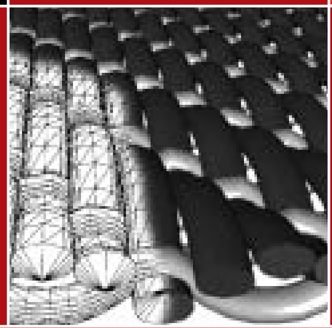
QUARTERLY REPORT 1 2004/05

Virtual reality



eybl INTERNATIONAL

Johannes M. Elsner Peter Ch. Löschl

DEAR SHAREHOLDERS,

At a time when the European automotive industry is still awaiting the widely forecast economic recovery, Eybl International AG can look back on a highly successful first quarter of the 2004/05 financial year, following on its excellent annual results for 2003/04.

Despite the difficult environment faced by the European automotive industry and its suppliers, some of which have been confronted with dramatic declines in revenue and profits, we not only recorded impressive improvements in all our financial performance indicators, but also posted increased sales revenue despite further streamlining our product portfolio.

We are particularly gratified by the upturn in order acquisition which reached a record level of EUR 344 million (m) – an indication of the growing strength of our position as a developer/supplier. This figure is close to a fivefold increase over the first quarter of the financial year 2003/04, while the fact that order backlog has passed the billion euro mark is further proof of the power of our market driven business model, and a vote of confidence from our customers. Over 90 % of our budgeted revenue for the financial year 2004/05 is already locked in.

To transform our business and simultaneously increase earnings – this was the challenge we again set ourselves for the first quarter. We can now report that EBIT improved by 50 %, and the EBIT margin from 2.4 % to 3.5 %. Profit on ordinary activities (POA) surged by 70 %, demonstrating the success of our realignment as a process oriented automotive developer/supplier.

The equity market rewarded the effectiveness of our business policies with an increase of over 160 % in our share price in the year to June 30th 2004. Our stock continues to figure among the top performers on the Vienna prime market.

The main highlight of the first quarter of 2004/05 was undoubtedly the completion and opening of our new logistics centre in Krems on June 18th. More than 600 guests and employees from Austria and abroad took part in the inauguration ceremony, and gained a picture of Eybl's dynamism and innovativeness by touring the 4,600 square metre facility. The centre houses the offices of the sales, logistics and quality control departments, as well as the factory management and the textile laboratory.

The new logistics centre has significantly reduced our response times, bringing major improvements in planning and order fulfilment.

In order to fund continued growth, and long–term maintenance of our product and process leadership, the Annual General Meeting held on June 30th 2004 voted to authorise the Board of Management to increase the Company's share capital of up to EUR 13,081,110.15 within five years, by issuance of 1.8m no par value shares, subject to the approval of the Supervisory Board.

The automotive industry – and still more the automotive component industry – is still going through a major shake-out which bodes difficult market conditions in coming months. Thanks to our excellent start to the financial year 2004/05 we are, however, well placed to face these challenges, and are confident of meeting our targets for the year.

Johannes M. Elsner Peter Ch. Löschl

Economic climate

The main feature of the first half of 2004 was the continued global economic recovery. However the US economy registered significantly faster and more stable growth than Europe, where car demand was also disappointing. German car sales are in danger of falling for the fifth year in a row. The main problem faced by the industry remains consumer worries about the debate on social security reform and persistently high unemployment, leading to low personal spending. Given the latest registration figures – following a sluggish start to the year German registrations up to the end of May were 2.5 % behind the low level recorded in the same period of 2003 – hope of a substantial revival in European vehicle demand is fading.

Against this backdrop the trends towards outsourcing by OEMs and related concentration in the automotive component supply industry are set to intensify, offering opportunities only to well capitalised, innovative manufacturers.

Strong revenue performance

Despite this highly adverse setting the Eybl Group built on its good results for the financial year 2003/04, once more delivering revenue and earnings growth in the first quarter of 2004/05.

For the first time since April 2003 – when we embarked on a systematic clear-out of our product portfolio and began dropping low-margin contracts as part of our strategic realignment as a developer/supplier – we posted year-on-year revenue growth for a quarter. Despite harsh trading conditions and the first-ever Easter plants shutdowns by major German car makers, sales revenue rose to EUR 86.3m (Q1 2003/04: EUR 85.2m). This increase was largely attributable to record order intake and backlog in the financial year 2003/04. The fabrication business contributed EUR 59.3m or around 69 % of overall sales revenue. The textile production business generated revenue of EUR 18.0m, or about 21 % of the total, and the interiors and services businesses a combined EUR 9.0m or 10 %.

Further boost to profitability

Thanks to ongoing quality programs and further productivity gains, as well as a large number of high-margin contracts, the satisfactory earnings and profitability trends witnessed in the past financial year continued into the first quarter of 2004/05.

Consolidated EBIT hit EUR 3.1m for a year-on-year increase of over 50 % (Q1 2003/04: EUR 2.0m).

Our strong profitability was also demonstrated by the rise in the EBIT margin from 2.4 % to 3.5 %.

At the same time POA powered ahead by some 70 %, from EUR 1.4m in the first quarter of 2003/04 to EUR 2.4m in the period under review, while retained earnings for the period increased from EUR 0.9m to EUR 2.1m.

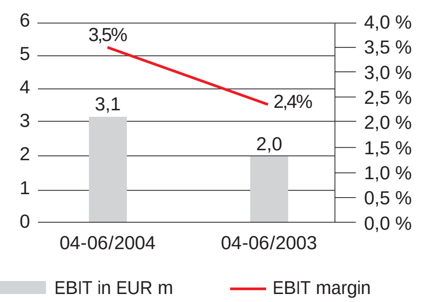
Record order booking

Group order intake attained the all–time record level of EUR 344m in the first quarter. Over 90 % of our budgeted revenue for the current financial year was already locked in by June 30th 2004. Order bookings ran at almost five times their level in the like quarter of the previous financial year (EUR 71m). This encouraging trend was mainly due to the Automotive Interior Research and Development Centre (FAI), which is increasingly making us a sought-after development partner for new models.Order backlog rose sharply to stand at EUR 1,371m as of June 30th 2004 (June 30th 2003: EUR 935m).

Asset and capital structure

As of June 30th 2004 the Group's total assets were 10 % up at EUR 185.7m (June 30th 2003: EUR 168.1m). The equity ratio of 31.3 % not only represented a year-on-year improvement of some 22 % (June 30th 2003: 25.7 %) but was also 8 % up on the year-end figure (March 31st 2004: 29.1 %), demonstrating the strength of our balance sheet.

EARNINGS TREND



Ferdinand Lacina | Peter Ch. Löschl | Johannes M. Elsner | Rudolf Fries sen. | Rudolf Fries jun.

Cutting the ribbon at the new logistics centre

Return on capital employed (ROCE) reflects the positive earnings trend, and progressed further to reach 9.3 % compared to 6.3 % as of June 30th 2003.

As of June 30th 2004 the Eybl Group employed 4,123 people.

Inauguration of the new logistics centre

In mid-June 2004 – just ten months after the opening of the FAI – we opened our new logistics centre in Krems, marking another milestone in the implementation of our technology and customer led growth strategy. The offices of the sales, logistics and quality control departments, as well as the factory management and the textile laboratory are now all under one roof. By concentrating and integrating the distribution, procurement, material requirements planning and material logistics functions we have put ourselves in a position to promise our customers rapid, reliable just-in-time delivery. Location of the quality control department and its labs at the site will significantly contribute towards extending Eybl International's quality leadership.

The new logistics centre provides excellent working conditions for a workforce of around 110.

Over 250 guests from Austria and abroad, and over 350 employees attended the opening ceremony.

Virtual reality

In line with our strong focus on customer requirements, we are giving high priority to shortening product development lead times. Our Time to Market project has achieved this by introducing the use of digital visualisation in product design. Meanwhile, trend analysis enables us to spot changes in consumer tastes early, before design and development start. Thanks to the use of virtual weaving and knitting, it is no longer necessary to produce large numbers of textile patterns and covered prototypes. Integration in the CAD design cycle allows us to play a part in the design of automotive interior components.

During the first quarter of the current financial year we entered into a cooperation agreement with VRVis (the Centre for Virtual Reality and Visualisation) aimed at the joint development of projection based virtual reality displays for the 3D visualisation of automotive interior environments with the goal of saving development time and improving the quality of our design engineering.

New fabrication competence centre in Lenti

On May 13th, just 13 days after the historic EU enlargement, we opened a new fabrication competence centre, thereby upgrading the six-year-old Lenti site to a central production facility. This move has consolidated the process stability of our fabrication technology, which accounts for some 70 % of consolidated sales revenue.

During the first quarter of 2004/05 we won a number of large contracts which will ensure that production at our fabrication sites continues to grow. These include orders for interior components for the new BMW 3 and 1 Series, and X3 models. Some 370 highly skilled employees produce top-quality seat, head rest and centre arm rest covers in Lenti.

Romanian factory marks fifth anniversary

Our Deta site, which also forms part of the fabrication business segment, was set up five years ago. It was designated as the Group's competence centre for leather steering wheels in 2000, and is now one of our most profitable factories.

The 800 employees manufacture up to 3,500 handmade steering wheel covers per day. To date the factory has finished over two million leather steering wheels. Its products equip models from leading marques including Mercedes, VW, Toyota, Land Rover and Jaguar.

Corporate social responsibility

Eybl International takes its responsibilities to its workforce of over 4,000 very seriously, in the knowledge that they are the key to becoming a „best-in-class“ company.
Recent awards show that the multicultural Eybl Group has an international reputation as a model corporate citizen.

On May 18th Eybl International received one of the new Trigos corporate social responsibility awards, conferred for the first time this year, for its Deta project. Restructuring of our Romanian operation was accompanied by significant improvements in working conditions, while the payment systems were radically overhauled, women were appointed to senior positions and safety standards were improved.

Outlook

Although the coming year is likely to confront the entire automotive sector with severe challenges, management is confident that Eybl will meet its targets for the financial year 2004/05, and will expand its share of its core West European market. Management continues to anticipate year-on-year revenue growth of between 5-10 % for the financial year 2004/05 as a whole. Our forecasts on the basis of this assumption indicate an EBIT margin of about 4 % for the current financial year.

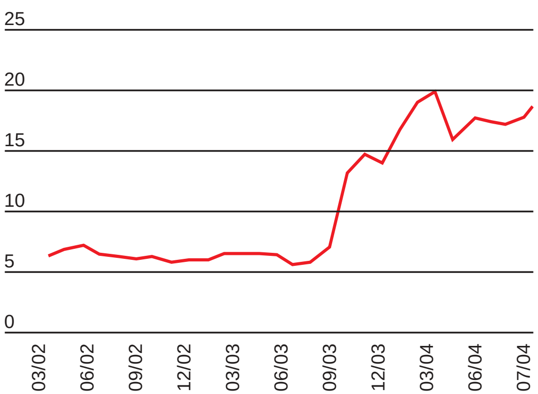
Capital increase

The 14th Annual General Meeting, held at Schloss Grafenegg on June 30th 2004, authorised the Board of Management to increase the Company’s share capital by up to EUR 13,081,110.15 by issuing up to 1.8m shares of no par value, subject to the approval of the Supervisory Board. The proceeds are to be used to maintain the Company’s product and process leadership, and to enable it to continue to pursue its objective of profitable, technology led growth.

Share price

Eybl’s strong showing in the financial year 2003/04, and the successful transformation process completed during the period have been well received by the equity market. An increase of over 160 % in our share price as compared to June 30th 2003, following a modest progress since March 31st 2004, has placed Eybl among the top performers on the Vienna prime market.

EYBL SHARE PRICE (EUR)



Covering a leather steering wheel

Financial calendar for 2004/05

28 Oct. 2004	Half–year results for 2004
27 Jan. 2005	Results for Q3 2004
19 May 2005	Preliminary results for FY 2004/05
29 June 2005	Results for FY 2004/05
30 June 2005	Annual General Meeting

The above dates are provisional and are subject to confirmation.

Share details

ISIN code	908157
Reuters RIC	Eybl.VI
Bloomberg	Eyb:GR

Consolidated income statement for the quarter ended June 30th 2004 according to International Financial Reporting Standards (IFRS)

	1 April – 30 June 2004 EUR 000	1 April – 30 June 2003 EUR 000
Sales revenue	**86,256**	**85,169**
Other operating income	1,109	844
Changes in inventories of work in progress and finished goods	-3,042	1,399
Other work performed by the enterprise and capitalised	1,078	63
Raw materials and services used	-59,115	-62,975
Staff costs	-13,678	-12,247
Amortisation of goodwill	-8	-8
Depreciation and amortisation of tangible and other intangible non-current assets	-2,574	-2,074
Other operating expenses	-6,969	-8,145
Operating profit (EBIT)	**3,057**	**2,026**
Interest expense	-691	-609
Other financial income / expense	20	-2
Financial profit / loss	**-671**	**-611**
Profit from ordinary activities	**2,386**	**1,415**
Extraordinary items	-	-
Taxes on income	-315	-485
Profit before minorities	2,071	930
Retained earnings	**2,071**	**930**
Earnings per share (EUR))	0.58	0.33
Average number of shares in issue	3,600,000	2,785,864

Cash flow statement

	1 April – 30 June 2004 EUR 000	1 April – 30 June 2003 EUR 000
Cash and cash equivalents at 1 April	24,967	22,070
Cash flow from operating activities	-6,490	-1,611
Cash flow from investing activities	-3,985	-2,948
Cash flow from financing activities	-1,599	6,487
Changes in cash and cash equivalents	-12,074	1,928
Cash and cash equivalents at 30 June	12,893	23,998

Reconciliation of equity

	1 April – 30 June 2004 EUR 000	1 April – 30 June 2003 EUR 000
Capital and reserves at 1 April	56,112	41,033
Profit before minorities	2,071	930
Exchange translation differences	-102	-477
Other changes not affecting income / expense	0	1,713
Capital and reserves at 30 June	58,081	43,199

Key indicators

	2004	2003
EBIT margin (1.04. - 30.06.)	3.5 %	2.4 %
Return on sales (1.04. - 30.06.)	2.8 %	1.7 %
Equity ratio (as of 30.06.)	31.3 %	25.7 %
Gearing ratio (as of 30.06.)	97.8 %	118.4 %

Consolidated balance sheet as at June 30th 2004 according to International Financial Reporting Standards (IFRS)

ASSETS	30.06.2004 EUR 000	30.06.2003 EUR 000
Goodwill	465	496
Other intangible assets	6,292	2,617
Tangible assets	55,002	46,036
Financial assets	1,606	1,602
Non-current assets	**63,365**	**50,751**
Deferred taxes	**17,244**	**13,609**
A. Total non-current assets	**80,609**	**64,360**
Inventories	21,092	25,611
Trade receivables	62,374	40,458
Receivables from Group companies	150	395
Other receivables and assets	7,085	12,049
Cash and cash equivalents	12,893	23,998
Payments in advance and deferred assets	1,503	1,252
B. Current assets	**105,097**	**103,763**
	185,706	**168,123**
Equity and liabilities		
Share capital	26,162	21,802
Capital and reserves	19,264	18,981
Other consolidated reserves and exchange translation differences	10,584	7,220
Treasury shares	0	-5,734
Retained earnings	2,071	930
A. Equity	**58,081**	**43,199**
B. Minorities	**7**	**7**
Non-current financial liabilities	62,294	57,977
Non-current provisions	4,159	5,562
Other non-current liabilities	230	151
C. Non-current liabilities	**66,683**	**63,690**
Current financial liabilities	7,375	17,163
Trade payables	44,655	31,404
Current provisions	2,136	5,514
Other current liabilities	6,769	7,081
Accrued and deferred liabilities	0	65
D. Current liabilities	**60,935**	**61,227**
	185,706	**168,123**

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are available from:

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