

Report on the First Quarter 2010/11



Protecting with EPS.

Saving energy with EPS.

Expanding with IDEAS.

Connecting with KNOW-HOW.

Key Indicators		1 st Quarter 2009/10	1 st Quarter 2010/11	Change in %
Sales	T€	19,695	25,065	27
Operating profit (EBIT)	T€	- 907	784	-
Profit before tax (POA)	T€	- 1,309	233	-
Profit after tax	T€	- 1,333	101	-
Cash flow from operating activities	T€	13	- 97	-
Investments	T€	342	386	13
Employees (average for the year)	Pers.	645	621	- 4

- Improved sales and results
- Profit on ordinary activities for first time since fourth quarter 2006/07
- Higher sales in EPS Processing
- Strong first quarter sales in Technology segment
- Outlook unchanged from today's perspective, turnaround planned for 2010/11

1st Quarter 2010/11

HIRSCH Servo Group

In the **first quarter of fiscal 2010/11**, the improvement seen in the economic environment during the last quarter of the previous business year was reflected in substantially better capacity utilization than the same period the previous year, both in the **EPS Processing** and **Technology business segments**.

The economic upswing observed translated into increased demand from customers, particularly in the Packaging division, both for household appliances and electronic devices. As a result, capacity utilization in the packaging companies is now about at the 2008 level. The Insulation division also succeeded in introducing initial price increases in certain regional markets.

Recent recovery in the EPS Packaging division has resulted in our customers being more willing to invest again in the Technology segment.

As the two business segments Technology and EPS Processing have taken over the Logistics division's activities, they have succeeded in cutting costs considerably.

In total, sales were up around 27 percent to € 25.1 million (PY: € 19.7 million). The operating profit (EBIT) improved to € 0.78 million (PY: minus € 0.91 million) while the profit on ordinary activities (POA) was € 0.23 million (PY: minus € 1.31 million).

Sales and profit trends	1 st Quarter 2009/10 in € mill.	1st Quarter 2010/11 in € mill.	Change in %
Sales	19.7	25.1	27
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	18.0	21.3	18
■ Technology business segment	1.7	3.8	122
■ Logistics business segment	0.0	0.0	–
Other activities	0.0	0.0	–
EBIT	– 0.91	0.78	–
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	0.75	1.42	89
■ Technology business segment	– 0.74	– 0.50	–
■ Logistics business segment	– 0.92	– 0.13	–
Other activities	0.00	0.00	–
POA	– 1.31	0.23	–
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	0.51	1.04	104
■ Technology business segment	– 0.85	– 0.62	–
■ Logistics business segment	– 0.97	– 0.18	–
Other activities	0.00	0.00	–
Employees (annual average)	645	621	– 4

1st Quarter 2010/11

HIRSCH Servo Group

Profit after tax rose to € 0.10 million (PY: minus € 1.33 million) and the balance sheet loss was minus € 6.03 million (June 30, 2010: minus € 6.13 million).

The **equity ratio** increased to 5.9 percent (June 30, 2010: 5.6 percent).

At the reporting date September 30, 2010, the HIRSCH Servo Group employed 638 **people** (PY: 636). The payroll fell to 621 on average for the year (PY: 645).

The **investments** in the first quarter of the current fiscal year totaled € 0.4 million (PY: € 0.3 million). Primarily aiming to ensure liquidity, we will also be restricting investing activities over the remaining business year.

Changes did not occur in the **contingent liabilities and contingent claims** shown in the 2009/10 annual report.

The quarterly report meets the requirements of **IAS 34**. In addition, the same **accounting practices and valuation methods** were used as for the 2009/10 annual report.

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

The quarterly report was not reviewed by the auditor.

Statement by the Managing Board

The Managing Board of HIRSCH Servo AG hereby declares to the best of its knowledge and belief that these unaudited interim financial statements for the first quarter provide a true and fair view of the asset, financial and earnings position of the group in agreement with International Financial Reporting Standards (IFRS), as adopted by the EU.

Glanegg, November 25, 2010

The Managing Board of HIRSCH Servo AG



Kurt Hirsch

Spokesman of the Managing Board
with responsibility for the
Technology Segment



DI Siegfried Wilding

Chief Financial Officer and member of
the Managing Board with responsibility
for the EPS Processing Segment

Outlook

In the EPS Processing business segment, we expect demand to continue to recover and the market situation to improve during the current business year. The Packaging division in particular is currently registering a rise in demand from existing customers and therefore an improvement in capacity utilization.

As there appears to be a general improvement in the economic environment, the positive trend can be expected to continue in the Technology business segment. Testifying to the encouraging trends was the highly successful response to the plastics trade show held in Dusseldorf, Germany from October 27 through November 3, 2010. It resulted in a large number of orders being signed during what is the most important fair for the industry.

In the period under review, we agreed with our most important banks to prolong the existing standstill period, which means that we can defer repaying long-term loans until June 30, 2011 and short-term loans until December 31, 2011. We have therefore adjusted the dates for the financial liabilities shown as at September 30, 2010 to the new standstill period.

Having prolonged the standstill period with our most important banks and aiming for improved business development compared with the previous year, we trust there will be adequate liquidity until the end of the fiscal year from today's perspective.

To implement the HIRSCH Servo Group values to a greater extent, we are intending to take action that will strengthen the capital base in the course of the business year, subject to approval at the Annual General Meeting.

Given the improved economic environment and the cost savings achieved, the company expects to see a turnaround in the 2010/11 fiscal year.

1st Quarter 2010/11

EPS Processing

The **EPS Processing business segment** with the two divisions EPS Packaging and EPS Insulation reported an 18 percent increase in sales to € 21.3 million for the period under review (PY: € 18.0 million). This is firstly due to the rise in sales prices because of higher raw material prices than in the previous year and secondly to greater volumes, especially in the Packaging division. The EBIT grew to € 1.42 million (PY: € 0.75 million) and the POA to € 1.04 million (PY: € 0.51 million).



Sales and profit trends

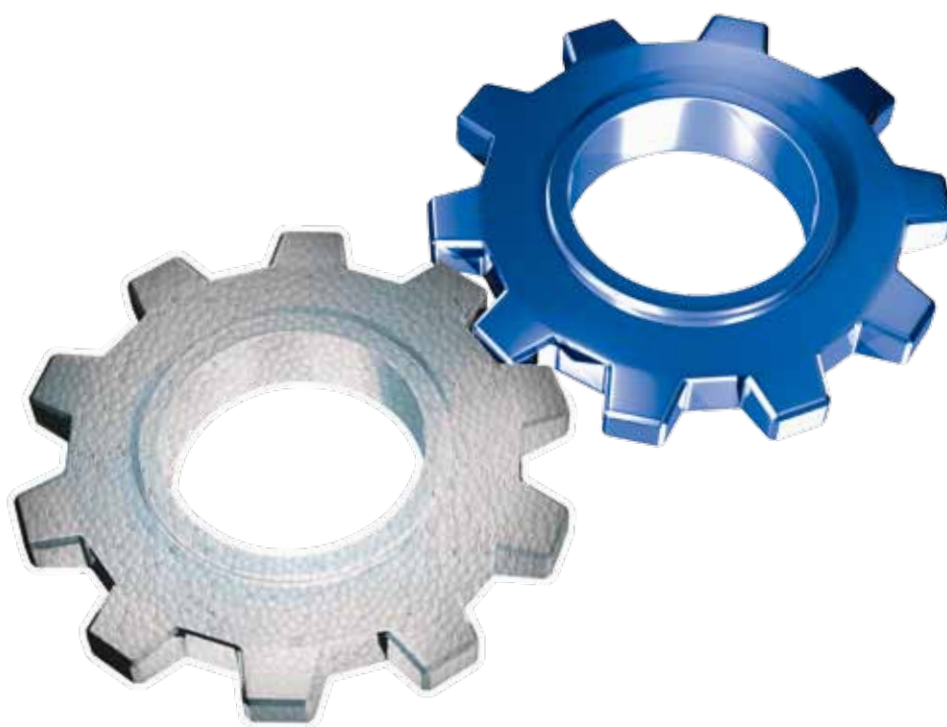
■ EPS Processing business segment

	1 st Quarter 2009/10 in € mill.	1 st Quarter 2009/10 in € mill.	Change in %
Sales	18.0	21.3	18
EBIT	0.75	1.42	89
POA	0.51	1.04	104

1st Quarter 2010/11

Technology

In the **Technology business segment** sales in the first quarter of the 2010/11 fiscal year climbed to € 3.8 million (PY: € 1.7 million). As restructuring costs still have to be paid, the increase in sales did not have a proportional impact on the results. The EBIT totaled minus € 0.5 million for the period (PY: minus € 0.74 million) and POA improved slightly but constantly to minus € 0.62 million (PY: minus € 0.85 million).



Sales and profit trends	1 st Quarter	1 st Quarter	Change
■ Technology business segment	2009/10	2010/11	in %
	in € mill.	in € mill.	
Sales	1.7	3.8	122
EBIT	- 0.74	- 0.50	-
POA	- 0.85	- 0.62	-

1st Quarter 2010/11

Logistics

Integrating the **Logistics business segment** into the EPS Processing and Technology segments on June 30, 2010 led to cost savings and therefore a reduction in the negative operating profit (EBIT) for the first quarter of the current fiscal year to minus € 0.13 million (PY: minus € 0.92 million). The POA was minus € 0.18 million (PY: minus € 0.97 million).



Sales and profit trends	1 st Quarter 2009/10 in € mill.	1 st Quarter 2010/11 in € mill.	Vdg. in %
■ Logistics business segment			
Sales	0.0	0.0	–
EBIT	– 0.92	– 0.13	–
POA	– 0.97	– 0.18	–

Balance Sheet

	30. 6. 2010	30. 9. 2010
	T€	T€
Assets		
A. Non-current assets		
Intangible assets	3,135	2,971
Property, plant and equipment	40,109	39,625
Investment property	1,327	1,318
Financial assets	0	0
Deferred tax assets	3,374	3,432
Receivables and other assets	319	191
	48,264	47,537
B. Current assets		
Inventories	11,424	11,937
Receivables and other assets	22,501	22,138
Cash and cash equivalents	2,859	3,846
	36,784	37,920
C. Assets classified as held for sale		
Assets classified as held for sale	618	618
	618	618
Total Assets	85,666	86,075

	30. 6. 2010	30. 9. 2010
	T€	T€
Equity and Liabilities		
A. Equity		
Capital Stock	3,635	3,635
Additional paid-in capital	7,707	7,707
Treasury Stock	– 66	– 66
Translation reserve	– 361	– 169
Retained earnings	– 6,126	– 6,025
	4,789	5,082
B. Non-current liabilities		
Long-term borrowings	8,903	60,257
Deferred tax liabilities	293	321
Provisions for severance compensation and service anniversary bonuses	2,750	2,876
Public subsidies	962	914
	12,908	64,368
C. Current liabilities		
Short-term borrowings	50,454	1,608
Provisions for taxes	54	167
Other provisions	468	544
Trade payables and other liabilities	16,810	14,122
Public subsidies	183	184
	67,969	16,625
Total Equity and Liabilities	85,666	86,075

Income Statement

	7 – 9/2009	7 – 9/2010
	T€	T€
1. Revenues	19,695	25,065
2. Increase or decrease in inventories	251	659
3. Own work capitalized	145	4
4. Other operating income	189	397
5. Cost of materials and services	– 11,103	– 15,764
6. Personnel expenses	– 4,671	– 4,438
7. Depreciation and Amortization	– 1,657	– 1,503
8. Other operating expenses	– 3,756	– 3,636
9. Operating profit	– 907	784
10. Financial costs	– 556	– 672
Interest income / expense	19	4
Income / expense arising from securities	0	9
Currency translation gains / losses	135	108
11. Profit before tax	– 1,309	233
12. Income taxes	– 24	– 132
13. Profit after tax	– 1,333	101
Thereof attributable to:		
Shareholders of parent company	– 1,333	101
Minority interests	0	0
Earnings per share (basic and diluted)	– 2.67	0.20
Average number of shares outstanding	499,042	499,042

Statement of Comprehensive Income for the First Quarter 2010/11

1. Profit/(loss) for the period	– 1,333	101
2. Other comprehensive income		
Currency translation adjustments from foreign companies	252	192
3. Total comprehensive income	– 1,081	293
Thereof attributable to		
Shareholders of the parent company	– 1,081	293
Non-controlling interests	0	0

Statement of Capital and Reserves

	7 – 9/2009	7 – 9/2010
	T€	T€
Equity 1. 7.	10,872	4,789
Profit/(loss) for the period	– 1,333	101
Other comprehensive income	252	192
Total comprehensive income after tax	– 1,081	293
Equity 30. 9.	9,790	5,082

Cash Flow Statement

	7 – 9/2009	7 – 9/2010
	T€	T€
Cash flow from operating activities	13	– 97
Cash flow from financing activities	291	1,365
Cash flow from investing activities	– 322	– 314
Change in cash and cash equivalents in the reporting period	– 18	953
Currency translation adjustment	26	34
Liquid assets as of 1. 7.	1,955	2,859
Liquid assets as of 30. 9.	1,963	3,846

Notes to Condensed Interim Consolidated Financial Statements

1. General

- 1.1. HIRSCH Servo AG is registered with the regional court in Klagenfurt, Austria, under registration certificate number FN 117300a. The company headquarters are at 9555 Glanegg 58.
- 1.2. The HIRSCH Servo Group mainly operates in the field of EPS system technology. One side is the **EPS Processing** business segment with the divisions EPS Packaging and EPS Insulation, which uses expandable polystyrene (EPS) to manufacture shape-molded parts for various applications. Another side is the **Technology** business segment, which develops machine technology for the EPS-processing industry and sells it worldwide. In addition, the Group manufactures and sells satellite plants for making ICFs used in the building industry and pallet plants.

2. Consolidated Companies

The following affiliated companies were included in the consolidated financial statements as at **September 30, 2010**:

Company	Head Office	30. 9. 2010 Share in %	30. 6. 2010 Share in %
Besitz- und Vermietungs GmbH, Glanegg	Austria	99.97	99.97
GGB-Global Green Built GmbH, Glanegg	Austria	99.97	99.97
Global Green Pallets GmbH, Glanegg	Austria	99.97	99.97
HIRSCH Italia S.r.l., Albavilla	Italy	99.97	99.97
HIRSCH Maschinenbau GmbH, Glanegg	Austria	99.97	99.97
HIRSCH Porozell GmbH, Glanegg	Austria	99.97	99.97
HIRSCH Porozell Kft., Sárvár	Hungary	99.97	99.97
HIRSCH Porozell S.r.l., Cluj-Napoca	Rumania	99.97	99.97
HIRSCH Porozell Sp. z o.o., Wrocław	Poland	99.97	99.97
Polyform s.r.o., Podolíneč	Slovakia	99.97	99.97
Thermozell Entwicklungs- und Vertriebs GmbH, Glanegg	Austria	99.97	99.97
HIRSCH USA Inc., Peachtree City	USA	99.97	99.97

3. Accounting Principles and Valuation Methods

3.1. Basis for Preparing the Financial Statements

The condensed interim consolidated financial statements for the first quarter of 2010/11 were prepared as defined in IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements are shown in thousands of euros. There may be rounding differences as a result.

The HIRSCH Servo Group's condensed interim consolidated financial statements do not include all the information and figures required for year-end consolidated financial statements and must therefore be read in connection with the consolidated financial statements as at June 30, 2010.

3.2. Auditor Review Waiver

The condensed interim consolidated financial statements for the HIRSCH Servo Group did not undergo full auditing or a review by the auditor.

3.3. Primary Accounting Methods

The interim consolidated financial statements for the HIRSCH Servo Group as at September 30, 2010 were prepared on the basis of the International Financial Reporting Standards (IFRSs) and interim financial reporting regulations (IAS 34) as adopted by the European Union.

4. **Scope of Discretion and Estimates**

Please refer to the HIRSCH Servo Group's consolidated financial statements as at June 30, 2010 regarding discretionary decisions and uncertainties arising from estimates.

5. **Seasonality**

EPS Packaging and EPS Insulation are subject to seasonal and cyclical fluctuations. The HIRSCH Servo Group's earnings situation partly depends on the weather conditions. Insulation sales tend to be seasonal like the construction materials industry. Refrigerator packaging, for example, is primarily required in spring and summer.

6. **Notes to the Consolidated Balance Sheet**

Compared with June 30, 2010, the balance sheet total was up from € 85.7 million to € 86.1 million. On the asset side, the rise is due to increased inventories and cash holdings. Given the positive results for the first quarter of 2010/11 and the currency losses down from € 4.8 million the previous year to € 5.1 million, equity increased and the equity ratio rose to 5.9 percent (June 30, 2010: 5.6 percent). Borrowed funds were at a similar level to last year at € 81.0 million (PY: € 80.9 million).

7. **Notes to the Income Statement**

Sales revenue was up 27.4 percent from the same period the previous year to € 25.1 million (PY: € 19.7 million). The EBIT was € 0.8 million (PY: minus € 0.9 million). What accounted for the increase in addition to the higher contribution margin were lower staff costs and depreciation. Higher financing expenditure led to a slight decline in the financial results from the previous year. The profit on ordinary activities totaled € 0.2 million, which was € 1.5 million higher than the figure for the same period last year (PY: minus € 1.3 million).

8. **Notes to the Cash Flow Statement**

Despite the positive earnings before tax, negative cash flow from operating activities of minus € 0.1 million (PY: € 0.01 million) was achieved in the first quarter of the year mainly as a result of reduced trade payables. Cash flow from financing activities was € 1.4 million (PY: € 0.3 million) and cash flow from investing activities minus € 0.3 million (PY: minus € 0.3 million).

9. **Events After the Balance Sheet Date**

No significant events occurred between the reporting date for the HIRSCH Servo Group's condensed interim consolidated financial statements (September 30, 2010) and their publication.

10. **Statement by All Authorized Representatives**

We certify that to the best of our knowledge the condensed interim consolidated financial statements as at September 30, 2010 prepared in accordance with the applicable financial reporting standards give as true and fair a view as possible of the group's net assets, financial position and results of operations, and important events during the first three months of the fiscal year and their impact on the condensed interim consolidated financial statements regarding the main risks and uncertainties in the remaining nine months of the fiscal year.

November 25, 2010

The Managing Board of HIRSCH Servo AG



Kurt Hirsch

Spokesman of the Managing Board
with responsibility for the
Technology Segment



DI Siegfried Wilding

Chief Financial Officer and member of
the Managing Board with responsibility
for the EPS Processing Segment

Stock Market Indicators

		7 – 9/2009	7 – 9/2010
Closing price as of 30. 9.	€	49.50	31.20
Market price – high	€	51.00	31.70
Market price – low	€	31.75	29.31
Average price	€	40.93	29.97
Market capitalization as of 30. 9.	T€	24,750	15,600

Development of the share price from 1st July 2010 to 30th September 2010 in €



Grafic Vienna Stock Exchange

Capital Market Information

Financial Calendar

Feb. 25, 2011:	Report on the first half of 2010/11
May 31, 2011:	Report on the third quarter of 2010/11
Oct. 28, 2011:	Report for the financial year 2010/11
Oct. 28, 2011:	Press and analysts conference on results for 2010/11

Information on the HIRSCH Servo Share

ISIN: AT0000849757

Type of stock: bearer shares

Share capital: 3,635,000 €

Number of shares as of September 30, 2010: 500,000

Traded on: Vienna Stock Exchange, Stuttgart Stock Exchange and Berlin-Bremen Stock Exchange

Indexes: WBI (Vienna Stock Exchange Index)

Ticker symbol on the Vienna Stock Exchange: HIS

Reuters Symbol: HISE.VI

Bloomberg Symbol: HIS:AV

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

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