Financial calendar

22.04.2009	Annual report 2008
08.05.2009	Annual results press conference
08.05.2009	First-quarter interim report
14.05.2009	Annual General Meeting
19.05.2009	Ex-day
12.08.2009	Second-quarter interim report
11.11.2009	Third-quarter interim report

SHAREHOLDER INFORMATION

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E-mail: e.hochrieser@frauenthal.at
Website: www.frauenthal.at
Vienna Stock Exchange: Prime Market
Symbol: FKA
ISIN: AT 0000762406 (shares)
Bloomberg-code: FKA AV
Reuters-code: FKAV.V1
Market capitalisation: EUR 49.6 (as of 30 Dec. 2008)
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Note:
In the interests of readability editorial changes have been made to this annual report (including the colour scheme and layout).

The original can be viewed at the Company's headquarters.

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ANNUAL REPORT 2008

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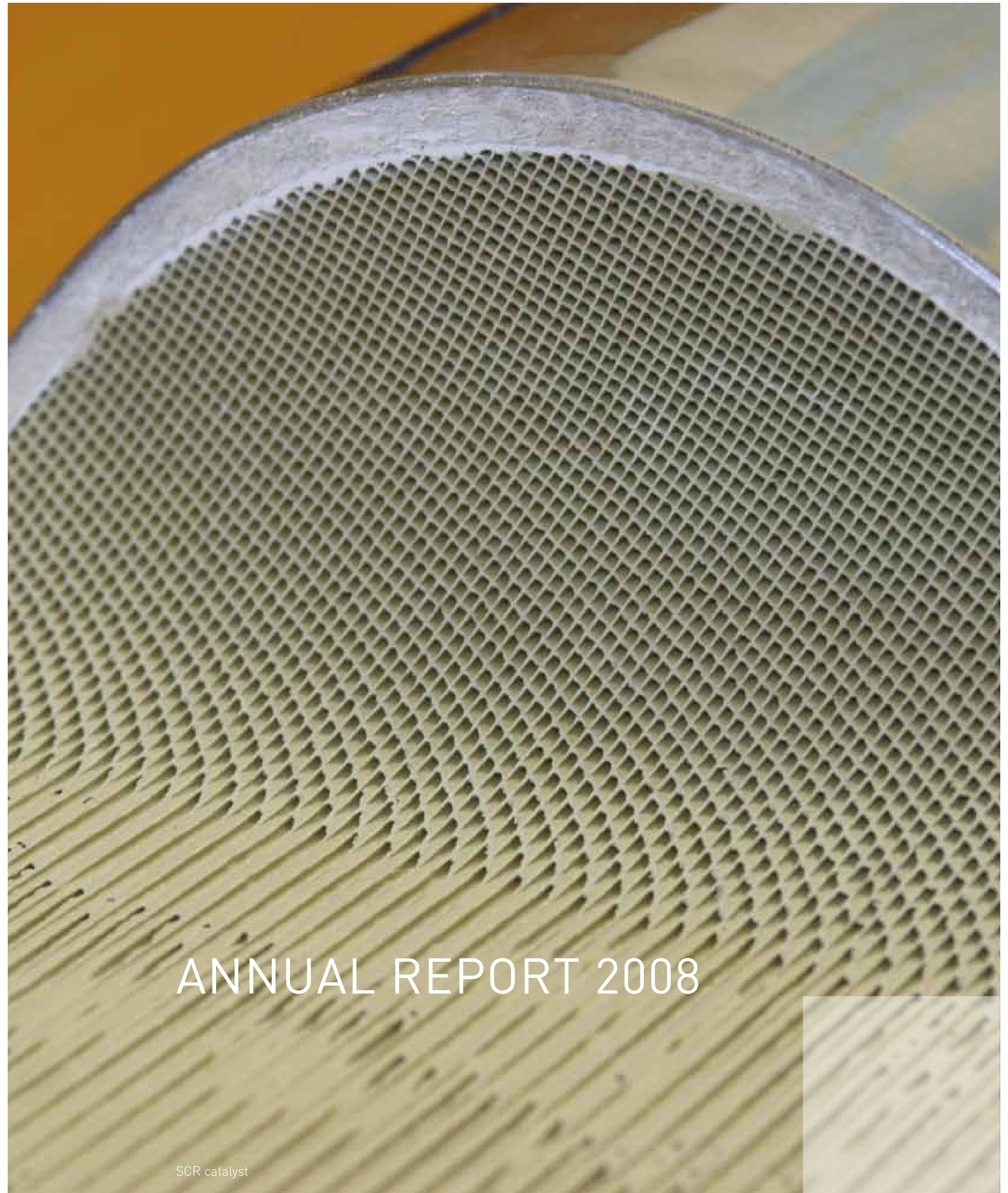


ANNUAL REPORT 2008

SCR catalyst

Highlights of 2008

Record year for the Automotive Components Division
The first three quarters of 2008 saw strong growth in demand for commercial vehicle components, with all factories running at the limits of capacity. The boom extended to all of our markets and customer segments. Despite the collapse in orders that began in October, the Automotive Components Division business posted an 11% increase in revenue.

Successful entry to the Asian power station catalyst market
Against a backdrop of growing demand for new SCR catalysts and replacement parts in Europe and the USA, we also took major steps towards developing Asian markets in 2008. The start-up of a module assembly line in Qingdao, China gave us our first local manufacturing base in this large emerging market. In the final quarter of 2008 we secured our first major orders from Chinese power generators and concluded a framework agreement for additional projects — further proof of the growth potential of sales to this industry. Thanks to new environmental regulations we see China as our largest new market. Order backlog reached all-time highs in the Industrial Honeycombs Division. The rebounding US dollar exchange rate from the third quarter onwards improved our competitiveness and profitability.

Slump in truck demand in the fourth quarter
As a direct consequence of the financial crisis, the Automotive Components Division encountered a marked fall-off in orders in October 2008 which intensified in the following two months. The impact has been felt across all customer and market segments, with axle and trailer manufacturers especially hard hit. In response, we have adjusted production capacity by scaling back subcontracts, special shifts, overtime and leased personnel, introducing short-time working at six of our 12 plants, lengthening the seasonal plant shutdowns in December and January, and downsizing the permanent workforce to a limited extent. OEM customers have been steadily downgrading their order forecasts since the fourth quarter of 2008, and have reacted to the slump in demand by extending factory shutdowns.

Steady expansion of the wholesale plumbing supplies business (SHT)
SHT benefited from its newly won market shares and the acquisition of central heating supplies wholesaler Röhrich in 2007, which made it a serious player in this growing segment. The opening of three ISC outlets (in Amstetten, Wörgl, Feldbach), one Bäderparadies (Bathroom Paradise) and one logistic center in Salzburg has also strengthened SHT's market position. The commissioning of a modern Y-Log order picking system in Perchtoldsdorf will help to boost efficiency and improve our logistics capabilities. The crisis has had little impact on the construction market.

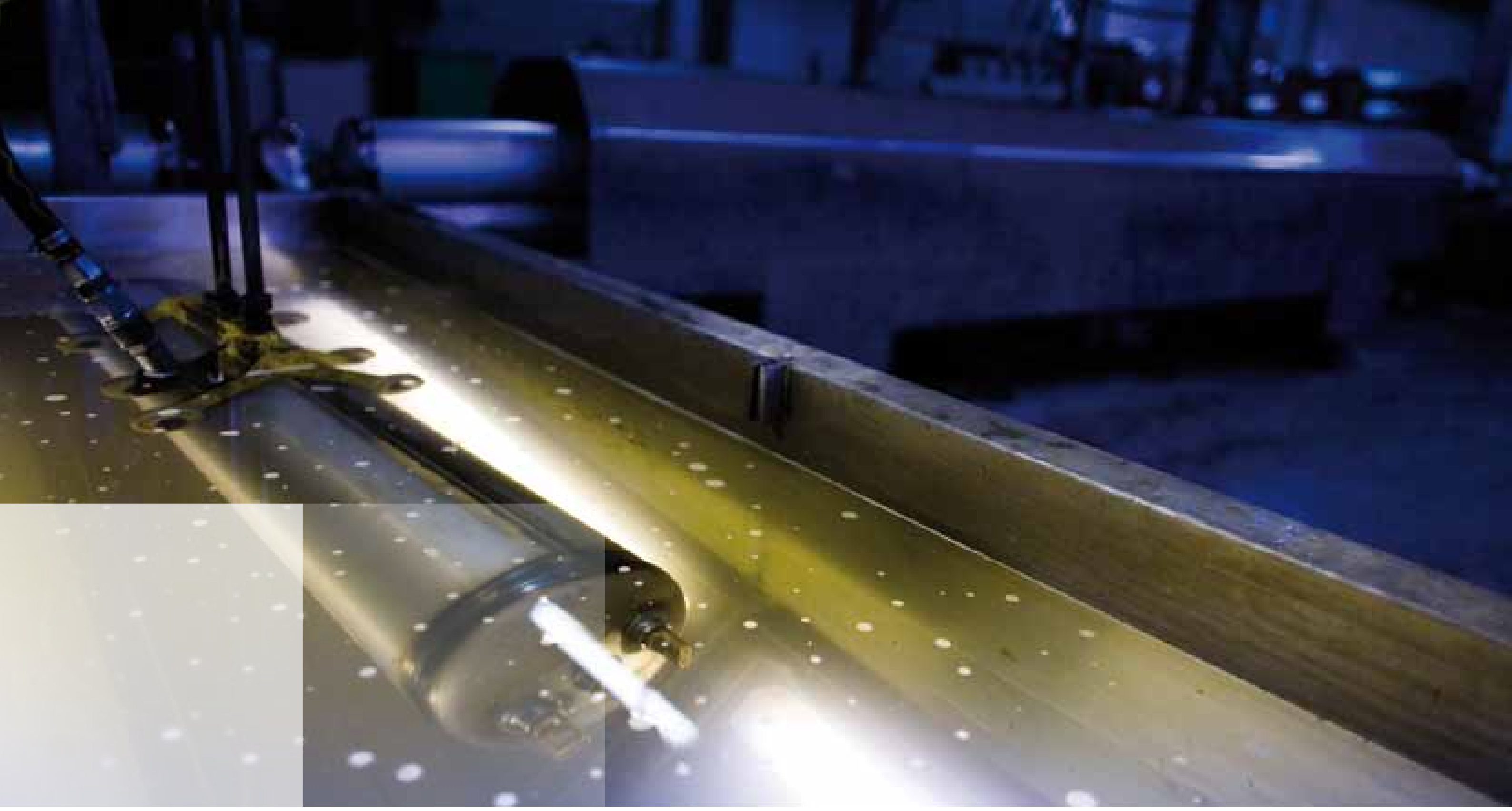
Management changes
Executive Board Chairman Wilfried Braumann left the Company in March 2008. In September Martin Sailer was appointed as a deputy member of the Executive Board with responsibility for finance. Michael Ostermann resigned from the board with effect from 31 December 2008. Hans-Peter Moser has assumed his responsibilities in the Automotive Components Division, while Martin Sailer now heads up Industrial Honeycombs. Beatrix Pollak stepped up to the SHT Executive Board in December, and is now in charge of the company's purchasing and sales departments.

New management team at Automotive Components
The management team at the Automotive Components Division has been restructured following the departure of Michael Ostermann. Magnus Baarman has taken over as managing director, and together with five Vice-Presidents he will be responsible for adjusting the Division to today's changed trading environment.

ANNUAL REPORT 2008

FRAUENTHAL GROUP

frauenthal
GROUP



DEAR SHAREHOLDER,

Until the start of September we believed that 2008 would be the best year in the Group's history. With business in the Wholesale Plumbing Supplies Division (SHT) holding steady and outstanding volume in the Industrial Honeycombs and Automotive Components divisions, Frauenthal was marking up one record month after another.

Despite management's rapid and energetic response, the tsunami that struck the world economy in the last quarter of 2008 has not left Frauenthal's balance sheet unscathed, and has prompted the Supervisory Board to look closely at further restructuring.

Who would have thought, as recently as summer 2008, that between September and December deliveries of springs, stabilisers and air reservoirs to the large European truck makers would fall by over 50%, and those to axle and trailer manufacturers would plummet by up to 90%?

Who would have thought that after years of good teamwork, the top management of the Automotive Division would leave us at the first hint of difficulties?

Who would have suspected that the acquisition of Röhrich in 2007 would turn out to have been such a far-sighted move, and that our entry to the heating market would make up the ground lost to faltering construction and renovation activity, which hit the wall mounted segment particularly hard?

While our high expectations for 2008 were not fulfilled, Frauenthal posted respectable earnings, with EBITDA at EUR 43m and EBIT at EUR 23m. This has put the Group in a strong position to ride out the economic crisis and enabled it to start acting now to strengthen its competitiveness.

Altogether, the news is by no means all bleak.

Thanks to our refusal to jump on the "high leverage capitalism" bandwagon, and saddle the Group with debt and overpriced acquisitions, Frauenthal's financial position is more than sound. Some 72% of the Group's borrowings are long term, and are at low rates of interest. Since the prices paid for the acquisitions were always clear and based on conservative valuations, impairments are a modest EUR 4.8m, and the equity base is strong.

Wise investments in successor selection and training have made it possible to assemble an entirely new, highly competent and motivated management team under Magnus Baarman at Automotive Components in short order. The new line-up started work on restructuring initiatives in November 2008. Beatrix Pollak, who recently stepped up to the SHT board, is another product of the internal talent pool.

Statement by the Chairman of the Supervisory Board

The Frauenthal Group's much derided diversification policy showed its worth in 2008, and the positive effects are likely to be still more apparent in 2009. A sound performance from SHT and robust growth in revenue and earnings from the power station catalyst business should partly compensate for the operating losses and high restructuring costs in the Automotive Components Division.

Despite the current need to be careful with cash, the Supervisory and Executive boards remain committed to growing the power station catalyst business. The expansion of the existing catalyst production facilities and the construction of an assembly plant in Qingdao, China have been approved.

SHT is also continuing to expand, with the construction of new showrooms, ISCs (plumbers' service centres) and foreign outlets planned.

In the Automotive Components Division we are waiting on events. In the meantime underperforming sites are being restructured.

The far-sighted decision to set up a European works council, and the good relations with unions and works councils at local level, have made it possible to downsize the workforce of the Automotive Components Division by 700 (just under 2,500), and react to the dramatic decline in demand by introducing short-time working and other measures. These have been very painful steps, and those responsible remain committed to avoiding social hardship as far as possible and to ensuring that the Group does not lose core skills.

The top management and Supervisory Board have commendably decided to waive part of their bonus entitlement as a gesture of solidarity with colleagues who have lost their jobs or taken a sharp cut in earnings as a result of the various short-time working schemes. I believe that it would be appropriate if the shareholders, too, were to send a clear signal by forgoing the dividend despite the Group's good financial performance in 2008.

I should like to thank my colleagues on the Supervisory Board for their hard work in 2008. We held six meetings, as well as numerous teleconferences and background discussions. Their prudent advice did much to enable decisions to be taken quickly, with a cool head and on the basis of sound information.

I am particularly grateful to Beatrix Pollak and Hans-Peter Moser for their willingness to shoulder additional responsibilities in these troubled times, as well as to Martin Sailer who has been the Executive Board member in charge of finance and Industrial Honeycombs since September 2008.

We owe our sincere thanks to the employee representatives, who have taken a highly responsible approach to the dramatic situation facing us.

Even in times of major upheaval and gnawing uncertainty we want to hold on to our courage and optimism. There will be a life after the crisis and I am confident that Frauenthal will not merely be among the survivors but will emerge from the recession stronger than ever. I wish the management, workforce and shareholders every success and the very best of luck!

Ernst Lemberger
Chairman of the Supervisory Board

Contents

left: Andreas Debowiak, maintenance worker, 38
right: Bilal Topcu, production worker (air reservoir manufacturing), 34

CORPORATE GOVERNANCE

Letter to shareholders

DEAR SHAREHOLDERS,

Never in the history of our company has there been a year of such extremes as 2008.

Never have we been so starkly confronted with our exposure to economic trends – particularly in the Automotive Components Division.

After the elation of the first three quarters, in October we were forced to accept that the untrammelled growth of this business had come to an abrupt halt. At the same time Michael Ostermann, who had long been responsible for the Automotive Components Division, decided to leave our Company. Customers slashed their call-offs by more than 50%, and short-time working was introduced at six of our 13 factories. The head count was reduced by 700 in the space of a few months. Additional capacity adjustments are currently under consideration or being implemented.

Magnus Baarman is now in charge of the operational management of the Automotive Components Division, where a completely new management team has rapidly been assembled in consultation with the Frauenthal Holding AG Executive Board.

The Wholesale Plumbing Supplies Division was not directly affected by the crisis in 2008, although there was considerably more downward pressure on prices than before. Long-term contracts maintained employment. SHT extended its market leadership in Austria, but was unable to pass on increases in transport, energy and product costs to its customers because of fierce competition. The company is now encountering the first fall-out from the financial crisis in the form of bad debts, and a valuation allowance of 1m was recognised for 2008.

The SHT Executive Board has been expanded. **Beatrix Pollak** assumed operational responsibility for the purchasing and sales departments in January 2009.

Thanks to rising demand across all its geographical markets Porzellanfabrik Frauenthal's power station catalyst business grew its revenue by an impressive 22% and posted record order backlog in 2008. We embraced the potential of this business by significantly expanding capacity. New environmental regulations are turning China into a highly promising market for catalysts. Large orders from one of the main power generators sealed the success of our entry to the Chinese market. Meanwhile the stronger US dollar is improving the competitiveness and profitability of the Industrial Honeycombs Division.

At holding company level, the Executive Board was strengthened by the appointment of Martin Sailer, a highly experienced financial expert, as a deputy member in September 2008.

OUTLOOK

We expect 2009 to be the most challenging year in the recent history of the Frauenthal Group, mainly because of the dramatic situation facing the Automotive Components Division. The Wholesale Plumbing Supplies and Industrial Honeycombs divisions look likely to make positive earnings contributions.

However the restructuring and idle costs in the Automotive Components Division will undoubtedly lead to operating losses for the Group as a whole. It is not yet possible to assess how serious the situation is.

Far sooner than expected, the idea of a diversified group with three divisions in different lines of business has shown its worth, although the Wholesale Plumbing Supplies and Industrial Honeycombs divisions are not capable of compensating for the effects of volume losses of as much as 50% in the Automotive Components Division.

Nevertheless we are confident that the Group will emerge from 2009 stronger than before in structural and organisational terms, thanks to the immediate action taken to manage costs and capacity, and the absolute priority given to maintaining liquidity across all our operations.

HANS-PETER MOSER
MEMBER OF THE EXECUTIVE BOARD

Born in 1966. Married with three children.
Studied Business Administration at the Vienna University of Economics and Business Administration from 1984–1990.
Trainee accountant at the practice of Prof. Egger from 1991–1995.
Qualified as a chartered accountant in spring 1996.
Head of the finance and accounts department at Novoferm GmbH from 1995–1999.
Commercial director at Tchibo / Eduscho GmbH from 1999–2002.

Member of the Executive Board of Frauenthal Holding AG since April 2006. Responsible for the Wholesale Plumbing Supplies (SHT) and Automotive Components divisions.

Additional roles: Member of the Executive Board of SHT Haustechnik AG.

MARTIN SAILER
DEPUTY MEMBER OF THE EXECUTIVE BOARD

Born in 1962, married, two children.
Studied Business Administration from 1980–1984.
Research assistant at the universities of Graz and St. Gallen.
Worked in the corporate controlling department at Daimler-Benz AG from 1989–1992.
Chief financial officer with a major car importer from 1993–1998.
Vice President Finance at the Ventana Group from 1998–2000.
Finance director at the Pfizer pharmaceutical group in Austria and Germany from 2001–2008.

Head of the Finance Department including Investor Relations at Frauenthal Holding since September 2008. Also in charge of the Industrial Honeycombs Division.

Additional roles: Member of the supervisory board of SHT Haustechnik AG.

Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Deputy member of the Executive Board

Our new management

SHT Group

Beatrix Pollak
Member of the
Executive Board of
SHT Haustechnik AG

Wolfgang Knezek
Member of the
Executive Board of
SHT Haustechnik AG

Hans-Peter Moser
Chief Executive Officer
of SHT Haustechnik AG

BEATRIX POLLAK
Member of the Executive Board
of SHT Haustechnik AG

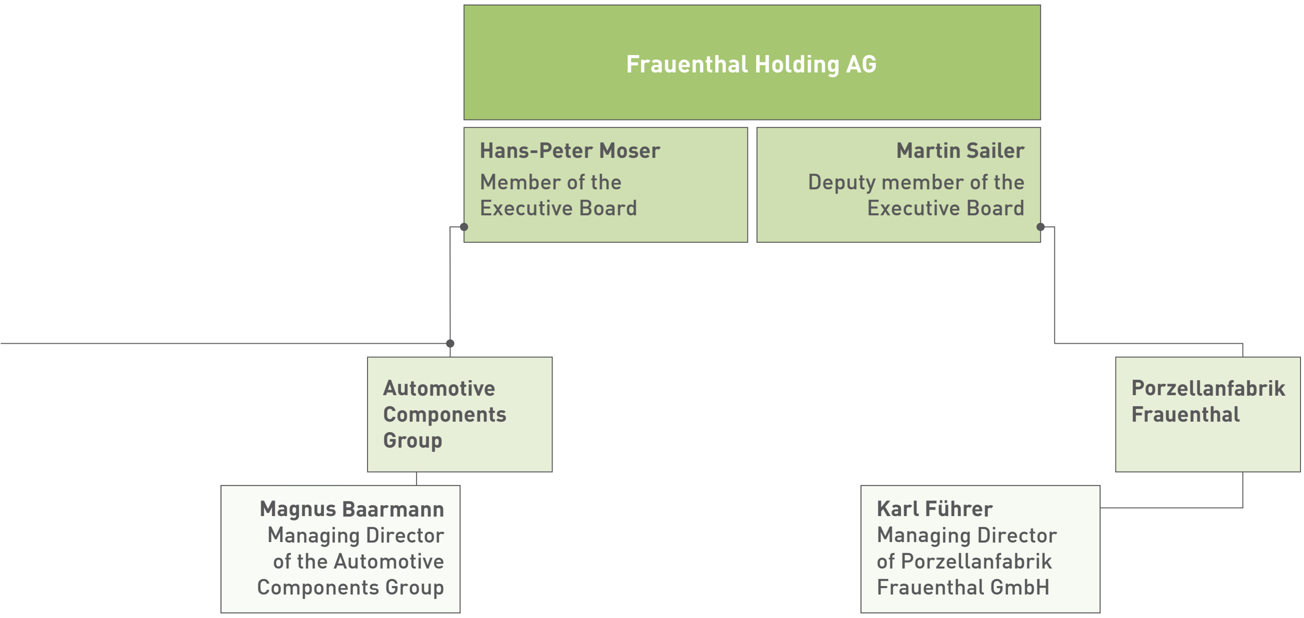
Born in 1970. Married.
Attended commercial college from 1984–1989.
Key account management assistant at Reico HandelsgmbH from 1989–1994.
Head of telesales at Reico HandelsgmbH from 1994–1996.
Head of sales at Reico HandelsgmbH from 1996–1999.
Manager of Reico HandelsgmbH from 1999–2003.
Sales manager at SHT Haustechnik AG from 2003–2004.
Manager of Reiberger Sanitär at SHT Haustechnik AG from 2004–2005.
Sanitary wares product manager at SHT Haustechnik AG from 2005–2006.
Vice President Product Management at SHT Haustechnik AG from 2006–2008.

Joined the SHT Haustechnik AG Executive Board in 2009 with the responsibility for the purchasing and sales departments.

MAG. WOLFGANG KNEZEK
Member of the Executive Board
of SHT Haustechnik AG

Born in 1963. Long-term partnership, one daughter.
Studied Law at the University of Vienna from 1981–1987.
Logistics worker at Herba Apotheker AG from 1978–1989.
Assistant to the central management at Herba Apotheker AG from 1989–1991.
Assistant to the management board at Hild Haustechnik AG from 1991–1997.
Managing director of Hild Logistikservice GmbH from 1997–2002.

Member of the Executive Board of SHT Haustechnik AG in charge of finance, HR, logistics and organisation, IT and law since 2002.
Vice-President Organisation, CIO and Compliance Officer at Frauenthal Holding AG since mid-2008.



MAGNUS BAARMAN
Managing Director of the Automotive Components Group

Born in 1964. Married, one son.
Studied at the Abo Akademi University from 1984–1989.
Development engineer at Ovako Stell Billnäs from 1989–1990.
Sales manager at Imatra Steel Billnäs from 1990–1995.
Area business manager at Imatra Stell Oy Ab Billnäs from 1995–1997.
Works manager at Imatra Steel Billnäs from 1998–2003.
Managing Director at Styria Jouset Oy (part of the Automotive Components Group until 2007) from 2003–2005.
Key account manager with the Frauenthal Automotive Components Group from 2005–2009.

Managing Director of the Automotive Components Group with divisional responsibility since 2009.
Reports to the Executive Board member responsible for the division, Hans-Peter Moser.

MAG. KARL FÜHRER
Managing Director of Porzellanfabrik Frauenthal GmbH

Born in 1964, married, two sons.
Studied Business Administration at the University of Graz from 1982–1988.
Joined Porzellanfabrik Frauenthal GmbH in 1990.
Head of administration at Porzellanfabrik Frauenthal GmbH from 1990–1994.
Managing Director of Porzellanfabrik Frauenthal GmbH since 1995.

Additional roles: Managing Director of Ceram Liegenschaftsverwaltung GmbH, Ceram Catalysts GmbH, Austria and Ceram Catalysts GmbH, Germany.
Member of the Austrian Federal Chamber of Economics Fine Ceramics Committee.

Report of the supervisory board

The Supervisory Board held six meetings in 2008. The Supervisory Board was regularly informed on the course of the Company's business by means of monthly reports, while the Chairman was constantly notified of the state of the Company between meetings.

Several meetings of the compensation, strategy and audit committees were held during the year under review.

Apart from supervising ongoing business activities, the Supervisory Board devoted most of its attention to a large investment programme, mounted across all three divisions, to acquisition, and during the final quarter, to the decline in demand and the related overcapacity at production sites in the Automotive Components Division, as well as the reorganisation of the latter.

In 2008 the Supervisory Board of Frauenthal Holding AG discharged the duties incumbent on it by virtue of the law and the articles of association, and satisfied itself that the Company's business was being properly conducted. The annual financial statements of Frauenthal Holding AG for the year ended 31 December 2008, presented in accordance with IFRS, the consolidated financial statements of the Group for the year ended 31 December 2008, and the operating reviews for the 2008 financial year were audited by BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were given an unqualified auditors' certificate. The audit revealed no grounds for objection.

The Board's review of the company and consolidated annual financial statements for the year ended 31 December 2008, and the operating reviews for the 2008 financial year have revealed no grounds for objection.

The report of the auditors, BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was submitted to the Supervisory Board. The Board has expressed its agreement with the annual financial statements of Frauenthal Holding AG and consolidated financial statements for the year ended 31 December 2008, and the operating reviews for the 2008 financial year, and has approved the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2008. The annual financial statements are thereby adopted under section 125 Aktiengesetz (Austrian Companies Act).

Vienna, March 2009

For the Supervisory Board

Ernst Lemberger
Chairman of the Supervisory Board

Our Supervisory Board

HANNES WINKLER

Member of the Supervisory Board

First elected on 22 May 1997;
term of office runs until the
2009 Annual General Meeting.

OSKAR GRÜNWALD

Independent member

First elected on 21 May 1999;
term of office runs until the
2009 Annual General Meeting.

KARL POLLAK

Chairman of the Group
works council

ERNST LEMBERGER

Chairman of the Supervisory Board

First elected on 12 December 1989;
term of office runs until the
2009 Annual General Meeting.

VICTOR J. MAUNDRELL

Independent member

First elected on 27 June 2002;
term of office runs until the
2009 Annual General Meeting.

JÜRGEN TSCHABITZER

Member of the Group
works council

DIETMAR KUBIS

Deputy Chairman, Independent member,
Member of the supervisory board of Nexus AG,
Germany – a listed company

First elected on 10 February 1999;
term of office runs until the
2009 Annual General Meeting.

JOHANN SCHALLERT

Independent member, member of the supervisory board of Austria Email AG,
Knittelfeld – a listed company

First elected on 4 May 2006;
term of office runs until the
2009 Annual General Meeting.

KLEMENT-MICHAEL MARCHL

Member of the Group
works council

Statement on the Austrian Code of Corporate Governance

Önder Gümüs, production worker (hand welder), 37

Responsible corporate governance is a central element of our corporate culture. Our longstanding principles include a responsible approach to management and maximum transparency in our dealings with stakeholders.

Frauenthal Holding AG was one of the first companies to commit to implementation of the voluntary Austrian Code of Corporate Governance. On 27 March 2003 the Company undertook to adhere to these rules, which go beyond its legal obligations, wherever possible. Frauenthal Holding AG applies the Code in full, and as a result there is little need to explain deviations from it.

Rule 16: As the Executive Board has only two members there is no need for a chairperson. Hans-Peter Moser and deputy member Martin Sailer bear joint overall executive responsibility. In the event of any disagreement on the division of responsibilities, the decision of the Chairman of the Supervisory Board is final.

Rule 30: The compensation of the Executive Board consists of a fixed salary and a variable component, representing up to 100% of total remuneration, geared to the personal performance of each Board member. This variable component is determined by qualitative and quantitative target agreements; the qualitative and the quantitative elements must represent equal shares of the variable component. The quantitative targets relate to value growth and liquidity while the qualitative targets concern pre-agreed objectives for given divisions or for the Group as a whole. Regular pension contributions are made to a pension fund for Board

members. Members have no contractual entitlements to termination benefits on leaving office.

Rule 39: On 4 May 2006 the Supervisory Board resolved to set up strategy and personnel committees in addition to the legally mandatory audit committee (members Oskar Grünwald, Johann Schallert and the employee representative Jürgen Tschabitzer). The strategy committee comprises Ernst Lemberger, Victor J. Maundrell and Klement-Michael Marchl (employee representative). It deals with the Group's strategic alignment, and are consulted by the Executive Board on all strategic decisions. The personnel committee deals with matters relating to the remuneration of the Executive Board and the contents of Executive Board members' employment contracts. The membership of this committee consists of Hannes Winkler, Dietmar Kubis and the employee representative Karl Pollak.

Rule 51: By resolution of the 18th Annual General Meeting held on 3 May 2007 every Supervisory Board member is entitled to an attendance fee of EUR 2,000 per day for actual attendance of board meetings. The fee is payable only once regardless of how many meetings are held on the same day. As in previous years, in 2008 the Chairman Ernst Lemberger and Hannes Winkler waived their compensation.

Rule 53: The criteria for the independence of Supervisory Board members conform to the guidelines set out in Annex 1 to the Code, and have therefore not been posted on the Group's website. The minimum requirements of the Code are more than fulfilled in that a majority of the Supervisory Board are independent members having no business or personal relationships with the Company or the Executive Board.

Rule 57: This rule provides for an age limit for Supervisory Board members. Frauenthal Holding's articles of association do not, as we believe that the provision is simplistic and represents excessive interference in shareholders' rights. Instead, the composition of the Board is determined solely by the members' professional and personal qualifications.

The Company's compliance with the Code of Corporate Governance was carefully evaluated by its auditors, BDO Auxilia Treuhand GmbH, who certified the implementation and correct interpretation of the Code.

Share price performance

Our share price was not immune to the turmoil on international financial markets in 2008. After starting on a high of EUR 22.88 the price fell in line with international market trends, to end the year on EUR 6.58. The low of EUR 5 was recorded on 9 December.

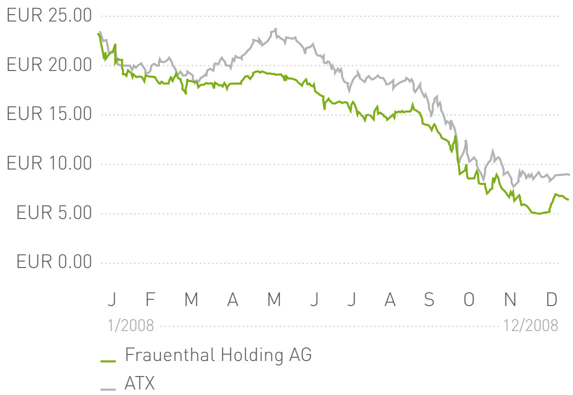
Our market capitalisation slid from EUR 172.5m (28 December 2007) to EUR 49.6m as at 30 December 2008. This decline in value over the period reflected the most volatile year in the history of the Vienna index of leading shares.

2008 was the worst year for the Vienna Stock Exchange since the launch of the ATX leading index in 1991. The ATX suffered heavy losses in the second half to close at 1,750.83 – 61.2% down on the last day of trading in 2007. The market capitalisation of listed companies shrank to some EUR 52bn at the end of 2008 from EUR 156.6 billion (bn) a year earlier.

INVESTOR RELATIONS

We have expanded our investor relations activities due to our inclusion in the prime market. The main focus of our IR efforts is providing investors and analysts with consistent and simultaneous information. In 2003 we became one of the first companies, listed on the standard auction market to sign up to the Austrian Code of Corporate Governance. We remain committed to equal treatment and transparency for all shareholders.

Extensive corporate information, quarterly reports, AGM documents, press releases and stock exchange announcements are posted on our website. In order to offer investors, analysts and the general public still better service we have expanded our website and the linked sites of our subsidiaries, and harmonised their design in line with our "one company" philosophy. The Frauenthal website is a modern, user-friendly information platform with quick and easy navigation. New features include an interactive share price chart, online versions of our annual reports and a free mail service that lets users register for up-to-the-minute news on the Company.



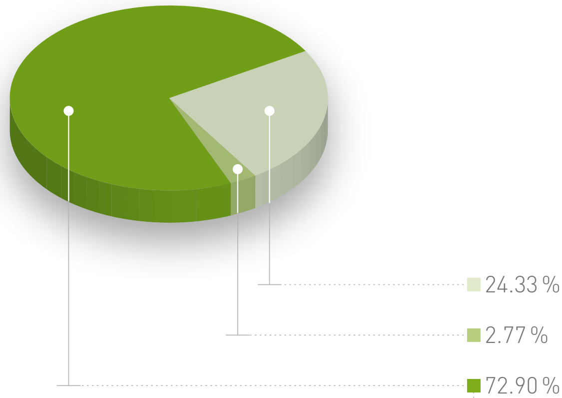
SHAREHOLDER STRUCTURE

Frauenthal shares have been traded on the Vienna Stock Exchange since 10 June 1991. On 23 July 2007 we switched to the prime market in order to enhance the Company's reputation and attract increased investor interest. By then Frauenthal had already met the strict publicity and transparency requirements for admission to continuous trading for some time.

Frauenthal Holding AG has a share capital of EUR 9,434,990, divided into 7,534,990 no par bearer shares and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the Company's share capital. There were no material changes in voting rights in 2008.

The principal shareholder in Frauenthal Holding is FT Holding GmbH, Chemnitz, Germany, which owns a 72.9% interest. FT Holding GmbH is owned by Ventana Beteiligungsgesellschaft m.b.H., Vienna. This is held, in turn, by Hannes Winkler and Ernst Lemberger, both of whom are private equity investors with extensive experience of developing and managing industrial companies, and of mergers and acquisitions. Frauenthal Holding has full access to their business experience and contacts in pursuit of its acquisition strategy. Due to formal requirements arising from promotion to the prime market in 2007, the 1,900,000 unlisted bearer shares owned by FT Holding were converted into registered shares which remain unlisted.

Own shares held by Frauenthal Holding AG represent 2.77% of the share capital, in line with the voting rights, while the remaining 24.33% are in free float. The shareholding structure is thus unchanged.



FT Holding GmbH	6,878,050 inc. 1,900,000 unlisted registered shares
Treasury shares	261,390
Float	2,295,550

KEY SHARE RATIOS

	2008	2007	change
Shares in issue	9,434,990	9,434,990	–
Treasury shares	-261,390	-261,390	–
Shares in circulation	9,173,600	9,173,600	–
Per share ratios (EUR)			
EBITDA	4.7	4.6	0.1
EBIT	2.5	3.0	-0.5
Profit/loss after tax	1.3	2.0	-0.7
Operating profit before working capital changes	3.5	3.5	0.0
Equity	11.1	10.2	0.9
Share price			
Year end	6.6	22.9	-16.3
High	22.9	25.6	-2.7
Low	5.0	20.3	-15.3
Dividend and bonus	0.0 [1)]	0.2	-0.2

[1)] Distribution proposed to the Annual General Meeting

OUR EMPLOYEES. OUR SUCCESS.

Leszek Magiera, production worker, 52
Sławomir Szymańczyk, production worker, 30
Paweł Zawistowski, foreman, 33

A history of success

The Frauenthal Group goes back to a porcelain factory in Frauental an der Lassnitz, Styria, Austria.

1921 Ludwig Neumann founds Erste Österreichische Porzellanfabrik. In the 1950s the company begins focusing on manufacturing hard porcelain high voltage insulators which become its core business.

1974 The company is sold to the Swedish EUROC Group, ushering in a period of new developments and product lines.

1985 Frauenthal starts manufacturing SCR catalysts. Thereafter casting filters and heat storage media are added to the honeycomb ceramics product range.

1990 A buy-out by the Swedish management results in the takeover of Frauenthal Keramik AG and the formation of the Ceram Group, which grows to become the world's second-largest porcelain insulator manufacturer.

1991 Frauenthal Keramik AG is listed on the Vienna Stock Exchange following an IPO.

1996 The Frauenthal Keramik Group merges with Tridelta Technische Keramik GmbH to form the Ceram Holding Group, domiciled in Jena, Germany. The merged company is the European market leader in porcelain insulators for high and ultra-high voltage applications.

1998 Ventana acquires 75.1% of the Ceram Group.

2001 The insulator business is sold to an American investment firm, The Riverside Company. Porzellanfabrik Frauenthal GmbH, and its catalyst and non-catalytic honeycomb businesses remain with Frauenthal Keramik AG.

2002 Frauenthal is reorganised as a holding company for industrial investments named Frauenthal Holding AG. The acquisition of the Styria Federn Group (revenue approx. EUR 91m) from Ventana Beteiligungsgesellschaft m.b.H. increases the Frauenthal Group's revenue to EUR 120m. Truck components become the Group's largest line of business.

2003 Frauenthal Holding acquires a Finnish spring factory in Billnäs from Imatra Steel. The new firm – Styria Jouset Oy – with revenues of approximately EUR 13m and some 90 employees strengthens Styria Federn's market position due to its closeness to Scandinavian truck manufacturers and the fact that it has the only factory in the region producing tubular stabilisers.

2004 The acquisition of the German Linnemann-Schnetzer Group – the European market leader in steel braking system air reservoirs – marks a major expansion of the Frauenthal Group. Linnemann-Schnetzer and the Styria Federn Group now form Frauenthal Holding's Automotive Components Division with a total revenue of some EUR 170m.

2005 During the summer Frauenthal Holding floats the first bond in its history, successfully placing a EUR 70 million issue. In July the Group acquires ThyssenKrupp Automotive's European commercial vehicle spring business. The next acquisition follows in September, with the takeover of Austria's leading plumbing supplies wholesaler SHT Haustechnik Beteiligungs Aktiengesellschaft from Leithanien Investment Group S.A.

2006 Frauenthal announces the planned closure of the loss-making spring factory in Billnäs, Finland. In April the Supervisory Board approves the construction of a new factory building in Frauental to manufacture diesel catalysts, due to the strong growth potential of this product category. Hans Peter Moser is appointed to the Frauenthal Holding AG Management Board. The Board's organisational structure is converted to divisional responsibilities. In May the Annual General Meeting resolves a ten-to-one share split. The Group's share price reaches an all-time high and subsequently holds in a range of EUR 22–24.

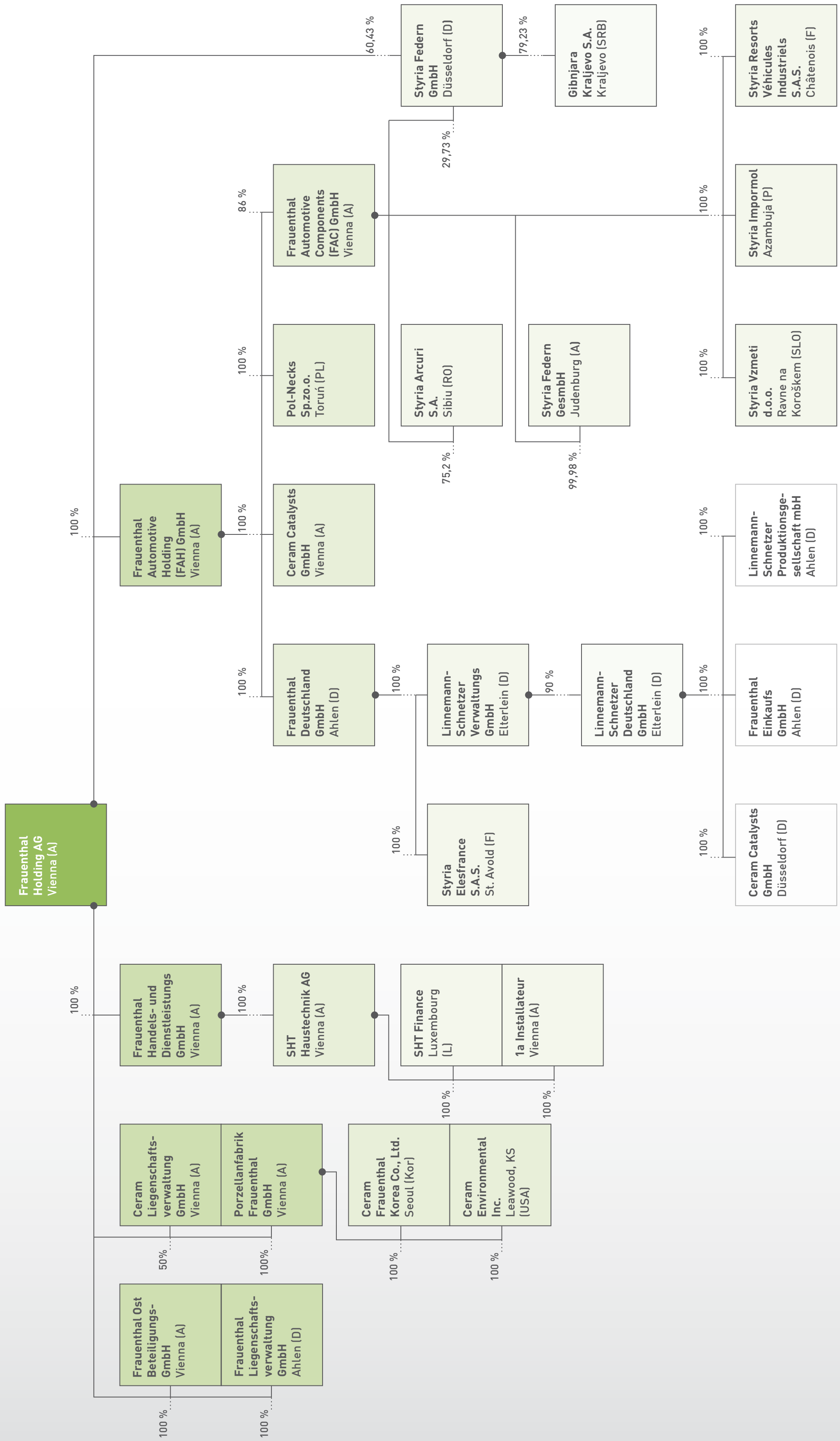
2007 The start of the year sees the closure of the Linnemann Schnetzer air reservoir factory in Hungary. In late May Frauenthal subsidiary SHT Haustechnik acquires Röhrich, a central heating supplies wholesaler. During the summer Frauenthal Automotive Components GmbH completes the purchase of leading U-bolt manufacturer Pol-Necks, based in Torun, Poland, from Necks Invest. Frauenthal shares begin trading on the Vienna Stock Exchange prime market on 23 July. The year ends with yet another acquisition – the purchase of the Gibnjara Kraljevo spring factory in Serbia.

2008 Frauenthal opens a module assembly plant for SCR catalysts in China and takes its first steps in this promising market. SHT builds market share as it opens three ISC outlets and the new Y-LOG order picking system enters into service. In March 2008 Executive Board Chairman Winfried Braumann leaves the company. In September Martin Sailer is named as Deputy Member of the Executive Board with responsibility for finance. Michael Ostermann leaves the company at year end. His management responsibilities are transferred to Hans Peter Moser and Martin Sailer, who are appointed as the respective heads of the Automotive Components and Industrial Honeycombs Divisions. The financial crisis triggers a sharp decline in orders for truck components in the fourth quarter. Despite this, the Division's revenues are by 11%.

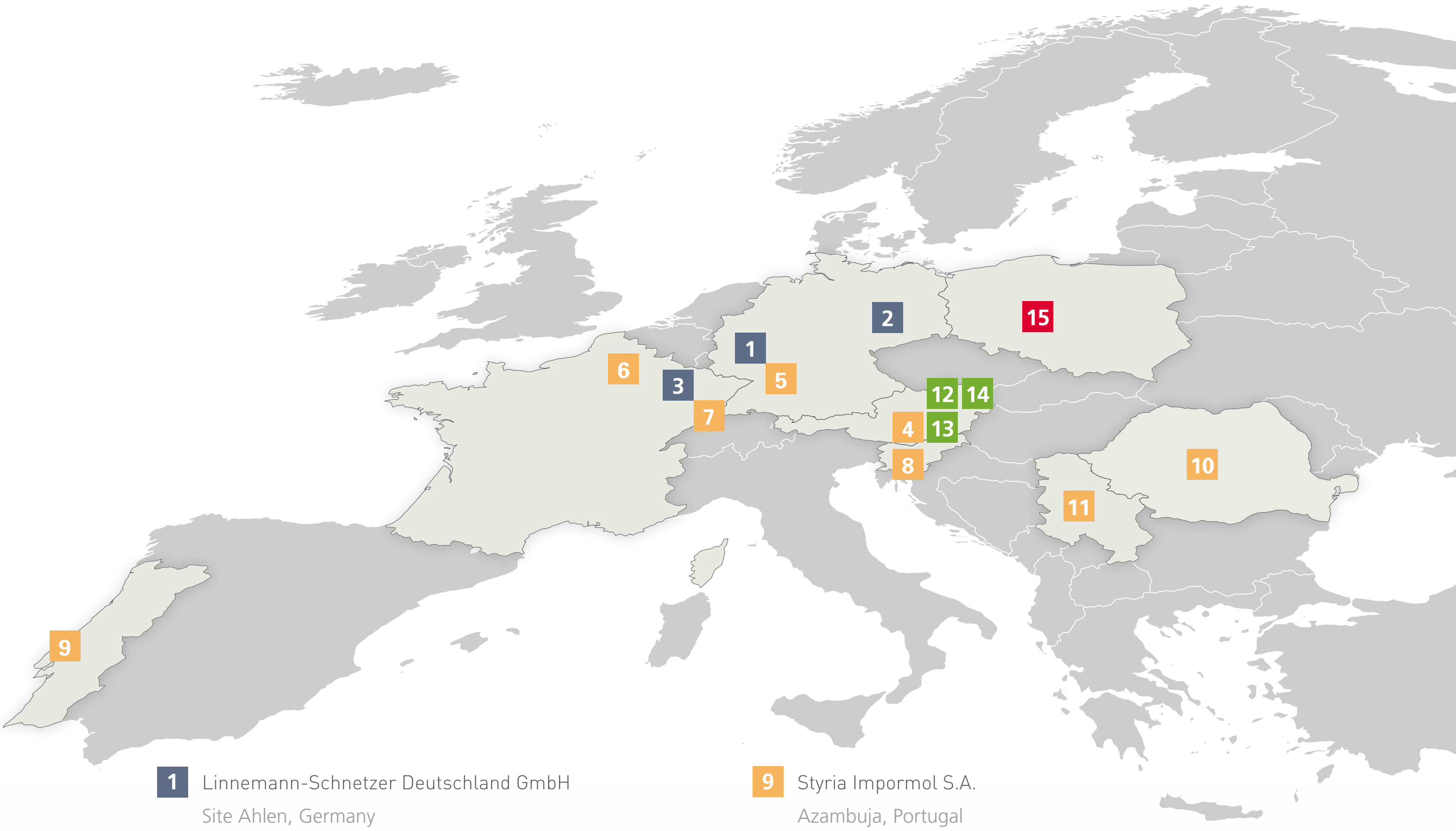
Reneé Wippel, production worker at POFA, 45

Our structure

Status as of 31 December 2008



Our sites



- **1** Linnemann-Schnetzer Deutschland GmbH
  Site Ahlen, Germany
- **2** Linnemann-Schnetzer Deutschland GmbH
  Site Elterlein, Germany
- **3** Styria Eles france s.a.s. (Linnemann-Schnetzer)
  St. Avold, France
- **4** Styria Federn Ges.m.b.H.
  Judenburg, Austria
- **5** Styria Federn GmbH
  Düsseldorf, Germany
- **6** Styria Ressorts s.a.s.
  Douai, France
- **7** Styria Ressorts Véhicules Industriels s.a.s.
  Châtenois, France
- **8** Styria Vzmeti d.o.o.
  Ravne na Koroškem, Slovenia
- **9** Styria Impormol S.A.
  Azambuja, Portugal
- **10** Styria Compa Arcuri S.A.
  Sibiu, Romania
- **11** Gibnjara Kraljevo
  Kraljevo, Serbia
- **12** Porzellanfabrik Frauenthal GmbH
  Frauental, Austria
- **13** Ceram Catalysts GmbH
  Frauental, Austria
- **14** Frauenthal Holding AG/Ventana und SHT Haustechnik AG
  Wien, Austria
- **15** Pol-Necks sp.zo.o.
  Toruń, Poland

Our corporate strategy

Frauenthal is a listed, diversified group with three divisions:

- The Industrial Honeycomb Division comprising Porzellanfabrik Frauenthal, which produces power station catalysts;
- The Automotive Components Division, comprising the Styria Federn and Linnemann-Schnetzer groups, Pol-Necks and the Ceram Catalysts diesel catalyst business; and
- Wholesale Plumbing Supplies Division, comprising the SHT Group.

In line with our commitment to value-based management, we seek to increase our Group's value, and to outperform our peers in terms of return on capital on a sustainable basis. Investments are made in areas where rapid growth and high returns on capital employed can be achieved.

The Group's finances are managed centrally by Frauenthal Holding. The financing strategy gives priority to long-term financial stability – especially as measured by the equity ratio – and flexibility over the short-term minimisation of finance costs.

Our investor relations and communication policies are designed to provide the equity and bond markets with transparent, up-to-date information.

Despite the very different lines of business we operate in, our success in the marketplace and good customer relationships stem from the same unifying business principles.

Our strong market shares, broad product range and innovative capabilities distinguish us from our competitors, making us the partner of choice for our customers.

We are continuously improving our manufacturing and logistics processes. Constant progress on productivity is essential if we are to maintain our cost competitiveness – especially as most of our sites are in high-wage countries.

In the interests of lean organisational structures Frauenthal Holding focuses on central management functions, while Group companies' chief executives are responsible for operations, and for meeting the budget targets set for them. Management development and human resources initiatives are centrally directed.

Frauenthal is a diversified, acquisition-oriented group. Acquisitions must promise long-term strategic advantages, and be a good fit for existing businesses in terms of their product portfolios and geographical markets. Frauenthal is not a private equity investment company. We only buy and develop businesses with their long-term value growth potential in mind, and not in order to sell them later on.

Manfred Hermann, production worker, 40

Innovation

Krzysztof Blumkowski, production worker, 37

In the past few years the rapid expansion of the Frauenthal Group has been powered by acquisitions of companies that mostly market products and services at the mature phase of the product life cycle. However in future the Group's growth will no longer be primarily acquisitions based, but will come from exploiting and developing the potential of existing subsidiaries. In particular, we will be relying on innovation to drive sustainable organic growth.

Our diesel catalysts are an excellent example of innovation-led growth. The process of adapting SCR catalysts – originally only used to reduce NOx emissions from thermal power stations – for diesel engines involved fundamental research carried out in close cooperation with university institutes, and bringing the product to market took over ten years. Sales in 2008 were EUR 11m.

Our new development centre for springs and air reservoirs, opened in 2006, is another element in our drive to speed up innovation. In future, new products developed in close collaboration with our customers' R&D departments, steel manufacturers and universities will account for a significant and rapidly growing part of Group revenues.

Meanwhile a newly established department will focus on production process innovation. It will set out to develop proprietary production processes that will increase our competitiveness.

Innovation and close collaboration with customers are critical to differentiating Frauenthal from the competition – particularly in today's harsh economic climate.

These activities are supported by the Frauenthal Innovation Board, which consists of senior managers from all divisions. The aim of this body is both to act itself to keep up the momentum of innovation and to nurture a culture of innovation at all levels of Group companies.

Acquisitions

Ing. Anna Schliefnig, advice and sales, 36

Frauenthal's acquisitions policy focuses on companies that can bring the Group sustainable strategic benefits, and complement and strengthen existing lines of business in terms of markets, geographical coverage and the overall product portfolio. We continued to pursue this strategy systematically during the year under review.

Styria Federn GmbH, Düsseldorf acquired a 69.5% interest in A.D. Fabrika Opruga, Kraljevo at a public auction held on 30 November 2007. The Serbian competition authority cleared the transaction on 28 December 2007, and it was entered in the register of companies on 4 January 2008. The takeover came into effect after an extraordinary general meeting held on 22 January 2008.

The company was consolidated with effect from 1 January 2008.

In August 2008 we acquired further interests in it, taking our holding to 79.23%.

At the extraordinary general meeting the name of the company was changed to A.D. Fabrika Opruga Styria Gibnjara, new articles of association were adopted, and a new supervisory board was appointed.

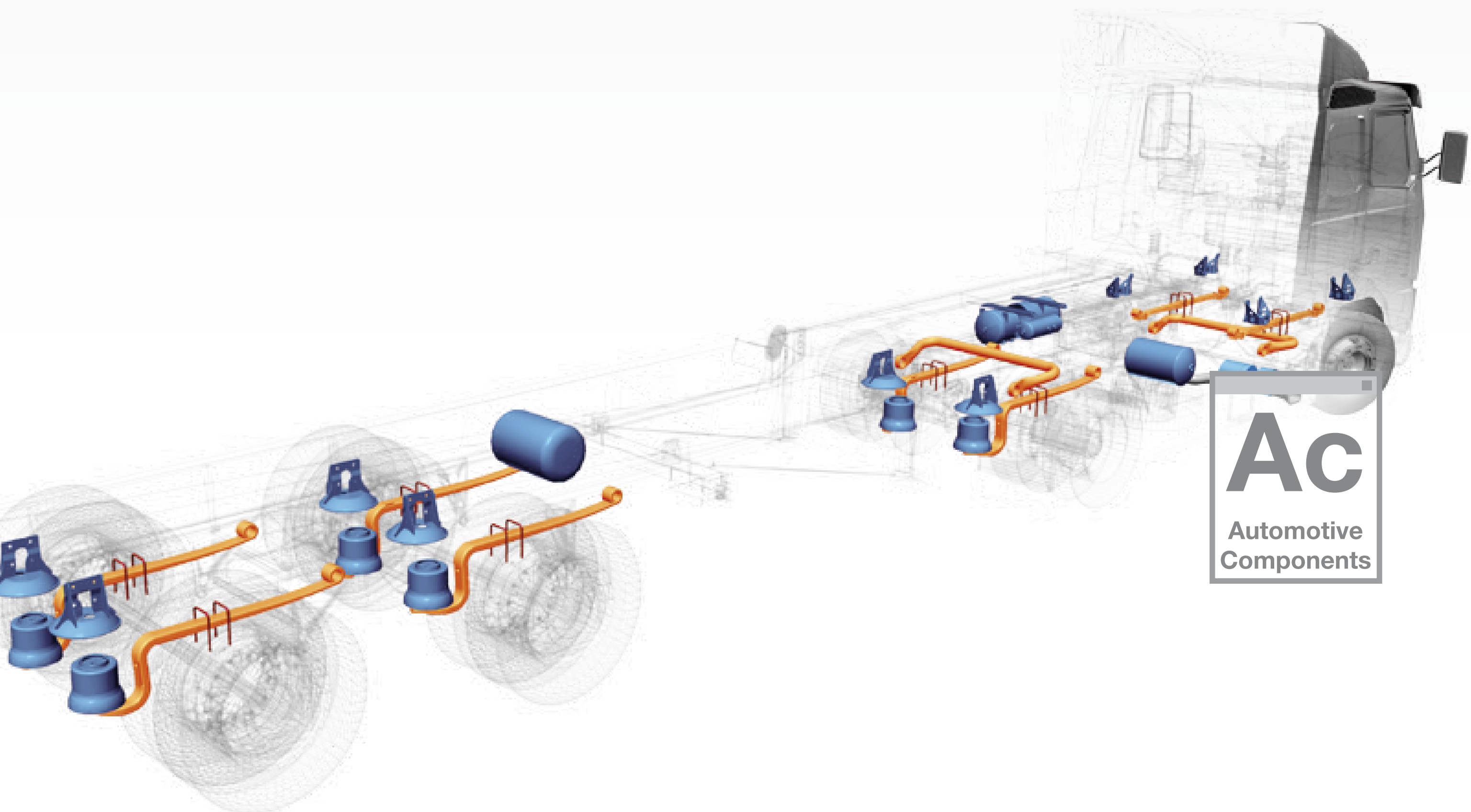
The enterprise, which is a public limited company, manufactures leaf springs, railway springs, coil springs and stabilisers for the truck and railway industries. The company had 175 employees as of 31 December 2008, and returned revenue of EUR 2.1m for the year.

A detailed action plan designed to enable the new subsidiary to meet its objectives as part of the Automotive Components Division was drawn up during the year. Some EUR 14.9m was invested in expanding production capacity in 2008. The acquisition has given the Group a low-cost production site which also will serve as a good springboard for developing the Russian and other CIS markets because of political conditions.

No other acquisitions were completed during 2008.

Automotive Components Group

Styria Federn, Linnemann-Schnetzer, Ceram Catalysts and Pol-Necks



Ac
Automotive Components

The Automotive Components Division was created by integrating the Styria Federn Group with the Linnemann-Schnetzer Group, acquired in 2004. It has 13 production sites, in Austria, France, Germany, Poland, Portugal, Romania, Serbia and Slovenia, and is the market leading European producer of leaf springs, stabilisers, braking systems and steel air reservoirs for commercial vehicles. In 2008 the Automotive Components Group gained a new member through the acquisition of Serbian spring manufacturer S.A. Styria Gibnjara. The recently opened Ceram Catalysts production plant in Austria has made the Frauenthal Automotive Group one of Europe's diesel catalyst manufacturers, while the Pol-Necks acquisition brought us leadership of the leaf spring U-bolt market.

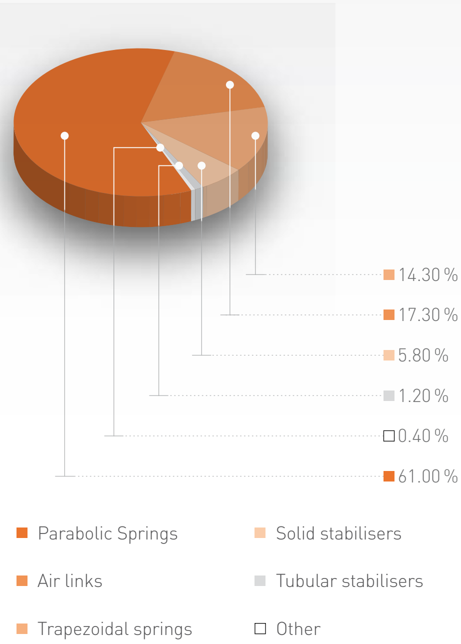
The production of U-bolts for mounting leaf springs to vehicle axles creates significant synergies for the division, while entering the catalyst business has opened up considerable growth potential. Modern commercial vehicles equipped with our catalysts already meet future emission standards.

In 2008 the Automotive Components Group posted revenue of EUR 346.1m — a year on year increase of 10.8% — and was the European leader in the market segments it serves.

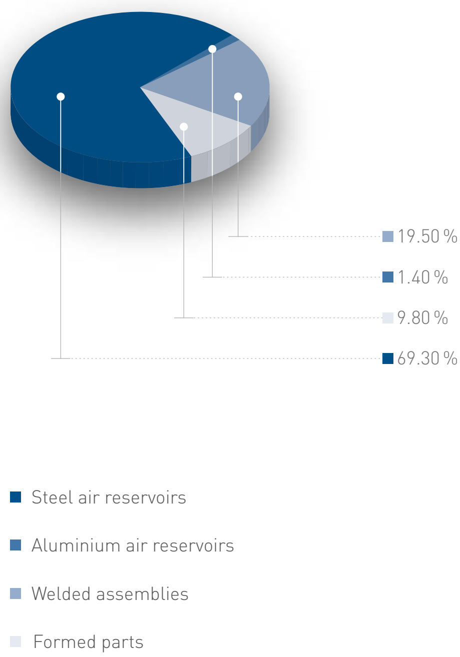
The Group's customer portfolio encompasses all the main European truck makers, and almost all of the trailer and axle manufacturers. Customers include Volvo, MAN, Daimler, Renault Truck, DAF, Scania, Iveco, BPW Bergische Achsen and SAF-Holland, as well as several trailer and axle manufacturers. The Group's business philosophy centres on total cost leadership. The goal is not to offer the cheapest springs, stabilisers or air reservoirs but to sell components that cut the cost of customers' end-products. This is not just a matter of prices, since quality and availability aspects also play a part. The Group's role ranges from consultancy to end-to-end solutions for chassis components and their design. These require constant contact with customers' design, development and test departments.

Systematic pursuit of this strategy, coupled with rigorous cost reduction and productivity programmes, and a value management approach has generated sufficient profits over the past few years to pay for investments in the future of the business.

The Styria Group's output volume rose by 3.1% in 2008 to reach some 101,000 tonnes (2007: 98,000 t).



Linnemann-Schnetzer's production was buoyed by the strong truck market, and was well up on 2007 in volume terms.



Products

The Styria Group produces parabolic and trapezoidal springs, and suspension arms, as well as solid and tubular stabiliser bars.

PARABOLIC SPRINGS

Styria has played a key role in technical progress in parabolic springs. Designing the leafs for stress minimisation has brought a significant reduction in the materials required as compared to conventional multi-leaf springs without compromising strength and reliability. Styria manufactures parabolic springs in Azambuja, Châtenois les Forges, Düsseldorf, Judenburg, Ravne and Sibiu.

TRAPEZOIDAL SPRINGS

In Europe trapezoidal springs are still frequently employed in vehicles designed for construction sites and other rough terrain. They are also used in off-road vehicles in Africa and Asia due to their ruggedness. Our trapezoidal springs are manufactured in Ravne, Slovenia, Sibiu, Romania and Kraljevo, Serbia.





AIR LINKS

The air link came into being as a spin-off of the parabolic spring in the early 1990s. In air suspended truck rear axles and trailer axles, the air links guide the axle, stabilise the vehicle superstructure and support the air bellows, thereby considerably reducing the number of parts and thus the cost of the system. This product is produced in Judenburg.

STABILISERS

Stabilisers are among the basic components of truck and delivery van suspension systems. Solid stabiliser bars are our main product, and are used by all customers due to their low cost. We also develop and produce tubular stabiliser bars for weight critical applications, as they can be up to 40% lighter. This has a positive effect on unsprung mass, driving comfort and fuel consumption. We manufacture solid stabilisers in Douai and tubular stabilisers in St. Avold (both in France).

Our ability to develop and manufacture these high-grade products is convincing proof of our research and development capabilities.

AIR RESERVOIRS

The Linnemann-Schnetzer Group manufactures steel and aluminium air reservoirs, welded assemblies, and drawn and formed parts for the European commercial vehicle, trailer and bus industries. Technologies range from sheet metal forming, welding and surface treatment through to test engineering.

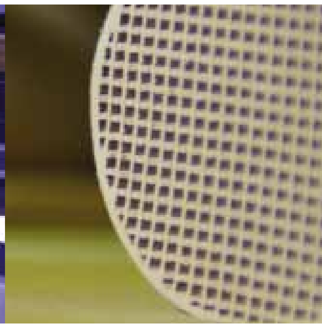
COMPRESSED AIR TANKS WITH MOUNTING BRACKETS

At present, restraining straps or wires are the usual means of attaching air reservoirs to commercial vehicles. This has obvious disadvantages because it involves complicated mounting procedures, a number of fittings and the risk of damage to the reservoir through friction at the mounting points.

DIESEL CATALYSTS

Ceram Catalysts manufactures SCR catalysts at its new plant. Modern commercial vehicles fitted with these products already meet the Euro 5 emission standard which is due to come into force on 10 October 2009. We are excellently placed to capitalise on the fast growing demand in this segment. SCR diesel catalysts differ from conventional power station catalysts in their special composite materials, product design and fine cell geometry. In contrast to competing products which are coated, Frauenthal diesel catalysts are composed of homogeneous catalytic material. They combine exceptional durability with the same high level of performance under all operating conditions.






SHAPED PARTS AND WELDED ASSEMBLIES

Linnemann-Schnetzer manufactures various formed parts and welded component groups from steel, special steel and aluminium alloys with material thicknesses of up to 12 mm. Range of applications: air spring components such as cylinder covers, pistons, fixing plates and holders; chassis and heavy-gauge sheet metal parts for the commercial vehicle industry; frame-mounting parts for forklifts; and housings and covers for various industries.

SPRING U-BOLTS

Pol-Necks Sp.z.o.o. produces U-bolts — U-shaped mounts used to attach leaf springs to truck axles. As safety components, these are required to meet high technical standards. Pol-Necks Sp.z.o.o. is the leading U-bolt manufacturer in Europe, and its factory in Torun, Poland, boasts state-of-the-art, highly automated production equipment. In 2008 U-bolt output totalled about 1.9m units.

AIR RESERVOIRS (STEEL/ALUMINIUM)

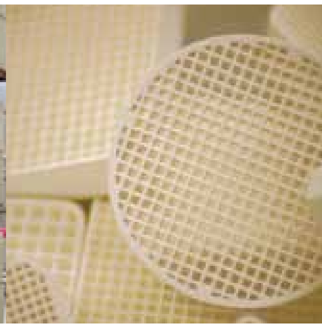
Linnemann-Schnetzer manufactures EN 286-2 compliant steel and aluminium compressed air reservoirs for the European commercial vehicle market. The reservoirs are designed for use in vehicle and trailer compressed air braking systems and auxiliary equipment, or exclusively for air intake. The tanks are chiefly intended to withstand static loading, and are dimensioned accordingly.

Porzellanfabrik Frauenthal

Porzellanfabrik Frauenthal GmbH and its subsidiaries form the Frauenthal Group's Industrial Honeycomb Division. In recent years the company has grown from being primarily a CEE supplier to become a truly global business. The Division's expansion plan involved setting up subsidiaries in the USA (CERAM Environmental Inc., Kansas City) and South Korea (CERAM Frauenthal Korea Ltd., Seoul). A liaison office jointly run with a Chinese partner was opened in Beijing in 2006.

Porzellanfabrik Frauenthal GmbH can look back on a tradition of technical ceramics manufacturing spanning some 90 years. The introduction of SCR honeycomb catalyst production in 1985 marked the company's entry into a new market which was subsequently progressively widened by the addition of non-catalytic honeycombs in the shape of heat sinks and foundry filters. In 2005 the SCR diesel catalyst, developed for commercial vehicles, successfully entered into series production.






PRODUCTS

Porzellanfabrik Frauenthal GmbH is one of the world's leading producers of honeycomb ceramics. Its main products include:

SCR catalysts

Frauenthal catalysts are used for selective catalytic reduction (SCR) processes. The technology is employed in thermal power stations, waste incinerators, stationary diesel motors and industrial plants. NOx contained in exhaust gases is broken down into nitrogen and water vapour, both of which are natural components of air. This plays an important part in reducing low-level ozone, acid rain and the greenhouse effect.

Heat sinks

Ceramic heat sinks are employed for regenerative afterburning of exhaust gases, to recover thermal energy. Specialised developments and improved material properties also enable ceramic heat sinks to be used in special incinerators that are exposed to high thermal and chemical stresses.

Casting filters:

Honeycomb ceramic casting filters that control, laminarise and filter the flow of molten metal are employed in foundries to produce high-quality light metal, grey and spheroidal castings.

SHT Group

SHT Haustechnik AG is Austria's leading sanitary, heating and plumbing supplies wholesaler. The company has been part of the Frauenthal Holding Group since 2005. In 2008 SHT had an average headcount of 697 in Austria and returned revenue of EUR 251m for a year-on-year gain of 4.6%, which was well above the industry average.

BUSINESS PERFORMANCE

Although the industry is starting to feel the effects of the financial crisis it is generally resilient. However, growth in construction activity has slowed sharply since 2007 and may even have turned negative.

After surging, raw material prices have collapsed. At the same time the investment climate has also been dampened by the crisis. The total sales of the Austrian wholesale plumbing supplies industry are therefore estimated to have been unchanged at about EUR 800m.

The SHT Group continued to expand its market shares in 2008. These gains were entirely driven by organic growth due to the opening of additional outlets and a major drive to improve customer service. SHT now operates five logistics centres, eight sales outlets, 36 pick-up stores and 11 up-market bathroom showrooms.

Management continues to believe that SHT's key success factor is a well-trained, committed workforce which responds swiftly and competently to customer inquiries. In order to maintain these high service standards, in 2007 the company established the SHT Academy – a training programme open to all SHT employees. The response to the Academy was excellent in 2008, and it was heavily used.

1a-Installateur Marketingberatungsges.m.b.H, a wholly owned subsidiary of SHT, offers marketing services that promote around 200 member firms under the 1a-Installateure (A1 Plumbers) umbrella brand name, which is well known throughout Austria. Examples of such activities include advertising campaigns, trade show appearances and training events.

PRODUCTS

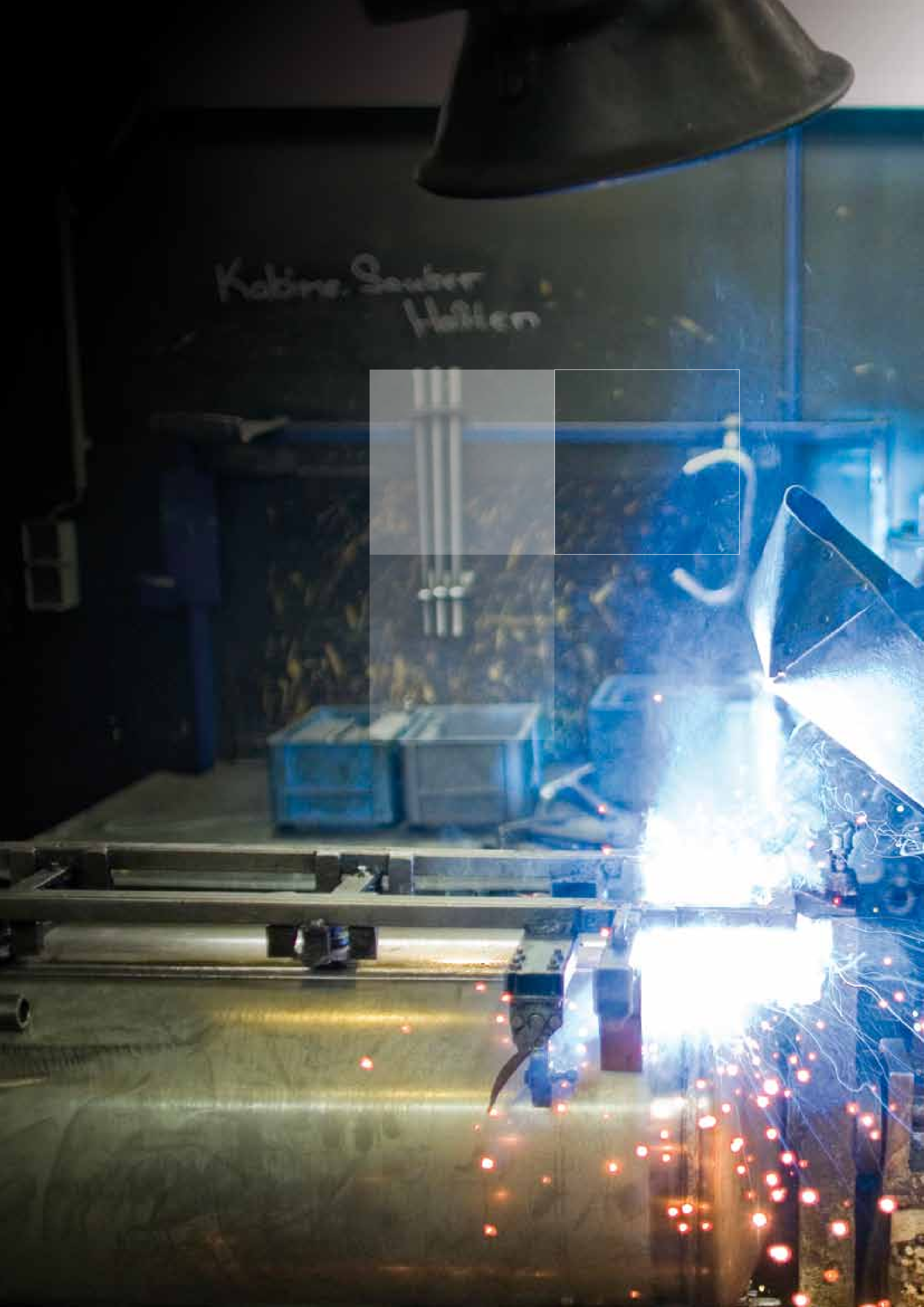
SHT distributes the leading sanitary, heating and plumbing equipment brands in Austria, as well as its own brands. Our proprietary brands are: Prisma (for the sanitary segment); Sanimeister (plumbing segment); and Elements (wall-mounted products exclusively made for SHT by manufacturers of branded goods). The Elements range was launched in 2008. Successful proprietary brands are important as they are a chance to differentiate the group from the competition in terms of its products as well as its services. The third-party products that SHT stocks are only sourced from well-known branded manufacturers. Preference is given to suppliers with production facilities in Austria, in the interests of good value for money.

OUTLOOK

A high priority in 2009 will be boosting the heating supplies sales, which have continued to grow despite the financial crisis – further proof of the wisdom of the decision to acquire Röhrich, which was aimed at raising our profile in the heating market segment. Heating supplies outperformed other product categories in 2008.

SHT is also focusing on continuous improvement of its core business processes in order to enhance the quality of its customer service whilst keeping costs under tight control. The objective is to maintain long-term profitability in a flat market by extending SHT's leadership in bespoke solutions.

The management and workforce strongly identify with the corporate claim, "unser service ist mehrwert" ("our service is added value"), and are working to make this shine through in all of SHT's activities.


Kabine Sauber Halten

OPERATING REVIEW

Önder Gümüs, production worker (hand welder), 37

Franz Haring, production worker, 43

The following section is an extract from the operating review.

Economic climate

GDP growth in the eurozone was 0.9 % – far below the 2.7 % recorded in 2007. The drop in growth rates also affected the new EU member states, though it was from a higher base. The 1.3 % growth rate in Germany likewise represented a marked decline (2007: 2.5 %).

The eurozone economy began contracting in the third quarter. The downturn triggered by the financial crisis was mainly driven by the drop in exports, which were also hit by the stronger euro. Meanwhile capital investment was held back by the credit crunch, and during the third quarter consumption also began to suffer from the decline in personal wealth, the credit squeeze and rising unemployment.

The eurozone is heading for the first recession in its history, with GDP predicted to shrink by an average of 1.9%, and by 2.3% in Germany. Only in Central and Eastern Europe is positive growth still forecast. Concerted action to stabilise the financial sector in all the large economies, steep cuts in interest rates and massive stimulus packages should brake the fall of the world economy, but will take time to feed through. The European Commission expects a slow recovery starting in the third quarter of this year.

The Commission believes that the rebounding US dollar exchange rate and easing inflation should deliver a twin boost to eurozone growth.

Apart from the severe slowdown and the systemic crisis in the financial sector, the main feature of the economic environment in 2009 is massive uncertainty that makes medium-term planning extremely difficult. Against this backdrop, our planning assumptions are as follows.

We are hopeful that the power station catalyst business will benefit from a return to energy demand growth in the medium term, on the back of the coming economic pick-up in Europe, the USA, China and South Korea. Together with stricter emission limits, this should fuel steady market growth. We see demand holding up in the USA and Europe despite the recession, and growing in Asia. However, tight access to project finance is a source of uncertainty. The stronger dollar is having a positive impact on the competitiveness of Porzellanfabrik Frauenthal.

Demand for heavy trucks tends to move in step with economic activity, and is actually used as a leading indicator. The abrupt collapse in demand that began in the third quarter of 2008, the build-up in inventories of new trucks in distribution channels, the bust in the CEE markets which are important for used vehicle sales, the decline in freight volume, and hauliers' difficulties in obtaining credit have combined to create the worst imaginable conditions for demand in 2009. This follows several years of capacity expansion in response to growth in vehicle fleets – particularly in the new EU member states – driven by rising freight volumes. With the downturn coming on the heels of a boom, action will be needed to adjust capacity. Demand should begin to revive in 2010, but will not regain the level seen in 2008 for the foreseeable future.

Economic conditions in Austria – and in particular, personal consumption, and the construction and renovation cycle – have a significant impact on our wholesale plumbing supplies business (SHT). Personal consumption grew by 1.9% and construction spending by 1.8% in 2008. Given the forecast 1.2% contraction in GDP in 2009 the outlook is for a decline in construction activity. However, since the announced stimulus programmes should give a lift to the construction sector, the impact of the crisis on plumbing wholesalers should be relatively modest. As a result we are forecasting continued – albeit somewhat slower – growth in this segment.

Management's analysis of results

In 2008 the Group experienced volatility and variations in performance unprecedented in its history. In the automotive components segment there was no slowdown in revenue growth until September, and all the plants were compelled to produce at the limits of their capacity, using weekend shifts and agency workers. The effects of the financial crisis began to bite in October when orders from our OEM customers in the truck industry began to slide. Axle and trailer manufacturers, in particular, scaled back their order call-offs, in some cases dramatically. From November the extent of the slump in demand from all customers became clear, and with it the need for measures to reduce production capacity at all 13 sites in this segment.

In the industrial honeycombs segment revenue jumped by 22% to hit an all-time high. The wholesale plumbing supplies segment (SHT) benefited from the action taken to increase its market shares and extend its product range, and recorded 5% revenue growth. Neither of these two businesses was noticeably impacted by the crisis.

REVENUE

IFRS consolidated revenue for 2008 was up by EUR 53.4m (9.0%) on the previous period, at EUR 645m. The new acquiree, A.D. Fabrika Opruga Styria Gibnjara contributed EUR 2.1m to revenue growth.

EUR '000	2008	2007	Change
Revenue by business segments			
Industrial honeycombs	47,845	39,105	8,740
Automotive components	346,138	312,476	33,662
Wholesale plumbing supplies	251,367	240,395	10,972
Other	46	26	20
Frauenthal Group	**645,396**	**592,002**	**53,394**

The Austrian wholesale plumbing supplies business only serves the home market. The Group recorded revenue growth in the USA (industrial honeycombs segment) as well as the EU. In the automotive components segment inventories increased by EUR 1.8m as a result of the dramatic decline in customer call-offs.

EUR '000	2008	2007	Change
Revenue by geographical markets			
Austria	275,113	264,633	10,480
Germany	165,224	150,011	15,213
France	34,810	28,246	6,564
Sweden	42,352	32,603	9,749
Belgium	25,077	24,518	559
Other EU	62,336	58,277	4,059
Rest of Europe	11,637	9,003	2,634
Americas	22,428	16,410	6,018
Asia	5,992	8,087	-2,095
Other	427	214	213
Frauenthal Group	**645,396**	**592,002**	**53,394**

During the fourth quarter order backlog contracted very sharply in the automotive components segment; all product lines were affected, though to varying degrees. No improvement has been seen in the first quarter of 2009. Despite the long-term supply contracts with some customers and the use of medium-term planning, output is heavily influenced by customer call-offs initiated at very short notice. As a result this segment has no long-term order books, and is at the mercy of the ups and downs in customers' production volume.

Orders in the wholesale plumbing supplies business are running at the same level as in 2008.

In the power station catalyst segment orders have been rising steadily, driven by demand across all sales regions, with the success of entry to the Chinese market making a particularly strong contribution to record bookings.

EARNINGS

Consolidated EBITDA edged up by 1% year on year to EUR 42.8m.
Revenue growth did not fully translate into EBITDA growth as production costs were higher in the automotive components segment during the phase of full capacity working, and restructuring costs weighed on earnings in the fourth quarter.

EUR '000	2007	Organic growth	Acquisitions	Impairment losses	2008
Profits					
Revenue	592,002	51,143	2,251	–	645,396
EBITDA	**42,331**	**1,499**	**-1,073**	**–**	**42,757**
EBIT	27,820	1,067	-1,420	-4,786	22,681
Net finance cost	-4,606	-888	-134	–	-5,628
Profit before tax	23,214	179	-1,554	-4,786	17,053
Profit after tax	18,623	-784	-1,554	-4,786	11,499

The analysis of EBITDA by business segments, set out below, shows mixed trends.

EUR '000	2008	2007	Change
EBITDA by business segments			
Industrial honeycombs	6,169	4,558	1,611
Automotive components	27,807	24,875	2,932
Wholesale plumbing supplies	10,804	11,720	-916
Reversal of negative goodwill	–	1,393	-1,393
Other	-2,023	-215	-1,808
Frauenthal Group	**42,757**	**42,331**	**426**
as % of revenue	6.62%	7.15%	-0.53%

The fall-off in earnings in the SHT Group is due to provision for an impending default due to a customer insolvency after the balance sheet date, as well as higher operating expenses (particularly freight costs) and increased facility costs as a result of expansion of the distribution network.

In the automotive components segment EBITDA advanced by EUR 2.9m to EUR 27.8m, despite EUR 3.1m in restructuring costs. The latter include EUR 1.5m in expenses for termination benefits and pensions, and were up by a total of EUR 2.5m as compared to the previous year.

Freight costs in the automotive components segment were EUR 2.2m lower year on year, largely reflecting exceptional transport costs in 2007 and efforts to optimise logistics costs in 2008.

The high exchange losses are chiefly attributable to the Gibnjara Kraljevo acquisition.

Profit after tax was also depressed by write-downs arising from impairment tests. In the automotive components segment write-downs of EUR 5.2m were recognised in respect of property, plant and equipment and financial assets (machinery, deferred tax and goodwill) in the light of our market assessments, capacity planning and medium-term profit forecasts. This includes EUR 4.6m in impairment losses – an increase of EUR 3.7m on 2007.

Interest expense was up by EUR 0.6m on the previous year, owing to increased borrowing requirements.

The utilisation of tax loss carryforwards meant that the effective tax rate rose from 20% to 33%. It was necessary to write down deferred tax assets as it will not be possible to realise tax loss carryforwards because of the downgraded earnings forecasts. In all, deferred tax expense mounted from EUR 0.3m to EUR 2.2m, while current tax expense decreased from EUR 4.3m to EUR 3.4m.

ASSETS AND FINANCES

The Frauenthal Group's total assets expanded from EUR 314m to EUR 325m. The 3.5% gain mainly stemmed from the acquisition, but was also partly caused by higher inventories due to revenue growth.

EUR '000	2007	Organic growth	Effect of acquisitions	2008
Non-current assets	144,828	3,869	2,128	150,825
Inventories	74,678	8,153	814	83,645
Other current assets	94,673	-6,462	2,479	90,690
Total assets	**314,179**	**5,560**	**5,421**	**325,160**
Equity	93,999	7,575	547	102,121
Long-term borrowings	103,177	8,698	814	112,689
Short-term borrowings	117,003	-10,713	4,060	110,350
Total liabilities	**314,179**	**5,560**	**5,421**	**325,160**

ASSETS	2008 EUR '000	2007 EUR '000	EQUITY AND LIABILITIES	2008 EUR '000	2007 EUR '000
Non-current assets	150,825	144,828	Equity	102,121	93,999
Inventories	83,645	74,678	Long-term borrowings	112,689	103,177
Other current assets	90,690	94,673	Short-term borrowings	110,350	117,003
	325,160	**314,179**		**325,160**	**314,179**

Non-current assets climbed due to strategic investment spending. The acquiree was responsible for 1.4% of the increase, while 2.6% arose from investment in improving productivity and expanding capacity, mostly in the industrial honeycombs segment. Revenue growth raised inventories due to higher volumes of bought-in supplies. Due to existing purchasing commitments up to the balance sheet date, the decline in orders in the automotive components segment did not result in a proportionate inventory rundown. "Other current assets" fell because of lower receivables. Receivables were down by EUR 17.1m on the previous year. Holdings of cash and cash equivalents rose by EUR 6.1m, and expanded the balance sheet as it was not possible to net them against the bank borrowings.

Consolidated equity was up by EUR 8.1m as at year end. The EUR 11.5m profit after tax for 2008 played a major part in the Group's healthy equity ratio. In 2008 distributions of EUR 1.8m and EUR 0.3m were made to shareholders and minority interests, respectively.

Despite the aforementioned balance sheet expansion effects and the write-downs occasioned by impairment reviews the equity ratio rose from 29.9% to 31.4%.

The participation certificates carried as long-term borrowings in 2007, amounting to EUR 10.5m, were redeemed in 2008.

ASSETS	2008 in %	2007 in %	EQUITY AND LIABILITIES	2008 in %	2007 in %
Non-current assets	46 %	46 %	Equity	31 %	30 %
Inventories	26 %	24 %	Long-term borrowings	35 %	33 %
Other current assets	28 %	30 %	Short-term borrowings	34 %	37 %
	100 %	100 %		100 %	100 %

The increase in long-term borrowings arose mainly from financing of the acquisition of A.D. Fabrika Opruga Styria Gibnjara and subsequent restructuring at that company. Apart from this shift towards long-term debt the structure of our balance sheet was largely unchanged.

CASH FLOW

Operating profit before working capital changes – a performance measure essentially uninfluenced by non-cash income – rose by EUR 0.4m or 1.4% as compared to the previous period, to stand at EUR 32.4m.

Rapid revenue growth led to an 8.3% increase in working capital.

Cash flows from investing activities include EUR 28.4m in investment in intangible assets, financial assets, and property, plant and equipment. Some EUR 81,000 in loans extended by the Group were repaid during the 2008 financial year. The proceeds from the sale of non-current assets and financial assets totalled EUR 1m. Consolidation of the acquisition company resulted in a cash outflow of EUR 77,000.

Dividend payments in respect of 2007 caused cash outflows of EUR 2.1m, and the redemption of the participation certificates an outflow of EUR 10.5m. Financial liabilities rose by EUR 19.6m.

Cash flow statement	2008	2007
	EUR '000	EUR '000
Operating profit before working capital changes	**32,478**	**31,917**
Cash flows from operating activities	23,542	24,798
Cash flows from investing activities	-24,369	-25,782
Free cash flow	**-827**	**-984**
Cash flows from financing activities	6,911	587
Change in cash and cash equivalents	6,084	-397
Cash and cash equivalents at end of period	16,302	10,218

INVESTMENT AND ACQUISITIONS

In 2008 we invested EUR 1.5m in intangible assets. Some EUR 0.1m in expenditure on the development of diesel catalysts and on product developments by the production subsidiaries in the automotive components segment is reported as "Work performed by the entity and capitalised". Investment of EUR 1.5m in software relates to further progress with the introduction of SAP solutions in the automotive components segment.

At EUR 25.6m investment in property, plant and equipment was significantly higher than depreciation and impairment (EUR 15.8m). Capital expenditure in the automotive components segment related to modernisation, expansion and replacement investments aimed at enhancing productivity and meeting future product specifications in cooperation with customers. A total of EUR 14.9m was invested in this segment in 2008. During the fourth quarter capital expenditure was adjusted to the downturn in orders. In 2008 the SHT Group invested EUR 6.3m in property, plant and equipment. Most of this expenditure went to the construction of sales outlets (three Installateur Service Centers, one Bäderparadies and a logistics centre in Salzburg) as well as a modern order-picking system. Capital expenditure of EUR 4.4m was devoted to expanding production capacity at the Frauental site by 21% to meet rising demand for power station catalysts. Most of the EUR 0.8m invested in the diesel catalyst business was channelled into product development in order to comply with future emission standards.

EUR '000	Intangible assets	plant and equipment	Financial assets	Total non-current assets
Change in non-current assets				
31 Dec. 2007	**44,706**	**75,442**	**2,759**	**122,907**
Investment	1,523	25,603	1,307	28,433
Acquisitions [1]	94	3,223	-1,214	2,103
Depreciation, amortisation and impairment	-4,313	-15,764	-7	-20,084
whereof impairment	-1,888	-2,898	–	-4,786
Disposals	–	-93	-836	-929
Currency translation and other	28	-1,610	–	-1,582
31 Dec. 2008	**42,038**	**86,801**	**2,009**	**130,848**

[1] 1 Change in non-current assets due to change in the scope of consolidation

SHAREHOLDER VALUE

Growing the value of the Frauenthal Group is one of management’s prime objectives.

At Group level economic value added (EVA) and return on capital employed (ROCE) are the key measures used to control performance.

EUR '000	2008	2007
Value measures		
Revenue	645,396	592,002
EBITA *	**24,389**	**27,209**
Taxes at average effective rate	-6,097	-6,802
NOPAT *	**18,292**	**20,407**
Capital employed	209,688	195,377
WACC in %	6.69 %	7.26 %
Cost of capital	14,028	14,184
ROCE in % *	**8.72 %**	**10.44 %**
EVA *	**4,264**	**6,222**
EVA per share in EUR *	**0.5**	**0.7**

* 2007: adjusted for the reversal of negative goodwill

Net operating profit after tax (NOPAT) was down by 10% on 2007, due to the impairment losses. This indicator is related to capital employed throughout the Group, and the ROCE derived from it shows the extent to which Frauenthal is meeting investors’ expectations in terms of returns.

WACC was recalculated as a result of the changes in the Group’s financing.

The other key indicator, economic value added (EVA), declined from EUR 6,222,000 to EUR 4,264,000. EVA is the difference between NOPAT and ROCE.

Despite the negative impact of the financial crisis on results and the related fall in EVA all of Frauenthal’s business segments contributed to value growth by posting good operating performances.

Disclosures in accordance with section 243a UGB (ABC)

The Company's share capital is divided into 7,534,990 (2007: 7,534,990) bearer shares of no par value and 1,900,000 (2007: 1,900,000) registered shares of no par value. All but the 1,900,000 registered shares are admitted to listing on the official market of the Vienna Stock Exchange. There are no classes of shares other than the no par shares.

The Executive Board of Frauenthal Holding AG is not aware of any restrictions on voting rights or the transfer of shares.

Ventana Beteiligungs GmbH holds 72.9% of the share capital of Frauenthal Holding AG through its wholly owned subsidiary FT-Holding GmbH.

There are no classes of shareholders with special control rights.

There are no employee share schemes.

There are no rights to appoint or dismiss members of the Executive and Supervisory boards or amend the articles of association other than those conferred by the law.

By resolution of the 18th Annual General Meeting held on 3 May 2007 the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,681,634.00 by issuance, in one or more tranches, of up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind, up to and including 30 June 2012.

Important supply and procurement contracts concluded by the Group contain change of control clauses. Detailed disclosures regarding these agreements would cause considerable damage to the Group, and are therefore not included.

The Company has not entered into any agreements with members of its Executive and Supervisory Boards or employees to compensate them in the event of the acceptance of a public takeover bid.

Risk report

In order to comply with Rule 67 of the Austrian Code of Corporate Governance and to make further improvements in this area, we began developing a formalised, uniform Group-wide risk management system in 2007. The purpose of this project is to identify risks at an early stage and counter them by taking appropriate action to minimise deviations from our targets.

In 2008 we upgraded our risk management arrangements to a permanent, Group-wide risk monitoring system, and established metrics and early warning indicators for the main areas involved. Breaching of these thresholds triggers predefined reporting duties or risk control actions.

COMPETITION AND CUSTOMER RISK

The Frauenthal Group produces truck components, catalysts for power stations and diesel engines, ceramic heat sinks and casting filters, and also operates in the wholesale plumbing supplies trade. In all of its areas of business, the Group faces competition from other companies, which it must counter by maintaining a strong customer focus, and by means of cost reductions, productivity increases, innovation and price adjustments.

Automotive components segment

In the truck component business (springs, air reservoirs and diesel catalysts) it is customary to conclude one or multiyear blanket agreements that define the products, and establish the terms and conditions, but do not lay down binding supply quantities over the entire contract term. Whether a component supplier can win or extend such contracts depends on its competitiveness. This is mainly a matter of price, but also depends on the supplier's ability to deliver the products required, the reliability of its logistics and quality, and its ability to collaborate with the customer on new developments.

As a truck component supplier, our Group is affected by changes in the demand for commercial vehicles and by competition between truck manufacturers, as these impact sales volume. Owing to our high market shares we cannot insulate ourselves from the effects of swings in truck demand (business cycle risk). However there is not a one-to-one relationship between changes in the market shares of the truck manufacturers we supply and our overall sales, since virtually all the commercial vehicle makers take our springs and air reservoirs. This does not apply to diesel catalysts, as we currently only have two customers for these. We are exposed to very strong competition in this product area. Our competitors have considerably higher market shares, and have a lead in the development of products that comply with future emission standards.

The customer risks to which we are exposed also consist of credit and default risks. In the case of the truck manufacturers these are mostly very large, multinational corporations whose creditworthiness has deteriorated as a result of the particularly severe impact of the economic crisis on the automotive sector. In consequence defaults cannot be excluded, even in the case of this customer group; however we regard this risk as very low. We have strengthened our debtor management system, so as to be capable of responding immediately to any change in payment behaviour.

Due to the sharp downturn in demand towards the end of 2008 we believe that our exposure to credit risks in respect of some smaller companies – especially axle and trailer manufacturers – is now greater than last year. We are responding to this development by increasing our credit insurance cover, monitoring our supply volumes closely and keeping a careful watch on these customer groups.

Due to the decreasing creditworthiness of some customers is not possible to obtain comprehensive insurance cover. We are also exposed to the risk of payment delays. We address this risk both by means of good debtor management and – in the case of our largest customer – by the use of factoring.

Industrial honeycombs segment

Power station catalysts are a project based business, and success depends on contract acquisition skills, prices and product quality, as well as technical references. The clients are plant engineering companies and power station operators. In the case of export contracts we take the usual precautions in terms of payment guarantees, on the basis of credit ratings. Due to the size of these projects a misjudgment of a business partner's creditworthiness could have serious implications for the Group as a whole. The prepayments and part-deliveries customary for large projects help to mitigate this risk. The receivables are largely covered by normal payment agreements (prepayments and letters of credit).

The Group is active in several overseas countries – mainly in connection with power station catalyst and heat sink business. The transactions in question are subject to the political, legal, tax and business risks specific to these countries. Due to our growing exports to China this exposure has taken on an increased importance; however the overall risk is low.

Wholesale plumbing supplies segment (SHT)

By contrast with the industrial honeycombs segment, SHT's wholesale business involves a large number of customers in the plumbing trade. Consumers are not directly supplied. The key success factors are procurement prices, and terms and conditions, efficient warehousing and delivery logistics, and the quality and financing of customer receivables. Where competition between wholesalers gives rise to fierce battles for market shares this may lead to significant price erosion. However other, stabilising aspects of the customer relationship (prompt delivery, finance, technical advice, etc.) mean that the price of the products traded is not the sole determinant of customers' decisions, and that the risks associated with price competition can be countered by such means of cementing customer loyalty.

Most of SHT's customers are tradesmen, and the default risks are those characteristic of the plumbing trade, which is predominantly one of small businesses. This risk is mitigated by efficient debtor management and ongoing monitoring of payment backlogs and defaults, as well as credit insurance cover. Since most of SHT's customers are small businesses, the default risk is widely diversified. Large projects and the related risks play a minor role in SHT's business, but there are instances of them.

TECHNICAL RISKS

Due to the long development lead times of truck model ranges, springs and air reservoirs are not exposed to short-term technological substitution risks. In the long term, however, such risks could arise from the development of new suspension, axle and braking systems, and must be managed by ongoing monitoring of, and active involvement in technical development.

SCR catalysts have only recently been introduced as standard equipment for diesel vehicles. Long-term and fleet tests have demonstrated their durability and stable long-term performance. However long-term risks could emerge from widespread everyday use. Catalyst manufacturers will not be directly exposed to any claims, but problems could affect long-term sales. Engine and emission reduction technology is making rapid advances, and the development of competing systems can therefore not be excluded. The diesel catalysts we currently manufacture will not be capable of complying with the Euro 6 emission standard due to come into force in 2012. Projects aimed at developing new, compliant product generations on the basis of our technology are under way.

Power station catalysts are custom products, tailored to the generating station (and combustion equipment) concerned. Engineering or production defects could result in claims from customers, to the extent that the catalyst manufacturer is liable.

Contracts for the supply of ceramic honeycombs, springs or air reservoirs may be prematurely terminated, or may run into difficulties.

EXPOSURE TO BUSINESS CYCLE AND POLITICAL RISK

Economic trends in Europe are a significant determinant of demand for the truck components produced by the Styria and Linnemann-Schnetzer groups. However economic growth in export markets for trucks in the Near and Middle East, Russia and Asia also influences truck component sales. Political risks (warfare, embargos, coups, etc.) may also affect exports to these regions. Due to the large market shares of both groups and the blanket contracts with truck manufacturers, swings in the demand for trucks in these markets have a direct and rapid impact on product sales, and there is little that can be done in the short term to counteract this.

Like other capital goods markets, the market for trucks is cyclical, and apart from general economic influences it also reflects the demand for transport services and movements in interest rates for investment loans. As regards diesel catalyst sales, the key factor is not overall truck demand but demand for Euro 4 and 5 compliant vehicles.

Due to the current massive decline in demand for truck components as a result of the financial crisis the Styria and Linnemann-Schnetzer groups are exposed to a risk of heavy over-capacity. The automotive components segment's approved budget for 2009 is based on a 36% year-on-year reduction in demand. The cost of the restructuring measures implemented or adopted by the balance sheet date, including personnel reduction and other highly probable expenses, is recognised in the financial statements for 2008. In addition, the impairment review of property, plant and equipment and financial assets (machinery, deferred tax assets and goodwill) on the basis of our market assessments, capacity planning and medium-term profit forecasts has resulted in the recognition of EUR 5.7m in impairments. In the event that actual market developments are more negative than the budget assumptions additional restructuring actions, including the shutdown of production capacity, which could extend to the complete closure of some factories, will be needed to adjust fixed costs to reduced capacity utilisation. No provision can be made in the annual statements for additional expenses arising from factory closures which might become necessary in 2009.

Power station catalyst sales are primarily driven by environmental regulations governing generation at thermal power stations and other large combustion plants. Demand arises from the introduction of stricter limit values for NOx emissions which can only be complied with by installing SCR catalysts. Once retrofitting of existing thermal power stations has been completed the demand is confined to equipment for new stations and spare parts for SCR systems.

Economic conditions in Austria – and in particular, personal consumption, and the construction and renovation cycle – have a significant influence on the wholesale plumbing supplies business (SHT).

DEPENDENCE ON MAJOR CONTRACTS

Our Group is dependent on major contracts with suppliers and customers. The termination or non-fulfilment of such agreements could have a negative effect on the Group's assets, finances and earnings.

ENVIRONMENTAL RISK

Frauenthal Group companies comply with all environmental licensing conditions, legislation, orders and notices. Our employees receive comprehensive health, safety and environment information and training.

At some of our works there is some soil contamination by wastes containing oil, dating back to the 1930s, 1940s and 1950s. However all of our sites meet the licensing conditions imposed by the authorities responsible for them, and this is evidenced by appropriate surveys and written records. While there are no pending court or out-of-court proceedings relating to environmental matters at present, the possibility that future changes in the law or the discovery of environmental risks arising from legacies of the past will have a significant negative influence on the Group cannot be ruled out.

Due to the current order book situation the Group plans no environmental protection measures going beyond the legal requirements, and none were implemented in the course of 2008.

OPERATIONAL RISK

The production of braking system air reservoirs involves forming, welding and surface treatment processes. Spring and U-bolt production is chiefly a hot rolling, bending and tempering process, and is associated with significant fire hazards. Ceramic honeycombs are manufactured by an extrusion process, followed by drying, calcination and firing. All these processes are associated with production outage and safety risks. These risks are minimised by work and process instructions, training programmes, continuous maintenance and testing, and insurance cover. In the case of spring and pressure vessel production it is also possible to relocate operations to other sites.

The availability of steel and other inputs is safeguarded by long-term supplier relationships in the case of the spring and U-bolt businesses, and by long-term supply contracts in that of the air reservoir business. However shortages of raw materials, and sharp increases in the prices of steel and other production materials would give rise to supply risks. In most cases agreements with customers enable steel price increases to be passed on.

Raw and intermediate materials for the production of catalysts and ceramic honeycombs are sourced from longstanding suppliers, and wherever possible availability is assured by one-year contracts. In 2005 some of these materials (e.g. the alloying metals tungsten and vanadium) were affected by tight supply and speculation, showing that here, too, supply and cost risks can arise. Due to the anticipated contraction of the steel market in 2009 there is a risk of mill closures by some suppliers which could lead to supply bottlenecks.

Energy prices have a significant influence on overall production costs, and thus on the Group’s earnings. Energy shortages – particularly of natural gas, which is an important energy source at our factories – could arise, as many of our plants are in countries which are heavily dependent on gas supplies from Russia.

Springs and air reservoirs, which as safety critical parts are subject to special requirements and standards, are associated with warranty and product liability risks, since defects can lead to warranty claims and safety recall campaigns by truck manufacturers. The production of catalysts, heat sinks and casting filters can also give rise to warranty and product liability risks.

These are limited internally by training programmes, work instructions, quality control and product tests, and externally by customer audits and product liability insurance, as well as recall insurance. In the case of power station catalysts and ceramic honeycombs, project risk is controlled by end-to-end project risk management, and warranty risk is reduced by quality control and monitoring of SCR systems during commissioning and operation.

Procurement terms and conditions have a major influence on the profitability of the wholesale business. Some suppliers have large market shares in Austria, and would thus be hard to replace if they were unwilling to extend their supply agreements at terms acceptable to SHT.

Our Group depends on the error-free functioning of its IT (hardware and software) systems. System errors can lead to interruptions in operations. Software will need to be progressively upgraded and new ERP software introduced in the automotive components segment in coming years. This could lead to introduction problems with severe effects on the efficiency and ability to supply products of the sites concerned. These risks can be mitigated by careful preparation and constant learning from experience, but cannot be entirely excluded.

FINANCIAL RISK

The Group's operations give rise to financial risks (including currency, liquidity and interest rate risks) which could have a significant impact on its assets, finances and earnings. In order to ensure that our liquidity needs are met we have adequate overdraft facilities, mainly with Austrian banks. The liquidity requirements arising from expected business conditions and potential restructuring costs can be met from cash flows, existing overdraft facilities and other sources of finance, provided that the credit lines are fully available and that there are no significant unforeseen drains on liquidity such as large defaults, payment delays or unpredictable factory closure costs.

Due to the financial crisis lending criteria have been tightened, and this could make it more difficult or impossible to obtain additional bank loans in the event of significant additional borrowing needs. The Group's liquidity requirements are managed by the treasury function at the holding company, and are closely monitored.

The main currency risks attach to the power station catalyst operation, which does a considerable amount of its business in the US dollar area. Only a relatively minor part of this risk is internally hedged by the procurement of raw and intermediate materials priced in dollars. Because of this currency hedges are used for some medium and long-term contracts, on a case by case basis.

The interest rate risk to which our current capital structure exposes us is limited, as the EUR 70m bond issue floated in June 2005 is at a fixed 3⅞ rate of interest for a duration of seven years, and this meets most of the Group's financing needs. However, in the event of additional borrowing, and in the period after the maturity of the bond, interest rate movements could influence the Group's assets, finances and earnings. There will be significant refinancing requirements when the bond matures in June 2012.

Financial derivatives are only employed to hedge existing contracts, and their use is subject to appropriate internal rules and controls.

REPORT ON THE COMPANY'S FINANCIAL CONDITION

The automotive components segment's forecasts point to significant declines in orders which may lead to considerable additional strains on liquidity in the course of the year. These are due to time lags in adjusting fixed costs to the reduced volume of business, and to restructuring costs (including possible factory closures). The additional liquidity needs are being met by reducing working capital and using existing credit lines. Provided that the existing credit lines remain in place there will be sufficient liquidity to take the necessary restructuring actions if business is below forecast.

The automotive components segment's approved budget for 2009 is based on a 36% year-on-year reduction in demand. If demand for truck components fell by an additional 10% other existing credit lines would be used, and there would be sufficient liquidity to finance the related restructuring actions.

Gerhard Pape, production worker (pressure testing), 40

Innovation report

Most of the Frauenthal Group's products have already been on the market for some time, and are technically mature.

Our research and development work on steel springs, U-bolts and air reservoirs for braking systems is aimed at continuously improving customer benefits.

Staff at our development departments for suspension springs and for air reservoirs, formed metal parts and welded components specialise in innovative solutions for the commercial vehicle sector. They cooperate closely with our customers' development departments, and with steel manufacturers and suppliers, as well as carrying out collaborative research projects with universities in search of cutting edge product concepts. Our development departments are also tasked with designing new and improved production processes.

The acquisition cost of a heavy truck represents only about 10% of the total operating cost over its entire lifetime. The fuel, maintenance and labour costs account for far higher percentages. Fuel savings through weight reductions, increased reliability, and longer service life and maintenance intervals are important sales arguments for end users. Joint efforts aimed at improving systems have a far greater impact on the overall operating costs of trucks than cuts in the prices paid to component suppliers, which only play a marginal role.

End users expect lighter components with increased durability and service life, which in turn improve load capacity and cut fuel consumption. Steady improvements in materials and processes have resulted in better use of spring steel, enabling our R&D department to halve the number of leafs in a truck spring. We are also looking to achieve further reductions in vehicle superstructure weight by developing alternative material concepts.

New computer technologies are helping us to slash development lead times. Cycle times from the start of development to initial delivery can be significantly reduced.

Combining the expertise of our formed metal parts and welded component specialists with the know-how of our chassis technology staff also encourages innovation. The collaboration on designs such as the four-point suspension links, which hold out great promise for future air-sprung axle designs, is a case in point.

Close cooperation with a truck manufacturer has enabled us to develop a system for integrating various types of air reservoirs. Assembly times have been reduced significantly by mounting complete modules directly on to the vehicle chassis.

We are also working closely with our customers to optimise suspension systems and subsystems. Our network of relationships with automotive component suppliers has been extremely useful in this respect, and our objective is to build long-term partnerships focusing on the development of innovative products and systems

Human Resources (HR)

The Frauenthal Holding Executive Board regards human resources development as crucial to continued growth, and strategic HR initiatives are therefore centrally managed by the holding company.

Our HR strategy has two main planks: group-wide standards, and centrally prescribed and managed policies. Local and operational staff development activities are carried out at plant level.

Group-wide guidelines are also in place for employee appraisals, employee surveys at Group locations, and the Frauenthal Leadership Learning Programme. The programme is now in its third year, and has enabled us to fill top management vacancies internally. It is also an important integration mechanism.

2008 saw the launch of a Group-wide initiative for the recruitment and training of young university graduates (the Junior Potential Programme), a drive to motivate older members of staff to take on Group responsibilities (Senior Potential Programme), and works based health programmes.

Environmental protection

The Frauenthal Group takes environmental protection very seriously. Group companies comply with all environmental licensing conditions, legislation, orders and notices. Our employees receive comprehensive health, safety and environment information and training. For the Frauenthal Group environmental regulation is not just a matter of compliance – key areas of our business also profit from environmental policy developments. The introduction of stricter environmental legislation has a direct impact on our power station and truck catalyst businesses.

Emission control systems will exert a growing influence on the design of future truck model ranges, and this will have a major impact on the demands placed on the truck components we produce. For instance, thanks to the efforts our in-house research and development department, over the past decade we have succeeded in almost halving the weight of the front springs, from some 100 kg to around 60 kg. This has helped cut the unladen weight of a vehicle by up to 100 kg, resulting in a considerable reduction in fuel consumption. Increased public awareness of the importance of environmental protection and conservation of scarce resources such as energy and water has also brought about changes in our wholesale sanitary and heating supplies product ranges and our product focus. We aim to make a significant contribution to protecting the environment by constantly upgrading our technology in these areas.

We began producing truck diesel catalysts in Frauental, Styria in 2006. Frauenthal diesel catalysts have the following key advantages:

- - Reduction in NOx emissions to meet the Euro 5 limits;
- - 5–7% cut in fuel consumption; and
- - Resultant 5% reduction in CO_2 emissions.

The use of SCR catalysts makes it possible to optimise engine management, thereby decreasing fuel consumption by 5–7%. Around 65,000 new trucks equipped with Frauenthal SCR catalysts were registered in 2007/08. Even if fuel savings came in at the lower level of only 5%, this would represent a reduction in fuel consumption of 130 million litres of diesel, assuming an annual average of 120,000 km per vehicle on the road. This 5% cut in fuel consumption in turn translates into an annual decrease in CO2 emissions from these vehicles of some 320,000 tonnes.

Events after the balance sheet date

In response to the decline in demand for truck components, Frauenthal Holding AG has decided to halt the production of steel air reservoirs by Styria Elesfrance s.a.s at the St. Avold site in France. The net impact on results of the restructuring costs incurred by the Linnemann-Schnetzer Group will be some EUR 1m, and payback from the cost savings will be in about two years. The St. Avold plant will continue to operate, and will produce aluminium air reservoirs and tubular stabilisers.

Outlook

Due to the gloomy economic outlook and the massive decline in demand for trucks that began in the fourth quarter of 2008, we are forecasting a marked drop in overall revenue, despite the projected growth in our non-automotive businesses. We also see Group profits falling sharply, but expect cash flow to be neutral.

In the Automotive components segment we anticipate a fall in demand of up to 60% in 2009. Demand for haulage services and trucks is set to plummet in all of the markets served by our customers. Due to the expansions of the past few years, the prospect is for significant capacity underutilisation at our plants. If demand is in line with our expectations, some temporary or permanent plant closures may be required to achieve the necessary reductions in capacity. Cuts in overtime, lay-offs of agency workers and short-time working are unlikely to be sufficient to adjust costs to today's changed market conditions.

Our power station catalyst order books are currently at record highs, and we see new power station projects in the USA and Europe, and replacement business fuelling demand growth through 2009 and beyond. Rising orders from China are the main driver, and new environmental legislation and surging energy consumption point to long-term demand growth there. Thanks to our successful entry to the Chinese market, where we are already supplying one of the country's largest power generators, the outlook for this business is highly promising. The capacity expansion completed at the Frauental factory in 2008 has given us a strong platform for growth. The profitability of the power station catalyst business is strongly influenced by the US dollar exchange rate. In the light of the stronger dollar since the third quarter of 2008 and the currency hedges in place, there are no negative exchange rate impacts on the horizon.

We are looking for further moderate growth in demand in the wholesale plumbing supplies segment, although the construction sector is subject to economic uncertainties. This year we will be focusing strongly on growing the heating supplies business and on promoting our own brands.

In 2009 management will concentrate on maximising liquidity and realigning capacity in the automotive components segment in a responsible manner. Investments in expanding capacity in the ceramic honeycomb business and completing ongoing projects in the wholesale plumbing supplies segment will go ahead. The drive to develop new products and introduce new production processes will continue, as we work to consolidate the culture of innovation in all our operations.

In 2009 we will again be on the look-out for potential acquisitions that are a good strategic fit for existing businesses.

The Frauenthal Group has responded energetically to the business developments visible when the annual financial statements were drawn up, and has taken the steps necessary to surmount the challenges of the difficult year ahead.

Vienna, 16 March 2009

Frauenthal Holding AG

Hans-Peter Moser
Member of the
Executive Board

Martin Sailer
Deputy member of the
Executive Board

CONSOLIDATED FINANCIAL STATEMENTS 2008

FRAUENTHAL HOLDING GROUP 2008

Önder Gümüs, production worker (hand welder), 37

The following section is an extract from the consolidated financial statements.

Consolidated income statement

Note	EUR '000	2008	2007
9,27	Revenue	645,396	592,002
	Changes in inventories of finished goods and work in progress	4,715	2,076
16	Work performed by the entity and capitalised	170	642
28	Other operating income	11,974	11,135
29	Raw material and consumables used	-421,654	-386,239
30	Staff costs	-131,596	-118,879
16,31	Depreciation, amortisation and impairment	-20,076	-14,511
32	Other operating expenses	-66,248	-58,406
	Profit from operations	**22,681**	**27,820**
	Share of results of associates	-7	-3
	Interest income	296	653
33	Interest expense	-5,946	-5,260
	Gains on disposal of financial assets	34	–
	Other finance income	1	33
	Other finance costs	-6	-29
	Net finance costs	**-5,628**	**-4,606**
	Profit before tax	17,053	23,214
34	Income tax expense	-3,401	-4,303
34	Change in deferred tax	-2,153	- 288
	Profit after tax	**11,499**	**18,623**
	Attributable to minority interests	- 349	1,118
	Attributable to equity holders of the parent	**11,848**	**17,505**
47	Earnings per share (basic/diluted)	1.29	1.91

Rachuna Krzysztof, maintenance worker, 47

Consolidated balance sheet

Note	EUR '000	31 Dec. 2008	31 Dec. 2007
	Assets		
	Non-current assets		
3,10,16	Intangible assets	42,038	44,706
10,16	Property, plant and equipment	86,801	75,442
10,16	Investments in associates	690	697
10,16	Other financial assets	1,319	2,062
12,17	Deferred tax assets	19,977	21,921
		150,825	**144,828**
	Current assets		
11,18	Inventories	83,645	74,678
11,18	Trade receivables	60,016	73,200
11,18	Other assets	13,893	11,255
18	Available-for-sale investments	479	–
11,18,40	Cash and cash equivalents	16,302	10,218
		174,335	**169,351**
	Total assets	**325,160**	**314,179**

Note	EUR '000	31 Dec. 2008	31 Dec. 2007
	Equity and liabilities		
19	**Equity**		
19	Share capital	9,435	9,435
19	Capital reserves	21,093	21,093
7,19	Retained earnings	55,560	39,890
	Translation reserve	-1,937	-132
	Other reserves	359	–
19	Own shares	-396	-396
19	Minority interest	6,159	6,604
	Profit for the year	11,848	17,505
		102,121	**93,999**
13,20,22	**NON-CURRENT LIABILITIES**		
22	Bond	70,000	70,000
13,22,36	Bank borrowings	8,262	2,766
13,22	Other liabilities	3,373	–
13,20	Provisions for termination benefits	9,685	9,627
13,20	Provisions for pensions	9,746	10,524
13,20,34	Provisions for deferred tax	2,453	2,126
13,20	Other long-term provisions	9,170	8,134
		112,689	**103,177**
13,21,22	**CURRENT LIABILITIES**		
22	Bond	1,375	1,375
13,22,36	Bank borrowings	29,775	15,187
13,22	Trade payables	49,757	59,487
13,22	Other liabilities	27,538	36,356
13,21	Tax provisions	672	2,007
13,21	Other short-term provisions	1,233	2,591
		110,350	**117,003**
	Total equity and liabilities	**325,160**	**314,179**

Cash flow statement

Note	EUR '000	2008	2007
	Net profit/loss before minority interests	11,499	18,623
	Dividends from associates	7	3
	Depreciation and amortisation of non-current assets	20,076	14,511
	Gains on disposal of non-current assets	-46	-230
	Losses on disposal of non-current assets	50	306
	Expenses arising from financial assets and securities	6	29
	Income from waiver of receivables	-912	–
	Change in deferred tax	1,849	167
	Change in long-term provisions	-171	45
	Reversal of negative goodwill on consolidation	0	-1,537
35, 36	**Operating profit before working capital changes**	**32,358**	**31,917**
	Change in inventories	-8,153	156
	Change in trade receivables	14,562	-6,986
	Change in other receivables	-2,661	-2,135
	Change in short-term provisions	-2,693	-1,025
	Change in trade payables	-11,083	4,316
	Change in liabilities to Group companies	-64	-17
	Change in other liabilities	1,742	-946
	Translation related changes	-586	-482
37	**Net cash from operating activities**	**23,422**	**24,798**
	Investments in non-current assets	-28,435	-19,989
	Proceeds from sale of non-current assets	920	2,356
	Proceeds from investment grants	2,988	–
	Proceeds from repayment of loans	81	2,448
	Changes arising on consolidation	77	-10,597
38	**Net cash used in investing activities**	**-24,369**	**-25,782**
	Dividends paid	-2,115	-2,987
	Repayment of borrowings	–	-538
	Redemption of participation certificates	-10,500	–
	Change in financial liabilities	19,646	4,112
39	**Net cash from financing activities**	**7,031**	**587**
	Change in cash and cash equivalents	**6,084**	**-397**
	Cash and cash equivalents at beginning of period	10,218	10,615
40	Cash and cash equivalents at end of period	16,302	10,218

Statement of changes in equity

Note	EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Other reserves	Treasury shares	Net profit/loss	Equity attributable to equity holders of the parent	Minority interests	Total equity
19	**At 1 Jan. 2007**	**9,435**	**21,093**	**28,765**	**-78**	**–**	**-396**	**12,960**	**71,779**	**6,881**	**78,660**
	Consolidated net profit for 2006			12,960				-12,960	–		–
	Consolidated net profit for 2007							17,505	17,505	1,118	18,623
	Dividends			-1,835					-1,835	-1,153	-2,988
	Exchange differences on translating foreign operations and change in minority interests				-54				-54	-242	-296
	At 31 Dec. 2007 = 1 Jan. 2008	**9,435**	**21,093**	**39,890**	**-132**	**–**	**-396**	**17,505**	**87,395**	**6,604**	**93,999**
	Consolidated net profit for 2007			17,505				-17,505	–		
	Consolidated net profit for 2008							11,848	11,848	-349	11,499
	Dividends			-1,835					-1,835	-280	-2,115
	Exchange differences on translating foreign operations and change in minority interests				-1,805				-1,805	184	-1,621
	Direct changes in equity										
	Cash Flow Hedges					479			479		479
	Deferred taxes					-120			-120		-120
	At 31 Dec. 2008	**9,435**	**21,093**	**55,560**	**-1,937**	**359**	**-396**	**11,848**	**95,962**	**6,159**	**102,121**

Fixed assets movement schedule 2008

CHANGES IN COSTS

EUR '000	Cost at 1 Jan. 2008	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassi-fications	Cost at 31 Dec. 2008	Accumulated depreciation and amortisation	Carrying value at 31 Dec. 2008	Carrying value at 1 Jan. 2008
Intangible assets										
Concessions, patents and similar rights and licences	27,491		-32	1,521	10	810	29,780	11,113	18,667	18,709
Goodwill	26,702	94			1,127		25,669	3,515	22,154	23,768
Development costs	1,705		-1	2			1,706	489	1,217	1,454
Prepayments	775					-775	–	–	–	775
	56,673	**94**	**-33**	**1,523**	**1,137**	**35**	**57,155**	**15,117**	**42,038**	**44,706**
Property, plant and equipment										
Land and buildings	48,406	10,585	-1,960	3,806	231	354	60,960	26,326	34,634	30,725
Plant and equipment	119,517	2,530	-1,711	7,341	1,951	3,740	129,466	95,670	33,796	32,727
Other plant and equipment, fixtures and fittings	33,938	577	-353	6,116	2,173	470	38,575	27,243	11,332	8,622
Prepayments made and assets under construction	3,368	195	-89	8,340	16	-4,599	7,199	160	7,039	3,368
	205,229	**13,887**	**-4,113**	**25,603**	**4,371**	**-35**	**236,200**	**149,399**	**86,801**	**75,442**
Financial assets										
Investments in associates	740						740	50	690	697
Securities held as non-current assets	1,043			1,307	1,026		1,324	5	1,319	848
Prepayments	1,214	-1,214					–	–	–	1,214
	2,997	**-1,214**	**–**	**1,307**	**1,026**	**–**	**2,064**	**55**	**2,009**	**2,759**
	264,899	**12,767**	**-4,146**	**28,433**	**6,534**	**–**	**295,419**	**164,571**	**130,848**	**122,907**

CHANGES IN CARRYING VALUES

EUR '000	Carrying value at 1 Jan. 2008	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassi-fications	Accumulated depreciation and amortisation	whereof impairment	Carrying value at 31 Dec. 2008
Intangible assets									
Concessions, patents and similar rights and licences	18,709		-7	1,521	–	810	2,366	180	18,667
Goodwill	23,768	94		–	–	–	1,708	1,708	22,154
Development costs	1,454			2		–	239		1,217
Prepayments	775			–	–	-775	–		–
	44,706	**94**	**-7**	**1,523**	**0**	**35**	**4,313**	**1,888**	**42,038**
Property, plant and equipment									
Land and buildings	30,725	2,334	-942	3,806	–	354	1,643		34,634
Plant and equipment	32,727	869	-515	7,341	21	3,740	10,345	2,898	33,796
Other plant and equipment, fixtures and fittings	8,622	20	-48	6,116	72	470	3,776		11,332
Prepayments made and assets under construction	3,368		-70	8,340	–	-4,599			7,039
	75,442	**3,223**	**-1,575**	**25,603**	**93**	**-35**	**15,764**	**2,898**	**86,801**
Financial assets									
Investments in associates	697			–	–	–	7		690
Securities held as non-current assets	848			1,307	836	–			1,319
Prepayments	1,214	-1,214		–		–			–
	2,759	**-1,214**	**–**	**1,307**	**836**	**–**	**7**	**–**	**2,009**
	122,907	**2,103**	**-1,582**	**28,433**	**929**	**–**	**20,084**	**4,786**	**130,848**

Fixed assets movement schedule 2007

CHANGES IN COSTS

EUR '000	Cost at 1 Jan. 2007	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassifications	Cost at 31 Dec. 2007	Accumulated depreciation and amortisation	Carrying value at 31 Dec. 2007
Intangible assets									
Concessions, patents and similar rights and licences	26,731	141	3	999	406	23	27,491	8,782	18,709
Goodwill	25,312	3,195			1,805		26,702	2,934	23,768
Development costs	1,635			112	42		1,705	251	1,454
Prepayments	39			756		-20	775	-	775
	53,717	**3,336**	**3**	**1,867**	**2,253**	**3**	**56,673**	**11,967**	**44,706**
Property, plant and equipment									
Land and buildings	40,760	5,231	148	2,599	2,339	2,007	48,406	17,681	30,725
Plant and equipment	106,682	4,358	-203	7,470	3,386	4,596	119,517	86,790	32,727
Other plant and equipment, fixtures and fittings	32,121	325	-159	3,973	2,353	31	33,938	25,316	8,622
Prepayments made and assets under construction	7,085	135	-26	2,866	55	-6,637	3,368	-	3,368
	186,648	**10,049**	**-240**	**16,908**	**8,133**	**-3**	**205,229**	**129,787**	**75,442**
Financial assets									
Investments in associates	740						740	43	697
Securities held as non-current assets	1,044	194	-1	1,214	194		2,257	195	2,062
	1,784	**194**	**-1**	**1,214**	**194**	**-**	**2,997**	**238**	**2,759**
	242,149	**13,579**	**-238**	**19,989**	**10,580**	**-**	**264,899**	**141,992**	**122,907**

CHANGES IN CARRYING VALUES

EUR '000	Carrying value at 1 Jan. 2007	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassi-fications	Write-downs in year	whereof impairment	Carrying value at 31 Dec. 2007
Intangible assets									
Concessions, patents and similar rights and licences	19,466	67	2	999	7	23	1,841		18,709
Goodwill	21,500	3,195		–	1	–	926	926	23,768
Development costs	1,593			112	42	–	209		1,454
Prepayments	39			756	–	-20	–		775
	42,598	**3,262**	**2**	**1,867**	**50**	**3**	**2,976**	**926**	**44,706**
Property, plant and equipment									
Land and buildings	23,966	4,933	169	2,599	1,820	2,007	1,129		30,725
Plant and equipment	25,285	2,606	56	7,470	228	4,596	7,058	258	32,727
Other plant and equipment, fixtures and fittings	7,912	210	-15	3,973	141	31	3,348		8,622
Prepayments made and assets under construction	7,030	135	-26	2,866	–	-6,637			3,368
	64,193	**7,884**	**184**	**16,908**	**2,189**	**-3**	**11,535**	**258**	**75,442**
Financial assets									
Investments in associates	700			–	–	–	3		697
Securities held as non-current assets	877	194		1,214	194	–	29		2,062
	1,577	**194**	**–**	**1,214**	**194**	**–**	**32**	**–**	**2,759**
	108,368	**11,340**	**186**	**19,989**	**2,433**	**–**	**14,543**	**1,184**	**122,907**

Segmental analysis

EUR '000	Industrial honeycombs		Automotive components		Wholesale plumbing supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Strategic business segments												
Revenue from external customers	47,845	39,105	346,138	312,476	251,367	240,395	46	26	–	–	645,396	592,002
Intersegment revenue	–	1,245	887	340	–	–	3,663	3,212	-4,550	-4,797	–	–
Total revenue	47,845	40,350	347,025	312,816	251,367	240,395	3,709	3,238	-4,550	-4,797	645,396	592,002
EBITDA	6,169	4,558	27,807	24,875	10,804	13,113	-2,843	-261	820	46	42,757	42,331
Reclassification of negative goodwill	–	–	–	–	–	-1,393	–	–	–	–	–	-1,393
Adjusted EBITDA	6,169	4,558	27,807	24,875	10,804	11,720	-2,843	-261	820	46	42,757	40,938
Depreciation, amortisation and impairment	796	459	15,315	10,258	3,804	3,642	161	152	–	–	20,076	14,511
whereof impairment	–	–	4,606	926	180	258	–	–	–	–	4,786	1,184
Adjusted EBIT	5,373	4,099	12,492	14,617	7,000	8,078	-3,004	-413	820	46	22,681	26,427
Share of results of associates	–	–	–	–	–	–	-7	-3	–	–	-7	-3
Investment in equity method associates	–	–	–	–	–	–	690	697	–	–	690	697
Borrowings	15,594	17,133	84,669	93,560	45,624	46,199	168,990	223,487	-91,837	-160,199	223,040	220,180
Capital employed	6,167	2,406	114,988	104,013	73,078	73,890	160,058	161,629	-144,604	-146,561	209,687	195,377
Assets	26,284	25,578	221,791	228,226	98,566	97,163	224,191	278,840	-245,672	-315,628	325,160	314,179
Investment	4,417	1,201	15,656	13,897	8,317	3,528	45	149	–	–	28,435	18,775
Acquisitions	–	–	967	11,074	–	748	–	–	–	-11	967	11,811
Employees	186	172	2,438	2,199	693	652	10	9	–	–	3,327	3,032

EUR '000	Revenue		Assets		Investments and acquisitions		Average no. of employees	
	2008	2007	2008	2007	2008	2007	2008	2007
Geographical markets by sites/domiciles								
Austria	351,627	329,107	330,153	360,467	15,097	21,186	1,139	1,071
Germany	247,026	173,818	176,357	172,074	4,050	7,140	676	645
France	86,495	77,862	40,977	53,691	3,808	2,133	321	337
Rest of the world	140,577	109,925	74,733	76,119	6,447	2,392	1,191	979
Consolidation	-180,329	-98,710	-297,060	-348,172	–	-2,265	–	–
Frauenthal Group	**645,396**	**592,002**	**325,160**	**314,179**	**29,402**	**30,586**	**3,327**	**3,032**

EUR '000	Industrial honeycombs		Automotive components		Plumbing supplies wholesaling		Holding companies and others		Frauenthal Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue by geographical markets (final customers)										
Austria	1,123	1,114	22,601	23,098	251,367	240,395	22	26	275,113	264,633
Germany	14,102	5,743	151,098	144,268	–	–	24	–	165,224	150,011
France	200	1,362	34,610	26,884	–	–	–	–	34,810	28,246
Sweden	–	387	42,352	32,215	–	–	–	–	42,352	32,603
Belgium	–	1,510	25,077	23,008	–	–	–	–	25,077	24,518
Other EU	3,591	4,502	58,745	53,777	–	–	–	–	62,336	58,277
Rest of Europe	850	163	10,787	8,840	–	–	–	–	11,637	9,003
Americas	22,391	16,370	37	39	–	–	–	–	22,428	16,410
Asia	5,588	7,816	404	270	–	–	–	–	5,992	8,087
Other	0	138	427	77	–	–	–	–	427	214
Total	**47,845**	**39,105**	**346,138**	**312,476**	**251,367**	**240,395**	**46**	**26**	**645,396**	**592,002**

Notes

of Frauenthal Holding AG to the consolidated balance sheet as at 31 December 2008 and the consolidated income statement for the year ended 31 December 2008

A. GENERAL

Frauenthal Holding AG is registered in the Vienna register of companies under number 83990 s. The Company's registered address is: Prinz-Eugen-Strasse 30/4A, 1040 Vienna, Austria.

Frauenthal Holding AG is the holding company of the Frauenthal Group – a diversified Austrian group with three divisions. Group operations comprise the truck component business (Automotive Components Division) consisting of the Styria Group – Europe's leading manufacturer of leaf springs and stabilisers for heavy vehicles and trailers – and the Linnemann-Schnetzer Group which is the European market leader in steel and aluminium air reservoirs, as well as Pol-Necks, a U-bolt manufacturer, and the Ceram Catalysts diesel catalyst business. They also include an interest in Porzellanfabrik Frauenthal GmbH, which manufactures and distributes ceramic catalysts for the reduction of NOx in flue gas emissions from power stations and industrial plants, as well as heat exchangers and foundry filters. Frauenthal Holding's third line of business is the SHT Haustechnik Group – one of Austria's leading plumbing supplies wholesalers.

These consolidated financial statements have been prepared in accordance with internationally accepted accounting standards, under the exemption granted by section 245a UGB (Austrian Business Code). The consolidated annual financial statements of Frauenthal Holding AG (hereafter "the Frauenthal Holding Group" and "the consolidated financial statements") as at 31 December 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) applicable in the European Union.

The presentation of the consolidated financial statements takes account of all amendments to existing IAS, new IFRS, and IFRIC and SIC interpretations effective as at 31 December 2008 and applicable in the European Union.

The following new standards and interpretations were adopted in 2008:

New IFRS/IFRIC		Effective date
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 Mar. 2007
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 Jan. 2008

Updated IFRS/IFRIC		Effective date
IAS 39	Financial Instruments: Recognition and Measurement	1 Jul. 2008
IFRS 7	Financial Instruments: Disclosures	1 Jul. 2008

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions, issued in November 2006, addresses the question as to whether IFRS 2 is applicable to share based payment arrangements that involve equity instruments of the entity or equity instruments of another entity within the same group. Since IFRS 2 is not relevant to the Frauenthal Group at present there no changes as compared to the previous year as a result of IFRIC 11.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction deals with details of accounting for pension plans. In many countries legal or contractual provisions require employers to make minimum funding payments for their pension plans or other employee benefit plans. Among such arrangements are the funding requirements imposed on Austrian pension funds by the Pension Fund Act. Minimum funding rules like the existing top-up requirement for pension obligations funded by pension fund assets have no effect on the measurement of the assets or liabilities of a defined benefit plan like that operated by the Frauenthal Group, as the contributions become plan assets once paid.

In October 2008 the IASB adopted amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These amendments relate to the possibilities for reclassifying individual financial instruments from one measurement category to another. They are retroactively applicable from 1 July 2008, and were adopted by the European Union on 15 October 2008. There are no implications for the Frauenthal Group.

The Frauenthal Group has decided not to make use of its elective right to adopt standards and interpretations early where these will not become effective until subsequent reporting periods.

This also applies to amended or new standards and interpretations already adopted by the EU and issued by 31 December 2008 but not yet effective.

The following IFRS had been published by the IASB or IFRIC by the balance sheet date and had already been adopted by the EU, but have not yet become effective and were not voluntarily adopted early.

New IFRS/IFRIC that are not yet effective		Effective date
IFRS 8	Operating Segments	1 Jan. 2009
IFRIC 13	Customer Loyalty Programmes	1 Jul. 2008
IFRIC 18	Transfers of Assets from Customers	1 Jul. 2008
Amended IFRS/IFRIC that are not yet effective		Effective date
	Improvements to IFRS	1 Jan. 2009
IAS 1	Presentation of Financial Statements	1 Jan. 2009
IAS 23	Borrowing Costs	1 Jan. 2009
IAS 27	Consolidated and Separate Financial Statements	1 Jul. 2009
IAS 32	Financial Instruments: Presentation	1 Jan. 2009
IFRS 2	Share-based Payment	1 Jan. 2009

The effective dates correspond to the dates on which application will become mandatory. The revised IAS 23 Borrowing Costs will make it mandatory to capitalise borrowing costs as acquisition, construction or production costs. The effects of this change, and those of the other new or amended standards and interpretations on the annual financial statements of the Frauenthal Group are currently being investigated.

All the other accounting and measurement policies were unchanged from the previous year.

Unless otherwise stated all amounts are rounded to the nearest thousand euro (EUR ’000).

A glossary, including abbreviations of Group companies’ names used in these notes, is appended hereto.

B. CONSOLIDATION AND ACCOUNTING POLICIES

Consolidation principles

[1] Scope of consolidation

The scope of consolidation was determined in accordance with IAS 27 paragraph 11. The number of consolidated companies has decreased from 30 to 27, owing to one acquisition, the liquidation of two companies and two mergers.

The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG and 27 subsidiaries which are under the common control of Frauenthal Holding AG, and in which the latter or one of its subsidiaries holds a majority of the voting rights.

The number of consolidated subsidiaries changed as follows in the course of the 2008 financial year:

EUR '000	Austria	Abroad	Total
Consolidated at 31 December 2007	10	20	30
Acquisitions	–	1	1
Liquidations	–	-2	-2
Merger	-1	-1	-2
Consolidated at 31 December 2008	**9**	**18**	**27**

The Serbian company, A.D. Fabrika opruga Styria Gibnjara Kraljevo, in which a 69.5% interest was acquired on 30 November 2007, was consolidated on 1 January 2008. The takeover entered into legal effect on 22 January 2008. In August 2008 additional interests were acquired, and the total holding of Styria Federn GmbH, Düsseldorf in Styria Gibnjara Kraljevo now amounts to 79.23%.

The acquiree, A.D. Fabrika Opruga Styria Gibnjara contributed EUR 2.1m to Group revenue. The acquisition resulted in an increase in long-term borrowings at Group level due to additional borrowing of EUR 5.3m, principally used to finance the transaction and restructure the company. Other effects of the acquisition are discussed in Note 2 Effects of changes in the scope of consolidation.

The liquidation of the Styria Jouset Oy spring factory in Billnäs, Finland, closed in 2006, was completed in June 2008. A former SHT Group company, Schild B.V., Zeist, the Netherlands, was also liquidated during the year.

During the year Linnemann-Schnetzer Deutschland GmbH was renamed as Linnemann-Schnetzer Verwaltung GmbH; the registered office remains in Ahlen, Germany. Linnemann-Schnetzer GmbH&Co KG, Germany was merged with Linnemann-Schnetzer Sachsen GmbH, also Germany. The merged entity has been renamed as Linnemann-Schnetzer Deutschland GmbH; and its registered office is in Elterlein, Germany.

In February 2008 Röhrich Heizung und Industriebedarf GmbH, acquired in 2007, was merged with SHT Haustechnik AG.

In 2008 Styria Federn Holding GmbH was renamed as Frauenthal Automotive Components GmbH. Frauenthal Automotive Components GmbH was renamed as Frauenthal Automotive Holding GmbH.

The following companies are fully consolidated:

	Domicile	Holding indirect	Holding direct
Porzellanfabrik Frauenthal GmbH	Vienna, Austria		100.00%
Ceram Enviromental, Inc.	Kansas, USA	100.00%	
Ceram Frauenthal Korea Co., Ltd.	Seoul, Korea	100.00%	
Frauenthal Ost Beteiligungs-GmbH	Vienna, Austria		100.00%
Frauenthal Handels- und Dienstleistungs-GmbH	Vienna, Austria		100.00%
SHT Haustechnik AG	Perchtoldsdorf, Austria	100.00%	
1a Installateur-Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH	Vienna, Austria	100.00%	
SHT Finance GmbH	Luxembourg, Luxembourg	100.00%	
Frauenthal Liegenschaftsverwaltungsgesellschaft mbH	Ahlen, Germany		100.00%
Frauenthal Automotive Holding GmbH (previously Frauenthal Automotive Components GmbH)	Vienna, Austria		100.00%
Frauenthal Germany GmbH	Ahlen, Germany	100.00%	
Pol-Necks Sp.zo.o.	Torun, Poland	100.00%	
Ceram Catalysts GmbH	Vienna, Austria	100.00%	
Frauenthal Automotive Components GmbH (previously Styria Federn Holding GmbH)	Vienna, Austria	86.00%	
Styria Vzmeti d.o.o.	Ravne na Koroskem, Slovenia	86.00%	
Styria Ressorts Véhicules Industriels s.a.s.	Châtenois, France	86.00%	
Styria Federn GmbH	Judenburg, Austria	86.00%	
Styria Federn GmbH	Düsseldorf, Germany	25.57%	60.43%
Styria Impormol S.A.	Azambuja, Portugal	86.00%	
Styria Arcuri S.A.	Sibiu, Romania	64.67%	
Gibnjara Kraljevo (consolidated on 1 January 2008)	Kraljevo, Serbia	68.14%	
Linnemann-Schnetzer Verwaltung GmbH (previously Linnemann-Schnetzer Germany GmbH)	Elterlein, Germany	100.00%	
Linnemann-Schnetzer Germany GmbH	Elterlein, Germany	90.00%	
Linnemann-Schnetzer Produktionsgesellschaft mbH	Ahlen, Germany	90.00%	
Ceram Catalysts GmbH	Ahlen, Germany	90.00%	
Frauenthal Einkaufs GmbH	Ahlen, Germany	90.00%	
Styria Elesfrance S.A.S	St.Avold, France	100.00%	

The following company was consolidated in 2008:

	Domicile	Holding indirect	Holding direct
Gibnjara Kraljevo	Kraljevo, Serbia	68.14%	

The acquiree, A.D. Fabrika opruga Styria Gibnjara Kraljevo produces trapezoidal, parabolic, and helical springs for commercial vehicles. At balance sheet date it had a head count of 175.

During the 2008 financial year the following mergers took place:

	Domicile	Holding	
		indirect	direct
Röhrich Heizung und Industriebedarf GmbH merged with SHT Haustechnik AG	Salzburg, Austria	100.00%	
Linnemann-Schnetzer Deutschland GmbH Merger of Linnemann-Schnetzer GmbH & Co and Linnemann-Schnetzer Sachsen GmbH as absorbing company	Elterlein, Germany	90.00%	

As in the previous year, associates are accounted for by applying the equity method.

	Domicile	Holding	
		indirect	direct
Ceram Liegenschaftsverwaltung GmbH	Vienna, Austria		50%

Draeger Consult GmbH, Siegburg, Germany (50% interest) has not been included in consolidation because it was inactive during the period under review. The company's influence on the Group's assets, finances and earnings is immaterial.

[2] Effects of changes in the scope of consolidation

Effects on the consolidated income statement as compared to 2007

The increase in the scope of consolidation brought about by the acquisition of Gibnjara Kraljevo S.A. spring factory had the following effects on the consolidated income statement:

EUR ´000	2008
Revenue	6,498
EBIT	-1,420
Profit before tax	**-1,554**

The revenue is mostly derived from internal sales within the Automotive Components Group.

Effects on the consolidated balance sheet as compared to 2007

The effects of consolidation of the company acquired during the 2008 financial year on the Frauenthal Group's assets and liabilities were as follows:

EUR ´000	Gibnjara Kraljevo S.A. 1 Jan. 2008
Property, plant and equipment	3,223
Non-current assets	3,223
Deferred tax assets	26
Inventories	814
Receivables	1,434
Cash and cash equivalents	1,044
Total assets	**6,541**

EUR '000	01-12/2008
Equity	2,635
Provisions	814
Bank borrowings	1,305
Other liabilities	1,787
Total equity and liabilities	6,541

The cost of acquiring the Gibnjara Kraljevo S.A. spring factory was EUR 2,181,000.

[3] Basis of consolidation

Consolidation is performed according to the purchase method.

The purchase method was used to consolidate new subsidiaries.

This involves allocating the cost of the acquisition to the identifiable assets and liabilities (including contingent liabilities) of the acquiree. The excess of the acquisition cost over the fair value of the net assets is reported as goodwill.

Under IFRS 3 goodwill acquired may not be amortised, and must instead be tested for its future economic benefits at the least at each balance sheet date. Any excess of the amount over the anticipated future benefits is recognised as an impairment loss in profit or loss.

Pursuant to IFRS 3, goodwill arising from acquisitions made before 31 December 2005 is tested for its future economic benefits at each balance sheet date in the same way as with new acquisitions.

[4] Elimination of intragroup balances

When eliminating intragroup balances, intragroup loans, trade receivables, other receivables, prepayments and deferred assets are offset against the corresponding liabilities or provisions.

[5] Elimination of intragroup profits or losses

Where material, intragroup profits or losses are eliminated.

No material intragroup transactions involving the sale of non-current assets took place in 2008. In the previous year intragroup sales of non-current assets resulting in a book profit of EUR 555,000 were eliminated.

[6] Elimination of intragroup income and expenses

When eliminating intragroup income and expenses, income from intragroup transactions (internal revenues) is offset against the expenses attributable to it. Here, too, the principle of materiality is applied.

[7] Currency translation

When presented in foreign currencies the annual financial statements of subsidiaries are translated into euro in accordance with the functional currency principle (IAS 21 The Effects of Changes in Foreign Exchange Rates) using the modified closing rate method.

Since the subsidiaries carry on their business independently in financial, economic and organisational terms, the functional currency is their local currency. Income and expenses in statements presented in foreign currencies are translated at the average rate for the year, and assets and liabilities at the mean rate ruling at balance sheet date.

Exchange differences arising on translation of equity attributable to equity holders of the parent are offset against the other reserves. Exchange differences resulting from the use of differing exchange rates in the income statement are likewise reported under the "Other reserves and currency translation balancing item", and are not recognised in profit or loss.

In the parent company statements of Frauenthal Holding AG and its subsidiaries, foreign currency receivables and payables are measured at the exchange rate at the date of the transaction. Exchange gains and losses arising at balance sheet are recognised in profit or loss.

Movements in the euro exchange rates of the main currencies on which translation was based were as follows:

EUR 1	Closing rate		Average rate	
	31 Dec. 2008	31 Dec. 2007	**2008**	2007
Poland (PLN)	**4.1535**	3.5935	**3.5278**	3.7749
Republic of Korea (KRW)	**1,839.1300**	1,377.9600	**1,623.3610**	1,280.1108
Romania (RON)	**4.0225**	3.6077	**3.7005**	3.3410
Serbia (RSD)	**88.6010**	79.2362	**81.9092**	79.2362
USA (USD)	**1.3917**	1.4721	**1.4726**	1.3797

Accounting and measurement policies

The annual financial statements of all consolidated companies are presented according to uniform accounting and valuation principles in conformity with IAS 27. Immaterial variations in the separate financial statements of foreign subsidiaries and associates are disregarded.

All the consolidated Group companies submitted audited financial statements drawn up to 31 December 2008.

[8] General

Assets are normally recognised at cost less depreciation or amortisation, and receivables and liabilities at amortised cost. An impairment loss is recognised whenever there are indications of impairment. The carrying amounts of intangible assets, and property, plant and equipment are compared with the recoverable amount, and an impairment loss recognised where necessary.

[9] Revenue recognition

Revenue from the sale of products is recorded when title and the risk of ownership is transferred to the customer, provided that a price has been agreed or can be determined, and its payment is probable. Revenue is stated net of discounts and customer bonuses. Revenue accruing to Porzellanfabrik Frauenthal GmbH, Vienna from long-term construction contracts is realised in accordance with the percentage of completion (PoC) method, in conformity with IAS 11.

Interest is calculated using the effective interest method, in accordance with IAS 39.

[10] Non-current assets

Acquired and internally generated intangible assets are recognised in accordance with IAS 38 if it is probable that use of the assets will be associated with future economic benefits and their cost can be reliably determined. They are recognised at cost, and are amortised over between three and ten years if their useful lives are determinable.

	in years
Intangible assets with limited useful lives	3–10

Intangible assets with indefinite useful lives and goodwill recognised on consolidation are not amortised. Pursuant to paragraph 108 IAS 38, the carrying values are tested for impairment at least annually, and impairment is recognised wherever there is an indication that the economic benefits expected to arise from the assets have declined. Most of the non-amortised intangible assets are goodwill and acquired trademarks whose useful lives cannot be determined at present.

Development costs incurred by Porzellanfabrik Frauenthal GmbH (diesel catalysts for trucks) and Frauenthal Automotive Components Group production companies (prototyping, and development of materials with improved properties for marketable products) are recognised as internally generated intangible assets in accordance with IAS 38. Recognition is at production cost provided that there are clearly attributable costs, that completion of the assets is technically feasible and that there is a market for them. There must also be a sufficient probability that the development activities will generate future cash inflows. All the development projects in progress are being carried out with the intention of completing them. The capitalised production costs comprise the costs directly and indirectly attributable to the development process. Capitalised development costs are amortised on a straight-line basis over the anticipated product life cycle from the commencement of production. Sufficient technical and financial resources are available to complete the development projects.

All **property, plant and equipment** is used for operational purposes, and is measured at cost less depreciation over the useful lives of the assets. Depreciation is according to the straight-line method. Low value non-current assets with costs per item of up to EUR 400.00 that are immediately written off in the local accounts for tax reasons are likewise written off in the consolidated accounts in the year of addition and reported as disposals on grounds of immateriality.

Uniform rates of depreciation throughout the Group are based on the following useful lives:

	Years
Buildings	10–50
Plant and equipment	5–20
Other plant and equipment, fixtures and fittings	3–10

Reductions in value are recognised as impairment losses. If the reason for impairment ceases to apply it is reversed up to the cost of the asset, net of depreciation.

The cost of self-constructed assets includes all costs directly attributable to the production process and reasonable production overheads.

Borrowing costs are not recognised as part of the costs of purchase or conversion.

Leased assets are reported as non-current assets. In accordance with IAS 17, property, plant and equipment acquired under finance leases is recognised at fair value at the time of addition or, if lower, the present value of the lease payments. Where it is not reasonably certain that ownership will pass to the Group depreciation is on a straight-line basis over the shorter of the lease term or the useful life. The commitments arising from future lease instalments are stated under "Other liabilities". Finance leases are leases under which substantially all the risks and rewards incidental to ownership are transferred to the Group.

Investment grants are not recognised as liabilities under Group accounting regulations (netting). A grant is deducted in arriving at the carrying amount of the asset concerned, and is recognised over the life of the depreciable asset by way of a reduced depreciation charge. Note 16 provides information on investment grants received.

Associates are accounted for using the equity method.

The non-current financial assets are classified as available-for-sale financial assets as defined by IAS 39, and measured at fair value. Measurement is based on the current exchange rates associated with the investment fund units in question.

[11] Current assets

Inventories of raw material and consumables used are measured at the lower of cost or net realisable value at balance sheet date. Inventory use and levels are measured according to the moving average, or in isolated cases, the first-in, first-out (FIFO) method.

Work in progress and finished goods are measured at the lower of costs of conversion or net realisable value at balance sheet date. The costs of conversion comprise the directly attributable costs (materials and wages), and proportionate material and production overheads. General administrative expenses, voluntary employee benefit and occupational pension expenses, and interest on borrowings are not included in the measurement of conversion costs.

Borrowing costs are not recognised as part of the purchase or conversion costs.

Inventory risks other than those arising from the length of storage or reduced realisable value are recognised by impairment.

Long-term construction projects in the industrial honeycomb business segment are measured in accordance with the PoC method, in conformity with IAS 11. Contract revenue and stage of completion are determined on the basis of fixed price contracts. The percentage of completion is measured by the ratio of the contract costs incurred up to the balance sheet date to the total contract costs estimated at balance sheet date.

Other current assets are carried at the lower of nominal amount or purchase cost, net of any impairment losses. In the event of impairment they are stated at the lower comparative amount.

[12] Deferred tax

Pursuant to IAS 12 deferred tax is recognised for all temporary differences between the carrying values of assets and liabilities, and their value for tax purposes. A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting profit (before tax) nor taxable profit (tax loss).

In addition, future relief due to tax loss carryforwards is accounted for by recognition of a deferred tax asset in accordance with paragraph 34 IAS 12 if it is probable that future taxable profit will be available against which the carryforwards can be utilised. To the extent that it is no longer probable that this will be the case the carrying amount of the deferred tax asset is reduced. Deferred tax assets and liabilities are offset where the conditions of paragraph 74 IAS 12 are met.

[13] Provisions and liabilities

The provisions for employee benefits required by IAS 19 relate to pension, termination, part-time retirement and jubilee benefit obligations.

The pension provisions were calculated using the projected unit credit method. Under this, the benefit obligation is the actuarial present value of the entitlements at balance sheet date, adjusted for future salary and pension increases. Country mortality and invalidity tables were used for the actuarial calculation. The imputed retirement ages were likewise based on the relevant legislative provisions in the respective countries.

An annual discount rate of 4.5% (2007: 4.5%), and average annual salary and pension increases of 2.0% were applied.

The provisions for termination and jubilee benefits were calculated using the projected unit credit method, under which the expected benefit obligation is attributed to the periods of service of the employee up to the attainment of maximum entitlement. Future annual salary increases of 3.0% are assumed. As with the calculation of the pension provision, the discount rate applied is 4.5% (2007: 4.5% p.a.). At balance sheet date the provisions were sufficient to fund the entire defined benefit obligation.

All actuarial gains and losses are recognised as expense or income in the financial year in which they arise.
The other provisions are recognised for all identifiable risks and contingent liabilities where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made. Provisions are only recognised if there is a present obligation arising from a past event, an outflow of resources is probable and a reliable estimate of the amount can be made.

The provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are recognised at the present value of the expenditure expected to be required to settle the obligation.

Liabilities are shown at amortised cost.

[14] Currency translation
Foreign currency receivables and payables are measured at the exchange rate ruling at the date of the transaction concerned.

[15] Changes in accounting estimates
The preparation of consolidated financial statements requires management to make estimates and assumptions that may affect amounts recognised for assets and liabilities, contingent liabilities at the balance sheet date, and revenue and expenses during the reporting period. Actual outcomes may differ from these estimates.

The Executive Board has made estimates in applying the Company's accounting policies. The Executive Board has also made key assumptions concerning the future, and identified key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, namely:

- Employee benefit plans: The valuation of pension plans, and termination and jubilee benefit obligations is based on a method that uses parameters such as the expected discount rate, salary and pension increases, and staff turnover. If the relevant parameters diverge significantly from expectations this may have a material impact on the provisions in question, and thus in turn on the Company's net pension expense. A discount rate of 4.5% was applied to the calculation of the pension provisions. The corridor for future salary and pension increases is between zero and 2%; no staff turnover is assumed. A discount rate of 4.5% was used to calculate the termination benefit provisions (9.5% for the Serbian company). The future increases in salaries and pensions were assumed to average 3% (except in the case of the Serbian company: 5.3%); here, too, no staff turnover was assumed. See Note 20 Long-term provisions for additional information on employee benefit plans.

- Deferred tax: When making judgments about the recoverability of deferred tax, the Executive Board assesses the likelihood that it will be possible to recover all deferred tax assets. The ultimate recoverability of deferred tax assets depends on whether taxable profit is made in periods during which the temporary differences are deductible. If the Company does not generate sufficient taxable profit, then deferred tax assets cannot be utilised as tax loss carryforwards.

- Impairment testing of goodwill, other intangible assets, and property, plant and equipment is normally based on the projected discounted net cash inflows from continuing use of the assets and their disposal at the end of their useful lives. Factors such as lower revenue and resultant lower net cash inflows or changes in the discount rates applied may lead to impairments. Valuations of cash-generating units are based on estimated cash inflows, which are discounted for the cost of capital at 7.16%. The value of goodwill is given by budget figures and projected cash flows derived therefrom over a period of six years. The budget figures are based on the expectation of a mild economic recovery after the first two to three years of the estimates, and comparison of net present value with the carrying values. Details of goodwill impairment during the year under review are given in Note 16 Non-current assets.

The impairment tests revealed a need to recognise additional impairments of non-current assets as a result of planned restructuring. Due to the decision to restructure the production sites machines unlikely to be usable to generate revenue were written down. Impairments of machinery are shown in the non-current asset movement schedule.

Other assumptions and estimates largely relate to:

- Construction contracts: Contract receivables and related revenue are recognised in accordance with PoC method. The construction contracts entered into by the Company are specifically negotiated fixed price contracts. The percentage of completion is determined using the cost-to-cost method. Reliable estimates of the total cost of the contracts, the selling prices and the actual costs incurred are available on a monthly basis. The estimated contract profits are recognised in proportion to the revenue realised. Under the cost-to-cost method revenue and contract profits are recognised according to the ratio of the actual production costs incurred to the estimated overall costs. Changes in the estimates of total contract costs, and any resultant losses are recognised immediately as revenue or expense. Expected losses arising on the measurement of contracts not yet billed are immediately recognised as expenses. Expected losses are recognised as expenses if it is probable that total contract costs will exceed total contract revenue. Provisions are made for possible warranty claims by customers in accordance with the percentage of completion. The PoC receivables in the Group are disclosed in Note 18 Current assets, and the PoC revenue in Note 27 Revenue.

- Determination of the useful lives of property, plant and equipment: Property, plant and equipment is measured at cost less straight-line depreciation and impairment. The depreciation periods are based on the expected useful lives of the assets. Property, plant and equipment is depreciated in the year of acquisition, on a pro rata basis. The residual values, useful lives and depreciation methods applied to assets are reviewed at each balance sheet date, as a minimum. If expectations are at variance with the previous estimates the necessary changes are accounted for as changes in estimates, in accordance with IAS 8. The cost of self-constructed assets includes the costs directly attributable to the production process, and proportionate material and production overheads, as well as administrative overheads related to production or the provision of services. The cost of acquisition or conversion of an asset includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimated cost of dismantling and removing the item, and restoring the site on which it is located. If an item of property, plant and equipment is composed of different parts with varying useful lives, then the significant parts are depreciated according to their individual useful lives.

Maintenance and repair costs are recognised as expense as incurred. Borrowing costs are not capitalised. See Note 10 Non-current assets for the disclosures of useful lives.

- Accounting for provisions: "Other" provisions are recognised when there are legal or constructive obligations as a result of past transactions or events, and these are likely to lead to outflows of resources that can be reliably estimated. Such provisions are made in the amounts likely to be required to settle the obligations, taking all identifiable risks into account, and are not netted against reimbursements. The amounts required to settle obligations are calculated according to the best estimates. Provisions are discounted where the effect of the time value of money is material. Changes in estimates of the amount or timing of payments or changes in the discount rate applied to the measurement of provisions for dismantlement, removal or restoration and similar obligations are recognised in accordance with the changes in the carrying value of the corresponding assets. In the event that a reversal of a provision exceeds the carrying value of the corresponding asset the difference is recognised as income. Provisions are recognised for the cost of external legal advice in connection with impending losses arising from outstanding transactions.

C. NOTES TO THE CONSOLIDATED BALANCE SHEET

[16] Non-current assets

Movements in the various consolidated non-current asset items, and the details of depreciation and amortisation for the year are shown in the non-current asset movement schedule. The effects on non-current assets of changes in the scope of consolidation, and of differences between the translation of foreign subsidiaries' assets at the exchange rates ruling at the beginning and end of the year, are shown separately.

Intangible assets

In the 2008 financial year development costs incurred by Ceram Catalysts GmbH in respect of diesel catalysts for trucks and Frauenthal Automotive Components Group production companies (prototyping, and development of materials with improved properties for marketable products) were recognised as internally generated intangible assets. These largely relate to the capitalisation of development costs arising from the development of diesel catalysts.

Development costs	31 Dec. 2007	Additions	Disposals	Amortisation	31 Dec. 2008
Frauenthal Group	1,454	2	–	-239	1,217

Income from the capitalisation of EUR 2,000 in development costs (2007: EUR 112,000) is reported in the income statement, under the "Work performed by the entity and capitalised" item. Amortisation of development costs, amounting to EUR 239,000 (2007: EUR 209,000) is stated as "Depreciation, amortisation and impairment".

Research and development costs were as follows:

EUR '000	2008	2007
Research and development expenditure	2,092	2,173

The breakdown of goodwill at 31 December 2008 was as follows:

Goodwill in EUR ´000	31 Dec. 2007	Additions	Disposals	Amortisation	31 Dec. 2008
Styria Group	12,025	94	–	-513	11,606
Linnemann-Schnetzer Group	242	–	–	–	242
Pol-Necks Sp.zo.o.	3,195	–	–	-1,195	2,000
SHT Haustechknik Group	8,307	–	–	–	8,307
Frauenthal Group	23,768	94	–	-1,708	22,154

The decline in order books in the automotive business necessitated goodwill impairments of EUR 513,000 in respect of the Styria Group and of EUR 1,195,000 in respect of the Polish subsidiary, Pol-Necks Sp.zo.o. The review of the value in use of the various cash-generating units was based on the companies' budget figures and the cash flows derived from them over a period of six years. Each cash-generating unit relates to one product line. Measurement is at a discount rate of 7.16%. Goodwill is tested for impairment at least once a year.

Goodwill impairment is disclosed under the "Depreciation, amortisation and impairment" income statement item.

The earnings forecasts were reassessed in the light of the changed market situation facing the Frauenthal Automotive Components Group.

The brands and rights to supply customers, licences and software capitalised by the various sub-groups are another important intangible asset category. The breakdown of these assets is as follows:

Brands and rights to supply customers, licences and software	31 Dec. 2007	Additions	Disposals	Reclassi-fications	Amortisation	31 Dec. 2008
Frauenthal Group	18,709	1,521	-7	810	-2,366	18,667

Impairments of EUR 180,000 (2007: EUR 258,000) were recognised in respect of brands and rights to supply customers with indefinite useful lives, which make up part of the balance sheet item shown in the table. These brand rights relate to internally generated brands forming part of the product range which the Group does not currently intend to change or re-tire. The rights to supply customers are of unlimited duration and can only be ended by termination of contract. Impairment is recognised as soon as any of these rights are terminated. The impairment losses are reported under the "Depreciation, amortisation and impairment" item in the income statement. The carrying value of these brands and rights at balance sheet date was EUR 14,381,000 (31 Dec. 2007: EUR 14,562,000).

The brands and rights to supply customers were measured according to their value in use. The carrying value was originally calculated using the discounted cash flow (DCF) method. The main influence on the cash flow forecast used to value the brand and customer supply rights is the revenue generated by the product or customer segment projected by the annual budget. The discount rate is 8.67%, and the forecasting period is usually five years. Due to the long contractual terms, an exception is made in the case of the rights to supply customers, and a period of 20 years is applied. The parameters applied are based on experience and are reviewed on an annual basis.

Property, plant and equipment
Land in the "Land and buildings" item amounts to EUR 5,396,000 (31 Dec. 2007: EUR 5,292,000). The addition relates to the Porzellanfabrik Frauenthal GmbH factory site.

Additions to property, plant and equipment totalled EUR 25,603,000 in 2008 (2007: EUR 16,908,000).

Non-current assets include a machine acquired under a finance lease with a carrying value of EUR 127,000 (31 Dec. 2007: EUR 284,000). This is a computer controlled parabolic spring rolling machine which will become the property of the Styria Federn Judenburg plant at the end of 2009, when it will have a residual value of EUR 11,000.

The finance leases of land and buildings relate to long-term contracts entered into by Porzellanfabrik Frauenthal GmbH. The Porzellanfabrik Frauenthal GmbH factory is on land owned by the lessor, Ceram Liegenschaftsverwaltungs GmbH (CLV). The terms of the agreements are such that Porzellanfabrik Frauenthal GmbH is the beneficial owner of the parts of the building used by it. Because of this the discounted lease payments for the building are capitalised. The carrying value of the building was EUR 659,000 at balance sheet date (2007: EUR 765,000). The lease still has six years to run. The land and buildings can be leased for an indefinite period, but the lease payments will cease after six years.

The beneficial ownership of lease assets is attributed to the lessee if substantially all of the risks and rewards incidental to ownership lie with the latter.

The net carrying values of the capitalised finance lease assets as at the balance sheet date are shown below:

EUR '000	31 Dec. 2008	31 Dec. 2007
Land and buildings	659	765
Plant and equipment	127	284
Cars	53	39
Total	839	1,088

The commitments arising from the finance leases as at balance sheet are carried as a liability, in the amount of the present value of the future lease payments. In subsequent years the lease instalments due to the lessors will be reduced by the payments of principal. The finance charge is reported as expense in the income statement.

The breakdown of lease commitments is as follows:

	31 Dec. 2007			31 Dec. 2008		
Due (EUR '000)	Minimum lease payments	Finance charges	Present value	Minimum lease payments	Finance charges	Present value
Not later than one year	280	14	267	262	10	252
Later than one year and not later than five years	621	47	575	490	43	447
Over five years	244	36	208	144	20	124
Total	1,145	97	1,050	896	73	823

Low value assets with individual purchase costs of up to EUR 400.00 per item are fully written off in the year of addition and reported as disposals, due to immateriality. They are disclosed under the relevant items as intangible assets or property, plant and equipment.

The investment grants are accounted for by netting.

During the 2003 financial year a EUR 392,000 grant was received from the Slovenian government for investments at the Ravne site. The subsidy is recognised as income over the term. At balance sheet the carrying value of the grant was EUR 106,000. It is reported under "Property, plant and equipment" as it was used to purchase production equipment.

An investment grant related to the expansion of power station catalyst production at the Frauental site was approved during the 2008 financial year, and is stated at a carrying value of EUR 293,000 as at balance sheet date. The Styrian business promotion agency, SFG paid EUR 42,000 of the grant, and the other EUR 251,000 was from the European Union. The local funding came from a Styrian programme entitled "Groß!Tat – Die Förderung für innovative Investitionen" which is designed to promote innovative investments. This grant is reported under "Property, plant and equipment".

The grant is conditional on a commitment to employ additional staff until the end of the term, and part of it is repayable if this undertaking is not fulfilled.

A large truck manufacturer made a EUR 2,988,000 contribution to the cost of installing a special production line at a factory in France. Although investment grants are normally accounted for by netting, as no production equipment has yet been purchased this contribution is reported on the balance sheet as a liability. In the cash flow statement it appears under "Net cash used in investing activities".

As at balance sheet date property, plant and equipment to a value of EUR 6,347,000 (2007: EUR 2,093,000) and EUR 377,000 (2007: EUR 207,000), respectively, was pledged as collateral for bank borrowings by Pol-Necks Sp.zo.o. and Porzellanfabrik Frauenthal GmbH.

Financial assets

Negative goodwill of EUR 7,000 (2007: EUR 3,000) was recognised in respect of the 50% interest in Ceram Liegenschaftsverwaltung GmbH, Vienna, which is accounted for by the equity method. The carrying value of the investment was EUR 690,000 at balance sheet date (31 Dec. 2007: EUR 697,000). Ceram Liegenschaftsverwaltung GmbH, Vienna has no contingent liabilities.

This company's key financial indicators are as follows:

EUR ´000	2008	2007
Total assets	**3,054**	3,077
Borrowings	**1,653**	1,659
Revenue	**5,009**	4,768
Profit after tax	**-16**	-5

The non-current financial assets reported on the consolidated balance sheet relate to investment fund units owned by SHT Haustechnik AG. During the 2008 financial year the company purchased securities to a value of EUR 1,308,000 to fund pension benefit obligations. The fund in question is a bond fund which mainly invests in euro denominated government bonds. These financial assets are available for sale, and are carried at fair value, which corresponded to the acquisition cost at the time of valuation as they were purchased shortly before the balance sheet date. In consequence no gain or loss on fair value remeasurement is reported under equity (in the revaluation reserve). The revaluation reserve recognised in coming periods will be reversed if the assets are disposed of, and the realised gains recognised in profit or loss.

For Frauenthal the "available for sale" category represents those financial assets not otherwise classified. Only the aforementioned securities held by SHT Haustechnik AG fall within this category.

The disposals of EUR 1,026,000 in financial assets at acquisition cost chiefly relate to the sale of securities held by Styria Federn, Judenburg to fund termination benefit obligations.

As in the previous period, there were no write-ups of financial assets during the 2008 financial year. As in 2007, no liabilities were secured by financial assets at balance sheet date.

[17] Deferred tax

Deferred tax assets in an amount of EUR 19,977,000 (31 Dec. 2007: EUR 21,921,000) and deferred tax liabilities of EUR 2,453,000 (31 Dec. 2007: EUR 2,126,000) are carried on the consolidated balance sheet.

In calculating deferred tax, a tax rate of 25% is applied to the Austrian companies.

The breakdown of deferred tax is as follows:

EUR ´000	2008	2007
Breakdown of deferred tax		
Changes in balance sheet items	**-2,236**	**–773**
Development costs	-302	–373
Other non-current assets	-4,649	–4,158
Other current assets	-580	–518
Provisions for termination benefits	2,141	2,517
Provisions for retirement benefits	536	919
Provisions for jubilee benefits	301	307
Other provisions	285	34
Other liabilities	32	499

Breakdown of deferred tax (EUR ´000)	2008	2007
Deferred tax carryforward assets	**17,781**	**18,265**
Linnemann-Schnetzer Deutschland GmbH	8,500	8,500
Frauenthal Holding AG	4,360	4,465
SHT Haustechnik AG	2,272	2,986
Frauenthal Handels- und Dienstleistungs GmbH	2,498	1,557
Styria Arcuri S.A., Sibiu	151	209
Styria Federn GmbH, Düsseldorf	–	298
Styria Elesfrance S.A.S	–	250
Deferred tax carryforward assets arising from writedowns of investments	**1,979**	**2,303**
SHT Haustechnik AG	760	1,519
Styria Federn GmbH, Judenburg	600	727
Frauenthal Holding AG	619	57
Deferred tax at 31 Dec.	**17,524**	**19,795**
whereof deferred tax assets	19,977	21,921
deferred tax liabilities	-2,453	-2,126

At balance sheet date EUR 17,440,000 (31 Dec. 2007: EUR 17,861,000) in tax loss carryforwards was available to Frauenthal Holding AG. Deferred tax assets of EUR 4,360,000 (31 Dec. 2007: EUR 4,465,000) on the basis of a tax rate of 25% were recognised for these amounts. The local tax rates are applied to Styria Arcuri S.A., Sibiu and Linnemann-Schnetzer Deutschland GmbH.

In 2008 deferred tax assets arising from tax loss carryforwards in respect of Styria Federn GmbH, Düsseldorf (31 Dec. 2007: EUR 298,000) were entirely written off. Deferred tax assets in respect of Styria Eles France S.A.S. (31 Dec. 2007: EUR 250,000) were also written off due to downgraded earnings forecasts.

As in 2007, deferred tax assets were recognised for the tax loss carryforwards of Linnemann-Schnetzer Deutschland GmbH (formerly Linnemann-Schnetzer Sachsen GmbH) to the extent to which it is probable that the temporary difference will reverse and that taxable profit will be available against which it can be utilised.

At balance sheet date the SHT Group still had EUR 9,089,000 (31 Dec. 2007: EUR 11,942,000) in tax loss carryforwards, for which EUR 2,272,000 (31 Dec. 2007: EUR 2,986,000) in deferred tax assets were recognised. Deferred tax assets arising from tax loss carryforwards available to Frauenthal Handels- und Dienstleistungs GmbH increased from EUR 1,557,000 at 31 Dec. 2007 to EUR 2,498,000 at balance sheet date.

Deferred tax assets recognised for tax loss carryforwards in respect of Styria Arcuri S.A. declined from EUR 209,000 to EUR 151,000.

Holdings in subsidiaries have given rise to deferred tax loss carryforwards due to impairments to investments, which can be spread over seven years under Austrian tax law. At 31 December 2008 the carrying values were as follows:

Frauenthal Holding AG:	**EUR**	**2,476,000**	**(31 Dec. 2007:**	**EUR 226,000)**
Styria Federn GmbH, Judenburg:	**EUR**	**2,399,000**	**(31 Dec. 2007:**	**EUR 2,908,000)**
SHT Haustechnik AG:	**EUR**	**3,039,000**	**(31 Dec. 2007:**	**EUR 6,077,000)**

Deferred tax loss carryforwards amounting to EUR 1,979,000 (31 Dec. 2007: EUR 2,303,000) arising from impairments to investments were capitalised at balance sheet date.

Deferred tax assets and liabilities are offset due to fulfilment of the conditions set by paragraph 74 IAS 12.

A detailed presentation of the changes in deferred tax and tax income is set out in Note 34.

No tax loss carryforwards were recognised as deferred tax assets at the following companies, due to the improbability that taxable profit will be available against which they can be utilised:

Styria Federn GmbH, Düsseldorf:	**EUR**	**1,168,000**	**(31. Dec. 2007:**	**nil)**
Frauenthal Deutschland GmbH:	**EUR**	**296,000**	**(31. Dec. 2007:**	**nil)**
Styria Elesfrance S.A.S:	**EUR**	**148,000**	**(31. Dec. 2007:**	**nil)**
Gibnjara Kraljevo:	**EUR**	**388,000**	**(31. Dec. 2007:**	**nil)**
Consolidation:	**EUR**	**503,000**	**(31. Dec. 2007:**	**nil)**

[18] Current assets

Inventories

Raw material and consumables used, work in progress, finished goods and goods for resale, and prepayments are reported as inventories. Measurement is at the lower of cost of purchase or conversion, and write-downs are made for obsolete inventories or valuations in excess of the net realisable value.

The inventories reported are made up as follows:

EUR '000	2008	2007
Raw material and consumables used	22,333	19,379
Work in progress	10,112	10,032
Finished goods and goods for resale	51,090	45,263
Prepayments	110	4
Inventories	83,645	74,678

The increase in inventories is largely due to declining customer call-offs in the Automotive Components Group in the final quarter of 2008. Increased output in the catalyst business and volume growth at SHT Haustechnik AG also added to inventories.

The following table shows the provisions for inventory write-downs:

EUR '000	2008	2007
Provisions for inventory write-downs at 1 January	3,703	3,943
Exchange differences	-42	-4
Allocations (expenses for inventory write-downs)	2,861	489
Utilisation	-445	-498
Reversals	-685	-227
Provisions for inventory write-downs at 31 December	5,392	3,703

The additions comprise EUR 1,735,000 in inventory write-downs in the Styria Group and EUR 109,000 in write-downs in the SHT Group. The remaining write-downs consist of smaller amounts.

Of the total inventory write-downs at balance sheet date EUR 1,824,000 (2007: EUR 665,000) relate to raw materials and consumables used, EUR 273,000 (2007: EUR 82,000) to work in progress, and EUR 3,295,000 (2007: EUR 750,000) to finished goods and goods for resale.

Receivables and other assets

All the receivables are short term and have maturities of less than one year.

The breakdown of receivables is as follows:

EUR '000	2008	2007
Trade receivables	60,015	73,200
Other receivables	13,893	11,255
Receivables	**73,908**	**84,455**

The rest of the "Sundry other assets" largely relate to receivables from Austrian and foreign tax authorities, prepayments and deferred assets.

EUR '000	2008	2007
Tax receivables	6,287	5,464
Prepayments and accrued income	1,551	1,121
Sundry other assets	6,055	4,670
Sundry other assets	**13,893**	**11,255**

Of the EUR 6,055,000 in "Other sundry assets" some EUR 3,393,000 relate to SHT Haustechnik AG, and largely concern creditors' debit balances, deposits, prepayments and receivables from employees.

The decrease in trade receivables is due to the decline in revenue during the final quarter. The trade receivables include EUR 3,620,000 (2007: EUR 4,070,000) in contract receivables. All the impairment losses relate to trade receivables.

Percentage of completion (PoC) receivables were as follows:

EUR '000	2008	2007
Contract costs	9,331	7,164
Profits	2,383	2,112
Prepayments	-8,094	-5,206
PoC receivables	**3,620**	**4,070**

The maturities of the trade receivables were as follows:

EUR '000	Trade receivables	Carrying value	Neither impaired nor overdue at balance sheet date	Not impaired at balance sheet date and overdue in			
				less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
At 31 Dec. 2008	60,015	56,606	33,742	8,520	290	587	116
at 31 Dec. 2007	73,200	72,776	44,182	6,740	1,066	30	111

As regards those trade receivables that were neither impaired nor in arrears, as at balance sheet date there were no indications that the debtors would default.

Long-term receivables are appropriately discounted.

Provisions for write-downs of trade receivables evolved as follows:

EUR '000	2008	2007
Provisions for impairment losses at 1 January	3,149	3,686
Change in scope of consolidation	119	
Exchange differences	-35	-1
Allocations (expenses for impairment provisions)	282	488
Utilisation	-1	-19
Reversals	-105	-1,005
Provisions for impairment losses at 31 December	3,409	3,149

The "Allocations" item shows the net change in impaired receivables. The reversals include receivables already completely written off where the impairments were reversed because the payments were received.

Trade receivables amounting to EUR 17,071,000 (2007: EUR 13,901,000) were sold to Nordea Bank in connection with an asset backed securities (ABS) facility used to maintain liquidity.

At every balance sheet the carrying values of financial assets that are not recognised at fair value through profit or loss are assessed for objective evidence of impairment (e.g. significant financial difficulties on the part of the debtor, a high probability that the debtor will enter bankruptcy, the disappearance of an active market for the financial asset in question, or significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicate that the cost of the investment in the equity instrument may not be recovered).

The specific provisions for impairment losses relate to receivables where it is unlikely that all the contractually agreed interest and principal will be recoverable on maturity. Specific provisions for impairment losses are calculated on the basis of the difference between the amount outstanding, including pro rata accumulated interest, costs and other supplementary claims, and the present value of estimated future cash flows, taking the securities provided into account. Receivables that have not been individually assessed for impairment but are collectively subject to an incurred but as yet unidentified loss are subjected to collective assessment. Such assessments are carried out in the light of experience.

Current financial assets

These are cash flow hedges amounting to EUR 479,000 including EUR 120,000 in deferred tax, employed by Porzellanfabrik Frauenthal GmbH to hedge currency futures transactions. The presentation under equity is discussed in Note 19.

At balance sheet date bank balances pledged as security for borrowings were EUR 377,000 (31 Dec. 2007: EUR 574,000). This item concerns a passbook owned by Porzellanfabrik Frauenthal GmbH which was pledged to Ceram Liegenschaftsverwaltung GmbH under the shareholder agreement concluded in connection with the demerger and disposal of the insulator business in 2001.

[19] Equity

Share capital

Registered share capital at balance sheet date was EUR 9,434,990.00 (2007: EUR 9,434,990.00) and was fully paid up. The share capital is divided into 7,534,990 bearer shares of no par value and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the Company's share capital. There were no material changes in voting rights in 2008. Each no par share corresponds to EUR 1.00 of the share capital.

By resolution of the 18th Annual General Meeting held on 3 May 2007 the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,681,634.00 by issuance, in one or more tranches, of up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind.

Capital reserves

The capital reserves include EUR 21,093,000 in appropriated capital reserves in the meaning of the Austrian Companies Act (2007: EUR 21,093,000).

Retained earnings

Retained earnings comprise the reserves accumulated from undistributed profits and the statutory reserves.

Other reserves

The cash flow hedge against risk exposure associated with currency futures transactions by Porzellanfabrik Frauenthal GmbH, less deferred tax, was recognised as "Other reserves" amounting to EUR 359,000. The gain or loss will not be recognised in profit or loss until the underlying transaction affects profit or loss. If a hedge of a planned transaction subsequently results in the recognition of a financial asset or a financial liability, then IAS 39 requires that the associated gains or losses that were recognised directly in equity be reclassified into profit or loss in the period or periods during which the asset acquired or liability assumed affects profit or loss. If the transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the associated gains and losses that were recognised directly in equity are removed and included in the initial cost or other carrying amount of the asset or liability, meaning that to all intents and purposes there is no effect on profit or loss.

Translation reserves

These reserves are made up of the differences arising from currency translation on consolidation.

Own shares

Frauenthal Holding AG holds 261,390 treasury shares, equal to EUR 261,390 or 2.77% of the share capital. No further own shares were repurchased or sold during the 2008 financial year.

Own shares	Number of Shares	Share capital EUR	Interest (%) .
At 31 Dec. 2007	261,390	261,390.00	2.77
At 31 Dec. 2008	**261,390**	**261,390.00**	**2.77**

In the 2003 financial year equity attributable to equity holders of the parent was reduced by the repurchase of treasury shares to a value of EUR 396,000.

Minority interests

This item relates to EUR 6,325,000 in minority interests in the Styria Group (31 Dec. 2007: EUR 6,604,000).

[20] Long-term provisions

Changes in the long-term provisions in 2008 were as follows:

EUR ´000	1 Jan. 2008	Change	Allocations	Utilisations	Reversals	Exch. diff.	31 Dec. 2008
Provisions for termination benefits	9,627	189	1,195	-919	-407		9,685
Provisions for pensions	10,524	–	208	-256	-730		9,746
Provisions for deferred tax	2,126	–	704	-300	-22	-55	2,453
Other long-term provisions	8,134	538	1,388	-308	-580	-2	9,170
Long-term provisions	**30,411**	**727**	**3,495**	**-1,783**	**-1,739**	**-57**	**31,054**

The provisions for pensions, termination and jubilee benefits (reported under "Other long-term provisions") relate to the provisions for employee benefit obligation recognised in accordance with IAS 19.

The carrying amounts of the provisions for termination benefits and pensions correspond to the respective defined benefit obligations (DBO) at balance sheet date.

The changes in the provisions for termination benefits and pensions in the year under review were as follows:

EUR ´000	Pension EUR ´000	Termination EUR ´000
DBO at 31 Dec. 2007	10,524	9,627
Change in scope of consolidation	–	71
Service cost	227	590
Interest cost	457	436
Payments	-704	-228
Actuarial gains (-) / losses (+)	-758	-803
Exchange differences	–	-8
DBO at 31 Dec. 2008	**9,746**	**9,685**

Income and expenses arising from adjustments to provisions are recognised in the income statement, under the "Staff costs" item.

Projected movements in the provisions for termination benefits and pensions in 2009 are as follows:

EUR '000	Pension EUR '000	Termination EUR '000
DBO at 31 Dec. 2008	9,746	9,685
Service cost	147	563
Interest cost	424	426
Payments	-659	-639
Exchange differences	–	4
Projected DBO at 31 Dec. 2009	**9,658**	**10,039**

Movements in DBO were as follows:

DBO in EUR '000	31 Dec. 2003	31 Dec. 2004	31 Dec. 2005	31 Dec. 2006	31 Dec. 2007	**31 Dec.2008**
Provisions for pensions	3,344	8,688	11,284	11,022	10,524	**9,746**
Provisions for termination benefits	2,678	2,964	8,585	9,130	9,627	**9,685**

The breakdown of "Other long-term provisions" is as follows:

EUR '000	1 Jan. 2008	Change	Allocations	Utilisations	Reversals	Exch. diff.	**31 Dec. 2008**
Other employee benefit provisions	4,721	538	761	-143	-352		**5,525**
Closure and restructuring	2,662	–	238	–	-38		**2,862**
Other provisions	751	–	389	-165	-190	-2	**783**
Other long-term provisions	**8,134**	**538**	**1,388**	**-308**	**-580**	**-2**	**9,170**

The "Other long-term employee benefit provisions" are provisions for jubilee benefits, final employee settlements and part-time retirement benefits. The jubilee benefits accounted for EUR 3,740,000 of this amount as at 31 December 2008. The allocation to the provision for jubilee benefits consists of an allocation of EUR 187,000 and an interest component of EUR 167,000. The provision for final employee settlements, amounting to EUR 1,462,000 at balance sheet date, will mostly be disbursed in 2009. The allocation to this provision was EUR 395,000.

The provisions for closure and restructuring costs were recognised for the Styria Federn factory in Düsseldorf. These relate to the discounted demolition costs under a contractual agreement, amounting to EUR 2,680,000 (31 Dec. 2007: EUR 2,552,000). The anticipated payments total EUR 3,000,000. The provision was recognised in 2002 for a period of ten years, and is discounted at 5% per annum. The allocation of EUR 238,000 has an interest component of EUR 125,000. The costs will be incurred in 2012 in the event that the rental agreement is not extended.

The "Other provisions" include provisions for risks that could arise from warranty claims, contractual guarantees and product liability in respect of delivered goods.

[21] Short-term provisions

Changes in the short-term provisions in 2008 were as follows:

EUR ´000	1 Jan. 2008	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec. 2008
Tax provisions	2,007	–	665	-2,000	–		**672**
Other provisions	2,591	–	958	-1,482	-828	-6	**1,233**
Short-term provisions	**4,598**	**–**	**1,623**	**-3,482**	**-828**	**-6**	**1,905**

EUR ´000	1 Jan. 2008	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec. 2008
Closure and restructuring	424	–	–	–	-406		**18**
Other employee benefit provisions	750	–	63	-750	–		**63**
Legal and consultancy costs	350	–	12	-4	-346		**12**
Impending losses	48	–	641	-48	–		**641**
Provision for claims	49	–	166	-49	–		**166**
Waste disposal costs	100	–	–	–	–		**100**
Other provisions	870	–	76	-631	-76	-6	**233**
Other short-term provisions	**2,591**	**–**	**958**	**-1,482**	**-828**	**-6**	**1,233**

The provisions for contingent losses were recognised during the year under review due to anticipated losses on products sold, as the prices agreed with customers were fixed, and the manufacturing costs exceeded the selling prices.

The provision was calculated on the basis of a discounted cash flow projection applying a discount rate of 6.25% to the future cash inflows and outflows.

The “Other short-term provisions” are recognised for all other identifiable risks arising from past events resulting in present obligations (legal or constructive) where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

[22] Liabilities

The breakdown of liabilities at 31 December 2008 by maturities and collaterals is as follows:

		Maturity			
Liabilities at 31 Dec. 2008 in EUR ´000	Total amount	Up to 1 year	1–5 years	Over 5 years	Collat-eralised
Bond	71,375	1,375	70,000		
Bank borrowings	38,038	29,333	8,010	695	6,724
Prepayments received	4,601	4,110	491		
Trade payables	45,646	45,646			
Liabilities to Group companies	652	652			
Notes payable	–				
Other liabilities	29,768	26,886	2,882		
Total liabilities	**190,080**	**108,002**	**81,383**	**695**	**6,724**

The collateral pledged for liabilities includes EUR 377,000 in bank balances pledged by Porzellanfabrik Frauenthal as security for liabilities. This relates to a passbook which was pledged to Ceram Liegenschaftsverwaltung GmbH under the shareholder agreement concluded in connection with the demerger and disposal of the insulator business in 2001. The other collateral pledged for liabilities concerns EUR 6,347,000 in inventories, receivables and mortgages pledged by the Polish subsidiary Pol-Necks.

The Frauenthal Holding Group launched a EUR 70,000,000 bond issue on 29 June 2005. The coupon is 3.875%. The maturity date is 29 June 2012, and redemption will be at face value. The annual coupon date is 29 June. The bond is listed on the Vienna Stock Exchange.

The bank borrowings include EUR 823,000 in finance lease liabilities, of which EUR 159,000 have maturities of over five years and EUR 517,000 have maturities of between one and five years, while EUR 146,000 are short term.

The long-term borrowings include EUR 6,724,000 secured by collateral (31 Dec. 2007: EUR 2,300,000).

The comparative amounts at 31 December 2007 were:

		Maturity			
Liabilities at 31 Dec. 2007 in EUR ´000	Total amount	Up to 1 year	1–5 years	Over 5 years	Collat-eralised
Bond	71,375	1,375	70,000		
Bank borrowings	17,953	15,187	2,626	140	2,300
Prepayments received	8,808	8,808			
Trade payables	48,877	48,877			
Liabilities to Group companies	11,261	11,261			
Notes payable	1,802	1,802			
Other liabilities	25,095	25,095			
Total liabilities	**185,171**	**112,405**	**72,626**	**140**	**2,300**

The “Other liabilities” comprise:

EUR ´000	**2008**	2007
Staff liabilities	**16,210**	16,463
Liabilities arising from participation certificates	**479**	11,025
Tax liabilities	**5,502**	4,790
Grants received	**2,988**	–
Accruals	**2,673**	449
Suppliers´ credit balances	**771**	887
Warranty liabilities and damages	**750**	742
Sundry other liabilities	**1,538**	2,139
Other liabilities	**30,911**	**36,356**

Apart from payroll and employee benefit expense for December 2008, “Staff liabilities” mainly relate to accruals for unused leave. The cost of the participation certificates was repaid to Ventana Beteiligungs GmbH at the end of 2008, and the outstanding interest paid in 2009.

[23] Contingent liabilities

Frauenthal Holding AG has given a guarantee of EUR 820,000 to the Privatisation Agency of the Republic of Serbia in respect of the Serbian company A.D. Fabrika Oproga Gibnjara Kraljevo, acquired in December 2007. At balance sheet date there was an obligation as a result of this guarantee to make investments of EUR 820,000 at the company by 4 February 2010. However the guarantee expired on 4 February 2009 and was not extended for a further year.

In the event that actual market developments are more negative than the budget assumptions additional restructuring actions, including the shutdown of production capacity, which could extend to the complete closure of some factories, will be necessary in order to adjust fixed costs to reduced capacity utilisation. Other potential risks are discussed in the operating review.

The Portuguese subsidiary Styria Impormol has given guarantees of EUR 125,000 to Transgas Industria and EUR 82,000 to an electricity supplier, EDP for gas deliveries.

All other contingent liabilities are recognised by provisions or "Other liabilities".

[24] Contingent assets

As in the previous year, there were no contingent assets as at balance sheet date.

[25] Rental and lease commitments

Commitments arising from the use of property, plant and equipment not shown in the consolidated balance sheet under rental or lease contracts are as follows:

EUR '000	2008	2007
Next year	**9,077**	7,442
Next five years	**40,350**	32,838

These commitments in the main relate to the rental obligations of the SHT Haustechnik Group and rental payments for the Styria Federn GmbH factory in Düsseldorf. The Group makes use of operating leases to a small extent for the vehicle fleet and office equipment.

Readers are referred to Notes 10 and 16 for information on lease assets.

[26] Other financial obligations

As at balance sheet date Frauenthal Holding AG and its subsidiaries were involved in no material litigation for which provisions had not been recognised.

Apart from the aforementioned rental and lease commitments there are no long-term contractual obligations other than those arising from normal business operations, nor are there any environmental licensing conditions which could lead to material off balance sheet financial obligations for the Group.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement is presented using the nature of expense method.

[27] Revenue

Most of the Group's revenue was again generated in EU member states in 2008.

EUR '000	2008	2007	Change
Revenue by regions			
Austria	275,113	264,633	10,480
Other EU	329,799	293,655	36,144
USA	22,428	16,410	6,018
Rest of the world	18,056	17,304	752
Revenue	**645,396**	**592,002**	**53,394**

The revenue is derived from the sale of goods.

Some EUR 35,504,000 of the revenue (2007: EUR 26,382,000) is accounted for by construction contracts and was measured using the PoC method in accordance with IAS 11.

[28] Other operating income

The following amounts are reported as "Other operating income":

EUR '000	2008	2007	Change
Other operating income			
Gains on reversals of provisions	1,056	653	403
Income from waiver of receivables	912	70	842
Exchange gains	759	559	200
Unrealised exchange gains	539	215	324
Gains on deconsolidation	293	–	293
Insurance recoveries	289	119	170
Gains on disposal of non-current assets	12	230	-218
Reversal of negative goodwill	–	1,537	-1,537
Sundry other income	8,114	7,752	362
Other operating income	**11,974**	**11,135**	**839**

The "Gains on disposal of non-current assets" arose from the sale of property, plant and equipment. Of the EUR 46,000 reported in the cash flow statement, however, EUR 34,000 relates to the disposal of financial assets.

"Sundry other operating income" includes services, refunds, grants, suppliers' contributions and reversals of provisions.

EUR '000	2008	2007	Change
Sundry other income			
Bonuses and grants received	2,694	2,617	77
Income from insurance payments	1,151	311	840
Reversal of impairment losses	1,068	1,672	-604
Reversal of deferrals	601	917	-316
Income from property service charges	508	–	508
Income from charging-on of expenses	421	1,228	-807
Income relating to prior years	285	–	285
Sundry other income	1,386	1,007	379
Sundry other income	**8,114**	**7,752**	**362**

[29] Raw material and consumables used

"Raw material and consumables used" comprises the following amounts:

EUR '000	2008	2007	Change
Cost of materials	378,330	349,217	29,113
Cost of consumables used	43,324	37,022	6,302
Total	**421,654**	**386,239**	**35,415**

[30] Staff costs

The composition of staff costs is as follows:

EUR '000	2008	2007	Change
Wages	75,970	72,018	3,952
Salaries	22,702	19,577	3,125
Termination benefit expense	4,031	1,825	2,206
Post-employment benefit expense	761	70	691
Expenses for social security contributions, and other pay-related levies and compulsory contributions	26,825	24,130	2,695
Other employee benefit expense	1,307	1,259	48
Staff costs	**131,596**	**118,879**	**12,717**

The following payments were made to or on behalf of the Executive Board and senior executives in key positions:

EUR '000	2008	2007
Pension payments to former senior executives	127	118
Number of senior executives	54	48
Salaries of senior executives	7,975	7,558
Pension payments on behalf of senior executives	66	31
Termination and post-employment benefits of senior executives	515	257
Pension fund for senior executives	287	185
Termination and post-retirement benefits of other employees	4,211	1,802

Of the EUR 4,792,000 in expenses for termination and post-employment benefits EUR 4,211,000 related to other employees and EUR 581,000 to senior executives.

Executive Board members, former chief executive officers of Group companies and other senior executives accounted for EUR 315,000 (2007: EUR 257,000) of the expenses for termination and post-employment benefits, and other employees for EUR 4,215,000 (2007: EUR 1,802,000).

As in the previous year, there are no pension commitments made by the Frauenthal Holding Group or its subsidiaries to serving members of the Executive Board, chief executive officers of Group companies or other senior executives. Regular contributions are made to a pension fund for members of the Executive Board. During the 2007 financial year these totalled EUR 66,000 (2007: EUR 31,000).

Austrian Group companies made EUR 189,000 (2007: EUR 75,000) in contributions to defined contribution plans under the BMVG (Company Pension Fund Act) and individual employment contracts.

[31] Depreciation and amortisation expense, and impairment

The breakdown of annual depreciation and amortisation expense, and impairment by individual items is shown in the non-current asset movement schedule.

[32] Other operating expenses

The breakdown of "Other operating expenses" is as follows:

EUR ´000	2008	2007	Change
Taxes other than income taxes	1,286	1,832	-546
Operating expenses	2,200	2,039	161
Freight costs	8,417	9,676	-1,259
Third-party repairs	6,774	4,907	1,867
Administrative expenses	6,922	5,055	1,867
Legal and consultancy expenses	4,879	5,249	-370
Other distribution costs	7,091	6,901	190
Third-party services	1,233	759	474
Travel costs	3,475	3,044	431
Rental expenses	6,974	6,348	626
Insurance expenses	2,716	1,830	886
Restructuring costs	–	1,495	-1,495
Bank charges	557	325	232
Waste disposal costs	831	669	162
Staff recruitment	986	653	333
Damages claims	1,347	602	745
Impairment losses	3,133	1,763	1,370
Exchange losses	1,472	840	632
Lease expenses	313	287	26
Leased employees	1,796	1,775	21
Other expenses	3,846	2,357	1,489
Other operating expenses	**66,248**	**58,406**	**7,842**

The increase in third-party repairs is almost entirely attributable to higher power station catalyst output in 2008. These expenses include the cost of extruder dies for catalyst production. Due to the high volume it is no longer possible to manufacture all of the dies internally, and some must be bought-in from external suppliers at much higher cost. In addition, the maintenance intervals of all the production machinery must be adhered to, and when production is higher maintenance must be performed several times per year. "Other operating expenses" include third party services and amounts charged-on.

[33] Interest and similar expenses

As in the previous year, all borrowing costs were recognised as expense regardless of how the borrowings were applied (paragraph 8 IAS 23).

[34] Income tax expense

Taxes on income

The rate of taxation applicable to the parent company, Frauenthal Holding AG is 25%. The "Income tax expense" item amounting to EUR 5,554,000 (2007: EUR 4,591,000) includes EUR 3,401,000 (2007: 4,303,000) in current tax expense.

Change in deferred tax

The EUR 2,153,000 net change in deferred tax assets and liabilities is reported as tax expense (2007: EUR 288,000).

EUR ´000	2008	2007
Change in deferred tax		
Deferred tax at 31 Dec.	**19,795**	**18,791**
whereof deferred tax assets	21,921	20,326
deferred tax liabilities	–2,126	-1,535
Additions from consolidation	**23**	**1,366**
whereof deferred tax assets	23	1,762
whereof deferred tax liabilities	–	-396
Changes in balance sheet items	**-1,486**	**-147**
Development costs	71	-36
Other non-current assets	-491	479
Other current assets	-65	-291
Provisions for termination benefits	-400	50
Provisions for retirement benefits	-382	-421
Provisions for jubilee benefits	-5	46
Other provisions	251	-73
Other liabilities	-465	99
Tax loss carryforwards and deferred tax loss carryforwards	**-808**	**-216**
Changes due to profit for the period for tax purposes	–2,629	-4,469
Changes in capitalisation of tax loss carryforwards	1,821	4,253
Changes in deferred tax	**-2,153**	**-287**
whereof increase in deferred tax assets	-1,967	-165
reversal of deferred tax liabilities	-207	-197
exchange differences	21	75
Changes in equity	**-120**	**–**
Exchange differences	**-21**	**-75**
Deferred tax at 31 Dec.	**17,524**	**19,795**
whereof deferred tax assets	19,977	21,921
deferred tax liabilities	-2,453	-2,126

Readers are referred to Note 17 for the breakdown of deferred tax.

EUR '000	2008	2007
Reconciliation of legally applicable to effective tax rate		
Profit before tax	**17,053**	**23,214**
Income tax expense at rate of 25%	**4,263**	**5,804**
Tax effects		
Tax income from previous periods	-74	-99
Utilisation of non-capitalised tax loss carryforwards	15	132
Increase in non-capitalised tax loss carryforwards	-2,503	-15
Initial recognition of tax loss carryforwards	1,939	4,253
Permanent tax differences and other	-164	307
Differences in tax rates applicable to subsidiaries	-504	-2,387
Changes in tax rates	–	-978
Total tax effects	**-1,291**	**1,213**
Income tax expense	**5,554**	**4,591**
Income tax expense as shown in income statement	-3,401	-4,303
Change in deferred tax	-2,153	-288
Total tax expense as shown in income statement	**-5,554**	**-4,591**
Effective tax rate	33 %	20 %

E. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement is presented according to the indirect method. The cash flows are classified by operating, investing and financing activities. The balance of the net cash flows shows the change in cash and cash equivalents between the beginning and end of the financial year.

[35] Operating profit before working capital changes

Operating profit before working capital changes is the profit/loss after tax, adjusted for non-cash expenses and income, and the change in long-term provisions, as well as proceeds from the sale of non-current assets which are shown under cash flows from investing activities.Cash inflows and outflows from interest received or paid and income taxes are reported under cash flows from operating activities.

Of the EUR 296,000 in interest received, EUR 284,000 is stated as payments received and EUR 12,000 as loans receivable. Interest payments made account for EUR 5,624,000 of the EUR 5,946,000 in interest expense. EUR 209,000 are included in borrowings and EUR 113,000 in current assets.

Current tax expense and taxes from previous periods were EUR 3,401,000 and actual tax payments EUR 4,707,000.

Interest income does not include any cash inflows arising from impaired financial assets.

[36] Non-cash transactions

In compliance with paragraph 43 IAS 7 non-cash transactions are excluded from the cash flow statement. Material non-cash transactions were accordingly eliminated.

[37] Cash flows from operating activities

The operating profit before working capital changes is adjusted for the change in cash tied up in working capital to yield the cash flows from operating activities. The exchange differences are shown under cash flows from operating activities.

[38] Cash flows from investing activities

Cash flows from investing activities include investment in intangible assets, and property, plant and equipment.

Proceeds from sale of non-current assets include proceeds from the sale of intangible assets and property, plant and equipment, as well as EUR 836,000 in receipts from sales of financial assets.

[39] Cash flows from financing activities

This part of the statement groups all cash inflows and outflows relating to equity and borrowings.

Pursuant to paragraph 17 IAS 7 the change in holdings of treasury shares is shown under cash flows from financing activities.

Interest paid and received and tax are reported under "Operating profit before working capital changes". Dividends paid are shown under cash flows from financing activities.

[40] Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cheques and bank balances. There are no limits in the meaning of paragraph 48 IAS 7 to the availability for use by the Group of the balances reported as cash and cash equivalents.

F. SUPPLEMENTARY INFORMATION

[41] Average number of employees

EUR ´000	2008	2007	Change
Average number of employees			
Non-salaried employees	2,206	1,993	213
Salaried employees	1,121	1,051	70
Total	**3,327**	**3,044**	**283**

The head count increased by 199 as a result of the acquisition of Gibnjara Kraljevo S.A. The personnel reductions due to the adjustment of capacity in the Automotive Components Division will not affect the average number of employees until 2009. The head counts of SHT Haustechnik AG and Porzellanfabrik Frauenthal GmbH increased.

Apart from permanent employees the Group head count includes an annual average of 154 (2007: 155) leased employees.

At balance sheet the Frauenthal Group had 3,160 employees (2007: 3,130).

[42] Events after the balance sheet date

In response to the decline in demand for truck components, Frauenthal Holding AG has decided to halt the production of steel and aluminium air reservoirs by Styria Elesfrance s.a.s at the St. Avold site in France. The net impact on results of the restructuring costs incurred by the Linnemann-Schnetzer Group will be some EUR 1m, and payback from the cost savings will be in about two years. The St. Avold plant will continue to operate, and will produce tubular stabilisers.

There are no risks related to sharp changes in material prices between the balance sheet date and approval of the balance sheet, as it was possible to pass on most of the increases to customers under agreements to this effect.

The exchange rate of the volatile Romanian lei has increased by 7% and that of the Polish zloty by 13% since the balance sheet date. However the negative impact on our costs at these production sites has been very limited due to the invoicing of the main inputs (the main material used is steel) in euro. There is a minor risk exposure from non-euro invoicing of steel used at the Serbian site. The Serbian dinar has risen by 6% since the balance sheet date.

[43] Related party disclosures

Frauenthal Holding AG is a consolidated subsidiary of Ventana Beteiligungs GmbH. The owners of this company, Ernst Lemberger and Hannes Winkler, are members of the Supervisory Board of Frauenthal Holding AG.

Related party transactions between Frauenthal Group and Ventana Group companies, involving rental and other services, amounted to EUR 928,000 (2007: EUR 155,000). The rental expense includes rentals charged by Validus Immobilien Holding GmbH to SHT Haustechnik AG. Ventana Beteiligungsgesellschaft GmbH holds a 99% interest in Validus Immobilien Holding GmbH.

In 2006 Ventana Beteiligungs GmbH provided the Frauenthal Group with liquid resources in the form of participation certificates to a value of EUR 10,500,000. All the certificates were redeemed at the start of November 2008. The interest on these participation certificates was EUR 479,000 in 2008; this will be repaid in 2009.

The outstanding liabilities to Ventana Beteiligungs-GmbH at balance sheet date amounted to EUR 652,000.

Montmeilleur s.a.r.l. invoiced EUR 75,000 for consultancy services in 2008 (2007: EUR 75,000); Ernst Lemberger is the chief executive of this company.

Victor Maundrell, a member of the Supervisory Board of Frauenthal Holding AG, rendered consultancy services to the Automotive Components Group which were approved by the Board, and received EUR 35,000 in fees during the year under review (2007: EUR 36,000).

[44] Governing bodies

During the year under review the membership of the Supervisory Board of Frauenthal Holding AG was as follows:
Ernst Lemberger, Chairman
Dietmar Kubis, Deputy Chairman
Hannes Winkler
Oskar Grünwald
Victor J. Maundrell
Johann Schallert

The following members were delegated by the works council:
Karl Pollak
Klement Michael Marchl
Jürgen Tschabitzer

The membership of the Executive Board of Frauenthal Holding AG was:
Hans-Peter Moser
Martin Sailer (since 25 September 2008)
Winfried Braumann (until 15 March 2008)
Michael Ostermann (until 31 December 2008)

The total remuneration of the Executive Board was EUR 1,258,000; this is in part reported under "Other operating expenses".

In addition to fixed salaries Executive Board members receive performance related compensation equal to up to 80% of their annual basic salaries.

In the 2008 financial year the Supervisory Board received EUR 42,000 (2007: EUR 23,000) in compensation. Ernst Lemberger and Hannes Winkler waived their entitlements.

[45] Segmental analysis

The primary segments of the Frauenthal Group are industrial honeycombs, automotive components and wholesale plumbing supplies.

The core business of the industrial honeycombs segment is the production and distribution of SCR catalysts for flue gas purification, and of non-catalytic honeycomb products. The production location is in Frauental, Austria. Sales companies in Kansas and Seoul, and a representative office in Beijing are responsible for distribution in the USA, South Korea and China respectively.

The automotive components segment supplies components to manufacturers of commercial vehicle components and axles for trailers. The product range comprises leaf springs, stabilisers, air reservoirs for braking systems, U-bolts and truck diesel catalysts. The segment has production sites in Austria, France, Germany, Poland, Portugal, Romania, Serbia and Slovenia.

The plumbing supplies wholesaler SHT Haustechnik AG distributes leading sanitary, heating and other plumbing brands as well as its own Prisma and SaniMeister brands in Austria.

The classification of the secondary segment is by geographical markets, and is according to the domiciles of Group companies.

Intragroup sales chiefly concern management services by and overhead contributions to the holding companies; measurement is according to fixed hourly rates and on a cost-plus basis.

Detailed segmental reporting disclosures are shown in a separate summary table.

[46] Financial instruments

The Frauenthal Group holds underlying financial assets such as securities, trade receivables (underlying transactions), bank balances, short and long-term borrowings, and trade payables. The holdings of underlying financial instruments are disclosed in the balance sheet.

Objectives of capital management

The Group's capital management policies are aimed at safeguarding its ability to continue as a going concern and maintaining a sufficient equity ratio for the industries in which it operates, i.e. about 30% (on the basis of the IFRS consolidated financial statements). Frauenthal is a high growth company, and this is reflected in its corporate strategy. Our dividend policy is primarily designed to ensure that sufficient resources are available to fund growth.

Net gearing – the ratio of risk exposure (net debt) to capital – fell from 95.33% to 91.18% in 2008. Net interest bearing debt is the balance of interest bearing assets and liabilities. Total equity is accounting equity plus minority interests.

EUR ´000	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS
Interest bearing liabilities	27,495	86,083	88,623	99,828	109,413
Cash and cash equivalents	-12,177	-24,757	-10,615	-10,218	-16,302
Net debt	15,317	61,326	78,007	89,610	93,111
Gearing ratio in %	**43.96%**	**79.59%**	**99.17%**	**95.33%**	**91.18%**

Financial risk

In 2008 the industrial honeycombs segment used derivative financial instruments to hedge against US dollar and Japanese yen exchange rate risk. Downside price risk exposure is principally associated with EUR/USD exchange rate volatility. As Porzellanfabrik Frauenthal invoices a large part of its exports in USD movements in this currency have a significant influence on results. However attempts are made to minimise exchange risk and make it predictable over extended periods with the assistance of a wide variety of hedging instruments.

At balance sheet date there were dollar currency futures positions amounting to USD 6,000,000 with a fair value of EUR 305,000. During the year under review hedging instruments to a value of JPY 150,000,000 were used to hedge against Japanese yen exchange rate risk. This transaction had a fair value of EUR 262,000 as at balance sheet date. No options were extant at balance sheet date (2007: USD 12,000,000). The fair value of the currency futures transactions is given by the exchange rates at balance sheet date.

	USD '000		EUR '000	
	2008	2007	Fair value at 31 Dec. 2008	Fair value at 31 Dec. 2007
Options	–	12,000	–	169
Currency futures transaction	6,000	–	305	–

	JPY '000		EUR '000	
	2008	2007	Fair value at 31 Dec. 2008	Fair value at 31 Dec. 2007
Currency futures transaction	150,000	–	262	–

The sole purpose of the USD and JPY derivative transactions is to hedge against existing exchange and interest rate risk. The conditions for hedge accounting are met. Fluctuations in the value of the hedging instruments are offset by movements in the value of the underlying transactions being hedged.

Liquidity risk

The cash flow structure of the operating divisions is such that the liquidity risk is relatively low. The liquidity needs of the Group's ongoing operations can be met from cash flow, and are managed by the holding company's treasury function. There are also adequate reserves of liquidity to fall back on, as the Group has the option of packaging receivables in ABS in order to maintain liquidity. On 31 December 2008 EUR 17,071,000 in receivables (2007: EUR 13,901,000) were sold to Nordea Bank. The interest rate is the three-month Euribor rate plus 1.15 basis points. There is no significant risk as the transaction involves guaranteed payments by Nordea Bank for the invoices on the due dates. Daily monitoring means that there is ongoing information on the status of the receivables. The subsidiaries also have a number of unused credit lines. During the period under review all payment obligations (interest and principal) arising from loans were serviced punctually.

The automotive components segment's forecasts point to significant declines in orders which may lead to considerable additional strains on liquidity in the course of the year. These are due to time lags in adjusting fixed costs to the reduced volume of business and to restructuring costs (including possible factory closures). The additional liquidity needs are being met by reducing working capital and using existing credit lines. Provided that the existing credit lines remain in place there will be sufficient liquidity to take the necessary restructuring actions if business is below forecast. No additional financial instruments that could impose strains on the Group's liquidity are being employed. The risk report in the operating review contains additional information on possible shutdowns of production capacity or complete plant closures.

The automotive components segment's approved budget for 2009 is based on a 36% year-on-year reduction in demand. If demand for truck components fell by an additional 10% other existing credit lines would be used, and there would be sufficient liquidity to finance the related restructuring actions.

In the event that actual market developments are more negative than the budget assumptions additional restructuring actions, including the shutdown of production capacity, which could extend to the complete closure of some factories, will be needed to adjust fixed costs to reduced capacity utilisation.

Default and credit risk

In all of the Group's business segments, the default and credit risk associated with receivables and the risk of default by counterparties is managed by regular credit checks, active credit management and credit insurance. Specific provisions are recognised up to the maximum default risk associated with receivables.

There are concentrations of credit, creditworthiness and default risk in the automotive components segments owing to its heavy dependence on large, multinational customers. Customers' creditworthiness has deteriorated as a result of the downturn in the automotive sector, meaning that defaults by these customer groups cannot be excluded. However this risk was no more than moderate as at the balance sheet date.

There is a high degree of customer dependency in the power station catalyst business. This gives rise to concentrations of credit risk, but the default risk is very low due to the excellent creditworthiness of the customers. Default risk exposure is restricted to trade receivables with a carrying value of EUR 2,802,000 at balance sheet date. Substantially all of the bank balances can be set off against the bank borrowings. Adequate provision is made for potential defaults by providing for impairment losses. The prepayments and part-deliveries customary for large projects help to mitigate the risk associated with them.

Day-to-day receivables management is of particular importance to SHT Haustechnik AG due to its large number of customers – the SHT Group has regular business relationships with over 3,500 Austrian plumbers.

In 2003 SHT introduced specialised receivables monitoring and management software, which supports early identification and assessment of existing risks, and correct responses to them. Default and credit risk is countered by regular creditworthiness and credit limit checks, active credit management and credit insurance. There is seldom significant risk exposure from major projects as most of the Group's customers are small tradesmen. This risk management system is an integral component of the overall planning, control and reporting process. Readers are also referred to the comments on this subject in the operating review.

Default safeguards

Misjudgments regarding the creditworthiness of business partners could have a significant negative impact on the Group. We therefore monitor our entire counterparty risk exposure and customer portfolio in terms of default probabilities, calculated by international rating agencies. If the creditworthiness assessment or rating do not meet our requirements, i.e. an investment grade rating is not given, transactions are only concluded on the basis of adequate securities (e.g. prepayments, bank guarantees or letters of comfort). These counterparty requirements also minimise default risk, which is further reduced by netting agreements. In addition, we react by taking out increased insurance cover for trade receivables, and monitoring deliveries still more closely. In the case of our largest customers factoring is used to guard against default risk.

The default safeguards applied by SHT Haustechnik AG are particularly worthy of mention because of the large number of customers. The proportion of the receivables covered by credit insurance is currently over 70%. In 2008 the Group signed a multiyear contract with a credit insurer. Only receivables below a defined threshold, and from municipalities and other public sector bodies are not covered by credit insurance. Due to the large number of customers there is no significant risk concentration.

The analysis tools provided by the SAP ERP system support the early identification of sales and procurement risks, permitting rapid recourse to alternative procurement channels and changes to the sales strategy.

Reliable information technology is a critical factor for SHT. It addresses this issue by using state-of-the-art technology – particularly for data backup and firewalls – as well as a highly available computer centre, redundant data lines and catastrophe planning.

Foreign exchange risk

The introduction of the euro significantly reduced the Frauenthal Group's exposure to foreign exchange risk, and there is thus no significant risk from exchange rate movements. Frauenthal's main customers and production facilities are located within the eurozone.

Due to the fact that the industrial honeycomb segment's business activities are global, and are heavily concentrated in the US and Asian markets, it is exposed to US dollar exchange rate risk. Only a relatively minor portion of this risk is internally hedged by the procurement of raw and intermediate materials priced in USD. Because of this currency hedges are used for some medium and long-term contracts, on a case by case basis.

As at balance sheet date USD exchange rate risk was as follows:

USD '000	Fair value at 31 Dec. 2008	Fair value at 31 Dec. 2007
Exposure	317	1,487

Downside price risk exposure is principally associated with exchange rate volatility. As the Company invoices a large part of its exports in USD movements in this currency have a significant influence on results. Had Porzellanfabrik Frauenthal GmbH not hedged the USD revenue from its projects its revenue would have been about EUR 280,000 lower in 2008.

The relevant exchange rates affect the payment flows generated by receivables and payables denominated in foreign currencies. However attempts are made to minimise exchange risk and make it predictable over extended periods with the assistance of a wide variety of hedging instruments. There are no other significant cash flow risks. In the power station catalyst business 60% of the budgeted incoming payments in 2008 are hedged, meaning that the other 40% are exposed to foreign exchange risk.

The influence of volatile currencies (the Romanian lei and Polish zloty) on our costs at the production sites in the countries concerned is very limited due to the invoicing of the main inputs (the main material used is steel) in euro. Most of the customer invoices are also in euro and hence present no currency risk.

The main currency risks attach to the power station catalyst operation, which does a considerable amount of business in the US dollar area. Because of this currency hedges are used for medium and long-term contracts. The position as regards the volatile currencies is as follows: the exchange rate of the Romanian lei has increased by 7% and that of the Polish zloty by 13% since the balance sheet date. However the negative impact on our costs at these production locations has been very limited due to the invoicing of the main inputs (the main material used is steel) in euro. There is a minor risk exposure from non-euro invoicing of steel used at the Serbian site. The Serbian dinar has risen by 6% since the balance sheet date.

Interest rate risk

The risk to which the Group is exposed from interest rate movements affecting its financial assets and liabilities is currently regarded as low in comparison to the exchange, and default and credit risk, as its financing is mainly based on the bond, which does not mature until 2012. The EUR 70m bond issue, which represents a major component of the financial liabilities, has a fixed interest rate of 3.875% and a duration of seven years (see Note 22). However, in the event of additional borrowing, and in the period after the maturity of the bond, interest rate movements could influence the Group's assets, finances and earnings.

The other financial liabilities bear variable interest rates. The Group's financial investments are mainly in bond funds. They are of little significance for its overall assets and earnings. As a result of the fixed interest rate bond a 1% interest rate increase on "Other liabilities" would reduce profits by only EUR 280,000. Hedging instruments are used to reduce the impact of short-term fluctuations in market rates on earnings still further.

During the year under review the average rate of interest on the Group's interest bearing borrowings was 4.31% (2007: 4.26%).

There are no risks related to pronounced changes in material prices between the balance sheet date and approval of the balance sheet, as it was possible to pass on most of the increases to customers under agreements to this effect.

On the cost side, the prices of tungsten, molybdenum and vanadium, which are required to produce catalysts, have fallen slightly. In order to prevent upward pressure on costs currency hedges are used for materials paid for in foreign currency.

Fair values

The fair values of the derivative instruments are shown in the table below. The fair values of the underlying financial instruments are effectively identical to the carrying values due to the daily or short-term maturities.

The bond is measured at fair value which is determined by the market price of the securities. The fair value of the bond at balance sheet date was EUR 64,456,000. The price has fallen as a result of the current market environment; however no price has been quoted since 28 August 2007. The table below gives further information on the measurement categories, carrying values and fair value of the financial liabilities.

ASSETS EUR '000	Measurement category	Carrying value at 31 Dec. 2008	Fair value at 31 Dec. 2008	Carrying value at 31 Dec. 2007	Fair value at 31 Dec. 2007
Financial assets	AFS	1,318	1,318	848	848
Securities in a hedging relationship	n.a.	479	479	–	–
Currency futures transaction (option in 2007)	HFT	567	567	169	169
Trade receivables	LAR	60,015	60,015	73,200	73,200
Other receivables	LAR	6,055	6,055	4,670	4,670
Cash and cash equivalents	C&CE	16,302	16,302	10,218	10,218
Aggregated by measurement categories					
Available for sale	AFS	1,318		848	
Loans and receivables	LAR	66,070		77,870	
Held for trading	HFT	567		169	
Cash and cash equivalents	C&CE	16,302		10,218	

LIABILITIES EUR '000	Measurement category	Carrying value at 31 Dec. 2008	Fair value at 31 Dec. 2008	Carrying value at 31 Dec. 2007	Fair value at 31 Dec. 2007
Non-current liabilities					
Bond	FLAC	70,000	64,400	70,000	68,600
Bank borrowings	FLAC	8,262	8,262	2,766	2,766
Liabilities to Group companies	FLAC	–	–	–	–
Current liabilities					
Bond	FLAC	1,375	1,375	1,375	1,375
Bank borrowings	FLAC	29,775	29,775	15,187	15,187
Trade payables	FLAC	49,422	49,422	59,487	59,487
Liabilities to Group companies	FLAC	652	652	11,261	11,261
Other liabilities	FLAC	27,221	27,221	25,095	25,095
Aggregated by measurement categories					
Financial liabilities measured at amortised cost	FLAC	186,707		185,171	

		Net result 2008	Net result 2007
Net results by measurement categories			
Available for sale	AFS	16	–
Loans and receivables	LAR	-3,409	-424

The price of the bond listed on the Vienna Stock Exchange was EUR 92.08 at balance sheet date.

Long and short-term borrowings

The short-term bank borrowings are shown on the balance sheet, at amortised cost. The long-term liabilities to banks are likewise normally recognised at the amounts due, as the current interest rates for liabilities with like maturities correspond to the average rate of interest on these liabilities.

The tables below show the contractually agreed (undiscounted) interest and principal payments due on the underlying financial liabilities. The Frauenthal Group has no derivative financial liabilities.

EUR '000	Carrying value at 31 Dec. 2008	Financial flows, 2009		Financial flows, 2010	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**109,412**	**2,494**	**14,595**	**2,652**	**1,463**
Bonds	71,375	1,375		1,375	
Bank borrowings	37,215	1,109	14,343	1,271	1,374
whereof long-term borrowings (long-term portion)	8,044		353	311	1,374
long-term borrowings (current portion)	636	60	636		
loans and overdrafts	28,482	1,049	13,301	960	
deferred payments	52		52		
Finance lease liabilities	823	10	252	6	89

EUR '000	Financial flows, 2011–2013		Financial flows, 2014 ff.	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**3,752**	**75,848**	**999**	**952**
Bonds	2,062	70,000		
Bank borrowings	1,671	5,633	961	685
whereof long-term borrowings (long-term portion)	637	5,633	38	685
long-term borrowings (current portion)				
loans and overdrafts	1,034		923	
deferred payments				
Finance lease liabilities	19	215	38	267

The loans and overdrafts include an overdraft facility extended to SHT Haustechnik AG, which is used on a rolling basis and is therefore not included in the payments of principal. This item also excludes the export loan to Styria Federn Judenburg. The loan will be extended this year provided that the ratio of exports to production is sufficient, and repayment is therefore not planned.

All the instruments held on 31 December 2008 for which payments had been contractually agreed as at that date are included. New liabilities contained in budget figures are excluded. Amounts in foreign currencies were translated at the rates ruling at balance sheet date. Borrowings repayable at any time are always shown in the column with the shortest maturities.

[47] Earnings per share

Basic and diluted earnings per share for the 2008 financial year are identical. On the basis of the consolidated net profit for the period attributable to equity holders of the parent of EUR 11,733,000 (2007: EUR 17,505,000) and an average of 9,173,600 shares in issue (2007: 9,173,600), earnings per share were EUR 1.28 (2007: EUR 1.91).

No par shares	2008	2007
Number of shares in issue	9,434,990	9,434,990
Treasury shares	-261,390	-261,390
Shares in circulation	9,173,600	9,173,600

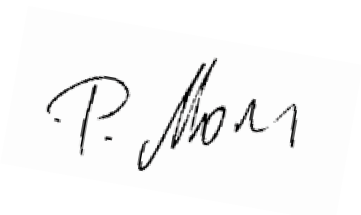
The Executive Board is recommending non-payment of a dividend (2007: EUR 0.20 per share) for the 2008 financial year. The previous year's dividend was subject to 25% investment income withholding tax in Austria.

G. DECLARATION OF THE EXECUTIVE BOARD UNDER SECTION 82(4) AUSTRIAN STOCK EXCHANGE ACT

The Executive Board hereby declares that to the best of its knowledge the annual financial statements of the Frauenthal Group, drawn up in accordance with International Financial Reporting Standards (IFRS), to the maximum extent possible give a true and fair view of the assets, finances and earnings of the companies included in consolidation. The operating review likewise as far as possible gives a true and fair view of the assets, finances and earnings of the Frauenthal Group, and provides information on the course of business, and the impact of existing and future risks on the Group's business activities.

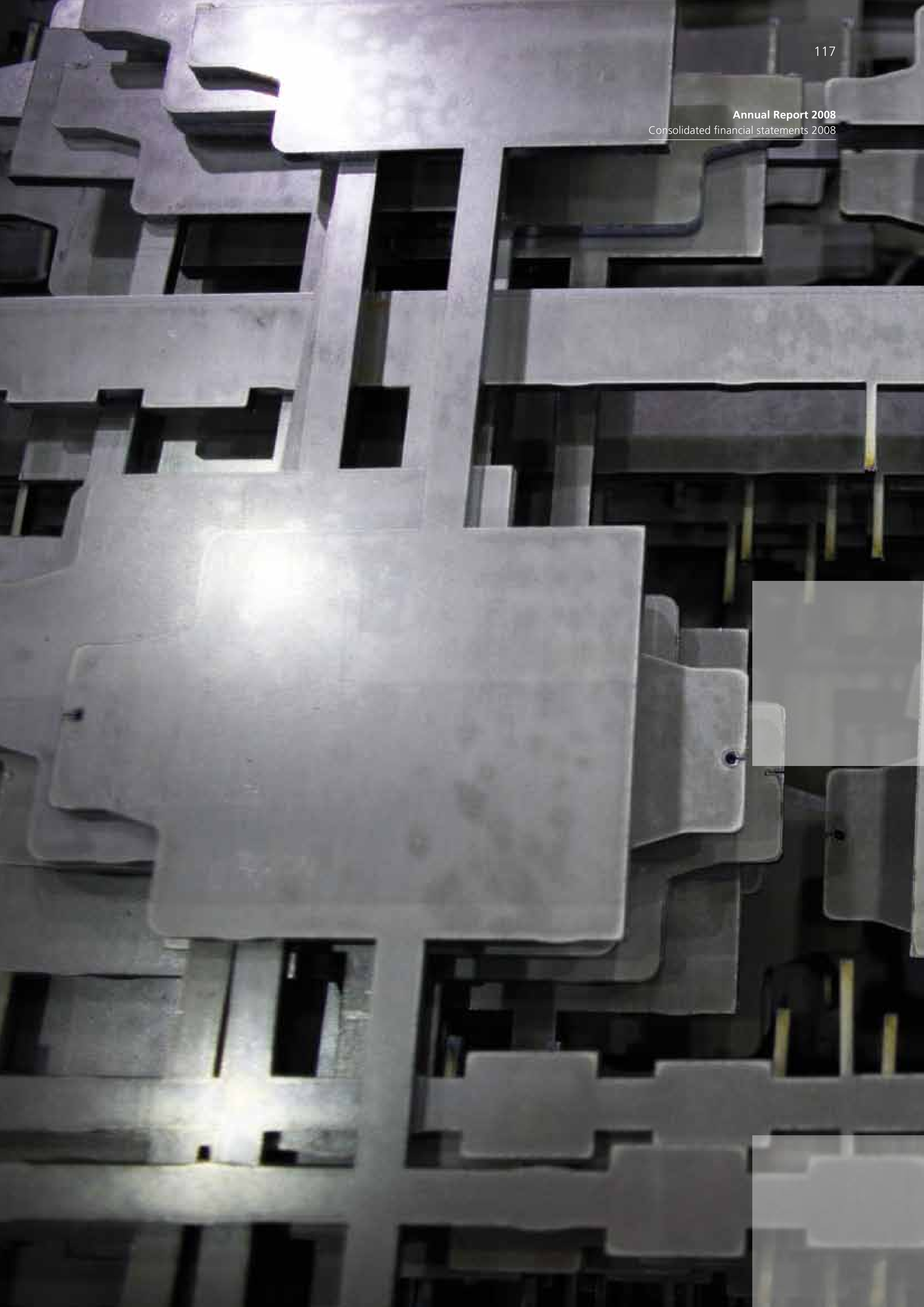
Vienna, 16 March 2009

Frauenthal Holding AG



Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Deputy Member of the Executive Board



Auditors' report
Report on the consolidated financial statements

"We have audited the consolidated annual financial statements of

Frauenthal Holding AG, Vienna

for the financial year ended 31 December 2008. These statements comprise the consolidated income statement for the year ended 31 December 2008, the consolidated balance sheet as at 31 December 2008, the consolidated cash flow statement and statement of changes in equity for the year then ended, a summary of the principal accounting policies applied, and notes to the accounts.

Responsibility of the Company's legal representatives for the consolidated annual financial statements

The Company's legal representatives are responsible for the preparation of consolidated annual financial statements which, to the maximum extent possible, present a true and fair view of the Group's assets, finances and earnings in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU. This responsibility includes: designing, implementing and maintaining an internal control system, to the extent that this is relevant to the preparation of consolidated annual financial statements and to the presentation of a true and fair view of the Group's assets, finances and earnings, such that those statements are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting and measurement methods; and making estimates which are reasonable in the circumstances.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. We conducted our audit in accordance with Austrian statutory requirements and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the relevant codes of professional conduct, and plan and perform the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves the performance of audit procedures to obtain evidence about the amounts and other disclosures in the consolidated annual financial statements. The selection of these procedures is at the due discretion of the auditors, taking into account their assessment of the risk of material misstatement due to fraud or error. In making these risk assessments, the auditors consider the internal control system, to the extent relevant to the preparation of the consolidated financial statements and the presentation of a true and fair view of the Group's assets, finances and earnings, in order to determine audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that control system. An audit also includes assessing the reasonableness of the accounting methods applied and of significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated annual financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

The auditing of the annual financial statements of subsidiaries together accounting for 45.57% of total consolidated revenue and 46.21% of total consolidated assets was performed by other auditors. To the extent that it concerns these subsidiaries our audit is exclusively based on their certificates.

Opinion

Our audit gave rise to no objections. Based on the results of our audit, in our opinion the consolidated financial statements to the maximum possible extent conform to the legal regulations, and present a true and fair view of the Group's assets and finances as at 31 December 2008, as well as its earnings and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU."

REPORT ON THE OPERATIONAL REVIEW

"Austrian legal regulations require us to audit the Group operating review to determine whether it is consistent with the consolidated annual financial statements and whether the other disclosures made in the operating review do not present a false view of the Group's position. In our opinion the operating review is consistent with the consolidated financial statements."

Vienna, 16 March 2009

B D O A u x i l i a T r e u h a n d G m b H
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

m.p.:
Andreas Thürridl
Auditor and chartered accountant

m.p.:
Marcus Bartl
Auditor and chartered accountant

The published auditor's certificate relates to the complete consolidated annual financial statements and operating review, and not to the information extracted therefrom published in the Annual Report.

COMPANY FINANCIAL STATEMENTS

Piotr Olszewski, production worker, 37

Balance sheet

EUR '000	31 Dec. 2008	31 Dec. 2007
Assets		
Non-current assets		
Intangible assets	42,328	82,327
Property, plant and equipment	133,864	160,362
Financial assets	102,902,011	103,969,500
	103,078,203	**104,212,189**
Current assets		
Receivables		
Receivables from Group companies	19,714,269	12,966,008
Receivables from associates	25,054	36,134
Other receivables and assets	236,543	233,658
Own shares	395,874	395,874
Cash and cash equivalents	5,088	18,520
	20,376,828	**13,650,195**
Prepayments and deferred assets	111,735	30,483
Total assets	**123,566,766**	**117,892,866**

EUR '000	31 Dec. 2008	31 Dec. 2007
Equity and liabilities		
Equity		
Share capital	9,434,990	9,434,990
Capital reserves	21,259,241	21,259,241
Retained earnings	7,895,875	7,895,875
Profit for the year	1,318,647	2,181,634
	39,908,753	**40,771,740**
Provisions		
Other provisions	151,542	161,660
	151,542	**161,660**
Liabilities		
Bond	71,374,828	71,374,829
Bank borrowings	10,000,048	5,000,000
Trade payables	128,686	272,966
Payables to Group companies	812,894	144,968
Other liabilities	1,190,015	166,703
	83,506,471	**76,959,466**
Total Equity and liabilities	**123,566,766**	**117,892,866**

Hasan Gögebakan, production worker (hand welder), 44

Frauenthal Holding AG company financial statements

The annual financial statements of Frauenthal Holding AG, prepared in accordance with Austrian accounting regulations, were given an unqualified audit certificate by BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna and have been submitted to the register of companies at the Vienna commercial court, together with the related documents, under register number FN 83990 s. These statements can be requested free of charge from Frauenthal Holding AG, Prinz-Eugen-Strasse 30/4a, A-1040 Vienna, and will be available for inspection at the Annual General Meeting.

Dividend recommendation

The net profit of Frauenthal Holding AG for 2008 was EUR 1,318,647.38.

The Executive Board is not proposing payment of a dividend to the Annual General Meeting. A dividend of EUR 0.10 and a bonus of EUR 0.10 per share were paid in 2007.

The Executive Board recommends to the Annual General Meeting carrying forward of the net profit for the period to new account.

Vienna, March 2009

The Executive Board

Income statement

EUR '000	2008	2007
Revenue	**2,172,098**	**1,990,490**
Other operating income	217,665	1,493,385
Staff costs	-1,500,117	-973,655
Depreciation and amortisation	-87,708	-79,592
Other operating expenses	-3,786,280	-2,759,386
Profit from operations	**-2,984,342**	**-328,758**
Income from Group companies	6,286,814	6,000,000
Interest and similar income	261,346	255,465
Expenses arising from financial assets	-1,727,488	–
Interest and similar expenses	-3,137,408	-2,902,628
Net finance income	**1,683,264**	**3,352,837**
Profit before tax	**-1,301,078**	**3,024,079**
Income tax expense	2,272,811	719,094
Profit after tax	**971,733**	**3,743,173**
Allocation to retained earnings	–	-2,000,000
Net profit from ordinary activities	**971,733**	**1,743,173**
Profit brought forward	346,914	438,461
Net profit for the period	**1,318,647**	**2,181,634**

GLOSSARY

Ibrahim Okan, production worker (coating and surface treatment), 45

Abbreviations

ABS	Asset backed securities
BMVG	**Employee Benefits Act**
CE	**Capital employed** The interest bearing capital employed by the Group: Property, plant and equipment + Intangible assets + Goodwill before amortisation + Working capital + Non-recurring effects = Capital employed
CLV	Ceram Liegenschaftsverwaltungs GmbH
CO_2	Carbon dioxide
DBO	Defined benefit obligation
DCF method	Discounted cash flow method
EBIT	**Earnings before interest and tax**
EBITA	**Earnings before interest, tax and amortisation**
EBITDA	**Earnings before interest, tax, depreciation and amortisation** = gross cash flow
ERP	Enterprise resource planning
EU	European Union
EUR	Euro
EUR m	Million euro
EVA	**Difference between the return on capital employed and the cost of capital** CE x (ROCE–WACC)
GDP	Gross domestic product
GHG	Greenhouse gas
HR	Human resources
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISC	Installateur Service Center
IT	Information technology
JPY	Yen (currency of Japan)
kg	kilogram
KRW	Won (currency of the Republic of Korea)
LS	Linnemann-Schnetzer
MWh	Megawatt hours

NOPAT	**Net operating profit after tax** EBITA less adjusted taxes (standard rate of 30%)
OEM	Original equipment manufacturer (motor manufacturer)
p.a.	Per annum
PoC	Percentage of completion
PLN	Zloty
POA	Profit on ordinary activities
R&D	Research and development
ROCE	**Return on capital employed** ROCE=NOPAT / CE
RON	New Romanian leu
ROS	**Return on sales** The operating profit margin of the enterprise ROS=EBITA/revenue
RSD	Serbian dinar
SAP	System Analysis and Program Development
SCR	Selective catalytic reduction
SHT	Plumbing supplies wholesale group
SIC	Standing Interpretations Committee
UGB	Austrian Business Code
USA	United States of America
USD	US dollar
WACC	**Weighted average cost of capital** The average market value of the enterprise's debt and equity Put at 7.26% for the Frauenthal Group in 2007, and at 6.69% in 2008.

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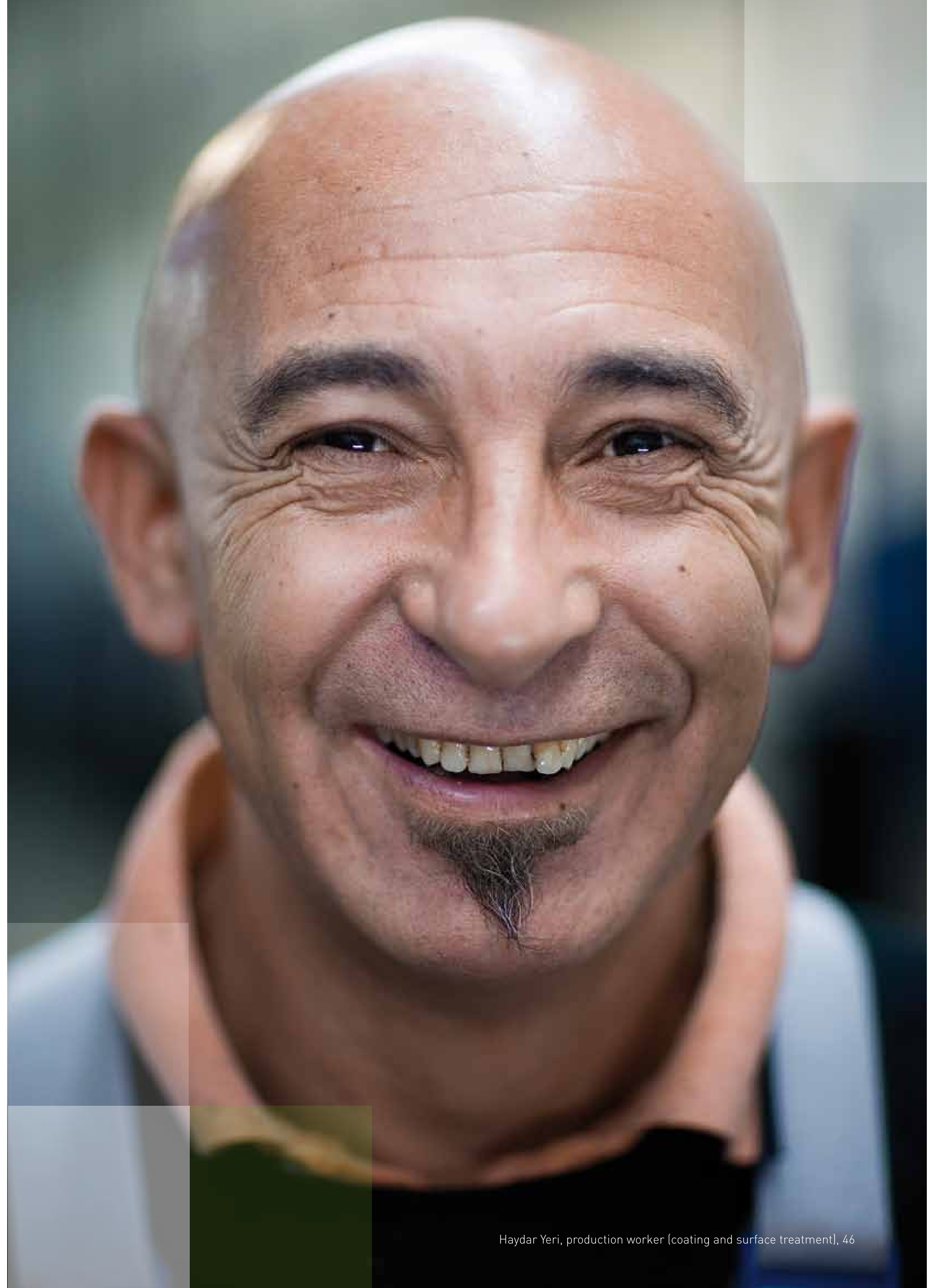
Five-year summary

Five-year summary	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Summary income statement (EUR m)					
Revenue	645.4	592.0	489.6	269.6	201.4
EBITDA	42.8	42.3	33.4	33.5	16.6
EBITDA, underlying 1)	42.8	40.9	33.4	22.8	16.6
ROS (EBITDA / revenue)	**6.6%**	**7.2%**	**6.8%**	**12.4%**	**8.2%**
ROS (EBITDA / revenue), underlying 1)	6.6%	6.9%	6.9%	9.4%	8.2%
Earnings before interest and tax (EBIT)	22.7	27.8	21.4	25.1	8.1
Earnings before interest and tax (EBIT), underlying 1)	22.7	26.4	21.4	14.4	8.1
Profit on ordinary aktivities (POA)	17.1	23.2	17.6	22.5	6.4
Profit/loss after tax	11.5	18.6	14.1	21.7	4.0
Operating profit before working capital changes	32.4	31.9	27.3	15.9	13.5
Summary balance sheet (EUR m)					
Non-current assets	150.8	144.8	128.7	124.8	62.8
Current assets	174.3	169.4	153.3	154.5	66.3
Total assets	325.2	314.2	282.0	279.3	129.1
Debt	223.1	220.2	203.3	202.2	94.3
Equity	102.1	94.0	78.7	77.1	34.8
Equity ratio in %	**31.4%**	**29.9%**	**27.9%**	**27.6%**	**27.0%**
Investment (additions to non-current assets)	27.1	18.8	17.1	7.0	5.7
as % of revenue	4.2%	3.2%	3.5%	2.6%	2.8%
Average head count 2)3)	3.327	3.032	2.738	2.051	1.476
Per employee ratios (in EUR '000)					
Revenue	194.0	195.3	178.8	131.5	136.4
EBIT	6.8	9.2	7.8	12.3	5.5
Operating profit before working capital changes	9.8	10.5	10.0	7.7	9.2
Shares in issue 4)	9,434,990	9,434,990	9,434,990	943,499	875,000
Treasury shares 4)	-261,390	-261,390	-261,390	-26,139	-26,139
Shares in circulation 4)	9,173,600	9,173,600	9,173,600	917,360	848,861
Per share ratios (in EUR) 4)					
EBITDA	4.7	4.6	3.6	36.5	19.5
EBIT	2.5	3.0	2.3	27.4	9.5
Profit/loss after tax	1.3	2.0	1.5	23.7	4.8
Operating profit before working capital changes	3.5	3.5	3.0	17.3	15.9
Equity	11.1	10.2	8.6	84.0	41.0
Share price					
Year end	6.58	22.89	23.00	158.00	66.00
High	22.88	25.60	31.50	168.99	73.00
Low	5.00	20.25	16.01	66.00	18.00
Dividend and bonus	0,0 5)	0.2	0.2	2.0	1.0

1) 2005: adjusted for EUR 10.8m in reversal of negative goodwill arising from acquisitions, recognised as income 1) 2007: adjusted for EUR 1.4m in reversal of negative goodwill arising from acquisitions, recognised as income 2) From 1 Jan. 2006: including average number of employees of the SHT Haustechnik Group 3) Including the average number of leased employees from 2003 onwards, in accordance with IFRS 4) Ten-to-one share split on 21 June 2006 5) Distribution proposed to the Annual General Meeting

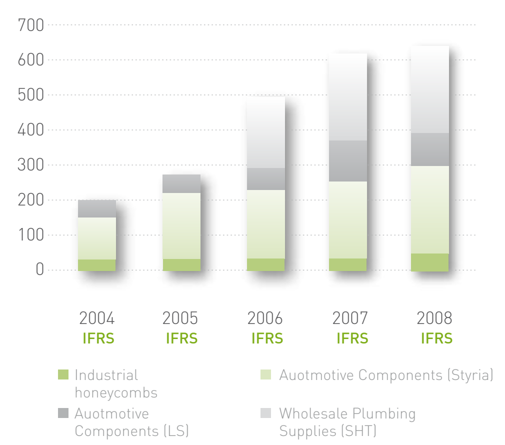


Haydar Yeri, production worker (coating and surface treatment), 46

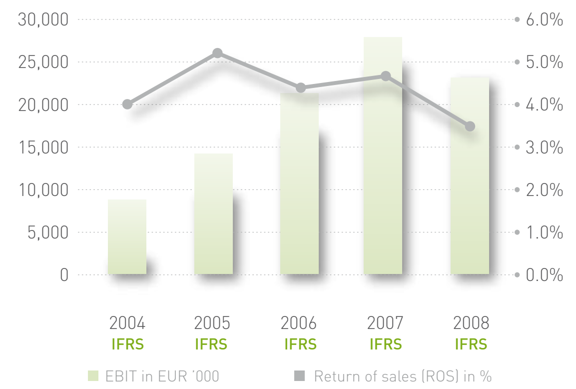
Financial highlights

Figures for the 2004–2008 financial years according to IFRS

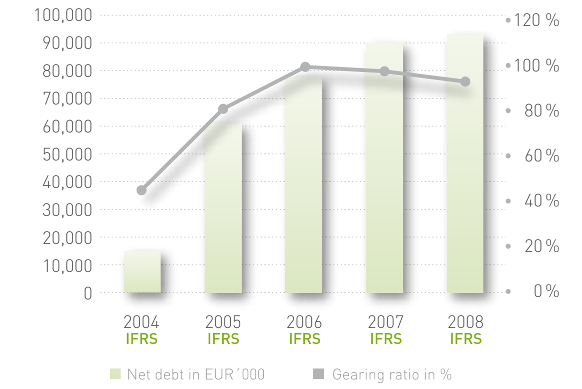
CONSOLIDATED REVENUE (EUR m)



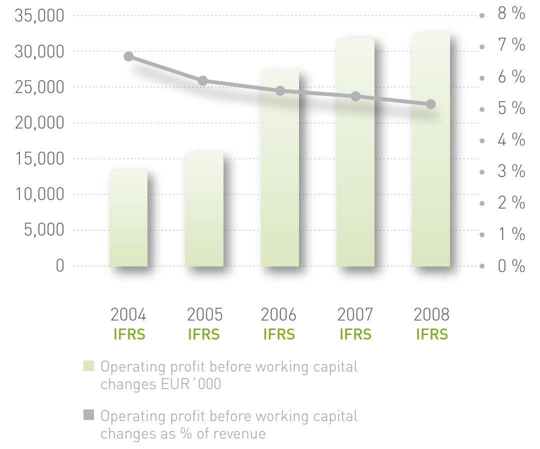
OPERATING PROFIT 1)



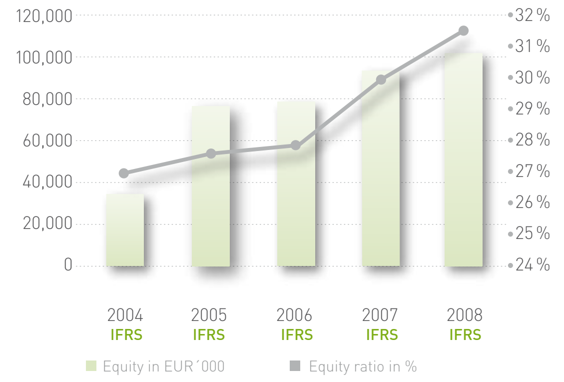
GEARING RATIO



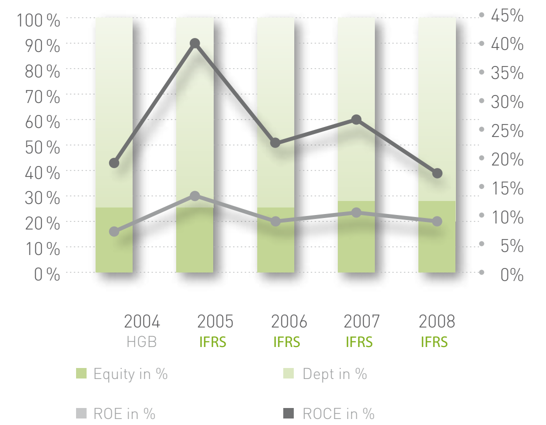
CASH FLOW



EQUITY



CAPITAL STRUCTURE 2)



1) 2005: excluding reversal of negative goodwill (EUR 10.8m)
1) 2007: excluding reversal of negative goodwill (EUR 1.4m)
2) 2005: ROCE excluding reversal of negative goodwill and consolidation (EUR 10.8m)
2) 2007: ROCE excluding reversal of negative goodwill and consolidation (EUR 1.4m)