

EPS SUSTAINABLE PROTECTION

Expanding **WITH IDEAS** ...

Key Indicators		1 st – 3 rd Quarter 2012/13	1 st – 3 rd Quarter 2013/14	Change in %
Sales	T€	62,527	63,984	2
Operating profit (EBIT)	T€	– 2,022	1,137	–
Profit before tax	T€	– 3,786	– 401	–
Profit after tax	T€	– 3,657	– 290	–
Cash flow from operating activities	T€	2,622	4,252	–
Investments	T€	1,055	2,129	102
Employees (average for the year)	Pers.	575	547	– 5

- Group sales up 2% and significantly improved results over same period last year
- Revenue slightly higher in EPS Processing; EBIT much improved
- 9% increase in revenue in Technology segment; negative EBIT as fixed costs up
- New majority shareholder since early April
- Slight upward trend anticipated by end of current financial year

1st to 3rd Quarter 2013/14

Intro

Report for the first
three quarters
2013/14

HIRSCH Servo 

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1st to 3rd Quarter 2013/14

HIRSCH Servo Group

Although the market environment was still volatile, total revenue for the **first nine months of fiscal 2013/14** reached €64.0 million, two percent higher than in the same period the previous year (PY: € 62.5 million). The **EPS Processing business segment** managed to compensate almost entirely for the lower sales volumes – above all in the first six months – mainly due to the mild winter in Europe, with the result that sales were slightly higher year on year at € 53.6 million (PY: € 53.1 million). Lower operating fixed costs due to the current cost-cutting program and the EPS+500 efficiency improvement program, adjusted intercompany charges, reduced depreciation and amortization, and the insurance payment following the fire damage at the Glanegg plant on July 21, 2013 all in all, however, led to a much improved operating result (EBIT). In the **Technology business segment**, revenue in the first three quarters was nine percent up year on year, but EBIT was lower because of higher fixed costs, primarily one-off marketing expenses and adjusted intercompany charges that were higher than in the same period the previous year.

Having taken over the Swiss company Lifemotion S.A., which holds 51 percent of HIRSCH Servo shares, and purchased some 11 percent of the shares from Kurt Hirsch Holding GmbH, the Austrian company Herz Beteiligungs Ges.m.b.H became HIRSCH Servo AG's new majority shareholder with around 62 percent on April 4, 2014.

The Group result still includes high expenses for legal and consultancy fees in connection with the measures aimed at strengthening the capital base. EBIT was € 1.14 million (PY: minus € 2.02 million) and the profit on ordinary activities (POA) minus € 0.40 million (PY: minus € 3.79 million).

Sales and Earnings trends	1 st – 3 rd Quarter 2012/13 in € mill.	1 st – 3 rd Quarter 2013/14 in € mill.	Change in %
Sales	62.5	64.0	2
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	53.1	53.6	1
■ Technology business segment	9.5	10.3	9
■ Logistics business segment	0.0	0.0	–
Other activities	0.0	0.0	–
Operating Profit	– 2.02	1.14	–
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	– 2.17	1.62	–
■ Technology business segment	0.15	– 0.45	–
■ Logistics business segment	– 0.01	– 0.01	–
Other activities	0.00	– 0.02	–
Profit before tax	– 3.79	– 0.40	–
■ EPS Processing business segment (■ EPS Packaging / ■ EPS Insulation)	– 3.71	0.34	–
■ Technology business segment	– 0.07	– 0.70	–
■ Logistics business segment	– 0.01	– 0.01	–
Other activities	0.00	– 0.03	–
Employees (annual average)	575	547	– 5

1st to 3rd Quarter 2013/14

HIRSCH Servo Group

The **profit or loss for the period** improved to minus € 0.29 million (PY: minus € 3.66 million). The **net loss** was minus € 19.2 million (June 30, 2013: minus € 19.2 million).

The **equity ratio** decreased to 1.0 percent (June 30, 2013: 1.3 percent).

At the reporting date March 31, 2014, the HIRSCH Servo Group employed 548 **people** (PY: 561). The payroll fell by five percent to 547 on average for the year (PY: 575).

Investments in the first nine months of the current financial year totaled €2.1 million (PY: € 1.1 million). They mainly included replacements that proved necessary, particularly in connection with the fire damage. Primarily aiming to ensure liquidity, Management plans to continue restricting investing activities in the last quarter of the current financial year.

Changes did not occur in the **contingent liabilities and contingent claims** shown in the 2012/13 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 2012/13 annual report.

Outlook

Management anticipates an improvement in the general economic situation in the medium term for operations. In addition, they also reckon that the geographical location of the HIRSCH Servo Group's plants in Eastern Europe is crucial to future growth in sales volumes for the Packaging division as they expect Western European companies to increasingly relocate manufacturing facilities to Eastern Europe.

Since there is still a large number of old buildings in very poor condition in terms of energy efficiency and the construction industry is likely to recover in the medium term, Management is counting on a rise in demand and consequently volumes. Furthermore, the first signs of structural adjustments slowly taking effect, such as doing away with uneconomical capacity, are becoming apparent.

The Technology segment is therefore optimistic that the promising trends emerging from the positive economic signals in Europe and the United States, the resultant greater willingness to invest, and the fact that Asian EPS processors are increasingly turning to high quality European processing technology will continue. Implementation of the efficiency improvement and restructuring measures (including concentrating sales activities in Austria), which were started in the second half of 2013/14, should be completed by the first quarter of the coming 2014/15 financial year.

Furthermore, a new financing structure was negotiated with the core banks. Implementation is expected in the course of the current financial year.


The new majority shareholder has also announced it will support measures to strengthen the equity ratio.

1st to 3rd Quarter 2013/14

EPS Processing

In the period under review, the **EPS Processing business segment** with the two divisions EPS Packaging and EPS Insulation reported that sales revenue was slightly higher at € 53.6 million (PY: € 53.1 million). It managed to compensate almost entirely for the lower volumes, above all in the first six months, mainly due to the mild winter in Europe. Lower operating fixed costs as a result of the current cost-cutting program and the EPS+500 efficiency improvement program, adjusted intercompany charges, reduced depreciation and amortization, and the insurance payment following the fire damage at the Glanegg plant on July 21, 2013 all in all, however, led to much improved EBIT of € 1.62 million (PY: minus € 2.17 million). Lower interest expenses than the previous year caused an improvement in profit on ordinary activities (POA) to € 0.34 million (PY: minus € 3.71 million).

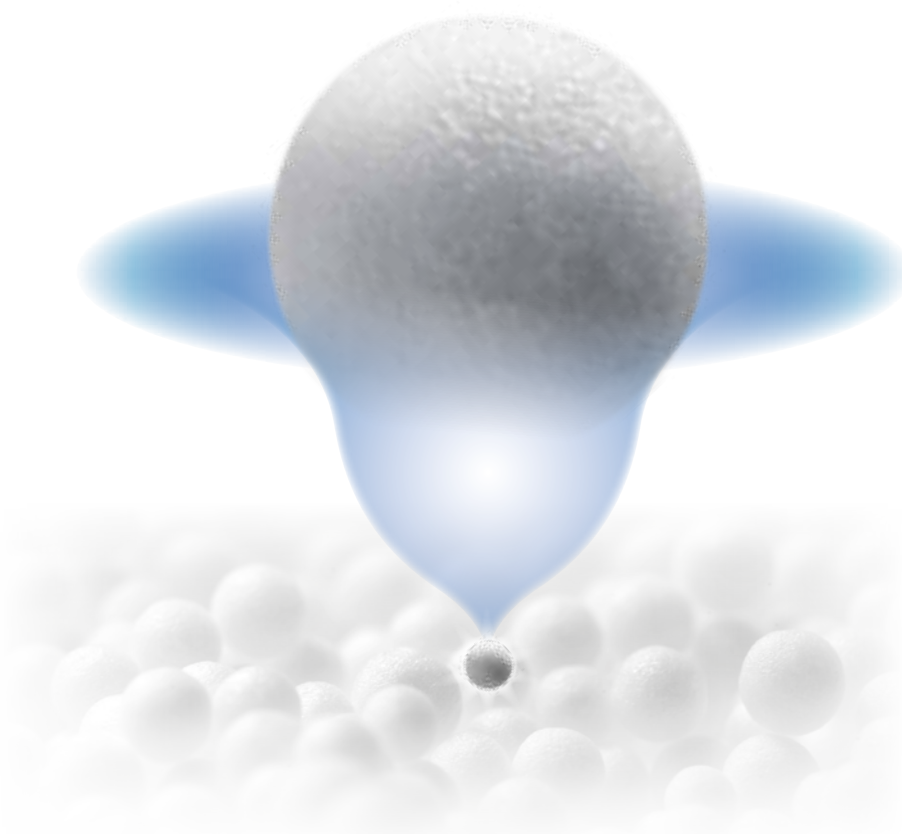


Sales and Earnings trends	1 st – 3 rd Quarter	1 st – 3 rd Quarter	Change in %
 EPS Processing business segment	2012/13 in € mill.	2013/14 in € mill.	
Sales	53.1	53.6	1
Operating Profit	– 2.17	1.62	–
Profit before tax	– 3.71	0.34	–

1st to 3rd Quarter 2013/14

Technology

Sales revenue in the **Technology business segment** showed an increase of some nine percent over the same period the previous year to € 10.3 million (PY: € 9.5 million). The sales revenue in the period under review may have been higher than the same period the previous year, but still remained at a very low level with the order situation at HIRSCH Italia S.r.l. not developing as budgeted. Due to higher fixed costs, primarily from one-off marketing expenses (for K – the world's largest plastics fair in Düsseldorf) and adjusted intercompany charges that were higher year on year, EBIT was lower than the previous year at minus € 0.45 million (PY: € 0.15 million). The POA was minus € 0.70 million (PY: minus € 0.07 million).



Sales and profit trends	1 st – 3 rd Quarter 2012/13 in € mill.	1 st – 3 rd Quarter 2013/14 in € mill.	Change in %
■ Technology business segment			
Sales	9.5	10.3	9
Operating Profit	0.15	– 0.45	–
Profit before tax	– 0.07	– 0.70	–

Balance Sheet

Report for the first
three quarters
2013/14

HIRSCH Servo 

	30. 6. 2013	31. 3. 2014
	T€	T€
Assets		
A. Non-current assets		
Intangible assets	1,237	1,166
Property, plant and equipment	40,566	39,716
Investment property	1,142	1,120
Deferred tax assets	360	487
	43,305	42,489
B. Current assets		
Inventories	10,669	10,627
Receivables and other assets	17,837	18,471
Cash and cash equivalents	1,719	6,742
	30,225	35,840
C. Assets as held for sale		
Assets held for sale	94	94
	94	94
Total Assets	73,624	78,423

	30. 6. 2013	31. 3. 2014
	T€	T€
Equity and Liabilities		
A. Equity		
Capital Stock	3,635	3,635
Additional paid-in capital	7,707	7,707
Treasury shares	– 66	– 66
Revaluation reserve	9,476	9,200
Translation reserve	– 571	– 470
Accumulated profit/loss	– 19,191	– 19,209
	990	797
B. Non-current liabilities		
Non-current financial liabilities	27,671	30,926
Deferred tax liabilities	1,156	1,075
Provisions for severance compensation and service anniversary bonuses	3,209	3,475
Government grants	609	555
	32,645	36,031
C. Current liabilities		
Current financial liabilities	26,091	23,288
Income tax payable	507	568
Trade payables and other liabilities	13,325	17,673
Government grants	66	66
	39,989	41,595
Total Equity and Liabilities	73,624	78,423

Income Statement

	1 – 3/2013	1 – 3/2014	7/12 – 3/13	7/13 – 3/14
	T€	T€	T€	T€
1. Revenues	17,753	19,845	62,527	63,984
2. Increase or decrease of finished goods and work in progress	722	548	– 139	262
3. Own work capitalized	67	119	189	125
4. Other operating income	882	126	1,212	3,923
5. Cost of materials and services	– 12,144	– 12,893	– 39,861	– 40,747
6. Personnel expenses	– 3,926	– 4,085	– 11,983	– 12,255
7. Depreciation and Amortization	– 1,133	– 1,000	– 3,449	– 3,056
8. Other operating expenses	– 3,564	– 3,122	– 10,520	– 11,098
9. Operating profit/(loss)	– 1,345	– 463	– 2,022	1,137
10. Financial costs	– 540	– 507	– 1,749	– 1,542
income debtor warrant	5	4	15	7
interest income/expense	– 36	– 6	– 30	– 3
11. Profit/(loss) before tax	– 1,916	– 972	– 3,786	– 401
12. Income taxes	319	102	129	111
13. Profit/(loss) after tax	– 1,597	– 870	– 3,657	– 290
Thereof attributable to:				
Shareholders of parent company	– 1,597	– 870	– 3,657	– 290
Non-controlling interests	0	0	0	0
Earnings per share (basic and diluted) in €	– 3.20	– 1.74	– 7.33	– 0.58
Average number of shares outstanding	499,042	499,042	499,042	499,042

Statement of Comprehensive Income for the First to Third Quarter 2013/14

1. Profit/(loss) for the period	– 1,597	– 870	– 3,657	– 290
2. Other comprehensive income				
Amounts, which will be reclassified to the income statement in future periods, as appropriate:				
Currency translation differences from foreign companies	– 105	– 2	107	96
<i>Profit/loss before tax for the year</i>	– 105	– 2	107	96
Other comprehensive income, net of tax	– 105	– 2	107	96
3. Total comprehensive income, net of tax	– 1,702	– 872	– 3,550	– 193
Thereof attributable to:				
Shareholders of the parent company	– 1,702	– 872	– 3,550	– 193
Non-controlling interests	0	0	0	0

Statement of Capital and Reserves

	7/12 – 3/13	7/13 – 3/14
	T€	T€
Equity 1. 7.	5,974	990
Profit/(loss) for the period	– 3,657	– 290
Other comprehensive income	107	96
Total comprehensive income after tax	– 3,550	– 193
Equity 31. 3.	2,425	797

Cash Flow Statement

	7/12 – 3/13	7/13 – 3/14
	T€	T€
Cash flow from operating activities	2,622	4,252
Cash flow from financing activities	– 2,561	2,811
Cash flow from investing activities	– 868	– 2,051
Change in cash and cash equivalents in the reporting period	– 807	5,011
Currency translation differences	– 4	12
Cash and cash equivalents as of 1. 7.	3,006	1,719
Cash and cash equivalents as of 31. 3.	2,194	6,742

1 General

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4 Scope of Discretion and Estimates

Please refer to the HIRSCH Servo Group's consolidated financial statements as at June 30, 2013 regarding discretionary decisions and uncertainties arising from estimates.

5 Seasonality

Business in the EPS Processing Segment is subject to seasonal, economic and weather-based fluctuations. The seasonal curve is smoothed by diversification into the areas of EPS packaging and EPS insulating materials as well as the segmentation of packaging division products into appliance and electronics categories. In addition to macroeconomic factors, sales volumes of EPS insulation are significantly influenced by the weather. Long, cold periods and heavy snowfalls, above all in the spring, have a negative effect on sales volumes and increase the pressure on prices. In the Technology Segment, volumes are heavily dependent on the economy and the expectations of customers for future growth. Sales activities are organized with a regional focus in order to optimize the realization of opportunities through concentration.

6 Notes to the Consolidated Balance Sheet

The balance sheet total was € 78.4 million at March 31, 2014 (June 30, 2013: € 73.6 million). Equity fell to € 0.8 million and the equity ratio declined to 1.0 percent (June 30, 2013: 1.3 percent). Borrowed funds were up from June 30, 2013 to € 77.6 million (June 30, 2013: € 72.6 million).

As part of their restructuring activities, the Executive Board started negotiations in June 2013 with the core banks financing the Group on longer term renewal of the working capital credit lines beyond the balance sheet date of June 30, 2014. In connection with this, they also awarded a contract for externally validating the forecast on the Group's survival given in July 2013 and which formed the basis for the negotiations with the banks. In mid-September 2013 they concluded an agreement with the core banks on deferring the term loan repayment instalments until June 30, 2015, deferring the interest on the term loans and short-term credit lines until December 31, 2014, and maintaining the short-term credit lines until December 31, 2014. Furthermore, they also undertook to come to an agreement with the banks no later than June 30, 2015 on continuing refinancing together with a new repayment plan.

Another detail agreed with the core banks was that the Group will not be charged any compound interest for deferring interest payments. In addition, this agreement also includes a debtor warrant for the core banks' receivables amounting to €5 million, which was recognized in the first quarter of the 2013/14 financial year as a result of the arrangements with the banks in September 2013. When the Swiss company Lifemotion S.A. purchased 51 percent of the shares from Kurt Hirsch Holding GmbH on December 23, 2013, the core banks' receivables revived.

The terms of the financial liabilities shown at March 31, 2014 were adjusted to the financing plan.

Furthermore, a new financing structure was negotiated with the core banks. Implementation is expected in the course of the current financial year.

7 Notes to the Income Statement

Sales revenue totaled € 64.0 million, which was up on the same period the year before (PY: € 62.5 million). At € 64.2 million, operating income was higher than in the equivalent period the previous year (PY: € 62.4 million). Lower operating fixed costs, reduced depreciation and amortization, and the insurance payment following the fire damage at the Glanegg plant on July 21, 2013 led to improved EBIT of € 1.1 million (PY: minus € 2.0 million). A decline in financing expenditure gave rise to an improvement in the financial result over the previous year. The profit on ordinary activities came to minus € 0.4 million, thus showing an increase year on year (PY: minus € 3.8 million).

8 Notes to the Cash Flow Statement

In the first nine months of 2013/14, cash flow from operating activities was positive at € 4.3 million (PY: € 2.6 million). Cash flow from financing activities amounted to €2.8 million (PY: minus €2.6 million) and cash flow from investing activities minus € 2.0 million (PY: minus € 0.9 million).

9 Events after the Balance Sheet Date

No significant events occurred between the reporting date for the HIRSCH Servo Group's condensed consolidated interim financial statements (March 31, 2014) and their publication.

Glanegg, May 28, 2014

The Managing Board of HIRSCH Servo AG

Statement by the Managing Board

The Managing Board of HIRSCH Servo AG hereby certifies to the best of its knowledge and belief that these

- a) unaudited interim financial statements for the first three quarters of 2013/14 provide a true and fair view of the assets, earnings and financial position of the group in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU
- b) and that the group management report gives a true and fair view of the important events that have occurred during the first nine months of the financial year 2013/14 and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining three months of the financial year 2013/14 and of the major related party transactions to be disclosed.

Glanegg, May 28, 2014

The Managing Board of HIRSCH Servo AG



Siegfried Wilding

Member of the Board,
responsible for the
EPS Processing Business Segment



Harald Kogler

CEO,
responsible for the
Technology Business Segment

Stock Market Indicators

Report for the first
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HIRSCH Servo 

		7/12 – 3/13	7/13 – 3/14
Closing price as of 31. 3.	€	6.20	5.50
Market price – high	€	10.70	9.00
Market price – low	€	5.75	4.70
Average price	€	7.29	6.45
Market capitalization as of 31. 3.	T€	3,100	2,750

Development of the share price from 1st July 2013 to 31st March 2014 in €



Grafic Vienna Stock Exchange

Capital Market Information

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HIRSCH Servo 

Financial Calendar

Oct. 31, 2014: Report for the financial year 2013/14

Oct. 31, 2014: Press and analysts conference on results for 2013/14

Information on the HIRSCH Servo Share:

ISIN: AT0000849757

Type of stock: bearer shares

Share capital: 3,635,000 €

Number of shares as of March 31, 2014: 500,000

Traded on: Vienna Stock Exchange – Standard Market Auction,
Stuttgart Stock Exchange and Berlin-Bremen Stock Exchange – OTC

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, Thermozell® lightweight concrete products and transport pallets.

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