frauenthal
GROUP

INTERIM REPORT 2012

FINANCIAL HIGHLIGHTS

	H1 2012	H1 2011	% change	2011
Summary income statement (EUR m)*				
Revenue	248.6	249.7	-0.4 %	514.2
EBITDA	6.6	11.4	-42.4 %	24.7
ROS (EBITDA/revenue)	**2.6 %**	**4.6 %**	**-42.2 %**	**4.8 %**
EBIT	1.8	6.5	-72.5 %	14.5
Profit from ordinary activities (EBT)	-1.0	4.0	-126.1 %	8.6
Loss/profit for the period from continuing operations	-1.9	2.5	-176.1 %	6.1
Loss/profit for the period from discontinued operations	37.3	3.6	936.7 %	7.6
Loss/profit for the period	35.4	6.1	485.0 %	13.7
Operating profit before working capital changes	3.8	12.7	-70.5 %	31.1
whereof discontinued operations	2.3	4.3	-45.7 %	9.5
Summary statement of financial position (EUR m)				
Non-current assets (IFRS)	116.6	136.4	-14.5 %	142.8
Current assets (IFRS)	242.2	235.7	2.8%	221.8
Total assets	358.8	372.1	-3.6 %	364.6
Borrowings	227.1	278.6	-18.5 %	265.8
Equity	131.7	93.5	40.9 %	98.9
Equity ratio in %	**36.7 %**	**25.1 %**	**11.6 %**	**27.1 %**
Investment (additions to non-current assets)	11.2	7.5	50.1 %	21.6
as % of revenue [2]	2.9 %	2.5 %	0.4 %	2.7 %
Average head count	**2,399**	**2,710**	**-11.5 %**	**2,689**
Per employee ratios (EUR '000)				
Revenue [2]	103.6	104.3	-0.6 %	217.1
EBIT [2]	0.7	2.7	-72.6 %	6.1
Operating profit before working capital changes	1.6	4.7	-66.7 %	11.6
Number of shares issued	9,434,990	9,434,990	-	9,434,990
Own shares	-272,456	-282,456	3.5 %	-272,456
Shares in circulation	9,162,534	9,152,534	0.1 %	9,162,534
Per share ratios (EUR)				
EBITDA	0.7	1.2	-42.4 %	2.7
EBIT	0.2	0.7	-72.5 %	1.6
Loss/profit for the period from continuing operations	-0.2	0.3	-176.0 %	0.7
Profit for the period from discontinued operations	4.1	0.4	935.6 %	0.8
Profit for the period	3.9	0.7	484.3 %	1.5
Operating profit before working capital changes	0.4	1.4	-70.5 %	3.4
Equity	14.4	10.2	40.7 %	10.8
Share price				
Year end	8.52	11.25	-24.3 %	9.40
High	11.00	13.35	-17.6 %	13.52
Low	8.20	9.49	-13.6 %	8.10
Dividend and bonus [1]				0.3

1) Distribution proposed to Annual General Meeting 2) Continuing operations

* The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5. The previous year's figures have been adjusted accordingly.

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Operating review for the first half of 2012

DEAR SHAREHOLDER,

The main features of the first half of 2012 for the Frauenthal Group were:

- Strategic realignment bringing tighter focus: the disposal of the Industrial Honeycombs Division has strengthened Frauenthal's equity by EUR 37.3m and boosted liquidity by EUR 80.7m.
- Downturn in the commercial vehicle demand: a sharp year-on-year fall in registrations (6% for heavy trucks and 12% for light vehicles) has cut our deliveries to customers and put prices under severe downward pressure in the Frauenthal Automotive Division.
- Geographical expansion: the acquisition of Slovakia's Technopoint has turned the Wholesale Plumbing Supplies Division (SHT) into an international business; meanwhile, on its Austrian home market, the division is benefiting from private property investment and strong contract sales.

Analysis of results and outlook

The effects of the disposal of the Industrial Honeycombs Division are presented under the "Profit for the period from discontinued operations" item. Discussion of the Group's operational performance relates to the continuing operations, namely, the Frauenthal Automotive and Wholesale Plumbing Supplies divisions.

- Group equity has grown to EUR 131.7m, raising the equity ratio to an all-time high of 36.7%, which gives us a strong platform our growth strategy.
- Net debt has shrunk to EUR 62.6m.
- Group revenue was down by only EUR 1.1m (0.4%), to EUR 248.6m.
- EBIT from the two continuing operations, the Frauenthal Automotive and Wholesale Plumbing Supplies divisions, was EUR 1.8m – down by EUR 4.7m when set against the outstanding result posted in the first half of 2011.
- The Frauenthal Automotive Division suffered a 7.7% fall in revenue due to the adverse economic climate; divisional EBIT slid by EUR 5.0m – in comparison with a very strong performance in H1 2011 – to EUR 1.1m.
- The Wholesale Plumbing Supplies Division delivered an EBIT contribution of EUR 1.8m – up by EUR 0.2m or 6.8%.
- The Frauenthal Group posted a loss for the period of EUR 1.9m (a deterioration of EUR 4.4m year on year); profits were impacted by the lower profit from operations in the Frauenthal Automotive Division and higher net finance costs due to the May 2011 bond issue.
- The outlook for the Wholesale Plumbing Supplies Division in the second half of 2012 is positive, but the uncertain economic environment facing the Frauenthal Automotive Division will call for the utmost vigilance, and management will need to take immediate corrective action at the first sign of a further downturn in demand.

Key Group developments and decisions

- A social plan for the closure of the shaped parts and welded components manufacturing operation in Ahlen, Germany (Frauenthal Automotive Westphalia GmbH, formerly Linnemann-Schnetzer Formparts GmbH) has been agreed with the works council and the unions. Some of the 70 affected employees will be taken on by the steel air reservoir production plant in Ahlen. Provisions of EUR 1.8m have been recognised for the closure costs. Production will cease at year end. Frauenthal Automotive Ahlen GmbH (air reservoirs), which is located at the same site, is unaffected by the decision.

- The disposal of the Industrial Honeycombs Division resulted in a large influx of liquidity. A considerable part of this is being used to repay short-term debt, and EUR 35m has been invested on the money market.

- A **tax inspection** took place at one of our subsidiaries – Frauenthal Automotive Elterlein GmbH (formerly Linnemann-Schnetzer Deutschland GmbH), located in Elterlein, Germany. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of EUR 8.5m arising from the capitalisation of these tax loss carryforwards are carried on the consolidated statement of financial position. The inspection led to the disallowance of the tax loss carryforwards, and the related assessment notices were issued in September 2011. The appeal against the decision is pending. The Executive Board and its expert advisers do not accept the tax authorities' arguments for disallowing the deductions. A number of thoroughly researched independent expert reports conclude that, in the light of the facts of the case, the legal position, the prevalent legal opinion and the relevant precedents, the tax loss carryforwards are very likely be reinstated on appeal in the financial courts. Because of this no accounting provision has been made for the risk of a back tax payment. Neither is there a need to write down the deferred tax assets of EUR 8.5m. However, there is a danger of protracted court appeal proceedings, and associated litigation risk. This assessment will be reviewed on a quarterly basis in light of the legal proceedings and any new information received, and accounting action taken if necessary.

Recent divisional developments and interim results

- The **Frauenthal Automotive Division** reported a drop in revenue of EUR 10.0m or 7.7%, roughly in line with the overall demand trend in the commercial vehicle market and close to that in the heavy vehicle segment. As experience shows that only very short-term forecasts are reliable in the industry, we are watching all the market indicators closely. At the time of writing there was first evidence of a further contraction in the market. There was a 6.1% the decline in new registrations of heavy trucks in the EU – milder than that in light vehicle registrations (12.2%). Manufacturers' expectations for 2012 as a whole vary widely, and the same applies to regional market developments. As at the end of the reporting period a moderate overall decline in sales of 10% to 15% was anticipated. It will not be clear whether this prognosis is realistic until customers' production plans are updated after the summer plant shutdowns.

- The **Industrial Honeycombs Division**, which belonged to the Frauenthal Group until 31 May 2012, registered a EUR 5.9m or 15.5% fall in revenue over the January-May 2012 period. The division's operating profit for 2012 is of no financial significance to the Frauenthal Group as its earnings are attributable to the acquirer and have no influence on the purchase price.

- The **Wholesale Plumbing Supplies Division (SHT)** posted both revenue and earnings growth in the reporting period. Of the EUR 8.6m gain in revenue to EUR 134.6m, EUR 2.3m was due to consolidation of the Slovak company acquired in April 2012 (Technopoint Sanitrends, s.r.o., Bratislava). The division's margins are under pressure from the pick-up in contract business because of the fierce price competition in this market segment. Nevertheless, it has recorded a modest increase in its gross margin as compared to H1 2011. EBIT was up by 9.7%, from EUR 1.6m to EUR 1.8m. The opening of a Bäderparadies outlet in Ansfelden, Upper Austria, in May 2012, marked the next stage in the division's drive to expand its sales network.

- The strong revenue performance of the Wholesale Plumbing Supplies Division kept the decline in **Group revenue** down to just 0.4%.The Frauenthal Automotive and Wholesale Plumbing Supplies divisions invested EUR 7.8m in the first half. Liquidity needs rose by EUR 26.5m as compared to year-end 2011, lifted by the normal seasonal pattern in SHT's business and the cessation of use of an ABS finance facility by the Frauenthal Automotive Division – a move that made it possible to put some of the Group's liquidity to work and reduce the size of the balance sheet. As at the end of the reporting period the Frauenthal Group held EUR 61.7m in cash and cash equivalents, of which EUR 35m consisted of long-term investments in money market instruments issued by leading Austrian banks. The Group also has access to adequate bank credit lines.

FINANCIAL PETRFORMANCE IN DETAIL

Group EBIT was down by EUR 4.7m or 72.5% to EUR 1.8m, impacted by lower revenue, cost increases and restructuring charges in the Frauenthal Automotive Division, which made a negative EBIT of EUR 1.0m. The Wholesale Plumbing Supplies Division posted EBIT growth of EUR 0.2m to EUR 1.8m on the back of revenue growth, as well as a slight improvement in margins despite a volume driven increase in operating costs. Group net finance costs increased by EUR 0.3m, due to the cost of the EUR 100m bond issue (settlement date 20 May 2011). The issuing expenses comprise the transaction costs and negative interest arbitrage. The latter stems from the fact that the returns on investing the surplus liquidity up to the maturity of the bond that fell due in June 2012 were lower than the coupon on the bond issued in May 2011.

HIGHLIGHTS OF DIVISIONAL TRADING PERFORMANCE

Frauenthal Automotive

The automotive component market is currently experiencing a high degree of volatility. Commercial vehicle manufacturers responded to the uncertain economic environment in the fourth quarter of 2011 and the first quarter of 2012, and the threat of a second massive financial crisis, by reining back production. Some even temporarily shut down plants as memories of the situation in 2008/09 resurfaced. Fears of a slump in demand were not borne out, and the market stabilised in the first half of 2012. However, regional market trends diverged widely across the EU: while the French and German markets held up well, demand for all types of commercial vehicles unravelled in Spain and Italy. In the heavy truck segment – a key market for the division – the United Kingdom stood out, with a 12.7% jump in demand. By contrast the German market, the EU's largest, contracted by 3.0%. The massive reverses in this segment in Italy and Spain, where demand plunged by 28.9% and 21.4%, respectively, are a clear reflection of these countries' economic woes. The 7.7% fall in divisional revenue correlates with the 6.1% drop in registrations of heavy trucks in the EU. Overall, the EU truck market shrank by 10.8%. Growing exports to non-EU countries – particularly Russia – are a stabilising factor. Shifts in market shares between manufacturers are driven by differing model policies and regional exposures. As the division serves all the OEMs, changes in individual customers' relative performance do not have a significant impact on overall sales. Continued moderate fluctuations in demand can be countered by relatively painless adjustments to capacity such as laying off agency staff. In contrast to the 2009 crisis there are no signs of an overhang of unsold new or used vehicles at our customers, so we do not expect demand to disintegrate in the second half even in the event of adverse economic conditions. Divisional capacity is currently geared towards considerably higher demand than that projected for 2012 as a whole. Efforts to increase our share of the market for components for the new Euro 6 compliant truck models by developing improved products have begun to pay off. New business includes orders for technically advanced front axle springs. A large part of Frauenthal Automotive's volume is now locked in by new long-term supply contracts and extensions to existing ones. The division's long-term prospects are also underpinned by the award of a number of development contracts from customers.

In the third quarter of 2012 all of the remaining operations at Frauenthal Automotive Ravne d.o.o. (formerly

Styria Vzmeti d.o.o.) will be halted. The complete closure of the plant will affect 14 employees. Investments at a number of locations maintained the impetus of the division's growth strategy. During the first half of the year some EUR 4.3m was spent on improving product quality and expanding capacity.

Given the current unstable market situation, the division's overall performance was positive, despite the unsatisfactory earnings situation. EBIT declined by EUR 5.0m to EUR 1.0m. Alongside a decline in revenue of EUR 10.0m or 7.7%, the main reasons for the downturn in earnings were an unfavourable product mix, price reductions, increased material costs which could not be passed on in full to customers, delays in the commissioning of efficiency enhancing plant and equipment, and higher energy and transport costs. Earnings were also depressed by restructuring costs of EUR 0.8 arising from the decision to discontinue formed parts and welded component manufacturing in Ahlen. There were no significant restructuring costs in the first half of 2011. A cost reduction programme under way at all sites will kick in this year, and should drive an improved earnings trend.

Wholesale Plumbing Supplies (SHT)

Construction activity in Austria in 2012 was buoyed by the commercial new build and renovation segments. In constant decline since 2008, the commercial market is expected to grow by about 1.5% in 2012. While the growth of the private renovation segment is slowing sharply, output is still expected to expand this year. Divisional revenue growth is slightly outperforming the market. Gains in market shares are chiefly being driven by SHT's increased presence in the west of Austria (Innsbruck outlet). SHT successfully defended its high market shares in the east of the country. The division's rapid growth is also being fuelled by the integration of Slovak wholesale plumbing supplier Technopoint Sanitrends, s.r.o., Bratislava. The acquisition marks SHT's first step in the direction of international expansion. Increased procurement power, integration with the SHT logistics network and a wider product range should give this business good prospects of profitable growth, and its performance during the initial period after the acquisition has borne out this expectation. Another Bäderparadies bathroom showroom was opened in Ansfelden, Upper Austria in June. SHT's outstanding logistics earned it a VNL (Association for Network Logistics) award in the "Biggest financial performance improvement delivered by a logistics tool" category. The award – a coveted honour in the logistics industry – was for the introduction of a Y-LOG automated small parts order picking system. Work on the extension to the logistics centre in Perchtoldsdorf is continuing apace. This additional capacity in the east of Austria is needed to safeguard supplies to the Slovak market.

BUSINESS DEVELOPMENT

The Frauenthal Group sets out to grow shareholder value by establishing, developing and optimising business divisions that are already market leaders or are capable of achieving market leadership. The sale of one of the Group's three divisions enabled us to realise part of the shareholder value that has been created. This opened the way for a management decision, taken in consultation with the Supervisory Board, to go ahead with our strategy of growth by acquisition. The main focus will be on growing the existing Frauenthal Automotive and Wholesale Plumbing Supplies (SHT) divisions. In the Frauenthal Automotive Division we will be looking to broaden the product range. The main areas offering potential synergies are sales, technology, procurement and administration. In the Wholesale Plumbing Supplies Division expansion into neighbouring countries is the prime objective. The first step in this direction was the acquisition of a Slovak plumbing supplies wholesaler.

Our strategic goals also include buying into a new line of business (third division), but the feasibility of such a step is far harder to gauge than that of bolt-on acquisitions.

In order to execute this strategy Frauenthal Holding is devoting additional resources to business development. At the time of writing, a number of potential acquisition targets were being examined, but no binding agreements or definite decisions had yet been reached.

Walter Seidel (57), Production worker, transport of air tanks, Division Frauenthal Automotive

The Group's liquidity position and the situation on financial markets make investments in profitable industrial activities the cardinal medium-term objective. Since acquisitions are very risky, and the Group must husband its limited financial resources and management capacity carefully, we must not allow time pressures to push us into precipitate decisions. All our takeover targets are looked at very closely to determine whether they are a good strategic fit, and subjected to the requisite due diligence investigations. Because of this it is impossible to predict when a major acquisition will take place.

LIQUIDITY AND INVESTMENT

The sale of the Industrial Honeycombs Division led to a cash inflow of EUR 80.7m, made up of the EUR 51.3m purchase price and the repayment of EUR 29.4m owed by the divested division to Frauenthal Holding AG. In all, the disposal of the division reduced the Group's borrowings by EUR 83m, as the acquirer also assumed responsibility for EUR 6.5m in local liabilities. This amount is net of local holdings of cash and cash equivalents, and of the transaction costs. The continuing operations delivered a first-half operating profit before working capital changes of EUR 3.7m. Operational liquidity needs during the period totalled EUR 26.5m, of which EUR 22.6m related to the increase in working capital and EUR 7.8m to investment by the continuing operations. The increase in working capital was largely due to seasonal factors. In the Frauenthal Automotive Division, the winding down of most of the ABS finance resulted in higher trade receivables.

At EUR 88m the Group's unused credit lines are adequate to cope with faster-than-expected growth or fund acquisitions.

Due to the large holdings of cash and cash equivalents, at EUR 61.7m, despite the repayment of almost all of the Group's short-term borrowings and part of its long-term bank borrowings, investment decisions must be taken. Owing to the current market situation the early redemption of the EUR 100m bond maturing in 2016 is not possible, at least on acceptable terms. After carefully weighing the potential returns and the risks involved, management has opted for investments in money market instruments issued by several leading Austrian banks.

OUTLOOK

In light of the latest production forecasts from customers, the **Frauenthal Automotive Division** expects demand a light decrease compared to the current levels. When a number of new orders secured during the reporting period are factored in, this implies that full-year revenue is likely to be 10–15% down on 2011. As always, this forecast is subject to considerable uncertainties because the commercial vehicle market is extremely sensitive to shifts in economic conditions. A sharp downturn in demand in the fourth quarter cannot be excluded if business in the autumn is hit by economic problems triggered by the euro crisis. At the time of writing there were no firm indications that this will be the case. High priorities for the second half of the year will be the roll-out of cost reduction programmes and the finalisation of investment plans currently under review.

We expect the **Wholesale Plumbing Supplies Division (SHT)** to record moderate full-year revenue growth whilst slightly raising its market shares and improving its profitability. Despite the pick-up in contract business we see the price wars in this market segment persisting. We are working to extend the division's lead in terms of service quality.

The key strategic decision to focus on the Frauenthal Automotive and Wholesale Plumbing Supplies divisions to some extent marks a retreat from our "strength through diversity" philosophy. However, given the economic situation and the competitive factors affecting the former Industrial Honeycombs Division, as well as the outcome of our search for a buyer, we are convinced that our decision to sell will serve to maximise shareholder value, open up attractive new prospects for the business and its workforce, and generate growth opportunities for the Group's remaining operations.

Due to the seasonal variations that affect our business it is not possible to extrapolate full-year performance from the latest interim results.

Both the remaining divisions have opportunities to grow organically, by gaining market shares, and entering new product and geographical markets, as well as by acquisition. They will now be able to pursue their growth strategies still more energetically, as the Group's liquidity and earnings situation has been significantly improved. Our staff and management development programmes play a pivotal role in our overall business development policies, and are making a major contribution to the Group's success. We will therefore be intensifying our efforts in this area.

After a highly eventful start to 2012 the Frauenthal Group is now ideally placed to exploit the opportunities open to it.

Vienna, August 2012
The Executive Board
Frauenthal Holding AG

Notes to the half-yearly interim report

The interim report of Frauenthal Holding AG (Frauenthal Group) for the half year ended 30 June 2012 was drawn up in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. This report has neither been audited nor has it been reviewed by an independent auditor.

CONSOLIDATION AND ACCOUNTING POLICIES

The scope of consolidation was determined in accordance with paragraph 12 IAS 27. The number of companies included in consolidation has declined by two since 31 December 2011. The Industrial Honeycombs Division was sold to Japanese technology group IBIDEN on 1 June 2012. The division encompassed Porzellanfabrik Frauenthal GmbH, Vienna, CERAM Frauenthal Korea Co., Ltd., Seoul, and CERAM Environmental Inc. Leawood, Kansas – all wholly owned subsidiaries. At the start of April 2012 SHT Slovakia s.r.o., Bratislava, acquired a 95% interest in Technopoint Sanitrends, s.r.o., Bratislava, and SHT Haustechnik AG, Perchtoldsdorf purchased the remaining 5% of the acquiree. The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 24 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 accounting policies used to prepare the financial statements for the year ended 31 December 2011 were applied without change to the interim report for the first half of 2012. The main differences between these policies and the provisions of the UGB (Austrian Business Code) lie in the use of the percentage of completion (PoC) method to value long-term construction contracts, in the treatment of deferred tax and goodwill amortisation, and in the calculation of employee benefit obligations.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue

The consolidated income statement is presented using the nature of expense method. Due to the disposal of the Industrial Honeycombs Division, profit for the period is broken down into continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions) and discontinued operations (the Industrial Honeycombs Division). Management's analysis below relates to the continuing operations. The results for the comparative periods – H1 2011 and full year 2011 – are likewise divided into continuing and discontinued operations.

The Frauenthal Group returned cumulative consolidated IFRS revenue of EUR 248.6m for the first half – down by EUR 1.1m or 0.4% year on year. The Frauenthal Automotive Division fell short of its excellent performance in the comparative period, but revenue in the Wholesale Plumbing Supplies Division grew by 6.8%.

The commercial vehicle manufacturers began scaling back their production plans at the start of the year because of the uncertain economic climate, and some plants were temporarily shut down. This resulted in a EUR 9.6m or 7.7% year-on-year decline in revenue in the Automotive Components Division to EUR 114.1m (H1 2011: 123.6m).

Despite a subdued trading environment the Wholesale Plumbing Supplies Division posted revenue growth of EUR 8.6m or 6.8%, driven by increased market shares owing to its stronger presence in western Austria, the Slovak acquisition, efficient logistics, good service and the addition of innovative new products to the range. Newly acquired Technopoint Sanitrends, s.r.o., Bratislava accounted for EUR 2.3m of the revenue total. First-half divisional revenue was up from EUR 126.0m to EUR 134.6m.

Earnings

Group EBITDA for the first half of 2012 was EUR 6.6m – down EUR 4.8m or 42.4% year on year. The fall was exclusively due to lower revenue in the Frauenthal Automotive Division.

Due to the decline in revenue the division's EBITDA contribution decreased by EUR 5.1m or 56.5% to EUR 4.0m. A restructuring provision for the impending closure of the shaped parts and welded components manufacturing operations at the Ahlen site weighed on first-half earnings. Higher revenue in the Wholesale Plumbing Supplies

Division translated into improved earnings, and divisional EBITDA was up by EUR 3.4m or 5.3% on the like period of 2011.

Group EBIT fell by EUR 4.7m or 72.5% year on year – compared to an outstanding performance in the first half of 2011 – to EUR 1.8m (H1 2011: 6.5m). The Frauenthal Automotive Division returned EBIT of EUR 1.0m. Besides lower revenue, earnings were depressed by an unfavourable product mix, price reductions and higher material prices. The Wholesale Plumbing Supplies Division delivered an earnings contribution of EUR 1.8m.

There was a loss for the period from continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions, and Frauenthal Holding AG) of EUR 1.9m. This represented a deterioration of EUR 4.4m. The profit for the period from discontinued operations of EUR 37.3m is made up of the EUR 1.3m profit recorded by the Industrial Honeycombs Division for the January–May 2012 period and a EUR 36m deconsolidation effect. The latter is net of the EUR 10m income tax burden incurred as a result of the divestment of the Industrial Honeycombs Division. The tax burden is composed of EUR 7.5m in deferred tax (utilisation of tax loss carryforwards in the Austrian tax group) and EUR 2.5m in income tax expense.

The total Group profit for the period (net profit) was EUR 35.4m (a profit for the period from discontinued operations of EUR 37.3m less a loss for the period from continuing operations of EUR 1.9m) – a gain of EUR 29.3m year on year.

The basic and diluted loss per share from continuing operations, with a weighted average of 9,162,534 shares in circulation (H1 2011: 9,152,534), was EUR 0.20 (H1 2011: earnings per share EUR 0.27). On the basis of the profit attributable to owners of the parent and a weighted average of 9,162,534 shares in circulation (H1 2011: 9,152,534), basic and diluted earnings per share from continuing and discontinued operations were EUR 3.87 (H1 2011: EUR 0.66).

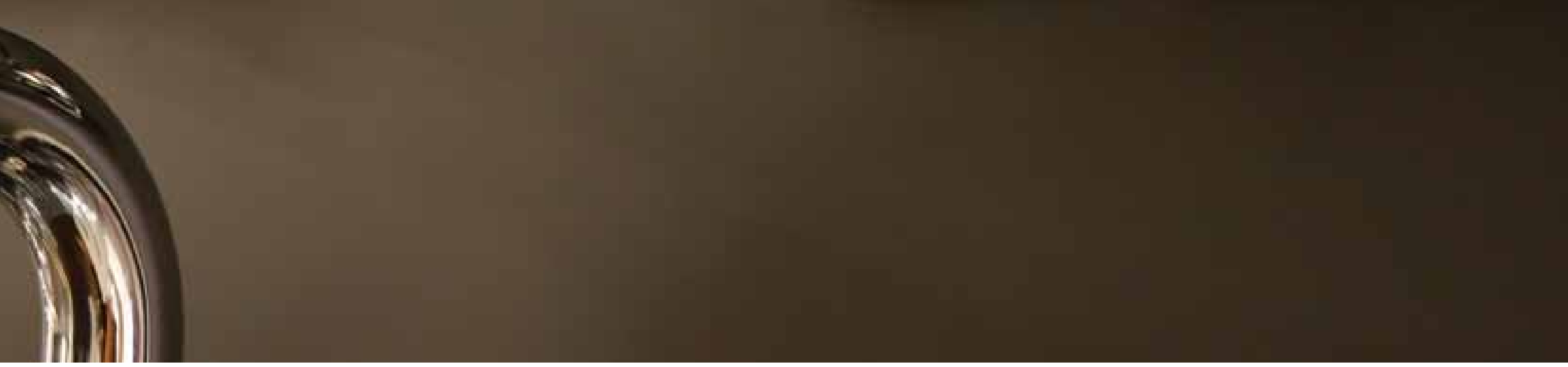
The average number of diluted shares outstanding in the first half was 9,162,919 (H1 2011: 9,152,534); the change was too small to affect diluted earnings per share. As revenue and earnings in both divisions are subject to seasonal fluctuations, extrapolations from first-half results do not yield reliable forecasts for the year as a whole.

The income statement of the discontinued Industrial Honeycombs Division is as follows:

The Industrial Honeycombs Division, which belonged to the Frauenthal Group until 31 May 2012, registered a EUR 5.9m or 15.5% fall in revenue over the January-May 2012 period. Capacity was fully utilised, but the downward pressure on diesel catalyst prices depressed earnings. Meanwhile a shift in the product mix towards diesel catalysts led to a loss of capacity, since plant had to be switched from power station to diesel catalyst production. Productivity was lower as the equipment concerned was not ideal for this purpose.

Income statement from discontinued operations	5M 2012	H1 2011
EUR '000		
Sales revenue	**31,948**	**37,801**
Total revenue	**37,016**	**37,930**
Raw material and others	-19,203	-19,623
Staff costs	-9,106	-9,446
Other operating expenses	-4,837	-3,576
EBITDA from discontinued operations	**3,870**	**5,285**
Depreciation and amortisation expense, and impairment	-1,513	-1,609
Profit from discontinued operations (EBIT)	**2,357**	**3,676**
Net finance costs from discontinued operations	**-416**	**-79**
Disposal result	**46,029**	**0**
Profit before tax from discontinued operations	**47,970**	**3,597**
Income tax expense from operating result	-740	0
Income tax expense from disposal result	-2,500	0
Change in deferred tax from operating result	59	0
Change in deferred tax from disposal result	-7,500	0
Profit for the period from discontinued operations	**37,289**	**3,597**

Balance sheet from discontinued operations	30 June 2012	31 Dec. 2011
EUR '000		
Non-current assets	**23,149**	**15,774**
Current assets	**43,432**	**25,985**
Inventories	22,660	10,325
Trade receivables	16,460	3,320
Other assets	2,408	606
Cash and cash equivalent	1,903	1,733
Total ASSETS	**66,581**	**41,759**
Equity	**9,161**	**11,647**
Provisions	**4,737**	**4,582**
Liabilities	**52,683**	**25,530**
Bank borrowings	6,984	8,119
Trade payables	7,262	5,129
Finance lease liabilities	3,654	1,070
Liabilities to Group companies	29,542	8,496
Other liabilities	5,241	2,716
Total EQUITY AND LIABILITIES	**66,581**	**41,759**



NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Frauenthal Group's total assets contracted by EUR 5.8m or 1.6% as compared to the position at year-end 2011, to stand at EUR 358.8m (31 December 2011: EUR 364.6m). Significant changes in the balance sheet arose from the redemption of the outstanding EUR 30.3m including interest due on the bond issued in 2005 (EUR 43m were repaid early in 2011), as well as the disposal of the Industrial Honeycombs Division, and the increase in cash and cash equivalents.

Non-current assets were EUR 116.6m as at 30 June 2012 – a reduction of EUR 26.3m compared to year-end 2011. The change is largely accounted for by the disposal of property, plant and equipment worth EUR 20.7m in the Industrial Honeycombs Division. The sale of the division also resulted in the disposal of the 50% interest in Ceram Liegenschaftsverwaltung GmbH, worth EUR 739m (carried under investments in associates). The change of EUR 7.0m in deferred tax assets resulted from the utilisation of the tax loss carryforwards in the Austrian tax group due to the divestment of the Industrial Honeycombs Division. As at 30 June 2012 current assets were EUR 242.2m – EUR 20.4m up on year-end 2011.

The change reflects the following factors:

- A reduction in inventories of EUR 18.0m due to the disposal of the Industrial Honeycombs Division.
- An increase of EUR 8.1m in the inventories held by the two continuing operations, made up of a gain of EUR 1.1m in the Frauenthal Automotive Division, and one of EUR 7.0m in Wholesale Plumbing Supplies Division (due to seasonal factors).
- A reduction of EUR 18.4m in trade receivables including contract receivables arising from the sale of the Industrial Honeycombs Division.
- An increase of EUR 20.1m in the trade receivables of the continuing operations, of which EUR 11.8m was attributable to the Frauenthal Automotive Division. In order to make good use of the proceeds of the disposal of the Industrial Honeycombs Division use of ABS finance for sales to a major truck manufacturer was scaled back. ABS finance decreased from EUR 15.5m as at year-end 2011 to EUR 6.7m as at 30 June 2012, and the facility expired at the start of August 2012. Trade receivables in the Wholesale Plumbing Supplies Division rose by EUR 8.3m due to seasonal factors.
- A reduction of EUR 2.5m in "Other assets" due to the sale of the Industrial Honeycombs Division.
- A EUR 9.7m increase in "Other assets" in the continuing operations, for which the Frauenthal Automotive Division was responsible.
- An increase in cash and cash equivalents which includes the EUR 35m in long-term investments.

Equity jumped by EUR 32.9m to EUR 131.7m (31 December 2011: EUR 98.9m) as a result of the lift to the profit for the period given by the disposal of the Industrial Honeycombs Division. The equity ratio climbs from 27.1% as at end-2011 to 36.7% as at 30 June 2012.

Non-current liabilities were down by EUR 8.5m on year-end 2011, at EUR 129.0m. The change is largely explained by the disposal of EUR 10.0m in long-term liabilities held by the Industrial Honeycombs Division.

Current liabilities fell by EUR 30.2m as compared to year-end 2011. This largely reflected the redemption of the remaining EUR 30.3m due on the old bond, including the interest. A further reduction of EUR 17.6m came from the disposal of the current liabilities of the divested division. In the Frauenthal Automotive and Wholesale Plumbing Supplies divisions, short-term bank borrowings rose as compared to year-end 2011 (EUR 17.7m).

NOTES TO THE STATEMENT OF CASH FLOWS

Operating profit before working capital changes was EUR 9.0m lower year on year at EUR 3.8m, due to the deterioration in first-half results from the Frauenthal Automotive Division. Profit for the period before non-controlling interests includes the proceeds of the sale of the Industrial Honeycombs Division. "Gains on deconsolidation of subsidiaries" are deducted in order to strip the effects of the disposal of the Industrial Honeycombs Division out of the presentation of operating profit before working capital changes. The discontinued operations were responsible for EUR 2.3m of the operating profit before working capital changes (H1 2011: EUR 4.3m).

The changes in working capital resulted in net cash used in operating activities of EUR 18.8m (H1 2011: EUR 19.1m). The discontinued operations contributed negative cash flows from operating activities of EUR 2.8m (H1 2011: EUR 0.5m).

Net cash from/used in investing activities was positive by EUR 62.6m (H1 2011: EUR -7.3m). The improvement was due to the "Net cash inflow due to changes in the scope of consolidation" of EUR 73.7m, comprising EUR 74.4m from the sale of the Industrial Honeycombs Division less a cash outflow of EUR 0.7m due to the acquisition of Technopoint Sanitrends, s.r.o., Bratislava. The breakdown of the net cash inflow due to the disposal was as follows: purchase price EUR 51.3m; financial liabilities assumed by the acquirer EUR 29.4m; cash holdings disposed of together with the Industrial Honeycombs Division EUR -1.9m; transaction costs EUR -2.4m; reduction in current taxes EUR -2.5m; disposal of a pledged passbook EUR 0.4m; other outstanding liabilities assumed EUR 0.1m.

Investment in non-current assets includes EUR 4.0m in spending by the Industrial Honeycombs Division during the January-May 2012 period. The Frauenthal Automotive Division invested EUR 4.4m in improving quality and expanding capacity, and the Wholesale Plumbing Supplies Division EUR 2.6m in enhancing its logistics capabilities and end-user services.

Net cash used in financing activities reflects the EUR 2.7m in dividends paid and the EUR 27.3m paid to redeem the old bond.

EMPLOYEES

In the first half of 2012 the Frauenthal Group employed an average of 2,399 people (H1 2011: 2,394 excluding, and 2,710 including staff with the Industrial Honeycombs Division). The divestment of the Industrial Honeycombs Division reduced the head count by 321. The largest employer in the Group was the Frauenthal Automotive Division, at 1,607 (H1 2011: 1,687). The head count in this division fell by 80 year on year. During the first six months of the year the Wholesale Plumbing Supplies Division had an average of 778 people on the payroll (H1 2011: 694) – an increase of 84.

SHARE PRICE PERFORMANCE

SFrauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. After emerging from 2011 at EUR 9.40, Frauenthal's share price drifted down to reach its low for the first quarter on 17 January. A rapid run-up from mid-April onwards propelled the price to a high of EUR 11 on 2 May 2012, after which it lost ground to end the reporting period on EUR 8.52. The price at the close of trading at end-HI 2012 also marked the low for the first half. Market capitalisation as at 29 June 2012 was EUR 80.3m (30 December 2011: EUR 88.7m); this included 1,900,000 unlisted registered shares.
For more information on our share price performance and ownership structure, visit our website: www.frauenthal.at

COMPOSITION OF THE EXECUTIVE BOARD

The disposal of the Industrial Honeycombs Division and the increased importance of the activities of the Business Development Department made it necessary to reassign the responsibilities of the Executive Board members with effect from 1 July 2012. Hans-Peter Moser took charge of the expanded Business Development Department and continues to head up the Wholesale Plumbing Supplies Department. In addition to his role as Group CFO Martin Sailer is responsible for the Frauenthal Automotive Division.

Martin Sailer's employment contract, which was due to run until June 2013, was prematurely extended until June 2016.

DECLARATION BY THE EXECUTIVE BOARD PURSUANT TO SECTION 87(1) AUSTRIAN STOCK EXCHANGE ACT

The Executive Board hereby declares that to the best of its knowledge the 2012 half-yearly financial report of the Frauenthal Group, prepared in accordance with International Financial Reporting Standards (IFRS), to the maximum extent possible gives 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 potential impact of existing and future risks on the Group's business activities.

Vienna, August 2012

Frauenthal Holding AG

The Executive Board

Mag. Hans-Peter Moser
Member of the Executive Board

Dr. Martin Sailer
Member of the Executive Board

Shortened financial statments

CONSOLIDATED INCOME STATEMENT

EUR '000	H1 2012	H1 2011 *
Revenue	**248,648**	**249,654**
Changes in inventories of finished goods and work in progress	1,350	3,314
Work performed by the entity and capitalised	0	63
Other operating income	3,916	3,912
Raw material and consumables used	-171,751	-173,283
Staff costs	-51,509	-49,638
Depreciation and amortisation expense, and impairment	-4,803	-4,950
Other operating expenses	-24,070	-22,592
Profit from operations	**1,781**	**6,480**
Interest income	568	249
Interest expense	-3,384	-2,770
Net finance costs	**-2,816**	**-2,521**
Loss/profit before tax	**-1,035**	**3,959**
Income tax expense	-466	-623
Change in deferred tax	-370	-878
Loss/profit for the period from continuing operations	**-1,871**	**2,458**
Profit before tax from discontinued operations	47,970	3,597
Income tax expense	-3,240	
Change in deferred tax	-7,441	
Profit for the period from discontinued operations	**37,289**	**3,597**
Profit for the period	**35,418**	**6,055**
Loss/profit attributable to non-controlling interests	-131	349
Profit attributable to owners of the parent (consolidated profit for the period)	35,549	5,706
Loss per share from continuing operations		
basic	-0.20	0.27
diluted	-0.20	0.27
Earnings per share from continuing and discontinued operations		
basic	3.87	0.66
diluted	3.87	0.66

* The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5. The previous year's figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H1 2012	H1 2011 *
Loss/profit for the period from continuing operations	**-1,871**	**2,458**
Gains/losses on currency translation	189	-12
Gains on changes in non-controlling interests	0	770
Other comprehensive income from continuing operations	**189**	**758**
Total comprehensive income from continuing operations	**-1,682**	**3,216**
Profit for the period from discontinued operations	**37,289**	**3,597**
Gains/losses on currency translation discontinued operations	0	-60
Total comprehensive income from discontinued operations	**37,289**	**3,537**
Total comprehensive income	**35,607**	**6,753**
Total comprehensive income attributable to non-controlling interests	-151	1,121
Total comprehensive income attributable to owners of the parent	35,758	5,632

* The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5. The previous year's figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	30 June 2012	31 Dec. 2011
ASSETS		
Non-current assets		
Intangible assets	38,235	38,501
Property, plant and equipment	64,053	82,301
Investments in associates	0	739
Other financial assets	977	977
Deferred tax assets	13,319	20,319
	116,584	**142,837**
Current assets		
Inventories	84,245	94,154
Trade receivables	74,916	73,210
Other assets	21,346	14,118
Cash and cash equivalents	61,697	40,329
	242,204	**221,811**
Total ASSET	**358,788**	**364,648**

EUR '000	30 June 2012	31 Dec. 2011
EQUITY AND LIABILITIES		
Equity		
Share capital	9,435	9,435
Capital reserves	21,093	21,093
Retained earnings	64,768	53,935
Translation reserves	-2,476	-2,601
Other reserves	29	29
Own shares	-532	-532
Non-controlling interests	3,872	4,023
Profit/loss for the period	35,549	13,486
	131,738	**98,868**
Non-current liabilities		
Bond	99,311	99,229
Bank borrowings	7,061	11,989
Other liabilities	809	1,253
Provisions for termination benefits	8,532	10,175
Provisions for pensions	6,719	6,654
Deferred tax	3,083	3,098
Other long-term provisions	3,500	5,148
	129,015	**137,546**
Current liabilities		
Bond	561	30,839
Bank borrowings	17,406	10,684
Trade payables	50,725	60,170
Liabilities to Group companies	0	418
Other liabilities	23,702	23,712
Tax provisions	3,205	665
Other short-term provisions	2,436	1,746
	98,035	**128,234**
Total EQUITY AND LIABILITIES	**358,788**	**364,648**

STATEMENT OF CASH FLOWS

EUR ´000	H1 2012	H2 2011
Profit for the period before non-controlling interests	35,418	6,055
Gains on deconsolidation of subsidiaries	-36,029	0
Interest income and expense	3,231	2,600
Depreciation and amortisation of non-current assets	6,317	6,558
Gains on disposal of non-current assets	-149	-5
Losses on disposal of non-current assets	0	6
Change in deferred tax assets	-505	553
Change in long-term provisions	707	412
Interest paid	-6,396	-3,604
Interest received	1,068	170
Other non-cash expenses	96	0
Operating profit before working capital changes	**3,758**	**12,745**
whereof discontinued operations	2,311	4,253
Change in inventories	-10,594	-17,090
Change in trade receivables	-17,329	-18,886
Change in other receivables	-2,612	-370
Change in short-term provisions	4,017	-643
Change in trade payables	112	4,294
Change in liabilities to Group companies	-418	66
Change in other liabilities	4,192	824
Translation related changes	82	-76
Net cash used in operating activitiest	**-18,792**	**-19,136**
whereof discontinued operations	-2,829	-525
Investments in non-current assets	-11,223	-7,476
Proceeds from sale of non-current assets	587	45
Proceeds from investment grants	-434	106
Net cash inflow due to changes in the scope of consolidation	73,678	0
Net cash from/used in investing activities	**62,608**	**-7,325**
whereof discontinued operations	70,470	-1,266
Dividends paid	-2,749	-2,746
2011 Bond issue	0	100,000
Redemption of the 2005 bond	-27,295	-38,426
Change in non-controlling interests	0	770
Change in borrowings	7,975	11,191
Net cash used in/from financing activities	**-22,069**	**70,969**
whereof discontinued operations	6,885	2,017
Change in cash and cash equivalents	**21,747**	**44,508**
Cash and cash equivalents at beginning of period	39,950	3,037
Cash and cash equivalents at end of period	61,697	47,545

STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Fair value reserve	Own shares	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 Jan. 2011	**9,435**	**21,093**	**58,115**	**-1,901**	**37**	**-552**	**86,227**	**3,275**	**89,502**
Dividends			-2,746				-2,746		-2,746
Acquisition of non-controlling interests			-1,845				-1,845	770	-1,075
Disposal of own shares						20	20		20
Share options			152				152		152
Total comprehensive income for 2011			13,745	-700	-8		13,037	-22	13,015
At 31 Dec. 2011/1 Jan. 2012	**9,435**	**21,093**	**67,421**	**-2,601**	**29**	**-532**	**94,845**	**4,023**	**98,868**
Dividends			-2,749				-2,749		-2,749
Share options			96				96		96
Recycling of the currency reserve of the discontinued operations				-84			-84		-84
Total comprehensive income for H1 2012			35,549	209			35,758	-151	35,607
At 30 June 2012	**9,435**	**21,093**	**100,317**	**-2,476**	**29**	**-532**	**127,866**	**3,872**	**131,738**

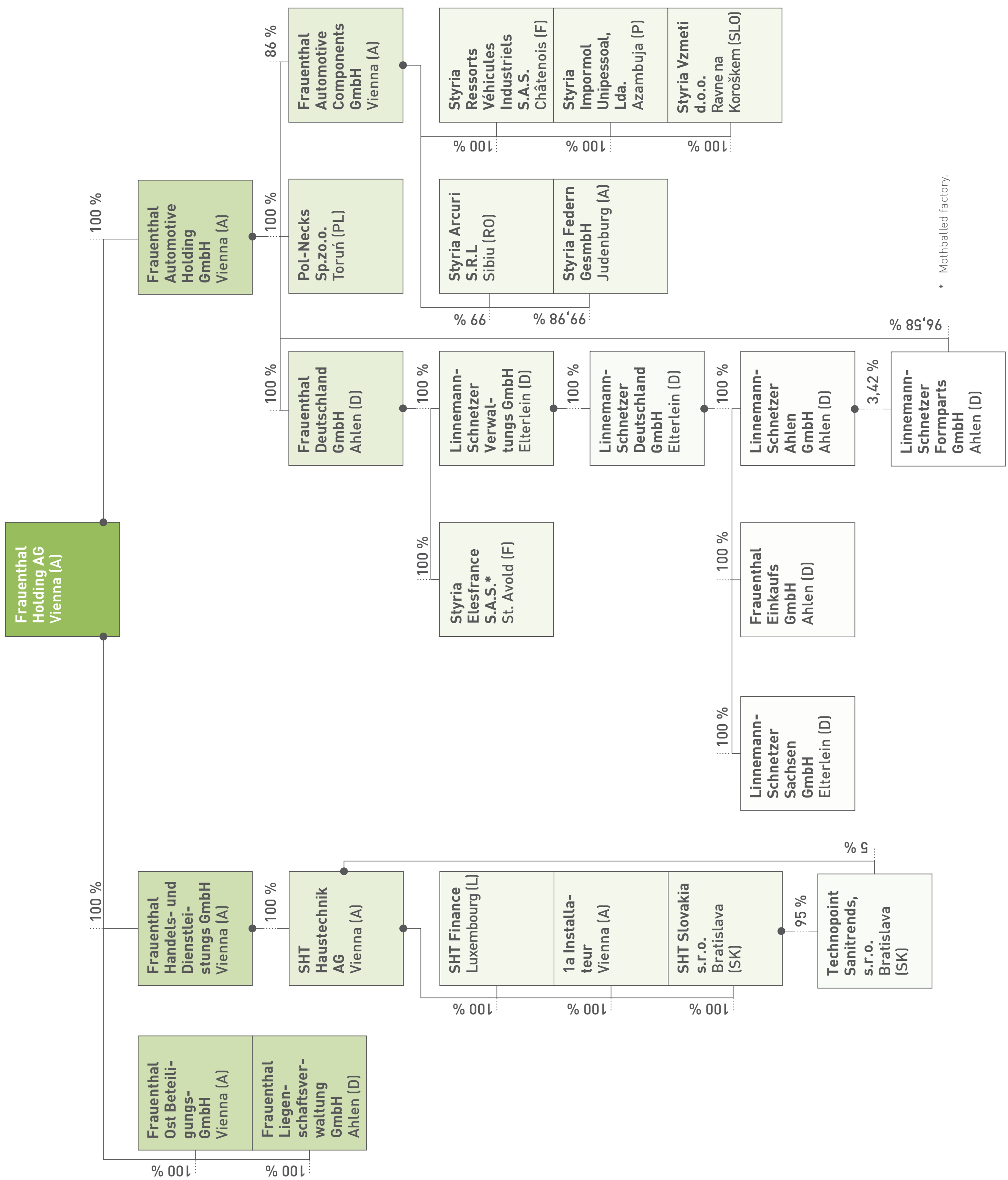
SEGMENTAL ANALYSIS

	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
EUR '000	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011 *
Strategic business units										
Revenues from external customers	114,058	123,630	134,580	126,012	10	12	0	0	248,648	249,654
Intersegment revenues	140	622	0	0	1,314	1,327	-1,454	-1,949	0	0
Total revenues	114,198	124,252	134,580	126,012	1,324	1,339	-1,454	-1,949	248,648	249,654
EBITDA	3,962	9,111	3,429	3,258	-890	-540	83	-398	6,584	11,430
Operating profit (EBIT)	945	5,906	1,780	1,623	-1,027	-650	83	-398	1,781	6,480
Employees	1,607	1,687	778	694	14	13	0	0	2,399	2,394

*The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5. The previous year's figures have been adjusted accordingly.

Our structure

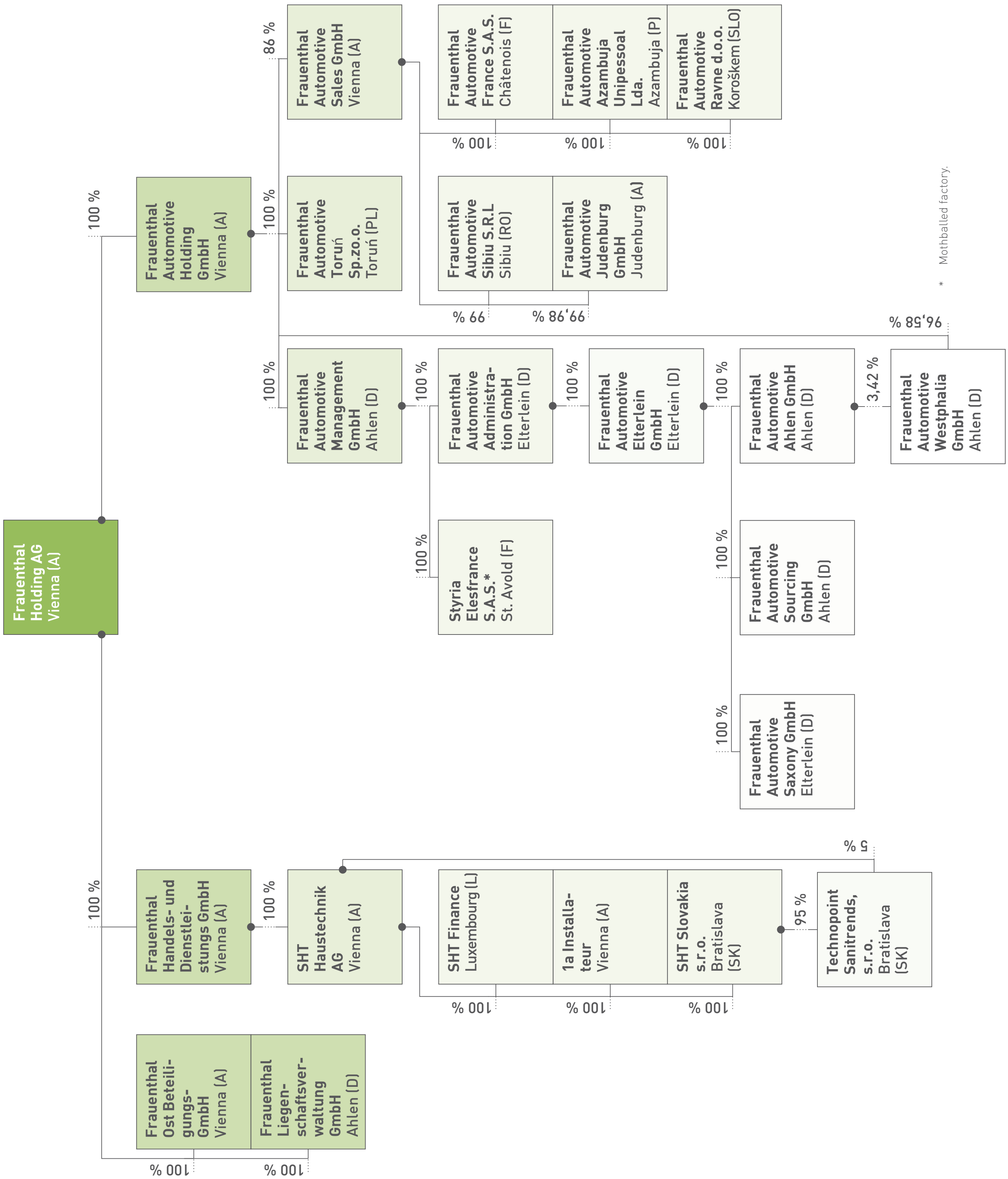
Status as of 01.06.2012



* Mothballed factory.

Our structure

status as from 01.07.2012



Imprint

2012 FINANCIAL CALENDAR

29 March 2012	Publication of annual results 2011
21 May 2012	Publication of the interim report on the first quarter of 1 / 2012
27 May 2012	Record date
06 June 2012	23rd Annual General Meeting
11 June 2012	Publication of results of votes on resolutions
12 June 2012	Ex-dividend date
15 June 2012	Dividend payment day
21 August 2012	Publication of the interim report on the first half of 2012
21 November 2012	Publication of the interim report on the third quarter of 2012

SHAREHOLDER INFORMATION

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Vienna Stock Exchange: Prime Market

Symbol: FKA

ISIN: AT 0000762406 (Aktien)

Bloomberg-code: FKA AV

Reuters-code: FKAV.V1

Market capitalisation: EUR 80,3m incl. 1,900,000 unlisted registered shares (as at 29 June 2012)

Vienna Stock Exchange: Listing on the Vienna Stock Exchange official market

Wertpapier-Kürzel: FKA

ISIN: AT 0000492749 (Anleihe 2005)

Symbol: FKA

ISIN: AT 0000A0PG75 (2011 Bond)

In addition to detailed information on Group companies, our website offers downloads of quarterly reports, AGM documents, press releases, stock exchange announcements, product photographs, and the latest annual report in German and English.

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Note:
Editorial changes have been made to this report in the interests of readability (including the colour scheme and lay-out). The original can be inspected at the Company's headquarters.
The Editorial deadline for the Interim Report 2012 was 14 August 2012

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