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Polytec

ANNUAL REPORT 2007

PLUS:
All the facts and figures about the POLYTEC GROUP

ACHIEVEMENTS, TARGETS, STRATEGY

CEO Friedrich Huemer about milestones and the next targets

- ✓ *Considerable increase of market value*
- ✓ *Successful acquisition of two companies*
- ✓ *Sales and earnings increased substantially*

POLYTEC GROUP

Key Figures

Income figures in EUR million[1]	2007	Change in %	2006	Change in %	2005
Group sales	665.0	26.6	525.2	4.6	502.0
Automotive Systems Division	369.3	-2.1	377.2	4.6	360.6
Automotive Composites Division	201.3	227.1	61.5	-0.4	61.8
Car Styling Division	74.7	11.9	66.8	5.5	63.3
Other segments/consolidation	19.6	-0.3	19.7	20.9	16.3
EBITDA	63.7	32.7	48.0	14.5	41.9
EBIT	41.0	35.6	30.3	21.0	25.0
Earnings before tax	38.7	41.6	27.3	26.5	21.6
Net income (after minorities)	37.3	100.6	18.4	28.0	14.4
EBITDA margin in %	9.6		9.1		8.4
EBIT margin in %	6.2		5.8		5.0
Net profit margin in %	5.6		3.5		2.9
ROCE in %	23.9		21.0		17.7

Balance sheet figures in EUR million	2007	Change in %	2006	Change in %	2005
Total balance sheet	445.0	59.6	278.9	8.0	258.3
Net debt	29.2	n.a.	4.2	n.a.	53.7
Net working capital	77.3	85.3	41.7	-18.9	51.4
Capital employed	203.6	45.2	140.3	-5.1	147.8
Asset ratio in %	32.7		37.6		41.1
Equity ratio in %	35.7		45.7		33.8
Gearing in %	18.4		3.3		61.5
Net debt to EBITDA	0.46		0.09		1.28
Net working capital to sales in %	11.6		7.9		10.2

Financial figures in EUR million	2007	Change in %	2006	Change in %	2005
Group cash flow from operating activities	-7.6	n.a.	48.4	188.5	16.8
Group cash flow from investing activities	-9.7	53.2	-20.7	-26.7	-16.3
Group cash flow from financing activities	23.6	510.5	3.9	411.5	0.8
Capital expenditures	26.7	22.8	21.8	3.7	21.0

Stock market figures in EUR	2007	Change in %	2006
Share price as of December 31	8.90	25.5	7.09
Year high	14.00		7.70
Year low	7.30		5.66
Earnings per share	1.66	93.0	0.86
Dividend	0.30[2]	20.0	0.25
Shares issued	22,329,585		22,329,585
Market capitalisation as of Dec. 31 in EUR million	198.7	25.5	158.3
Average daily turnover (in shares)[3]	145,920	16.0	125,789

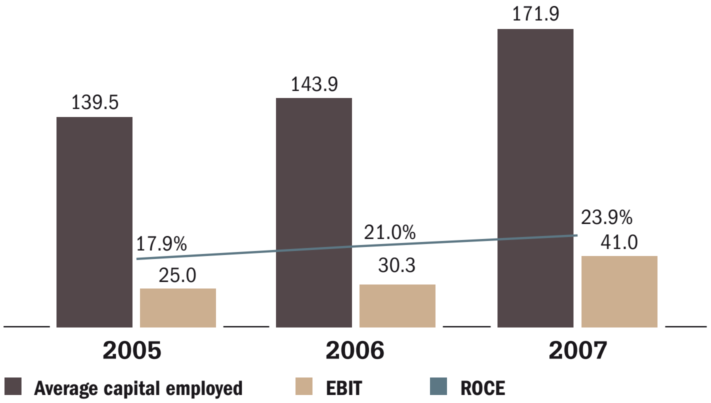
1 The consolidated financial figures of POLYTEC Holding AG for the full year 2007 include the result of Polytec Composites Germany starting with May 1, 2007 and the result of Polytec Intex starting with July 1, 2007.
2 Proposal to the Annual General Meeting
3 Double counted

POLYTEC GROUP Overview

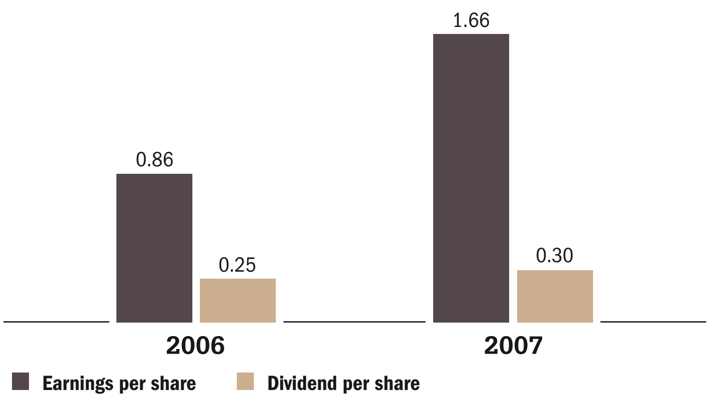
Facts on the divisions for 2007[1]	Automotive Systems	Automotive Composites	Car Styling
Sales in EUR million	369.3	201.3	74.7
Sales in % of group sales	55.5	30.3	11.3
EBITDA in EUR million	25.8	24.9	9.6
Employees (average period)	2,727	1,326	580
Number of sites	13	9	5
Divisional focus	Injection moulding and natural fibre based products	Exterieur parts for the truck industry and other composite parts	Mainly parts made in plastic, wide customer base
Customer base	High portion of premium customers	Strong customer base in the European truck business	Genuine accessories and special series for OEMs

[1] As, after the acquisitions from an annual view, both the sales and result of the division fall below the size limitations of IFRS 8, it is no longer required to describe the division separately.

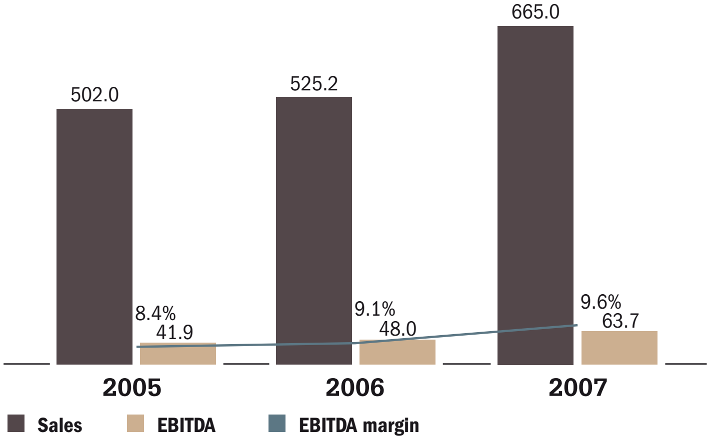
Development of profitability in EUR mill.



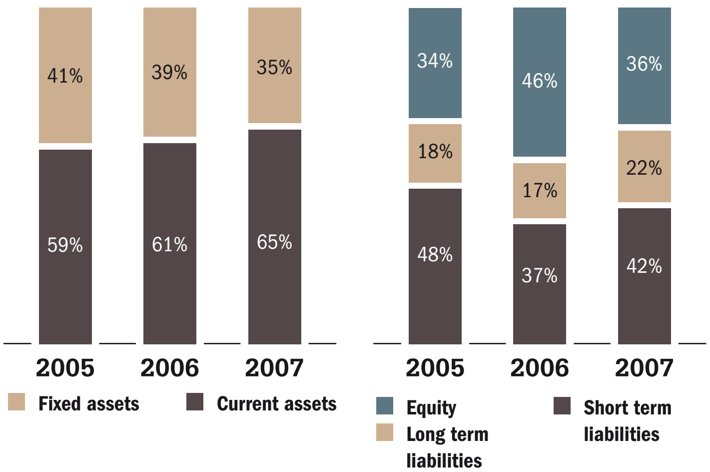
Earnings and dividend per share in EUR



EBITDA margin development in EUR mill.



Balance sheet structure



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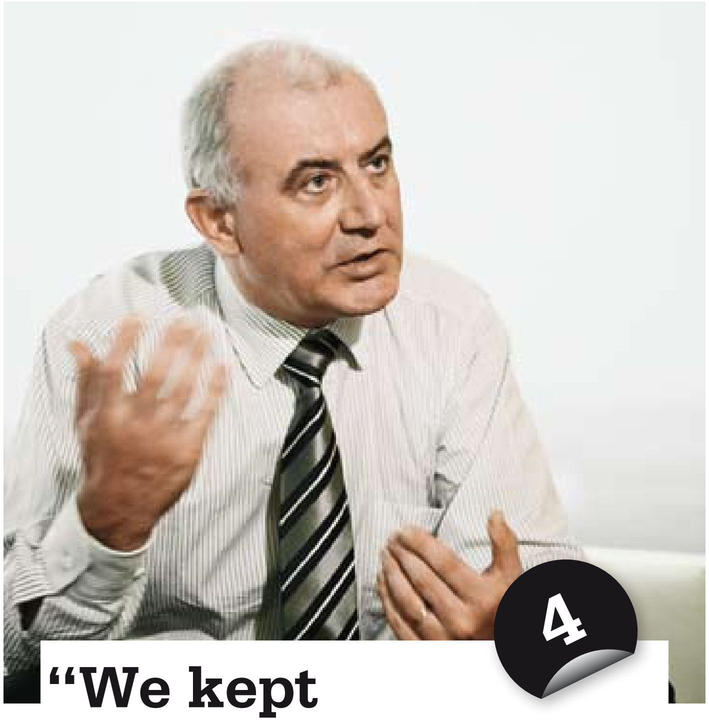

4

“We kept our promises”

This is what the Chief Executive Officer of POLYTEC, Mr. Friedrich Huemer says about the financing of potential acquisitions, kept promises of the past and promises for the future—and why the booming economic situation for trucks does not only provide advantages for the company.

6

Clear + Concise

Information concerning celebrated entrepreneurs, top sellers, ground-breaking new developments and rushing working students–stories that moved the company in 2007.

34

Questions to the Specialist

While other competitors are outsourcing, the POLYTEC GROUP is expanding the value-added chain. Karl Heinz Solly, deputy Chief Executive Officer of the POLYTEC GROUP explains why.

Compressed, painted, assembled

Local inspection of the new POLYTEC plants in Gochsheim and Rastatt: From the resin production to the assembly of headlights into the finished truck front bumper—everything will be accomplished on site.

CENTER-FOLD

Removable: Overview of all products and technologies of the POLYTEC GROUP (page 32).

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Dear Shareholder, Customer and Business Partner!

When questioned about my personal interests and hobbies, I have often told investors and the media that I have one hobby, and that is my job: I buy companies. Seen thus, I invested a great deal of time in my hobby in 2007.

The two acquisitions were the most important strategic result for the POLYTEC GROUP in the last business year. We could doubtless have made yet more acquisitions, did I not work on the firm principle that companies should be acquired at what I consider to be an appropriate purchase price or not at all. The POLYTEC GROUP's goal is not only to increase sales but also to achieve sustainable increases in value for our shareholders through strategic acquisitions.

The purchase of the moulding business of Menzolit-Fibron was concluded in the spring of 2007 after long and not always easy negotiations. This was an important strategic step for the Automotive Composites Division of the POLYTEC GROUP: we became the largest European automobile supplier in the field of moulded thermosetting plastic parts with a market share of over 20%. On account of the considerable losses sustained by this company, a wide-ranging package of measures was necessary in order to improve the profit situation. We can say with some pride that the end of the year saw the successful completion of the most important steps in this turnaround, a fact reflected in our results. The fine tuning will, however, remain one of our tasks for the current business year.

Compared to the acquisition of Menzolit-Fibron, the acquisition of ISE Intex proceeded more or less smoothly. This is perhaps all the more surprising considering that this company was purchased after twice being insolvent. There was a seamless transition from management by the liquidator to organisation and management by the POLYTEC GROUP, with neither delays in delivery nor loss of quality for the customer. This was, as customers confirmed, a superb achievement. From a strategic perspective, the ISE Intex product portfolio offers an ideal complement to the POLYTEC GROUP Automotive Systems Division. Pillars and window frames are excellent areas with which to complete the existing interior range. This acquisition allowed the company to enter the engine parts business for its customer BMW and gain its first orders for a complete greenhouse.

For a detailed breakdown of all events surrounding the integration and reorganisation of the two companies, please refer to the interview on page 16.

On an operational level, the situation for the automobile supply industry in 2007 remained anything but easy. Considerable rises in material costs, high energy prices ever higher wage settlements coupled with nevertheless undiminished pricing pressure from the OEMs posed a great challenge for our sector. As has been the case in previous years, the process of consolidation in the European automobile supply industry seems set to continue in 2008. In this tense environment, I see an opportunity for us to greatly develop our position and role as an active consolidator within the next few years by following strict economic and strategic criteria.

On account of our company‘s growth and development in 2007, I am once more able to report record results for 2007 in my position as key shareholder and Chief Executive Officer of the POLYTEC GROUP. We were once more able considerably to increase sales and profit: group sales increased by 26.6% to EUR 665.0 million. EBIT rose by 35.6% to EUR 41.1 million. It must, admittedly, be recognised that one-off effects from the acquisitions played a part in these excellent results; such effects however, stem from the fact that POLYTEC achieved initial and significant successes in the turnaround.

In terms of development in 2007, I personally was particularly encouraged by the fact that not only did the results and market position further improve in 2007 but the growth path embarked on by the POLYTEC GROUP around 20 years ago was in 2007 once more a profitable one. Testimony to this is yet a further increase in the return on capital employed (ROCE) from 21.0% in 2006 to 23.9% in 2007.

After the growth in sales in the 2007 business year, a further and considerable increase in sales to around EUR 800 million is also to be expected for the business year 2008. The firm pursuance of the turnaround process for our new acquisitions will be of particular importance to the 2008 results. Not even a confirmed optimist would believe that conditions in the sector will otherwise change significantly from those in 2007 outlined above. In this context, the target EBITDA margin of 8–10% will be difficult to achieve. This margin nevertheless remains Management's firm goal, even it will be a challenge for the current business year.

As the group results for 2007 were once more good, the board of directors will propose the award of a dividend of EUR 0.30 per share at the 8th annual general meeting on May 21, 2008 at the company's headquarter in Linz/Hörsching. After EUR 0.25 in the previous year, this constitutes an increase in dividend of 20%. The POLYTEC GROUP will thus once meet the demand to ensure shareholders share in the company's success, not only through a sustainable increase in the company value but also through an attractive dividend payment. We will continue to strive for this in future.

I would like to finish by thanking the supervisory board for its efficient handling of the current issues and my colleagues on the board of directors for close and productive cooperation. Many thanks must also go to all employees and the Management of POLYTEC for their work and dedication and the excellent results from the past business year.

In 2007, several of our customers proved that it is possible to meet suppliers more than half-way, even in critical situations. Fairness in action is the basis for common success in the future: this is to be taken as both a thank you and a plea. I ask for your understanding for speaking so openly. Addressing matters frankly and directly is characteristic of POLYTEC and will continue to be so in the future.

I would like to thank you, our valued shareholders, for the trust you have placed in us. We would ask you to remain with us and profit from our long-term growth targets. I hope you share my view that the time invested in my hobby in 2007 was a good investment.

Kind regards,

Friedrich Huemer
CEO POLYTEC GROUP

CLEAR +CONCISE

FACTS OF THE YEAR

26.6% the increase in sales of POLYTEC GROUP in 2007.

20.0% the increase of dividends which will be distributed for 2007.

Transparency: POLYTEC GROUP's open philosophy is also reflected in the floor to roof glass facade of its newly inaugurated headquarters.

Obviously transparent

When you approach the city of Linz on Bundesstrasse 1, you cannot fail to see the impressive new POLYTEC GROUP Headquarters. The four storey building completed in just 14 months, has 2,400 sq. m. of floor space for the offices of Senior Management, as well as providing exhibition space, meeting rooms and a cafeteria. Many important people attended its inauguration on 15 June 2007: Federal Minister, Maria Berger, and President of the Chamber of Economy, Christoph Leitl, all admired the building's transparent architecture alongside representatives from the Group's most important production sites in Germany, the United Kingdom, Poland, Sweden and Spain. POLYTEC GROUP's open and transparent philosophy is reflected in the floor to roof glass facade of its newly inaugurated headquarters. This new building became necessary as the old headquarters located in the building next door no longer met the company's requirements after its spectacular expansion in recent years.

Entrepreneur of the year

It was a glittering occasion, when 330 economic heavyweights gathered on 11 October 2007 in the Redoutensaal of Wiener Hofburg to elect Austria's Entrepreneur of the Year. The prize awarded by a high-calibre jury chaired by the Auditor Ernst & Young, honours "Entrepreneurs who, thanks to their personal commitment and willingness to take risks, contribute to the innovative power and competitiveness of Austria". One of the winners was the Chairman of the Board of Directors of POLYTEC Holding AG, Friedrich Huemer. The jury awarded Mr. Huemer the title of Entrepreneur of the Year in the category of Industry & Hightech. The jury said that "During the past twenty years, Huemer has, with great personal commitment, shaped a dynamic automobile supplier group from a small polyurethane company in Upper Austria."

Entrepreneur of the Year Friedrich Huemer: "Shaped, with great personal commitment, a dynamic Austrian group from a polyurethane company."

PLUS 25.5%

Even though the price losses suffered towards the end of the year—in the wake of the worldwide stock exchange crash—were severe: the first complete year of Polytec's share on the stock exchange ended favourably with an increase of 20%. Climbing from its initial price of EUR 7.09, the share—reaching, at its highest point, a price of more than EUR 14.00—before stabilising at approx. EUR 9.00.

Sales Drivers

An overview of all divisions and their development

AUTOMOTIVE SYSTEMS DIVISION
EUR 369.3 million (-2.1%)

AUTOMOTIVE COMPOSITES DIVISION
EUR 201.3 million (+227.1%)

CAR STYLING DIVISION
EUR 74.7 million (+11.9%)

Strong symbolic power

The sleek orange KTM X-Bow which, in addition to a wide range of products, was on display at POLYTEC GROUP's stand at this year's Internationale Automobilausstellung IAA, provided, a strong symbol of the Group's growing status. More symbolic for the strength of POLYTEC GROUP was it's location in this world renowned exhibition. For the first time in POLYTEC GROUP's history, the company was not in its usual location among the tuning and accessory providers, but had its stand in the hall of the supplier giants. "We are currently generating 86% of our sales as a Tier 1 supplier" says Marketing Director Karl Heinz Solly." Therefore, we have changed exhibition halls." The theme of POLYTEC's presentation was tailored to IAA's principle of "Sustainable Mobility": In addition to the "green" door cladding made from consisting of renewable natural fibre, the new oil separator coming from POLYTEC'S Creative Workshop was presented; this separator returns the residual oil produced in the motor to the sump thereby ensuring a significant reduction of contaminants and a reduction in oil consumption.

Sugar cane. This sweet plant becomes a "green" door.

No flax

What do sugar cane and a door panel have in common? Nothing—until recently.

Because, at the beginning of 2007, the engineers of POLYTEC GROUP used the waste of the sweet plant to develop a composite material which greatly outshines the epoxide resins and polyurethane used for car interiors both regarding price and capacities. The natural fibre composite POLYFLAX™ forming the basic material of the "green door" which was recently presented by the company is a mixture of sugar cane resins and the green flax of the plant. Compared to traditional materials, it reduces the component weight and the production costs as the expensive fleece laying process can be eliminated due to its high crash performance. "This green door is recyclable, of course, CO_2 neutral—and independent from the development of the oil prices", says Karl Heinz Solly, Marketing Board of POLYTEC GROUP. For many years, the material specialists of POLYTEC GROUP have dealt with the use of renewable resources. Composite materials made of natural fibres have already been used in the 3 series of BMW and in the BMW X3.

GREENHOUSE ['gri:nhaus]

Technical term for the combination of roof liner, window frame and pillars in the automotive industry. POLYTEC GROUP has been nominated as Greenhouse Supplier for the BMW X1 as a result of the acquisition of the product portfolio of Polytec Intex (see page 32).

Three, two, one—mine!

The acquisition of the component manufacturer ISE Intex sharpens the profile of Polytec Automotive Systems Division.

It was a rather unspectacular take-over for POLYTEC: Friedrich Huemer signed the agreement on the take-over of the business operation of the insolvent ISE Intex GmbH in the middle of 2007. The company develops and produces thermoplastic parts and modules for the automotive industry and achieved sales of EUR 110 million with 1,000 employees in four facilities. "This take-over is an excellent opportunity to extend our product range, in particular in the automotive interior sector" explains Reinhard Urmann, member of the Board of POLYTEC GROUP and responsible for the Automotive Systems Division. Most important customers of Polytec Intex are BMW (30% share in sales), Mercedes-Benz Car Group (28%), VW Group (21%) and GM Group (7%).

Production in the plant of ISE Intex: "Completes produce range."

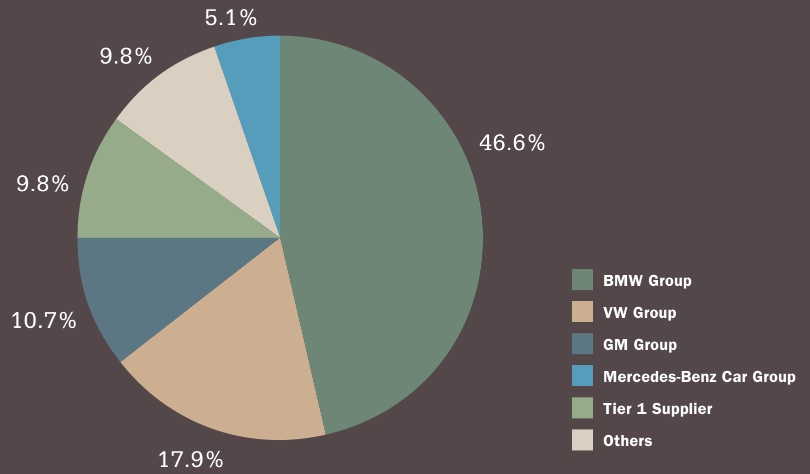
Compact

Oil separator POLYSWIRL: significantly more efficient—and more compact under the hood.

Significantly more efficient—and particularly compact, these are the characteristics of the new fine oil separator presented by the developers of POLYTEC GROUP in 2007. Until now, oil separators were voluminous components enabling air to escape from the engine. Oil droplets collect at the obstacles installed in the flow direction which will be led back to the engine. This reduces the emission of pollutants and the consumption of oil. With POLYSWIRL, the developers of POLYTEC were able to significantly reduce the amount of residual oil compared to traditional oil separators. And they optimised the design as well. As the Swirl is much more compact that its predecessor, this oil separator can be installed under the engine bonnet even if only little space is available. "That is a real break-through", says Karl Heinz Solly, Marketing Board of POLYTEC GROUP, "as the small foot print of the Swirl enables our customers to meet the new, higher safety provisions on collision protection."

Top Sellers 2007

Sales of Polytec Automotive Systems Division in 2007 according to customers



+7.0%

7.0% was the increase of the orders on hand of Automotive Systems Division—compared to the previous year.

Pit start

Did you know that genuine racing professionals work in the Polytec Automotive facility in Lohne? And that the company sponsors an entire racing team? Polytec Automotive Systems Division has been supporting the racing team of the Technical College in Diepholz competing in the Formula Student since 2005. This international event is the biggest and probably most successful racing series for young engineers. Student teams from all over the world rack their brains over single-seat race cars, their management and marketing, in cooperation with Airbus, the Honda Racing Formula 1 Team and Shell. The racing team from the mother country of automobilism has been competing since 2005, their car made its initial race on Hockenheimring in 2007.

The Formula Student racing team FHWT Diepholz: Polytec Automotive Systems Division is its proud sponsor.
from left to right: Tobias Rennung, Linda Schwerter, Christoph Rickelmann (Team FHWT Diepholz) with Christiane Ernst and Gottfried Uphaus (POLYTEC GROUP)

>20%

is Polytec Automotive Composites Division's share in the moulded thermosetting plastic parts market after the acquisition of Menzolit-Fibron with its facilities in Germany, Italy, Sweden, Slovakia and Turkey. This makes POLYTEC GROUP the market leader in this segment.

Volvo Powertrain: By taking over Menzolit-Fibron, the POLYTEC GROUP did not only land the order for oil pans.

"Incredibile!"

That was the short comment by Mr. Casales—even though it is not quite clear what exactly the managing director of Polytec Composites Italia found so incredible in this picture. Was it the Ferrari Technology Award, for which POLYTEC had been nominated during the Podio Ferrari 2007 or the test drive which the Italian made as co-driver of Felipe Massa in a brand-new Ferrari. Not only Mr. Casales was delighted by the former. Because, the fact that Polytec Composites Italia had been nominated by the top end manufacturer Ferrari for "the excellent quality level which POLYTEC was able to achieve within a short period of time" was an award in itself.

Mauro Casales in the Ferrari: POLYTEC's nomination for the Ferrari Technology Award for its excellent quality level.

Placed on detours

It can well be confirmed in the case of the POLYTEC customer Volvo Powertrain that you always meet twice in life: In the course of the new generation of diesel engines, the group searched for reliable development partners for oil pans and valve caps almost three years ago. The race for the order amounting to approx. EUR 16 million was run by the German supplier Menzolit-Fibron and the POLYTEC GROUP. Finally, the order was placed with both companies, an almost Solomonic decision. Menzolit-Fibron was supposed to become the single source supplier for oil pans, and the POLYTEC GROUP was supposed to become the single source supplier for valve covers. As, after months and months of developments, tool constructions and test productions, the serial delivery was started, nearly all delivery notes were printed with the logo of the POLYTEC GROUP. To be metaphorical, the order was placed with the Upper Austrian supplier taking a series of detours since with the takeover of the German technology leader Menzolit-Fibron the group did not only land this high-value order.

Powerful draught horse

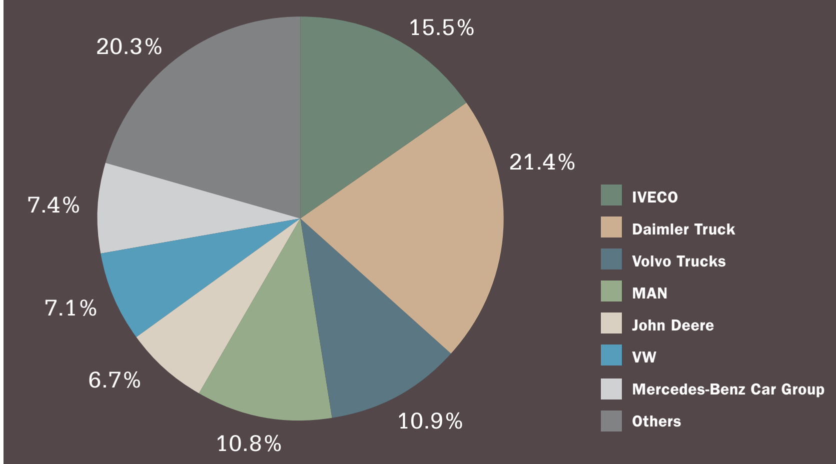
The acquisition of the composites manufacturer Menzolit-Fibron made POLYTEC GROUP the market leading supplier for moulded thermosetting plastic parts. New, famous contractors are now our customers.

The blacksmith John Deere with his business somewhere in the American province probably never dreamed that the successor models of his "first self-cleaning steel plough" might one day conquer the world under his name. Still: the tractor range by John Deere, currently market leader in many countries, has significantly extended the production range of POLYTEC GROUP after the acquisition of the composite manufacturer Menzolit-Fibron. Polytec Composites Germany produced cab roofs, mudguards, seat brackets for the combined harvester and exterior linings—and not only in Germany, but for John Deere's sites in India with a local partner, Mexico and Brazil as well. POLYTEC GROUP took over the parts production from Menzolit-Fibron on 1 April 2007. The company is recognised as the leading manufacturer of composites parts made of Sheet Moulding Compound (SMC) and Long Fibre Thermoplastics (LFT) in Europe. After the integration of the company in the Automotive Composites Division, POLYTEC has become the "One Stop Shop" for automotive and industrial applications. It covers the complete process chain for its customers, beginning from semi-finished products, via the development and construction, the production of prototypes to the production of pre-series and serial manufacturing, including painting and logistics. And another, not entirely unimportant, side-effect: the acquisition of the competitor made POLYTEC GROUP the market leading supplier of moulded thermosetting plastic parts to the truck industry in Europe.

John Deere tractors: this famous traditional brand is a new customer of POLYTEC.

Top Sellers 2007

Sales of Polytec Automotive Composites Division in 2007 according to customers



The new Audi TT with POLYTEC tuning

Daring

The new Audi TT seems to be a real daredevil. No wonder, as, in addition to side skirt trims and the back spoiler, it is equipped with several front and rear bumper accessories manufactured by POLYTEC. Available since the start of 2007.

74.7

million euros was Polytec Car Styling Division's sales last year. This makes POLYTEC GROUP the biggest European supplier in the car styling segment for genuine accessories.

Let there be light

The developers of Polytec Car Styling Division have a special innovation up their sleeves for this year. An illuminated entrance sill comprising an illuminated foil activated by voltage will, in future, beautify the interior of vehicles and serve as a practical help when getting in and out of the car. The speciality of this development: these entrance sills can emit any type of colour (and can so be tailored to the corporate design of the manufacturer)—thanks to their low voltage, they do not cause any interference with GPS devices or other audio and video devices installed in the car.

Innovative entrance sills: emit all colours and cause no interferences.

New milling machine in Linz: Keep an eye on quality with an increased own construction of tools.

Do it yourself

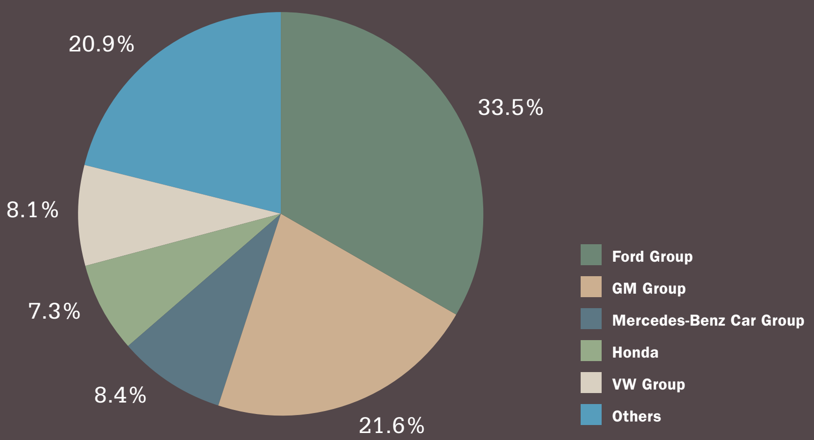
The Polytec Car Styling Division further invests in the development and construction of tools: With the procurement of the new Jobs HSC 5-axis milling machine in Linz, a team of 24 toolmakers of POLYTEC is now also able to produce steel tools for injection moulding. The plant in Linz has already been used to produce the aluminum tools for the polyurethane area of the entire Car Styling Division. “We intend to keep track with the quality of the end products by expanding our own tool manufacturing plants,” says Karl Heinz Solly, deputy CEO of the POLYTEC GROUP. Constructing these products on their own is a logical consequence: On the one hand, the company can use the know how of the division which has been developed over the last six years, and on the other hand, the strongly increasing demand of new forms can be covered more easily.

Meliorated

Not that a Land Rover Freelander actually needs to be meliorated – but the front and rear bumper parts, the lower side door cladding, the roof spoiler and the exhaust screen from the POLYTEC Styling Kit make it look even more noble and sportive.

Top Sellers

Sales of Polytec Car Styling Division in 2007 according to customers



DID YOU KNOW THAT …

… Polytec Car Styling Division was the first manufacturer of back spoilers including a third brake light in Europe?

… that, in 1995, Polytec Car Styling Division was the first provider in Europe to produce back spoilers with LED brake lights?

… Polytec Car Styling Division produced the first running board including an illuminated foil for off-road vehicles in Europe?

… Polytec Car Styling Division also offers entrance sills with illuminated foil?

POLYTEC GROUP Global

The POLYTEC GROUP manufactures and assembles at 27 locations worldwide[1].

- AUTOMOTIVE SYSTEMS DIVISION
- AUTOMOTIVE COMPOSITES DIVISION
- CAR STYLING DIVISION
- MINORITY HOLDINGS

GERMANY

POLYTEC HOLDING DEUTSCHLAND
GERETSRIED, 28 employees

POLYTEC AUTOMOTIVE
GERETSRIED, 178 employees

POLYTEC RIESSELMANN
LOHNE, 420 employees

POLYTEC RIESSELMANN
HODENHAGEN, 88 employees

POLYTEC RIESSELMANN
WOLMIRSTEDT, 61 employees

POLYTEC THERMOPLAST
IDSTEIN, 199 employees

POLYTEC INTEX NEW
MORSBACH, 167 employees

POLYTEC INTEX NEW
WALDBRÖL, 515 employees

POLYTEC INTERIOR
GERETSRIED, 193 employees

POLYTEC INTERIOR
EBERSDORF, 247 employees

POLYTEC INTERIOR
NORDHALBEN, 249 employees

POLYTEC INTERIOR
WACKERSDORF, 88 employees

POLYTEC COMPOSITES NEW
KRAICHTAL-GOCHSHEIM,
571 employees

POLYTEC COMPOSITES NEW
RASTATT, 249 employees

POLYTEC COMPOSITES NEW
CORNBERG, 91 employees

POLYTEC COMPOSITES NEW
VOERDE, 135 employees

GREAT BRITAIN

POLYTEC HOLDEN
BROMYARD, 245 employees

BELGIUM

POLYTEC AVO
SCHOTEN, 52 employees

PORTUGAL

INAPAL PLÁSTICOS
LECA DO BALIO, 432 employees
MINORITY HOLDING: 20%

SPAIN

POLYTEC INTERIOR
Zaragoza, 68 employees

[1] Representation including sales and development centres.

CANADA / USA

POLYTEC FOHA
MARKHAM,
5 employees

POLYTEC FOHA
WARREN,
17 employees

SWEDEN

POLYTEC COMPOSITES
LJUNGBY, 149 employees

POLAND

POLYTEC INTERIOR
TOMASZOW, 425 employees

AUSTRIA

POLYTEC FOR
HÖRSCHING,
278 employees

POLYTEC HOLDING
LINZ-HÖRSCHING
(HEADQUARTERS),
30 employees

SLOVAKIA

POLYTEC COMPOSITES NEW
TRNAVA, 163 employees

POLYTEC COMPOSITES NEW
SLADKOVICOVO,
76 employees

HUNGARY

RATIPUR AUTOFÉLSZERELÉS
KOMLÓ, 154 employees
MINORITY HOLDING: 35%

TURKEY

POLYTEC COMPOSITES NEW
PLASTIK AKSARAY,
154 employees

ITALY

POLYTEC COMPOSITES
MONDOVI, 269 employees

SOUTH AFRICA

POLYTEC INTERIOR
ROSSLYN, 82 employees

"We kept our promises"

Friedrich Huemer, Chairman of the Board of Directors of POLYTEC GROUP talks about the first complete year on the Vienna Stock Exchange, the financing of potential acquisitions, risky pricing tactics of customers—and why the boom in truck industry causes difficulties to the company's restructuring measures.

Mr. Huemer, POLYTEC Holding AG has completed its first entire year on the Vienna Stock Exchange—are you as a shareholder holding 30% of the shares satisfied with the performance at the capital market?

Friedrich Huemer: I'm actually very pleased with the performance, apart from the last two months in 2007. We've met our most important target which was to reach a price significantly exceeding the issue price. This is important to me and my personal responsibility as Chairman of the Board of Directors, as I've motivated shareholders to invest in POLYTEC GROUP during our roadshows. The price almost doubled prior to the turbulences at the capital market. And I believe that this development was justified: We've kept all our promises—actually exceeded some of them. The drop during the past weeks is a bitter experience, but understandable, as the markets are nervous and all major shares suffered severe losses. It is a normal reaction that sensitive industries such as the automotive supply industry are affected disproportional.

But—in view of its growth strategy—such negative news from the capital market should be beneficial for POLYTEC GROUP, don't you think?

That's correct. In this context, bad news are good news for us. The capital market conveyed that large part of the price drops at the stock exchange also results from the difficult financing conditions. This is were we have strengths, because we don't have problems with restrictive financing opportunities. Based on our history, our balance sheet structure, the stability and our acquisition discipline, we enjoy a very good reputation among banks. Even in the current financing crisis, we're still able to finance the acquisition of a healthy company with a sales volume of EUR 1 billion, in the short term.

Mr. Huemer, your stated objective for the medium term is to take over a competitor which is either as large as or even larger than your company. This wish didn't come true in the previous year …

If we had fully consolidated the two acquisitions, we would've developed from sales in the previous year of EUR 525 million to almost EUR 800 million. So, even though it is a wish of mine to take over a competitor which is as large or even larger than our company, I would never make it come true at all costs. We could be a company with sales of two to three billion Euros today, if I'd shown less discipline in my valuations. Negotiations with companies having the required size are being and were conducted. However, I believe that discipline in the determination of the purchase price is the most important criterion—to overpay EUR 50 million or EUR 100 million for a same-size competitor can make us pay dearly in the future. Growth for the sake of growth is not POLYTEC GROUP's strategy. At the end of the day, the purchase price is the most important element, besides the strategic importance. I must have a clear conscious that it is justified and that the risk remains manageable.

You obviously had a good feeling during the acquisition of Menzolit-Fibron. What motivated you to take over this loss-making competitor in the composites sector?

With Menzolit-Fibron we followed a classical strategy: the takeover of a company which is either competing with us or comes relatively close to our technologies. Composites parts in automotive manufacturing are a niche market with a sales volume of slightly more than EUR 1 billion in Europe. Consolidation and increase of synergy effects were and are necessary. Menzolit-Fibron having five sites in Germany, another two in Slovakia and one in Turkey excellently supplements our sites in Italy and Sweden. This acquisition made us number one with a market share in Europe of more than 20%, now it will not be easy to get around us. Until now, nobody has earned any money in this special market segment due to unreasonable competition, including some ruinous prices and conditions, therefore it's of special importance to achieve a certain market position.

"On the contrary: Banks are knocking on our doors."

FRIEDRICH HUEMER on possible difficulties to finance a major takeover in view of the current capital market conditions.

How is the turnaround of Menzolit-Fibron or Polytec Composites, as it is called now, coming along?

A detailed due diligence of the company on the level of the customer or products was impossible on account of the very significant losses of Menzolit-Fibron and its special position as a competitor. Immediately after the transaction, we had to find out, that prices and conditions with individual customers were far away from covering the arising costs. As it was impossible to break even in production costs at this level, for the first time in the history of POLYTEC, we had to ask customers for price increases and/or improvements of the conditions—an entirely new experience for me.

We've seen significant progress on an operative level, the operating performance was increased significantly with the same or, recently, a slightly reduced number of employees. External costs such as e.g. consulting, logistics and complaint costs were reduced significantly; however the figures are still not what we want them to be. Main reason is the huge demand in the truck sector.

Normally, one could not wish for better news in a restructuring phase, but the high utilisation takes us to the limits of our capacity. Discipline is very important for restructuring an unorganised company, but it's very hard to demand discipline when virtually each employee is needed and when the latter have been spoiled over the years but never really been challenged. In the past, the management was replaced by external consultants, a fact which I can absolutely not understand. It is a problem to newly recruit and motivate the management at reasonable costs in the current environment and so far we've, unfortunately, been unable to solve it. Therefore my conclusion: rough corrections have been

made; the fine tuning will start in the course of the current year—increase of the efficiency and quality as well as the use of the potential for synergies.

Have you, in this case, remained true to your principle that each of your acquisitions must make profits as early as in the first business year?

Yes. I've always stated clearly that we'll substantially increase our result—and that this will be achieved in 2007, in part, by one off effects from acquisitions. We've earned money with this acquisition as we've paid a relatively low purchase price based on the extremely bad earnings situation, however, we've taken over additional responsibilities to customers; responsibilities which the seller did no longer wish to bear for several reasons. And we've received a lot of substance in our company: sites, machines, know-how—and, last but not least, a significantly improved market position. We are now the biggest supplier in Europe. There is virtually only one significant competitor left who is also part of a listed company and has, in the end, the same objective, i.e. to earn money. But don't worry: that will certainly not make us lose our head in pricing.

What strategy is hidden behind the acquisition of ISE Intex which was the second in 2007?

This company is a classic supplement to our product mix—but was a competitor, too. Products such as textile injection moulded pillars and window frames supplement our classic products such as head liners and door panels—and thus enable us to offer OEMs a wider range of products. The company has so far been a competitor in the engine compartment, door panels and trunk trims. Furthermore, we'd been interested in acquiring the company after its first insolvency in 2004, however, ISE offered approx. double the price that we offered. Now, it's not only ISE Intex that is insolvent, but the entire ISE Group—which, by the way, confirms my strategy concerning discipline in acquisition prices. However, the essential background for this transaction was that the most important customers indicated to us and the insolvency administrator that they would welcome POLYTEC as the new owner.

How is the integration of ISE Intex going?

Much easier than that of Menzolit-Fibron—we don't require a top management of an independent unit, but only production sites and employees having the required know-how. It was also relatively simple to increase the classical potential for synergies, i.e. to merge sites without incurring closing costs as we did neither take over long-term rental agreements for external sites, nor the entire staff including all their long-term claims from the insolvency. This significantly accelerated the integration, of course. By the way, our customers were delighted how smooth the transition went. Some of them even thanked me personally after the successful take-over. During the insolvency of ISE Intex, they were constantly at risk of not receiving their deliveries, each day they had to worry whether they would receive parts of the correct quality, quantity and order. We were able to ensure deliveries during this turbulent phase.

It is your strategic objective to bring POLYTEC GROUP "at eye level" with major OEMs. How far is POLYTEC GROUP away from meeting this objective?

We might have achieved a very small step in that direction—but are far from eye level. The awareness of our company increased on the board level of our customers due to our recent acquisitions; my personal contacts with these levels are becoming more regular and in the meantime, we've reached a significant importance in individual segments such as e.g. composites or plastic parts for the engine compartment where I allow myself to claim that our customers might not easily want to do without us. However, in general, it would be presumptuous to say that we've made a substantial step in that direction. To use a metaphor again: we're currently trying to look our customers over the shoulder from time to time.

Can this big step—the doubling in size of POLYTEC GROUP—be expected during the current financial year?

We made a first step by acquiring a 10% stake in the German supplier group Grammer AG at the beginning of 2008. Our clear statement is: we wish to extend our stake in case of an appropriate valuation. However, we're currently conducting discussions about a possible takeover with some companies in the market. What counts, more than in the past, is that the company has a healthy substance and an overall good operative management—this is even the fundamental precondition for the takeover of a major company as we don't have sufficient management capacities left for a necessary turnaround after the two acquisitions made last year. And, it is only natural that other strategic targets such as product and customer structure as well as the geographic positioning must match, as well.

Does the next big acquisition aim at the geographic expansion of POLYTEC GROUP?

There are, unfortunately, not a great many candidates meeting these preconditions. But it is an important criterion when a potential takeover candidate has attractive production sites—in Eastern Europe or perhaps in China or Asia. Our presence in these regions is currently not very strong.

In view of the widening financial crises—are you not afraid to suffer the same fate as other growth candidates and to have to cancel a takeover due to lack of finances?

On the contrary. Several banks made promises to co-finance the acquisition of a company with a sales of up to EUR 1 billion. No doubt there. And we have another advantage thanks to our listing on the stock exchange: a capital increase after a major acquisition or own shares as acquisition currency as well as the issue of a corporate bond on the stock exchange are certainly conceivable. I'm by no means the family patriarch wishing for the current shareholder structure to be maintained forever. If the story is good enough—and if the market accepts it—I might certainly be willing to reduce my share in POLYTEC after a dilution by a capital increase.

"Our customers were excited. Some even thanked me personally after the successful takeover."

FRIEDRICH HUEMER on supply insecurities prior to the take-over of ISE Intex.

A duplication of POLYTEC GROUP will have far-reaching consequences. How do you want to prevent that the company takes on too much on an organisational level?

This is always a delicate subject in a strongly growing company. In the industry, we're known as a company that does not want to impose its current management on an acquired firm. It's part of our success to offer perspectives to the new management and to increase the responsibilities of individual members of this management. Motivated employees are an important criterion in the assessment of a company, and this should not change. When we buy a bigger company, we attempt to merge two management teams into one, to supplement the strengths of the one team with those of the other. At the end of the day, it's only natural that all positions are subject to renegotiation in such cases. This certainly opens up exciting perspectives for a good management coming from the target company.

Let's now talk about your customers: last year, you said that VW is specifically aggressive in their price policy—and mentioned BMW as a role model customer. Now the Bavarian company announced that it expects substantial price reductions from its suppliers. What does this statement by BMW mean for POLYTEC GROUP?

As I've been experiencing the capital market, as an investor but also as the Chairman of the Board of Directors, for a long time, I've actually expected this development. Many believe that this statement was brought about by the capital market which is openly criticising BMW's Board by saying: "BMW is always the most favourable customer of suppliers—there should be potential for savings". Personally, I find it rather questionable that BMW, which has been successful over many years with a certain philosophy towards its suppliers, now wishes to change its procurement policy and, in particular, its communication with suppliers so drastically. And to avoid any misunderstandings: BMW is not popular because suppliers are able to ask for high prices but because the company had a more reliable and fairer conduct with its suppliers compared to other OEMs. In our case—and I believe the same applies to our competitors—the price level with BMW does not exceed the level of its competitors. This fact alone shows that we do not have the potential to realise such general cost reduction ideas. And we know that our direct competitors only earn little or no money as well—therefore, I can't imagine that our industry in general will or is able to play along. My statements refer, in particular, to the interior segment. I could imagine that other segments, such as e.g. power train or electronics, might have a certain potential due to technical developments.

"In future, I wish to bring the company to a significantly different position than it is at the moment."

FRIEDRICH HUEMER on his personal future.

OEMs have been doing very well for some years. Do you get the feeling that some of this prosperity gradually reaches your company?

I have been cherishing this hope for two years now and have been reading the financial reports of OEMs for some time—and therefore hope that this shift in thinking will eventually come in phases of stable, even strongly increasing profits that we can only dream about. BMW's recent statement to suppliers is a certain setback, but I am still optimistic that it must come. There is simply no way that the good economic situation only reaches us in form of disadvantages: increased costs for energy, personnel, raw material, and we are supposed to continue reducing our prices while our customers make record profits—this is simply wrong. I still believe that there will be a shift in thinking, otherwise OEM would have to buy their insolvent suppliers.

Are you feeling pressured by OEMs to go to low-cost countries?

The pressure is high. Customers demand this with considerable brutality. More than once have we heard sentences such as "If you are unable to produce the product in a low-cost country, you don't have to offer it anymore". However, we are in a relatively acceptable cost situation. On the one hand, we were able to reduce the manual activities and thus the share of labour costs for our core products to a manageable proportion. On the other hand, we have acquired our companies in high-wage countries—such as Germany—for a relatively reasonable price and thus have relative low fixed costs which compensates for part of the higher wage costs on the variable level. As our logistics costs for core products such as e.g. door panels are rather high, we benefit from the fact that our production sites are located closely to our customers. But to have a higher share of production in low-cost countries is a consequent demand made by our customers—and, thus, naturally part of our acquisition strategy.

"This acquisition made us number one in the segment of truck supply in Europe. Now, it won't be easy to get around us."

FRIEDRICH HUEMER on the market position after the acquisition of the Composite manufacturer Menzolit-Fibron.

POLYTEC GROUP is no one-man show—but still: Friedrich Huemer plays a central role as regards strategy and acquisition. Shareholders might ask themselves: What happens if Mr. Huemer doesn't feel like doing it anymore?

The fact that I am the biggest shareholder of POLYTEC GROUP should be an assurance for any co-shareholder. I have no other plans for the near future—I wish to bring POLYTEC GROUP to a significantly different size category and thus increase its importance. But, I don't wish to cling to my desk as the family patriarch at the age of 65 and will therefore look for a successor at a reasonable time. When I get the feeling that someone in our team or in an acquired company is suited and will be able to do the job as well or better than me, than I'm willing to hand on this task and to take over some controlling position as core shareholder. I require much of my management team, but am able to criticise myself as well—and I'm not so delusional as to think that no one can do the job but me.

A very hypothetical question: do you wish your successor to be as dynamic in expanding your company as you are—or may that person also be a preserver?

I can image that the extreme growth curve will, at some time, go in the direction of a flatter expansion curve. This is a totally normal development; growth by acquisitions is no longer healthy beginning with a certain volume. If the few mega suppliers in existence bought each other, OEMs would scream and cartel authorities would take actions. But we still have some margin in view of our current size.

... enough margin for you, personally, in the next ten years?

That may well be. Let me give you an example: it took the supplier group Magna more than 30 years to cross the one billion dollar sales threshold. It took us only 20 years. Naturally, one billion Dollars are far less worth now than in the 80s and I don't want to imply anything—but, nothing is impossible. I don't make business plans five years ahead—if only for the fact that this would have to include plans for acquisitions and such can't be planned. We make relatively detailed plans for the group's key figures in the next two year to ensure personnel and financing—but this is it. Even if I were personally bored by not making acquisitions for two, three years: direction is more important than speed.


MAKE UP ARTIST
- CHANGING APPEARANCE
Astrid Böcker, product developer, POLYTEC AUTOMOTIVE SYSTEMS DIVISION
www.eigenart.co.at

Milestones of the POLYTEC GROUP

1986
Foundation of POLYTEC

Founded in **1986** by Friedrich Huemer and his wife in Grieskirchen, Upper Austria, as **POLYTEC Elastoform** with an initial order by the company Kässbohrer.

In **1990,** POLYTEC acquired the mechanical engineering company EMC Spritztechnik, Switzerland, which is transferred to Austria.

1995
Entry into the automotive industry

Interest of **60%.** in the major competitor of the POLYTEC Elastoform, Thelen in Bochum, Germany. Thus, the organization of the Industrial Division is concluded.

Acquisition of the FOR Kunststofftechnik GmbH in Hörsching, Upper Austria.

1996

Acquisition of Rentrop of Bertrand Seating in Hodenhagen, Germany as first injection molding company in the group.

1997

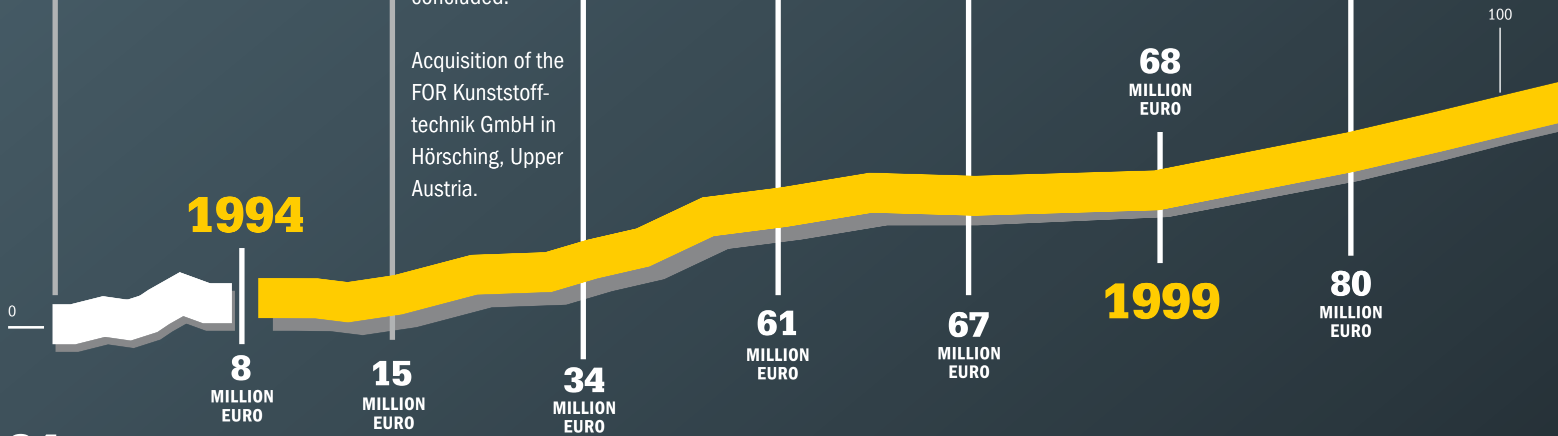
Acquisition of the company Holden Hydroman in Bromyard, Great Britain, as well as foundation of the Polytec Foha USA after a acquisition.

1998

First Full Year with **Polytec Holden** and **Polytec Foha USA**

2000

Entry of Capvis, Switzerland, as equity partner with an interest of **66%.**



2001

Acquisition of the two Composites companies of the **Lear Corporation** in Mondovi, Italy and Ljungby, Sweden—acquisition of the **company Avo** in Schoten, Belgium.

141 MILLION EURO

2002

Acquisition of two other injection molding companies in Germany, namely Thermoplast in Idstein and Riesselmann & Sohn in Lohne.

204 MILLION EURO

2003

Foundation of Polytec Automotive in Lohne as Sales and Engineering company in the Automotive Systems Division.

266 MILLION EURO

2004

Complete acquisition of the 25% interest in the Lohner Lackierwerk and new foundation of Polytec Plastics in Wolmirstedt as well as acquisition of Findlay Industries Europe with its seven locations in Germany, Spain, Poland and South Africa.

392 MILLION EURO

2005

First Full Year effect with the Lohner Lackierwerk, Polytec Plastics and Polytec Interieur (former Findlay Industries Europe).

502 MILLION EURO

2006

Initial public offering of the POLYTEC Holding AG

at the Vienna Stock Exchange on April 28, 2006 and parallel exit of Capvis. The issue price was

EUR 7.75/share.

525 MILLION EURO

2007

POLYTEC acquires Menzolit-Fibron with a total of six locations and an interest in Inapal Plasticos and becomes the

number 1 in the field of moulded thermosetting plastic parts production.

In the field of injection molding, the company ISE Intex is acquired with three locations; the company strengthens this field within the Automotive Systems Division.

665 MILLION EURO

2008

expected: 800 MILLION EURO

200 300 400 500 600 800

The current company names can be found under the participations on page 81.

Compressed, painted, assembled

From the preparation of the resin mix through to the production of the red truck front bumper complete with its pre-assembled headlights: how the Germany POLYTEC plant in Rastatt makes just-in-sequence deliveries to the biggest truck plants on the planet. A site visit.

1

Resin filler mix, the basic material of the front spoiler
Individual additives are added depending on the required processing time.

Hundreds of kilos of resin and styrene drop from the scales into the metal containers with a deafening sound. Then, it is quiet for a while. The only sound is the rhythmic noise made by the mixer. Workers then start to add solid matter—in a strictly specified order. “This needs to be stirred for 50 minutes”, explains the plant manager, Wolfgang Bickel, casting a critical look at the mixture of styrene, resin and chalk which will be stirred at exactly 32 degrees Celsius. He looks at the screen displaying the recipes for the next mixing processes. “It’s almost like a kitchen in here” says Wolfgang smiling. The tubs are now surrounded by workers who manually add the smaller constituents of the mix. These are additives which, depending on the dosage, give the material the specific properties requested by the customer and ensure that the curing process matches the desired processing time. “We’ve mixed plastics here to be exported to Saudi-Arabia which were only processable after weeks of curing during transport” we are told. Today, we observe the production of basic material for an in-house production. The mixture currently resting in the so-called ‘dissolver’ will, in a few days time, become a finished truck spoiler for the Daimler MP2 which—including headlights, distance sensors and headlight washing system—will be delivered just-in-sequence to the world’s biggest truck manufacturing plant, Daimler in Wörth in Germany.

98 strands

After approximately one hour of stirring, the resin filler mix is delivered, to a production hall, who's ceiling is fitted with industrial humidifiers to ensure a constant 40% of humidity in the air. "These are optimum conditions to bond the mixture with the glass fibres and the carrier foil" explains Wolfgang Bickel. The machines used in the SMC (sheet moulding compound) production are gigantic. Glass fibre rovings hang on 98 strands, rolls with carrier foil follow downstream. "It's important that the mixture is kept at exactly 32 degrees until it is processed." The curing process of our paste will start as soon as the magnesium oxide is added—this is the irrevocable start of the curing period of the semi-finished MP2 spoiler which has already been ordered by Daimler. A thin coat of the mixture will be applied to the carrier foil, short chopped fibres fall from the fibre strands onto the paste. "The length of the fibres controls the mechanical properties and surface finish" says Wolfgang Bickel. The longer the fibres, the higher the strength of the finished material—the shorter the fibres the better the surface. Our Truck spoiler needs a high stiffness, therefore, the glass fibres are longer.

The machine starts the long milling and kneading process. Each batch is manually inspected three times to ensure that glass and resin filling paste are optimally mixed. "The material's weight is electronically controlled here", says Wolfgang Bickel and points to the traversing transmission measurement—a kind of electronic scale. The basic weight is monitored every minute. The information is stored and can be used by POLYTEC or its customer to check the component's history. "This method enables us to guarantee a basic weight with a deviation of less than 3%", says Wolfgang Bickel. Such precision and detail has been unthinkable until recently.

30,000 tonnes per year

At the end of the machine, the fibre, now impregnated with the paste, is rolled on cores to complete the process.

The label for the raw material for our truck spoiler is attached to the roll—date of production, weight, and other process details are controlled by the SAP ERP system. Finally, the roll is transported to the curing store. The curing process takes between one and two days at 32 degrees Celsius.

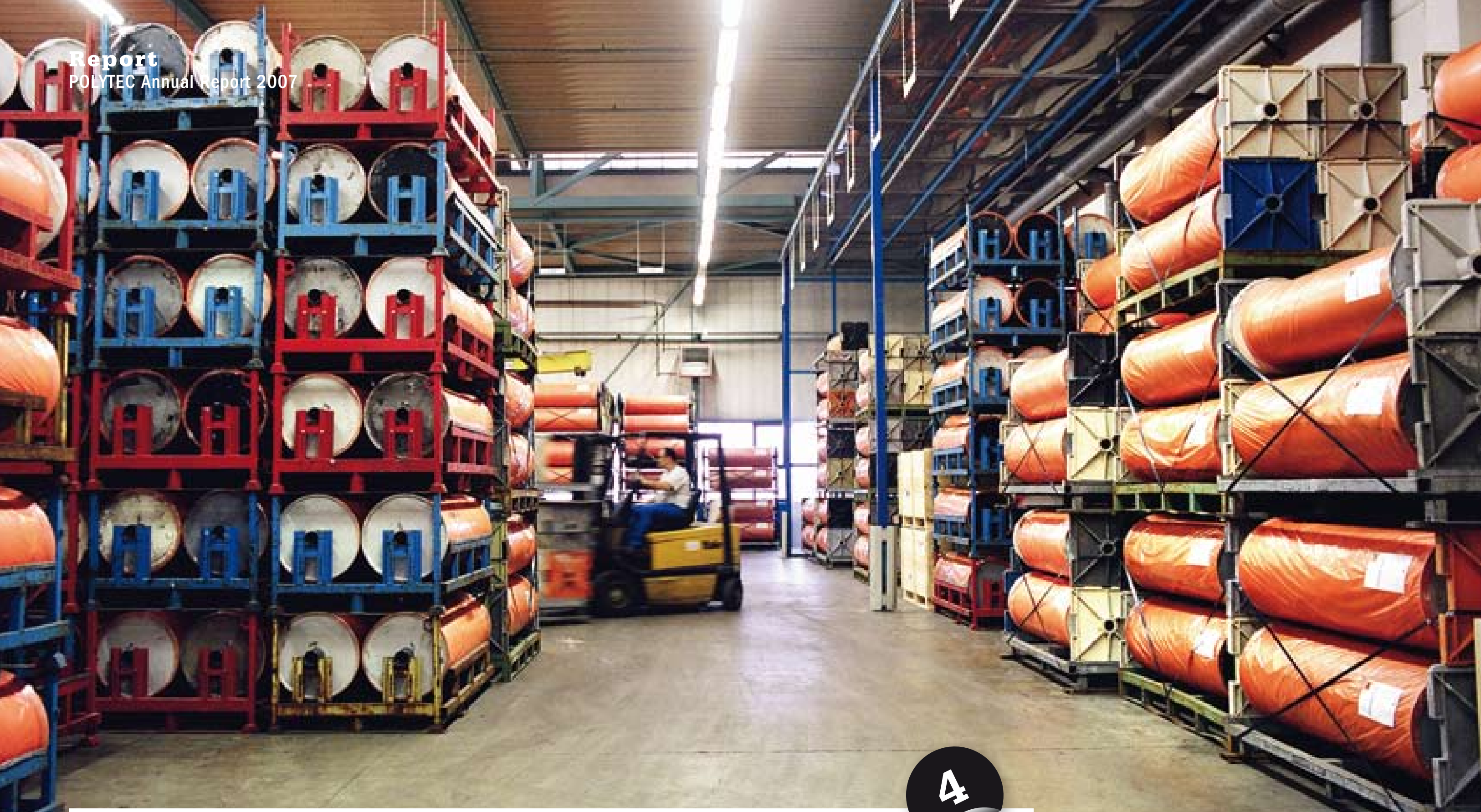
The plant produces approximately 100 kilograms of SMC every minute and around 30,000 tonnes per year with a three-shift operation and 47 employees.

2

98 Glass fibre strands
Glass fibres are added depending on whether high strength or a nice surface are required.

3

Paste, glass fibre and carrier foil are rolled
Now the curing process commences.



Curing storage for SMC rolls
"We've mixed plastics here to be exported to Saudi-Arabia which were only processable after weeks of curing during transport."

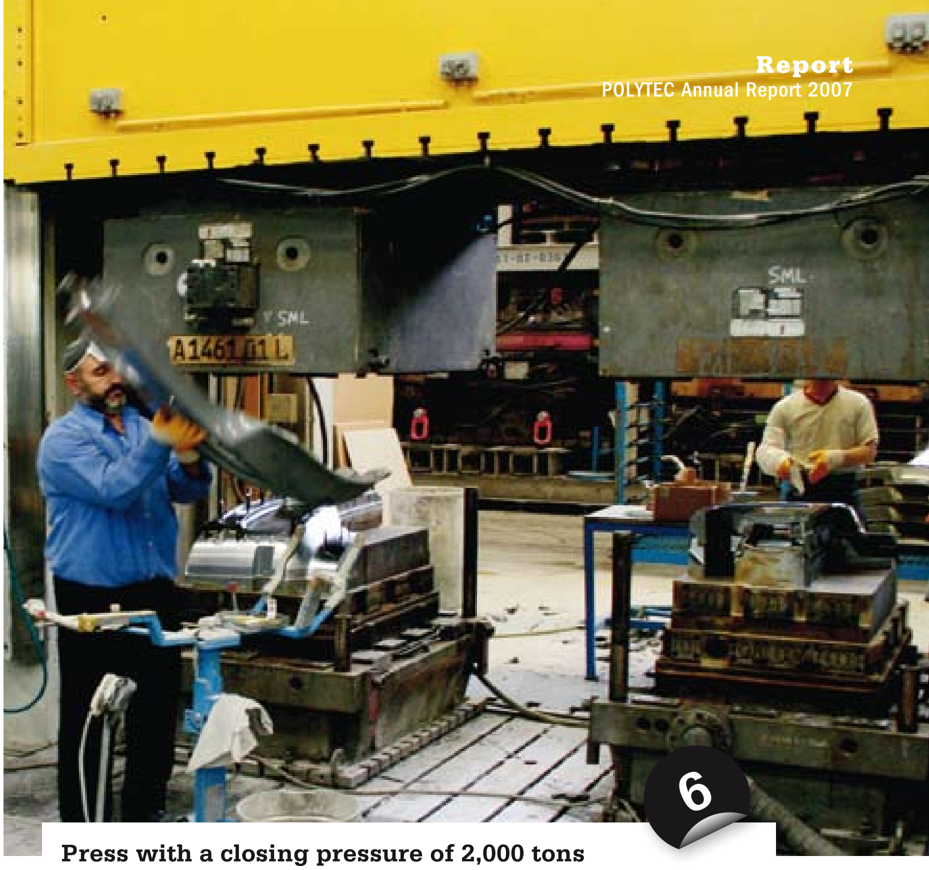
120 components

It is early in the morning when Reinhard Bock, Head of the Pressing Plant, outlines the unique functions of the presses. Mould tools for 120 different components—some weighing up to 48 tons—can be used. Naturally, this includes the tool for the spoilers for the Daimler MP2 truck which is currently being operated by one of the employees. The worker uses an electronic scale to check the blank of ripened resin sheet roll and places it in the press. It closes with enormous clamping force,—almost 2,000 tons of closing power will now go to work on the raw material which has, only recently, been mixed in the "kitchen" next door. Insert screws will be pressed in the material for the MP2 at the same time. As the press opens, it is obvious, for the first time, that the semi-solid mixture has miraculously transformed to hard plastic. Then adjacent to the presses, the precision trimming and finishing work begins: the edges of the three parts which will later form the front section of the Daimler MP2, are deburred, before a robot-controlled water jet cuts apertures for the headlights and the air ducts. An "intelligent" CNC drill makes the holes and attaches a label to the parts—which, from now on, are irrevocably allocated to an MP2 being produced in the Daimler plant in Wörth. Our spoiler still needs to go on one more short trip before it is fitted to its truck. After mixing and pressing in the town of Gochsheim it will be transported to another Polytec plant in Rastatt, Germany, which is approx. 30 kilometres away.

Expiry date on the label
Customers can track the quality of the raw materials right back to their origins.

The laser pistol

The driver of the yellow forklift approaches a row of high-rise warehouses with military precision. The driver looks at the screen in the forklift, takes the laser pistol and scans the pallet. Then, he takes from the long warehouse, the very spoilers which have recently been produced in the plant in Gochsheim—and takes them to the painting plant. "That's how we handle our orders here", says Wolfgang Boschert, plant manager in Rastatt, quite proudly. "It's the only way to manage a just-in-sequence delivery with a slot of approx. one hour, given the wide range of versions we offer". As soon as the parts have reached the painting station and after brief preparation, the foreman determines the order in which they will be loaded on the paint line, which is controlled by the same SAP system. The loading sequence for our front spoiler is fixed: first one left part, then one centre part and then one right part of the spoiler which will later be assembled together to make one complete part. Then, the journey continues on to priming, passing the training robot. "The training robot is important, it enables us to try constantly innovative painting programs and fine tuning for our customers", explains Wolfgang Boschert.



Press with a closing pressure of 2,000 tons
Slowly, our spoiler is beginning to take shape.

Fresh egg

"The primer coat not only covers small surface defects, it is the important interface between the SMC part and the body coloured paint", says the Paint Plant Manager. Quality is checked by the minute—after all, the subsequent paint must last for the entire working life of the truck.

After having passed through the automated painting line, the front spoiler emerges in the exact shade of red required by the Freight Forwarding company who have ordered the truck.

The front spoiler is handled as carefully as a fresh egg: each individual part is transported in a special container to avoid even the smallest damage to the paint—to the stock picking warehouse. Kilometres away from the actual assembly with the truck, our spoiler will now be irrevocably allocated to "its" Daimler MP2: "all components belonging to the truck which is already on the production line in Wörth are now put on one pallet," says Alfred Kollros, Member of the Executive Board and managing director of the POLYTEC plants in Germany. This is because, in addition to the approx. 40 basic versions of bumpers, entrance steps or other truck parts, a total of approx. 350 different raw parts per truck are processed, each of which require individual painting and assembly. "This places great emphasis on our product planning systems."

Laser pistol, SAP commissioning system in the forklift
40 basic versions, 350 different raw parts—and each of those individually painted requires a high-tech approach in the warehouse and logistics areas.

Painting line
The priming and painting of our spoiler is computer-controlled.

Quality control
Control after the first painting step.

Seven hours deadline

The screen showing rows of numbers in different colours in the assembly line of the plant in Rastatt offers first class reality TV. “Here, you can see the precise location of the truck is to which our red front spoiler is allocated”, explains Wolfgang Boschert, and shows a green row of numbers which just jumped one line ahead. “We receive the firm delivery order approx. five to seven hours before the red front spoiler is supposed to be processed in Daimler’s plant in Wörth.” As seven hours gives the members of POLYTEC little time for the final assembly (one hour) and the transport (one hour), this is exactly the time when one of the forklift drivers receives the order to deliver the red front spoiler. Small parts such as lamps and sensors—for which we have buffer storages—are being delivered at exactly the same time.

Assembly
The firm order is received only five to seven hours before our front spoiler is supposed to be processed by Daimler in Wörth—headlights and radar sensors are assembled now.

Two workers start assembling the headlights, a screen, the headlight washing system and distance sensors to the red front spoiler—exactly in the configuration ordered by the forwarding company from Daimler. Then, the forklift places the front spoiler in the precise assembly sequence requested by Wörth. All neatly lined up in their assembly sequence the colourful spoilers are now waiting to be collected. Every 40 minutes, from 5.15 in the morning to 11.30 at night a truck leaves the Polytec plant in Rastatt.

The truck delivering our red spoiler to Daimler has just arrived. Looking at the clock we have two and a half hours until the start of the assembly in Wörth—as the transport time is approx. one hour, everything is “green for go.”

Just-in-sequence delivery
The front spoilers are picked up from the factory in exactly the sequence in which they will be fitted to vehicles by Daimler in Wörth. Every 40 minutes, from 5.15 in the morning to 11.30 at night.

Questions to the Specialist

POLYTEC GROUP was able to expand it's value chain significantly in the truck segment thanks to the acquisition of Menzolit-Fibron. Completely contrary to the industry's trend—the company is vertically integrated performing all supplier services, ranging from the production of the basic manufacturing material up to the final assembly of bumpers for trucks.

All competitors are outsourcing. Are you proud of the new one-stop-shop. And, if so, why?

We agree that we are out of step with the industry trend by increasing our value added pattern—but that doesn't scare us. The benefits of a vertical integration are obvious for us: Firstly, a significant part of the value added remains in the company, because when you outsource, you may only generate a fraction of the available contribution. We also achieve a high level of flexibility—especially in the truck segment which is currently growing at extreme speed. If one company has reached its capacity, the production can be continued at another manufacturing site. Probably the most important gain from this approach is quality. We don't just offer run-of-the-mill products which any garage company might supply—we deliver, for instance, "class A" surface parts and engine parts. Let me give you an example: There are only a handful of companies able to provide the engineering to endure the thermal and chemical shock of our cylinder head covers and sumps made of SMC. Nowadays, this procedure consists of so many process stages which need to be controlled, tested and documented for the customer—that customers can't simply give that to any old supplier.

Last but not least, the increase of the value added pattern is also our strategic target as a Tier 1 supplier. Whenever we acquire new companies, we look for an opportunity to extend our process chain, because the more valuable the product, the higher the chance that we were sourced by OEM. And, to date, we've always been very successful with this strategy, only 14% of our sales is generated as Tier 2 supplier—and 86% is generated directly with the vehicle manufacturers.

KARL HEINZ SOLLY

is Deputy Chairman of the Board of Directors of POLYTEC GROUP and jointly responsible for the operational integration of the truck parts supplier Menzolit-Fibron. This long-term employee of POLYTEC GROUP joined the company in 1988, has been Co-Division Head of the Composites and Car Styling Division since 2001, Board Member for Marketing of the Group since 2006 and has, for many years now, been part of the innermost circle of Friedrich Huemer when it comes to new acquisitions.

Exterior parts made of plastics have a long life, save fuel due to their low weight and are just as stable as metal. Yet the material which has been a must in trucks for a long time still hasn't achieved total acceptance in cars. Why?

Why are cars still made of metal, when trucks have been made of plastics for a long time now?

In the history of cars, we've seen some high-quality models—apart from Eastern European cars—whose chassis parts were made of plastic, such as the Renault Espace or the GM Saturn. In these cases, the manufacturer had assumed that the vehicles would not sell in high volumes and so tried to save weight and reduce tool costs over conventional steel panels. The Espace, in particular became an absolute success story, I was personally surprised how long the plastic model sold. The main reason why plastic didn't catch on, apart from high performance cars built in low numbers, are technical challenges—such as the ability to paint, where special preparatory measures are necessary. Benefits such as low weight, leading to reduced fuel consumption or the absolute corrosion resistance even in event of minor damage to the chassis, outweigh the production disadvantageous for trucks. As a manufacturer of plastic components, we offer a wide range of products for cars as well: there's an increasing number of components specified in plastics: for instance, we produce shock absorbers, hardtops, tonneau covers and trunk lids for many models of Mercedes-Benz, including the Maybach, or the roofs for the Smart. Even for Ferrari, Bentley, BMW, Volvo and others. And don't forget about underbody parts and structural parts, frontends, seat frames, engine covers, etc. produced by POLYTEC.

POLYTEC's truck customers in Germany, Sweden and Italy have been reporting growth rates of 20% for years. Experts expect another push by 25% until 2015. Where does this demand come from?

Truck production is virtually exploding. Why?

As absurd as this may sound: The enormous increase reported in the utility vehicle market is a clear consequence of the globalisation which is based on the division of labour. One result of the increasing degree of outsourcing is that more and more goods must be transported from their production site to other locations. Let me give you an example from our industry: Until recently, customer X produced everything on their own, now they buy complete modules and systems. The sub-supplier for this module has a supplier as well, and this Tier 3 supplier has raw material and components delivered, etc.—this alone creates an enormous demand for transport. This trend is further emphasised by the stormy European economies. While Western Europe made the heavy investments during previous years, Eastern Europe and the Far East are undergoing a dramatic growth process which benefits the truck industry in particular due to the lack of competitive transport alternatives. According to our estimates, this additional demand for transport will result in an increase rate of 10 to 20% worldwide with exception of 2010. The future scenario is this: large trucks will go to the fringes of cities which they will no longer be allowed to enter due to local rules or they will only be allowed to continue with a special authorisation. Therefore, goods will be reloaded to medium-sized vehicles and will then reach the end customer in the city centre in small vehicles.

That is the reason why OEMs try to combine the entire utility vehicle sector—VW is a prime example. This means new challenges for us. We're already producing parts for trucks in numbers which, until today, we've only known for cars. This means that, for the first time, we've got the opportunity to not only deliver parts for the exterior division and the SMC segment, but to take a step ahead and gain a foothold in plastic injection moulding and the interior segment for trucks—which we were able to do for cars.

Corporate Governance

POLYTEC Holding AG is committed to transparency in its management process. After its IPO on the Vienna Stock Exchange, POLYTEC Holding AG voluntarily undertook to comply with the Austrian Corporate Governance Code and hereby confirms this commitment.

The Austrian Corporate Governance Code was introduced in October 2002 and it was further adapted in February 2005, January 2006 and June 2007. It is based both on the provisions of the Austrian Company, Securities and Capital Market Law and on the fundamental principles of Corporate Governance of OECD. It becomes effective by the company's voluntary commitment to comply with it.

POLYTEC Holding AG complies with the compulsory "L requirements" (Legal Requirements) and meets all "C Rules" (Comply or Explain) of the Austrian Corporate Governance Code, except for the following provisions:

Rules 39, 41 and 43

(The establishment of committees of the Supervisory Board) are not complied with. Only the legally required audit committee exists. As the Supervisory Board consists of five shareholders' representatives only, further committees would not result in an increase of the Board's efficiency. Members of the audit committee are Andreas Szigmund (Chairman), Fred Duswald and Viktoria Kickinger.

Rule 45

(Positions of members of the Supervisory Board held in companies competing with the company), is complied with in general. However, the Supervisory Board may, in advance, give its consent to the acceptance of such a position.

Rule 80

(The assessment of the functionality of the risk management by the auditors) is not complied with as the risk management systems are established on the level of the group companies. A group-wide risk management system applicable to all subsidiaries will be implemented in the course of necessary adjustments required by the "Unternehmensrechtsänderungsgesetz" (URÄG). The Board of Directors expects that the implementation of this system will be completed in 2008.

Directors' dealings

Members of the Board of Directors and the Supervisory Board of POLYTEC Holding AG or related persons conducted several purchase or sale transactions involving Polytec shares. The Financial Market Authority was notified of these share transactions in due time and will be published on www.fma.gv.at.

Board of Directors

The total remuneration of the four members of the Board of Directors was EUR 2.96 million (2006: EUR 1.81 million) including all performance-based components. The most important parameter for the calculation of this variable remuneration is the development of the Return on Capital Employed (ROCE).

Remuneration of the members of the Supervisory Board

The remuneration of the members of the Supervisory Board was determined in the General Meeting of 6 June 2007 and totals EUR 50,250 for 2006. The Supervisory Board was authorised to distribute this sum among its individual members, as resolved by the General Meeting. For details on the existing business relations with members of the Supervisory Board, please refer to page 74 of the Consolidated Financial Statements.

Compliance regulation

POLYTEC Holding AG introduced obligatory Compliance Policies to comply with Rules 20 and 21 of the Austrian Corporate Governance Code. Based on the group's structure, the constant confidentiality area was extended to the managing director and the holders of general power of attorney of the subsidiaries— which exceeds the provisions of the published compliance regulation.

The compliance awareness of the affected executives and employees was raised in the context of training sessions. In addition, they are informed of the start and end of blocking periods in due time. All obligatory organisational and electronic measures for handling and passing on of sensitive data were implemented.

Information on the Board of Directors

FRIEDRICH HUEMER
Chairman of the
Board of Directors, CEO
appointed until 2011

Friedrich Huemer, born in 1957, attended HTL for Chemical Industrial Engineering in Wels. His professional career started in 1977 as a laboratory assistant in the development laboratory of Laevosan in Linz (Pharmaceutical Industry). In 1978, Friedrich Huemer started working for Swietelsky and was responsible for site monitoring. From 1982 to 1986, he was Head of the Department of Production and Sale of Polyurethane Products with the company SKG-Semperit, which later (in 1988) became part of the current Industrial Division of POLYTEC GROUP. In 1986, Friedrich Huemer founded, together with his wife, Ulrike Huemer, the company Polytec Elastoform GmbH in 1986 which forms the entrepreneurial core of today's POLYTEC GROUP.

KARL HEINZ SOLLY
Deputy Chairman
of the Board of Directors, CMO
appointed until 2009

Karl Heinz Solly, born in 1946 in Vienna, attended HTL for Mechanical Engineering. He started his professional career as an assistant to the technical director of Dr. Ernst Fehrer AG. In 1986, he became Purchasing and Production Manager of the company Salva, and worked for foha car styling from 1988 to 1992. After the insolvency of the latter, Mr. Solly founded f/o/r Kunstofftechnik Gmbh, today known as POLYTEC FOR. This company was taken over by POLYTEC GROUP in 1995. Mr. Solly was appointed CMO of POLYTEC Holding AG in 2006. Since then, he has been responsible for the following divisions of the company: POLYTEC Holding AG: CMO and Co-Division Head of Polytec Automotive Composites and Polytec Car Styling Division.

ALFRED KOLLROS
Member of the Board of Directors,
COO Car Styling, Automotive
Composites and Industrial Division
appointed until 2009

Alfred Kollros, born in 1962, attended HTBLA in Steyr. Beginning in 1983, he worked as a cost controller for VOEST-Finalindustrie, then, from 1985 to 1988, he became developer for work and production processes. In 1988, Mr. Kollros joined foha car styling as Manager of the Calculation Department. His appointment as Manager of the Project Management followed in 1989. From 1990 to 1995, he worked in different divisions for foha car styling and later for f/o/r Kunststofftechnik GmbH. Mr. Kollros became assistant to the Chairman of the Board of Directors, Mr. Huemer, in August 1995. This was followed by a promotion to Division Manager of Polytec Car Styling and Polytec Automotive Composites in 2002. He was appointed member of the Management of Polytec Automotive Composites Sweden in 2003. Subsequently, in 2006, he became COO of POLYTEC Holding AG, responsible for the divisions Car Styling, Automotive Composites and Industrial.

REINHARD URMANN
Member of the Board of Directors,
COO Automotive Systems
appointed until 2009

Reinhard Urmann, born in 1947, can look back at 20 years of experience in the automotive industry. He has worked as a senior executive for Kautex, Magna and Rehau. In 1992, Mr. Urmann started working for the company EMPE. He accepted the position of Plant Manager for the company's site in Geretsried in 1993 and was later responsible for the sites in Ebersdorf and Nordhalben, as well. In 2004, Mr. Urmann became Managing Director of Findlay Industries Europe and, after the acquisition by POLYTEC GROUP, he was appointed Managing Director of Polytec Interior Deutschland GmbH and Polytec Interior Spain. In December 2005, Mr. Urmann became Managing Director of Polytec Holding Deutschland. His appointment as COO of the Automotive Systems Division followed in 2006.

Members of the Supervisory Board

Fred Duswald

Chairman since June 26, 2007, appointed until the Annual General Meeting in 2010

Managing shareholder of RECAP Management GmbH, Partner of ELIAS Group Beteiligungs GmbH

Manfred Trauth

Deputy chairman since June 26, 2007, appointed until the Annual General Meeting in 2010

Man of independent means, formerly purchasing director for chassis and motor parts for commercial vehicles with Mercedes-Benz Trucks

Viktoria Kickinger

Member since April 4, 2006, appointed until the Annual General Meeting in 2010

General secretary of Österreichische Post AG, Member of the council of the Vienna University of Economics

Robert Büchelhofer

Member since December 12, 2005, appointed until the Annual General Meeting in 2010

Former member of the Board of Directors of Volkswagen AG and of the Board of Directors of BMW AG

Member of the Supervisory Board of:
Generali Holding Vienna, Miba Aktiengesellschaft, M-Tech Technologie und Beteiligungs AG, Swarco Holding AG, Austrian Airlines Luftverkehrs AG

Andreas Szigmund

Member since April 4, 2006, appointed until the Annual General Meeting in 2010

Chairman of the Board of Directors of Invest Unternehmensbeteiligungs AG

Member of the Supervisory Board of:
ATHENA Erste Beteiligungen AG, ATHENA Zweite Beteiligungen AG, ilab24 Mittelstandsfinanzierungs AG, FRONTWORX Informationstechnologie AG, DCM DECOmetal International Trading GmbH

GERALD WILDMOSER retired from the Supervisory Board on June 26, 2007.

Report of the Supervisory Board of POLYTEC Holding AG

on the financial year from 1/1/2007 to 31/12/2007

The supervisory board has observed the professional activities according to the Law Statues and the Austrian Corporate Governance Code in 4 meetings altogether in the 2007 reporting year.

The Board of Directors of POLYTEC Holding AG has informed the members of the Supervisory Board and its committee of business progress and the financial situation of the company on a regular basis. The communication between the Board of Directors and the Supervisory Board during meetings of the Supervisory Board and beyond is characterised by openness. Therefore, the Supervisory Board has always been able to thoroughly review the company's business conduct and to support the Board of Directors in fundamental decisions. The Supervisory Board conducted four meetings and thus met its obligations under the applicable legislation and the Statutes of the company by complying with the Austrian Corporate Governance Code.

Mr. Gerhard Wildmoser retired from the Supervisory Board during the fiscal year of 2007. On behalf of the entire Supervisory Board, I would like to thank him for his commitment for POLYTEC Holding AG. From June 2007, we were able to secure for the Supervisory Board the services of Mr. Manfred Trauth, former purchasing director of Mercedes-Benz Truck. After my appointment as Chairman of the Supervisory Board, Mr. Manfred Trauth will assume the function of Deputy Chairman.

The controlling function of the Supervisory Board requires transparency and independence. The Supervisory Board of POLYTEC Holding AG is committed to the criteria of independence specified in the Austrian Corporate Governance Code. All members of the Supervisory Board declare themselves as independent in the sense of the criteria specified.

The Financial Statements, including the Management Report and the Consolidated Financial Statements and the Group Management Report of POLYTEC Holding AG were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in its capacity as auditor of the Financial Statements and Consolidated Financial Statements; the company confirmed that the accounting and the Financial Statements and Consolidated Financial Statements comply with the legal requirements, that the Financial Statements and the Consolidated Financial Statements provide a true and fair view of the asset, financial and profit situation of the company and that the Management Report and the Group Management Report are in line with the Financial Statements and the Consolidated Financial Statements.

The Supervisory Board is in agreement with the outcome of the audit of the Financial Statements and the Consolidated Financial Statements. The final result of the audit of the Management Report prepared by the Board of Directors, the Financial Statements, including the proposal on the allocation of the unappropriated profits, conducted by the Supervisory Board, as well as the audit of the management, the Group Management Report and the Consolidated Financial Statements conducted by the Supervisory Board did not meet any objections.

The Supervisory Board agrees with the recommendation made by the Board of Directors to propose to the General Meeting that a dividend of EUR 0.30 per share will be distributed from the distributable profit of the fiscal year 2007.

The Supervisory Board has approved the Financial Statements which are thus adopted in accordance with Art. 125 sec. 2 AktG (Stock Corporation Act).

The supervisory board proposes KPMG Austria GmbH Auditor and tax consultants, Kudlichstrasse 41-43, 4021 Linz, subject to the clarification of open items concerning the appointment, as auditor of the financial statements and group financial statements for the 2008 financial year from 1.1.2008 to 31.12.2008.

Hörsching, March 26, 2008

Fred Duswald
The Chairman of the Supervisory Board

Investor Relations

POLYTEC GROUP's Investor Relations Team wishes to provide all of its stakeholders with up-to-date, comprehensive and transparent information. It should strengthen the trust of institutional and private investors and the trust of analysts as well as of the general public.

Development of the stock markets

In 2007, the international stock markets were subject to volatility and experienced turbulence during the second half of the year. The "sub-prime" crisis in the USA had a different effect on regions and sectors; shares of financial companies were particularly affected. However, the majority of the international stock markets reported a positive development for the full year 2007.

Euro Stoxx 50 increased by 6.8% in 2007, the Dow Jones was up by 6.4% and the Nasdaq Composite by 9.8%. The Japanese Index, Nikkei-225, however, lost 11.1% compared to the previous year. After some strong years, most of the European indexes only reported moderate increases in 2007, apart from DAX and TecDAX experiencing price increases of 22.3% and 30.2%, respectively. While the price development for the whole year was rather weak compared to previous years, numerous indexes—such as DAX, ATX, Hang Seng, S&P 500 or Dow Jones—reached historic highs during the year. Most of the indexes mentioned here reported average annual returns in the two-digit range during the past five years—which is significantly higher than in the long-term comparison.

Polytec share's price development

The Polytec share was subject to volatility in 2007, its first full year after the IPO in May 2006. Its closing price at the end of 2007 was EUR 8.90 corresponding to a rise of 25.5% and it, thus, significantly outperformed both the ATX (+1.1%) and the ATX-Prime (- 5.3%). The sector index DJ Stoxx Automotive & Parts (SXAP) reported an increase of 23.0% for 2007.

The Polytec share reached its all time high on July 5, 2007 with a closing price of EUR 14.00. The lowest closing price was EUR 7.34 on January 2, 2007. The market capitalisation of the Polytec share increased analogously with its price development by approx. 25% from EUR 158.3 million to EUR 198.7 million.

Strong increase of trade volume[1]

Based on the fact that the Polytec share was listed for an entire year for the first time, the annual sales rose from approx. EUR 143.6 million in the previous year to EUR 360.6 million (not including OTC trade). An average of 146,000 shares were traded per trading day. The Over the Counter (OTC) trade increased from EUR 65.6 million to EUR 104.0 million in the reporting year which is a 22.4% share of the total stock market sales of POLYTEC Holding AG. In total, 46.8 million Polytec shares representing a value of EUR 464.6 million were traded in 2007.

[1] Data according to the statistics of Vienna Stock Exchange (double counted)

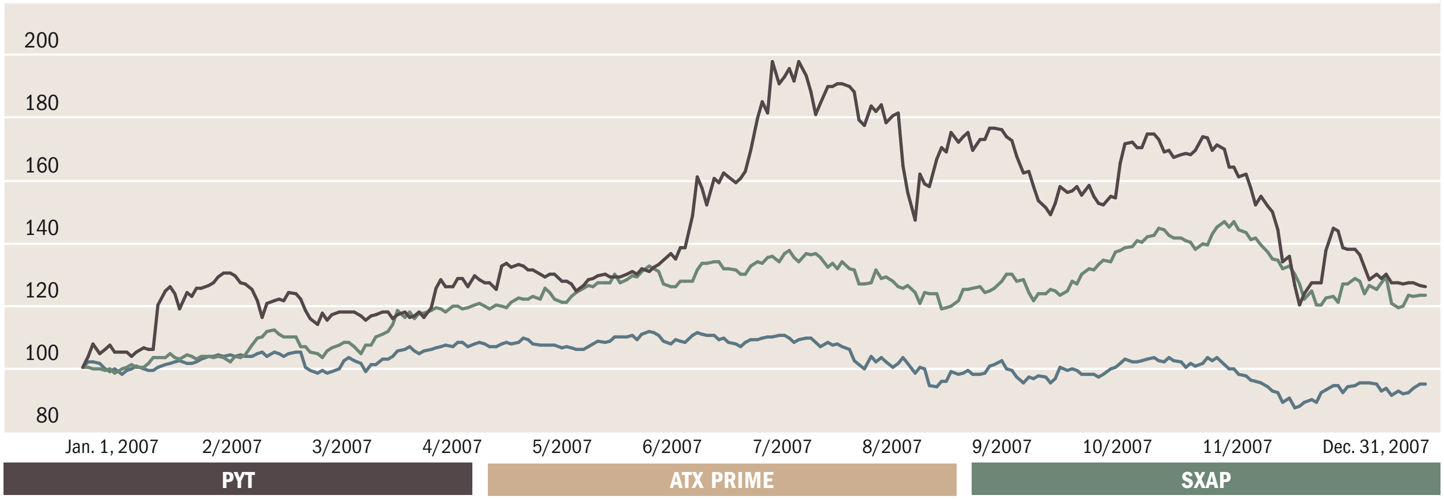
Shareholder structure

As of the balance sheet date in 2007, POLYTEC Holding AG's share capital amounted to EUR 22.3 million represented by 22,329,585 bearer shares having a nominal value of EUR 1.00 each. CROSS Motorsport Systems AG reported a share of 15.8% of voting rights in POLYTEC Holding AG as of June 21, 2007.

Share data	Unit	2007	2006	Change in %
Closing price as of December 31	EUR	8.90	7.09	25.5
Highest price	EUR	14.00	7.70	80.6
Lowest price	EUR	7.34	5.66	29.7
Annual performance	%	25.5	-8.52	–
Market capitalization as of December 31	EUR million	198.7	158.3	25.5
Average daily turnover/day[3]	unit	145,920	125,789	16.0
Earnings per share	EUR	1.66	0.86	93.0
Dividend per share	EUR	0.30[2]	0.25	20.0

[2] Proposal to the annual general meeting
[3] Double counted

Share price development of the Polytec share Source: Reuters; price data indicated as of January 1, 2007



POLYTEC Holding AG acquired 29,934 of its own shares (0.13% of the share capital) from a retired member of the Group's management for a purchase price of EUR 7.20 per share (after an approval by the General Meeting of October 27, 2004). The number of own shares held by the company has not changed since then.

Shareholder structure according to region

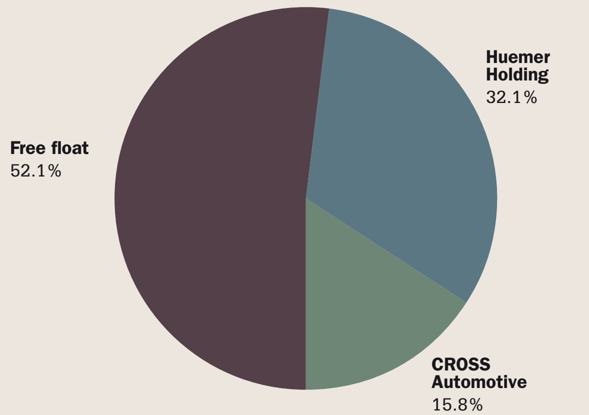
85% of the shareholders of POLYTEC Holding AG were identified in the context of a survey conducted at December 31, 2007. Approx. 19% of the free floating shares are held by Austrian institutional investors (excluding CROSS Automotive). 18% are held by shareholders in Switzerland and 8% by British shareholders. Only 0.7% of the investors are from the USA, the remainder of the identified free floating shares are distributed among other European countries.

Resolutions of the Annual General Meeting 2006

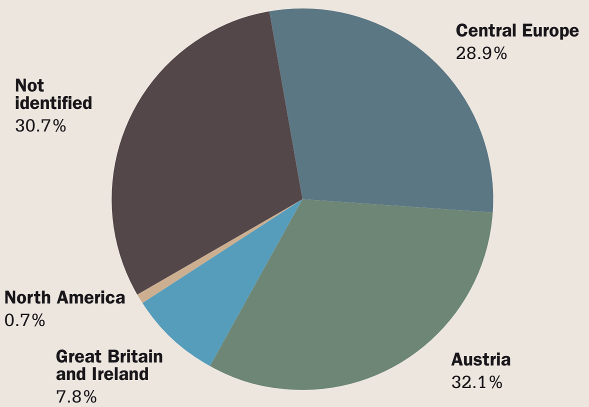
The 7th Annual General Meeting of POLYTEC Holding AG took place on June 6, 2007 in the Design Center of the city of Linz, approx. 100 shareholders were present. The following resolutions were passed unanimously:

- Discharge of the Board of Directors and the Supervisory Board for the fiscal year of 2006
- Appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as auditors for the fiscal year 2007
- Distribution of a dividend of EUR 0.25 per share entitled to dividend
- Amount of the remuneration of the Supervisory Board for the fiscal year 2006
- Election of Mr. Manfred Trauth to become a member of the Supervisory Board of POLYTEC Holding AG

Shareholder structure of POLYTEC Holding AG as of Dec. 31, 2007



Structure of free float as of Dec. 31, 2007



The 8th Annual General Meeting of POLYTEC Holding AG will take place on May 21, 2008 at the headquarter of the company in Hörsching near Linz.

Dividend policy

According to the companies dividend policy a pay out ratio of 20% to 30% of the Groups earnings per share is targeted on a multi-years average period. With an earnings per share of EUR 1.66 the Board of Directors of POLYTEC Holding AG will propose a dividend of EUR 0.30 per entitled share. The insignificant exceed of the approached level, is due to the fact, that the results 2007 includes a significant portion of non cash effective on off effects. The management board is however delighted to show an increase in dividend of 20% compared to previous years level.

Basic information on Polytec share	
ISIN	AT0000A00XX9
Ticker Symbol	
Vienna Stock Exchange	PYT
Reuters	POLV.VI
Bloomberg	PYT AV
Market segment	Prime Market
First day of trading	May 2, 2006
Issue price per share	EUR 7.75
Number of shares issued	22,329,585
Authorised capital	EUR 6.5 million[1]
Free float	52.1%

[1] For details refer to page 69.

Strong interest by the financial community

The number of financial institutions publishing analyses of POLYTEC Holding AG on a regular basis, rose from four to six in the reporting year when Raiffeisen Centrobank and Capital Bank started analysing the performance of the Polytec share. All six analyses published recently (as at the end of March 2007) recommended buying Polytec shares.

A total of more than 100 investor meetings were conducted in the fiscal year of 2007 (roadshows, conference calls and group events). Sixteen days of roadshows saw investors in Germany, the United Kingdom, Scotland, Switzerland, Italy, the Netherlands and Vienna receive information on the strategy and development of POLYTEC Holding AG.

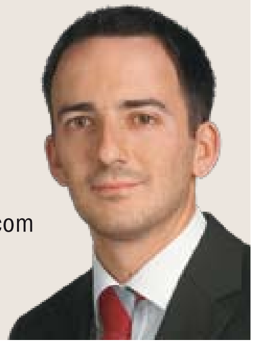
Institute	Analyst
Berenberg Bank	Anna Patrice
Uni Credit	Harald Weghofer
Sal Oppenheim	Jens Schattner
Capital Bank	Vojislava Lukic
RCB	Alexander Stieger
Lehman Brothers	Karan Trehan

Financial calendar	Date
Results for the fourth quarter and the business year 2007	April 2, 2008
Results for the first quarter of 2008	May 6, 2008
Annual general meeting 2007	May 21, 2008
Ex-dividend date	May 26, 2008
Dividend payment date	May 28, 2008
Results for the second quarter and the first half of 2008	August 6, 2008
Results for the third quarter and the first nine months of 2008	November 5, 2008

International award-winning reporting

Several international awards were received for the Annual Report of 2006, confirming the efforts made by POLYTEC Holding AG to ensure a transparent and attractive communication policy. The Annual Report 2006 was awarded two gold medals for its design, one bronze medal for the quality of its language and another award for its attractive cover design at the "Annual Report Competition" (ARC), the biggest competition for annual reports in the world. The League of American Communication Professionals (LACP) awarded it an excellent 70th position among more than 2,000 submissions and it received a gold medal in the category "Automotive & Parts".

Manuel Taverne



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www.eigenart.co.at
THEME (DREAM) DESIGNER
Matthias Kissner, product developer, POLYTEC AUTOMOTIVE SYSTEMS DIVISION

Group Management Report POLYTEC Holding AG, Hörsching

for the financial year 2007

1. Economic conditions[1]

The extremely strong growth in the world economy in 2006 of +5.4% will be achieved neither in 2007 with 4.9% nor 2008 with 4.5%. The regional differences in growth apparent in recent years will also remain in the years to come.

The US economy will achieve average real growth of 2.9% for 2007; for 2008, however, a slowdown in growth to 1.7% should be expected. Development forecasts for the Eurozone are similar. After a 2.9% growth in GDP in 2006, the economy is expected to grow somewhat less in 2007, namely by 2.7%. The soaring Euro will have an ever greater effect on exports and this in turn will have a negative influence on investments. Forecasts for 2008 predict GDP growth in the Eurozone of a mere 1.9%.

The consequences of the subprime credit crisis are sharply reverberating on the financial markets. The announcement of losses far higher than those originally expected at major banks, above all in the USA, once again increased uncertainty and heightened the effects of the crisis.

On the money market, too, the major upsets caused by the credit crisis are taking on ever greater proportions. The gap between the central banks' reference interest rate and the money market interest rate has been widening increasingly since the summer of 2007. The latter rate is around 75 basis points in both Eurozone and the USA, significantly higher than the 20 basis points recorded for the summer.

In the next few months of 2008, the market expects further interest rate cuts in the USA; most expect steady base rates for the Eurozone. This puts yet more pressure on the US Dollar, already at a record low against the Euro.

2. Situation in the sector[2]

Brisk foreign trade meant German manufacturers were able to achieve a new production record in 2007. Their car production rose by 6% to over 5.7 million vehicles. Last year, German car manufacturers posted a new export record for the fifth time in a row. With 4.3 million cars, export figures exceeded the previous record from 2006 by 11%.

Growth on the domestic market on the other hand, was, as expected, subdued. Sales on the German market were 3.15 million cars for 2007 as a whole and thus 9% lower than the preceding year. German manufacturers fared better than importers and succeeded in slightly increasing their share of the market to just over 70%.

The sector which experienced the strongest growth in the previous financial year was the commercial vehicle industry. Sustained, dynamic domestic and foreign trade meant a 16% increase in production figures and a total production output of 486,500 commercial vehicles.

Development of the most important customers

According to its own figures, the **BMW Group** once more set a new sales record in the previous financial year with an increase of 9.2%. This consisted of around 1.50 million vehicles supplied by the group's brands BMW, Mini and Rolls Royce. As expected, growth in sales in 2007 came above all from the core brand BMW with an increase of 7.7% to around 1.28 million vehicles; the most important 3 series model, also key for the POLYTEC GROUP, sold 555,219. This is an increase of 9.2%. Four years after its launch, the BMW X3 continues to flourish with 111,879 sales (previous year: 114,000/-1.9%). MINI also posted a major increase: compared to the previous year (188,077), the brand increased deliveries by 18.5% to 222,875. With 1,010 vehicles sold in 2007, Rolls-Royce Motor Cars recorded an increase of 25.5% in sales compared to the previous year (805) and thus achieved annual sales in the thousands for the very first time. Its fourth consecutive rise in sales figures means Rolls-Royce remains the undisputed market leader in the absolute luxury

[1] Source: Bank Austria
[2] Source: ACEA—EU Economic Report

segment. The BMW Group has pledged to once more retain its pole position as leading international premium manufacturer in 2008 and aim for new sales records for all three brands.

Last year saw the **Volkswagen Group** supplying over 6 million vehicles to customers for the first time ever. The group sold 6.189 million vehicles worldwide and increased its deliveries by 7.9% compared to the previous year. The Volkswagen Pkw [car] brand set a new record with 3.66 million vehicles supplied worldwide and a sharp increase of 7.8%. With 964,200 vehicles and a 6.5% increase in 2007, Audi reached a new supply record, its 12th in a row. Skoda also achieved a new record, supplying 630,000 vehicles and posting a 14.6% increase. Seat supplied 431,000 vehicles worldwide (+0.4%). Bentley once more reached record sales and, with 10 014 vehicles and a 6.7% increase, also passed the 10,000 mark for the first time.

The **GM Group** succeeded in increasing sales despite a continuing sales problem on the US market. GM Europe improved on sales for the previous year and reported vehicle supply figures totalling 2.20 million on the European market, a market extremely important for the POLYTEC GROUP. This constitutes an increase of around 9.5% compared to 2006. Sales were strongest in eastern European countries and the UK market; these markets largely contributed to the excellent results.

Daimler Truck sold 159,900 (+12.5%) vehicles and thus achieved record sales of historic proportions, due in most part to the high demand for the Mercedes-Benz Actros. There was clear growth in Europe for the fifth consecutive year (+6.8% to 104,400 vehicles). In Latin America (+27.4% to 38,100 vehicles), the Near East and Middle East (+44.3% to 6,000 vehicles) and Eastern Europe (+19.6% to 25,900 vehicles), the business also experienced extremely positive development. Mercedes-Benz Lkw [HGV] thus remained secure in its position as market leader in the key markets of Western Europe, Germany and Brazil and was even able to significantly increase its lead on the Turkish market.

Mercedes-Benz Car Group also reached a new sales figures record in 2007 for the Mercedes-Benz, AMG, Maybach and Smart brands. More than 1.2 million vehicles were sold worldwide; this is an increase of around 2% compared to 2006. As in previous years, Mercedes-Benz played a key part in achieving these record sales: sales of the brand rose by 3% to a total of 1,185,300 vehicles. The main growth markets were once more Asia and Eastern Europe; this is currently the general trend across the board.

Outlook for 2008

The global development of new car registration in 2008 will continue the trend form the previous years. For the year 2008 an increase of new passenger car registrations of approx. 2.1% to a total of 70 million vehicles is expected. This development is mainly driven by BRIC countries. For those, a double digit increase is forecasted. On the, for the POLYTEC GROUP important European market a increase in new registrations of approx. 1.7% is expected.

The main factors which will be decisive for the supply industry in 2008 are largely the same as those in precious years. Factors governing the growth in earnings in the supply industry in 2008 are once more the rising cost of raw materials, high energy prices and continuing pricing pressure from the customer, pressure almost impossible to combat through increases in efficiency.
It is thus all the more important to make the best possible use of the possibilities the industry offers in 2008. These are provided above all by the increasing variety of models provided by the OEMs. Taking up the opportunity this offers to widen the customer portfolio is an important way of sharing in the industry's success, in particular on the foreign markets.

3. Business development and group position

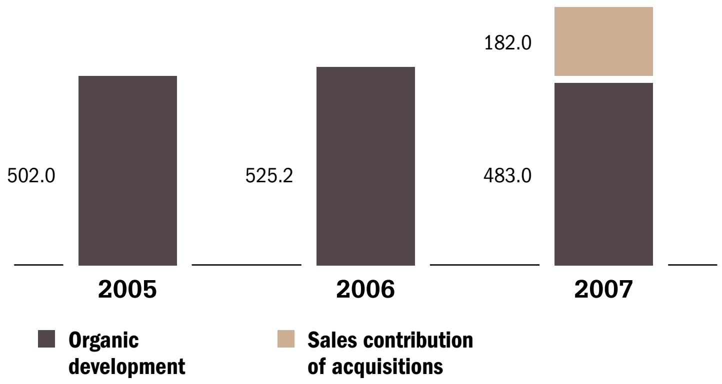
In accordance with POLYTEC GROUP's growth and acquisition strategy, two large-scale acquisitions of POLYTEC Composites Germany and Polytec Intex were concluded in the 2007 financial year. This circumstance had a particularly strong effect on the economic development of the Group in the past financial year.

Details of the development of the key figures are as follows:

Key figures: Group profits	Unit	2007	2006	2005
Sales	EUR mill.	665.0	525.2	502.0
EBITDA	EUR mill.	63.7	48.0	41.9
EBITDA margin (EBITDA/sales)	%	9.6	9.1	8.4
EBIT	EUR mill.	41.0	30.3	25.0
EBIT margin (EBIT/sales)	%	6.2	5.8	5.0
Net profit	EUR mill.	37.3	18.3	14.5
Net profit margin (net profit/sales)	%	5.6	3.5	2.9
Earnings per share	EUR	1.66	0.86	0.75
Average capital employed	EUR mill.	171.9	143.9	139.5
ROCE pre tax (EBIT/capital employed)	%	**23.9**	**21.0**	**17.9**

The increase in sales is, naturally, a result of the acquisitions made in 2007. Around EUR 182.0 million (+34.7%) of the total increase in sales of EUR 139.8 million (+26.6%) came from new acquisitions, whilst there was an organic drop in sales of EUR 42.2 million (-8.0%). The drop in sales from the "old business" was in line with expectations and a consequence of the expiry of large-scale contracts in the autumn of 2006.

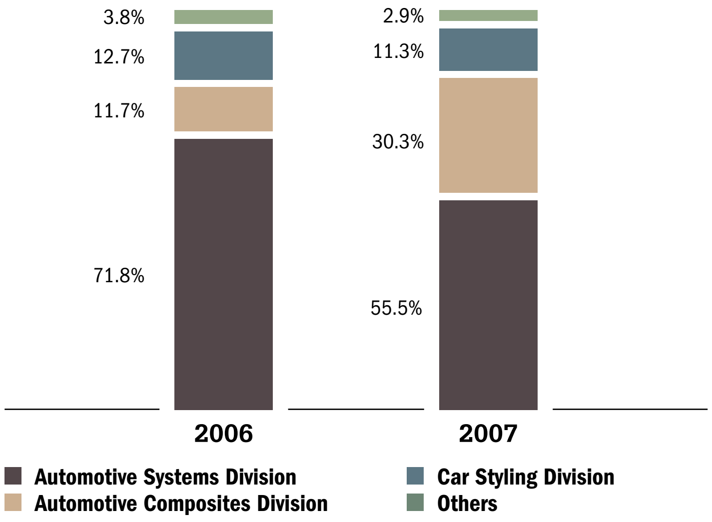
Group sales development 2005–2007 in EUR mill.



The group succeeded in increasing all key financial figures in the course of the financial year; this was admittedly partly a result of the one-off effects of the acquisitions. This led to a EUR 19.0 million or +103.8% increase in net profit. The increase in the return on capital employed (ROCE) is of particular significance. This figure is the main regulatory tool for the Group management and rose once more by 2.9 percentage points to 23.9% in the course of the financial year.

The development in Group profits was a result of development in the individual divisions. Thus individual development and contribution of sales significantly changed as a fact of acquisitions.

Contribution to sales by segment

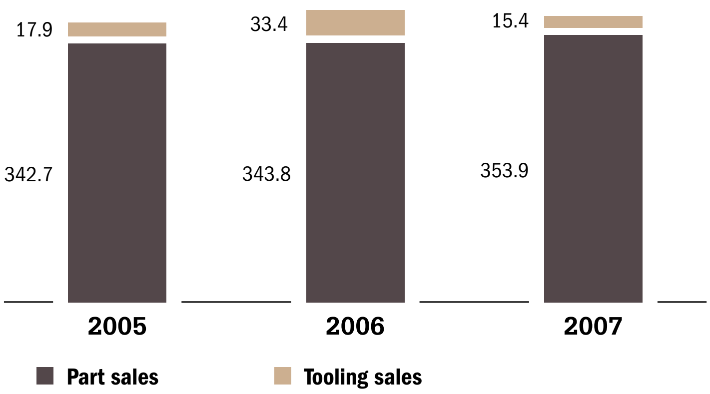


Automotive Systems Division

	Unit	2007	2006	2005
Sales	EUR mill.	369.3	377.2	360.6
Share on group sales	%	55.5	71.8	71.8
EBITDA	EUR mill.	25.8	34.1	29.0
EBITDA margin (EBITDA/sales)	%	7.0	9.0	8.0
EBIT	EUR mill.	10.8	21.1	17.1
EBIT margin (EBIT/sales)	%	2.9	5.6	4.7
Net profit	EUR mill.	4.1	12.5	10.2
Net profit margin (net profit/sales)	%	1.1	3.3	2.8
Average capital employed	EUR mill.	106.2	86.9	82.6
ROCE pre tax (EBIT/capital employed)	%	**10.2**	**24.2**	**20.7**

The division still the most important in the Group with sales totalling 55.5% of that of the group recorded a decrease in sales of EUR 7.9 million (-2.1%) in 2007. This drop is the net result product of the contribution to sales from the new acquisition POLYTEC Intex GmbH & Co KG, EUR 48.1 million, and a EUR 56.0 million drop in sales for the existing business. This drop in sales was largely in the field of tools and development (EUR -17.9 million); this area had posted figures well above the usual annual average in 2006 as result of payment for the BMW 3 series door panels; the return to 2005 levels was thus merely logical.

Development of sales in EUR mill.



In the case of sales regarding parts, the drop is above all a result of the full-year effect from the expiry of the large-scale contracts for door panels for Land Rover Range Rover and Opel Corsa. Sales lost from each of the two customers totalled EUR 11.7 million (Land Rover) and EUR 10.3 million (Opel).

Operating result increased, unlike sales, rising by 5.7% from 2006 to 2007 to EUR 383.1 million.

The percentage material costs (included services purchased) were lowered once more in proportion to operating capacity by 0.5 percentage points whilst the percentage personnel costs rose by 1.7 percentage points, mainly as a result of the new acquisitions.

Overall, the division's EBIT was down EUR 10.3 million on the previous year. This drop was expected as a result of the organic developments in sales, although the pricing pressure from our customers and the cost increases from the acquisitions sharpened this trend. The contracts currently under development which shall affect sales as of 2008 coupled with the full-year effect from the acquisition made in 2007 will nevertheless mean a clear increase in sales for 2008.

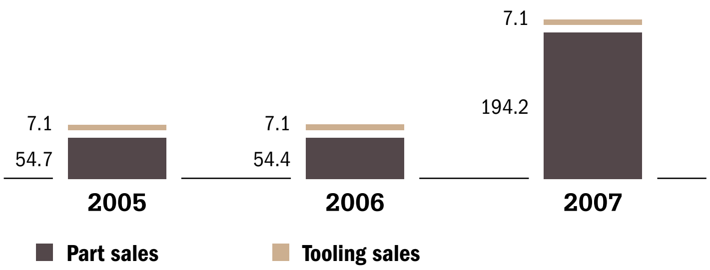
Automotive Composites Division

	Unit	2007	2006	2005
Sales	EUR mill.	201.3	61.5	61.8
Share on group sales	%	30.3	11.7	12.3
EBITDA	EUR mill.	24.9	2.0	2.9
EBITDA margin (EBITDA/sales)	%	12.4	3.3	4.7
EBIT	EUR mill.	19.9	-0.2	0.9
EBIT margin (EBIT/sales)	%	9.9	-0.3	1.5
Net profit	EUR mill.	23.7	-1.6	-0.4
Net profit margin (net profit/sales)	%	11.8	-2.6	-0.6
Average capital employed	EUR mill.	22.3	16.3	18.1
ROCE pre tax (EBIT/capital employed)	**%**	**89.4**	**-1.2**	**4.9**

The Automotive Composites Division underwent the most fundamental changes of all business units in 2007. After the acquisition of the moulding business of Menzolit-Fibron, now operating under the name POLYTEC Composites Germany Group, this business unit grew to become the largest European automotive supplier of thermosetting plastic exterior and engine parts.

The EUR 139.8 million (+227.1%) increase in sales was a result of the EUR 133.8 million sales from new acquisitions and an organic increase in sales of EUR 6.0 million (+9.8%). The organic growth was due above all to the customer Iveco, whilst the new acquisitions allowed the Group to enter into business with major players in the European commercial vehicle industry, in particular MAN and John Deere. Through the acquisition of Menzolit-Fibron, the Daimler Group became the division's most important customer. This customer's HGV and car sectors were responsible for around 29% of the division sales.

Development of sales in EUR mill.



The extremely healthy progress in results for this division—after EUR -0.2 million in the previous year, an EBIT of EUR 19.9 million was achieved in the course of the financial year—should not obscure the fact that the 2007 results were strongly influenced by one-off effects. Firstly, the "badwill" from the acquisition to the order of EUR 6.6 million was received with effect on the current results in accordance with IFRS 3. Secondly, provisions for deficit contracts to the sum of EUR 5.1 million formed in the course of the so-called purchase price allocation were released after the first significant successes in the course of the post-merger restructuring measures.

Restructuring the business of the former Menzolit-Fibron, which had a negative EBITDA at the time of purchase, involved both economising internally and renegotiating prices and other terms and conditions of delivery with the main customers. The former did not, however, necessitate a reduction in personnel as the booming commercial vehicle industry meant that good use was being made of operational capacity; talks for the latter were successfully concluded in the 4th quarter of 2007 and a cooperative customer-supplier relationship established.

When judging the net results for 2007, note should be taken of the fact that the division pre-tax results of EUR 18.8 million were subject to tax to the sum of EUR 4.8 million. This tax was based largely on the cancellation of tax relief on deferred tax assets built up in the course of the initial consolidation of POLYTEC Composites Germany. Reorganisation, successfully completed in the autumn of 2007, allowed results to be made comparable in terms of tax with those of other companies in the group with the result that the deferred taxes needed to be revaluated.

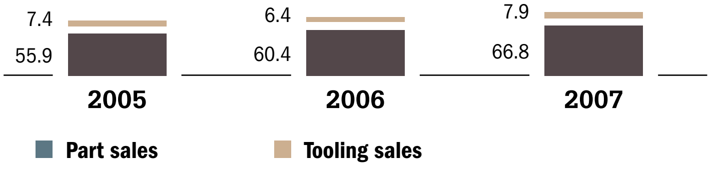
As a result of the full-year effect of the new acquisition in 2007, this division will once more achieve a considerable increase in sales for 2008 and grow to over EUR 260.0 million. The growth or developments in results will be determined by the further firm and determined implementation of the as yet unfinished restructuring of Menzolit-Fibron; account must be taken of the fact that the extraordinary income in 2007 were the results of one-off effects.

Car Styling Division

	Unit	2007	2006	2005
Sales	EUR mill.	74.7	66.8	63.3
Share on group sales	%	11.3	12.7	12.6
EBITDA	EUR mill.	9.6	7.1	6.5
EBITDA margin (EBITDA/sales)	%	12.9	10.6	10.3
EBIT	EUR mill.	7.9	5.3	4.2
EBIT margin (EBIT/sales)	%	10.6	7.9	6.6
Net profit	EUR mill.	5.3	3.3	2.7
Net profit margin (net profit/sales)	%	7.1	4.9	4.3
Average capital employed	EUR mill.	33.0	32.7	32.3
ROCE pre tax (EBIT/capital employed)	%	**24.0**	**16.2**	**13.1**

The Car Styling Division increased its sales by EUR 7.9 million or 11.9% over the course of the financial year. This growth is exclusively organic and was achieved with the division's main existing customers (Ford, Suzuki).

Development of sales in EUR mill.



It was possible to make savings, above all in the personnel sector, as a result of the reduction in unit costs after the increase in sales. Although absolute personnel costs rose by EUR 1.5 million, the percentage personnel costs dropped by 1.5 percentage points. As operating expenses and depreciation were maintained more or less at their previous year's level, the EBIT increased overall by EUR 2.6 million or an impressive 49,1%, despite percentage material costs slightly higher than those of the previous year.

Other business units

	Unit	2007	2006	2005
Sales	EUR mill.	19.6	19.7	16.3
Share on group sales	%	2.9	3.8	3.3
EBITDA	EUR mill.	3.5	4.8	3.5
EBIT	EUR mill.	2.4	4.1	2.8
Net profit	EUR mill.	4.2	4.1	2.1

The other business units mainly consist of the Group's non-automotive business, reported as "Industrial Division" in the previous year. On account of the Group's strong growth in the automotive sector, which will continue in 2008 on the basis of the full-year effect from the 2007 acquisitions, this business unit will no longer be reported separately.

This unit also includes the POLYTEC Holding AG and the effects on results stemming from consolidation proceedings which cannot be allocated to a particular division.

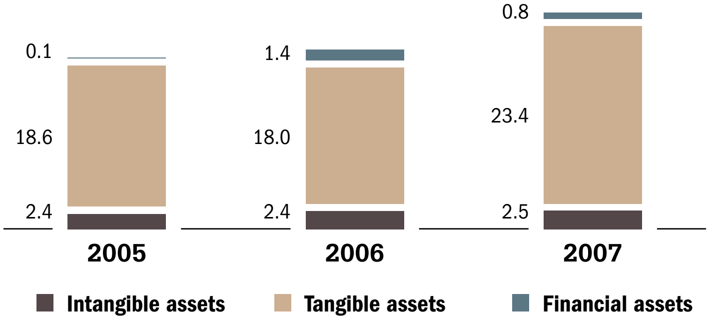
Key figures on the Group's balance sheet

	Unit	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Asset ratio (Long term assets/Total balance sheet)	%	32.7	37.6	39.6
Equity ratio (Equity/Total balance sheet)	%	35.7	45.7	33.8
Net working capital	EUR mill.	77.3	41.7	51.4
Net working capital in % of group sales (NWC/sales)[3]	%	8.9	7.9	10.2

[3] *Calculations based on the average NWC on account of acquisitions during the financial year.*

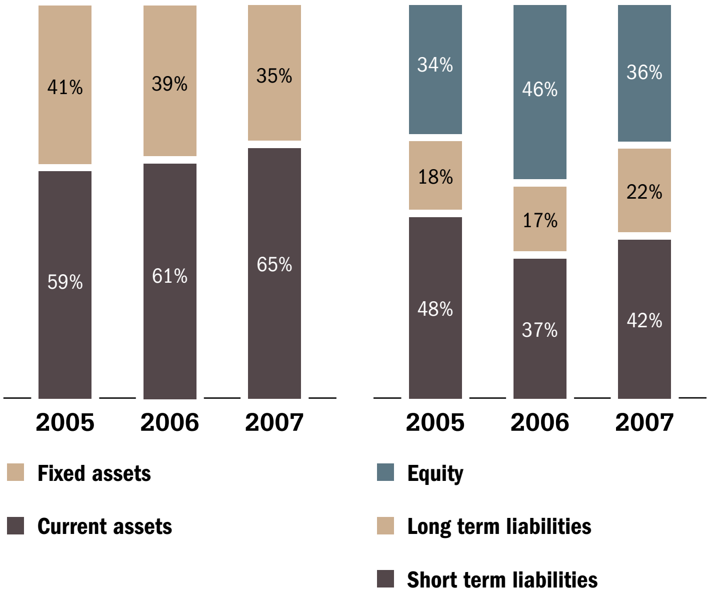
The Group's percentage investment dropped slightly in the financial year although the investments of EUR 25.9 million were around EUR 3.2 million greater than depreciation. The drop is therefore to be explained by the growth of the balance sheet total as a result of the new acquisitions. The percentage investment of the new acquisitions is considerably below the Group average due to the revaluation of assets undertaken in the course of the initial consolidation. 2007 investments concerned in particular the Automotive Systems Division, where investments were made mainly in the contracts currently under development.

Development of capital expenditures by asset class in EUR mill.



The reduction in the equity ratio to a nevertheless extremely solid 35.7% is the result solely of the increase in the balance sheet total after the acquisitions. Notice was already given in the course of the IPO that the capital increase undertaken was to be considered as a reserve for POLYTEC's growth through acquisitions. Seen thus, the drop in the equity ratio which has now occurred is also an expression symptom result of the agreed application of funds.

Balance sheet structure



The net current assets (both in absolute figures and in terms of sales) were up on the previous year, once more a result of the acquisitions made. In 2007, the average net current assets were used to calculate the ratio; this ensured that they were more easily and usefully comparable with figures from the previous year. A ratio of net current assets on the balance sheet date to the 2007 sales would not have been meaningful: although this would have taken account of the "full" working capital, acquisitions during the year would have meant that only the partial sales would have been included.

Key figures on the Group's financial position

	Unit	2007	2006	2005
Net debt	EUR mill.	29.2	4.2	53.7
Net debt to EBITDA	-	0.46	0.09	1.28
Gearing (net debt/equity)	-	0.18	0.03	0.61

The increase in net debt is by its nature also to be put down to the acquisitions made in 2007. With a net debt to EBITDA ratio of less than 0.5, POLYTEC has as before sufficient capacity for further and larger acquisitions without raising equity.

	Unit	2007	2006	2005
Cash flow from operating activities	EUR mill.	-7.5	48.4	16.8
Cash flow from investing activities	EUR mill.	-9.7	-20.7	-16.3
Cash flow from financing activities	EUR mill.	23.6	3.9	0.7
Changes in cash and cash equivalents	EUR mill.	6.4	31.6	1.2

The negative cash flow from operating activities in the financial year 2007 is comprised of a cash flow from earnings of EUR 49.9 million (2006: EUR 38.3 million) and a change in working capital of EUR -57.4 million (2006: EUR 10.2 million). The negative development in Working Capital is among other also attributable to the acquisitions of ISE Intex. As in the course of the acquisitions basically fixed assets and inventory were acquired out of receivership, working capital has been build up gradually. This one off effect charges the cash flow from operating activities by EUR 4.3 million.

4. Group growth and development predictions

On account of the acquisitions made during the financial year of 2007 and the full contribution this will make to sales in the year 2008, the POLYTEC GROUP will be able to continue growing in the current financial year. The target is a Group sales of around EUR 800 million, a sum which will be secured by contracts already received. Variations from this figure would thus mainly arise from a change in the quantity requirements (construction figures) over which POLYTEC has no control.

Results will greatly depend on the extent to which POLYTEC succeeds in countering continuing and extreme pricing pressure from its customers. Customers' desire for price cuts continue at a time of rising raw material and energy prices and wage settlements considerably higher than those of previous years, a result of the good overall economic situation. As such, this desire can in some cases no longer be justified by any economic arguments.

Alongside this trend, which poses a danger to the western European supply industry in general, the determined pursuance of restructuring measures for the two 2007 acquisitions will be decisive in the development of POLYTEC. The first success of 2007 should thus be seen first and foremost not as a reason to celebrate but as an incentive to make further wide-reaching changes.

In spite of the improvement measures mentioned, still ongoing, and the new 2008 start-ups with their negative effect on results, POLYTEC is aiming to remain in the target range of a sustainable 8–10% EBITDA in the current financial year. From today's perspective, it is however to be expected that the 2008 EBITDA will be at the lower end of this spectrum.

5. Non-financial performance indicators

Environmental protection

Dealing carefully and responsibly with natural resources is an essential part of the POLYTEC GROUP's business activities. Avoiding waste is particular important for a group specialising in processing plastics. In those factories which work mainly with injection moulding technology, every effort is therefore made to regranulate the waste material and channel it back into the production process. The Group is also focusing on increasing the use of natural materials.

All activities in the area of research and development also focus on the economic (sparing) use of raw materials or utilising alternative materials. EMPEFLEX (flax fibre-reinforced polypropylene) is also being used to a great extent in the field of car interiors.

Several new developments and trademarks which are also positive from an environmental point of view were registered: POLYSWIRL (oil separator system; reduces oil consumption), POLYFLAX (natural fibre-based composite).

A more recent development is the use of sugar cane resin as a matrix material for long fibre-reinforced interior components. The car interior lining parts produced in this manner contain up to 100% renewable raw materials. The process has, however, not yet been used in series production. POLYTEC is thus once more taking a pioneering role in the use of renewable raw materials and the development of recyclable materials for use in automobile construction. These materials can be moreover, largely be produced without the need for crude oil.

The TS 16949:2002 quality standard has become the Automotive Systems Division Standard in all factories. In 2007, the Group succeeded in harmonising the processes in the individual units as far as possible and optimising operations using a joint management system known as PEMS (**P**olytec **E**xcellence **M**anagement **S**ystem). Corporate identity, cost savings, comparability and collaboration are the benefits this has brought.

Plans for the 2008 financial year are to extend the existing management system in the most important production branches and to integrate the "Environmental Management" and "Industrial Health and Safety" systems.

The use of solvent-free varnishing systems was pursued in particular in the Car Styling Division and also in the Automotive Composites Division. This transition meant the fulfilment of the EU Solvent Directive.

All the Group's most important branches are certified in accordance with the extremely strict environmental standard ISO 14001; ISO 14001 certification is planned for further branches in 2008.

Employees

The average number of those employed by the Group[4] and their geographic spread in the years from 2005 to 2007 is as follows:

	2007	2006	2005
Austria	357	349	349
Germany	2,893	1,920	1,923
Rest of Europe	1,409	1,234	1,301
North America	20	22	22
South Africa	88	99	60
Asia	103	0	0
Total	**4,767**	**3,624**	**3,655**

[4] *Employees of companies only recently integrated into the group are shown in the table in terms of time worked from the time of initial consolidation.*

The average number of employees by division can be broken down as follows:

	2007	2006	2005
Automotive Systems Division	2,727	2,507	2,489
Automotive Composites Division	1,326	421	448
Car Styling Division	580	568	598
Holding/other segments	134	128	120
Total	**4,767**	**3,624**	**3,655**

A key figure in terms of personnel, sales per employee, developed as follows:

Key figure	Unit	2007	2006	2005
Sales per employee	TEUR	139	145	137

Working with the customer in mind, continuing to improvement processes in terms of profitability, the environment and efficiency are top priorities for the automobile supplier; this also defines the attitude of POLYTEC employees to their work. A process of continual improvement or the in-house programme POLYBEST (profitability, economy, efficiency) are long-term measures to secure the company's future. These programmes can only be successful if staff are constantly prepared to contribute their ideas to all areas of work and service provision. POLYTEC promotes this through a company suggestion scheme involving suitable incentives. In order to deal with this process of constant change, POLYTEC promotes staff training and development for its employees, both through internal further training measures within the group and by sending its employees to external educational institutions. Alongside the development of technical know-how and skills, there is also a focus on teaching foreign languages, essential to business success for an international company such as POLYTEC.

In accordance with the careful and efficient use of financial resources, part of employee remuneration is linked to company success through performance criteria.

Research and development

The current and future demands of all stakeholders such as customers, authorities, the environment etc. pose companies a particular challenge: to innovate so that they may offer solutions to problems or be able actively to solve them. It is imperative to provide sufficient resources for research and development, both because of such external pressure and in order to secure the future position of a corporate group in constant competition. The group's research and development thus focuses on issues in a wide number of areas, ranging from the continuous improvement and rationalisation of existing manufacturing processes, new and further technical developments for automobile parts in collaboration with our customers to the development of materials. In all our activities, there is also a focus on the economic use of resources and, where possible, the use of environmentally friendly materials. Efforts in the F&E sector are thus also geared towards improving environmental standards and protection. Development work for specific contracts in which development work is done for the customer de facto is charged to the customer separately or added to price of the parts.

The main focus of research and development work is in the Automotive Systems Division with its three development centres in Lohne, Geretsried and the new centre from the acquisition of Polytec Intex in Lichtenberg. A total staff of 183 is employed in the field of research and development. The Polytec Automotive Systems Division development work is concentrated in the group company Polytec Automotive GmbH & Co KG.

Depending on the individual production sites and the parts manufactured there, whether these be engine bay parts or interior parts, the development centres also specialise in various research and development activities. This is in line with the Polytec strategy of solving problems in a customer and production-oriented manner.

New engine bay parts are developed in the north German town of Lohne where the largest production site for engine bay parts is also located. Development work ranges from the substitution of aluminium parts with plastic parts to the further development of existing parts. The extended testing area makes it possible both to meet constantly increasing customer demands and actively to work on new developments, thus further consolidating Polytec's pioneering role in the field of engine bay components.

The development focus in the Bavarian town of Geretsried is on interior systems. Staff here work constantly on developing materials, concentrating on weight, costs and component quality. In the field of material development, the clear focus is on developing sandwich materials and environmentally friendly materials based on natural fibres. Work in the field of manufacturing concentrates above all on developing the integrative module concept in order to further lower assembly costs.

In the town of Morsbach-Lichtenberg in North Rhine-Westphalia, the focus of development work is the field of pillar trims, in particular in mould decoration of textiles and other materials. This town is also home to the competence centre for special textile goods in mould decoration. The use of thin wall technology in the field of injection moulding is also being developed here, as are plastic door panels.

Alongside the target-oriented pre-development projects carried out in close consultation with the automobile manufacturer, work is also being done on developing new materials, surfacing and processes.

Thanks to development work and funding, the Group has already registered several trademarks, for example POLYSWIRL (oil separator system), POLYFLAX (natural fibre-based composite), POLYLOAD (a new type of lightweight matrix), POLYSKIN (2 component processes for high quality interior parts at optimum cost), POLYGRAIN (in mould granulation process). Further projects are in the pipeline. Overall, the POLYTEC GROUP currently owns over 90 registered trademarks and patents.

Additional research and development competency was gained in the Composites Division thanks to the new acquisitions. The focus is above all on finding new and better applications for the material. Much work is being done on increasing the use of regranulate. Further development work concerns increasing efficiency in the production and handling of SMC and improving its processing and treatment (varnishing). The new generation of vehicles is also posing new demands in terms of component strength and shock resistance; this requires constant development of the basic material and the way in which it is processed. Another focus of development work is reducing the weight of components whilst increasing component properties.

The POLYTEC GROUP spends around 2.8% of its income from group sales on research and development.

6. Risk reporting and financial instruments

For information on risk reporting, we would refer you to the details under E. 4; for information concerning the derivative financial instruments used by the Group please see the details under C. 16 in the group information appendix.

7. Information in accordance with § 243a UGB

The share capital of POLYTEC Holding AG is split into 22,329,585 bearer shares with a par value of EUR 1.00 each. The group has no other types of shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange.

Shareholders with shares of over 10.0% of the share capital are:

Huemer Holding GmbH: The company is an affiliated company of IMC Verwaltungsgesellschaft mbH, which itself holds shares in POLYTEC Holding AG. The total shareholding of the two companies is around 32% of the share capital. The CEO of the POLYTEC GROUP, Friedrich Huemer, is sole proprietor of the shares in the IMC Verwaltungsgesellschaft mbH and sole authorised agent for both companies.

CROSS Motorsports Systems AG (previously CROSS Automotive GmbH): The company, with its head office in Wels/Austria is a 100% subsidiary of the listed company CROSS Industries AG and has a shareholding of around 16%.

The board of directors is not aware of limitations applying to the transfer of shares or any other restrictions relating to the exercise of the right to vote. No shareholders have a particular right of control.

As concerns the board of director's ability to issue shares, we would refer you to the details of authorised capital in the appendix D. 19.

There are no major agreements which would be affected by a change in control of the share capital or indemnification agreements between the company and its executive bodies or employees effective in the case of a public takeover bid.

8. Subsequent events after balance sheet date

All events/transactions after the balance sheet date which are of material importance to the valuation of assets and liabilities and of which we are aware are included in this report. Your attention is drawn to the details in the appendix under E. 2.

Hörsching, March 13, 2008

The Board of Directors

Friedrich Huemer
Karl Heinz Solly
Alfred Kollros
Reinhard Urmann

Consolidated Financial Statements 2007 of POLYTEC Holding AG

Consolidated Income Statement for the Financial Year 2007

compared with the figures from the previous year

in TEUR		Notes	2007	2006
1.	Net sales	D. 1	664,989.7	525,211.0
2.	Other operating income	D. 2	23,928.8	13,732.7
3.	Changes in inventory of finished and unfinished goods		12,811.8	-17,947.3
4.	Own work capitalised		1,299.2	818.8
5.	Expenses for materials and services received	D. 3	-355,021.0	-279,866.6
6.	Personnel expenses	D. 4	-180,813.6	-130,171.1
7.	Other operating expenses	D. 5	-103,463.0	-63,763.2
8.	**Earnings before interest, taxes and amortisation (EBITDA)**		**63,731.9**	**48,014.3**
9.	Depreciation	D. 6	-22,685.2	-17,740.4
10.	**Earnings before interest, taxes and amortisation of goodwill (EBITA)**		**41,046.7**	**30,273.9**
11.	Amortisation of goodwill	D. 6	0.0	0.0
12.	**Earnings before interest and taxes (EBIT)**		**41,046.7**	**30,273.9**
13.	Income from associated companies		42.1	66.2
14.	Financial expenses		-2,592.8	-2,645.1
15.	Other financial results		200.0	-360.5
16.	**Financial result**	**D. 7**	**-2,350.7**	**-2,939.4**
17.	**Earnings before tax**		**38,696.0**	**27,334.5**
18.	Taxes on income	D. 8	-1,399.5	-9,035.3
19.	**Profit of the year after tax**		**37,296.5**	**18,299.2**
20.	Minority interest		-303.7	137.6
21.	**Consolidated profit for the year (Result after minority interest)**		**36,992.8**	**18,436.8**
	Earnings per share in EUR	**D. 20**	**1.66**	**0.86**

Consolidated Balance Sheet as of December 31, 2007

compared with the figures from the previous year

Assets in TEUR				Notes	Dec. 31, 2007	Dec. 31, 2006
A.	**Fixed assets**					
	I.	Intangible assets		D. 9	8,050.9	4,656.8
	II.	Goodwill		D. 10	25,611.5	25,611.5
	III.	Tangible assets		D. 11	107,721.8	71,001.0
	IV.	Investments in affiliated companies			194.9	155.0
	V.	Investments in associated companies			1,045.2	45.2
	VI.	Other financial assets			3,021.7	3,378.3
	VII.	Deferred tax assets		D. 13	11,322.4	3,585.8
					156,968.4	**108,433.6**
B.	**Current assets**					
	I.	Inventories				
		1.	Raw materials and supplies		32,294.8	20,399.6
		2.	Unfinished goods and as yet unbillable services minus advanced payments		38,740.5	16,233.7
		3.	Finished goods and merchandise		16,774.9	10,501.9
		4.	Advance payments made		6,158.0	267.4
				D. 14	**93,968.2**	**47,402.6**
	II.	Trade accounts receivable and other receivables and assets				
		1.	Trade accounts receivable		118,407.8	68,296.7
		2.	Other receivables		16,022.8	10,229.7
		3.	Income tax receivables		5,525.6	1,686.4
				D. 15	**139,956.2**	**80,212.8**
	III.	Marketable securities		D. 16	**4,886.2**	**0.0**
	IV.	Cash and cash equivalents		D. 17	**49,249.4**	**42,870.1**
					445,028.4	**278,919.1**
Equity and liabilities in TEUR				**Notes**	**Dec. 31, 2007**	**Dec. 31, 2006**
A.	**Shareholder's equity**					
	I.	Share capital			22,329.6	22,329.6
	II.	Capital reserves			57,783.5	57,783.5
	III.	Treasury stock			-215.5	-215.5
	IV.	Minority interests			691.8	591.4
	V.	Retained earnings			78,328.4	46,912.6
				D. 19	**158,917.8**	**127,401.6**
B.	**Long-term liabilities**					
	I.	Interest-bearing liabilities		D. 21	53,592.9	31,582.7
	II.	Provision for deferred taxes		D. 13	3,575.3	2,374.7
	III.	Long-term provisions for personnel		D. 22	25,318.9	10,653.9
	IV.	Other long-term liabilities		D. 23	15,060.2	2,872.2
					97,547.3	**47,483.5**
C.	**Short-term liabilities**					
	I.	Trade accounts payable		D. 24	82,105.1	51,227.2
	II.	Short-term interest-bearing liabilities		D. 25	15,935.7	10,142.5
	III.	Short-term portion of long-term loans		D. 26	16,036.2	7,999.3
	IV.	Liabilities on income taxes		D. 27	3,454.4	1,688.4
	V.	Other short-term liabilities		D. 28	71,031.9	32,976.6
					188,563.3	**104,034.0**
					445,028.4	**278,919.1**

Consolidated Cash Flow Statement for the Financial Year 2007

compared with the figures from the previous year

in TEUR		2007	2006
	Earnings before tax	**38,696.0**	**27,334.5**
-	Income taxes	-5,587.9	-7,536.0
+(-)	Depreciation (appreciation) of fixed assets	22,685.2	17,769.6
-	Dissolution of negative goodwill	-6,576.3	0.0
+	Book value of asset disposals	16,032.7	460.7
+	Non-cash expenses from first-consolidation and deconsolidation	435.7	0.0
+(-)	Increase (decrease) in long-term provisions	365.1	751.1
=	**Consolidated financial cash flow**	**66,050.5**	**38,779.9**
-(+)	Profit (Loss) from asset disposals	-89.1	-48.5
-	Book value of asset disposals	-16,032.7	-460.7
=	**Consolidated cash flow from earnings**	**49,928.7**	**38,270.7**
-(+)	Increase (decrease) in inventories, advance payments made	-22,935.8	10,288.4
-(+)	Increase (decrease) in trade and other receivables	-20,730.1	2,914.0
+(-)	Increase (decrease) in trade and other payables	13,756.9	-2,631.1
+(-)	Increase (decrease) in short-term provisions	-27,578.0	-401.2
=	**Consolidated cash flow from operating activities**	**-7,558.3**	**48,440.8**

in TEUR		2007	2006
-	Investments in fixed assets	-25,926.5	-21,271.8
-	Acquisition of consolidated subsidiaries (Purchase price less the acquired cash and cash equivalents)	5,140.3	0.0
-	Disposal of deconsolidated subsidiaries (Revenue less cash and cash equivalents)	-108.9	0.0
-	Purchase of marketable securities	-4,864.6	0.0
+(-)	Profit (Loss) from asset disposals	89.1	48.5
+	Translation differences	-48.1	87.0
+	Book value of asset disposals	16,032.7	460.7
=	**Consolidated cash flow from investing activities**	**-9,686.0**	**-20,675.6**

in TEUR		2007	2006
+(-)	Increase (decrease) in interest-bearing loans and liabilities to banks	29,058.8	-18,274.6
+(-)	Grant of long-term loans (less repayment)	366.7	416.6
-	Dividends	-5,774.9	-100.0
+	Capital increase for cash	0.0	22,253.1
+(-)	Other changes in equity	-27.0	-425.6
=	**Consolidated cash flow from financing activities**	**23,623.6**	**3,869.5**

in TEUR		2007	2006
+(-)	Consolidated cash flow from operating activities	-7,558.3	48,440.8
+(-)	Consolidated cash flow from investing activities	-9,686.0	-20,675.6
+(-)	Consolidated cash flow from financing activities	23,623.6	3,869.5
=	**Changes in cash and cash equivalents**	**6,379.3**	**31,634.7**
+	Opening balance of cash and cash equivalents	42,870.1	11,235.4
=	**Closing balance of cash and cash equivalents**	**49,249.4**	**42,870.1**

in TEUR	2007	2006
Cash and cash equivalents	49,249.4	35,724.0
Treasury stock	0.0	7,146.1
Closing balance of cash and cash equivalents	**49,249.4**	**42,870.1**

in TEUR	2007	2006
Other short-term liabilities		
Provision for deferred tax	3,454.4	1,688.4
Short-term provisions	51,896.5	21,320.2

Statement of Changes in Consolidated Shareholders' Equity

in TEUR	Share capital	Capital reserves	Treasury stock	Minority interests	Retained earnings	Total
Balance as of January 1, 2007	**22,329.6**	**57,783.5**	**-215.5**	**591.4**	**46,912.6**	**127,401.6**
Consolidated profit for the year	0.0	0.0	0.0	303.7	36.992.8	37,296.5
Dividends	0.0	0.0	0.0	-200.0	-5.574.9	-5,774.9
Currency translation	0.0	0.0	0.0	-3.3	-23.8	-27.1
Market valuation of securities available for sale	0.0	0.0	0.0	0.0	21.7	21.7
Balance as of December 31, 2007	**22,329.6**	**57,783.5**	**-215.5**	**691.8**	**78,328.4**	**158,917.8**

in TEUR	Share capital	Capital reserves	Treasury stock	Minority interests	Retained earnings	Total
Balance as of January 1, 2006	**19,329.6**	**38,530.4**	**0.0**	**307.0**	**29,207.9**	**87,374.9**
Consolidated profit for the year	0.0	0.0	0.0	-137.6	18,436.8	18,299.2
Capital increase	3,000.0	20,250.0	0.0	0.0	0.0	23,250.0
Cost of capital increase	0.0	-996.9	0.0	0.0	0.0	-996.9
Dividends	0.0	0.0	0.0	-100.0	0.0	-100.0
Treasury stock	0.0	0.0	-215.5	0.0	0.0	-215.5
Currency translation	0.0	0.0	0.0	18.3	-228.4	-210.1
Assumption of losses of minority stakes	0.0	0.0	0.0	503.7	-503.7	0.0
Balance as of December 31, 2006	**22,329.6**	**57,783.5**	**-215.5**	**591.4**	**46,912.6**	**127,401.6**

Notes on the Consolidated Accounts for the Financial Year 2007 of the POLYTEC Holding AG, Hörsching

A. General information

The POLYTEC GROUP is a globally operating concern focusing on the plastics industry with its head office in Austria. In the automotive industry, the group is working as supplier of interior and engine compartment components for serial production (Automotive Systems Division) as well as a supplier of original equipment and components for small series (Car Styling Division). The Automotive Composites Division functions as supplier for the automotive and industrial vehicle industry. Furthermore, the group produces PU plastic parts as well as machines for their production for other industries.

The consolidated accounts for the financial year 2007 of the POLYTEC Holding AG (hereinafter referred to as "Group") were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations.

The headquarters of the POLYTEC Holding AG is located in Hörsching, Austria and is listed in the commercial register of the Landes- und Handelsregister Linz [Commercial Registry of the city of Linz] under the number FN 197646 g.

All standards which had to be mandatorily applied for the financial years were applied with regard to the preparation of the present consolidated accounts. Already published standards and standards applied by the EU or interpretations which did not have to be mandatorily applied were not prematurely applied (except for the IFRS 8 (business segments)); see also section D. 1 for further information. The IFRS 7 which has been applied for the first time as well as the amendments of the IAS 1 related with this standard were applied for the first time in the present consolidation. These provisions have resulted in a substantial extension of the information with regard to financial instruments.

In the face of the forthcoming use of not yet effective and by POLYTEC so far not applied standards or interpretations. No material modifications of balanced assets, liabilities or other information are expected in the consolidated accounts.

The consolidated accounts have been prepared in thousands Euro (TEUR). Calculation differences related to rounding may occur when summing up rounded amounts and percentages due to the use of automated calculating machines. The profit and loss statement of the group is prepared in accordance with the total cost accounting method.

According to § 245a UGB [Austrian Business Code], the present consolidated accounts replace the consolidated accounts which would otherwise have to be prepared in accordance with § 244 ff UGB.

B. Principles of consolidation

1. Basis of consolidation

The basis of consolidation is determined in accordance with the principles of the IAS 27 (Consolidated and Separate Financial Statements). The parent company is the POLYTEC Holding AG, Hörsching. The consolidated accounts include all companies by full consolidation which are influenced by the parent company. Thus, 4 national subsidiaries (previous year: 3) and 21 international subsidiaries (previous year: 19) were included in addition to the parent company; these subsidiaries are under the legal and factual control of the POLYTEC GROUP. 8 companies (previous year: 6) which were not included are not important for the consolidated accounts. The balance sheet date for all companies included in the consolidated accounts is December 31, 2007.

An overview of the completely consolidated companies can be found in annex 5 of the notes of the consolidated accounts.

The annual accounts of subsidiaries are included into the consolidated accounts from the time of acquisition until the time of amortization. A subsidiary will first be included when the respective parent company is actually assigned the control with regard to the assets and the business activities of this company. In the financial year, the basis of consolidation is changed as follows:

Basis of consolidation	Full consolidation
As of Dec. 31, 2006	**23**
Termination of business	-1
Restructuring within the group	-2
Acquisitions in terms of IFRS 3	+5
New company	+1
As of Dec. 31, 2007	**26**
thereof foreign companies	21

In the 4th quarter of 2006, after the expiry of an agreement with Land Rover, Polytec Interior UK Ltd. ceased its business activities according to schedule and was, in the following, separated from the basis of consolidation of the POLYTEC GROUP from January 1, 2007. The present consolidated accounts cannot be compared with the consolidated accounts of the previous year.

In 2007, the Polytec Rentrop GmbH & Co KG and the Polytec Plastics Wolmirstedt GmbH & Co KG as transferring companies were merged to the Polytec Riesselmann GmbH & Co KG as accepting company. No assets or liabilities from the consolidated accounts were retired so that a limited comparability with regard to the previous balance sheet date is not given.

Also in the financial year 2007, the remaining 40% of the shares in the Polytec Interior South Africa (Proprietary) Ltd. were acquired by the former co-partner. However, the company is not included for the first time since it has already been included into the consolidated accounts in the past.

The following companies were included in the consolidated accounts for the financial year for the first time:

Company	Share on equity	Inclusion as of
Polytec Composites Germany Group (former Menzolit-Fibron) consisting of: PT Beteiligungs GmbH, Hörsching, Austria POLYTEC Composites Germany GmbH & Co KG, Gochsheim, Germany Polytec Composites Slovakia s.r.o., Sladkovicovo, Slovakia PT Plastik Ürünleri Sanayi ve Ticaret A.S., Aksaray, Turkey	100%	May 1, 2007
Polytec Intex GmbH & Co. KG, Morsbach, Germany (former ISE Intex GmbH)	100%	July 1, 2007
POLYTEC Composites Beteiligungs GmbH, Gochsheim, Germany (new company)	100%	Dec. 1, 2007

In the course of the first consolidation, the assets and liabilities of the acquired companies were re-evaluated. Especially in the case of the Polytec Composites Germany Group, the assets were re-evaluated due to a purchase price which was clearly below the original book value of the equity, and financial securities for deficit orders which were an especially decisive factor for the purchase price. Deferred tax assets which occurred in the course of the re-evaluation were balanced in correspondence with their likely benefits.

The newly acquired companies were included for the first time with the following values:

in TEUR	Polytec Composites Germany Group	Polytec Intex GmbH & Co KG
Assets		
Purchase price less cash	15,840.3	0.0
Fixed assets	42,051.2	11,857.0
Badwill	-6,576.3	0.0
Deferred tax assets	4,625.1	0.0
Current assets	55,061.1	4,699.9
Liabilities		
Purchase price less cash	0.0	10,700.0
Debt	80,643.5	2,185.9
Contingent liabilities	30,357.9	3,671.0

The badwill determined in the course of the acquisition of the Polytec Composites Germany Group was recognized in the income statement in the financial year in accordance with IFRS 3. The corresponding income is shown in the other operating income.

The contingent liabilities affect financial securities for deficit orders of the respective companies which were a substantially decisive factor for the acquisition and which were used up in the financial year for the occurring losses. Furthermore, these securities could be further reduced in the year 2007 due to the restructuring and integration measures which have been taken since the acquisition. This fact resulted in an income from reversal of provisions for liabilities amounting to TEUR 5,092.3. On the balance sheet date of December 31, 2007, the remaining securities amounted to TEUR 23,480.0.

The newly acquired companies were integrated into the Polytec Automotive Composites Division (Polytec Composites Germany Group) or into the Polytec Automotive Systems Division (Polytec Intex GmbH & Co KG); in the individual case, this resulted in relocations of products to existing sites of the POLYTEC GROUP. Furthermore, the newly acquired companies were integrated into the Division and Group Centers. The contribution of the newly acquired companies to the values shown in the profit and loss statement can thus only be determined by approximation:

in TEUR	Polytec Composites Germany Group	Polytec Intex GmbH & Co KG
Sales	133,838.3	48,143.4
Net income	13,468.9	643.3

2. Methods of consolidation

The consolidation of investments for acquisitions until March 31, 2004 was performed on the basis of the book value method by offsetting the acquisition costs of the investments against the equity ratio allotted to these investments at the time of acquisition. A goodwill will be assigned to the assets as far as possible. A badwill was analyzed in previous years for its reason of accrual and, if affecting future losses and expenses, recorded in accordance with IAS 22 as income at the time of occurrence of these losses and expenses.

IFRS 3 "Business Combinations" was applied for income occurred after March 31, 2004. Thus, the consolidation of investments was performed on the basis of the revaluation method (method concerning all assets and liabilities at Fair Value, also in the case of minorities and complete disclosure of the hidden reserves, independent from the amount of the minority interests). The investment book value is opposed by the proportionate, re-evaluated equity of the subsidiary (purchase accounting).

Remaining differences will be capitalized as goodwill. Goodwill occurred prior to January 1, 2005 were recorded with the book value of December 31, 2004 and are subject to an annual impairment test.

If the acquisition costs are lower as the net assets, the difference (negative consolidation difference) will be recognized in the income statement of the acquisition period.

Further information with regard to the effects of the first consolidation of the acquisitions in the year 2007 can be found in section B. 1.

Minority interests in the equity and in the result of the companies controlled by the parent company are disclosed in the Consolidated Financial Statements under equity in accordance with IAS 27.

All accounts receivables and payables, expenses and revenues resulting from transactions between the consolidated companies were eliminated by taking into account the principle of materiality. Intermediate results from group-internal deliveries were also eliminated as far as they are material.

3. Currency translation

Business transactions with foreign currencies

All transactions in foreign currencies were valued at the exchange rate of the transaction date in the individual companies. Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Resulting exchange rate differences are recorded in the profit and loss statement of the group.

Translation of individual financial statements in foreign currencies

The functional currency of non-EURO subsidiaries is the corresponding national currency; however, this does not apply for the Turkish company whose functional currency is EURO. Assets and liabilities of international subsidiaries were converted with the reference exchange rate of the European Central Bank on the balance sheet date. Positions of the profit and loss statement of the group were converted with average exchange rates of the financial year.

Non-monetary assets and liabilities in foreign currencies were converted at the exchange rate on the day of the transaction. Exchange rate differences of monetary positions which, from the economic point of view, belong to a foreign company like, for example, long-term debts and assets will be accounted with the group equity capital and will be recorded under the position "Differences from the currency translation".

The following currency exchange rates were used:

	Average exchange rate		Exchange rate on balance sheet date	
	2007	2006	Dec. 31, 2007	Dec. 31, 2006
CAD	1.4663	1.4267	1.4449	1.5281
GBP	0.6873	0.6819	0.7334	0.6715
PLN	3.7749	3.8996	3.5935	3.8310
SEK	9.2647	9.2533	9.4415	9.0404
SKK	33.5763	n.a.	33.5830	n.a.
USD	1.3797	1.2630	1.4721	1.3170
ZAR	9.6837	8.6332	10.0298	9.2124

C. Accounting and evaluation principles

The principle of standardized accounting and evaluation will be applied due to the guidelines applicable throughout the entire group. Insubstantial deviations with regard to the individual financial statements of international allied companies were retained.

1. Intangible assets

Intangible assets are evaluated with their acquisition costs and amortized according to schedule on a straight-line basis. The amortization rates are between 10.0% and 66.7%.

Expenses for research are shown as expenses in the year of their occurrence. Development costs are normally also periodically occurring expenses. They have to be booked as assets if certain conditions can be proved and if they have been cumulatively fulfilled. Among other aspects, it must be verifiable that the development activities are very likely to result in future accrual of funds which does not only cover the normal costs but also the corresponding development costs. Capitalised development costs for customer orders are amortised with the beginning of the serial delivery in accordance with the customer's release orders for the entire term of the model. The group's research and development expenses in the financial year amounted to approx. 2.8% (previous year: 3.0%).

2. Goodwill

Goodwill results from acquisitions of subsidiaries or interests in associated companies. Since January 1, 2005, goodwill is not yearly amortized but is subject to an impairment test at least once a year. If a subsidiary or an associated company is sold, the proportionate goodwill will be taken into account in the calculation of the gain or loss of the disposal.

The evaluation of goodwill is performed with regard to the acquisition costs less the accumulated impairment losses (see also the annex "Impairment").

3. Fixed assets

Tangible assets are valued at the costs of acquisition or production, reduced by scheduled amortizations, or the lower achievable market price. The scheduled amortizations will be determined on a straight-line method.

For limited-life assets, the following rates are used for the scheduled depreciation:

	in %
Buildings and leasehold improvements	4.0–20.0
Technical equipment and machinery	6.7–50.0
Other equipment, fixtures, fittings and equipment	10.0–50.0
Low value items	100.0

Substantial impairment beyond the scope of the scheduled amortizations will be taken into account by extraordinary amortizations. In the case of a discontinuation of the reasons for extraordinary amortizations, corresponding revaluations will be performed.

In the case of fixed assets being immobilized, sold or give up, the profit or loss from the difference of the sales revenue and the net book value will be recorded as other operating income or expenses.

Maintenance expenses will be recorded as expenses in the financial year of their occurrence.

Interests on borrowed capital for fixed assets which are produced or acquired over a long period will not be booked as assets.

4. Assets from tenancies and leasing

Leased assets for which basically all risks and chances resulting from the property of assets were transferred (finance lease), are valued as assets with their market value or the lower cash value in correspondence with IAS 17. The amortization was performed according to schedule over the economic useful life or over the shorter periods of the leasing agreement. The payment obligations resulting from the future leasing rates are discounted and recorded as liabilities.

5. Government grants

Government grants and subventions of other third parties are recorded under liabilities and liquidated in accordance with the useful life of the allocated asset.

6. Financial assets

Other investments and assets are included under other financial assets. They are valued at the costs of acquisition or the lower market value at the balance sheet date. Interest-bearing loans are balanced with their nominal value.

The investments balanced at the acquisition costs are investments which are not listed on an active market and whose current value can, therefore, not be determined on a reliable basis. The loans are subject to variable interest rates so that their book value almost corresponds to the market value.

Extraordinary amortizations will be performed for all financial assets in the case of impairment (see also the annex “Impairment”).

7. Inventories

Inventories are evaluated at their acquisition costs or production costs or the lower achievable market value on the balance sheet date. The determination of the acquisition and production costs is performed for similar assets in accordance with the weighted average cost method or in accordance with similar methods. The production costs only include the directly attributable costs and the proportionate overhead costs. Interests on borrowed capital are not be capitalised.

8. Accounts receivable for trade, income taxes and other accounts receivable

Receivable are capitalized at costs of acquisition. Recognizable risks are taken into account by performing appropriate value adjustments.

In other accounts receivable are also those derivative financial assets reported, that show a positive market value and are classified as “Held for trading”.

9. Securities of the current assets

The investment portfolio on December 31, 2007 affects shares which have been classified as “available for sale”. The adjustment of the present value was recorded under the equity capital not affecting net income. The evaluation is performed with the stock-exchange price on the balance sheet date so that the present value can be reliably determined.

10. Cash and short-term financial resources

Cash and other short time financial means consist of cash on hand, cheques and cash at banks as well as securities which are used by the group for liquidity management. They are evaluated at market values which are formed on sufficiently solvent markets and which can thus be reliably determined.

11. Impairment

Assets are tested at the balance sheet date if any indications exists for an impairment. For goodwill, such an annual verification (impairment test) is performed short time before any balance sheet day even if no indications for impairment are given.

For the purpose of the impairment test, the POLYTEC GROUP summarizes its assets which are generating cash flow on the lowest level (cash-generating unit). Goodwill is assigned to those cash-generating units which are expected to benefit from synergies and which represent the lowest group-internal level of the management monitoring of the cash flow.

The value in use of the asset corresponds to the present value of the estimated future cash flows from continuing use of such asset and from the disposal at the end of its useful life applying a fair market discount rate before taxes which is adjusted to the specific risks of the assets. The interest rate used for calculating the present value is the weighted average capital costs of the group and was defined with 8% for the financial year 2007 (2006: 8%). If no individual cash flow can be determined for an individual asset, the determination of the value of benefit is performed for the next higher unit to which this asset belongs and for which an individual cash flow can be determined.

Any impairment loss will be disclosed with the amount by which the book value of the individual asset or the cash-generating unit exceeds the achievable amount. The achievable amount is the higher amount of both amounts from the net selling price and the use value. Impairment losses proportionately reduce the carrying amount of the assets of the cash-generating unit.

In the case of a discontinuation of the reasons for extraordinary amortizations, corresponding revaluations will be performed for fixed assets. Goodwill which has been amortized due to impairment are no longer written up.

12. Obligations towards employees

Provision for severance payments

Due to legal obligations, the employees of Austrian group companies who have joined the company prior to January 1, 2002 will receive a one-time severance payment in the case of a termination of the employment contract or in the case of retirement. The amount of compensation depends on the number of years of service and the applicable income on the end of the employment. For all employment contracts concluded after December 31, 2002, payments which will be recorded as expenses will be made to a company pension fund for employees.

The provisions for severance payments are determined on a standardized basis with the “projected-unit-credit method” and by applying a discount rate of 5.25% (previous year: 4.3%) and by including a dynamic rate for future salary increases of 3.0% (previous year: 3.0%). A reduction for fluctuation of personnel bases on the years of service is included. The assumed retirement age for men and women, taking into account certain temporary arrangements, is still defined with 62 years (no change to the previous year).

The corridor amortization method is applied for actuarial profits and losses. If actuarial profits/losses exceed the cash value of the benefit obligation at the beginning of the financial year by more than 10.0%, they are distributed over the expected average remaining service lifetime of the employees and booked as income or expenses. The current service costs, past service costs to be settled as well as actuarial profits/losses are disclosed in the profit and loss statement of the group as part of personnel costs. Interest costs corresponding to severance payments provisions are shown in the financial results.

T.F.R. entitlement to severance payments

Due to legal obligations, the employees of Italian group companies may receive non-recurring payments in the case of a termination of the employment contract or in the case of other legally defined events. The amount of compensation depends on the number of years of service and the applicable income on the payment date of the compensation. Similar obligations apply for employees of Polish or Turkish companies.

Pension obligations

Pension obligations apply for certain employees of German group companies. Accounting of these obligations is performed in accordance with IAS 19. For this purpose, the present value of the defined benefit obligation DBO is calculated and compared to the current value of the planned assets existent on the balance sheet date. The pension provisions are calculated according to the “projected unit credit method”, where, depending on the distribution of the obligations to entitlements and liquid pensions and due to the specific regulations of the individual pension funds, a discount rate of 5.25% to 5.5% (previous year: 4.3% to 4.5%) as well as an increase of 0.5% to 2.0% (previous year: 0.5% to 1.5%) will be applied. The guidelines 2005G—Dr. Klaus Heubeck will be used for the insurance-mathematical calculations.

Interest costs resulting from the longterm provisions for personnel are recorded in the profit and loss statement of the group under Financial expenses.

Other long-term obligations towards employees

Based on collective agreements or other company agreements, employees are entitled to receive a certain anniversary payment depending on their length of service. Provisions have been set aside for these obligations.

13. Taxes

The income tax expenses (the income tax credit) includes the actual taxes and the deferred taxes.

The actual taxes for the individual companies are calculated from the taxable income of the company and the applicable tax rate in the corresponding country.

Deferred taxes are calculated, in particular, for value differences disclosed in the tax and commercial balance sheet of the individual companies resulting from deviating periods, as well as for consolidation bookings. They are determined according to IAS 12 using the the balance-sheet-liability method. Furthermore, the probably realizable tax advantage from existing accumulated losses is included in the calculation. Deferred tax assets on losses carried forward were formed as far as their utilization is expected within a foreseeable period. The calculation of the deferred taxes is based on the customary national income tax rate.

14. Other long- and short-term liabilities

The value of the trade account payables results from the present value of the received services at the date of their occurrence. In the following, these liabilities are valued at continued acquisition costs

Other liabilities, especially accrued interest-bearing liabilities, are reported with their repayment amount unless there is no substantial difference to the present value. Subsequently these liabilities are valued at continued acquisition costs.

The other provisions disclosed under liabilities were recorded if there are recognizable risks and uncertain obligations until the preparation of the balance sheet. They will be specified with the amount which proves to be the most probable amount after careful assessment of the circumstances. Reserves for expenses will not be booked as liabilities.

These positions also include any contingent liabilities in accordance with IFRS 3.

15. Recognition of financial instruments

Financial assets and liabilities are disclosed in the balance sheet if the group becomes a contractual party of a financial instrument.

Financial assets are derecognized from the accounts if the contractual rights from the assets expire or if the assets will be transferred with all substantial rights and obligations. Financial liabilities are derecognized from the accounts if the contractual obligations have been balanced, deleted or expired. Purchases and sales of financial instruments common in the market are balanced on the settlement date.

Financial assets will be categorized as follows:

a. At fair value through profit and loss
b. Held for Trading
c. Loans and receivable
d. Available for Sale

Financial liabilities will be categorized as follows:

a. Amortized cost

Other categories applicable according to IAS 39 are not applied.

16. Derivative financial instruments

In accordance with the financial policy of the group, derivative financial instruments are held for hedging purposes and to optimize the net interest result of the group.

The following pending derivative financial instruments are held on December 31, 2007.

	Type	Currency	Long term	Nominal	Fair Value in TEUR
Forward exchange dealing	CALL	EUR	July 2009	TEUR 1,210.7	12.9
Interest rate swap	-	EUR	Dec. 2011	TEUR 5,000.0	158.8
Interest rate swap	-	EUR	Oct. 2008	TEUR 10,000.0	-21.2

In the course of the financial year, forward exchange operations were used to hedge the foreign exchange risk which is part of the group's business in South Africa. No open forward exchange operations are existent on the balance sheet date.

The interest rate option was concluded to hedge specified bank liability of the POLYTEC GROUP (Micro Hedge).

Interest rate swaps cannot be assigned to a specified balance sheet item but to a portfolio of financial liabilities and serve for the optimization of the net interest income.

In the case of missing market prices, renowned evaluation models, especially option price models and analyses of the discounted expected cash flows were used for the determination of the fair values.

All derivative financial instruments are categorized as "held for trading".

Hedge Accounting procedures in accordance with IAS 39 are not applied.

17. Realization of income and expenses

Revenues from the sale of products and goods are realized upon transfer of the risks and opportunities to the buyer. Operating expenses affect the net income at the time of claiming the services or at the time of their occurrence.

18. Financial results

The financing expenses includes the interest and interest equivalent expenses arising for debt financing and finance leasing transactions as well as the interest component of the variation of the obligations to employees.

The financial revenues include the interest, dividends and other revenues realized from the assessment of funds and the investments in financial assets. Interest yields are realized proportional to time taking into account the effective interest rate of the asset. Dividend yields are shown at the occurrence of the legitimate claim.

Profits and losses from the sale of financial assets, impairment losses from financial assets, exchange rate profits and losses in connection with financing as well as results from security transactions are shown in the financial results.

19. Uncertainties with regard to assessments and assumptions

Estimations and assumptions have to be made to a certain degree in the consolidated financial statements which have an influence on the balanced assets and liabilities, information with regard to other obligations on the balance sheet date and the recognition of income and expenses during the reporting period. The actual amounts to be realized in the future may deviate from the estimations. Especially the assumptions concerning future cash flow of cash-generating units which are based on the medium-term plans of the group may prove to be incorrect and may result in certain effects on assets (especially goodwill) in the following years.

D. Information concerning the group's profit and loss statement and the consolidated balance sheet

1. Sales revenues and segment reporting

The POLYTEC GROUP has prematurely used IFRS 8 (business segments) on a voluntary basis for its consolidated accounts for 2007. The segments represent product groups and correspond to the internal reporting system of the group. Changes with regard to the consolidated accounts of the previous year did not result from the first application since the primary segmentation already corresponded to the specifications of IFRS 8. In correspondence with the product groups, the different segments are divided into Automotive Systems, Automotive Composites and Car Styling Division. A detailed description of the business activities of the different divisions can be found in section A. of the notes of the consolidated accounts.

In the financial statement 2007 the "Industrial" segment which was separately shown in the previous year is part of "Other segments", due to the acquisitions made in 2007, the importance of the "Industrial" segment was further reduced for the entire group and since the sales of the "Industrial" segment only represented 2.9% of the entire sales of the group. Due to the Full Year effect of the acquisitions of 2007 in the year 2008, this trend will also be continued in the future.

Assets and liabilities as well as expenses and earnings were only assigned to the individual segments as far as they could be assigned to the corresponding segments directly or with the help of a reasonable method. Positions which could not be assigned this way are shown in the columns named "Other segments" and "Consolidation". The transfer prices between the segments are based on comparable conditions usual on the market.

There are no substantial valuation differences of the assets or liabilities of the individual segments. Further information can be found in the explanations of the accounting and valuation principles applied for the group.

Being a supplier of the automotive industry, the group only depends on a small number of major customers. In 2007 and 2008, only three customer groups achieved more than 10% of the group's entire sales. Due to the broad variety of models and brands of our major customers which are operating both in the passenger car sector and in the commercial vehicle sector, all separately reported business fields are affected by the relationship between the customer and the supplier, but, of course, to a different degree.

On the balance sheet dates, the specifications concerning geographical areas on the group level can be summarized as follows:

	External sales		Deferred tax assets		Obligations for employees	
in TEUR	2007	2006	2007	2006	2007	2006
Austria	60,314.8	54,741.2	455.5	1,281.6	1,747.0	1,686.3
Germany	387,161.0	266,075.0	9,125.0	1,627.3	21,822.0	7,173.1
Other EU	166,255.6	163,800.7	1,624.4	484.9	1,625.2	1,794.5
Rest of world	51,258.3	40,594.1	117.5	192.0	124.7	0.0
Group	**664,989.7**	**525,211.0**	**11,322.4**	**3,585.8**	**25,318.9**	**10,653.9**

All information for the segments of the group can be found in annex 1 of the notes of the consolidated financial statement. Comparisons with the previous year have been adapted to the new segmentation scheme.

Sales according to categories is divided as follows:

in TEUR	2007	2006
Sales and other sales	635,436.0	477,949.2
Tooling and development sales	29,553.7	47,261.8
Total	**664,989.7**	**525,211.0**

2. Other operating income

in TEUR	2007	2006
Earnings from the disposals and appreciation of fixed assets excluding financial assets	508.6	116.4
Income from release of provisions	9,701.5	4,133.3
Badwill (IFRS 3)	6,576.3	0.0
Exchange rate gains	230.8	525.5
Other income	6,911.6	8,957.5
Total	**23,928.8**	**13,732.7**

3. Expenses for material and services received

in TEUR	2007	2006
Material expenses	278,840.2	229,263.8
Expenses for services received	76,180.8	50,602.8
Total	**355,021.0**	**279,866.6**

4. Personnel expenses

in TEUR	2007	2006
Wages and salaries	145,968.7	104,030.0
Expenses for statutory social charges	31,011.8	23,050.0
Expenses for severance payments and pensions	2,583.2	1,662.4
Other personnel expenses	1,249.9	1,428.7
Total	**180,813.6**	**130,171.1**

The average number of employees was:

	2007	2006
Workers	3,731	2,743
Employees	1,036	881
Total	**4,767**	**3,624**

The average number of employees includes pro rata temporis employees of companies which have been included into the consolidated accounts for the first time. On the balance sheet date of December 31, 2007, the POLYTEC GROUP employed 5,597 employees (4,318 workers and 1,279 white-collar employees).

5. Other operating expenses

in TEUR	2007	2006
Leased staff	23,746.2	8,179.4
Maintenance	15,896.0	10,017.1
Transport	12,775.8	8,716.7
Rent building	11,329.2	8,465.3
Other rent and leases	4,667.0	1,825.4
IT and communication costs	3,628.9	2,194.9
Consulting fees	3,538.1	2,025.7
Loss on exchange rate	1,084.4	1,298.3
Other expenses	11,282.5	8,579.0
Other sales expenses	4,971.0	4,514.6
Other administration expenses	9,173.7	6,873.0
Risk provision and damaging	502.8	460.7
Non income based taxes and charges	447.9	545.2
Losses on disposal of fixed assets, excluding financial assets	419.5	67.9
Total	**103,463.0**	**63,763.2**

6. Amortization and goodwill amortization

As in the previous year, no extraordinary amortizations on intangible assets and tangible fixed assets are included in the amortizations amounting to TEUR 22,685.2 (previous year: TEUR 17,740.4). Information with regard to the structure of the individual positions can be found in the Consolidated Movement of Assets.

According to IFRS 3 (Business Combinations), the goodwill will not be amortized from the beginning of the financial year 2005 but is subject to an annual impairment test. As in the previous year due to these impairment tests, no extraordinary amortizations were required in 2007.

7. Financial result

in TEUR	2007	2006
Income from other investments	42.1	66.2
Interest income and income form securities	3,212.2	1,365.4
Write off of financial assets	0.0	-73.2
Interest component of pension commitments	-822.6	-352.2
Other interest expenses	-4,982.4	-3,658.3
Other financial result	200.0	-287.3
Total	**-2,350.7**	**-2,939.4**

The interest component from pension promises is a non-cash item. All other interest expenses or income are cash items.

8. Income taxes

in TEUR	2007	2006
Current income taxes	3,548.0	6,978.3
thereof non periodic	-419.8	-241.3
Changes in deferred income taxes	-2,148.5	2,057.0
thereof non periodic	0.0	0.0
Total	**1,399.5**	**9,035.3**
thereof non periodic	-419.8	-241.3

The income tax expense of the financial year 2007 amounting to TEUR 1,399.5 (previous year: TEUR 9,035.3) has been reduced by TEUR 8,274.5 (previous year: higher by an amount of TEUR 2,202.0) with regard to the calculated income tax expense amounting to TEUR 9,674.0 (previous year: TEUR 6,833.6) which would result by applying a tax rate of 25% to the result prior to income taxes amounting to TEUR 38,696.0 (previous year: TEUR 27,334.5).

The reasons for the difference between the calculated and the actually shown income tax expense of the group can be summarized as follows:

in TEUR	2007	2006
Earnings before tax	38,696.0	27,334.5
thereof 25% calculated tax on income	9,674.0	6,833.6
Changes in provisions for deferred tax assets	-7,807.7	261.3
Effects on tax audit	0.0	-184.8
Non profit-related elements of the income taxes	412.0	385.5
Tax free income from non consolidated investments	-176.9	-16.6
Non deductible write-off of investments	154.6	112.1
Differences from the discrepancy between the local and consolidated tax rate	1,090.4	2,226.2
Permanent differences from the consolidation (amortization of goodwill, release of negative goodwill and consolidation debts)	-1,489.9	-337.6
Other items	-37.2	-3.1
Taxes on income for the reporting period	1,819.3	9,276.6
Non-periodic income tax expense/revenue	-419.8	-241.3
Disclosed consolidated tax on income	**1,399.5**	**9,035.3**

The withdrawal of the value adjustments for deferred tax assets especially affects the Polytec Composites Germany Group and was required after having finished the restructuring processes after the acquisition. The non-recurring effect on the deferred tax expense which can be attributed to these circumstances amounts to TEUR 8,038.2.

9. Intangible assets

The classification of the intangible assets and their development summarized in the consolidated balance sheet are shown in the Consolidated Movement of Assets (annex 1 of the notes).

TEUR 2.3 (previous year: TEUR 16.9) of the intangible assets are mortgaged or pledged as a security for bank liabilities.

10. Goodwill

The goodwill is allocated to the following divisions:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Car Styling	12,643.1	12,643.1
Automotive Systems	6,312.0	6,312.0
Automotive Composites	119.2	119.2
Other	6,537.2	6,537.2
Total	**25,611.5**	**25,611.5**

11. Tangible assets

The classification of the tangible assets summarized in the consolidated balance sheet as well as their development is shown in the Consolidated Movement of Assets (annex 2 of the notes).

The future expenses from non-terminable Operating Leasing agreements (without the obligations towards the POLYTEC Immobilien Group which are explained in the notes under E. 5) on December 31, 2007 amounted to TEUR 29,180.1 (previous year: TEUR 9,843.0) and are falling due as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Within one year	7,278.9	2,787.7
Longer than one year and within five years	21,901.2	7,055.3
Longer than five years	0.0	0.0

Technical equipment and machinery include finance lease goods with a book value amounting to TEUR 21,795.3 (previous year: TEUR 16,622.8).

The finance lease results in leasing obligations to third parties amounting to TEUR 23,260.1 (previous year: TEUR 15,799.8). The specified leasing obligations (cash values) are falling due as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Within one year	7,002.6	4,099.9
Longer than one year and within five years	15,816.8	11,699.9
Longer than five years	440.7	0.0

The leasing payments (without redemption for residual value) corresponding to the cash values amount to TEUR 22,384.7 (previous year: TEUR 15,288.2) and are falling due as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Within one year	7,589.8	4.576.9
Longer than one year and within five years	14,507.9	10.711.3
Longer than five years	287.0	0.0

In the financial years 2007 and 2006, no extraordinary amortizations on fixed assets had to be recognised. Revaluations (previous year: TEUR 44.0) were not made in the financial year. Due to a sale and lease back transaction, machines were revalued not affecting net income by TEUR 1,860.9. The capital gain was booked as liability and will be recognized as earnings over the duration of the leasing business.

TEUR 54,151.0 (previous year: TEUR 34,753.7) of the tangible assets are mortgaged or pledged as a security for bank liabilities.

12. Loans

The group has issued long-term loans to companies of the POLYTEC Real Estate Group (see also the explanations with regard to affiliated companies). The contractually agreed cash flow from the agreed repayments and interests (with the interest rate at the corresponding balance sheet date) can be summarized as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Asset value	2,250.0	2,616.7
Cash flow of the following year	1,350.5	1,154.7
Cash flow in the years 2 to 5	1,073.2	1,603.2
Cash flow more than 5 years	0.0	0.0

13. Deferred taxes

The differences between the amount stated in the tax balance sheet and the IFRS balance sheet result from the following differences and take effect on deferred taxes:

	Dec. 31, 2007		Dec. 31, 2006	
in TEUR	Assets	Liabilities	Assets	Liabilities
Intangible assets	-38.7	1,161.3	4.3	1,088.8
Tangible assets	-1,955.1	426.4	-5,427.0	190.0
Provisions for severance payments	415.4	-24.9	405.7	0.0
Provisions for pensions	822.8	-6.3	411.5	-7.1
Other provisions for personnel	489.6	-19.3	385.1	-30.8
Tax losses carried forward	2,462.5	0.0	664.8	0.0
Leasing liabilities	3,921.2	0.0	5,356.3	0.0
Other provisions	4,609.7	0.0	240.8	0.0
Others	471.5	687.0	1,426.9	582.4
Sub-total	10,610.2	2,224.2	3,468.4	1,823.3
Consolidation of debt	25.7	1,351.1	3.7	551.4
Elimination of intercompany profits	97.8	0.0	113.7	0.0
Capitalisation/ Provisions for deferred taxes	**11,322.4**	**3,575.3**	**3,585.8**	**2,374.7**

For differences resulting from investments in subsidiaries, no deferred taxes were shown in the consolidated balance sheet in accordance with IAS 12.39. Deferred taxes on accumulated deficits amounting to TEUR 1,955.7 (previous year: TEUR 574.1) were not booked as liabilities.

14. Inventory

The inventory is structured as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Raw materials and supplies	32,294.8	20,399.6
Unfinished goods	12,649.1	7,432.8
Work-in-progress	33,234.5	18,126.2
Advance payments received	-7,143.1	-9,325.3
Finished goods and merchandise	16,774.9	10,501.9
Advance payments made	6,158.0	267.4
Total	**93,968.2**	**47,402.6**

TEUR 6,993.7 (previous year: TEUR 8,313.1) of the inventory are pledged as a security for bank liabilities.

15. Trade accounts receivable and other receivables and assets

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Trade accounts receivable	118,407.8	68,296.7
thereof with a residual term > 1 year	476.0	1,298.0
thereof from affiliated companies	2.9	0.0
thereof from associated companies	0.0	0.6
Other receivables and assets	13,759.3	9,302.7
thereof with a residual term > 1 year	737.1	2,424.0
thereof from affiliated companies	0.0	0.0
thereof from associated companies	6.8	0.0
thereof from related companies	880.5	1,077.1
Income tax receivable	5,525.6	1,686.4
thereof with a residual term > 1 year	0.0	0.0
Prepayments and deferred charges	2,263.5	927.0
thereof with a residual term > 1 year	155.8	0.0
Total	**139,956.2**	**80,212.8**
thereof with a residual term > 1 year	1,368.9	3,722.0
thereof from associated companies	9.7	0.0
thereof from affiliated companies	0.0	0.6
thereof from related companies	880.5	1,077.1

In the scope of silent global assignments, TEUR 89,850.9 (previous year: TEUR 45,165.) of the accounts receivable from deliveries and services have been transferred to banks for security purposes.

The maturity structure of the accounts receivable from deliveries and services for third parties at the balance sheet date can be summarized as follows:

in TEUR	Dec. 31, 2007
Non payable	85,539.4
Due up to 60 days	29,647.0
Due up to 120 days	2,125.7
Due up to 360 days	758.2
Longer than 360 days	337.5
Total	**118,407.8**

The amount of overdue accounts receivables to be paid within 60 days is clearly inflated at to the balance sheet date by two substantial payments of customers amounting to TEUR 7,174.9 which were due on the balance sheet date but only credited on January 2, 2008.

For the determination of the recoverability of the accounts receivable, not only the individual creditworthiness of the debtor which is a rather uncritical factor due to the customer structure of the group, but especially their days overdue has to be taken into account. According to estimations made by the management, there are no substantial differences between the book value and the market value of the accounts receivable.

The existing value adjustments concerning accounts receivable developed as follows in the financial year:

in TEUR	Trade Receivables	Other receivables
Balance as of January 1	1,482.2	444.9
Changes in consolidation	1,668.2	0.0
Use	-613.1	-216.7
Release	-240.8	-51.9
Allocation	711.4	299.1
Foreign exchange rate differences	-39.6	-36.1
Balance as of December 31	**2,968.3**	**439.3**

16. Securities of the current assets

The inventory affects the shares in the Grammer AG held by the POLYTEC Holding AG on December 31, 2007.

17. Cash and cash equivalents

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Cash in hand, checks, cash at banks	49,249.4	35,724.0
Securities	0.0	7.146.1
Total	**49,249.4**	**42,870.1**

Restrictions concerning the amounts included in this position were not existent on the balance sheet date.

18. Financial assets

The allocation of the financial assets to the categories according to IAS 39 on the balance sheet date and on the previous balance sheet date can be represented as follows:

in TEUR	Amortized cost	Fair value through profit and loss	Fair value through profit and loss	Carrying value Dec. 31, 2007	Market value Dec. 31, 2007
Loans and receivables					
Receivables and other assets	127,717.8	0.0	0.0	127,717.8	127,717.8
Loans	2,250.0	0.0	0.0	2,250.0	2,250.0
Cash and cash equivalents (shortterm)	49,249.4	0.0	0.0	49,249.4	49,249.4
	179,217.2	0.0	0.0	179,217.2	179,217.2
Held for trading					
Interest derivative instruments	0.0	0.0	150.5	150.5	150.5
Available for sale					
Investments in other companies	2,011.8	0.0	0	2,011.8	2,011.8
Other securities	4,864.5	21.7	0.0	4,886.2	4,886.2
	6,876.3	21.7	0.0	6,898.0	6,898.0
Total	**186,093.5**	**21.7**	**150.5**	**186,265.7**	**186,265.7**

in TEUR	Amortized cost	Fair value through profit and loss	Fair value through profit and loss	Carrying value Dec. 31, 2007	Market value Dec. 31, 2007
Fair value through profit and loss					
Cash and cash equivalents	7,000.7	0.0	145.5	7,146.1	7,146.1
Loans and receivables					
Receivables and other assets	76,087.8	0.0	0.0	76,087.8	76,087.8
Loans	2,616.7	0.0	0.0	2,616.7	2,616.7
Cash and cash equivalents (shortterm)	35,714.0	0.0	0.0	35,724.0	35,724.0
	114,428.5	0.0	0.0	114,428.5	114,428.5
Held for trading					
Interest derivative instruments	0.0	0.0	21.6	21.6	21.6
Available for sale					
Investments in other companies	961.8	0.0	0.0	961.8	961.8
Total	**122,391.0**	**0.0**	**167.0**	**122,558.0**	**122,558.0**

Cash and cash equivalents, trade receivable and other short term financial assets have shortterm maturity. Therefor the carrying values of these assets are nearly to the residual value. The residual value of other longterm financial assets accords to the cash value of the payments in respect to the actual market parameter. Available for sale assets also includes securities which are not stock listed. Therefor allocation of the fair value of these assets was not reliable and so the carrying value was recognized to amortized costs.

19. Consolidated Shareholders Equity

The equity capital of the POLYTEC Holding AG on the balance sheet date amounts to TEUR 22,329.6 (previous year: TEUR 22,329.6) and is divided into 22,329,585 ordinary shares (previous year: 22,329,585 ordinary shares) with a nominal value of EUR 1.00 each. In the previous year, a capital increase by 3,000,000 ordinary shares with a nominal value of EUR 1.00 each was performed with an issue price of EUR 7.75. The shares are registered.

According to a decision of the annual general meeting of April 4, 2006, an authorized capital stock was agreed. With the corresponding approval of the supervisory board and for a period of 5 years from the registration of the authorized capital stock, the Board of Directors is entitled to increase the equity capital by up to TEUR 6,500.0 by issuing new shares with a minimum issue price of EUR 1.00 each.

In January of 2006, the group has purchased 29,934 own shares with a nominal value of EUR 1.00 each (0.13% of the equity capital) and a purchase price of EUR 7.20 per share from a retired member of the group's management (decision of the general meeting of October 27, 2004). Since then, the inventory has not been changed again. The own shares purchased in the previous year are evaluated with their acquisition costs and deducted from the group's equity capital.

The capital reserves include the agio which has been deposited on the occasion of capital increases less the costs of the initial public offering of the POLYTEC Holding AG in the financial year 2006 which can be allocated to the capital increase. According to IAS 32.35, the capital expenses which were directly accounted with the equity capital had to be reduced by the related income tax advantages amounting to TEUR 332.3.

Retained earnings comprise the past earnings of the Group which were carried forward as well as other changes in equity.

Information concerning the capital management

The POLYTEC Holding AG is not subject to any statutory minimum capital requirements. However, the group considers a sufficient equity capital stock as an important element of the insolvency reserve. The relation between the equity capital and the total capital can be summarized as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Total equity	158,917.8	127,401.6
Balance sheet total	445,028.4	278,919.1
Equity ratio	**35.7%**	**46.7%**

For POLYTEC, the term "Capital Management" means the control of the equity capital and the net financial liabilities which can be summarized under the term "Capital Employed". By optimizing both components, the group tries to optimize the return of the shareholders. Apart from the equity ratio, POLYTEC especially uses the parameters "Gearing" (net financial liabilities against equity capital) and "Leverage Ratio" (net financial liabilities against EBITDA) for the assessment of its debt capacity. The entire costs of the used capital and the risks related to the different types of capital are monitored on a permanent basis.

20. Earnings per share

According to IAS 33 (Earnings per Share) the "basic earnings per share" result from the division of the net income allocated to the shareholders (annual net profit of the group after minority interests) by the weighted average of outstanding ordinary shares during the reporting period.

in TEUR	in	2007	2006
Net income after minorities	TEUR	36,992.8	18,436.8
Weighted average number of ordinary shares issued	shares	22,329,585	21,367,956
Average number of own shares	shares	29,934	28,704
Average number of shares outstanding	shares	22,299,651	21,339,252
Earnings per share	EUR/share	1.66	0.86

The diluted earnings per share correspond to the non-diluted earnings per share since no financial instruments with dilution effect are circulating at the moment.

The Board of Directors of the POLYTEC Holding AG will propose a dividend of EUR 0.30 per share for the financial year 2007.

21. Interest-bearing liabilities

This position includes all interest-bearing liabilities with a remaining term of more than one year and can be structured as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Liabilities due to banks	37,024.7	19,644.2
thereof with a residual term > 5 years	9,960.6	3,501.0
thereof with collateral securities	30,896.9	17,728.9
Other interest bearing liabilities	310.7	238.6
thereof with a residual term > 5 years	231.2	0.0
Lease liabilities	16,257.5	11,699.9
thereof with a residual term > 5 years	440.7	0.0
Total	**53,592.9**	**31,582.7**

The substantial part of the liabilities towards credit institutes secured by property can be prematurely terminated by the financing banks if the equity ratio of the group falls below a predefined value or if the ratio of the net financial liabilities and the EBITDA exceeds a defined value.

The expiring long-term and short-term interest-bearing liabilities of the group towards credit institutes are existent in the following currencies:

	2007		2006	
	Proportion %	Average ordinary interest	Proportion %	Average ordinary interest
EUR	88.19	5.167	89.04	4.138
GBP	3.60	7.000	7.06	6.500
SEK	4.24	5.250	3.90	4.250
PLN	3.97	6.170	0.00	n.a.

22. Obligations due to employees

This position summarizes all long-term provisions for obligations due to employees:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Provision for severance payments	1,596.5	1,512.4
T.F.R. Severance payment entitlements	1,582.9	1,709.3
Provision for pensions	20,817.8	6,528.6
Provision for long-service bonus payments	1,154.7	818.4
Other long-term provisions	167.0	85.2
Total	**25,318.9**	**10,653.9**

Further information about the development of the provisions for severance payments, pensions and long service bonus payments in the previous financial years are in annex 3 of the notes of the consolidated financial statement.

23. Other long-term liabilities

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Contingent liabilities and provisions	12,331.0	542.0
Government grants (residual terms > 1 year)	2,729.2	2,330.2
Total	**15,060.2**	**2,872.2**

24. Trade accounts payable

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Trade accounts payable	81,428.3	48,138.6
thereof due to associated companies	1,177.3	43.2
thereof due to affiliated companies	441.1	69.7
Advanced payments received	676.8	3,088.6
Total	**82,105.1**	**51,227.2**

25. Short-term interest-bearing liabilities

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Liabilities due to banks	15,675.9	10,142.5
Loans due not consolidated affiliated companies	185.5	0.0
Loans due public organization (R&D fonds)	74.3	0.0
Total	**15,935.7**	**10,142.5**

26. Short-term part of the long-term loans

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Bank liabilities residual term less than 1 year	9,033.6	3,899.4
Lease liabilities residual term less than 1 year	7,002.6	4,099.9
Total	**16,036.2**	**7,999.3**

27. Liabilities from income taxes

The liabilities from income taxes basically include liabilities from corporate income taxes and municipal trade earnings taxes (or similar/comparable taxes) in different states where group companies have their registered office. The liabilities have developed as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Balance as of January 1	1,688.4	2,135.5
Changes in consolidation	-136.1	0.0
Exchange rate differences	-15.8	5.5
Use	-549.5	-1,601.4
Release	-36.8	-514.7
Addition	2,504.2	1,663.5
Balance as of December 31	**3,454.4**	**1,688.4**

28. Other short-term liabilities

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Provision for vacation	7,807.5	4,930.9
Other personal expenses	9,960.1	5,316.7
Losses and Risks	18,508.3	2,482.9
Other provisions	15,620.6	8,589.7
Short term provisions	**51,896.5**	**21,320.2**
Liabilities to associated companies	78.5	378.0
Tax liabilities	5,388.4	5,667.8
Social security liabilities	1,920.3	1,466.2
Other liabilities	10,174.5	2,946.2
Government grants within one year	861.6	1,196.0
Deferred charges	712.1	2.2
Total	**71,031.9**	**32,976.6**

The other provisions especially include provisions for warranties as well as pending purchase invoices. The development of the short-term provisions is specified in detail in annex 4 of the notes of the consolidated financial statement.

29. Financial liabilities

The allocation of the financial liabilities to the categories according to IAS 39 on the balance sheet date and on the previous balance sheet date can be represented as follows:

in TEUR	Amortized cost	Fair value through profit and loss	Fair value through profit and loss	Carrying value Dec. 31, 2007	Market value Dec. 31, 2007
Measured at amortized costs					
Longterm interest bearing financial liabilities	37,335.4	0.0	0.0	37,335.4	37,335.4
Shortterm interest bearing financial liabilities	24,969.3	0.0	0.0	24,969.3	24,969.3
Trade accounts payable	81,428.3	0.0	0.0	81,428.3	81,428.3
Other shortterm liabilities	12,521.8	0.0	0.0	12,521.8	12,521.8
	156,254.8	0.0	0.0	156,256.8	156,256.8
Not allocated according IAS 39 (financial lease)					
Longterm interest bearing financial liabilities	16,257.5	0.0	0.0	16,257.5	16,257.5
Shortterm interest bearing financial liabilities	7,002.6	0.0	0.0	7,002.6	7,002.6
	23,260.1	0.0	0.0	23,260.1	23,260.1
Total	**179,514.9**	**0.0**	**0.0**	**179,514.9**	**179,514.9**

in TEUR	Amortized cost	Fair value through profit and loss	Fair value through profit and loss	Carrying value Dec. 31, 2006	Market value Dec. 31, 2006
Measured at amortized costs					
Longterm interest bearing financial liabilities	19,882.8	0.0	0.0	19,882.8	19,882.8
Shortterm interest bearing financial liabilities	14,041.9	0.0	0.0	14,041.9	14,041.9
Trade accounts payable	48,138.6	0.0	0.0	48,138.6	48,138.6
Other shortterm liabilities	7,299.3	0.0	0.0	7,299.3	7,299.3
Not allocated according IAS 39 (financial lease)					
Longterm interest bearing financial liabilities	11,699.9	0.0	0.0	11,699.9	11,699.9
Shortterm interest bearing financial liabilities	4,099.9	0.0	0.0	4,099.9	4,099.9
	15,799.8	0.0	0.0	15,799.8	15,799.8
Total	**105,162.4**	**0.0**	**0.0**	**105,162.4**	**105,162.4**

Trade payables and shortterm liabilities have shortterm maturity and so the carrying values accord nearly the residual value. The residual value of the interest bearing liabilities and the other financial liabilities were calculated with the cash value of payments in respect to the actual market parameters.

E. Other information

1. Cash flow statement

The cash flow statement is represented with the help of the indirect method. The financial resource fund exclusively includes the cash, the bank deposits as well as securities which could be sold on a short-term basis in the previous year. The income tax payments are separately shown in the cash flow from the business activities.

Interest deposits and interest payments are allocated to the cash flow from the business activities. They can be specified with the following amounts:

in TEUR	2007	2006
Interest cash in	3,212.2	1,365.4
Interest cash out	-4,982.4	-3,658.3
Total	**-1,770.2**	**-2,292.9**

The payment of dividends will be shown as part of the financing activities. The effects from modifications of the basis of consolidation were eliminated and are shown in the cash flow from the investment activities.

2. Events after the balance sheet date

In January 2008, the POLYTEC Holding AG announced that it owned 9.59% of the shares of the Grammer AG located in Amberg, Germany. On the balance sheet date, there was no notifiable inventory of shares in the company. The Grammer shares held on the balance sheet date are balanced in the securities of the current assets. With regard to another, possibly longer engagement of the POLYTEC Holding AG concerning the Grammer AG, the corporate management is currently checking several options. A final decision with regard to the further procedure has not been made at the time of the preparation of the consolidated accounts and substantially depends on the further development of the value of the Grammer AG as well as the clarification of possible synergies between the POLYTEC GROUP and Grammer.

Other events after the balance sheet date which are important for the assessment on the balance sheet date, like pending legal proceedings or claims for damages as well as other obligations or impending losses which would have to be booked or disclosed in accordance with IAS 10 (Contingencies and Events occurring after the Balance Sheet Date) have been taken into account in the present consolidated accounts or are not known.

3. Other risks and obligations

Towards the POLYTEC Immobilien GmbH Group, there is an existing obligation with regard to a leasing agreement amounting to TEUR 1,500.0 (previous year: TEUR 1,500.0).

Other risks and obligations, which have not been mentioned in the present consolidated accounts or in the explanations concerning the consolidated accounts, are not existent.

4. Risk reporting

In the scope of its business activities, the POLYTEC GROUP is subject to a variety of risks which are directly related to the corporate transactions. Risk management is an integral part of all business processes of POLYTEC. Also the comprehensive certifications required by a supplier of the automotive industry (e.g. TS ISO/16949:2002) already specify certain regulations which will also be monitored with the help of external audits. Corresponding to the organizational structure of POLYTEC, risks will be locally managed and monitored and managed and monitored close to the market, especially in the scope of the current business processes. However, the financial risks are mainly controlled by the corporate headquarters. The following basic risk fields can be identified:

Sales market risks: The automotive supplier industry is a market with a very stiff competition which is also currently facing a quickly proceeding consolidation process. The sales revenue is, in first place, dependent from the acquisition of new orders which will partially be placed up to 4 to 5 years prior to the serial production. In this phase of the order acquisition, each supplier faces a strong competition for the best conditions. During the serial production, the supplier is also dependent from the sales figures of the vehicle for which the supplier provides the components; however, the supplier is not able to influence this success. Furthermore, the suppliers are permanently benchmarked by the OEM even after the start of the serial production which may result in price demands or, as an extreme example, in the loss of an order. POLYTEC intends to keep the dependency from individual delivery relationships as low as possible with the help of a balanced customer and order mix.

Procurement market risks: One substantial risk is the fluctuation of the raw material prices which, in the case of the POLYTEC GROUP as a plastic-processing company, will especially be caused by a sustainable change of the oil price, but also by the refinery capacities. On the procuring side, this risk is especially countervailed with long-term delivery agreements; on the part of the sales market, this risk is especially countervailed, as far as enforceable towards the customers, with material fluctuation clauses in the disclosed calculations. In parts, our customers directly negotiate with the supplier with regard to raw material and bought-in parts. As far as prices are only agreed upon an annual basis with the customer, the change of the raw material prices is an important parameter with regard to the negotiations concerning the annual new determination of the prices. Furthermore, it is intended to use new raw materials (natural fiber) with increased research and development expenses.

Financial risks, their management and sensitivity

Credit risk: Due to the customer structure, more than 90% of the turnover is achieved with OEMs or huge system suppliers, and POLYTEC is only subject to a very low credit risk. A lot of our customers have external ratings performed by famous agencies which can be used for the assessment of the creditworthiness. However, accounts receivable will be critically monitored on a permanent basis, and the payment of accounts receivable according to agreement will be ensured. In the financial year 2007, approx. 52% (2006: 59%) of the turnover was achieved with the three major customers; this results in a certain accumulated credit risk, but this risk is assessed as rather uncritical with regard to non-payments of credits by the management. Being dependent from only a few number of customers is a basic characteristic of suppliers of the automotive industry. In this context, the “customer” is defined as a group of affiliated companies which can also produce vehicles of several different brands.

The risk of non-payment in the case of liquid assets is very low, since the contractual partners are exclusively banks with very good creditworthiness.

Despite the credit risk which is generally classified very low, the maximum theoretical risk of non-payment corresponds to the book values of the individual financial assets and amounts to the following:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Loans and receivable	179,217.2	114,428.5
At fair value through profit and loss	2,001.8	8,107.9
Held for trading	150.5	21.6
Available for sale	4,886.2	0.0
Total	**186,265.7**	**122,558.0**

Liquidity risk: The group ensures its liquidity by contractual agreements concerning corresponding certain credit lines and, if required, by retaining a cash reserve. This is controlled by the corporate headquarters. The group has installed a cash management system for all basic companies of the group which can also be used to optimize the net interest result.

The financial liabilities of the group on the basis of the concluded agreements show the following expected cash flow (including interest payments made with the interest rate on the balance sheet date):

in TEUR	Carrying value Dec. 31, 2007	Total obligate cash flows	Thereof till 1 year	Thereof over 1 but less than 5 years	Thereof more than 5 years
Bank loans	51,794.3	59,429.3	17,102.9	31,659.3	10,667.1
Bank current account	9,939.9	10,222.2	10,222.2	0.0	0.0
Financial lease	23,260.1	25,315.8	7,263.0	17,662.8	390.0
Trade lease	81,428.3	81,428.3	81,428.3	0.0	0.0
Other financial liabilities	13,092.3	13,092.3	12,781.6	79.5	231.2
Total	**179,541.9**	**189,487.9**	**128,798.0**	**49,401.6**	**11,288.3**

The revolving credits provided to the group have a contractually agreed remaining term of less than one year so that their expected future cash flow has to be shown during this term. However, these credits will normally be prolongated on a 12-month basis so that the above mentioned repatriations cannot be expected.

Foreign exchange risk: The predominant part of the turnover of the POLYTEC GROUP is invoiced in Euro so that the foreign exchange risk only affects the group to a very low degree. In parts, the purchase of intermediate inputs is performed with the same currency as the sale of intermediate inputs so that foreign exchange risks are hedged. The group is subject to higher foreign exchange risks in such countries in which invoices are written in Euro but in which intermediate inputs have to be purchased with the local currency. Such risks, for example, are existent with regard to Polish zloty or the Slovakian koruna. In many cases, these risks cannot be transferred to financial instruments since they must mainly be attributed to personnel costs.

The financial instruments balanced on the balance sheet date show the following distribution with regard to their currency of origin:

in TEUR	In Euro	In foreign currency	Total
Investments	2,011.8	0.0	2,011.8
Receivables and other assets	117,554.7	10,163.1	127,717.8
Loans	2,250.0	0.0	2,250.0
Cash in bank	45,577.8	3,671.6	49,249.4
Interest derivative instruments	150.5	0.0	150.5
Securities	4,886.2	0.0	4,886.2
Total	**172,431.0**	**13,834.7**	**186,265.7**

in TEUR	In Euro	In foreign currency	Total
Long term interest bearing financial liabilities	53,363.1	229.8	53,592.9
Short term interest bearing financial liabilities	23,809.7	8,162.2	31,971.9
Accounts payable trade	74,841.9	6,586.4	81,428.3
Other short term liabilities	10,811.3	1,710.5	12,521.8
Total	**162,826.0**	**16,688.9**	**179,514.9**

The distribution structure shows that the risk the group is subject to due to the change of exchange rates is very low since both the financial assets held in the foreign currency and the liabilities amount to less than 10% of the total volume. Furthermore, a change of a currency would affect both assets and liabilities and thus show compensatory effects.

Interest rate change risk: The interest rate change risk is countervailed by POLYTEC with the help of a portfolio of variable and fixed forms of financing corresponding to the long-term interest rate development. Derivative products will be used, if required, for securing the interest rate or for optimizing the net interest result.

The interest-bearing liabilities show the following structure on the balance sheet date:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Liabilities to banks	61,734.2	33,686.1
thereof with fix interest rate	3,813.9	4,905.8
thereof with variable interest rate	57,920.3	28,780.3
Finance lease	23,260.1	15,799.8
thereof with fix interest rate	21,703.2	15,033.6
thereof with variable interest rate	1,556.9	766.2
Other liabilities	570.5	238.6
thereof with fix interest rate	570.5	238.6
thereof with variable interest rate	0.0	0.0
Total	**85,564.8**	**49,724.5**
thereof with fix interest rate	26,093.0	20,178.0
thereof with variable interest rate	59,477.2	29,785.1

The predominant part of the variable interest-bearing liabilities depends on the 3-month EURIBOR. An increase of this reference interest rate by 100 basis points would, on the basis of the contractually agreed remaining terms, result in an increase of the interest expenses by approx. TEUR 328.0.

The following results were achieved from the interest rate swaps held by the group:

in TEUR	2007	2006
Received payments	57.2	0.0
Valuation result	134.0	3.6
Total	**191.2**	**3.6**

Exchange rate change risk: The securities of the current assets (shares) held by the group are subject to the risk of the change of the stock exchange price. An increase (decrease) of the stock exchange price by 10% would result in an increase (decrease) of the equity capital not affecting the net income by TEUR 488.6.

5. Affiliated persons and companies

Affiliated persons in the sense of IAS 24 are the IMC Verwaltungsgesellschaft mbH, Hörsching and its affiliated companies. The sole owner and sole manager of the IMC Verwaltungsgesellschaft mbH is the chairman of the management board of the POLYTEC Holding AG, Mr. Friedrich Huemer.

The following companies of the IMC Group had established business relationships with POLYTEC in the financial year 2007:

PT Immobilien Beteiligungs GmbH Group (Polytec Immobilien Group)

The POLYTEC GROUP has long-term leasing agreements with the POLYTEC Immobilien Group with regard to the following properties of the POLYTEC GROUP:

1.	POLYTEC Holding AG	Group Headquarter
2.	POLYTEC FOR Car Styling GmbH & Co KG	Plant Hörsching
3.	Polytec AVO n.v.	Plant Schoten
4.	Polytec Thermoplast GmbH & Co KG	Plant Idstein
5.	Polytec Riesselmann GmbH & Co KG	Plants Lohne, Hodenhagen and Wolmirstedt
6.	POLYTEC Interior GmbH	Plants Nordhalben and Ebersdorf
7.	POYTEC Intex GmbH & Co. KG	Plants Morsbach and Waldbröl
8.	Polytec Interior Polska Sp.z.o.o.	Plant Tomaszow Mazowiecki
9.	Polytec Interior Zaragoza S.L.	Plant Zaragoza
10.	Polytec Composites Sweden AB	Plant Ljungby
11.	POLYTEC Composites Germany GmbH & Co KG	Plants Gochsheim, Cornberg and Voerde
12.	POLYTEC Composites Slovakia s.r.o.	Plant Sladkovicovo
13.	POLYTEC Elastoform GmbH & Co KG	Plant Marchtrenk
14.	POLYTEC THELEN GmbH	Plant Bochum

The rental expenses from the rental contracts in the financial year amounted to approx. EUR 6.7 million (previous year: EUR 5.7 million). The rental contracts can be terminated by complying with a period of notice of six months, but longer waivers of entitlement to terminate the contract have also been agreed in some cases. The lease rental charges which are existent due to the fixed period of notice or due to longer waivers of entitlement to terminate the contract amount to TEUR 24,358.5 (previous year: TEUR 12,874.2) on December 31, 2007 and are falling due as follows:

in TEUR	Dec. 31, 2007	Dec. 31, 2006
Within one year	7.038,1	5.014,9
Longer than one year within five years	10.131,8	7.859,3
Over five years	7.188,6	0,0

For all properties, the POLYTEC GROUP was granted certain sales options by the lessor. Furthermore, there are certain options with regard to the purchase of 100% of the interests in the real estate companies themselves. In the course of the integration of the newly acquired Polytec Composites Germany Group into the POLYTEC GROUP, their properties in Germany and Slovakia were sold to the Polytec Immobilien Group. The achieved sales revenue amounted to EUR 12.5 million.

The POLYTEC GROUP has long-term leasing agreements with the Polytec Estates Sweden AB with regard to plants which are used in the factory in Ljungby. The agreements are treated in the consolidated accounts as finance lease. The leasing charges in the financial year 2007 amounted to TEUR 782.7 (previous year: TEUR 740.9). Loans were issued to two companies of the Polytec Immobilien Group which are balanced under “Loans” in the financial assets. The loans will be charged with interests at arm’s length and can be repaid at latest until June 30, 2011. Further information can be found in section D. 12.

Other business relationships

The POLYTEC GROUP has a contract for work and labor with the IMC Verwaltungsgesellschaft mbH, Hörsching concerning the provision of a member of the corporate management for the POLYTEC Holding AG, Hörsching. The PPI Plastics Products Innovation GmbH & Co KG functions as supplier of injection molding products for the POLYTEC GROUP.

6. Salaries of executives

The fixed and variable salaries of 7 (previous year: 7) active executives having a key position within the group amounted to TEUR 3,615.0 in the financial year (previous year: TEUR 2,308.7). Furthermore, benefits in kind in the form of company cars and cellular phones were received by those executives. There is an individual, contractually agreed pension promise for one retired executive. Not yet paid variable portions of salary affecting the year 2007 are balanced in the short-term personnel reserves. The recorded expenses for payments to members of the supervisory board in the financial year amounted to TEUR 60.8 (previous year: TEUR 59.8). There are no credits or advanced payments with regard to current or former members of the organs of the company. No former member of the organs of the company receives any kind of salary from the group or one of its affiliated companies.

7. Organs of the POLYTEC Holding AG

The persons mentioned in the following were members of the corporate management during the financial year and at the time of the preparation of the consolidated accounts:
Friedrich Huemer, Wallern
Alfred Kollros, St. Valentin
Karl Heinz Solly, Leonding
Reinhard Urmann, Maxhütte-Haidhof, Germany

The persons mentioned in the following were members of the supervisory board during the financial year and at the time of the preparation of the consolidated accounts:
Fred Duswald, Thalheim (chairman)
Helmut Trauth, Knittelsheim, Germany
(since June 6, 2007, proxy of the chairman)
Robert Büchelhofer, Starnberg, Germany
Viktoria Kickinger, Vienna
Andreas Szigmund, Linz
Gerhard Wildmoser, Linz (until June 6, 2007)

Hörsching, March 13, 2008

The Board of Directors

Friedrich Huemer
Karl Heinz Solly
Alfred Kollros
Reinhard Urmann

Segment Reporting by Business

in TEUR	Automotive Systems		Automotive Composites		
	2007	2006	2007	2006	2007
Net sales (not consolidated)	427,847.2	453,400.8	215,270.5	61,963.7	84,356.1
thereof:					
Internal sales own division	58,488.9	76,226.2	13,910.3	0.0	9,528.3
Internal sales other divisions	63.0	0.0	16.9	414.4	83.3
External sales	**369,295.3**	**377,174.6**	**201,343.3**	**61,549.3**	**74,744.5**
Earnings before interest, taxes and amortisation (EBITDA)	**25,807.4**	**34,090.6**	**24,885.3**	**2,032.8**	**9,579.6**
Depreciation and amortisation	14,985.1	13,026.4	4,993.8	2,226.0	1,679.6
thereof extraordinary	0.0	0.0	0.0	0.0	0.0
Essential earnings positions					
Income from reversal of provisions for liabilities	3,870.8	3,811.0	5,731.7	227.0	65.4
Dissolution of badwill (IFRS 3)	0.0	0.0	6,576.3	0.0	0.0
Earnings before interest and tax (EBIT)	**10,822.3**	**21,064.2**	**19,891.5**	**-193.2**	**7,900.0**
Financial expenses	-3,005.6	-2,455.1	-1,059.3	-634.7	-675.2
Other financial results	0.0	0.0	8.9	-334.4	0.0
Taxes on income	-3,670.1	-6,110.9	4,831.0	-470.8	-1,927.0
Profit for the year after tax	**4,146.6**	**12,498.2**	**23,672.1**	**-1,633.1**	**5,297.8**
Operating assets	194,699.0	142,560.6	121,326.9	31,296.2	41,911.9
Operating liabilities	66,727.2	58,105.7	90,596.6	17,504.5	7,667.5
Capital employed	127,971.8	84,454.9	30,730.3	13,791.7	34,244.4
thereof:					
Deferred taxes	2,174.4	2,119.5	8,776.3	291.1	410.6
Employee benefit obligations	7,780.4	7,230.7	15,758.6	1,709.3	1,183.1
Investments	16,359.1	16,824.4	4,664.0	1,550.9	1,955.0
Other non-cash revenues (+) / expenses (-)	-2,847.4	-964.2	-7,282.8	-32.6	108.7

Information on Geographic Allocation

in TEUR	Sales		Deferred tax obligation		Obligation due to employees	
	2007	2006	2007	2006	2007	2006
Austria	60,314.8	54,741.2	455.5	1,281.6	1,747.0	1,686.3
Germany	387,161.0	266,075.0	9,125.0	1,627.3	21,822.0	7,173.1
Other EU	166,255.6	163,800.7	1,624.4	484.9	1,625.2	1,794.5
Rest of the world	51,258.3	40,594.1	117.5	192.0	124.7	0.0
Group	**664,989.7**	**525,211.0**	**11,322.4**	**3,585.8**	**25,318.9**	**10,653.9**

Car Styling	Other segments		Consolidation		Group	
2006	2007	2006	2007	2006	2007	2006
74,780.4	20,983.9	20,984.7	0.0	0.0	748,457.7	611,129.6
7,926.2	1,358.5	1,215.1	0.0	0.0	83,286.0	85,367.5
40.5	18.8	96.2	0.0	0.0	182.0	551.1
66,813.7	**19,606.6**	**19,673.4**	**0.0**	**0.0**	**664,989.7**	**525,211.0**
7,096.5	**3,654.9**	**4,998.5**	**-195.3**	**-204.1**	**63,731.9**	**48,014.3**
1,810.2	1,026.7	677.8	0.0	0.0	22,685.2	17,740.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
84.4	33.6	10.9	0.0	0.0	9,701.5	4,133.3
0.0	0.0	0.0	0.0	0.0	6,576.3	0.0
5,286.3	**2,628.2**	**4,320.7**	**-195.3**	**-204.1**	**41,046.7**	**30,273.9**
-743.5	2,243.0	1,275.7	-95.7	-87.5	-2,592.8	-2,645.1
0.0	3.5	40.1	229.7	0.0	242.1	-294.3
-1,250.7	-3,040.3	-1,071.1	2,406.9	-131.8	-1,399.5	-9,035.3
3,292.1	**1,834.4**	**4,565.4**	**2,345.6**	**-423.4**	**37,296.5**	**18,299.2**
40,330.0	18,926.3	15,079.8	-1,562.9	-381.9	375,301.2	228,884.7
8,632.7	6,685.5	4,521.5	-25.2	0.0	171,651.6	88,764.4
31,697.3	12,240.8	10,558.3	-1,537.7	-381.9	203,649.6	140,120.3
431.3	769.5	821.4	-808.4	-77.5	11,322.4	3,585.8
1,321.8	743.6	827.1	-146.8	-435.0	25,318.9	10,653.9
1,938.8	2,948.4	957.7	0.0	0.0	25,926.5	21,271.8
5.3	34.4	-88.4	-270.1	-131.9	-10,257.2	-1,211.8

Consolidated Movement of Fixed Assets as of December 31, 2007

in TEUR			Balance as of Jan. 1, 2007	Additions due to initial consolidation	Translation differences	Additions
I.	**Intangible assets**					
	1.	Research and development costs	3,618.2	0.0	0.0	1,344.0
	2.	Rights	6,626.2	2,627.9	10.9	1,155.8
	3.	Goodwill	45,627.3	0.0	0.0	0.0
			55,871.7	**2,627.9**	**10.9**	**2,499.8**
II.	**Tangible assets**					
	1.	Land and buildings	8,543.3	13,965.8	-267.1	1,623.3
	2.	Technical equipment and machinery	147,983.0	37,216.9	-129.9	11,298.3
	3.	Other equipment, fixtures, fittings and equipment	36,543.4	4,114.1	408.8	5,654.2
	4.	Advance payments made and assets under construction	5,578.0	5,578.3	17.8	4,825.9
			198,647.7	**60,875.1**	**29.6**	**23,401.7**
III.	**Financial assets**					
	1.	Investments in affiliated companies	155.0	14.9	0.0	25.0
	2.	Investments in associated companies	45.2	1,000.0	0.0	0.0
	3.	Other investments	760.0	10.2	0.0	0.0
	4.	Loans	2,616.7	0.0	0.0	800.0
	5.	Fixed asset securities	1.6	0.0	0.0	0.0
			3,578.5	**1,025.1**	**0.0**	**825.0**
			258,097.9	**64,528.1**	**40.5**	**26,726.5**

Consolidated Movement of Fixed Assets as of December 31, 2006

in TEUR			Balance as of Jan. 1, 2006	Translation differences	Additions	Disposals
I.	**Intangible assets**					
	1.	Research and development costs	1,809.8	0.0	1,808.4	0.0
	2.	Rights	6,087.8	-18.2	630.3	73.7
	3.	Goodwill	45,627.3	0.0	0.0	0.0
			53,524.9	**-18.2**	**2,438.7**	**73.7**
II.	**Tangible assets**					
	1.	Land and buildings	7,633.5	-34.4	1,140.5	305.4
	2.	Technical equipment and machinery	138,279.0	101.6	7,840.6	247.2
	3.	Other equipment, fixtures, fittings and equipment	34,579.3	-0.8	3,660.9	1,547.8
	4.	Advance payments made and assets under construction	2,206.7	32.5	5,321.2	12.5
			182,698.5	**98.9**	**17,963.2**	**2,112.9**
III.	**Financial assets**					
	1.	Investments in affiliated companies	574.1	17.5	109.9	546.5
	2.	Investments in associated companies	45.2	0.0	0.0	0.0
	3.	Other investments	0.0	0.0	760.0	0.0
	4.	Loans	3,033.3	0.0	500.0	916.6
	5.	Fixed asset securities	1.6	0.0	0.0	0.0
			3,654.2	**17.5**	**1,369.9**	**1,463.1**
			239,877.6	**98.2**	**21,771.8**	**3,649.7**

	Cost of acquisition or production						
Disposals	**Transfers**	**Balance as of Dec. 31, 2007**	**Depreciation of the fiscal year**	**Thereof extraordinary**	**Accumulated Depreciation**	**Net book value Dec. 31, 2007**	**Net book value Dec. 31, 2006**
59.0	0.0	4,903.2	256.5	0.0	528.4	4,374.8	3,346.3
101.4	24.2	10,343.6	1,223.9	0.0	6,667.5	3,676.1	1,310.5
0.0	0.0	45,627.3	0.0	0.0	20,015.8	25,611.5	25,611.5
160.4	**24.2**	**60,874.1**	**1,480.4**	**0.0**	**27,211.7**	**33,662.4**	**30,268.3**
14,796.4	1,745.5	10,814.4	1,046.2	0.0	3,853.6	6,960.8	5,364.5
9,312.2	2,315.7	189,371.8	15,527.2	0.0	111,200.4	78,171.4	49,597.9
2,764.9	3,587.9	47,543.5	4,631.4	0.0	32,257.7	15,285.8	10,460.6
1,022.9	-7,673.3	7,303.8	0.0	0.0	0.0	7,303.8	5,578.0
27,896.4	**-24.2**	**255,033.5**	**21,204.8**	**0.0**	**147,311.7**	**107,721.8**	**71,001.0**
0.0	0.0	194.9	0.0	0.0	0.0	194.9	155.0
0.0	0.0	1,045.2	0.0	0.0	0.0	1,045.2	45.2
0.0	0.0	770.2	0.0	0.0	0.0	770.2	760.0
1,166.7	0.0	2,250.0	0.0	0.0	0.0	2,250.0	2,616.7
0.1	0.0	1.5	0.0	0.0	0.0	1.5	1.6
1,166.8	**0.0**	**4,261.8**	**0.0**	**0.0**	**0.0**	**4,261.8**	**3,578.5**
29,223.6	**0.0**	**320,169.4**	**22,685.2**	**0.0**	**174,523.4**	**145,646.0**	**104,847.8**

Cost of acquisition or production						
Transfers	**Balance as of Dec. 31, 2006**	**Depreciation of the fiscal year**	**Thereof extraordinary**	**Accumulated Depreciation**	**Net book value Dec. 31, 2006**	**Net book value Dec. 31, 2005**
0.0	3,618.2	218.2	0.0	271.9	3,346.3	1,756.1
0.0	6,626.2	704.8	0.0	5,315.7	1,310.5	1,388.3
0.0	45,627.3	0.0	0.0	20,015.8	25,611.5	25,611.5
0.0	**55,871.7**	**923.0**	**0.0**	**25,603.4**	**30,268.3**	**28,755.9**
109.1	8,543.3	427.5	0.0	3,178.8	5,364.5	4,578.6
2,009.0	147,983.0	12,614.9	0.0	98,385.1	49,597.9	52,949.4
-148.2	36,543.4	3,775.0	0.0	26,082.8	10,460.6	10,619.2
-1,969.9	5,578.0	0.0	0.0	0.0	5,578.0	2,206.7
0.0	**198,647.7**	**16,817.4**	**0.0**	**127,646.7**	**71,001.0**	**70,353.9**
0.0	155.0	73.2	73.2	0.0	155.0	120.0
0.0	45.2	0.0	0.0	0.0	45.2	45.2
0.0	760.0	0.0	0.0	0.0	760.0	0.0
0.0	2,616.7	0.0	0.0	0.0	2,616.7	3,033.3
0.0	1.6	0.0	0.0	0.0	1.6	1.6
0.0	**3,578.5**	**73.2**	**73.2**	**0.0**	**3,578.5**	**3,200.1**
0.0	**258,097.9**	**17,813.6**	**73.2**	**153,250.1**	**104,847.8**	**102,309.9**

Changes in Provisions for Severance Payments, Pensions and Jubilee Payments

in TEUR	2007	2006	2005	2004	2003
Present value of severance payments (DBO) as of January 1	**1,947.4**	**1,925.1**	**1,354.7**	**1,247.8**	**1,083.4**
Service cost	162.0	179.0	147.6	161.2	169.2
Interest cost	87.2	80.3	67.7	68.0	67.1
Severance payments	-178.5	-126.0	-89.3	-126.8	-150.5
Realized actuarial profit/loss	-274.8	-111.0	444.4	4.5	78.6
Present value of severance payments (DBO) as of December 31	1,743.3	1,947.4	1,925.1	1,354.7	1,247.8
Unrealized actuarial profit/loss	-146.8	-435.0	-566.8	-187.1	-144.1
Provisions for severance payments as of December 31	**1,596.5**	**1,512.4**	**1,358.3**	**1,167.6**	**1,103.7**

in TEUR	2007	2006	2005	2004	2003
Present value of pensions (DBO) as of January 1	**7,147.7**	**6,588.2**	**5,634.6**	**708.6**	**680.2**
Reclassification	13,752.3	0.0	0.0	4,651.2	0.0
Service cost	326.6	283.6	446.2	332.3	43.4
Interest cost	726.9	264.7	251.3	90.8	0.0
Pensions payments	-630.4	-169.1	-157.0	-148.3	-15.0
Realized actuarial profit/loss	-670.2	180.3	413.1	0.0	0.0
Present value of pensions (DBO) as of December 31	**20,652.9**	**7,147.7**	**6,588.2**	**5,634.6**	**708.6**
Unrealized actuarial profit/loss	164.9	-619.1	-413.2	0.0	0.0
Provisions for pensions as of December 31	**20,817.8**	**6,528.6**	**6,175.0**	**5,634.6**	**708.6**

in TEUR	2007	2006	2005	2004	2003
Present Value of performance orientated obligations	1,154.7	818.4	819.5	808.3	498.1
Realized actuarial profit/loss	0.0	0.0	0.0	0.0	0.0
Provisions for jubilee payments	**1,154.7**	**818.4**	**819.5**	**808.3**	**498.1**

Consolidated Chart of Short-term Provisions in the Financial Year 2007

in TEUR	Balance as of Jan. 1, 2007	Changes in consolidation	Currency translation	Reclassification from long-term provisions	Utilisation	Release	Addition	Balance as of Dec. 31, 2007
Provisions for vacation	4,930.9	3,117.8	-35.3	0.0	7,643.9	0.0	7,438.0	7,807.5
Other short-term personal expenses	5,316.7	5,161.3	-4.6	0.0	6,507.7	877.2	6,871.6	9,960.1
Provisions for anticipated losses and risks	2,482.9	15,349.0	0.9	17,131.3	13,511.7	4,123.6	1,179.5	18,508.3
Provisions	8,589.7	3,175.1	-20.3	0.0	2,597.6	2,599.7	9,073.4	15,620.6
	21,320.2	**26,803.2**	**-59.3**	**17,131.3**	**30,260.9**	**7,600.5**	**24,562.5**	**51,896.5**

Schedule of Group Investments as of Dec. 31, 2007

Company	Location	Country	Parent Company	Direct and indirect share %	Type of consolidation[1]
Car Styling Division					
POLYTEC FOR Car Styling GmbH & Co KG	Hörsching	AUT	POLYTEC Holding AG	100.0	KV
POLYTEC FOR Car Styling GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KO
Polytec Holden Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV
POLYTEC FOHA CORPORATION	Markham	CAN	POLYTEC Holding AG	80.0	KV
Polytec Foha Inc.	Warren	USA	POLYTEC Holding AG	80.0	KV
Polytec AVO n.v.	Schoten	BEL	POLYTEC Holding AG	100.0	KV
Ratipur Kraftfahrzeugbauteile und Autoausstattung Herstellungs- und Vertriebsgesellschaft m.b.H.	Komló	HUN	POLYTEC Holding AG	35.0	KOE
Automotive Systems Division					
Polytec Holding Deutschland GmbH	Geretsried	GER	POLYTEC Holding AG	100.0	KV
POLYTEC Interior GmbH	Geretsried	GER	Polytec Holding Deutschland GmbH	100.0	KV
Polytec Automotive GmbH & Co KG	Geretsried	GER	Polytec Holding Deutschland GmbH	100.0	KV
Polytec Automotive Verwaltungs GmbH	Geretsried	GER	Polytec Holding Deutschland GmbH	100.0	KO
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO
Polytec Riesselmann GmbH & Co KG	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV
LLW Lohner Lackierwerk GmbH	Lohne	GER	Polytec Riesselmann GmbH & Co KG	100.0	KV
Polytec Finance & Services GmbH & Co KG	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO
POLYTEC Intex GmbH & Co. KG	Morsbach	GER	Polytec Holding Deutschland GmbH	100.0	KV
POLYTEC Intex Montage GmbH	Morsbach	GER	POLYTEC Intex GmbH & Co. KG	100.0	KO
Polytec Thermoplast GmbH & Co KG	Idstein	GER	Polytec Holding Deutschland GmbH	100.0	KV
Polytec Interior UK Ltd.	Birmingham	GBR	POLYTEC Interior GmbH	100.0	KO
Polytec Interior Zaragoza S.L.	Zaragoza	ESP	POLYTEC Holding AG	100.0	KV
Polytec Interior Polska Sp.z.o.o.	Tomaszow Mazowiecki	POL	POLYTEC Holding AG	100.0	KV
Polytec Interior South Africa (Proprietary) Ltd.	Rosslyn	SAF	Polytec Holding Deutschland GmbH	100.0	KV
Automotive Composites Division					
PT Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV
POLYTEC Composites Sweden AB	Ljungby	SWE	POLYTEC Holding AG	100.0	KV
POLYTEC Composites Italia S.r.l.	Mondovì	ITA	POLYTEC Holding AG	100.0	KV
POLYTEC Composites Beteiligungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100.0	KV
POLYTEC Composites Verwaltungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100.0	KO
POLYTEC Composites Germany GmbH & Co KG	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	55.0	KV
			POLYTEC Interior GmbH	30.0	
			Polytec Holding Deutschland GmbH	15.0	
POLYTEC Composites Slovakia s.r.o.	Sladkovicovo	SLK	PT Beteiligungs GmbH	100.0	KV
PT Plastik Ürünleri Sanayi ve Ticaret A.S.	Aksaray	TK	PT Beteiligungs GmbH	100.0	KV
INAPAL PLASTICOS, S.A.	Leca do Balio	POR	POLYTEC Composites Germany GmbH & Co KG	19.7	KOE
Industrial Division					
POLYTEC Elastoform GmbH & Co KG	Marchtrenk	AUT	POLYTEC Holding AG	100.0	KV
POLYTEC EMC Engineering GmbH & Co KG	Marchtrenk	AUT	POLYTEC Holding AG	100.0	KV
POLYTEC EMC Engineering GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KO
POLYTEC THELEN GmbH	Bochum	GER	POLYTEC Holding AG	60.0	KV

[1] *KV = fully consolidated*
KO = due to subordinated importance not consolidated company
KOE = due to subordinated importance no at equity valuation

Statement of the Management Board

Pursuant to Article 82 (4) of the Stock Exchange Act, the Executive Board of POLYTEC Holding AG herewith confirms

1. that, to our knowledge, the Consolidated Financial Statements 2007 drawn up in compliance with applicable financial reporting standards present, as fairly as possible, the financial position and financial performance of the POLYTEC Holding AG included in the consolidated figures of the POLYTEC GROUP;

2. that the Status Report presents the business development, the Earnings and the position of the entirety of the companies included in the consolidated figures of the POLYTEC GROUP in such a manner as to present as fairly as possible the financial position and financial performance and to describe the essential risks and uncertainties to which the POLYTEC GROUP is exposed.

Hörsching, 13 March 2008

The Board of Directors

Friedrich Huemer
Karl Heinz Solly
Alfred Kollros
Reinhard Urmann

Independent Auditor's report

Report on the Consolidated Financial Statements

We have audited the accompanying **consolidated financial statements** of **POLYTEC Holding AG, Hörsching,** for the **financial year from January 1 to December 31, 2007.** These consolidated financial statements comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accounts (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 consolidated 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.

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 December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal Requirements

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

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

Linz, 13 March 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Helge Löffler
Wirtschaftsprüfer
Ernst Pichler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

The most important publications of POLYTEC GROUP in 2008

May 6, 2008	Results for the first quarter of 2008
May, 21, 2008	Annual general meeting 2007
May 26, 2008	Ex-dividend date
May 28, 2008	Dividend payment date
August 6, 2008	Results for the second quarter and the first half of 2008
November 5, 2008	Results for the third quarter and the first nine months of 2008

Glossary

Stock market and economy

Asset ratio

Share of fixed assets in relation to total balance sheet.

ATX Prime

The ATX prime index consists of all companies listed in the prime market segment of the Vienna Stock Exchange. To be included in this markets segment, the stock has to be admitted to the Official Market or the Second Regulated Market and also to fullfill other requirements. As of March 2008 the index consists of 58 companies.

Capital employed

Equity plus interest bearing liabilities minus cash and cash equivalents.

Ex-dividend day

Shareholders, who invested in a company up to one the prior to the ex-dividend day are entitled to dividend.

Initial Public Offering (IPO)

The initial public offering of a company by issuing old or new shares to the market.

Material expenses in relation to total output

Share of material expenses including services received in relation to total output.

Net profit margin

Earnings after tax in relation to total sales.

Personnel expenses in relation to total output

Share of personnel expenses in relation to total output.

Return on capital employed (ROCE)

A ratio that indicates the efficiency and profitability of a company's capital investments.

Gross margin

It expresses the relationship between gross profit and sales revenue Working Capital.

Net working capital

Total of all current assets less total of all current liabilities.

Industry

Body Kit

Body Kit describes the exterior parts for a vehicle and normally consists of front and rear bumpers as well as side sills.

OEM

Abbreviation for "Original Equipment Manufacturer".

Sheet Moulding Compound (SMC)

A fiber glass reinforced thermosetting compound in sheet form, usually rolled into coils interleaved with plastic film to prevent autoadhesion. Made by dispensing mixed resin, fillers, maturation agent, catalyst and mold release agent onto two moving sheets of polyethylene film.

Tier-1-supplier

A supplier, delivering directly to the OEM.

Tier-2-supplier

A supplier not delivering directly to the OEM.

Tonneau cover

Protective cover for vehicle: a detachable protective cover for the open bed of a pick-up truck or the passenger compartment of a convertible car whose top is down.

IMPRINT

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