Polytec

ANNUAL REPORT 2010

PLUS:
MATERIAL EMOTIONS
Parts from POLYTEC that get things moving.

Turnaround Achieved

Page 4

All signs point to growth again. A stronger POLYTEC emerges from the crisis.

Strength through Competence

Page 24

A leader in innovation, technology and quality, POLYTEC sets new future-proof standards.

Up and Away

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The POLYTEC share rose by 110% in 2010.

POLYTEC GROUP

Key figures POLYTEC GROUP

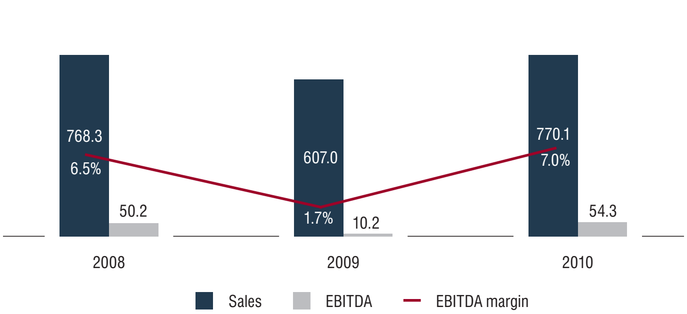
Income figures	Unit	2010	2009	2008 comparable[1)]
Sales	EUR million	770.1	607.0	768.3
EBITDA	EUR million	54.3	10.2	50.2
EBIT before restructuring costs	EUR million	27.2	-22.4	13.9
EBIT after restructuring costs	EUR million	27.2	-30.2	13.9
Net profit from continued operations	EUR million	25.6	-51.4	9.8
Earnings per share	EUR	1.12	-2.33	0.42
EBITDA margin	%	7.0	1.7	6.5
EBIT margin	%	3.5	-5.0	1.8
Net profit margin	%	3.3	-8.5	1.3

Balance sheet figures	Unit	2010	2009	2008
Non-current asset ratio	%	37.5	39.3	51.5
Equity ratio	%	28.3	18.5	15.2
Balance sheet total	EUR million	308.5	332.1	1,020.8
Net working capital	EUR million	16.5	26.0	17.9
Net working capital in % of sales	%	2.1	4.3	4.4
Average capital employeed	EUR million	136.6	n/a	n/a
ROCE before tax	%	19.9	n/a	n/a
Net financial debt	EUR million	26.7	69.9	346.4
Net financial debt to EBITDA	–	0.5	6.9	5.3
Gearing	–	0.31	1.14	2.24

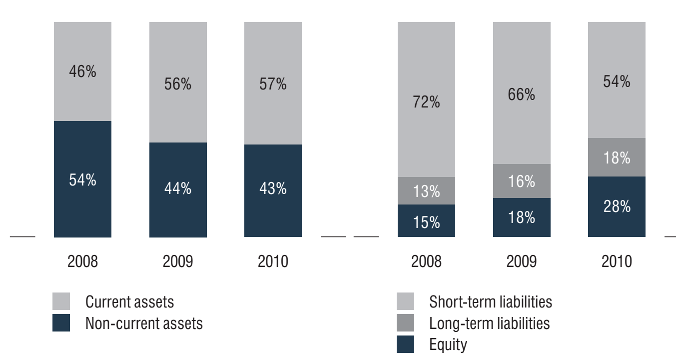
Share figures	Unit	2010	2009	2008
Highest price	EUR	5.27	2.98	11.30
Lowest price	EUR	2.20	1.01	2.30
Average price	EUR	3.29	2.22	8.21
Price as of Dec. 31	EUR	4.58	2.11	2.30
Earnings per share	EUR	1.12	-2.33	0.08
Average daily trading volume	Number of shares	60,879	91,315	87,836
Stock exchange turnover	EUR million	55.7	50.8	197.4
Market capitalization	EUR million	102.3	47.1	51.4
Dividend per share	EUR	–	–	–

1) For better comparison, the values have been adjusted for the PEGUFORM GROUP, which has since been disposed of.

Development of sales and EBITDA (in EUR million/%)



Balance sheet structure of POLYTEC GROUP (in %)



POLYTEC GROUP overview

Automotive/Systems Division	Unit	2010	2009	2008 comparable[1]
Sales	EUR million	675.8	525.9	670.3
Share of Group sales	%	87.8	86.6	87.3
EBITDA	EUR million	43.5	1.9	36.2
EBIT before restructuring costs	EUR million	19.1	-27.6	3.1
EBIT after restructuring costs	EUR million	19.1	-31.5	3.1
EBITDA margin	%	6.4	0.4	5.4
EBIT margin	%	2.8	-6.0	0.5
Divisional focus		Injection molding and natural fibre based products/Composite parts		
Customer base		High portion of premium customers/commercial vehicles		

Car Styling Division	Unit	2010	2009	2008
Sales	EUR million	75.8	64.3	77.7
Share of Group sales	%	9.8	10.6	10.1
EBITDA	EUR million	7.0	5.1	8.9
EBIT	EUR million	5.4	3.1	6.8
EBITDA margin	%	9.3	7.9	11.4
EBIT margin	%	7.2	4.8	8.7
Divisional focus		Genuine accessories and special series for OEM, mainly parts made in plastic		
Customer base		Wide customer base		

Employees	2010	2009	2008 comparable[1]
Automotive/Systems Division	5,066	4,775	5,742
Car Styling Division	662	610	647
Other business segments and consolidation	153	140	150
Total Group	**5,881**	**5,525**	**6,539**

[1] For better comparison, the values have been adjusted for the PEGUFORM GROUP, which has since been disposed of.


Whatever the automotive future may hold,
we will contribute our part.

The turnaround has been achieved

Sharp increases in sales and a substantial improvement in earnings confirmed our course of action in 2010. While sales growth is mainly attributable to a pick up in demand, the increase in earnings has, to a large extent, been driven by the successful implementation of restructuring measures. In the year under review, we were not only able to significantly reduce personnel costs but also to optimize our in-house processes on the basis of a wide range of minor improvements. At the same time, the company's financing was put back on a solid footing.

Thus, POLYTEC is well equipped for a successful future. Further growth in the composites and car styling areas, as well as the successful entry into the non-automotive business in 2010, will pave the way for POLYTEC's future success. As in the past, we are devoting concerted efforts to enhancing shareholder value for our customers, our employees and our shareholders over the long term.

Yours sincerely,
Friedrich Huemer

quick*info*

- Significant increase in sales and earnings
- Market demand clearly picks up in 2010
- POLYTEC share shows strong outperformance
- Restructuring successfully finalized
- Solid balance sheet structure provides scope for expansion
- Internationalization and non-automotive activities
- Optimistic outlook for 2011

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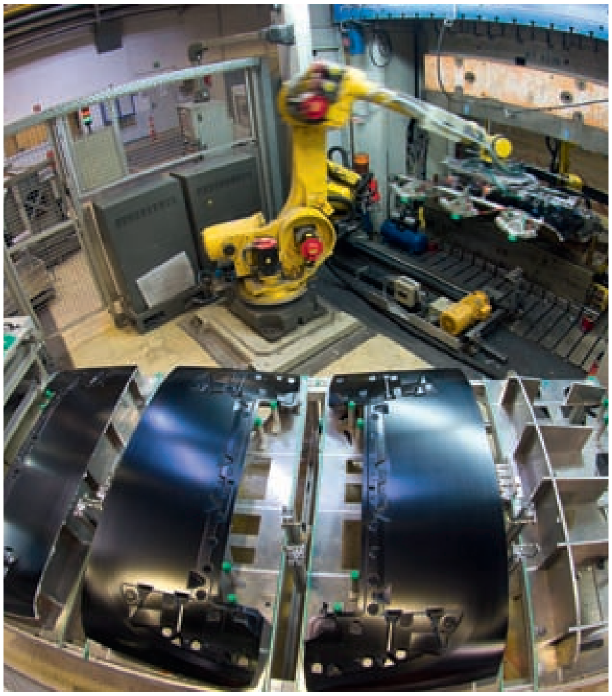
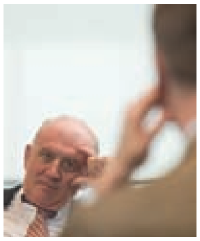


4 Cover: "... we want to add further chapters to the POLYTEC success story..."

The Board of Directors in an interview on the successful management of the crisis and the bright future that lies ahead for the POLYTEC GROUP.



“... The decisions taken during the crisis were the right ones ...“

“The confidence paid off. We have achieved the turnaround and are entering the next round.“

A conversation with the members of the POLYTEC Holding AG Board of Directors, Friedrich Huemer, Alfred Kollros and Peter Haidenek

Mr. Huemer, during the year you revised your sales guidance for 2010 by EUR 70 million, expecting sales to pick up by another 10%. Were you too cautious at the beginning of the year or has the market recovered so quickly?

Huemer: Fortunately, after the turbulence of the 2008 and 2009 business years, 2010 provided some positive surprises. The market picked up far more rapidly than initially anticipated. The first half of the year was still clearly dominated by the economic crisis, however, starting from the second quarter of 2010 first signs of a recovery appeared and from the third quarter onwards the upward trend gathered momentum. This resulted in a very satisfactory increase in sales, especially in the commercial vehicle segment, where we are very active and where we were particularly hard hit in 2009.

I would like to point out that this growth in sales is mainly attributable to market conditions and was not the result of our efforts. The orders on which this increase is based were placed between 2004 and 2007 and customers simply commissioned increasingly large volumes.

You not only increased your sales by 30% to EUR 770 million but also considerably improved Group EBITDA to EUR 54 million.

Huemer: In terms of results we have definitely accomplished a great deal. The drop in sales as a result of the crisis compelled us to adopt structural measures in 2009. Instead of resorting to plant closures or large-scale redundancies we decided instead to make extensive use of short-term working schemes. These measures had a positive effect on the business, while at the same time demonstrating that we had made the right decisions. We were able to preserve our plant capacity and remain in good shape to ride the growth curve back up and profit from the recovery especially in the composites area, which felt the positive effects of the improved situation in the heavy goods vehicle segment.

Kollros: In 2010, we basically experienced an effect that was diametrically opposed to the one we had seen in 2009. We were unable to substantially reduce our fixed costs despite declining sales, which had a detrimental effect on our business in the previous year. In 2010, however, the fixed cost degression resulting from rising sales led to significant improvements in our results.

Haidenek: Furthermore, the many minor improvements put in place by Mr. Kollros and his operations team in 2009 also played a key role. I’m really impressed by what has been accomplished so far in this area. As a result and on the basis of the market recovery in 2010 this led to the mentioned fivefold increase of the operating profit.

This means that the significant improvement in results is mainly attributable to the company’s restructuring program along with market growth. Were there other improvements on the cost side that are worth mentioning?

Huemer: We have achieved a significant improvement in our performance. In particular, we were able to reduce our personnel costs in relation to sales compared to 2009 and, in some business areas, also compared to the pre-crisis level. Parallel to that, we also achieved cost reductions by optimizing our operating processes, but also through other measures as well. Thus, the continuation of the restructuring measures started in 2009 certainly made a decisive contribution to the favorable development of results in 2010.

Kollros: At the same time, we also succeeded in enhancing our service quality both in terms of delivery reliability and product quality. This, of course, was particularly appreciated by our customers. What helped us most though was the ability to defend our core team despite the inevitable personnel cuts. As a result, we were able to immediately respond and reap the benefits of the pick-up in demand. Not only did we have the necessary capacity, we did not need to hire new personnel that had to be trained, but were able to capitalize on the experience of our existing employees straight away.

So, would you say that short-term working schemes were in fact very positive for your business?

Kollros: On the whole, we reacted very flexibly to the ever-changing market conditions. The measures


Friedrich Huemer


Peter Haidenek


Alfred Kollros

adopted varied from country to country depending on local legal and operating conditions. In Austria, for instance, we had to resort to personnel downsizing measures as short-time employment schemes were not a suitable solution. However, we were able to retain our employees on the basis of special contracts that allowed temporary lay-offs.

In Germany, short-term working schemes played an important role, especially given our reduced financial capabilities as a consequence of the restructuring program. In the German composites plants, roughly 1,000 full-time equivalents were to be made redundant. This would have resulted in a downsizing program worth a double-digit amount in millions of euros that we could never have afforded. Therefore, short-term working schemes were an ideal solution in this area and paid off in the long run, as we would never have been able to build up this team again in such a short time.

Huemer: Indirectly, we even benefited from the difficult situation, as we considerably enhanced both our efficiency and the quality of our core team. In 2010, we succeeded in doubling sales at one plant without increasing headcount. This situation reminds me of 2007, when we acquired Menzolith-Fibron but were not able to reduce headcount as originally planned due to overall unsatisfactory performance because of the high level of capacity utilization. The crisis helped us streamline operations and most of all further enhance efficiency.

I would like to stress the fact that German policy-makers, who do not usually support flexible employment schemes, responded superbly to the crisis. These extremely flexible working schemes allowed us to save severance payment costs and smoothly restore capacities. Only a few of our rivals were able to react to the crisis as successfully as we did, especially in the commercial vehicle industry, and the excellent feedback we have received from our customers confirms this success. In the meantime, we have been able to terminate these short-term working schemes with the exception of a few units at one plant.

Can you provide us with more details about the company's sales development? Did all the segments supplied by POLYTEC contribute to this increase? After all, the commercial vehicle sector showed significant growth in 2010. Or has the focus been shifted?

Kollros: As Mr. Huemer said earlier, the trend in the heavy goods vehicle (HGV) segment was considerably stronger than in the car segment. This mainly affects our composites business, where we have →

registered the strongest growth rates: in the HGV segment sales increased by 57%, while the car segment recorded a plus of 23%.

We were not very satisfied with the development of the interior parts business. In this area, two plants are currently struggling with operating difficulties, and this had a negative impact on results in the year under review. For the full year 2010, we even had to report a slight loss.

You have talked about these two problem plants in the past – have you since been able to achieve a turnaround?
Kollros: Specifically, we are talking about our Spanish plant in Zaragoza. Following the restructuring of our product and technology portfolio in combination with higher requirements for the assembly and logistics processes, we encountered considerable start-up and organizational difficulties. However, after massive losses over the past two years, we were able to achieve the first positive results in the first two months of 2011. Quality enhancements combined with a reduction of rejects and efficiency improvements resulted in a headcount downsizing of 240 to 140 employees accompanied by a simultaneous increase in production output. So it's definitely fair to talk about a turnaround here.

The second problem plant is Waldbröl, where we started parallel production of several complex products and obviously underestimated the difficulties this would entail. We have to remember, however, that this plant was acquired in 2007 following two insolvencies and the difficulties we are currently encountering are the aftermath of the restructuring program. In recent months, considerable improvements have been achieved. Results still show a slight downward trend after the massive losses of the past two years. However, we are confident that we will be able to achieve a turnaround this year by taking additional measures.

In 2009, two plants were shut down and, at the end of 2010, one was sold, namely POLYTEC Composites Italia (PCI). What does your future plant strategy look like? Are additional closures planned going forward?
Huemer: Currently, capacity utilization at almost all plants is good to very good. However, in our interior parts business we expect sales to fall over the medium term. In the case of our current most important project, the BMW 3 series, we are producing the interior door trim for the latest best-selling touring and sedan models. The follow-up orders for these high-volume components were placed in summer 2009 and, due to our financial problems at the time, the contracts were awarded to our competitors. However, we were able to win the contract for the derivatives, which will help diminish the impact of lower sales. However, this reduction in sales will require personnel downsizing measures and considerable changes in operations.

Will this development have a negative impact on results?
Haidenek: We do not expect a negative impact on results as we have already adopted appropriate countermeasures. Furthermore, the plants in Zaragoza and Waldbröl are expected to deliver positive results starting from 2011 and for the subsequent years after three years of losses. Based on today's business planning, we anticipate an improvement in results for the entire interior parts business going forward.

Could you now articulate your medium-term strategy to meet customer demand for a more global orientation, for instance, towards BRIC countries? Do you plan further international expansion steps?

Huemer: We are currently evaluating this opportunity. We are the uncontested market leader in the car styling and composites business in Europe, but we have also started supplying the Chinese and US markets. With regard to plastic engine components, we are the top supplier in Europe – and our customers would like us to expand with them in the global arena. We already supply components beyond European borders and are working with partners in India, Mexico and China.

Now that we have managed to gain some financial breathing space again, we will proactively address the issue of globalization – be it in the form of joint ventures or the acquisition of smaller companies. Our partners know that we are interested in further expansion and we are pursuing ambitious goals for 2011 to adjust our capacities to rising customer needs. We certainly won't get bored, but we are not planning to build new plants.

You reduced net debt from EUR 70 million to EUR 27 million year-on-year and fully repaid the financial funds borrowed in 2009 for the restructuring program. Mr. Huemer's shares, which were pledged as a security, are therefore freely available again – how do you feel about this, Mr. Huemer?

Huemer: My emotions are more influenced by figures than the availability of shares which I did not intend to sell anyway. There is an unwritten rule in corporate finance: Decision-making power within a company lies with those who control the liabilities side of the balance sheet. And over the past two years this control function has been performed by the lending bank rather than the shareholders. That was the reason why I felt that my decision-making powers as a board member were considerably curtailed.

The situation has now changed and the repayment of the restructuring loan, which has always been my major objective, has played an important role in this regard. Our decisions will have a stronger strategic orientation going forward and we can now pursue our successful vision of achieving growth through acquisitions both geographically and on the customer side.

Kollros: The personal involvement of the company's core shareholder throughout the crisis, who left no stone unturned in his efforts to avoid insolvency, was crucial for the survival of POLYTEC. Without his commitment, the restructuring would not have succeeded. One should not forget that in order to safeguard POLYTEC's future, Mr. Huemer pledged his shareholding as a security for the borrowed funds without receiving anything in return. This is why he of course devoted all his efforts to redeeming his shares, while at the same time upholding the interests of all shareholders.

Is the financial situation of POLYTEC solid again? Recently you were still very dependent on your lending bank?

Haidenek: All in all, we're now back on a solid financial footing. This is guaranteed by our increased internal financing capacity as well as the new terms and conditions recently agreed with our lending bank, which secure the financing of the Group for the next 15 months. Furthermore, it is our goal to have sufficient cash reserves to be able to at least finance small and medium acquisitions without having to negotiate with our main lending bank. There are many cases of insolvency in the industry at present and when we consider new acquisition opportunities, it would be an advantage if we were able to submit take-over bids that could be financed from our cash reserves. From today's perspective, we are willing and able to submit short-term take-over bids without prior consultation with our lending bank. →

How will the market develop in 2011? Experts are still in disagreement. As it looks today, you expect the sales trend at POLYTEC to remain stable and flat, even though the overall market is expected to grow.

Huemer: The most important thing for us is the development of those car models for which we have contracts and the development of our customers. The development of the market as a whole is therefore only indirectly important for us. All in all, we expect a slight increase, which however will mainly concern Asia and the BRIC countries, rather than Europe. This increase will also affect vehicles that are produced in Europe and exported into the Asian and BRIC markets. Thus, the overall picture is quite positive.

In light of the special situation in the interior parts business that was referred to earlier, we do not expect considerable organic sales growth in the automotive segment over the next two to three years. Nevertheless, we do expect specific successes in the non-automotive business area, which has increasingly shifted into the focus of our attention as a result of the recent crisis. Both in the composites and injection molding businesses, we have gained first contracts with annual sales volumes in the double-digit million range. We are, therefore, ideally positioned to open up new business areas for POLYTEC going forward.

Kollros: The economic development for the 2012–2014 business years is difficult to predict. 2011 should however be better than previously expected. We have already exceeded our budget targets in the first quarter of the year, and, from today's perspective, will have to revise our guidance upwards – however, we are currently unable to say by how much.

In the course of 2010 you penetrated the non-automotive business much more strongly. How does this fit into your overall product landscape and how do you assess your chances on this market given that up until now you have been clearly positioned as an automotive supplier?

Kollros: In the past we mainly concentrated on the automotive business for capacity reasons and also because this was standard practice in the automotive supply industry. In 2008, we even shut down our Slovakian non-automotive plant. During the crisis, however, we were obliged to expand the scope of our activities beyond the automotive spectrum in order to fully exploit our capacities, our know-how and market position. At the same time, we also started to intensify business relationships from our past. Originally, POLYTEC was mainly positioned in the non-automotive area.

Haidenek: Renewable energies, especially solar power, and consumer electronics are currently taking center stage. As Mr. Huemer said earlier, we have been able to win important contracts in these fields, where our extensive experience in the automotive business in terms of quality, expertise and logistics is advantageous. Traffic control systems are another area of application, where we play an important role as a long-standing partner. In the non-automotive business, we can also profit from our ability to replace metal with plastic components.

Keyword POLYTEC shares: the trust of your shareholders, who had very little to be happy about in 2009, has recently been rewarded. POLYTEC clearly outperformed the market in 2010.

Haidenek: We have clearly returned to the profit zone, outperforming our profit forecasts for 2010 including our earnings per share target. Thus, the trust of our shareholders has definitely been rewarded. Based on the full-year results for 2010 and the outlook for 2011, we can offer our current and future shareholders an attractive package. As shown by shareholder feedback, we have also considerably increased our goodwill. Analysts and investment houses have again started to carry out research coverage of POLYTEC: M.M.Warburg & CO has just published a first analysis, forecasting a share price potential of up to EUR 8. We hope that other houses will soon follow suit.

Huemer: It is both reassuring and gratifying that there are shareholders out there, who still believe in our company. Those who joined at a low share price have benefited a great deal. Those who acquired our shares at a high price have made a loss but I assure them that we will try our best to make up for it.

Are any changes in the shareholder structure or any capital measures planned to finance potential expansion steps?

Huemer: We are certainly thinking about it – especially in connection with the future of those shares that are currently indirectly held by Raiffeisenlandesbank Oberösterreich. The bank is considering bringing these shares onto the market. And this could happen in combination with a capital measure.

Thank you for the interview.


"There are specific successes in the non-automotive business area, which has increasingly shifted into the focus of our attention as a result of the recent crisis."

2010 for speed re

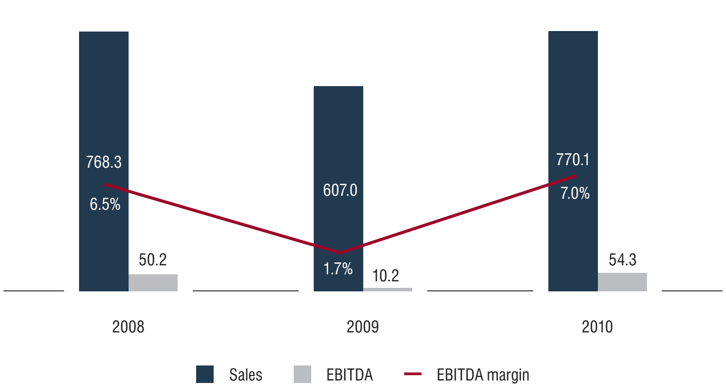
Year of the turnaround

Significantly higher sales, clear positive results

After considerable declines in demand and sales volumes, as well as several insolvencies among automotive components suppliers as a result of the global financial and economic crisis, the automotive sector regained momentum in the year under review, closing the 2010 business year better than originally expected. Against the backdrop of a macro-economic recovery, sales volumes worldwide resumed an upward trend in 2010, with the BRIC countries (Brazil, Russia, India and China) in particular recording substantial growth in sales. In China alone, a total of 11.3 million vehicles were sold in 2010, an increase in sales of 34% compared to the previous year and almost twice the level in 2008. The US automotive industry also showed clear signs of recovery in 2010 after the drastic slumps of the previous year.

The POLYTEC GROUP also recorded a significant increase of 26.9% or EUR 163.1 million to EUR 770.1 million, based on the worldwide recovery of the automotive industry in the year under review. Group results outstripped the increase in sales, with Group EBITDA improving more than fivefold to EUR 54.3 million per year-end 2010 and the EBITDA margin totaling 7.0%. All in all, both the rapid recovery of the automotive industry, which clearly exceeded the management's expectations at the beginning of 2010, and the Group-wide implementation of operating measures resulted in net profit of EUR 25.6 million. This corresponds to earnings per share of EUR 1.12.

Development of sales and EBITDA (in EUR million/%)



Group key earnings figures	Unit	2010	2009	2008 comparable
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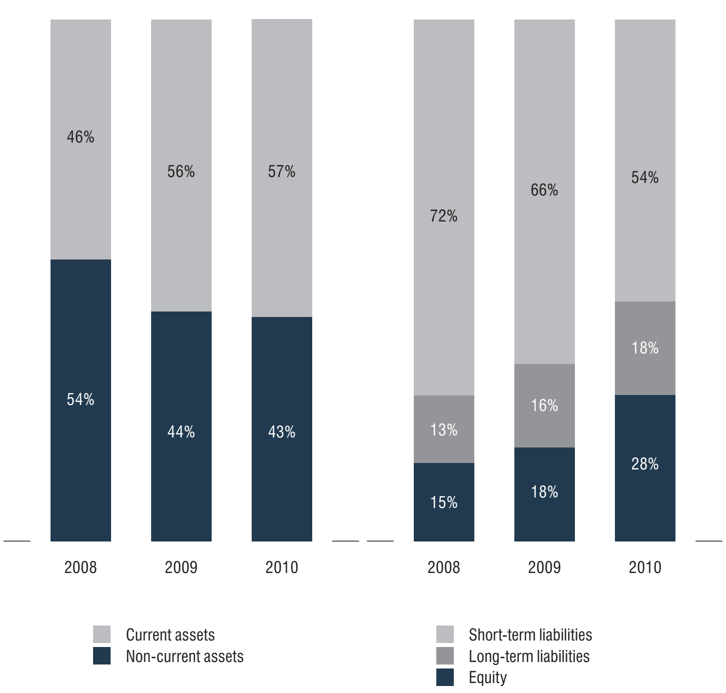
Net profit margin	%	3.3	-8.5	1.3
Earnings per share	EUR	1.12	-2.33	0.42
Average capital employed	EUR million	136.6	n/a	n/a
ROCE before tax	%	19.9	n/a	n/a

Balance sheet structure of POLYTEC GROUP (in %)



aders

The equity ratio improved in the year under review totaling 28.3% at year-end 2010. This positive performance is mainly attributable to the improvement of results, with net profit amounting to EUR 25.6 million, and to the reduction of the balance sheet total to EUR 308.5 million. A solid balance sheet structure is one of the key evaluation criteria used by customers for selecting suppliers and placing orders.

Group key balance sheet figures	Unit	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Non-current asset ratio (non current assets/balance sheet total)	%	37.5	39.3	51.5
Equity ratio (equity/balance sheet total)	%	28.3	18.5	15.2
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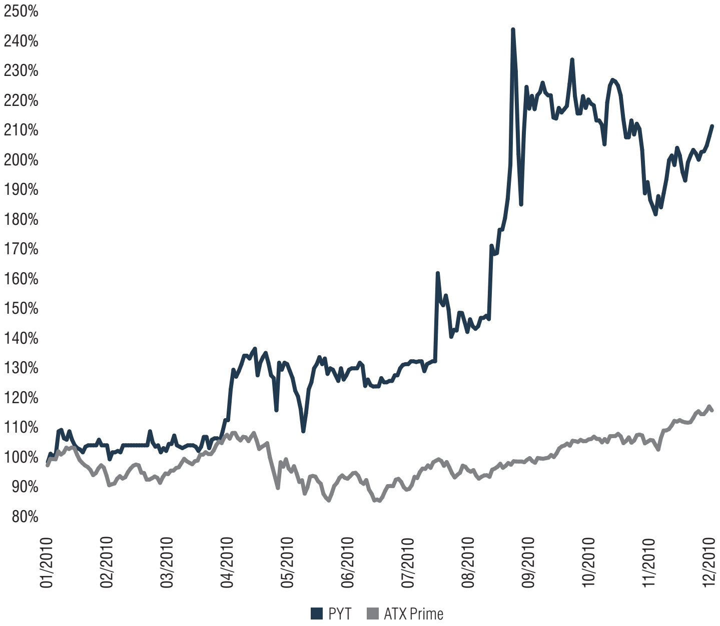
POLYTEC share – price development 2010



Source: Vienna Stock Exchange; price data as of January 4, 2010

POLYTEC stocks shoots upwards

After a sluggish opening to the 2010 trading year, POLYTEC's share price showed an extremely favorable development especially in the second half of the year, closing at EUR 4.58 as of December 31, 2010, an impressive year-on-year rise of 110%. The company's share price thus considerably outperformed the ATX Prime, which registered an increase of 17% over the same period. Thanks to the strong share price recovery, the Group's market capitalization rose to EUR 102 million. However, despite this strong recovery, the company's closing price at year-end 2010 was still 41% below the issue price in 2006.

Positive outlook for 2011

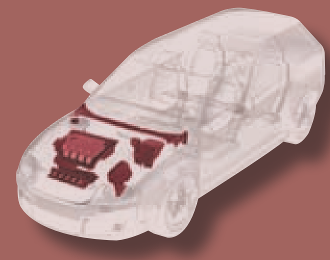
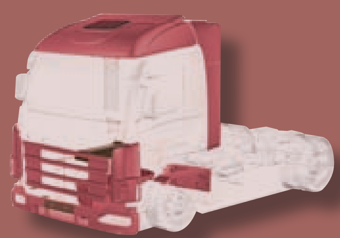
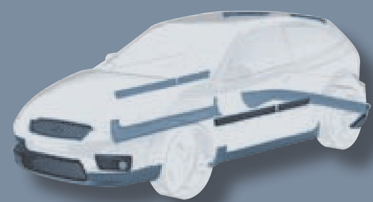
For the full-year 2011, POLYTEC management expects slight organic growth in sales despite the divestment of the Italian subsidiary POLYTEC Composites Italia S.r.l. at year-end 2010, which had contributed around EUR 30 million to Group sales in the previous year. It is anticipated that the Group operating result will show a disproportionate increase compared to sales. This will be mainly attributable to the consistent implementation of operating structural measures and the resulting improvement in productivity as well as to cost reductions and an overall positive economic outlook.

quick*info*

- Significant increase in sales and earnings
- Market demand clearly picks up in 2010
- POLYTEC share shows strong outperformance
- Restructuring successfully finalized
- Solid balance sheet structure provides scope for expansion
- Internationalization and non-automotive activities
- Optimistic outlook for 2011

POLYTEC FOR SPEED READERS

Well positioned with two div

	Competence area	
AUTOMOTIVE/ SYSTEMS DIVISION	components	
	interior	
	composites	
CAR STYLING DIVISION	car styling	

isions and four competence areas

Products	Examples	Market position	Main customers
Injection-molded parts for engine compartments/large series – Car engine compartment parts – Injection molded parts	– Air vents – Cylinder head covers – Oil pans – Engine compartment covers – Pillar trims – Window frames – Glove compartments – Trunk parts	– One of the leading manufacturers	
Interior parts mainly for cars/large series – Car interior parts – Car trunk parts	– Door trim panels – Headliners – Trunk lining – Trunk beds	– High level of expertise in processing modules and systems made of fiber-reinforced plastics	– Volkswagen Group (all Group models) – BMW – Daimler Truck – Mercedes Car – MAN – Scania
Fiber-reinforced plastic components mainly for commercial vehicles/large series – HGV exterior parts – HGV engine compartment parts – HGV functional parts – Car exterior parts – Car function parts – Tractor exteriors	– Cab roofs – Hoods – Bumpers – Front grills – Mudguards/fenders – Underbody covers – Trunk lids – Spoilers – Valve covers – Oil pans	– Largest supplier of SMC exterior parts for the commercial vehicle industry in Europe – High real net output ratio due to production of SMC within the Group	
Genuine accessories/ low volume parts – Exterior parts – Off-road parts – Metal parts – Motorbike exterior parts	– Side sills – Spoilers – Front guards – Light guards – Running boards – Front/rear bumpers – Chromed mounting parts – Skid plates – Entrance sills	– Leading manufacturer of original equipment and small series components and systems for the European market – High real net output ratio	– Ford – Volvo – Aston Martin

29 sites throughout the world

POLAND

POLYTEC Interior Polska
Tomaszow

SLOVAKIA

POLYTEC Composites Slovakia
Sladkovicovo

CZECH REPUBLIC

POLYTEC Composites Bohemia
Chodová Planá

TURKEY

POLYTEC Plastik
Aksaray

SPAIN

POLYTEC Interior Zaragoza
Zaragoza

GREAT BRITAIN

POLYTEC Holden
Bromyard

BELGIUM

POLYTEC Avo
Antwerp

SOUTH AFRICA

POLYTEC Interior
Rosslyn

CANADA/USA

POLYTEC Foha
Markham Ontario/Toronto/Canada

Warren/Detroit/USA

AUSTRIA

POLYTEC HEADQUARTERS
POLYTEC for Car Styling
Linz-Hörsching

POLYTEC EMC Engineering
POLYTEC Elastoform
Linz-Marchtrenk

GERMANY

POLYTEC Intex
Waldbröl

POLYTEC Interior Germany
Nordhalben

POLYTEC Thermoplast
Idstein

POLYTEC Industrielackierungen
Rastatt

POLYTEC Compounds
Gochsheim

POLYTEC Interior Germany
Ebersdorf

POLYTEC Interior Germany
Wackersdorf

POLYTEC Automotive
POLYTEC Interior Germany
Geretsried

POLYTEC Riesselmann
Lohne
Hodenhagen
Wolmirstedt

POLYTEC Composites Germany
Voerde
Cornberg
Gochsheim

POLYTEC Composites Weiden
Weiden

POLYTEC Thelen
Bochum

fact*box*

- POLYTEC share finishes the year 2010 as top performer with +110%
- Earnings per share of EUR 1.12 confirm the management initiatives
- Increased capital market activities to restore confidence

On new paths to the future

CAR STYLING

Within the framework of its clear strategic focus, the Car Styling Division of the POLYTEC GROUP is constantly working on developing new customer segments and business opportunities through active business development initiatives. In close consultation with the development teams, the Division always seeks new areas of application for innovative products. As a result, a number of parts accessories for OEMs based on innovative LED light technologies were successfully launched on the market. The use of innovative technologies for new applications by the Car Styling Division generates synergy effects across the entire POLYTEC GROUP and should in future attract customers in new industries, such as the commercial vehicle industry.

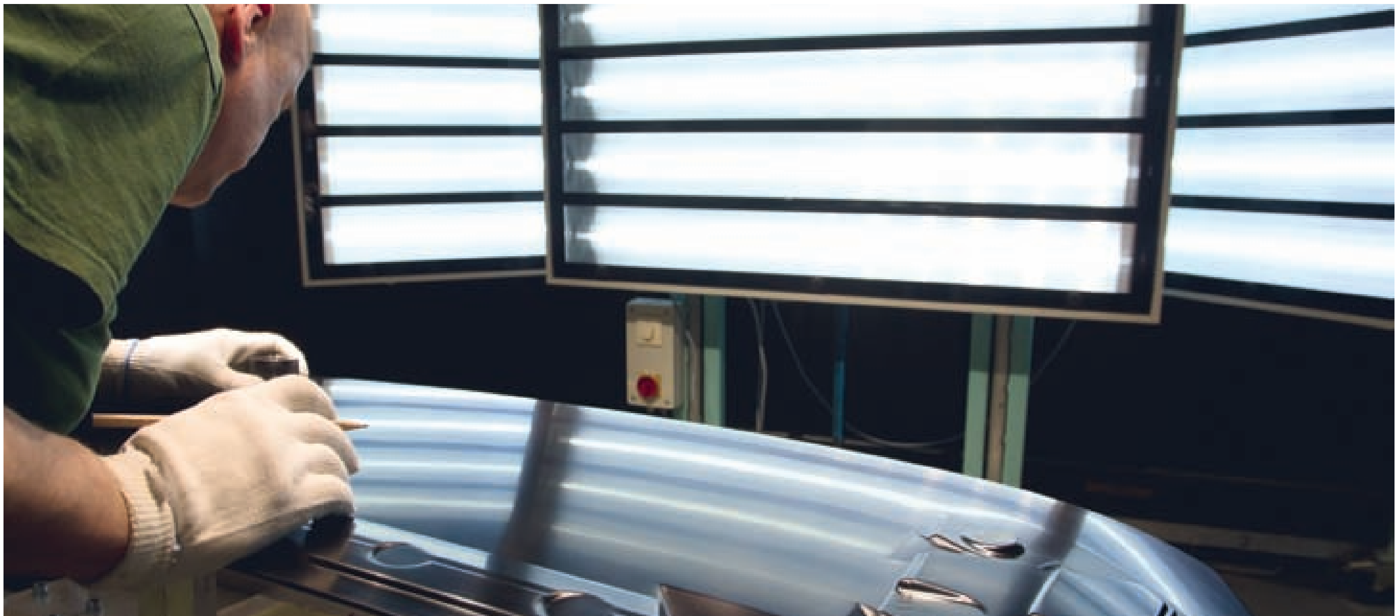
Optimal use of free resources

Newly founded POLYTEC Industrielackierungen GmbH is opening up new customer segments in the molded parts business.

An important step toward the long-term optimization of capacity utilization at the POLYTEC GROUP was taken in 2010 when the German production site in Rastatt was spun off from POLYTEC Composites Germany and transferred to the newly founded POLYTEC Industrielackierungen GmbH & Co. KG – or PIL for short. This will make it possible to offer unused resources for molded parts painting on the free market. The first orders from third-party manufacturers to paint SMC and injection-molded parts were carried out in 2010, further orders for series production are expected in 2011.

POLYTEC GROUP's molded parts painting is well positioned for the future.

What are you doing, Mr. Burkhard?



The highest quality standards for the surface of sensitive components – with a special stripe light, the tiniest irregularities can be detected and remedied.

Mario Burkhard has worked at the POLYTEC composites plant in Weiden for 15 years: "This is the workstation where I check the surface quality of the trunk lids that are produced at our plant for the BMW 6 Series convertible. For this purpose we use a special stripe light to guarantee optimal light incidence angles and light guidelines. In this picture I evaluate a detected fault with a magnifying glass and a crayon. Even the tiniest irregularities can be detected using the stripe light modules and if necessary remedied in the upstream production process. This high surface requirement profile is what distinguishes our components." You can read more about the production process on page 32.

POLYTEC awarded

Howard Lipman, President of POLYTEC Foha; Shinichi Kurihara, President and CEO of Mitsubishi Motors North America; Don Swearingen, Vice President of Fixed Operations Mitsubishi Motors North America; Dieter Gabriel, Managing Director of the POLYTEC Car Styling Division

POLYTEC Foha has been awarded the coveted Diamond Quality Award by Mitsubishi Motors North America for the third time in a row.

CAR STYLING

For the third year running POLYTEC Foha, a member of the POLYTEC GROUP since 1995, won the Mitsubishi Diamond Quality Award for excellence in design, development, supply and quality. POLYTEC Foha is a long-standing supplier of vehicle components to Mitsubishi North America. The Eclipse model, for example, now in its third generation, is fitted with exterior trim at the plant in Normal, Illinois. As of 2011 the company will also produce new accessories for the recently launched Outlander Sport.

Premium pillar trims

AUTOMOTIVE/ SYSTEMS components

POLYTEC manufactures premium pillar trims for the Mercedes CLS (C218) at its production plant in Waldbröl. Each year 40,000 vehicle sets of fabric laminated pillar trims are produced in a multi-step production process. In contrast to the decorative back-molding process, which is used to manufacture pillar trims for the VW Touareg, a press-laminating technology is used to glue the textile to the injection-molded component in a separate step. Press laminating offers a more gentle treatment for the textiles – as the structure of the material is better preserved – and represents an additional mark of quality for customers. Lamination takes place automatically or manually depending on the number of units produced. Once the edges have been “trimmed” by means of laser trimming and ultra-sonic edge-folding, the parts are ready for final assembly.

Competitors become customers

The strategic spin-off of the SMC plant in Kraichtal-Gochsheim will open up new customer segments.

AUTOMOTIVE/ SYSTEMS composites

POLYTEC is a leading manufacturer of the semi-finished plastic material SMC (Sheet Molding Compound) that is so important for the components industry. In Germany, the POLYTEC GROUP is now pinning its hopes on additional sales opportunities in SMC production. The strategic spin-off of the SMC plant in Kraichtal-Gochsheim from POLYTEC Composites Germany and its integration into the newly founded POLYTEC Compounds GmbH & Co. KG in 2010 will enable new customer segments to be developed. Buyers, who as SMC components makers are competitors of POLYTEC Composites will now become potential customers after this reorganization, which is in line with POLYTEC’s strategy of further developing the non-automotive business in addition to its core automotive business. The first delivery contracts were concluded in the second half of 2010, others are expected in 2011.

Light fuels emotions

Energy-efficient LED modules from POLYTEC not only look good, they also contribute to improved road safety.

For years the Car Styling Division of the POLYTEC GROUP has relied on innovative solutions for automotive lighting technologies.

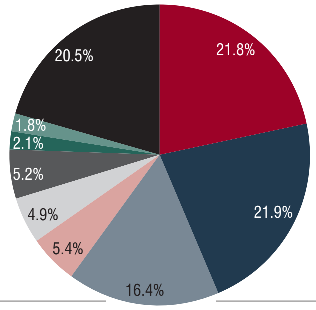
CAR STYLING

Many years ago, POLYTEC became the first company in the world to integrate a revolutionary LED third brake light in the rear spoiler. This innovation is now used in countless vehicle models. Since then, the company has successfully expanded its role as an expertise leader in this area. Together with international light manufacturers POLYTEC developes modular, energy-efficient LED systems that can be ideally integrated into the design of a wide range of car models. As daytime running lights they are not only visually appealing but also improve safety on the roads.

Two million two hundred thousand

cylinder head covers were supplied by POLYTEC to the European automobile industry in 2010 – every fifth engine that left a German OEM plant in 2010 had POLYTEC under its hood. Thanks to the company's high level of expertise in development and production, these cylinder head covers have become one of the most successful products in the POLYTEC parts portfolio.

Group sales by customer



Pelikan III

Innovation needs experience and know-how.

The Car Styling Division of the POLYTEC GROUP constantly designs, develops and produces new, innovative accessory parts for OEMs. In 2010, POLYTEC finalized an important advance in this area with a universal centre armrest for small cars, which was named Pelikan III because of its shape. As well as offering sufficient storage space in the interior, the armrest is distinguished by its ergonomic and space-saving properties and completely new features including an optional USB charging port and state-of-the-art interior and exterior LED lighting. In detail the product can be modified to suit the interior concepts of numerous OEM models, for example by varying the color of textile or leather upholstery. The market launch is scheduled for 2011. With this new development, POLYTEC is continuing the success story of the previous models Pelikan I and Pelikan II, which sold an impressive 150,000 and 100,000 respectively. Pelikan III should continue the successful modular armrest concept.

Door trim panels produced by POLYTEC for the new Mercedes CLS set a benchmark in the luxury car segment.

Light, stiff, elegant

Door trim panel for Mercedes CLS

POLYTEC is the primary address for the expert production and supply of exclusive vehicle parts and the company from Hörsching is once again setting standards with its new door trim panels for Mercedes. The unique combination of high-quality aesthetics and traditional craftsmanship guarantees an optimal feeling.

Of course a luxury class vehicle also demands a stylish interior that feels good to the touch. For Mercedes, POLYTEC has developed the lightest door trim panel currently available on the market, which boasts a perfect design and a wide array of unusual features. The core consists of a natural-fiber substrate made from natural fiber jute/kenaf impregnated with epoxy resin and pressed as a single piece. With the most complex coverings currently available on the market, these covers are mounted automatically with up to nine leather, or artificial leather, trim parts consisting of hand sewn inserts which are applied in a manual process. The center panel can also have an integrated foam backing that can be realized with additional decorative stichings.

Soft touch for the most exacting demands

Premium customers looking for that extra touch of class, order genuine leather. This option has a soft laminate on the back. The result: exclusive real-leather soft-touch is being offered for the first time in the interior of serial produced vehicles. This process is yet another demonstration of innovation by POLYTEC.

fact*box*

- Group benefits from clear recovery of the market
- First significant non-automotive orders
- Strategic decision to sell POLYTEC Composites Italia S.r.l.
- Equity ratio of 28% provides room to grow

POLYTEC produces pillars for top of the range models in the SUV segment – the VW Touareg and Porsche Cayenne.

Design and function

The first generation of the VW Touareg proved just how much customers appreciate a vehicle that combines the virtues of a comfortable luxury car with those of an all-terrain off-roader. In the second generation of vehicles, this successful concept has now been perfected with particular emphasis being given to exclusive and elegant interior trim.

POLYTEC fulfilled the manufacturer's expectations with a decorative back-molded upper pillar trim (A-pillar, B-pillar top/bottom, C-pillar and D-pillar) with a textile finish. This exclusive pillar trim is not just used in the VW Touareg, but also in the Porsche Cayenne. 179 variants of it are delivered just-in-sequence to the VW assembly line in Bratislava (Slovakia).

The production of the pillar trim is a very complex and highly automated process that is carried out on an injection-molding machine. The décor material is placed in the machine for back molding by a robot. The contours are trimmed online by means of an ultra-sonic blade and a laser. Edges of the decorative material are folded using a welding process, before components such as the air vents, belt feed pawl and attachment strips are mounted. Due to the close proximity of the airbags, the pillar trims are a safety-relevant item and must be subjected to extensive and stringent testing.

Tailgating the production progress

In terms of technology, the smallest Audi can easily match the bigger members of its family. The upper and lower tailgate trim, as well as the trunk sill trim for the A1 were developed by POLYTEC. POLYTEC is responsible for the overall design engineering of the components, which in addition to complying with the customer's design specifications must ensure high functionality and manufacturing feasibility. These parts are produced using a normal injection molding process, although in the case of the upper tailgate, gas assisted injection molding (GAIM) is used to produce a gas-filled channel: gas is injected into the interior of the mold under high pressure with the objective of creating a cavity during the cooling process inside the molding. The resulting integrated cavity profile stiffens the component, reduces weight and increases contour precision. Depending on the component, the fixing clamps and rubber buffers (upper and lower tailgate, trunk sill) or the integrated trunk lid for the warning triangle and rear lights (lower tailgate) are fitted in downstream processes. A safety-relevant component is the non-contact Hall sensor, which activates an emergency light when the tailgate is opened as a substitute for the rear light which can no longer be seen. These parts will be built into 100,000 vehicles a year at the Audi production plant in Brussels.

In addition to high-quality plastic components, POYTEC is responsible for the "Hall Sensor" in the new AUDI A1. An emergency light is activated when the trunk lid is opened.

Sunny outlook

AUTOMOTIVE/ SYSTEMS composites

In future SMC technology from POLYTEC will also be used in solar collectors – the first series production in the non-automotive sector will be launched in 2011. With the production of solar basins for thermal collectors POLYTEC will open up a new market in the non-automotive sector and position itself even more broadly in future. Solar thermal power is a promising growth market and demand for solar panels from module manufacturers is growing steadily. POLYTEC can score points with its SMC technologies as the glass fiber-reinforced plastic composite has ideal properties for the solar basins in which the collector modules are installed. Compared to conventional thermoplastics, SMC technology allows greater flexibility in terms of component design and size. Moreover, the excellent insulation properties minimize heat loss. No corrosion, good outdoor durability and weathering resistance, high temperature resistance and a low-cost production process are other convincing advantages that POLYTEC can offer with this product.

Happy birthday

AUTOMOTIVE/ SYSTEMS components

To celebrate the 150th anniversary of Rudolf Diesel's birth in 2008, Daimler AG presented its new generation of 2.2-liter four-cylinder diesel engines. Named "Engine of the Year 2009" the OM 651 will be used to power all Mercedes series from the A to the S class, as well as commercial vehicles such as the Sprinter.

POLYTEC developed the cylinder head cover for this motor using plastic injection-molding technology. The removal of the oil mist from the blow-by gases presented a particular challenge but POLYTEC found a technical solution. The integrated oil separation in the cylinder head cover by means of a patented multiple-cyclone separator received top marks in a benchmark study.

The innovative component is produced at POLYTEC's competence and production center at Lohne in the German state of Lower Saxony. The semi-automated double production line has a maximum production capacity of 750,000 cylinder head covers per annum.

"Engine of the Year": Daimler AG relies on cylinder head covers from POLYTEC for its OM 651 diesel engine.

fact*box*

– Considerable reduction of debt to "pre-crisis level"

– Sale of 10% stake in Grammer AG to reduce financial debt

– Peter Haidenek new CFO of POLYTEC Holding AG since February 1, 2011

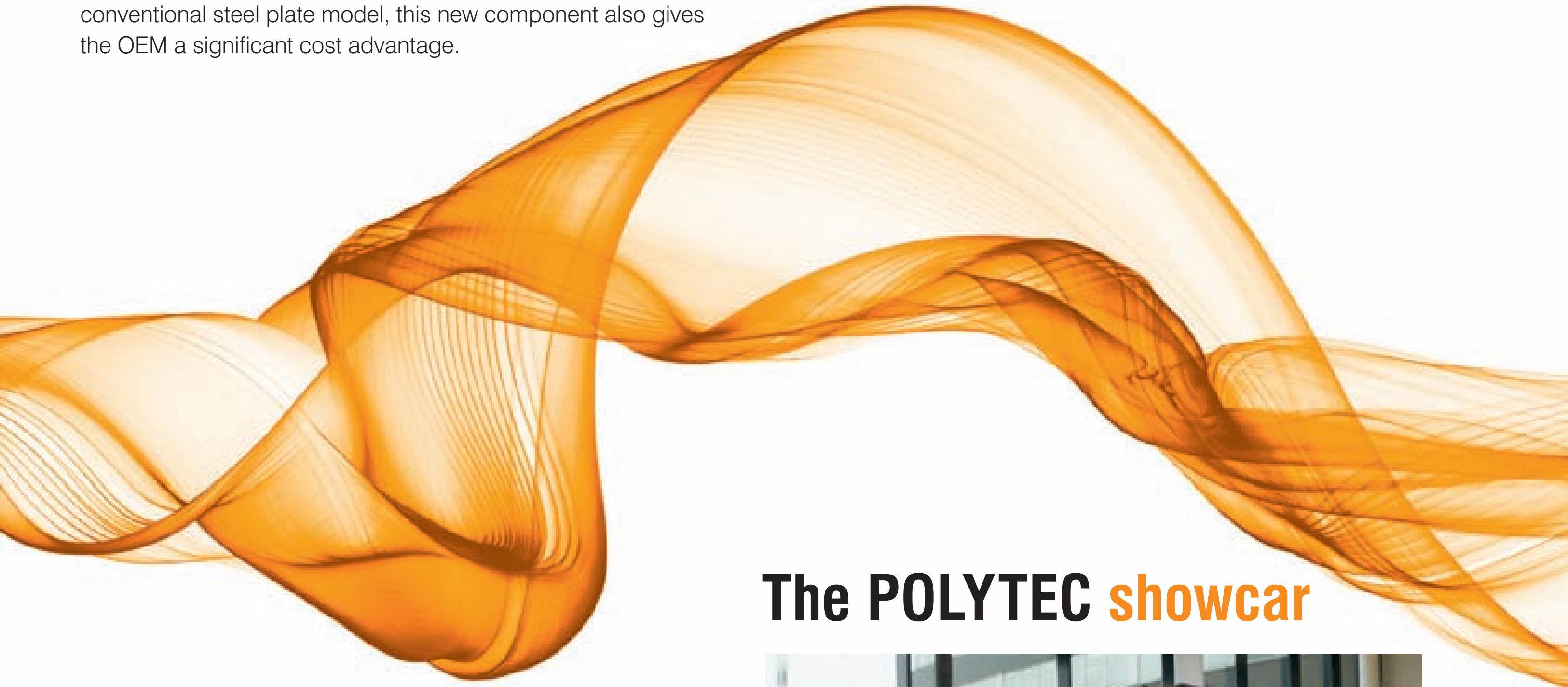
Lightweight innovation

AUTOMOTIVE/ SYSTEMS composites

As ecological sustainability is playing an increasingly important role in the automotive sector, the POLYTEC GROUP stepped up development activities to reduce the weight of components in the past year.

Innovative materials in lightweight construction to reduce weight and fuel consumption are becoming increasingly important for automobile manufacturers. The POLYTEC GROUP therefore ramped up its ambitions in this area with a wide-ranging development offensive in the year under review. As part of the optimization of a current VW Group vehicle series, a component (under-ride protection), which in the past had been made predominantly of steel plate, was replaced by a glass-fiber reinforced plastic component from the POLYTEC GROUP. The high physical demands were fulfilled by the use of unidirectional glass fibers (GMTex). Apart from weight savings of approximately 8 kg and thus a weight advantage of more than 60% compared to the conventional steel plate model, this new component also gives the OEM a significant cost advantage.

POLYTEC also pushed ahead with concentrated development initiatives to compensate for new, but weight-intensive technologies such as batteries for electric vehicles or cars with heavy hybrid engines (petrol/electricity). In cooperation with distinguished OEMs a number of different carbon fiber-reinforced composite (SMC) components were developed and produced as prototypes. Due to the POLYTEC GROUP's years of experience in the area of complex carbon fiber technology (Advanced SMC), the prototypes quickly achieved highly promising results in the test programs. Further optimization loops are planned for the current business year before the prototypes are used in series production.



The POLYTEC showcar

Concentrated expertise at a glance

The new POLYTEC showcar impressively demonstrates the Group's know-how and many years of experience as a global supplier of the automotive industry. The car showcases the immense expertise of the POLYTEC GROUP and was built from parts mass produced by the POLYTEC Automotive Systems Division and in small and medium volumes by the POLYTEC Car Styling Division. It has been on display since early 2011 in the foyer of POLYTEC Headquarters in Hörsching.

The POLYTEC showcar has been an object of admiration at Group headquarters since 2011. It showcases all major products produced by POLYTEC.

High-tech for high-speed

For many years POLYTEC has been delivering parts to Aston Martin, one of the most prestigious sports car builders in the world. As Aston Martin components have to be synonymous with perfection along every stage of the process chain, POLYTEC has to live up to extremely high standards; the same applies to the latest model, the Aston Martin Rapide.

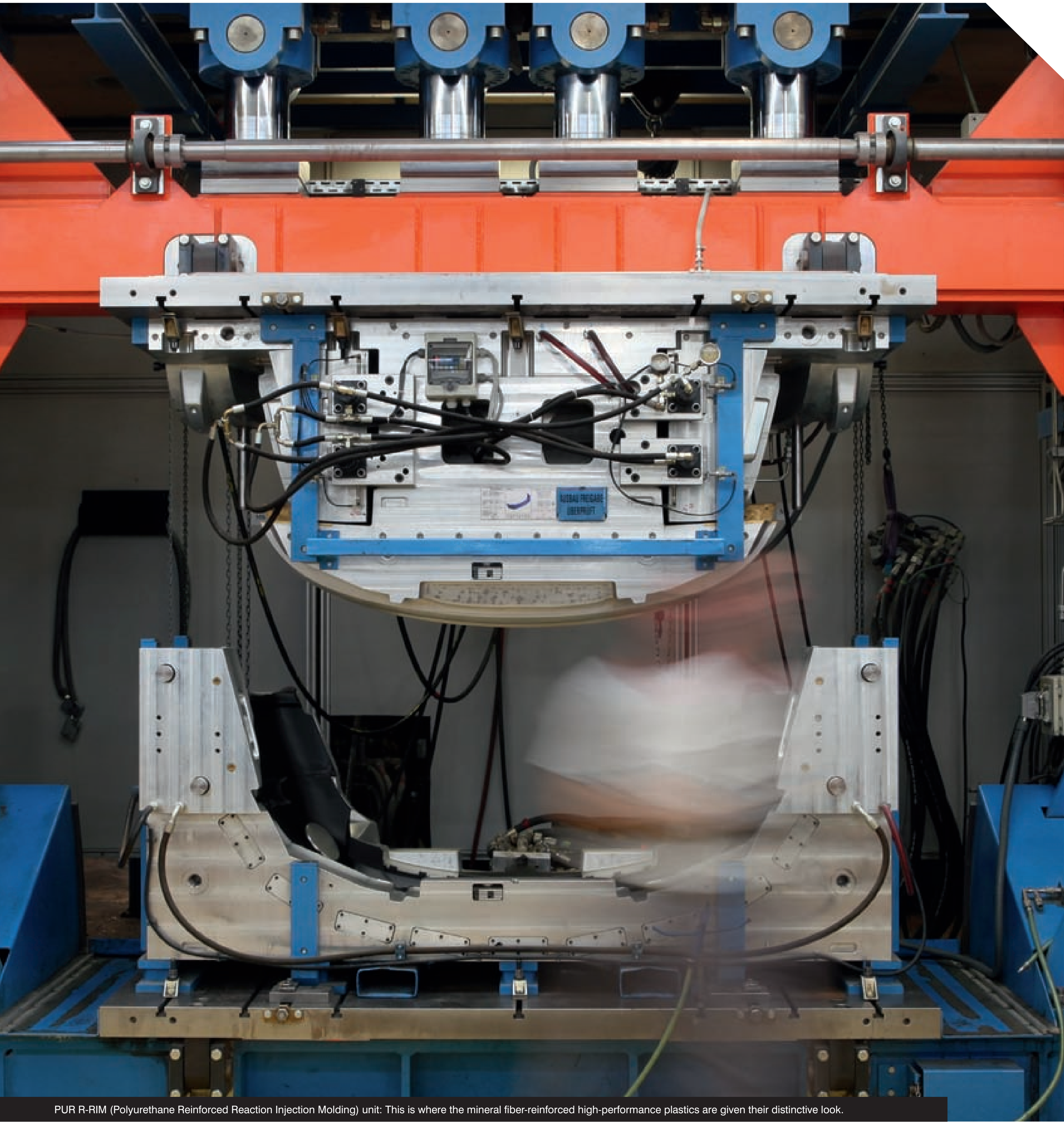
The partnership between POLYTEC and Aston Martin started with the DB7 and Vanquish models, which at the time were still being produced at the Aston Martin plants in Bloxham and Newport Pagnell in the UK. The business relationship between the luxury brand and the components maker deepened when the new purpose-built production facility was opened in Gaydon. Since then, POLYTEC has supplied numerous parts for the models DB9, DBS and Vantage. The product portfolio for Aston Martin includes complete bumpers, side sills, front spoilers, rear diffusers and rear under-spoilers. The high-end plastic components are manufactured at a number of POLYTEC plants in England, Hungary and Austria. A complete, efficient and reliable process chain is a major factor in the long-standing successful cooperation between the two companies

Luxury sports car with four doors – and superior components from POLYTEC

The Aston Martin Rapide is causing international furor at the top end of the luxury sports car league. With its V12 engine and 480 hp, the new four-door sports car from Aston Martin is the pinnacle of luxury. Glowing reviews in leading motoring magazines talk of a “breathtakingly beautiful” model that is one of the fastest four-door cars in the world, accelerating from 0 to 60 mph in five seconds and reaching top speeds in excess of 190 mph.

For the first time, the Rapide is not being produced in England but at the plant of the Austrian components supplier Magna in Graz, Austria. With its many years of experience in carrying out individual tasks and in precision-manufacturing of technologically advanced small series, POLYTEC makes a big contribution to the building of the super sports car, as it supplies some of the major parts that give the Rapide its fascinating look.

The specialists from Hörsching supply the huge front and rear bumpers and the side sills for the Rapide. As more than two years of preparation were needed before production could be started, POLYTEC set up a large project team to work closely with both Magna and Aston Martin‘s quality managers. To meet the high aesthetic, technical and quality standards of the cult brand, POLYTEC even built a dedicated production line and test cell for the Rapide at its plant in Hörsching.



PUR R-RIM (Polyurethane Reinforced Reaction Injection Molding) unit: This is where the mineral fiber-reinforced high-performance plastics are given their distinctive look.

Assembly station for gluing on the angle brackets.

The front and rear bumpers and side sills for the Rapide are molded and finished on a dedicated assembly line at the POLYTEC plant in Hörsching.

State-of-the-art production process

POLYTEC makes the technically advanced components for the Rapide with PUR R-RIM (Polyurethane Reinforced Reaction Injection Molding) technology. With the use of high pressure impinging mixing, two components (polyol and isocyanate) are mixed with mineral fibers and then injected at high pressure into precision-manufactured aluminum molds.

The reinforcing fibers incorporated in the material structure improve the mechanical properties of the plastic components. These properties speak for themselves: High breaking elongation, high impact resistance and low weight.

Side sills, front and rear bumpers are then fully assembled and primed. During the assembly process,

Precision work: Computer-aided photometry is used to verify that all assembly holes have been precisely positioned.

At the end of the assembly line, the bumpers are primed. The round openings on the rear bumpers are for the Rapide's powerful exhaust pipes.

apertures are milled, mounting holes drilled and angle brackets glued on and then secured with rivets. Depending on the model, parking sensor brackets and cable brackets are applied. The process also includes strict quality controls. Before shipping each bumper is tested in a particular rig and scanned with laser sensors. Finally, the finished parts are delivered to Magna in Graz. The process and the closely related logistics chain are tailor-made to meet the exacting demands of Aston Martin and its partner companies. Just like the Rapide, it's all a perfect match.

From the intake pipe to the expansion intake manifold

Advanced plastic development, manufacturing from a single source

The POLYTEC plant in Lohne is not only a plastic component production site but also a cutting-edge development center. One of its very latest achievements is the brand new expansion intake manifold developed by Porsche for the 911 Turbo. It is not simply a more advanced version of the resonance induction system used on conventional turbo-charged engines, but rather a radical new development that overturns previously accepted principles.

The Porsche innovation: greater engine efficiency thanks to a new geometric arrangement[1)]

Basically, the inflow of air in the intake manifolds is accompanied by air vibrations. These vibrations consist of both a compression phase, in which the air is compressed, and an expansion phase, in which the air expands. Conventional resonance intake systems are based on the principle that forcing more air into the combustion chambers increases engine output. Traditional intake systems therefore use the compression effect achieved by the air vibrations to fill the cylinders with as much fuel-air mixture as possible. The plastic expansion intake manifold designed by POLYTEC for the 911 Turbo turns this principle around using a radically different geometry from that of conventional intake systems. Instead of the compression effect, the expansion intake manifold uses the principle of expansion: During expansion, the air is cooled rather than heated as in compression. This effect results in a lower fuel-air mixture temperature in the combustion chamber, which in turn enhances ignition efficiency. Instead of more air, cooler air enters the combustion chambers, generating more power and torque. This improves engine efficiency and increases engine output, resulting in lower fuel consumption even at high loads and engine speeds. Thus, with this radical new approach, the company also does justice to the current ecological trend toward greater fuel efficiency.

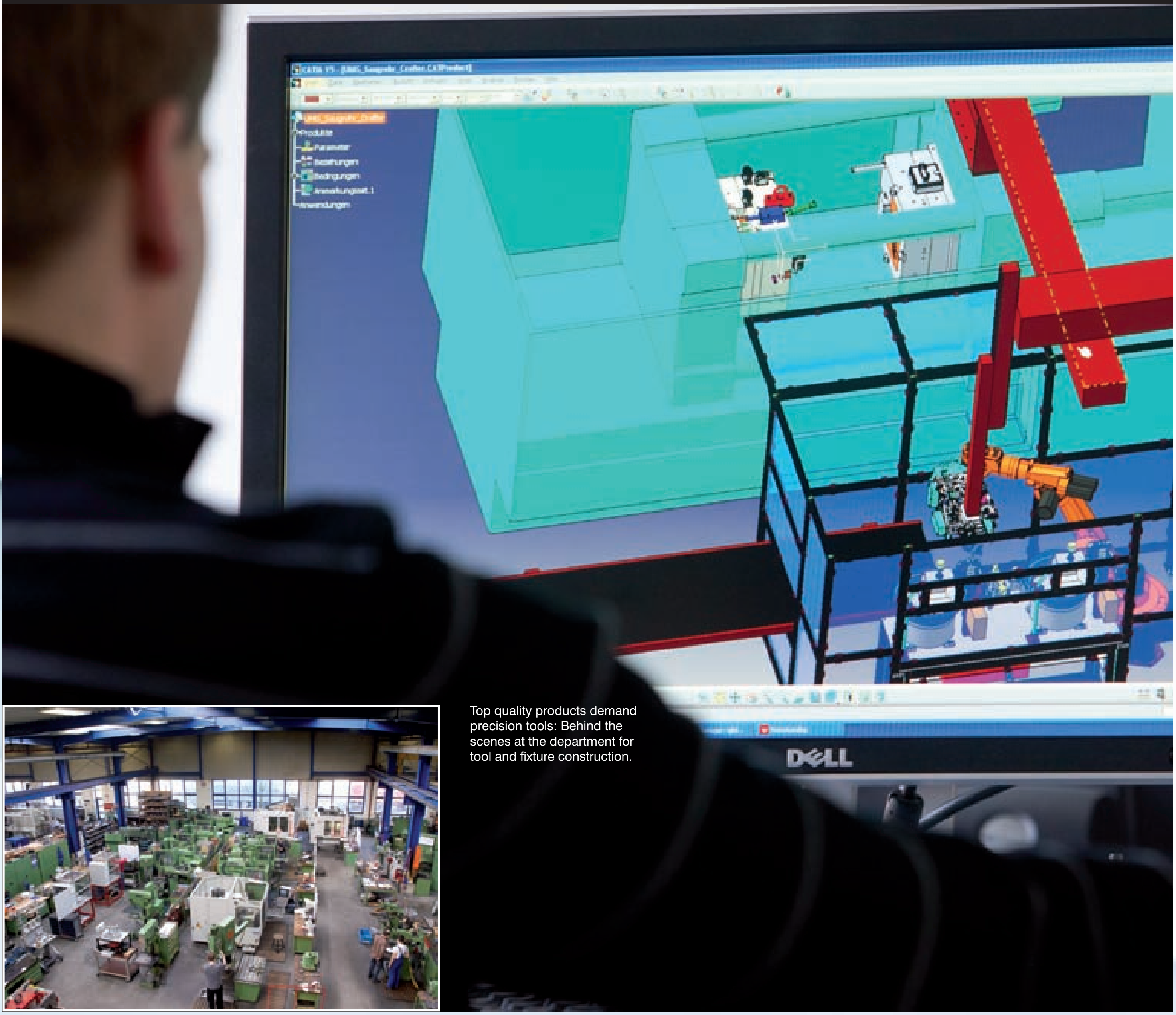
[1)] Source: www.porsche.com/germany/models/911/911-turbo/detail/?gtabindex=2

Innovative replacement of metal

The credit for the realization of cutting-edge plastic components is largely due to the team at POLYTEC Riesselmann in Lohne in northern Germany. Every phase of the production process, from the first development stages and product testing to series production is carried out by some 500 employees. POLYTEC has been focusing on innovation for a long time, replacing "heavy" metal elements in engines with lighter plastic parts wherever possible. Back in 1990 the company launched the first cylinder head covers made of high-temperature-resistant thermoplastic on to the market, ushering in a fundamental change in engine construction, which has come to be appreciated by global car manufactures such as VW, Daimler, Opel, Volvo and Porsche.

In 2005, POLYTEC started development work, and subsequently, series production of cylinder head covers for common-rail diesel engines for Volkswagen.

A specialist develops a state-of-the-art design.

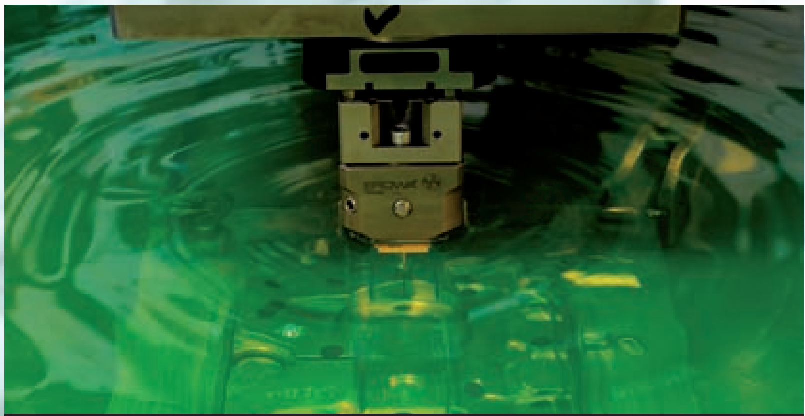


Top quality products demand precision tools: Behind the scenes at the department for tool and fixture construction.

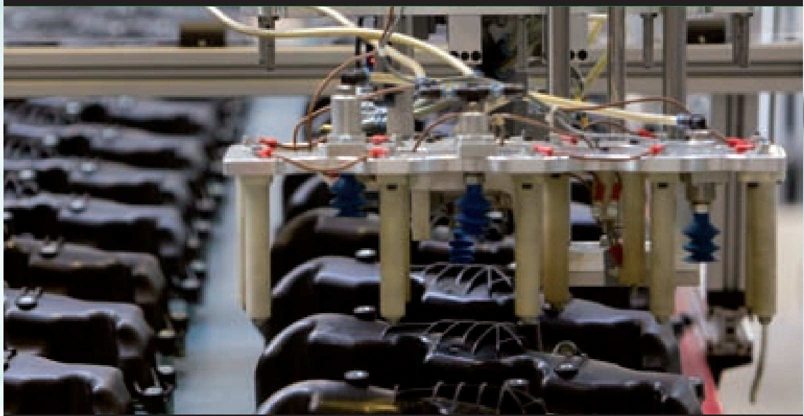
The key factor behind the decision to award the contract to POLYTEC was the economic efficiency of implementation in series production. Since POLYTEC is not dependent on third parties but covers the entire manufacturing process chain from the first design draft to the finished product, it can offer efficient cost structures.

New intake pipe for Volkswagen

Whenever possible, an effort is made to replace metal with high-temperature-resistant thermoplastics – also in the further development of existing engine parts. This significantly increases the cost-efficiency of the production process, while the use of lightweight components satisfies the demand for more environmentally-friendly mobility. The trend is toward reducing the size of engines, i.e. achieving better performance with smaller cubic capacities. The motto at POLYTEC is: Less weight means less fuel consumption and less CO_2.



Detailed view of tool production: An eroding machine makes it possible to process hardened steel.



Product testing is a key priority – here the intake socket of the intake manifold.

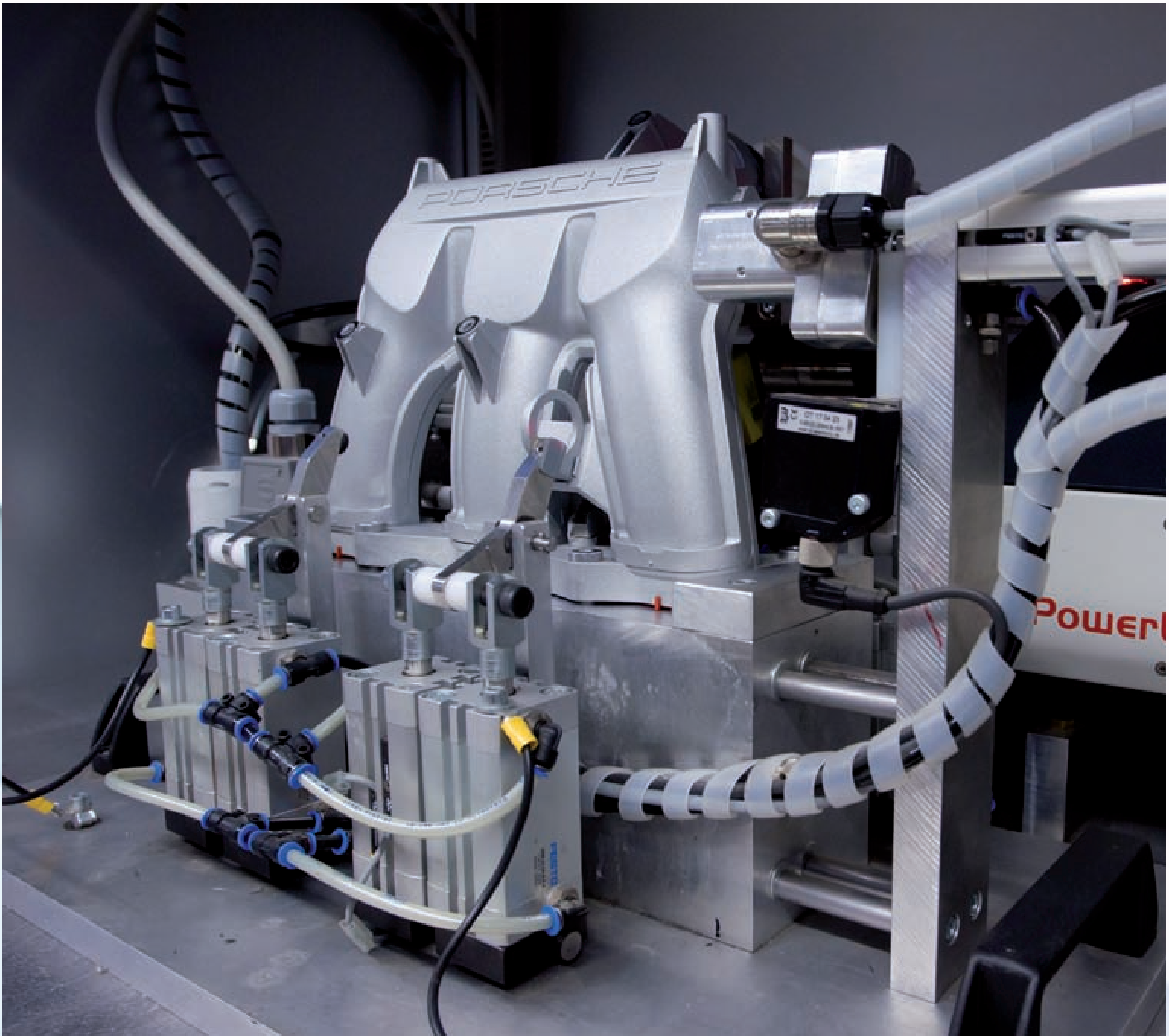
Robots also help to ensure a smooth and efficient production process.

From the idea to the series product

Development work at the Lohne plant is carried out according to a detailed planning scheme: Using a computer-aided design program (CAD), both a detailed layout of the product as well as the welding seams are designed on the basis of the customer's technical specifications.

After the successful development, testing and series production of an innovative intake manifold for the Volkswagen Amarok pickup in 2009, it wasn't long before follow-up orders were placed. Development work on an intake manifold for the Crafter pickup truck was started as soon as VW placed the order and the part went into series production in the same year.

In the subsequent development stages, FEM-based models are used to calculate component stiffness and vibration optimization, simulations are carried out to determine a flow-optimized duct design and the injection-molding process is further optimized to minimize distortion. Only then does the test stage follow. For POLYTEC, product testing is an absolutely crucial part of the process: The more accurately the tests are carried out during the development phase, the better the product will function under real conditions.



The function test will show that this Porsche pressure system will be able to stand the pressure.

This is especially true for the intake system and the pressure system, which are subjected to rigorous testing. The emphasis here is upon testing the components' stiffness under natural frequencies and extreme temperatures on the one hand, and the dynamic pressure pulsation and weld strength on the other. Only when these tests have been successfully completed and the customer has given the go ahead does POLYTEC begin series production with fully automated components feeding and assembly systems and state-of-the-art vibration welding technology. It goes without saying that each stage of the production cycle is accompanied by further tests: All parts are tested for dimension accuracy, leak resistance and weld strength, which is reflected in test records and components marking – because POLYTEC never leaves anything to chance!

Pole position for POLYTEC

Since December 2010 POLYTEC has been producing the trunk lid and tonneau covers for the BMW 6 Series convertible and coupé in SMC after emerging as the winner of an exhaustive BMW supplier selection procedure.

The exacting standards of BMW customers are also a challenge for the components supply industry. BMW started an exhaustive selection process in 2007 among all potential European suppliers in preparation for the new 6 Series convertible that was launched onto the market in March 2011. Apart from POLYTEC's technological lead, what impressed BMW decision-makers most in the on-site audits was POLYTEC's ability to expertly cover the entire value chain required in-house: construction and development, tool making, production, priming and logistics all under the responsibility of the POLYTEC GROUP's plant in Weiden. The development and production orders were placed in 2008 and series production was officially launched in December 2010. BMW unveiled the 6 Series convertible with SMC components from POLYTEC in January 2011 at the North American International Auto Show (NAIAS) in Detroit.

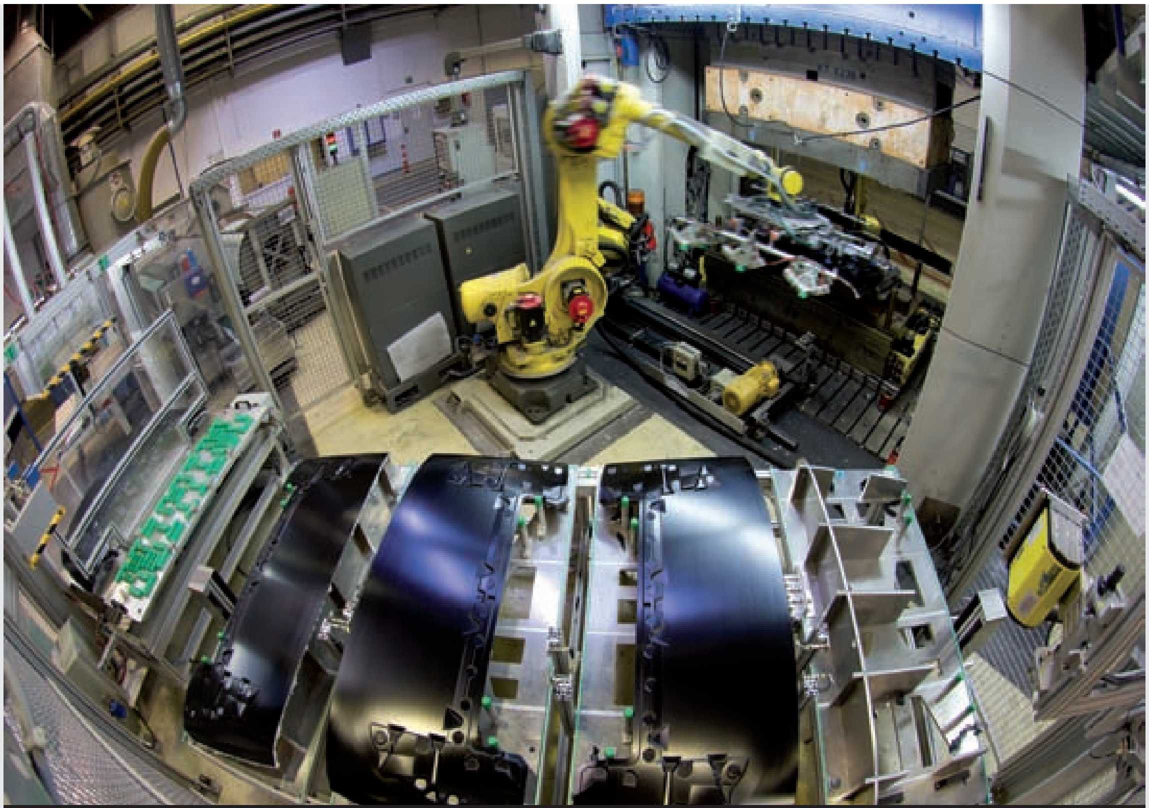
Fiber-reinforced plastic for premium products

The fiber-reinforced plastic SMC (Sheet Molding Compound) has been used for decades in the USA, even in large-scale production runs, for on-line-painted, class A applications, i.e. surface qualities that have to meet the highest standards.

In the mid 1990s, the first vehicles with SMC trunk lids were developed according to European quality standards and taken into series production by European OEMs. The material's ecological, technical and economic advantages are convincing and its use is increasingly becoming the norm in production runs of 20,000 to 50,000 units per year. In the car industry, SMC components are used for instance for tonneau covers, sunroof frames, spoilers and structural components, engine compartments and underbody panels owing to their diverse technical advantages. In the commercial vehicle segment these advantages can be fully leveraged in applications for the exterior and engine compartments of drivers' cabs, e.g. access systems, front cab panels, bumpers, aerodynamic trim, oil sumps and valve covers. In addition to the new BMW luxury convertible, other vehicles with SMC components are close to being production ready. With annual revenue of around EUR 200 million in the composites business area, POLYTEC is the market leader in the development and production of SMC on-line-painted trunk lids.

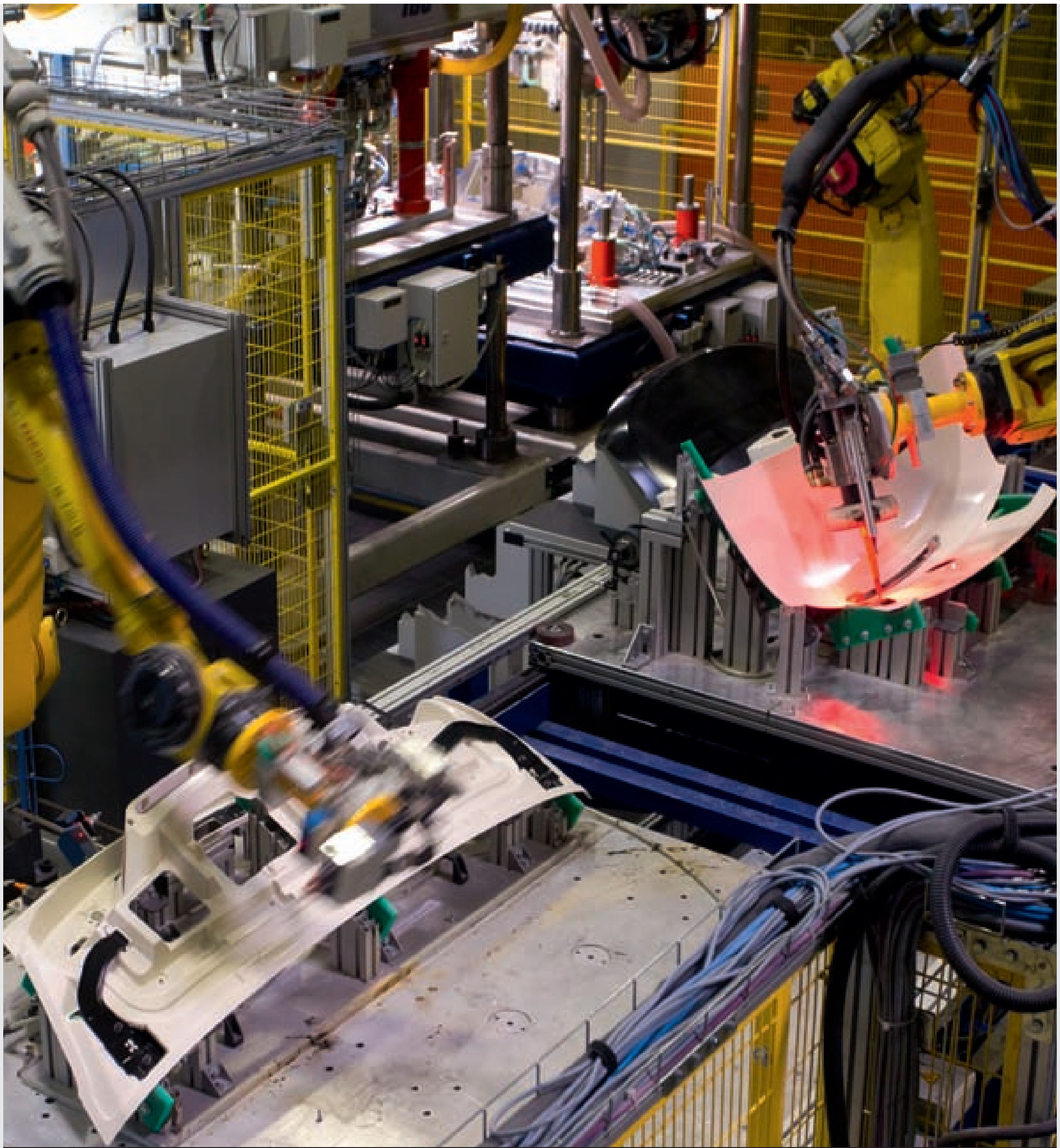
The many advantages of SMC

SMC technology has excellent potential for meeting automotive customers' ever-increasing demands for weight reductions aimed at cutting fuel consumption. One major advantage of SMC-technology-based trunk lids and tonneau covers is



The loading of the tools with preformed SMC mats and the removal of the components is a fully automated process. After molding, the components have a temperature of around 140°C and are then cooled to below 50°C

After milling, the sharp edges of all interior parts are removed manually.

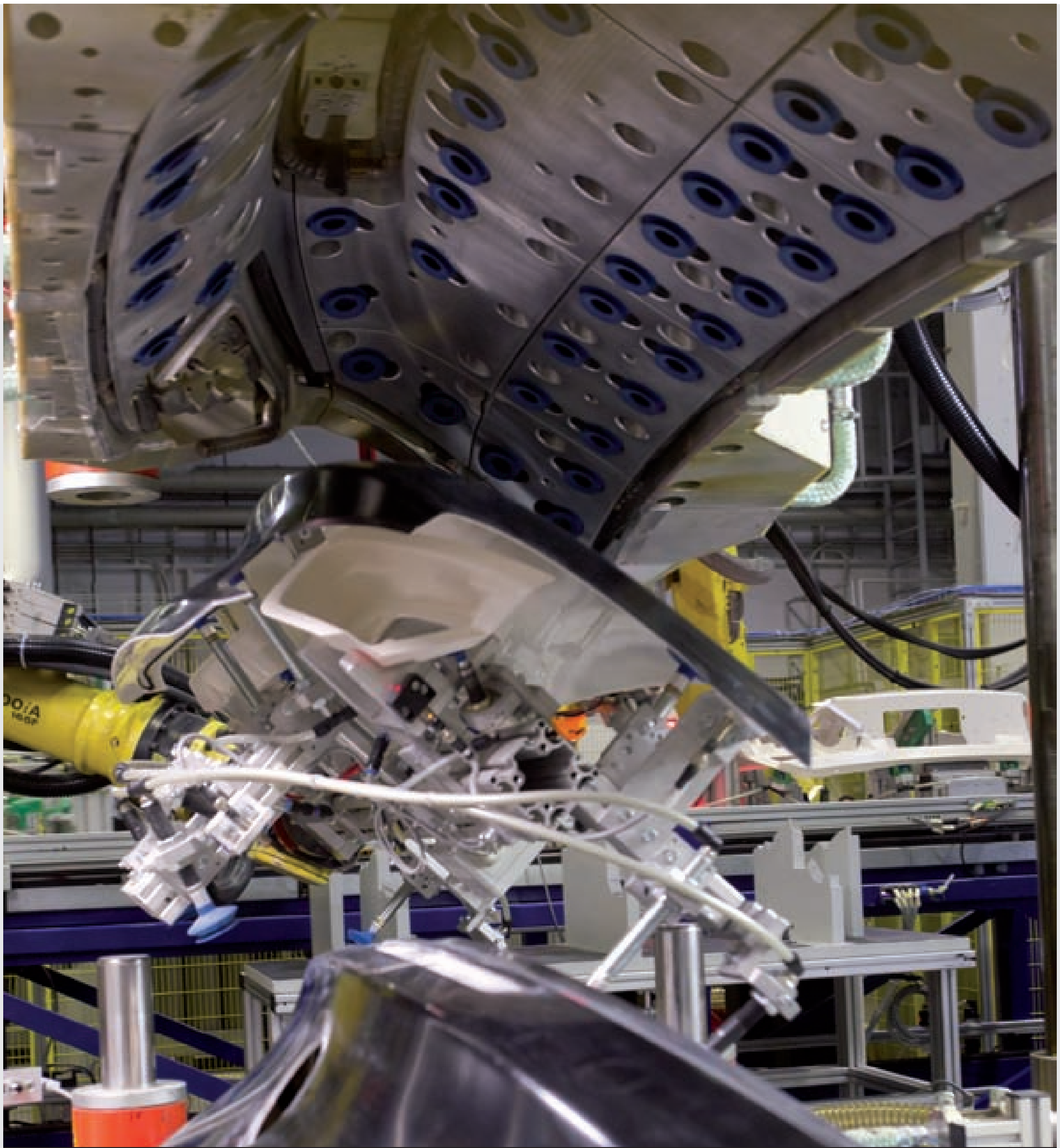


The molded parts run through various processes on component-specific mounts before being glued in a joining machine.

the material's electromagnetic transparency to all radio frequencies used by in-vehicle infotainment (IVI) systems. This also applies to high-frequency waves such as radar waves. In combination with integrated transponders, these properties could therefore also be used for vehicle identification, for the storage of product history information and for product control during the manufacturing process. The ever-increasing number of antennas and electronic elements can be incorporated into these products so that they are practically invisible but fully functional. This protects them from vandalism and also ensures that they do not interfere with the vehicle's design features – an aspect that should never be underestimated where luxury vehicles are concerned.

Despite considerable challenges in rust prevention, trunk lids and car tops made of SMC do not require additional protective surface treatment, as is the case with many metals, thanks to the material's corrosion resistance.

SMC trunk lids can be sprayed on-line and, like metals, coated in the automotive industry's standard assembly and spraying process (at temperatures of up to 200°C) without any additional efforts. This represents an additional advantage compared to many other plastics both in terms of cost and visual harmony. A further positive feature is the high dimensional stability. Vehicle gap conditions (between the body and mounted parts such as the hood, fenders and doors) as well as sheer lines (exterior contours of



In a single production step, four components are glued together with a high level of precision to form a trunk lid.

the vehicle) are able to meet narrow optical tolerance requirements even at temperatures of between -30°C and 120°C, which are typical for motor vehicles. This is crucial, as uniformity is becoming an increasingly important criterion for high-quality design and, given the steadily shrinking gap widths demanded by the customer, even the tiniest deviations can be annoying.

SMC also allows for distinctive design lines and the integration of spoiler functions. Thus, SMC represents an interesting alternative to metals and even offers more varied design and styling possibilities.

For the sake of the environment

Environmental responsibility and steadily increasing customer demands are turning ecology and sustainability into key topics for future generations of vehicles. In many respects, SMC technology is at the leading edge. Fossil fuel-based raw materials account for only one third of the materials used to produce the semi-finished product. The use of lightweight SMC and high-performance composite fibers offers excellent potential for lightweight construction while at the same time fulfilling all the necessary safety standards. Moreover, the use of recycled materials for interior components also makes ecological sense.

Trunk lid and tonneau cover, ready for delivery to the customer's assembly line.

Top performance even at the development stage

Outstanding professionalism is a given at POLYTEC. This was demonstrated during the development phase of the components for the new BMW 6 Series convertible. From prototyping to component manufacturing using pre-series-production steel tools, nothing was left to chance. The top priority was to ensure that the quality of the subsequent series production process would meet the high quality standards of a premium supplier.

As POLYTEC was able to build upon its proven expertise in material and process development for Class A surface quality (with the help of optical testing) during the initial phase, first components were manufactured using pre-series-production steel tools only nine months after the start of development work. The development of the adhesive process also posed a major challenge. While components' impermeability and leak resistance rank among the most important technical requirements, the crucial criterion in terms of design is that glue joints are seamless and therefore invisible. Like conventional metal lids, SMC of course meets all rigidity, safety and crash requirements.

Highlights of series production

The core process of components manufacturing for the new BMW model is the production of the outer shell in SMC based on conductive in-mold-coating (IMC) using automated hot-press molding.

The surface finish by robots meets Class A requirements. Where surfaces need to be joined, plasma pre-treatment and optical bond seam monitoring with the help of a specially developed camera system ensure the required top quality of adhesive bonding.

To ensure that all important parameters are met as accurately as possible, POLYTEC relies on automation: The components, for example, are inserted in a narrow temporally and spatially reproducible process window. Furthermore, all relevant process parameters for each component are electronically recorded and documented over the entire production process and are therefore traceable. It is this high level of automation that gives POLYTEC its most important competitive advantage – the consistently high quality of its components. This production process also requires skilled workers, who are responsible for loading the machines, carrying out quality controls and the manual finishing work after the molding process.

The future has only just begun

SMC also offers plenty of potential for the future. SMC components can also be produced as hybrid solutions in combination with metals: Depending on the requirements, the composite can be combined relatively easily with steel, magnesium or sometimes even with aluminum, which in the case of very large production volumes can be extremely cost-effective for the overall system. However, the use of an SMC outer shell preserves all the advantages of the composite (weight reduction, electromagnetic transparency to all radio frequencies, design flexibility).

Mate-rial Emo-tions

fact*box*

THE NEW ASTON MARTIN RAPIDE

UNBEATABLE ELEGANCE

With its beauty, power and soul, the Rapide perfectly embodies the very essence of Aston Martin's core values. The four elegant "swan wing" doors open to offer access to the front and rear sport seats that invite passengers and drivers to lean back in comfort. The 317-liter luggage area offers plenty of space for all passengers' luggage – from sports bags to skis. Aston Martin's first four-door sports car offers superior enjoyment for every occasion – anywhere and everywhere.

Model: 2010
kW/HP: 350/477
0 – 60 mph: 5.0 seconds
Starting from: EUR 180,000

parts by POLYTEC

Which parts are supplied by POLYTEC?

Aston Martin DB 7 front bumper

POLYTEC parts for this model:

– Front bumper
– Rear bumper
– Side sill

More POLYTEC parts for Aston Martin:

– Front spoiler
– Rear diffuser
– Stone guard set


650i
M DJ 3615

fact*box*

THE NEW BMW 650i CONVERTIBLE
A FEAST FOR THE SENSES

Just looking at the new BMW 650i convertible is enough to set the pulse racing. A powerful vehicle, whose elegant lines promise an exceptional driving experience. These fluid lines are continued in the exclusive interior, which impresses with both its beauty and perfect function. Outstanding aesthetics and ride comfort in combination with exquisite craftsmanship produce a striking result: the perfect symbiosis of elegance and dynamism.

Model: 2011
kW/HP: 300/407
0 – 60 mph: 4.9 seconds
Starting from: EUR 115,000

parts by POLYTEC

Which parts are supplied by POLYTEC?

BMW 650i seat back panel

BMW X1 door trim panel

BMW X3 rear spoiler

BMW 650i engine cover

BMW 3 Touring tailgate trim

POLYTEC parts for this model:

– Engine cover
– Seat back panel
– Tonneau cover
– Trunk lid

More POLYTEC parts for BMW:

– Tailgate trim
– Door trim panel
– Rear spoiler
– Seat back panel
– Engine cover
– Window frame
– Headliners
– Pillar trim


S GO 500

fact*box*

THE NEW PORSCHE CAYENNE TURBO

PRECISION LANDING

Lower weight, lower fuel consumption, lower emissions. But that's all there is less of in the new Porsche Cayenne Turbo. Noble understatement but with some distinctive accents: Faster acceleration thanks to the turbo – but fuel consumption is still lower than in previous models. The roar from the dual tailpipes is impossible to miss: With a 368 kW (500 HP), 4.8-litre, V8 cylinder-bi-turbo engine with direct fuel injection, the new Porsche Cayenne Turbo has a top speed of 173 mph and accelerates from 0 to 60 mph in 3.5 seconds.

Model: 2011
kW/HP: 368/500
0 – 60 mph: 3.5 seconds
Starting from: EUR 118,000

parts by POLYTEC

Which parts are supplied by POLYTEC?

Porsche Cayenne rear spoiler

Porsche Cayenne crankcase vent

Porsche Boxter, Carrera, Cayman air-oil separator

Porsche Cayenne pillar trim

POLYTEC parts for this model:

– Pillar trim
– Crankcase vent
– Cover throttle control unit

More POLYTEC parts for Porsche:

– Air-oil separator
– Rear spoiler


UNA

fact*box*

THE NEW VOLKSWAGEN TOUAREG

SUV REDEFINED

Adventure, comfort and efficiency – these are the essential ingredients for the new Touareg. A thoroughbred SUV, nothing more and nothing less. A vehicle that makes a big impression but leaves a small footprint. Superior off-road capabilities, good ride comfort and innovative efficiency are the distinguishing features of the new Touareg – and at the same time, define the new image of a SUV. It can go just about anywhere and is welcome absolutely everywhere. More distinctive and aerodynamic than ever before. And even smarter.

Model: 2011
kW/HP: 206/280
0 – 60 mph: 7.4 seconds
Starting from: EUR 50,550

parts by POLYTEC

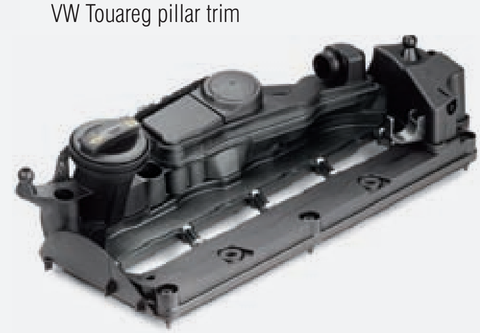
Which parts are supplied by POLYTEC?

VW Tiguan headliner

VW Polo spoiler

VW Touareg pillar trim

VW CW floor



VW 2,0 l common rail cylinder head cover

POLYTEC parts for this model:

– Cylinder head cover
– Engine cover
– Pillar trim

More POLYTEC parts for Volkswagen:

– Spoiler
– Headliner
– CW floor
– Trunk trim
– Air vent


R8
IN R 8101
D
quattro GmbH

fact*box*

AUDI R8 SPYDER
IN A CLASS OF ITS OWN

Breathtaking. And utterly extraordinary in every respect – that is the new, open-top, high-performance sports car from Audi. Powerful. Dynamic. Extroverted. And highly emotional. The new Spyder more than fulfils Audi's performance expectations and exacting standards. The impressive result: 309 kW, 530 Nm, outstanding comfort and a perfect silhouette that combine to produce an experience that is in a class of its own – from the very first second. The ultimate in driving enjoyment.

Model: 2010
kW/HP: 309/420
0 – 60 mph: 4.4 seconds
Starting from: EUR 104,000

parts by POLYTEC

Which parts are supplied by POLYTEC?

Audi R8 trunk lid

Audi TT rear spoiler

Audi R8 cylinder head cover

Audi A1 roof spoiler

Audi Q5 luggage compartment cover

POLYTEC parts for this model:
- Cylinder head cover
- Trunk lid
- Spoiler

More POLYTEC parts for Audi:
- Roof spoiler
- Luggage compartment cover
- Rear spoiler
- Trunk trim
- Seat back panel
- Engine cover
- Diffuser
- Side sill
- Front spoiler
- Side trim panel
- Glove box
- Transmission oil pan


BLUETEC 5
Mercedes-Benz

fact*box*

MERCEDES-BENZ ACTROS BLUETEC 5
SETS BENCHMARKS

Exemplary safety, reliability and efficiency, accompanied by the highest level of comfort and low fuel consumption – the Actros is the ideal partner for every kind of transportation. Whether for heavy-duty construction work or international long distance transport, this top of the range model from Mercedes-Benz brings together everything that is vital in the commercial vehicle segment: Economic BlueTec 5 engines, remarkably long maintenance intervals, the highest safety standards and an unparalleled level of working comfort.

parts by POLYTEC

Which parts are supplied by POLYTEC?

Actros bumper

Actros tool box

Actros cabin step upper part

Actros tool box lid

POLYTEC parts for this model:

- Bumper
- Cabin step upper part
- Cabin step lower part
- Tool box
- Tool box lid
- Side cladding
- Door panel
- Shroud radiator


S-MAX

fact*box*

FORD S-MAX
MORE VERSATILE THAN EVER

The Ford S-MAX combines outstanding comfort, premium design, increased driving dynamic and a versatile passenger compartment with space for up to seven people. Several technological highlights guarantee the maximum level of safety and comfort. The innovative engine technology brings more power and torque with lower fuel consumption and better emission values. The new Ford S-MAX – the perfect combination of fun and function.

Model: 2010
kW/HP: 147/200
0 – 60 mph: 8.9 seconds
Starting from: EUR 35,700

parts by POLYTEC

Which parts are supplied by POLYTEC?

Ford S-MAX entrance sill

Ford Ka roof spoiler

Ford C-MAX front bumper

Ford Focus front bumper (part)

Ford Focus front grill

Ford Fiesta rear bumper (part)

POLYTEC parts for this model:
- Front grill
- Entrance sill
- Front bumper (part)

More POLYTEC parts for Ford:
- Side sill
- Spoiler
- Rear diffuser
- Mesh insert
- Rear bumper (part)
- Roof spoiler

material. motion. emotion.

POLYTEC GROUP

Corporate Governance

After the IPO on the Vienna Stock Exchange on April 28, 2006, POLYTEC Holding AG voluntarily undertook to comply with the Austrian Corporate Governance Code as most recently amended. Besides efficient collaboration between the company‘s governing bodies, the central elements of good Corporate Governance are the protection of shareholders’ interests as well as open and transparent corporate communication with all stakeholders, with the ultimate objective of enhancing corporate value over the long term.

The Austrian Corporate Governance Code was first introduced in October 2002 and subsequently revised several times in line with changed legal provisions and increased Corporate Governance requirements. The Code is based on the provisions of Austrian corporate, securities and capital market laws as well as on the OECD’s fundamental principles of Corporate Governance. Its binding character is guaranteed by companies‘ voluntary commitment to comply with it. The information and statements provided in this report are based on the latest version of the Austrian Corporate Governance Code from January 2010.

The latest version of the code can be requested from both the company and the Austrian Working Group for Corporate Governance (www.corporate-governance.at).

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

Rule 43
regarding the establishment of a Remuneration Committee has not been complied with, as the Supervisory Board consists of only six members. The function of the Remuneration Committee is therefore carried out by the Supervisory Board.

Rule 45
regarding positions held by members of the Supervisory Board in companies that compete with Polytec has been complied with in general. However, such a position may be accepted with the Supervisory Board’s prior consent.

Governing bodies of POLYTEC Holding AG

Board of Directors

Peter Haidenek (CFO)

- Born in 1965
- Member of the Board of Directors since February 2011
- Appointed until February 2014
- Areas of responsibility: Finance/IT/Controlling/Accounting/Investor Relations
- Supervisory Board positions: None

Friedrich Huemer (CEO)

- Born in 1957
- Chairman of the Board of Directors and founder of the current POLYTEC GROUP
- Appointed until December 2011
- Areas of responsibility: M&A/Investment Management/Corporate Strategy/ Corporate Communications/Human Resources/Legal Affairs/Marketing and Sales
- Supervisory Board positions: Globe Air AG (Chairman of the Supervisory Board)

Alfred Kollros (COO)

- Born in 1962
- Member of the Board of Directors since April 2006
- Appointed until December 2012
- Areas of responsibility: Composite Plants/Production/Purchasing/Business Development
- Supervisory Board positions: None

Eduard Schreiner
Member of the Board of Directors
until August 2010

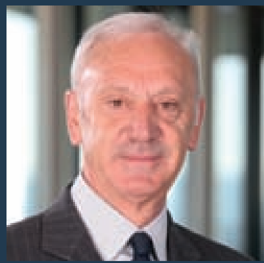
Andreas Jagl
Member of the Board of Directors
until October 2010

Supervisory Board

Fred Duswald
– Born in 1967
– Chairman of the Supervisory Board since June 2007
– Member of the Supervisory Board since April 2006
– Appointed until the Annual General Meeting in 2014

Manfred Trauth
– Born in 1948
– Vice Chairman of the Supervisory Board since June 2007
– Member of the Supervisory Board since 2007
– Appointed until the Annual General Meeting in 2014

Viktoria Kickinger
– Born in 1952
– Member of the Supervisory Board since April 2006
– Appointed until the Annual General Meeting in 2014



Robert Büchelhofer
– Born in 1942
– Member of the Supervisory Board since April 2006
– Appointed until the Annual General Meeting in 2014

Reinhard Schwendtbauer
– Born in 1972
– Member of the Supervisory Board since February 2010
– Appointed until the Annual General Meeting in 2014

Meinhard Lukas, Member of the Supervisory Board until August 2010 (resigned)

Disclosure of other Supervisory Board positions pursuant to Rule 58 of the Austrian Corporate Governance Code:

Member	Supervisory Board position
Fred Duswald	none
Manfred Trauth	none
Viktoria Kickinger	S&T AG, Vienna (A)
Robert Büchelhofer	MIBA AG, Laakirchen (A) / M-Tech Technologie und Beteiligungs AG, Unterensingen (D), SWARCO AG, Wattens (A)
Reinhard Schwendtbauer	none

Distribution of responsibilities within the Board of Directors

The areas of responsibility of the members of the Board of Directors are laid down in the company's internal rules of procedure. The Board of Directors of POLYTEC Holding AG conducts extensive discussions on both Group-relevant and segment-specific topics during its board meetings, which take place at regular intervals. Details of the areas of expertise and responsibility of each individual board member are provided in this Corporate Governance report in the description of the Board of Directors.

Committees of the Supervisory Board

The Supervisory Board of POLYTEC Holding AG has set up an Audit Committee pursuant to the Stock Corporation Act. In the year under review, the Audit Committee carried out its controlling and monitoring function at two executive meetings. The Audit Committee is responsible for monitoring the accounting process and the auditing process of both the financial statements and the consolidated financial statements as well as monitoring the effectiveness of the internal control and risk management system. It also supervises the compilation of the Corporate Governance report for each financial year. In 2010, the members of the Committee were Reinhard Schwendtbauer (Chairman), Fred Duswald and Robert Büchelhofer.

In addition to the mandatory establishment of the Audit Committee, a Nomination Committee and an additional Committee for the Assessment of Risk Management have been set up.

	Chairman	Members
Audit Committee	Reinhard Schwendtbauer	Robert Büchelhofer Fred Duswald
Nomination Committee	Fred Duswald	Manfred Trauth Viktoria Kickinger
Risk Management	Viktoria Kickinger	Manfred Trauth Fred Duswald

Independence of the Supervisory Board members

The members of the Supervisory Board of POLYTEC Holding AG are deemed to be independent if they have no business or personal relationships with the company or its Board of Directors that could result in a material conflict of interest and thus influence the members' behavior. The Supervisory Board of POLYTEC Holding AG has committed itself to compliance with the aforementioned independence criteria pursuant to Rule 53 of the Austrian Corporate Governance Code. All Supervisory Board members have declared their independence in accordance with the provisions of the Code. Moreover, all members comply with Rule 54 of the Austrian Corporate Governance Code.

Business of Supervisory Board members requiring approval

In the year under review, no transactions requiring prior consent pursuant to Rule 49 of the Austrian Corporate Governance Code were carried out by members of the Supervisory Board.

Remuneration report

Remuneration of the Board of Directors

Total remuneration of the members of the Board of Directors including performance-related components amounted to TEUR 1,989 in the year under review (2009: TEUR 1,954). The most important parameters for calculating the variable remuneration components include the achievement of performance-related targets set for each individual member and the development of the return on capital employed (ROCE).

As of the balance sheet date, no loans or advance payments had been made to the members of the Board of Directors. No stock option plan or share-based remuneration systems were introduced in the year under review.

Remuneration report (in TEUR)

Member of the Board of Directors	Basic salary	Stock options	Variable remuneration components	One-off payments
Friedrich Huemer	675	–	676	–
Alfred Kollros	229	–	80	–

Members of the Board of Directors who resigned in the 2010 financial year (in TEUR)

Member of the Board of Directors	Resigned in	Basic salary	Stock options	Variable remuneration components	One-off payments
Eduard Schreiner	August 2010	137	–	–	–
Andreas Jagl	October 2010	182	–	10	–

The Chairman of the Board of Directors Friedrich Huemer is employed at IMC Verwaltungsgesellschaft mbH and works for POLYTEC Holding AG on the basis of a service contract.

The other board members are entitled to severance payments pursuant to Section 23 of the Austrian Salaried Employee Act upon termination of their mandate and the simultaneous termination of their employment relationship.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board for the 2010 financial year will be approved at the 11th Annual General Meeting to be held on May 19, 2011. The Board of Directors will propose a total remuneration of EUR 78,750 to the Annual General Meeting.

The remuneration of the members of the Supervisory Board for the 2009 financial year was approved at the 10th Annual General Meeting held on May 19, 2010 and totals EUR 101,750. The distribution of this sum among the individual members was left to the discretion of the Board as agreed by the AGM.

POLYTEC Holding AG has concluded a Directors and Officers (D&O) insurance policy for the members of the company's Board of Directors, Supervisory Board and executive staff as well as the managing bodies of the subsidiaries.

Directors' dealings

The members of the Board of Directors and the Supervisory Board of POLYTEC Holding AG as well as related persons conducted purchase or sale transactions involving POLYTEC shares in the year under review. The Financial Market Authority was notified in due time and the transactions were published on the FMA's website.

Compliance regulation

POLYTEC Holding AG has introduced compulsory compliance guidelines pursuant to Rules 20 and 21 of the Austrian Corporate Governance Code. Based on the Group's corporate structure, the relevant confidentiality area was also extended to the managing directors and the holders of the power of attorney in the subsidiaries – exceeding the provisions laid down in the Issuer Compliance Regulation. Moreover, specific training sessions are organized at regular intervals to raise compliance awareness among both executives and members of staff. All employees concerned are also informed in due time of the start and the end of blackout periods. Finally, the company has implemented all mandatory organizational and electronic measures for handling and passing on sensitive data.

Report by the Supervisory Board of POLYTEC Holding AG for the 2010 business year

In the 2010 reporting year, the Supervisory Board exercised its duties pursuant to the Austrian legal provisions, Corporate Governance Code and the company's articles of association at five meetings. In addition to numerous informal discussions, the Board of Directors also provided the members of the Supervisory Board with detailed information about the status of the turnaround measures at an extraordinary meeting in the third quarter of 2010.

During both scheduled meetings and informal discussions, communication between the Board of Directors and the Supervisory Board was characterized by a high degree of openness, which allowed the Supervisory Board to comprehensively assess the corporate strategy, the company's performance and risk situation as well as to support the Board of Directors' fundamental decisions. In the year under review, the Audit, Nomination and Risk Management Committees, which were set up pursuant to the Corporate Governance Code, met whenever was deemed necessary.

The Supervisory Board of POLYTEC Holding AG is currently composed of five shareholder representatives and is committed to compliance with the Austrian Corporate Governance Code. All members of the Supervisory Board are deemed to be independent according to the criteria of independence specified in the Austrian Corporate Governance Code.

The financial statements, including the Management Report, as well as the consolidated financial statements and the Group Management Report of POLYTEC Holding AG, were audited by Deloitte Oberösterreich Wirtschaftsprüfungs GmbH, 4060 Leonding, in its capacity as auditor of the financial statements and consolidated financial statements. The auditor confirmed that corporate accounting, the financial statements and the consolidated financial statements comply with all legal requirements; the financial statements and the consolidated financial statements provide a true and fair view of the asset, financial and profit situation of the company and that the Management Report and the Group Management Report are consistent with the financial statements and the consolidated financial statements.

The Supervisory Board concurs with the result of the audit of the financial statements and the consolidated financial statements. The final result of the audit conducted by the Supervisory Board of the Management Report prepared by the Board of Directors, the management of the company's affairs, the Group Management Report and the consolidated financial statements did not meet with any objections. The Supervisory Board therefore approved the financial statements pursuant to Section 96 para. 4 of the Austrian Stock Corporation Act.

Furthermore, the Supervisory Board concurs with the recommendation of the Board of Directors that no dividend be distributed for the 2010 financial year.

On behalf of the Supervisory Board, I would like to express my deepest gratitude to the Board of Directors and all members of the workforce for their commitment and dedication in the 2010 business year.

Hörsching, April 5, 2011

Fred Duswald m. p.
Chairman of the Supervisory Board

Trust pays

Following a turbulent period on the international financial markets and the dramatic share price losses of the previous years, POLYTEC repaid the trust of its shareholders in 2010 by impressively outperforming the market: The company's share price recorded a plus of 110% in the year under review.

Share and Investor Relations

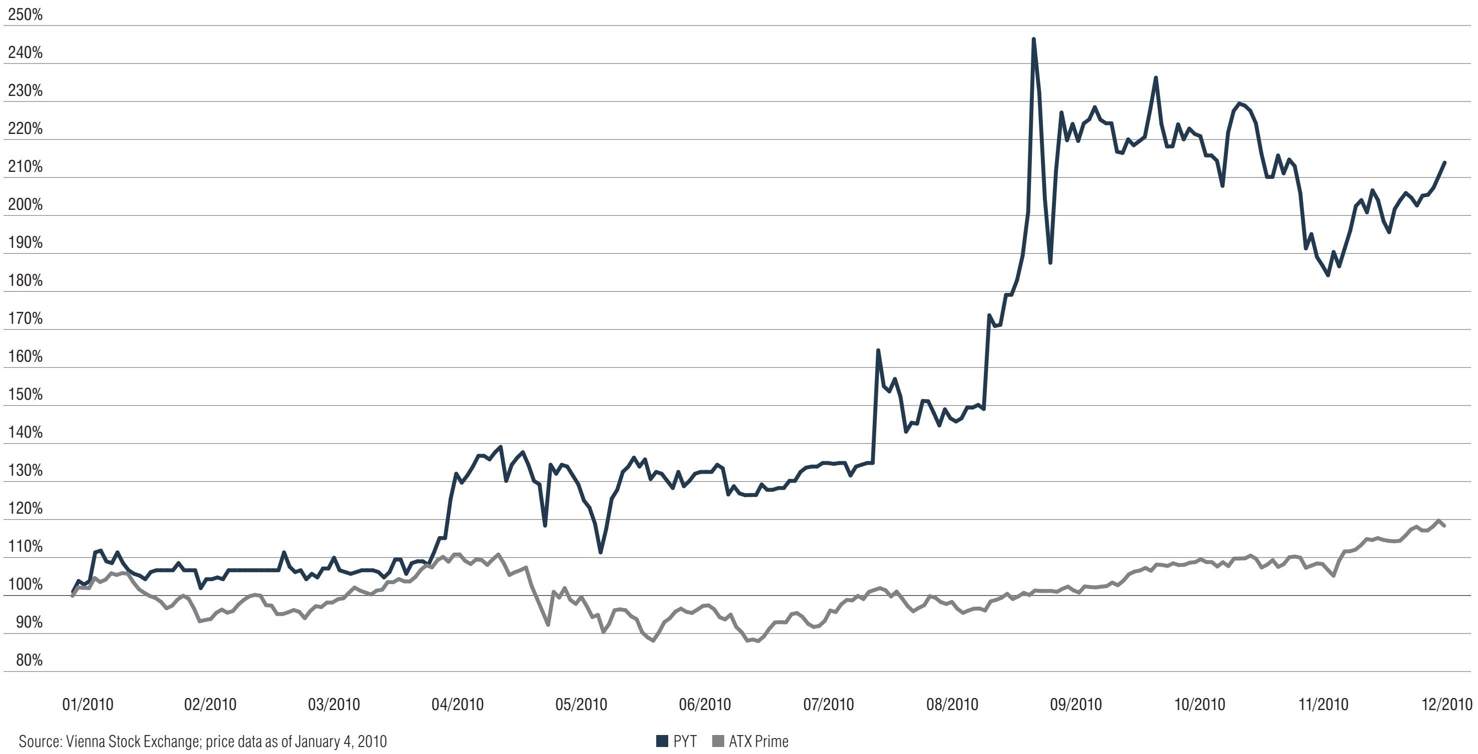
The POLYTEC GROUP's Investor Relations team is committed to offering all its stakeholders up-to-date, comprehensive and transparent information with a view to strengthening the trust of both institutional and private investors as well as of analysts and the general public.

POLYTEC's share price performance

After a sluggish opening to the 2010 trading year, POLYTEC's share price showed an extremely favorable development especially in the second half of the year, closing at EUR 4.58 as of December 31, 2010, an impressive year-on-year rise of 110%. The company's share price thus considerably outperformed the ATX Prime, which registered an increase of 17% over the same period. Thanks to the strong share price recovery, the Group's market capitalization rose to EUR 102 million. However, despite this strong recovery, the company's closing price at year-end 2010 was still 41% below the issue price in 2006.

POLYTEC's share price achieved its high for the year on September 13, 2010 with an end-of-day closing price of EUR 5.27 and its low for the year on January 4, 2010 with a closing price of EUR 2.18.

POLYTEC share – price development 2010

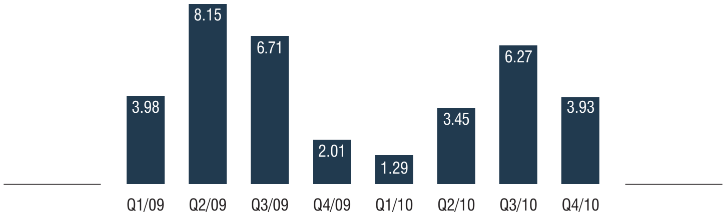


Source: Vienna Stock Exchange; price data as of January 4, 2010

Stock trading volume

In the year under review, POLYTEC's average stock trading volume (double-count excluding turnover from over-the-counter trading) amounted to 60,219 shares (2009: 85,112).

POLYTEC share – trading volumes for 2009 and 2010 (average for the period in tsd. units)



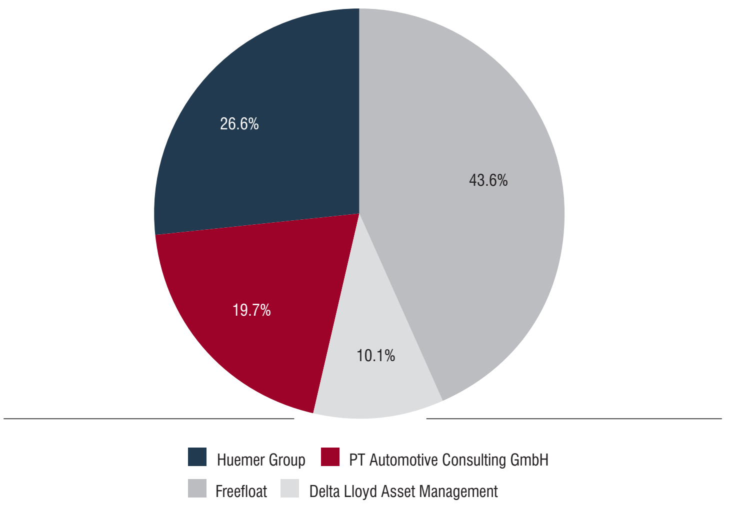
Source: Vienna Stock Exchange

Shareholder structure

As of the balance sheet date for 2010, POLYTEC Holding AG's share capital amounted to EUR 22.3 million divided into 22,329,585 bearer shares with a nominal value of EUR 1.00 each.

In the year under review, no changes in the company's shareholding patterns were reported pursuant to Section 91 of the Austrian Stock Exchange Act. POLYTEC Holding AG's shareholder structure as of Jannuary 31, 2011 was as follows[1)]:

Shareholder structure as of January 31, 2011



Dividend policy

POLYTEC Holding AG's dividend policy envisages a pay out ratio of roughly 30% of net profit. Due to the Group's continued lower-than-expected liquidity situation, the Board of Directors will propose to the Annual General Meeting that no dividend be distributed for the 2010 business year.

[1)] Huemer Invest GmbH disclosed a change in its shareholdings as of January 28, 2011 according to Section 91 of the Austrian Stock Exchange Act..

Award-winning financial reporting

The 2009 Annual Report of POLYTEC Holding AG won the Silver Prize in the category "Non Traditional Design" and the Bronze Prize in the category "Cover Photo" at the international ARC Award (New York). All the company's annual reports published since the IPO have thus won a prize for their design.

POLYTEC share – basic information	
ISIN	AT0000A00XX9
Ticker symbol	
Vienna Stock Exchange	PYT
Reuters	POLV.VI
Bloomberg	PYT AV
Market segment	Prime Market
First trading day	May 2, 2006
Issue price per share	EUR 7.75
Number of shares issued	22,329,585
Authorized capital	EUR 11,164,792
Free float	roughly 44%

POLYTEC share – key figures	Unit	2010	2009	2008
Highest price	EUR	5.27	2.98	11.30
Lowest price	EUR	2.20	1.01	2.30
Average price	EUR	3.29	2.22	8.21
Price as of Dec. 31	EUR	4.58	2.11	2.30
Earnings per share	EUR	1.12	-2.33	0.08
Average daily trading volume	Number of shares	60,879	91,315	87,836
Stock exchange turnover	EUR million	55.7	50.8	197.4
Market capitalization as of Dec. 31	EUR million	102.3	47.1	51.4
Dividend per share	EUR	–	–	–
Dividend yield based on average share price	%	–	–	–

Financial calendar 2011	
Results for the fourth quarter and the financial year 2010	April 6, 2011
Interim Report for the first quarter 2011	May 11, 2011
Annual General Meeting 2011	May 19, 2011
Interim Report for the first half year 2011	August 3, 2011
Interim Report for the third quarter 2011	November 10, 2011

Investor Relations

Manuel Taverne
Head of Investor Relations

Phone +43 7221 701 292
Fax +43 7221 701 38
E-mail investor.relations@polytec-group.com
Web www.polytec-group.com

Group Management Report of POLYTEC Holding AG

for the financial year 2010

1. Business development and global economic situation

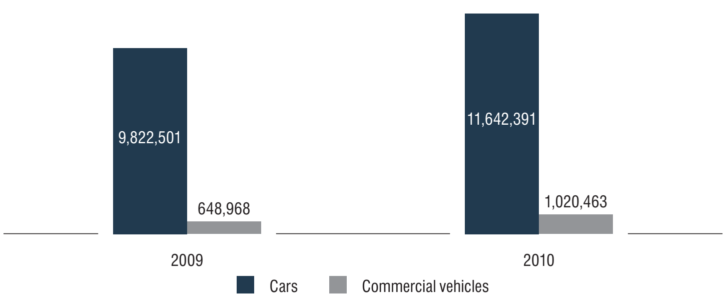
Economic development

In 2010, the world economy started to emerge from the deep recession, but the recovery proceeded at different speeds in the various regions. Growth was mainly driven by the emerging markets of China, India and Brazil with their strong demand for investment goods. In the year under review, the US economy expanded by 3.0% in real terms according to estimates of the International Monetary Fund (IMF) published in January 2011, while the eurozone economy and the European Union economy each grew by 1.8%. The economic situation in Europe largely stabilized throughout 2010. However, high levels of government debt, consolidation measures, subdued investment dynamics along with the need for financial reforms and macro-economic imbalances in the eurozone continued to have a negative impact on economic development. The Austrian economy also saw a resumption of growth in 2010, with a real growth rate of 2.0% according to estimates by the Austrian Institute of Economic Research (WIFO). This recovery was mainly driven by export growth, with private consumption also remaining stable.

The automotive industry is speeding out of the recession – all signs point to growth again

After considerable declines in demand and sales volumes, as well as several insolvencies among automotive components suppliers as a result of the global financial and economic crisis, the automotive sector regained momentum in the year under review, closing the 2010 business year considerably better than originally expected. Against the backdrop of a macro-economic recovery, sales volumes worldwide resumed an upward trend in 2010, with the BRIC countries (Brazil, Russia, India and China) in particular recording substantial growth in sales. In China alone, a total of 11.3 million vehicles were sold in 2010, an increase in sales of 34% compared to the previous year and almost twice the level of 2008. The US automotive industry also showed clear signs of recovery in 2010 after the drastic slumps of the previous year.

World vehicle production of German OEM



Source: VDA; 2010 figures preliminary

Against this backdrop, German premium manufacturers such as the Daimler Group, BMW Group or Volkswagen Group – all longstanding POLYTEC GROUP customers – were able to successfully consolidate their position in the year under review. For the German top suppliers, 2011 also got off to a good start: BMW recorded a 28% rise in sales figures compared to the same period of the previous year, selling roughly 105,000 vehicles in January 2011. Although relatively moderate growth rates are expected on the largely saturated European markets in 2011, the automotive industry has impressively demonstrated its status as an important pillar of the global economy.

Forecast for 2011

The international car industry continued last year's recovery at the beginning of 2011 with sales of new cars on the most important foreign markets rising in the first month of the year. This rebound is mainly attributable to the BRIC countries (Brazil, Russia, India and China), which had also acted as growth drivers for the world automotive industry in the previous year. In 2011, these emerging sales markets are once again proving to be particularly dynamic.

The German Association of the Automotive Industry (VDA) expects the number of new car registrations on the domestic market to climb by more than 6% in 2011. The VDA's export forecasts are also very optimistic, anticipating a further increase in exports to 4.4 million vehicles (2010: 4.2 million) in 2011.

The development of raw material prices and the persistent price pressure exerted by the OEMs, which have always been major determining factors for the components supply industry in the past, will continue to play a crucial role for the business performance and earnings development of the Group going forward.

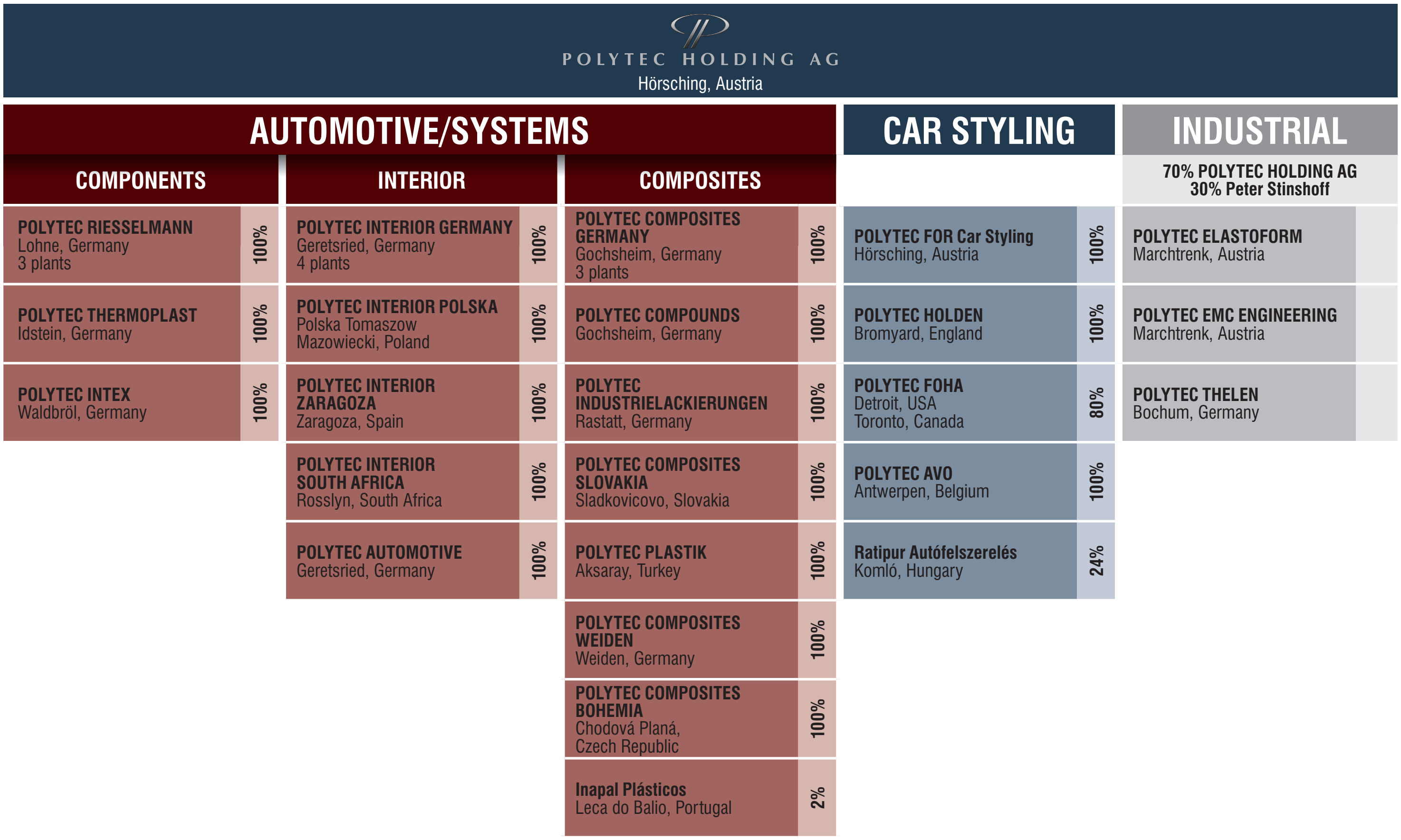
Business development and Group situation

General background information

Change in segment reporting

Given the experiences in recent years with the segment structure defined at the time of the IPO, which is no longer consistent with the current organizational structure (changed operating responsibilities) and the internal reporting system, the company's Board of Directors has decided to align the segment structure to the Group's decision-making processes pursuant to IFRS 8. The previously separate business segments Automotive Systems and Automotive Composites have therefore been merged to form a single segment. This management decision is based on the following facts, which justify a uniform approach:

- Both segments show comparable economic features
- Similar range of products and technologies
- Both segments supply the European automotive industry
- Partly overlapping sales structures



For better comparability, the figures for the 2009 and 2008 financial years published in this Group Management Report have been adjusted accordingly.

Disposal of PEGUFORM in 2009

The restructuring program of the POLYTEC GROUP, which was agreed upon by the financing banks and the company and unanimously approved by the extraordinary General Meeting on June 26, 2009 envisaged, among other things, the disposal of the PEGUFORM GROUP, which had been acquired in the 2008 financial year, with the exception of the two plants belonging to the Automotive Composites Division (Weiden and Chodová Planá). Thus, the PEGUFORM GROUP, with the exception of the two aforementioned plants, had to be classified as "held for sale" pursuant to IFRS 5 and consequently divested from the Automotive Systems Division.

All figures reported in the following paragraphs for the 2009 financial year have therefore been adjusted for the effects of the deconsolidation of the companies of the PEGUFORM GROUP as of July 1, 2009 and their contribution to results has been classified as "result from divested divisions".

For better comparability and a more accurate assessment of the development of results, the figures reported for the 2008 financial year were adjusted for the effects of the acquisition of PEGUFORM.

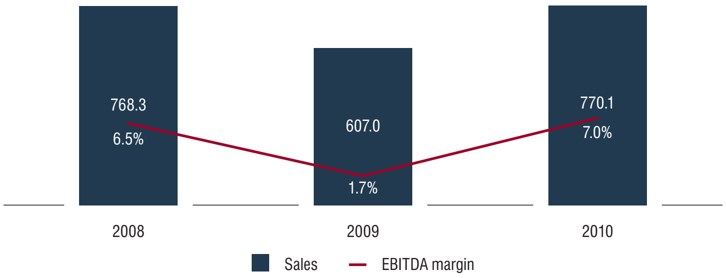
Business development of the Group

Based on the worldwide recovery of the automotive industry in the year under review, POLYTEC GROUP sales recorded a significant increase of 26.9% or EUR 163.1 million to EUR 770.1 million. However, developments in the most relevant sales markets of the Group varied.

Group results outstripped the increase in sales, with Group EBITDA improving more than fivefold to EUR 54.3 million per year-end 2010 and the EBITDA margin totaling 7.0%.

Earnings figures of the Group	Unit	2010	2009	2008 comparable
Sales	EUR million	770.1	607.0	768.3
EBITDA	EUR million	54.3	10.2	50.2
EBITDA margin (EBITDA/sales)	%	7.0	1.7	6.5
EBIT before restructuring costs	EUR million	27.2	-22.4	13.9
EBIT after restructuring costs	EUR million	27.2	-30.2	13.9
EBIT margin (EBIT/sales)	%	3.5	-5.0	1.8
Net profit from continued operations	EUR million	25.6	-51.4	9.8
Net profit margin (result after taxes/sales)	%	3.3	-8.5	1.3
Earnings per share	EUR	1.12	-2.33	0.42
Average capital employed	EUR million	136.6	336.7	n/a
ROCE before tax (EBIT/capital employed)	%	19.9	-9.0	n/a

Development of sales and EBITDA margin (in EUR million/%)



The divestment of the Italian subsidiary POLYTEC Composites Italia S.r.l. led to a deconsolidation gain of EUR 0.7 million, which is included in the Group EBITDA. In addition to a significant increase in production volumes, this favorable result is mainly attributable to the consistent implementation of structural reforms and sales measures throughout the entire Group. For a more detailed description of results, please refer to the segment reporting.

In line with EBITDA development, Group EBIT increased from EUR -30.2 million to EUR 27.2 million. No significant one-off effect was included in it in the year under review. The decline in amortization and depreciation charges by roughly 6% was mainly attributable to lower investments in fixed assets, as no major production start-up projects are planned for the current business year.

The financial result of EUR -1.5 million for the 2010 business year includes a positive effect in the amount of EUR 6.1 million from the disposal of a 10% stake in Grammer AG at the end of the third quarter 2010.

All in all, both the rapid recovery of the automotive industry, which clearly exceeded the management's expectations at the beginning of 2010, and the Group-wide implementation of operating measures resulted in net profit of EUR 25.6 million. This corresponds to earnings per share of EUR 1.12.

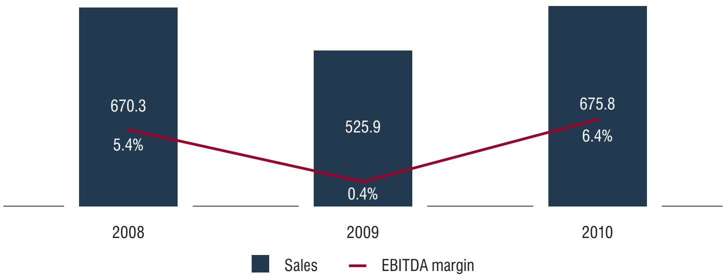
Automotive/Systems Division

	Unit	2010	2009	2008 comparable
Sales	EUR million	675.8	525.9	670.3
Share of Group sales	%	87.8	86.6	87.3
EBITDA	EUR million	43.5	1.9	36.2
EBITDA margin (EBITDA/sales)	%	6.4	0.4	5.4
EBIT before restructuring costs	EUR million	19.1	-27.6	3.1
EBIT after restructuring costs	EUR million	19.1	-31.5	3.1
EBIT margin (EBIT/sales)	%	2.8	-6.0	0.5
Net profit	EUR million	11.7	-34.3	-9.7
Net profit margin (result after taxes/sales)	%	1.7	-6.5	-1.4
Average capital employed	EUR million	94.6	293.2	n/a

The Automotive/Systems Division, which following the change in segment reporting described at the beginning of this report is now responsible for the Group's entire series-production business, was able to achieve a considerable increase in sales in the year under review. Division sales rose by 28.5% to EUR 675.8 million mainly due to the positive performance of all the vehicle segments supplied by the division. The highly dynamic development of the German OEMs was mainly driven by positive sales in the growth markets of the BRIC countries, followed by the US.

Part sales, in particular, recorded a significant increase of 35.5% to EUR 614.1 million, whereas tooling sales dropped by 14.3% to EUR 62.0 million in 2010.

Development of sales and EBITDA margin (in EUR million/%)



Division EBITDA continued to increase throughout the year under review totaling EUR 43.5 million at year-end 2010. This figure includes a deconsolidation gain of EUR 0.7 million resulting from the divestment of POLYTEC Composites Italia S.r.l. as of December 31, 2010.

Division EBIT amounted to EUR 19.1 million in 2010 compared to EUR -31.5 million in the previous year. No one-off restructuring expenses were recorded in 2010.

The unsatisfactory development of the Spanish plant in Zaragoza and the German plant in Waldbröl had a negative impact on earnings at this division. On the basis of a comprehensive action plan, these two operating units were able to reverse the downward trend prevailing at the beginning of 2010. Yet despite an improved performance over the rest of the year as a result of a comprehensive package of measures, they continued to operate at a loss and closed the year with a negative EBIT of around EUR -11 million, which in turn had a negative impact on the operating result of the division.

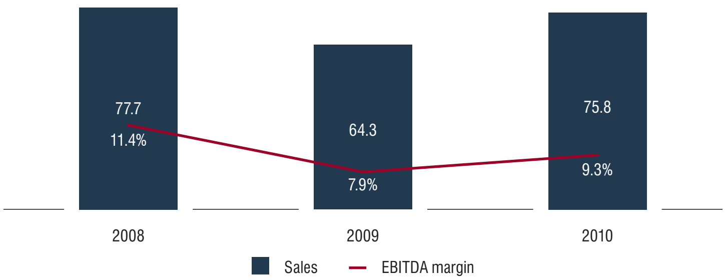
Car Styling Division

	Unit	2010	2009	2008
Sales	EUR million	75.8	64.3	77.7
Share of Group sales	%	9.8	10.6	10.1
EBITDA	EUR million	7.0	5.1	8.9
EBITDA margin (EBITDA/sales)	%	9.3	7.9	11.4
EBIT	EUR million	5.4	3.1	6.8
EBIT margin (EBIT/sales)	%	7.2	4.8	8.7
Net profit	EUR million	4.6	2.1	4.4
Net profit margin (result after taxes/sales)	%	6.1	3.3	5.7
Average capital employed	EUR million	31.3	33.0	34.7

The POLYTEC GROUP also reported a favorable development in the equipment domain, with the Car Styling Division achieving substantial increases in both sales and earnings in the year under review. Division sales grew by 17.8% to EUR 75.8 million and EBITDA rose by 37.2% to EUR 7.0 million.

In addition to its core business, which focuses on the development and production of original equipment, the sales market for components for small series production is also producing its first successes.

Development of sales and EBITDA margin (in EUR million/%)



Other Business Units

	Unit	2010	2009	2008
Sales	EUR million	18.5	16.8	20.3
Share of Group sales	%	2.4	2.9	2.6
EBITDA	EUR million	3.6	3.3	5.2
EBIT before restructuring costs	EUR million	2.6	2.2	3.9
EBIT after restructuring costs	EUR million	2.6	-1.7	3.9
Net profit	EUR million	15.6	-19.3	15.0

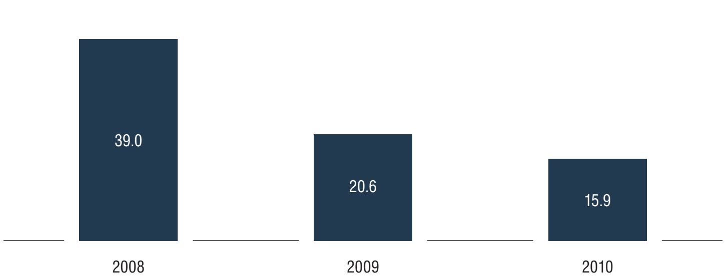
The segment "Other Business Units" principally encompasses the non-automotive business of the Group, POLYTEC Holding AG, as well as consolidation effects on results, which cannot be attributed to any division in particular.

Group key balance sheet and financial figures

	Unit	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Asset ratio (Non-current assets/balance sheet total)	%	37.5	39.3	51.5
Equity ratio (equity/balance sheet total)	%	28.3	18.5	15.2
Balance sheet total	EUR million	308.5	332.1	1,020.8
Net working capital	EUR million	16.5	26.0	17.9
Net working capital in % of sales (NWC/sales)	%	2.1	4.3	4.4

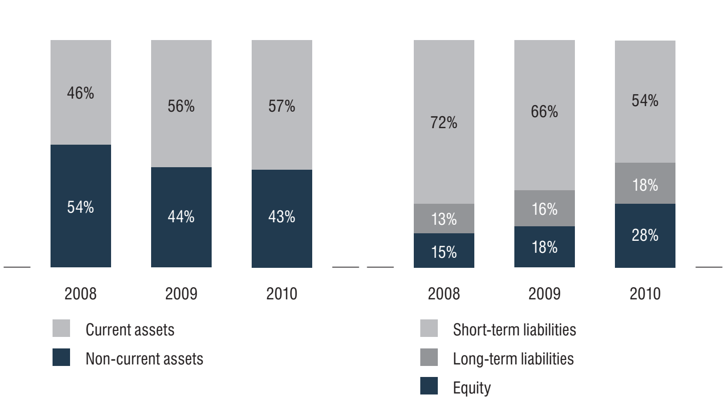
Investment volumes of the POLYTEC GROUP were reduced by 18.8% to EUR 16.7 million in the year under review. As a result, the asset ratio declined to 37.5% mainly due to lower investments for product launches in 2011.

Capital expenditures for tangible assets (in EUR million)



The equity ratio developed well in the year under review, totaling 28.3% at year-end 2010. This positive performance is mainly attributable to the improvement of results, with net profit amounting to EUR 25.6 million, and to the further reduction of the balance sheet total to EUR 308.5 million. A solid balance sheet structure is one of the key evaluation criteria used by customers for selecting suppliers and placing orders.

Balance sheet structure of POLYTEC GROUP (in %)



As of the balance sheet date on December 31, 2010, net debt decreased by EUR 43.2 million to EUR 26.7 million compared to the previous year. In addition to the positive business development, the disposal of POLYTEC Composites Italia S.r.l. contributed around EUR 3.1 million and the divestment of a 10% shareholding in Grammer AG contributed approximately EUR 12.0 million to this reduction. The ratio net debt to EBITDA amounted to 0.5 in 2010, which benchmarked against the corresponding values of the previous periods reflects the positive performance of the Group.

	Unit	2010	2009
Net debt	EUR million	26.7	69.9
Net debt to EBITDA	–	0.5	6.9
Gearing (net debt/equity)	–	0.31	1.14

Cash flow from continuing operations

	Unit	2010	2009
Cash flow from operating activities	EUR million	46.0	10.7
Cash flow from investing activities	EUR million	-1.8	-18.0
Cash flow from financing activities	EUR million	-47.1	19.9
Changes in cash and cash equivalents	EUR million	-2.8	12.6

In the year under review, cash inflow from operating activities amounted to EUR 46.0 million mainly due to the significant improvement of results at Group level. The change in working capital was largely attributable to an increase in operating activities.

In 2010, investments were mainly concentrated on customer-related and efficiency-enhancing projects. The cash outflow for investing activities of EUR 1.8 million also included the effects from the disposal of POLYTEC Composites Italia S.r.l. amounting to EUR 2.5 million.

The cash outflow for financing activities totaling EUR 47.1 million mainly resulted from the consistent repayment of the EUR 31.0 million borrowed in 2009 for the company's restructuring program.

Non-financial performance indicators

Environmental protection

Practical environmental protection involves more than just compliance with regulatory obligations. Many organizations do more than is legally required and have voluntarily introduced an environmental management system with the aim of continuously improving their environmental performance and reducing the negative impact of their operations on the environment. ISO 14001 is the internationally recognized standard for putting in place an environmental management system. All the Group's major sites have received certification in accordance with this standard.

Dealing carefully and responsibly with natural resources is an essential part of the POLYTEC GROUP's business activities. For a company specializing in processing plastics, the avoidance of waste is particularly important. In those factories that work primarily with injection-molding technologies, every effort is made to regranulate the waste material and channel it back into the production process. The Group also focuses on increasing the use of natural materials.

The economic (sparing) use of raw materials or the use of alternative materials is also an integral aspect of all corporate research and development activities.

Employees

The average number of those employed[1)] by the POLYTEC GROUP and their geographic spread in the years from 2008 to 2010 is as follows:

	2010	2009	2008 comparable
Austria	384	382	424
Germany	3,883	3,644	4,028
Rest of Europe	1,520	1,341	1,827
North America	20	15	17
South America	0	0	0
Asia	0	67	160
Total	**5,807**	**5,449**	**6,456**

1) Incl. temporary staff; employees of companies included in the consolidated financial statements for the first time are shown in the table on a pro rata temporis basis from the date of initial consolidation.

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

	2010	2009	2008 comparable
Automotive/Systems Division	5,066	4,775	5,742
Car Styling Division	662	610	647
Other segments/holding	153	140	150
Total	**5,881**	**5,525**	**6,539**

A key performance indicator in the HR area, sales per employee, developed as follows:

	Unit	2010	2009	2008 comparable
Sales per employee	TEUR	131	110	117

A strong customer focus and ongoing process optimization to enhance profitability, environmental-friendliness and efficiency are top priorities for the POLYTEC GROUP. These factors also define the attitude of POLYTEC employees towards their work.

To ensure that it is well equipped to face the dynamic market challenges that lie ahead, the POLYTEC GROUP promotes the further education and professional training of its employees, both through in-house educational and vocational training measures and with the support of external educational institutions. Alongside the further development of technical know-how and manual skills, strong emphasis is placed on the teaching of foreign languages, as these are essential for the business success of an international company like POLYTEC.

Executive remuneration packages include a performance-based component to promote identification with the company and a strong sense of responsibility.

Subsequent events after the balance sheet date

No reportable subsequent events with material influence on POLYTEC GROUP occurred since the balance sheet date.

2. Report on the expected development and potential risks for the Group

Forecast report

Sector

Cars

It is expected that the recovery within the automotive industry, which started in 2010, will continue to gain momentum in 2011, although not, however, at the same dynamic pace. Nevertheless, market expectations with regard to sales targets were very high at the beginning of 2011. In addition to the aforementioned BRIC countries and the US, growth is also anticipated on the German home market. In 2010, this market had been negatively affected by the phasing-out of the car scrappage schemes.

Commercial vehicles

In the commercial vehicle segment, production volumes registered strong growth at the end of 2010. In the 2011 business year, this upward trend in production output is expected to continue, with the VDA predicting an increase of roughly 25% for heavy commercial vehicles over 16 tons, an important segment for the POLYTEC GROUP. As in the car segment, exports will also play a crucial role in the commercial vehicle segment.

Group results forecast

For the full-year 2011, POLYTEC management expects slight organic growth in sales despite the divestment of the Italian subsidiary POLYTEC Composites Italia S.r.l. at year-end 2010, which had contributed around EUR 30 million to Group sales in the previous year. It is anticipated that the Group operating result will show a disproportionate increase compared to sales. This will be mainly attributable to the consistent implementation of operating structural measures and the resulting improvement in productivity, as well as to cost reductions (fixed cost degression) and an overall positive economic outlook.

Based on the persisting trend towards consolidation within the automotive supply industry, the company's management is currently evaluating the potential to seize growth-enhancing acquisition opportunities going forward.

Status of financing

In 2010, European automotive manufacturers posted sustained positive business development on foreign markets in Asia, Russia and the US, whereas the demand situation for European OEMs in their domestic markets was still below that of the previous year, when demand had been supported by the various scrappage schemes. In 2010, a positive result after taxes of EUR 25.6 million (previous year: EUR -90.1 million) was achieved.

At Group level, the forecast is for a further improvement of EBIT and for an increased internal financing capability associated therewith in 2011. This positive earnings development is the result of the successful implementation of changes to the operating structure in the Group and the increasingly buoyant economy. In the first two months of 2011, Group results were above budgeted figures.

On the balance sheet date, a substantial part of the Group's financing consisted of short-term credit lines. The company's principal creditor, the lending bank, has increased the previous financing commitments by some EUR 6.0 million and extended them until further notice in accordance with a resolution by the responsible committee dated March 21, 2011.

Risk reporting and financial instruments

With regard to the company's risk reporting please refer to section E. 5 of the notes to the consolidated financial statements. For details of the derivate financial instruments used by the Group please refer to section C. 16 of the notes.

3. Report on research and development

To secure future competitiveness and business success, research and development activities at the POLYTEC GROUP range from continuously improving and streamlining current manufacturing processes and the new and further development of automotive components in consultation and collaboration with corporate customers, to the further development of materials.

In the 2010 business year, the main focus was once again on the use of lightweight components to reduce the weight of individual parts, on intelligent system integration to increase cost-efficiency and on new ecological and sustainable product innovations.

The POLYTEC GROUP operates several development centers. In keeping with the corporate strategy, each of these development centers specializes in the products that are manufactured at the particular site.

Automotive/Systems Division

Components competence area

Engine component parts are developed at the production site in the north German town of Lohne. Development work ranges from the substitution of plastic parts for aluminum parts to the further development of existing components. The test area has been extended to meet constantly rising customer demands and to support active work on new developments, with a view to further consolidating the company's pioneering role in the field of engine component parts.

The developments implemented in the 2010 business year included:

– **"POLYSWIRL":** For the separation of oil particles from air – a procedure that is playing an increasingly important role – the POLYTEC GROUP has successfully used an integrated switched cyclone-type oil mist separator for several years. In the latest cylinder cover heads, the company has incorporated the "POLYSWIRL" oil separator, which is a centrifugal separator that sets the gas stream into rotation and separates the oil drops from the air by spinning them against the walls of the swirl chamber. The "POLYSWIRL" oil separator from POLYTEC has already been incorporated in the cylinder cover heads of VW, Audi, Daimler, BMW and PSA.

– **"POLYVENT":** "POLYVENT" is an innovative pressure control valve for small compact gasoline motors that takes up very little room. This POLYTEC development allows for a space-saving construction of components.

– **"KEYLOCK":** The patented "KEYLOCK" system represents another highlight in this segment. This system allows for the fast connection of lines. Vehicles are granted access to the American market only if certain media-carrying lines are non-detachably connected with one another. In this case, non-detachable means that dismantling destroys them.

– **"Projectile Injection Technology":** POLYTEC uses innovative projectile injection technology (PIT) for the production of cooling water pipes and was awarded a prize at Euromold 2010, the world's largest fair for mold-making and tooling, design and product development. During the production process, a projectile pushes the melted core of the plastic through the cavity and back into the machine tool instead of into an overflow as was previously the case.

Interior competence area

In the Bavarian town of Geretsried, development work focuses on interior systems. Employees here work constantly on the further development of materials and surface treatment processes, concentrating on weight reduction, cost efficiency and component quality. In the field of material development, the clear focus is on developing sandwich materials and environmentally friendly materials based on natural fibers. Development work in the field of manufacturing and production is increasingly directed toward improving the integrated module solution with the help of highly flexible production solutions in order to counteract the trend towards lower components volumes caused by the niche market policy pursued by OEMs.

In the 2010 business year, series production of a door trim panel was started, which set new standards in the premium segment. Based on a highly innovative laminating solution in combination with a smart holistic concept, a product was developed which, for the first time, allows for maximum product quality and weight reduction for large-scale production runs. In the past such high product quality had only been available for the production of niche series with a high percentage of manual processes. The further development of basic topics such as the use of optimized substrates based on renewable raw materials to improve crash resistance (to comply with increasingly stringent legal requirements) as well as research activities to further reduce component weight round off the company's development portfolio.

In the German town of Waldbröl, development work concentrates on pillar trims, in particular on back injection molding of textiles and other materials. The town is also home to the competence center for the finishing of special textile goods for back injection molding. The use of thin wall technology in the field of injection molding is also developed at this center, as are plastic door trim panels. In autumn 2009, POLYTEC was able to round out its product portfolio with a component realized on the basis of the MuCell™ process. Following a joint three-year development phase with Daimler AG, the series production of the assembled rear door trim for the S212 model was started. The substrate of the rear door was produced using a combination of MuCell™ and textile back molding.

With the seat back panels for Audi, the company's fully automated manufacturing process successfully demonstrated its suitability for long-term use. The manufacturing tools combine both back molding and integrated stamping technologies.

Composites competence area

In the composites area the focus is above all on finding new and better applications for thermoset materials. Other development activities are aimed at increasing efficiency in the production and processing of SMC (Sheet Molding Compounds), LFT (Long Fiber Thermoplastic) and GMT (Glass Mat Thermoplastic) as well as at enhancing the reliability of processing and varnishing processes. The new generation of vehicles also poses new challenges in terms of component strength and impact resistance, requiring constant development of the basic material and the way in which it is processed. Another key area of development work encompasses the weight reduction of components whilst preserving their main properties. In collaboration with prestigious OEMs, work in the area of carbon fiber-reinforced SMC was further intensified in the year under review. With regard to e-vehicles, and more specifically, the requirement for plastic components to be able to shield electromagnetic fields, first positive results were achieved.

Car Styling Division

The business activities of the Car Styling Division cover the entire process chain, beginning with first design concepts and clay models (M 1:1) to digitalization, CAD construction and the construction of rapid-prototyping-models. In the tool shop and mold construction department, production tools and devices are developed and manufactured. These processes are executed by highly motivated and experienced project managers in close cooperation with corporate customers and in-house divisions. The process chain covers plastic parts production, pre-treatment, prime coating, painting, assembling and the integration into the logistics chain of the customers. This enhances flexibility and enables the further development of expertise on an ongoing basis.

In 2010, the POLYTEC GROUP spent approximately 2.1% of total Group sales on research and development (previous year: 2.7%).

4. Key features of the internal control and risk management system with regard to the accounting process

The Board of Directors is responsible for implementing an adequate internal control and risk management system for the accounting process and financial reporting. Appropriate organizational measures ensure that all relevant legal requirements to make complete, correct, timely and orderly entries in the books and other records are met.

The entire process from procurement to payment is subject to strict rules and guidelines that are intended to avoid any risks these processes may entail. These measures and rules include the separation of functions, signature authorization policies and signatory powers for authorizing payments on an exclusively collective basis and restricted to a small number of employees, as well as system-supported checks by the software in use.

By using a standardized, Group-wide financial reporting system, together with ad hoc reporting on major events, the Board of Directors is kept constantly abreast of all relevant issues. The Supervisory Board is informed in Supervisory Board meetings, held at least once every quarter, about the current business development, including operative planning and the medium-term strategy of the Group, with direct and immediate information being provided to the Supervisory Board in special cases. Internal control and risk management are among the topics dealt with at the Audit Committee meetings.

5. Disclosures on capital, share, voting and control rights and associated obligations

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

Shareholders with a stake of over 10.0% of the share capital as of the balance sheet date and at the time of the compilation of this report included:

Huemer Invest GmbH: This company holds approximately 27% of the share capital of POLYTEC Holding AG (also via its affiliated company, Huemer Holding GmbH). The CEO of the POLYTEC GROUP, Friedrich Huemer, is the indirect sole shareholder and the managing director with sole power of representation of the said companies.

Compared to the balance sheet date as of December 31, 2009, this corresponds to a reduction in the shareholding of 4.2%. Notice of this reduction was given to the company on January 28, 2011 in the form of a voting rights announcement pursuant to Section 91 of the Austrian Stock Corporation Act.

The title to 16% of the company's share capital, which had been pledged as security for the acquisition of a working capital line of credit in 2009, was reassigned to Huemer Holding GmbH once the borrowed funds had been fully repaid.

PT Automotive Consulting GmbH: This company, based in Linz (Austria), belongs to the affiliated Group of Raiffeisenlandesbank Oberösterreich AG and holds approximately 19.7% of the company's share capital.

Delta Lloyd Asset Management NV: This asset management firm is based in Amsterdam (Netherlands) and holds approximately 10% of the share capital of POLYTEC Holding AG through the following funds:
– Delta Lloyd Europees Deelnemingen Fonds
– Delta Lloyd Luxembourg European Participation Fund

No shareholders have particular rights of control.

With regard to the Board of Directors' ability to issue shares, please refer to the notes to the consolidated financial statements under D. 21 for more detailed information about the authorized capital.

There are no indemnification agreements between the company and the members of the Board of Directors in the case of a change in control. There are no indemnification agreements for the Supervisory Board members and employees, nor any other major agreements, which would be affected by a change in control or a public takeover bid.

There are no provisions in the Articles of Association that go beyond the statutory provisions for appointing members of the Board of Directors or of the Supervisory Board or for amending the Articles of Association.

Hörsching, April 5, 2011

The Board of Directors

Friedrich Huemer m. p. Peter Haidenek m. p. Alfred Kollros m. p.

Consolidated financial statements of POLYTEC Holding AG

for the financial year 2010

Consolidated income statement for the financial year 2010

compared with the figures from the previous year

in TEUR		Notes	2010	2009
1.	Net sales	D. 1	770,070	607,047
2.	Other operating income	D. 2	22,231	22,439
3.	Changes in inventory of finished and unfinished goods		-11,575	-19,728
4.	Own work capitalized		912	823
5.	Expenses for materials and services received	D. 3	-408,629	-330,194
6.	Personnel expenses	D. 4	-206,215	-186,509
7.	Other operating expenses	D. 5	-113,258	-87,091
8.	Deconsolidation gains	B. 1	736	3,434
9.	**Earnings before interest, taxes and amortization (EBITDA)**		**54,272**	**10,221**
10.	Depreciation		-27,053	-28,671
11.	**Earnings before interest, taxes and amortization of goodwill (EBITA)**		**27,219**	**-18,450**
12.	Impairments	D. 6	0	-3,965
13.	**Operating profit (EBIT) before cost of restructuring**		**27,219**	**-22,415**
14.	Cost of restructuring	D. 7	0	-7,822
15.	**Operating profit (EBIT) after cost of restructuring**		**27,219**	**-30,236**
16.	Income from associated companies		18	0
17.	Financial expenses		-6,826	-6,884
18.	Impairments		0	-9,944
19.	Other financial results		5,313	-568
20.	**Financial result**	D. 8	**-1,495**	**-17,397**
21.	**Earnings before tax (EBT)**		**25,725**	**-47,633**
22.	Taxes on income	D. 9	-140	-3,796
23.	**Net profit of continued operations**		**25,585**	**-51,429**
24.	Net profit of discontinued operations	D. 10	0	-38,650
25.	**Consolidated profit for the year**		**25,585**	**-90,079**
	thereof result of non-controlling interests		-576	-428
	thereof result of the parent company		**25,009**	**-90,506**
	Earnings per share	D. 22	1.12	-4.06
	Earnings per share of continued operations	D. 22	1.12	-2.33

Consolidated statement of comprehensive income

Jan. 1 – Dec. 31, 2010

in TEUR	Group	Non-controlling interests	Total
Profit after tax	**25,009**	**576**	**25,585**
Currency translations	177	6	183
Total comprehensive income	**25,186**	**582**	**25,768**

Jan. 1 – Dec. 31, 2009

in TEUR	Group	Non-controlling interests	Total
Profit after tax	**-90,506**	**428**	**-90,079**
Non-controlling interests’ share of results of discontinued operations	0	846	846
Currency translations	585	-200	385
Market valuation of securities available for sale	9,059	0	9,059
Total comprehensive income	**-80,863**	**1,073**	**-79,790**

Consolidated statement of financial position as of December 31, 2010

compared with the figures from the previous year

Assets

in TEUR			Notes	Dec. 31, 2010	Dec. 31, 2009
A.	**Non-current assets**				
	I.	Intangible assets	D. 11	1,622	1,975
	II.	Goodwill	D. 12	19,180	19,300
	III.	Tangible assets	D. 13	92,115	106,176
	IV.	Investments in affiliated companies		280	290
	V.	Investments in associated companies		31	31
	VI.	Other financial assets		2,478	2,874
	VII.	Deferred tax assets	D. 15	17,086	13,974
				132,792	**144,619**
B.	**Current assets**				
	I.	Inventories			
		1. Raw materials and supplies		27,599	27,429
		2. Unfinished goods and as yet unbillable services minus advance payments		21,314	22,005
		3. Finished goods and merchandise		13,701	20,606
		4. Advance payments made		4,527	2,932
			D. 16	**67,141**	**72,972**
	II.	Trade accounts receivable and other receivables and assets			
		1. Trade accounts receivable		61,046	54,976
		2. Other receivables		17,674	20,526
		3. Income tax receivables		847	1,200
			D. 17	**79,567**	**76,702**
	III.	Marketable securities	D. 18	0	5,932
	IV.	Cash and cash equivalents	D. 19	29,013	31,857
				308,512	**332,081**

Equity and liabilities

in TEUR			Notes	Dec. 31, 2010	Dec. 31, 2009
A.	**Shareholders' equity**				
	I.	Share capital		22,330	22,330
	II.	Capital reserves		37,563	37,563
	III.	Treasury stock		0	-216
	IV.	Non-controlling interests		3,988	3,406
	V.	Retained earnings		23,455	-1,601
			D. 21	**87,336**	**61,483**
B.	**Long-term liabilities**				
	I.	Interest-bearing liabilities	D. 23	22,206	12,589
	II.	Provision for deferred taxes	D. 15	5,566	5,098
	III.	Long-term provisions for personnel	D. 24	24,878	25,661
	IV.	Other long-term liabilities	D. 25	3,231	5,800
				55,880	**49,147**
C.	**Short-term liabilities**				
	I.	Trade accounts payable	D. 26	65,565	59,642
	II.	Short-term interest-bearing liabilities	D. 27	25,878	51,801
	III.	Short-term portion of long-term loans	D. 28	9,204	45,276
	IV.	Liabilities on income taxes	D. 29	2,922	2,202
	V.	Other short-term liabilities	D. 30	61,728	62,530
				165,296	**221,451**
				308,512	**332,081**

Consolidated statement of cash flows for the financial year 2010

compared with the figures from the previous year

Consolidated cash flow from continued operations

	in TEUR	2010	2009
	Earnings before tax	**25,725**	**-47,633**
–	Income taxes	-1,878	3,993
+	Depreciation (appreciation) of fixed assets	27,053	32,646
– (+)	Non-cash revenues (expenditures) from securities held for sale	-6,119	9,944
–	Non-cash effect from deconsolidation	-736	0
+ (–)	Increase (decrease) in long-term provisions	527	1,108
– (+)	Profit (loss) from asset disposals	-18	-180
=	**Consolidated cash flow from earnings**	**44,555**	**-123**
– (+)	Increase (decrease) in inventories, advance payments made	2,824	13,552
– (+)	Increase (decrease) in trade and other receivables	-16,897	2,983
+ (–)	Increase (decrease) in trade and other payables	16,375	10,892
+ (–)	Increase (decrease) in short-term provisions	-818	-16,577
=	**Consolidated cash flow from operating activities**	**46,038**	**10,728**

	in TEUR	2010	2009
–	Investments in fixed assets	-16,702	-20,569
–	Acquisition of subsidiaries	-25	-48
+	Disposal of affiliated companies	35	25
+	Proceeds from deconsolidation, net of cash disposed of	2,479	0
+	Disposal of marketable securities	12,050	0
+ (–)	Profit (loss) from asset disposals	18	180
+	Book value of asset disposals	329	2,441
=	**Consolidated cash flow from investing activities**	**-1,816**	**-17,970**

	in TEUR	2010	2009
+ (–)	Increase (decrease) in interest-bearing loans and liabilities to banks	-47,728	19,323
+ (–)	Grant of long-term loans (less repayment)	394	483
+	Proceeds from sale of own shares	85	0
+ (–)	Other changes in equity	183	98
=	**Consolidated cash flow from financing activities**	**-47,066**	**19,904**

	in TEUR	2010	2009
+ (–)	Consolidated cash flow from operating activities	46,038	10,728
+ (–)	Consolidated cash flow from investing activities	-1,816	-17,970
+ (–)	Consolidated cash flow from financing activities	-47,066	19,904
=	**Changes in cash and cash equivalents**	**-2,844**	**12,662**
+	Opening balance of cash and cash equivalents	31,857	19,195
=	**Closing balance in cash and cash equivalents**	**29,013**	**31,857**

Consolidated statement of cash flows for the financial year 2010

compared with the figures from the previous year

Consolidated cash flow from discontinued operations

in TEUR		2010	2009
+(–)	Consolidated cash flow from operating activities	0	-11,371
+(–)	Consolidated cash flow from investing activities	0	-10,713
+(–)	Consolidated cash flow from financing activities	0	-1,087
=	**Consolidated cash flow from discontinued operations**	**0**	**-23,170**
+	Opening balance of cash and cash equivalents of dicontinued operations	0	81,574
–	Outflow of cash and cash equivalents from deconsolidation	0	-58,404
=	**Closing balance of cash and cash equivalents from discontinued operations**	**0**	**0**

in TEUR	2010	2009
Closing balance of cash and cash equivalents of continued operations	29,013	31,857
Closing balance of cash and cash equivalents of discontinued operations	0	0
Closing balance of cash and cash equivalents	**29,013**	**31,857**

Statement of changes in equity

in TEUR	Share capital	Capital reserves	Treasury Stock	Non-controlling interests	Retained earnings	Total
Balance as of January 1, 2010	**22,330**	**37,563**	**-216**	**3,406**	**-1,601**	**61,483**
Total comprehensive income after tax	0	0	0	582	25,186	25,768
Payments	0	0	85	0	0	85
Other changes	0	0	131	0	-131	0
Balance as of December 31, 2010	**22,330**	**37,563**	**0**	**3,988**	**23,455**	**87,336**

in TEUR	Share capital	Capital reserves	Treasury Stock	Non-controlling interests	Retained earnings	Total
Balance as of January 1, 2009	**22,330**	**37,563**	**-216**	**15,566**	**79,549**	**154,792**
Total comprehensive income after tax	0	0	0	1,073	-80,863	-79,790
Dividends	0	0	0	-2,414	0	-2,414
Deconsolidation of non-controlling interests	0	0	0	-10,819	0	-10,819
Other changes	0	0	0	0	-287	-287
Balance as of December 31, 2009	**22,330**	**37,563**	**-216**	**3,406**	**-1,601**	**61,483**

Notes to the consolidated financial statements for the financial year 2010 of POLYTEC Holding AG, Hörsching

A. General information

The POLYTEC GROUP is a globally operating corporation focusing on the automotive and plastics industry with its head office in Austria. In the automotive industry, the Group is working as supplier of interior and engine compartment components in the high-volume market segment (Automotive/Systems Division) as well as a supplier of original equipment and components for small and medium volume series (Car Styling Division). Furthermore, the Group produces PU plastic parts as well as machines for their production for other industries.

The consolidated financial statements for the fiscal year 2010 of the POLYTEC Holding AG (hereinafter referred to as "Group" or "POLYTEC GROUP") were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations in line with the EU standard practice.

The headquarters of the POLYTEC Holding AG is located in Hörsching, Austria, and is listed in the commercial register of the Landesgericht Linz (Commercial Registry of the regional court of Linz) under the number FN 197646 g.

All standards, which had to be mandatorily applied for the financial years, were applied with regard to the preparation of the present consolidated financial statements. Already published standards and standards applied by the EU or interpretations, which did not have to be mandatorily applied, were not prematurely applied.

The POLYTEC GROUP has applied the standard IFRS 3 (revised) "Business Combinations" and IAS 27 (revised) "Consolidated and Separate Financial Statements pursuant to IFRS" starting from the financial year commencing on January 1, 2010.

Together, the revised standards IFRS 3 and IAS 27 form the definitive regulations for accounting for business combinations, consolidated financial statements and non-controlling interests. In particular, greater importance will be accorded to the fair value measurement in future.

Application of the following standards published by the IASB is not yet mandatory and they have not been applied by the POLYTEC GROUP to date either:

Standard/interpretation	Title	Applicable for the first time for financial years commencing on or after:
IAS 24 (revised)	Related Party Disclosures	January 1, 2011
IAS 32 (revised)	Amendment to IAS 32: Classification of Rights Issues	February 1, 2010
IFRS 7 (revised)	Amendment to IFRS 7: Improving Disclosures about Financial Instruments	July 1, 2011
IFRS 9	Financial Instruments	January 1, 2013
IFRIC 14	Amendment to IFRIC 14	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

This list represents the changes relevant for the POLYTEC GROUP. The resulting repercussions on future transactions are currently being evaluated.

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

The consolidated financial statements have been prepared in thousand euro (TEUR). Calculation differences related to rounding may occur when summing up rounded amounts and percentages due to the use of automated calculating machines.

The consolidated income statement of the Group is prepared in accordance with the total cost accounting method.

Pursuant to Section 245a UGB [Austrian Business Code], the present consolidated financial statements replace the consolidated financial statements, which would otherwise have to be prepared in accordance with Section 244 ff UGB.

B. Principles of consolidation

1. Basis of consolidation

The basis of consolidation is determined in accordance with the principles of the IAS 27 (Consolidated and Separate Financial Statements and Accounting for Investments in Subsidiaries) in connection with SIC 12 (Consolidation – Special Purpose Entities). The parent company is the POLYTEC Holding AG, Hörsching. The consolidated financial statements include all companies by full consolidation, which are influenced by the parent company. Thus, four national subsidiaries (previous year: four) and 24 international subsidiaries (previous year: 23) were included in addition to the parent company; these subsidiaries are under the legal and factual control of the POLYTEC GROUP. Twelve companies (previous year: ten), which were not included, are not material for the consolidated financial statements. The balance sheet date for all companies included in the consolidated financial statements is December 31, 2010.

Special purpose entities are included in the consolidated financial statements provided that they are under the controlling influence of the POLYTEC GROUP. Special purpose entities are legal entities that are created to fulfill narrow and specific objectives.

An overview of the fully consolidated companies can be found in section 5 of the notes to the consolidated financial statements.

The annual financial statements of subsidiaries are included into the consolidated financial statements from the time of acquisition until the time of disposal. A subsidiary will first be included when the respective parent company is actually assigned the control with regard to the assets and the business activities of this company.

A joint venture is a contractual arrangement, whereby two or more parties undertake an economic activity that is subject to joint control. Investments are reported in the balance sheet pursuant to IAS 31 by applying the equity method of accounting. Investments are included for the first time in the consolidated financial statements at the acquisition costs. Subsequently, the carrying amount of the investment is reduced or increased in line with the results of the associated company. The Group's share of the results of the associated company is recorded in the profit and loss account at the time of the acquisition.

In the financial year, the basis of consolidation changed as follows:

Basis of consolidation	Full consolidation
As of Dec. 31, 2009	**28**
Retirement due to company divestment	-1
Addition due to Group-internal reorganization	2
As of Dec. 31, 2010	**29**
thereof foreign companies	24

The following companies were deconsolidated in the year under review:

Under the purchase agreement dated December 29, 2010, 100% of the shares in POLYTEC Composites Italia S.r.l., Mondovì, Italy, were transferred to Industrie Metallvakuum Ranger SpA, Carate Brianza, Italy. For materiality reasons the deconsolidation was performed on November 30, 2010.

The contribution of POLYTEC Composites Italia S.r.l., Mondovì, Italy to the values shown in the income statement is as follows:

in TEUR	
Net sales	30,340
Net loss	-7

The deconsolidation gain with an amount of TEUR 736 results from the difference between the net assets of POLYTEC Composites Italia S.r.l., Mondovì, Italy, as of November 30, 2010 with an amount of TEUR 2,264 and its sales price of TEUR 3,000. Taking into account the company's cash and cash equivalents of TEUR 521 as of November 30, 2010, the cash effect is TEUR 2,479.

To strengthen the strategic market position, the "Compounds" and "Industrial Varnishes" units of POLYTEC Composites GmbH & Co. KG were seperated under the spin-off agreement dated June 18, 2010. As a result of this spin-off, the basis of consolidation has been expanded by two companies, POLYTEC Compounds GmbH & Co KG and POLYTEC Industrielackierungen GmbH & Co KG.

2. Methods of consolidation

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

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

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

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

Further information with regard to the effects of the deconsolidation carried out in the 2010 financial year can be found in section B.1.

Non-controlling interests in the equity and in the result of the companies controlled by the parent company are disclosed in the consolidated financial statements under equity in accordance with IAS 27.

All accounts receivable and payable as well as expenses and earnings resulting from transactions between the consolidated companies were eliminated by taking into account the principle of materiality. Intermediate results from Group-internal deliveries were also eliminated as far as they are material.

3. Currency translation

Business transactions in foreign currencies

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

Translation of individual financial statements in foreign currencies

The functional currency of subsidiaries located outside the eurozone is the corresponding national currency; however, this does not apply to the Turkish company, whose functional currency is euro. Assets and liabilities of international subsidiaries were converted with the reference exchange rate of the European Central Bank on the balance sheet date. Positions of the consolidated income statement of the Group were converted with average exchange rates of the financial year.

Exchange rate differences of monetary positions, which, from the economic point of view, belong to a foreign company such as, for example, long-term debts and loans will be accounted with the group equity capital and will be recorded under the position “differences from the currency translation”.

The following currency exchange rates were used:

	Average exchange rate		Exchange rate on the balance sheet date	
	2010	2009	Dec. 31, 2010	Dec. 31, 2009
CAD	1.3635	1.5808	1.3323	1.5128
GBP	0.8554	0.8894	0.8607	0.8881
PLN	4.0032	4.3365	3.9746	4.1045
SEK	9.5406	10.5820	8.9655	10.2520
USD	1.3184	1.3922	1.3362	1.4406
ZAR	9.6339	11.4679	8.8652	10.6660
CZK	25.2525	26.4550	25.0627	26.4730

C. Accounting and evaluation principles

The principle of standardized accounting and evaluation will be applied due to the guidelines applicable throughout the entire Group. Insubstantial deviations with regard to the individual financial statements of international allied companies were retained. All financial statements were prepared on a going concern basis.

1. Intangible assets

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

Expenses for research are shown as expenses in the year of their occurrence. Development costs are normally also periodically occurring expenses. They have to be booked as assets if certain conditions can be proved and if they have been cumulatively fulfilled. Among other aspects, it must be verifiable that the development activities are very likely to result in future accrual of funds, which not only covers the normal costs but also the corresponding development costs. Capitalized development costs for customer orders are amortized with the beginning of the serial delivery in accordance with the customer’s release orders for the entire term of the model. The Group’s research and development expenses in the financial year amounted to approx. 2.1% (previous year: 2.7%) of total revenues.

2. Goodwill

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

The evaluation of goodwill is performed with regard to the acquisition costs less the accumulated impairment losses (section "impairment" in the notes to the consolidated financial statements).

3. Tangible assets

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

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

	in %
Buildings and leasehold improvements	4.0–20.0
Technical equipment and machinery	6.7–50.0
Other plant, fixtures, fittings and equipment	10.0–50.0

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

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

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

4. Assets from tenancies and leasing

Leased assets for which basically all risks and rewards resulting from the property of assets were transferred (finance lease), are valued as assets with their fair value or the lower present value in correspondence with IAS 17. The amortization was performed according to the periods of the leasing agreement. If at inception of the lease it is reasonably certain that ownership of the asset will be obtained by the end of the lease term, the asset is depreciated over the expected useful life. The payment obligations resulting from the future lease payments are discounted and recorded as liabilities.

5. Government grants

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

6. Financial assets

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

Interests in joint ventures are balanced pursuant to IAS 31 by applying the equity method of accounting.

The investments balanced at the acquisition costs are investments, which are not listed on an active market and whose current value can, therefore, not be determined on a reliable basis.

The loans are subject to variable interest rates so that their book value almost corresponds to the market value.

Extraordinary amortizations will be performed for all financial assets in the case of impairment (see also the section "impairment" in the notes to the consolidated financial statements).

7. Inventories

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

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

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

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

9. Marketable securities

The investments and securities portfolio of the previous year had been classified as “available for sale”. In 2010, all securities were sold.

10. Cash and short-term financial resources

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

11. Impairment

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

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

The value in use of the asset corresponds to the present value of the estimated future cash flows from continuing use of such asset and from the disposal at the end of its useful life applying a fair market discount rate before taxes, which is adjusted to the specific risks of the assets. The estimation of the future cash flow is based on a three-year planning horizon. The interest rate used for calculating the present value is the weighted average capital costs of the corresponding cash-generating unit and was defined at 10% to 11% for the 2010 financial year. If no individual cash flow can be determined for an individual asset, the determination of the value of benefit is performed for the next higher unit to which this asset belongs and for which an individual cash flow can be determined.

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

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

12. Obligations towards employees

Provision for severance payments

Due to legal obligations, the employees of Austrian Group companies who have joined the company prior to January 1, 2003 will receive a one-time severance payment in the case of a termination of the employment contract or in the case of retirement. The amount of compensation depends on the number of years of service and the applicable income on the end of the employment. For all employment contracts concluded after December 31, 2002, payments will be made to a company pension fund for employees, which will be recorded as expenses.

The provisions for severance payments are determined on a standardized basis with the "projected unit credit method" and by applying a discount rate of 4.75% (previous year: 5.5%) as well as by including a dynamic rate for future salary increases of 2.0% (previous year: 2.5%). A reduction for fluctuation of personnel based on the years of service is included. The assumed retirement age for men and women, taking into account certain temporary arrangements, is still defined as 62 years (no change to the previous year).

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

Entitlement to severance payments

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

Pension obligations

Pension obligations apply for certain employees of German Group companies. Accounting of these obligations is performed in accordance with IAS 19. For this purpose, the present value of the defined benefit obligation (DBO) is calculated and compared to the current value of the planned assets existent on the balance sheet date. The pension provisions are calculated according to the "projected unit credit method", where, depending on the distribution of the obligations to entitlements and liquid pensions and due to the specific regulations of the individual pension funds, a discount rate of 4.75% (previous year: 5.5%) as well as an increase of 1.5% (previous year: 1.5%) will be applied. The guidelines 2005G – Dr. Klaus Heubeck will be used for the actuarial calculations.

Interest costs resulting from the long-term provisions for personnel are recorded in the consolidated income statement of the Group under financial expenses.

Other long-term obligations towards employees

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

13. Taxes

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

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

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

14. Other long-term and short-term liabilities

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

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

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

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

15. Recognition of financial instruments

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

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

Financial assets will be categorized as follows:

a. Financial assets measured at fair value through profit or loss
b. Held for trading
c. Loans and receivables
d. Available for sale

Financial liabilities will be categorized as follows:

a. Financial liabilities measured at residual book value.

Other categories applicable according to IAS 39 are not applied.

16. Derivative financial instruments

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

The following pending derivative financial instruments were held on December 31, 2010:

	Currency	Longest term	Nominal (x 1,000)	Fair value in TEUR
Interest rate swap	EUR	December 2011	5,000	-98
Interest rate swap	EUR	October 2012	10,000	-548
Foreign exchange forward contract	USD	May 2011	500	30
Foreign exchange forward contract	USD	June 2011	500	40

In addition, a call option may be exercised starting from the 2014 financial year for the acquisition of stakes in companies outside the Group. In the course of the financial year, forward exchange operations were used to hedge the foreign exchange risk, which is part of the Group's business in South Africa.

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

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

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

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

17. Realization of income and expenses

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

18. Financial result

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

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

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

19. Uncertainties with regard to assessments and assumptions

Estimates and assumptions have to be made to a certain degree in the consolidated financial statements, which have an influence on the recognized assets and liabilities, information with regard to other obligations on the balance sheet date and the recognition of income and expenses during the reporting period. The actual amounts to be realized in the future may deviate from these estimates.

In particular the assumptions concerning future cash flow of cash-generating units which are based on the medium-term plans of the Group may prove to be incorrect and may result in certain effects on assets (especially goodwill and deferred tax assets) in the following years.

The assessment of provisions for severance payments and pension contributions is based on a specific method, which applies parameters such as the expected deduction of accrued interest, increases in wage payments and pension contributions as well as anticipated earnings on planned assets. If the development of these relevant parameters differs significantly from the original expectations, this might have considerable repercussions on the provisions and consequently on the Group's net expenses for severance payments and pension contributions.

In assessing the recoverability of deferred tax assets, the Board of Directors considers whether it is probable that all deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. If the company is unable to generate sufficient future taxable income, no deferred tax benefits from operating loss carry-forwards can be recognized and their value has therefore to be adjusted correspondingly.

D. Information concerning the consolidated income statement and the consolidated statement of financial position

1. Sales revenues and segment reporting

The segments represent product groups and correspond to the internal reporting system of the Group. On the basis of experience in recent years with the segment structure defined at the time of the IPO, which no longer corresponds to the current organizational structure and internal reporting, the segment structure was adjusted in line with the Group's decision-making processes in compliance with IFRS 8. The previous Automotive Systems and Composites Divisions were merged on the basis of similar long-term earnings development, comparable economic characteristics, similar product spectrums and technologies and partially redundant sales structures. Accordingly, the company is now divided into the Automotive/Systems and Car Styling Divisions. The previous year's figures were adjusted to improve comparability. A detailed description of the business activities of the different divisions can be found in section A. of the notes to the consolidated financial statements.

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

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

Being a supplier of the automotive industry, the Group only depends on a small number of major customers. In 2010 and 2009, only three customer groups achieved more than 10% of the Group's entire sales. In total, the three main customers accounted for roughly 56% of total sales in 2010 (previous year: 55%). Due to the broad variety of models and brands of our major customers, which are operating both in the passenger car sector and in the commercial vehicle sector, all separately reported business fields are affected by the relationship between the customer and the supplier, but, of course, to a different degree.

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

	External sales		Deferred tax assets		Obligations towards employees	
	2010	2009	2010	2009	Dec. 31, 2010	Dec. 31, 2009
Austria	29,471	32,838	10,794	9,261	1,913	1,774
Germany	513,436	404,356	5,835	4,390	22,633	22,322
Other EU	181,269	136,735	457	324	132	1,405
Rest of the world	45,894	33,118	0	0	201	160
Group	**770,070**	**607,047**	**17,086**	**13,974**	**24,878**	**25,661**

All information for the segments of the Group can be found in section 1 of the notes to the consolidated financial statements. Segment sales are reported based on the customer's location.

Sales are divided into the following categories:

in TEUR	2010	2009
Part sales and other sales	701,977	522,745
Tooling and development sales	68,093	84,302
Total	**770,070**	**607,047**

2. Other operating income

in TEUR	2010	2009
Earnings from the disposal and appreciation of fixed assets excluding financial assets	81	560
Income from release of provisions	8,935	7,442
Exchange rate gains	1,045	2,121
Other income	12,170	12,316
Total	**22,231**	**22,439**

3. Expenses for material and other services received

in TEUR	2010	2009
Material expenses	344,167	254,953
Expenses for services received	64,462	75,241
Total	**408,629**	**330,194**

4. Personnel expenses

in TEUR	2010	2009
Wages and salaries	160,259	143,995
Expenses for statutory social charges	34,925	35,114
Expenses for severance payments and pensions	4,754	5,302
Other personnel expenses	6,276	2,098
Total	**206,215**	**186,509**

Expenses for severance payments and pensions also include expenses for contribution-oriented plans.

The average number of employees was:

	2010	2009
Workers	4,072	4,077
Employees	1,112	1,159
Total	**5,184**	**5,236**

On the balance sheet date as of December 31, 2010, the POLYTEC Group employed 5,019 employees (3,950 workers and 1,069 white-collar employees excluding leased personnel).

5. Other operating expenses

in TEUR	2010	2009
Leased staff	26,647	9,111
Maintenance	17,838	13,765
Transport	9,615	8,239
Rent buildings	15,310	15,183
Other rent and leases	4,821	5,327
IT and communication costs	3,330	3,366
Legal and consulting fees	4,041	2,903
Exchange rate losses	427	1,626
Other expenses	12,708	10,493
Other sales expenses	5,113	3,874
Other administration expenses	9,700	8,449
Risk provision and damaging	3,123	3,853
Non-income based taxes and charges	522	518
Losses from the disposal of fixed assets, excluding financial assets	63	380
Total	**113,258**	**87,091**

6. Impairments

Pursuant to IAS 36 impairment tests are to be carried out when there is an indication of impairment with regard to the company's assets. No impairment charges were required in 2010 following the impairment tests (previous year: TEUR 3,965). In the previous year, impairment charges mainly applied to production plants in Spain.

According to IFRS 3 (Business Combinations), the goodwill will not be subject to scheduled amortization from the beginning of the financial year 2005 but is subject to an annual impairment test.

Due to these impairment tests, no goodwill amortizations were required in 2010 as in the previous year.

7. Restructuring costs

In the previous year, restructuring costs related to personnel measures (TEUR 2,891), costs in connection with the closure of the site in Sweden (TEUR 1,845) as well as costs in connection with the disposal of the PEGUFORM GROUP (TEUR 3,085) which were not attributable to the results of discontinued operations.

8. Financial result

in TEUR	2010	2009
Income from associated companies	18	0
Interest income and income from securities	232	776
Write-off of financial assets	0	-45
Interest component of pension commitments	-1,240	-1,296
Other interest expenses	-6,308	-6,365
Impairment of securities held as current assets	0	-9,944
Income from the disposal of securities held as current assets	6,119	0
Other financial result	-315	-524
Total	**-1,495**	**-17,397**

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

In the previous year, the impairment of securities held as current assets related to shares that were classified as "available for sale". These were all sold in 2010.

9. Income taxes

in TEUR	2010	2009
Current income taxes	2,962	2,074
thereof non-periodic	57	-650
Changes in deferred income taxes	-2,823	1,722
thereof non-periodic	0	2,090
Total	**140**	**3,796**
thereof non-periodic	57	1,440

The income tax expense for the 2010 financial year amounting to TEUR 140 is lower by an amount of TEUR 6,291 compared to the calculated income tax revenue amounting to TEUR 6,431, which would result by applying a tax rate of 25% to the result prior to income taxes amounting to TEUR 25,725.

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

in TEUR	2010	2009
Earnings before tax	27,725	-47,633
thereof 25% calculated income tax expense	6,431	-11,908
Changes in value adjustments for deferred tax assets	-3,414	13,071
Permanent and other differences	-2,912	2,034
Differences from the discrepancy between the local and the consolidated tax rate	-23	-841
Income tax expense for the reporting period	83	2,356
Non-periodic income tax expense	57	1,440
Disclosed income tax expense	**140**	**3,796**

Deferred taxes were capitalized for one Group company although they suffered losses in 2010. On the basis of present planning statements, the Board of Directors assumes that the capitalized amounts can be realized in the foreseeable future.

10. Result from divisions “held for sale”

The result from divisions “held for sale” relates solely to the PEGUFORM GROUP, which was sold in the previous year and can be reported as follows:

in TEUR	2010	2009
Sales revenues	0	558,881
Total output	0	589,163
Cost of materials	0	-399,359
Personnel expenses	0	-121,953
Other operating expenses	0	-66,424
EBITDA	**0**	**1,428**
Amortization	0	0
Impairment as per IFRS 5	0	-47,651
EBIT	**0**	**-46,223**
Financial result	0	-6,148
Result before taxes	0	-52,371
Income taxes	0	1,895
Net loss for the year	**0**	**-50,477**
Gain on deconsolidation of the PEGUFORM GROUP	0	15,751
Share of the profits attributable to minority shareholders	0	-846
Less interest expenses netted off against interest waivers	0	-3,078
Result from divisions “held for sale”	**0**	**-38,650**

The interest waivers relating to interest expense incurred in the financial year 2009 of EUR 3.1 million are netted off against the matching interest expense. The remaining deconsolidation gain of EUR 12.7 million was allocated to the result from “held for sale” divisions, in addition to the current loss by the PEGUFORM GROUP in the first two quarters of 2009, and to the depreciation in the non-current assets ”held for sale” on the anticipated loss on disposal before taking minority interests into account.

The result of the PEGUFORM GROUP in the first half of 2009 was calculated on the basis of the financial reporting for the compilation of the half-year 2009 financial statements and duly apportioned within the result from divisions “held for sale” between the current result and the gain on deconsolidation.

11. Intangible assets

The classification of the intangible assets and their development summarized in the consolidated balance sheet are shown in the summary of fixed assets (section 2 of the notes).

No intangible assets were mortgaged or pledged as a security for bank liabilities in 2010 as in 2009.

12. Goodwill

The goodwill is allocated to the following divisions:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Car Styling	12,643	12,643
Automotive/Systems	0	119
Other	6,537	6,537
Total	**19,180**	**19,300**

13. Tangible assets

The classification of the tangible assets summarized in the consolidated balance sheet as well as their development is shown in the summary of fixed assets (section 2 of the notes).

The future expenses from non-terminable operating leasing agreements (without the obligations towards the POLYTEC Immobilien Group, which are explained in the notes under E. 7) amounted to TEUR 34,920 as of December 31, 2010 (previous year: TEUR 35,079) and are due as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Within 1 year	10,423	11,599
Longer than 1 year and within 5 years	24,497	23,480
Longer than 5 years	0	0

Tangible assets include finance lease goods with a book value amounting to TEUR 4,791 (previous year: TEUR 13,957).

The finance lease results in leasing obligations towards third parties amounting to TEUR 5,379 (previous year: TEUR 15,038). The specified leasing obligations (present values including redemption for residual value) are due as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Within 1 year	3,029	10,136
Longer than 1 year and within 5 years	2,350	4,902
Longer than 5 years	0	0

The leasing payments (without redemption for residual value) corresponding to the present values amount to TEUR 4,590 (previous year: TEUR 14,730) and are due as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Within 1 year	2,581	9,509
Longer than 1 year and within 5 years	2,009	5,222
Longer than 5 years	0	0

In the 2010 financial year, no extraordinary amortizations on fixed assets were recognized (previous year: TEUR 3,965). No revaluations were made in 2010 as in the previous year.

For bank liabilities amounting to TEUR 30,953 (previous year: TEUR 34,662), tangible assets are pledged as security.

14. Loans

The Group has issued long-term loans to companies of the POLYTEC Immobilien Group (see also the explanations with regard to affiliated companies in E. 7). The contractually agreed cash flow from the agreed repayments and interests (with the interest rate at the corresponding balance sheet date) can be summarized as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Carrying value	1,606	2,000
Cash flow of the following year	408	521
Cash flow in the years 2 to 5	1,349	1,562
Cash flow over more than 5 years	0	0

15. Deferred taxes

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

	Dec. 31, 2010		Dec. 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	0	0	0	0
Tangible assets	-398	207	-975	265
Provisions for severance payments	435	0	360	-32
Provisions for pensions	1,338	0	465	0
Other provisions for personnel	485	0	314	0
Tax losses carried forward	8,844	0	10,866	0
Lease liabilities	1,276	0	1,947	0
Other provisions	1,607	0	2,785	0
Others	3,375	117	-1,854	48
Subtotal	**16,962**	**324**	**13,907**	**281**
Consolidation of debt	0	5,242	0	4,817
Elimination of inter-company profits	124	0	67	0
Capitalization/Provisions for deferred taxes	**17,086**	**5,566**	**13,974**	**5,098**

Deferred taxes on losses carried forward of TEUR 31,004 (previous year: TEUR 29,734) were not capitalized.

16. Inventory

The inventory is structured as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Raw materials and supplies	27,599	27,429
Unfinished goods	8,424	17,871
Work-in-progress	28,611	27,660
Advance payments received	-15,721	-23,526
Finished goods and merchandise	13,701	20,606
Advance payments made	4,527	2,932
Total	**67,141**	**72,972**

For bank liabilities amounting to TEUR 25,776 (previous year: TEUR 33,141), inventories are pledged as security.

17. Trade accounts receivable and other receivables

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Trade accounts receivable	61,046	54,976
thereof with a residual term > 1 year	1,139	3,616
thereof from affiliated companies	286	69
thereof from associated companies	4	2
Other receivables and assets	17,126	19,453
thereof with a residual term > 1 year	2,718	1,135
thereof from affiliated companies	0	0
thereof from associated companies	0	0
thereof from related companies	36	125
Income tax receivable	847	1,200
thereof with a residual term > 1 year	0	0
Prepayments and deferred charges	548	1,073
thereof with a residual term > 1 year	0	0
Total	**79,567**	**76,702**
thereof with a residual term > 1 year	3,857	4,751
thereof from affiliated companies	286	69
thereof from associated companies	4	2
thereof from related companies	36	125

Within the scope of global assignments, TEUR 32,302 (previous year: TEUR 42,739) of bank liabilities are secured by accounts receivable.

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Non payable	44,379	43,795
Due up to 60 days	10,536	8,464
Due up to 120 days	2,912	867
Due up to 360 days	3,066	1,208
Due longer than 360 days	153	642
Total	**61,046**	**54,976**

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

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

in TEUR	Trade accounts receivable	Other receivables
Balance as of January 1, 2010	3,176	78
Changes in consolidation	0	0
Use	-296	0
Release	-762	0
Allocation	350	0
Foreign exchange rate differences	26	16
Balance as of December 31, 2010	**2,494**	**94**

18. Securities held as current assets

In the previous year, the securities held as current assets consisted of shares of the Grammer AG held by the POLYTEC Holding AG.

19. Cash and cash equivalents

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Cash and cash equivalents (short term)	29,013	31,857

Restrictions concerning the amounts included in this position were not existent on the balance sheet date. TEUR 189 (previous year: TEUR 189) are pledged as a security for bank liabilities.

20. Financial assets

in TEUR	Amortized costs	Fair value without any impact on profit or loss	Fair value through profit or loss	Carrying amount as of Dec. 31, 2010	Market value as of Dec. 31, 2010
Loans and receivables					
Trade accounts receivable and other receivables	78,102	0	0	78,102	78,102
Loans	1,606	0	0	1,606	1,606
Investments in other companies	1,183	0	0	1,183	1,183
Cash and cash equivalents (short term)	29,013	0	0	29,013	29,013
	109,903	0	0	109,903	109,903
Held for trading					
Foreign exchange forward transactions	0	0	70	70	70
Interest rate derivatives	0	0	-645	-645	-645
	0	0	-575	-575	-575
Available for sale					
Securities held as current assets	0	0	0	0	0
	0	0	0	0	0
Total	**109,903**	**0**	**-575**	**109,328**	**109,328**

in TEUR	Amortized costs	Fair value without any impact on profit or loss	Fair value through profit or loss	Carrying amount as of Dec. 31, 2009	Market value as of Dec. 31, 2009
Loans and receivables					
Trade accounts receivable and other receivables	70,884	0	0	70,884	70,884
Loans	2,000	0	0	2,000	2,000
Investments in other companies	1,195	0	0	1,195	1,195
Cash and cash equivalents (short term)	31,857	0	0	31,857	31,857
	105,935	0	0	105,935	105,935
Held for trading					
Interest rate derivatives	0	0	-919	-919	-919
Available for sale					
Securities held as current assets	15,876	0	-9,944	5,932	5,932
Total	**121,811**	**0**	**-10,863**	**110,948**	**110,948**

Cash and cash equivalents, trade accounts receivable and other short-term financial assets have short-term maturity. Therefore, the carrying values of these assets are nearly similar to the fair value at the balance sheet date. The fair value of other long-term receivables and other long-term financial assets corresponds to the present value of the payments based on the actual market parameter.

Loans and receivables also include securities that are not listed. Therefore, allocation of the fair value of these assets was not reliable and so the carrying value was recognized at historic costs.

Financial assets measured at market value are allocated as follows to the three stages of the fair value hierarchy:

	thereof Stage 1 Dec. 31, 2010	thereof Stage 2 Dec. 31, 2010	thereof Stage 3 Dec. 31, 2010
Held for trading			
Foreign exchange forward transactions	0	70	0
Interest rate derivatives	0	-645	0
Available for sale			
Securities held as current assets	0	0	0
	0	**-575**	**0**

	thereof Stage 1 Dec. 31, 2009	thereof Stage 2 Dec. 31, 2009	thereof Stage 3 Dec. 31, 2009
Held for trading			
Interest rate derivatives	0	-919	0
Available for sale			
Securities held as current assets	5,932	0	0
	5,932	**-919**	**0**

These three stages distinguish fair values according to the significance of the factors included in the measurement and illustrate the extent to which observable market data are available in measuring the fair value.

The stages of the fair value hierarchy and their application to assets and liabilities can be described as follows:

Stage 1:
Listed market prices for identical assets or liabilities on active markets

Stage 2:
Information other than listed market prices, which is observable directly (e.g. prices) or indirectly (e.g. derived from prices).

Stage 3:
Information for assets and liabilities, which is not based on observable market data.

21. Consolidated shareholders' equity

The share capital of the POLYTEC Holding AG on the balance sheet date amounts to TEUR 22,330 (previous year: TEUR 22,330) and is divided into 22,329,585 ordinary shares (previous year: 22,329,585 ordinary shares) with a nominal value of EUR 1.00 each.

According to a decision of the Annual General Meeting held on May 21, 2008, an authorized capital stock was agreed. With the corresponding approval of the Supervisory Board and for a period of 5 years from the registration of the authorized capital stock, the Board of Directors is entitled to increase the equity capital by up to EUR 11,164,792.00 by issuing new shares with a minimum issue price of EUR 1.00 each. New shares can be also issued excluding shareholders' subscription rights.

The capital reserves include the agio, which has been deposited on the occasion of capital increases, less the costs of the initial public offering of the POLYTEC Holding AG in the 2006 financial year, which can be allocated to the capital increase. In the 2008 financial year, on the basis of Austrian law, capital reserves of TEUR 20,220 were liquidated in the individual financial statements of POLYTEC Holding AG to cover the loss for the year.

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

Information concerning capital management

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Total equity	87,336	61,483
Balance sheet total	308,512	332,081
Equity ratio	**28.3%**	**18.5%**

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

22. Earnings per share

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

	in	2010	2009
Net income after non-controlling interests	TEUR	25,009	-90,506
Result from continuing operations after non-controlling interests	TEUR	25,009	-51,856
Weighted average number of ordinary shares issued	Shares	22,329,585	22,329,585
Average number of treasury shares	Shares	0	29,934
Average number of shares outstanding	Shares	22,329,585	22,299,651
Earnings per share	EUR/share	1.12	-4.06
Earnings per share from continuing operations	EUR/share	1.12	-2.33

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

For the 2010 financial year, the Board of Directors of the POLYTEC Holding AG will propose to waive the payment of a dividend as in the previous year.

23. Interest-bearing liabilities

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Liabilities due to banks	19,658	7,425
thereof with a residual term > 5 years	286	4,000
thereof with collateral securities	19,658	4,523
Other interest-bearing liabilities	198	262
thereof with a residual term > 5 years	0	0
Lease liabilities	2,350	4,902
thereof with a residual term > 5 years	0	0
Total	**22,206**	**12,589**

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

The agreed target ratios were fully achieved as of December 31, 2010.

The loan agreements finalized in the 2011 financial year do not contain any financial covenants.

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

	2010		2009	
	Proportion %	Average ordinary interest	Proportion %	Average ordinary interest
EUR	96.2	4.49	95.8	4.71
GBP	3.8	2.40	0.7	4.00
PLN	0.0	n/a	3.5	8.48

24. Obligations towards to employees

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Provision for severance payments	1,714	1,613
T.F.R. severance payment entitlements	0	1,365
Provision for pensions	21,464	21,211
Provision for jubilee payments	1,368	1,272
Other long-term provisions	333	201
Total	**24,878**	**25,661**

For further information about the development of the provisions for severance payments, pensions and long service bonus payments in the previous financial years please refer to section 3 of the notes to the consolidated financial statements.

25. Other long-term liabilities

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Long-term contingent liabilities and provisions	2,629	5,259
Government grants (residual terms > 1 year)	601	541
Total	**3,231**	**5,800**

26. Trade accounts payable

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Trade accounts payable	63,636	55,960
thereof due to associated companies	0	56
thereof due to affiliated companies	153	193
Advance payments received	1,929	3,682
Total	**65,565**	**59,642**

27. Short-term interest-bearing liabilities

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Liabilities due to banks	25,878	51,686
Loans from non-consolidated affiliated companies	0	115
Total	**25,878**	**51,801**

28. Short-term part of long-term loans

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Bank liabilities with a residual term < 1 year	6,175	35,140
Lease liabilities with a residual term < 1 year	3,029	10,136
Total	**9,204**	**45,276**

29. Liabilities from income taxes

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

in TEUR	2010	2009
Balance as of January 1 of the reporting year	2,202	2,466
Changes in consolidation	-180	-599
Exchange rate differences	2	-1
Use for tax payments	-1,063	-436
Release	-497	-36
Addition	2,457	808
Balance as of December 31 of the reporting year	**2,922**	**2,202**

30. Other short-term liabilities

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Provision for vacation	6,449	4,383
Other personnel expenses	5,899	5,934
Losses and risks	11,080	16,483
Other short-term provisions	15,291	14,084
Short-term provisions	**38,719**	**40,884**
Other tax liabilities	6,733	7,287
Social security liabilities	1,040	1,057
Other liabilities	14,283	11,740
Government grants with a residual term of < 1 year	382	491
Deferred charges	571	1,071
Total	**61,728**	**62,530**

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

31. Financial liabilities

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

in TEUR	Amortized costs	Fair value without impact on profit and loss	Fair value through profit and loss	Carrying value as of Dec. 31, 2010	Market value as of Dec. 31, 2010
Measured at amortized costs					
Long-term interest-bearing financial liabilities	19,856	0	0	19,856	19,856
Short-term interest-bearing financial liabilities	32,053	0	0	32,053	32,053
Trade accounts payable	65,565	0	0	65,565	65,565
Other short-term liabilities	13,636	0	0	13,636	13,636
	131,110	0	0	131,110	131,110
Not allocated according to IAS 39 (financial lease)					
Long-term interest bearing financial liabilities	2,349	0	0	2,349	2,349
Short-term interest bearing financial liabilities	3,029	0	0	3,029	3,029
	5,378	0	0	5,378	5,378
Total	**136,488**	**0**	**0**	**136,488**	**136,488**

in TEUR	Amortized costs	Fair value without impact on profit and loss	Fair value through profit and loss	Carrying value as of Dec. 31, 2009	Market value as of Dec. 31, 2009
Measured at amortized costs					
Long-term interest-bearing financial liabilities	7,687	0	0	7,687	7,687
Short-term interest-bearing financial liabilities	86,941	0	0	86,941	86,941
Trade accounts payable	59,642	0	0	59,642	59,642
Other short-term liabilities	12,953	0	0	12,953	12,953
	167,223	0	0	167,223	167,223
Not allocated according to IAS 39 (financial lease)					
Long-term interest bearing financial liabilities	4,902	0	0	4,902	4,902
Short-term interest bearing financial liabilities	10,136	0	0	10,136	10,136
	15,038	0	0	15,038	15,038
Total	**182,262**	**0**	**0**	**182,262**	**182,262**

Trade accounts payables and other liabilities have short-term maturity and, therefore, the carrying values are approximate to the fair value. The fair value of the interest-bearing liabilities and other financial liabilities were calculated with the present value of the payments related to the liabilities based on the actual market parameters.

E. Other information

1. Cash flow statement

The cash flow statement is represented with the help of the indirect method. The financial resource funds exclusively include the cash reserves and bank deposits. The income tax payments are shown separately in the cash flow from business activities.

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

in TEUR	2010	2009
Interest cash in	232	776
Interest cash out	-6,769	-6,681
Total	**-6,537**	**-5,904**

2. Events after the balance sheet date

Further events occurring after the balance sheet date, which are of significance for the evaluation on the balance sheet date, such as outstanding legal cases or claims for compensation and other obligations or impending losses, which would have to be posted or disclosed in accordance with IAS 10 (Contingencies and Events occurring after the Balance Sheet Date), have been taken into account in the present consolidated financial statements.

3. Status of financing

In 2010, European automotive manufacturers posted sustained positive business development on foreign markets in Asia, Russia and the US, whereas the demand situation for European OEMs in their domestic market was still below that of the previous year, when demand had been supported by the various scrappage schemes. In 2010, a positive result after taxes of EUR 25.6 million (previous year: EUR -90.1 million) was achieved.

At Group level, the forecast is for a markedly positive EBIT and for the increased internal financing capability associated therewith in 2011. This positive earnings development is the result of the successful implementation of changes to the operating structure in the Group and the increasingly buoyant economy.

In the first two months of 2011, Group results were above budgeted figures.

On the balance sheet date, a substantial part of the Group's financing consisted of short-term credit lines. The company's principal creditor, the lending bank, has increased the previous financing commitments by some EUR 6.0 million and extended them until further notice in accordance with the resolution by the committee dated March 21, 2011.

4. Other obligations and risks as well as off-balance sheet transactions

Individual companies of the POLYTEC GROUP concluded a factoring agreement for up to EUR 43 million with a German factoring company. Provided that the receivables are legally valid, the 'del credere risk' will be borne by the factoring company. Since the POLYTEC GROUP does not guarantee the recoverability of the receivables, the receivables are derecognized from the consolidated financial statements on the date they are sold to the factoring company in accordance with IAS 39.

Towards the POLYTEC Immobilien Group, there is an existing obligation with regard to a leasing agreement amounting to TEUR 1,500 (previous year: TEUR 1,500). An amount of TEUR 542 (previous year: TEUR 684) was reported on the liabilities side in the present consolidated financial statements due to the closure of the site in Sweden.

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

5. Risk reporting

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

Sales market risks: The automotive supplier industry is a market which faces very strong competition and is also currently undergoing a consolidation process. Sales revenues are mainly dependent on the acquisition of new orders, which are usually placed two to three years prior to serial production. In the order acquisition phase, each supplier faces strong competition from its rivals to offer the best conditions. During serial production, the supplier is also dependent on the sales figures of the vehicle, for which the supplier provides the components; however, the supplier has no direct influence on the vehicle's business success. Furthermore, suppliers are permanently benchmarked by the OEMs even after the start of serial production, which may result in price demands or, as an extreme example, in the loss of an order. POLYTEC intends to keep the dependency from individual delivery relationships as low as possible with the help of a balanced customer and order mix.

Procurement market risks: One substantial risk is represented by the fluctuation of raw material prices, which in the case of the POLYTEC GROUP as a plastic-processing company is mainly due to a sustainable change in oil price and refinery capacities. On the procurement side, this risk is countervailed with long-term delivery agreements and on the sales side, with material fluctuation clauses in the disclosed calculations, as far as these are enforceable towards the customers. To some extent, negotiations with regard to raw materials and bought-in parts take place directly between the company's customers and the suppliers. As far as prices are only agreed with the customer on an annual basis, changes in raw material prices are an important parameter for the annual negotiations of new prices. Furthermore, increased research and development expenses are aimed at using new raw materials (natural fibers).

Financial risks, their management and sensitivity

Credit risk: Due to the company's customer structure, with more than 90% of total turnover being generated with OEMs or with major system suppliers, POLYTEC is subject to the credit risk of the automotive industry. However, accounts receivable are critically monitored on a permanent basis, and the payment of accounts receivable in accordance with what has been agreed is guaranteed. In the 2010 financial year, approx. 56% (2009: 55%) of the turnover was achieved with the company's three major customers; this results in a certain accumulated credit risk, which has been assessed by the management as rather uncritical with regard to the potential non-payment of credits. Dependency on only a few customers is a basic characteristic of the automotive industry suppliers. In this context, the "customer" is defined as a group of affiliated companies, which can also produce vehicles of several different brands.

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

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Loans and receivables	109,903	105,935
At fair value through profit and loss	0	0
Held for trading	70	0
Available for sale	0	5,932
Total	**109,973**	**111,867**

The analysis of the overdue but not impaired trade accounts receivables and of other accounts receivable as of December 31 of the reporting year can be presented as follows:

Dec. 31, 2010	Total	Not over-due and not impaired	Overdue but not impaired			
			up to 60 days	60–120 days	120–360 days	longer than 360 days
Trade accounts receivable	61,046	44,379	10,536	2,912	3,066	153
Other accounts receivable	18,521	16,843	348	93	1,103	134

Dec. 31, 2009	Total	Not over-due and not impaired	Overdue but not impaired			
			up to 60 days	60–120 days	120–360 days	longer than 360 days
Trade accounts receivable	54,976	43,795	8,464	867	1,208	642
Other accounts receivable	21,726	17,897	1,227	2,444	2	157

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

The financial liabilities of the Group on the basis of the concluded agreements show the following expected cash flow (including interest payments made at the interest rate that applied as of the balance sheet date):

in TEUR	Carrying value as of Dec. 31, 2010	Total contractual cash flows	thereof up to 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Bank loans	36,884	40,528	19,582	20,442	504
Bank current accounts	15,042	15,580	15,580	0	0
Financial leases	5,378	5,903	3,311	2,592	0
Trade accounts payable	65,565	65,565	65,565	0	0
Other financial liabilities	13,636	13,636	13,636	0	0
Total	**138,488**	**141,212**	**117,674**	**23,034**	**504**

in TEUR	Carrying value as of Dec. 31, 2009	Total contractual cash flows	thereof up to 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Bank loans	56,648	62,188	31,212	26,810	4,167
Bank current accounts	37,808	38,404	38,404	0	0
Financial leases	15,038	15,822	9,673	6,149	0
Trade accounts payable	59,642	59,642	59,642	0	0
Other financial liabilities	13,125	13,125	13,125	0	0
Total	**182,262**	**189,181**	**152,056**	**32,958**	**4,167**

The bank current accounts provided to the Group have a contractually agreed remaining term of less than one year so that their expected future cash flow has to be shown during this term. However, these credits are normally prolonged on a 12 to 15 month basis so that the aforementioned repatriations cannot be expected.

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

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

in TEUR	Dec. 31, 2010		
	in euros	in foreign currency	Total
Investments	1,183	0	1,183
Receivables and other assets	66,537	11,565	78,102
Loans	1,606	0	1,606
Cash in bank	23,344	5,669	29,013
Interest rate derivatives	-575	0	-575
Securities held as current assets	0	0	0
Total	**92,095**	**17,234**	**109,329**

in TEUR	Dec. 31, 2010		
	in euros	in foreign currency	Total
Long-term interest-bearing financial liabilities	21,367	839	22,206
Short-term interest-bearing financial liabilities	32,978	2,104	35,082
Trade accounts payable	59,346	6,219	65,565
Other short-term liabilities	12,953	683	13,636
Total	**126,644**	**9,845**	**136,489**

in TEUR	Dec. 31, 2009		
	in euros	in foreign currency	Total
Investments	1,195	0	1,195
Receivables and other assets	62,951	7,934	70,884
Loans	2,000	0	2,000
Cash in bank	27,143	4,713	31,857
Interest rate derivatives	-919	0	-919
Securities held as current assets	5,932	0	5,932
Total	**98,301**	**12,647**	**110,948**

in TEUR	Dec. 31, 2009		
	in euros	in foreign currency	Total
Long-term interest-bearing financial liabilities	12,039	550	12,589
Short-term interest-bearing financial liabilities	95,803	1,941	97,744
Trade accounts payable	56,385	2,590	58,975
Other short-term liabilities	12,331	622	12,953
Total	**176.558**	**5.704**	**182.262**

The distribution structure shows that the risk the Group is subject to due to exchange rate fluctuations is very low since both financial assets held in foreign currency totaling 15.8% (previous year: 11.4%) and liabilities totaling 7.2% (previous year: 4.5%) account for only a minor part of the total volume. Furthermore, currency fluctuations would equally affect both assets and liabilities and therefore show compensatory effects.

A change in exchange rates of +/– 10% with regard to trade accounts payable and liabilities outside the Group would not have any significant impact on results and equity.

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

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

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Liabilities to banks	51,711	94,455
thereof with fixed interest rate	5,828	11,701
thereof with variable interest rate	45,883	82,754
Finance leases	5,378	15,038
thereof with fixed interest rate	5,378	15,038
thereof with variable interest rate	0	0
Other interest-bearing liabilities	198	172
thereof with fixed interest rate	198	172
thereof with variable interest rate	0	0
Total	**57,287**	**109,666**
thereof with fixed interest rate	11,404	26,912
thereof with variable interest rate	45,883	82,754

The predominant part of the variable interest-bearing liabilities depends on the 3-month EURIBOR. An increase of this reference interest rate by 100 basis points would, on the basis of the contractually agreed remaining terms, result in an increase of the interest expenses by approximately TEUR 460 (2009: TEUR 660).

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

in TEUR	2010	2009
Received payments	-460	-316
Valuation result	226	-275
Total	**-234**	**-591**

Stock price change risk: The listed securities held as current assets (shares) by the Group are subject to the risk of a change in the stock exchange price. In the previous year, an increase (decrease) in the stock exchange price of 10% would have resulted in an increase (decrease) in the equity capital by TEUR 593 without affecting profit and loss, provided that no impairment charge affecting net income was recognized. As all securities were sold in the year under review, the Group was not subject to any risks related to a change in the stock exchange price in 2010.

6. Net income according to evaluation categories

Dec. 31, 2010 in TEUR	Interest	Value adjustments	Currency translation	Income from other securities	Income from other investments	Income from derivatives	Net income
Loans and receivables	-6,076	411	-8	0	18	0	**5,655**
Financial investments available for sale	0	0	0	6,119	0	0	**6,119**
Financial investments held-to-maturity	0	0	0	0	0	0	**0**
At fair value through profit and loss	0	0	0	0	0	-164	**-164**

Dec. 31, 2009 in TEUR	Interest	Value adjustments	Currency translation	Income from other securities	Income from other investments	Value adjustments – investments	Net income
Loans and receivables	-7,430	-395	495	0	0	-19	**-7,350**
Financial investments available for sale	0	-9,944	0	0	0	0	**-9,944**
Financial investments held-to-maturity	0	0	0	0	0	0	**0**
At fair value through profit and loss	0	0	0	-591	0	0	**-591**

7. Related parties

Related parties according to IAS 24 include the IMC Verwaltungsgesellschaft mbH, Hörsching and its affiliated companies in addition to the members of the Board of Directors and of the Supervisory Board. The sole owner and sole manager of the IMC Verwaltungsgesellschaft mbH is the Chairman of the Board of Directors of POLYTEC Holding AG, Mr. Friedrich Huemer.

The main shareholders of POLYTEC Holding AG encompass Huemer Invest GmbH (27%), PT Automotive Consulting GmbH (20%) and Delta Lloyd Asset Management NV (10%).

The POLYTEC GROUP has established business relationships with the following companies of the IMC Group in the 2010 financial year:

POLYTEC Immobilien Group

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

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

The rental expenses from the rental contracts amounted to approximately EUR 9.2 million in the 2010 financial year (previous year: EUR 9.2 million).

The rental contracts can be terminated by complying with a period of notice from six to twelve months, but longer waivers of entitlement to terminate the contract have also been agreed in some cases. The lease rental charges, which are existent due to the fixed period of notice or due to longer waivers of entitlement to terminate the contract, amount to TEUR 27,839 as of December 31, 2010 (previous year: TEUR 35,709) and are due as follows:

in TEUR	Dec. 31, 2010	Dec. 31, 2009
Within 1 year	9,058	8,829
Longer than 1 year within 5 years	14,892	21,347
Over 5 years	3,889	5,534

For four properties, the POLYTEC GROUP was granted certain sales options by the lessor.

Loans were issued to a company of the POLYTEC Immobilien Group, which are balanced under “Loans” in the financial assets. The loans will be charged with interests at arm’s length and can be repaid until December 31, 2018 at the latest. Further information can be found in section D. 14.

All transactions were carried out based on customary market rates. No provisions for doubtful debts and no expenses for doubtful or unrecoverable debts were recorded in 2010 in connection with transactions with affiliated parties.

Other business relationships

The POLYTEC GROUP has a work contract with the IMC Verwaltungsgesellschaft mbH, Hörsching concerning a member of the Board of Directors for the POLYTEC Holding AG, Hörsching.

The PPI Plastics Products Innovation GmbH & Co KG functions as supplier of injection molding products for the POLYTEC GROUP.

GLOBE AIR AG provided transport services to employees of the POLYTEC GROUP in the business year under review.

8. Salaries of the Board of Directors

Total remuneration of the members of the Board of Directors in the year under review amounted to TEUR 2,021 (previous year: TEUR 1,948). TEUR 2,016 are to be attributed to short-term benefits. TEUR 5 refer to payments made after the termination of the working relationship. Of the reported figure, TEUR 0 (previous year: TEUR 32) were not spent by the company itself but by its affiliated companies.

The 2009 remuneration contain a one-off payment to a member of the Board of Directors amounting to TEUR 675, who left as a result of the restructuring of the POLYTEC GROUP.

In 2009, the Chairman of the Board of Directors waived 20% of his fixed salary, to which he was entitled, as a contribution to tackling the POLYTEC GROUP's difficult situation.

Not yet paid variable portions of salary affecting the 2010 business year are balanced in the short-term personnel provisions.

There are no stock-option plans or similar shareholding-based remuneration pursuant to IFRS 2.

Total expenses for the remunerations of the members of the Supervisory Board in the 2010 financial year amounted to TEUR 90 (previous year: TEUR 102).

There are no credits or advanced payments with regard to current or former members of the governing bodies of the company. No former members of the governing bodies of the company receive any kind of salary from the Group or from one of its affiliated companies.

9. Expenses for the Group auditors

Expenses for the services provided by the Group auditors in 2010 are as follows:

in TEUR	2010	2009
Year-end audit	112	90
Other services	181	221
Total	**293**	**311**

10. Governing bodies of POLYTEC Holding AG

In the year under review, the members of the Board of Directors at the time of the preparation of the consolidated financial statements included:

Friedrich Huemer,
Wallern (Chairman of the Board of Directors)

Andreas Jagl,
Gröbming (until October 31, 2010)

Alfred Kollros,
St. Valentin

Eduard Schreiner,
Leonding (until August 31, 2010)

Peter Haidenek,
Velden a. W. (since February 1, 2011)

In the year under review, the members of the Supervisory Board at the time of the preparation of the consolidated financial statements included:

Fred Duswald,
Thalheim (Chairman)

Manfred Helmut Trauth,
Knittelsheim, Germany (Vice Chairman)

Robert Büchelhofer,
Starnberg, Germany

Viktoria Kickinger,
Vienna

Reinhard Schwendtbauer,
Leonding (since February 8, 2010)

Meinhard Lukas,
Linz (since February 8, 2010 until August 31, 2010)

Andreas Szigmund,
Linz (until February 8, 2010)

The Board of Directors of POLYTEC Holding AG approved the consolidated financial statements on April 5, 2011 and authorized its transmission to the Supervisory Board.

Hörsching, April 5, 2011

The Board of Directors

Friedrich Huemer m. p. Peter Haidenek m. p. Alfred Kollros m. p.

Annex 1

Reporting by business segment

in TEUR	Automotive/Systems 2010	2009 adjusted	Car Styling 2010	2009 adjusted
Net sales (not consolidated)	824,583	610,582	87,937	72,495
thereof:				
Internal sales own division	148,659	84,391	11,919	7,941
Internal sales other divisions	76	265	244	212
External sales	**675,847**	**525,926**	**75,773**	**64,342**
EBITDA	**43,535**	**1,911**	**7,016**	**5,099**
Depreciation and amortization	24,484	25,549	1,567	2,015
Impairments	0	3,965	0	0
thereof goodwill	0	0	0	0
Material earnings positions				
Income from reversal of provisions for liabilities	8,552	6,380	331	375
Deconsolidation gains	736	3,434	0	0
Operating profit (EBIT) before cost of restructuring	**19,051**	**-27,602**	**5,449**	**3,084**
Cost of restructuring	0	-3,926	0	0
Operating profit (EBIT) after cost of restructuring	**19,051**	**-31,528**	**5,449**	**3,084**
Financial expenses	-7,037	-5,364	-344	-437
Impairments	0	0	0	0
Other financial results	0	-64	0	0
Taxes on income	-349	2,659	-516	-530
Net profit of continued operations	**11,664**	**-34,296**	**4,589**	**2,118**
Operating assets	205,549	223,396	39,635	38,148
Operating liabilities	122,189	117,464	7,894	7,285
Capital employed	83,260	105,932	31,741	30,863
thereof:				
Deferred tax assets	6,404	5,605	436	384
Employee benefit obligations	22,920	23,846	1,399	1,219
Investments in continued operations	14,308	19,582	1,560	594
Book value of asset disposals and change in long-term provisions including deconsolidation gains	220	-4,542	-240	86

Information on geographic allocation

in TEUR	External sales 2010	2009	Deferred tax assets 2010	2009	Obligations towards employees 2010	2009
Austria	29,471	32,838	10,794	9,261	1,913	1,774
Germany	513,436	404,356	5,835	4,390	22,633	22,322
Other EU	181,269	136,735	457	324	132	1,405
Rest of the world	45,894	33,118	0	0	201	160
Group	**770,070**	**607,047**	**17,086**	**13,974**	**24,878**	**25,661**

	Other segments		Consolidation		Group
2010	2009 adjusted	2010	2009 adjusted	2010	2009 adjusted
19,235	17,625	0	0	931,754	700,702
773	845	0	0	161,352	93,177
12	1	0	0	332	478
18,450	**16,778**	**0**	**0**	**770,070**	**607,047**
3,614	**3,276**	**108**	**-65**	**54,272**	**10,221**
1,002	1,107	0	0	27,053	28,671
0	0	0	0	0	3,965
0	0	0	0	0	0
51	687	0	0	8,935	7,442
0	0	0	0	736	3,434
2,612	**2,168**	**108**	**-65**	**27,219**	**-22,415**
0	-3,896	0	0	0	-7,822
2,612	**-1,728**	**108**	**-65**	**27,219**	**-30,236**
646	-2,678	-90	1,594	-6,826	-6,884
0	-9,944	0	0	0	-9,944
11,665	-759	-6,333	255	5,332	-568
710	-2,447	16	-3,478	-140	-3,796
15,632	**-17,555**	**-6,300**	**-1,695**	**25,585**	**-51,429**
17,939	15,874	-3,433	-391	259,689	277,028
6,631	5,972	-3,456	-564	133,257	130,158
11,308	9,902	24	173	126,333	146,870
10,294	8,789	-48	-804	17,086	13,974
751	621	-192	-25	24,878	25,661
834	392	0	0	16,702	20,569
-263	175	167	-183	-115	-4,464

Annex 2

Summary of fixed assets as of December 31, 2010

in TEUR	Balance as of Jan. 1, 2010	Changes in consolidation	Exchange rate differences	Additions	Disposals
I. Intangible assets					
1. Research and development costs	1,008	0	0	0	0
2. Rights	9,684	-95	48	781	1,214
3. Goodwill	45,627	-119	0	0	0
	56,319	**-214**	**48**	**781**	**1,214**
II. Tangible assets					
1. Land and buildings	12,827	-1,085	200	427	103
2. Technical equipment and machinery	228,794	-9,959	1,232	8,695	4,846
3. Other plant, fixtures, fittings and equipment	49,361	-1,079	517	4,574	2,214
4. Advance payments made and assets under construction	4,465	0	5	2,200	118
	295,446	**-12,122**	**1,954**	**15,897**	**7,282**
III. Financial assets					
1. Investments in affiliated companies	290	0	0	25	35
2. Investments in associated companies	1,031	0	0	0	0
3. Other investments	882	0	0	0	0
4. Loans	2,000	0	0	0	394
5. Securities held as fixed assets	2	-1	0	0	0
	4,205	**-1**	**0**	**25**	**429**
	355,971	**-12,338**	**2,002**	**16,702**	**8,925**

Summary of fixed assets as of December 31, 2009

in TEUR	Balance as of Jan. 1, 2009	Changes in consolidation	Exchange rate differences	Additions	Disposals
I. Intangible assets					
1. Research and development costs	9,878	-2,104	0	0	6,766
2. Rights	21,057	-11,291	59	550	1,063
3. Goodwill	45,627	0	0	0	0
4. Customer contracts	79,933	-79,933	0	0	0
	156,496	**-93,328**	**59**	**550**	**7,829**
II. Tangible assets					
1. Land and buildings	170,266	-159,439	309	797	95
2. Technical equipment and machinery	609,943	-418,135	4,978	17,048	9,871
3. Other plant, fixtures, fittings and equipment	69,710	-23,766	625	3,224	2,355
4. Advance payments made and assets under construction	37,386	-18,750	171	14,547	775
	887,304	**-620,090**	**6,083**	**35,616**	**13,096**
III. Financial assets					
1. Investments in affiliated companies	296	-41	0	35	0
2. Investments in associated companies	1,031	0	0	0	0
3. Investments in joint ventures	7,414	-7,759	0	345	0
4. Other investments	874	-5	0	13	0
5. Loans	2,483	0	0	0	483
6. Securities held as non-current assets	62	-60	0	0	0
	12,160	**-7,865**	**0**	**393**	**483**
	1,055,960	**-721,283**	**6,142**	**36,560**	**21,409**

Cost of acquisition or production: Transfers	Cost of acquisition or production: Balance as of Dec. 31, 2010	Depreciation of the fiscal year	thereof extraordinary	Accumulated depreciation	Net book value Dec. 31, 2010	Net book value Dec. 31, 2009
0	1,008	80	0	984	25	105
0	9,204	1,022	0	7,606	1,597	1,870
0	45,508	0	0	26,328	19,180	19,300
0	**55,720**	**1,102**	**0**	**34,917**	**20,803**	**21,274**
25	12,291	575	0	6,002	6,289	6,924
4,322	228,237	20,871	0	158,371	69,867	80,696
413	51,572	4,506	0	37,382	14,190	14,113
-4,760	1,793	0	0	23	1,770	4,442
0	**293,893**	**25,951**	**0**	**201,778**	**92,115**	**106,176**
0	280	0	0	0	280	290
0	1,031	0	0	1,000	31	31
0	882	0	0	10	872	872
0	1,606	0	0	0	1,606	2,000
0	1	0	0	0	1	2
0	**3,800**	**0**	**0**	**1,010**	**2,789**	**3,195**
0	**353,412**	**27,053**	**0**	**237,706**	**115,707**	**130,645**

Cost of acquisition or production: Transfers	Cost of acquisition or production: Balance as of Dec. 31, 2009	Depreciation of the fiscal year	thereof extraordinary	Accumulated depreciation	Net book value Dec. 31, 2009	Net book value Dec. 31, 2008
0	1,008	74	0	904	105	8,794
371	9,684	1,301	0	7,814	1,870	5,990
0	45,627	0	0	26,328	19,300	19,300
0	0	0	0	0	0	5,774
371	**56,319**	**1,375**	**0**	**35,045**	**21,274**	**39,858**
988	12,827	837	0	5,903	6,924	134,097
24,831	228,794	25,648	3,965	148,098	80,696	277,005
1,923	49,361	4,752	0	35,248	14,113	25,951
-28,113	4,465	23	0	23	4,442	37,386
-371	**295,446**	**31,260**	**3,965**	**189,270**	**106,176**	**474,439**
0	290	0	0	0	290	296
0	1,031	0	0	1,000	31	31
0	0	0	0	0	0	7,414
0	882	10	10	10	872	874
0	2,000	0	0	0	2,000	2,483
0	2	0	0	0	2	62
0	**4,205**	**10**	**10**	**1,010**	**3,195**	**11,160**
0	**355,971**	**32,646**	**3,975**	**225,326**	**130,645**	**525,456**

Annex 3

Changes in provisions for severance payments, pensions and jubilee payments in the financial years 2006–2010

in TEUR	2010	2009	2008	2007	2006
Present value of severance obligation (DBO) as of January 1	**1,638**	**1,921**	**1,743**	**1,947**	**1,925**
Service cost	120	129	124	162	179
Interest cost	87	99	91	87	80
Severance payments	-106	-329	-98	-179	-126
Realized actuarial profit/loss	167	-182	61	-275	-111
Present value of severance obligation (DBO) as of December 31	**1,906**	**1,638**	**1,921**	**1,743**	**1,947**
Unrealized actuarial profit/loss	-192	-25	-208	-147	-435
Provision for severance payments as of December 31	**1,714**	**1,613**	**1,713**	**1,597**	**1,512**

in TEUR	2010	2009	2008	2007	2006
Present value of pension obligation (DBO) as of January 1	**20,355**	**21,459**	**20,653**	**7,148**	**6,588**
Changes in consolidation	0	-2,244	2,306	13,752	0
Service cost	1,386	962	586	327	284
Interest cost	1,153	1,187	213	727	265
Pension payments	-927	-888	-1,217	-630	-169
Realized actuarial profit/loss	-432	-121	-1,082	-670	180
Present value of pension obligation (DBO) as of December 31	**21,536**	**20,355**	**21,459**	**20,653**	**7,148**
Unrealized actuarial profit/loss	-72	856	1,108	165	-619
Provision for pensions as of December 31	**21,464**	**21,211**	**22,566**	**20,818**	**6,529**

in TEUR	2010	2009	2008	2007	2006
Present value of performance orientated obligations	1,368	1,272	2,291	1,155	818
Realized actuarial profit/loss	0	0	0	0	0
Provision for jubilee payments	**1,368**	**1,272**	**2,291**	**1,155**	**818**

Annex 4

Consolidated chart of short-term provisions in the financial year 2010

in TEUR	Balance as of Jan. 1, 2010	Change in consolidation	Currency translation	Utilisation	Release	Addition	Balance as of Dec. 31, 2010
Provision for vacation	4,383	-339	3	3,220	349	5,971	6,449
Other short-term personnel expenses	5,934	-1,007	2	1,473	2,011	4,454	5,899
Provision for anticipated losses and risks	16,483	0	11	4,639	6,107	5,333	11,080
Other short-term provisions	14,084	0	45	6,616	2,828	10,606	15,291
	40,884	**-1,346**	**61**	**15,947**	**11,295**	**26,363**	**38,719**

Consolidated chart of short-term provisions in the financial year 2009

in TEUR	Balance as of Jan. 1, 2009	Change in consolidation	Currency translation	Utilisation	Release	Addition	Balance as of Dec. 31, 2009
Provision for vacation	9,163	-2,952	33	5,486	0	3,625	4,383
Other short-term personnel expenses	31,859	-21,877	14	3,148	2,942	2,029	5,934
Provision for anticipated losses and risks	33,752	-8,188	44	11,282	2,808	4,964	16,483
Other short-term provisions	59,540	-43,837	8	9,660	1,692	9,725	14,084
	134,314	**-76,854**	**99**	**29,576**	**7,442**	**20,342**	**40,884**

Annex 5

Schedule of Group investments as of December 31, 2010

Company	Location	Country	Parent company	Direct and indirect share %	Type of consolidation [1]
POLYTEC Invest GmbH	Geretsried	GER	POLYTEC Holding AG	100,0	KV
PF Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100,0	KO
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	24,0	KOE
Automotive/Systems Division					
Polytec Holding Deutschland GmbH	Geretsried	GER	POLYTEC Holding AG	100,0	KV
POLYTEC Interior GmbH	Geretsried	GER	Polytec Holding Deutschland GmbH	100,0	KV
Polytec Automotive GmbH & Co KG [2]	Geretsried	GER	Polytec Holding Deutschland GmbH	100,0	KV
Polytec Automotive Verwaltungs GmbH	Geretsried	GER	Polytec Holding Deutschland GmbH	100,0	KO
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100,0	KO
Polytec Riesselmann GmbH & Co KG	Lohne	GER	Polytec Holding Deutschland GmbH	100,0	KV
POLYTEC Intex GmbH & Co. KG	Morsbach	GER	Polytec Holding Deutschland GmbH	100,0	KV
POLYTEC Intex Montage GmbH	Morsbach	GER	POLYTEC Intex GmbH & Co. KG	100,0	KO
Polytec Thermoplast GmbH & Co KG	Idstein	GER	Polytec Holding Deutschland GmbH	100,0	KV
Polytec Interior UK Ltd.	Birmingham	GBR	POLYTEC Interior GmbH	100,0	KO
Polytec Interior Zaragoza S.L.	Zaragoza	ESP	POLYTEC Holding AG	100,0	KV
Polytec Interior Polska Sp.z.o.o.	Tomaszow Mazowiecki	POL	POLYTEC Holding AG	100,0	KV
Polytec Interior South Africa (Proprietary) Ltd.	Rosslyn	SAF	Polytec Holding Deutschland GmbH	100,0	KV
PDN Real Estate GmbH	Bötzingen	GER	Polytec Holding Deutschland GmbH	100,0	KO
PT Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100,0	KV
POLYTEC Composites Beteiligungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100,0	KV
POLYTEC Composites Verwaltungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100,0	KO
POLYTEC Composites Germany GmbH & Co KG [2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KV
POLYTEC Compounds GmbH & Co. KG [2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KV
POLYTEC Compounds GmbH	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KO
POLYTEC Industrielackierungen GmbH & Co. KG [2]	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KV
POLYTEC Industrielackierungen GmbH	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KO
POLYTEC Composites Slovakia s.r.o.	Sladkovicovo	SLK	PT Beteiligungs GmbH	100,0	KV
PT Plastik Ürünleri Sanayi ve Ticaret A.S.	Aksaray	TK	PT Beteiligungs GmbH	100,0	KV
Polytec Composites Bohemia s.r.o.	Chodová Planá	CZE	PT Beteiligungs GmbH	100,0	KV
POLYTEC Composites Weiden GmbH	Weiden	GER	POLYTEC Composites Beteiligungs GmbH	100,0	KV
INAPAL PLASTICOS, S.A.	Leca do Balio	POR	POLYTEC Composites Germany GmbH & Co KG	2,0	KOE
Ljungby Komposit AB	Ljungby	SWE	PT Beteiligungs GmbH	25,0	KOE
Industrial Division					
POLYTEC Industrial Plastics GmbH	Bochum	GER	POLYTEC Holding AG	70,0	KV
POLYTEC Elastoform GmbH & Co KG	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70,0	KV
POLYTEC EMC Engineering GmbH & Co KG	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70,0	KV
POLYTEC EMC Engineering GmbH	Hörsching	AUT	POLYTEC Industrial Plastics GmbH	70,0	KO
POLYTEC THELEN GmbH	Bochum	GER	POLYTEC Industrial Plastics GmbH	70,0	KV

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

[2] According to Section 264 b of the German Commercial Code these companies are relieved from the duty of reporting, auditing and publishing annual financial statements and a management report in accordance with the applicable regulations for capital companies.

Statement of all legal representatives

according to section 82 para 4 pt. 3 Austrian Stock Corporation Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Hörsching, April 5, 2011

The Board of Directors

Friedrich Huemer m. p. Peter Haidenek m. p. Alfred Kollros m. p.

Auditors' report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Polytec Holding AG, Hörsching, for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2010, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of comprehensive income and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group'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. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Without qualifying our opinion, we draw attention to the notes to the consolidated financial statements (section E.3) and the Group Management Report (section 2) for further information about the status of financing. The company's principal creditor, the lending bank, has increased the previous financing commitments by some EUR 6.0 million and extended the short-term lines of credit until further notice in accordance with a board resolution dated March 21, 2011. The next board resolution for the prolongation of credit facilities is planned for June 2012.

Comments on the consolidated Management Report for the Group

Pursuant to statutory provisions, the consolidated Management Report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditors' report also has to contain a statement as to whether the consolidated Management Report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated Management Report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Leonding, April 5, 2011

Deloitte Oberösterreich Wirtschaftsprüfungs GmbH

Nikolaus Schaffer m. p.
Certified Public Accountant

Ulrich Dollinger m. p.
Certified Public Accountant

Glossary

Capital Employed: Equity plus interest bearing liabilities minus cash and cash equivalents.

Compliance guidelines: Corporate regulations that specify organizational measures to prevent stock trading based on price-relevant information that is not yet available to the public as well as the confidential treatment of such insider information.

Corporate Governance: "Corporate constitution"; the Austrian corporate governance code represents a set of rules for the responsible management and control of a company.

Deferred taxes: Balance sheet item to show fiscal valuation differences. In the case of temporary discrepancies between the group balance sheet and the fiscal balance sheet, both deferred tax assets and deferred tax liabilities are recognized in order to report the tax expenses in accordance with the group financial result.

EBITDA margin: Ratio of EBITDA to revenues in percent.

IFRS (International Financial Reporting Standards): Accounting standards drawn up by the International Accounting Standards Board (IASB; formerly International Accounting Standards Committee, IASC), whose task is to draw up generally accepted international accounting standards. In addition to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the IASB they also comprise the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretations Committee (SIC).

Market capitalization: A measurement of corporate size equal to the share price times the number of shares outstanding.

Net debt: Debt less cash and cash equivalents.

Net debt to EBITDA: Net debt net of cash and cash equivalents in relation to EBITDA; measure of the payback period for debt on the basis of net debt and EBITDA.

OEM: The abbreviation for "Original Equipment Manufacturer".

OTC (Over the Counter) market: Market where securities are traded directly between dealers outside the stock exchange.

PPM: The quality ratio PPM (parts per million) is used in the automotive industry as an indicator for the quality and stability of a production process.

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

Basic information on the POLYTEC share	
ISIN	AT0000A00XX9
Ticker symbol	
Vienna Stock Exchange	PYT
Reuters	POLV.VI
Bloomberg	PYT AV
Market segment	Prime Market
First trading day	May 2, 2006
Issue price for share	EUR 7.75
Number of shares issued	22,329,585
Authorized capital	EUR 11,164,792
Free float	roughly 44%

Financial calendar 2011	
Results for the fourth quarter and the financial year 2010	April 6, 2011
Results for the first quarter 2011	May 11, 2011
Annual General Meeting 2011	May 19, 2011
Results for the second quarter and the first half year 2011	August 3, 2011
Results for the third quarter and the first nine months 2011	November 10, 2011

Investor Relations

Manuel Taverne
Head of Investor Relations

Phone +43 7221 701 292
Fax +43 7221 701 38
E-Mail investor.relations@polytec-group.com
Web www.polytec-group.com

Imprint

Editor: POLYTEC Holding AG
Headquarters: Linzer Strasse 50
4063 Hörsching, Austria
Phone: +43 7221 701 0
Fax: +43 7221 701 35
E-Mail: office@polytec-group.com
www.polytec-group.com

Concept, consulting and text: be.public Advertising & Financial Communications, Vienna
Design: ANZENBERGPARTNERS (www.kreativhaus-wien.at), Vienna
Print: Gutenberg-Werbering, Linz

Note

This Annual Report has been prepared with the greatest possible care and every effort has been made to ensure the accuracy of the data that it contains. Nevertheless, rounding, typographical and printing errors cannot be excluded. The use of automatic calculating devices can result in rounding-related differences during the addition of rounded amounts and percentages.

This Annual Report contains assessments and assertions relating to the future made on the basis of all the information currently available. Such future-related statements are usually introduced with terms such as “expect”, “estimate”, “plan”, “anticipate”, etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report.

Statements referring to people are valid for both men and women.

This Annual Report is published in German and English. In cases of doubt, the German version shall take precedence.

Editorial closing date: April 1, 2011