



Report for the

# Third Quarter 2007/08

- EPS Processing on a growth curve
- Machinery & Plant Engineering very weak, but attractive products with future potential
- HIRSCH pallet ready for volume production and roll out
- Positive outlook with new products for climate protection

Key Indicators		1 <sup>st</sup> - 3 <sup>rd</sup> Quarter	1 <sup>st</sup> - 3 <sup>rd</sup> Quarter	Change in %
		2006/07	2007/08	
Sales	T€	67,390	71,169	6
Operating profit (EBIT)	T€	2,809	319	- 89
Profit before tax (POA)	T€	2,550	- 2,869	-
Profit after tax	T€	1,913	- 2,238	-
Cash flow from operating activities	T€	- 5,631	2,758	-
Investments	T€	13,650	7,490	-45
Employees (average for the year)	Pers.	587	718	22

# Quarters 1 – 3 2007/08

## The third quarter 2007/08

The third quarter of fiscal 2007/08 saw sales up 3 %. Given the higher financing expenditure and foreign currency exchange impact totaling € 0.9 million, the profit on ordinary activities (POA) for the quarter fell € 1.9 million to minus € 1.4 million. EPS Processing reported a marked increase in sales and EBIT, but Machinery and Plant Engineering has not yet succeeded in compensating for sharply declining individual machine sales with project business.

## First to third quarter 2007/08

The POA for the first three quarters dropped to minus € 2.87 million (previous year: € 2.55 million), although sales rose 6 % to € 71.2 million (PY: € 67.4 million).

In **EPS Processing** with the two divisions **Packaging** and **Insulation**, sales increased organically by 15.8 %, with the figure up 9 % in Packaging and 22 % in Insulation.

EBIT rose 54 % over the three quarters to € 2.8 million (PY: € 1.8 million). The turnaround achieved

in the second quarter has been sustained, thus helping to increase the EBIT. These encouraging EBIT trends are expected to continue in the fourth quarter, which should result in EPS Processing ending the year as a whole with a positive POA. Due to exchange rate losses and higher interest paid, the POA fell to € 0.07 million (PY: € 1.82 million), despite sales in the primary business segment rising to € 58.5 million (PY: € 50.5 million).

Board member Siegfried Wilding assumes responsibility for development in EPS Processing, effective June 1. He succeeds Peter Grabuschnig who served the company for over thirty years and now wishes to dedicate himself to other tasks outside the HIRSCH Servo Group.

This year the third pillar, **Technology (Machinery and Plant Engineering)**, should complete the transition from purely a machine manufacturer to a solution provider in project business. Having initiated this realignment two years ago, the HIRSCH Servo Group has created the necessary diversification to compensate for capacity utilization problems in the individual machine business in the future. After selling the first mobile HIRSCH satellite plants in fiscal 2006/07, several more should follow this year.

Profit and sales trends for the business segments:	1 <sup>st</sup> - 3 <sup>rd</sup> Quarter	1 <sup>st</sup> - 3 <sup>rd</sup> Quarter	Change in %
	2006/07 in € mill.	2007/08 in € mill.	
<b>POA</b>	<b>2.55</b>	<b>- 2.87</b>	-
EPS Processing	1.82	0.07	- 96
Technology (Machinery and Plant Engineering)	0.73	- 2.49	-
Logistics and other activities	-	- 0.45	-
<b>Sales</b>	<b>67.4</b>	<b>71.2</b>	<b>+ 6</b>
EPS Processing	50.5	58.5	+ 16
Technology (Machinery and Plant Engineering)	16.9	12.6	- 25
Other activities	-	0.1	-
<b>Employees (annual average)</b>	<b>587</b>	<b>718</b>	<b>+ 22</b>

# Quarters 1 – 3

## 2007/08

HIRSCH pallet manufacturing facilities achieved production readiness in May and preparations for roll out are now under way, which should have a positive impact on the coming financial year.

Sales were down 25 % in the first three quarters to € 12.6 million (PY: € 16.9 million). The cause of the drop in sales is generally held to be the property crisis and the resultant reluctance to buy machinery for producing building materials (e.g. ICF production where HIRSCH is primarily operates) as well as the strong euro. The EBIT fell to minus € 2.1 million (PY: € 1.0 million), while the POA was down to minus € 2.49 million (PY: € 0.73 million).

The fourth division, **Logistics**, was set up in response to the growing demand for lightweight, eco-friendly transport devices. Preparations have been made for market launch of the HIRSCH pallets and manufacturing facilities, and support provided for developing various pallet prototypes. During the development stage, POA was down to minus € 0.4 million (PY: € 0.0 million). In the coming year sales should be generated for the first time and positive results achieved. In view of the great demand for plastic pallets, the growth potential of this division is reckoned to be higher than average.

The **profit after tax** saw a decline to minus € 2.2 million (PY: € 1.9 million), causing the **balance sheet profit** to fall to € 11.9 million (June 30, 2007: € 15.3 million). The **equity ratio** was down as a result of the disproportionately low POA and disproportionately high investments on 23.1 % (30. 6. 2007: 26.1 %) for the period.

In the period under review, **cash flow from operating activities** of € 2.8 million (PY: € -5.6 million) was achieved.

At the reporting date March 31, 2008, the HIRSCH Servo Group employed 719 **people** (PY: 643). The annual average rose to 718 employees (PY: 587) with the increase almost entirely in EPS Processing.

In the period under review, the HIRSCH Servo Group invested € 7.5 million (PY: € 13.7 million). The **investments** were aimed at expanding capacity in Slovakia, Poland and in Machinery and Plant Engineering to meet the new demands in the project business. Around € 1 million was spent on developing the prototype line for automatic pallet production.

Changes did not occur in the **contingent liabilities and contingent claims** shown in the 2006/07 annual report.

The quarterly report meets the requirements of **IAS 34**. In addition, the same **accounting practices and valuation methods** were used as for the 2006/07 annual report.

No **events of particular significance** occurred after the reporting date that would have led to a different portrayal of the net assets, financial position and results of operations.

The quarterly report was not checked by the auditor.

# Outlook

A slightly negative profit on ordinary activities is anticipated for the full year, assuming that the payments for the project contracts are received as agreed. If there are delays in payments for all the projects in hand, the profit on ordinary activities could fall to minus € 3 million.

Regardless of the reporting date considerations at June 30, 2008, the HIRSCH Servo Group's growth process will be secured with innovative products. Not only is the EPS insulation market expanding due to the spiraling oil prices, but a new product with attractive growth potential is also to be rolled out in fall 2008. In the EPS Packaging division profitability should continue to rise in the coming business year with additional orders coming in and better capacity utilization as a result.

Machinery and Plant Engineering should receive the expected contract for a major project over the next few weeks, which will keep the Glanegg plant working to capacity for several months and improve profits.

Natural disasters and high oil prices have increased the demand for eco-friendly building materials, such as ICF systems. A new company is currently being set up, Global Green Built GmbH, that will sell mobile manufacturing facilities for them. A moderate increase is expected for this product group over 2007/08.

Since the pallet manufacturing facilities are now ready for volume production, marketing can start, which should be successful given the strong demand for plastic pallets. Once HIRSCH pallets have been approved in the United States, rapid market entry will also be aimed at there.

The management expects a substantial POA for the coming business year, building on the performance already shown. However, because of the strong dependence on projects it cannot be quantified in more detail.

As insulation activities are developing extremely well, the viability of building a second plant in Romania is currently being examined.



# Balance Sheet

	30. 6. 2007	31. 3. 2008
	T€	T€
<b>Assets</b>		
<b>A. Non-current assets</b>		
Intangible assets	3,268	4,056
Property, plant and equipment	50,866	52,720
Investment property	1,520	1,496
Financial assets	393	12
Deferred tax assets	2,111	2,967
Receivables and other assets	451	938
	<b>58,608</b>	<b>62,189</b>
<b>B. Current assets</b>		
Inventories	20,605	17,726
Receivables and other assets	25,405	23,860
Cash and cash equivalents	692	870
	<b>46,701</b>	<b>42,455</b>
<b>Total Assets</b>	<b>105,310</b>	<b>104,644</b>

	30. 6. 2007	31. 3. 2008
	T€	T€
<b>Equity and Liabilities</b>		
<b>A. Equity</b>		
Capital Stock	3,635	3,635
Additional paid-in capital	7,642	7,642
Treasury stock	- 66	- 66
Other reserve	- 7	0
Translation reserve	978	987
Retained earnings	15,334	11,926
Minority interest	0	0
	<b>27,516</b>	<b>24,124</b>
<b>B. Non-current liabilities</b>		
Long-term borrowings	30,179	30,092
Deferred taxes	911	549
Provisions for severance compensation and service anniversary bonuses	2,636	2,823
Public subsidies	1,177	1,019
	<b>34,902</b>	<b>34,483</b>
<b>C. Current liabilities</b>		
Short-term borrowings	23,856	32,604
Provisions for taxes	1,933	1,619
Other provisions	2,389	476
Trade payables and other liabilities	14,475	11,091
Public subsidies	239	247
	<b>42,892</b>	<b>46,037</b>
<b>Total Equity and Liabilities</b>	<b>105,310</b>	<b>104,644</b>

# Income Statement

	1 - 3/2007	1 - 3/2008	7/06 - 3/07	7/07 - 3/08
	T€	T€	T€	T€
1. Revenues	23,108	23,870	67,390	71,169
2. Increase or decrease in inventories	318	- 32	3,000	2,573
3. Own work capitalized	460	420	2,278	1,755
4. Other operating income	444	1,522	982	1,834
5. Cost of materials and services	- 13,662	- 13,432	- 42,477	- 42,588
6. Personnel expenses	- 4,542	- 5,157	- 13,029	- 15,409
7. Amortization and depreciation	- 1,385	- 1,894	- 3,716	- 5,113
8. Other operating expenses	- 4,051	- 5,620	- 11,619	- 13,902
<b>9. Operating profit</b>	<b>690</b>	<b>- 323</b>	<b>2,809</b>	<b>319</b>
10. Financial results classified into	- 582	- 1,049	- 1,525	- 2,768
Interest income / expense	20	48	103	127
Income / expenses arising from securities	0	5	15	5
Currency translation gains / losses	372	- 85	1,148	- 551
<b>12. Profit before tax</b>	<b>500</b>	<b>- 1,404</b>	<b>2,550</b>	<b>- 2,869</b>
13. Income taxes	- 237	296	- 637	631
<b>14. Profit after tax</b>	<b>263</b>	<b>- 1,108</b>	<b>1,913</b>	<b>- 2,238</b>
Thereof attributable to:				
Shareholders of parent company	263	- 1,108	1,913	- 2,238
Minority interests	0	0	0	0
Earnings per share (basic and diluted)	n/a	n/a	n/a	n/a
Average number of shares outstanding	499,042	499,042	499,042	499,042

# Statement of Capital and Reserves

	7/06 – 3/07	7/07 – 3/08
	T€	T€
Equity <b>1. 7.</b>	23,478	27,516
Results recognized directly in equity	2,221	19
Net income	1,913	- 2,238
Total results for the period	4,134	- 2,219
Dividend	- 1,552	- 1,173
Equity <b>31. 3.</b>	26,060	24,124

# Cash Flow Statement

	7/06 – 3/07	7/07 – 3/08
	T€	T€
Cash flow from operating activities	- 5,631	2,756
Cash flow from financing activities	19,538	3,891
Cash flow from investing activities	- 13,544	- 6,480
Change in cash and cash equivalents in the reporting period	363	167
Currency translation adjustment	0	11
Liquid assets as of <b>1. 7.</b>	836	692
Liquid assets as of <b>31. 3.</b>	1,199	870

# Stock Market Indicators

		7/06 – 3/07	7/07 – 3/08
Closing price as of 31. 3.	€	181.20	<b>93.59</b>
Market price – high	€	197.80	<b>211.50</b>
Market price – low	€	76.00	<b>90.00</b>
Average price	€	131.22	<b>149.13</b>
Market capitalization as of 31. 3.	T€	90,600	<b>46,795</b>

Development of the share price from 1<sup>st</sup> July 2007 to 31<sup>st</sup> March 2008 in €

HIRSCH SERVO AG



Grafic Vienna Stock Exchange



# Capital Market Information

## Financial Calendar

<b>31<sup>st</sup> October</b>	<b>2008:</b>	Report for the Financial Year 2007/08
<b>3<sup>rd</sup> November</b>	<b>2008:</b>	Press and Analysts Conference 2007/08
<b>25<sup>th</sup> November</b>	<b>2008:</b>	13th Annual General Meeting
<b>28<sup>th</sup> November</b>	<b>2008:</b>	Ex-dividend day
<b>28<sup>th</sup> November</b>	<b>2008:</b>	Report on the first quarter of 2008/09
<b>5<sup>th</sup> December</b>	<b>2008:</b>	Payment of dividend
<b>27<sup>th</sup> February</b>	<b>2009:</b>	Report on the first half of 2008/09
<b>29<sup>th</sup> May</b>	<b>2009:</b>	Report on the third quarter of 2008/09
<b>30<sup>th</sup> October</b>	<b>2009:</b>	Report for the Financial Year 2008/09

## Information on the HIRSCH Servo Share

**Security identification number:** AT0000849757

**Type of stock:** bearer shares

**Share capital:** € 3,635,000

**Number of shares as of March 31, 2008:** 500,000

**Traded on:** Vienna Stock Exchange – Prime Market segment,  
Stuttgart Stock Exchange and Berlin-Bremen Stock Exchange – OTC

**Indexes:** ATX Prime, WBI (Vienna Stock Exchange Index), VÖNIX Sustainability Index

**Ticker symbol on the Vienna Stock Exchange:** HIS

**Reuters Symbol:** HISE.VI

**Bloomberg Symbol:** HIS:AV

The HIRSCH Servo Group is the EPS specialist on the Vienna Stock Exchange with manufacturing facilities in Austria, Hungary, Poland, Slovakia, Italy and Romania. EPS products (EPS stands for expandable polystyrene and is better known under the brand name Porozell®) support a variety of functions, including energy savings, as well as sustainable and eco-friendly growth. Their wide-ranging applications cover packaging, shape-molded parts, building insulation, modular boards for underfloor heating, construction blocks and Thermozell® lightweight concrete products.

### For more Information contact

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