REPORT FOR THE FIRST QUARTER

2010

1 January to 31 March

Q1

SURTECO

SOCIETAS EUROPAEA

SPECIALISTS FOR SURFACE TECHNOLOGIES

OVERVIEW

€ 000s	Q1 1/1/-31/3/ 2009	Q1 1/1/-31/3/ 2010	Variation in %
Sales revenues	84,912	**90,308**	+6
of which - Germany - Foreign	 33,002 51,910	 **31,441** **58,867**	 -5 +13
EBITDA	14,126*	**15,160**	+7
EBITDA margin in %	16.6	**16.8**	
EBIT	9,100*	**10,175**	+12
EBIT margin in %	10.7	**11.3**	
EBT	552	**8,073**	
Consolidated net profit	-1,353	**5,304**	
Earnings per share in €	-0.12	**0.48**	

* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to the Consolidated Financial Statements)

	31/3/2009	31/3/2010	Variation in %
Net financial debt in € 000s	153,600	**131,970**	-14
Gearing (level of debt) in %	87	**66**	-24
Equity ratio in %	38.2	**43.3**	+13
Number of employees	2,046	**1,947**	-5

	31/12/2009	31/3/2010	Variation in %
Net financial debt in € 000s	122,826	**131,970**	+7
Gearing (level of debt) in %	64	**66**	+3
Equity ratio in %	39.8	**43.3**	+9
Number of employees	1,903	**1,947**	+2

DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

RECOVERY OF THE GLOBAL ECONOMY CONTINUES

The International Monetary Fund (IMF) is increasingly optimistic about the global economy. Low base rates, limited concerns about inflation, positive impulses generated by the economic stimulus packages and the effects of a catch-up are helping the global economy to grow by 4.2 % this year. In particular, the emerging economies are able to anticipate increasingly dynamic growth of 6.3 %. The Asian countries are undergoing above-average growth in this process. China with growth of +10.0 % and India at +8.8 % stand out in this respect as in previous years. The economies of the other BRIC countries – increasingly becoming a key factor for the global economy – Brazil (+5.5 %) and Russia (+4.0 %) are undergoing significant expansion in 2010. A positive growth trend of +2.3 % is emerging for the western industrial countries. According to the IMF, the US economy is projected to grow by 3.1 %, while the euro-zone countries will only experience 1.0 % growth overall. Germany's economic output is likely to be slightly better at +1.2 %. Japan's economy (+1.9 %) will benefit as exports gradually gather pace in Asia. The increase in prices for raw materials accompanying an upturn is likely to exert negative impacts on the industry side. Since the beginning of 2010, the oil price had already risen by some 10 % to mid-April. IMF experts expect an increase of more than one fifth for the entire year.

WOOD-BASED AND FURNITURE INDUSTRIES HOPE FOR AN END TO THE CRISIS IN 2010

Against a projection of a modest increase in general economic output, the Association of the German Furniture Industry is also relatively confident that the sector will not experience a further collapse during the course of 2010. However, the current forecast is defined by an ongoing high level of uncertainty. Experts are projecting sales for the furniture industry to develop within a band of plus or minus 3 %. This sector is extremely important for the operating development of SURTECO SE because of the product structure. A key factor is likely to be whether exports are likely to be reinvigorated alongside stabilizing domestic sales. Furthermore, it remains to be seen what effects the economic packages and the tax burdens exert on private households. The development of the unemployment figures will also play an important role. Domestic business will return to stability or improve slightly.

NO ALL-CLEAR YET FOR SURTECO

Although sales have increased slightly compared with the crisis-stricken first quarter of the previous year, there can be no talk as yet of the crisis having been overcome.
The "PREIS" package of measures to enhance efficiency was implemented in all Group operating units and focused on optimization of the product portfolio. The savings programme exerted a positive effect on earnings figures during the first three months.
This contrasts with a very significant increase in prices and scarcity of important raw materials. These negative influences already impacted negatively on earnings in the first quarter of 2010.

SALES AND MARKETS

FOREIGN BUSINESS RECOVERS

Sales for SURTECO SE in the first quarter of 2010 increased by more than 6 % compared with the year-earlier figure. At € 90.3 million, they were € 5.4 million above the figure achieved in 2009. However, developments did vary according to regions. While business with German customers continued to decline at -5 %, foreign sales rose disproportionately by +13 %. The percentage of foreign sales increased on a quarterly comparison by 4 percentage points to 65 %.

STRATEGIC BUSINESS UNIT PLASTICS

The Strategic Business Unit (SBU) Plastics maintained sales at the level for the previous year at the beginning of the year. At € 52.9 million, they only just fell short by € 0.8 million of the sales level during the first quarter of 2009. Other setbacks were posted in the German market. Volume came down by 9 % to € 18.2 million. Foreign markets had a positive profile and increased overall by 3 %. Europe (apart from Germany) continued to be dominated by the decline in consumption, while tangible growth was reported particularly in Asia and Australia – albeit at a very low level.
Plastic edgebandings continued to maintain their strong position during the first three months of the current business year. The general weakness in the sector covering DIY and home-improvement stores meant that sales levels in the auxiliary floor extrusions segment again fell short of those for the previous year. The long winter precluded a better start to the season for Vinylit, the manufacturer of environmentally friendly and energy-saving cladding systems. A significant upturn in new orders was recorded at the end of March.

STRATEGIC BUSINESS UNIT PAPER

Although the volume of business for the paper segment in Germany at € 13.2 million (+2 %) remained at the level of the first quarter in the previous year, overall growth in foreign markets by 33 % yielding € 24.2 million was distinctly above average.
An overall stable economic situation prevailed in the internal market, although business activity remained at a low level. A fundamental upswing is not yet in sight here.
The SBU Paper was very successful in the European export markets (+32 %) where it generates more than half of its sales. The recovery of business in Eastern Europe presently only relates to the Polish market. Stabilizing trends are undoubtedly evident in Western Europe. Business developed positively on the American continent (+34 %) where a significant upswing is emerging in shop construction and

among the major furniture manufacturers, as well as in Asia and Australia.
All product groups in the SBU Paper benefited from sales increases. Edgebandings increased by 16 %, fully impregnated flat foils went up by 25 %, preimpregnated papers rose by 19 % and decorative printing soared by 37 %.

EXPENSES

RAW MATERIALS INCREASE RAPIDLY

The cost of materials amounted to € 41.7 million (2009: € 35.5 million) during the year under review. The proportion of cost of materials in relation to sales rose to 43.6 % (+0.7 percentage points).
The prices for the main raw materials used by the SBU Plastics ABS, PP and PVC have been rising rapidly since the beginning of the year. ABS is the most important material for plastic edgebanding production and the scarcity of the raw material has already resulted in production coming to a stop at some points.
Virtually all intermediate products in the paper-based sector have been affected by tangible price increases. Another factor relates to the availability of specialist papers for technical applications increasingly becoming subject to volume quotas. The supply bottlenecks are a consequence of the scarcity of cellulose – mainly as a result of the earthquake in Chile during February of this year – which is the main component of paper manufacture.
The number of employees was 1,947 at the end of March 2010 and this was 5 % below the equivalent year-earlier figure. The proportion of personnel costs to total output fell back by 0.5 percentage points to 25.3 %. Expenses for employees amounted to € 24.2 million (2009: € 21.4 million).

EARNINGS

EARNINGS PER SHARE AT € 0.48

During the first quarter of 2010, the SURTECO Group achieved an operating result (EBITDA) of € 15.2 million (2009: € 14.1 million). Depreciations remained at the level of the previous year and caused an EBIT of € 10.2 million (2009: € 9.1 million). The corresponding margins improved by 0.2 percentage points to 16.8 % (EBITDA) and 0.6 percentage points to 11.3 % (EBIT).
The significant improvement in financial result from € -8.6 million to € -2.1 million was due to the impairment carried out during the first quarter of 2009 on the package of shares in Pfleiderer AG, Neumarkt, amounting to € 6.0 million which was necessary on account of the unfavourable development in the share price. After the first three months in 2009, this led to a pre-tax result (EBIT) of only € 0.6 million, while an amount of € 8.1 million was posted in the current year.
During the first quarter of 2010, consolidated net profit amounted to € 5.3 million (2009: € -1.4 million). The number of shares has remained unchanged at 11,075,522 no-par shares and this yields earnings per share of € 0.48 (2009: € -0.12).

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the reporting period, inventory stockpiles had to be built up by € 10.9 million in response to the gathering pace of business activity and to place us in a position to ensure rapid delivery capability.
The change in the position of financial assets is due to the market valuation of the package

of shares held in Pfleiderer AG, Neumarkt. This cannot be recognized under earnings because of IFRS rules.

The reduction in other non-current financial liabilities is due to the positive valuation of financial instruments in conjunction with hedging the US private placement.

Building up stocks, scheduled repayments of long-term loans and reduction of short-term debt reduced cash by € 29.2 million compared with 31 December 2009, so that the balance sheet total fell back by € 18.8 million. As a result, the level of debt (gearing ratio) increased slightly from 64 % to 66 %. The equity ratio improved from 39.8 % to 43.3 %.

The cash flow from operating activities declined significantly during the reporting period, because more cash were tied up to accommodate the upswing in business activity. Restraint continued to be exercised in making investments.

CALCULATION OF FREE CASH FLOW

€ 000s	1/1/ - 31/3/2009	**1/1/ - 31/3/2010**
Cash flow from operating activities	21,946	-1,100
Tax payments	-810	-3,053
Cash flow from current business operations	**21,136**	**-4,153**
Cash outflow from investment activities (less financial investments)	-1,913	-2,350
Free cash flow	**19,223**	**-6,503**

RESEARCH AND DEVELOPMENT

PRODUCTION READINESS FOR FUSION EDGE

The Fusion Edge developed by Döllken has achieved the stage of production readiness. This technology for coating narrow areas differs from the method of production previously used by processors. It eliminates the use of hot melt adhesive and this means that the machine does not have to be adjusted for the adhesive. The need to stockpile adhesive and unnecessary tooling costs are also eliminated. Coextrusion of an edge from two layers permits a base layer (made of PP, ABS or PMMA) with decorative design and a thin, integrated function layer. This is made up of polymers and serves as an adhesive layer for the edging. It has the same colour as the upper layer. A high-power laser is used to melt the functional layer onto the base layer and forms an invisible adhesive bond with the board. The union between edging and board provides a better joint density by comparison with conventional bonding and yields improved water and moisture resistance. Customers benefit from more production certainty and higher levels of productivity.

The theme of haptic experience remains the focus of our interest for furniture and interior design. Touching the material produces a response that stimulates the tactile sensory perception of the skin. The Research and Development department at the SBU Paper is implementing new versions of this theme and continues to expand the product range of flat foils.

The integration of fully impregnated edgebandings and foils by impress decor GmbH requires a great deal of input from the development department. This will ensure smooth conversion of previous impress customers to BauschLinnemann.

THE SURTECO SHARE

Share price performance January - March 2010 in €

January - March 2010	
Number of shares	11,075,522
Free float in %	22.6
Price on 4/1/2010 in €	19.99
Price on 31/3/2010 in €	16.66
High in €	20.20
Low in €	15.65
Market capitalization as at 31/3/2010 in € 000s	184,518

After the leap in share price of 96 % in 2009, profits were taken on the SURTECO share during the first quarter of 2010. The positive development of the SDAX of +10 % and the DAX were not therefore reflected in the SURTECO price. This recorded a reversal of some 17 % during the reporting period. By contrast, a review of a twelve-month period reveals that investors were able to achieve a very high price performance of 119 %. The market capitalization of the company was € 184.5 million on 31 March 2010. The statistics of Deutsche Börse AG reveal that the company continues to approach the relevant criteria for a listing in the SDAX despite the comparatively low free float of less than 23 %. SURTECO is currently ranked at 114 for market capitalization (relative to free float) and 121 for trading volume. SURTECO would have to move up to rank among the top 110 companies in order to achieve the medium-term aim of a listing in the SDAX.

OUTLOOK FOR THE FISCAL YEAR 2010

The result submitted in this report cannot be extrapolated to the entire year. The negative impacts anticipated as a result of the increase in the price of raw materials for plastics and on the paper side will be a cause of considerable concern in the year 2010. Another cause of concern is the fact that punctual and complete delivery of intermediate products could be put at risk as a result of the partial shortages.
The demand side sees sustained consumer restraint and manufacturers of furniture and interior fittings continue to act very cautiously. The extent to which the improvement in demand in different product areas and regions will prove robust still remains a matter of conjecture. Nevertheless, the Board of Management anticipates that consolidated sales will undergo a slight upward trend during the business year 2010 compared with the previous year (€ 341.1 million).

CONSOLIDATED INCOME STATEMENT

€ 000s	Q1 1/1/-31/3/ 2009*	Q1 1/1/-31/3/ 2010
Sales revenues	**84,912**	**90,308**
Changes in inventories	-2,209	5,144
Own work capitalized	147	143
Total	**82,850**	**95,595**
Cost of materials	-35,517	-41,703
Personnel expenses	-21,401	-24,172
Other operating expenses	-12,857	-15,290
Other operating income	1,051	730
EBITDA	**14,126**	**15,160**
Depreciation and amortization	-5,026	-4,985
EBIT	**9,100**	**10,175**
Financial result	-8,548	-2,102
EBT	**552**	**8,073**
Income tax	-1,905	-2,707
Net income	**-1,353**	**5,366**
Group share (consolidated net profit)	-1,353	5,304
Minority interests	0	62
Basic and diluted earnings per share in €	-0.12	0.48
Number of shares	11,075,522	11,075,522

* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to the Consolidated Financial Statements)

STATEMENT OF COMPREHENSIVE INCOME

€ 000s	Q1 1/1/-31/3/2009	Q1 1/1/-31/3/2010
Net income	-1,353	5,366
Currency changes	662	5,326
Market value of financial assets and cash flow hedges	-3,457	-2,326
Comprehensive income for the accounting period before taxes	-2,795	3,000
Tax effect	1,037	80
Comprehensive income for the accounting period	**-3,111**	**8,446**
Group share	-3,111	8,384
Minority interests	0	62

CONSOLIDATED BALANCE SHEET

€ 000s	31/12/2009	31/3/2010
ASSETS		
Cash and cash equivalents	84,846	55,673
Trade accounts receivable	35,022	36,327
Inventories	43,664	54,532
Current income tax assets	6,312	5,700
Other current assets	8,073	8,878
Current assets	**177,917**	**161,110**
Property, plant and equipment	167,223	166,715
Intangible assets	8,636	8,777
Goodwill	109,721	111,031
Investments in associated enterprises	1,614	1,614
Financial assets	10,074	8,017
Non-current tax assets	801	801
Other non-current assets	1,157	712
Deferred taxes	4,533	4,063
Non-current assets	**303,759**	**301,730**
	481,676	**462,840**

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CONSOLIDATED BALANCE SHEET

€ 000s	31/12/2009	31/3/2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	26,228	13,702
Trade accounts payable	26,385	22,061
Income tax liabilities	3,771	1,914
Short-term provisions	3,376	2,455
Other current liabilities	14,338	17,476
Current liabilities	**74,098**	**57,608**
Long-term financial liabilities	181,444	173,941
Pensions and similar obligations	10,443	10,783
Other non-current financial liabilities	2,802	0
Deferred taxes	21,074	20,247
Non-current liabilities	**215,763**	**204,971**
Capital stock	11,076	11,076
Capital reserves	50,416	50,416
Retained earnings	120,704	133,023
Consolidated net profit	9,239	5,304
Capital attributable to shareholders	**191,435**	**199,819**
Minority interests	380	442
Equity	**191,815**	**200,261**
	481,676	**462,840**

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Q1 1/1/-31/3/ 2009	Q1 1/1/-31/3/ 2010
Earnings before income tax and minority interests	**552**	**8,073**
Reconciliation to cash flow from current business operations	5,004	5,133
Internal financing	**5,556**	**13,206**
Change in assets and liabilities (net)	15,580	-17,359
Cash flow from current business operations	**21,136**	**-4,153**
Cash flow from investment activities	-1,914	-2,350
Cash flow from financial activities	-24,133	-23,491
Change in cash and cash equivalents	**-4,911**	**-29,994**
Cash and cash equivalents		
1 January	60,468	84,846
Effect on changes in exchange rate on cash and cash equivalents	0	821
31 March	**55,557**	**55,673**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Additional capital paid in	Retained earnings: Fair value measurement for financial instruments	Retained earnings: Other comprehensive income	Retained earnings: Currency translation adjustments	Retained earnings: Other retained earnings	Consolidated net profit	Minority interests	Total
31 December 2008	**11,076**	**50,416**	**6,431**	**650**	**-18,080**	**123,294**	**6,754**	**-25**	**180,516**
Net income	0	0	0	0	0	0	-1,353	0	-1,353
Other changes	0	0	-2,420	0	662	-213	0	0	-1,971
31 March 2009	**11,076**	**50,416**	**4,011**	**650**	**-17,418**	**123,081**	**5,401**	**-25**	**177,192**
31 December 2009	**11,076**	**50,416**	**6,975**	**201**	**-12,644**	**126,172**	**9,239**	**380**	**191,815**
Net income	0	0	0	0	0	0	5,304	62	5,366
Other changes	0	0	-2,246	0	5,326	9,239	-9,239	0	3,080
31 March 2010	**11,076**	**50,416**	**4,729**	**201**	**-7,318**	**135,411**	**5,304**	**442**	**200,261**

SEGMENT REPORTING

BY STRATEGIC BUSINESS UNITS

Sales revenues

€ 000s	SBU Plastics	SBU Paper	Recon-ciliation	SURTECO Group
1/1/-31/3/2010				
External sales	52,907	37,401	0	90,308
Internal sales	180	286	-466	0
Total sales	**53,087**	**37,687**	**-466**	**90,308**
1/1/-31/3/2009				
External sales	53,737	31,175	0	84,912
Internal sales	97	217	-314	0
Total sales	**53,834**	**31,392**	**-314**	**84,912**

Segment earnings (EBT)

€ 000s	1/1/-31/3/2009	1/1/-31/3/2010
SBU Plastics	5,158	5,789
SBU Paper	2,276	5,933
Reconciliation	-6,882	-3,649
	552	**8,073**

SEGMENT REPORTING

BY REGIONAL MARKETS

Sales revenues SURTECO Group

€ 000s	1/1/-31/3/2009	1/1/-31/3/2010
Germany	33,002	31,441
Rest of Europe	34,347	38,179
America	10,610	10,982
Asia, Australia, Others	6,953	9,706
	84,912	**90,308**

Sales revenues SBU Plastics

€ 000s	1/1/-31/3/2009	1/1/-31/3/2010
Germany	20,024	18,247
Rest of Europe	19,839	18,970
America	8,238	7,807
Asia, Australia, Others	5,636	7,883
	53,737	**52,907**

Sales revenues SBU Paper

€ 000s	1/1/-31/3/2009	1/1/-31/3/2010
Germany	12,978	13,194
Rest of Europe	14,508	19,209
America	2,372	3,175
Asia, Australia, Others	1,317	1,823
	31,175	**37,401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (ABBREVIATED)

ACCOUNTING PRINCIPLES

The consolidated financial statements of SURTECO SE for the period 31 December 2009 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS), as they were adopted by the EU. This report has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting". The same accounting and valuation principles as in the preparation of the consolidated financial statements for the business year 2009 are applied in drawing up the interim financial report for the quarter ended 31 March 2010. If the standards adopted by the IASB had to be applied from 1 January 2010, they were taken account of in this interim report if they exert effects on the SURTECO Group.

We refer readers to the consolidated financial statements of SURTECO SE for the period ending 31 December 2009 in respect of further information on the details of the accounting and valuation methods used. The group currency is denominated in euros (€). All amounts are specified in thousand euros (€ 000s).

GROUP OF CONSOLIDATED COMPANIES

The SURTECO Group interim consolidated financial statements include all domestic and foreign companies material for the net assets, financial position and results of operations in which SURTECO holds a direct or indirect majority of the voting rights.

REPORT ON IMPORTANT TRANSACTIONS WITH RELATED PARTIES

During the period under review, the company had no business transactions with affiliated persons that could have exerted a material influence on the net assets, financial position and results of operations of the company, nor did the company conclude any such transactions at standard commercial conditions.

DISCLOSURE CHANGES

In order to facilitate improved presentation of the operating performance of the SURTECO Group, the currency gains and losses on other operating income and other operating expenses (EBITDA net € 000s +490) were reclassified into the financial result (net € 000s -490) in the consolidated income statement for the first quarter 2009, as in the annual financial statements for 2009. These changes in disclosure exert no effect on the balance sheet, consolidated earnings and the earnings per share.

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT margin in %	EBIT/Sales revenues
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Balance sheet total
Gearing (debt level) in %	(Short-term + long-term debt - cash and cash equivalents)/Equity
Market capitalization in €	Number of shares x Closing price on the balance-sheet date
Net debt in €	(Short-term debt + long-term debt) - (Cash and cash equivalents)
Personnel expense ratio in %	Personnel costs/Total output

FINANCIAL CALENDAR

24 June 2010	Annual General Meeting Sheraton Munich Arabellapark Hotel
25 June 2010	Dividend payout
11 August 2010	6-month report January - June 2010
11 November 2010	9-month report January - September 2010

REPORT FOR THE FIRST QUARTER **2010**

TICKER SYMBOL: SUR
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