

REPORT FOR THE FIRST QUARTER

2011

1 January to
31 March

Q1



SURTECO

SOCIETAS EUROPAEA

SPECIALISTS
FOR SURFACE
TECHNOLOGIES

OVERVIEW

SURTECO GROUP

€ 000s

Sales revenues

of which
- Germany
- Foreign

EBITDA

EBITDA margin in %

EBIT

EBIT margin in %

EBT

Consolidated net profit

Earnings per share in €

Net financial debt in € 000s

Gearing (level of debt) in %

Equity ratio in %

Number of employees

Net financial debt in € 000s

Gearing (level of debt) in %

Equity ratio in %

Number of employees

Q1

1/1/-31/3/ 2010	1/1/-31/3/ 2011	Variation in %
90,308	107,958	+20
31,441	36,519	+16
58,867	71,439	+21
15,160	18,194	+20
16.8	16.9	
10,175	12,826	+26
11.3	11.9	
8,073	8,720	+8
5,304	5,560	+5
0.48	0.50	+5

31/3/2010	31/3/2011	Variation in %
131,970	121,715	-8
66	56	-15
43.3	45.9	+6
1,947	2,040	+5


31/12/2010	31/3/2011	Variation in %
123,163	121,715	-1
58	56	-3
44.3	45.9	+4
2,003	2,040	+2

1 JANUARY - 31 MARCH 2011

DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

THE GLOBAL ECONOMY CAN LOOK FORWARD TO SOUND GROWTH IN 2011

Experts are portraying an increasingly positive picture for the development of the global economy in 2011, even though development at two speeds is expected once again. The forecast by the International Monetary Fund (IMF) in April 2011 anticipates global growth of 4.4 %. A dynamic increase of 6.5 % is anticipated for the emerging economies, while the industrial nations are only expected to expand by a modest 2.4 %. The Japanese economy is likely to suffer significantly from the catastrophic earthquake of 11 March 2011 and its consequences. Accordingly, the IMF has reduced its growth expectations for the country to 1.4 %. The extent to which this effect will impact on the rest of the economic world still remains uncertain. Most economists are only



expecting a temporary negative effect. Accordingly, the USA continues to hope for growth of 2.8 %. The expectations for Europe are assuming economic growth of 1.6 %. Germany can expect an increase of 2.5 % due to its strong exports. On the other hand, other EU nations are having to battle with structural economic problems and massive government debt.

The emerging economies will continue their success story in 2011. The IMF is predicting expansion of 8.4 % in economic output for the emerging economies in South and South-east Asia. A high growth rate is also forecast for the emerging BRIC countries: Brazil (+4.5 %), Russia (+4.8 %), India (+8.2 %), China (+9.6 %).

Apart from the uncertainties caused by the effects of the natural catastrophe in Japan, the main risks perceived by the experts are the high level of government debt in key industrial countries and the global economic imbalances that result from the high level of growth in the emerging economies and the home-grown problems of various industrial countries. The European Central Bank slightly increased the European base rate by 0.25 percentage points to 1.25 % at the beginning of April in order to ward off the risk of inflation.

FURNITURE INDUSTRY STARTS THE YEAR WELL IN 2011

The emerging positive economic development and particularly the reviving consumer climate in Germany are grounds for cautious optimism in relation to the sale of SURTECO products in the particularly important furniture and wood-based industry during 2011. The associations of the German wood and furniture industries (VDM and HDH) anticipate a slight increase in growth of 2-3 %. The start of the New Year was auspicious.

According to figures released by the Federal Office of Statistics, January sales in the furniture industry rose significantly by 9.5 %. The industry associations mainly identify risks on account of unpredictable currency fluctuations and noticeably increasing raw material prices. By contrast, the upward trend in the employment market and the ongoing favourable consumer sentiment are continuing to exert a significant positive effect. The rapidly growing new-build business with low construction-loan interest rates should exert a positive effect on domestic demand. Exports are again likely to develop significantly more dynamically in 2011. After German kitchen furniture, shop fittings and other seating furniture enjoyed increased exports to foreign customers measured in the double-digit percentage range during the course of 2010, the Association of the German Furniture Industry (VDM) is continuing to forecast steady growth for foreign business in a sustained positive economic environment.

SURTECO CONTINUES GROWTH TRAJECTORY

The positive dynamic growth posted in the previous year continued in the first quarter of 2011 and resulted in a tangible increase in sales compared to the equivalent year-earlier period. The organic growth was supported by takeovers initiated by the Strategic Business Unit (SBU) Paper in the business year 2010, which therefore succeeded in generating above-average growth.

The exorbitant price increases for important intermediary products, in particular plastics and technical papers, led to new highs in material costs, which exerted a significant negative effect on the development of earnings. Nevertheless, the EBITDA margin continued to be held at a high level.

SALES AND MARKETS

CONSOLIDATED SALES INCREASE BY 20 %

The sales of the SURTECO Group increased to € 108.0 million in the first quarter of 2011 (1st quarter of 2010: € 90.3 million). This corresponds to an increase of 20 %. By comparison with the equivalent year-earlier quarter, when growth was almost exclusively due to successes in foreign markets, the picture emerging this year has been much more balanced. Sales in Germany rose by 16 % to € 36.5 million, foreign business increased by 21 % to € 71.5 million.

STRATEGIC BUSINESS UNIT PLASTICS

The SBU Plastics started the New Year successfully. The innovative product range of plastic edgebandings, plastic foils, technical extrusions (profiles) of all types and cladding systems consistently tailored to the needs of customers and consumers continued to make a positive contribution to this good start. The sales of the SBU Plastics rose in the first three months of the current year by € 7.7 million to € 60.6 million compared with the year-earlier quarter. The domestic market rose by 6 % to € 19.4 million. Even more marked stimuli came with +19 % from foreign business (€ 41.2 million) with the European markets (outside Germany) being particularly noteworthy with an increase of 21 % and business in Asia with growth of 31 %.

The sales increases were generated in all production areas of the SBU Plastics. A focused policy of streamlining ranges was introduced in previous years by discontinuing unprofitable product groups in the business supplying home-improvement stores. This led to a reduction in sales of € 0.7 million to € 2.5 million in this segment.

STRATEGIC BUSINESS UNIT PAPER


The paper division manufactures surface coating materials based on technical raw papers directed in particular towards the furniture industry and interior design and this segment is able to look back on a particularly gratifying start to the current business year. The demand for printed products, edgebandings and preimpregnated and fully impregnated finish foils was very positive in all important sales markets so that growth of 27 % to € 47.4 million was achieved in the first quarter of 2011 compared with the equivalent year-earlier period. While foreign business continued the trend set in the previous year with sales of € 30.3 million (+25 %), a significant upturn (+30 %) emerged in Germany with sales of € 17.1 million. Stimuli came from the markets themselves and as a result of growth derived from the takeover of the customer base in the business for edgebandings and fully impregnated foils from impress decor GmbH and the acquisition of varnishing and coating facilities in North America during the second half of 2010.

Flat foils for the coating of large areas of materials increased by 38 %. Sales rose by 16 % in the edgebandings segment for coating the narrow sides of boards. The decorative printing facility increased its volume by 14 %.

EXPENSES

PROCUREMENT COSTS AT A NEW HIGH

The cost of materials amounted to € 50.7 million in the first three months of the current business year. It thereby exceeded the figure for the first quarter of 2010 by € 9.0 million. The cost of materials as a



proportion of total output highlighted the development of procurement prices. In the first quarter of 2010, the proportion of materials in total output was still 43.6 % but it rose to 46.0 % in the quarter under review.

The upward price trend for plastics has continued uninterrupted. PVC and ABS are now close to peak historic prices and there are currently no signs of any easing in prices. The sourcing prices for technical raw papers and chemical components have also been subject to significant increases. Availability is also partly restricted so that procurement continues to be difficult in terms of volume and scheduling.

The number of employees again rose noticeably on the back of the global economic recovery. A workforce of 2,040 employees at the end of the first quarter of 2011 represented an increase of 5 % above the level of 31 March 2010 and was 2 % higher than at the beginning of 2011.

The impact of costs in the area of human resources eased when costs as a proportion of total output rose less strongly than in the same quarter for the previous year. As a result of improved utilization of capacity, the personnel costs as a proportion of total output fell by 1.7 percentage points from 25.3 % (1st quarter of 2010) to 23.6 % (1st quarter of 2011). Personnel expenses in the period under review amounted to € 26.0 million (1st quarter of 2010: € 24.2 million).

Other operating expenses only slightly exceeded the value for the equivalent year-earlier quarter (€ 15.3 million) at € 16.0 million.

EARNINGS

SATISFACTORY REVENUE SITUATION DESPITE NEGATIVE IMPACTS

The operating result (EBITDA) rose by 20 % during the quarter under review – in line with sales – and reached € 18.2 million. Despite the pressure on cost of materials, the EBITDA margin at 16.9 % remained at the level of the previous year. Lower percentage depreciation and amortization meant that EBIT increased by 26 % to € 12.8 million, while the corresponding margin increased by 11.3 % to 11.9 %.

The negative impact on the financial result because of the further impairment on the share package held by SURTECO in Pfleiderer AG, Neumarkt, amounting to € 1.3 million, meant that the EBT on 31 March 2011 was only 8 % above the equivalent year-earlier level at € 8.7 million. During the first three months of 2011, consolidated net profit reached € 5.6 million (1st quarter of 2010: € 5.3 million). Earnings per share rose accordingly – based on an unchanged number of shares at 11,075,522 no-par-value shares – from € 0.48 to € 0.50.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The significant increase in business volume by comparison with the previous quarter is also reflected in the balance sheet ratios to 31 March 2011. Following forward-looking procurement of raw materials and the resultant safeguarding of production and supply capability, working capital increased by € 11.0 million to € 88.3 million compared with 31 December 2010. Only modest investments in fixed assets were initiated in the first quarter with the focus on measures to generate process improvements.

As a result of the further decrease in the share price of Pflleiderer AG, Neumarkt, an impairment of € 1.3 million had to be carried out on the package of shares held on 31 March 2011 on account of the market valuation laid down in accordance with IFRS. The book value of the shares amounted to € 2.6 million at the end of the first quarter of 2011.

The reduction in other non-current financial assets is based on the fair value of financial instruments in connection with hedging the US private placement.

As a result of the expansion of working capital and the scheduled settlement of the long-term loan, cash and cash equivalents came down by € 12.1 million so that the balance sheet total was € 5.5 million lower.

Net financial debt has been reduced further by € 1.4 million to € 121.7 million since the close of 2010. Since shareholders' equity increased by € 5.0 million to € 218.4 million at the same time, the level of debt (gearing ratio) fell from 58 % (31 December 2010) to 56 %. The equity ratio rose correspondingly from 44.3 % to 45.9 %. Non-controlling interests fell back slightly within equity due to currency effects.

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As a consequence of the favourable developments in business, the cash flow from operating activity and the free cash flow in the reporting period increased significantly.

CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/3/ 2010	1/1/-31/3/ 2011
Cash flow from operating activities	-1,100	7,371
Payments for income tax	-3,053	-1,964
Cash flow from current business operations	-4,153	5,407
Cash outflow from investment activities (less financial investments)	-2,350	-3,019
Free cash flow	-6,503	2,388

RESEARCH AND DEVELOPMENT

INDIVIDUAL DESIGN WITH DIGITAL PRINTING TECHNOLOGY

Digital printing technology is being intensively optimized and refined at SURTECO. Designers and architects have a choice of fantasy designs or realistic photographic motifs for plastic edgebandings. Since print cylinders are no longer necessary and colour settings can be implemented quickly, small batches can be produced at attractive prices. SURTECO customers can directly influence the decorative design, deliver a fast response to the design and colour requirements of their customers, and offer furniture tailored to individual aspirations at a favourable price.

Haptic flat foils that can be offered as edgebandings, pre-impregnated or fully impregnated foils offer a tactile and appealing texture. These paper-based surfaces have now been expanded by an additional variant since the match of the surface patterns can be synchronized with the underlying decorative design. The result is a virtually perfect match with the natural materials.

Concerns about the cost situation in the procurement market continue to be a major factor in driving the intensive and ongoing work in the Group's research and development departments directed towards generating more cost-effective and more efficient production methods and the use of cheaper alternative raw-material components with quality that is at least equivalent.

SURTECO SHARES

SURTECO made a good start to the year 2011 on the stock exchange. The company's share gained 8.2 % in value during the months January to March and ended the quarter with a closing price of € 28.95. Publication of preliminary figures for the business year 2010 exceeding the expectations of the market has been particularly influential in generating a high demand for SURTECO shares. Shares have been traded at a price up to € 32.00. The buoyant price performance has released SURTECO from the relatively disoriented development of the remaining market. The SDAX (the index for small and medium-sized companies listed on the stock exchange) even entered negative territory during the quarter under review.

The market capitalization of SURTECO SE amounted to € 320.6 million on 31 March 2011 with the number of shares remaining unchanged at 11,075,522 no-par-value shares. The percentage of shares in free float is at 22.6 %. The company continues to retain the objective of a listing in the SDAX. As far as the relevant criteria of market capitalization (based on free float) and trading volume for a listing are concerned, the statistics of the German Stock Exchange (Deutsche Börse) indicate that SURTECO is currently ranked in position 112 for market capitalization (companies relevant for MDAX and SDAX) and in position 133 by trading volume. SURTECO would have to be ranked in the top 110 in order to meet the two criteria for inclusion in the SDAX as planned in the medium term.

January - March 2011

Number of shares	11,075,522
Free float in %	22.6
Price on 3/1/2011 in €	26.75
Price on 31/3/2011 in €	28.95
High in €	32.00
Low in €	26.17
Market capitalization as at 31/3/2011 in € 000s	320,636

1 JANUARY - 31 MARCH 2011

Share price performance January - March 2011 in €



Share price performance of SURTECO SE compared with SDAX April 2010 - March 2011





OUTLOOK FOR THE FISCAL YEAR 2011

The development in the employment market and the associated increase in purchasing power are likely to indicate signs of a modest upswing in the domestic market. SURTECO is also projected to participate in the sustained growth abroad so that satisfactory demand is anticipated throughout the year 2011.

The development of raw material prices will continue as a dominant theme in 2011. Additional price increases for plastics and technical raw papers cannot be excluded during the course of 2011. All internal efforts to optimize costs in all areas of the company must therefore be pursued with unrelenting zeal. These include measures for enhancing productivity and efficiency, streamlining processes and systems, and a high level of discipline for costs and investments.

If all these measures are continued, projected growth in sales should also lead to an improvement in the result.

QUARTERLY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SURTECO GROUP

€ 000s

Sales revenues

Changes in inventories

Own work capitalized

Total

Cost of materials

Personnel expenses

Other operating expenses

Other operating income

EBITDA

Amortization and depreciation

EBIT

Financial result

EBT

Income tax

Net income

Group share (consolidated net profit)

Non-controlling interests

Basic and diluted earnings per share in €

Number of shares

Q1

	1/1/-31/3/ 2010	1/1/-31/3/ 2011
	90,308	107,958
	5,144	1,965
	143	241
	95,595	110,164
	-41,703	-50,712
	-24,172	-25,959
	-15,290	-15,999
	730	700
	15,160	18,194
	-4,985	-5,368
	10,175	12,826
	-2,102	-4,106
	8,073	8,720
	-2,707	-3,129
	5,366	5,591
	5,304	5,560
	62	31
	0.48	0.50
	11,075,522	11,075,522

STATEMENT OF COMPREHENSIVE INCOME SURTECO GROUP

€ 000s

Net income

Difference from currency translation

Financial instruments available-for-sale

Other Comprehensive Income for the period**Total Comprehensive Income**

Group share

Non-controlling interests

Q1

	1/1/-31/3/ 2010	1/1/-31/3/ 2011
	5,366	5,591
	5,326	-1,362
	-2,246	809
	3,080	-553
	8,446	5,038
	8,384	5,007
	62	31

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

€ 000s

ASSETS

Cash and cash equivalents

Trade accounts receivable

Inventories

Current income tax assets

Other current assets

Current assets

Property, plant and equipment

Intangible assets

Goodwill

Investments in associated enterprises

Financial assets

Non-current income tax assets

Other non-current assets

Other non-current financial assets

Deferred taxes

Non-current assets

please turn over

	31/12/2010	31/3/2011
	62,395	50,310
	41,293	46,657
	58,929	65,974
	4,452	3,277
	9,210	10,713
	176,279	176,931
	164,055	161,588
	14,185	14,102
	112,039	111,668
	1,773	1,775
	4,125	2,796
	657	657
	1,325	1,366
	1,933	124
	5,173	5,010
	305,265	299,086
	481,544	476,017

CONSOLIDATED BALANCE SHEET

SURTECO GROUP

€ 000s

LIABILITIES AND SHAREHOLDERS' EQUITY

Short-term financial liabilities

Trade accounts payable

Income tax liabilities

Short-term provisions

Other current liabilities

Current liabilities

Long-term financial liabilities

Pensions and similar obligations

Deferred taxes

Non-current liabilities

Capital stock

Capital reserves

Retained earnings

Consolidated net profit

Capital attributable to shareholders

Non-controlling interests

Equity

	31/12/2010	31/3/2011
	12,666	13,311
	22,918	24,355
	4,040	4,772
	1,695	2,272
	22,202	22,356
	63,521	67,066
	172,892	158,714
	10,400	10,540
	21,292	21,261
	204,584	190,515
	11,076	11,076
	50,416	50,416
	129,554	150,706
	21,705	5,560
	212,751	217,758
	688	678
	213,439	218,436
	481,544	476,017

CONSOLIDATED CASH FLOW STATEMENT

SURTECO GROUP

€ 000s

Earnings before income tax and non-controlling interests

Reconciliation to cash flow from current business operations

Internal financing

Change in assets and liabilities (net)

Cash flow from current business operations

Cash flow from investment activities

Cash flow from financial activities

Change in cash and cash equivalents

Cash and cash equivalents

1 January

Effect on changes in exchange rate on cash and cash equivalents

31 March

Q1

	1/1/-31/3/ 2010	1/1/-31/3/ 2011
	8,073	8,720
	5,133	10,730
	13,206	19,450
	-17,359	-14,043
	-4,153	5,407
	-2,350	-3,019
	-23,491	-14,127
	-29,994	-11,739
	84,846	62,395
	821	-346
	55,673	50,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SURTECO GROUP

€ 000s	Capital stock	Additional capital paid in	Fair value measure- ment for financial instruments
31 December 2009	11,076	50,416	6,975
Net income	0	0	0
Other changes	0	0	-2,246
31 March 2010	11,076	50,416	4,729
31 December 2010	11,076	50,416	1,975
Net income	0	0	0
Other changes	0	0	809
31 March 2011	11,076	50,416	2,784

Retained earnings

Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit	Non-controlling interests	Total
201	-12,644	126,172	9,239	380	191,815
0	0	0	5,304	62	5,366
0	5,326	9,239	-9,239	0	3,080
201	-7,318	135,411	5,304	442	200,261
107	-3,509	130,981	21,705	688	213,439
0	0	0	5,560	31	5,591
0	-1,362	21,705	-21,705	-41	-594
107	-4,871	152,686	5,560	678	218,436

SEGMENT REPORTING

SURTECO GROUP

BY STRATEGIC BUSINESS UNITS

Sales revenues

€ 000s

1/1/-31/3/2011

External sales

Internal sales

Total sales

1/1/-31/3/2010

External sales

Internal sales

Total sales

Segment earnings (EBT)

€ 000s

SBU Plastics

SBU Paper

Reconciliation

SBU Plastics	SBU Paper	Recon- ciliation	SURTECO Group
60,622	47,336	0	107,958
404	530	-934	0
61,026	47,866	-934	107,958

52,907	37,401	0	90,308
180	286	-466	0
53,087	37,687	-466	90,308

1/1/-31/3/2010

1/1/-31/3/2011

5,789	6,081
5,933	6,974
-3,649	-4,335
8,073	8,720

SEGMENT REPORTING

SURTECO GROUP

BY REGIONAL MARKETS

Sales revenues SURTECO Group

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

Sales revenues SBU Plastics

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

Sales revenues SBU Paper

€ 000s

Germany

Rest of Europe

America

Asia, Australia, Others

1/1/-31/3/2010

1/1/-31/3/2011

31,441

36,519

38,179

46,967

10,982

11,856

9,706

12,616

90,308**107,958**

1/1/-31/3/2010

1/1/-31/3/2011

18,247

19,424

18,970

23,011

7,807

8,662

7,883

9,525

52,907**60,622**

1/1/-31/3/2010

1/1/-31/3/2011

13,194

17,095

19,209

23,956

3,175

3,194

1,823

3,091

37,401**47,336**

1 JANUARY - 31 MARCH 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (ABBREVIATED)

ACCOUNTING PRINCIPLES

The consolidated financial statements of SURTECO SE for the period 31 December 2010 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 2010 are applied in drawing up the interim financial report for the quarter ended 31 March 2011. If the standards adopted by the IASB had to be applied from 1 January 2011, 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 2010 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).

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. On 1 January 2011, the sales company SURTECO OOO, Russia, founded in 2009, was included for the first time.

REPORT ON IMPORTANT TRANSACTIONS WITH RELATED PARTIES

During the period under review, the company had no business transactions with related parties 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.

EVENTS AFTER THE BALANCE SHEET DATE

After 31 March 2011 when this report went to press, there were no other events or developments that could lead to a significant change in the recognition or valuation of individual assets or liabilities.

A sustained negative development in the share price of Pfleiderer AG, Neumarkt, means that further impairments are anticipated for 30 June 2011. SURTECO SE holds a package of shares amounting to 2.74 % of the capital stock.

REPORT FOR THE FIRST QUARTER 2011

TICKER SYMBOL: SUR
ISIN: DE0005176903

Q1



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Calculation of indicators

Cost of materials ratio in %

Earnings per share in €

EBIT margin in %

EBITDA margin in %

Equity ratio in %

Gearing (debt level) in %

Market capitalization in €

Net financial debt in €

Personnel expense ratio in %

Working capital in €

FINANCIAL CALENDAR

17 June 2011

20 June 2011

11 August 2011

11 November 2011

Cost of materials/Total output

Consolidated net profit/Number of shares

EBIT/Sales revenues

EBITDA/Sales revenues

Equity/Balance sheet total

Net financial debt/Equity

Number of shares x Closing price on the balance sheet date

Short-term and long-term financial liabilities - Cash and cash equivalents

Personnel costs/Total output

(Trade receivables + inventories) - Trade liabilities

Annual General Meeting at the Sheraton Munich Arabellapark Hotel

Dividend payout

Six-month report January-June 2011

Nine-month report January-September 2011