

# REPORT FOR THE FIRST THREE QUARTERS

2007

SPECIALISTS  
FOR SURFACE  
TECHNOLOGIES

Q3



**SURTECO**  
AKTIENGESELLSCHAFT

1 January to 30 September

## 2 » OVERVIEW

### SURTECO GROUP

€ 000s	Q3			Q1-3		
	1/1/ - 30/9/2006	1/1/ - 30/9/2007	Variation in %	1/1/ - 30/9/2006	1/1/ - 30/9/2007	Variation in %
Sales revenues	98,888	<b>103,227</b>	+4	304,548	<b>312,337</b>	+3
of which						
- Germany	34,677	<b>35,652</b>	+3	109,144	<b>111,759</b>	+2
- Foreign	64,211	<b>67,575</b>	+5	195,404	<b>200,578</b>	+3
EBITDA	17,028	<b>17,383</b>	+2	53,186	<b>56,578</b>	+6
EBIT	12,408	<b>12,711</b>	+2	39,623	<b>42,627</b>	+8
EBT	9,911	<b>10,496</b>	+6	33,525	<b>36,701</b>	+9
Consolidated net income	6,162	<b>7,100</b>	+15	20,739	<b>23,197</b>	+12
Net income per share in €	0,56	<b>0,64</b>	+14	1,87	<b>2,09</b>	+12
Cash Earnings	13,478	<b>11,916</b>	-12	35,854	<b>37,523</b>	+5
EBIT margin in %	12.5	<b>12.3</b>	-2	13.0	<b>13.6</b>	+5
Net financial liabilities at 30 September	134,519	<b>149,484</b>	+11	134,519	<b>149,484</b>	+11
Gearing (debt ratio) at 30 September in %	84	<b>84</b>	-	84	<b>84</b>	-
Equity capital in % of balance sheet total at 30 June	42.4	<b>34.5</b>	-19	42.4	<b>34.5</b>	-19
Number of employees at 30 September	2,059	<b>2,192</b>	+6	2,059	<b>2,192</b>	+6

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

### ECONOMIC GROWTH WITH SLIGHT EASING

The cyclical macroeconomic prospects have faltered nationally and internationally during recent months. Although growth in the global economy remains strong in autumn 2007, the risks for ongoing development have increased significantly, particularly in the wake of turbulence in the international financial markets. The biggest risk for economic development of the global economy is probably emanating from the real-estate crisis in the USA. However, the very high price of oil will also continue to compromise the parameters for the economic environment. The latest assessment issued by the International Monetary Fund (IMF) in October 2007 continues to confirm its forecast of 5.2 % for global economic growth in 2007 overall. While expansionary forces in the emerging countries continue to be strong, particularly in Asia and China, production in the industrial countries has been proceeding at a reduced pace for some time.

After a perceptible weakening in the pace of development during the first half of 2007, the EU Commission expects growth rates for the eurozone of between 0.3 and 0.7 % for the third and fourth quarter of 2007. The estimates thus correspond approximately to those of the Organization for Economic Cooperation and Development (OECD) which envisage economic growth of 2.6 % in the eurozone for the whole of 2007. The OECD has reduced its growth forecast for the USA from 2.1 % to 1.9 %. In Japan, experts are reckoning on an increase in economic output of 2.4 %.

In Germany, the upswing is also continuing during the second half of the year. Strong export stimuli continue to be the main driving force. The Federal Ministry of Economics and Technology is assuming in its latest monthly report (October 2007) that the

recovery in private expenditure on consumption will continue as the year progresses following the depressing effect exerted by the increase in value added tax at the beginning of 2007. The Munich Ifo Institute for Economic Research also anticipates that the favourable situation in the employment market will ensure that private consumption undergoes robust expansion. The institute forecasts that gross domestic product in Germany will increase by 0.6 % in the third quarter of 2007, with a rise of 0.5 % for the fourth quarter of 2007 and the first quarter of 2008. This will yield an increase in GDP of 2.6 % for the year as a whole. Leading economic research institutes in Germany anticipate an increase in real gross domestic product of 2.2 %.

However, the Federation of the German Woodworking and Plastics Industry (HDH) and the Association of the German Furnishing Industry (VDM) rightly indicate that planning approvals for the private residential construction sector in Germany have seen a collapse of approximately 50 % since the close of 2006. This means that fewer homes are being built and fewer homes are being supplied with furniture and fittings. The negative effects for the domestic furnishing industry are already tangible. Nevertheless, the sector associations are anticipating an increase in sales for the German furniture industry in excess of 5 % for the current year, resulting from sustained good export business, from a recovery in domestic sales by comparison with the first half year, and from a likely increase in manufacturers' prices by an average of 3 %. However, SURTECO AG does not concur with this optimistic estimate and is anticipating significantly reduced sales growth.

## EFFECTS OF THE CRISIS IN THE USA

The crisis in the US residential property market forecast by experts in spring came to pass as the year progressed and was intensified by the sub-prime mortgage crisis. The effects are evident most tangibly in the dramatic decline in new construction activity. SURTECO AG with its subsidiary companies in the USA and Canada has not remained immune to the development in the construction sector and the associated first-time purchases of furniture and interior fittings.

An additional factor was the significant weakening of the US dollar against the Canadian dollar, which resulted in an increase in production costs at Canadian plants. Production capacities were transferred from Canada to the US American plant in Greensboro/N.C. in order to counteract this development.

## DIVERSE MEASURES TO EXPAND THE COMPETITIVE POSITION

During the third quarter, SURTECO significantly intensified activities to secure and expand its market position. The basis for implementing long-term corporate goals was also laid. This initiative focused on doubling consolidated sales by 2011 to approximately € 800 million and improving the EBITDA margin to more than 20 %.

### Sales company in Turkey

In September 2007, SURTECO opened the sales and finishing company SURTECO DEKOR A.Ş. in Turkey. The Group is thereby taking account of the positive economic development in this region and strengthening its presence in this future market. The aim is also to set up a production facility in Turkey over the long term.

### US Private Placement several times oversubscribed

In September 2007, the SURTECO Group also took up a privately floated loan in the form of a private placement in the USA and Germany amounting to approximately € 150 million. 100 million was placed in euros and 70 million was placed in US dollars. Since the conditions were defined before the turbulence occurred in the capital markets, the company benefited from favourable market conditions. The transaction volume was increased on account of the multiple oversubscription. The new form of finance for SURTECO underscores the consistent orientation towards the capital market. It significantly improves the economic flexibility of the Group, which is vigorously pursuing its strategy of profit-oriented growth following years of consolidation and optimization.

### Acquisition of Gislaved completes product programme

With effect from 1 September 2007, SURTECO purchased 100 % of the shares in Gislaved Folie AB (Gislaved, Sweden) from Stena Adactum. Gislaved Folie AB is a leading manufacturer of decorative plastic foils for marine construction, the furniture industry and for special applications. In 2006, Gislaved had a workforce of 145 employees and generated sales amounting to € 26 million. The acquisition completes the product portfolio of SURTECO. Edgebandings and flat foils based on paper, as well as edgebandings and – following the acquisition – decorative flat foils based on thermoplastics give SURTECO a very strong profile as a complete provider of high-quality, decorative surfaces for the coating, interior design and furnishing industries. Within the Group structure, Gislaved is part of the Strategic Business Unit Plastics.

### New printing machines at Bausch Decor

Bausch Decor GmbH, which has specialized in the production of decorative prints based on specialist technical papers for the furnishing and laminated flooring industry within the Strategic Business Unit Paper, has expanded its production capacities at the company base in Bittenwiesen-Pfaffenhofen. The core of the project costing 13 million euros is two additional 3-colour printing machines which started up production in September.

### The Annual General Meeting resolves to convert to a European Company (SE)

The Annual General Meeting of SURTECO AG held on 31 August 2007 consented to the proposal put forward by the executive management to change the legal status of the company by converting to a European Company (Societas Europaea – SE). The conversion will come into legal force when it is entered in the register of companies. The parity co-determination involving the three parties which has so far been practised on a voluntary basis will then be defined in binding terms. The change in the form to create an SE will give SURTECO a modern legal status which is in accordance with the increasingly international profile of the Group.

## » SALES AND MARKETS

### FIRST-TIME CONSOLIDATION OF GISLAVED

Performance during the third quarter of the current business year was uneven. The months of July and August continued the business development experienced during the first half of the year, whereas September generated significantly weaker sales on a broad front by comparison with the equivalent year-earlier month. Nevertheless, sales increased overall during the third quarter by 4 % to € 103.2 million.

The first three quarters of 2007 posted an increase in sales of 3 % to € 312.3 million. Here, it should be taken into account that a currency-related reduction in sales of € 3.3 million had to be reported due to currency translation in relation to the North American business. In December 2006, rationalization of the product portfolio in do-it-yourself goods held for resale – which suffers from poor margins – was announced. This initiative was consistently implemented and resulted in a drop in sales for the current business year amounting to € 1.7 million.

### STRATEGIC BUSINESS UNIT PLASTICS

Although sales in the SBU Plastics for September were significantly weaker by comparison with the equivalent year-earlier period, the third quarter was extremely gratifying overall with an increase of 10 % or € 5.6 million to € 63.0 million for the Döllken Group. Swedish company Gislaved Folie AB – acquired in September – was one of the entities making a positive contribution to development. This acquisition for the first time enables the SBU Plastics to offer foils based on plastics.

Business in Germany increased by 6 % during the months from July to September. Export sales in-

creased by 12 %. This positive development was achieved despite a significant downward trend in the USA. The impact of the weakness of the dollar on North American business was exacerbated by the real-estate crisis. The decline in sales in this region amounts to 19 %.

The SBU Plastics increased its sales after three quarters during the current business year by 6 % to € 185.3 million. This business unit has now achieved a proportion of 59 % of the total sales of SURTECO AG. While domestic sales increased by 4 % to € 65.2 million, total export business increased by € 8.5 million or 8 % to € 120.1 million.

Virtually two thirds of the sales of the SBU Plastics are attributable to the segment plastic edgings. The Group is the undisputed global leader for this innovative coating product. But the other products from this segment, such as skirtings, roller-shutter systems, technical extrusions (profiles) and cladding systems also achieved successful results in the marketplace.

#### STRATEGIC BUSINESS UNIT PAPER

Edgebandings and flat foils based on raw papers for technical applications have to engage with a market that is weak overall. This meant that the performance already observed during the first half-year continued during the third quarter. Group sales fell by 3 % to € 40.2 million. Domestic business (-2 %) and export business (-4 %) were affected by this decline.

The first nine months of the current business year posted a change in sales of -2 % to € 127.0 million for the segment paper. In Germany, sales were virtually the same as in the equivalent year-earlier period (€ 46.5 million). However, foreign markets fell back by 4 % overall, and European countries

outside Germany (-2 %), North America (-13 %) and – albeit still at a low level – Australia (-14 %) lagged behind expectations.

The decor printing business line continued to provide a gratifying exception. During the first three quarters of 2007, this segment generated sales growth of 18 %. Including the two printing machines that have recently come onstream, this segment has an outstanding position with respect to future growth as a supplier of printed decorative specialist papers for the furnishing and interior design industry.

#### » EXPENSES

##### INCREASE IN THE NUMBER OF EMPLOYEES AS A RESULT OF ACQUISITIONS

The cost of materials for the first three quarters of 2007 amounted to € 134.0 million. The proportion of cost of materials in relation to sales was 0.5 percentage points below the value for the equivalent year-earlier period at 42.7 %. This decline is due to changes in the product mix.

Punctual supply of raw materials, including reasonable delivery times, was effective throughout the reporting period.

The workforce of the SURTECO Group numbered 2,192 employees at the end of the reporting period, representing an increase of 6 % over the equivalent year-earlier period. In September, the number of employees increased by 144 employees on account of the acquisition of Gislaved.

The accumulated personnel expenses amounted to € 75.8 million at the end of September 2007. The ratio of personnel expenses to total output at 24.2 % was in the region of the level for the previous year.

Operating expenses during the period under review amounted to € 49.9 million (1st-3rd quarter 2006: € 48.7 million).

## » EARNINGS

### DISPROPORTIONATE GROWTH IN CONSOLIDATED NET INCOME

Group EBITDA went up by 6 % to € 56.6 million by comparison with the previous year. The margin increased by 0.6 percentage points to 18.1 %. During the same period, the EBIT improved by 8 % to € 42.6 million and earnings before tax (EBT) by 9 %.

A lower tax rate favoured consolidated net income, and after-tax earnings went up by 12 % or € 2.5 million to € 23.2 million as a result. On the basis of 11,075,522 no par shares, earnings per share (net income per share) amount to € 2.09 for the first three quarters of 2007 (1st-3rd quarter 2006: € 1.87).

## » NET ASSETS AND FINANCIAL POSITION

### SUCCESSFUL US PRIVATE PLACEMENT

In the third quarter of 2007, SURTECO AG implemented a US private placement amounting to € 150 million. This represented an important strategic step in the implementation of the growth planned for the future. The transaction is primarily intended to finance the dynamic expansion of the Group over the next few years. The inflows from the US private placement have significantly

changed the balance-sheet ratios with respect to the balance-sheet date on 31 December 2006. Unappropriated funds were invested to bear interest and are included under cash and cash equivalents. First-time consolidation of the company Gislaved Folie AB, Sweden, acquired in September also exerted an influence on balance-sheet ratios. In absolute terms, the structural changes resulted in a 38 % increase in the balance-sheet total amounting to € 515 million compared with 31 December 2006. The privately floated loan resulted in a decline in the equity ratio of 9.9 percentage points to 34.5 %. In this connection, the gearing increased from 77 % (31/12/2006) to 84 %.

The increase in property, plant and equipment is influenced by substantial investments in printing capacities at the Bittenwiesen-Pfaffenhofen site. Acquisition of Gislaved AB increased goodwill - subject to a purchase price allocation to be carried out in accordance with IFRS 3 within one year - by 20 % to € 117 million.

### CASH FLOW STATEMENT

Cash flow from operating activities went up by € 18.2 million to € 44.5 million compared with the equivalent year-earlier period, particularly as a result of optimizing working capital. Cash flow from investment activity is significantly influenced by the acquisitions initiated in 2007 and expansion of the printing section. Cash flow from financing activities reflects the cash inflows from the private placement, the associated reduction in short-term indebtedness, and the payout of dividend for the year 2006.

Calculation of free cash flow		
€ 000s	1/1/ - 30/9/2006	1/1/ - 30/9/2007
Cash inflow from operating activity	35,856	52,690
Tax payments	-9,484	-8,143
Investments in property, plant and equipment (without financial investments)	-12,939	-20,756
<b>Free Cash Flow</b>	<b>13,433</b>	<b>23,791</b>

## » RESEARCH AND DEVELOPMENT

### NEW EDGING GENERATION FOR JOINTLESS PROCESSING

Development engineers at Döllken (SBU Plastics) have taken a big step towards jointless processing for edges. Up to now, conventional processing technologies have only been able to apply thermoplastic edgings to the substrate with a visible bonding joint. A research project has allowed Döllken to develop the concept of a completely new edging generation and application of the innovative laser joint procedure which creates a perfect union between edging and worktop with no joint.

The edging comprises two layers in the same colour: one upper base layer and one lower functional layer. The innovative feature of this ed-

ing is that the bonding agent combines with the functional coating to form a direct component of the edging. The laser joining technique uses the laser beam to melt the functional coating when the edging approaches the worktop and the edging then bonds with the worktop without any joint.

In addition to the critical visual benefit, all the disadvantages of conventional bonding (long lead and tooling times) and stockpiling of different bonding agents have been consigned to the past. This means that worktops have enhanced visual appeal, more production certainty, increased productivity and hence enhanced profitability for applying edges to worktops on an industrial scale. At an early stage, Döllken identified the processing of edgings using the laser joining technique as a procedure of the future and therefore registered its innovative developments in the form of a patent.

The SBU Paper has further intensified its research work in the product segment of high-quality finish laminates. In addition to the laminated coating product with a proven track record in practical applications, which is characterized by a particularly high-quality surface quality, researchers have developed a version to meet the requirements of the market which has outstanding quality attributes combined with a more cost-effective cost structure. A large number of customers with defined applications have welcomed the new material. Apart from the extremely robust nature of the material, processors also benefit from the very good mechanical flexibility which provides a wide spectrum of applications for the furnishing and interior design sector.



## » SURTECO SHARES

The financial turbulence in the capital markets left a trail of negative impact in the international stock markets, particularly during the months of July and August. For example, the leading German DAX index lost around 10 % of its value from mid-July to the middle of August. The second-tier SDAX index for smaller stocks in Germany even dropped as much as 15 % and slumped below price levels prevailing at the beginning of 2007. Although the SURTECO share suffered from the turbulence in the markets, it was spared this fate. The price fell back from more than € 40 to just under € 33. However, once equity markets had calmed down the SURTECO share recovered again and ended the quarter being quoted at € 35.80, which represents an increase of more than 10 % compared with the beginning of 2007. The share price had continued to climb, reaching € 38 when this report went to press.

SURTECO is aiming to obtain a listing in the SDAX index. The significant increase in free float required will be pursued by the shareholders and the Board of Management, depending on how the price of the share develops in the near future.

### Period January - September 2007

Number of shares	11,075,522
Free float in %	23.7
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Price on 2/1/2007 in €	32.60
Price on 28/9/2007 in €	35.80
Share price performance for the first three quarters 2007 in %	+10
High in €	42.20
Low in €	32.60
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Market capitalization as at 30/9/2007 in € 000s	396,504

### Share performance January - September 2007 in €



## » OUTLOOK FOR BUSINESS YEAR 2007

The outlook for 2007 reveals a mixed picture. On the one hand, the third quarter of 2007 failed to fulfil our original expectations. This was caused by an exceptionally weak September in virtually all operating units.

In addition, a number of suppliers of chemical raw materials gave notice of price increases for the fourth quarter. In North America, we are anticipating an even more significant decline in construction activity. We will not achieve our planned sales for the rest of the year in this key market for our company.

Nevertheless, an overall positive picture emerges for the year 2007 as a whole. The upward trend for sales and earnings evident up until the end of September and the first-time consolidation of Swedish company Gislaved Folie AB from September means that we are once again anticipating record sales and earnings for SURTECO AG in 2007.

In net terms, we are able to confirm the forecast issued for the year in our six-month report. We are expecting a slight increase in sales and an associated improvement in results by comparison with the business year 2006.



20 » **CONSOLIDATED  
INCOME STATEMENT**  
SURTECO GROUP

€ 000s	Q3		Q1-3	
	1/1/ - 30/9/2006	1/1/ - 30/9/2007	1/1/ - 30/9/2006	1/1/ - 30/9/2007
<b>Sales revenues</b>	<b>98,888</b>	<b>103,227</b>	<b>304,548</b>	<b>312,337</b>
Changes in inventories	34	-1,120	1,682	488
Own work capitalized	281	512	503	1,089
<b>Total output</b>	<b>99,203</b>	<b>102,619</b>	<b>306,733</b>	<b>313,914</b>
Cost of purchased materials	-42,326	-43,944	-132,449	-133,955
Personnel expenses	-25,070	-26,090	-74,966	-75,812
Other operating expenses	-15,481	-16,451	-48,746	-49,909
Other operating income	702	1,249	2,614	2,340
<b>EBITDA</b>	<b>17,028</b>	<b>17,383</b>	<b>53,186</b>	<b>56,578</b>
Depreciation and amortization	-4,620	-4,672	-13,563	-13,951
<b>EBIT</b>	<b>12,408</b>	<b>12,711</b>	<b>39,623</b>	<b>42,627</b>
Financial result	-2,497	-2,215	-6,098	-5,926
<b>EBT</b>	<b>9,911</b>	<b>10,496</b>	<b>33,525</b>	<b>36,701</b>
Income tax	-3,697	-3,396	-12,604	-13,504
<b>Net income</b>	<b>6,214</b>	<b>7,100</b>	<b>20,921</b>	<b>23,197</b>
- if which consolidated net income	6,162	7,100	20,739	23,197
- of which minority interests	52	0	182	0
Basic and diluted earnings per share in €	0.56	0.64	1.87	2.09
Number of shares issued	11,075,522	11,075,522	11,075,522	11,075,522

22 » **CONSOLIDATED  
BALANCE SHEET**  
SURTECO GROUP

€ 000s	31/12/2006	30/9/2007
<b>ASSETS</b>		
Cash and cash equivalents	2,233	97,561
Trade accounts receivable	29,953	39,100
Inventories	59,863	64,122
Other current assets	11,978	13,125
<b>Current assets</b>	<b>104,027</b>	<b>213,908</b>
Property, plant and equipment	158,623	171,589
Intangible assets	4,621	4,364
Goodwill	97,545	117,423
Financial assets	167	167
Shares in associated companies	1,771	1,716
Other non-current assets	1,477	2,115
<b>Non-current assets</b>	<b>264,204</b>	<b>297,374</b>
<b>Deferred tax asset</b>	<b>4,967</b>	<b>4,171</b>
	<b>373,198</b>	<b>515,453</b>

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24 » **CONSOLIDATED  
BALANCE SHEET**  
SURTECO GROUP

€ 000s	31/12/2006	30/9/2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term debt	51,728	18,618
Trade accounts payable	22,744	25,579
Tax liabilities	4,376	9,635
Short-term accrued expenses	1,957	4,107
Other current liabilities	18,154	21,451
<b>Current liabilities</b>	<b>98,959</b>	<b>79,390</b>
Long-term debt	78,284	228,427
Pensions and similar obligations	12,631	13,006
Other non-current liabilities	307	3
<b>Non-current liabilities</b>	<b>91,222</b>	<b>241,436</b>
<b>Deferred tax liability</b>	<b>17,339</b>	<b>16,814</b>
Capital stock	11,076	11,076
Reserves	125,096	143,540
Net profit	28,761	23,197
<b>Capital attributable to shareholders</b>	<b>164,933</b>	<b>177,813</b>
Minority interests	745	0
<b>Equity capital</b>	<b>165,678</b>	<b>177,813</b>
	<b>373,198</b>	<b>515,453</b>

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

€ 000s	Q1-3	
	1/1 - 30/9/2006	1/1 - 30/9/2007
<b>Earnings before income tax and minority interests</b>	<b>33,525</b>	<b>36,701</b>
Transfers to cash flow from ongoing business activities	14,642	19,810
<b>Internal financing</b>	<b>48,167</b>	<b>56,511</b>
Change in net current assets	-21,797	-11,965
<b>Cash flows from current business operations</b>	<b>26,370</b>	<b>44,546</b>
Cash flow from investment activities	-12,939	-51,483
Cash flow from financing activities	-11,908	102,265
<b>Change in cash and cash equivalents</b>	<b>1,523</b>	<b>95,328</b>
Cash and cash equivalents		
1 January	2,209	2,233
<b>30 September</b>	<b>3,732</b>	<b>97,561</b>

28 » SCHEDULE OF  
EQUITY CAPITAL  
SURTECO GROUP

€ 000s	Capital stock	Capital reserves	Other comprehensive income	Market valuation of financial instruments	Revenue reserves	Consolidated net income	Minority interests	Total
<b>31 December 2005</b>	<b>11,076</b>	<b>50,416</b>	<b>-404</b>	<b>0</b>	<b>65,352</b>	<b>21,831</b>	<b>696</b>	<b>148,967</b>
Dividend payout	0	0	0	0	0	-8,860	0	-8,860
Net income	0	0	0	0	0	20,740	182	20,922
Other changes	0	0	0	0	11,139	-12,972	0	-1,833
<b>30 September 2006</b>	<b>11,076</b>	<b>50,416</b>	<b>-404</b>	<b>0</b>	<b>76,491</b>	<b>20,739</b>	<b>878</b>	<b>159,196</b>
<b>31 December 2006</b>	<b>11,076</b>	<b>50,416</b>	<b>-386</b>	<b>0</b>	<b>75,066</b>	<b>28,761</b>	<b>745</b>	<b>165,678</b>
Acquisition of minority interests	0	0	0	0	0	0	-745	-745
Dividend payout	0	0	0	0	0	-11,076	0	-11,076
Net income	0	0	0	0	0	23,197	0	23,197
Market valuation of financial instruments	0	0	0	2,695	0	0	0	2,695
Other changes	0	0	0	0	15,749	-17,685	0	-1,936
<b>30 September 2007</b>	<b>11,076</b>	<b>50,416</b>	<b>-386</b>	<b>2,695</b>	<b>90,815</b>	<b>23,197</b>	<b>0</b>	<b>177,813</b>

30 » SEGMENT REPORTING  
SURTECO GROUP

### BY STRATEGIC BUSINESS UNITS

#### Sales revenues

€ 000s	1/1/ - 30/9/2006	1/1/ - 30/9/2007
SBU Plastics	174,394	185,274
SBU Paper	130,154	127,063
	<b>304,548</b>	<b>312,337</b>

#### Operating earnings before interest (financial result) and taxes

€ 000s	1/1/ - 30/9/2006	1/1/ - 30/9/2007
SBU Plastics	27,312	28,779
SBU Paper	15,688	16,912
Reconciliation	-3,377	-3,064
	<b>39,623</b>	<b>42,627</b>



**BY REGIONAL MARKETS**

<b>Sales revenues SURTECO Group</b>		
<b>€ 000s</b>	<b>1/1/ - 30/9/2006</b>	<b>1/1/ - 30/9/2007</b>
Germany	109,144	111,759
Rest of Europe	118,386	128,281
America	51,264	45,510
Asia, Australia, Others	25,754	26,787
	<b>304,548</b>	<b>312,337</b>

<b>Sales revenues SBU Plastics</b>		
<b>€ 000s</b>	<b>1/1/ - 30/9/2006</b>	<b>1/1/ - 30/9/2007</b>
Germany	62,831	65,226
Rest of Europe	54,541	65,904
America	38,765	34,117
Asia, Australia, Others	18,257	20,027
	<b>174,394</b>	<b>185,274</b>

<b>Sales revenues SBU Paper</b>		
<b>€ 000s</b>	<b>1/1/ - 30/9/2006</b>	<b>1/1/ - 30/9/2007</b>
Germany	46,313	46,533
Rest of Europe	63,845	62,377
America	12,499	11,393
Asia, Australia, Others	7,497	6,760
	<b>130,154</b>	<b>127,063</b>

## ACCOUNTING PRINCIPLES

The consolidated financial statements of the SURTECO AG for the period ending 31 December 2006 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) applicable on the balance-sheet date, as they were adopted by the EU. In the interim financial report for the first three quarters ended on 30 September 2007, which has been prepared on the basis of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", we applied the same accounting and valuation principles as in the preparation of the consolidated financial statements for the business year 2006 with the following exception: To date, no hedge accounting was carried out for derivative financial instruments, even if the prerequisites for reporting in accordance with the regulations of IAS 39 are applicable for them. On account of the restructuring of Group financing, hedge accounting is used for derivative financial instruments if there are significant hedging links.

SURTECO has undertaken hedging against changes in interest rates and exchange rates, in order to reduce the risk of fluctuations in future cash flows. The derivative financial instruments are reported as a cash flow hedge in accordance with their intended use. Changes in the market value of the derivative financial instruments, which are an effective hedge, are reported as unrealized gains and losses under shareholders' equity (market valuation of financial instruments) with no effect on income until there is a cash-effective change in the hedged underlying transaction. The ineffective part of the hedge is reported directly in the income statement.

All the binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable as at 30 September 2007 were

applied when the interim report was prepared, insofar as they are relevant to Surteco. In addition, the regulations of DRS 16 (near final draft status 18 July 2007) of the German Accounting Standards Committee (DRSC) were also applied. The quarterly report was not audited by a company auditor and an audit review was not carried out. Readers are referred to the consolidated financial statements of SURTECO AG dated 31 December 2006 for additional information on the details of the accounting and valuation principles applied. The Group currency is denominated in euros. All amounts are specified in thousand euros (€ 000s), unless otherwise specified.

## GROUP OF CONSOLIDATED COMPANIES

All the domestic and foreign companies are included in which SURTECO AG directly or indirectly holds the majority of the voting rights. With effect from 1 January 2007, Döllken France S.A.S., France, was included for the first time. The minority shares of 25 % in Arbe s.r.l have been included since the acquisition in April 2007. On account of the purchase of all the shares in Gislaved AB, Sweden, the company was included for the first time since September 2007.

## REPORT ON IMPORTANT BUSINESS TRANSACTIONS WITH AFFILIATED PERSONS

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 companies, nor did the company conclude any such transactions at standard commercial conditions.

## FINANCIAL CALENDAR

- » **30 April 2008**  
Annual Report 2007
- » **9 May 2008**  
Three-month report January – March 2008
- » **24 June 2008**  
Annual General Meeting Arabella Sheraton,  
Munich
- » **25 June 2008**  
Dividend payout

### Calculation of indicators:

Capital ratio in %  
Equity capital/balance-sheet total

Cash Earnings in €  
Net income + amortization and depreciation ./.  
write-ups change in long-term provisions in the  
income statement

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  
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 reve-  
nues

Working Capital in €  
(Trade receivables + inventories) ./.  
(Trade liabilities + short-term accrued reserves)

TICKER SYMBOL: SUR  
ISIN: DE0005176903

Q3



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