

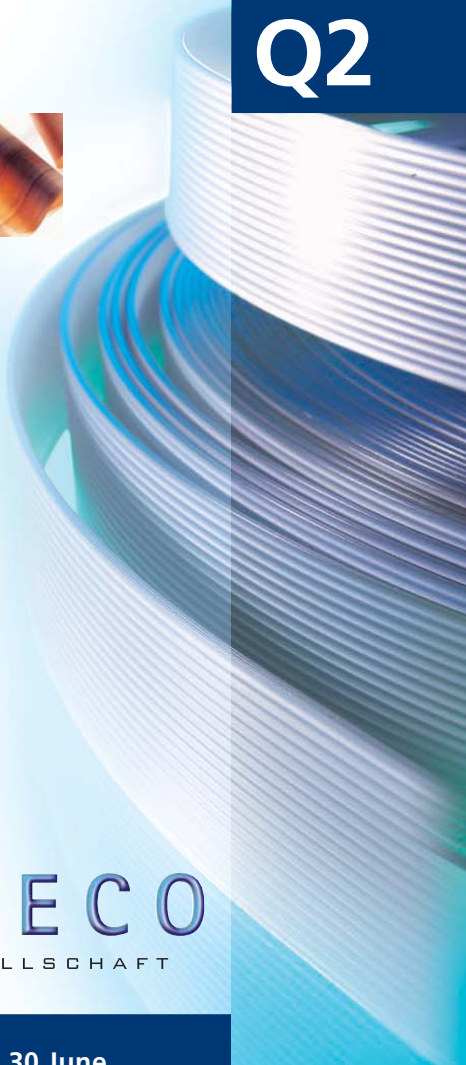
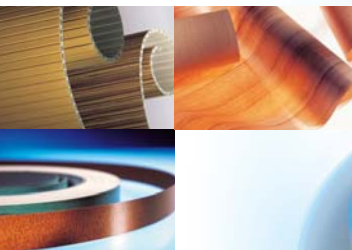
HALF-YEAR REPORT

2006

2005

SPECIALISTS
FOR SURFACE
TECHNOLOGIES

Q2



SURTECO

AKTIENGESELLSCHAFT

1 January to 30 June

» OVERVIEW

SURTECO GROUP

Q2

€ 000s	Q 2			Q 1-2		
	1/4/ - 30/6/2005	1/4/ - 30/6/2006	Variation in %	1/1 - 30/6/2005	1/1/ - 30/6/2006	Variation in %
Sales revenues	97,280	99,446	+2	198,960	205,660	+3
of which						
- Germany	34,261	35,039	+2	73,568	74,467	+1
- Foreign	63,019	64,407	+2	125,392	131,193	+5
EBITDA	16,758	16,660	-1	35,481	36,158	+2
EBIT	12,319	12,194	-1	26,557	27,215	+2
Result from ordinary activities before restructuring expenses	10,011	10,536	+5	22,070	23,614	+7
Restructuring expenses	-4,267	0		-4,267	0	
Result from ordinary activities after restructuring expenses (EBT)	5,744	10,536	+83	17,803	23,614	+33
Net income	3,385	6,519	+93	10,833	14,707	+36
Minority interest	-128	-65		-199	-130	
Consolidated net income	3,257	6,454	+98	10,634	14,577	+37
Net income per share (€)	0,29	0,58	+100	0,96	1,32	+37
Cash flow from operating activities	17,385	9,123	-48	27,907	22,376	-20
EBIT margin	12,7	12,3	-3	13,3	13,2	-1
Net financial liabilities at 30 June	138,696	139,856	+1	138,696	139,856	+1
Gearing (debt ratio) in %	95	92	-3	95	92	-3
Capital ratio at 30 June in %	39,6	40,7	+3	39,6	40,7	+3
Number of employees at 30 June	2,120	2,066	-3	2,120	2,066	-3

» DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

The key development in the furniture industry for the operating business of SURTECO AG was marginally positive compared to the previous year, but this trend continued to be by no means uniform. Although statements by the Association of the German Furniture Industry (VDM) indicated that the sector was benefiting from an improvement in the investment and consumption climate in Germany, the foundation of the slight recovery remains at a low level. Increased export activity of the German furniture industry also exerted a positive effect. According to the Association of the German Furniture Industry (VDM), the initial months of 2006 saw disproportionately strong growth among kitchen furniture manufacturers. Overall, the VDM is anticipating overall growth of two percent for the furniture industry. This would correspond to a similar development to that in 2005.

Against this background, we were able to report a stabilization at the level of the previous year during the first quarter of the year under review after years of declining domestic sales. Growth was generated exclusively in foreign markets.

However, during the second quarter of 2006, foreign business lagged slightly behind our expectations. On the other hand, our forecasts for business in Germany were exceeded, albeit only slightly.

Overall, we succeeded in slightly improving sales compared with the previous year during the quarter under review.

» SALES AND MARKETS

Low growth in the second quarter

During the second quarter of 2006, SURTECO AG increased its sales by 2 % compared with the equivalent year-earlier period to € 99.4 million. This increase was distributed proportionately over domestic and foreign markets. Domestic sales achieved € 35.0 million (+2 %), while foreign sales generated € 64.4 million (+2 %).

After the four-percent rise in sales during the first quarter of 2006, the first half of 2006 saw an overall rise of 3 % (adjusted for exchange rates +2 %) to € 205.7 million, made up of € 74.5 million (+1 %) in the German markets and € 131.2 million (+5 %) in the other markets. This means that the proportion of foreign sales rose by 63 % to 64 %.

Strategic Business Unit (SBU) Plastics

During the second quarter of 2006, sales remained at the level of the equivalent year-earlier quarter both in Germany and in the foreign markets. Domestic sales were unchanged at € 20.3 million. The other sales areas achieved € 36.2 million. Overall, sales amounted to € 56.5 million during the quarter under review, as in the previous year. Growth in sales in the SBU Plastics amounted to 5 % (€ 117.0 million; 2005: € 111.5 million) during the first half of 2006 on account of the strong first quarter. Sales in Germany remained virtually unchanged at € 42.8 million, while the increase in foreign business amounted to 8 % at € 74.2 million (2005: € 68.7 million). Alongside other countries in Europe, the Australian market is particularly noteworthy. Expansion of the sales network and takeover of the previous customer Consolidated Edgings in Sydney meant that above-average growth rates were generated. During the

first half of 2006, sales went up by 23 % to € 8.5 million. This means that the sales generated in the Australian market as a proportion of total sales of the SBU Plastics increased by 1.1 percentage points to 7.3 %.

Plastic edging tapes, main sales engine of the SBU Plastics with a proportion of 63 % of Group sales volume, continued to undergo substantial growth and achieved growth of 11 % during the first half of 2006 at € 73.9 million. The skirtings product segment, primarily used in professional interior design, showed growth of 3 % after six months.

Strategic Business Unit (SBU) Paper

The second quarter of 2006 brought an unexpected increase of 6 % in business in Germany for the SBU Paper to € 14.7 million compared with the previous year. Foreign business also recovered. At € 28.2 million, the increase amounted to 5 %. Overall, sales in the SBU Paper at around € 42.9 million came out some 5 % higher during the reporting period than in the equivalent year-earlier period.

During the first half of 2006, surface materials based on paper achieved sales of € 88.7 million (1st half year 2005: € 87.4 million). € 31.7 million of these sales were attributable to German customers (3 %). This increase was achieved despite the fact that the domestic economy continued to be weak, in particular the segments for living-room, bedroom, children's, teenagers' and flat-pack furniture, where the products of the SBU Paper play an important role and which have just come through a difficult half year. A far-reaching and long-term recovery in the economy also eludes us in foreign markets. However, growth in the second quarter compensated for the three-

percent decline during the first quarter, so that the level for the previous year at € 57.0 million was regained after six months.

In the segment of pre-impregnated foils and thin foils, a number of competitors were pursuing a more aggressive price policy based on volume. Bausch Decor GmbH, responsible for decor printing of special papers for technical applications within the SBU Paper, significantly expanded sales with external customers that are not part of the SURTECO Group. At € 9.7 million, growth amounted to 43 %.

» EXPENSES

Increased cost of materials

All the intermediate products required for the manufacture of SURTECO quality products could be procured within a reasonable timeframe during the reporting period. The development of purchase prices was more problematic. Higher cost prices were recorded especially in the case of some chemical products and for PVC and polypropylene used in the manufacture of products produced by the SBU Plastics. The situation on energy costs remains fraught.

The number of employees in the SURTECO Group came down by 54 people or 3 % to 2,066 at the end of the first half year compared with 30 June 2005. A reduction of 43 in the number of employees or 2 % was recorded by comparison with year-end 2005. Personnel costs during the period under review amounted to € 49.9 million. The proportion of personnel costs to total output amounted to 24.0 % (1st half year 2005: 25.0 %). This reflects the first positive effects of the company-based collective agreement in place since

January 2006. This pay agreement extends the weekly working time without wage compensation and provides for significantly more flexibility. Other operating expenses totalled € 33.3 million (1st half year of 2005: € 31.4 million).

» EARNINGS

Net income per share significantly higher

The SURTECO Group increased its operating result (EBITDA) by 2 % to € 36.2 million after the first half year of 2006 (€ 36.1 million after adjustment for exchange rates). The EBITDA margin fell slightly by 0.2 percentage points to 17.6 % due to the rise in the cost of materials. EBIT also went up by 2 % to € 27.2 million.

Restructuring expenses amounting to € 4.3 million impacted negatively on earnings from ordinary activities during the second quarter of 2005. Since comparable expenses were not reported during the reporting period, the increase in pre-tax earnings on a half-yearly comparison is all the more remarkable with an increase of 33 % to € 23.6 million.

This is also applicable to the result for the period under review (€ 14.7 million; +36 %) and consolidated earnings for the period under review (€ 14.6 million; +37 %).

Earnings per share were 37 % above the equivalent year-earlier value at € 1.32 (1st half year of 2005: € 0.96) on the basis of the number of shares issued of 11,075,522.

» NET ASSETS AND FINANCIAL POSITION

Balance-sheet ratios stable

Balance-sheet ratios only changed slightly after the first half of 2006 compared with year-end 2005. Working capital increased marginally from € 62.7 million to € 64.0 million. The increase in inventories as a result of annual summer holidays is matched by a comparable increase in trade accounts payable. Property, plant and equipment included investments of € 9.6 million at 30 June 2006. Depreciation and amortization amounted to € 8.9 million. Process improvements and optimization were the focus of investment. The slight decline in the value of goodwill is exclusively due to the influence exerted by exchange rates.

Net financial debt rose by € 5.3 million to € 139.9 million from the start of the year to 30 June 2006 as a result of payments arising from external tax audits, scheduled investments and the dividend paid out in June. This amounted to € 0.80 per share. The amount paid out in the second quarter was therefore a total of € 8.9 million.

The reduction of long-term financial debt continued as planned. After six months in the year under review, it amounted to € 83.4 million (31/12/2005: € 102.6 million). Despite higher net financial debt, the equity ratio was improved from 40.2 % (start of year) to 40.7 % as a result of improved earnings. Although earnings before income tax and minority interest increased by 33 % compared with the first half year of 2005, free cash flow remained at the level of the previous year. Payments due arising from company audits and dividends only paid out in the second half of 2005 were the cause.

Calculation of Free Cash Flow

€ 000s	1/1/ – 30/6/2006
Cash inflow from operating activity	22,376
Tax payments	-6,969
Investments in property, plant and equipment (without financial investments)	-9,629
Free Cash Flow	5,778

» RESEARCH AND DEVELOPMENT

New printing technology for plastics edgings

Significant improvements in quality were achieved in the SBU Plastics for polypropylene edgings. Introduction of a new varnishing procedure with optimized flow characteristics achieved significantly improved properties for surface smoothness, and wear and scratch resistance. A new formulation also delivered improved application properties relating to mechanical processing of edges.

Research work of the SBU Plastics was directed towards the future in relation to optimum edgings for lightweight boards. Boards of this type are increasingly being used in manufacturing furniture because of their low weight. The SBU Plastics developed an extremely promising concept study that includes the design for a special supporting edge as the solution for edging frameless lightweight boards. The special nature of this edge enables it to close the open sides of the honey-

comb boards with conventional edging materials. Application for industrial property rights has already been made for this extremely promising design.

Colour measurement of coloured, non-transparent varnishes using a colour computer is a proven method of ensuring colours are correct within the SBU Paper. It is applied to all production procedures in the area of uni-color edgings and foil manufacture. A new software generation and significantly more powerful computers have allowed us to take a further step in the automation of preparing the colour of these pigmented lacquers. All the colour shades requested by customers can now be formulated, calculated and optimized in relation to colour application and costs directly in the computer without the procedure of comparison and release samples required up to now. The new colour technology also delivers a further benefit by significantly reducing order-relating tooling times and waste. Residual ink arising during the production process is entered in the system and is available for subsequent colour mixes. The new colorimetry also increases product continuity and hence the quality of edgings and flat foils coloured with pigmented lacquers produced by the SBU Paper.

» SURTECO SHARES

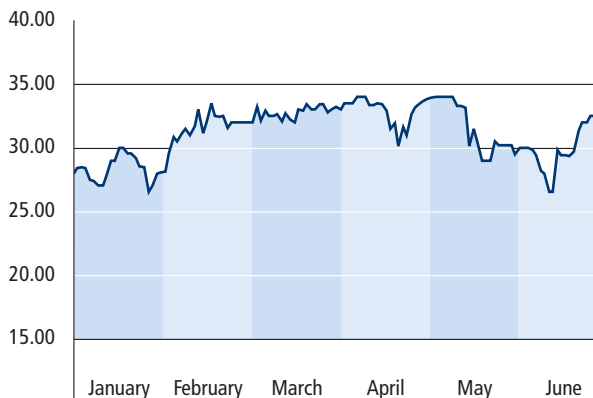
Period January – March 2006

Number of shares	11,075,522
Free float in %	14.5

Price on 2/1/2006 in €	28.00
Price on 30/6/2006 in €	32.00
High in €	34.00
Low in €	26.50

Market capitalization as at 30/6/2006 in € millions	354,417
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**Share price performance of the SURTECO share
January - June 2006 in €**



» OUTLOOK FOR FISCAL YEAR 2006

The performance during the first half year basically confirms our assessment for the year 2006 as a whole.

Assuming that the overall economic framework conditions do not deteriorate during the second half of the year and there are no major upsets in the foreign-exchange and commodity markets, we are in a position to confirm our earlier forecast. We anticipate moderate sales growth for 2006 and slightly above-average earnings performance.

» CONSOLIDATED
INCOME STATEMENT
SURTECO GROUP

€ 000s	Q 2		Q 1-2	
	1/4/ - 30/6/ 2005	1/4/ - 30/6/ 2006	1/1/ - 30/6/ 2005	1/1/ - 30/6/ 2006
Sales revenues	97,280	99,446	198,960	205,660
Changes in inventories	-219	-317	89	1,648
Production of own fixed assets capitalized	376	121	463	222
Total output	97,437	99,250	199,512	207,530
Cost of purchased materials	-41,205	-43,049	-84,720	-90,123
Personnel expenses	-24,846	-24,832	-49,818	-49,896
Other operating expenses	-16,043	-15,932	-31,421	-33,265
Other operating income	1,415	1,223	1,928	1,912
EBITDA	16,758	16,660	35,481	36,158
Depreciation and amortization	-4,439	-4,466	-8,924	-8,943
EBIT	12,319	12,194	26,557	27,215
Financial result	-2,308	-1,658	-4,487	-3,601
Result from ordinary activities before restructuring expenses	10,011	10,536	22,070	23,614
Restructuring expenses	-4,267	0	-4,267	0
Result from ordinary activities after restructuring expenses (EBT)	5,744	10,536	17,803	23,614
Income tax	-2,359	-4,017	-6,970	-8,907
Net income	3,385	6,519	10,833	14,707
Minority interest	-128	-65	-199	-130
Consolidated net income	3,257	6,454	10,634	14,577
Net income per share (€)	0.29	0.58	0.96	1.32
Number of shares issued	11,075,522	11,075,522	11,075,522	11,075,522

The restructuring expenses transferred in 2005 were reported under personnel expenses and other operating expenses in accordance with the actual distribution.

» CONSOLIDATED BALANCE SHEET SURTECO GROUP

€ 000s	31/12/2005	30/6/2006
ASSETS		
Cash and cash equivalents	2,209	3,813
Trade accounts receivable	33,839	34,054
Inventories	53,868	57,849
Other current assets	11,164	11,463
Current assets	101,080	107,179
Property, plant and equipment, net	156,048	154,240
Intangible assets	4,691	4,423
Goodwill	98,027	97,515
Investments	167	167
Investments in associated companies	1,750	1,745
Other non-current assets	1,420	1,420
Non-current assets	262,103	259,510
Deffered tax assets	6,938	6,388
	370,121	373,077

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» CONSOLIDATED
BALANCE SHEET
SURTECO GROUP

€ 000s	31/12/2005	30/6/2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current financial liabilities	34,256	60,224
Trade accounts payable	20,736	24,067
Tax liabilities	12,543	5,856
Short-term accrued expenses	4,273	3,866
Other current liabilities	16,675	13,423
Total short-term liabilities and provisions	88,483	107,436
Non-current financial liabilities	102,570	83,446
Pensions and similar obligations	13,085	13,232
Other non-current liabilities	353	353
Non-current liabilities	116,008	97,031
Deferred tax liability	16,663	16,683
Capital stock	11,076	11,076
Reserves	115,364	125,448
Net profit	21,831	14,577
Capital attributable to shareholders	148,271	151,101
Minority interest	696	826
Equity capital	148,967	151,927
	370,121	373,077

» CONSOLIDATED
CASH FLOW STATEMENT
SURTECO GROUP

€ 000s	Q 1-2	
	1/1/ - 30/6/ 2005	1/1/ - 30/6/ 2006
Earnings before Interest and Income Tax	17,803	23,614
Adjustments	8,947	9,345
Internal financing	26,750	32,959
Change in net current assets	-5,813	-17,490
Cash flows from current business operations	20,937	15,469
Cash flow from investing activities	-15,950	-9,293
Cash flow from financing activities	-6,010	-4,572
Change in cash and cash equivalents	-1,023	1,604
Cash and cash equivalents		
1 January	4,480	2,209
30 June	3,457	3,813

» SCHEDULE OF EQUITY CAPITAL SURTECO GROUP

€ 000s	Capital stock	Capital reserves	Other comprehensive income	Revenue reserves	Consolidated net retained profits	Minority interest	Total
31 December 2004	10,576	35,860	0	50,637	18,205	1,331	116,609
Consolidated net income	0	0	0		10,634	199	10,833
Capital increase	500	14,556	0	0	0	0	15,096
Other changes	0	0	0	13,143	-8,558	-834	3,711
30 June 2005	11,076	50,416	0	63,780	20,281	696	146,249
31 December 2005	11,076	50,416	-404	65,352	21,831	696	148,967
Dividend payout	0	0	0	0	-8,860	0	-8,860
Consolidated net income	0	0	0	0	14,577	130	14,707
Other changes	0	0	0	10,084	-12,971	0	-2,887
30 June 2006	11,076	50,416	-404	75,436	14,577	826	151,927

» SEGMENT REPORTING

SURTECO GROUP

Q2

SALES REVENUES AND FINANCIAL RESULTS BY STRATEGIC BUSINESS UNITS

€ 000s	Segment revenues		Operating segment earnings before interest (financial result) and taxes	
	1/1/-30/6/2005	1/1/-30/6/2006	1/1/-30/6/2005	1/1/-30/6/2006
SBU Plastics	111,663	119,552	17,242	18,396
SBU Paper	88,048	89,798	10,526	11,348
SURTECO AG	0	0	-1,620	-2,373
Consolidation	-751	-3,690	409	-156
SURTECO Group	198,960	205,660	26,557	27,215

SALES REVENUES BY REGIONAL MARKETS

€ 000s	SURTECO GROUP	
	1/1/-30/6/2005	1/1/-30/6/2006
Germany	73,630	74,585
Europe (without Germany)	73,381	82,255
America	36,580	35,200
Asia, Australia, Others	16,120	17,310
	199,711	209,350
Consolidation	-751	-3,690
Total SURTECO Group	198,960	205,660

» SEGMENT REPORTING
SURTECO GROUP

Q2

SALES REVENUES BY REGIONAL MARKETS

€ 000s	SBU Plastics	
	1/1/-30/6/2005	1/1/-30/6/2006
Germany	42,846	42,740
Europe (without Germany)	32,200	38,888
America	26,556	26,099
Asia, Australia, Others	10,061	11,825
	111,663	119,552
Consolidation	-130	-2,590
Total SBU Plastics	111,533	116,962

€ 000s	SBU Paper	
	1/1/-30/6/2005	1/1/-30/6/2006
Germany	30,784	31,845
Europe (without Germany)	41,181	43,367
America	10,024	9,101
Asia, Australia, Others	6,059	5,485
	88,048	89,798
Consolidation	-621	-1,100
Total SBU Paper	87,427	88,698

This unaudited report of the SURTECO Group for the first six 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

- » **30 November 2006**
Nine-month report January - September 2006
- » **30 April 2007**
Annual Report 2006
- » **31 May 2007**
Three-month Report January – March 2007
- » **31 August 2007**
Six-month report January – June 2007
- » **31 August 2007**
Annual General Meeting Gasteig, Munich

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

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

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

Net financial debt in €
(Current financial liabilities + non-current financial
liabilities) ./ liquid assets

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

Q2



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