

# REPORT FOR THE FIRST HALF YEAR

2008

SPECIALISTS  
FOR SURFACE  
TECHNOLOGIES

Q2



# SURTECO

SOCIETAS EUROPAEA

1 January to 30 June

## SURTECO GROUP

€ 000s	Q2			Q1-2		
	1/4/ - 30/6/2007	1/4/ - 30/6/2008	Variation in %	1/1/ - 30/6/2007	1/1/ - 30/6/2008	Variation in %
Sales revenues	101,478	<b>107,405</b>	+6	209,110	<b>215,973</b>	+3
of which						
- Germany	34,465	<b>35,139</b>	+2	76,107	<b>74,076</b>	-3
- Foreign	67,013	<b>72,266</b>	+8	133,003	<b>141,897</b>	+7
EBITDA	18,277	<b>19,219</b>	+5	39,195	<b>39,137</b>	-
EBITDA margin in %	18.0	<b>17.9</b>		18.7	<b>18.1</b>	
EBIT	13,601	<b>14,048</b>	+3	29,916	<b>28,960</b>	-3
EBIT margin in %	13.4	<b>13.1</b>		14.3	<b>13.4</b>	
EBT	11,807	<b>12,117</b>	+3	26,205	<b>24,244</b>	-7
Consolidated net profit	7,125	<b>8,210</b>	+15	16,097	<b>16,392</b>	+2
Earnings per share in €	0.64	<b>0.74</b>	+16	1.45	<b>1.48</b>	+2
Cash Earnings	11,972	<b>13,141</b>	+10	25,607	<b>26,652</b>	+4
Net financial debt at 30 June	119,929	<b>146,736</b>	+22	119,929	<b>146,736</b>	+22
Gearing (level of debt) at 30 June in %	66	<b>80</b>	+21	66	<b>80</b>	+21
Equity in % of balance sheet total at 30 June	46.4	<b>37.6</b>	-19	46.4	<b>37.6</b>	-19
Number of employees at 30 June	2,062	<b>2,223</b>	+8	2,062	<b>2,223</b>	+8

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

### INCREASING CONCERNS ABOUT RECESSION IN TRADITIONAL INDUSTRIAL NATIONS

The continuing credit crunch and fears about inflation are depressing sentiment in the traditional industrial nations during 2008. Although experts at the International Monetary Fund (IMF) are anticipating that the global economy will grow by 4.1 % in 2008, there is increasing talk of impending recession in the euro-zone and the USA. The argument goes that the US economy will shrink slightly during the second half of the year, following on from the positive momentum generated by a structured economic package during the first six months. The IMF predicts low growth of 1.3 % for the world's biggest industrialized nation in 2008. The euro-zone has posted rather better development with growth of 1.7 % despite a noticeable slowdown. Trends within the European Union are demonstrating increasing divergence. Many experts already perceive Italy and Spain to be on the brink of a recession. An increasing number of sceptical opinions are also being aired about France and the United Kingdom, whereas a differentiated picture is emerging for Germany. Thanks to the strong first quarter of the year, robust growth of 2.0 % is still indicated for the year as a whole. However, a series of weak economic indicators during the second quarter lead to rather less promising prospects for the second half of the year and eliminate any hopes that 2008 might herald the long-awaited upturn in private consumption.

The increase in global economic strength is once again based on the highly dynamic performance in the emerging economies of East and South-east Asia. According to the OECD (Organization for Economic Development), China's economy is likely to expand again by 10.0 % and India's is set to grow by 7.8 %. An increase in the gross

national product of 7.5 % is estimated for Russia. The experts also remain confident about prospects in South America and the Middle East for 2008.

### WEAK DOMESTIC BUSINESS IMPACTS NEGATIVELY ON THE FURNITURE INDUSTRY

The furniture industry started the business year 2008 with mixed sentiments. Renewed export growth was initially achieved but since no new momentum was generated in domestic business, sales in Germany fell. According to the associations of the wood and furniture industry (HDH/VDM) this entailed the net effect being manifested as stagnation. Only a few manufacturers in the German kitchen furniture industry were able to make up for weak development in Germany by means of flourishing business abroad. Pricing policy is the big dilemma for the furniture industry and this problem will continue to be an issue in the future. Rising costs for raw materials, wage increases and higher energy prices are forcing manufacturers to adjust prices upwards. However, it is very difficult to implement these increases due to the sustained high level of price competition in the industry and the resulting need for consolidation. As in the past ten years, sales in the industry are unlikely to make any progress in 2008.

### EFFECTS OF ECONOMIC WEAKNESS

The economic situation has not relaxed during the second quarter of the current business year. The ongoing high risks of write-downs in the wake of the subprime crisis combined with spiralling prices in raw materials and energy make recession probable in a large number of traditional industrialized nations. This situation is made even more critical by high inflation in a situation where the European Central Bank was forced to raise the base rate by 0.25 %. There was also no let-up on the currency

side. In contrast to the first quarter, the euro did not post a strong increase. However, any forecast is difficult on this front since the USD has leapt to more than 1.60 against the euro within a very short space of time.

There was also no good news for new-build activity. The Euroconstruct research institutes anticipate a decline in building activity of 8 % in Europe. The situation in the USA has now reached dramatic proportions. Building permits have slumped by more than 30 % during the last twelve months. There is also oversupply in the market for residential real estate, quite apart from collapsing prices.

#### **SURTECO PUTS IN GOOD PERFORMANCE**

Despite the negative external context and strategic streamlining of the product range in the DIY store business, which is subject to weak margins, SURTECO put in a good performance during the second quarter. This is the result not least of the cost-reduction and rationalization programmes that were already initiated in the first quarter and have been implemented consistently since then.

### **» SALES AND MARKETS**

#### **SALES FOR THE FIRST SIX MONTHS UP BY 3 %**

During the second quarter of 2008, the SURTECO Group increased sales volume by 6 % to € 107.4 million. A slight recovery in the domestic market (+2 % to € 35.1 million) and a marked increase in foreign business (+8 % to € 72.3 million) were contributory factors.

During the first half of the year, SURTECO succeeded in bringing down the first quarter's earnings shortfall in Germany (-6 %) amounting to € 74.1 million to only -3 %. Foreign sales rose by 7 % to € 141.9 million. Overall, SURTECO SE sales for the

first six months at € 216.0 million exceeded the equivalent year-earlier figure by 3 %.

The growth in sales was essentially driven by the contribution from Gislaved Folie AB, which has been part of the SURTECO Group since autumn last year. The specialist for high-quality plastic foils generated sales amounting to € 15.7 million during the reporting period.

By contrast, currency effects exerted a negative effect as a result of the strong euro, in particular against the US dollar. After adjustment for this effect, consolidated sales for the first six months would have been € 3.7 million above the level reported.

#### **STRATEGIC BUSINESS UNIT PLASTICS CONTINUES TRAJECTORY OF SUCCESS**

Plastic products increased by 13 % to € 68.3 million during the second quarter of 2008, despite the difficult market environment in the construction and furnishing sector. In Germany, the 5-percent deficit from the first quarter was offset by an increase in sales amounting to 7 %. There was no change in foreign sales compared with the first three months of the current business year. Other countries in Europe (+31 %) provided key support, powered in particular by Gislaved Folie AB which joined the Strategic Business Unit (SBU) Plastics. The future markets Asia and Australia continued their growth. The American market continued to be a difficult business environment and concluded the first six months € 1.7 million down on the comparable year-earlier period. However, € 1.5 million of the shortfall was due to the negative currency effects between the US dollar and the euro with the result that operating business only declined by 2 %. Foreign business generated by the SBU Plastics achieved an improvement in sales of 16 % to € 47.0 million during the second quarter of 2008.

The varied development in Germany during the first two quarters added up to sales at the level of the previous year (€ 44.0 million) in a half-year analysis. The development of business volume outside Germany continued to remain positive. The growth rate after six months was 17 % with sales at € 91.5 million. Sales of the SBU Plastics over the first six months amounting to € 135.5 million exceeded the equivalent year-earlier value by 11 %.

Growth was achieved in the first half-year of 2008 although lower sales were anticipated in the do-it-yourself sector as a result of streamlining the product range (1st six months of 2008: € -2.9 million or -30 %). Nevertheless, successful product innovations in the markets, particularly in the areas of skirtings, roller shutters, technical extrusions (profiles) and cladding systems, as well as high-quality plastic foils manufactured by Swedish Group subsidiary Gislaved more than compensated for the decline in trading.

#### CONSUMER RESTRAINT IMPACTS NEGATIVELY ON THE STRATEGIC BUSINESS UNIT PAPER

The German market for decorative prints, edging tapes and flat foils based on papers for technical applications continued to be shaped by very restrained consumption among private consumers during the second quarter of the year under review. The development of energy costs and uncertainties about additional burdens on private households as a result of rising inflation reduced the inclination to purchase furniture and interior fittings. As a supplier, the SBU Paper is directly affected by this development. During the second quarter, sales in Germany declined by 5 % to € 13.8 million. Foreign markets showed a picture that was not uniform. Although analyses of the German market can generally be transferred to most

countries in Central Europe, increasing activity in the construction sector in parts of South-eastern Europe remained a positive exception. Ultimately, countries in Europe outside Germany were able to maintain their level. The negative indications in the American market have continued during the second quarter. The problematic issue of currency, the weak economy and the low level of new-build activity due to the subprime crisis led to a reduction in business volume of € 1.5 million to € 2.9 million. Foreign sales of the SBU Paper therefore fell short of the equivalent year-earlier value by 5 % and amounted to € 25.3 million.

Sales at the SBU Paper for the first half year amounted to € 80.5 million (-7 %). The share accounted for in Germany was € 30.1 million. This corresponds to a decline of 7 % compared with the first half of 2007. At € 50.4 million, sales in markets outside Germany were 8 % less than the previous year.

#### » EXPENSES

##### ALTERNATIVE MATERIALS STABILIZE THE COST OF MATERIALS RATIO

During the first six months of 2008, expenses for materials amounted to € 92.3 million. This corresponds to a share in total output of 42.8 % (1st half year 2007: 42.6 %). Increasing prices for plastics were largely offset by consistent materials management and changes in the product mix during the reporting period. The price of most raw materials necessary for manufacture in the paper sector remained at the level of the previous year, with the exception of varnish and a number of other chemical products which are used in the production of paper-based coating materials. In cooperation with the research and development department, alternative products are being tested,

certified and approved for volume production with the aim of offsetting price rises. The procurement prices for energy consumption remained constant thanks to long-term contracts already concluded. Compared with 30 June 2007, the number of employees increased by 8 % from 2,062 to 2,223. This increase is due to acquisition of the Swedish plastic-foil manufacturer Gislaved in September 2007. Personnel expenses amounted to € 53.5 million (+8 %) during the reporting period. The proportion of personnel expenses to total output was 24.8 %.

Other operating expenses at € 33.5 million remained at the level of the previous year.

## » EARNINGS

### EARNINGS PER SHARE UP 2 %

At € 39.1 million, operating earnings (EBITDA) during the first half of 2008 were at the level of the equivalent year-earlier figure. The EBITDA margin eased slightly by 0.6 percentage points to 18.1 %. During the second quarter, the operating profit went up by 5 % to € 19.2 million.

EBIT amounted to € 29.0 million (1st half year of 2007: € 29.9 million). The slightly lower result was due to higher write-downs particularly as a result of the Gislaved acquisition and investments at Bausch Decor. The EBIT margin was 13.4 and hence 0.9 percentage points below the equivalent year-earlier value. During the quarter under review, EBIT climbed by 3 % to € 14.0 million despite the negative effects referred to.

Higher interest expenses in connection with issuing a long-term loan through a private placement in the US impacted negatively on EBT. Pre-tax earnings in 2008 reached € 24.2 million (-7 %) in the first half year of 2008.

Consolidated net profit was positively influ-

enced by the company tax reform introduced in Germany with effect from 1 January 2008. Net income amounts to € 16.4 million in the reporting period and is 2 % higher than in the first half year of 2007 on account of the reduction in tax expenses. Accordingly, earnings per share (based on: 11,075,522 no-par-value shares) increased from € 1.45 to € 1.48 (+ 2 %).

## » NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The balance sheet total at 30 June 2008 fell back by 5 % to € 489.2 million compared with 31 December 2007. This was essentially due to the dividend paid out in June and repayment of debt. This and the acquisition of shares in Pfeleiderer AG led to a decline in liquid assets by € 38.9 million during the reporting period.

The purchase price allocation concluded in the second quarter on account of the acquisition of Gislaved Folie AB, Sweden led to a reduction in goodwill combined with an increase in property, plant and equipment, and intangible assets.

Working capital remained relatively constant at € 76.0 million compared with the previous year. The gearing ratio improved slightly on account of the scheduled reduction in borrowing (80 % compared with 81 % at 31/12/2007). The equity ratio improved from 36.1 % (31/12/2007) to 37.6 %.

### FURTHER INCREASE IN FREE CASH FLOW

The cash flow from operating activities went up compared with the previous year on the back of progressing further optimization of assets and liabilities by 16 % to € 40.9 million. Payment outflows arising from investment activities result from investments in property, plant and equipment and acquisition of the Pfeleiderer shareholding.

Payment outflows arising from financing activities are comprised of dividend payouts (€ 12.2 million), loan repayments (€ 17.5 million) and repayments on short-term current account credit lines (€ 10.1 million).

The improvement in operating cash flow and reduced investment activity led to free cash flow increasing by € 9.3 million to € 25.1 million.

#### Calculation of free cash flow

€ 000s	1/1 - 30/06/2007	1/1 - 30/06/2008
Cash inflow from operating activities	35.263	40.872
Tax payments	-6.113	-6.000
Cash outflow from investment activities (without financial investments)	-13.305	-9.745
<b>Free cash flow</b>	<b>15.845</b>	<b>25.127</b>

## » RESEARCH AND DEVELOPMENT

### EXCITING ALTERNATIVE TO GENUINE GLASS

Glass is increasingly being used by furniture designers as a design element. The high-quality visual profile enhances the look of worktops and front panels. However, weight and sensitivity mean that glass is not ideal for the manufacture of furniture. Döllken has therefore developed an alternative. While exhibiting a deceptively genuine glass look, this edging is shatter-proof and does not require special fittings for front panels as is the case with real glass due to the higher weight of the material. The new product comprises two parallel colours and decorative elements. The upper part is in a colour typical of glass, such as green, black, white or red,

the lower section is generally designed in neutral aluminium or stainless steel. The transparent acrylic material and the high-gloss finish create a reflection effect similar to glass. If this is attached to a high-gloss board of the same colour, this simulates the optical impression of an overlaid glass panel.

Döllken has presented a frame extrusion made of high-quality plastic for flat screens in the segment of technical extrusions (profiles). The product offers substantial advantages for customers by comparison with the injection-moulded parts supplied to date because it can be used more flexibly and is significantly more cost-effective as well as having high visual appeal. Attaching high-gloss plastic or genuine aluminium foils upgrades the surface to give the frame extrusion a sophisticated and appealingly modern finish.

The Research and Development Department of the SBU Paper is working very hard to develop substitutes for chemical raw materials. The high price of oil makes developing alternatives with a lower oil content and preparing them for market a matter of increasing urgency. SURTECO is working closely with suppliers to review varnish and impregnating components with the aim of achieving the same or even higher quality at lower cost prices. All planned conversions are being carefully tested in the laboratory and in production trials and they will be approved for volume production only after stringent checks have been carried out.

The Research and Development Department of the SBU Paper has also joined forces with a joint-venture partner to investigate an exciting new area of activity focusing on flame-retardant edging tapes. Over the long term, this project is likely to have the potential for taking advantage of new market opportunities.

## » SURTECO SHARES

Share price performance  
January – June 2008 in €

## January - June 2008

Number of shares	11,075,522
Free float in %	23.7
Price on 2/1/2008 in €	27.15
Price on 30/6/2008 in €	24.13
High in €	30.02
Low in €	18.50
Market capitalization as at 30/6/2008 in €000s	267,252

» OUTLOOK FOR THE  
FISCAL YEAR 2008

Analysts are assuming that the fraught American market will continue to impact negatively on the eurozone economy during the second half of 2008. In conjunction with a strong euro and a high rate of inflation, a marked downturn forecast by many experts especially in the traditional industrial nations of Europe and North America cannot be excluded. Assuming that SURTECO is not negatively impacted by further turbulence in the foreign-exchange and raw-materials markets, at best moderate organic growth is conceivable for the business year 2008, adjusted for portfolio rationalisations, and consolidation and currency effects.

The objective for the business year 2008 remains to emulate the high level of earnings attained in the previous year.



16 » CONSOLIDATED  
 INCOME STATEMENT  
 SURTECO GROUP

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€ 000s	Q2		Q1-2	
	1/4- 30/6/2007	1/4- 30/6/2008	1/1- 30/6/2007	1/1- 30/6/2008
<b>Sales revenues</b>	<b>101,478</b>	<b>107,405</b>	<b>209,110</b>	<b>215,973</b>
Changes in inventories	886	328	1,608	-842
Own work capitalized	265	365	577	605
<b>Total</b>	<b>102,629</b>	<b>108,098</b>	<b>211,295</b>	<b>215,736</b>
Cost of materials	-43,615	-46,434	-90,011	-92,258
Personnel expenses	-25,075	-26,872	-49,722	-53,453
Other operating expenses	-16,235	-16,851	-33,458	-33,506
Other operating income	573	1,278	1,091	2,618
<b>EBITDA</b>	<b>18,277</b>	<b>19,219</b>	<b>39,195</b>	<b>39,137</b>
Depreciation and amortization	-4,676	-5,171	-9,279	-10,177
<b>EBIT</b>	<b>13,601</b>	<b>14,048</b>	<b>29,916</b>	<b>28,960</b>
Financial result	-1,794	-1,931	-3,711	-4,716
<b>EBT</b>	<b>11,807</b>	<b>12,117</b>	<b>26,205</b>	<b>24,244</b>
Income tax	-4,682	-3,907	-10,108	-7,852
<b>Net income (consolidated net profit)</b>	<b>7,125</b>	<b>8,210</b>	<b>16,097</b>	<b>16,392</b>
Basic and diluted earnings per share in €	0.64	0.74	1.45	1.48
Number of shares issued	11,075,522	11,075,522	11,075,522	11,075,522

18 » **CONSOLIDATED  
BALANCE SHEET**  
SURTECO GROUP

€ 000s	31/12/2007	30/6/2008
<b>ASSETS</b>		
Cash, cash equivalents and securities	97,782	58,801
Trade accounts receivable	31,662	34,345
Inventories	67,659	64,156
Income tax assets	5,456	3,487
Other current assets	9,764	9,155
<b>Current assets</b>	<b>212,323</b>	<b>169,944</b>
Property, plant and equipment	173,976	175,615
Intangible assets	5,223	9,105
Goodwill	115,335	110,018
Investments, accounted for using the equity method	1,732	1,733
Investments	208	14,116
Other non-current assets	1,563	1,565
Deferred taxes	4,421	7,081
<b>Non-current assets</b>	<b>302,458</b>	<b>319,233</b>
	<b>514,781</b>	<b>489,177</b>

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# » CONSOLIDATED BALANCE SHEET SURTECO GROUP

€ 000s	31/12/2007	30/6/2008
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term financial liabilities	26,897	16,762
Trade accounts payable	22,580	21,345
Income tax liabilities	5,891	8,980
Short-term provisions	1,457	1,183
Other current liabilities	19,825	18,277
<b>Current liabilities</b>	<b>76,650</b>	<b>66,547</b>
Long-term financial liabilities	220,511	202,724
Pensions and similar obligations	11,242	11,325
Other non-current financial liabilities	1,853	4,035
Deferred taxes	18,870	20,489
<b>Non-current liabilities</b>	<b>252,476</b>	<b>238,573</b>
Capital stock	11,076	11,076
Reserves	142,964	156,588
Net profit	31,615	16,393
<b>Equity</b>	<b>185,655</b>	<b>184,057</b>
	<b>514,781</b>	<b>489,177</b>

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

€ 000s	Q1-2	
	1/1- 30/6/2007	1/1- 30/6/2008
<b>Earnings before income tax</b>	<b>26,205</b>	<b>24,245</b>
Reconciliation to cash flow from current business operations	12,528	17,621
<b>Internal financing</b>	<b>38,733</b>	<b>41,866</b>
Change in assets and liabilities (net)	-9,582	-1,788
<b>Cash flow from current business operations</b>	<b>29,151</b>	<b>40,078</b>
Cash flow from investment activities	-19,272	-33,585
Cash flow from financial activities	-8,530	-45,474
<b>Change in cash, cash equivalents and securities</b>	<b>1,349</b>	<b>-38,981</b>
Cash, cash equivalents and securities		
1 January	2,233	97,782
Effect of changes in exchange rate on cash, cash equivalents and securities	0	0
<b>30 June</b>	<b>3,582</b>	<b>58,801</b>

# 24 » CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## SURTECO GROUP

€ 000s	Retained Earnings								
	Capital stock	Additional capital paid in	Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit	Minority interests	Total
<b>31 December 2006</b>	<b>11,076</b>	<b>50,416</b>	<b>0</b>	<b>-386</b>	<b>-7,069</b>	<b>82,135</b>	<b>28,761</b>	<b>745</b>	<b>165,678</b>
Net income	0	0	0	0	0	0	16,097	0	16,097
Other changes	0	0	0	0	-43	0	0	-745	-788
<b>30 June 2007</b>	<b>11,076</b>	<b>50,416</b>	<b>0</b>	<b>-386</b>	<b>-7,112</b>	<b>82,135</b>	<b>44,858</b>	<b>0</b>	<b>180,987</b>
<b>31 December 2007</b>	<b>11,076</b>	<b>50,416</b>	<b>3,436</b>	<b>45</b>	<b>-10,944</b>	<b>100,011</b>	<b>31,615</b>	<b>0</b>	<b>185,655</b>
Dividend payout	0	0	0	0	0	0	-12,183	0	-12,183
Net income	0	0	0	0	0	0	16,393	0	16,393
Other changes	0	0	-7,383	0	-503	21,510	-19,432	0	-5,808
<b>30 June 2008</b>	<b>11,076</b>	<b>50,416</b>	<b>-3,947</b>	<b>45</b>	<b>-11,447</b>	<b>121,521</b>	<b>16,393</b>	<b>0</b>	<b>184,057</b>

## BY STRATEGIC BUSINESS UNITS

## Sales revenues

€ 000s	1/1- 30/6/2007	1/1- 30/6/2008
SBU Plastics	122,197	135,433
SBU Paper	86,913	80,540
	<b>209,110</b>	<b>215,973</b>

Operating segment earnings before  
financial result and income taxes

€ 000s	1/1- 30/6/2007	1/1- 30/6/2008
SBU Plastics	19,773	22,845
SBU Paper	12,528	8,139
Reconciliation	-2,385	-2,024
	<b>29,916</b>	<b>28,960</b>

**BY REGIONAL MARKETS**

Sales revenues SURTECO Group		
€ 000s	1/1- 30/6/2007	1/1- 30/6/2008
Germany	76,107	74,076
Rest of Europe	85,095	97,073
America	31,137	25,367
Asia, Australia, Others	16,771	19,457
	<b>209,110</b>	<b>215,973</b>

Sales revenues SBU Plastics		
€ 000s	1/1- 30/6/2007	1/1- 30/6/2008
Germany	43,839	43,946
Rest of Europe	42,830	56,910
America	23,129	19,691
Asia, Australia, Others	12,399	14,886
	<b>122,197</b>	<b>135,433</b>

Sales revenues SBU Paper		
€ 000s	1/1- 30/6/2007	1/1- 30/6/2008
Germany	32,268	30,130
Rest of Europe	42,265	40,163
America	8,008	5,676
Asia, Australia, Others	4,372	4,571
	<b>86,913</b>	<b>80,540</b>

**ACCOUNTING PRINCIPLES**

The consolidated financial statements of SURTECO SE for the fiscal year ending 31 December 2007 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) applicable on the balance-sheet date. This report has been prepared in accordance with the reporting principles of 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 2007 are applied in drawing up the interim financial report for the quarter ended 30 June 2008.

We refer readers to the consolidated financial statements of SURTECO SE for the period ending 31 December 2007 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) unless otherwise stated.

**GROUP OF CONSOLIDATED COMPANIES**

The SURTECO interim consolidated financial statements include all domestic and foreign companies in which SURTECO holds a direct or indirect majority of the voting rights. On 1 January 2008, SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş., Turkey, is being consolidated for the first time. The effects on the net assets, financial position and results of operations of the Group are insignificant, because the company was established in the fourth quarter of 2007.

**STATEMENTS ON THE BALANCE SHEET**

The assets and liabilities recognized at preliminary values in connection with the acquisition of Gislaved Folie AB, Sweden, on 31/12/2007 were reported at their current values in a purchase price allocation

during the reporting period. The purchase price allocation led to a reduction in goodwill of some € 6 million and to appropriate adjustments in property, plant and equipment and in intangible assets.

**REPORT ON IMPORTANT BUSINESS 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.

**RESPONSIBILITY STATEMENT**

In our opinion and to the best of our knowledge, we should like to provide assurance that in accordance with the applicable accounting principles for interim reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the interim consolidated management report provides a suitable understanding that corresponds to a true and fair view of the business performance including the business results and the Group's position, and suitably presents the risks and opportunities of the future development of the Group in the remaining business year.

Buttenwiesen-Pfaffenhofen, 11 August 2008



Friedhelm Päfgen  
Chairman of the  
Board of Management

Dr.-Ing. Herbert Müller  
Member of the  
Board of Management



**Calculation of indicators:**

Cash earnings in €	Net income + amortization and depreciation less write-ups + change in long-term provision in the income statement
Cost of materials ratio in %	Cost of materials / Total output
EBIT margin in %	EBIT/Sales revenues
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity /Balance sheet total
Earnings per share in €	Consolidated net profit/Number of shares
Gearing (debt level) in %	(Short-term and long-term debt less cash and cash equivalents less securities) / Equity
Market capitalization	Number of shares x Closing price on the balance-sheet date
Net debt in €	(Short-term debt + long-term debt) less (Cash and cash equivalents + securities)
Personnel expense ratio in %	Personnel expenses / Total output
Return on sales in %	(Consolidated net profit + income tax) / Sales
Working capital in €	(Trade receivables + inventories) less (Trade liabilities + short-term accrued reserves)

**FINANCIAL CALENDAR**

» 11 November 2008	Nine-month report January - September 2008
» 30 April 2009	Annual report 2008
» 12 May 2009	Three-month report January – March 2009
» 19 June 2009	Annual General Meeting ArabellaSheraton, Munich
» 22 June 2009	Dividend payout

TICKER-SYMBOL: SUR  
ISIN: DE0005176903

# Q2



## Investor Relations and Press Office

Andreas Riedl  
Chief Financial Officer  
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](mailto:ir@surteco.com)  
Internet [www.surteco.com](http://www.surteco.com)

# SURTECO

SOCIETAS EUROPAEA

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