FISCAL YEAR 2007

In our view, the fiscal year 2007 will only see minor differences in sales performance compared with the previous year. Assuming that the price situation in the energy and raw-materials sectors remains stable overall and we are not subject to major fluctuations in the foreign currency markets, we expect a slight increase in sales and a further improvement in earnings.

14 » **CONSOLIDATED
INCOME STATEMENT**
SURTECO GROUP

€ 000s	Q1	
	1/1/- 31/3/2006	1/1/- 31/3/2007
Sales revenues	106,214	107,632
Changes in inventories	1,965	722
Own work capitalized	101	312
Total output	108,280	108,666
Cost of purchased materials	-47,074	-46,396
Personnel expenses	-25,064	-24,647
Other operating expenses	-17,333	-17,223
Other operating income	689	518
EBITDA	19,498	20,918
Depreciation and amortization	-4,477	-4,603
EBIT	15,021	16,315
Financial result	-1,943	-1,917
EBT	13,078	14,398
Income tax	-4,890	-5,426
Net income	8,188	8,972
- of which consolidated net income	8,123	8,972
- of which minority interests	65	0
Basic and diluted earnings per share in €	0.73	0.81
Number of shares issued	11,075,522	11,075,522

16 » **CONSOLIDATED
BALANCE SHEET**
SURTECO GROUP

€ 000s	31/12/2006	31/3/2007
ASSETS		
Cash and cash equivalents	2,233	4,619
Trade accounts receivable	29,953	35,637
Inventories	59,863	60,172
Other current assets	11,978	10,872
Current assets	104,027	111,300
Property, plant and equipment	158,623	160,131
Intangible assets	4,621	4,589
Goodwill	97,545	100,476
Investments	1,938	1,938
Other non-current assets	1,477	1,603
Non-current assets	264,204	268,737
Deferred tax asset	4,967	4,817
	373,198	384,854

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18 » **CONSOLIDATED
BALANCE SHEET**
SURTECO GROUP

€ 000s	31/12/2006	31/3/2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	51,728	48,698
Trade accounts payable	22,744	23,948
Tax liabilities	4,376	5,921
Short-term accrued expenses	1,957	3,052
Other current liabilities	18,154	19,688
Current liabilities	98,959	101,307
Long-term debt	78,284	78,405
Pensions and similar obligations	12,631	12,693
Other non-current liabilities	307	307
Non-current liabilities	91,222	91,405
Deferred tax liability	17,339	17,657
Capital stock	11,076	11,076
Reserves	125,096	125,676
Net profit	28,761	37,733
Capital attributable to shareholders	164,933	174,485
Minority interests	745	0
Equity capital	165,678	174,485
	373,198	384,854

20 » **CONSOLIDATED
CASH FLOW STATEMENT**
SURTECO GROUP

€ 000s	Q1	
	1/1- 31/3/2006	1/1- 31/3/2007
Earnings before minority interests and income tax	13,078	14,398
Transfers to cash flow from ongoing business activities	1,863	6,865
Internal financing	14,941	21,263
Change in net current assets	-4,578	-5,617
Cash flow from current business operations	10,363	15,646
Cash flow from investment activities	-4,265	-9,425
Cash flow from financing activities	-4,561	-3,835
Change in cash and cash equivalents	1,537	2,386
Cash and cash equivalents		
1 January	2,209	2,233
31 March	3,746	4,619

22 » SCHEDULE OF
EQUITY CAPITAL
SURTECO GROUP

€ 000s	Capital stock	Additional capital paid in	Other comprehensive income	Revenue reserves	Consolidated net income	Minority interests	Total
31 December 2005	11,076	50,416	-404	65,352	21,831	696	148,967
Net income	0	0	0	0	8,124	65	8,189
Other changes	0	0	0	-137	0	0	-137
31 March 2006	11,076	50,416	-404	65,215	29,955	761	157,019
31 December 2006	11,076	50,416	-386	75,066	28,761	745	165,678
Net income	0	0	0	0	8,972	0	8,972
Other changes	0	0	0	580	0	-745	-165
31 March 2007	11,076	50,416	-386	75,646	37,733	0	174,485

24 » SEGMENT REPORTING

SURTECO GROUP

SALES REVENUES AND SEGMENT EARNINGS BY STRATEGIC BUSINESS UNITS

€ 000s	Segment revenues		Operating segment earnings before financial results and taxes	
	1/1-31/3/2006	1/1-31/3/2007	1/1-31/3/2006	1/1-31/3/2007
SBU Plastics	61,801	61,910	9,919	10,782
SBU Paper	46,347	46,196	6,617	7,262
Reconciliation	-1,934	-474	-1,515	-1,729
SURTECO Group	106,214	107,632	15,021	16,315

SALES REVENUES BY REGIONAL MARKETS

€ 000s	SURTECO Group	
	1/1-31/3/2006	1/1-31/3/2007
Germany	39,489	41,720
Europe (without Germany)	41,547	43,124
America	18,571	15,275
Asia, Australia, Others	8,541	7,987
	108,148	108,106
Reconciliation	-1,934	-474
Total SURTECO Group	106,214	107,632

SALES REVENUES BY REGIONAL MARKETS

€ 000s	SBU Plastics	
	1/1- 31/3/2006	1/1- 31/3/2007
Germany	22,443	23,951
Europe (without Germany)	19,320	20,760
America	13,424	11,446
Asia, Australia, Others	6,614	5,753
	61,801	61,910
Reconciliation	-1,341	-99
Total SBU Plastics	60,460	61,811

€ 000s	SBU Paper	
	1/1- 31/3/2006	1/1- 31/3/2007
Germany	17,046	17,769
Europe (without Germany)	22,227	22,364
America	5,147	3,829
Asia, Australia, Others	1,927	2,234
	46,347	46,196
Reconciliation	-593	-375
Total SBU Paper	45,754	45,821

This unaudited report of the SURTECO Group for the first three months of 2007 has been prepared in accordance with the reporting principles of the International Accounting Standards 34. The same accounting and valuation principles are applied as in the preparation of the consolidated financial statements for the year 2006. Changes resulting from the IFRS accounting standards, which had to be applied from 1 January 2007, 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

- » **10 August 2007**
Six-month Report January - June 2007
- » **31 August 2007**
Annual General Meeting Gasteig, Munich
- » **3 September 2007**
Dividend payout
- » **9 November 2007**
Nine-month Report January - September 2007

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 %
(Short-term and long-term debt less liquid assets) / equity capital

Market capitalization
Number of shares x share price on the balance sheet date

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

Net financial liabilities in €
(Short-term debt + long-term debt) less liquid assets

Personnel expense ratio in %
Personnel expenses / total output

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

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

TICKER-SYMBOL: SUR
ISIN: DE0005176903

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Investor Relations and Press Office

Andreas Riedl

Head of Financials & Investor Relations

Phone +49 (0) 8274 9988-563

Günter Schneller

Investor Relations and Press Officer

Phone +49 (0) 8274 9988-508

Fax +49 (0) 8274 9988-515

E-Mail ir@surteco.com

Internet www.surteco.com

SURTECO

AKTIENGESELLSCHAFT

Johan-Viktor-Bausch-Straße 2
D-86647 Buttenwiesen-Pfaffenhofen
Germany