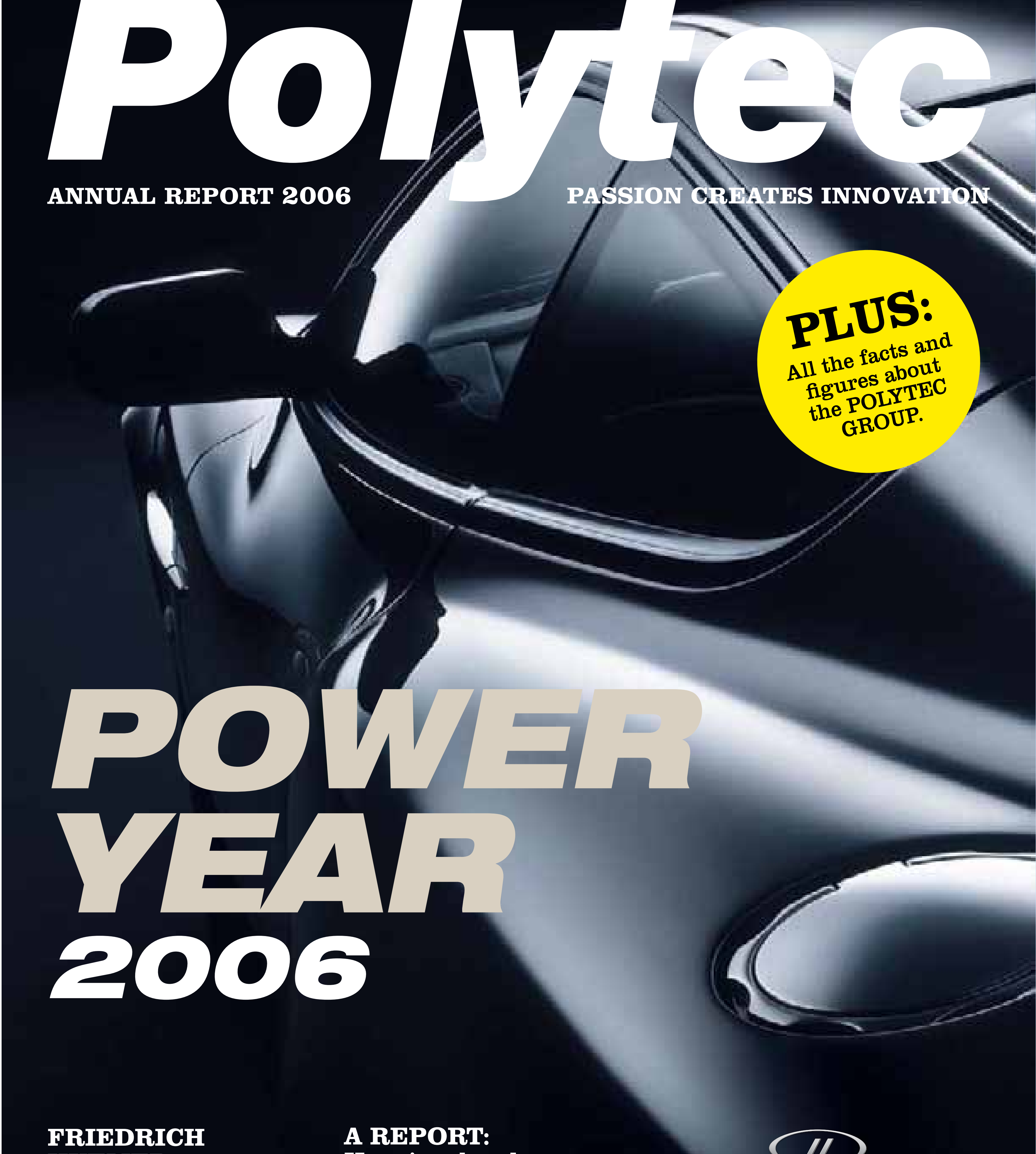
# Polytec

ANNUAL REPORT 2006

PASSION CREATES INNOVATION



**PLUS:** All the facts and figures about the POLYTEC GROUP.

# POWER YEAR 2006

**FRIEDRICH HUEMER:** "To look them straight in the eye."

**A REPORT:** How is a headliner actually produced?

POLYTEC GROUP

# KEY FIGURES

| INCOME FIGURES IN EUR MILLION | 2006 | 2005 | CHANGE IN % |
|---|---|---|---|
| Sales POLYTEC GROUP | 525.2 | 502.0 | 4.6 |
| Automotive Systems Division | 377.2 | 360.6 | 4.6 |
| Car Styling Division | 66.8 | 63.3 | 5.5 |
| Automotive Composites Division | 61.5 | 61.8 | -0.4 |
| Industrial Division | 19.7 | 16.3 | 20.9 |
| EBITDA | 48.0 | 41.9 | 14.5 |
| EBIT | 30.3 | 25.0 | 21.0 |
| Financial results | 27.3 | 21.6 | 26.5 |
| Net profit (after minorities) | 18.4 | 14.4 | 28.0 |

| | | | |
|---|---|---|---|
| EBITDA margin in % | 9.1 | 8.4 | |
| EBIT margin in % | 5.8 | 5.0 | |
| Net profit margin in % | 3.5 | 2.9 | |
| ROCE in % | 21.0 | 17.9 | |

| BALANCE SHEET FIGURES IN EUR MILLION | 2006 | 2005 | CHANGE IN % |
|---|---|---|---|
| Balance sheet total | 278.9 | 258.3 | 8.0 |
| Net debt | 4.2 | 53.7 | -91.6 |
| Net working capital | 41.7 | 51.4 | -18.9 |
| Capital employed | 143.9 | 139.5 | -3.2 |
| Asset ratio in % | 38.9 | 41.1 | |
| Equity ratio in % | 45.7 | 33.8 | |
| Gearing in % | 3.3 | 61.5 | |
| Net debt to EBITDA | 0.09 | 1.28 | |
| Net working capital in % of group sales | 7.9 | 10.2 | |

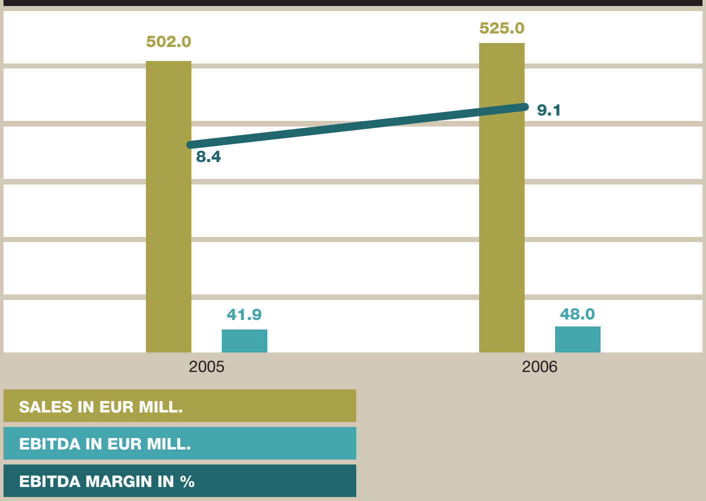
| FINANCIAL FIGURES IN EUR MILLION | 2006 | 2005 | CHANGE IN % |
|---|---|---|---|
| Cash flow from operating activities | 48.4 | 16.8 | 188.5 |
| Cash flow from investing acitivities | -20.7 | -16.3 | 26.7 |
| Cash flow from financing activities | 3.9 | 0.8 | 411.5 |
| Investments | 21.8 | 21.0 | 1.2 |

| SHARE FIGURES IN EUR | 2006 |
|---|---|
| Opening price as of 2.5.2006 | 7.75 |
| Share price as of 31.12.2006 | 7.09 |
| Year High | 7.70 |
| Year Low | 5.66 |
| Earnings per share | 0.86 |
| Dividend proposal | 0.25 |
| Shares issued | 22,329,585 |

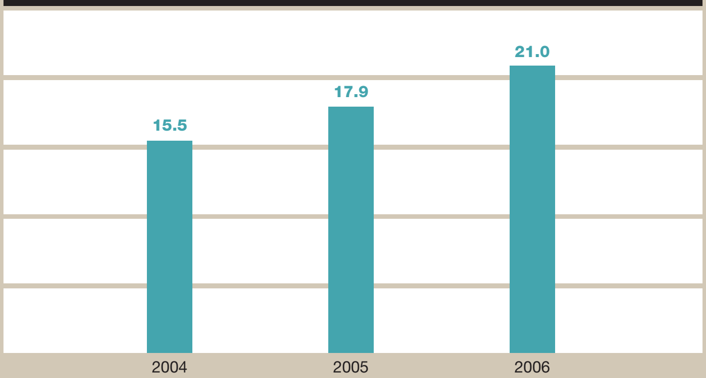
# POLYTEC GROUP OVERVIEW

| | AUTOMOTIVE SYSTEMS | CAR STYLING | AUTOMOTIVE COMPOSITES | INDUSTRIAL |
|---|---|---|---|---|
| Group sales 2006 in EUR mill. | 377.2 | 66.8 | 61.5 | 19.7 |
| Sales in % of group sales | 71.8 | 12.7 | 11.7 | 3.8 |
| EBITDA in EUR mill. | 34.1 | 7.1 | 2.0 | 4.4 |
| Employees (average period) | 2,504 | 568 | 421 | 98 |
| Number of plants | 11 | 5 | 2 | 2 |
| Composite Parts | Injection moulding and natural fibre based products | Mainly parts made in plastic, wide customer base | Exterieur parts for the truck industry and other composite parts | Industrial application made by polyurethane |
| | High portion of premium customers | Genuine accessories and special series for OEMs | Strong customer base in the European truck business | Special purpose machinery for the PU-business |

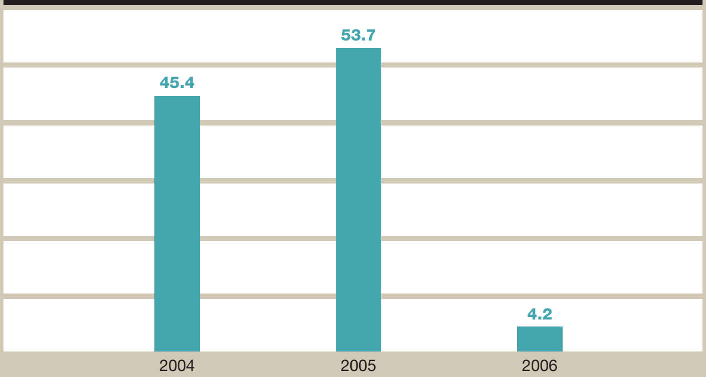
DEVELOPMENT IN SALES AND PROFITABILITY



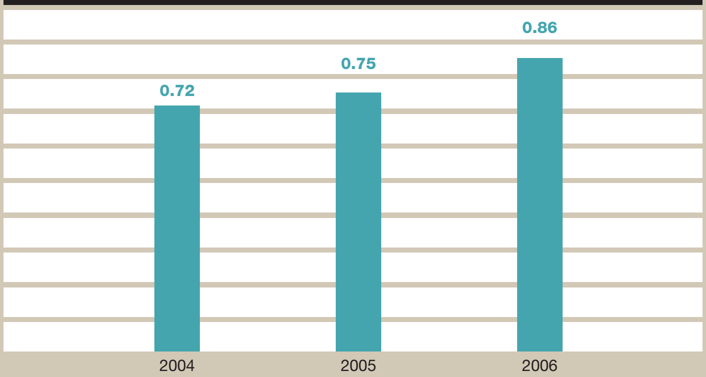

ROCE BEFORE TAX IN %




NET DEBT IN EUR MILL.




EARNINGS PER SHARE IN EUR




POLYTEC


GROUP

# CONTENTS

## CLEAR AND CONCISE

The most important issues for 2006. Sales, Oil Separators, Muscleman to here in an easy to read format which is clear and concise.

6

## "TO LOOK THEM STRAIGHT IN THE EYE"

Friedrich Huemer, Chairman of the POLYTEC GROUP, talks about investments, price pressure from the VW-Group and the strategic value of a EUR 1 billion sales target.

16

## HOW IS A HEAD-LINER ACTUALLY PRODUCED?

At the Polish plant in Tomaszów Mazowiecki every 40 seconds a headliner is produced. How is a headliner actually manufactured? We visit our manufacturing site.

22

# DEAR SHAREHOLDERS, CUSTOMERS AND BUSINESS PARTNERS!

2006 was remarkable for the POLYTEC GROUP in many ways, but the major milestone for the Company and the highlight for me as main shareholder and CEO was the IPO on April 28th 2006. This lead to fundamental change in the shareholder structure with the virtual exit of our previous Private Equity partner Capvis. Shares to the value of EUR 90 million were successfully placed with National and International investors.

There were occasions in the period from 2000 when the interests of the short term and medium term investor, Capvis, were contrary to those of the long term shareholder and founder of the company. However I did see the increase in shareholder value as a primary focus and, as CEO and main shareholder, I will continue to do so in the future.

It is clear from the success of the IPO, that the company and its management have been trusted by the investing public, otherwise why would they invest in a more or less unknown company. With this annual report, the first from POLYTEC HOLDING AG after the IPO, we make ourselves accountable first and foremost to you, our valued shareholders and we hope that with this very satisfactory result for 2006, we have fulfilled your expectations.

The 1.8% growth in the European Automotive market in 2006, with 18 million units, was helpful to the POLYTEC GROUP. The fact that the highest increases were in Germany and Italy was also advantageous. However, the automotive supply industry remains a difficult place and the downward price pressure from the OEMs remains enormous. Given this background, it is gratifying that once again, like every year in its 20 year history, the POLYTEC GROUP achieved record sales and record EBITDA. Organic growth of 4.8% over 2005 levels helped us to achieve consolidated sales of EUR 525.2 million and an EBITDA of EUR 48.0 million.

For me, the increase in Return on Capital Employed (ROCE) to 21.0% is of special significance. The improvement in this key ratio shows that the growth of the POLYTEC GROUP is profitable growth.

The performance of the business has driven up the earnings per share from EUR 0.75 to a satisfactory EUR 0.86. At the Annual General Meeting in Linz Design Centre on June 6th 2007, we will recommend a dividend of EUR 0.25 per share. As with other IPO promises, I see this as a way to include the shareholders in the success of the POLYTEC GROUP.

Highly customer orientated, the POLYTEC GROUP, with its focus on innovation, capable processes, price, quality and service has forced itself into the field of vision of the OEMs.

Large new orders for parts for automotive interiors and engine compartments were received giving a very satisfying 57% in-

crease in order intake. Unfortunately these large new orders are in development and will not start production until 2009. Given that two significant orders which ran out in the third quarter of 2006 cannot be replaced in the short term, we will not see organic growth leading us to improved results in 2007.

> **"Highly customer orientated, the POLYTEC GROUP, with its clear focus on innovation and capable processes, has attracted the attention of the OEMs."**
>
> *Friedrich Huemer, CEO*

I do see, however, that by staying true to its traditions, there is a way in which POLYTEC can achieve record sales and a record result in 2007. The continuing trend of consolidation of the supplier base will present possible opportunities for acquisitions, especially amongst those competitors who are experiencing financial problems. As we continuously study the market place for potential acquisitions, I am very optimistic that we can increase our sales through this route. Twenty years ago when I took the plunge into running my own business, I had, like every company founder, goals and visions. Although I take some pride that, along the way, I have had to set these goals even higher, the most important issue is to always set the bar very high. This applies not only to achieving economic goals in the forthcoming financial year, but to establishing POLYTEC as a Tier 1 supplier and preferred development partner to the leading car manufacturers.

In conclusion, I would like to express my thanks to the shareholders, customers and business partners who have given their trust to the management, the employees and the POLYTEC GROUP. I hope that you enjoy reading our annual report and I will be pleased to welcome you as a shareholder at our Annual General Meeting.

Friedrich Huemer
CEO POLYTEC HOLDING AG

# CLEAR AND CONCISE

## SALES 2006

Sales contribution by POLYTEC GROUPS 4 divisions

**POLYTEC AUTOMOTIVE SYSTEMS DIVISION**
EUR 377.2 Mill. (+4.6 %)

**POLYTEC CAR STYLING DIVISION**
EUR 66.8 Mill. (+5.5 %)

**POLYTEC AUTOMOTIVE COMPOSITES DIVISION**
EUR 61.5 Mill. (-0.4 %)

**POLYTEC INDUSTRIAL DIVISION**
EUR 19.7 Mill. (+20.9 %)

- Components, modules and systems for the interior and engine compartement made from plastics and natural fibre composites – supplied by the Automotive Systems Division
- Production of car styling serial and original accessory parts made from plastic and metal for internal and external applications of passenger cars – supplied by the Car Styling Division
- Production of external panel sections, functional and structural parts for passenger cars and trucks made in composites – supplied by the Automotive Composites Division
- Production of plastic parts for industrial applications and manufacture of elastomeric processing equipment – supplied by the Industrial Division

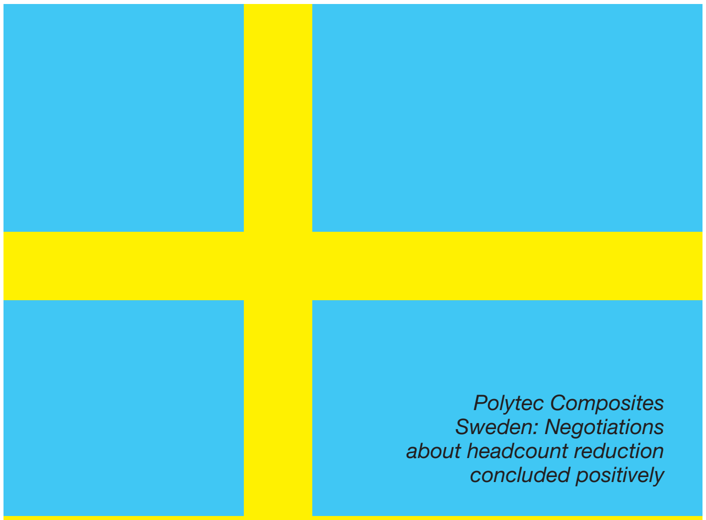
# 59 Seconds

**EVERY 59 SECONDS A SET OF DOOR PANELS FOR THE BMW 3 SERIES LEAVES COMPLETELY ASSEMBLED FROM ONE OF THE PLANTS OF THE AUTOMOTIVE SYSTEMS DIVISION. DAY BY DAY AND WEEK BY WEEK.**

*Linz-Hörsching meets London: POLYTEC also produces the new front and rear bumpers of the legendary London Cabs (Type TX4)*


## 18.10. from Paddington

The 18th October 2006 was a memorable day for the legendary London Taxi: For the first time, the world marvelled at the next generation of the world famous London Black Cab. Some of the parts are produced by POLYTEC: In the last two years the British subsidiary of the group, Polytec Holden has made improvements in close cooperation with London Taxis International (LTI) to the new look of the British Icon. The result: a front and rear bumper, which keeps to the traditional style, but nevertheless gives the vehicle a fresh new appearance. “Retro-design with a hint of modern” declares the brochure of London Taxis International.



Polytec Composites Sweden: Negotiations about headcount reduction concluded positively

# A brave new world

April 28th 2006 could be considered as the second birthday of the POLYTEC GROUP. At the end of April of the previous year, the Upper Austrian car supplier group was listed on the Vienna stock exchange. The offer price for the 11,616,056 shares – 8,616,056 shares from the Private Equity Partners Capvis as well as 3,000,000 from a capital increase of POLYTEC HOLDING AG – was fixed at EUR 7.75. The total issue volume amounted to EUR 90 million. Despite the negative stock market environment at that time, the placement met with great interest from both private and institutional investors. “In our extensive roadshow, we managed to convince important investors from Great Britain, Austria and Central Europe of our prospects for growth”, says Friedrich Huemer, Chairman of the Managing Board of the POLYTEC GROUP. The net issue proceeds of around EUR 23.3 million will now be used for financing further growth of the POLYTEC GROUP.

## Milestone

A major step forwards in the restructuring of Polytec Composites Sweden was made last year: In the middle of October, negotiations with the Swedish Trade Unions about a headcount reduction were concluded positively. The agreement with the union plans a reduction in headcount at the Swedish site by the end of the second quarter of 2007. Consequently, the number of employees after the conclusion of these measures will stand at around 130. “The result to the negotiations represents a fundamental milestone of the restructuring program of Polytec in Sweden” says Alfred Kollros, COO Automotive Composites.

## … NOT STIRRED

James Bond and his car were on everyone’s lips last year. Hardly anyone knows that the POLYTEC GROUP regularly supplies parts for the British Blockbuster, most recently for the Aston Martin Vanquish, the Bond Car from “Die Another Day”. With a formula 1 inspired gearbox which makes a gear change possible in 250 milliseconds, a 6 litre, 400 bhp, V12 engine which can propel it from zero to 100 km/h in under 5 seconds, this metallic beauty can be yours for 228,000 US dollars as long as you are prepared to join the 18 months long waiting list! Fitted to every car are the elegant front and rear bumpers supplied by the POLYTEC GROUP.

From zero to one hundred km/h in under five seconds: POLYTEC supplies the face for the James Bond car

# Swedish aesthetic

It has already been shown at automobile-exhibitions as far apart as New York, Turkey and Hong Kong and has been well received. The body kit for the Volvo XC 90 produced by POLYTEC at its British subsidiary. The body kit consists of twelve parts including front and read fender extensions and upper and lower side mouldings for the doors.

# MUSCLEMAN

## – our strongest machine

*Pretty strong: Clamping force of 2,300 tons in total, which produces trunk trim side panels in Wolmirstedt in Germany.*

The strongest machine in the POLYTEC GROUP is located in Wolmirstedt in Germany. With a total clamping force of 2,300 tons, trunk trim side panels for the VW Golf Plus have been produced on the machine since August 2006. At the location – not ten kilometers from Magdeburg and therefore near the OEM locations of Wolfsburg, Berlin, Leipzig and Hanover – 55 staff are employed in a three shift operation at this 81,000 $m^2$ plant.

# WHAT IS GOING ON HERE, MR. TADEUSZ WOJNOWSKI?

**Managing Director – Polytec Interior Poland**

“A parcel shelf for the Saab 9.5 is measured here. At each one of the 180 measurement points we control the dimensions of every production part to a tolerance of less than 0.5 mm. Every deviation above this amount makes installation difficult. You can imagine what technical refinements are required to produce a smooth product like a parcel shelf with such an extremely low measurement deviation.”

Air vent and cabin roof: One of the smallest and the biggest parts produced by the POLYTEC GROUP

# Mini meets Maxi

One of the smallest parts made in the POLYTEC GROUP measures only a few centimetres in length, whilst one of the largest, weighs in at a massive 120 kg. This comparison between the tiny VW Eos air vents made by Polytec Automotive Systems and the huge cabin roof for the Iveco Stralis, made by Polytec Automotive Composites Division, serves to show the diverse range of components that the POLYTEC GROUP can provide.

## BESTSELLER

The number of cylinder head covers delivered in 2006 – according to brand.

| BRAND | |
|---|---|
| Audi | 647,000 pieces |
| VW | 188,070 pieces |
| Volvo | 113,000 pieces |
| GM Group | 267,320 pieces |
| **Total** | **1,215,390** pieces |

# +27%

**INCOMING ORDERS FOR POLYTEC AUTOMOTIVE SYSTEMS DIVISION INCREASED BY 27% IN THE LAST FINANCIAL YEAR. MORE THAN HALF OF THE INCREASE – 57.0% IN TOTAL – RELATES TO NEW ORDERS WHICH ARE NOT YET IN PRODUCTION. THE ORDER BOOKS ARE FULL TO THE BRIM, ALTHOUGH BECAUSE OF THE DEVELOPMENT CYCLE THEY WILL NOT IMPACT ON SALES UNTIL 2008/2009.**

## Success in Series

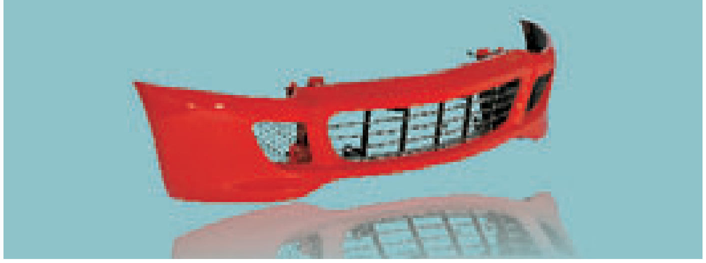
The success story of the POLYTEC GROUP cylinder head covers continues. In September 2006, the VW Group nominated POLYTEC as the serial supplier of cylinder head covers for the new common rail generation of engines. POLYTEC, selected because of its technical excellence and its flexibility, will supply more than 1.1 million head covers for the 1.6 litre and 2.0 litre common rail engines, generating sales of EUR 19.5 million per year. This contract represents the largest single order won in 2006. “Our extensive know-how, particularly in the integration of highly effective fine oil separators and our low production costs were significant issues for VW”, says Reinhard Urmann, Member of the Management Board of POLYTEC GROUP, who is responsible for the Automotive Systems Division.

## The new Headquarters

After 1 year in construction, the new Headquarters of POLYTEC HOLDING AG will be opened at the end of April 2007. This beautiful modern building provides 2,700 m$^2$ of office space on 3 floors.

# Top 3 Deluxe Bumpers 2006

The top three High-End-Bumpers from POLYTECS production – and the amounts from each manufacturer

| MODEL | SETS PER YEAR |
|---|---|
| Aston Martin Vanquish and DB 7  | 850 |
| Ferrari 599 GTB Fiorano  | 842 |
| Mercedes McLaren SRL  | 600 |

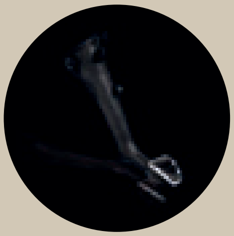
Source: POLYTEC GROUP

# 547 days

**547 DAYS IS THE AVERAGE PERIOD OF TIME BETWEEN THE OEM PLACING THE ORDER AND THE START OF SERIES PRODUCTION. THIS LONG GESTATION PERIOD REQUIRES A HIGH DEGREE OF LIQUIDITY FROM SUPPLIERS, BUT BECAUSE THESE CYCLES ARE WELL UNDERSTOOD, THEY ENABLE US TO FORECAST INCOMING ORDERS ACCURATELY – A VITAL INDICATOR FOR FUTURE ECONOMIC DEVELOPMENT OF THE COMPANY.**

# FROM METAL TO PLASTIC

**Reducing the weight of cars by substituting plastic for metal is an ongoing process. We would like to fast forward you through the developments in the POLYTEC GROUP.**



**1985** Throttle pedal: First Serial production in 1986 for the VW Golf

**1987** Clutch pedal: Serial production in 1989 for the VW Transporter

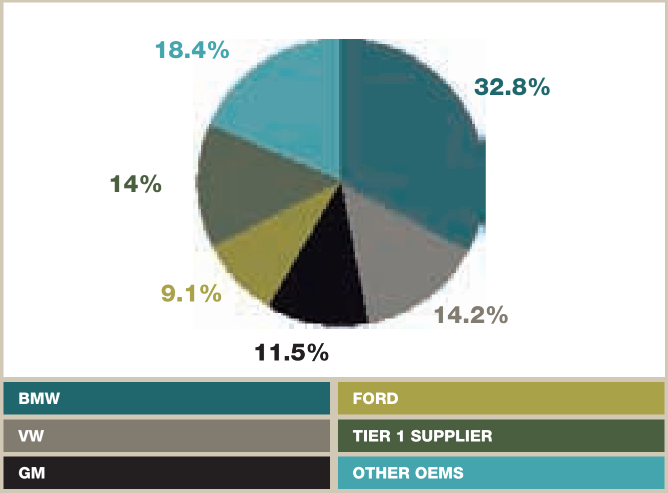
**1987** Cylinder head cover: Serial production in 1990 for Opel

**2000** Cylinder head cover with integrated intake manifold: Serial production in 2005

# BMW in front

**The BMW is the largest single customer of the POLYTEC GROUP with almost a third of sales.** BMW, the biggest customer is the strongest growing premium brand in Western Europe, with 32.8% of the total sales. Volkswagen also represents a substantial amount of volume for the group – with 14.2% of total sales it is the second biggest OEM. Predominantly through the Opel and Saab brands, the GM Group accounts for around 11.5% of the total sales of POLYTEC. The Ford Group as well as the heavy goods vehicle manufacturers Iveco and Volvo Truck number amongst the contented customers of the POLYTEC GROUP.

SALES CONTRIBUTION BY CUSTOMERS IN 2006




*Polytec-cyclone: Innovation arouses attention*

## What exactly is a fine oil separator?

Almost no other development in the POLYTEC GROUP has commanded greater attention than the cyclone, which POLYTEC showed for the first time at the ISB (International Suppliers Fair) in Wolfsburg in 2006. Cyclones have been used in engines, to separate fine oil from the blow by gases for many years, but POLYTEC GROUP has developed a much more effective type of cyclone, which it has protected by patent. The new system separates the fine oil, blown out by the engine, in far greater volumes than conventional systems. Its application is universal and it can be adapted for use on any type of engine.

## HEAVENLY

The Automotive Systems Division of the POLYTEC GROUP gained a landmark order last year. Without even going through the usual prototype order stage – the POLYTEC GROUP was nominated in June as the series supplier for the headliner of the new VW Polo. The order volumes amount to EUR 6 million annually. The roof is produced by the pro-bond SR procedure.

*Series supplier for the Polo headliner: produced in the pro-bond SR procedure*

## Award winning

An exciting new development from Polytec Automotive Systems, swept the board at the prestigious SPE (Society of Plastic Engineers Europe) Awards, where the company was honoured for its outstanding achievements in plastic usage for the Car and Supply Industry. For its improved oil separation and its simplicity, the new cylinder head cover for the VW 2.0 1 TDI engine was chosen to stand proudly on the winners rostrum. The cylinder head cover for the Volvo 15D P2 engine was similarly honoured. The judges were impressed by the fully integrated suction tube and the associated switching flap module, which has enabled engine manufacturers to change from the previous aluminium models.

*Sector leader in the area of development: The innovative cylinder head cover of the POLYTEC GROUP*

# Long lasting loyalty

Kässbohrer was our very first customer and has stayed with us since 1986 (see also page 30 – the story of POLYTEC). In addition to the grooming plates used to keep the Ski pistes in perfect condition, Kässbohrer relies on Polytec Industrial Division for traction wheels and rollers for the specialised machinery.

# KIT FOR CULT

POLYTEC supplied nine new, stylish and striking accessory parts for the S-Type Jaguar. “The S-Type Sports collection is an exclusive range of Accessory products specially created by Jaguar.” These are Jaguar’s own words used to describe the body kit, which comprises of front spoiler, sills, rear valance and rear spoiler. 500 kits have already been sold and sales are expected to reach around 2500 sets per year. So successful was the introduction of this kit that POLYTEC has been nominated for similar kits for the X – Type Jaguar and for the new Land Rover Freelander.

*Jaguar S-Type: POLYTEC supplies high quality accessories*

# <14%

**LESS THAN 14% OF THE VOLUMES PRODUCED BY THE AUTOMOTIVE SYSTEMS DIVISION ARE MANUFACTURED AS SO CALLED TIER 2 SUPPLIERS – AS SUBORDINATE SUPPLIER FOR OTHER SUPPLIERS. BY KEEPING ITS FOCUS ON TIER 1 SUPPLY, THE POLYTEC GROUP HAS CONSOLIDATED ITS POSITION AS A DIRECT SUPPLIER TO THE EUROPEAN AUTOMOTIVE INDUSTRY – A POSITION UNDERLINED BY ITS WELL BALANCED CUSTOMER PORTFOLIO. THUS THE AUTOMOTIVE SYSTEMS DIVISION RECEIVED ORDERS TO THE VALUE OF EUR 41 MILLION FROM THE VOLKSWAGEN GROUP FOLLOWED BY THE GENERAL MOTORS GROUP WITH EUR 12 MILLION AND THE BMW GROUP WITH EUR 10 MILLION IN THE PAST FINANCIAL YEAR.**

# Lotus honours

Lotus, the innovative British Sports car producer has honoured POLYTEC by confirming Polytec Holden, the British subsidiary of the Polytec Car Styling Division as its Supplier of the Year 2005. Polytec Holden produces around 1,300 high quality rear spoilers per year for the cult British Sports Car – Lotus Exige, just part of its exclusive portfolio for specialist marques such as Aston Martin, MacLaren and London Taxi International.

# PRACTICAL, LUXURIOUS, STYLISH

*"Lady Twin-Top Case" made of carbon fibre and Louis-Vuitton leather*

The Polytec Car Styling Division's creative team recently presented a customised car, designed to appeal to women. Functionality, comfort and style were top of the list for the team which worked on the Audi A3. A clever dual function "Magnetic Cargo Mat" was fitted. In addition to protecting the load space from wear and tear, it can be extended outboard to enable heavy and difficult objects to be loaded easily. A sumptuous twin-top "Lady-case" made from Carbon fibre and Luis-Vuitton leather, provided a detachable shopping bag and shoe bag. For that personal touch, a variety of designer logos are offered. These can be mounted on the interior as well as to the bumpers and body side mouldings. For that final touch, the driver's console of the Audi is fitted with a fold back memo centre featuring writing equipment, an MP3 player and even has a recess for parking tickets!

# THAT´S HOW THE POLYTEC GROUP WORKS

**The POLYTEC GROUP is producing and assembling on a total of 22 plants worldwide.**

- POLYTEC AUTOMOTIVE SYSTEMS DIVISION
- POLYTEC CAR STYLING DIVISION
- POLYTEC AUTOMOTIVE COMPOSITES DIVISION
- POLYTEC INDUSTRIAL DIVISION

**D POLYTEC THELEN**
Employees: 39

**GB POYLTEC HOLDEN**
Employees: 242

**GB POLYTEC INTERIOR BIRMINGHAM**
Employees: 14

**B POLYTEC AVO**
Employees: 44

**D POLYTEC THERMOPLAST**
Employees: 207

**D POLYTEC INTERIOR NORDHALBEN**
Employees: 289

**D POLYTEC INTERIOR EBERSDORF**
Employees: 260

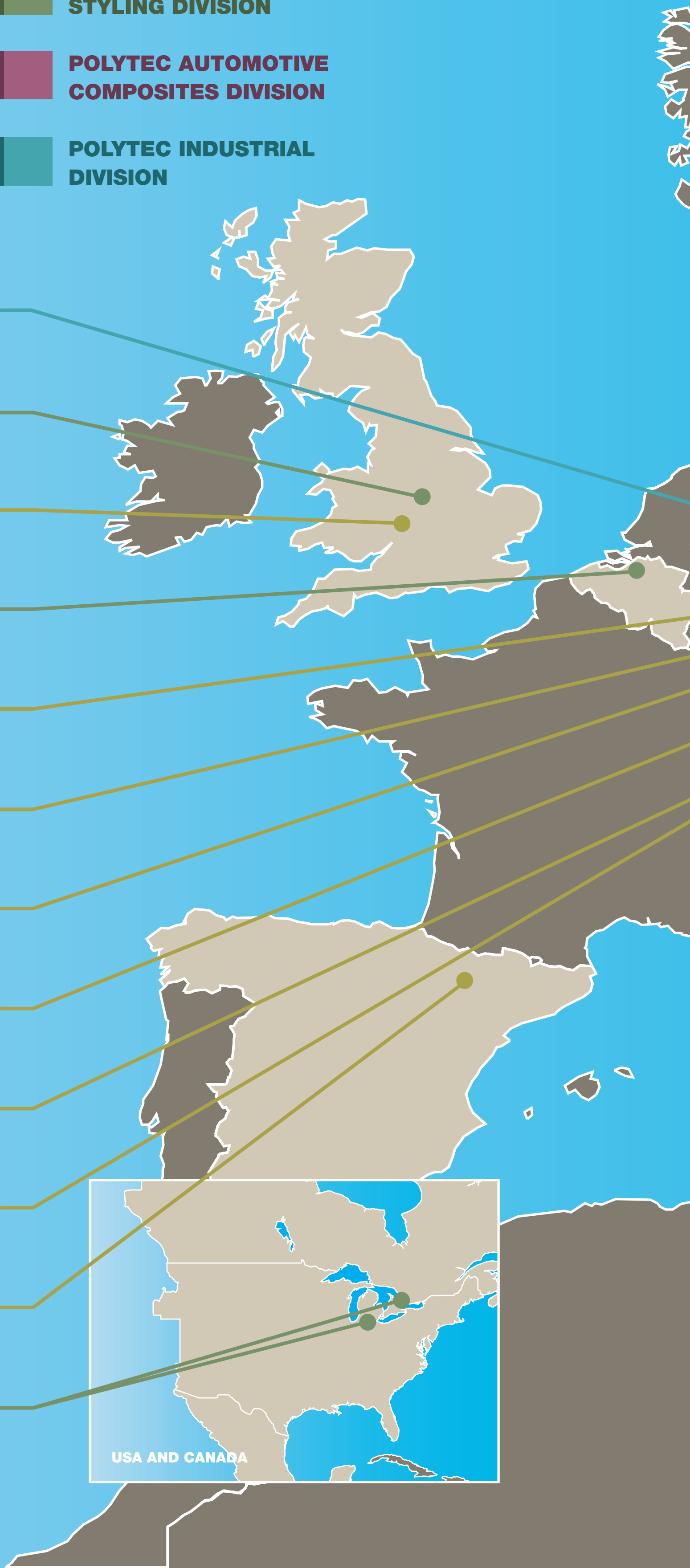
**D POLYTEC INTERIOR WACKERSDORF**
Employees: 101

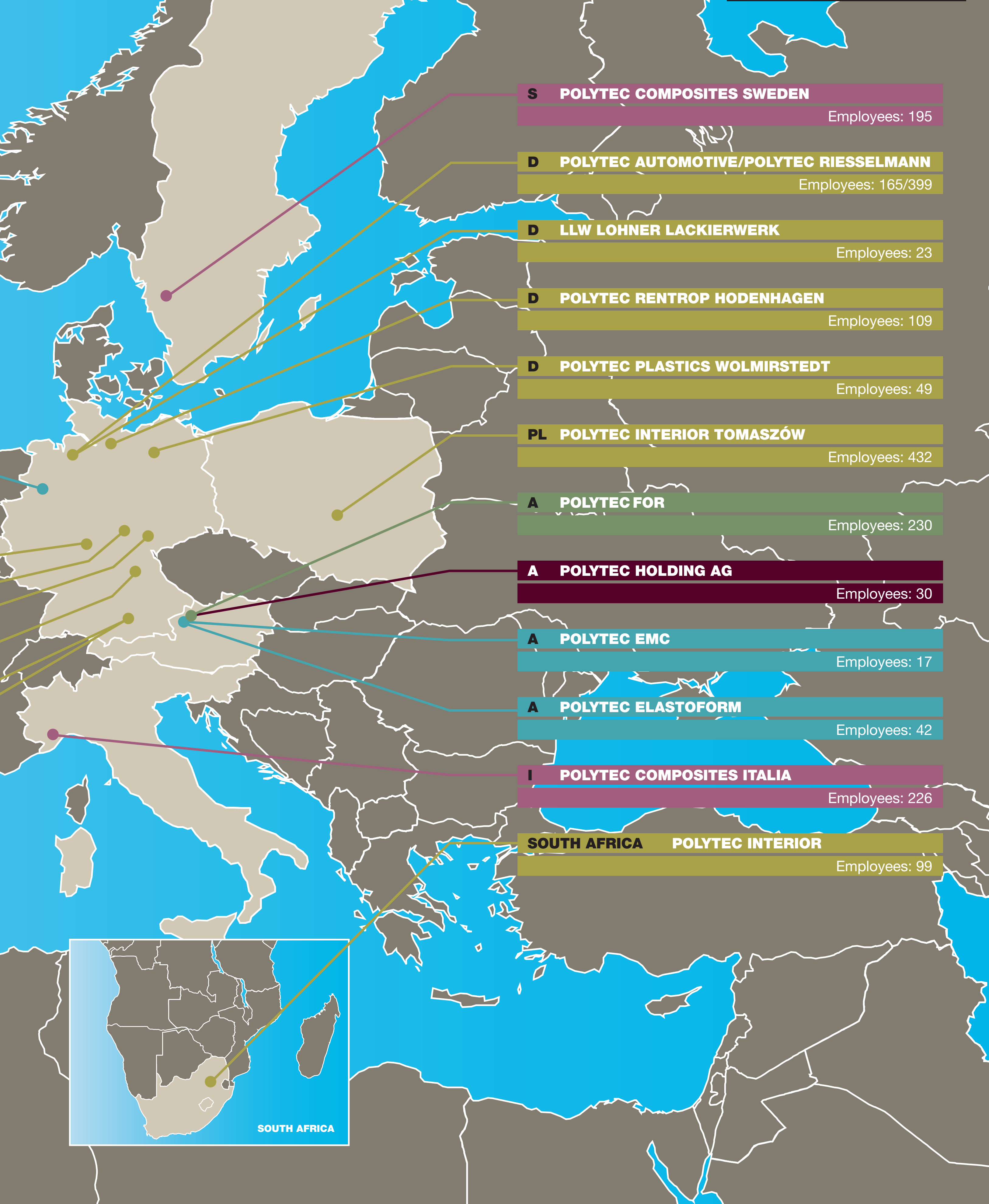
**D POLYTEC INTERIOR GERETSRIED**
Employees: 247

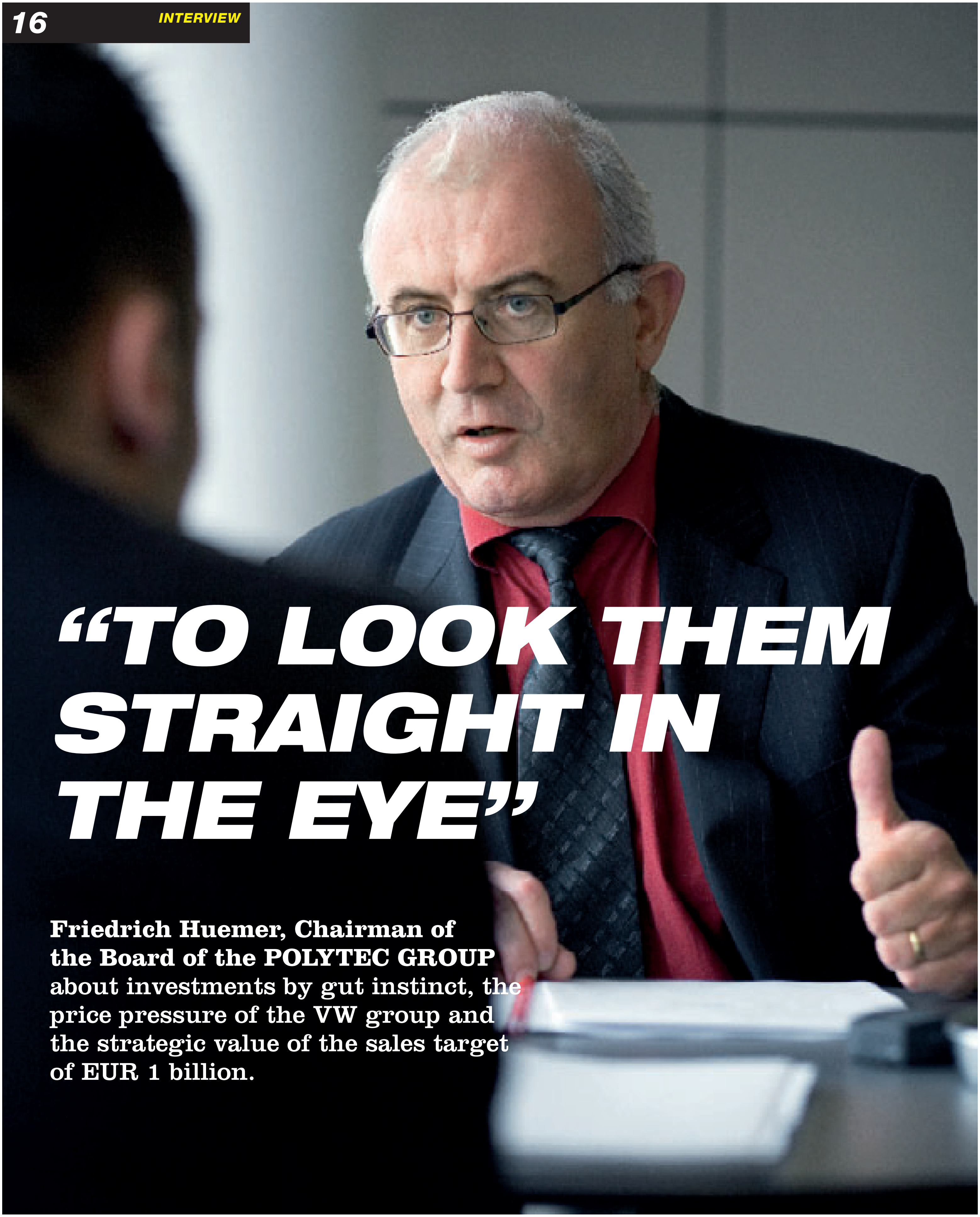
**D POLYTEC HOLDING DEUTSCHLAND**
Employees: 33

**E POLYTEC INTERIOR ZARAGOZA**
Employees: 81

**USA/CANADA POLYTEC FOHA**
Employees: 17 (5)




S POLYTEC COMPOSITES SWEDEN
Employees: 195
D POLYTEC AUTOMOTIVE/POLYTEC RIESSELMANN
Employees: 165/399
D LLW LOHNER LACKIERWERK
Employees: 23
D POLYTEC RENTROP HODENHAGEN
Employees: 109
D POLYTEC PLASTICS WOLMIRSTEDT
Employees: 49
PL POLYTEC INTERIOR TOMASZÓW
Employees: 432
A POLYTEC FOR
Employees: 230
A POLYTEC HOLDING AG
Employees: 30
A POLYTEC EMC
Employees: 17
A POLYTEC ELASTOFORM
Employees: 42
I POLYTEC COMPOSITES ITALIA
Employees: 226
SOUTH AFRICA POLYTEC INTERIOR
Employees: 99
SOUTH AFRICA



# "TO LOOK THEM STRAIGHT IN THE EYE"

**Friedrich Huemer, Chairman of the Board of the POLYTEC GROUP** about investments by gut instinct, the price pressure of the VW group and the strategic value of the sales target of EUR 1 billion.

**Mr Huemer, rumour has it, that you carried out your most important company acquisition – F/O/R, nucleus of the current POLYTEC GROUP – without ever having set foot inside the company?**

The rumour is not false. I went in this factory for the first time as majority owner, having known neither production nor the figures of the company at the time the contract was concluded. I knew, that the figures were so bad, that I didn't want to analyse them.

**What made you certain you had done the right thing?**

Nothing at all, since it was dealt with at the request of the house bank on the basis of the danger of insolvency which of course limited my financial risk. The opportunity to purchase F/O/R doubled the size of POLYTEC and placed us in another league but now in the area of automotive supply. It was tempting enough to take a calculated risk. The fact that the majority of F/O/R's parts were manufactured from Polyurethane made the decision substantially easier since Polyurethane production has been the core competence of POLYTEC since its inception.

**Would you invest using to the same criteria today?**

No. At that time I was not familiar with the concepts of Due Diligence or Enterprise Value. Up until then I had not spent a single Schilling on advice, lawyers or auditors. With the status and reputation that we currently enjoy, it is no longer possible to buy something simply because you believe that you can make something of the investment – that would be irresponsible, although I am sure we have missed all some opportunities.

**What are the fundamental characteristics encourage you to buy a company?**

There are three concrete assessment criteria. Firstly, what are the products and technologies? We do not want to move far away from our core technical competencies. Secondly, who are the customers and customer groups? A higher priority would be given to existing customers than would be given to gaining new business partners. Finally, of course the geographical location is important. It is a clear goal to have more locations in low cost countries – thus it is more likely that we will purchase Western European companies with locations in Eastern Europe. We would also give consideration to the US and China, where our major customers are already established. The main goal of our strategy is to broaden what we have and what we know and then grow from there.

**Which business areas have the biggest growth potential?**

Based on market conditions the Automotive Systems Division, and therefore serial car production has the biggest potential and it may be that we have to sub-divide this area in future. We must take into consideration that the smaller Car Styling Division (Original Accessories) and Composites Division (mainly HGV parts) have narrower growth limits since they deal with niche products in areas where we already hold a significant position.

**How many opportunities to buy companies still lie on the table?**

We always have something on the table, but at the end of 2005 and the beginning of 2006 we were not able to follow these up as our attention was taken by the impending IPO. Towards the end of 2006 we were close to signing contracts for two purchases but as the asking price did not agree with our assessment we did not complete.

**How much could a company cost then?**

Every acquisition must have favourable effect for us on the Earnings per Share in the year of acquisition or at the latest in the following year. This is absolutely fundamental to us, a timescale of 3 to 5 years is inconceivable. This is the acid test for every acquisition. Even if there are strong strategic arguments for an acquisition we will not overpay.

> **"A higher priority would be given to existing customers than would be given to gaining new business partners."**
>
> *Friedrich Huemer about acquisitions*

**What is the secret of your success? Do you know earlier than others what you want to buy?**

I do not know earlier than others – usually we are not the only party involved in the discussions. It is an advantage that our management structure allows me free reign for acquisitions and I can quickly concentrate on the Due Diligence process. In contrast to many of our competitors I am largely autonomous and the flat management structure enables decisions to be made very quickly. It helps to be well known and trusted in the industry, so that when someone wants to sell a company, pre-discussions can commence at short notice and if those go smoothly the probability of concluding a deal may be higher.

**They say that you use 90 percent of your working time on checking and assessing acquisitions. Is that true?**

This is incorrect. If it was the case, the person would naturally not be the CEO. I certainly spend a considerable amount of my working time on acquisitions but only as an important part of the management of the existing Group. Acquisition is not the only strategic issue for our company, I must also be concerned with our customers, our price policies, our management structure and our financial structure.

**Which customers would you want to be less involved with in the future?**

It seems that every year, at least one car manufacturer takes a very aggressive stance towards its suppliers. We have seen this in previous years with GM, Nissan and Chrylser but in 2006 it was VW. Two or three years ago VW was our largest single customer, but this is not the case today. Their aggression has created frustration at many of its suppliers. It is up to me to decide how we proceed when confronted by aggressive customer policies. Referring to your previous question, I have to spend at least 10% of my time on such customer issues.

**A lot of time spent on the acquisition of the company is actually on the integration into the group. What is your secret – in view of the explosive growth of last year?**

If you want to name the secret. I think, our advantage is my high degree of involvement in the purchasing process. As a result, I am involved over countless management discussions up to the detailed numbers in the Due Diligence Process, I already have a very specific idea of the integration when the contract is concluded. In other companies acquisition departments do a lot of groundwork with external advisors, the CEO, who does not have so many details, must then make himself familiar with all the key issues.

**An unusual characteristic of yours is that you allow the management of a company you have taken over, to continue almost always as an unchanged team. Why?**

It is certainly a part of our success that the existing management team of company sees the take over as positive – we have never made a so-called hostile takeover with all the frictional loss arising from it. Our approach is well known in the industry which makes our job more easier. If, during the business evaluation, we find that the management team is suitable, then we can see them as an asset to the business, which we would like to buy along with the other assets. There is also a more practical issue. If we were to significantly change the Management we should have to carry a large stock of management resource in the existing Group, this of course would create high costs, which would mean we could no longer afford such acquisitions.

**Your management of the POLYTEC GROUP is very numbers driven, the divisions are kept on a long reign, as long as they fulfil the monthly planned guidelines. Why?**

Throughout the whole POLYTEC GROUP all decisions are very market driven. That is important. The individual companies must make their own investment assessments and our job here at the Holding Company is to give our blessing to well thought out ideas. When the manager responsible for the division can make his investment proposal directly to Hörsching without going through any other levels, he will feel part of the decision and this will motivate him. I am the authority on control not the decision maker. I see my main task as finding capable people who can be left to make the plans in the smallest detail.

**Is it a disadvantage of this set up that hardly any innovation management is expected from above?**

It is correct to say that we don’t expect innovation from a Head Office. It was never my goal to be the very first with the news. Many innovations within the automotive business were coincidences often innovations fail or peter out. We have the desire to be innovative and to be ahead of our competitors, but this innovation should come from the product developers in their own factories.

**Mr Huemer, where should the POLYTEC GROUP be in five years?**

Clearly bigger and more important than today. We must be on the same scale as our major customers and most important competitors. We must be of comparable size and importance so that we can look them straight in the eye.

**You don’t see the POLYTEC GROUP on the same scale at the moment?**

Our customers confirm to me that we can look our competitors straight in the eye when it comes to development potential and innovation. However when it comes to negotiations with our customers we do not have enough power. In projects which are especially important to us, like the follow up orders for existing major projects which can fundamentally influence our future we are in a position of weakness. If, for example, we did not get the follow up order for door casings for the BMW 3 Series, this would have a profound effect. The customers know it and we know it, therefore we cannot look them straight in the eye. If we were 5 times bigger than we are today and we lost a contract for EUR 30 to 35 million, our future would not be fundamentally threatened, but given our current size we are very vulnerable when negotiating large contracts.

**You complain on the one hand that VW Group places enormous price demands on its suppliers and yet on the other hand you have recently acquired a sensational new order for VW Polo. How do these two statements fit together?**

The order from the VW Group was indeed out of the ordinary not only have we received the production order for the Headliner for the VW Polo, a high volume model, we have received a further two orders for Headliners for niche VW vehicles. All three products are still in development and we have not yet supplied production parts. We have to believe that VW want POLYTEC to be the supplier, but we still had to quote aggressively low prices in order to secure this business from this important customer. There was also a strategic logic to winning this business as we wished to maximise the use of our Spanish factory. Despite the low prices we have some optimism that we can reduce our estimated costs during the production life and thereby improve our profitability. This kind of thinking is both normal and necessary in a production plant, but up until now it has not been normal for POLYTEC.

> **"We will expect some success from our efforts sooner or later."**
>
> *Friedrich Huemer about the price pressure of the VW-Group*

**Will you modify this aggressive pricing policy in the future?**

No, I see it as my own personal task to dictate the strategy in this area and I will make no modifications. Even if I am not personally involved in the price negotiations you can be sure that in these special cases I have clearly signalled to the customer that we will make aggressive prices and that we will expect some success sooner or later. If I did not take this position it would lead to a decline in our future involvement with strategic customers.

**How would you present your price strategy to other customers?**

We will signal to BMW for instance, as our biggest customer, that we will do anything to satisfy them whether they need follow-the-customer investments (for example if the X3 were to be produced in the US) or if they require speculative pre-development tasks. Those car manufacturers who currently have good customer-supplier relationships – BMW, Toyota and (with certain exceptions) Daimler Chrysler are fully aware that part of their extraordinary success is due to these successful supplier relationships.

**You have recently indicated that your medium term goal is a turnover of EUR 1 billion. What does the phrase medium term mean?**

By medium term I mean a period of 2-4 years, which might signify a rather short term for us! I believe that, with an aggressive approach it would still be possible in our industry to create, by acquisition, a business 10 times our current size within 5 years. To do this however, it would be necessary to take high risks, with high debts or extensive increases in capital. Whilst there are some attractions in both scenarios I would choose to pursue the expansion by more prudent financial routes. The take over of a same size or larger company is for me, not just a wish but more a real desire.

**Following the increases in capital which resulted from last year's IPO the war chest is full to bursting.**

Full to bursting is relative and others might see it differently. We are essentially debt free and could finance an acquisition with a purchase price of EUR 100 to 200 million at any time. We would not need to take any further steps in the capital market to double our turnover.

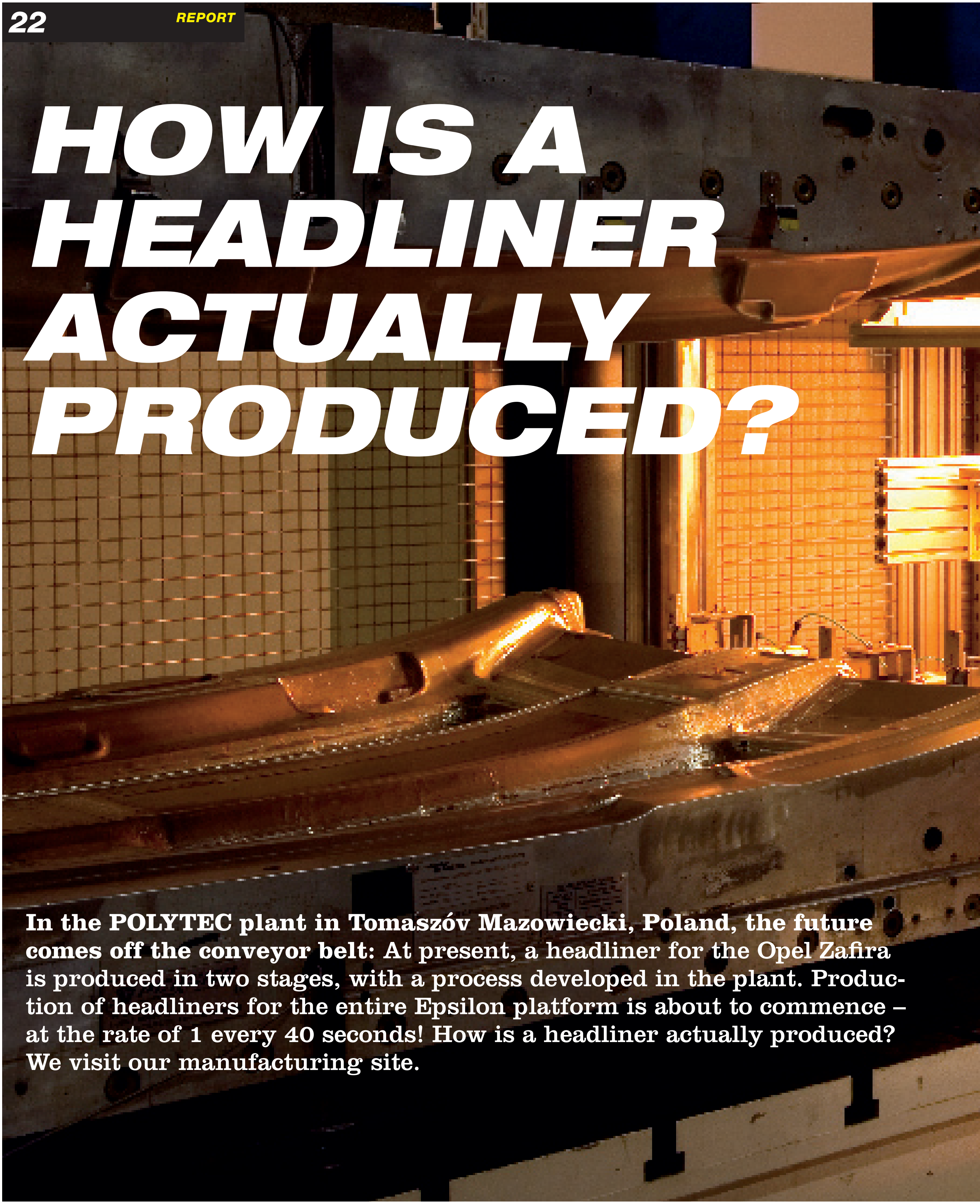
**Mr Huemer, where would you personally like to be in ten years?**

At any rate not in the office every day any more. I have spent my life at work – buying companies has been a hobby as well as a passion. This does not mean that everything is fun in fact it is quite the contrary when one is confronted with the aggressive price demands of a customer. I am now 50 and will be completely satisfied with a few more years in this job. After that I imagine I will seek a better balance between free time and business interests. Although I no longer look for role models there are several people in our industry that fascinate me. On the customer side, Mr Piech with all the opportunities and problems that he has to deal with and on the supplier side Mr Stronach. I do not know either personally but I find it fascinating to watch how these strong characters interact with their operational businesses to create success.

**When you look back on the last 20 years of your business life what have you done better than others?**

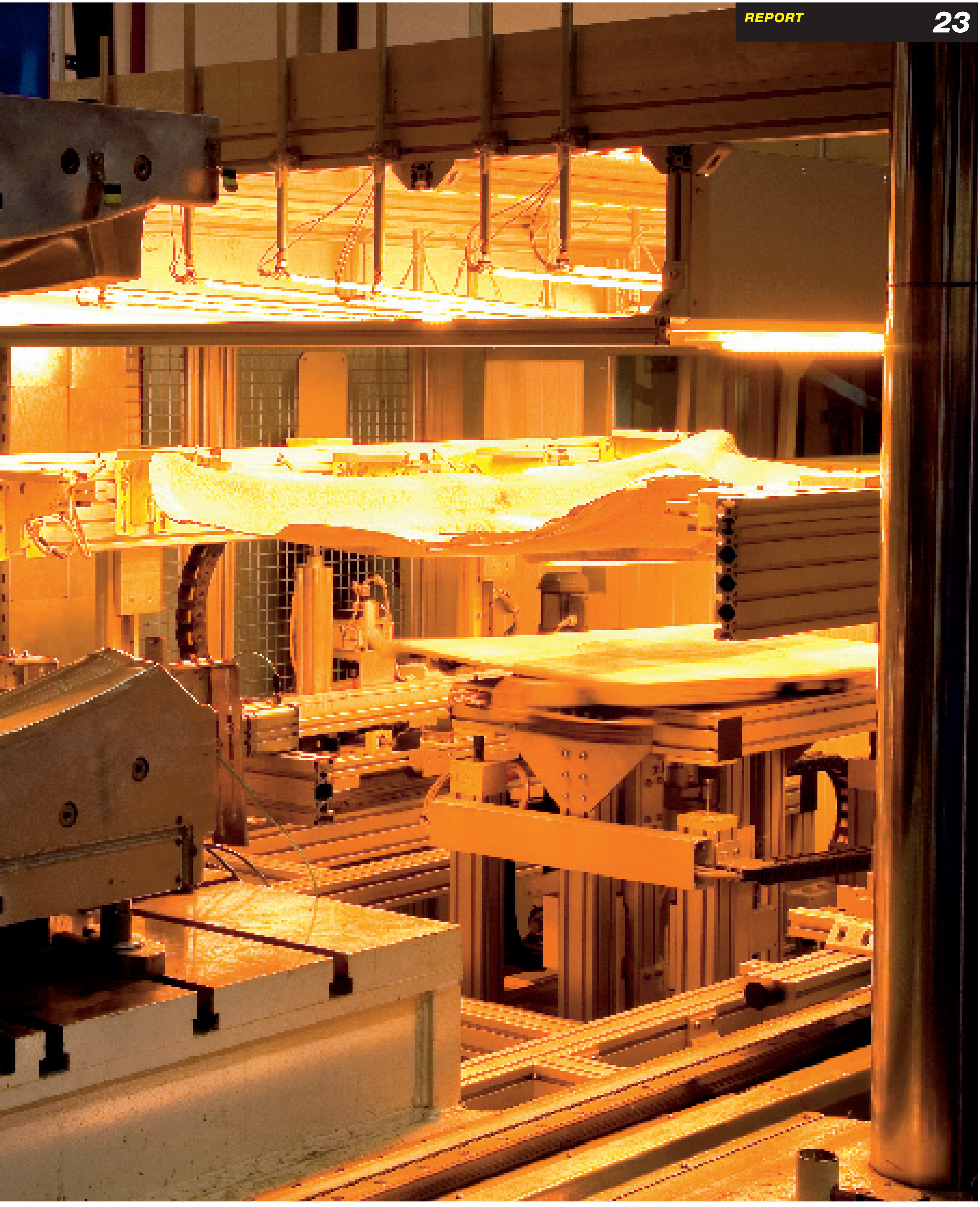
I have been asked this question several times. I have not been given any money, but over 20 years, without any capital, I have built up a Group of Companies with half a billion Euro turnover. I believe that I have used the opportunities that were given to me and overcome any problems that arose. For many people it is the opposite, they moan about their problems and often let their chances go begging.

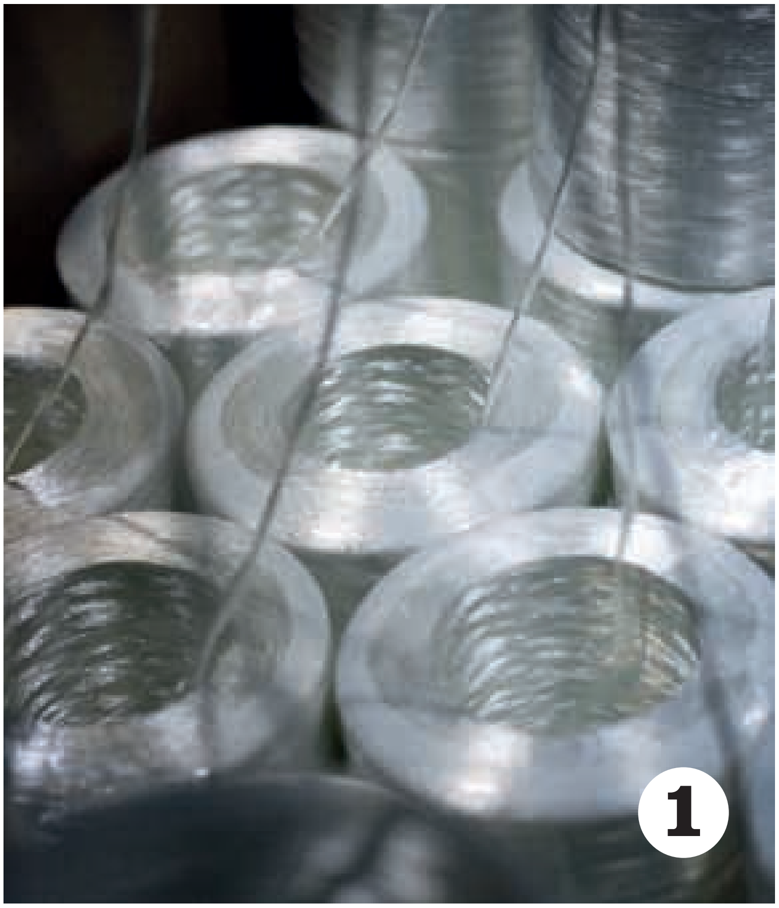

HEADLINERS
Johannes Knall, Project Manager, POLYTEC AUTOMOTIVE SYSTEMS DIVISION



# HOW IS A HEADLINER ACTUALLY PRODUCED?

**In the POLYTEC plant in Tomaszóv Mazowiecki, Poland, the future comes off the conveyor belt:** At present, a headliner for the Opel Zafira is produced in two stages, with a process developed in the plant. Production of headliners for the entire Epsilon platform is about to commence – at the rate of 1 every 40 seconds! How is a headliner actually produced? We visit our manufacturing site.







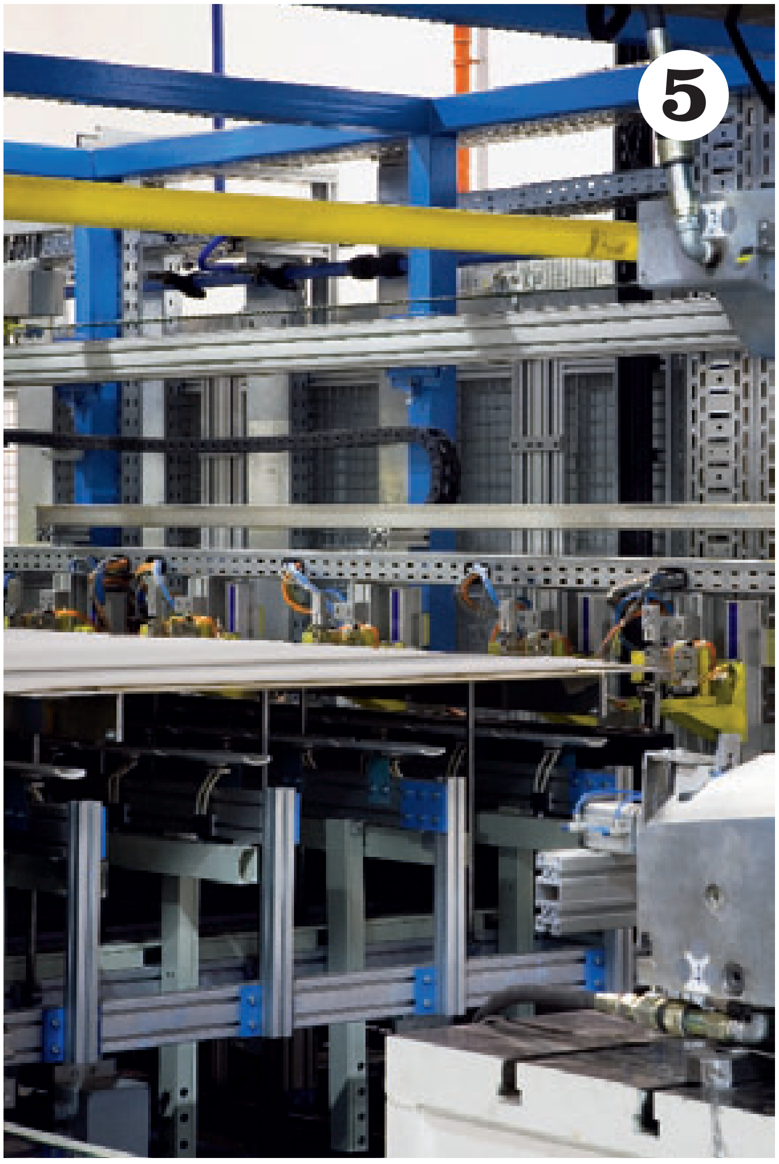

**1.**

**WHAT WILL EVENTUALLY BECOME** a robust, hard-wearing and attractive headliner for the Opel Zafira starts its life as a sandwich of diverse materials. In the first stage, foam, adhesive film, reinforced fleece and foil are fed from long rolls. To these are added short glass fibres, chopped from a continuous filament – a process developed by POLYTEC GROUP's innovative engineers. It is in this crucial area that POLYTEC differs from its competitors. With the computer controlled POLYTEC process, it is easy to place these fibres, which add strength and integrity to the component, in exactly the right places, avoiding unnecessary weight or cost. The individual elements of the sandwich are bonded together with a resin. Very tight control of the resin temperature and viscosity are required here in order that the resin can be distributed evenly throughout the sandwich.

**2.**
**THE SANDWICH** is then pressed into shape for 80 seconds in temperature controlled tools, at which point it becomes the recognisable shape of a headliner. After being allowed to cool, the untrimmed headliner is then moved on to the next production stage, where the decorative fabric will be applied in a two stage process. These diverse raw materials have been transformed into a high quality headliner for the Opel Zafira; the same process will soon be used to manufacture headliners for the whole Epsilon range.

**3.**
**TWO ROBOTIC ARMS,** equipped with spray guns, apply an adhesive to the headliner, which then must be allowed to dry. To facilitate this drying process, a space-saving paternoster oven has been installed. Headliners spend around 10 minutes in this drying zone, before moving on to the next stage.

**4.**
**THE UNTRIMMED HEADLINER** is turned around and heated to 120 degrees C for approximately 1 minute, which re-activates the dry adhesive. At the same time a piece of the final decorative fabric is cut precisely from the roll and also heated.





**5.**
**A NUMBER OF SMALL CLAMPS** stretch and shape the decorative fabric into exactly the right position and at that point, the material and the headliner are finally bonded together. A cooling system ensures that the decorative material is bonded to the headliner without any creases.

**6.**
**IN MASS PRODUCTION,** the almost finished headliner is placed on a press where the specific recesses for each model and trim level are punched out. For lower volume models, this process is carried out by a robot controlled water jet cutter, which uses a fine jet of very high pressure water to cut out these recesses.

**7.**
**FINALLY THE HEADLINER ARRIVES** at the edge folding station, where the final trimming processes take place. We now have a completed Opel Zafira headliner and all that remains is the just-in-time sequencing to the car.


7

**REINHARD URMANN**

is a member of the Managing Board of the POLYTEC GROUP and responsible for the Automotive Systems Division, which represents the lion's share – 72% – of Group turnover. Urmann, the "Ultimate Technician" knows every single machine and logistical operation in his dozen factories spread around Europe. He has a unique direct dial system where employees responsible for critical machines can and do call him directly at any time of the day or night. Should any critical piece of equipment not be functioning at its optimum, Urmann will stay involved until it is fixed however long it takes.


# WHAT DOES MODULARISATION ACTUALLY MEAN?

**Car producers produce more and more special models – so called derivatives – therefore total production volumes are spread over a wider and wider range of models. What challenges arise from the industrial series production? And how does the POLYTEC GROUP deal with them?**

In the last two to three years, the number of derivatives – in mass production – has dramatically increased. Tremendous opportunities exist for suppliers, especially innovative medium sized companies like POLYTEC. With derivatives from the BMW 1 or 3 Series for instance, the OEMs look for solid medium sized companies to take on these sensitive tasks. They need companies with sufficient capital to fund the programmes but with flexible structures and management who are close enough to the production to make rapid effective decisions. It also helps if the senior management is close to the development process and familiar with every aspect of production. It is apparent, at the moment that the total volumes of a production model are spread over a wider and wider range of derivatives. This gives the supplier an enormous task as he now has to manage a number of medium sized projects not just one large project. The future therefore lies in modularisation. We have developed modularisation already. From those production processes, in which the processing of two parts of a model – a roof or a car door for instance – are not identical any more, we have moved to module based equipment on the line. Fast tool changes provide for the essential flexibility. One can image defin-

> **„We reckon the OEMS have financed parts of the investment already with the last series."**
>
> *Reinhard Urmann about interchangeable modules in production*

ing the same core structure for car doors which could be used for narrower 4 door saloons as well as wider 2 door models or for higher van doors. This is of course easy to say but requires a lot of product and production know-how to put in place. Using this flexible modular approach capital equipment can often be used for the next generation model, thereby reducing the total investment required by the OEM. This strategy has already assisted in wining a number of new orders.

## WHAT IS MEANT BY LTA?

**Long Term Agreements – so called LTAs – are the basis for a long term relationship between OEM and supplier. The latter must earn back high investment and development costs over many years. Several customers ignore this. How does a technology driven supplier treat these phenomena?**

In recent years a number of new issues have emerged which have turned upside down the conventional relationships between supplier and the OEM. Previously one could assume that project investment and development would pay for themselves during the life of the order. This can no longer be guaranteed. Global sourcing strategies have eroded the trust of long term partnerships. POLYTEC GROUP has been very successful, despite this difficult background. A lot of the success emanates from our position as technology leaders in our sectors, driven by our Development Centres in Lohne and Geretsried. We have also made it clear to our customers that we will not compete with “back street” businesses or insolvency candidates. We will not sacrifice quality for price. Whilst it is very tempting to place production in low wage economies, this can only make sense if the cost advantage is not eroded by extra transport costs.

> **„Our success emanates from our position as technology leaders in our sectors, driven by our Development Centres in Lohne and Geretsried.”**
>
> *Reinhard Urmann about the trust relationship with OEMs*

## HOW DOES JUST IN TIME SEQUENCING SUPPLY WORK?

**To deliver the correct parts in the correct sequence at the correct time is part of the demand profile of the Tier 1 Supplier. How does the just in time logistics chain of the POLYTEC GROUP work between factories that are thousands of miles apart?**

We already established many years ago a system of so called tail-units. The factory in Graz, Austria is run by means of the German plant Ebersdorf, our factory in South Africa through the German Wackersdorf plant. The principle is not at all complicated. The EDI systems send a message via a server. For example it may be details of a chassis about to be launched on the assembly line at Magna in Graz, Austria. The message, containing details of the model and derivative is received at our factory in Ebersdorf where it is translated into a specific component requirement. This information goes straight to the assembly line where door casings are made to the exact colour and trim level, the load speaker recesses punched, and the leather fitted prior to dispatch. 8 hours later it is delivered to the Graz factory where the final assembly is configured. The parts are sequenced in the exact order required and collected by Magna’s own vehicle every 2 hours. All this runs via an SAP system almost without human intervention.

> **„It is really exciting in the production chain – when an additional part is required. We close the chain with our logistics solution in record time“.**
>
> *Reinhard Urmann about the tail unit system of POLYTEC*

We are different from our competitors in that we have built into the system a significant amount of flexibility which enables us to react very quickly when additional or unexpected parts are required.

KÄSSBOHRER SUPPLIERS DAY 1993

FIRST DELIVERY OF A MACHINE TO TURKEY (EMC) 1992

# THE APPRENTICESHIP YEARS

**Portrait:** For Friedrich Huemer, the path to the boss of a big group enterprise worth EUR 500 Million was full of trial and tribulation – but it was a straight path: From being an Upper Austrian businessman, he became an European Entrepreneur with a formula for success.


RETAILEVENT 2006 IN LINZ

IPO 2006 – PRESSCONFERENCE

One March morning in 1968 after a sleepless night, Friedrich Huemer made the decision to start his own business. Huemer, at the time, Production and Sales Manager for Sempollan, the polyurethane manufacturer owned by the Semperit subsidiary of SKG, had agreed a date with the management for his departure.

"At the time I was not unhappy with my situation as an employee," he said today, "I earned quite a lot and had opportunities to develop." The 28 year old who, in the years he ran his department, doubled turnover whilst reducing the sales and production teams, wanted more. "I had the idea of setting up my own business", Huemer says today. With his knowledge of materials and sales the young polyurethane expert was sure he could create his own powerful business. He became aware that Sempollan, the unloved child of SKG might be for sale and he expressed his interest in buying it. The Managing Director of SKG decided, after a 7 days time for consideration, not to sell.

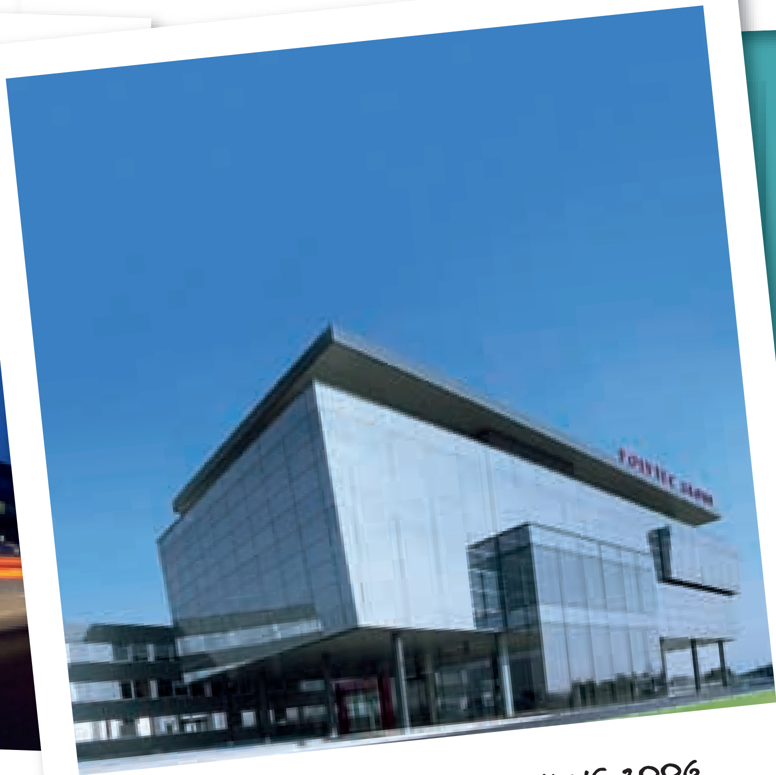
**The path to independence was indeed a rocky one.** In the past twenty years, Friedrich Huemer has created a group of companies with breathtaking dynamism: On the way from being the only employee of a 500,000 Deutschmark company of 1986 to a boss of a group concern with over EUR 500 million in 2006, Huemer created a business which set turnover and performance records each year. In the past 6 years alone turnover has increased sixfold from around EUR 80 million to over EUR 500 million. Today the POLYTEC GROUP employs around 3,700 employees, of which ten percent are based at the Upper Austrian locations of Marchtrenk and Hörsching. Worldwide the group has over 19 production locations. The path to success for the young entrepreneur was rocky – but when it was pursued with single minded ambition it was, at least, straight.

**The unwritten law.** Years later Mr. Huemer discovered why he was never offered the opportunity to buy Sempollan in March

POLYTEC ELASTOFORM BUILDING
UNDER CONSTRUCTION 1988

POLYTEC MARCHTRENK BUILDING
UNDER CONSTRUCTION 1990


POLYTEC HOLDING AG HÖRSCHING
DECEMBER 2006



POLYTEC HOLDING AG HÖRSCHING 2006

1986. It was a chance conversation with a member of the Management Board of the Semperit Group which opened my eyes", says Huemer. "I should have at that time spoken directly with the Head of the Group not the Managing Director of the section. If I had done so I would have got a very different response." Since then, this has become an iron law for the entrepreneur. In Huemer's business each employee must be able to speak to the next level of management. If an employee at any level feels that his sensible suggestions are being blocked by his manager then he knows that he can pass these suggestions to the next level of management at any time.

**Wallern.** Going back to March 1986 the young entrepreneur still has other challenges to face. The Banks were yet to be convinced by the young father who wanted to set up a polyurethane processing company without any capital. Kässbohrer, manufacturer of piste preparation machinery for ski resorts, wanted to do business with him. Premises, machines, raw materials and a company name were all urgently needed. "The very first order my company won worth 500,000 Deutschmarks, was made out to me as a private individual", says Friedrich Huemer. "Kässbohrer ordered parts in the spring of 1996 and made it out to 'Engineer Friedrich Huemer' at my private address in Wallern."

**Young entrepreneur.** "Seeking investment – up to 5 million schillings – line of business immaterial", said an advertisement in the Upper Austrian News. This simple direct approach proved to be the lucky break as the advertisement came to the attention of an Upper Austrian investor who was prepared to back the business idea of the owner of the newly registered POLYTEC Company. So, in the spring of 1986 Huemer's dream of being an entrepreneur had come true. He had sufficient capital – the introduction of the investor had reduced his debts, he had a customer who believed in him and he set to work vigorously in his 400 square metre factory in Grieskirchen. Huemer bought casting tables, a cooking vat, warming ovens and his first raw materials then started to produce parts for his Kässbohrer order. No matter how hard it had been to get started, his biggest test as a business man was still come.

**Responsibility.** The 8th August 1986 is a day Huemer will remember for ever. On his way to the local job centre to recruit his first employees for his thriving new business he was involved in a serious car accident which left him in hospital for three and a half weeks, right at the point when production was due to start. He was still in hospital in September when Kässbohrer were expecting their first delivery but nothing had been produced. Released from hospital, Huemer's first steps on the road took him back to the job centre to recruit the necessary staff for a two shift operation. The cooking vat bubbled in the polyurethane kitchens of POLYTEC, with Huemer, still not fully fit, working on both shifts on crutches whilst his wife Ulrike took care of the administration work. At the weekends both of them stood at the casting tables for 12 hours. "In those early weeks I was close to tears almost every day out of despair and physical pain", says Huemer. Whilst there were many times when he felt like quitting, he learnt a lot about running a business. "I had responsibilities to my customer, but more than that I had responsibility to my investor – he believed in me. I could not betray the trust he had placed in me", says Huemer, who, by the end of the year had managed to fulfill the first Kässbohrer order. The customer was very satisfied with the products he received from POLYTEC's "polyurethane kitchen".

**Enlarged.** By 1988, the POLYTEC Company was growing strongly and Huemer, in order to meet the growing demands of his customers, was already building his own factory in Marchtrenk. He clearly remembers the magnificent August day when he heard from his successor at Sempollan, the exciting news that Semperit had decided to put the business up for sale and that if he was interested, he could put in an offer. The man from Upper Austria didn't need to think for very long. Even though the acquisition of Sempollan would throw into chaos his careful plans for his Marchtrenk factory, which would now be much too small, be went ahead with an asset deal. Not only did he buy the assets of Sempollan, he even negotiated a deal which allowed him to continue production on their site until his newly enlarged Marchtrenk plant was completed!

**Cornerstone.** However, Sempollan – which bestowed sleepless nights on him – did not give Huemer satisfaction for long. Now the polyurethane manufacturer should grow on a vertical level. In 1989, Huemer buys assets from the bankrupt estate of the Swiss casting manufacturer Spritztechnik and transfers this to Upper Austria. Therefore, Huemer secures himself direct access to the know-how of this important investment for the small factory. What today represents a separate business area as Polytec Industrial Division has worldwide significance in the small niche market for specialist machinery.

> **"In those early weeks I was close to tears almost every day out of despair and physical pain."**
>
> *Friedrich Huemer about his first order and the situation behind*

**Opportunities.** In the summer of 1985, was able to rehearse the strategy that was to become the hallmark of his company. He had learned to recognize and grasp his opportunities whenever and wherever they presented themselves, even if the numbers were sometimes daunting. In June of that year, he was able to buy a 60% share in the strong German competitor – Thelen – a share POLYTEC has retained since that date. Just 30 days after the Thelen deal was concluded, another company was offered to him, a company he had always dreamed of owning – F/O/R in nearby Horsching. "The F/O/R company offered an enormous opportunity", says Huemer, "It made polyurethane products like POLYTEC, but sold these in the specialized 'Accessory' segment of the automotive Industry". The largest creditor of the ailing F/O/R, Raiffeisen Landesbank in Upper Austria, had tried for a longtime to recover their outstanding debts and preserve the 200 jobs at the company and Huemer was their last hope. Incredibly, without ever having seen the accounts of the troubled Accessory supplier or without ever having set foot inside the company, Huemer signed the bill of sale! “I had limited risk”, he explains, “because I retained an option, up until the end of October, to hand the company back.” He now faced a completely new set of challenges. For the first time he had responsibility for a large work force – more than 200 and he had to manage a company which already had a broad management structure.” These first few months had some influence on the current structure of POLYTEC”. Trying to manage the existing company in Marchtrenk and F/O/R in Horsching was proving a drain on his time and energy. He really wanted to be in the driving seat in Horsching, so he had to adapt his management style. “I had to learn to slacken my hold on the reins, get other people to do things rather than do everything myself”, says Huemer. Ever since then, the companies in Marchtrenk have been managed by his wife Ulrike, with skill and a hands-on approach.

**Management team.** After a restructuring, which concentrated on headcount reductions, the in-sourcing of previously out-sourced work and re-motivation of the workforce, a turnaround was achieved. The result for first complete financial year was in the black and in the following year; it trebled its turnover from EUR 15 million to EUR 45 million! 10 years on, the Horsching plant is the leading operation in the Car Styling Division, which now stands alongside the Industrial Division as the historic hub of the Group. As further confirmation that the acquisition of F/O/R was a sound decision, two of its former managers Karl Heinz Solly and Alfred Kollros have become part of the management team which is leading POLYTEC into the future.

**Remain as their supplier.** The POLYTEC companies performed magnificently in the early 90’s. Huemer and his team were already considering which direction they should take for further acquisitions, when an unexpected setback threatened. Toyota Motor Europe, the main distributor of Toyota Accessories such as spoilers, and styling kits in Europe, and an important customer of POLYTEC, had placed an order for a new Corolla kit with British competitor Holden Hydroman. Interested to find out more about their competitor and its technologies, Huemer asked Karl Heinz Solly to organize a meeting at their site in Bromyard, England, which was duly arranged for October.

A few days before the meeting was due to take place, a surprising memo landed on Huemer’s desk. A London based M&A company was advising the Austrian investor that Holden Hydroman is up for sale. Solly responded by advising the English company that “we confirm that we will still be attending the proposed meeting … but the agenda has now completely changed!” “After the first tour of the factory, I knew that this company would belong to me”, says Huemer. “When I arrived at the factory for the Due Diligence, I was astonished when the Managing Director took me to one side to tell me that Toyota Purchasing and Engineering were on site for a meeting – he asked for my opinion and we decided that I should be introduced to the Toyota people as the probable new owner”. “The Toyota people almost fell off their chairs when they were introduced to Huemer”, remarks Solly, “but they did tell us that they were happy that we were introducing new companies and that we could remain in our position as their supplier.”

**One billion.** What had started off as a small business in a rented factory had grown immeasurably stronger and it’s driving force Friedrich Huemer, wanted, after almost 15 years of hard work, to see some of the fruits of his labour. He began to look for a growth orientated financial partner who could help him organize a leveraged buyout and grow the business further. He struck it lucky and found the Swiss Private Equity Company Capvis, who joined the POLYTEC GROUP in 2000. By the end of 2000, POLYTEC had acquired from Lear Corporation, two new companies, in Sweden and Italy, who focused on SMC body panels. This completely new area of business required a new division and Polytec Automotive Composites Division was established. This new division specialized not just in body panels, but in Engine covers, oil pans as well as functional and structural parts for Heavy Goods Vehicles and Passenger Cars. The year 2000 saw another landmark in the development of POLYTEC, when turnover topped one billion Austrian Schillings for the first time. Rumour has it that when Austria adopted the Euro, Huemer was stimulated to reach a billion turnover once again, but this time in Euros!

> **“It is definitly part of our success, that the existing management welcomes a take over by POLYTEC.”**
>
> *Friedrich Huemer about the strategy of acquisitions*

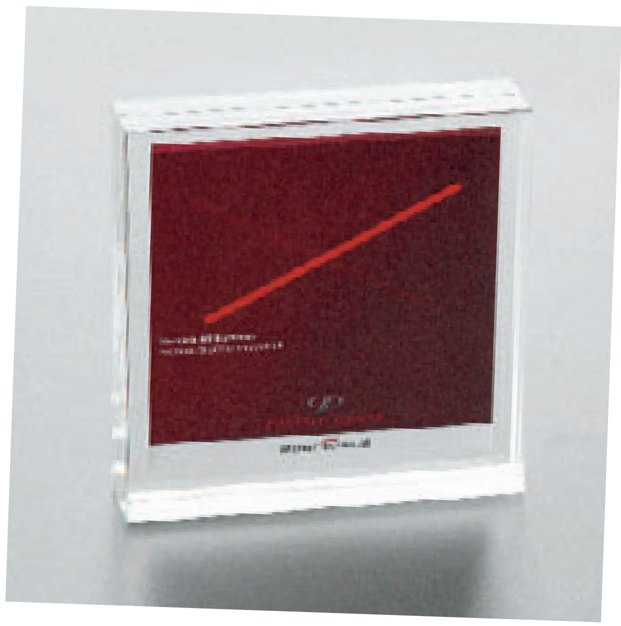
**System supplier.** The foundations that created the largest part of the group, Polytec Automotive Systems Division, with its 11 locations, were already laid down in 1995 when Huemer acquired the thermoplastic business of the specialist German company Rentrop. With the take over from DANA Corporation of their thermoplastic company in Idstein (Germany) and the acquisition of Riesselmann in Lohne (Germany) a new dynamism was brought to this branch of the business, turnover exceeded EUR 200 million for the first time and POLYTEC GROUP now had 3 companies manufacturing thermoplastic parts for the interior of the car.

2004 saw the biggest single step in the company’s history. POLYTEC took over the European business of the US Findlay Group acquiring three factories in Germany, one in Poland, Great Britain, Spain and South Africa. The Findlay business was integrated into the Automotive Systems Division and the transition of the POLYTEC GROUP from components manufacturer to module and systems supplier was now complete.

**Size.** With the Acquisition of Findlay, Friedrich Huemer also acquired a group of managers who are today part of the management team of the POLYTEC GROUP. “Definitely it is part of our success”, says Huemer, “that the management team of a company sees a takeover by POLYTEC as a positive step." With a company the size of Findlay, it made the acquisition much easier. The former Findlay manager, Reinhard Urmann, like Alfred Kollros and Karl Heinz Solly, a rock in his area of the business has become the fourth man in the Management Board team. He has already led this challenging business to a turnover of EUR half a billion.

**Maturity for the floor.** On April 28, 2006 – almost twenty years to the day after the small polyurethane factory in the Upper Austrian province took shape – Friedrich Huemer celebrated the company's second birthday. A share with the rather bulky title AT0000A00XX – the security of POLYTEC HOLDING AG – celebrated its entry on the Vienna Stock Exchange. By 2005, with the acquisition of the Findlay Group the time had come to separate from its financial partner Capvis and the company prepared to appear on a brand new stage – the stock market floor. "We were more than well prepared for the stock market in 2006, both in turnover and in earnings", adds Wolf-Dieter Gabriel, who is responsible for the Group's finances. The interests of the Financial Investor and majority owner Capvis, now 5 years into their tenure, and Huemer, a family businessman, were not really aligned for further development of the company. The decision to go to the stock market was made only after very careful consideration of the options and was felt to be the best way forward for both parties. A Stock-Market quoted company, with its core investor and founder as the CEO is a very attractive option for customers and will ensure continuing development of the existing strategy.

Even if the development of the share price in the first months after launch has not been satisfactory, it cannot mask the achievements of the remarkable entrepreneur Friedrich Huemer. Whoever has followed the POLYTEC GROUP and its enthusiastic management team; cannot fail to recognize its determination to be an ever more significant player. There can be no doubt that it will always remain true to its motto – "Passion creates Innovation".



WELCOME TO THE VIENNA STOCK EXCHANGE

# CORPORATE GOVERNANCE

The Austrian Corporate Governance Code was published in October 2002 and was added to and adapted in February 2005 as well as in January 2006. It is based on the regulations of the Austrian company law and capital market rights as well as the fundamental principles of the Corporate Governance of the OECD. The code should serve Austrian companies as a monitoring system for efficient and sustained company management and supervision. It achieves validity by means of the voluntary self commitment of the company.

With the listing of Polytec-shares on the Vienna Stock Exchange, POLYTEC HOLDING AG is obliged to keep to the Austrian Corporate Governance Code as per the January 2006 version.

POLYTEC HOLDING AG fulfils the binding L-regulations ("Legal Requirement") and sticks to all the C-regulations ("Comply or Explain") of the Austrian Corporate Governance Code with the exception of the following regulations:

## RULES 39, 41 AND 43

setting up of committees of the supervisory board is not carried out. Since the supervisory board only consists of five capital representatives, the setting up of a committee (aside from the legally required audit committee) would not increase the efficiency of the supervisory board. The audit committee consists of the members Andreas Szigmund (Chairman), Fred Duswald and Gerhard Wildmoser.

## RULE 45

concerning positions of members of the supervisory board in competing companies, is complied with in general. The supervisory board can however agree to assume such a position in advance.

## RULE 80

concerning the functionality of business specific risk management will not be complied with, because the risk management systems are set up on the level of the Group companies. The Group is currently in the process of implementing a group-wide risk management system. Management believes that the implementation of this system will be completed in 2007.

## DIRECTORS' DEALINGS

In the 2006 financial year, 69,526 shares altogether were purchased by the management of POLYTEC HOLDING AG or the members of related parties and -designated as Directors' Dealings – and published over the website of the supervision of the financial market. A table of these transactions can be founded below.

| NAME OF THE REPORTING PERSON | REASON FOR THE OBLIGATION TO INFORM | BUY | DATE | PRICE PER SHARE IN EUR |
|---|---|---|---|---|
| Ulrike Huemer | Closely related to a member of the management | 5,000 | 22.5.2006 | 6.50 |
| Markus Huemer | Closely related to a member of the management | 2,000 | 12.6.2006 | 6.05 |
| Friedrich Huemer | CEO | 20,000 | 19.6.2006 | 5.90 |
| Friedrich Huemer | CEO | 20,000 | 27.6.2006 | 5.75 |
| Friedrich Huemer | CEO | 1,026 | 28.6.2006 | 5.60 |
| Friedrich Huemer | CEO | 20,000 | 17.8.2006 | 6.00 |
| Gerald Weidemann | Managing Director | 1,500 | 28.11.2006 | 7.31 |

# INFORMATION ON THE MANAGEMENT BOARD

## FRIEDRICH HUEMER

**Chairman of the Management Board, CEO, appointed until 2011**

Friedrich Huemer, born in 1957, attended the HTL for Chemical Operating Technology in Wels. He began his professional career in 1977 as a laboratory technician in the development laboratory of Laevosan in Linz (Pharmaceutical industry).

In 1978, Friedrich Huemer moved to Swietelsky as the person responsible for the supervision of the building site. From 1982 to 1986, he was department head for production and sales of polyurethane products at SKG-Semperit, who later (1988) became part of what is today the Industrial Division of the POLYTEC GROUP.

In 1986, Friedrich Huemer established together with his wife, Ulrike Huemer, the Polytec Elastoform company, the corporate heart of the POLYTEC GROUP today.

## KARL HEINZ SOLLY

**Deputy Chairman of the Management Board, CMO, appointed until 2007**

Karl Heinz Solly, born in 1946 in Vienna, attended the HTL for mechanical engineering. He began his professional career as assistant to the technical director of Dr Ernst Fehrer AG. In 1986, he moved as Director for Purchasing and Production for the Salva company, from 1988 to 1992 he worked for “foha car styling”. After it went bankrupt Solly founded the „f/o/r plastics engineering GmbH”, today POLYTEC FOR. In 1995, the company was taken over by the POLYTEC GROUP. In 2006, the appointment to CMO of POLYTEC HOLDING AG followed. Since then, Karl Heinz Solly has been responsible for the following business areas:

POLYTEC HOLDING AG: CMO and Division Head of Polytec Automotive Composites and Polytec Car Styling Division.

## REINHARD URMANN

**Member of the Management Board, COO Automotive Systems, appointed until 2007**

Reinhard Urmann, born in 1947, looks back on a 20 year career in the car industry. As a leading employee, he has worked for Kautex, Magna and Rehau. In 1992, he moved to the EMPE company. In 1993, he took over the function of manager of the Geretsried location and later also for the Ebersdorf and Nordhalben locations.

From 2004, Reinhard Urmann was Managing Director of Findlay Industries Europe and was, as a result of the takeover by POLYTEC GROUP, Managing Director of Polytec Interior Germany GmbH and Polytec Interior Spain.

In December 2005, Urmann was appointed Managing Director of Polytec Holding Germany. In 2006, the appointment to COO of the Automotive Systems Division followed.

## ALFRED KOLLROS

**Member of the Management Board, COO Car Styling, Automotive Composites, appointed until 2007**

Alfred Kollros, born in 1962, attended the HTBLA in Steyr. Beginning in 1983 he was employed as an estimator for the VOEST processing industry. From 1985 to 1988 he was a developer for work and production developments. In 1988, he moved to foha car styling as Director of the Costing Department. In 1989, Kollros was appointed Director of Project Management. From 1990 to 1995, he worked in different areas for foha car styling and later f/o/r/ plastics engineering. In August 1995, he became assistant to the Chairman of the Management Board, Huemer. In 2002, he was appointed as Division Head of Polytec Car Styling and Polytec Automotive Composites. In 2006 the appointment of COO of POLYTEC HOLDING AG followed, with responsibility for the Car Styling, Automotive Composites and Industrial divisions.

# MEMBERS OF THE SUPERVISORY BOARD

## GERALD WILDMOSER

Chairman since 2.6.2006,
duration of appointment until General Meeting in 2007
Managing Director of Wildmoser/Koch & Partner Rechtsanwälte GmbH

**Chairman of the Supervisory Board with:**
Getränkeindustrie Holding AG (Ottakringer, Vöslauer);
Schachermayer-Großhandelsgesellschaft m.b.H.;
Schachermayer Holding GmbH; Asamer Holding AG;
VIVATIS Capital Services reg. Gen. mbH; A.C.G. Praha, a.s.

**Deputy Chairman of the Supervisory Board with:**
Schachermayer Industrie- und Handelsgesellschaft mbH, Hungary

**Supervisory Board with:**
OÖ Landesbank AG;
Invest Unternehmensbeteiligung AG;
Linz Center of Mechatronics GmbH;
Software Competence Center Hagenberg GmbH;
ISOROC Holding AG;
Alpine Mayreder Bau GmbH

## FRED DUSWALD

Deputy Chairman since 2.6.2006,
duration of appointment until General Meeting in 2007
Managing Director of RECAP Management GmbH,
Partner of the ELIAS Group Beteiligungs GmbH

## VIKTORIA KICKINGER

Member since 4.4.2006,
duration of appointment until General Meeting in 2007
General Secretary, Österreichische Post AG

## ROBERT BÜCHELHOFER

Member since 12.12.2005,
duration of appointment until General Meeting in 2010
Former member of the Management Board of Volkswagen AG and the Management Board of BMW AG

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

## ANDREAS SZIGMUND

Member since 4.4.2006,
duration of appointment until General Meeting in 2007
Chairman of the Management Board of Invest Unternehmensbeteiligungs AG

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

**Supervisory Board Members who retired in the reporting year (all as of April 4, 2006):**

Yves Dudli
Gerald Aichinger
Ulrike Huemer
Alexander Krebs

# REPORT OF THE SUPERVISORY BOARD OF POLYTEC HOLDING AG

**for the financial year from 1.1.2006 to 31.12.2006**

The supervisory board has observed the professional activities according to the Law and Article of Association in 4 meetings altogether in the 2006 reporting year.

The Management Board of POLYTEC HOLDING AG has regularly reported about the operation of the businesses and the position of the company. The supervisory board was thereby in a position to constantly review the conduct and support the Management Board with decisions of fundamental significance.

POLYTEC HOLDING AG is obliged to follow the rules of the Austrian Corporate Governance Code after the unanimous decision of the supervisory board, which was made at the request of the Management Board in the meeting on April 4, 2006. The supervisory board has observed the recorded competences and responsibilities. The required changes of the meeting and the internal rules of the supervisory board were carried out. Differences to the individual rules were published on the website of POLYTEC HOLDING AG.

The annual financial statement together with the report as well as the group financial statement and the group report of POLYTEC HOLDING AG was checked and confirmed by KPMG Austria GmbH Auditor and tax consultants as financial statement and group financial statement inspectors, that the accounting and the annual/group financial statement correspond to the legal regulations, the annual and the group financial statements in compliance with the regular accounting convey a true picture as possible of the asset, financial and profitability situation of the company and the position and the group report are in accord with the annual and group financial statements.

The supervisory board endorse this result of the financial statement or group financial statement inspection. After the final result of the check of the report of the Management Board, the annual financial statements including the suggestion of the use of the result, the check of the Managing Director of the group report as well as the group financial statements by the supervisory board, no grounds for complaint are given.

The supervisory board follow the recommendation of the Management Board, who propose to the Annual General Meeting, that a dividend of 0.25 EUR per share will be payed from distributional profit of the 2006 financial year.

The supervisory board has approved the annual financial statement, which is assessed in accordance with § 125 section 2 Law on Limited Companies (AktG).

The supervisory board proposes KPMG Austria GmbH Auditor and tax consultants, Kudlichstraße 41-43, 4021 Linz, as auditor of the financial statements and group financial statements for the 2007 financial year from January 1, 2007 to December 31, 2007.

Hörsching, March 2007

Gerald Wildmoser
Chairman of the Supervisory Board

# INVESTOR RELATIONS

## INITIAL PUBLIC OFFERING

POLYTEC HOLDING AG shares have been listed on the Vienna stock market exchange since May 2, 2006 under the abbreviation "PYT". The positioning took place in the framework of an open offer in Austria and a European Private Placement in accordance with Regulation S of the US Securities Act of 1933. Institutional investors from the USA (as defined by regulation 144A of the Securities Act) were excluded from the offering. The offer included 8,616,056 shares from the possession of the Private Equity Partner Capvis as well as 3,000,000 shares from an increase in capital of POLYTEC HOLDING AG. The issue price was determined in the middle of the EUR 6.75 and EUR 8.75 price band at EUR 7.75. In total, the issue volumes amounted to EUR 90 million. The proceeds flowing into the business from the capital increase of EUR 23.25 million were earmarked for the financing of further expansion of the POLYTEC GROUP.

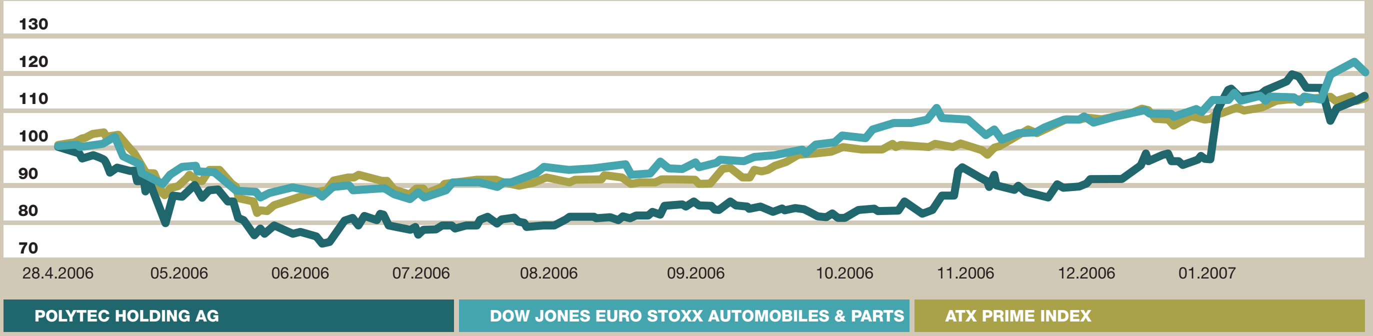
The shares were positioned by means of Lehman Brothers, CA-IB and Sal. Oppenheim; Co-Manager was the RLB in Upper Austria. 68.0% of Polytec shares were transferred as free float after the stock market flotation (incl. 1,742,408 shares kept by Capvis). The demand was apportioned 15% to private investors and 85% to institutional investors. According to geographical criteria, 36% of the shares were subscribed in Austria, 31% in UK and 12% in France. The remaining 21% of the shares were divided between Germany, Switzerland and the Netherlands.

An expanded roadshow went ahead at the beginning of trading, which the management of POLYTEC HOLDING AG took to London, Frankfurt, Vienna, Amsterdam, The Hague, Rotterdam, Paris and Zurich. In total, 30 one on ones were held in six days as well as six group presentations. To guarantee the equal treatment of all potential shareholders an information retail event was organized for interested private share holders in Linz, Upper Austria. Around 600 visitors were granted not only a detailed overview into the business activities of the POLYTEC GROUP, but also offered the opportunity to become acquainted with the members of the management team personally.

## DEVELOPMENT OF POLYTEC SHARES

The period before and above all after the stock market listing of POLYTEC was not only marked by a general cloudiness of the stock market – at the same time a decline of the market and the industry spheres had been noted. Above all, in the important financial centre Germany, only weak interest could be created for the issue, on the basis of the restricted development of the car industry. The industry environment – but also the general market indices clearly mirror this environment. In the first half of 2006, the sector index of the car industry, the Dow Jones Euro Stoxx, "Automobile & Parts" (SXAE) lost 11.14%. Also the ATX-Prime index recorded a clear improvement in the spring. This negative sector trend could also not escape Polytec shares. After a clear recovery in the last quarter of 2006, they closed at EUR 7.05 at the end of their first year on the stock market. The performance appeared stronger in the first few months of 2007. On 6th February 2007, Polytec shares quoted an all-time high of EUR 9.23 (closing price), around 19% higher than when they were issued almost 10 months before.

SHARE PRICE DEVELOPMENT OF THE POLYTEC SHARE, INDEXED AS OF 28.4.2006



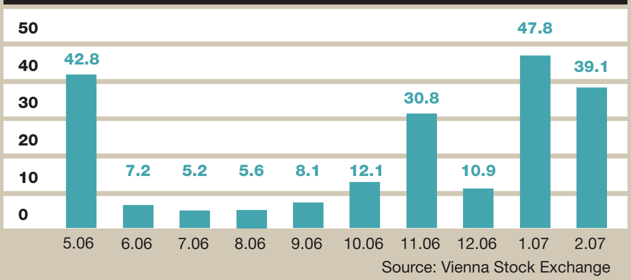

| KEY FIGURES OF POLYTEC SHARES | | 2006 |
|---|---|---|
| Price at 31.12.2006 | in EUR | 7.09 |
| Highest price | in EUR | 7.70 |
| Lowest price | in EUR | 5.66 |
| Earnings per share | in EUR | 0.86 |
| Average. Stock market sales/day*) | in pieces | 110,160 |
| Stock market sales*) | in EUR mill. | 122.8 |
| Market capitalisation as at 31.12 | in EUR mill. | 158.3 |

*) 2. May 2006 to 31. December 2006/ Double counting

The trade sales of Polytec shares have continually risen after the IPO of May 2, 2006. The annual stock market sales without consideration of the first ten days of trading – from May 13 to December 31, 2006 – amounted to EUR 97.5 million or an average of 94,205 shares per day (double counting). Inclusive of the first ten days of trading a daily average of 110,160 shares were quoted, which corresponds to a total turnover of around EUR 122.8 million.

## DIVIDEND POLICY

TOTAL TURNOVER VALUE POLYTEC SHARE IN EUR MILL.



Source: Vienna Stock Exchange

All shareholders are invited to the Annual General Meeting of POLYTEC HOLDING AG on June 6, 2007, which is taking place in the Design Center in Linz. The Management Board at the General Meeting will propose a dividend of EUR 0.25 per beneficiary share, which would correspond to around 30% pay-out ratio. Beneficiaries for the 2006 financial year are all shareholders, who subscribed at the time of issue or acquired shares after the quotation on to the Vienna Stock Exchange. The pay out is planned for the 13th June 2007, via the Depositary Bank on the basis of the deposit stocks on June 1, 2007.

## COVERAGE

In the 2006 financial year POLYTEC HOLDING AG were regularly assessed by 4 financial institutions.

| INSTITUTE | ANALYST |
|---|---|
| Lehman Brothers | Jeremy Papin |
| Sal. Oppenheim | Patrick Juchemich |
| Berenberg Bank | Anna Andreeva |
| Unicredit | Harald Weghofer |

| BASIC INFORMATION ON POLYTEC SHARES | |
|---|---|
| ISIN | AT0000A00XX9 |
| Ticker Symbol | |
| Vienna Stock Exchange | PYT |
| Reuters | POLV.VI |
| Bloomberg | PYT AV |
| Market segment | Prime Market |
| First day of trading | 2nd May 2006 |
| Issue price per share | EUR 7.75 |
| Number of shares issued | 22,329,585 |

## CONTINUOUS MANAGEMENT OF THE SHAREHOLDERS

In the run-up to the IPO, the communication of the POLYTEC GROUP was re-structured. The online-entry was adapted to the new Corporate Identity of the group and expanded to include relevant stock market aspects. Under the category "Investor Relations" information on the current price development, Corporate Governance and shareholder structure as well as the financial calendar have since been located. In order to guarantee equal treatment of all share holders all presentations, quarterly and business reports as well as current company news are also gathered there. When registering for the newsletter shareholders receive regularly and automatically the most recent company news. Over and above that the Investor Relations Team can be reached personally on the number 00 43 7221 701 292.

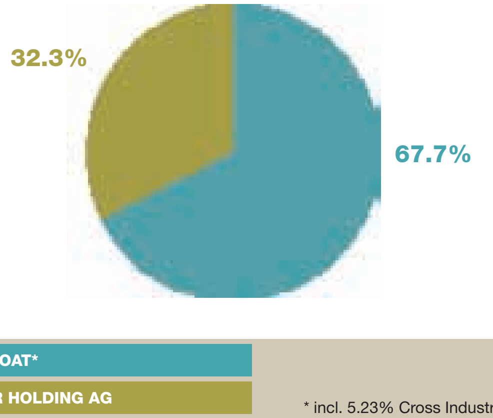
In the 2006 financial year, 50 one on ones in total, eight group events, 12 conference calls and four site visits in Germany and Austria were organised.

## SHAREHOLDER STRUCTURE

The share capital of POLYTEC HOLDING AG amounts to EUR 22,329.6 thousand on the balance sheet day 2006, and 22,329,585 ordinary shares were broken down to a nominal value each of EUR 1.00. Within the framework of the IPO, a capital increase of 3,000,000 occurred in the financial year to the bearer of ordinary shares with a nominal value of EUR 1.00 each at a issue price of EUR 7.75. At the same time, 8,616,056 shares from the possession of the Private Equity Partners Capvis were offered. On November 17, 2006 the Management were informed, that Cross Industries AG holds a share of 5.23% in POLYTEC HOLDING AG. Taking into account this equity stake 67.7% of the ordinary shares were freely floated as at 31.12.2006, the remaining shares were apportioned to the Huemer Holding AG.

In January 2006, 29,934 shares (0.13% of the share capital) were acquired by a retired member of the group management at a purchase price of EUR 7.20 per share (authorization of the Annual General Meeting of 27.10.2004). The stock of shares has remained unchanged since.

**SHAREHOLDER STRUCTURE OF THE POLYTEC HOLDING AG**




* incl. 5.23% Cross Industries AG

| FINANCIAL CALENDAR AND CONTACTS | |
|---|---|
| Result for the 2006 financial year | 29.3.2007 |
| Result for the first quarter of 2007 | 10.5.2007 |
| General Meeting 2006 – Design Center Linz | 6.6.2007 |
| Ex-dividend day | 11.6.2007 |
| Dividend payment day | 13.6.2007 |
| Result for the first half of 2007 | 1.8.2007 |
| Result for the first nine months of 2007 | 14.11.2007 |

**Manuel Taverne**

Phone: 00 43 7221 701 292
Fax: 00 43 7221 701 38
E-Mail: investor.relations@polytec-group.com

# GROUP MANAGEMENT REPORT OF POLYTEC HOLDING AG, HÖRSCHING

**for the Financial Year 2006**

## 1. Global Economy Background[1)]

For the third time, global economy grew by more than 3%. And in view of +3.7%, it even exceeded the previous year's level (+3.3%). The euro zone where growth amounted to only 2.7% is still lacking behind global development. Figures reported for the USA were better with a growth of 3.3%, which is, however, also below the worldwide average.

The main driver in European economic development remains Eastern Europe. The EU-10 were able to achieve an average economic growth of 6.0% in 2006. However, this value is still behind the growth in China totalling 9.0% in the year 2006.

In general, a worldwide weakening of the international economic situation is expected for the current year 2007. A decrease of the growth to 2.0% is forecasted for the euro zone, this figure is expected to fall to 2.1% in the USA and an overall decrease to 2.9% was forecasted for world economics.

Still, the basic sentiment in the industry can be assessed as being positive. The relating indicator improved in the euro zone from 4.4 in September to 5.9 in November. In Germany, this figure even rose to 10.8 after 7.2 which almost meant reaching the all time high of 11 in 1990.

An essential parameter in the assessment of global development in 2006 was the development of the oil price again. While the industry experienced a strong price increase to more than 70 dollars per barrel during the first half year, this situation recovered in the second half and prices fell to below 60 dollars.

This decrease also resulted in a declining inflation during the second half year. Nevertheless, ECB maintained its interest rate policy and increased the base rate step by step to currently 3.75%, and market participants expect the ECB to further increase this base rate.

1) Source: Bank Austria

## 2. Situation of the Industry

Global automotive production showed an overall positive development in 2006 which is reflected by an increase by 3.8% to 57.0 million automobiles. Main driver for this trend was China with a growth of 37.5%. In the USA, automotive production decreased by 6.3% reflecting the generally known situation of US automotive industry (and here specifically that of the "Big Three").

In 2006, the number of new registrations of cars increased in Europe, being the automobile market essential for POLYTEC GROUP, by 0.7% and reached a number of 14.6 million cars. Germany reporting an increase of 3.8% should be highlighted in this context, as such rise was caused mainly by an effect resulting from the expected increase of the value added tax in 2007, in the opinion of analysts. This opinion is underlined also by the fact that a peak of +17.7% was reached in the month of December. Italy is only slightly behind Germany with an increase of 3.7%. Other important markets declined, such as France (-3.3%) or the UK (-3.9%).

German OEMs, representing the most important customers of POLYTEC GROUP, were able to increase their production by 2.7% despite a difficult environment characterised by global production overcapacities and a resulting high pressure on prices. A determining factor of this unexpected production peak was the high share of exported automobiles (3.9 million cars), as had been the case in 2005. German manufacturers sold approx. 6% more automobiles in North America than in the year before which corresponds to a market share of 5.6%.

**Development of the most important Customers**
According to information provided by BMW, this group achieved a new sales record with +3.5%. This corresponds to approx. 1.37 million cars delivered by the group's brands BMW, Mini and Rolls Royce. Responsible for this sales growth in 2006 was mainly the core brand BMW reporting an increase of 5.2%, its most important model the 3 series sold 508,000 times. For this model, this means a sales increase of 17.1% compared to the previous year. The X3,

also important for POLYTEC GROUP, underwent a facelift in 2006 and was in 4th position in BMW's sales statistics. 114,000 cars of this type were sold representing an increase of 3.0%. Measured by new registrations in Western Europe, BMW was slightly able to gain market share rising it to 5.4%.

Volkswagen Group achieved a new sales record as well and increased by 9.3% according to its own information. Its core brand, VW, contributed the strongest sales growth with 3.39 million delivered cars worldwide and a gain of 10.0%. Audi, the other group brand, increased its sales numbers for the thirteenth time achieving a sales rise of 9.2% with 0.91 million cars sold. VW Group's market share in new registrations was 19.9%, so this group keeps its position at the top of European manufacturers.

GM Group still made headlines in 2006. Despite its sales numbers of 9.09 million automobiles sold in the financial year 2006, the group was unable to reach a positive result. While GM's problems relate mainly to the US market, more than 2 million cars were sold in the European market for the first time. This is decisive for POLYTEC GROUP which achieves its sales revenues mainly with the brands Opel and Saab.

**Outlook for 2007**
Economists expect further gains in 2007 and expect a new global sales record of 68 to 69 million automobiles.

A slight decrease of 0.4% is forecasted for new registrations in Europe which results also from the effects caused by the increase of the value added tax in Germany as described before. As regards market share, experts forecast a further shifting toward premium suppliers.

The supply industry will face essentially the same problems as in the past years. Overcapacities, increasing raw material prices and a price pressure of customers which can hardly be compensated by efficiency increases. All these factors will cause a maintaining pressure on the margins for suppliers.

Opportunities will result mainly from the fact that the trend to outsource not only production services but also development services from OEM to suppliers has not come to an end yet. New opportunities may also arise for suppliers by the further rising model diversification. If OEMs give suppliers the chance to use these new business opportunities on a basis of mutual trust and cooperation, selected suppliers will continue to work successfully in a very difficult market environment.

## 3. Business Development and Consolidated Financial Statement

An essential milestone in the development of POLYTEC GROUP in the year 2006 was the IPO at the end of April. Since April 28, 2006, shares of POLYTEC HOLDING AG have been listed in the Prime Market segment of the Vienna stock exchange.

The Group's economic development was characterised by a remarkable organic sales growth. Sales of the group increased by EUR 23.2 million or by 4.6% to EUR 525.2 million.

The table below illustrates the development of the relevant key figures:

**Key Figures on Group Earnings**

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales | EUR mill. | 525.2 | 502.0 | 392.1 |
| EBITDA | EUR mill. | 48.0 | 41.9 | 39.8 |
| EBITDA margin (EBITDA/sales) | % | 9.1 | 8.4 | 10.1 |
| EBIT | EUR mill. | 30.3 | 25.0 | 17.8 |
| EBIT margin (EBIT/sales) | % | 5.8 | 5.0 | 4.5 |
| Net profit | EUR mill. | 18.3 | 14.5 | 9.1 |
| Net profit margin (Results after tax/sales) | % | 3.5 | 2.9 | 2.3 |
| Earnings per share | EUR | 0.86 | 0.75 | 0.72 |
| Average capital employed | EUR mill. | 143.9 | 139.5 | 114.9 |
| ROCE before tax (EBIT/capital employed) | % | 21.0 | 17.9 | 15.5 |

During the year under review, the group was able to increase all important figures resulting finally in a rise of Net Profit of EUR 3.8 million or 25.9%. The gain of Return on Capital Employed (ROCE) is of special importance. This figure is the essential control element for the group management and was increased by 3.1 percentage points to 21.0% during the financial year.

The Group's earnings development is the result of the development in the individual divisions which is shown below:

### Automotive Systems Division

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales | EUR mill. | 377.2 | 360.6 | 243.3 |
| Contribution to group sales | % | 71.8 | 71.8 | 62.1 |
| EBITDA | EUR mill. | 34.1 | 29.0 | 21.4 |
| EBITDA margin (EBITDA/sales) | % | 9.0 | 8.0 | 8.8 |
| EBIT | EUR mill. | 21.1 | 17.1 | 11.2 |
| EBIT margin (EBIT/sales) | % | 5.6 | 4.7 | 4.6 |
| Net profit | EUR mill. | 12.5 | 10.2 | 6.5 |
| Net profit margin (Result after tax/sales) | % | 3.3 | 2.8 | 2.7 |
| Average capital employed | EUR mill. | 86.9 | 82.6 | 57.6 |
| ROCE before tax (EBIT/capital employed) | % | 24.2 | 20.7 | 19.4 |

The significant sales increase disclosed for this division in the financial year results mainly from higher tooling and development sales (+ EUR 17.3 million) while parts sales remained almost unchanged compared to the previous year. These higher tooling sales are derived mainly from the billing of tools for door panels of the BMW 3 series.

The trends shown by individual customers were different in parts sales. While further increase could be achieved with the customer BMW on account of the first full year of production of the model BMW 3 series (together with the above-mentioned effect in tooling, sales increased by 20.8%), POLYTEC GROUP had to take decreasing numbers from other customers.

Due to the run out of two essential orders in the 3rd quarter 2006, i.e. the production of door panels for Land Rover Range Rover and Opel Corsa, the sales numbers from GM Group (-15.1%) and Land Rover (-28.9%) declined.

However, the gross margin rose significantly on account of a declining use of material and purchased services compared to the operating performance which is caused mainly by a changed product mix and the higher share of tooling sales in the financial year.

This development was compensated, in part, by increased fix cost blocks (administrative expenses, depreciations) so that the division's EBIT grew by EUR 4.0 million or 23.3% compared to 2005 which is still a very pleasing development.

### Car Styling Division

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales | EUR mill. | 66.8 | 63.3 | 67.2 |
| Contribution to group sales | % | 12.7 | 12.6 | 17.1 |
| EBITDA | EUR mill. | 7.1 | 6.5 | 9.4 |
| EBITDA margin (EBITDA/sales) | % | 10.6 | 10.3 | 14.0 |
| EBIT | EUR mill. | 5.3 | 4.2 | 0.6 |
| EBIT margin (EBIT/Sales) | % | 7.9 | 6.6 | 0.9 |
| Net profit | EUR mill. | 3.3 | 2.7 | -0.1 |
| Net profit margin (Result after tax/sales) | % | 4.9 | 4.3 | -0.1 |
| Average capital employed | EUR mill. | 32.7 | 32.3 | 34.2 |
| ROCE before tax (EBIT/capital employed) | % | 16.2 | 13.1 | 1.7 |

In the financial year, the Car Styling Division was able to increase its sales by EUR 3.5 million or 5.6%. Main drivers for this development were new projects with Ford Group (Ford and Volvo) which caused a sales gain by 35.6%. Other positive developments were achieved with the customers Suzuki and Mitsubishi while declining sales numbers came from Honda, GM, Votex and Toyota.

As this division uses a higher number of external service providers (especially in the field of painting) and rounds off the self-produced accessory program with commodities, the gross margin declined slightly in comparison to the previous year. But on account of savings in the field of personnel expenses and depreciations, the EBIT increased by EUR 1.1 million or 25.3%.

## Automotive Composites Division

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales | EUR mill. | 61.5 | 61.8 | 65.0 |
| Contribution to group sales | % | 11.7 | 12.3 | 16.6 |
| EBITDA | EUR mill. | 2.0 | 2.9 | 5.1 |
| EBITDA margin (EBITDA/sales) | % | 3.3 | 4.7 | 7.8 |
| EBIT | EUR mill. | -0.2 | 0.9 | 3.2 |
| EBIT margin (EBIT/sales) | % | -0.3 | 1.5 | 4.8 |
| Net profit | EUR mill. | -1.6 | -0.4 | 1.5 |
| Net profit margin (Result after tax/sales) | % | -2.6 | -0.6 | 2.3 |
| Average capital employed | EUR mill. | 16.3 | 18.1 | 15.0 |
| ROCE before tax (EBIT/capital employed) | % | -1.2 | 4.9 | 21.5 |

Unfortunately, the declining development of the Automotive Composites Division could not be stopped in the financial year 2006. While sales figures remained almost at the previous year's level, this fact was, however, mainly caused by significantly higher sales with the most important customer of the division, IVECO (+28.7%), which receives its products exclusively from the facilities in Italy. The second plant belonging to this division which is located in Sweden reported a sales decrease of EUR 6.0 million resulting from the end of orders from Porsche and Scania.

On account of the weaker utilisation of the facilities connected with the end of these orders, the development this division's result was not in line with its sales development. Therefore, a comprehensive set of measures was implemented in the second half year in the plant in Sweden which will cause a significant decline of the headcount and should result in the facility being able to achieve a positive EBIT by the middle of 2007.

Caused by the problems in the Ljungby plant, Sweden, described above, the increase of the earnings in Italy was unable to prevent that the division's EBIT fell by approx. EUR 1.1 million behind the result in 2005 and was thus slightly in the negative.

## Industrial Division (Non-Automotive)

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales | EUR mill. | 19.7 | 16.3 | 16.6 |
| Contribution to group sales | % | 3.8 | 3.3 | 4.2 |
| EBITDA | EUR mill. | 4.4 | 3.3 | 3.5 |
| EBITDA margin (EBITDA/sales) | % | 22.3 | 20.2 | 21.1 |
| EBIT | EUR mill. | 3.9 | 2.8 | 2.6 |
| EBIT margin (EBIT/sales) | % | 19.8 | 17.2 | 15.7 |
| Net profit | EUR mill. | 2.7 | 2.0 | 2.2 |
| Net profit margin (Result after tax/sales) | % | 13.7 | 12.3 | 13.3 |
| Average capital employed | EUR mill. | 10.5 | 10.1 | 10.9 |
| ROCE before tax (EBIT/capital employed) | % | 37.2 | 28.2 | 23.6 |

On account of the generally good economic situation, the division achieved sales rises in both of its fields of activity, i.e. special machine manufacturing (+25.0%) and PU processing (+17.2%).

While a slight decrease of the gross margin resulted from raw material increases, such impaired the result only slightly thanks to effects from the fix cost decline caused by the sales increase.

Accordingly, this division increased its EBIT by EUR 1.1 million or 38.2% compared to the previous year which represents a remarkable achievement in view of the fact that the essential facility of this division in Marchtrenk had burnt down, in part, at the end of 2005.

### Key Figures on the Group's Balance Sheet

| | UNIT | 31.12.06 | 31.12.05 | 31.12.04 |
|---|---|---|---|---|
| Asset ratio (Long term assets/ balance sheet) | % | 38.9 | 41.1 | 43.2 |
| Equity ratio (Equity/balance sheet) | % | 45.7 | 33.8 | 33.0 |
| Net working capital | EUR mill. | 41.7 | 51.4 | 39.0 |
| Net working capital in % of group sales (NWC/sales) | % | 7.9 | 10.2 | 9.9 |

The Group's asset ratio decreased slightly in the financial year, despite the fact that investments amounting to EUR 21.3 million exceeded depreciations by approx. EUR 3.5 million. Therefore, this decline was caused by the balance sheet total increase resulting from the increase of liquid funds.

The significant rise of the equity ratio is, of course, a result of the capital increase in connection with the IPO of POLYTEC HOLDING AG, in addition to the earnings generated during the financial year. As a "healthy" balance sheet is an increasingly important argument for order acquisition, especially in view of the manifold economic problems currently faced by automobile supply industry, the management strives for achieving an appropriate equity ratio.

Net working capital (both in absolute figures and in relation to sales) fell significantly in comparison to the previous year resulting mainly from the declining inventories after the billing of the tools for the BMW 3 series.

### Key Figures on the Group's Financial Position

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Net debt | EUR mill. | 4.2 | 53.7 | 45.4 |
| Net debt to EBITDA | | 0.09 | 1.28 | 1.14 |
| Gearing (Net debt/equity) | | 0.03 | 0.61 | 0.56 |

The decrease in net debt was caused by the capital increase in the course of the IPO resulting in an inflow of funds of EUR 23.3 million (after deduction of costs arising for such IPO) on the one hand and by the operative cash flow amounting to EUR 48.4 million in 2006 (after EUR 16.8 million in the previous year) on the other hand. The operative cash flow faces a cash flow from investment activities of EUR -20.7 million which means a free cash flow of EUR 27.7 million.

Based on the fact that the group is practically free of financial debts as of the balance sheet of December 31, 2006, the key figures net debts to EBITDA and Gearing have little practical meaning. It is the management's objective that Gearing does not exceed a factor of 0.7, such may only temporarily be exceeded in case of major acquisitions.

## 4. Outlook 2007

After the sales increase in the financial year 2006, characterised also by one-time earnings connected with tooling sales mainly in the Automotive Systems Division, it is, from today's point of view, not probable that the sales figures of 2006 can be achieved in 2007. Another factor that will contribute to this fact is that the sales decrease from the orders with Opel Corsa door panels and Range Rover door panels which ended in the third quarter of 2006 will only have its full effect on sales in 2007.

In the financial year 2006, the Group was very successful in the acquisition of new orders mainly in the Automotive Systems Division. This division was able to acquire orders with an annual sales volume of EUR 68.5 million (after EUR 53.9 million in the previous year). However, on account of the pre-development time, such new orders will have their effect on sales only in 2008 and fully in 2009 so that the lack of sales cannot be compensated in the meantime.

And in view of the sales decline to be expected in 2007, the Group must assume a decrease of earnings as well. However, the management is committed to not let the EBITDA margin fall below the target value of 8.5%.

## 5. Non-Financial Performance Indicators

**Environmental Protection**
The careful use of natural resources is a major issue in POLYTEC GROUP's business activities. As a Group whose business focuses mainly on plastic processing, the prevention of waste is an important aspect for us. Therefore, the plants working mainly with injection moulding technology strive for a regranulation of waste as far as such is possible to reuse it in the production process.

The Group mainly uses the working material EMPEFLEX, a flax fibre reinforced polypropylene for the car interior door panels. EMPEFLEX is based on the flax plant, a generative raw material which hardly requires fertilizer and pesticides and thus is environmentally-friendly in its production. EMPEFLEX combines the following advantages: it is lightweight, does not splinter and break, provides sound insulation and is recyclable in addition. At the end of the useful life of vehicles, EMPEFLEX is extracted from the car bodies and may be reused as a raw material or it can be used for energy recovery.

Therefore, POLYTEC is a pioneer in the development of recyclable materials used in automobile manufacturing. Furthermore, the production of these materials is largely independent of raw oil.
The Car Styling Division made further advantages in the use of

solvent-free painting systems in 2006. Water-soluble painting systems are used predominantly for undercoating and base paint, and so-called high solid paints only containing solvents to a small percentage are used for transparent varnish.

All major facilities of the Group are certified according to the stringent Environmental Management Standard ISO 14001 and contribute to global environmental protection.

Significant certification efforts were required in the Chinese market in 2006 as the so-called CCC identification and certification duty applied also to interior car parts.

**Human Resources**

The table below shows the average number of Group employees[2] and their geographical distribution in the years 2004 to 2006:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Austria | 349 | 349 | 371 |
| Germany | 1,920 | 1,923 | 1,444 |
| Rest of Europe | 1,234 | 1,301 | 1,000 |
| North America | 22 | 22 | 25 |
| South Africa | 99 | 60 | - |
| **Total** | **3,624** | **3,655** | **2,840** |

The average number of employees of the individual divisions is illustrated below:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Automotive Systems Division | 2,507 | 2,489 | 1,650 |
| Car Styling Division | 568 | 598 | 571 |
| Automotive Composites Division | 421 | 448 | 480 |
| Industrial Division | 98 | 92 | 114 |
| Holding | 30 | 28 | 25 |
| **Total** | **3,624** | **3,655** | **2,840** |

As an essential key figure in Human Resources, sales per employee developed as follows:

| | UNIT | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Sales per employee | TEUR | 145 | 137 | 138 |

Customer orientation is an overriding priority for automobile suppliers which also defines the way in which POLYTEC's employees identify themselves with their work. Long-term measures such as the Continuous Improvement Process (CIP) can only be successful if employees show a constant commitment to contributing with their ideas to all performance-related areas. POLYTEC promotes this commitment through an employee suggestion program where employees are also awarded an incentive bonus.

Staff remuneration schemes exist for senior employees, where the remuneration of the individual is partly linked to the success of the enterprise. The underlying principle of this remuneration scheme is to increase profits in keeping with sustainable management of the Group's financial resources, which is measured by the Return on Capital Employed.

POLYTEC promotes consisting training of its employees both through intra-group advanced training schemes and the participation of employees in external training programs. Apart from the further development of the technical know-how and craftsmanship, the group also focuses on enhancing the foreign language skills of staff members which is a crucial element ensuring POLYTEC's international success as an internationally active group.

**Research and Development**

The major aim of the Group's research and development program are to constantly improve and rationalize existing manufacturing processes, to develop new or enhance existing technical solutions of automobile parts in cooperation with our customers as well as to improve the environmental standards. Development costs related to specific customer contracts are charged separately or added to the price per unit.

The focus of research and development activities is naturally on Automotive Systems Division with its two development centres in Lohne and Geretsried, and where a total of 104 employees work in research and development.

The development centre for the field of motors is located in the north of Germany in Lohne. The wide range of pre-developments comprises the substitution of aluminium motor parts with parts made of plastic, the integration of oil separating systems in cylinder head covers as well as media-conducting lines. A test bed located in the newly constructed competency centre which was expanded to 5 times its former size enables the group to meet the constantly growing customer requirements, especially in the field of motor-specific tests.

The development centre for interior systems based on natural fibre-enhanced materials is located in Geretsried, Bavaria, Germany. This facility works on the constant development of series materials and processes focusing on weight, costs and component value. Currently innovative sandwich materials are developed for use in the luggage compartment of cars as well as new surface technologies with improved haptics and optics and integrative module concepts for reduced assembly costs, among others.

As an additional step to the targeted pre-development projects carried out in close cooperation with automobile manufacturers, new materials, surface materials and process technologies are being developed. For instance, the development of an innovative 2-colour inmould graining surface has started already in the financial year 2005, first prototypes of which were presented in the meantime. For the product sector of luggage compartments, the development of a sandwich plate for use as a floor panel could be concluded, which is expected to be applied on a serial scale in the

[2] Employees of companies incorporated in the Consolidated Financial Statements for the first time are included by time quota from the date of initial consolidation.

newly acquired AUDI B8 luggage compartment project. In the field of new materials, the usage opportunities of green flax has been researched. For the cylinder head covers used in motors, intensive work is being carried out to further develop the oil separation.

POLYTEC GROUP used approx. 3% of its consolidated sales for research and development costs.

## 6. Risk Report and Financial Instruments

For details on the risk report, please refer to the explanatory notes under E 4, for information on the derivative financial instruments applied by the Group, please refer to the explanatory notes under C 15 in the Notes.

## 7. Information in accordance with § 243a of the Austrian Company Code (UGB)

POLYTEC HOLDING AG's share capital is divided in 22,329,585 registered shares having a nominal value of EUR 1.00 each. No other share classes exist. Any and all shares are admitted for trading in the Prime Market segment at Vienna stock exchange.

The only shareholder holding a participation of more than 10.0% in the Group's share capital is Huemer Holding GmbH. Huemer Holding GmbH is an associated company of IMC Verwaltungsgesellschaft mbH, which holds shares in POLYTEC HOLDING AG itself. In total, the participation of both companies amounts to approx. 32% in the Group's share capital. POLYTEC GROUP's CEO, Ing. Friedrich Huemer, is sole owner of the shares in IMC Verwaltungsgesellschaft mbH and managing director of both companies with authorisation to represent these companies alone.

At the time of preparation of the Consolidated Financial Statement, transfer restrictions of shares concluded by shareholders in the course of the IPO of the company remain in effect (lock-up period). The relating obligations will end 12 months after the closing of such IPO, i.e. on May 2, 2007 and relate to 8,941,187 shares (40.0% of the share capital).

Furthermore, Huemer Holding GmbH is entitled to acquire 193,300 shares from Invest Unternehmensbeteiligungs Aktiengesellschaft (call option). This option may be exercised up to three months after the end of the lock-up period.

No further restrictions regarding the transfer of shares and no other restrictions regarding the exercise of the voting right are known to the Board of Directors. No owners of shares have special control rights.

For information on the Board of Director's opportunity to issue shares, please refer to the explanatory notes on authorised capital in the Notes.

No important agreements exist which might be affected by a change of control and no compensation agreements exist between the company and its bodies or employees in case of a public takeover offer.

## 8. Important Post-Balance Sheet Events

Any events occurring after the balance sheet date having a material impact on the assessment of assets and liabilities are either taken into account in the present Financial Statements or are unknown.

Hörsching, March 9, 2007

**BOARD OF DIRECTORS**

Friedrich Huemer
Chairman of the Management Board

Karl Heinz Solly
Deputy Chairman of the Management Board

Reinhard Urmann
Member of the Management Board

Alfred Kollros
Member of the Management Board

# CONSOLIDATED FINANCIAL STATEMENTS 2006 OF POLYTEC HOLDING AG

# CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR 2006

compared with the figures from the previous year

| IN TEUR | NOTES | 2006 | 2005 |
|---|---|---|---|
| 1. Net sales | D. 1 | 525,211.0 | 502,005.0 |
| 2. Other operating income | D. 2 | 13,732.7 | 13,174.0 |
| 3. Changes in inventory of finished and unfinished goods | | -17,947.3 | 4,800.1 |
| 4. Own work capitalised | | 818.8 | 1,766.9 |
| 5. Expenses for materials and services received | D. 3 | -279,866.6 | -291,369.1 |
| 6. Personnel expenses | D. 4 | -130,171.1 | -128,560.8 |
| 7. Other operating expenses | D. 5 | -63,763.2 | -59,890.3 |
| **8. Earnings before interest, taxes and amortisation (EBITDA)** | | **48,014.3** | **41,925.8** |
| 9. Depreciation | D. 6 | -17,740.4 | -16,903.6 |
| **10. Earnings before interest, taxes and amortisation of goodwill (EBITA)** | | **30,273.9** | **25,022.2** |
| 11. Amortisation of goodwill | D. 6 | 0.0 | 0.0 |
| **12. Earnings before interest and taxes (EBIT)** | | **30,273.9** | **25,022.2** |
| 13. Income from associated companies | | 66.2 | 67.5 |
| 14. Financial expenses | | -2,645.1 | -3,299.6 |
| 15. Other financial results | | -360.5 | -184.0 |
| **16. Financial result** | **D. 7** | **-2,939.4** | **-3,416.1** |
| **17. Earnings before tax** | | **27,334.5** | **21,606.1** |
| 18. Taxes on income | D. 8 | -9,035.3 | -7,067.9 |
| **19. Profit of the year after tax** | | **18,299.2** | **14,538.2** |
| 20. Minority interest | | 137.6 | -137.2 |
| **21. Consolidated profit for the year (Result after minority interest)** | | **18,436.8** | **14,401.0** |

| | | | |
|---|---|---|---|
| Earnings per share in EUR | E. 5 | 0.86 | 0.75 |

# CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006

**compared with the figures from the previous year**

| ASSETS IN TEUR | NOTES | 31.12.2006 | 31.12.2005 |
|---|---|---|---|
| **A. Fixed assets** | | | |
| I. Intangible assets | D. 9 | 4,656.8 | 3,144.4 |
| II. Goodwill | D. 10 | 25,611.5 | 25,611.5 |
| III. Tangible assets | D. 11 | 71,001.0 | 70,353.9 |
| IV. Investments in affiliated companies | | 155.0 | 120.0 |
| V. Investments in associated companies | | 45.2 | 45.2 |
| VI. Other financial assets | | 3,378.3 | 3,034.9 |
| VII. Deferred tax assets | D. 12 | 3,585.8 | 3,911.8 |
| | | **108,433.6** | **106,221.7** |
| **B. Current assets** | | | |
| I. Inventories | | | |
| 1. Raw materials and supplies | | 20,399.6 | 21,851.6 |
| 2. Unfinished goods and as yet unbillable services minues advanced payments | | 16,233.7 | 22,856.7 |
| 3. Finished goods and merchandise | | 10,501.9 | 12,710.2 |
| 4. Advance payments made | | 267.4 | 272.5 |
| | D. 13 | **47,402.6** | **57,691.0** |
| II. Trade accounts receivable and other receivables and assets | | | |
| 1. Trade accounts receivable | | 68,296.7 | 71,234.7 |
| 2. Other receivables | | 11,916.1 | 11,892.1 |
| | D. 14 | **80,212.8** | **83,126.8** |
| III. Cash and cash equivalents | D. 15 | **42,870.1** | **11,235.4** |
| | | **278,919.1** | **258,274.9** |

| EQUITY AND LIABILITIES IN TEUR | NOTES | 31.12.2006 | 31.12.2005 |
|---|---|---|---|
| **A. Shareholder's equity** | | | |
| I. Share capital | | 22,329.6 | 19,329.6 |
| II. Capital reserves | | 57,783.5 | 38,530.4 |
| III. Treasury stock | | -215.5 | 0.0 |
| IV. Minority interests | | 591.4 | 307.0 |
| V. Retained earnings | | 46,912.6 | 29,207.9 |
| | D. 16 | **127,401.6** | **87,374.9** |
| **B. Long-term liabilities** | | | |
| I. Interest-bearing liabilities | D. 17 | 31,582.7 | 33,125.4 |
| II. Provision for deferred taxes | D. 12 | 2,374.7 | 754.3 |
| III. Long-term provisions for personnel | D. 18 | 10,653.9 | 9,902.8 |
| IV. Other long-term liabilities | D. 19 | 2,872.2 | 2,874.8 |
| | | **47,483.5** | **46,657.3** |
| **C. Short-term liabilities** | | | |
| I. Trade accounts payable | D. 20 | 51,227.2 | 50,149.2 |
| II. Short-term interest-bearing liabilities | D. 21 | 10,142.5 | 25,594.0 |
| III. Short-term portion of long-term loans | D. 22 | 7,999.3 | 9,279.7 |
| IV. Liabilities on income taxes | D. 23 | 1,688.4 | 2,135.5 |
| V. Other short-term liabilities | D. 24 | 32,976.6 | 37,084.3 |
| | | **104,034.0** | **124,242.7** |
| | | **278,919.1** | **258,274.9** |

# CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2006

**compared with the figures from the previous year**

| IN TEUR | | 2006 | 2005 |
|---|---|---|---|
| | **Earnings before tax** | **27,334.5** | **21,606.1** |
| - | Income taxes | -7,536.0 | -12,256.6 |
| + (-) | Depreciation (appreciation) of fixed assets | 17,769.6 | 17,118.6 |
| + | Book value of asset disposals | 460.7 | 5,038.5 |
| + | Non-cash expenses from first-consolidation and deconsolidation | 0.0 | 586.9 |
| + (-) | Increase (decrease) in long-term provisions | 751.1 | 868.0 |
| **=** | **Consolidated financial cash flow** | **38,779.9** | **32,961.5** |
| - (+) | Profit (loss) from asset disposals | -48.5 | 118.9 |
| - | Book value of asset disposals | -460.7 | -5,038.5 |
| **=** | **Consolidated cash flow from earnings** | **38,270.7** | **28,041.9** |
| - (+) | Increase (decrease) in inventories, advance payments made | 10,288.4 | -3,982.2 |
| - (+) | Increase (decrease) in trade and other receivables | 2,914.0 | -6,353.8 |
| + (-) | Increase (decrease) in trade and other payables | -2,631.1 | -2,743.4 |
| + (-) | Increase (decrease) in short-term provisions | -401.2 | 1,829.6 |
| **=** | **Consolidated cash flow from operating activities** | **48,440.8** | **16,792.1** |
| | | | |
| - | Investments in fixed assets | -21,271.8 | -21,012.0 |
| - | Acquisition of consolidated subsidiaries<br>(Purchase price less the acquired cash and cash equivalents) | 0.0 | 690.2 |
| - | Disposal of deconsolidated subsidiaries<br>(Revenue less cash and cash equivalents) | 0.0 | -178.2 |
| + (-) | Profit (loss) from asset disposals | 48.5 | -118.9 |
| + | Translation differences | 87.0 | -736.7 |
| + | Book value of asset disposals | 460.7 | 5,038.5 |
| **=** | **Consolidated cash flow from investing activities** | **-20,675.6** | **-16,317.1** |
| | | | |
| + (-) | Increase (decrease) in interest-bearing loans and liabilities to banks | -18,274.6 | 17,385.0 |
| - | Repayment of bearer bonds (less grant) | 0.0 | -8,795.7 |
| + (-) | Grant of long-term loans (less repayment) | 416.6 | 866.7 |
| - | Dividends | -100.0 | -9,400.0 |
| + | Capital increase for cash | 22,253.1 | 0.0 |
| + (-) | Other changes in equity | -425.6 | 700.5 |
| **=** | **Consolidated cash flow from financing activities** | **3,869.5** | **756.5** |

| IN TEUR | | 2006 | 2005 |
|---|---|---|---|
| +(-) | Consolidated cash flow from operating activities | 48,440.8 | 16,792.1 |
| +(-) | Consolidated cash flow from investing activities | -20,675.6 | -16,317.1 |
| +(-) | Consolidated cash flow from financing activities | 3,869.5 | 756.5 |
| **=** | **Changes in cash and cash equivalents** | **31,634.7** | **1,231.5** |
| + | Opening balance of cash and cash equivalents | 11,235.4 | 10,003.9 |
| **=** | **Closing balance of cash and cash equivalents** | **42,870.1** | **11,235.4** |
| | | | |
| | Cash and cash equivalents | 35,724.0 | 11,235.4 |
| | Treasury stock | 7,146.1 | 0.0 |
| | **Closing balance of cash and cash equivalents** | **42,870.1** | **11,235.4** |
| | | | |
| | **Other short-term liabilities** | | |
| | Provisions for deferred tax | 1,688.4 | 2,135.5 |
| | Short-term provisions | 21,320.2 | 21,721.4 |

# STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

| IN TEUR | SHARE CAPITAL | CAPITAL RESERVES | TREASURY STOCK | MINORITY INTERESTS | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|---|
| **Balance as of January 1st, 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 |
| Loss transfer from minorities | 0.0 | 0.0 | 0.0 | 503.7 | -503.7 | 0.0 |
| **Balance as of December 31st, 2006** | **22,329.6** | **57,783.5** | **-215.5** | **591.4** | **46,912.6** | **127,401.6** |

| IN TEUR | SHARE CAPITAL | CAPITAL RESERVES | TREASURY STOCK | MINORITY INTERESTS | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|---|
| **Balance as of January 1st, 2005** | **19,329.6** | **38,530.4** | **0.0** | **260.8** | **23,415.4** | **81,536.2** |
| Consolidated profit for the year | 0.0 | 0.0 | 0.0 | 137.2 | 14,401.0 | 14,538.2 |
| Dividends | 0.0 | 0.0 | 0.0 | -80.0 | -9,320.0 | -9,400.0 |
| Currency translation | 0.0 | 0.0 | 0.0 | -11.0 | 705.2 | 694.2 |
| Other changes | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 6.3 |
| **Balance as of December 31st, 2005** | **19,329.6** | **38,530.4** | **0.0** | **307.0** | **29,207.9** | **87,374.9** |

# CONSOLIDATED NOTES FOR THE FINANCIAL YEAR 2006 OF POLYTEC HOLDING AG, HÖRSCHING

## A. GENERAL INFORMATION

POLYTEC GROUP is a globally active group specialising in plastic industry located in Austria. The Group is a component supplier of plastic parts for interior and under the hood parts for serial automotive manufacturing industry (Automotive Systems Division) and a supplier of original accessories and parts for small automotive series (Car Styling Division). The Automotive Composites Division acts as a supplier to the automotive and commercial vehicle industry. Furthermore, PU plastic components and machines for their production are manufactured for other industries (Industrial Division).

The Consolidated Financial Statements for the financial year 2005 of POLYTEC HOLDING AG (hereinafter referred to as “Group”) have been prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations.

For the preparation of these Consolidated Financial Statements all standards have been complied with whose application was legally required in the financial years. Any standards or interpretations which have already been published and accepted by the EU but whose application has not yet been legally required, were not used prematurely.

Insofar as POLYTEC GROUP has verified the application of such standards, no material changes of assets, liabilities disclosed in the Balance Sheet or other information in the Consolidated Financial Statements are to be expected. However, IFRS 7 will result in a number of changes in the information disclosed in the Consolidated Notes.

The Consolidated Financial Statements have been prepared in thousand Euros (TEUR). Due to summations of rounded amounts and percentages there may be mathematical differences due to computerized rounding.

The Consolidated Income Statement has been prepared pursuant to the Total Cost Method.

The present Consolidated Financial Statements drawn up in accordance with Art. 245a UGB (Austrian Company Code) replace the consolidated financial statements to be drawn up otherwise in accordance with Art. 244 et. seq. UGB.

## B. CONSOLIDATION PRINCIPLES

### 1. Scope of Consolidated Companies

The stipulation of the companies to be included in the consolidation follows the principles of IAS 27 (Consolidated and Separate Financial Statements). POLYTEC HOLDING AG, located in Hörsching, is the parent company. All companies which are controlled by the parent company are fully consolidated. Accordingly, 3 domestic (previous year: 3) and 19 foreign (previous year: 19) subsidiaries which are all subject to the legal or actual control of POLYTEC GROUP are incorporated in the Consolidated Financial Statements in addition to the parent company. The six companies not included are in total immaterial.

For an overview of the fully consolidated companies please refer to Enclosure 5 to the Notes.

The financial statements of the subsidiaries are included in the Consolidated Financial Statements beginning with the date of acquisition until the date of their disposal. The initial consolidation of a subsidiary is performed at the time at which the control of the assets and the business activities of such subsidiary are actually transferred to the parent company. The number of consolidated companies remained unchanged during the financial year.

### 2. Methods of Consolidation

The capital consolidation for acquisitions made until March 31, 2004 was made by applying the book value method by offsetting the costs of acquisition of the participations with the equity proportion allocated to them at the date of acquisition. Any capitalised difference resulting therefrom is allocated to assets, as far as possible. In previous years, any difference under liabilities was analysed to find the cause of its occurrence and, if relating to a future loss or expense, it was recognised as income in that respective year of occurrence, pursuant to the principles of IAS 22.

IFRS 3 “Business Combinations” has been applied for acquisitions made after March 31, 2004. In accordance with such standard, the capital consolidation has to be carried out using the Revaluation Method (recognition of all assets and liabilities according to the fair value, even in case of minority interests, and full disclosure of balance sheet silent reserves, irrespective of the amount of such minority interests). The carrying amount of participations is compared with the revalued equity of the subsidiary (purchase accounting).

Remaining differences will be capitalised as goodwill. Any goodwill arising before January 1, 2005, is recognized at its carrying amount as of December 31, 2004 and subjected to an annual impairment test.

If the net assets exceed the costs of acquisition, any difference (negative goodwill) is recognized in the profit and loss statement in the year of acquisition. Neither goodwill nor badwill resulted from the initial consolidation effected during this year.

Minority interests in the equity and the result of the companies controlled by the parent company are disclosed in the Consolidated Financial Statements under equity in accordance with the provisions of 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 significance. Intermediate results from intra-group deliveries were eliminated as well, unless such are of significance.

## 3. Foreign Currency

**Operating Transactions in Foreign Currency**
All transaction in foreign currencies were valued at the exchange rate of the transaction in the individual group companies. Monetary assets and liabilities in foreign currencies are converted at the exchange rate as of the balance sheet date. Resulting exchange rate differences are recorded in the Consolidated Income Statement.

**Translation of individual Financial Statements in a Foreign Currency**
The functional currency of subsidiaries located outside the euro zone is the respective national currency. Assets and liabilities of foreign subsidiaries were translated at the average exchange rate as of the balance sheet date. Items in the Consolidated Income Statement were translated using the average exchange rates of the financial year.

Non-monetary assets and liabilities in foreign currencies were translated using the exchange rate applicable at the transaction date. Any exchange rate differences for monetary items that, in an economic sense, belong to a participation in a foreign company, as for example long-term receivables and loans, are set-off with the group's equity without affecting the Consolidated Income Statement and disclosed under "Differences from foreign currency translation".

# C. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

The principles of consistent accounting and valuation have been complied with by applying uniform guidelines for all consolidated companies. Immaterial deviations in the individual financial statements of foreign group companies have not been adjusted.

## 1. Intangible Assets

Intangible assets are measured at the cost of acquisition and depreciated using the straight-line method. Amortisation rates vary between 10.0% and 66.7%.

Expenses for research are recognized as an expense in the year of their occurrence. Development costs are generally accounted as period expenses as well. Such costs may only be capitalised if certain conditions are met veritably and cumulatively. For instance, it must be proven that the development activity will, with sufficient probability, result in future revenues covering not only normal costs but also the relevant 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. 3.0% (previous year: 2.6%) of its sales.

## 2. Goodwill

Goodwill results from the acquisition of subsidiaries or shares in associated companies. Since January 1, 2005, goodwill is no longer amortised over its lifetime but subjected to an impairment test at least once per year. If a subsidiary or an associated company is sold, the proportional goodwill is taken into account in the calculation of the gain or loss of such disposal.

Goodwill is valued at the costs of acquisition minus cumulative impairment losses (see the note on impairment of assets in the Notes).

## 3. Tangible Assets

Tangible assets are valued at the costs of acquisition or manufacturing, less the scheduled depreciation or the lower recoverable fair market value. Scheduled depreciation is determined according to the straight-line method.

For consumable tangible assets, the following rates of scheduled depreciation are used:

| | 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 |

Impairment losses exceeding the scheduled depreciation are taken into account by extraordinary depreciation. If the reason for an extraordinary depreciation ceases to exist, a respective write-up will be carried out.

If tangible assets are closed down, disposed of or abandoned, the resulting profit or loss from the difference between the sales revenues and the remaining book value are recorded as other operating income or expenditure.

Maintenance expenses are reported as expenses in the financial year of their occurrence.

Interest on borrowed capital for tangible assets are not capitalised if their production or acquisition comprises a longer period of time.

## 4. Leased Tangible Assets

In line with IAS 17, leased tangible assets for which all essential risks and opportunities resulting from the ownership of such asset have been transferred (finance lease) are valued at their market value or the lower present value. Such assets are depreciated over the useful life of the asset or the shorter term of the lease contract. Payment obligations resulting form future lease instalments are discounted and reported under liabilities.

## 5. Government Grants

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

## 6. Financial Assets

Other investments and loans are included under Other financial assets. The are valued at the costs of acquisition or the lower market value as of the balance sheet date. Interest-bearing loans are disclosed in the balance sheet at their nominal value.

The investments disclosed in the balance sheet at their costs of acquisition are investments not listed at an active market and whose current value can, therefore, not be determined in a reliable manner.

Loans are subject to variable interest rates so that their book value corresponds approximately to their market value.

All financial assets are extraordinarily depreciated if an impairment of value occurs (see the note on impairment of assets in the Notes).

## 7. Inventories

Inventories are valued at the costs of acquisition or manufacturing or at the lower recoverable market value as of the balance sheet date. The acquisition and manufacturing costs for similar assets are determined by applying the weighted average price method or similar methods. Manufacturing costs include only directly allocated expenses and pro-rata overheads. Interests for borrowed capital are not capitalised.

## 8. Trade Accounts Receivables and other Receivables

Trade accounts receivables and other receivables are capitalised at costs of acquisition. Recognisable risks are reflected by forming appropriate valuation adjustments.

## 9. Cash and Cash Equivalents

Cash and other short-time financial means consist of cash on hand, cheques and cash at banks as well as securities and are valued at their market value.

## 10. Impairment of Assets

Assets are tested at the balance sheet date if any indications exist for an impairment. Such an annual verification (impairment test) is made for goodwill shortly prior to each balance sheet date, regardless if any indications of impairment exist.

For the purpose of the impairment test, POLYTEC GROUP combines all assets allocated to the smallest cash-generating level (cash-generating unit). Goodwill is allocated to those cash-generating units from which a synergy realisation is expected and which represent the smallest unit subjected to the management's supervision of cash flows.

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 its disposal at the end of its useful life by applying a fair market discount rate before taxes which is adjusted to the specific risks of the assets. The discount rate used for calculating the present value represents the weighted average cost of capital of the group and is fixed with 8% for the financial year 2006 (2005:

7%). If no independent cash flow can be allocated to an individual asset, the value in use of the asset will be calculated by taking into account the next higher unit of which the asset forms part and for which the independent 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-generated unit exceeds the recoverable amount. The recoverable amount is the higher amount of its net selling price and the value in use. Impairment losses reduce the carrying amount of the assets of the cash-generating unit on a pro-rata basis.

If the reason for an extraordinary depreciation ceases to exist, write-ups are made in case of tangible assets. Goodwill which has already been amortised on account of an impairment are no longer written up in a subsequent period.

## 11. Provisions for Employees

**Provision for Severance Payments**
Based on statutory obligations, employees of Austrian group companies who joined the company before January 1, 2002, are entitled to a one-time severance payment upon redundancy or at retirement. The amount of such severance payment depends on the number of years of service and the relevant remuneration at the end of the employment. For all other employees who joined the company after December 31, 2002, the company pays contributions to an employee pension fund which are recognized as an expense.

The provisions for severance payments are calculated uniformly on the balance sheet date according to the "projected unit credit method", using an interest rate of 4.3% (previous year 4.0%) and by taking into account an dynamic rate for future increases of remunerations of 3.0% (previous year: 3.0%). A reduction for fluctuation, based on the length of service within the company, is also included in the calculation. The expected pension age for women and men is 62 years tanking into account temporary arrangements, this pension age has not changed in comparison to the previous year.

The corridor method is used for actuarial gains/losses. If actuarial gains/losses exceed the present value of the benefit obligation by more than 10% at the beginning of the financial year, the actuarial gains and losses are distributed over the expected average remaining working period of employees and recognised as income or expense. Any current service costs, past service costs to be settled as well as actuarial profits and losses are disclosed in the Consolidated Income Statement as part of Personnel expenses. Interest expenses resulting from severance payments provisions are shown under the financial result.

**T.F.R. – Entitlement to Severance Payments**
Based on legal obligations, employees of Italian group companies are entitled to receive a one-time payment in case of dismissal or other legally defined events. The amount of such payment depends on the years of service and the remunerations applicable at the time of severance.

**Provisions for Pensions**
Provisions for pensions are obligatory for certain employees of German group companies. Such provisions for pensions are disclosed in the balance sheet 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 budgeted assets at the balance sheet date. Provisions for pensions are calculated according to the "projected unit credit method", whereas depending on the allocation between entitlements and liquid pensions an interest rate of 4.3% to 4.5% (previous year: 4.25% to 4.5%) and a growth rate of 0.5% to 1.5% (previous year 0.5% to 1.5%) is used. The actuarial calculation refers to the guideline table 2005G – Klaus Heubeck.

Interest payments resulting from the long-term provisions for personnel are reported in the Consolidated Income Statement as part of the Financial expenses.

**Other long-term Liabilities for Employees**
Based on the collective agreements or other company agreements, employees are entitled to receive jubilee payments depending on their length of service. A provision has been accounted for such payments.

## 12. Taxes

Taxes on income (the tax credit) comprises actual taxes and deferred taxes.

The actual tax expenditure for each company relates to the taxable profit of the company and the applicable tax rate of each 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 processes. They are computed according to IAS 12 using the balance sheet liability method. Furthermore, the probably recoverable tax benefit from existing losses carried forward is integrated in the calculation. Deferred tax assets on losses carried forward were formed only when utilisation is expected within a foreseeable period. The calculation of the deferred taxes is based on the customary national income tax rate.

## 13. 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. Subsequently, these liabilities are valued at historical costs.

Other liabilities are reported with their redemption amount.

Other provisions disclosed under Other long-term and short-term liabilities were made if foreseeable risks and uncertain obligations exist until the preparation of the balance sheet. The amounts reflect the most probable amount based on a careful assessment of the circumstances. Provisions for future expenditures are not accrued.

In accordance with IFRS 3, contingent liabilities are also disclosed under this item.

## 14. Recognition of Financial Instruments

Financial assets and liabilities are disclosed in the balance sheet, insofar as the group becomes a contractual party to a financial instrument.

Financial assets are derecognised if the contractual rights arising from the assets are ending or if such assets are transferred, including all essential rights and obligations arising therefrom. Financial liabilities are derecognised if the contractual obligations were met, cancelled or ended. On principle, purchases and sales of financial instruments common in the market are recognised in the balance sheet as of the date of fulfilment.

## 15. Derivative Instruments

According to the financial policies of the group, financial instruments are held for hedging purposes and to optimise the net interest result of the group. The following pending derivative instruments exist as of the balance sheet of December 31, 2006:

| | TYPE | CURRENCY | LONG-TERM | NOMINALE IN TEUR | FAIR VALUE IN TEUR |
|---|---|---|---|---|---|
| Forward exchange dealing | CALL | EUR | July 2009 | 1,847.1 | 11.0 |
| Interest rate-swap | - | EUR | Dec. 2011 | 5,000.0 | 3.6 |
| Currency future | CALL | EUR | March 2007 | 2,100.0 | 9.6 |

The EUR-Call forward exchange dealing serves as hedging activity against currency exchange risks posed to the groups business activity in South Africa.

The interest option has been concluded as a hedging activity against a specified bank liability of POLYTEC GROUP (Micro-Hedge).

The interest swap cannot be allocated to a specific balance sheet item, but to a portfolio of financial liabilities.

If no market prices were available, recognised valuation methods, especially option price models and analyses of discounted expected cash flows, were used to determine the fair values.

## 16. Revenue and Expense Recognition

Revenue from the sale of products and goods is recognised when the risks and opportunities are transferred to the buyer. Operating expenses have an effect on the result when the received services are utilised or at the time when such are provided.

## 17. Financial Result

Financial expenditure comprise 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.

Financial gains comprise the interest, dividends and similar gains realised from the assessment of financial means and the investments in financial assets. Interest received are accounted proportionally to time and according to the effective yield of the asset. Dividend yields are realised at the time when the legal entitlement to such exists.

Gains and losses from the disposal of financial assets, losses from the impairment of financial assets, financing related currency exchange gains and losses and results from hedging activities are reported in the financial result.

## 18. Uncertainties from Estimations and Assumptions

Estimates and assumptions must be made to a certain extent in the Consolidated Financial Statements and such might affect the assets and liabilities reported in the balance sheet, the statement of other obligations on the balance sheet date and the recognition of income and expenses during the reporting period. The actual amounts arising in the future, may differ from these estimates. Especially the assumptions referring to future cash flows from the cash-generating units which are based on middle-term budgets of the group may prove to be incorrect and trigger effects on assets (especially goodwill) in the future.

# D. EXPLANATORY COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS AND THE CONSOLIDATED BALANCE SHEET

## 1. Net Sales and Segment Reporting

The segment reporting comprises product groups and regions. The primary segment reporting format is divided into the product groups Car Styling, Automotive Systems, Automotive Composites und Industrial which is also reflected in the management information system of the group. Assets and liabilities, expenses and income are allocated, as far as possible, with a reasonable procedure, to the separate segments. Any item not allocable in this manner, are reported under the column “others”. The transfer pricing between the segments is based on comparable market conditions.

Within the secondary segment, the reporting format is based on geographical regions, whereby the revenue is reported according to the location of the client, and in respect of the assets, where they are located.

Any and all information on the segments of the group are reported in Enclosure 2 to the Notes.

Sales are divided as follows according to categories:

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Sales and other sales | 477,949.2 | 468,914.0 |
| Tooling- and development sales | 47,261.8 | 33,091.0 |
| **Total** | **525,211.0** | **502,005.0** |

## 2. Other Operating Income

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Earnings from the disposals and appreciation of fixed assets excluding financial assets | 116.4 | 57.2 |
| Revenue from releases of provisions | 4,133.3 | 4,206.9 |
| Exchange rate gains | 525.5 | 1,220.7 |
| Other income | 8,957.5 | 7,689.2 |
| **Total** | **13,732.7** | **13,174.0** |

## 3. Expenses for Materials and Services Received

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Expenses for materials | 229,263.8 | 235,314.1 |
| Expenses for services received | 50,602.8 | 56,055.0 |
| **Total** | **279,866.6** | **291,369.1** |

## 4. Personnel Expenses

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Wages and salaries | 104,030.0 | 102,808.1 |
| Expenses for statutory social charges | 23,050.0 | 23,541.2 |
| Expenses for severance payments and pensions | 1,662.4 | 1,253.9 |
| Other personnel expenses | 1,428.7 | 957.6 |
| **Total** | **130,171.1** | **128,560.8** |

The average number of staff amounts to:

| | 2006 | 2005 |
|---|---|---|
| Workers | 2,743 | 2,789 |
| Employees | 881 | 866 |
| **Total** | **3,624** | **3,655** |

## 5. Other Operating Expenses

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Other operating expenses | 23,573.9 | 19,746.4 |
| Distribution expenses | 13,231.3 | 11,936.6 |
| Administrative expenses | 9,239.5 | 10,421.0 |
| Rental expenses | 8,465.3 | 7,838.3 |
| Leased staff | 8,179.4 | 5,810.3 |
| Risk provisioning and damages | 460.7 | 2,677.2 |
| IPO expenses | 0.0 | 605.5 |
| Non-recurring start up losses Plant South Africa | 0.0 | 416.4 |
| Non-income based taxes and charges | 545.2 | 267.0 |
| Losses on the disposal of fixed assets, excluding financial assets | 67.9 | 171.6 |
| **Total** | **63,763.2** | **59,890.3** |

In the financial year 2005, expenditure which can be allocated to the IPO were recorded as expenses since it had been unclear at the time of preparation of the Consolidated Financial Statements whether an IPO would actually take place. In the financial year 2006, expenditure which arose in this calendar year in accordance with IAS 32.35 was set off directly with equity.

## 6. Depreciation and Amortisation

As was the case in the previous year, depreciations on intangible assets and tangible assets of TEUR 17,740.4 (previous year: TEUR 16,903.6) does not include any extraordinary depreciation. For a break-down according to individual items, please refer to the Consolidated Movement of Assets.

According to IFRS 3 (Business Combinations), goodwill will no longer be amortised beginning with the financial year 2005, but subjected to an annual impairment test. Such impairment test resulted in the fact that no impairment of goodwill was necessary in 2006, as was the case in the previous year.

## 7. Financial Result

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Income from other investments | 66.2 | 67.5 |
| Interest and income from securities | 1,365.4 | 1,110.4 |
| Write-offs of financial assets | -73.2 | -215.0 |
| Bond interest | 0.0 | -350.9 |
| Interest component of pension commitments | -352.2 | -325.4 |
| Other interest expenses | -3,658.3 | -3,733.7 |
| Other financial results | -287.3 | 31.0 |
| **Total** | **-2,939.4** | **-3,416.1** |

The Interest component of pension commitments is a non-cash item. All other interest expenses or income are cash items.

## 8. Taxes on Income

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Current income taxes | 6,978.3 | 6,500.6 |
| thereof non-periodic | -241.3 | 1,496.7 |
| Deferred income taxes | 2,057.0 | 567.3 |
| thereof non-periodic | 0.0 | 0.0 |
| **Total** | **9,035.3** | **7,067.9** |
| thereof non-periodic | -241.3 | 1,496.7 |

The taxes on income in the financial year 2006 amount to TEUR 9,035.3 (previous year: TEUR 7,067.9) and is TEUR 2,202.0 (previous year: TEUR 1,666.4) higher than the calculated taxes on income of TEUR 6,833.6 (previous year: TEUR 5,401.5) which was calculated by using the tax rate of 25% on the earnings before income tax of TEUR 27,334.5 (previous year: TEUR 21,606.1).

The reasons for the difference between the calculated and the disclosed consolidated taxes on income are described as follows:

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Earnings before tax | 27,334.5 | 21,606.1 |
| at which 25% calculated tax on income | 6,833.6 | 5,401.5 |
| Change in the provision for deferred tax assets | 261.3 | -833.6 |
| Effects of tax audit | -184.8 | -1,136.7 |
| Non profit-related elements of the income taxes | 385.5 | 237.6 |
| Tax free income from non consolidated investments | -16.6 | -38.6 |
| Non decuctible write-off of investments | 112.1 | 0.0 |
| Differences from the discrepancy between the local and consolidated tax rate | 2,226.2 | 1.714.4 |
| Permanent differences from the consolidation (amortization of goodwill, release of negative goodwill and consolidation of debts) | -337.6 | 245.7 |
| Other items | -3.1 | -19.1 |
| Taxes on income for the reporting period | 9,276.6 | 5,571.2 |
| Non-periodic income tax expense/revenue | -241.3 | 1,496.7 |
| **Disclosed consolidated tax on income** | **9,035.3** | **7,067.9** |

## 9. Intangible Assets

The classification of the intangible assets summarized in the Consolidated Balance Sheet and relevant changes are shown in the Consolidated Movement of Assets (Enclosure 1 to the Notes).

TEUR 16.9 (previous year: TEUR 0.0) of the intangible assets are mortgaged or pledged as a security for liabilities due to banks.

## 10. Goodwill

Goodwill is allocated to the following business units:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Car Styling | 12,643.1 | 12,643.1 |
| Automotive Systems | 6,312.0 | 6,312.0 |
| Automotive Composites | 119.2 | 119.2 |
| Industrial | 6,537.2 | 6,537.2 |
| **Total** | **25,611.5** | **25,611.5** |

## 11. Tangible Assets

The classification of the tangible assets summarised in the Consolidated Balance Sheet and relevant changes are shown in the Consolidated Movement of Assets (Enclosure 1 to the Notes).

Future expenses from non-terminable operating leases (excluding the commitments against POLYTEC Immobilien GmbH Group which are disclosed in the Consolidated Notes under E 6) amount to TEUR 9,843.0 as of December 31, 2006 (previous year: TEUR 9,342.8) and are matured as listed in the table below:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Within one year | 2,787.7 | 2,899.0 |
| Longer than one year and within five years | 7,055.3 | 6,443.8 |
| Longer than five years | 0.0 | 0.0 |

Capitalised finance leases with a book value of TEUR 16,622.8 (previous year: TEUR 16,559.5) are included in the balance sheet item Technical equipment and machinery.

Lease obligations to third parties amounting to TEUR 15,799.8 (previous year: TEUR 18,782.3) resulted from the capitalised finance leases. The lease obligations (cash values) have the following maturities:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Within one year | 4,099.9 | 3,895.4 |
| Longer than one year and within five years | 11,699.9 | 13,798.9 |
| Longer than five years | 0.0 | 1,088.0 |

The lease payments corresponding to the cash values (without redemption for residual value) amount to TEUR 15,288.2 (previous year: TEUR 18,695.0) and have the following maturities:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Within one year | 4,576.9 | 4,656.0 |
| Longer than one year and within five years | 10,711.3 | 13,077.9 |
| Longer than five years | 0.0 | 961.1 |

In the financial years 2006 and 2005, no impairment losses on intangible assets had to be recognised. Write-ups amounting to TEUR 44.0 (previous year: TEUR 0.0) were made in the reporting period.

TEUR 34,752.7 (previous year: TEUR 23,634.4) of the tangible assets were pledged as securities for liabilities due to banks.

## 12. Deferred Taxes

Differences in the valuation base between the tax balance sheet and the IFRS balance sheet result from the following differences and had the following impact on deferred taxes:

| IN TEUR | 31.12.2006 ASSETS | 31.12.2006 LIABILITIES | 31.12.2005 ASSETS | 31.12.2005 LIABILITIES |
|---|---|---|---|---|
| Intangible assets | 4.3 | 1,088.8 | 4.9 | 0.0 |
| Tangible assets | -5,427.0 | 190.0 | -4,513.2 | 264.9 |
| Provision for severance payments | 405.7 | 0.0 | 386.2 | 0.0 |
| Provision for pensions | 411.5 | -7.1 | 353.2 | 0.0 |
| Other provisions for personnel | 385.1 | -30.8 | 214.8 | -26.1 |
| Tax losses carried forward | 664.8 | 0.0 | 637.1 | 0.0 |
| Tax specific depreciation | 0.0 | 0.0 | 0.0 | 49.8 |
| Lease liabilities | 5,356.3 | 0.0 | 4,666.6 | 0.0 |
| Others | 1,667.7 | 582.4 | 1,937.1 | 465.7 |
| Subtotal | 3,468.4 | 1,823.3 | 3,686.7 | 754.3 |
| Consolidation of debts | 3.7 | 551.4 | 9.5 | 0.0 |
| Elimination of intercompany profits | 113.7 | 0,0 | 215,6 | 0.0 |
| **Capitalisation/ provision for deferred taxes** | **3,585.8** | **2,374.7** | **3,911.8** | **754.3** |

In accordance with IAS 12.39, deferred taxes for differences derived from investments in subsidiaries are not reported in the Consolidated Financial Statement. Deferred taxes from losses carried forward amounting to TEUR 574.1 (previous year: TEUR 132.5) were not capitalised.

## 13. Inventories

The following table sets forth the components of the inventories:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Raw materials and supplies | 20,399.6 | 21,851.6 |
| Unfinished goods | 7,432.8 | 8,282.2 |
| Work-in-progress | 18,126.2 | 33,015.8 |
| Advance payments received | -9,325.3 | -18,441.3 |
| Finished goods and merchandise | 10,501.9 | 12,710.2 |
| Advance payments made | 267.4 | 272.5 |
| **Total** | **47,402.6** | **57,691.0** |

TEUR 8,313.1 (previous year: TEUR 7,996.1) of the inventories are pledged as a security for liabilities due to banks.

## 14. Trade Accounts Receivable and Other Receivables and Assets

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Trade accounts receivable | 68,296.7 | 71,234.7 |
| thereof with a residual term > 1 year | 1,298.0 | 1,217.9 |
| thereof from affiliated companies | 0.6 | 0.6 |
| Other receivables and assets | 10,989.1 | 11,245.2 |
| thereof with a residual term > 1 year | 2,424.0 | 1,593.8 |
| thereof from affiliated companies | 0.0 | 0.0 |
| thereof from associated companies | 1,077.1 | 171.4 |
| Prepayments and deferred charges | 927.0 | 646.9 |
| thereof with a residual term > 1 year | 0.0 | 0.0 |
| **Total** | **80,212.8** | **83,126.8** |
| thereof with a residual term > 1 year | 3,722.0 | 2,811.7 |
| thereof from affiliated companies | 0.6 | 0.6 |
| thereof from associated companies | 1,077.1 | 171.4 |

Value adjustments on trade accounts receivable of TEUR 1,482.2 and value adjustments on other receivables amounting to TEUR 444.9 exist as of the balance sheet date.

## 15. Cash and Cash Equivalents

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Cash in hand, checks, cash at banks | 35,724.0 | 11,235.4 |
| Securities | 7,146.1 | 0.0 |
| **Total** | **42,870.1** | **11,235.4** |

There were no restraints on disposal of the amounts included in this item at the balance sheet date. Securities relate to money market fund shares, the development of which will be reported to the management by way of market values. Therefore, a classification was made “at fair value through profit or loss” and the change of the applicable current value was recognised in the Income Statement.

## 16. Consolidated Shareholders Equity

The share capital of POLYTEC HOLDING AG amounts to TEUR 22,329.6 at the balance sheet date (previous year: TEUR 19,329.6) and is divided into 22,329,585 ordinary shares (previous year: 19,329,585 ordinary shares) having a nominal value of EUR 1.00 per share. A capital increase took place in the financial year, the number of shares was increased by 3,000,000 ordinary shares having a nominal value of EUR 1.00 per share, such shares were issued at a price of EUR 7.75. The shares are registered.

The General Meeting of April 4, 2006 resolved on an authorised capital. Subject to the consent to be given by the Supervisory Board, the Board of Directors is entitled to increase the share capital through the issue of new shares having a minimum issue price of EUR 1.00 each by up to TEUR 6,500.0 within 5 years after the registration of the authorised capital at the latest.

In January 2006, the Company purchased 29,934 own shares with a nominal value of EUR 1.00 (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 (with the consent of the General Meeting given on October 27, 2004). The inventory of shares has not changed since then. The own shares purchased during the financial year are value at costs of acquisition and were deducted from the Group’s equity.

The capital reserves comprise premiums paid in on the occasion of the capital increases, less the costs of the IPO of POLYTEC HOLDING AG in the financial year 2006 to be allocated to the capital increase. In accordance with IAS 32.35, TEUR 332.3 of income tax benefits resulting from the issue, had to be deducted from the issue costs set off directly with equity.

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

## 17. Interest Bearing Liabilities

This item includes all interest bearing liabilities with a residual term of more than one year and is structured as follows:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Liabilities due to banks | 19,644.2 | 17,977.1 |
| thereof with a residual term > 5 years | 3,501.0 | 0.0 |
| thereof with collateral securities | 17,728.9 | 13,262.6 |
| Other interest bearing liabilities | 238.6 | 261.4 |
| Lease liabilities | 11,699.9 | 14,886.9 |
| thereof with a residual term > 5 years | 0.0 | 1,088.0 |
| **Total** | **31,582.7** | **33,125.4** |

The major part of the liabilities due to banks with collateral securities may be prematurely terminated by the financing bank if the Group's equity ratio falls below a predefined value or if the ratio of net financial liabilities to EBITDA exceeds a defined value.

The Group's outstanding long-term and short-term interest bearing liabilities due to banks exist in the following currencies:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | PROPORTION % | AVERAGE ORDINARY INTEREST | PROPORTION % | AVERAGE ORDINARY INTEREST |
| EUR | 89.04 | 4.138 | 84.46 | 3.192 |
| GBP | 7.06 | 6.500 | 6.11 | 6.446 |
| SEK | 3.90 | 4.250 | 8.14 | 3.000 |
| USD | 0.00 | N.A. | 1.30 | 5.300 |

## 18. Provisions for Personnel

This item includes all long-term provisions for liabilities due to personnel:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Provision for severance payments | 1,512.4 | 1,358.3 |
| T.F.R.-Severance payment entitlements | 1,709.3 | 1,550.0 |
| Provision for pensions | 6,528.6 | 6,175.0 |
| Provision for long-service bonus payments | 818.4 | 819.5 |
| Other long-term provisions | 85.2 | 0.0 |
| **Total** | **10,653.9** | **9,902.8** |

For the development of the Provisions for severance payments and pensions and the provision for long-service bonus payments in the past financial years, please refer to Enclosure 3 to the Notes.

## 19. Other long-term Liabilities

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Contingent liabilities and provisions | 542.0 | 681.3 |
| Goverment grants | 2,330.2 | 2,193.5 |
| **Total** | **2,872.2** | **2,874.8** |

## 20. Trade Accounts Payable

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Trade accounts payable | 48,138.6 | 48,952.2 |
| thereof due to associated companies | 43.2 | 202.7 |
| thereof due to affiliated companies | 69.7 | 117.1 |
| Advance payments received | 3,088.6 | 1,197.0 |
| **Total** | **51,227.2** | **50,149.2** |

## 21. Short-term Interest Bearing Liabilities

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Bank liabilities | | |
| **= Total** | **10,142.5** | **25,594.0** |

## 22. Short-term Portion of Long-Term Loans

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Bank liabilities residual term < 1 year | 3,899.4 | 5,384.3 |
| Lease liabilities residual term < 1 year | 4,099.9 | 3,895,4 |
| **Total** | **7,999.3** | **9,279.7** |

## 23. Liabilities from Taxes on Income

Liabilities from taxes on income relate essentially to debt from corporation tax and municipal trade tax on income (or similar taxes) in different countries were group companies have their registered office. Debts developed as follows:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Balance as of 1.1. | 2,135.5 | 7,820.7 |
| Changes in consolidation | 0.0 | -8.5 |
| Exchange rate differences | 5.5 | 6.0 |
| Use | -1,601.4 | -7,799.1 |
| Release | -514.7 | -19.1 |
| Addition | 1,663.5 | 2,135.5 |
| **Balance as of 31.12.** | **1,688.4** | **2,135.5** |

## 24. Other short-term Liabilities

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Provision for vacation | 4,930.9 | 4,148.6 |
| Other personal expenses | 5,316.7 | 4,121.9 |
| Losses and Risks | 2,482.9 | 5,461.9 |
| Other liabiliies | 8,589.7 | 7,989.0 |
| **Short term provisions** | **21,320.2** | **21,721.4** |
| Liabilities to associated companies | 378.0 | 2,000.0 |
| Tax liabilities | 5,667.8 | 3,901.6 |
| Social security liabilities | 1,466.2 | 3,475.1 |
| Other liabilities | 2,946.2 | 3,762.8 |
| Goverment grants within one year | 1,196.0 | 973.3 |
| Deferred charges | 2.2 | 1,250.1 |
| **Total** | **32,976.6** | **37,084.3** |

The item Other short-term provisions specifically includes provisions for warranties and outstanding invoices. The changes of the short-term provisions are explained in Enclosure 4 to the Notes.

# E. OTHER EXPLANATORY COMMENTS

## 1. Cash Flow Statements

The cash flow statement follows the indirect method. Cash and cash equivalents exclusively include cash in hand, cash at banks as well as securities in the current assets which can be sold in the short term. The income tax payments are reported separately in the Operating cash flow statement.

Interest earnings and expenses are allocated to the appropriate business operations. The relating amounts are as follows:

| IN TEUR | 2006 | 2005 |
|---|---|---|
| Interest cash in | 1,365.4 | 1,110.4 |
| Interst cash out | -3,658.3 | -4,084.6 |
| **Total** | **-2,292.9** | **-2,974.2** |

Dividend payments are reported as part of the financing activities. The effects resulting from the changes of the scope of consolidation were eliminated and are reported as Cash flow from investing activities.

## 2. Subsequent after the Balance Sheet Date

Based on the Agreement of November 8, 2006, Polytec Holding Deutschland GmbH has entered into an agreement on the acquisition of the remaining 40% of the shares in Polytec Interior South Africa (Proprietary) Ltd. The rights and obligations arising from the shares will be transferred on July 1, 2007 according to this purchase agreement, so that no acquisition of shares had to be reported in the Balance Sheet in the financial year 2006. Based on the foreseeable acquisition of the shares and the fact that no balance for the start-up losses of the company are provided for in the purchase agreement, the cumulative losses arising for the minority shareholders were set off with the Group's equity as of December 31, 2006.

Polytec Interior UK Ltd. has stopped its business operation after the end of an order from Land Rover in the 4th quarter of the financial year and will be eliminated from the scope of consolidated companies of POLYTEC GROUP beginning with January 1, 2007. The company has no fixed assets as of the balance sheet date.

Further events after the balance sheet date which would be substantive for the fair valuation on the balance sheet date, such as outstanding legal cases and claims for damages as well as other liabilities or threatening losses which had to be recognised or disclosed according to IAS 10 (Contingencies and Events occurring after the Balance Sheet Date) are included in the Consolidated Financial Statement or were not known.

## 3. Other Obligations and Risks

There is a warranty concerning a rent contract for TEUR 1,500.0 (previous year: TEUR 1,500.0) vis-à-vis POLYTEC Immobilien GmbH group.

Other obligations and risks which were not reflected sufficiently in the Consolidated Financial Statement or listed in the Notes do not exist.

## 4. Risk Reporting

In the context of its business operations, POLYTEC GROUP is exposed to a significant number of risks that are directly connected to its business activities. Risk management is an integral part of all business processes in POLYTEC GROUP. In addition, the certification processes required for an automotive supplier (e.g. TS ISO/16949:2002) provide for risk management processes which are audited by external certification auditors. Based on POLYTEC's organisation, risks are managed and controlled in a decentralised and process-oriented manner and such are controlled close to the market on business unit level. However, the control of financial risks is carried out mainly in the Group's headquarters. The following material risk areas can be identified:

**Sales market risks:** The automotive supply industry is deemed to be a highly competitive market which is undergoing a fast-paced consolidation process. Sales success depends primarily on winning new orders which are contracted, in part, up to 4 to 5 years prior to the commencement of the serial production. During that phase of order acquisition, each supplier faces high competition on conditions. During the serial production phase, suppliers also depend on the sale of the car for which they deliver components without being able to control such success. Furthermore, even after the start of serial production, OEM encourage continuous benchmarking with other suppliers which leads to further price reductions or, in the worst case, to the loss of the contract. POLYTEC strives for minimising the dependency from individual supply relationships by a balanced mixture of customers and orders.

**Procurement market risks:** An essential risk is the fluctuation of raw material prices which, in case of POLYTEC GROUP as a plastic component group, are caused mainly by the sustainable change of the oil price but also the refinery capacities. On the procurement side, this risk is counteracted mainly by long-term procurement agreements, and on the sales side, by material escalator clauses in disclosed calculations, if such can be concluded with the customer. In some cases, negotiations about raw materials and finished parts are dealt directly between our customers and the suppliers. Insofar as prices are agreed with customers on an annual basis only, the change of raw material prices is an important parameter in the discussions for the annual revision of such prices.

**Risk of financial reliability:** Due to its customer structure, i.e. 90% of the Group's sales are related to OEM or major systems suppliers, POLYTEC faces nearly no risk of financial reliability. Nevertheless, outstanding accounts receivables are critically and continuously controlled and the payment of receivables is ensured in accordance with the relating agreements.

**Financial risks:** The majority of POLYTEC's sales is invoiced in EUROS so that the group faces only limited risks in currency exchange. The procurement and the sales are largely in the same currency which determines a natural currency hedge function. POLYTEC counteracts any interest rate adjustments by a diversified portfolio of fixed and variable financing contracts. If necessary, some currency exchange risks and interest risks are secured by derivative products.

## 5. Earnings per Share

In accordance with IAS 33 (Earnings per Share) the basic earnings per share are derived by dividing the net income allocated to the ordinary shareholder (profit for the year after minority interests) by the weighted average of outstanding ordinary shares during the reporting period.

| IN TEUR | IN | 2006 | 2005 |
|---|---|---|---|
| Consolidated profit for the year after minority interest (Net income) | TEUR | 18,436.8 | 14,401.0 |
| Weighted average of the issued ordinary shares | shares | 21,367,956 | 19,329,585 |
| Average treasury stock | shares | 28,704 | 0 |
| Average number of shares outstanding | shares | 21,339,252 | 19,329,585 |
| Earnings per share | EUR/shares | 0.86 | 0.75 |

The diluted earnings per share comply with the undiluted earnings per share because no financial instruments with diluting effects are in place.

The Board of Directors of POLYTEC HOLDING AG will propose a dividend of EUR 0.25 per share for the financial year 2006.

## 6. Related Parties

Related parties as defined in IAS 24 are the following legal entities:

Huemer Holding GmbH, Marchtrenk
(no business contact)
PPI Plastic Products Innovation GmbH & Co KG, Ebensee
IMC Verwaltungsgesellschaft mbH, Hörsching

| POLYTEC IMMOBILIEN GMBH GROUP CONSISTING OF: |
|---|
| POLYTEC Immobilien GmbH, Marchtrenk |
| POLYTEC Immobilien Deutschland GmbH, Lohne, Germany |
| Polytec Estates Sweden AB, Ljungby, Sweden |
| Polytec Estates Belgium N.V., Schoten, Belgium |
| Polytec Inmuebles S.L., Zaragoza, Spain |
| Polytec Nieruchomòsc Polska Sp.z.o.o., Tomaszów Mazowiecki, Poland |

Long-term rental agreements exist with POLYTEC Immobilien GmbH Group regarding the following business realty of POLYTEC GROUP:

| | |
|---|---|
| 1. POLYTEC Holding AG | Group Headquarter (under construction) |
| 2. POLYTEC FOR Car Styling GmbH & Co KG | Plant Hörsching |
| 3. POLYTEC Elastoform GmbH & Co KG | Plant Marchtrenk |
| 4. Polytec Rentrop GmbH & Co KG | Plant Hodenhagen |
| 5. POLYTEC THELEN GmbH | Plant Bochum |
| 6. Polytec Thermoplast GmbH & Co KG | Plant Idstein |
| 7. Polytec Riesselmann GmbH & Co KG | Plant Lohne |
| 8. POLYTEC Interior GmbH | Plant Nordhalben und Ebersdorf |
| 9. Polytec AVO n.v. | Plant Schoten |
| 10. Polytec Composites Sweden AB | Plant Ljungby |
| 11. Polytec Interior Polska Sp.z.o.o. | Plant Tomaszów Mazowiecki |
| 12. Polytec Interior Zaragoza S.L. | Plant Zaragoza |

Rental expenses from the existing contracts amounted to approx. EUR 5.7 million during the financial year (previous year: EUR 4.9 million).

The tenancies are terminable by complying with a notice period of six months, however longer termination waiver periods were agreed upon in part. Tenancies existing because of a fixed termination period or because of longer termination waiver agreements, amounted to TEUR 12,874.2 as of December 31, 2006 (previous year: TEUR 15,843.2) and have the following maturities:

| IN TEUR | 31.12.2006 | 31.12.2005 |
|---|---|---|
| Within one year | 5,014.9 | 4,744.8 |
| Longer than one year and within five years | 7,859.3 | 11,098.4 |

POLYTEC GROUP has been granted purchase options for any and all realties. Furthermore, it has options to acquire 100% of the shares in the real estate companies themselves.

Long-term lease contracts exist with Polytec Estates Sweden AB relating to systems being used in the plant Ljungby. These contracts are classified as finance leases in the Consolidated Financial Statements. The lease payments amounted to TEUR 740.9 in the financial year (previous year: TEUR 726.9).

To loans were granted to Polytec Estates Sweden AB which are disclosed under Loans in Financial Assets. The loans bear interests common in the relating country and must be repaid by June 30, 3009 at the latest.

A service agreement exists with IMC Verwaltungs GmbH, Hörsching, relating to the provision of a Board Member for POLYTEC HOLDING AG, Hörsching.

PPI Plastics Products Innovation GmbH & Co KG acts as supplier of injection moulding products for POLYTEC GROUP.

## 7. Management Compensation

The fixed and variable compensations of the 7 (previous year: 8) active members of the management board holding a key position in the group, amounted to TEUR 2,308.7 in the financial year (previous year: TEUR 2.208,9). Further, the members of the management board are entitled to a company car and a company mobile phone. The company provides a contracted pension scheme for one executive who retired from the group.

In the financial year 2006, the recorded expenses for remunerations paid to the members of the Supervisory Board amounted to TEUR 59.8 (previous year: TEUR 0.0). The sums paid out amounted to TEUR 25.0 (previous year: TEUR 0.0).

No credits or payments on account to current or former members of the company's bodies exist. No former members of the company's bodies receive remunerations from the company or any of its associated companies.

Any variable parts of the compensation relating to the year 2006 which have not been paid yet, are disclosed under short-term provisions for personnel in the Balance Sheet.

## 8. Executive Bodies of POLYTEC HOLDING AG

**Members of the Board of Directors** during the financial year and at the time of preparation of the Consolidated Financial Statements were:

Mr. Friedrich Huemer, Wallern

Mr. Alfred Kollros, St. Valentin (since April 4, 2006)

Mr. Karl Heinz Solly, Leonding (since April 4, 2006)

Mr. Reinhard Urmann, Maxhütte-Haidhof, Germany (since April 4, 2006)

**Members of the Supervisory Board** during the financial year and at the time of preparation of the Consolidated Financial Statements were:

Mr. Gerhard Wildmoser, Linz
(Chairman, since April 28, 2006)

Mr. Fred Duswald, Wien
(Deputy Chairman, since April 28, 2006)

Mr. Robert Büchelhofer, Starnberg, Germany

Ms. Viktoria Kickinger, Vienna
(since April 28, 2006)

Mr. Andreas Szigmund, Linz
(since April 28, 2006)

Mr. Gerald Aichinger, Marchtrenk
(until April 28, 2006)

Mr. Yves Dudli, Zurich, Switzerland
(until June 12, 2006)

Ms. Ulrike Huemer, Wallern
(until April 28, 2006)

Mr. Alexander Krebs, Lenzburg, Switzerland
(until April 28, 2006)

Hörsching, March 9, 2007

**BOARD OF DIRECTORS**

Friedrich Huemer
Chairmen of the Management Board

Karl Heinz Solly
Deputy Chairman of the Management Board

Reinhard Urmann
Member of the Management Board

Alfred Kollros
Member of the Management Board

# CONSOLIDATED MOVEMENT OF FIXED ASSETS AS OF DECEMBER 31, 2006

| | COST OF ACQUISITION OR PRODUCTION | | |
|---|---|---|---|
| IN TEUR | BALANCE AS OF 1.1.2006 | TRANSLATION DIFFERENCES | ADDITIONS |
| **I. Intangible assets** | | | |
| 1. Research and development costs | 1,809.8 | 0.0 | 1,808.4 |
| 2. Rights | 6,087.8 | -18.2 | 630.3 |
| 3. Goodwill | 45,627.3 | 0.0 | 0.0 |
| | **53,524.9** | **-18.2** | **2,438.7** |
| **II. Tangible assets** | | | |
| 1. Land and buildings | 7,633.5 | -34.4 | 1,140.5 |
| 2. Technical equipment and machinery | 138,279.0 | 101.6 | 7,840.6 |
| 3. Other equipment, fixtures, fittings and equipment | 34,579.3 | -0.8 | 3,660.9 |
| 4. Advance payments made and assets under construction | 2,206.7 | 32.5 | 5,321.2 |
| | **182,698.5** | **98.9** | **17,963.2** |
| **III. Financial assets** | | | |
| 1. Investments in affiliated companies | 574.1 | 17.5 | 109.9 |
| 2. Investments in associated companies | 45.2 | 0.0 | 0.0 |
| 3. Other investments | 0.0 | 0.0 | 760.0 |
| 4. Loans | 3,033.3 | 0.0 | 500.0 |
| 5. Fixed asset securities | 1.6 | 0.0 | 0.0 |
| | **3,654.2** | **17.5** | **1,369.9** |
| | **239,877.6** | **98.2** | **21,771.8** |

# CONSOLIDATED MOVEMENT OF FIXED ASSETS AS OF DECEMBER 31, 2005

| | COST OF ACQUISITION OR PRODUCTION | | | |
|---|---|---|---|---|
| IN TEUR | BALANCE AS OF 1.1.2005 | ADDITIONS DUE TO INITIAL CONSOLIDATION | TRANSLATION DIFFERENCES | ADDITIONS |
| **I. Intangible assets** | | | | |
| 1. Research and development costs | 0.0 | 0.0 | 0.0 | 1,809.8 |
| 2. Rights | 5,709.2 | -3.7 | 28.7 | 577.5 |
| 3. Goodwill | 46,612.4 | 0.0 | 0.0 | 0.0 |
| | **52,321.6** | **-3.7** | **28.7** | **2,387.3** |
| **II. Tangible assets** | | | | |
| 1. Land and buildings | 11,521.1 | 14.8 | 452.9 | 728.1 |
| 2. Technical equipment and machinery | 135,210.9 | 532.8 | 701.0 | 10,247.6 |
| 3. Other equipment, fixtures, fittings and equipment | 30,615.3 | 1.4 | 411.0 | 5,447.5 |
| 4. Advance payments made and assets under construction | 4,428.8 | 0.0 | 39.9 | 2,201.4 |
| | **181,776.1** | **549.0** | **1,604.8** | **18,624.6** |
| **III. Finanzanlagen** | | | | |
| 1. Investments in affiliated companies | 592.7 | 0.0 | -18.6 | 0.0 |
| 2. Investments in associated companies | 45.2 | 0.0 | 0.0 | 0.0 |
| 3. Loans | 3,900.0 | 0.0 | 0.0 | 0.0 |
| 4. Fixed asset securities | 1.5 | 0.0 | 0.0 | 0.1 |
| | **4,539.4** | **0.0** | **-18.6** | **0.1** |
| | **238,637.1** | **545.3** | **1,614.9** | **21,012.0** |

| COST OF ACQUISITION OR PRODUCTION | | | | | | | |
|---|---|---|---|---|---|---|---|
| DISPOSALS | TRANSFERS | BALANCE AS OF 31.12.2006 | DEPRECIATION OF THE FISCAL YEAR | THEREOF EXTRA-ORDINARY | ACCUMULATED DEPRECIATION | NET BOOK VALUE 31.12.2006 | NET BOOK VALUE 31.12.2005 |
| | | | | | | | |
| 0.0 | 0.0 | 3,618.2 | 218.2 | 0.0 | 271.9 | 3,346.3 | 1,756.1 |
| 73.7 | 0.0 | 6,626.2 | 704.8 | 0.0 | 5,315.7 | 1,310.5 | 1,388.3 |
| 0.0 | 0.0 | 45,627.3 | 0.0 | 0.0 | 20,015.8 | 25,611.5 | 25,611.5 |
| **73.7** | **0.0** | **55,871.7** | **923.0** | **0.0** | **25,603.4** | **30,268.3** | **28,755.9** |
| | | | | | | | |
| 305.4 | 109.1 | 8,543.3 | 427.5 | 0.0 | 3,178.8 | 5,364.5 | 4,578.6 |
| 247.2 | 2,009.0 | 147,983.0 | 12,614.9 | 0.0 | 98,385.1 | 49,597.9 | 52,949.4 |
| 1,547.8 | -148.2 | 36,543.4 | 3,775.0 | 0.0 | 26,082.8 | 10,460.6 | 10,619.2 |
| 12.5 | -1,969.9 | 5,578.0 | 0.0 | 0.0 | 0.0 | 5,578.0 | 2,206.7 |
| **2,112.9** | **0.0** | **198,647.7** | **16,817.4** | **0.0** | **127,646.7** | **71,001.0** | **70,353.9** |
| | | | | | | | |
| 546.5 | 0.0 | 155.0 | 73.2 | 73.2 | 0.0 | 155.0 | 120.0 |
| 0.0 | 0.0 | 45.2 | 0.0 | 0.0 | 0.0 | 45.2 | 45.2 |
| 0.0 | 0.0 | 760.0 | 0.0 | 0.0 | 0.0 | 760.0 | 0.0 |
| 916.6 | 0.0 | 2,616.7 | 0.0 | 0.0 | 0.0 | 2,616.7 | 3,033.3 |
| 0.0 | 0.0 | 1.6 | 0.0 | 0.0 | 0.0 | 1.6 | 1.6 |
| **1,463.1** | **0.0** | **3,578.5** | **73.2** | **73.2** | **0.0** | **3,578.5** | **3,200.1** |
| **3,649.7** | **0.0** | **258,097.9** | **17,813.6** | **73.2** | **153,250.1** | **104,847.8** | **102,309.9** |

| COST OF ACQUISITION OR PRODUCTION | | | | | | | |
|---|---|---|---|---|---|---|---|
| DISPOSALS | TRANSFERS | BALANCE AS OF 31.12.2005 | DEPRECIATION OF THE FISCAL YEAR | THEREOF EXTRA-ORDINARY | ACCUMULATED DEPRECIATION | NET BOOK VALUE 31.12.2005 | NET BOOK VALUE 31.12.2004 |
| | | | | | | | |
| 0.0 | 0.0 | 1,809.8 | 53.7 | 0.0 | 53.7 | 1,756.1 | 0.0 |
| 223.9 | 0.0 | 6,087.8 | 619.0 | 0.0 | 4,699.5 | 1,388.3 | 1,380.0 |
| 985.1 | 0.0 | 45,627.3 | 0.0 | 0.0 | 20,015.8 | 25,611.5 | 25,611.5 |
| **1,209.0** | **0.0** | **53,524.9** | **672.7** | **0.0** | **24,769.0** | **28,755.9** | **26,991.5** |
| | | | | | | | |
| 5,158.4 | 75.0 | 7,633.5 | 410.6 | 0.0 | 3,054.9 | 4,578.6 | 8,278.8 |
| 12,258.8 | 3.845.5 | 138,279.0 | 11,899.4 | 0.0 | 85,329.6 | 52,949.4 | 49,737.6 |
| 1,986.9 | 91.0 | 34,579.3 | 3,920.9 | 0.0 | 23,960.1 | 10,619.2 | 9,144.7 |
| 451.9 | -4.011.5 | 2,206.7 | 0.0 | 0.0 | 0.0 | 2,206.7 | 4,428.8 |
| **19,856.0** | **0.0** | **182,698.5** | **16,230.9** | **0.0** | **112,344.6** | **70,353.9** | **71,589.9** |
| | | | | | | | |
| 0.0 | 0.0 | 574.1 | 215.0 | 215.0 | 454.1 | 120.0 | 341.7 |
| 0.0 | 0.0 | 45.2 | 0.0 | 0.0 | 0.0 | 45.2 | 45.2 |
| 866.7 | 0.0 | 3,033.3 | 0.0 | 0.0 | 0.0 | 3,033.3 | 3,900.0 |
| 0.0 | 0.0 | 1.6 | 0.0 | 0.0 | 0.0 | 1.6 | 1.5 |
| **866.7** | **0.0** | **3,654.2** | **215.0** | **215.0** | **454.1** | **3,200.1** | **4,288.4** |
| **21,931.7** | **0.0** | **239,877.6** | **17,118.6** | **215.0** | **137,567.7** | **102,309.9** | **102,869.8** |

# SEGMENT REPORTING BY BUSINESS

| IN TEUR | CAR STYLING 2006 | CAR STYLING 2005 | AUTOMOTIVE SYSTEMS 2006 | AUTOMOTIVE SYSTEMS 2005 | AUTOMOTIVE COMPOSITES 2006 | AUTOMOTIVE COMPOSITES 2005 |
|---|---|---|---|---|---|---|
| Net sales (not consolidated) | 74,780.4 | 76,060.1 | 453,400.8 | 419,146.0 | 61,963.7 | 61,821.9 |
| thereof: | | | | | | |
| Internal sales own division | 7,926.2 | 12,738.8 | 76,226.2 | 58,541.0 | 0.0 | 0.0 |
| Internal sales other divisions | 40.5 | 17.3 | 0.0 | 0.0 | 414.4 | 0.1 |
| **External sales** | **66,813.7** | **63,304.0** | **377,174.6** | **360,605.0** | **61,549.3** | **61,821.8** |
| EBITDA | 7,096.5 | 6,518.3 | 34,090.6 | 29,009.6 | 2,032.8 | 2,935.6 |
| Depreciation and amortisation | 1,810.2 | 2,298.3 | 13,026.4 | 11,926.4 | 2,226.0 | 2,056.5 |
| thereof extraordinary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings before interest and tax (EBIT) | 5,286.3 | 4,220.0 | 21,064.2 | 17,083.2 | -193.2 | 879.1 |
| Profit for the year after tax | 3,292.1 | 2,669.5 | 12,498.2 | 10,154.8 | -1,633.1 | -385.4 |
| Operating assets | 40,330.0 | 41,705.6 | 142,560.6 | 148,723.4 | 31,296.2 | 35,748.4 |
| Operating liabilities | 9,809.0 | 9,339.9 | 63,985.7 | 64,826.8 | 19,213.8 | 18,463.3 |
| Investments in tangible and intangible assets | 1,938.8 | 2,354.3 | 16,824.4 | 14,543.1 | 1,550.9 | 3,283.3 |
| Other non-cash revenues (+)/ expenses (-) | 5.3 | -420.9 | -964.2 | -5,405.0 | -32.6 | -203.1 |

# SEGMENT REPORTING BY REGIONS (LOCATION OF THE ASSETS)

| IN TEUR | AUSTRIA 2006 | AUSTRIA 2005 | GERMANY 2006 | GERMANY 2005 | GREAT BRITAIN 2006 | GREAT BRITAIN 2005 |
|---|---|---|---|---|---|---|
| External sales | 48,154.0 | 43,861.7 | 300,976.5 | 277,985.0 | 32,350.7 | 36,987.4 |
| Earnings before interest and tax (EBIT) | 32,738.5 | 35,237.4 | 131,628.2 | 132,422.2 | 15,981.3 | 18,186.6 |
| Profit for the year after tax | 10,539.9 | 13,418.3 | 67,230.1 | 56,826.1 | 4,539.0 | 8,427.7 |
| Operating assets | 1,562.9 | 2,328.9 | 12,970.1 | 12,956.1 | 887.4 | 438.0 |

# SEGMENT REPORTING BY REGIONS (LOCATION OF THE CLIENTS)

| IN TEUR | AUSTRIA 2006 | AUSTRIA 2005 | GERMANY 2006 | GERMANY 2005 | GREAT BRITAIN 2006 | GREAT BRITAIN 2005 |
|---|---|---|---|---|---|---|
| External sales | 54,741.2 | 49,805.0 | 266,075.0 | 246,592.9 | 26,551.3 | 34,484.0 |

| | INDUSTRIAL | | OTHERS/ CONSOLIDATION | | GROUP | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | 20,984.7 | 17,207.7 | 0.0 | 0.0 | 611,129.6 | 574,235.7 |
| | | | | | | |
| | 1,215.1 | 914.8 | 0.0 | 0.0 | 85,367.5 | 72,194.6 |
| | 96.2 | 18.7 | 0.0 | 0.0 | 551.1 | 36.1 |
| | **19,673.4** | **16,274.2** | **0.0** | **0.0** | **525,211.0** | **502,005.0** |
| | 4,423.0 | 3,300.2 | 371.4 | 162.1 | 48,014.3 | 41,925.8 |
| | 501.0 | 462.3 | 176.8 | 160.1 | 17,740.4 | 16,903.6 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | 3,922.0 | 2,837.9 | 194.6 | 2.0 | 30,273.9 | 25,022.2 |
| | 2,732.3 | 1,961.0 | 1,409.7 | 138.3 | 18,299.2 | 14,538.2 |
| | 14,220.8 | 13,046.8 | 477.1 | 703.4 | 228,884.7 | 239,927.6 |
| | 2,996.1 | 3,809.4 | 1,725.3 | 3,571.7 | 97,729.9 | 100,011.1 |
| | 827.6 | 598.8 | 130.1 | 232.5 | 21,271.8 | 21,012.0 |
| | -18.1 | -173.3 | -202.2 | 295.8 | -1,211.8 | -5,906.5 |

| | REST OF EUROPE | | NORTH AMERICA | | OTHERS/CONSOLIDATION | | GROUP | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | 118,929.1 | 117,532.1 | 7,998.1 | 10,544.5 | 16,802.6 | 15,094.3 | 525,211.0 | 502,005.0 |
| | 54,010.2 | 62,333.1 | 4,301.2 | 5,328.2 | -9,774.7 | -13,579.9 | 228,884.7 | 239,927.6 |
| | 27,216.8 | 32,151.5 | 1,666.5 | 3,725.0 | -13,462.4 | -14,537.5 | 97,729.9 | 100,011.1 |
| | 5,814.1 | 4,939.2 | 16.8 | 72.3 | 20.5 | 277.5 | 21,271.8 | 21,012.0 |

| | REST OF EUROPE | | NORTH AMERICA | | OTHERS | | GROUP | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | 137,249.4 | 131,125.2 | 9,318.5 | 12,277.5 | 31,275.6 | 27,720.4 | 525,211.0 | 502,005.0 |

# CHANGES IN PROVISIONS FOR SEVERANCE PAYMENTS, PENSIONS AND JUBILEE PAYMENTS IN THE FINANCIAL YEARS 2003 TO 2006

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

| | | | | |
|---|---|---|---|---|
| **Present Value of Pensions (DBO) as of January 1, 2006** | **6,588.2** | **5,634.6** | **708.6** | **680,2** |
| Reclassification | 0.0 | 0.0 | 4,651.2 | 0.0 |
| Service cost | 283.6 | 446.2 | 332.3 | 43.4 |
| Interest cost | 264.7 | 251.3 | 90.8 | 0.0 |
| Pensions payments | -169.1 | -157.0 | -148.3 | -15.0 |
| Realized actuarial profit/loss | 180.3 | 413.1 | 0.0 | 0.0 |
| **Present Value of Pensions (DBO) as of December 31, 2006** | **7,147.7** | **6,588.2** | **5,634.6** | **708.6** |
| Unrealized actuarial profit/loss | -619.1 | -413.2 | 0.0 | 0.0 |
| **Provisions for pensions as of December 31, 2006** | **6,528.6** | **6,175.0** | **5,634.6** | **708.6** |

| IN TEUR | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|
| Present Value of performance orientated obligations | 818.4 | 819.5 | 808.3 | 498.1 |
| Realized actuarial profit/loss | 0.0 | 0.0 | 0.0 | 0.0 |
| **Provisions for jubilee payments** | **818.4** | **819.5** | **808.3** | **498.1** |

# CONSOLIDATED CHART OF SHORT TERM PROVISIONS AS OF DECEMBER 31, 2006

| IN TEUR | BALANCE AS OF 1.1.2006 | CURRENCY TRANSLATION | RECLASSI-FICATION | RECLASSI-FICATION OF LONG-TERM PROVISIONS | UTILISATION | RELEASE | ADDITION | BALANCE AS OF 31.12.2006 |
|---|---|---|---|---|---|---|---|---|
| Provisions for vacation | 4,148.6 | 35.5 | -43.7 | 0.0 | 4,098.8 | 0.0 | 4,889.3 | 4,930.9 |
| Other short-term personal expenses | 4,121.9 | 4.4 | 79.6 | 0.0 | 3,040.0 | 105.6 | 4,256.4 | 5,316.7 |
| Provisions for anticipated losses and risks | 5,461.9 | 8.9 | 0.0 | 139.3 | 1,282.6 | 2,562.7 | 718.1 | 2,482.9 |
| Provisions | 7,989.0 | 3.8 | -35.9 | 0.0 | 3,209.6 | 1,465.0 | 5,307.4 | 8,589.7 |
| | **21,721.4** | **52.6** | **0.0** | **139.3** | **11,631.0** | **4,133.3** | **15,171.2** | **21,320.2** |

# SCHEDULE OF GROUP INVESTMENTS AS OF DECEMBER 31, 2006

| COMPANY | LOCATION | COUNTRY | PARENT COMPANY | DIRECT AND INDIRECT SHARE % | CONSO-LIDATION[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 | Lohne | GER | POLYTEC Holding AG | 100.0 | KV |
| Polytec Rentrop GmbH & Co KG | Hodenhagen | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| Polytec Thermoplast GmbH & Co KG | Idstein | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| Polytec Riesselmann GmbH & Co KG | Lohne | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| Polytec Automotive GmbH & Co KG | Lohne | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| Polytec Plastics Wolmirstedt GmbH & Co KG | Wolmirstedt | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| LLW Lohner Lackierwerk GmbH | Lohne | GER | Polytec Riesselmann GmbH & Co KG | 100.0 | KV |
| Polytec Deutschland Verwaltungs GmbH | Lohne | GER | Polytec Holding Deutschland GmbH | 100.0 | KO |
| Polytec Automotive Verwaltungs GmbH | Lohne | GER | Polytec Holding Deutschland GmbH | 100.0 | KO |
| Polytec Finance & Services GmbH & Co KG | Lohne | GER | Polytec Holding Deutschland GmbH | 100.0 | KO |
| POLYTEC Interior GmbH | Geretsried | GER | Polytec Holding Deutschland GmbH | 100.0 | KV |
| Polytec Interior UK Ltd. | Birmingham | GBR | Polytec Interior GmbH | 100.0 | KV |
| 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 | 60.0 | KV |
| **Automotive Composites Division:** | | | | | |
| 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 |
| PT Beteiligungs GmbH | Hörsching | AUT | POLYTEC Holding AG | 100.0 | KO |
| **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 company
KO = due to subordinated importance not consolidated company
KOE = due to subordinated importance no at equity valuation

# 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, 2006. These consolidated financial statements comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended December 31, 2006, 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 as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor‘s Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2006, and of its financial performance and its cash flows for the financial year from January 1, to December 31, 2006 in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on Other Legal and Regulatory Requirements**

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

Linz, March 9, 2007

**KPMG AUSTRIA GMBH**
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

| | |
|---|---|
| Helge Löffler | Ernst Pichler |
| Austrian chartered accountant | Austrian chartered accountant |

*) Independent auditor‘s report

# GLOSSARY

**ATX PRIME**

The ATX prime index consists of all companies listed in the prime market segment. In the prime market segment equities are included, that are allowed to the official- or semi-official market and correspond to further special requirements. Per March 2007 the index consists of 50 equities.

**BODY KIT**

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

**CAPITAL EMPLOYED**

Equity plus interest bearing liabilities minus cash and financial assets.

**DUE DILIGENCE**

Due diligence means the definitive detailed examination, verification and assessment of a company in which an investment may potentially be made as the basis for the investment decision.

**EPSILON PLATFORM**

The Epsilon platform represents the next generation of GM's mid size models of Opel, Vauxhall, Saab and others. The most well known models are the new Opel Vectra and the second generation of the Saab 9.

**EX DIVIDEND DAY**

People who own no shares until the ex dividend date do not receive the dividend. The price of the stocks is often adjusted downward before the start of trading on the ex dividend date because to compensate for this.

**HIGH SOLID PAINT**

A high solid paint has a portion of solid of up to 80%. The portion of solvent is in the range of 10% to 20%.

**IN MOULD GRAINING**

Is a covering process in which an ungrained Thermoplastic Polyolefin (TPO) foam foil is wrapped onto a carrier and grained in a single process stage.

**IPO**

Initial Public Offering. The first offering by a company not previously traded on a stock exchange; frequently called "new issue" or "going public".

**OEM**

Abbreviation for "Original Equipment Manufacturer".

**ONE-ON-ONE**

Conversation between the management and the investor.

**POLYURETHANE**

Polyurethane ist a foam plastic, made in a chemical reaction.

**RETURN ON CAPITAL EMPLOYED (ROCE)**

Ratio of operating profit (earnings before interest and tax) to capital employed, expressed as a percentage.

**GROSS MARGIN**

Gross income divided by net sales, expressed as a percentage. Gross margins reveal how much a company earns taking into consideration the costs that it incurs for producing its products and/or services.

**TIER 2 SUPPLIER**

Not directly delivered to the OEM.

**VISCOSITY**

A measure of a fluid's resistance to flow; can be thought of as a measure of fluid friction.

**IMPRINT**

*Editor: POLYTEC HOLDING AG*
*Headquarters: Linzer Strasse 5*
*A-4063 Hörsching, AUSTRIA*
*Phone: +43-7221-701-0*
*Fax: +43-7221-701-35*
*office@polytec-group.com*
*www.polytec-group.com*

*Conception:*
*BCA Mensalia*
*Design: Rosebud Inc.*
*Photo: Klaus Vyhnalek,*
*POLYTEC GROUP*