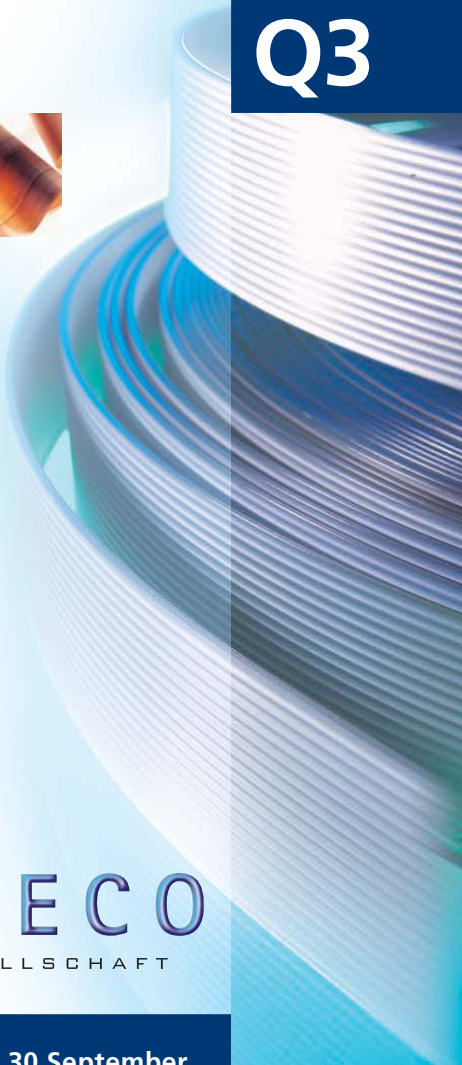
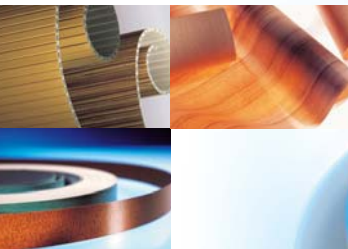


REPORT FOR THE FIRST THREE QUARTERS

2006

SPECIALISTS
FOR SURFACE
TECHNOLOGIES

Q3



SURTECO

AKTIENGESELLSCHAFT

1 January to 30 September

» OVERVIEW

SURTECO GROUP

Q3

€ 000s	Q 3			Q 1-3		
	1/7/ - 30/9/2005	1/7 - 30/9/2006	Variation in %	1/1/ - 30/9/2005	1/1 - 30/9/2006	Variation in %
Sales revenues	97,165	98,888	+2	296,125	304,548	+3
of which						
- Germany	35,040	34,677	-1	108,608	109,144	0
- Foreign	62,125	64,211	+3	187,517	195,404	+4
EBITDA	16,399	17,028	+4	51,880	53,186	+3
EBIT	12,127	12,408	+2	38,684	39,623	+2
Result from ordinary activities before restructuring expenses	9,143	9,911	+8	31,213	33,525	+7
Restructuring expenses	0	0		-4,267	0	
Result from ordinary activities after restructuring expenses (EBT)	9,143	9,911	+8	26,946	33,525	+24
Net income	5,293	6,214	+17	16,126	20,921	+30
Minority interest	38	-52		-161	-182	
Consolidated net income	5,331	6,162	+16	15,965	20,739	+30
Net income per share (€)	0.48	0.56	+16	1.46	1.87	+28
Cash flow from operating activities	9,782	13,478	+38	30,414	35,854	+18
EBIT margin in %	12.5	12.5	0	13.1	13.0	0
Net financial liabilities at 30 September	145,035	134,519	-7	145,035	134,519	-7
Gearing (debt ratio) at 30 September in %	103	84	-18	103	84	-18
Capital ratio at 30 September in %	37.4	42.4	+13	37.4	42.4	+13
Number of employees at 30 September	2,124	2,059	-3	2,124	2,059	-3

» DEAR SHAREHOLDERS, PARTNERS AND FRIENDS OF OUR COMPANY

Global economy continues to grow

According to the International Monetary Fund (IMF), the global economy has continued to develop positively during the course of 2006. Against this background, the IMF is forecasting an increase in international economic output of 5.1 % for the year as a whole. In the USA, an increase in growth of 3.4 % is still anticipated, despite a marked easing in the economy during the 2nd quarter resulting from a cool-down in the real-estate market. The economies in the euro zone are continuing to grow. Growth there is projected to reach 2.4 % in 2006. This positive trend is mainly being driven by the gratifying performance in Germany. Economic activity there is gathering pace, with the IMF predicting that gross domestic product will go up by 2.0 % during the year 2006. According to the International Monetary Fund, expansion of the Japanese economy is being sustained. The increase in gross domestic product during this year is projected to amount to 2.7 %. The developing economies of the emerging markets continue to be extremely dynamic, with the IMF predicting growth rates of 10.0 % and 8.3 % respectively for China and India. Eastern Europe is also continuing to develop positively with an increase of 5.3 %. Development of the Russian economy is predicted to reflect development in the previous year and grow by 6.5 %.

Export business gives helping hand in the furniture sector

The brighter prospects for the economic climate and the slight upturn in private consumption are also positively reflected in the development of the furnishing industry – important for the operating business of SURTECO AG. The Federation of the German Furniture Industry (VDM) announced that export business in particular had undergone very gratifying development with export rates of more than 10 % during the first half of 2006. By contrast, domestic demand had remained at a more modest level with nominal growth of 0.5 %. Driven by significant increases in cost on the raw materials side, in particular in wood-based materials, the furnishing industry announced price increases of up to 8 % for 2006. However, it should be taken into account here that the trend towards what are in some cases huge price discounts in the furnishing trade remains unchanged.

» SALES AND MARKETS

Consolidated sales increase

During the third quarter of 2006, consolidated sales rose by 2 % to € 98.9 million by comparison with the equivalent year-earlier period. While business in Germany eased slightly over the course of this year (-1 %) for the first time, foreign business generated three-percent growth with sales of € 64.2 million, primarily focused on Europe and Australia.

An increase in consolidated sales to € 304.5 million (+3 %) emerged for the first three quarters. Domestic business remained at the level of the previous year amounting to € 109.1 million, with foreign markets achieving a four-percent increase at € 195.4 million. The proportion of foreign sales at the SURTECO Group increased from 63 to 64 % as a result.

Strategic Business Unit Plastics

During the first nine months of 2006, the companies of the Döllken Group, which represents the Strategic Business Unit (SBU) Plastics within SURTECO AG, increased sales by 4 % to € 174.4 million. Foreign business went up by 8 % to € 111.6 million. Business in Germany fell short of the previous year's figure by nearly € 0.7 million at € 62.8 million.

During the months of July to September 2006, sales in the SBU Plastics exceeded the figure for the equivalent year-earlier period by 3 % at € 57.4 million. An increase in foreign markets (+7 %) compared with a decline of 3 % in Germany, primarily due to the do-it-yourself (DIY) store and facade business.

As a consequence of development in the domestic market, the management of Döllken & Praktikus GmbH, the leading supplier in flooring and kitchen worktops for the DIY retail trade, has restructured its product range. The product portfolio is being consistently streamlined. Innovative in-house products and profitable supplements to the range will form the future focus of business activity. Segments that have generated poor margins to date will be discontinued. Döllken & Praktikus is adopting the trend emerging in the trade with purchasers wanting to buy direct from manufacturers. In parallel, new in-house initiatives are coming onstream in a tough market environment, developed with creativity and designed to solve customers' problems.

The SBU Plastics generates some two thirds of the sales volume with edging tapes. Compared with the equivalent year-earlier period in 2005, sales of edging tapes again went up during the third quarter of the year under review, recording an increase of 9 %. The increase during the reporting period amounts to 10 %. Development in this area is also gratifying in Germany, where sales increased by 7 %. Continual expansion of market share represents a success for the product range of the SBU Plastics, which is consistently tailored to customers' requirements. Alongside new and unique refinements adding value to finishes, the focus has been on successful expansion of the product range in thin edgings.

Skirting business for professional floor-layers underwent positive development, particularly in Eastern Europe, with sales increasing by 7 % during the reporting period.

Strategic Business Unit Paper

During the third quarter of 2006, sales of the SBU Paper remained at the level of the previous year with € 41.5 million. An increase of 2 % was reported in Germany with € 14.6 million, whereas foreign business fell back by 1 % to € 26.9 million. The reporting period from January to September saw a slight increase in growth to € 130.1 million (+1 %). Utilization of capacity by our German customers in the areas of flat-pack furniture, panelling and doors continued weak. Only the caravan industry maintained operations at high levels of capacity. An upswing in the face of the imminent increase in value added tax has not yet emerged in most sales areas. However, the SBU Paper achieved a sales increase of 3 % to € 46.3 million in Germany. Sales in other sales regions remained exactly at the level of the previous year with € 83.8 million. This corresponds to the forecast made by the Sales Department for most export countries of the SBU Paper, which mostly reported stabilization of the economic situation. The SBU Paper only recorded slight shifts in the product portfolio compared with the first three quarters of 2005. Edgings based on paper remained unchanged, pre-impregnated and post-impregnated flat foils declined by € 2.8 million. However, this was compensated by a further increase in decorative printing from € 11.0 million to € 14.3 million.

» EXPENSES

Proportion of personnel costs to total output continues to decline

The availability and the delivery times of raw materials for production were for the most part unproblematic during the period under review. However, the development on the cost side remained negative. This mainly affected intermediate products for the plastics segment – in particular PVC and ABS – and key chemical components in the SBU paper. Purchase costs for technical raw papers have so far remained basically stable during the current year. The proportion of costs of material to total output increased by 0.6 percentage points to 43.2 %.

On 30 September 2006, the SURTECO Group employed a workforce of 2,059 employees. Compared with the equivalent year-earlier figure, this represents a decline of 65 employees or 3 %. Compared with the end of 2005, this represents a reduction of 2 % (50 employees). Personnel costs amounted to € 75.0 million (1-9/2005: € 76.2 million) during the period under review. Personnel costs fell significantly – favoured by the company-based collective agreement in place since January 2006, which permits extended weekly working time and more flexibility – by 1.2 percentage points to 24.4 %.

The other operating expenses amounted to € 48.7 million. The difference by comparison with the equivalent year-earlier figure (€ 45.5 million) is the consequence of higher consultancy costs and additional freight expenses resulting from the increased foreign volume.

» EARNINGS

Significant EBT increase after nine months

The SURTECO Group generated an operating result (EBITDA) of € 17.0 million (+4 %) in the third quarter. The EBITDA margin at 17.2 % was slightly above the figure for the previous year. EBIT during the third quarter of 2006 amounted to € 12.4 million. This corresponds to an increase of 2 %. The corresponding EBIT margin again reached 12.5 %.

During the months from July to September 2006, the SURTECO Group achieved earnings from ordinary activities (EBT) amounting to € 9.9 million (+8%). The result for the period under review and consolidated earnings for the period (€ 6.2 million) exceeded the figure for the previous year by 17 % and 16 % respectively.

Earnings per share were € 0.56 (3rd quarter 2005: € 0.48) on the basis of 11,075,522 shares issued.

The results at 30 September 2006 are gratifying overall. The operating result at € 53.2 million increased by 3 %, EBIT at € 39.6 million increased by 2 %. The EBITDA margin amounted to 17.5 % (2005: 17.5 %), the EBIT margin was 13.0 % (2005: 13.1 %). Earnings from ordinary activities before restructuring expenses were € 2.3 million above the figure for the previous year. In this context, it should be taken into account that the restructuring expenses amounting to € 4.3 million in 2005 were not subject to comparable burdens during the year under review. Earnings from ordinary activities after restructuring expenses (EBT) accordingly demonstrated an increase of 24 %. Adjusted by these expenses from the previous

year, SURTECO would have experienced growth of 7 % in a nine-month comparison of pre-tax profit.

The result for the period increased by € 4.8 million to € 20.9 million (+30 %) during the first nine months of 2006, and consolidated earnings for the period under review increased by € 4.8 million to € 20.7 million (+30 %).

Earnings per share after three quarters amounted to € 1.87 (2005: € 1.46).

» NET ASSETS AND FINANCIAL POSITION

Equity ratio continues to improve

Balance-sheet ratios continued to improve during the first nine months of 2006 compared with year-end 2005. Working capital increased slightly from € 62.7 million (31/12/2005) to € 64.8 million. Sales revenues increased by 3%, but higher inventories of raw materials on account of increased prices resulted in an increase in inventories of 8.5 % and higher trade accounts payable.

Property, plant and equipment included additions amounting to € 13.4 million at 30 September 2006. Depreciation and amortization amounted to € 13.6 million. Process improvements and optimization were the focus of investments. The slight decline in the value of goodwill is exclusively due to the influence exerted by exchange rates. The reduction of long-term financial debt continued as planned. After nine months, debt amounted to € 79.5 million (31/12/2005: € 102.6 million) during the year under review. Net finan-

cial debt was reduced overall by a further 7 % from € 145.0 million to € 134.5 million. As a result of the improved result, the equity ratio improved from 40.2 % (start of year) to 42.4 %. The gearing ratio, i.e. the ratio of net financial debt to equity capital, fell significantly from 103 % to 84 %.

Performance of Free Cash Flow

€ 000s	1/1 - 30/9/2006
Cash inflow from operating activity	35,856
Tax payments	-9,484
Investments in property, plant and equipment (without financial investments)	-12,939
Free Cash Flow	13,433

» RESEARCH AND DEVELOPMENT

Innovative plastic surfaces

The success of SURTECO products is largely based on the innovative capability of the company and rapid adaptation to customers' requirements. Accordingly, product innovations are developed in very close cooperation with customers with the aim of further expanding the leading competitive position and enhancing profitability.

The activities of the SBU Plastics during recent months were directed towards the development of decorative printing and implementation of new surface structures in the area of edgings. The intention here was to contribute to attaining a position that was further differentiated from the competition.

A special design of printing cylinder combined with very precise edging guides in the extrusion process permitted a decorative printing procedure to be developed that featured a parallel line configuration in different colours. An additional improvement was originated in metallic finishes. The use of a special printing cylinder generated a very refined micrograph that gives the edgings the typically metallic character.

The role of embossing is increasing in the development of edging design. An innovative, very versatile version of embossing involves refining the "paper surface" of worktop coatings. The unfocused, unaligned contours provide a visual and tactile simulation of a paper structure. The principle of industrial production at SBU Paper is based on the "roll to roll" production method. A wide range of different refinement processes is carried out on the materials during the automated process. The quality of these processes requires precise visual observation on the machine

and standardized inspection of selected samples following each manufacturing stage. During the course of a project, the SBU Paper is now taking the process a stage further and examining innovative track observations systems for automatic identification of even the smallest production or raw-material faults. Successful implementation of such systems promises substantial advantages for customers and for the manufacturing process. Customers benefit from even higher levels of consistent quality. Automation of inspections provides the SBU Paper with an exceptionally high level of precision. It also enables machine speeds and hence productivity to be increased for the long term.

» SURTECO SHARES

Period January - September 2006

Number of shares	11,075,522
Free float in %	14.5
<hr/>	
Price on 2/1/2006 in €	28.00
Price on 30/9/2006 in €	29.64
High in €	34.00
Low in €	26.50
<hr/>	
Market capitalization as at 30/9/2006 in € millions	328,278

Share price performance of the SURTECO share January - September 2006 in €



» OUTLOOK FOR THE FISCAL YEAR 2006

The third quarter of 2006 did not entirely live up to our expectations. In particular, price increases in raw materials impacted negatively on the result. However, performance confirmed the forecast for the current business year that we already published in the first quarter of 2006 with the outlook for the year.

We believe that our forecast for 2006 has been confirmed, with moderate sales growth and slightly above-average earnings performance. We are assuming that the overall economic framework conditions and the situation in the foreign-exchange and commodity markets will not change any further during the remainder of the year.

» CONSOLIDATED
INCOME STATEMENT
SURTECO GROUP

€ 000s	Q 3		Q 1-3	
	1/1/ - 30/9/ 2005	1/1/ - 30/9/ 2006	1/1/ - 30/9/ 2005	1/1/ - 30/9/ 2006
Sales revenues	97,165	98,888	296,125	304,548
Changes in inventories	506	34	595	1,682
Production of own fixed assets capitalized	191	281	654	503
Total output	97,862	99,203	297,374	306,733
Cost of purchased materials	-41,999	-42,326	-126,719	-132,449
Personnel expenses	-26,339	-25,070	-76,157	-74,966
Other operating expenses	-14,056	-15,481	-45,477	-48,746
Other operating income	931	702	2,859	2,614
EBITDA	16,399	17,028	51,880	53,186
Depreciation and amortization	-4,272	-4,620	-13,196	-13,563
EBIT	12,127	12,408	38,684	39,623
Financial result	-2,984	-2,497	-7,471	-6,098
Result from ordinary activities before restructuring expenses	9,143	9,911	31,213	33,525
Restructuring expenses	0	0	-4,267	0
Result from ordinary activities after restructuring expenses (EBT)	9,143	9,911	26,946	33,525
Income tax	-3,850	-3,697	-10,820	-12,604
Net income	5,293	6,214	16,126	20,921
Minority interest	38	-52	-161	-182
Consolidated net income	5,331	6,162	15,965	20,739
Net income per share (€)	0.48	0.56	1.46	1.87
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	30/9/2006
ASSETS		
Cash and cash equivalents	2,209	3,732
Trade accounts receivable	33,839	34,701
Inventories	53,868	58,475
Other current assets	11,164	12,048
Current assets	101,080	108,956
Property, plant and equipment, net	156,048	155,501
Intangible assets	4,691	4,350
Goodwill	98,027	97,783
Investments	167	167
Investments in associated companies	1,750	1,762
Other non-current assets	1,420	1,499
Non-current assets	262,103	261,062
Deffered tax assets	6,938	5,742
	370,121	375,760

» CONSOLIDATED
BALANCE SHEET
SURTECO GROUP

€ 000s	31/12/2005	30/9/2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current financial liabilities	34,256	58,805
Trade accounts payable	20,736	24,833
Tax liabilities	12,543	5,890
Short-term accrued expenses	4,273	3,511
Other current liabilities	16,675	15,366
Total short-term liabilities and provisions	88,483	108,405
Non-current financial liabilities	102,570	79,446
Pensions and similar obligations	13,085	13,298
Other non-current liabilities	353	341
Non-current liabilities	116,008	93,085
Deferred tax liability	16,663	15,074
Capital stock	11,076	11,076
Reserves	115,364	126,503
Net profit	21,831	20,739
Capital attributable to shareholders	148,271	158,318
Minority interest	696	878
Equity capital	148,967	159,196
	370,121	375,760

» CONSOLIDATED
CASH FLOW STATEMENT
SURTECO GROUP

€ 000s	Q 1-3	
	1/1/ - 30/9/ 2005	1/1/ - 30/9/ 2006
Earnings before Interest and Income Tax	26,946	33,525
Reconciliations for cash flow from current business operations	14,939	14,642
Internal financing	41,885	48,167
Change in net current assets	-15,148	-21,797
Cash flows from current business operations	26,737	26,370
Cash flow from investing activities	-21,585	-12,939
Cash flow from financing activities	-3,725	-11,908
Change in cash and cash equivalents	1,427	1,523
Cash and cash equivalents		
1 January	4,480	2,209
30 September	5,907	3,732

» 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
Dividend payout	0	0	0	0	-8,860	0	-8,860
Consolidated net income	0	0	0	0	15,965	161	16,126
Capital increase	500	14,556	0	0	0	0	15,056
Other changes	0	0	0	11,247	-9,192	-591	1,464
30 September 2005	11,076	50,416	0	61,884	16,118	901	140,395
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	20,740	182	20,922
Other changes	0	0	0	11,139	-12,972	0	-1,833
30 September 2006	11,076	50,416	-404	76,491	20,739	878	159,196

» SEGMENT REPORTING

SURTECO GROUP

Q3

SALES REVENUES AND FINANCIAL RESULTS BY STRATEGIC BUSINESS UNITS

€ 000s	Segment revenues		Operating segment earnings before interest (financial result) and taxes	
	1/1-30/9/2005	1/1-30/9/2006	1/1-30/9/2005	1/1-30/9/2006
SBU Plastics	170,438	178,124	27,104	27,312
SBU Paper	129,974	131,712	13,686	15,688
SURTECO AG	0	0	-2,188	-3,530
Consolidation	-4,287	-5,288	82	153
SURTECO Group	296,125	304,548	38,684	39,623

SALES REVENUES BY REGIONAL MARKETS

€ 000s	SURTECO Group	
	1/1-30/9/2005	1/1-30/9/2006
Germany	108,704	109,299
Europe (without Germany)	113,704	122,114
America	54,282	51,991
Asia, Australia, Others	23,722	26,432
	300,412	309,836
Consolidation	-4,287	-5,288
Total SURTECO Group	296,125	304,548

» SEGMENT REPORTING
SURTECO GROUP

Q3

SALES REVENUES BY REGIONAL MARKETS

	SBU Plastics	
€ 000s	1/1/-30/9/2005	1/1/-30/9/2006
Germany	63,524	62,833
Europe (without Germany)	51,066	58,269
America	39,291	38,765
Asia, Australia, Others	16,557	18,257
	170,438	178,124
Consolidation	-3,280	-3,730
Total SBU Plastics	167,158	174,394

	SBU Paper	
€ 000s	1/1/-30/9/2005	1/1/-30/9/2006
Germany	45,180	46,466
Europe (without Germany)	62,638	63,845
America	14,991	13,226
Asia, Australia, Others	7,165	8,175
	129,974	131,712
Consolidation	-1,007	-1,558
Total SBU Paper	128,967	130,154

This unaudited report of the SURTECO Group for the first nine 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 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
- » **3 September 2007**
Dividend payout

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

Q3



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