

HIRSCH Servo



The Sustainable

Annual Report

2006/07

Expanding with ideas.

Protecting with EPS.

Saving energy with EPS insulation.

The Strategy

- EPS – a material well-suited for a wide range of applications – forms the focal point of our activities.
- The protection of the climate and the steady increase in energy prices make EPS an ecologically interesting material with a future.
- The development of our products and services is based on the integrated concept of “systems, solutions and services”.
- Our primary segment of business is EPS processing (EPS Solutions).
- The Machinery and Plant Engineering Division (Technology Solutions) serves as a know-how center and provides support for our position in EPS processing. The Logistic Solutions Division is currently under development.
- Our objective is to increase the value and earning power of the company over the long-term, and we direct our growth to meeting this goal.
- We are expanding our position as a strategic partner for global customers with a focus on Eastern Europe.
- As a public stock corporation, we want our shareholders to profit from an increase in the value of the company and an attractive dividend yield.

The 2006/07 Business Year

- Increase of more than 50% in revenues
- Strong growth in sales of EPS insulating materials; packaging faced with sharp rise in material prices
- New records in the Machinery and Plant Engineering Division
- 127% increase in share price
- 50% of Group revenues generated in Eastern Europe
- Development of new products

Key Data HIRSCH Servo Group

Key Indicators		2006/07	Chg. in %	2005/06	2004/05	2003/04	2002/03
Revenues	T€	104,652	+ 52	68,724	57,198	56,561	55,880
Operating profit (EBIT)	T€	4,745	- 28	6,566	2,370	2,304	3,127
Profit on ordinary activities	T€	3,845	- 16	4,577	1,428	1,664	2,181
Net income	T€	2,833	- 21	3,607	1,933	822	1,484
Balance sheet total	T€	105,310	+ 46	72,332	56,362	54,336	46,502
Equity	T€	27,516	+ 17	23,478	20,589	19,125	19,443
Net debt	T€	53,343	+ 77	30,069	21,268	16,061	11,901
Cash flow from op. activities	T€	- 2,701	-	6,452	4,350	2,126	4,435
Investments	T€	18,284	+ 48	12,371	9,507	5,192	3,409
Employees (average for the year)		604	+ 26	478	417	409	381
Return on sales (ROS) ¹⁾	%	3.7	-	6.7	2.5	2.9	3.9
Return on capital employed (ROCE)	%	4.2	-	10.2	5.8	3.5	6.5
Equity ratio	%	26.1	-	32.5	36.5	35.2	41.8

Stock Market Indicators

Closing price as of June 30	€	199.97	+ 127	87.99	36.99	45.75	41.00
Market price - high	€	208.00	+ 117	96.00	48.22	51.00	53.56
Market price - low	€	76.00	+ 107	36.67	36.50	31.50	33.00
Average price	€	141.69	+ 145	57.76	40.78	42.70	43.16
Market cap. as of June 30	T€	99,985	+ 128	43,830	18,495	22,875	20,500
Earnings per share	€	5.78	- 22	7.44	3.99	1.7	3.0
Price/earnings ratio, June 30		35	+ 192	12	9	27	14
Price/earnings ratio: average price		25	+ 213	8	10	25	14
Dividend	T€	1,173 ²⁾	- 24	1,552	534	534	1,021
Dividend per share	€	2.35 ²⁾	- 27	3.2	1.1	1.1	2.1
Dividend yield ⁴⁾	%	1.2 ²⁾	-	3.6	3.0	2.4	5.1
Payout ratio ³⁾	%	40.7	-	43.0	27.6	64.9	68.8

1) Profit on ordinary activities/sales

2) Recommendation to the Annual General Meeting

3) Based on net income

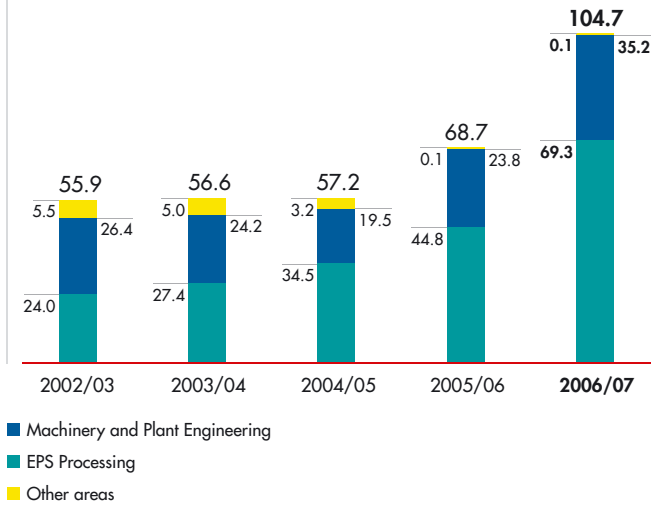
4) Based on price as of June 30

Ecological Indicators	2006/07	2005/06	2004/05	2003/04	2002/03
kW/h electricity per kg of EPS	0.94	1.04	1.23	1.37	1.47
kW/h energy for steam gen. p. kg of EPS	4.26	4.50	5.55	6.74	6.78
Liter of water per kg of EPS	10.5	13.8	18.7	21.1	24.0
EPS recycling rate*	100	100	100	100	100

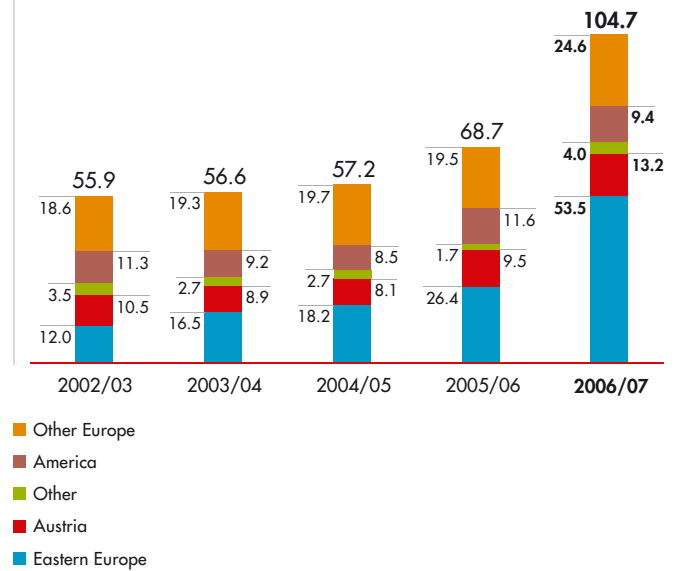
*Based on EPS waste returned to the HIRSCH Servo Group plus EPS waste from production

Social Indicators	2006/07	2005/06	2004/05	2003/04	2002/03
Share of women in %	31	29	27	24	24
Sick days per employee	10.2	8.7	9.1	6.7	5.9
External training costs in T€	46	52	38	24	21

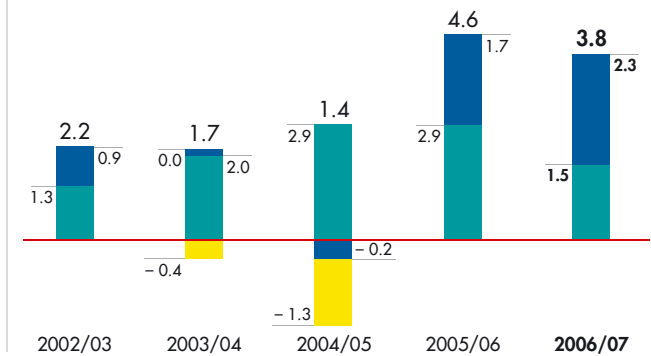
Revenues by division in € mill.



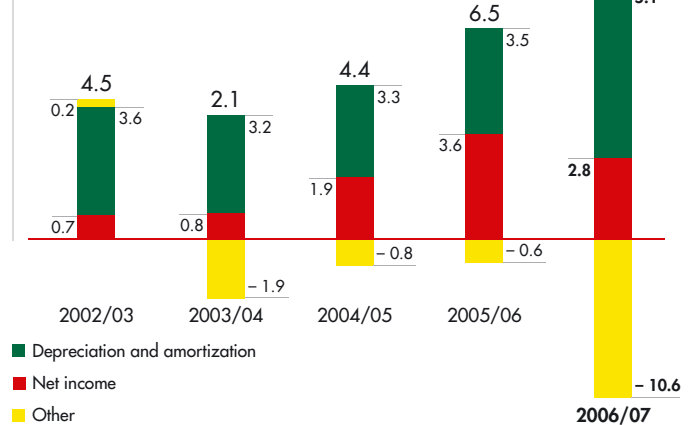
Revenues by region in € mill.



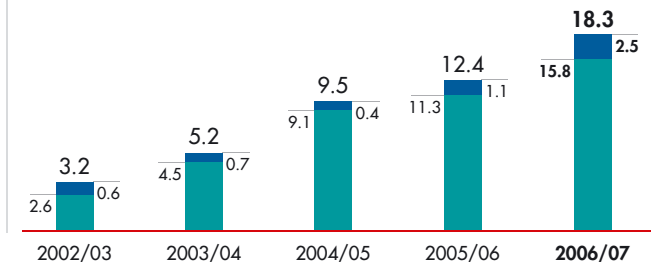
Profit on ordinary activities by division in € mill.



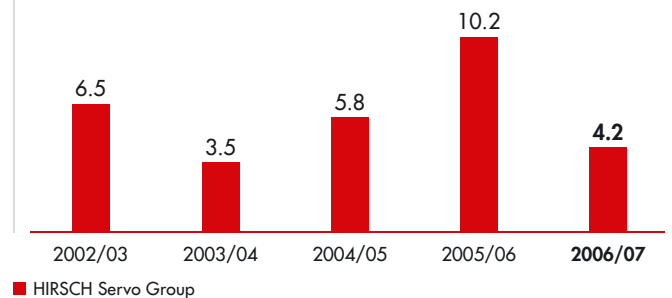
Cash flow from operating activities in € mill.



Investments by division¹⁾ in € mill.



ROCE in %



¹⁾ Investments in the other areas are immaterial, and are therefore included under the Machinery and Plant Engineering Division.

Contents



The sustainability elements are also highlighted in this year's annual report to provide a better overview.

Strategy	<
The 2006/07 Financial Year	<
Key Data	<
Overview of the HIRSCH Servo Group	2
EPS – A Material with Fantasy	3
Review of the Managing Board	4
Report of the Supervisory Board	6
Executive Bodies and Structure	7
Plant Locations and Milestones in the 35-year HIRSCH History	8
Energy and CO₂ Reduction	10
The HIRSCH Servo Share	12
Corporate Governance	15
Group Management Report for 2006/07	
The Business Environment	16
Development of Business	17
Social Responsibility	22
Ecology	26
Use of Resources	28
Risk Report	30
Outlook on 2007/08	32
Space for Personal Notes	33
Performance of Business Units	
EPS Processing	34
Machinery and Plant Engineering	42
Financial Statements for 2006/07	
The HIRSCH Servo Group in the Media	48
Balance Sheet	50
Statement of Capital and Reserves	51
Income Statement	52
Cash Flow Statement	53
Changes in Fixed and Financial Assets	54
Notes to the Financial Statements	56
General Information	56
Consolidation Range	56
Significant Accounting Policies	56
Notes to the Balance Sheet	62
Notes to the Income Statement	68
Notes to the Cash Flow Statement	70
Other Information	70
Segment Reporting	71
Risk Report	72
Statement by the Managing Board	76
Audit Report and Opinion	77
Recommendation for the Distribution of Profits	79
Group Companies	80
Service	
Thanks to our Employees	81
Addresses of Group Companies	82
Capital Market Information	83
Glossary	84
Imprint	>

Overview of the HIRSCH Servo Group

The HIRSCH Servo Group is an international company with core expertise in EPS (expandable polystyrene), a material that is well-suited for a wide variety of applications.

Segments of Business

The manufacture of EPS products represents the primary segment of business at HIRSCH Servo. These products are used in a wide range of applications that include protection for man (e.g. in crash helmets) and products (e.g. packaging for high-quality electronic equipment) as well as insulating materials (e.g. for underfloor heating and buildings).

The Machinery and Plant Engineering Division supports our position as a know-how leader in the manufacture of EPS products. From this segment, we supply EPS processors who serve as sub-contractors for the packaging, construction, foodstuffs and electronics industries.

Executive Boards

The members of the Managing Board are Kurt Hirsch, Peter Grabuschnig, Carsten Brinkmeier and Kuno E. Waidmann (since August 1, 2007). The Supervisory Board is comprised of Georg Gorton, Georg Wall, Helmut Grienschgl, Axel Hirschberg and Michael Kaufmann.

Locations

The HIRSCH Servo Group operates one plant in Austria, three plants in Hungary, two plants each in Poland and Slovakia and one plant each in Italy and Romania, and also maintains sales offices in the USA and Taiwan.

Employees

The Group employed an average workforce of 604: 243 in Austria, 137 in Hungary, 108 in Poland, 26 in Italy, 59 in Slovakia and 31 in Romania. In addition, a sales force of 15 is active in 24 countries.

The HIRSCH Servo Share

The initial public offering of HIRSCH Servo share took place in 1997 and covered 500,000 shares. Today the share is traded in the Prime Market segment of the Vienna Stock Exchange, and over-the-counter on the Stuttgart and Berlin-Bremen Exchanges.

EPS – A Material with Fantasy

POTENTIAL FOR ENERGY SAVINGS AND CLIMATE PROTECTION

Energy will become increasingly expensive over the coming decades due to the steady rise in demand, and technologies and products to save energy and reduce CO₂ emissions will play a greater role in our daily lives. EPS will be used more and more as insulation against heat in order to save energy and also reduce costs

ECOLOGICAL BENEFITS

The replacement of EPS products by cardboard, paper, wood, molded fiber or similar products would lead to a significant increase in raw material requirements. EPS products are completely recyclable. No harmful chlorofluorocarbons (FCKW) or plasticizers (phthalates) are used in the production or processing of EPS.



A FANTASY MATERIAL
New applications to substitute EPS for other materials are being discovered almost every day.

ECONOMIC BENEFITS

EPS is a low-cost material with unusual properties (low weight, high breaking strength and corrosion resistance etc.) and almost unlimited availability. In 2006 4.4 million tons of EPS were processed throughout the world, but this production consumed only approx. 0.1% of total crude oil requirements.

SUITABLE FOR FOODSTUFFS

EPS meets all requirements for food packaging and is therefore an absolutely safe material. By the way, the basic substance used to produce most yoghurt containers is polystyrene.



Review of the Managing Board

from left to right: Peter Grabuschnig, Kurt Hirsch,
Carsten Brinkmeier, Kuno E. Waidmann

Dear Ladies and Gentlemen Dear Shareholders,

For the HIRSCH Servo Group 2006/07 was a period of strong growth in revenues and key strategic investments in personnel, fixed assets and know-how. However, we were not able to meet all our earnings targets by the end of the financial year – in part due to a certain measure of bad luck. Our report on 2006/07 will not match the good prior year results, but we are convinced that our Group still has an interesting future.

Both business units recorded high growth in revenues for 2006/07. In spite of this development, Group profit on ordinary activities fell 16% to € 3.8 million.

The operating environment for the HIRSCH Servo Group was influenced by a number of different factors during the past business year. Momentum in the main EPS Processing Segment remained high. In the packaging area, the increase in sales volumes resulted above all from higher investments by major Asian companies in Eastern Europe. Rising energy prices, new legal regulations calling for greater energy efficiency in buildings and an unusually mild winter season in 2006/07 increased the demand for insulating materials. However, the expansion of worldwide output by the EPS industry, rising oil prices and breakdowns at several EPS raw material production companies led to a sharp rise in raw material costs. HIRSCH Servo was unable to completely pass on these additional expenses through higher selling prices. Earnings were also negatively affected by investments in additional equipment, which was not fully utilized during the start-up phase. Positive effects were recorded from exchange rates, specifically through an increase in the value of the Hungarian Forint and Romanian Leu.

The sound development of business was supported by rising investments on the part of manufacturers, an increase in the global production of EPS and the innovative strength of the Machinery and Plant Engineering Unit.

The HIRSCH Servo Group continued the steady pursuit of its growth strategy during 2006/07. The record 2005/06 level of € 12.4 million for investments in the eastern expansion of business activities was exceeded during the reporting year – capital expenditure reached € 18.3 million, whereby 86% of this amount was directed to the EPS Processing Segment. Projects focused on the enlargement of plants in Poland, Romania and Hungary as well as the expansion of insulating material production in Glanegg. Earnings per share declined 22% to € 5.78 (2005/06: € 7.44).

The Managing Board will recommend a dividend of € 2.35 per share to the annual general meeting, which represents a return of 1.7% on the average share price of € 141.69 for 2006/07. The Group's dividend strategy also calls for the distribution of roughly 30% of profit on ordinary activities in the future.

This report is designed to provide you with information on the financial development of our Group during the past year, and combines with specially chosen elements to create a sustainable annual report. Our examination of and interaction with the issue of sustainability is our response to the increasing pace of change on global markets. After more than 35 years of successful business operations, we not only want to become better over the short-term but also create a solid foundation for long-term growth. This objective can only be met when we are able to fulfill most of the economic, ecological and social goals that represent the foundation of success. Our activities

to safeguard sustainable development again led to the inclusion of our company in the Austrian VÖNIX Sustainability Index in June 2007.

During the 2005/06 financial year we completed our turnaround and thereby also closed phase one of our sustainability concept. Phase two will concentrate on the expansion of our EPS production network in Eastern Europe as well as the design of management systems to meet the requirements of an international company that is dedicated to sustainable growth. Work has also started on product development for phase three – the possible global expansion of the HIRSCH Servo Group.



In order to safeguard our long-term growth, we are working on the implementation of our SYSTEMS – SOLUTIONS – SERVICES concept.



This approach leads us to consider all activities as systems, for which we – as an EPS processor with specialized know-how in the area of machinery construction – can develop solutions that are specially designed to meet the needs of our customers and thereby create valuable long-term customer relationships with high-quality services. In order to support this concept, we will develop selected

logistics services to place our growth program on a solid foundation and make it even more resistant to negative factors in individual product areas and markets.

A cost – benefit analysis clearly demonstrates the ecological benefits of our products: for example, approx. 2.8 liters of crude oil are used to make 1 kg of EPS raw material, and 1 kg of EPS that is processed into insulating materials saves approx. 3.7 liters of heating oil per year. The ecological strengths of the HIRSCH Servo Group are well anchored in production processes that are nearly waste-free.

Our outlook for 2007/08 is positive. Based on the investments made during the past year and further innovations, we expect profit on ordinary activities will increase from € 3.8 million to € 6.5 million.

Management has set a goal to make the HIRSCH Servo Group one of the most successful EPS processors, whereby we define success according to the principles of sustainable action.

The Managing Board would like to thank all employees and managers for their commitment to the development of the company. We would also like to thank our shareholders for the confidence they have shown in purchasing or holding our shares. We hope the HIRSCH Servo share will remain – at least a fundamentally – interesting investment in the future.

The Managing Board

Kurt Hirsch

Peter Grabuschig

Kuno E. Waidmann

Carsten Brinkmeier



Report of the Supervisory Board

from left to right: Helmut Grienschgl, Georg Wall, Axel Hirschberg, Michael Kaufmann, Georg Gorton

The Supervisory Board and the Managing Board conducted wide-ranging consultations and analyses on the financial position and strategic development of the company as well as significant events and measures at seven regular meetings during the 2006/07 financial year. Extensive written and verbal reports by the Managing Board formed the basis for these deliberations.

In cases where the approval of the Supervisory Board was required for decisions or actions by the Managing Board, the Supervisory Board evaluated the relevant proposals and made its decisions based on written or verbal information provided by the Managing Board. In this way the Supervisory Board was involved in all major decisions involving the company.

The activities of the Supervisory Board during the reporting year concentrated on further discussions concerning the strategic growth alternatives available to the company in phase three – e. g. growth and development in other markets and the resulting demands on the organization and financing. This also resulted in the expansion of the Managing Board to four members and the restructuring of responsibilities.

In addition to the evaluation of mid-term planning and the annual financial statements, the Supervisory Board also discussed the company's product development strategy, the new IT strategy and the reorganization of the accounting function.

The consolidated financial statements were prepared in accordance with the principles of International Financial Reporting Standards (IFRS). Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., certified public accountants in Vienna, audited the consolidated financial statements and annual financial statements of HIRSCH Servo AG as well

as the management reports for the company and the group. The results of this audit indicate that the group complied with the full scope of IFRS. The report of the auditors on the consolidated financial statements included an unqualified opinion.

The Supervisory Board reviewed the annual financial statements, management report and recommendation for the distribution of profit as well as the consolidated financial statements and group management report, and discussed all major points with the Managing Board and the auditor. No objections were raised.

The Supervisory Board agrees with the results of this audit, and has approved the annual financial statements and consolidated financial statements as prepared by the Managing Board. The annual financial statements of HIRSCH Servo AG are therefore formally released. The Supervisory Board agrees with the management reports and the evaluation of the further development of the company by the Managing Board, and also supports the dividend policy of the company. Moreover, the Supervisory Board agrees with the recommendation for the distribution of profit.

The Supervisory Board would like to thank the management and employees of the company for their commitment and performance during the 2006/07 financial year.

Klagenfurt, October 17, 2007

Georg Gorton
Chairman of the Supervisory Board

Executive Bodies and Structure

Overview of the HIRSCH Servo Group / EPS – A Material with Fantasy
 Review of the Managing Board
Report of the Supervisory Board / Executive Bodies and Structure
 35 Years HIRSCH / Plant Locations
 Energy and CO₂ Reduction
 The HIRSCH Servo Share / Corporate Governance
 Group Management Report
 EPS Processing
 Machinery and Plant Engineering
 Financial Statements
 Service

Executive Bodies of HIRSCH Servo AG

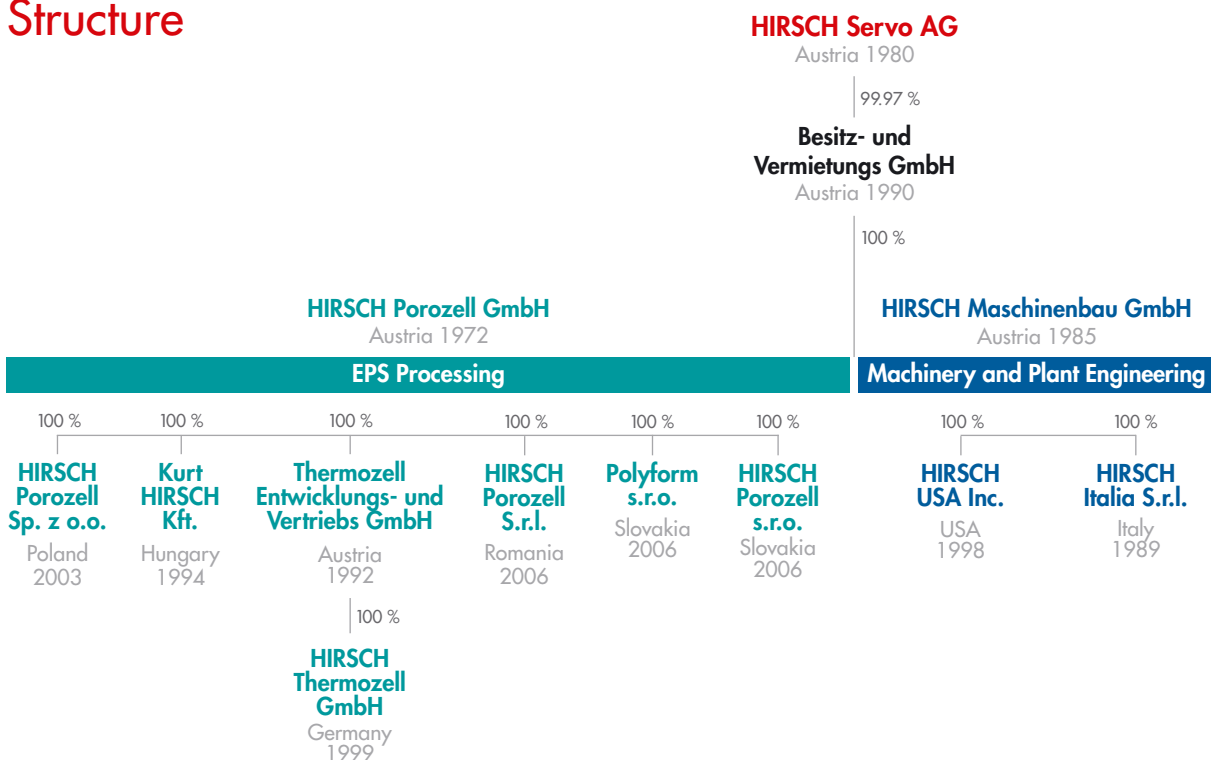
Supervisory Board

Georg Gorton	Chairman
Georg Wall	Vice-Chairman
Helmut Grienschgl	
Axel Hirschberg	
Michael Kaufmann	

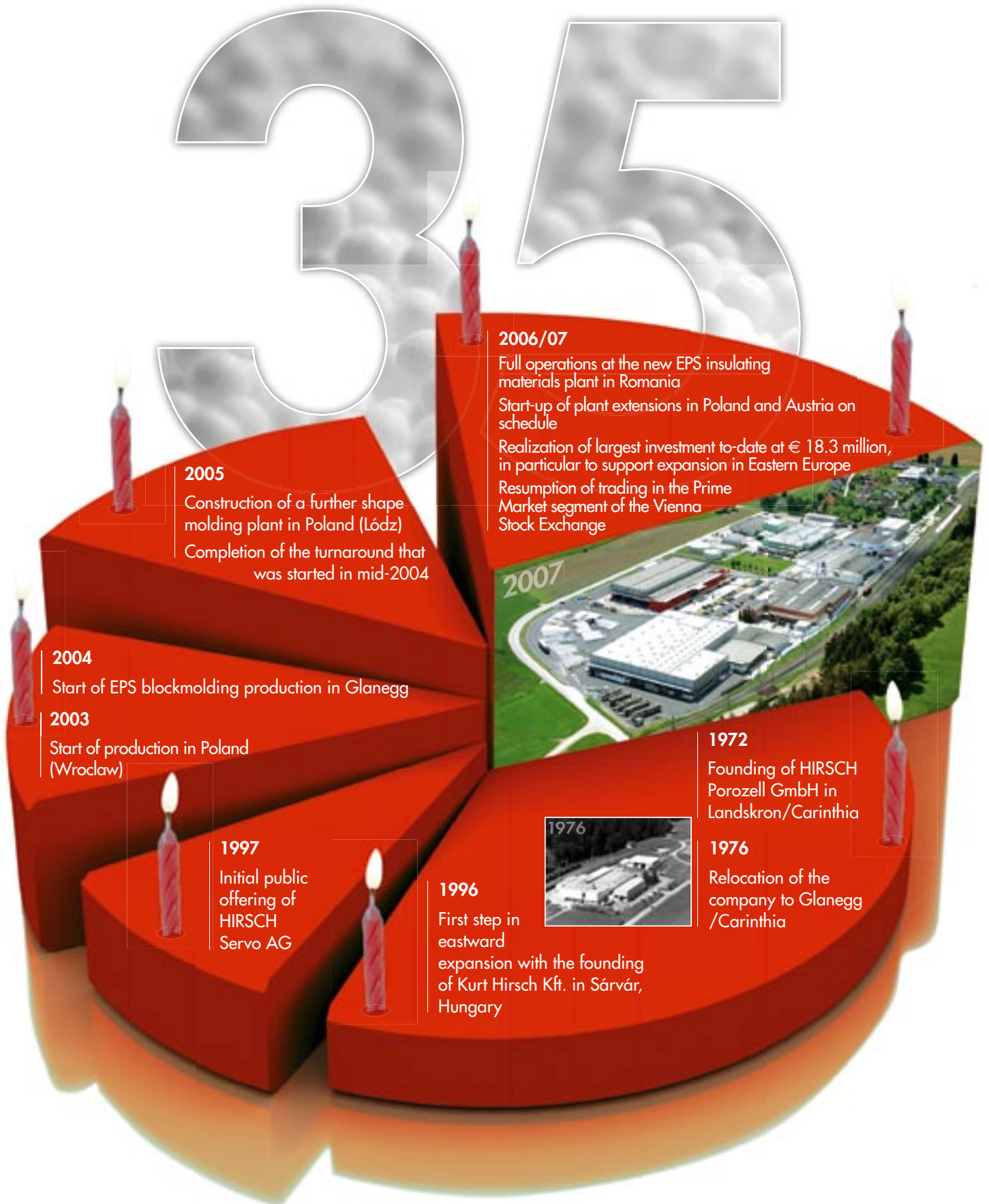
Managing Board

Kurt Hirsch	
Peter Grabuschnig	
Carsten Brinkmeier	
Kuno E. Waidmann	since August 1, 2007

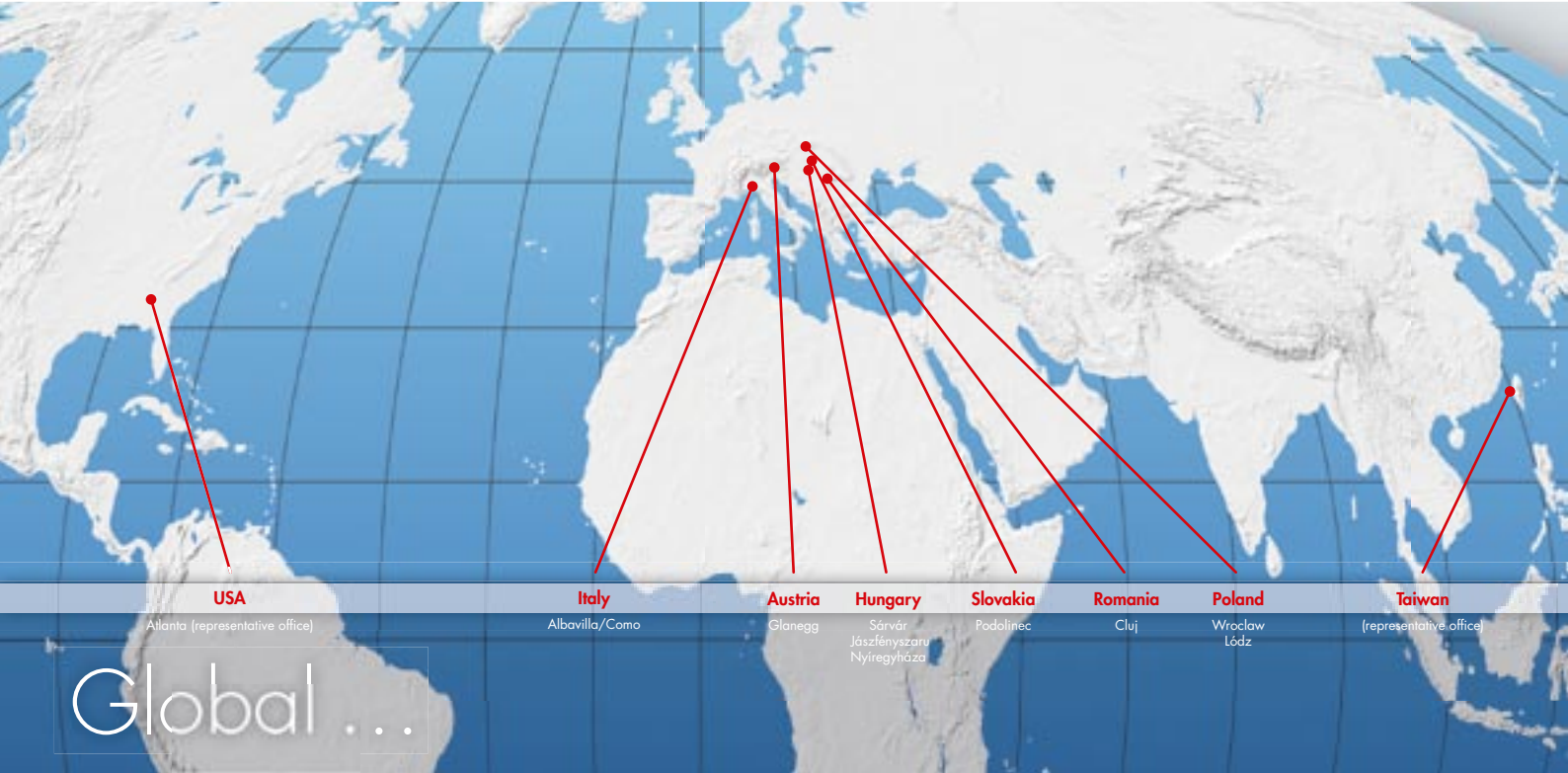
Structure



35 Years HIRSCH



Plant Locations



Global ...



- ① **HIRSCH Servo AG**
- **HIRSCH Maschinenbau GmbH**
- **HIRSCH Porozell GmbH**
- **Thermozell Entwicklungs- und Vertriebs GmbH**
- ② **HIRSCH Italia S.r.l.**
- ③ **HIRSCH Porozell Kft.**
- ④ **HIRSCH Porozell Kft.**
- ⑤ **HIRSCH Porozell Kft.**
- ⑥ **HIRSCH Porozell Sp. z o.o.**
- ⑦ **HIRSCH Porozell Sp. z o.o.**
- ⑧ **Polyform s.r.o.**
HIRSCH Porozell s.r.o.
- ⑨ **HIRSCH Porozell S.r.l.**

- Machinery and Plant Engineering
- Packaging
- Insulating Materials

Focus on Eastern Europe

Energy and CO₂ Reduction

Insulation instead of cooling

Whatever works against the cold also helps to fight the heat. The spring of 2007 – which was the warmest since the start of official records – has underscored the wisdom of this general rule. Insulation can also play an important role in reducing the amount of energy and CO₂ emissions that are connected with combating the summer heat. Optimized thermal insulation also makes life more comfortable during the summer and helps to minimize the use of expensive cooling energy. The introduction of an energy certificate in Austria as of January 1, 2008 requires the identification of cooling requirements for all non-residential buildings (offices, schools, hospitals, hotels, etc.). This regulation was implemented because buildings are generally heated with oil, gas or pellets, but are cooled exclusively with electricity. The cost of electricity as a primary source of energy is roughly three-times higher than gas or oil. Moreover, the necessary reduction in humidity that accompanies the cooling process also consumes energy and this raises the amount of energy used by air conditioning to five-times the level of a heating system.

Air conditioners: expensive cooling

An average air conditioner uses € 100 of additional electricity each year. Even if the equipment is only operated on 30 hot days, it becomes the largest



Air conditioning equipment in the EU-15 uses ~ 1/3 of the total electricity consumption in a single year in Austria

electricity consumer in the household and has a greater negative effect on the climate than a normal refrigerator that runs continuously for 365 days.

The energy consumption of air conditioning in the EU-15 was estimated at more than 20TWh in 2005. That represents roughly one-third of the total electricity used in Austria during an entire year.

Source: Immowelt.de, Deutsche Umwelthilfe, BUND

Blackouts in overheated cities

Cities are immersed in darkness, airports come to a standstill and computers crash, while robberies and looting increase – power failures often create a state of emergency for entire regions and metropolitan areas with millions of residents. This past summer the hot weather substantially increased the strain on electricity networks in New York and Japan. Parts of Queens (New York) were without power for more than a week in 2006 for the same reason, and tens of thousands of households in the South African cities of Cape Town, Johannesburg and Pretoria were without electricity for a number of hours. The largest power failure in history paralyzed New York, Toronto and other cities in Canada and the northeast of the USA during August 2003 and affected 50 million people. At the same time 500,000 residents in London were affected by a power failure, and the lights dimmed for 56 million Italians from Milan to Palermo.



Subsidy program for increased investments in thermal insulation

The Austrian Federal Chamber of Architects and Consulting Engineers has identified an enormous potential for energy savings in buildings that were constructed between 1945 and 1980, and a study by WIFO in April 2007 reached the same conclusion. An increase in the current level of renovation from 1% to 5% of buildings per year could reduce current CO₂ emissions from approx. 15 million tons/year by roughly one-half within 10 years.

The utilization of this energy saving potential through the correct thermal renovation of buildings would lead to a reduction in the use of primary energy. For this reason, the Austrian government has recommended the introduction of an initiative and subsidy program as part of its climate strategy, which will focus on the issue of thermal renovation in buildings from the 1950s – 1970s. The graph shown below also shows that insulation is the most economical approach to CO₂ reduction.

Energy certificate for buildings

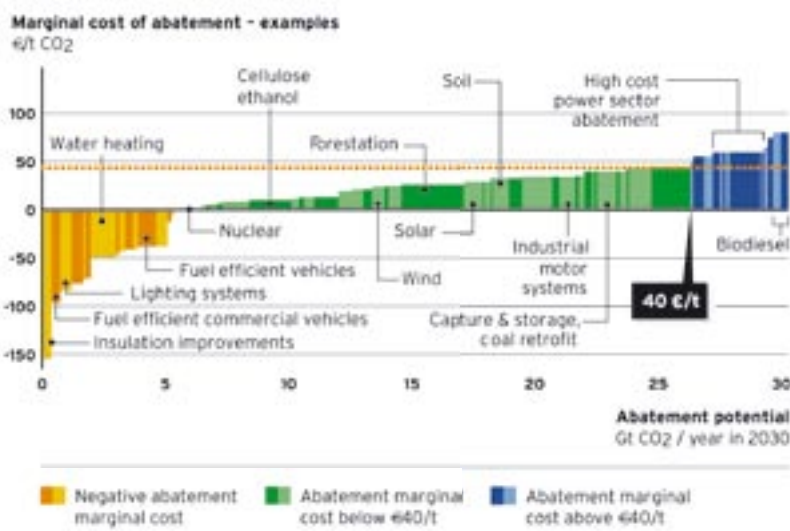
The EU building guideline took effect on January 1, 2006, and requires member countries to define minimum requirements for the overall energy efficiency of buildings. An energy certificate – which represents a type of registration license for energy consumption – must be available to confirm the energy used by a building.

The following standards apply to the EU countries listed below:

Energy certificates for new buildings	Mandatory as of
Denmark	2006
Netherlands	2006
Germany	2007
Romania	2007
Austria	2008
Slovakia	2008
Poland	2008
Hungary	2008

EU law requires all existing buildings as well as buildings that are sold, rented or renovated to have an energy certificate by January 1, 2010.

Global Cost Curve



1 kg EPS processed into insulating material saves approx. 3.7 l of heating oil, which saves the homeowner approx. € 90 and the environment 582 kg of CO₂ over a period of 50 years.

A 150 m² house requires ~ 600 kg of EPS, which translates to 2,220 liters of heating oil or cost savings of ~ € 1,110 per year.

Savings over 50 years = ~ € 52,000.

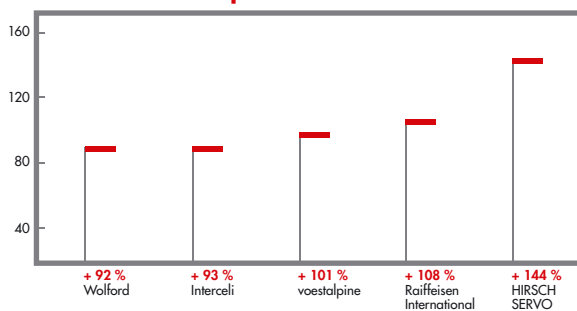
2,220 l of heating oil x 3.15 kg of CO₂ x 50 years = **Total savings of 350 tons CO₂**

The HIRSCH Servo Share

Development of Share Price

Against the backdrop of a favorable market climate, the HIRSCH Servo share exceeded the strong performance recorded during the 2005/06 financial year (+ 138%) with a plus of 127% in 2006/07. The HIRSCH Servo share was the top performer on the Vienna Stock Exchange during the 2006 calendar year with + 144%.

HIRSCH Servo: Top Performer in 2006



Source: Vienna Stock Exchange

The share price rose from roughly € 88 in July 2006 to approximately € 200 by the end of June 2007. The attractiveness of the share for current shareholders and new international investors was further improved by the resumption of trading in the Prime Market segment of the Vienna Stock Exchange on October 23, 2006. This changeover to the Prime Market was also accompanied by the inclusion of the HIRSCH Servo share in the ATX Prime, the most important reference index used by institutional investors for Austrian stocks. Moreover, the sound growth perspectives that are related to the company's positioning in Central and Eastern Europe and an attractive dividend policy served to strengthen stock exchange turnover and the development of the share price.

10th Anniversary on the Stock Exchange

The HIRSCH Servo share began trading in the fit-segment of the Vienna Stock Exchange at an issue price of € 51.96 (ATS 715.00) on June 25,

1997. With its increase in value and dividends of € 20.60 since the IPO, the HIRSCH Servo share represents an interesting investment.

Development of the share price from 1.7.2006 to 30.6.2007 in €



Trading Volume

The capital market honored the significant improvement in financial indicators with growing interest on the part of investors, which also provided key support for the outstanding development of the share price. The number of HIRSCH Servo shares traded on the Vienna Stock Exchange more than doubled from 177,000 in the 2005 calendar year to a total of 400,000 in 2006. This trend also continued into 2007, with the trading volume reaching 241,200 during the first half-year.

Sale of Treasury Stock

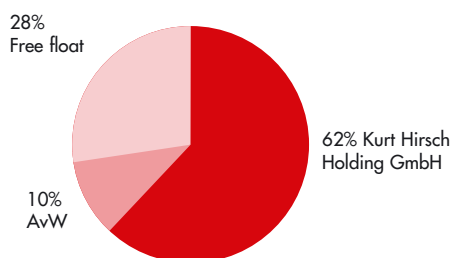
The sale of treasury stock, which was approved by the annual general meeting, has been completed for the most part. A total of 14,042 shares were sold at a price of € 150 each, both on the stock exchange and over-the-counter in Austria and other countries. The HIRSCH Servo shares owned by international investors (Germany, England and Switzerland) now represent roughly 5% of share capital.

A proposal will be made to the 12th annual general meeting to sell the remaining 1,000 shares of treasury stock within an expanded price range.

Shareholder Structure

HIRSCH Servo AG has capital stock of € 3,635,000, which is divided into 500,000 bearer shares that carry equal voting and subscription rights.

HIRSCH Servo AG has a stable shareholder structure: 62% of the shares are owned by Kurt Hirsch Holding GmbH, and 10% by the AvW Group. The remaining 28% represent free float that is held by institutional investors in Austria and other countries as well as private shareholders and management.



Dividend Policy

The dividend policy that was introduced by HIRSCH Servo AG in 2005 allows shareholders to profit from the sound development of earnings. It is based on long-term growth and calls for an annual distribution of approximately 30% of profit on ordinary activities. The Managing Board will recommend that the Annual General Meeting approve a dividend of € 2.35 per share for the 2006/07 financial year, which reflects a yield of 1.2%.

Investor Relations

The investor relations activities of the HIRSCH Servo Group during the 2006/07 financial year focused on:

- The organization of contacts and conferences for the Managing Board with institutional investors and financial analysts
 - The organization of press conferences and the annual general meeting
 - Implementation of the requirements for trading in the Prime Market segment and the new rules relating to transparency in reporting
 - Participation in a corporate responsibility initiative supported by the EU “Verantwortung zeigen” (www.verantwortung-zeigen.at)
 - Participation in “The capital market creates the future”, a stock forum organized in cooperation with the Vienna Stock Exchange at Klagenfurt University
- Regular, proactive, broad-based, understandable and timely information with equal treatment for all relevant stakeholder groups has been an important objective in the past and will remain a primary goal for the 2007/08 financial year.

The HIRSCH Servo Group took part in Girls’ Day for the second time during April 2007 at the plant in Glanegg. A total of 170 girls and young women from 14 to 18 years of age used this event to gather first-hand experience on technical and future-oriented professions.



The Group’s commitment to sustainable development was again confirmed by the inclusion of the HIRSCH Servo share in the VÖNIX Sustainability Index in June 2007. This index is comprised of publicly traded Austrian companies that demonstrate leadership in the areas of social and ecological performance (www.voenix.at).

The HIRSCH Servo Share

In order to ensure the greatest possible transparency and top quality service as well as to provide a wide range of facts and figures on the HIRSCH Servo Group, information such as this annual report, quarterly reports and ad hoc announcements, press releases and press reports, stock exchange and quarterly data, forecasts and the financial calendar are available for review on the company's homepage under www.hirsch-gruppe.com. An investor newsletter with information on the HIRSCH

Servo Group can also be ordered free of charge, and will be sent automatically by e-mail.

Michaela Promberger is available to answer any questions relating to investor relations:

Telephone: +43 (0)4277/2211-312

Fax: +43(0)4277/2211-370

E-Mail: investor@hirsch-gruppe.com

www.hirsch-gruppe.com

Financial Calendar

Oct. 18, 2007: Press conference and analysts meeting on results for 2006/07

Nov. 19, 2007: 12th Annual General Meeting

Nov. 22, 2007: Ex-dividend day

Nov. 29, 2007: Payment of dividend

Nov. 30, 2007: Report on the first quarter of 2007/08

Feb. 28, 2008: Report on the first half of 2007/08

May 31, 2008: Report on the third quarter of 2007/08

Oct. 31, 2008: Report for the Financial Year 2007/08

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 June 30, 2007: 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

Stock Exchange Data		2002/03	2003/04	2004/05	2005/06	2006/07
Share price as of 30. 6.	€	41.00	45.75	36.99	87.99	199.97
Share price – high	€	53.56	51.00	48.22	96.00	208.00
Share price – low	€	33.00	31.50	36.50	36.67	76.00
Share price – average	€	43.16	42.70	40.78	57.76	141.69
Market capitalization as of 30. 6.	T€	20,500	22,875	18,495	43,830	99,985
Earnings per share	€	3.0	1.7	3.99	7.44	5.78
P/E ratio as of 30. 6.		14	27	9	12	35
P/E ratio average price		14	25	10	8	25
Dividend	T€	1,021	534	534	1,552	1,173 ¹⁾
Dividend per share	€	2.1	1.1	1.1	3.2	2.35 ¹⁾
Dividend yield ²⁾	%	5.1	2.4	3.0	3.6	1.2 ¹⁾
Payout ratio ³⁾	%	68.8	64.9	27.6	43.0	40.7

¹⁾ Recommendation to the Annual General Meeting

²⁾ Basis: price on June 30.

³⁾ Basis: net income for the year

The HIRSCH Servo Group pursues a strategy that is designed to create a sustainable increase in value and earnings. The Managing Board and the Supervisory Board have declared their support for the goals of the Austrian Corporate Governance Code and are committed to ensuring a high degree of transparency for the benefit of all stakeholder groups.

The information required by the Austrian Corporate Governance Code can be found under the relevant subject areas in the annual report, management report or on the HIRSCH Servo homepage under www.hirsch-gruppe.com.

The Austrian Corporate Governance Code comprises 80 rules that are subdivided into three categories. The first category, L-Rules (Legal Requirements), represent binding legal regulations and compliance is mandatory.

The second category, C-Rules (Comply or Explain), must be followed or reasons must be provided for any deviation. The HIRSCH Servo Group discloses deviations from C-Rules under the homepage www.hirsch-gruppe.com > Company > Corporate Governance.

The R-Rules (Recommendation) have a non-binding recommendation character, and companies may deviate from these rules without explanation. No additional disclosures are provided on these rules.

The HIRSCH Servo homepage also contains up-to-date information on the purchase and sale of the company's shares by the members of corporate bodies, which can be found under Directors' Dealings.

The amendments to the Austrian Stock Corporation Act that were published in the federal gazette on April 25, 2007 (implementation of the EU transparency guideline) required the adjustment of several L-Rules and C-Rules in the Austrian Corporate Governance Code. These adjustments were approved by the Austrian Working Group for Corporate Governance on June 22, 2007.

The Economic Environment

During the 2006/07 financial year of HIRSCH Servo AG (July 1, 2006 to June 30, 2007), the global economy was characterized by increasing momentum in Asia, stable growth in Europe and mounting weakness in the USA as well as a steady rise in energy prices and interest rates. The Euro gained in strength over the USD, JPY and CHF, but declined slightly in value against the East European currencies. Global stock markets recorded a general rise in prices during the reporting period, despite a correction in the first quarter of 2007.

The operating environment for the EPS Processing Segment is determined primarily by the general economic climate in Europe, where substantial changes were noted during the past year.

In the area of EPS packaging, sales volumes in Eastern Europe continued to increase due to the continued relocation of white goods producers from Western to Eastern Europe, the growing interest of major Asian companies in investments in this region and the rising purchasing power of the local population. However, an increase in the output by global EPS processors as well as higher oil prices and breakdowns at a number of EPS raw material producers triggered a sharp (> 30%) rise in the cost of raw materials, which could not be directly offset through adjustments to selling prices. The relocation of West European white goods producers not only triggered an increase in sales volumes, but also set the stage for a new competitive situation.

Sales of EPS insulating materials are driven by new construction and the renovation of older buildings as well as the steadily increasing demand of consumers for better insulation and thicker materials. Higher energy prices, new legal regulations to improve the energy efficiency of buildings and a noticeable upturn in construction activity beginning in early

2006 – also in Austria – combined with the mild winter season in 2006/07 to drive demand.

EUROMAP forecasts indicate that the EPS market, which amounted to roughly 1,400,000 tons in 2006, will grow by an average of 65,000 tons per year over the next decade. Of this total, roughly 70% represent insulating materials, and estimates indicate that nearly 80% of the future growth will come from this area.

In this operating environment, the EPS Processing Segment of the HIRSCH Servo Group was able to increase sales volumes by 53% to 20,100 tons (2005/06: 13,100 tons).

The increasing strength of the East European currencies led to currency translation gains of € 1.3 million, which arose primarily from the Hungarian Forint in the first half-year and the Romanian Leu during the second half-year.

The high pace of investment by manufacturing companies, the increasing output of global EPS producers and the innovative strength of the Machinery and Plant Engineering Division formed the basis for the improvement in revenues during 2006/07.

Forecasts for 2007/08 show a further increase in the demand for EPS packaging and insulating materials as well as a continuation of capital expenditure for machinery and equipment at the 2006/07 level, assuming energy prices and interest rates remain stable.

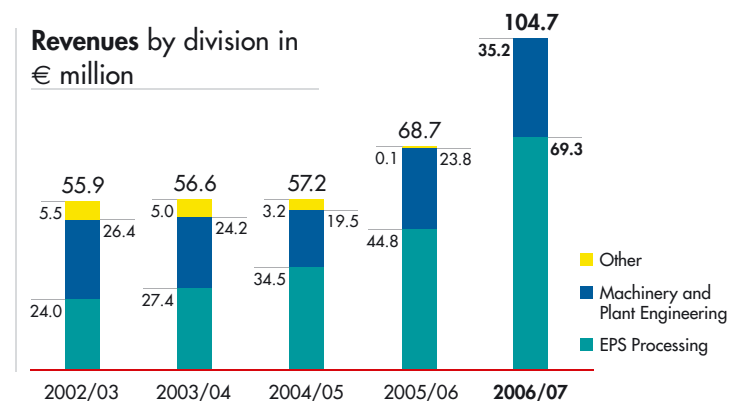
Development of Business in 2006/07

	2002/03 in € mill.	2003/04 in € mill.	2004/05 in € mill.	2005/06 in € mill.	2006/07 in € mill.
Revenues	55.9	56.6	57.2	68.7	104.7
Operating profit (EBIT)	3.1	2.3	2.4	6.6	4.7
Profit on ordinary activities	2.2	1.7	1.4	4.6	3.8
Net income	1.5	0.8	1.9	3.6	2.8
Balance sheet total	46.7	54.3	56.4	72.3	105.3
Net debt	11.9	16.1	21.3	30.1	53.3
Cash flow from operating activities	4.4	2.1	4.4	6.5	-2.7
ROCE	6.5%	3.5%	5.8%	10.2%	4.2%
ROS	3.9%	2.9%	2.5%	6.7%	3.7%
Capital expenditure	3.4	5.2	9.5	12.4	18.3
Depreciation and amortization (excl. goodwill)	3.0	3.1	3.3	3.5	5.1
Research and development expenses	1.6	1.4	1.5	1.0	1.9
Employees (average for the year)	381	409	417	478	604

Revenues

Group revenues rose by € 36.0 million to a historical high of € 104.7 million in 2006/07 (2005/06: € 68.7 mill.). The EPS Processing Segment recorded an increase of 55% (2005/06: + 30%) in revenues to € 69.3 million (2005/06: € 44.8 mill.), in part based on revenues from newly acquired companies. This figure represents 67% (2005/06: 65%) of the total revenues reported by the HIRSCH Servo Group. Revenues generated by the Packaging Division grew by 34% to € 33.3 million (2005/06: € 24.9 mill.) and the Insulating Division registered a strong increase of 81% to € 36.0 million (2005/06: € 19.9 mill.). This sound growth was also based on the revenues generated by Polyform s.r.o. in Slovakia, which was acquired during the first calendar quarter of 2006. The development of revenues at HIRSCH Servo is supported by over one thousand customers. The largest customer is responsible for 9% (2005/06: 13%) of revenues and the most important single product has a share of 2.5% (2005/06: 5.4%) – and this structure forms a sound distribution of risk. Revenues in the Machinery and Plant Engineering Division rose by 48% to € 35.2 million (2005/06:

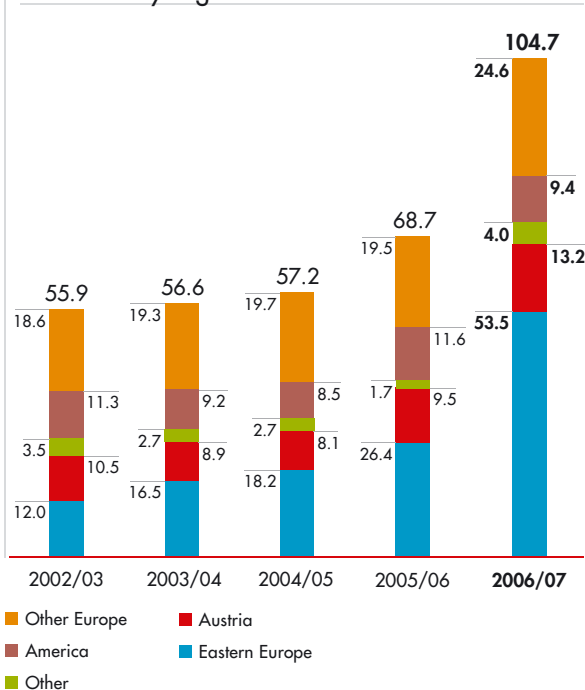
€ 23.8 mill.), with the Shape Molding Equipment and Block Molding Equipment Business Units contributing equally to this growth. In addition to third party sales, the Machinery and Plant Engineering Division also sells to other companies in the HIRSCH Servo Group. These intercompany sales were responsible for revenues of € 3.3 million in 2006/07 (2005/06: € 3.7 mill.). Revenues recorded by the Machinery and Plant Engineering Division are realized with roughly 400 customers per year. These transactions are pure project sales and involve a different group of customers each year. The most important single product has a share of 8% (2005/06: 14%).



Group Management Report

The increasing expansion of the EPS production network in Eastern Europe has shifted the structure of revenues in favor of this region. Revenues generated in Eastern Europe rose to € 53.5 million (2005/06: € 26.4 mill.) and represent 51% of total revenues recorded by the Group.

Revenues by region in € mill.



The sales activities of the HIRSCH Servo Group are designed to achieve lasting growth in revenues through a focus on:

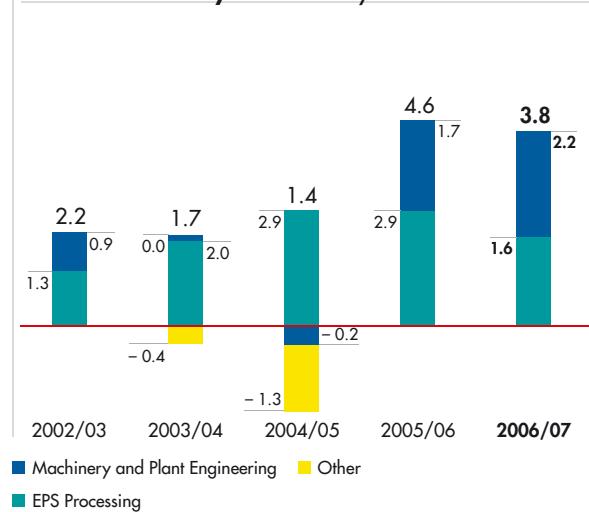
- EPS – the material of the future (“a material with fantasy”)
- Diversification of the customer structure
- Development of partnerships with international customers
- Growth markets such as packaging and insulating materials (1 kg of EPS converted to insulating materials saves approx. 3.7 liters of heating oil per year)
- Growth regions like Eastern Europe

Earnings

Operating profit (EBIT) fell to € 4.7 million during the reporting year (2005/06: € 6.6 mill.). The decline in EBIT recorded by the EPS Processing Segment was the result of a sharp rise in raw material costs during the first half-year as well as a weakening in the profitability of the Polish plants. Depreciation and amortization rose to € 5.1 million (2005/06: € 3.5 mill.), solely due to an increase in the depreciation of property, plant and equipment.

Profit on ordinary activities decreased 17% to € 3.8 million (2005/06: € 4.6 mill.).

Profit on ordinary activities by division in € mill.



Government grants received during the reporting year were limited to subsidies for research and development as well as the training of employees, and led to an increase in profit on ordinary activities. Investment subsidies improve earnings throughout the entire depreciation period for the relevant asset.

Since subsidies generally represent one-time payments and not long-term income, they are not included in investment decisions.

Subsidies by country

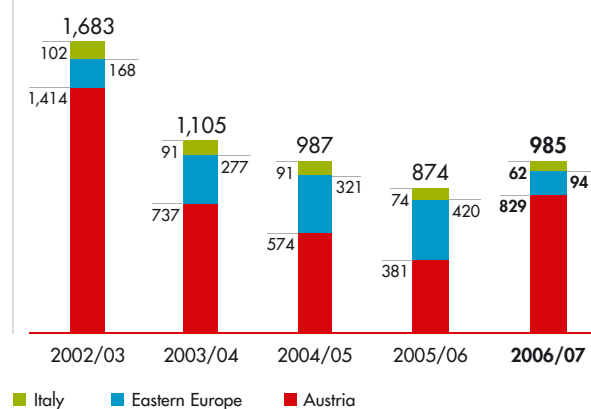
in T€	02/03	03/04	04/05	05/06	06/07
Austria					
For research and development	282	133	194	82	112
For employee training	11	23	21	46	65
Investment subsidies	0	0	0	310	144
Eastern Europe					
Future tax relief					
Investment subsidies	42	167	972	237	115
Total	335	323	1,187	675	436

Net income declined 22% to € 2.8 million (2005/06: € 3.6 mill.), and earnings per share fell to € 5.78 (2005/06: € 7.44).

An analysis of taxes paid, including other taxes and duties recognized to the income statement, shows a strong decline up to 2005/06 and an increase in 2006/07 that exceeded the development of profit on ordinary activities by a substantial margin. This shift resulted from the different pattern of earnings development throughout the region as well as a reduction in the Austrian corporate tax rate from 34% to 25%, the introduction of Group taxation as of July 1, 2004 and attractive tax construction opportunities in Eastern Europe. The tax rate rose to 26.3% in 2006/07 (2005/06: 21.2%), above all due to a strong rise in the share of profit generated by the Austrian companies.

The HIRSCH Servo Group is committed to compliance with legal regulations and acknowledges its responsibility to society. This is also reflected in the decision to keep the Group's headquarters in Austria, even through the taxation systems in other countries are more attractive.

Taxes paid by region



Group Management Report

The management of the HIRSCH Servo Group creates a solid foundation for long-term financial growth through:

- The expansion of business activities from the current three focal points (packaging, insulating materials and equipment construction) to include a fourth area (new: logistics), which will offset short-term fluctuations in individual sectors.
- Investment decisions that are based on years of experience, conservative calculation methods and the incorporation of social, cultural and ecological values.
- The timely development of organizational structures to reflect the needs of the market, and thereby avoid a "growth shock" to the greatest extent possible.
- The direction and development of employees based on profit-oriented criteria.
- The early identification of risk through professional monitoring and limitation of the potential impact on Group results to a minimum.

Asset and Financial Position

The balance sheet total rose by € 33.0 million to € 105.3 million (2005/06: € 72.3 mill.) as a result of investments at existing plants and in Romania as well as the growth in revenues over the previous financial year.

Property, plant and equipment declined to 53.2% (2005/06: 56.8%) of total assets. Equity covered property, plant and equipment by 49% as of June 30, 2007 (2005/06: 57%).

Working capital (inventories + trade receivables – trade payables) rose by € 14.8 million to € 31.6 million (2005/06: € 16.8 mill.), whereby

the turnover rose to 109 days (2005/06: 89 days). This change resulted solely from an increase of € 8.7 million in stocks of EPS raw materials to prevent supply shortages. Excluding these additional purchases, working capital turnover would have declined to 79 days.

Equity increased by € 4.0 million to € 27.5 million (2005/06: € 23.5 mill.). Inflows of € 2.8 million from net income, € 1.8 million from the sale of treasury stock and other effects totaling € 1.0 million were contrasted by a dividend distribution of € 1.6 million. The equity ratio declined to 26.2% (2005/06: 32.5%).

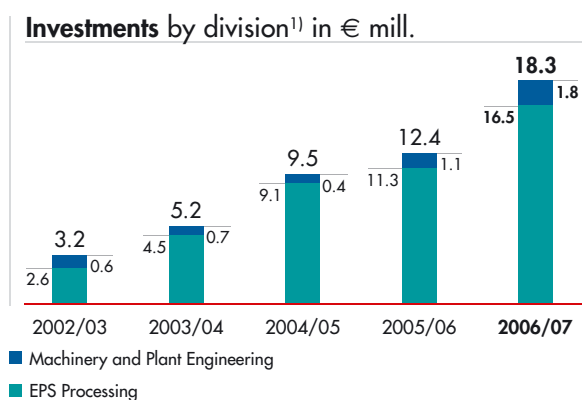
Net debt totaled € 53.3 million as of June 30, 2007 (2005/06: € 30.1 mill.). The major contributing factors to the change in net debt are shown in the following table:

Net debt as of June 30, 2006	30.1
– Net income for the year	2.8
– Depreciation and amortization	5.1
+ Increase in working capital	14.8
+ Investments	18.3
+ Dividend	1.6
– Other effects	3.6
Net debt as of June 30, 2007	53.3

Long-term funds (equity plus non-current liabilities) covered non-current assets by 111% as of June 30, 2007 (2005/06: 124%). Investments were financed with 100% debt (2005/06: 55%).

Investments and Acquisitions

The HIRSCH Servo Group spent a total of € 18.3 million on investments and acquisitions during the reporting year (2005/06: € 12.4 mill.). Of this total, € 16.5 million were directed to the EPS Processing Segment. In addition to the expansion of insulating material production in Glanegg for € 5.3 million, € 5.7 million were invested in the enlargement of the plants in Wroclaw and Lodz (PL) and € 3.8 million in the enlargement of the plants in Cluj (RO) and Sarvar (HU). Expenditures for plant and office equipment at other EPS locations totaled € 1.7 million. A further € 1.8 million were invested by the Machinery and Plant Engineering Division on rationalization investments, prototype equipment and the expansion of the innovation center by HIRSCH Servo AG.



¹⁾ The investments made in other areas are immaterial, and are included under the Machinery and Plant Engineering Segment.

Investments in plant, property and equipment were distributed among the various asset groups as follows: € 3.1 million for land and buildings (2005/06: € 1.6 mill.), € 6.7 million for technical equipment and machinery (2005/06: € 3.4 mill.), € 2.3 million for furniture, fixtures and office equipment (2005/06: € 0.9 mill.) and € 5.6 million for prepayments and

construction in progress (2005/06: € 5.3 mill.). Additions of € 0.6 million (2005/06: € 2.7 mill.) were also made to intangible and financial assets.

Return on capital employed (ROCE), which shows the profitability of interest-bearing capital used by the company and is also a major part of investments, equaled 4.2% for the reporting year (2005/06: 10.2%). The ratio of NOPAT to capital employed is calculated here.

Research and Development

The HIRSCH Servo Group spent € 1.9 million on research and development in 2006/07 (2005/06: € 1.0 mill.), whereby € 0.4 million represented development costs and € 0.3 million were capitalized as technical equipment. These funds were used above all to develop a new process for the production of fully sheathed EPS palettes, which has been registered for a patent. A batch loose-fill pre-expander was also developed as an extension to the series containing the PREEX 3000 and PREEX 6000 models, which have been sold more than 100-times to customers throughout the world. In addition, the combination of established technologies led to the development of the "HIRSCH Satellite Plant", a mobile EPS production facility.

Research and development expenses rose to 1.8% of revenues in 2006/07 (2005/06: 1.5%), but will tend to decline over the coming years despite the founding of the innovation center and related increase in research and development activities. This is due to the substantial growth in revenues recorded by the EPS Processing Segment, which carries out virtually no development activities.

Group Management Report

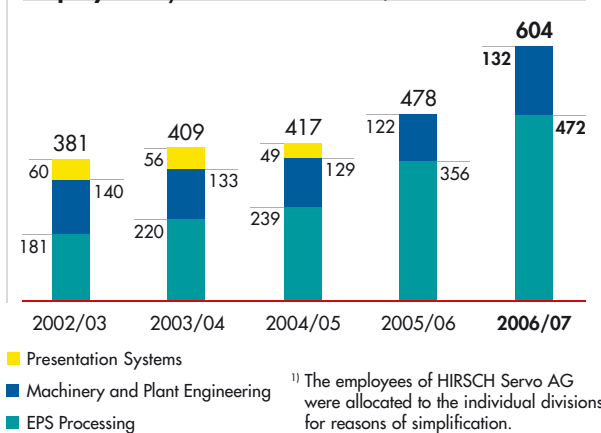
Social Responsibility

The employees of HIRSCH Servo represent the Group's most important capital. Their skills, know-how and commitment make us successful. For this reason the satisfaction, motivation and continuous development of our employees is one of our most important goals. Equal opportunity in all areas represents an integral part of our working environment, just as adequate and attractive compensation.

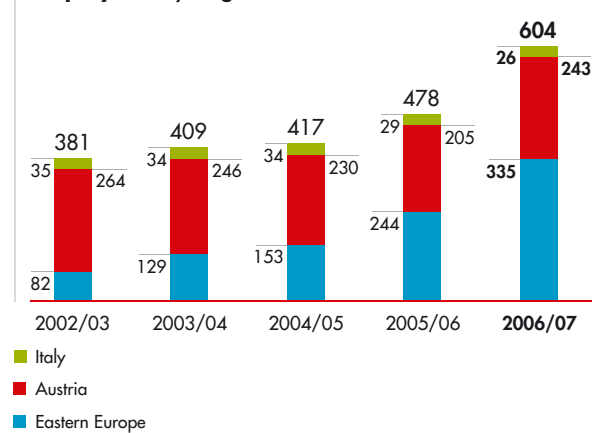
Employees

The HIRSCH Servo Group employed an average workforce of 604 in 2006/07 (2005/06: 478). This total comprises 415 wage employees (2005/06: 325), 175 salaried employees (2005/06: 146) and 14 apprentices (2005/06: 7). The increase over the prior year level was related to the expansion of capacity, with Eastern Europe and Austria as the focal points of hiring. An average of 91 employees was added in Eastern Europe and 38 in Austria, whereby more wage employees than salaried employees were hired.

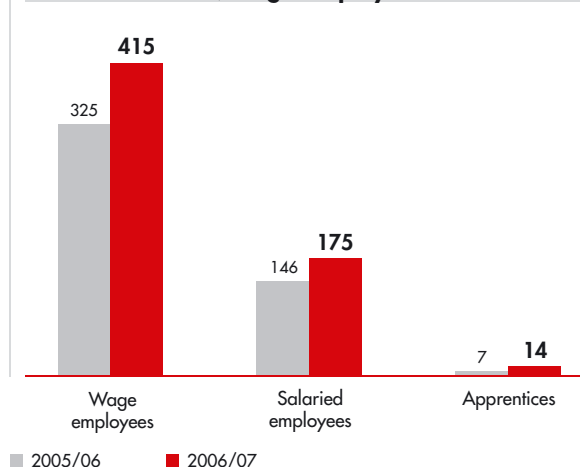
Employees by division¹⁾ (Av. for the year)



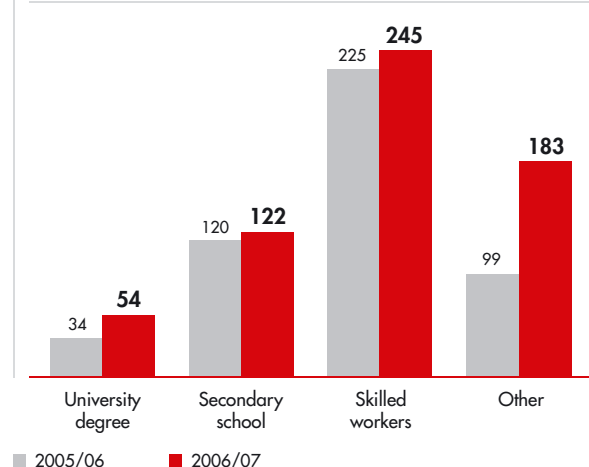
Employees by region (Av. for the year)



Ratio of salaried/wage employees

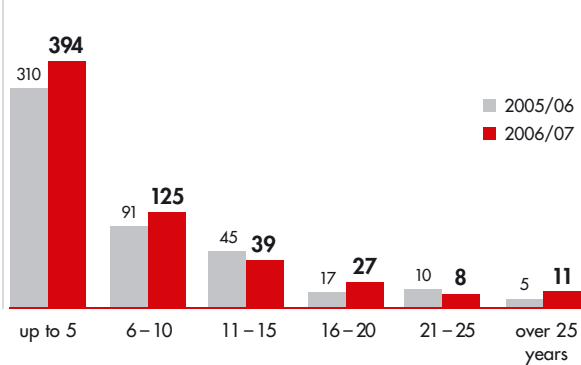


Qualification structure

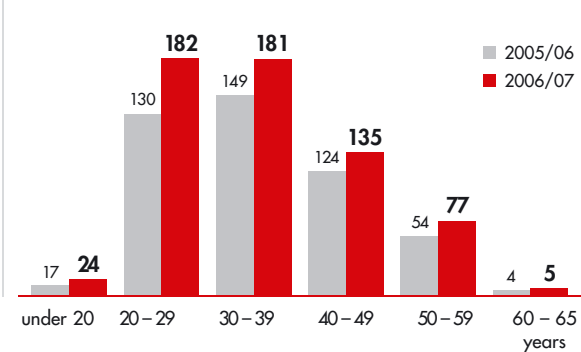


The doubling under other qualifications reflects the increase in the number of employees working in EPS production.

Length of service



Age structure of employees



The growth of the HIRSCH Servo Group in recent years is also reflected in the length of service. Approximately 86% of the workforce was hired during the last 10 years. It should be noted that employees who have been with HIRSCH Servo for many years continue to play an important role in the success of the Group. The largest number of employees, or 30%, are between 30 and 40 years old and 34% are younger than 30. The average age is 36 years.

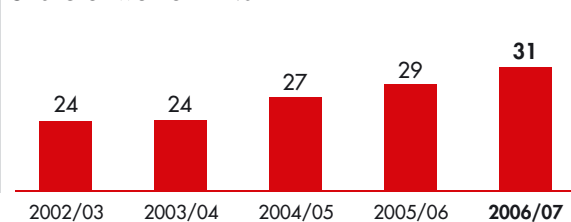
Turnover

Employee turnover in the HIRSCH Servo Group totaled 27% for the 2006/07 financial year (2005/06: 20%). In particular, turnover is high at our locations in Eastern Europe. Our facility in Austria recorded turnover of 5% for the reporting year (2005/06: 7%).

Equal opportunity

Equal opportunity is a fixed element of personnel policies in the HIRSCH Servo Group. The number of women working in the Machinery and Plant Engineering Division is low for traditional reasons (2006/07 and 2005/06: 9%), but we expect an increase in female candidates in the future because of the growing number of highly qualified women who are entering technical professions. The number of women in the EPS Processing Segment rose to 37% in 2006/07 (2005/06: 34%). HIRSCH is an active participant in the "Women in engineering" program: in addition to its support for "Girls Day", the Group has created a pro-woman working environment with flexible working hours, telework options and individual training programs, and has had only the best experience with these activities. The HIRSCH Servo Group also employed six handicapped persons during the 2006/07 financial year – and we are convinced that we have made an important contribution to social responsibility through the integration of these men and women in the business world.

Share of women in %



Workplace health and safety

The protection of health and on-the-job safety have top priority in the HIRSCH Servo Group. Specially trained internal and external safety experts are responsible for the definition and implementation of standards and protection of workplace safety. External specialists in industrial medicine provide regular consulting on medical issues, and are also available for vaccinations and routine checkups. Various health promotion

Group Management Report

projects are currently under evaluation for the 2007/08 financial year. All our plants meet legal requirements for emissions and emission limits as well as the latest standards for employee-related and office areas. A risk management system was developed and implemented at all locations and production facilities during the reporting year, which also documents the current status of each plant with respect to work safety. The annual risk analysis includes both technical and social factors but excludes financial risks, which are monitored directly by the controlling department.

	02/03	03/04	04/05	05/06	06/07
Total sick days	2,262	2,740	3,789	4,156	6,186
Per employee	5.9	6.7	9.1	8.7	10.2
Lost days through work accidents	202	125	605	446	578

Sick days, work accidents

The major part of the increase in sick days during 2006/07 was attributable to seven persons, who were more or less unable to work during the entire year. Two employees in our Hungarian company were injured during loading activities; three employees from our plant in Wroclaw had an automobile accident on their way home from work together; and two employees in Poland were also unable to work for several months.

Training

HIRSCH Servo places high value on well-trained, capable and motivated employees, who represent a key factor for the long-term success of the company. A total of T€ 46 was spent on training programs during the 2006/07 financial year (2005/06: T€ 52). This figure does not include

the cost of internal training, which represents the major part of these activities because of the characteristics of business operations. Training programs for the reporting year focused on leadership and project management skills as well as foreign languages. During the past year numerous employees took part in professional qualification courses and the number of training positions for apprentices was doubled.

	02/03	03/04	04/05	05/06	06/07
Training costs in T€	21	24	38	52	46
Seminar days	392	194	586	226	447

The work – life balance

A sustainable personnel policy also includes actions to improve the compatibility of family and professional life. Modern information and communications technologies create a good basis for the development of innovative forms of work. During the 2005/06 financial year HIRSCH Servo started the "Workplace" pilot project to create greater flexibility, above all for salaried employees. The positive conclusion of the test phase will now be followed by the extension of this project to the entire company. The HIRSCH Servo Group supports family-friendly personnel policies through appropriate initiatives in connection with its business operations.

Performance brings rewards

The qualified and motivated workforce of HIRSCH Servo make it possible for the Group to process EPS according to state-of-the art standards and deliver its high-quality products on time. All employees of the HIRSCH Servo Group are paid

above the minimum wage specified by collective bargaining agreements. Additional incentives are provided by health, growth and performance bonuses.

Regular information is provided to employees through e-mail and info-boards as well as quarterly events.

The annual appraisal in the Machinery and Plant Engineering Division provides employees and managers with an opportunity for regular and open communications. These discussions analyze the focal points of work, set goals for professional and personal development and also include an evaluation of the employee's performance by his/her supervisor.

Good relations with neighbors

HIRSCH Servo is one of the most important economic drivers for the region, with roughly 170 employees from the district of Feldkirchen. In addition to our headquarters in Austria, we also work to achieve recognition as a reliable and attractive employer at all our other locations.

Customer satisfaction

The HIRSCH Servo Group is a strategic partner for international companies that focus on Central, Eastern and Southeastern Europe as well as a provider of solutions for more than 1,400 customers in regional markets and other countries throughout the world.

Our responsibility for quality has been certified according to ISO 9001:2000 at all plants in our EPS Processing Segment, where we conduct regular standardized audits.

Sponsoring

HIRSCH Servo has systemized and concentrated its donation and sponsoring policies, and now focuses primarily on the area of youth sports. Support is provided for selected events and sporting associations (soccer, ice hockey, karate, track and field and skiing) as well as schools and the community of Glanegg. Expenditures in this area totaled roughly T€ 35 during the reporting year.

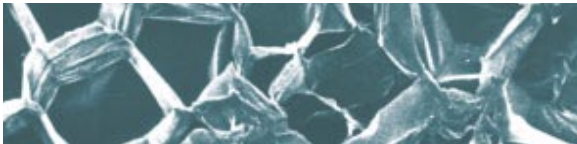


The champions on a winners' platform made of EPS

Supplier dialogue

HIRSCH Servo also places high value on responsible actions by its sub-contractors. Discussions have been held with most of the Group's suppliers, above all with respect to their ecological responsibility, and the reactions have been entirely positive.

Ecology



Insulating with air

Yes, it's true that the making of EPS starts with crude oil – but only a minimal amount of this raw material is needed for production. For example, the share of (non-renewable) primary energy in 1 m³ of EPS for facade insulation equals 435 kWh, while cork consumes 720 kWh to insulate the same facade (source: IBO). Why is this so? EPS is comprised of 98% air and 2% polystyrene, which creates the cellular structure. In other words, EPS is full of the most natural material in the world: air!



Open the windows

Experts agree: a professionally-built exterior wall that is free of cracks and gaps allows virtually no exchange of air between the inside and outside of the room. According to this standard, walls made of building materials like wood and brick are hardly any different than walls made of concrete and steel. The necessary exchange of air in rooms takes place through an open window or a ventilation system. Walls don't breathe. The steam diffusion resistance of EPS is similar to wood.



Take a deep breath

To make EPS, polystyrene beads that contain a foaming agent are warmed with steam until they expand to 50-times their original volume. The foaming agent used in this process is pentane, a hydrocarbon with a low boiling point that is frequently found in nature. Pentane is not a greenhouse gas and does not damage the ozone layer in the stratosphere. Chlorofluorocarbons (FCKW and HFCKW) are never used in the production of EPS. For this reason, EPS will never create problems with the air we breathe.



Don't worry

Decades of positive experience as well as extensive analyses prove that the use of EPS does not produce any hazardous health effects. Measurements under realistic conditions of use have shown no indications of styrene, even with high-performance measurement techniques and a detection limit of 0.01 mg per m³ of room air. In any case, styrene is also found in nature – for example, in plant resins and foods like strawberries, nuts, beans, beer, wine, coffee beans and cinnamon.



Full power

In spite of its light weight, EPS is a building material with excellent mechanical properties. It is not only ideal for structural applications in building construction, but also for roadway insulation on difficult sub-surfaces. Depending on the product, insulating boards made of EPS are able to resist stress of 1 to 3 t/m² (with 2% compression). This ranks them significantly ahead of comparable mineral fiber products. A major advantage of EPS facade insulating boards is their high lateral tensile strength in plugging.



Bon appétit

If EPS were only the slightest bit risky from a health standpoint, would the ministries of health or food quality control offices in Europe and the rest of the world allow the packaging and transportation of food in EPS? For example, ice cream and cakes are packaged in EPS, and fish and meat are wrapped on EPS trays.



CO is the important thing

Numerous studies on the hazards of gases produced by fires have shown that toxicity almost always begins with carbon monoxide (CO), and that the CO concentration in these gases from EPS is lower than in natural organic building materials such as wood, fiberboard or cork. The other components of gases produced from burning EPS are classified

as insignificant from a toxicological standpoint in the quantities measured. The important fact in this connection: EPS is well equipped for fire protection and does not burn easily.



Much too valuable

EPS is simply too good to throw away because it is 100% recyclable. Ground EPS can be used as an additive in lightweight concrete and insulating mortar and to create the holes in bricks during firing. It can also be used in thermal applications since polystyrene has the same heating value as heating oil (11 kWh/kg). This energy content is used directly in waste incineration plants for the initial firing process. In waste incineration, EPS waste serves as a substitute for the fossil fuels that would be required for initial firing.



Good for the soil

EPS has an extremely long life. It doesn't decay, go moldy or rot. Even if it should end up as waste or building rubble in a landfill, EPS has an extremely positive effect – it improves the aeration and thereby accelerates the decomposition of the other materials. EPS has no effect on ground water and has been an approved soil additive for decades: ground EPS waste is mixed with soil and helps plants to grow stronger, Drainage functions better and compost develops more quickly.

Group Management Report

Use of Resources

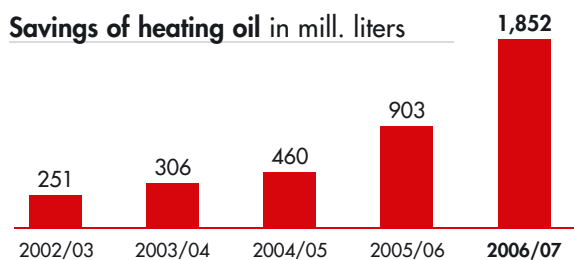
In order to support the sustainable creation of value, we place great importance on the quality and careful utilization of raw materials in the production process.

Our EPS Processing Segment uses EPS raw materials to produce packaging and insulation.

EPS raw materials

in tons	02/03	03/04	04/05	05/06	06/07
Austria	3,790	3,725	4,342	5,040	6,037
Eastern Europe	1,889	3,559	4,564	8,107	14,074
Total	5,679	7,284	8,906	13,147	20,111

The raw materials used by HIRSCH to produce EPS insulation make an important contribution to the conservation of resources. The following graph shows the quantity of heating oil that is saved by the use of EPS. (Basis: insulated single family house, period: 50 years, source: G.P.H. Polystyrene)



The EPS packaging made by HIRSCH protects all types of products on their way to consumers – these consumer goods have a total weight of roughly 103 million kilograms each year. The value of the goods protected by EPS totaled approximately 3.2 billion in 2006/07.

The most important materials used in the Machinery and Plant Engineering Division are steel, aluminum and specialty steel.

in tons	02/03	03/04	04/05	05/06	06/07
Steel	442	461	408	519	539
Aluminium	109	112	110	146	150
Specialty steel	36	39	27	37	47

Direct use of energy

in GWh	02/03	03/04	04/05	05/06	06/07
Electricity	8.3	10.0	11.0	13.7	18.9
Natural gas	38.5	38.4	48.8	55.2	75.6
Heating oil ¹⁾	0.0	10.7	0.0	0.0	0.0
Long distance heating	0.0	0.0	0.7	3.9	10.1

¹⁾ The plant in Wroclaw generated steam with heating oil at the time of acquisition; in 2004/05 this process was also converted to natural gas.

Steam is required for the processing of EPS. It is generated in special equipment from water and natural gas or long-distance heating.

A comparison of the use of primary energy in relation to the volume of raw materials processed shows a significant reduction in use per kg of EPS.

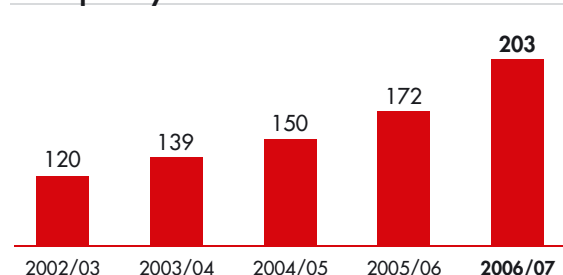
	02/03	03/04	04/05	05/06	06/07
kW/h electricity per kg EPS	1.47	1.37	1.23	1.04	0.94
kW/h energy for steam generation per kg EPS	6.78	6.74	5.55	4.50	4.26

Use of water

	02/03	03/04	04/05	05/06	06/07
in thous. m ³	137	154	167	184	213
Liters of water /kg EPS	24.0	21.1	18.7	13.8	10.5

The total amount of water used includes quantities required for production (steam) as well as drinking water.

Total quantity of water used in thous. m³



The major part of the exhaust steam that results from EPS processing is returned to the heating process as energy through heat exchangers. This covers nearly the entire heating requirements for both production and office facilities. Only the steam generated by the cooling cycle is released.

Comparison of pentane emissions

Pentane, the foaming agent used in EPS production, is a pure hydrocarbon. It is classified as a so-called volatile organic material and contributes to the creation of ground-level ozone under special weather conditions.

However, the “EU Risk Assessment of n-Pentane”¹⁾ indicates that pentane has no direct toxic impact on the environment.

¹⁾ Issued by SCTEE (Scientific Committee on Toxicity, Ecotoxicity and the Environment) in December 2002

The following summary demonstrates that EPS processing in Europe is responsible for only 0.2% of the total emissions of volatile organic materials. It also shows that the fueling of automobiles releases twice the amount of pentane emitted by the European EPS processing industry.

EU-25 emission of volatile organic materials, total²⁾: 10,700,000 t/year

EU-25 pentane emissions from fueling (auto):..... 80,000 t/year

EU-25 pentane from EPS³⁾: 27,000 t/year

Pentane from processing HIRSCH Servo Group 2004/05: 390 t/year

²⁾ Source: CAFE Working Group IIASA, Laxenburg, Nov. 10, 2004

³⁾ Source: SCTEE R043_0210_env_hh, Norway, Draft Oct. 2002

Recyclable materials

in tons	02/03	03/04	04/05	05/06	06/07
Pallets	119	153	187	275	421
Cartons	87	111	136	200	306
Foils	16	25	31	51	61
Aluminum scrap	5	6	6	8	10

All EPS waste is recycled. The resulting granulate is either returned to the production process or used as an additive in our Thermozell® products.

Transportation

	02/03	03/04	04/05	05/06	06/07
Trucks <small>in mill. km</small>	1.3	1.5	1.6	2.0	3.2
Rail <small>in mill. km</small>	0.06	0.04	0.03	0.03	0.03
Sea cargo <small>in tons</small>	433	414	409	461	345
Air cargo <small>in tons</small>	44	32	48	54	51

In contrast to the standard industry presentations, the above table also shows the kilometers recorded by trucks for the transportation of building materials.

EPS products are comprised of 98% air. The relationship of volume to transportation costs is so unfavorable that EPS cannot be economically transported beyond a radius of 300 km. For this reason, local production facilities are becoming more and more important. There is a growing trend toward the production of EPS packaging close to customer locations.

The information on air and sea cargo relates only to the Machinery and Plant Engineering Division.

Group Management Report

Risk Report

The Hirsch Servo Group continued to develop the risk management system that was installed during 2005/06. With the exception of the plants in Poland and Italy, standardized risk reports and documentation have been prepared for all other plants and presented to management. This system is designed to identify potential risks that may arise during the conduct of business activities at an early point in time, analyze these risks based on defined criteria, estimate the consequences, and recommend and carry out suitable preventive and protective measures. The management of the HIRSCH Servo Group analyzes the opportunities and risks associated with the development of business at regular intervals, and is also responsible for the early identification of risks and implementation of the necessary measures. Selected individual risks, such as foreign exchange risk, are monitored by staff departments at the Group level. Monthly reporting represents a further tool for the early identification of liquidity and interest rate risks. In addition, the Group has concluded comprehensive insurance policies to provide protection against fire, liability and business interruption.

Market risk

The Group's core business, EPS processing, is subject to seasonal fluctuations and earnings are in part dependent on the weather. The sale of insulating materials is influenced by construction activity which, in turn, varies with weather conditions. Packaging for refrigerators, for example, is sold primarily during the spring and summer. In order to minimize earnings fluctuations to the greatest degree possible, we pursue a strategy of product diversification. Specific market situations can also have a negative impact on price levels, which require the regular monitoring of price strategies.

Procurement risk

The HIRSCH Servo Group purchases significant quantities of raw materials to produce EPS components, and the supplies and prices of these raw materials are determined by international markets. In order to minimize risk, the Group monitors procurements markets continuously, compiles reserves for certain items and includes price adjustment clauses in customer contracts wherever possible.

Financial risk

Liability risks, above all in the machinery and plant construction area, are offset as far as possible by the careful design of contracts and exact performance of services in accordance with legal regulations and standards.

Credit risk

Credit risk, or the risk of delayed payment by the contract partner, is considered to be low because of the Group's customer structure and policies to manage risk. Where applicable, the Group obtains government export guarantees or bank guarantees to reduce the risk of uncollectible payments. The credit risk connected with liquid funds and investments in securities is limited by the fact that the Group only deals with financial partners who can demonstrate a good credit standing. The amounts shown for primary financial instruments on the balance sheet represent the maximum credit and collection risk. Valuation adjustments were recorded to reflect all existing risks, and management believes that no other credit risks will occur.

Interest rate risk

Management estimates the financial impact of interest rate fluctuations on financial assets and liabilities to be minimal. The Group concluded an interest rate cap to hedge credits totaling € 9.5 million, which was outstanding as of the closing date on June 30, 2007.

Foreign exchange risk

Foreign exchange risks are carried primarily by the customer. The foreign exchange risk associated with foreign subsidiaries was reduced during the reporting year by the conversion of financing to the local currency in Poland, Romania and Slovakia. In specific cases, forward exchange contracts and foreign currency options are concluded to hedge the risk associated with receivables denominated in currencies other than the Euro (primarily USD). As of June 30, 2007 the Group held outstanding foreign currency options with a nominal value of USD 2.2 million that had a term of up to one year. If these options expire or are exercised, the recorded amount will be recognized to profit and loss through interest expense.

Liquidity risk

Liquidity risk represents the risk of being able to raise the necessary funds to meet obligations as required at any time. HIRSCH Servo pursues a financing policy that is based on long-term planning, and is centrally managed and monitored. The Group ensures that sufficient liquid funds are always available and that necessary financing is guaranteed through lines of credit. The HIRSCH Servo growth strategy can lead to higher financing costs from time to time.

Legal risk

The seller of a Polish plant that was acquired by HIRSCH Servo one year ago filed a lawsuit in 2006/07, which has a value in dispute of € 1.4 million. The Group's attorney estimates the plaintiff's chances of success at less than 50%, and this court case was therefore recorded in the financial statements as a contingent liability. A project carried out by Thermozell Entwicklungs- und Vertriebs GmbH, in which the partial service by Thermozell was performed as defined in the contract, could result in a legal dispute with financial consequences, which cannot be quantified at this time. The Group has no other financial obligations (off balance sheet risks) above and beyond these contingent liabilities.

Additional information

on the HIRSCH Servo share

The share capital of HIRSCH Servo AG totals € 3,635,000, which is divided into 500,000 bearer shares that carry equal voting and subscription rights. The HIRSCH Servo share resumed trading in the Prime Market segment of the Vienna Stock Exchange on October 23, 2006 after three years in the standard market auction. The share is also traded over-the-counter on the Stuttgart Stock Exchange and Berlin-Bremen Stock Exchange. HIRSCH Servo AG has a stable shareholder structure: 62% of the shares are owned by Kurt Hirsch Holding GmbH, and 10% by the AvW Group. The remaining 28% represent free float that is held by institutional investors in Austria and other countries as well as private shareholders and management.

Group Management Report

Outlook on 2007/08

The last annual report included a forecast for 2006/07 that called for an increase in profit on ordinary activities to € 5.3 million and earnings per share of € 8.60. The Group was unable to meet these targets and realize the expected improvement because of unforeseen events, which included a delay in payments by customers on a number of major projects.

For the 2007/08 financial year, management expects profit on ordinary activities will reach € 6.5 million. This growth will come from increased revenues in the EPS Processing Segment as a result of the earlier plant expansions as well as the new developments presented in 2006/07. Positive effects will also be realized from the non-recurrence of a € 1 million write-off for a prototype, which was recognized during the reporting year. This outlook is based on the underlying assumption that there will be no material changes in the economic environment during the coming year.

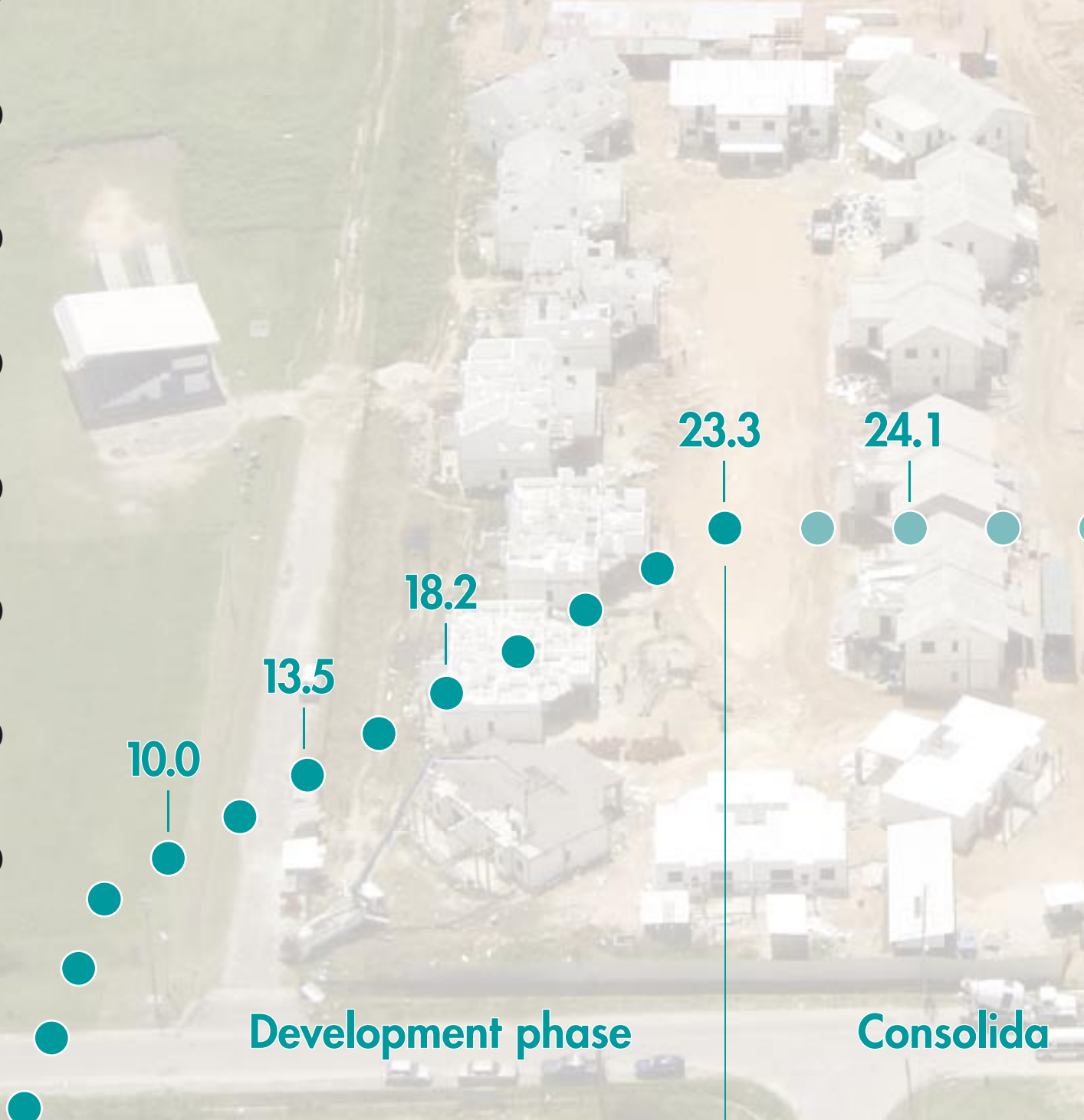
Subsequent events after the closing date on June 30, 2007:

As of August 1, 2007 Kuno E. Waidmann was appointed to the Managing Board as the fourth member, and Siegfried Wilding was appointed an officer of the company.

Space for Personal Notes

HIRSCH is growing faster than the market in Europe¹⁾

45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0



Development phase

Consolidation phase

since 1972 →

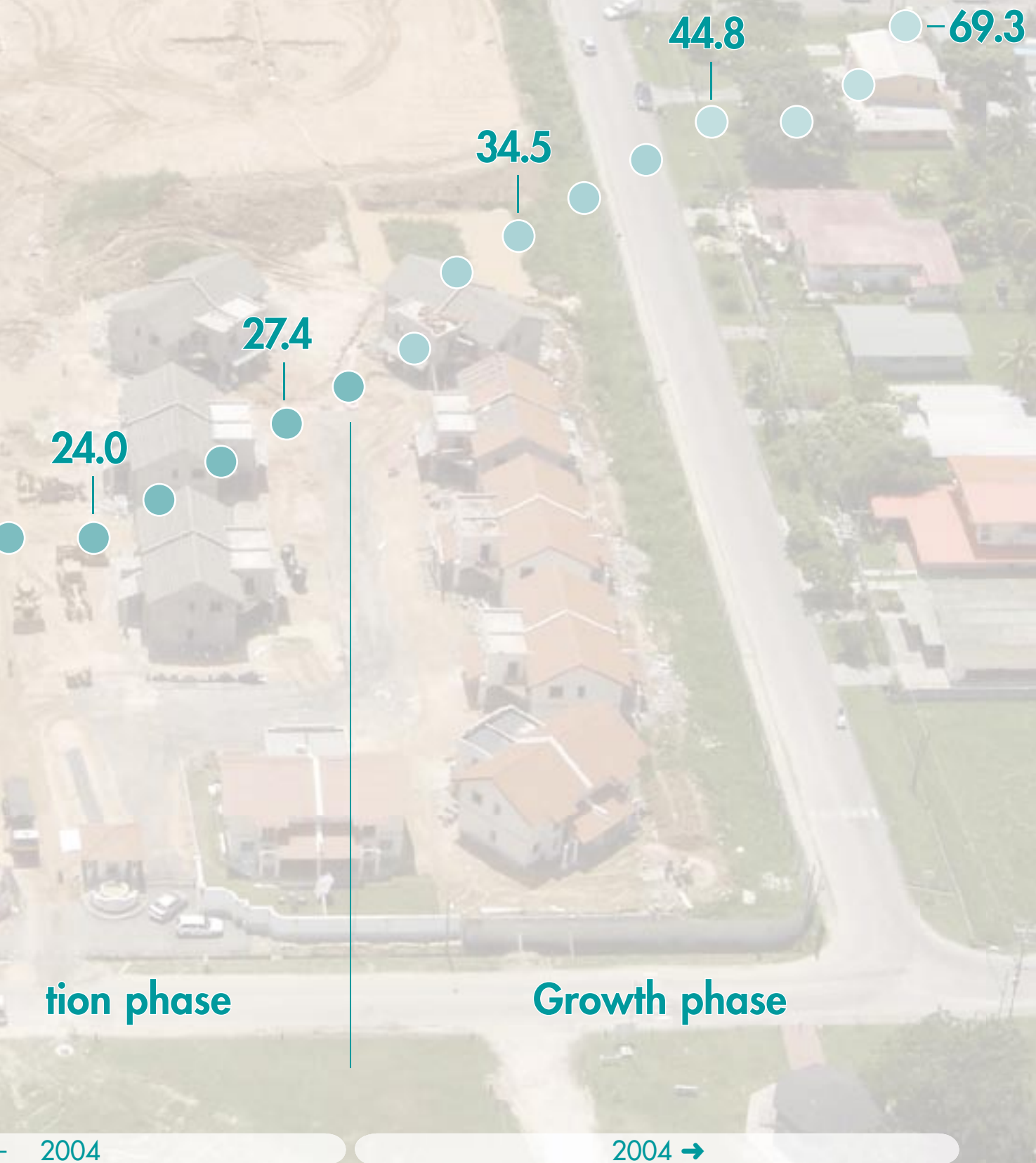
1996 – 2000

2000 –

¹⁾ EPS processing has increased by at least 10% per year in recent years and will continue to match this dynamic pace of growth in the future. EUROMAP* estimates for the European market call for a plus of roughly 4%.

Revenues in € million

EPS Processing



2004

2004 →

*Source: EUROMAP (European Committee of Machinery Manufacturers for Plastics and Rubber Industries)

EPS Processing



EPS Processing	2002/03 in € mill.	2003/04 in € mill.	2004/05 in € mill.	2005/06 in € mill.	2006/07 in € mill.
Revenues	24.0	27.4	34.5	44.8	69.3
Operating profit (EBIT)	1.9	2.5	3.4	4.6	2.1
Profit on ordinary activities	1.2	2.0	2.9	2.9	1.5
Net income	0.9	0.6	3.5	2.4	1.0
Balance sheet total	23.6	29.6	38.7	51.9	79.0
Net debt	4.9	7.9	15.7	24.4	46.4
Cash flow from operating activities		2.1	2.0	2.2	- 2.9
ROCE		6.9%	11.5%	9.4%	2.2%
ROS	4.6%	7.3%	8.4%	6.5%	2.2%
Investments	2.6	4.5	9.1	11.3	15.8
Amortization and depreciation (excl. goodwill)	2.0	2.2	2.0	2.8	4.2
Research and development expenses	0.5	0.3	0.5	0.2	0.1
Employees (average for the year)	181	220	239	356	472

The production of EPS components and insulating materials

EPS or expandable polystyrene, which is better known under the brand name Porozell®, is a plastic product that results from the processing of crude oil. It is produced by chemical companies and delivered to EPS processors. EPS has the consistency and appearance of sugar, and consists of approx. 94% carbon and water plus 4 to 6% pentane as a foaming agent. Pentane is a hydrocarbon that is found in nature and has no harmful effects on the environment. EPS is chemically neutral and non-water soluble, and does not give off any water-soluble materials that could lead to the contamination of ground water, soil or air. EPS products are free of harmful chlorofluorocarbons (FCKW) and plasticizers (phthalates).

The EPS raw material is warmed with steam in a pre-expander at a temperature of approx. 100° C until the beads reach the desired density. During this process each individual bead expands to roughly fifty-times its original volume.

The pre-expanded beads are suctioned into the aluminum forms, expanded with steam for a second time, fused into their final form and then cooled. The finished EPS components are comprised of up to 98% air and are therefore very light, so the machine operator can stack them easily.



1 kg EPS raw material makes
50 l of pre-expanded material

EPS Life Cycle




The recycling of used EPS packaging and production waste has been an integral part of operations at EPS processing plants for many years. Materials are returned to processors by traders or through collection points. In simple preparation processes these materials are either put back into the production cycle or processed into new products. One successful example is the line of HIRSCH


Thermozell lightweight concrete products, which are made of EPS recycling material and used to level floors during the renovation of older buildings or as insulating non-flammable sub-flooring.



The nine phases of the EPS life cycle are described in detail on the HIRSCH Servo homepage www.hirsch-gruppe.com under the menu point "responsibility".

EPS Processing

Insulating Products


1 **HIRSCH Porozell**  **Perimeter insulating boards** are used to protect walls and floors in rooms that are located directly on the ground.


2 **THERMOZELL**  **Thermal-insulating lightweight concrete** is a pre-mixed cement-bonded material that contains EPS granulate. When it is mixed with water, the result is a load-bearing lightweight concrete with excellent thermal insulating properties.


3 **POLYFORM**  **HIRSCH Porozell**  **EPS block products** made of expanded Polystyrene are well suited for the insulation of interior and exterior walls as well as roofs, ceilings and floors. They provide protection against heat, cold and impact sound.


4 **HIRSCH Porozell**  **Blocks for swimming pools and clamp-and-fold boards** made of EPS are also used in the modular construction of swimming pools according to the "Lego method".

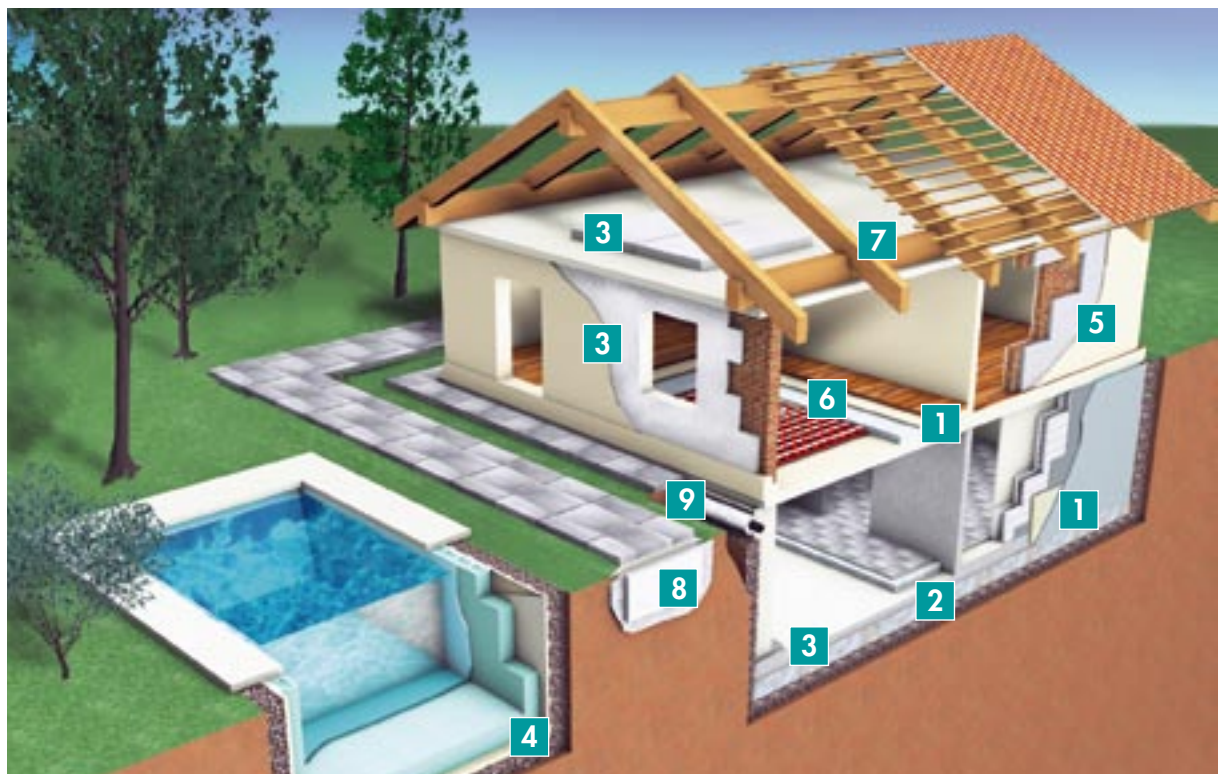
5 **HIRSCH Porozell**  **ICFs** (see page 39)

6 **HIRSCH Porozell**  **System boards for underfloor heating** represent the ideal insulation for every type of flooring – for intermediate storey ceilings that require impact sound protection as well as cellar ceilings and ceilings adjoining unheated rooms, the ground or outside air.

7 **HIRSCH Porozell**  **System boards for the cooling of ceilings.**

8 **HIRSCH Porozell**  **Geofoam** – blocks are used in earthwork and ground construction to reduce subsurface stress, and also act as a cushion against vibration and shock (e. g. road and autobahn construction).

9 **HIRSCH Porozell**  **EPS chips** to surround drainage pipes and prevent shifting.



Innovation in Insulating Materials

5 Insulating concrete forms – an active contribution to protecting the climate

ICF stands for insulating concrete form, and is a special formwork element made of expandable polystyrene (EPS) that is used in the construction of interior and exterior walls. The individual formwork elements are joined together by a plug-in system at the construction site and, after the reinforcing steel has been inserted, filled with concrete. The finished interior and exterior walls form a monolithic body with extremely high insulation and acoustic protection parameters. ICFs can be used in industrial as well as building construction. Large projects (starting at 2,000 apartment units) and projects where bricks are not available can be realized with mobile production equipment (see page 45), which keeps transportation costs low and helps to offset building material shortages.

The history of the ICF

Concrete has been successfully used in the construction branch for hundreds of years. ICF systems were originally developed in Europe during the late 1960s, but have only become popular in the USA over the past ten years following successful applications in the construction of single and multiple family houses as well as non-residential buildings like schools, offices, hotels and hospitals. According to the ICFA (Insulated Concrete Form Association)

and PCA (Portland Cement Association), the market share of ICF systems in the construction of single and multiple family houses equaled 8%, or approx. 129,000 buildings, in 2005. Today various types of ICF systems are successfully used in more than 20 countries throughout the world. There are roughly 80 ICF system suppliers in the USA and nearly 20 in Europe.

The advantages of ICFs

- 1. Reduction of up to 75% in energy requirements** through integrated insulation (EPS) and system-related prevention of cold bridges.
- 2. Decrease of up to 15% in the cost of construction** compared with traditional building methods.
- Significant **reduction in construction time**, primarily due to the speed and simplicity of ICF systems.
- 4. Good acoustic insulation.**
- The production of monolithic structures provides greater protection **against the effects of natural disasters** such as earthquakes, hurricanes and tornados – and in many countries, this can lead to savings of up to 25% in insurance premiums.



EPS Processing

6. ICF systems make it possible to construct ceilings and roofs with a procedure that reduces concrete requirements by up to 40%. This reduces the weight of the entire structure and thereby also has a favorable impact on the cost of the structural work for the foundation.

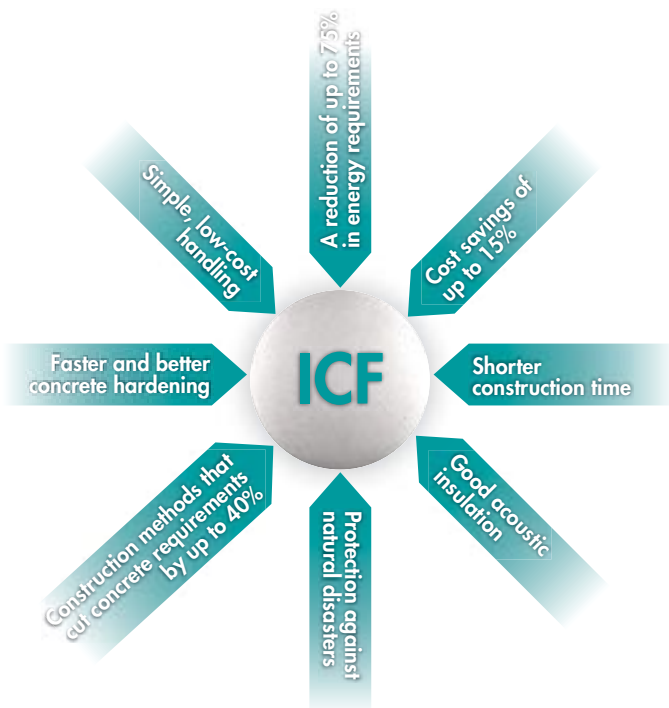
7. Under the ICF system, concrete hardens significantly better and faster.

8. High customer satisfaction, a feeling of safety and security, easy and low-cost handling make the ICF system the construction method of the future. ICF formwork elements also give builders the option to lay electrical lines and water lines in insulated areas.

Packaging Products

More and more fragile goods are transported over longer and longer distances, then reloaded and placed in temporary storage. For this reason, packaging has not only become an integral part of marketing strategies, but also an integral part of the transportation process. The economic and ecological loss from transportation damage is enormous. Roughly 70% of this damage could be prevented through improved, specially designed transport and sales packaging. The many benefits of EPS for producers, retailers and consumers are created with relatively low quantities of raw materials and energy. In summary, packaging made of EPS is not only economical, but also environmentally compatible.

The benefits at a glance!



EPS benefits, EPS protection



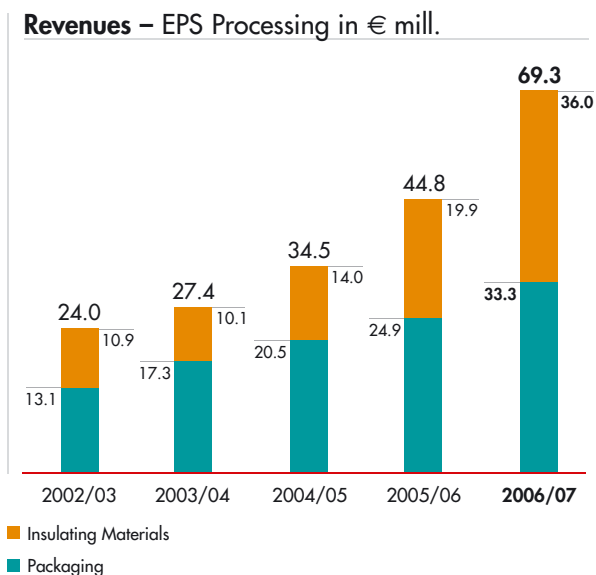
Children's car seats made of EPS, transport protection for TVs and electronic components, anti-static carriers made of EPP and EPE and product carriers for computer-controlled production lines.

Revenues and Earnings

Revenues in the EPS Processing Segment rose by 55% to € 69.3 million in 2006/07 (2005/06: € 44.8 mill.). The increase in revenues over the last three years totaled 153%.

The Packaging Division recorded an increase of 34% in revenues to € 33.3 million (2005/06: € 24.9 million). The growth in revenues reached approx. 20% in Austria, approx. 30% in Hungary and approx. 40% in Poland.

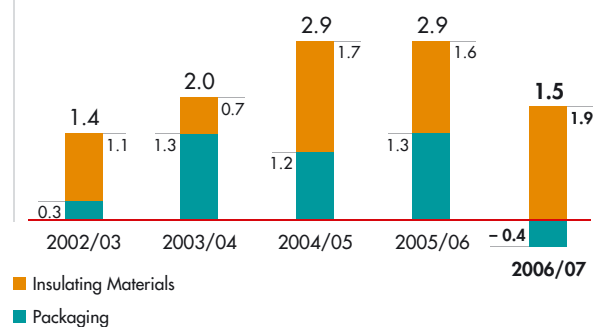
Revenues in the Insulating Division increased 81% to € 36.0 million (2005/06: € 19.9 million), whereby roughly 50% of this growth was related to the acquisition of Polyform s.r.o..



Profit on ordinary activities in the EPS Processing Segment declined by nearly one-half to € 1.5 million (2005/06: € 2.9 million) and segment EBIT fell to € 2.1 million (2005/06: € 4.6 mill.). The Packaging Division recorded a decline in profit on ordinary activities to € - 0.4 million (2005/06: € 1.3 million) despite a foreign exchange gain of

€ 0.4 million. This reduction in profit on ordinary activities resulted above all from a sharp rise in raw material prices during the first half-year and a decrease in the profitability of the Polish plants. The Insulating Division reported an improvement in profit on ordinary activities to € 1.9 million (2005/06: € 1.6 mill.), which was supported by the increase in revenues and the contribution to earnings by the newly acquired Polyform s.r.o..

Profit on ordinary activities – EPS Processing in € mill.

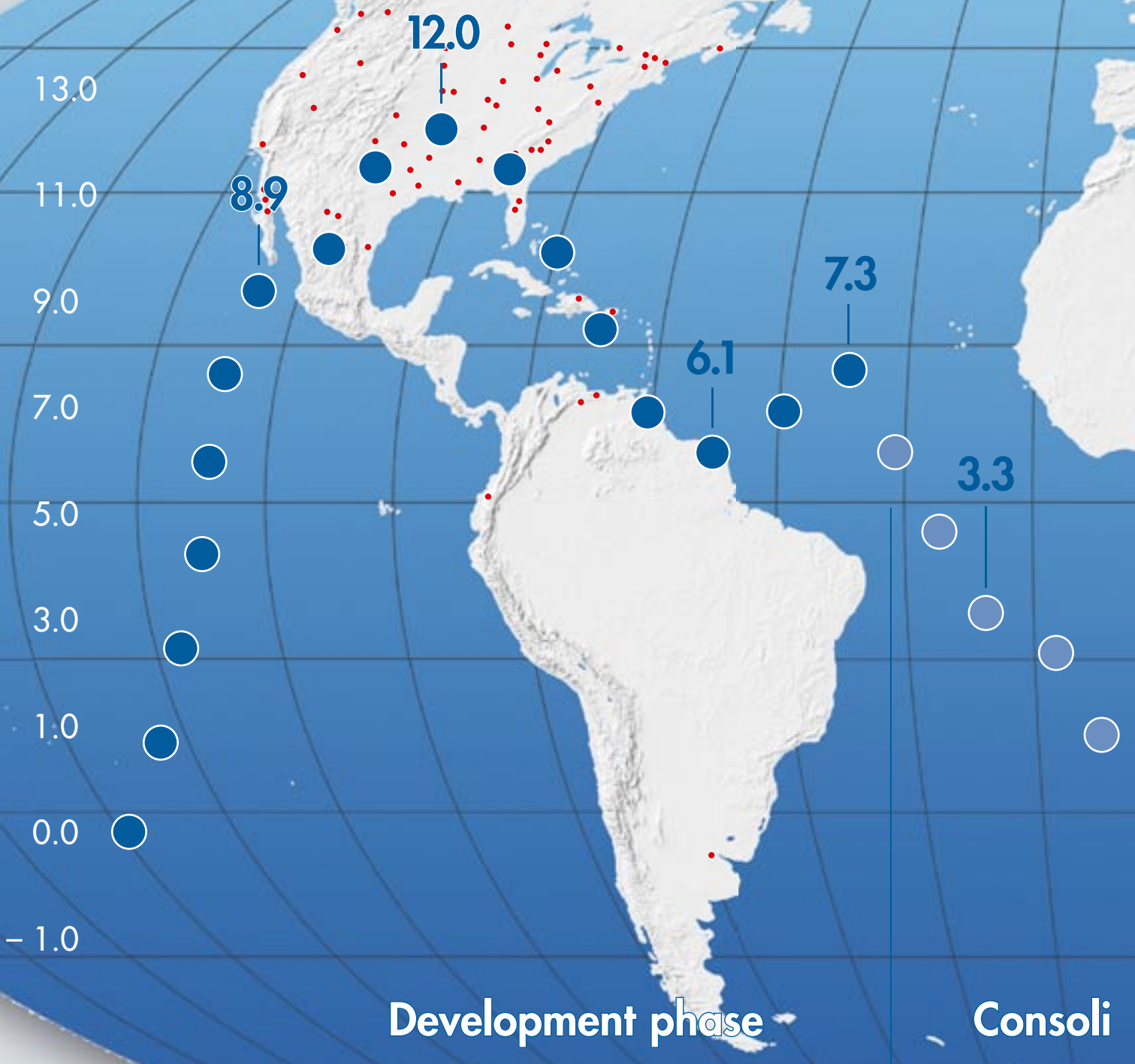


Outlook

The EPS Processing Segment was able to exceed the 15% increase in revenues that was announced in the last annual report. However, the expected improvement in earnings was not realized for the above-mentioned reasons.

The current level of orders and long-standing relationships with the Group's customers combined with the rising demand for insulating materials and investments completed in prior periods make us optimistic that we will be able to achieve two-digit growth in revenues during the coming year. Our target for earnings calls for profit on ordinary activities calls of over € 2.5 million.

Return on sales remains stable despite strong growth in revenues



Development phase

Consoli

since 1985 →

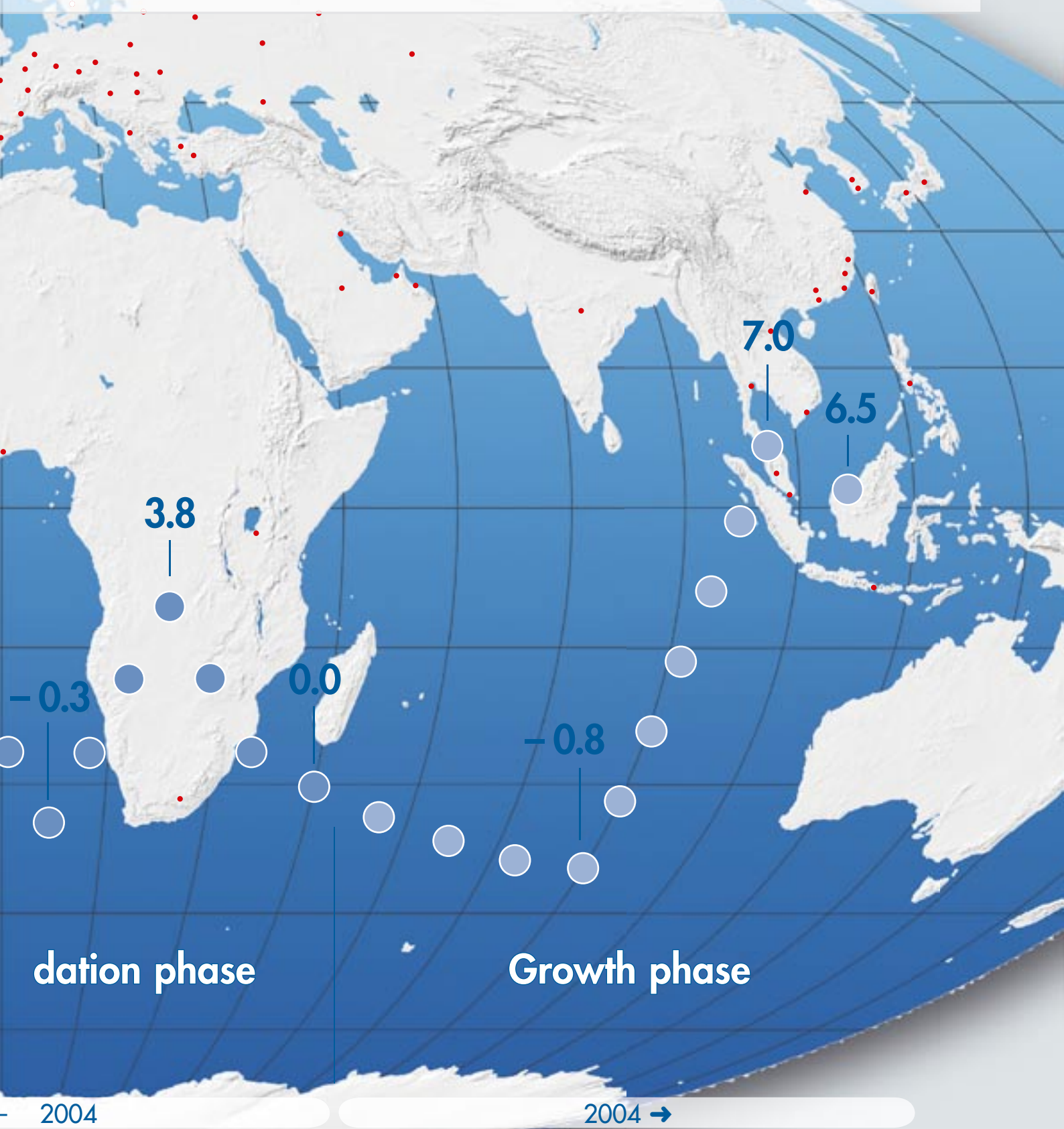
1996 – 2000

2000

Note: The red points show the locations of HIRSCH Machinery and Plant Engineering customers.

Return on sales in %

Machinery and Plant Engineering



Machinery and Plant Engineering

Machinery and Plant Engineering	2002/03 in € mill.	2003/04 in € mill.	2004/05 in € mill.	2005/06 in € mill.	2006/07 in € mill.
Revenues	26.4	24.2	19.5	23.8	35.2
Operating profit (EBIT)	1.1	0.2	0.1	1.9	2.6
Profit on ordinary activities	0.9	0.0	-0.2	1.7	2.3
Net income	0.5	-0.1	-0.2	1.2	1.7
Balance sheet total	18.4	20.3	15.9	19.6	23.6
Net debt	5.2	6.4	4.3	4.3	6.1
Cash flow from operating activities		-0.6	2.7	3.0	0.1
ROCE		0.4%	0.3%	12.6%	19.7%
ROS	3.8%	0.0%	-0.8%	7.0%	6.5%
Investments	0.5	0.6	0.5	1.1	2.5
Amortization and depreciation (excl. goodwill)	0.9	0.7	0.7	0.7	0.9
Research and development expenses	1.1	1.1	1.0	0.8	1.0
Employees (average for the year)	140	133	129	122	132

The efficiency of HIRSCH machines – a key competitive advantage

HIRSCH Machinery and Plant Engineering in Austria is one of roughly 30 suppliers of automatic shape molding equipment, molding tools and pre-expanders in the world, and ranks in the middle of this listing based on the number of machines produced. HIRSCH Machinery and Plant Engineering in Italy is one of 20 international producers of block molds and insulating material presses as well as cutting, packaging and recycling equipment, and ranks fifth according to deliveries. Both companies have established a reputation for high quality products and have held leading positions in the premium EPS machinery segment for many years. This standing underscores the reliability and long service life of HIRSCH machines as well as the comprehensive range of services, high standard of innovation and extensive problem-solving expertise. Following a change in the division's strategy during the 2004/05

financial year, work is now concentrating on a niche policy that is directed to technically innovative and demanding areas, instead of standard products whose prices cannot compete with suppliers from the Far East.

In order to further expand its international technology leadership and combine the research and development activities of the EPS Processing Segment and the Machinery and Plant Engineering Division, HIRSCH Servo opened a new € 1 million innovation center at Glanegg during the 2005/06 financial year. Research projects focus on the development of new energy-saving and ecologically promising technologies and machinery, which are becoming more and more important due to the steadily rising cost of energy.

Products and new developments



After months of development work, the first HIRSCH satellite plants – which are mobile facilities for the production of insulating concrete forms (“ICF”) – were sold. ICF is an innovative construction system that takes the production of formwork elements made of expandable polystyrene and metal or plastic reinforcements directly to the construction site, where they are subsequently filled with concrete.



Interior view of 2 HS 1400 shape molding machines

Every mobile plant has an annual capacity of roughly 2 million ICF elements in three-shift production, which represents 1,000 to 2,000 single family houses (depending on the size). The advantages of this construction system lie in the low energy consumption that results from integrated insulation (EPS) as well as protection against and resistance to natural disasters (tornados, hurricanes, floods, etc.) and lower costs due to shorter building time.

The HIRSCH satellite plant package includes the assembly of the mobile hall, the installation of all machinery and lines as well as user training and six months of online support.



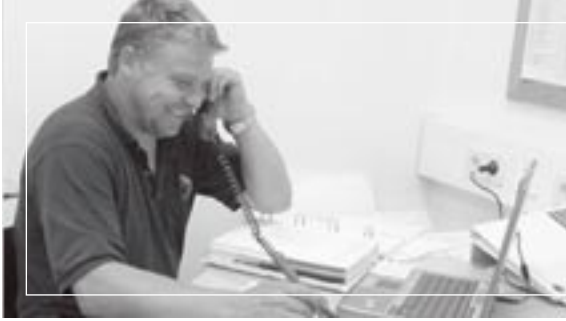
Exterior view of a mobile EPS plant



ICF production

Test operations for the mobile EPS processing plant by HIRSCH Maschinenbau in Glanegg/Austria now guarantee efficient assembly and the start of production within a minimum period of time because the equipment components have been optimally coordinated in advance and no on-site corrections to the overall system are required. Turnkey delivery and transfer to any desired location can be realized within four weeks (excluding transportation time).

Machinery and Plant Engineering



Worldwide innovation

Rising raw material costs and demands for higher quality are forcing EPS processors to improve the energy and resource efficiency of EPS processing. Based on its technological leadership, the HIRSCH Machinery and Plant Engineering Division was able to set the benchmark for the branch in 1985 with a batch block vacuum expander.

In 2006/07 the HIRSCH innovation center developed the first batch – and therefore particularly efficient – “loose-fill” expander for the production of EPS chips. This material is made of recycled polystyrene and is used, among others by the construction branch, where constant high product quality is required. For example, EPS chips are used instead of gravel to surround drainage pipes and thereby prevent shifting.



HIRSCH loose-fill expanding machine

In comparison with the continuous production technology that previously dominated the global market, the HIRSCH solution has a special advantage: the HIRSCH “loose-fill” expander processes the raw material with a high degree of efficiency in fully automated operations.



Drainage pipe with a covering made of EPS chips

Mold construction

As a constructor of innovative machinery and tool construction technology for the production of EPS shape molded components and insulating materials, HIRSCH Maschinenbau GmbH is unique: it is the only supplier with its own EPS processing, and these activities provide the company with a special know-how advantage. This experience and competence guarantee the coordinated operation of shape molding equipment and tools in production processes. Shape molding tools play an important role in ensuring product quality and also have a major influence on production costs.



HIRSCH Mold construction

Priority for maximum customer satisfaction

The goal of HIRSCH customer service is to ensure maximum customer satisfaction and the efficient performance of all machinery and equipment. The members of the HIRSCH service teams have compiled many years of experience in EPS pre-expanding and shape molding production. They also take part in regular training programs to update this expertise, and can therefore provide customers with the best possible support. Only the best trained technicians can guarantee the best level of service and optimal production.



The HIRSCH customer service team in Austria, the USA

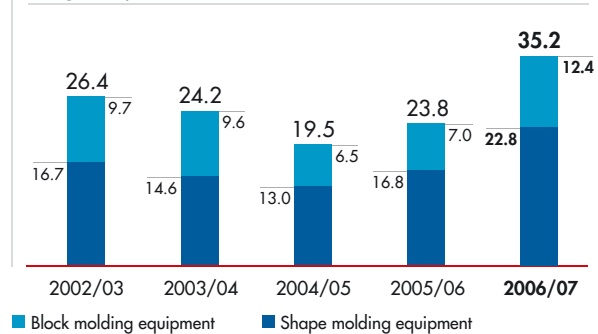


and in Italy is available around the clock.

Revenues and Earnings

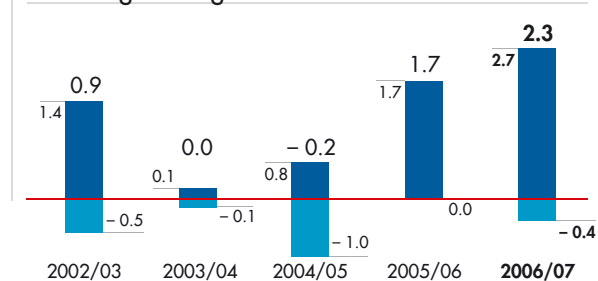
Revenues in the Machinery and Plant Engineering Division rose by 48% to € 35.2 million in 2006/07 (2005/06: € 23.8 mill.), which represents a new historical record. This performance was supported by strong growth in both areas of business. Major projects also had a positive effect on revenues, since they are recognized in proportion to the percentage of work completed.

Revenues – Machinery and Plant Engineering in € mill.



Profit on ordinary activities in the Machinery and Plant Engineering Division increased by 35% to € 2.3 million (2005/06: € 1.7 mill.), whereby this amount includes roughly € 1 million for the non-recurring write-off of a prototype that was produced but not developed internally.

Profit on ordinary activities – Machinery and Plant Engineering in € mill.



Outlook 2007/08

The Machinery and Plant Engineering Division significantly exceeded the forecasts for 2006/07 that were presented in the last annual report. Management does not expect to exceed the historic level of revenues recorded in the past year during 2007/08, but an improvement in the return on sales and elimination of the non-recurring write-off of roughly € 1 million should lead to an increase in profit on ordinary activities. The change in the organization of business activities in the HIRSCH Servo Group to cover four fields will lead to reporting on the Machinery and Plant Engineering Division as a product area in 2007/08.

137% plus for Hirsch Servo AG. Hirsch Servo stood out from the crowd in a good year on the stock market: investors were able to realize an increase of nearly 137% in the share price to € 120 (company founder Kurt Hirsch). ...

... The value of the share has risen by three-fourths since the start of the year. Shareholders who purchased stock at the beginning of the previous year have been able to realize a four-fold increase in their investment. The price-earnings ratio is now over 20, compared with an average of 15 for the packaging branch. Any predications that the share price will stagnate are challenged by the results generated at this Carinthian company. Even though the past year set new records, Hirsch Servo expects another 25% increase in earnings for this 2006/07. ...

... The innovation center of the Hirsch Servo Group in Glanegg has developed an efficient pre-expanding line that will produce EPS chips for a US corporation.

... The shareholders of Hirsch Servo are the only investors who can really pop the corks this year. The share closed the year with sensational performance of – would you believe it – 143.6%. ...

Glanegg. Hirsch started operations for the production of Porozell packaging in Lodz during the spring of 2005. In Poland the production of household electronics, LCD screens and PCs is currently running at full speed. This growth and the resulting increase in the demand for Porozell packaging have made it necessary to double production and warehouse capacity. ...

Börsenstar des Jahres

Krone Zeitung, 30. 12. 2006

Hirsch Servo: Styropor bringt Erfolge pur

Die Presse, 19. 05. 2007

Neue Innovation

Kärntner Woche, 6. 6. 2006

Bei Hirsch Servo ging die Wette auf

Wirtschaftsblatt, 29. 12. 2006

Hirsch Servo baut in Polen aus

Kleine Zeitung, 08. 09. 2006

Hirsch Servo erhöht den Streubesitz

Wirtschaftsblatt, 28. 02. 2007

„Prime Time“ für Hirsch

Kleine Zeitung, 24. 10. 2006

Hirsch Servo baut Standort Glanegg aus

Neue Kärntner Tageszeitung, 28. 09. 2006

Hirsch Servo stellt sich auf steigende Gewinne ein

Wirtschaftsblatt, 06. 02. 2007

Glanegg, Vienna. Vienna Stock Exchange. With 5,798 shares traded and a trading volume of € 602,992, this day ended on a positive note with the settlement of roughly 50 trades and a closing price of € 108 (plus 4.05%). ...

Glanegg. This publicly traded Carinthian machinery and packaging producer will create 20 new jobs with the enlargement of its headquarters in Glanegg. This expansion reflects the good utilization of capacity and positive market development. The new production capacity is scheduled for completion in December this year at a cost of EUR 4 million. ...

Klagenfurt. The Carinthian machinery and packaging producer Hirsch Servo has nearly completed the sale of its treasury stock: 14,000 shares were sold over-the-counter for € 150 each in Austria and other countries. The share of institutional investors now equals roughly five percent. Hirsch Servo has 1,000 shares of treasury stock remaining. ...

The share of the Carinthian Hirsch Servo Group has been a high flyer for months, and reached a new all-time high yesterday following the announcement of optimistic earnings forecasts for the coming years. Management indicated that earnings per share are expected to increase not only from € 7.44 to the initially projected € 8.60, but by 25% to € 9.30 per share. Forecasts for the next two years call for earnings to reach € 10.70 and € 12.30 per share. ...

Financial Statements for 2006/07 HIRSCH Servo Group

Hirsch Servo. During the first six months (the financial year begins on June 30) this packaging producer recorded a 39% increase in revenues to € 44.3 million. Profit on ordinary activities declined by 11% to € 2.05 million, in part because of higher raw material prices. The share is trading at an all-time high of € 148.38, and the forecasts look good. ...

Our recent skepticism concerning Hirsch Servo was actually based on forecasts made by management. Not that we didn't believe them, but because we considered them to be much too cautious. And we were right. After the announcement of results for the third quarter (the financial year of this Carinthian company ends on June 30), CEO Kurt Hirsch was already talking about earnings per share of € 6.80. However, the latest reports showed an excellent € 7.44. ...

Klagenfurt. The publicly traded packaging producer Hirsch Servo has received another major contract in connection with its eastward expansion. The Swedish household electronics manufacturer Electrolux has selected the Polish subsidiary Hirsch Porozell to supply EPS packaging for kitchen stoves. ...

Hirsch Servo shareholders can not only enjoy a doubling of the stock price within a single year, but also a healthy dividend: the company has announced a nearly threefold increase in the planned payout from € 1.10 to € 3.20 per share. ...

Hirsch Servo auf Allzeithoch

Kleine Zeitung, 06. 02. 2007

Großauftrag für Hirsch in Polen

Neue Kärntner Tageszeitung, 11. 3. 2006

Hirsch Servo jubelt über Energiepreis

Wirtschaftsblatt, 16. 09. 2006

Hirsch liefert erste mobile Porozell Anlage

Kleine Zeitung, 24. 02. 2007

Hirsch Servo: Im Prime Market winkt der Hunderter

Wirtschaftsblatt, 13. 10. 2006

Zum Geburtstag nahe dem Rekord

Kleine Zeitung, 30. 6. 2007

Aktie im Blickpunkt – Gelebte Nachhaltigkeit

Börsenkurier, 14. 12. 2006

Hirsch Servo AG legt in Rumänien los

Börse Express, 11. 08. 2006

Glanegg. The share has not shown much movement over the years, and has been available in normal floor trading since October 23, 2006. Management in Glanegg explained the recent increase in the share price as the result of increased marketing to institutional investors and a subsequent rise in demand.

According to the general public, plastic is not very "ecological". But Hirsch Servo has shown that its products can meet the latest demands for sustainability. The fact that the claims by this Carinthian Styrofoam producer are not just empty words is proven by the inclusion of the company's share in the VÖNIX Sustainability Index. And this commitment to responsibility is also demonstrated in a 33-page sustainability report. ...

Hirsch Servo AG takes off in Romania. Today, Friday, marks the start of production for EPS insulating boards at the newly built plant in Cluj/Romania. The production and warehouse cover 14,800 m² (incl. an external warehouse) and are designed to support an annual capacity of up to 360,000 m². With this new plant, Hirsch Servo is continuing the expansion of its the EPS Processing Segment in Central and Eastern Europe. In addition to the headquarters facility in Austria, the company also operates three plants in Hungary and two plants each in Poland and Slovakia. ...

Glanegg. The transportation of Porozell is only economical over short distances. After the beads have been expanded and shaped, they consist of almost 90% pure air. Under these circumstances, what can be better than bringing the beads and the equipment to the customer? The Hirsch Servo engineers also had the same idea, and developed a mobile line for the production of Porozell. ...

Balance Sheet

	Note	30. 6. 2007 T€	30. 6. 2006 T€
Assets			
A. Non-current assets			
I. Intangible assets	5.1.	3,268	3,181
II. Property, plant and equipment	5.1.	50,866	35,931
III. Investment property	5.1.	1,520	1,554
IV. Financial assets	5.2.	393	409
V. Deferred tax assets	5.3.	2,111	1,792
VI. Receivables and other assets	5.5.	451	137
		58,608	43,005
B. Current assets			
I. Inventories	5.4.	20,605	9,582
II. Receivables and other assets	5.5.	25,405	18,909
III. Cash and cash equivalents	5.6.	692	836
		46,701	29,327
Total Assets		105,310	72,332
Equity and Liabilities			
A. Equity			
I. Capital stock	5.8.	3,635	3,635
II. Additional paid-in capital	5.8.	7,642	6,766
III. Treasury stock	5.8.	- 66	- 900
IV. Other reserves		- 7	0
V. Translation reserve		978	- 77
VI. Retained earnings		15,334	14,054
VII. Minority interest		0	0
		27,516	23,478
B. Non-current liabilities			
I. Long-term borrowings	5.9.	30,179	22,843
II. Deferred taxes	5.3.	911	742
III. Provisions for severance compensation and service anniversary bonuses	5.10.	2,636	2,526
IV. Public subsidies	5.11.	1,177	1,329
		34,902	27,440
C. Current liabilities			
I. Short-term borrowings	5.9.	23,856	8,062
II. Provisions for taxes		1,933	713
III. Other provisions	5.12.	2,389	1,295
IV. Trade payables and other liabilities	5.13.	14,475	11,115
V. Public subsidies	5.11.	239	229
		42,892	21,414
Total Equity and Liabilities		105,310	72,332

Statement of Capital and Reserves

Overview of the HIRSCH Servo Group / EPS – A Material with Fantasy
Review of the Managing Board
Report of the Supervisory Board / Executive Bodies and Structure
35 Years HIRSCH / Plant Locations
Energy and CO₂ Reduction
The HIRSCH Servo Share / Corporate Governance
Group Management Report
EPS Processing
Machinery and Plant Engineering
Financial Statements
Service

	Capital stock	Additional paid-in capital	Treasury stock	Other reserves	Translation reserve	Retained earnings	Subtotal	Minority interest	Total
	T€	T€	T€	T€	T€	T€	T€	T€	T€
Balance on 1. 7. 2005	3,635	6,766	- 900	0	108	10,982	20,591	- 2	20,589
Other changes	0	0	0	0	- 185	0	- 185	0	- 185
Currency translation adjustment	0	0	0	0	- 185	0	- 185	0	- 185
Profit after tax	0	0	0	0	0	3,605	3,605	2	3,607
Total results for the period	0	0	0	0	- 185	3,605	3,420	2	3,422
Dividend	0	0	0	0	0	- 534	- 534	0	- 534
Balance on 30. 6. 2006	3,635	6,766	- 900	0	- 77	14,054	23,478	0	23,478
Balance on 1. 7. 2006	3,635	6,766	- 900	0	- 77	14,054	23,478	0	23,478
Currency translation adjustment	0	0	0	0	1,055	0	1,055	0	1,055
Gains on available-for-sale financial instruments	0	0	0	- 9	0	0	- 9	0	- 9
Tax effect of results recognized directly in equity	0	0	0	2	0	0	2	0	2
Currency translation adjustment	0	0	0	- 7	1,055	0	1,048	0	1,048
Profit after tax	0	0	0	0	0	2,833	2,833	0	2,833
Total results for the period	0	0	0	- 7	1,055	2,833	3,881	0	3,881
Results recognized directly in equity	0	876	834	0	0	0	1,710	0	1,710
Dividend	0	0	0	0	0	- 1,552	- 1,552	0	- 1,552
Balance on 30. 6. 2007	3,635	7,642	- 66	- 7	978	15,334	27,516	0	27,516

Income Statement

	Note	2006/07 T€	2005/06 T€
1. Revenues	6.1.	104,652	68,724
2. Increase or decrease in inventories		2,407	286
3. Own work capitalized		3,895	3,312
4. Other operating income	6.2.	1,282	996
5. Cost of materials and services	6.3.	- 63,352	- 36,802
6. Personnel expenses	6.4.	- 18,283	- 14,839
7. Amortization and depreciation	6.5.	- 5,054	- 3,538
8. Other operating expenses	6.6.	- 20,802	- 11,575
9. Operating profit		4,745	6,566
10. Financial results classified into		- 2,370	- 1,397
Interest income / expense		138	42
Income / expenses arising from securities		15	15
Currency translation gains / losses	6.7.	1,318	- 649
12. Profit before tax		3,845	4,577
13. Income taxes	6.8.	- 1,012	- 970
14. Profit after tax		2,833	3,607
Thereof attributable to:			
Shareholders of parent company		2,833	3,605
Minority interests		0	2
Earnings per share (basic and diluted) in €	6.9.	5.78	7.44
Average number of shares outstanding		490,266	485,000

Cash Flow Statement

	2006/07	2005/06		
	T€	Before initial consolidation	Initial consolidation	After initial consolidation
Profit before tax	3,845	4,577	0	4,577
Adjustments for:				
– Income taxes paid	– 865	– 317	– 311	– 628
+ Interest paid	2,279	1,326	0	1,326
– Interest received	– 138	– 42	0	– 42
+ Depreciation of tangible assets and investment property, and amortization of intangible assets	5,283	3,754	0	3,754
+ Increase (– decrease) in non-current provisions	110	372	– 1	371
– Gain (+ loss) on the disposal of non-current assets	– 110	96	0	96
+ Increase (– decrease) in public subsidies	– 142	120	– 31	89
Subtotal	10,262	9,886	– 343	9,543
– Increase (+ decrease) in non-current receivables	– 314	146	0	146
– Increase (+ decrease) in inventories	– 11,023	– 1,146	719	– 427
– Increase (+ decrease) in receivables and other assets	– 5,969	– 5,672	763	– 4,909
+ Increase (– decrease) in trade payables and other liabilities	3,360	2,386	– 854	1,532
+ Increase (– decrease) in current provisions	1,094	405	– 34	371
–/+ Currency translation adjustments	– 112	196	0	196
Cash flow from operating activities	– 2,701	6,201	251	6,452
+ Increase (– decrease) in non-current and current financial liabilities	23,131	8,841	– 859	7,982
– Distributions to shareholders	– 1,552	– 534	0	– 534
+ Proceeds from the sale of treasury stock	2,106	0	0	0
– Interest paid	– 2,279	– 1,326	0	– 1,326
– Currency translation adjustments	– 1,020			
Cash flow from financing activities	20,386	6,981	– 859	6,122
– Investments in non-current assets	– 18,284	– 13,572	607	– 12,965
– Cash outflows for the acquisition of subsidiaries	0	0	0	0
+ Cash inflow from the disposal of non-current assets	290	393	0	393
+ Interest received	138	42	0	42
– Investments in financial assets and investment property	0	– 4	0	– 4
Cash flow from financing activities	– 17,856	– 13,141	607	– 12,534
Change in cash and cash equivalents				
+ Cash and cash equivalents at the beginning of the year	836			796
– Currency translation adjustment	27			
–/+ Change in cash and cash equivalents	– 171			40
Cash and cash equivalents at the end of the year	692			836

Changes in Fixed and Financial Assets

2006/07 Financial Year	Acquisition and Production Cost					
	Balance on 1. 7. 2006 T€	Foreign exchange T€	Change in consolidation T€	Additions T€	Disposals T€	Transfers T€
I. Intangible assets						
1. Concessions, industrial property rights as well as related licenses	4,610	33	0	227	0	0
2. Development costs	435	0	0	404	0	0
3. Goodwill	1,202	0	0	0	0	0
4. Prepayments	0	0	0	0	0	0
	6,247	33	0	631	0	0
II. Property, plant and equipment						
1. Land, rights to land and buildings, including buildings on land owned by third parties						
a) Value of land	2,168	81	0	217	0	185
b) Value of buildings	23,266	981	0	2,841	0	5,573
2. Technical equipment and machinery	23,394	1,104	0	6,746	257	524
3. Other equipment, furniture, fixtures and office equipment	5,967	172	0	2,250	393	25
4. Prepayments and construction in progress	3,844	166	0	5,601	0	- 6,307
	58,638	2,505	0	17,654	650	0
III. Investment property						
1. Land, rights to land and buildings, including buildings on land owned by third parties						
a) Value of land	642	0	0	0	0	0
b) Value of buildings	1,639	0	0	0	0	0
	2,281	0	0	0	0	0

2005/06 Financial Year	Acquisition and Production Cost					
	Balance on 1. 7. 2005 T€	Foreign exchange T€	Reclassifi- cation T€	Additions T€	Disposals T€	Transfers T€
I. Intangible assets						
1. Concessions, industrial property rights as well as related licenses	3,110	- 3	1,377	137	32	21
2. Development costs	435	0	0	0	0	0
3. Goodwill	0	0	1,202	0	0	0
4. Prepayments	0	0	1	3	4	0
	3,545	- 3	2,580	140	36	21
II. Property, plant and equipment						
1. Land, rights to land and buildings, including buildings on land owned by third parties						
a) Value of land	2,172	- 40	11	33	0	- 9
b) Value of buildings	21,176	- 237	723	794	0	810
2. Technical equipment and machinery	19,462	- 201	1,471	2,044	493	1,111
3. Other equipment, furniture, fixtures and office equipment	4,657	- 41	543	1,319	702	191
4. Advance payments and construction in progress	635	- 2	36	5,300	0	- 2,124
	48,101	- 521	2,785	9,490	1,195	- 21
III. Investment property						
1. Land, rights to land and buildings, including buildings on land owned by third parties						
a) Value of land	642	0	0	0	0	0
b) Value of buildings	1,639	0	0	0	0	0
	2,281	0	0	0	0	0

Balance on 30. 6. 2007 T€	Balance on 1. 7. 2006 T€	Foreign exchange T€	Depreciation			Balance on 30. 6. 2007 T€	Net Value	
			Change in consolidation T€	Additions T€	Disposals T€		Balance on 30. 6. 2007 T€	Balance on 30. 6. 2006 T€
4,870	2,846	19	0	470	0	3,335	1,535	1,765
839	221	0	0	87	0	308	531	214
1,202	0	0	0	0	0	0	1,202	1,202
0	0	0	0	0	0	0	0	0
6,911	3,066	19	0	557	0	3,643	3,268	3,181
2,651	29	1	0	0	0	30	2,621	2,139
32,661	5,816	74	0	1,077	0	6,966	25,694	17,451
31,511	13,083	150	0	2,574	227	15,579	15,931	10,311
8,020	3,780	128	0	1,040	242	4,705	3,314	2,187
3,304	0	0	0	0	0	0	3,304	3,844
78,147	22,707	352	0	4,692	470	27,281	50,866	35,931
642	0	0	0	0	0	0	642	642
1,639	726	0	0	34	0	761	878	912
2,281	726	0	0	34	0	761	1,520	1,554

Balance on 30. 6. 2006 T€	Balance on 1. 7. 2005 T€	Foreign exchange T€	Depreciation			Balance on 30. 6. 2006 T€	Net Value	
			Additions T€	Disposals T€	Transfers T€		Balance on 30. 6. 2006 T€	Balance on 30. 6. 2005 T€
4,610	2,526	- 3	0	354	32	2,845	1,765	583
435	134	0	0	87	0	221	214	301
1,202	0	0	0	0	0	0	1,202	0
0	0	0	0	0	0	0	0	0
6,247	2,660	- 3	0	441	32	3,066	3,181	884
2,168	14	0	0	14	0	28	2,139	2,158
23,266	4,933	- 27	108	803	0	5,816	17,451	16,243
23,394	10,752	- 94	897	1,740	213	13,083	10,311	8,709
5,967	3,157	- 17	417	722	499	3,780	2,187	1,500
3,844	0	0	0	0	0	0	3,844	635
58,638	18,856	- 138	1,422	3,279	712	22,707	35,931	29,245
642	0	0	0	0	0	0	642	642
1,639	692	0	0	34	0	726	912	947
2,281	692	0	0	34	0	726	1,554	1,589

Notes to the Financial Statement

1. General Information

- 1.1. HIRSCH Servo AG is recorded in the Company Register of the Provincial Court in Klagenfurt under Number 117300 a. The headquarters of the corporation are located in A-9555 Glanegg 58.
- 1.2. The principle business of the HIRSCH Servo Group lies in the area of EPS systems technology. The **EPS Processing Segment** transforms expandable polystyrene (EPS) into components for a wide range of applications. The **Machinery and Plant Engineering Division** develops and sells machine technology for the processing of EPS throughout the world.

2. Consolidation Range

The following subsidiaries were included in the consolidated financial statements through full consolidation as of **June 30, 2007**:

Company	Headquarters	30. 6. 2007 Stake in %	30. 6. 2006 Stake in %
Besitz- und Vermietungs GmbH, Glanegg	Austria	99.97	99.97
HIRSCH Porozell GmbH, Glanegg	Austria	100.00	100.00
HIRSCH Maschinenbau GmbH, Glanegg	Austria	100.00	100.00
Thermozell Entwicklungs- und Vertriebs GmbH, Glanegg	Austria	100.00	100.00
KURT HIRSCH Kft., Sárvár as of 31. 12. 2006 renamed HIRSCH Porozell Kft., Sárvár	Hungary	100.00	100.00
HIRSCH Porozell Kft., Jászfényszaru	Hungary	0.00	100.00
HIRSCH Italia S.r.l., Albavilla	Italy	100.00	100.00
HIRSCH Porozell S.r.o., Podolíneč	Slovakia	100.00	100.00
Polyform S.r.o., Podolíneč	Slovakia	100.00	100.00
HIRSCH Porozell S.r.l., Cluj-Napoca	Romania	100.00	100.00
HIRSCH Porozell Sp. z o.o., Wrocław	Poland	100.00	100.00

3. Changes in Consolidation Range

HIRSCH Porozell Kft. in Jászfényszaru was merged with KURT HIRSCH Kft., Sárvár, a company that maintains its accounting records in Euro, as the receiving company on December 31, 2006. The name of KURT HIRSCH Kft. was subsequently changed to HIRSCH Porozell Kft., and this company now maintains its accounting records in Euro. This merger had no effect on the consolidated financial statements.

4. Significant Accounting Policies

4.1. General accounting principles

These consolidated financial statements were prepared in accordance with the guidelines set forth in International Accounting Standards (IAS) as adopted in the EU, and were released for publication by the Supervisory Board in a meeting on October 2, 2007. In accordance with § 245 a of the Austrian Commercial Code, these consolidated financial statements release the company from the obligation to prepare consolidated financial statements under Austrian law.

The annual financial statements of all companies included in the consolidated financial statements were prepared as of the Group closing date on June 30, 2007. The consolidated financial statements were prepared in thousand Euros. The income statement was prepared in accordance with the method under which "total costs" are shown.

4.2. Major effects of new accounting standards

The accounting policies applied in the preparation of these consolidated financial statements are consistent with prior years, with the exception of the new standards. The application of these new standards had no effect on the financial position or financial performance of the HIRSCH Servo Group.

The amendment to IAS 19 (Employee Benefits) creates an additional option, which permits the immediate recognition of actuarial gains and losses arising from defined benefit pension obligations. This option allows for the recognition of all actuarial gains and losses outside the income statement in the form of a statement of total recognized gains and losses. Furthermore, this option requires that (a) a contract between a multi-employer plan and participating employees that determines how a surplus is to be distributed or how a deficit is to be financed must be reported on the balance sheet, and also indicates (b) how defined benefit pension obligations are to be recorded in the financial statements of the companies participating in the plan and defines (c) additional disclosure requirements. These changes apply to financial years that begin on or after January 1, 2006. The HIRSCH Servo Group did not elect to use this option.

IFRIC 4 (Determining Whether an Arrangement Contains a Lease) determines which contracts must be classified as leases in accordance with the reporting requirements of IAS 17 (Leases). IFRIC 4 applies to financial years that begin on or after January 1, 2006. The application of this standard had no effect on the financial position or financial performance of the HIRSCH Servo Group.

The amendment to IAS 39 (Financial Instruments: Recognition and Measurement) applies to financial years that begin on or after January 1, 2006. It concerns the application of the fair value option to financial assets and liabilities. The application of this standard had no effect on the financial position or financial performance of the HIRSCH Servo Group.

IFRS 7 (Financial Instruments: Disclosures) applies to financial years that begin on or after January 1, 2007. It expands the reporting requirements for financial instruments, and will be applied by the HIRSCH Servo Group beginning with the 2007/08 financial year.

IFRIC 9 (Reassessment of embedded derivatives) is applicable to financial years that begin on or after June 1, 2006. It clarifies the rules for the recognition and measurement of embedded derivatives in accordance with IAS 39. The application of this interpretation had no effect on the financial position or financial performance of the HIRSCH Servo Group.

IAS 1 (Amendment-Capital disclosures), IAS 23 (Borrowing Costs), IFRS 8 (Operating segments), IFRIC 10 (Interim financial reporting and impairment), IFRIC 11 (IFRS 2-Group and treasury share transactions), IFRIC 12 (Service concession arrangements) and IFRIC 13 (Customer loyalty programs) were not applied precociously by the HIRSCH Servo Group. The application of these revised standards is not expected to have a material impact on the financial position or financial performance of the HIRSCH Servo Group.

4.3. Consolidation methods

The purchase method is used to account for business combinations. Under this method, the acquisition cost of acquired net assets is compared with the fair value of these net assets on the date of acquisition. Any difference between the acquisition cost and the fair value of acquired net assets is recognized as goodwill.

All receivables and liabilities, revenues, other income and expenses arising from transactions between companies included at full consolidation are eliminated.

Interim profits arising from the sale of goods or provision of services between Group companies are also eliminated.

Notes to the Financial Statement

4.4. Foreign currency translation

Translation of foreign company financial statements

The local currency is the functional currency for all subsidiaries, with the exception of HIRSCH Porozell Kft., Sárvár. The financial statements of the foreign subsidiaries HIRSCH Porozell Sp. z o.o., Wrocław, HIRSCH Porozell S.r.o., Podolinec, Polyform S.r.o., Podolinec and HIRSCH Porozell S.r.l., Cluj-Napoca were translated according to the modified current rate method in accordance with IAS 21 as follows:

Assets and liabilities were translated at the rate in effect on the balance sheet date, income and expenses at the average rate for the year. The following exchange rates were used:

	Closing rate in €		Average rate for the year in €	
	30. 6. 2007	30. 6. 2006	2006/07	2005/06
100 Hungarian Forint	1)	0.355	1)	0.393
100 Slovakian Krone	2.956	2.609	2.819	2.659
1 Roman Leu	0.319	0.280	0.292	0.276
1 Polish Zloty	0.266	0.247	0.258	0.255

1) The Euro has been the functional currency since January 1, 2007.

Transactions in foreign currencies

Transactions in foreign currencies are translated at the rate in effect on the date of the transaction. Monetary items are valued at the rate in effect on the balance sheet date; non-monetary items are valued at historical rates. Differences arising from the translation of foreign currency transactions are recognized to the income statement.

4.5. Intangible assets

Development costs

In accordance with IAS 38 research costs are not capitalized, but expensed as incurred. Development costs are capitalized when the requirements of IAS 38 are met. If assets show signs of impairment and if the net selling price or the value in use is less than the carrying amount, an impairment loss is recognized to reduce the asset to the recoverable amount.

Goodwill

Goodwill arising from business combinations is initially recognized at cost, which is defined as the excess of the cost of the business combination over the acquirer's interest in the fair value of identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested at least once each year or more frequently if events or changes in circumstances indicate that the carrying value of the asset could be impaired.

Other intangible assets

Acquired intangible assets are valued at cost less accumulated amortization, which is calculated on a straight-line basis over the estimated useful lives of the individual assets. These useful lives range from 4 to 10 years.

4.6. Property, plant and equipment

Property, plant and equipment are valued at purchase or production cost, less ordinary depreciation. Production cost includes direct expenses and a proportional share of material and manufacturing overheads. General administrative and selling expenses are not capitalized. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the individual assets. In the event of permanent impairment, an impairment loss is recognized in accordance with IAS 36.

The following useful lives form the basis for ordinary depreciation:

Buildings	10 – 33 years
Technical equipment and machinery	3 – 10 years
Furniture, fixtures and office equipment	3 – 10 years

Maintenance expenditures are recorded as expenses of the period in which they occur.

4.7. **Investment property**

Investment property is valued at acquisition or production cost as of the date of purchase. In subsequent years, the carrying value of these assets is determined in accordance with the cost model after the deduction of accumulated depreciation and/or accumulated impairment losses. Ordinary depreciation is calculated on a straight-line basis over a useful life of 10 to 50 years.

4.8. **Public subsidies**

Asset-based investment subsidies are recognized as non-current liabilities, and released to profit or loss over the useful life of the relevant asset.

Earnings-based subsidies that are granted to cover expenses are generally recognized to the income statement during the period in which they were granted.

4.9. **Financial assets**

Financial assets are comprised of available-for-sale securities. These items are recorded in accordance with IAS 39, whereby the initial recognition is made at cost and subsequent measurement reflects fair value. Any changes in value are recorded direct in equity, without recognition through profit or loss.

4.10. **Derivative financial instruments**

Derivative financial instruments are used to hedge interest rate and foreign exchange risks. The Group uses caps to hedge interest rates. Derivative financial transactions are only concluded with banks that have first-class credit ratings.

Derivative financial instruments are recognized at cost, and subsequently measured at fair value through profit or loss as of the closing date. Recognized models are used to determine option prices. The fair value of an interest rate cap or option is influenced by the remaining term of the interest rate cap or option as well as other factors such as the current level and volatility of the underlying basis interest rate or exchange rate. Derivatives are reported under other receivables.

All ordinary market purchases and sales of financial assets are recognized as of the trading date, e. g. on the date the company entered into an obligation to purchase the asset.

4.11. **Inventories**

Inventories are recorded at purchase or production cost or the lower net realizable value. The FIFO (first-in, first-out) method is used to value inventories in the EPS Processing Segment, while the average price method is used in the Machinery and Plant Construction Division. The production cost of finished goods and work in process includes direct expenses as well as a proportional share of material and manufacturing overheads. Production cost does not include the cost of debt or administrative and selling expenses. Appropriate write-downs are recorded to reflect the risk arising from length of storage or impairment in value, and are based on inventory turnover.

4.12. **Construction contracts**

Income on the production of custom-order machinery and provision of services by the HIRSCH Servo Group is recognized using the percentage of completion method in accordance with IAS 11, if the requirements of this standard are met. The stage of completion is based on the relationship between costs incurred up to the balance sheet date and the total estimated costs for the project. The calculations are made so as to ensure a loss-free valuation.

Trade receivables resulting from the percentage of completion method are shown as a separate item under receivables from construction contracts (see 5.5.). Costs are reported under the relevant primary category of expenses (materials, personnel).

Notes to the Financial Statement

4.13. **Cash and cash equivalents**

Cash on hand and deposits with financial institutions are valued at the exchange rate in effect on the balance sheet date.

4.14. **Receivables and other assets**

Receivables and other assets are stated at nominal value less any necessary impairment losses. Receivables denominated in a foreign currency are valued using the average exchange rate on the balance sheet date.

4.15. **Provisions**

Provisions are recorded in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle this obligation, and a reliable estimation of the amount of the obligation is possible.

4.16. **Provisions for severance compensation and service anniversary bonuses**

The provisions for severance compensation and service anniversary bonuses represent long-term obligations to employees, which are calculated using actuarial methods (projected unit credit method) in accordance with IAS 19. The present value of the defined benefit obligation is computed based on the length of service and expected future wage or salary increases. Any actuarial gains/losses (difference between planned and actual additions to the provisions) are recognized immediately. The Group also has made commitments to provide defined benefit pension plans for individual employees, which are based on employment contracts. Contributions are recognized to profit or loss in the year in which they are due and payable.

4.17. **Financial liabilities**

Liabilities are recognized at the fair value of the consideration received. After recognition, financial liabilities are measured at amortized cost using the effective interest rate method. A financial liability is derecognized when the underlying obligation has been fulfilled or has expired. Liabilities denominated in a foreign currency are valued using the average exchange rate on the balance sheet date.

4.18. **Leases**

Finance leases

In accordance with IAS 17 (Accounting for Leases), the economic ownership of a lease object is attributed to the lessee when the lease contract transfers substantially all the risks and rewards of ownership to this contract party. When the economic ownership of a lease object is attributable to the HIRSCH Servo Group, the asset is capitalized as of the date the contract is signed at an amount equal to the present value of the lease payments plus any transaction costs carried by the lessee. The decision as to whether a contract contains a lease is made when the contract is concluded, and depends on whether the fulfillment of the contract is dependent on the use of the asset or the contract conveys the right to use the asset. The depreciation methods and useful lives reflect the parameters for comparable purchased assets.

Operating leases

All leases that do not qualify for categorization as finance leases are classified as operating leases. These types of leases represent pure rental arrangements. Under operating leases, the lease object is recognized by the lessor. The HIRSCH Servo Group recognizes the scheduled lease payments through profit or loss as expenses. As a rule this recognition takes place over the term of the lease, unless there is an economic reason for another treatment in the HIRSCH Servo Group.

4.19. **Revenues**

Revenues are recognized when risk is transferred to the customer, whereby rebates and other deductions are subtracted from this amount. Revenues on construction contracts as defined in IAS 11 are recognized in accordance with the percentage of completion method (also see 4.12.)

4.20. **Borrowing costs**

Borrowing costs are generally recognized in the period in which they are incurred. Borrowing costs that can be directly allocated to the purchase, construction or production of a qualified asset are capitalized as a part of acquisition or production cost. During the 2006/07 financial year no interest expense was capitalized on investments in accordance with IAS 23 (2005/06: T€ 0).

4.21. **Changes in presentation of balance sheet items**

Beginning with the 2006/07 financial year, the provisions for severance compensation at HIRSCH Italia S.r.l. are shown under the provisions for severance compensation. These items were reclassified from other liabilities.

4.22. **Income taxes**

Income taxes are recorded by the individual subsidiaries, and are based on income for the relevant business year. Temporary differences between the financial statements prepared for tax purposes and the IFRS consolidated financial statements are recorded as deferred taxes.

In accordance with IAS 12, deferred taxes are calculated on all temporary differences arising between the financial statements prepared for tax purposes and IFRS financial statements using the balance sheet liability method in keeping with local country tax rates (16 to 33%).

Deferred taxes are also calculated on tax loss carry-forwards and unused tax credits when it is probable that sufficient future taxable profit will be available against which the unused losses and unused tax credits can be utilized.

Temporary differences in the consolidated financial statements as of June 30, 2007 result primarily from provisions created for tax purposes (severance compensation and service anniversary bonuses), valuation adjustments and impairment losses on investments in other companies.

Deferred tax liabilities are shown as a separate item under non-current liabilities; deferred tax assets are recorded under non-current assets. Deferred tax assets are recognized at an amount equal to expected future taxable profit.

4.23. **Judgments and estimates**

In applying the various accounting and valuation policies, it was necessary to make future-oriented assumptions and estimates for non-current assets, valuation adjustments to inventories and receivables, provisions and deferred taxes. The actual figures that become known at a later date may differ from these assumptions and estimates. The principle of a true and fair view is also applied without limitation in the use of estimates.

All goodwill was tested for impairment in accordance with IAS 36. The benchmark for the impairment test was formed by the value in use, which was calculated as the discounted cash flows of the relevant cash-generating unit over a period of nine years. The two Slovakian subsidiaries were designated as cash-generating units. The determination of the recoverable amount was based on forecasts for the 2007/08 financial year; stable cash flows were assumed for the following years. The discount rate includes an appropriate premium for risk, and equals 12%.

The initial recognition of the companies acquired in 2005/06 included a customer base for long-term business relationships. This customer base was estimated using the discounted cash flow method over a period of five years based on approved forecasts. In addition, this initial recognition also included the valuation of trademark rights based on discounted cash flows, a standard branch license fee of 2% and a period of 10 years. The discount rate for the trademark rights and customer base includes appropriate premiums for risk, and equals 11%.

Notes to the Financial Statement

5. Notes to the Balance Sheet

5.1. Non-current assets

The development of intangible assets, property, plant and equipment and investment property is shown on the schedule "Changes in Fixed and Financial Assets". The amounts shown under foreign exchange increases and decreases result from the use of different exchange rates to translate the assets of foreign companies at the beginning and end of the year.

The balance sheet item "investment property" includes land and buildings with a carrying value of T€ 1,520 (2005/06: T€ 1,554), which are not used in regular production. The property and buildings were rented out to tenants, and generated rental income T€ 110 in 2006/07 (2005/06: T€ 110).

This investment property is measured at cost less accumulated depreciation. The carrying value as of June 30, 2007 approximates fair value. This amount is included under "other areas" in the segment report, which was prepared in accordance with IAS 14.

Research and development

Development costs of T€ 403 were capitalized in 2006/07 in accordance with IAS 38. The amount of T€ 435 that was capitalized in previous years is being amortized on a straight-line basis over five years.

As of the balance sheet date, no property, plant or equipment was pledged as collateral (2005/06: T€ 0).

5.2. Financial assets

	2006/07	2005/06
	T€	T€
Balance on 1. 7.	409	405
Additions	0	4
Disposals	- 7	0
Changes in fair value	- 9	0
Balance on 30. 6.	393	409

Financial assets are comprised of securities (bonds) that serve primarily as coverage for the severance compensation provisions as required under Austrian law as well as other loans granted. As of the closing date on June 30, 2007, no financial assets were pledged (2005/06: T€ 994). The stake in the Polish subsidiary was pledged as collateral for liabilities to a financial institution.

5.3. Deferred tax assets and liabilities

Deferred tax assets and deterred tax liabilities are related to the following balance sheet items:

	2006/07	2005/06
	T€	T€
Intangible assets	- 341	- 241
Property, plant and equipment	- 132	- 244
Unused tax credits and loss carryforwards	803	1,083
Financial assets	495	179
Inventories	- 17	33
Receivables and other assets	18	128
Provisions for severance compensation and service anniversary bonuses	122	117
Current provisions	234	- 5
Liabilities	18	0
Deferred tax assets	1,200	1,050

Gross deferred tax assets and liabilities are as follows:

	2006/07	2005/06
	T€	T€
Deferred tax assets	2,111	1,792
Deferred tax liabilities	– 911	– 742
Total	1,200	1,050

Deferred taxes of T€ 99 (2005/06: T€ 260) were not recognized on tax loss carryforwards because their use against future taxable profit is not sufficiently probable. The individual tax loss carryforwards are valid for an unlimited period of time. Unrecognized deferred tax assets relating to tax benefits total approx. € 6.0 million (2005/06: € 5.0 million), and can be utilized up to 2017.

5.4. Inventories

	2006/07	2005/06
	T€	T€
Raw materials and supplies (purchase/prod.cost)	13,602	4,137
Raw materials and supplies (lower fair value)	1,254	1,960
Prepayments received	– 81	– 263
Raw materials and supplies	14,775	5,834
Work in process (purchase/prod.cost)	2,783	2,096
Prepayments received	– 186	– 404
Work in process	2,597	1,692
Finished goods and merchandise (purchase/prod.cost)	2,328	1,768
Finished goods and merchandise (lower fair value)	224	138
Prepayments received	0	– 226
Finished goods and merchandise	2,552	1,680
Prepayments made	681	376
Total	20,605	9,582

The substantial increase in raw materials and supplies resulted from additional purchases of EPS raw materials to prevent the interruption of production due to shortages.

5.5. Receivables and other assets

	2006/07	2005/06
	T€	T€
Non-current		
Trade receivables	85	0
Loans receivable	366	137
Total	451	137
Current		
Trade receivables	20,841	14,951
Receivables arising from construction contracts (at fair value)	672	876
Other receivables and assets	3,403	2,702
Derivative financial instruments	161	0
Prepaid expenses and deferred charges	328	380
Total	25,405	18,909

Notes to the Financial Statement

Receivables arising from construction contracts are related to production costs of T€ 501 (2005/06: T€ 773). Furthermore, revenues of T€ 3,332 that were realized on construction contracts (2005/06: T€ 0) were written off in full in accordance with IAS 11.28 because the agreed payments for these contracts had not been received from the customers by the closing date on June 30, 2007.

Other receivables and assets consist chiefly of credits with taxation authorities as well as loans due from a supplier. As of June 30, 2007 the Group held interest rate hedges totaling € 9.5 million (2005/06: € 0) (CAP calculation/nominal amount) with a term of more than one year. In order to hedge foreign exchange rates, the Group has arranged for forward exchange contracts and foreign currency options. As of June 30, 2007 the Group held foreign currency hedges in the form of foreign currency options totaling USD 2.2 million (2005/06: € 0), which have a term of up to one year.

5.6. Cash and cash equivalents

This item is comprised of cash on hand and deposits with financial institutions.

5.7. Contingent receivables

A partial judgment issued in July 2007 requires the parties sued by HIRSCH Servo AG to repay excessive severance compensation. The receipt of the € 1.2 million cited in the lawsuit (2005/06: € 0) is probable. Since the appeal period is still open, this judgment is not yet final.

5.8. Capital stock, additional paid-in capital and treasury stock

	Number of shares outstanding	Capital stock T€	Reserves T€	Treasury T€	Total T€
Balance on 1. 7. 2005	485,000	3,635	6,766	- 900	9,501
Changes	0	0	0	0	0
Balance on 30. 6. 2006	485,000	3,635	6,766	- 900	9,501
Balance on 1. 7. 2006	485,000	3,635	6,766	- 900	9,501
Sale of treasury stock	14,042	0	876	834	1,710
Balance on 30. 6. 2007	499,042	3,635	7,642	- 66	11,211

The capital stock of HIRSCH Servo AG equals T€ 3,635 and is fully paid in. It is divided into 500,000 shares of bearer stock.

In accordance with § 130 Par. 3 of the Austrian Stock Corporation Act, appropriated reserves shown in the individual financial statements of the parent company (June 30, 2007: T€ 6,257, June 30, 2006: T€ 6,257) and the statutory reserve (June 30, 2007: T€ 7, June 30, 2006: T€ 7) may only be used to cover negative retained earnings of the parent company. The unappropriated reserve totals T€ 473 (June 30, 2006: T€ 56). The maximum distribution may not exceed retained earnings (June 30, 2007: T€ 2,702, June 30, 2006: T€ 1,666) as reported in the individual financial statements of the parent company (HIRSCH Servo AG), which were prepared in accordance with local accounting regulations.

The 11th Annual General Meeting of HIRSCH Servo AG on November 20, 2006 authorized the Managing Board to sell up to 15,000 shares of treasury stock within a price range of € 90.00 to 150.00 per share on the stock exchange or over the counter in Austria or another country. A total of 14,042 shares had been sold by the closing date on June 30, 2007 at an average price of € 150.00.

Recommendation for the distribution of profit

In accordance with the regulations set forth in the Austrian Commercial Code, the individual financial statements of the company form the basis for the recommendation on the distribution of profit. The individual financial statements of HIRSCH Servo AG show retained earnings € 2,702,004.99 for the 2006/07 financial year. The Managing Board recommends payment of a dividend of € 2.35 (2005/06: € 3.20) per share (or € 1,172,748.70 for 499,042 shares) and the carry forward of the remaining € 1,529,256.29.

5.9. Financial liabilities

	2006/07	2005/06
	T€	T€
Non-current		
Amounts due to financial institutions	30,179	22,843
Total	30,179	22,843
Current		
Amounts due to financial institutions	23,856	8,062
Total	23,856	8,062

The major component of financial liabilities carries variable interest rates. A total of € 9.5 million was hedged through an interest rate cap at 3.75% (see the comments on interest rate risk under point 8.2. Risk management).

The effective interest rates on financial liabilities are as follows:

Amounts due to financial institutions: 2.0 – 5.5% nominal

The remaining terms of financial liabilities are as follows:

	2006/07	2005/06
	T€	T€
Due within one year	23,856	8,062
Due between one and five years	24,526	18,418
Due after five years	5,653	4,425
Total	54,035	30,905

Financial liabilities are measured at fair value.

Notes to the Financial Statement

5.10. Provisions for severance compensation and service anniversary bonuses

a) Provision for severance compensation

Severance compensation obligations were calculated using the projected unit credit method in accordance with actuarial principles. The values shown on the balance sheet reflect the defined benefit obligation.

This provision developed as follows during the year:

	2006/07 T€	2005/06 T€
Balance on 1. 7.	1,967	1,515
Adjustment HIRSCH Italia S.r.l. ¹⁾		264
Service cost	169	121
Interest expense	91	71
Actuarial gain/loss	- 47	178
Expense recognized to the income statement	213	370
Severance payments	- 101	- 181
Balance on 30. 6.	2,079	1,967

¹⁾ The provisions for severance compensation at HIRSCH Italia S.r.l. were included with the provision for severance compensation for the first time in 2006/07. The prior year values were adjusted accordingly.

With the exception of interest costs, which are included in financial results, all expenses are reported under personnel expenses.

b) Provision for service anniversary bonuses

The provision for service anniversary bonuses was also calculated using the projected unit credit method.

	Balance on 1. 7. 2006 T€	Addition T€	Reversal T€	Addition T€	Balance on 30. 6. 2007 T€
Provision for service anniversary bonuses	558	- 5	- 6	11	557

The above costs were included under personnel expenses.

The following parameters were used to calculate the provisions for severance compensation and service anniversary bonuses under the projected unit credit method:

	2006/07	2005/06
Interest rate	5.0%	4.75%
Increase in wages/salaries	3.0%	3.0%
Employee turnover	0 - 15%	0 - 15%
Retirement age	62/62	62/62

5.11. Public subsidies

	Balance on 1. 7. 2006 T€	Currency translation T€	Addition T€	Addition T€	Balance on 30. 6. 2007 T€
Government subsidies	1,558	54	- 229	33	1,416

5.12. Provisions

	Balance on 1. 7. 2006 T€	Currency translation T€	Use T€	Reversal T€	Addition T€	Balance on 30. 6. 2007 T€
Provision for bonuses	245	0	- 234	- 11	440	440
Provision for commissions	117	0	- 116	0	651	651
Other provisions	934	10	- 673	- 98	1.125	1,298
Total	1,295	10	- 1,023	- 109	2,216	2,389

Other provisions are comprised primarily of accruals for guarantee obligations and bonus payments.

5.13. Trade payables and other liabilities

	2006/07 T€	2005/06 T€
Trade payables	10,168	6,140
Other liabilities	2,067	2,632
Adjustment HIRSCH Italia S.r.l. (see 5.10)		- 264
Accrual for vacations and free time due to employees	1,279	933
Advance payments received on orders	465	1,635
Deferred income	496	39
Total	14,475	11,115

Other liabilities consist primarily of T€ 287 (2005/06: T€ 398) in taxes, T€ 674 (2005/06: T€ 714) of social security charges as well as wages, salaries and other duties.

5.14. Contingent liabilities

A project carried out by ThermoZell Entwicklungs- und Vertriebs GmbH, in which the partial service by ThermoZell was performed as defined in the contract, could result in a legal dispute with financial consequences, which cannot be quantified at this time. The probability that this contingent liability would occur is estimated at less than 50%.

Moreover, the Group has issued a note payable of T€ 24 as security on behalf of the ARGE Science Center.

The seller of a Polish plant that was acquired by HIRSCH Servo one year ago filed a lawsuit in 2006/07, whereby the Group's attorney estimates the plaintiff's chances of success at less than 50%. This court case was therefore recorded in the financial statements as a contingent liability; the value in dispute equals € 1.4 million (2005/06: € 0).

The HIRSCH Servo Group has no other financial obligations (off balance sheet risks) above and beyond these contingent liabilities.

Notes to the Financial Statement

6. Notes to the Income Statement

6.1. Revenues

For detailed information, see section 8.1 of the notes (segment reporting).

	2006/07	2005/06
	T€	T€
Sale of products	100,648	67,848
Construction contracts (see 5.5)	4,004	876
Total	104,652	68,724

6.2. Other operating income

	2006/07	2005/06
	T€	T€
Income from the reversal of provisions	109	232
Reimbursement of energy tax	313	195
Subsidies for research and development projects	100	82
Income from the disposal of property, plant and equipment	110	140
Miscellaneous income	649	347
Total	1,282	996

6.3. Cost of materials and services

	2006/07	2005/06
	T€	T€
Cost of materials	58,800	33,075
Cost of services	4,552	3,727
Total	63,352	36,802

6.4. Personnel expenses

	2006/07	2005/06
	T€	T€
Wages	6,811	5,186
Salaries	7,314	6,196
Expenses for severance compensation and pensions	288	418
Expenses for legally required employee benefits	3,623	2,869
Other employee benefits	247	170
Total	18,283	14,839

The Group has granted defined contribution pension plans to specific employees based on individual employment contracts. The expenses for these defined contribution pension plans and contributions to employee severance compensation funds totaled T€ 76 (2005/06: T€ 51), and are included under expenses for severance compensation and pensions.

6.5. Depreciation and amortization

	2006/07	2005/06
	T€	T€
On intangible assets	557	441
On property, plant and equipment	4,692	3,279
On investment property	34	34
Less subsidies	– 229	– 217
Total	5,054	3,538

6.6. Other operating expenses

	2006/07	2005/06
	T€	T€
Non-income based taxes	325	247
Freight out	4,577	3,229
Travel	1,373	1,059
Commissions	2,081	1,039
Rent	189	316
Maintenance	956	448
Legal and consulting fees	1,413	1,153
Marketing	453	282
Individual valuation adjustments ¹⁾ and uncollectible receivables	4,229	225
Insurance	376	360
IT costs	784	350
Research and development ²⁾	76	124
Miscellaneous	3,970	2,743
Total	20,802	11,575

1) This position includes € 3.3 million (2005/06: € 0.0 mill.) of individual valuation adjustments to receivables arising from construction contracts (see 5.5.).

2) Research and development expenses of T€ 1,151 were recognized to the income statement in 2006/07 (2005/06: T€ 1,028).

6.7. Financial results

Foreign exchange gains and losses for the 2006/07 financial year include T€ 336 (2005/06: T€ 876) of foreign exchange losses and T€ 1,654 (2005/06: T€ 227) of foreign exchange gains.

Notes to the Financial Statement

6.8. Income taxes

	2006/07	2005/06
	T€	T€
Current tax expense	1,162	1,025
Deferred tax expense / (income)	- 150	- 55
	1,012	970
Transition to determine the effective tax rate for the Group:		
Profit before tax	3,845	4,577
Thereof theoretical tax expense (25%)	961	1,144
Different foreign tax rates	- 112	- 56
Losses for which deferred taxes were not capitalized	0	120
Changes in tax rates	0	- 14
Use of tax loss carryforwards, for which deferred tax assets were not capitalized, and use of tax privileges	- 165	- 267
Initial recognition of tax accruals	- 88	0
Permanent differences	416	43
Effective tax income (-), / expense (+)	1,012	970

6.9. Earnings per share

Basic and diluted earnings per share are identical, and are calculated as follows:

	2006/07	2005/06
Net profit for the year (T€)	2,833	3,605
Weighted average number of shares outstanding	490,266	485,000
Earnings per share (€)	5.78	7.44

7. Notes to the Cash Flow Statement

The cash flow statement was prepared according to the indirect method.

This statement shows the changes in Group cash and cash equivalents resulting from the inflow and outflow of funds during the reporting year, whereby a distinction is made between operating, investing and financing activities.

7.1. Cash and cash equivalents

This item comprises cash on hand and deposits with financial institutions.

8. Other Information

8.1. Segment reporting

8.1.1. Primary reporting segments – divisions

The Group is divided into the following divisions:

EPS Processing Segment:

- ▶ Production of packaging and insulating materials from expandable polystyrene (EPS) for various applications, above all as transport protection for goods manufactured by the entertainment and household appliance industries, technical shape molded components and insulating materials for the construction industry.
- ▶ Production of lightweight concrete from recycled EPS for flooring and construction companies.

Machinery and Plant Engineering Division:

- ▶ Development, production and sale of innovative machine technology for the EPS processing industry.

Segment Reporting

2005/06 Financial Year	EPS Processing T€	Machinery and Plant Engineering T€	Other Areas T€	Group T€
Revenues	44,842	27,447	110	72,399
Group revenues	- 1	- 3,674	0	- 3,675
Third party revenues	44,841	23,773	110	68,724
Segment results	4,591	1,912	62	6,565
Financial results	- 1,700	- 246	- 42	- 1,988
Profit on ordinary activities	2,891	1,666	20	4,577
Segment assets	51,883	18,590	1,859	72,332
Segment liabilities	32,456	12,856	3,543	48,855
Capital expenditure (tangible and intangible assets.)	11,256	1,115	0	12,371
Ordinary depreciation and amortization (tangible and intangible assets.)	2,793	710	34	3,538
Research and development expenses	199	829	0	1,028

2006/07 Financial Year	EPS Processing T€	Machinery and Plant Engineering T€	Other Areas T€	Group T€
Revenues	69,379	38,547	110	108,036
Group revenues	- 72	- 3,312	0	- 3,384
Third party revenues	69,307	35,235	110	104,652
Segment results	2,067	2,628	51	4,745
Financial results	- 553	- 303	- 44	- 899
Profit on ordinary activities	1,513	2,325	7	3,845
Segment assets	79,003	23,639	2,667	105,310
Segment liabilities	57,656	15,741	4,397	77,794
Capital expenditure (tangible and intangible assets.)	15,781	2,504	0	18,284
Ordinary depreciation and amortization (tangible and intangible assets.)	4,164	856	34	5,054
Research and development expenses	105	1,046	0	1,151

Notes to the Financial Statement

8.1.2. Secondary reporting segments – geographical segments

The Group's sales regions are divided into six geographical segments: Austria, Eastern Europe, other Europe, America, Far East and other countries.

The following table shows the importance of the individual geographic segments:

	Revenues		Total assets		Capital expenditure	
	2006/07 T€	2005/06 T€	2006/07 T€	2005/06 T€	2006/07 T€	2005/06 T€
Austria	13,157	9,532	42,891	30,082	7,423	2,460
Eastern Europe	53,515	26,362	56,504	36,395	10,733	9,903
Other Europe	23,873	19,472	5,915	5,855	128	8
America	9,422	11,579				
Far East	700	1,565				
Other countries	3,984	214				
Total	104,652	68,724	105,310	72,332	18,284	12,371

Revenues are classified according to the selling market. Total assets and capital expenditure are classified by the country in which the assets are physically located.

8.2. Risk management

In 2006/07 the HIRSCH Servo Group continued to develop the risk management system that was installed during the previous financial year. With the exception of the plants in Poland and Italy, standardized risk reports and documentation have been prepared for all other plants and presented to management. This system is designed to identify potential risks that may arise during the conduct of business activities at an early point in time, analyze these risks based on defined criteria, estimate the consequences, and recommend and carry out suitable preventive and protective measures.

The management of the HIRSCH Servo Group analyzes the opportunities and risks associated with the development of business at regular intervals, and is also responsible for the early identification of risks and implementation of the necessary measures.

Selected individual risks, such as foreign exchange risk, are monitored by staff departments at the Group level. Monthly reporting represents a further tool for the early identification of liquidity and interest rate risks.

In addition, the Group has concluded comprehensive insurance policies to provide protection against fire, liability and business interruption.

Market risks

The Group's core business, EPS processing, is subject to seasonal fluctuations and earnings are in part dependent on the weather. The sale of insulating materials is influenced by construction activity which, in turn, varies with weather conditions. Packaging for refrigerators, for example, is sold primarily during the spring and summer. In order to minimize earnings fluctuations to the greatest degree possible, the HIRSCH Servo Group pursues a strategy of product diversification. Specific market situations can also have a negative impact on price levels, which require the regular monitoring of price strategies.

Procurement risk

The HIRSCH Servo Group purchases significant quantities of raw materials to produce EPS components, and the supplies and prices of these raw materials are determined by international markets. In order to minimize risk, the Group monitors procurements markets continuously, compiles reserves for certain items and includes price adjustment clauses in customer contracts wherever possible.

Financial risks

Liability risks, above all in the machinery and plant construction area, are offset as far as possible by the careful design of contracts and exact performance of services in accordance with legal regulations and standards.

Credit risks

Credit risk, or the risk of delayed payment by the contract partner, is considered to be low because of the Group's customer structure and policies to manage risk. Where applicable, the Group obtains government export guarantees or bank guarantees to reduce the risk of uncollectible payments.

The credit risk connected with liquid funds and investments in securities is limited by the fact that the Group only deals with financial partners who can demonstrate a good credit standing.

The amounts shown for primary financial instruments on the balance sheet represent the maximum credit and collection risk. Valuation adjustments were recorded to reflect all existing risks, and management believes that no other credit risks will occur.

Interest rate risk

In order to reduce interest rate risk, the Group concluded an interest rate cap to hedge long-term credits totaling € 9.5 million (CAP calculation/nominal amount). This cap has a term extending to July 24, 2009.

The nominal and fair values of the derivative financial instruments used to hedge interest rates are as follows as of the closing date:

	Nominal volume		Fair value	
	2006/07	2005/06	2006/07	2005/06
	T€	T€	T€	T€
Interest rate hedge (CAP)	9,500	0	161	0

The growth strategy pursued by HIRSCH Servo can lead to higher financing costs during certain periods under consideration of agreed covenants such as interest coverage, debt repayment, equity indicators and the structure of debt. The credit volume based on these agreed covenants totals approx. € 33.6 million.

Foreign exchange risk

Foreign exchange risks are carried primarily by the customer. The foreign exchange risk associated with foreign subsidiaries was reduced during the reporting year by the conversion of financing to the local currency in Poland, Romania and Slovakia.

In specific cases, forward exchange contracts and foreign currency options are concluded to hedge the risk associated with receivables denominated in currencies other than the Euro (primarily USD). As of June 30, 2007 the Group held outstanding foreign currency options with a nominal value of USD 2.2 million that had a term of up to one year. If these options expire or are exercised, the recorded amount will be recognized to profit and loss through interest expense.

Liquidity risk

Liquidity risk represents the risk of being able to raise the necessary funds to meet obligations as required at any time. HIRSCH Servo pursues a financing policy that is based on long-term planning, and is centrally managed and monitored. The Group ensures that sufficient liquid funds are always available and that necessary financing is guaranteed through lines of credit or alternative financing instruments.

Notes to the Financial Statement

8.3. Acquisitions after the closing date

No acquisitions were made after the closing date on June 30, 2007.

8.4. Information on dealings with related companies and persons

Dealings with closely related companies and persons as defined under IAS 24 ("related parties") are treated as third party transactions.

The shareholders of HIRSCH Servo AG as of the closing date on June 30, 2007 were Kurt Hirsch Holding GmbH, AvW Invest AG and others (free float).

Services were purchased from the following closely related companies or persons during the 2006/07 financial year:

Name	2006/07	2005/06
	T€	T€
Gorton & Gorton	36	54
Baumgartner & Grienschgl	36	0
Georg Wall	22	0
Axel Hirschberg	25	0
Other	0	2
Peter Grabuschnig	44	44
Kurt Hirsch	5	152
LA.LO.LI. Private Foundation	12	8
Kurt Hirsch Holding GmbH	25	19
Total	205	279

The members of the Managing Board received remuneration of T€ 867 for the 2006/07 financial year (2005/06: T€ 1,036), whereby T€ 481 (2005/06: T€ 492) represent fixed components and T€ 386 (2005/06: T€ 491) are performance-based bonuses. The calculation of the performance-based bonuses is based on the development of profit on ordinary activities. Of total expenses for severance compensation and pensions, T€ 42 (2005/06: T€ 1) are related to the Managing Board. The members of the Managing Board have no other claims on the company. Potential claims by the members of the Managing Board in the event of termination do not exceed legal regulations and are covered by provisions.

The members of the Supervisory Board received remuneration of T€ 108 for the 2006/07 financial year (2005/06: T€ 98).

8.5. Financial instruments

The following primary financial instruments are reported on the balance sheet: cash and cash equivalents (cash on hand, deposits with financial institutions), receivables and other assets, investments in other companies that are not consolidated, provisions (excluding provisions for income taxes) and liabilities. The accounting principles governing the individual items are explained in the relevant sections of the notes.

Derivative financial instruments

Information on derivative financial instruments is provided under point 4.10 and point 8.2.

Fair value

The carrying value of the primary financial instruments reflects fair value as of the closing date.

8.6. Financial obligations

Obligations arising from rental and leasing contracts (operating leases as defined by IAS 17):

Rental and lease contracts

	2006/07	2005/06
	T€	T€
Due within one year	365	160
Due between one and five years	755	595

In addition, the Group has annual obligations of T€ 104 (2005/06: T€ 73) arising from rental and lease contracts that have an unlimited term.

8.7. Employees

The following table shows the average number of employees:

	2006/07	2005/06
Wage employees	426	332
Salaries employees	178	146
Total	604	478

8.8. Subsequent events

There were no significant events after the balance sheet date that could have led to a different presentation of the financial position or financial performance of the Group.

As of August 1, 2007 Kuno E. Waidmann was appointed to the Managing Board as the fourth member and Siedfried Wilding was appointed an officer of the company.

8.9. Exempting information for the consolidated financial statements as per § 245 a of the Austrian Commercial Code

8.9.1. Reporting in accordance with International Accounting Standards

The consolidated financial statements as of June 30, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS). In accordance with § 245 a of the Austrian Commercial Code, these IFRS consolidated financial statements release the company from the obligation to prepare consolidated financial statements under Austrian law.

8.9.2. Additional information required by § 245 a (1) 3 of the Austrian Commercial Code

Members of the Managing Board

The following persons served on the Managing Board during the 2006/07 financial year:

Kurt Hirsch	(as of August 1, 2007 speaker of the Managing Board)
Carsten Brinkmeier	
Peter Grabuschnig	
Kuno E. Waidmann	(as of August 1, 2007)

Members of the Supervisory Board

The following persons served on the Supervisory Board during the 2006/07 financial year:

Georg Gorton	Chairman
Georg Wall	Vice-Chairman
Helmut Grienschgl	
Axel Hirschberg	
Michael Kaufmann	

Statement by the Managing Board in accordance with § 82 (4) 3 of the Austrian Stock Exchange Act

Kurt Hirsch, Peter Grabuschnig, Kuno E. Waidmann und Carsten Brinkmeier, who are the members of the Managing Board, hereby confirm that

according to the best of their knowledge and belief, these consolidated financial statements, which were prepared in accordance with the relevant accounting standards, provide a true and fair view of the financial position and financial performance of all companies included in the consolidation; and

the group management report is presented to provide a true and fair view of the development of business, the results of business activities and the position of all companies included in the consolidation, and all major risks and uncertainties have been disclosed.

Glanegg, September 24, 2007

The Managing Board



Kurt Hirsch



Peter Grabuschnig



Kuno E. Waidmann



Carsten Brinkmeier

Auditor's Report (Translation)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HIRSCH Servo AG, Glanegg, for the financial year from July 1, 2006 to June 30, 2007. These consolidated financial statements comprise the balance sheet as at June 30, 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended June 30, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Report and Opinion

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of June 30, 2007, and of its financial performance and its cash flows for the financial year from July 1, 2006 to June 30, 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, September 24, 2007

ERNST & YOUNG
Wirtschaftsprüfungsgesellschaft m.b.H.

Karl Fuchs
Certified Public Accountant

Ulrike Hochsteiner
Certified Public Accountant

Recommendation for the Distribution of Profits

Overview of the HIRSCH Servo Group / EPS – A Material with Fantasy
Review of the Managing Board
Report of the Supervisory Board / Executive Bodies and Structure
35 Years HIRSCH / Plant Locations
Energy and CO₂ Reduction
The HIRSCH Servo Share / Corporate Governance
Group Management Report
EPS Processing
Machinery and Plant Engineering
Financial Statements
Service

HIRSCH Servo AG closed the 2006/07 financial year with retained earnings of € 2,702,004.99.

The Managing Board recommends the distribution of € 1,172,748.70 from retained earnings for the 2006/07 financial year and the carry forward of the remaining € 1,529,256.29.

The dividend of € 2.35 per share, less a deduction of 25% for withholding tax, will be paid on November 29, 2007 through credit to the depository banks.

Disbursing institution: Bank Austria Creditanstalt AG

Glanegg, September 2007

The Managing Board

Kurt Hirsch

Peter Grabuschnig

Carsten Brinkmeier

Kuno E. Waidmann

Group Companies

Abbreviation Company, Location		Stake			Consolidation
		Direct in %	Indirect in %	through	
Austria					
HP	HIRSCH Porozell GmbH, Glanegg		100.00	B&V	VVK
B&V	Besitz- und Vermietungs GmbH, Glanegg	99.97			VVK
HM	HIRSCH Maschinenbau GmbH, Glanegg		100.00	B&V	VVK
Thzl	Thermozell Entwicklungs- und Vertriebs GmbH, Glanegg		100.00	HP	VVK
Other countries					
HP Kft	HIRSCH Porozell Kft., Sárvár/H		100.00	HP	VVK
HI	HIRSCH Italia S.r.l., Albavilla/I		100.00	HM	VVK
HThzl D	HIRSCH Thermozell GmbH, Munich/D		100.00	Thzl	VNK
HUSA	HIRSCH USA Inc., Atlanta/USA		100.00	HM	VNK
HPO	HIRSCH Porozell Sp. z o.o., Wroclaw/PL		100.00	HP	VVK
HSK	HIRSCH Porozell s.r.o./Slovakia		100.00	HP	VVK
Polyf.	Polyform s.r.o./Slovakia		100.00	HP	VVK
HRO	HIRSCH Porozell S.r.l./Romania		100.00	HP	VVK

VVK = Subsidiary, full consolidation

VNK = Subsidiary, not consolidated

Our thanks to all employees

Overview of the HIRSCH Servo Group / EPS – A Material with Fantasy
Review of the Managing Board
Report of the Supervisory Board / Executive Bodies and Structure
35 Years HIRSCH / Plant Locations
Energy and CO₂ Reduction
The HIRSCH Servo Share / Corporate Governance
Group Management Report
EPS Processing
Machinery and Plant Engineering
Financial Statements
Service



The Managing Board would like to thank the men and women on the international HIRSCH team for their strong commitment to achieving an impressive improvement in performance.

Addresses of Group Companies

Austria

HIRSCH Servo AG

Glanegg 58
A-9555 Glanegg
Tel.: +43(0)4277/22 11 – 0
Fax: +43(0)4277/22 11 – 170
Home: www.hirsch-gruppe.com
E-Mail: office.servo@hirsch-gruppe.com

HIRSCH Porozell GmbH

Glanegg 58
A-9555 Glanegg
Packaging Division
Tel.: +43(0)4277/22 11 – 0
Fax: +43(0)4277/22 11 – 270
E-Mail: office.porozell@hirsch-gruppe.com

Insulating Division
Tel.: +43(0)4277/22 11 – 0
Fax: +43(0)4277/22 11 – 444
E-Mail: office.daemmstoffe@hirsch-gruppe.com

Thermozell Entwicklungs- und Vertriebs GmbH

Glanegg 58
A-9555 Glanegg
Tel.: +43(0)4277/22 11 – 0
Fax: +43(0)4277/22 11 – 441
E-Mail: office.thermozell@hirsch-gruppe.com

HIRSCH Maschinenbau GmbH

Glanegg 58
A-9555 Glanegg
Tel.: +43(0)4277/22 11 – 0
Fax: +43(0)4277/22 11 – 370
E-Mail: office.maschinenbau@hirsch-gruppe.com

Hungary

HIRSCH Porozell Kft.

Ikervári út. 42
H-9600 Sárvár
Tel.: +36(06)95/520 – 530
Fax +36(06)95/520 – 531
E-Mail: office.sarvar@hirsch-gruppe.com

Nyíregyháza Plant

Industrial Park
Debreceni út. 342
H-4400 Nyíregyháza
Tel.: +36(06)42/506 – 607
Fax +36(06)42/506 – 608
E-Mail: office.sarvar@hirsch-gruppe.com

Jászfényszaru Plant

Ipari Park hrsz. 2533
H-5126 Jászfényszaru
Tel.: +36(06)57/522 – 500
Fax +36(06)57/522 – 501
E-Mail: office.sarvar@hirsch-gruppe.com

Italy

HIRSCH Italia S.r.l.

Via XXV Aprile 12
I-22031 Albavilla (CO)
Tel.: +39031/65 41
Fax: +39031/626 134
E-Mail: office@hirsch-italia.com

Poland

HIRSCH Porozell Sp. z o.o.

ul. Bierutowska 55
PL-51-317 Wrocław
Tel.: +48 (0)71/799 09 – 53
Fax +48 (0)71/799 09 – 74
E-Mail: office.polen@hirsch-gruppe.com

Lódz Plant

ul. Dabrowskiego 208-210
PL-93-231 Lódz
Tel.: +48 (0)42/254 2650/51
Fax +48 (0)42/254 2652
E-Mail: office.polen@hirsch-gruppe.com

Slovakia

POLYFORM, s.r.o.

Terézie Vansovej 10
SK-065 03 Podolinec
Tel.: +421(0)52/439 12 14
Fax: +421(0)52/439 12 16
Home: www.polyform.sk
E-Mail: info@polyform.sk

HIRSCH Porozell s.r.o.

Terézie Vansovej 10
SK-065 03 Podolinec
Tel.: +421(0)52/428 2201
Fax: +421(0)52/428 2202
Home: www.hirsch.sk
E-Mail: office.porozell.sk@hirsch-gruppe.com

Romania

HIRSCH Porozell s.r.l.

Gemeinde Bontida, Kreis Cluj
RO-407107 Rascruci 368A
Tel.: +40(0)264/207 171 oder 207172
Fax: +40(0)264/207 190
E-Mail: office.cluj@hirsch-gruppe.com

USA

HIRSCH USA Inc.

101 TDK Boulevard Suite F
USA-Peachtree City, GA 30269
Tel.: +1(0)770/632 6484
Fax: +1(0)770/632 6485
E-Mail: office@hirsch-usa.com

Taiwan

HIRSCH Maschinenbau Representative Office

Room No. 1803, 18th Floor, No. 1247
Chung-Cheng Rd, Taoyuan, Taiwan
Tel.: +886(3)358 1226
Fax: +886(3)356 5385
E-Mail: office.maschinenbau@hirsch-gruppe.com

Financial Calendar

October 18, 2007:	Press and Analysts Conference
November 19, 2007:	12th Annual General Meeting
November 22, 2007:	Ex-dividend day
November 29, 2007:	Payment of dividend
November 30, 2007:	Press release on First Quarter Results 2007/08
February 28, 2008:	Press release on Second Quarter Results 2007/08
May 31, 2008:	Press release on Third Quarter Results 2007/08
October 31, 2008:	Report for the Financial Year 2007/08

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 June 30, 2007: 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

Investor Relations Contact: Michaela Promberger

Telephone: +43/(0)4277/2211-312

Fax: +43/(0)4277/2211-370

E-Mail: investor@hirsch-gruppe.com

Website: www.hirsch-gruppe.com

Glossary

Capital employed	= Equity + minority interest + long-term provisions – deferred tax assets + net debt
Carbon dioxide	CO ₂ = a colorless and odourless gas that is generated by the burning of carbonaceous substances when sufficient oxygen is available
Cash flow from operating activities	Indicator for the financial and earning power of a company. Cash flow from operating activities is comprised primarily of operating profit, depreciation and amortization, changes in working capital, taxes paid and increases/decreases in provisions
Deferred taxes	Deferred taxes result from different values in individual company financial statements prepared according to tax regulations and commercial, and from consolidation procedures
Dividend	The net profit per share that is distributed by a stock corporation
Eastern Europe	Eastern Europe + Baltic States + Balkan
EBIT	Earnings before interest and tax; operating profit
Equity ratio	An indicator that shows the relationship of equity to total assets (the balance sheet total)
Emission	Any discharge of materials, energy or radiation into the environment from a specific source
EPE	Expandable polyethylene
EPP	Expandable polypropylene
EPS	Expandable polystyrene, better known under various brand names such as Porozell® or Styropor®
EUROMAP	European Committee of Machinery Manufacturers for the Plastics and Rubber Industries
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
Intangible assets	Intangible assets include concessions, industrial property rights, licenses, goodwill, patents, trademarks, brand rights, etc.
Interest rate cap	An upper limit to the interest charged on a loan or credit financing
Net debt	Net total of financial liabilities, financial receivables and cash and cash equivalents
NOPAT	Net operating profit after tax; operating profit – taxes + adjusted taxes (tax effects from financial results)
Pentane	Liquid hydrocarbons, foaming agent
P/E ratio	Price-earnings ratio; a measure for the valuation of a share by the capital market in comparison to other shares
ROCE	Return on capital employed; net yield on capital employed
ROS	Return on sales; operating profit divided by sales
White goods	Household appliances such as washing machines, dishwashers, electric stoves, clothes dryers
Working capital	Working capital = inventories + trade receivables – trade payables



Imprint

Owner and Publisher: HIRSCH Servo AG, A-9555 Glanegg 58; **Design:** Werbeagentur mehrWERT GmbH., A-9020 Klagenfurt
Photos: Jost & Bayer, A-9020 Klagenfurt; HIRSCH Servo Archive; **Printed by:** Samson Druck, A-5581 St. Magarethen 171



HIRSCH Servo

