frauenthal
GROUP

INTERIM REPORT 2011
Strength through diversity

Financial highlights

	H1 2011	H1 2010	% change	2010
Summary income statement (EUR m)				
Revenue	287.5	249.7	15.1%	539.4
EBITDA	16.7	12.1	38.3%	34.3
ROS (EBITDA / revenue)	**5.8%**	**4.8%**	**20.2%**	**6.4%**
Earnings before interest and tax (EBIT)	10.2	5.8	75.9%	21.7
Earnings before tax (EBT)	7.6	3.9	95.6%	18.1
Profit/loss after tax	6.1	2.9	107.3%	17.4
Operating profit before working capital changes	12.7	8.7	46.1%	29.2
Summary statement of financial position (EUR m)				
Non-current assets (IFRS)	136.4	132.6	2,9%	136.1
Current assets (IFRS)	235.7	163.3	44.3%	154.8
Total assets	372.1	295.9	25.7%	290.9
Borrowings	278.6	221.0	26.0%	201.4
Equity	93.5	74.9	24.9%	89.5
Equity ratio (%)	**25.1%**	**25.3%**	**-0.2%**	**30.8%**
Investment (additions to non-current assets)	7.5	3.4	117.9 %	9.3
as % of revenue	2.6%	1.4%	1.2%	1.7%
Average head count	**2,710**	**2,431**	**11.5%**	**2,548**
Per employee ratios (EUR ´000)				
Revenue	106.1	102.7	3.2%	211.7
EBIT	3.7	2.4	57.8%	8.5
Operating profit before working capital changes	4.7	3.6	31.1%	11.5
Shares in issue	9,434,990	9,434,990	-	9,434,990
Own shares	-282,456	-266,935	-5.8 %	-282,456
Shares in circulation	9,152,534	9,168,055	-0.2 %	9,152,534
Per share ratios (EUR)				
EBITDA	1.8	1.3	38.6%	3.8
EBIT	1.1	0.6	76.2%	2.4
Profit/loss after tax	0.7	0.3	107.6%	1.9
Operating profit before working capital changes	1.4	1.0	46.4%	3.2
Equity	10.2	8.2	25.1%	9.8
Share price				
Year end	11.25	7.34	53.3%	10.90
High	13.35	8.40	58.9%	10.90
Low	9.49	6.59	44.0%	6.59
Dividend and bonus [1]				0.3

1) Distribution proposed to the Annual General Meeting

Content

Operating review for the first half of 2011

DEAR SHAREHOLDER,

The Frauenthal Group continued to make good progress in the first half of 2011.

- Revenue up by 15.1 % to EUR 287.5 million (m)
- Earnings before interest and tax (EBIT) up by 75.9 % to EUR 10.2m
- Revenue and earnings growth in Automotive Components and Wholesale Plumbing Supplies
- Industrial Honeycombs down on record results posted in 2010
- EUR 100m five-year bond issue (4.875 % coupon) successfully launched; proceeds to be used to underpin liquidity and growth
- Equity ratio stable at 25.1 % (H1 2010: 25.3 %) due to bond issue, despite 25.7 % increase in total assets

Frauenthal's performance in the first six months of 2011 has once again demonstrated the advantages of a diversified structure with three divisions and business models.

The figures presented in this report had not yet been impacted by current negative developments on financial markets. It is not yet possible to predict how far contagion from the crisis will spread to the real economy, and will affect our business.
While we cannot influence macroeconomic conditions, we believe that we are well equipped for the future, to the extent that it is within our control.

We have learned from the crisis of 2009 to keep our structures flexible, so as to respond immediately to falls in demand. Thanks to the efforts of the Continuous Improvement Department, elimination of waste, and enhancement of quality and profitability are a living reality in the Frauenthal Group. We are maintaining the loyalty of the high potentials in our workforce by running good training and career development programmes, and are also working hard to attract the kind of external candidates who are prepared to go the extra mile. Last but not least, we are pleased to report that the bond issue has met the Group's liquidity needs for the next five years.

Key Group developments and decisions

A EUR 100m bond with a maturity of five years and a coupon of 4.875 % was placed in May 2011. The issue attracted very strong interest and was heavily oversubscribed. The lead managers were Raiffeisen Bank International and Erste Group Bank. The success of the transaction was due both to the Frauenthal Group's sound financials and bright business prospects, and to the favourable climate on the Austrian capital market at the time.

Recent divisional developments and interim results

- The **Automotive Components Division** recorded revenue growth of EUR 37m or 42 %. Steadily growing demand in the EU – especially for heavy trucks – has borne out optimistic forecasts from customers Daimler, Volvo, Scania and MAN.

- The revenue contribution from the **Industrial Honeycombs Division** decreased by EUR 2.7m or 7 %. The decline was due not to lower sales volume, but entirely to stronger downward pressure on prices in both the diesel and the power station catalyst segments, and to a shift in the product mix towards diesel catalysts. Demand for diesel catalysts surged by 107 % while in the power station catalyst business order intake from Asia fell sharply with Chinese order bookings particularly hard hit. European and US power station catalyst demand is robust, and marketing of the plate catalysts launched in the first quarter is going very well in Europe. Order backlog remains at a very high level. However, significant increases in the prices of important materials such as tungsten, and competitors' aggressive pricing policies are squeezing margins in the power station catalyst business. In China there are encouraging signals from upcoming legislation, but the initial boom is over, and potential clients are still holding back and waiting to see the details of implementation.

- The **Wholesale Plumbing Supplies Division (SHT)** registered 2 % growth in a flat overall market. Thanks to its focus on the private renovation market, its increased presence in western Austria, and its decision to push innovative products (heating and photovoltaic systems) the division's exposure to the stagnant and fiercely contested contract business is limited.

- The good performances posted by two of the three divisions brought a **15 % increase in Group revenue**. Growth and the decision to dispense with ABS finance raised liquidity needs by EUR 30m during the first half, but available credit lines were more than sufficient. Following the EUR 100m bond issue the Frauenthal Group will have surplus liquidity until the old bond is due for full redemption in June 2012. Investment was EUR 7m in the first half; most of this was channelled to the Automotive Components Division.

MARKET DEVELOPMENTS AND FINANCIAL PERFORMANCE IN DETAIL

Group year-on-year revenue growth of EUR 38m or 15 % was driven by a gain of EUR 37m or 42 % in the revenue contribution of the Automotive Components Division. Revenue in the Wholesale Plumbing Supplies Division also advanced, by EUR 3m or 2 %, despite strong comparatives. Revenue in the Industrial Honeycombs Division was down by 7 % in spite of full capacity utilisation, mainly reflecting a changed product and project mix as well as heavier downward pressure on prices in both the diesel and the power station catalyst businesses. Group EBIT was EUR 4.4m up at EUR 10.2m, on the back of a positive earnings performance from the Automotive Components Division (EUR 5.9m). The Wholesale Plumbing Supplies Division translated revenue growth into a EUR 0.7m gain in earnings, due to improved margins. The Industrial Honeycombs Division suffered a fall of EUR 2.2m or 40 % in EBIT, as compared with last year's outstanding result, despite working at the limits of its capacity. Operating finance costs were virtually unchanged year on year. The EUR 0.6m increase in finance costs was entirely attributable to the cost of the EUR 100m bond issue (settlement date 20 May 2011). The issue costs comprises the transaction costs and negative interest arbitrage. The latter arises from the fact that the returns on investing the surplus liquidity up to the maturity of the bond due in June 2012 will be lower than the interest on the bond issued in May 2011. The income tax burden decreased by EUR 0.3m due to the lower profit posted by the Industrial Honeycombs Division. The Group interim profit climbed by EUR 3.2m to EUR 6.1m.

The main factors behind higher output in the **Automotive Components Division** were the increase in new registrations of commercial vehicles in the EU which has been under way for around a year, and the recovery in exports. The EU commercial vehicle market grew by 14 % in the first half of 2011, lifted by a 56 % gain in new heavy vehicle registrations. Heavy goods vehicles are by far the most important segment for the division, and this explains the 42 % jump in revenue. However, the EU market is still about 30 % smaller than in the first half of 2008 – the record year to date. The wide range of products and applications offered by the **Industrial Honeycombs Division** again showed its worth during the reporting period. While power station catalyst sales volume declined due to the sharp fall in exports to China sales of diesel catalysts soared by 107 %. The initial response to the new plate catalyst product line was highly encouraging. A number of large orders have already been won. Sales of non-catalytic honeycombs (heat sinks and casting filters) were up by 65 %, lifted by rebounding US and Korean demand. Capacity at the Frauental site is fully utilised. The decline in divisional earnings is largely explained by material price rises, which cannot be fully passed on under existing agreements with customers and current market conditions. Market catalytic honeycomb prices are sliding, and the diesel catalyst business is also having to make price concessions despite the strong demand for these products. The **Wholesale Plumbing Supplies Division** is recording revenue growth across all its regional markets. The division's policy of appealing to the private customer segment by delivering efficient logistics and good customer service (showrooms and website, etc.), and adding innovative new energy saving products to the range has shown itself to be a formula for success. Dependence on the stagnant and highly competitive contract segment is being reduced, and this has positively impacted margins. Revenue growth propelled EBIT to a EUR 0.7m (82 %) year-on-year gain for the period.

TRADING ENVIRONMENT

Automotive Components

The commercial vehicle market is steadily recovering, with only minor deviations from the trend growth rate. However, large regional variations in Europe reflect differing economic conditions. Germany and the UK are continuing to lead the way, while growth in France and Italy is somewhat below average, and back marker Spain is holding back the overall revival in demand in the EU. In the important medium and heavy truck segment (above 3.5 tonnes) France is currently the front runner with sales rising by almost 60 %, and Germany, Spain and the UK are all registering growth rates of over 40 %, while Italy is lagging well behind. Growth in the heavy commercial vehicle segment (above 16 tonnes) has been running at 60–70 % for the past three quarters. This mirrors the pick-up in industrial production, and road hauliers' efforts to work off the backlog of delayed investments. Customers' market assessments stabilised in the course of the second quarter. Expectations vary according to their geographical market focus, but most see demand growing by about 30 % over 2011 as a whole. Rising exports to the CEE region and Russia are having a positive impact on

European output, as is the booming Brazilian market. The commercial vehicle sector is highly cyclical, and its sensitivity to negative macroeconomic signals means that there is constant danger of the current debt crisis triggering a drop in demand. However, at present there are no indications that this is happening. New heavy vehicle registrations in the reporting period were still 29% down on the first half of 2008 – the last pre-crisis year. Moreover, there is now a widespread belief that the introduction of the Euro 6 emission standard, due to enter into force in 2013, will not give rise to any tax or other incentives to put back replacement investments until Euro 6 compliant vehicles are available. The continuous run-up in steel prices since the third quarter of 2009 has weighed on profits to some extent, as movements in material costs cannot always be fully passed on to customers. If steel prices continue to climb due to the demand and capacity situation in the European steel industry, as most expert opinion predicts, this could herald tough negotiations with some customers. The division is attempting to widen its overseas supplier base for input materials.

Industrial Honeycombs

While demand for power station catalysts is continuing to grow in Europe and the USA, Asian orders have dropped, and Chinese order intake has fallen particularly sharply. The situation in this large emerging market is complex. There are positive signals in the shape of the targets of the new five-year plan, which sets NOx limits for densely populated areas that will require the use of SCR catalysts. If the demands of the Chinese power generation industry for price increases to help pay for the introduction of SCR catalysts are met, as seems possible, this will give a big boost to market development. However, the details and timing of implementation are still unclear. During the initial phase of market development the accent was on demonstration projects, and this favoured imported quality products, but the second quarter has shown that Chinese clients are now attaching greater importance to pricing. A major contract that the division believed it had a good chance of winning has gone to a Chinese competitor. Nevertheless, power station catalyst order backlog remains at a very high level. During the reporting period Europe accounted for a quarter, the USA for one-third and Asia for somewhat more than one-tenth of power station catalyst revenue. An encouraging feature of recent sales trends is the fact that replacements of spent catalysts now generate almost half of all revenue. Despite the large number of tenders competitive pressures are intensifying due to rival bidders' poor capacity utilisation. This also makes it hard to pass on input price inflation. Tungsten prices, which have mounted by 30% since the start of the year, are a particular problem. This and the relatively weak dollar exchange rate means that there has been no let-up in the squeeze on margins in the power station catalyst business. Lower prices and the unfavourable product mix in the first half are the main reasons for lower divisional revenue, measured against the outstanding performance posted in the comparative period. The 107% leap in diesel catalyst sales enabled the division to work at full capacity. Sales of high-volume catalysts for construction plant are also on the increase. Thanks to the recovery of the US automotive and timber industries revenue from non-catalytic honeycombs jumped by 65%. We are watching the commodity markets closely. A considerable proportion of a key input, tungsten-titanium powder, is imported from Japan. No delivery problems have emerged as yet, but we are building our inventories as a precautionary measure. Many analysts expect further increases in the prices of key materials, but we do not anticipate any supply bottlenecks at present.

Wholesale Plumbing Supplies (SHT)

Following two years of marked declines construction output is forecast to rise by 0.8% in real terms in 2011. Most of the growth momentum is coming from commercial building, which was the worst sufferer in the downturn. Home building is still going sideways, and public sector contracts are also providing no stimulus due to government spending cuts. As in the past three years, private renovation is the growth driver for the Wholesale Plumbing Supplies Division, and it is focusing on this segment. As a result it has bucked the market trend, and won market shares, boosting revenue in comparison with its excellent performance in 2010. Growth is concentrated in the west and south of the country. The new sales and logistics centre opened in Innsbruck in July 2010 is playing a key role in the division's success. Heating products have performed particularly well. The policy of pushing energy-efficient HVAC systems and photovoltaic panels looks promising in view of climbing energy prices and growing eco-awareness among consumers. Competent customer advice is vital for these products, and is provided by the division's nationwide sales network. The Wholesale Plumbing Supplies Division is very well placed to meet this need thanks to the expansion of its service network and a major staff training drive. The division's exclusive brands have been well received, and play a key role as differentiators.

HIGHLIGHTS OF DIVISIONAL PERFORMANCE

Automotive Components

The 42% revenue growth posted by the Automotive Components Division in the first half was mainly driven by a 56% surge in demand for heavy trucks. Some new orders for U-bolts and springs also played a part. The Pol-Necks factory in Poland and the Styria Federn plant in Judenburg, Austria are delivering above-average performances. The main products of the Judenburg site are links for air-sprung trailer axles. This market segment, which saw demand plummet by as much as 90% in 2009, is rebounding particularly quickly. The division's Romanian factory, Styria Arcuri in Sibiu, has also been recording high revenue growth rates. This site supplies all our key accounts with parabolic or trapezoidal springs. Due to the progress made on quality and productivity at Styria Arcuri, and the scope for expanding capacity, a major investment programme has been launched there. These considerations prompted the Frauenthal Group to acquire the interest in the company held by a minority shareholder on 25 February 2011, and it is now a wholly owned subsidiary. The formed parts business (Linnemann-Schnetzer Formparts GmbH, Ahlen) has failed to reach the necessary critical mass to interest automotive customers and the volume required for profitability. Since its products are not of strategic importance to the division, there is no business case for continuing to operate it in the long term. These operations at the Ahlen plant employ about 70 workers and generate some EUR 10m in revenue. A solution that takes account of the interests of the customers and staff concerned is being worked out, and talks are being held with employee representatives. The air reservoir plant in Ahlen, hit by the loss of part of a key contract since the first quarter of 2011, has found some new customers. Nevertheless, capacity has had to be adjusted to reduced demand. The division has reserve capacity to respond to further demand growth and fulfil new orders. Some of this capacity has already been reactivated, with the resumption of trapezoidal spring production at the Styria Vzmeti location in Ravne, Slovenia during the first quarter of 2011. Divisional head count at the end of the reporting period was 124 up on year-end 2010 and 232 higher year on year, at 1,687. Most of the additional labour needs are being met by hiring agency staff. The Automotive Components Division continued to implement the growth strategy drawn up last year, and invested at a number of locations. During the first half a total of EUR 5m was spent on improving product quality and expanding capacity. Efforts to develop higher-performance products have been rewarded by the start of volume production of a lightweight front axle spring. A number of customers have expressed interest in other new products developed by the division, namely, a lightweight tubular stabiliser, links for air suspension systems and improved air reservoirs. This is testimony to truck manufacturers' interest in exploiting every opportunity for potential weight savings so as to cut fuel consumption and emissions ahead of the entry into force of the stricter Euro 6 standard in 2013. Lean management and continuous improvement projects aimed at streamlining internal processes are under way at all the division's locations, and have already brought widespread progress. These projects are also a catalyst for change in our corporate culture, and turning Frauenthal into a learning organisation. One of the division's goals is development of the Russian market. Several West European OEMs already have a presence in Russia, in the form of production subsidiaries or joint ventures with Russian commercial vehicle manufacturers. The Russian market is expected to grow particularly fast in the new few years. Vehicle exports from Western Europe could be largely replaced by local production in future. The Automotive Components Division is evaluating options for setting up production operations in Russia. It is too early to predict the outcome of these negotiations. First-half EBITDA of EUR 9.1m and EBIT of EUR 5.9m – improvements of EUR 6.1m and EUR 5.9m, respectively – show that the division has been working on the right lines. However, with first-half revenue still EUR 69m and EBIT EUR 11m behind the all-time highs of 2008 it is still too early to talk of an end to the crisis in the commercial vehicle sector.

Industrial Honeycombs

The big increase in diesel catalyst sales volume was not enough to compensate for the effects on earnings of the downward pressure on prices in the power station and diesel catalyst businesses, higher material prices and the relatively low USD exchange rate. At EUR 3.3m EBIT was EUR 2.2m below the record result returned in the comparative period. This figure is after recognition of provisions for potential price adjustments. Revenue of EUR 37.8m was down by EUR 2.7m (7 %) year on year. Further action is being taken to drive the expansion strategy forward by expanding capacity and increasing vertical integration at the Frauental site so as to improve profitability. The first half saw the launch of a EUR 1.8m investment programme devoted to additional plant and equipment. The extra capacity is required to satisfy rising demand for diesel catalysts. Excellent progress is being made on winning orders for the plate catalyst product line. In view of the challenge presented by breaking into a new market the orders secured and those for which Frauenthal is in contention are satisfactory. During the first year of market entry sufficient business has been won to utilise 30 % of capacity. Non-catalytic honeycomb business is picking up well, and grew by 65 % during the reporting period, buoyed by sales to the US and Korea. The Euro 6 market is proving to be a hard nut to crack. Procurement decisions by some large OEMs have shown that during early stage market development major players with the capability to deliver entire exhaust emission control systems are being given preference. The Industrial Honeycombs Division is positioned as a component manufacturer. However, we anticipate that the technologies used in complex Euro 6 systems will become increasingly sophisticated, and the special features of the division's products will give it a realistic chance of success in this market. New opportunities are opening up in Brazil where the Euro 5 standard is being introduced in 2012, and the market is dominated by European manufacturers.

Manfred Held (32), Production worker, Industrial Honeycombs Division

Wholesale Plumbing Supplies (SHT)

A growing share of a stagnant overall market helped the Wholesale Plumbing Supplies Division to 2 % revenue growth in the first half, driven by in-wall plumbing and heating products. Sales of sanitary products are flatlining due to the fact that the division has been winding down its exposure to some unprofitable market segments. The improvement in the plumbing supplies segment reflects the gradual pick-up in building starts. The division's positioning, with its focus on private renovation, and small and medium-sized plumbing firms, is helping to reduce its dependence on large-scale contract business, where price competition is particularly fierce. The division hit its target of boosting gross margins in the first half of 2011, despite the unrelenting downward pressure on prices in the contract business. Efforts to enhance telesales and logistics service quality went ahead as planned. Palpable improvements in telephone service and stock management were achieved during the first half. The risks with regard to trade receivables have receded this year, and bad debts are at low levels. A EUR 2.6m gain in revenue and a higher gross margin brought a EUR 0.7m jump in EBIT to EUR 1.6m. The available short-term indicators such as market forecasts, visitor numbers at the showrooms and on the mySHT website, and higher revenue in western Austria due to the new Innsbruck outlet all point to continued modest growth.

LIQUIDITY AND INVESTMENT

Total assets climbed by EUR 76m or 25.7 % to EUR 372.1m, reflecting the liquidity injected by the EUR 100m bond issue in May 2011 and higher working capital due to volume growth. Holdings of cash and cash equivalents were responsible for EUR 46m of the increase. This is because it was only possible to use EUR 53m of the issue proceeds for early redemption of the old bond and repayment of overdrafts. The consolidated interim profit generated EUR 12.7m in liquidity. Growth in the Automotive Components Division, coupled with the normal seasonal pattern in SHT's business, swelled liquidity needs by EUR 27.6m as compared to year-end 2010. Increased liquidity requirements reflected a EUR 32m rise in working capital, as well as EUR 7m in investment (including EUR 1.1m for the acquisition of the stake of the minority shareholder in Styria Arcuri S.A., Romania). Scaled back ABS financing accounted for EUR 1m of the EUR 6m rise in liquidity needs as compared to the like period in 2010. At EUR 121m the Group's unused credit lines are more than sufficient to cope with any shortages of finance due to unexpectedly rapid growth.

EUR 100M BOND ISSUE

The favourable market climate for corporate bonds and widespread expectations of rising interest rates were the main reasons for floating a new bond in the second quarter. The EUR 100m issue, co-lead managed by Raiffeisen Bank International and Erste Group Bank, was successfully placed; the settlement date was 20 May. Demand was such that the order book was closed early, at EUR 140m. The 4.875 % coupon on a five-year bond was low, given market conditions at the time, and reflect-ed Frauenthal's strong trading performance. Some 40 % of the issue was snapped up by retail investors on the first day. The proceeds will be devoted to redemption of the rest of the bond due in June 2012, expansion projects and general business growth. EUR 38m have already been devoted to early redemption of the old bond, leaving EUR 32m outstanding. Most of the EUR 46m of cash that has been invested short term is earmarked for repayment of the remaining amount. The transaction underpins the long-term stability of our capital structure (equity ratio of more than 30 % and most borrowing by means of a bond).

OTHER

On 16 June 2011 the Supreme Court upheld an action brought by two minority shareholders contesting the results of some votes on resolutions at the 2009 Annual General Meeting and the right of the majority shareholder to vote. These resolutions, the votes on which have now been settled by the successful revocation action, relate to the discharge of two members of the Supervisory Board, which was rejected, and to the conduct of special audits of transactions between the indirect majority shareholder and Frauenthal Holding AG. The resolutions in question have now been adopted with legal effect, and are expected to be implemented in the third quarter.

A tax inspection is in progress at our Linnemann-Schnetzer Deutschland GmbH subsidiary, based in Elterlein, Germany. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m plu interest 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 Group balance sheet. The audit reports drawn up by the tax inspectors contend that these tax loss carryforwards cannot be claimed, but the Executive Board and its expert advisers do not accept that the reasons given justify disallowing them.

At the reporting date the inspection had not been completed, neither tax inspection findings nor an assessment notice had been received, and expert reports led the Executive Board to believe that the reinstatement of the tax loss carryforwards on appeal was considerably more likely than not. For these reasons no provision has been made for the risk of a back tax payment. However, there is a risk of extended court appeal proceed-ings, and associated litigation risk. The impairment review to which the existing deferred tax assets of EUR 8.5m were subjected yielded the conclusion that, in the event that the tax authorities disallow the tax loss carryforwards claimed by Linnemann-Schnetzer Deutschland GmbH this decision will be overturned on appeal due to the facts of the case, the legal position, the prevalent legal opinion and the relevant precedents. Because of this no impairment has been recognised to date in respect of the EUR 8.5m in deferred tax assets shown in the statement of financial position. 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.

OUTLOOK

Based on the latest production forecasts from customers, the **Automotive Components Division** expects demand to remain at current levels at least in the third quarter, if not beyond. However, the unstable economic situation could lead to a contraction in the commercial vehicle market at any time, and this would have a disproportionate impact on component suppliers like Frauenthal, as customers would then be faced with inventory overhangs. As there are no signs of this happening at present a continuation of the current favourable trading environment for the rest of the year appears to be the more likely scenario. Enhancing our technological capabilities and expanding output capacity will be the main investment priorities for the division in the near term.

The **Industrial Honeycombs Division** is likely to enjoy full honeycomb production capacity utilisation for the rest of the year. Plate catalyst sales are set to rise strongly due to projects that are already in the pipeline. We expect demand for diesel catalysts to remain strong, but reliable forecasts are not possible due to the extremely short order lead times that are the rule in this segment. We do not foresee any more large orders from China in the near future, but good order intake from other regional markets should mean that divisional earnings do not suffer unduly. We see earnings remaining below the previous year's level in the second half because of input prices, the USD exchange rate and downward pressure on diesel catalyst prices.

We are forecasting the **Wholesale Plumbing Supplies Division** to record moderate full-year revenue growth and further gains in market shares. We expect the price wars in the contract business to continue despite the anticipated pick-up in business. We are working to extend our lead in terms of the quality of our services.

Two of the Frauenthal Group's three divisions are growing, and posted increased first-half revenue and earnings – further proof that our "strength through diversity" claim is well founded.

Due to the seasonal variations in the Group's businesses, it is not possible to extrapolate full-year performance from the results for the most recent quarter.

All three divisions have opportunities to grow organically, by gaining market shares, and entering new product and geog-raphical markets, as well as by acquisition. Each of the divisions formulated growth strategies last year and is making good progress towards implementing them. Our staff and management development programmes play a pivotal role in the Group's business development policies, and are making a major contribution to its success.

Our diversification strategy showed its worth during the cris-is of 2009 and the subsequent year of consolidation, and is also helpful during the current phase of renewed growth. Following the success of the issue of the new bond the Frauenthal Group is well placed to exploit the market opportunities open to it.

Frauenthal Holding AG, Vienna, 11 August 2011

The Executive Board

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.

Notes to the half-yearly interim report

The interim report of Frauenthal Holding AG (Frauenthal Group) for the half year ended 30 June 2011 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 not changed since 31 December 2010. The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 26 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 and measurement policies used to prepare the financial statements for the year ended 31 December 2010 were applied without change to the second quarter of 2011. 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.

The Frauenthal Group posted cumulative consolidated IFRS revenue of EUR 287.5 million (m) for the first two quarters of 2011 – up by EUR 37.7m or 15.1 % year on year. The Automotive Components and Wholesale Plumbing Supplies divisions contributed to this satisfactory performance. Revenue in the Industrial Honeycombs Division was lower year on year due to more severe downward pressure on prices. The Wholesale Plumbing Supplies Division (SHT) again registered revenue growth.

Due to the recovery of the European commercial vehicle market and catch-up investment by road haulage companies the Automotive Components Division returned a year-on-year increase in revenue of EUR 36.9m. The division's first-half revenue was up by 42.3 %, from EUR 87.3m to EUR 124.3m.

The EUR 2.7m (6.6 %) decline in the Industrial Honeycombs Division's revenue from EUR 40.5m to EUR 37.8m was due not to lower sales volume, but entirely to stronger downward pressure on prices in both the diesel and the power station catalyst segments, and to a shift in the product mix towards diesel catalysts. Exposure to the volatile market for new equipment was reduced by increased demand for replacements of spent catalysts which already account for about a quarter of all revenue in the power station catalyst business.

Despite operating in a flat overall market, the Wholesale Plumbing Supplies Division recorded revenue growth of EUR 2.6m or +2.1 %, reflecting the bright start made by the new sales and service centre in Innsbruck, efficient logistics and good customer service, and the introduction of innovative products. Cumulative divisional revenue advanced from EUR 123.4m to EUR 126.0m. The extended service and sales network, broad product range, high-quality logistics services and the innovative mySHT online portal continued to give Wholesale Plumbing Supplies a competitive edge.

The EU area accounted for 93 % of total revenue, the USA for 5 % and the rest of the world for 2 %.

Earnings

At EUR 16.7m, Group EBITDA for the first half of 2011 represented an improvement of EUR 4.6m on the comparative figure for 2010, with around half of this amount contributed by the Automotive Components Division. Competitors' aggressive pricing policies squeezed margins in the Industrial Honeycombs Division.

In the Automotive Components Division EBITDA advanced to EUR 9.1m from EUR 3.0m in the like period of 2010 due to revenue growth and the improved cost base. The Industrial Honeycombs Division contributed EUR 4.9m to Group EBITDA. EBITDA was EUR 2.0m down, with earnings depressed by higher material prices in the power station catalyst business. The Wholesale Plumbing Supplies Division posted 18.3 % earnings growth despite fierce price competition. EBITDA was up by EUR 0.5m to EUR 3.3m.

Group EBIT improved by EUR 4.4m to EUR 10.2m (H1 2010: EUR 5.8m). Automotive Components accounted for EUR 5.9m of the total (EUR 5.9m), Industrial Honeycombs for EUR 3.3m (EUR -2.2m), and Wholesale Plumbing Supplies for EUR 1.6m (EUR 0.7m). The profit attributable to owners of the parent was EUR 6,055,000. On the basis of the interim profit attributable to owners of the parent of EUR 5,706,000 (H1 2010: EUR 3,148,000) and an average of 9,152,534 shares in issue (H1 2010: 9,173,600 shares), basic and diluted earnings per share were EUR 0.62 (H1 2010: EUR 0.34). The gains and losses on currency translation and changes in non-controlling interests item in the consolidated statement of comprehensive income includes EUR 0.8m related to the acquisition of a 24 % interest in Styria

Arcuri S.A., Sibiu, Romania from a minority shareholder in that company. The minority interest was acquired by Frauenthal Automotive Components GmbH on 25 February 2011 for about EUR 1.1m. During the second quarter Frauenthal Automotive Components GmbH sold a 1% interest in Styria Arcuri S.A. to Frauenthal Automotive Holding GmbH.

Revenue and earnings in all divisions are subject to seasonal fluctuations, meaning that extrapolations from results for the first half do not yield reliable forecasts for the year as a whole.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The Frauenthal Group's total assets grew by EUR 27.9% from year-end 2010, to stand at EUR 372.1m (31 December 2010: EUR 290.9m). The increase was largely attributable to the EUR 100m bond issue floated in May 2011.

The proceeds were used to redeem EUR 38m of the 2005 bond (due in June 2012); EUR 32m are still outstanding. EUR 46m have been invested with various banks, and EUR 15m were devoted to reducing overdrafts, so as to use surplus liquidity from the new bond efficiently. The cash investments are reflected in the cash and cash equivalents item, and are the main reason for the growth in total assets.

Inventories rose by EUR 17.1m, EUR 10.3m of the change being accounted for the Wholesale Plumbing Supplies Division. Inventories held by the Automotive Components Division were up by EUR 4.5m, and there was an inventory build of EUR 2.3m in the Industrial Honeycombs Division.

Revenue growth led to a gain EUR 18.9m in receivables. There was a particularly sharp jump in receivables in the Automotive Components Division, due to a EUR 9.9m reduction in the ABS finance used for a large truck manufacturer. ABS finance was down from EUR 13.9m at year-end 2010 to EUR 4.0 as at 30 June.

Intangible assets include goodwill of EUR 1.8m, arising from the acquisition of an interest in Styria Arcuri S.A. from a non-controlling shareholder.

The EUR 31.9m increase in working capital, investment amounting to EUR 7.3m and the EUR 2.7m dividend (EUR 0.30 per share) paid in June were financed by the operating profit before working capital changes of EUR 12.7m, the increase of EUR 12.3m in short-term bank borrowings and EUR 14.2m from the May bond issue.

Equity rose by EUR 4.0m to EUR 93.5m. The increase in total assets led to a drop in the equity ratio from 30.8% at year-end 2010 to 25.1% as at 30 June 2011.

NOTES TO THE STATEMENT OF CASH FLOWS

The operating profit before working capital changes improved by EUR 4.0m year on year to EUR 12.7m.

Changes in trade receivables and trade payables resulted in net cash used in operating activities of EUR 19.1m (H1 2010: EUR 17.6m).

Net cash used in investing activities was EUR 7.3m (H1 2010: EUR 3.1m). Recurring investment activity by the Automotive Components Division accounted for EUR 4.9m of the total. For more information on the Company's investment strategy see the *Liquidity and Investment* section of the operating review.

As the cash flow statement shows, cash and cash equivalents as at the end of the first half included a pledged bank deposit amounting to EUR 0.4 m.

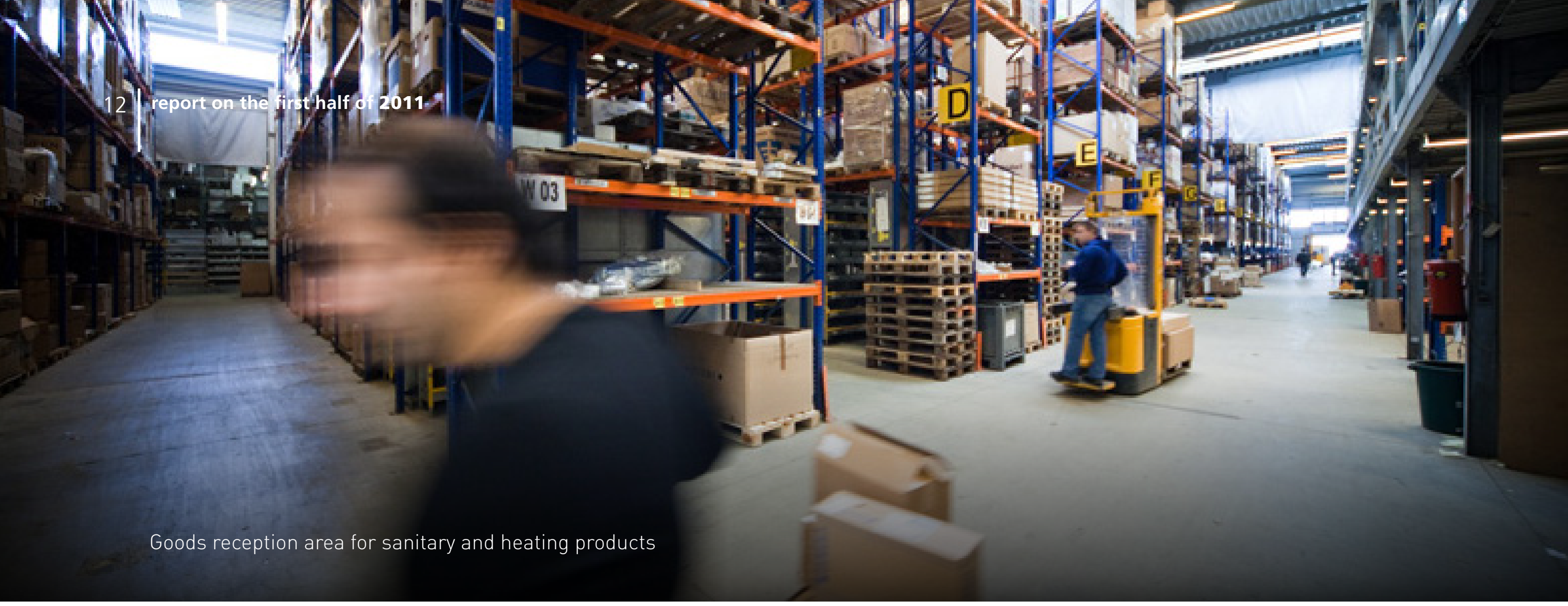
EMPLOYEES

In the first half of 2011 the Frauenthal Group employed an average of 2,710 people (H1 2010: 2,431). The Automotive Components Division accounted for the majority of the workforce, with a head count of 1,687 (H1 2010: 1,455). The division's head count grew by 232 because of the upturn in the commercial vehicle market. Employment in the Industrial Honeycombs Division increased by 34, taking the average to 316 (H1 2010: 282). The Wholesale Plumbing Supplies Division employed an average of 694 people (H1 2010: 684).

SHARE PRICE PERFORMANCE

Frauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. The share price ended 2010 on EUR 10.90, up almost 46% on the year. While the ATX shed 3.2% in the first half of 2011, our share price bucked the trend and hit a high for the year of EUR 13.35 on 17 May. The price then eased slightly, closing at EUR 11.25 on 30 June 2011.

For more information on our share price performance and ownership structure visit our website at **www.frauenthal.at**.



Goods reception area for sanitary and heating products

COMPOSITION OF THE EXECUTIVE BOARD

As at 30 June 2011 the Executive Board consisted of Hans-Peter Moser, who is in overall charge of the Automotive Components and Wholesale Plumbing Supplies divisions, and Martin Sailer who heads up the corporate finance function and the Industrial Honeycombs Division.

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 2011 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, 11 August 2011

Frauenthal Holding AG

The Executive Board

Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Member of the Executive Board

Shortened financial statements

CONSOLIDATED INCOME STATEMENT

EUR '000	H1 2011	H1 2010
Revenue	287,455	249,745
Changes in inventories of finished goods and work in progress	3,442	-937
Work performed by the entity and capitalised	63	0
Other operating income	3,912	3,655
Raw material and consumables used	-192,906	-159,853
Staff costs	-59,084	-52,722
Depreciation and amortisation expense, and impairment	-6,558	-6,309
Other operating expenses	-26,168	-27,807
Profit from operations	**10,156**	**5,772**
Interest income	25	91
Interest expense	-2,850	-2,001
Net finance costs	**-2,600**	**-1,910**
Profit before tax	7,556	3,862
Income tax expense	-623	-386
Change in deferred tax	-878	-555
Profit after tax	**6,055**	**2,921**
Attributable to non-controlling interests	349	-227
Attributable to owners of the parent (consolidated profit/loss for the year)	5,706	3,148
Earnings per share (basic/diluted)	**0.62**	**0.34**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	H1 2011	H1 2010
Profit after tax	6,055	2,921
Gains and losses on currency translation	-72	-81
Gains and losses on changes in non-controlling interests	770	0
Shares purchased	0	-40
Other comprehensive income	**698**	**-121**
Total comprehensive income	**6,753**	**2,800**
Attributable to non-controlling interests	1,121	-272
Attributable to owners of the parent	**5,632**	**3,072**

STATEMENT OF FINANCIAL POSITION

EUR '000	30 Jun. 2011	31 Dec. 2010
Assets		
Non-current assets		
Intangible assets	40,688	39,149
Property, plant and equipment	73,628	74,291
Investments in associates	726	726
Other financial assets	1,158	1,158
Deferred tax assets	20,218	20,771
	136,418	**136,095**
Current assets		
Inventories	89,142	72,052
Trade receivables	86,398	67,511
Other assets	12,203	11,834
Cash and cash equivalents	47,924	3,416
	235,667	**154,813**
Total assets	**372,085**	**290,908**

EUR '000	30 Jun. 2011	31 Dec. 2010
Equity and Liabilities		
Equity		
Share capital	9,435	9,435
Capital reserves	21,093	21,093
Retained earnings	55,369	40,924
Translation reserves	-1,975	-1,901
Other reserves	37	37
Own shares	-552	-552
Non-controlling interests	4,396	3,275
Profit/loss for the year	5,706	17,191
	93,509	**89,502**
Non-current liabilities		
Bond	130,903	70,000
Bank borrowings	12,049	12,369
Other liabilities	2,506	3,709
Provisions for termination benefits	9,821	9,826
Provisions for pension	6,989	6,930
Provisions for deferred tax	2,782	2,463
Other long-term provisions	4,118	4,078
	169,168	**109,375**
Current liabilities		
Bond	559	1,375
Bank borrowings	26,387	14,043
Trade payables	55,271	49,775
Liabilities to Group companies	133	68
Other liabilities	25,258	24,327
Tax provisions	180	528
Other short-term provisions	1,620	1,915
	109,408	**92,031**
Total equity and liabilities	**372,085**	**290,908**

STATEMENT OF CASH FLOWS

EUR '000	H1 2011	H2 2010
Profit for the year before non-controlling interests	6,055	2,921
Interest income and expense	2,600	1,910
Depreciation and amortisation of non-current assets	6,558	6,309
Gains on disposal of non-current assets	-5	-22
Losses on disposal of non-current assets	6	4
Change in deferred tax assets	553	579
Change in long-term provisions	412	98
Interest paid	-3,604	-3,169
Interest received	170	91
Operating profit before working capital changes	**12,745**	**8,721**
Change in inventories	-17,090	-10,507
Change in trade receivables	-18,886	-32,927
Change in other receivables	-370	1,694
Change in short-term provisions	-643	210
Change in trade payables	4,294	12,294
Change in liabilities to Group companies	66	54
Change in other liabilities	824	2,757
Translation related changes	-76	70
Net cash from operating activities	**-19,136**	**-17,634**
Investments in non-current assets	-7,476	-3,430
Proceeds from sale of non-current assets	45	74
Proceeds from investment grants	106	240
Net cash used in investing activities	**-7,325**	**-3,116**
Dividends paid	-2,746	0
Change in non-controlling interests	770	0
Change in borrowings	72,945	28,451
Net cash used in financing activities	**70,969**	**28,451**
Change in cash and cash equivalents	**44,508**	**7,701**
Cash and cash equivalents at beginning of period	3,037	1,888
Cash and cash equivalents at end of period	47,545	9,589

STATEMENT OF CHANGES IN EQUITY

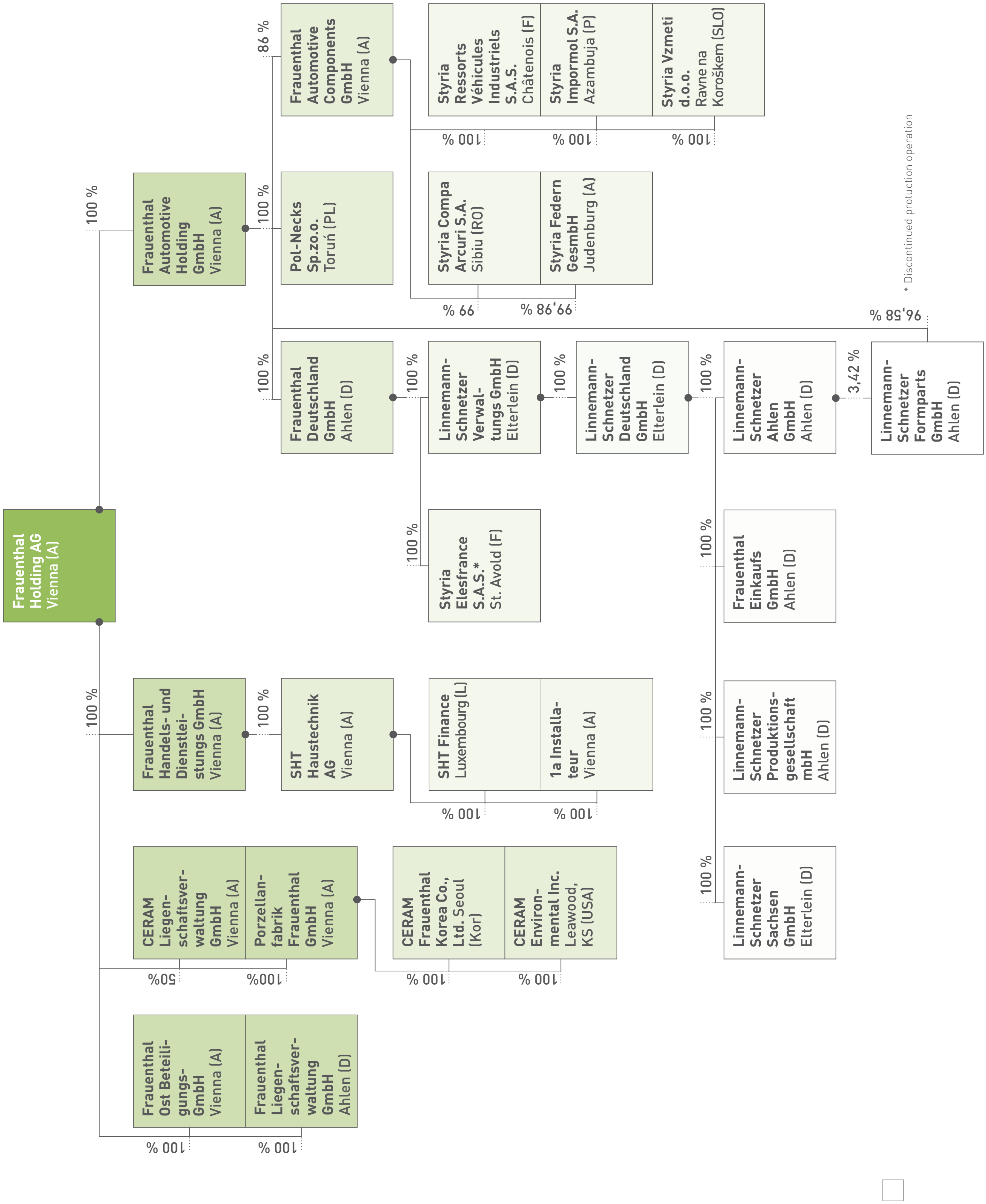
EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Fair value reserve	Treasury share	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 Jan. 2010	**9,435**	**21,093**	**40,924**	**-2,161**	**65**	**-396**	**68,960**	**3,103**	**72,063**
Total comprehensive income for 2010			17,191	260	-28	-156	17,267	172	17,439
Balance at 31 Dec. 2010 / 1 Jan. 2011	**9,435**	**21,093**	**58,115**	**-1,901**	**37**	**-552**	**86,227**	**3,275**	**89,502**
Dividends paid			-2,746				-2,746		-2,746
Total comprehensive income for 1-6/2011			5,706	-74	0	0	5,632	1,121	6,753
Balance at 30 Jun. 2011	**9,435**	**21,093**	**61,075**	**-1,975**	**37**	**-552**	**89,113**	**4,396**	**93,509**

SEGMENTAL ANALYSIS

	Industrial Honeycombs		Automotive Components		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal-Group	
EUR '000	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
Strategic business segments												
Revenue from external customers	37,801	39,799	123,630	86,508	126,012	123,427	12	11	0	0	287,455	249,745
Intersegment revenues	0	687	622	809	0	0	1,327	1,194	-1,949	-2,690	0	0
Total revenues	37,801	40,486	124,252	87,317	126,012	123,427	1,339	1,205	-1,949	-2,690	287,455	249,745
EBITDA	4,885	6,859	9,111	2,950	3,258	2,755	-540	-483	0	0	16,714	12,081
EBIT	3,276	5,429	5,906	5	1,623	890	-650	-552	1	0	10,156	5,772
Employees	316	282	1,687	1,455	694	684	13	10	0	0	2,710	2,431

Our Structure

Status as of 30 June 2011



2011 FINANCIAL CALENDAR

31 March 2011	Publication of annual results 2010
02 May 2011	Publication of the interim report on the first quarter of 1 / 2011
22 May 2011	Record date
01 June 2011	22nd Annual General Meeting
06 June 2011	Publication of results of votes on resolutions
07 June 2011	Ex-dividend date
08 June 2011	Dividend payment day
24 August 2011	Publication of the interim report on the first half of 2011
24 November 2011	Publication of the interim report on the third quarter of 2011

SHAREHOLDER INFORMATION

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Investors' hotline: +43 (1) 505 42 06

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 106m incl. 1,900,000 unlisted registered shares (as at 30 June 2011)

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

Symbol: FKA

ISIN: AT 0000492749 (2005 Bond)

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 2011 was 11 August 2011