frauenthal
GROUP

REPORT ON THE FIRST QUARTER OF 2008

Performance indicators

	1-3 2008	1-3 2007	Deviation in %	1-12 2007
Summary income statement (in EUR m)				
Revenue	158.2	133.5	18.5 %	592.0
EBITDA	11.6	6.4	82.4 %	42.3
ROS (EBITDA / revenue)	**7.3 %**	**4.8 %**	**53.9 %**	**7.2 %**
Earnings before interest and tax (EBIT)	7.8	3.1	151.1 %	27.8
Profit on ordinary activities (POA)	6.4	2.3	184.7 %	23.2
Profit/loss after tax	4.4	1.0	346.2 %	18.6
Operating profit before working capital changes	8.1	5.7	41.0 %	31.9
Free Cash flow	-3.7	-13.6	73.0 %	-1.0
Summary balance sheet (EUR m)				
Non-current assets	148.2	128.1	15.7 %	144.8
Current assets	186.3	173.5	7.4 %	169.4
Debt	235.8	221.9	6.2 %	220.2
Equity	98.7	79.6	24.0 %	94.0
Equity ratio (%)	**29.5 %**	**26.4 %**	**11.8 %**	**29.9 %**
Investment (additions to non-current assets)	5.5	3.0	86.0 %	18.8
as % of revenue	3.5 %	2.2 %	57.0 %	3.2 %
Average head count	**3,438**	**2,743**	**25,3 %**	**3,032**
Per employee ratios (in EUR ,000)				
Revenue	46.0	48.7	-5.5 %	195.3
EBIT	2.3	1.1	100.4 %	9.2
Operating profit before working capital changes	2.4	2.1	12.5 %	10.5
Shares in issue	9,434,990	9,434,990	0.0 %	9,434,990
Treasurey shares	-261,390	-261,390	0.0 %	-261,390
Shares in circulation	9,173,600	9,173,600	0.0 %	9,173,600
Per share ratios (in EUR)				
EBITDA	1.3	0.7	82.4 %	4.6
Earnings before interest and tax (EBIT)	0.9	0.3	151.1 %	3.0
Profit/loss after tax	0.5	0.1	346.2 %	2.0
Operating profit before working capital changes	0.9	0.6	41.0 %	3.5
Free Cash Flow	-0.4	-1.5	73.0%	-0.1
Equity	10.8	8.7	24.0 %	10.2
Share price				
Year end	18.04	21.44	-15.9 %	22.89
High	22.88	23.20	-1.4 %	25.60
Low	17.00	20.10	-15.4 %	20.25
Dividend and bonus [1]				0.2

[1] Distribution proposed to the Annual General Meeting

Report on the first quarter of 2008

Dear shareholders,

Frauenthal Group's first quarter revenue was 18.5 % up year on year, and was well ahead of the target for the first three months of 2008. First quarter EBIT was more than double the amount for the same period a year earlier. The results for the first quarter of 2007, it is true, reflected the costs of discontinuation of air reservoir production in Hungary, but the bulk of the improvement in 2008 was accounted for by the highly encouraging situation in the automotive market.

The sharp increase in sales of commercial vehicle components and the continuing growth in global demand for power station catalysts largely shaped the Group's first quarter performance. Despite posting higher sales in the traditionally slower first quarter, the wholesale plumbing business fell short of the exceptional comparator period of 2007. Sales were nonetheless higher than expected.

These figures lend support to our forecast for the year, in which we predicted that revenue and earnings for 2008 would be higher than in 2007, and that earnings growth would grow faster than revenue due to the absence of 2007's restructuring costs.

As in previous years, we should like to remind readers of this report that the trading performance of all the Group's operations varies over the course of the year, and that it would thus be misleading to extrapolate annual results for 2008 based on the figures for the first quarter.

Economic climate

Frauenthal Group's good trading performance chiefly reflects the continuing upswing in the European economy in general and the commercial vehicle sector in particular. The downturn in construction business first noted in the fourth quarter of 2007 has not intensified in the first quarter of this year. The power station catalyst and heat exchanger business continues to benefit from strong global energy demand and high oil prices. Efforts in the USA to reduce oil dependency are leading to the planning and construction of new coal and gas-fired power stations.

Environmental regulations have also been tightened in a number of states. In Europe, too, a growing number of new projects are under way. At the same time demand for replacement parts is increasing on both sides of the Atlantic.

Truck sales continue to run at record levels. Truck production is largely driven by high demand from Eastern Europe and former Soviet bloc countries, which more than makes up for the slight decline in new truck registrations in Western Europe. Despite the slightly poorer overall economic situation, truck production in the first three months of 2008 performed better than market researchers' had forecast. Even if there is a short-term dip in production growth, we do not expect demand to decline. The correctness of this assumption is however very much dependent on the impact of the global financial crisis on the economy.

Preferential toll rates in Germany for Euro 5 compliant trucks means that the majority of truck manufacturers are primarily offering Euro 5 vehicles, although this still more stringent emission standard will not become mandatory until 2009. Increased demand for Euro 5 trucks is boosting sales of diesel catalysts.

The Austrian economy peaked at the turn of 2007/08: the construction industry was already stagnating in the fourth quarter of 2007. However, order backlog in the building trade increased in January and February 2008, and forecasts of 2.5% growth for the construction industry in 2008 remain uncorrected thus far.

Operating review

Industrial Honeycombs (power station catalysts, heat exchangers and foundry filters)

The increased production capacity created last year in the Industrial Honeycomb Division by measures taken to eliminate bottlenecks was fully utilised in the first quarter of 2008. Additional measures are being implemented in 2008 to increase capacity further, in order to be able to raise production volumes again. The order book includes major long-term contracts, and also reflects considerable short-term demand for spare parts in both the USA and Europe. The sales company founded in South Korea in 2007 has already concluded several projects. A new and potentially very large market is emerging in China as a result of the scheduled entry into force of lower NOx emission limits for new power stations, although the precise timeframe for introduction of the new limits is as yet unclear. We have already entered the Chinese market with a number of reference projects, and there are now good prospects of further orders.

With a full order book, the overall order situation continues to be very good.

Sales of ceramic heat exchangers and ceramic foundry filters are also continuing to rise.

The increasingly weak dollar and increases in the prices of tungsten, molybdenum, vanadium and other raw materials are problems. The deleterious effects of the weaker dollar are partly counteracted by the fact that certain commodities and intermediate materials are not produced in the dollar region, so that our competitors producing there are burdened by these additional costs. Increases in raw material costs were partly countered by their more efficient use. Overall, strong demand is contributing to a trend towards a slight improvement in margins, despite these areas of concern.

Automotive components

Demand in the commercial vehicles sector in the first quarter was again higher than forecast. As a result, Group revenue was also well above that of the same period in 2007. Investments to increase capacity and the acquisition of the Gibnjara Kraljevo spring factory in Serbia have put us back in a position to meet our customers' demand for leaf springs. Capacity utilisation at all the Division's production sites except the Serbian factory continues to be excellent. Air reservoir production is also free of capacity bottlenecks.

Under existing agreements, continuing steel price increases can be passed on to customers. There are no steel supply shortages. Energy prices have risen sharply, but can be reflected in pricing when new agreements are negotiated.

The 69.5% owned Serbian spring factory (during privatisation the other shares were allocated to employees) has already been renamed A.D. Fabrika opruga Styria Gibnjara Kraljevo. Production has already increased significantly since the acquisition, but the company is still expected to make a loss this year. Productivity figures for the Automotive Division will also be affected by the additional 229 employees taken over with the factory. The level of capacity utilisation and production quality necessary for the plant to be profitable will only be achieved after investment in modernisation.

Production of a 9.5 inch diameter diesel catalyst for a major truck manufacturer started in 2007. There is a multi-year agreement with this customer, and the extra production capacity will be available for this product.

Wholesale

SHT continues to benefit from relatively strong orders from the ancillary building trades and from market share gained in 2007.

Despite higher sales, EBITDA fell slightly short of the amount for the same period a year earlier due to restructuring costs arising from acquisitions made in 2007. Costs will decline significantly as 2008 progresses. Both sales and earnings were significantly up on budget.

SHT continues to extend its leadership of the Austrian market.

Financial review

Revenue

All three business divisions reported healthy increases in revenue in the first quarter of 2008. Consolidated IFRS revenue advanced by EUR 24.7m –18.5 % year on year – to stand at EUR 158.2m. Unusually favourable market conditions brought strong sales for the Automotive Components Division in the first quarter, resulting in an increase of EUR 15.6m in revenue. Unlike in 2007, Automotive Components' results for the first quarter of 2008 also included those of the newly acquired Serbian company A.D. Fabrika opruga Styria Gibnjara Kraljevo and Pol-Necks Sp.z.o.o. of Poland. Porzellanfabrik Frauenthal's revenue increased by some EUR 3.0m due to the increasing demand for power station catalysts. Brisk construction and renovation activity helped the SHT Group to a revenue gain of EUR 5.3m compared with the same period in 2007, with the difference that the results in 2008 also included Röhrich Heizung und Industriebedarf Gesellschaft m.b.H.

Sales to the EU area accounted for 93.0 % of total revenue, the USA for 4.0 % and the rest of the world for 3.0 %.

Earnings

The Group's EBITDA for the first quarter of 2008 was EUR 11.6m, an increase of EUR 5.2m compared with the same period last year. Porzellanfabrik Frauenthal posted an EUR 0.5m improvement in EBITDA, while for the SHT Group improved earnings were not reflected in increased profitability because of higher restructuring costs. At EUR 10.5m, Automotive Components made the largest contribution to revenues, almost double last year's amount.

Sales and earnings are subject to seasonal fluctuations in all divisions, meaning that extrapolations of quarterly results do not yield reliable forecasts of results for the year as a whole.

Assets and finances

Frauenthal Group's total assets grew by 6.5 %, to EUR 334m, as compared with EUR 314m as at 31 December 2007. The increase stems largely from higher trade receivables, which are normal for the first three months of the financial year when revenue is seasonally high. The introduction of an ABS system by a major truck manufacturer in April last year resulted in an increase in Automotive Components' receivables: at 31 March 2008 the outstanding amount was EUR 17.7m.

Frauenthal Group continues to respond to increased customer demand by expanding capacity, and increasing investment activity is reflected in the rise in the Group's assets.

The equity ratio was unchanged at almost 30 %.

Cash flow

Operating profit before working capital changes — a performance measure essentially uninfluenced by non-cash income — rose by EUR 2.4m, to EUR 8.1m, an increase of 41 % compared with the same period last year.

The marked growth in sales resulted in a proportionately lower build-up of working capital, so that cash flow from operating activities was already positive again in the first quarter of the year.

Capital expenditure in the first three months of the year totalled EUR 5.5m (Q1 2007: EUR 3.0m). Spending by the Automotive Components Division of EUR 3.8m was largely a reflection of measures to increase production capacity. SHT Group capital expenditure of EUR 1.4m was chiefly attributable to additions to buildings and new vehicles.

Staff

In the first quarter of 2008 the Frauenthal Group employed an average of 3,438 people (Q1 2007: 2,743). This jump was largely attributable to the acquisition of the new Serbian company (229 employees) and the Polish company (162 employees), neither of which were contained in the figures for the first quarter of 2007.

The headcount in all three Frauenthal divisions was in response to increased demand.

Outlook

The outlook for 2008 continues to be based on the assumption that sales in a slightly cooler economic climate will continue to grow significantly, with earnings growing at an even faster rate. In 2008 we will continue to take advantage of strong demand, while reaping the benefits of the numerous restructuring measures implemented in recent years.

This outlook is supported by the first quarter's better-than-budget performance and the high levels of demand expected all our business segments. We can look forward to higher sales and improved earnings in all businesses.

In line with our long-term strategy, we are continuing to make major efforts to expand existing businesses through acquisitions.

Vienna, April 2008

Frauenthal Holding AG

The Executive Board

Balance sheet

Mario Konrad, 31, production worker

Assets	31.03.2008	31.12.2007
	EUR ´000	EUR ´000
Non-current assets		
Intangible assets	45,561	44,706
Property, plant and equipment	79,357	75,442
Investments in associates	697	697
Other financial assets	878	2,062
Deferred tax assets	21,663	21,921
	148,156	**144,828**
Current assets		
Inventories	79,470	74,678
Trade receivables	82,663	73,200
Trade receivables	14,716	11,255
Cash and cash equivalents	9,459	10,218
	186,308	**169,351**
Total assets	334,464	314,179

Equity and Liabilities	31.03.2008	31.12.2007
Equity		
Share capital	9,435	9,435
Capital reserves	21,093	21,093
Retained earnings	57,395	39,890
Retained earnings	-329	-132
Own shares	-396	-396
Minority interests	7,518	6,604
Profit for the year	3,981	17,505
	98,697	**93,999**
Non-current liabilities		
Liabilities		
Bond	70,000	70,000
Bond	3,564	2,766
	73,564	**72,766**
Provisions		
Provisions	9,824	9,627
Provisions for pensions	10,550	10,524
Provisions for deferred tax	2,129	2,126
Provisions for deferred tax	8,261	8,134
	30,764	**30,411**
	104,328	**103,177**
Current liabilities		
Liabilities		
Bond	2,053	1,375
Bank borrowings	17,795	15,187
Trade payables	62,588	59,487
Other liabilities	41,837	36,356
	124,273	**112,405**
Other liabilities		
Tax provisions	2,653	2,007
Other short-term provisions	4,513	2,591
	7,166	**4,598**
	131,439	**117,003**
Total Equity and Liabilities	334,464	314,179

Statement of changes in equity

EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Treasury shares	Net profit/loss	Equity attributable to equity holders of the parent	Minority interests	Total equity
At 31 Dec. 2006 = 1 Jan. 2007	**9,435**	**21,093**	**28,765**	**-78**	**-396**	**12,960**	**71,779**	**6,881**	**78,660**
Consolidated net profit for 2006			12,960			-12,960	0		0
Consolidated net profit for 2007						17,505	17,505	1,118	18,623
Dividends			-1,835				-1,835	-1,153	-2,988
Exchange differences on translating foreign operations and change in minority interests				-54			-54	-242	-296
At 31 Dec. 2007 = 1 Jan. 2008	**9,435**	**21,093**	**39,890**	**-132**	**-396**	**17,505**	**87,395**	**6,604**	**93,999**
At 31 Dec. 2007 = 1 Jan. 2008			17,505			-17,505	0		0
Consolidated net profit for 2007						3,981	3,981	420	4,401
Exchange differences on translating foreign operations and change in minority interests				-197			-197	494	297
At 31. Mar. 2008	**9,435**	**21,093**	**57,395**	**-329**	**-396**	**3,981**	**91,179**	**7,518**	**98,697**

Income Statement

	1-3/2008 EUR '000	1-3/2007 EUR '000
Revenue	**158,204**	**133,510**
Changes in inventories of finished goods and work in progress	1,761	- 1,753
Work performed by the entity and capitalised	164	52
Other operating income	1,838	1,285
Raw material and consumables used	- 99,945	- 84,932
Staff costs	- 33,424	- 28,281
Depreciation and amortisation	- 3,781	- 3,248
Other operating expenses	- 16,996	- 13,519
Profit from operations	7,821	3,114
Profit from operations	37	140
Interest expense	- 1,452	- 1,010
Other finance income	7	8
Net finance costs	- 1,408	- 862
Profit before tax	**6,413**	**2,252**
Income tax expense	- 1,773	- 895
Change in deferred tax	- 239	- 371
Profit before minority interests	4,401	986
Minority interests	- 420	- 354
Net profit/loss for the period	3,981	632

Cash-Flow-Statement

	1-3/2008 EUR '000	1-3/2007 EUR '000
Net profit/loss before minority interests	4,401	986
Depreciation and amortisation of non-current assets	3,781	3,248
Gains on disposal of non-current assets	- 1	- 75
Losses on disposal of non-current assets		40
Change in deferred tax	267	365
Change in long-term provisions	- 297	1,175
Reversal of negative goodwill on consolidation	- 60	0
Operation profit before working capital changes	8,091	5,739
Change in inventories	- 3,978	- 880
Change in trade receivables	- 8,086	- 23,735
Change in other receivables	- 3,480	- 246
Change in short-term provisions	2,568	2,578
Change in trade payables	1,593	6,277
Change in other liabilities	5,072	- 300
Translation related changes	30	- 90
Net cash from operating activities	1,810	- 10,657
Investments in non-current assets	- 5,518	- 3,056
Proceeds from sale of non-current assets	21	132
Proceeds from repayment of loans	44	
Changes arising on consolidation	- 28	0
Net cash used in investing activities	- 5,481	- 2,924
Change in financial liabilities	2,912	8,924
Net cash used in/from financing activities	2,912	8,924
Change in cash and cash equivalents	**- 759**	**- 4,657**
Cash and cash equivalents at beginning of period	10,218	10,615
Cash and cash equivalents at end of period	9,459	5,958

Notes to the interim report

The interim report of Frauenthal Holding AG (the Frauenthal Group) for the quarter ended 31 March 2008 had been drawn up in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting.

Consolidation, accounting and measurement policies

Compared with the position at 31 December 2007, the number of companies included in consolidation has increased by one — A.D. Fabrika opruga Styria Gibnjara Kraljevo, a Serbian company included in consolidation for the first time as of 1 January 2008. The interim report for the first quarter of 2008 thus comprises the results of the parent, Frauenthal Holding AG, and of 31 subsidiaries which it controls, and in which it 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 2007 have been applied without change to the first quarter of 2008.

The main differences between the policies applied and the provisions of the Austrian Commercial Code (UGB) lie in the use of the percentage of completion (PoC) method to value long-term construction contracts, in the treatment of deferred tax and the amortisation of goodwill, and in the calculation of provisions for employee benefit obligations.

Notes to the consolidated balance sheet

Total assets rose from EUR 314m at 31 December 2007 to EUR 334m at 31 March 2008. This chiefly reflected an increase in current assets in the form of higher trade receivables. The results for the first quarter of financial 2008 pushed up consolidated equity, including minorities, by EUR 4.4m. Despite the satisfactory increase in total assets the equity ratio was only marginally higher, edging up from 29.5 % to 29.9 %.

Notes to the consolidated income statement

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

Consolidated revenue for the first quarter was up by 18.5% to EUR 158.2m (Q1 2007: EUR 133.5m). Automotive Components, which since 1 January 2008 includes the Group's new Serbian spring factory, A.D. Fabrika opruga Styria Gibnjara Kraljevo, generated EUR 15.6m more revenue than in the same period last year. The continuing high level of activity in the construction sector resulted in a EUR 5.3m improvement in SHT Group's revenue contribution. Porzellanfabrik Frauenthal's revenue grew by more than a third.

Consolidated EBITDA of EUR 11.6m was 82.4% up year on year. The favourable market climate and higher revenues from both the Industrial Honeycombs and Automotive Components Divisions had a positive impact on earnings. In the Serbian subsidiary, which joined the Group as of 1 January 2008, the first three months brought initial losses of roughly EUR 300,000 to deduct from earnings. In the SHT Group, the growth in sales did not lead to an equivalent growth of profits.

On the basis of the net profit after minority interests of EUR 3,981,000 (Q1 2007: EUR 632,000) and an average of 9,173,600 shares in circulation (Q1 2007: 9,173,600), both undiluted and diluted earnings per share were EUR 0.43 (Q1 2007: EUR 0.07).

Notes to the consolidated cash flow statement

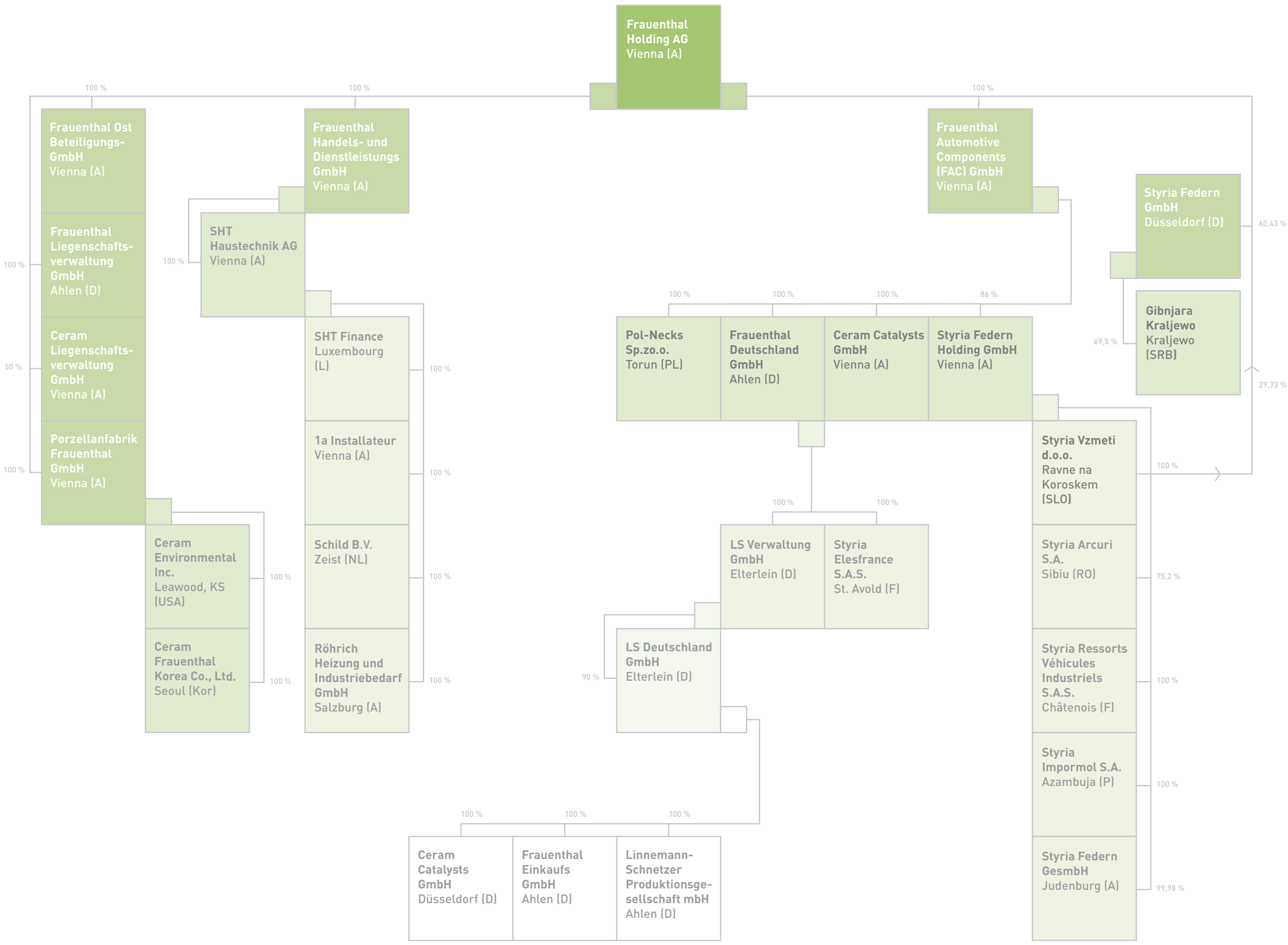
First half operating profit before working capital changes advanced by 41% year on year, to EUR 8,091,000. Despite the higher sales, selective improvements succeeded in keeping the increase in working capital low, so that the cash flow from operating activities was a positive EUR 1,810,000 (Q1 2007: EUR -10,657,000). Capital expenditure of EUR 5,509,000 (Q1 2007: EUR 2,924,000) was in the main on investments in additional production capacity.

Share price performance

Frauenthal shares start trading in the Vienna Stock Exchange's prime market on 23 July 2007. In the first quarter of the current year the stock's performance reflected the nervous state of the stock market, falling uninterruptedly from last year's balance sheet price of EUR 22.89 to EUR 18.04 at the end of the first quarter.

For more information on our share price performance visit our website at www.frauenthal.at.

Structure


Frauenthal Holding AG Vienna (A)
Frauenthal Ost Beteiligungs-GmbH Vienna (A)
Frauenthal Liegenschafts-verwaltung GmbH Ahlen (D)
Ceram Liegenschafts-verwaltung GmbH Vienna (A)
Porzellanfabrik Frauenthal GmbH Vienna (A)
Ceram Environmental Inc. Leawood, KS (USA)
Ceram Frauenthal Korea Co., Ltd. Seoul (Kor)
Frauenthal Handels- und Dienstleistungs GmbH Vienna (A)
SHT Haustechnik AG Vienna (A)
SHT Finance Luxembourg (L)
1a Installateur Vienna (A)
Schild B.V. Zeist (NL)
Röhrich Heizung und Industriebedarf GmbH Salzburg (A)
Frauenthal Automotive Components (FAC) GmbH Vienna (A)
Pol-Necks Sp.zo.o. Torun (PL)
Frauenthal Deutschland GmbH Ahlen (D)
Ceram Catalysts GmbH Vienna (A)
Styria Federn Holding GmbH Vienna (A)
LS Verwaltung GmbH Elterlein (D)
Styria Elesfrance S.A.S. St. Avold (F)
LS Deutschland GmbH Elterlein (D)
Ceram Catalysts GmbH Düsseldorf (D)
Frauenthal Einkaufs GmbH Ahlen (D)
Linnemann-Schnetzer Produktionsge-sellschaft mbH Ahlen (D)
Styria Federn GmbH Düsseldorf (D)
Gibnjara Kraljewo Kraljewo (SRB)
Styria Vzmeti d.o.o. Ravne na Koroskem (SLO)
Styria Arcuri S.A. Sibiu (RO)
Styria Ressorts Véhicules Industriels S.A.S. Châtenois (F)
Styria Impormol S.A. Azambuja (P)
Styria Federn GesmbH Judenburg (A)

Imprint

2008 financial calendar

09.04.2008	Announcement of the annual result/ Annual results press conference
24.04.2008	19th Annual General Meeting
24.04.2008	Interim report for Q1 2008
02.05.2008	Ex-dividend date
05.05.2008	Dividend payment date
05.08.2008	Interim financial report for the half year ended 30 June 2008
04.11.2008	Interim report for Q3 2008

Shareholder information

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Vienna Stock Exchange:	Prime Market
Symbol :	FKA
ISIN:	AT 0000762406 (shares)
Bloomberg-Code	FKA AV
Reuters-Code	FKAV.VI
Market capitalisation	EUR 135.93m (as at 31 March 2008)
Vienna Stock Exchange	Listing on the Vienna Stock Exchange official market
Symbol :	FKA
ISIN:	AT 0000492749 (Anleihe)

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:
In the interests of readability editorial changes have been made of this annual report (including the color scheme and layout).

The original can be viewed at the Company's headquarters