frauenthal
GROUP

Strength through diversity

ANNUAL REPORT 2012

5-YEAR-SUMMARY

	IFRS 2012*	IFRS 2011*	IFRS 2010	IFRS 2009	IFRS 2008
Summary income statement (EUR m)					
Revenue	509.9	514.2	539.4	454.5	645.4
EBITDA	18.3	24.7	34.3	–6.0	42.8
EBITDA underlying [1]	18.3	24.7	32.8	–0.1	42.8
ROS (EBITDA/revenue)	**3.6%**	**4.8%**	**6.4%**	**–1.3%**	**6.6%**
ROS (EBITDA/revenue) underlying [1]	3.6%	4.8%	6.1%	0.0%	6.6%
Profit from operations (EBIT)	7.9	14.5	21.7	–25.2	22.7
Profit from operations (EBIT) underlying [1]	7.9	14.5	20.2	–19.4	22.7
Profit before tax (EBT)	3.2	8.6	18.1	–29.6	17.1
Profit for the year from continuing operations	1.3	7.6	17.4	–29.4	11.5
Profit for the year from discontinued operations	37.7	6.1	17.4	–29.4	11.5
Profit for the year	39.0	13.7	17.4	–29.4	11.5
Operating profit before working capital changes	11.0	31.1	29.2	–7.3	32.7
Summary statement of financial position (EUR m)					
Non-current assets	124.0	142.8	136.1	136.3	150.8
Current assets	216.5	221.8	154.8	118.5	174.3
Total assets	340.5	364.6	290.9	254.7	325.2
Borrowings	213.0	265.8	201.4	182.7	223.1
Equity	127.5	98.9	89.5	72.1	102.1
Equity ratio (%)	**37.4%**	**27.1%**	**30.8%**	**28.3%**	**31.4%**
Investment	15.2	13.7	9.3	12.1	27.1
as % of revenue	3.0%	2.7%	1.7%	2.7%	4.2%
Average head account [2]	2,613	2,368	2,548	2,442	3,327
Per employee ratios (EUR '000)					
Revenue	195.1	217.1	211.7	186.1	194.0
Profit from operations (EBIT)	3.0	6.1	8.5	–10.3	6.8
Operating profit before working capital changes	4.2	13.1	11.5	–2.8	9.8
Share issue	9,434,990	9,434,990	9,434,990	9,434,990	9,434,990
Own shares	–943,499	–272,456	–282,456	–261,390	–261,390
Shares in circulation	8,491,491	9,162,534	9,152,534	9,173,600	9,173,600
Per share ratios (EUR)					
EBITDA	2.2	2.7	3.8	–0.7	4.7
Profit from operations (EBIT)	0.9	1.6	2.4	–2.7	2.5
Profit for the year from continuing operations	0.2	0.8			
Profit for the year from discontinued operations	4.4	0.7			
Profit for the year	4.6	1.5	1.9	–3.2	1.3
Operating profit before working capital changes	1.3	3.4	3.2	–0.7	3.5
Equity	15.0	10.8	9.8	7.6	11.1
Share price Year end	8.80	9.40	10.90	7.49	6.58
Share price High	11.00	13.52	10.90	8.50	22.88
Share price Low	8.11	8.10	6.59	4.25	5.00
Dividend and Bonus	no recommendation	0.3	0.3	0.0	0.0

1) 2010: adjustment for eur 1.5m in write-ups of non-currents assets. 2009: adjustement of eur 6m for deconsolidation of Styria Federn gmbh, düsseldorf and a.d. Fabrika opruga Styria gibnjara Kraljevo, Serbia due to the disposal of these companies

2) including average number of agency workers. * 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.

HIGH LIGHTS OF 2012

The key event of the 2012 financial year for the Frauenthal Group was the sale of its Industrial Honeycombs Division to Japanese technology group IBIDEN. A downturn in commercial vehicle demand caused a sharp fall in Group EBIT, but the Wholesale Plumbing Supplies Division again recorded revenue and earnings growth. Acquisitions by the Frauenthal Automotive and Wholesale Plumbing Supplies divisions further strengthened their market positions.

STABLE REVENUE AND RECORD PROFIT FOR THE YEAR OF EUR 39M

Revenue in the two continuing operations, Frauenthal Automotive and Wholesale Plumbing Supplies, edged down by an overall EUR 4.3m or 0.8 % year on year, to EUR 509.9m. Frauenthal Automotive's revenue shrank by 10.7 % while Wholesale Plumbing Supplies registered a 7.3 % gain. Earnings before interest and tax (EBIT) from the continuing and discontinued operations totalled EUR 56.3m (2011: EUR 22.5m). EBIT from continuing operations dropped by EUR 6.6m year on year to EUR 7.9m. This reflected a decline of EUR 9.2m in the EBIT contribution from Frauenthal Automotive and an increase of EUR 2.1m in that from SHT. The combined profit for the year of the continuing and discontinued operations was EUR 39.0m – a year-on-year improvement of EUR 25.3m or 184.7 %.

CASH USED TO MAKE ACQUISITIONS AND TO BUY BACK SHARES

EUR 6.9m in cash and cash equivalents was devoted to acquisitions. A public off-market share buyback programme was successfully completed in October. On the basis of the authorisation granted by the Annual General Meeting held on 6 June 2012, a total of 671,043 shares in Frauenthal Holding AG, corresponding to 7.11 % of the share capital, were repurchased at a price of EUR 10 per share. As at 19 October 2012 Frauenthal Holding AG held 943,499 treasury shares, equal to the legal limit of 10 % of the share capital. The intention is to use the treasury shares to pay for acquisitions in stock and to satisfy employee share options.

TARGETED HR DEVELOPMENT THE KEY TO MANAGEABLE GROWTH

Good HR management is the key to profitable growth, and efforts continued to institutionalise it at all levels of the organisation. Internal and external training programmes are provided for employees who demonstrate that they are willing to go the extra mile, to enable them to develop their leadership skills on the job. Succession planning for the top three levels of management ensures that know-how stays in the Company.

REALISATION OF SHAREHOLDER VALUE AND INFLUX OF LIQUIDITY DUE TO DISPOSAL OF THE INDUSTRIAL HONEYCOMBS DIVISION

The disposal of the Industrial Honeycombs Division to Japanese technology group IBIDEN was completed on 1 June 2012. The purchase price was EUR 51.3 million (m), and the buyer assumed EUR 29.4m in debt. The net proceeds of the disposal, including the division's operating profit before 1 June, amounted to EUR 37.7m.

The transaction resulted in a cash inflow of EUR 80.7m. This large influx of liquidity was partly used to repay short-term debt; EUR 35m has been invested on the money market, and is earmarked for redemption of the bond due in May 2016.

BUSINESS DEVELOPMENT DRIVING STRATEGY

The Frauenthal Group pressed ahead with its strategy of growing its existing business divisions by acquisition in 2012, purchasing three companies and expanding the Business Development team. A large number of potential acquisition targets were examined. The Group is aiming to buy a new, third line of business. The Group has about EUR 100m in resources to fund acquisitions.

STRENGTH THROUGH DIVERSITY.

Our prime objective is healthy organic growth in the existing business divisions, and growth by acquisitions.

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www.frauenthal.at

Hannes Winkler, Chairman of the Supervisory Board of Frauenthal Holding AG

STATEMENT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

No one would have expected that 2012 would be by far the most financially successful year in the history of our Company – certainly not on the scale that it was. The speed with which the opportunity to sell the Industrial Honeycombs Division arose, and the deal was decided on and finalised stretched all of us to the limits. The very favourable outcome and the opportunities this has created for the Frauenthal Group have transformed the situation for us.

This was our second-largest disposal, in a history going back over 20 years, and was outdone only by the sale of the insulator business in 2001. We were able to capitalise on the value created by long years of systematic business development in a way that, for many strategic reasons, we could not have done under our own steam.

The main challenge ahead is to find the best course for future growth for Frauenthal and all of our stakeholders under current conditions. We will rise to this challenge with all due care and circumspection, but with our sights set firmly on growth.

One of the cornerstones of our strategy will be a continuation of our sustainable investment policies and our strong focus on growing in the remaining divisions, Frauenthal Automotive and Wholesale Plumbing Supplies (SHT). We are using our greater financial clout as a result of the disposal of the Industrial Honeycombs Division to take a much more active approach to M&A activity. Identifying attractive opportunities calls for a lot of hard work, patience and determination when analysing and selecting acquisition targets. It is encouraging that the takeovers of Worthington Cylinders a.s. by the Frauenthal Automotive Division and of Technopoint Sanitrends s.r.o. and GAMA Myjava s.r.o. by SHT are already starting to reap dividends.

Within the continuing operations the accent will continue to be on acquisitions that we will extend their market presence, enhance their competitiveness and increase shareholder value. At the same time, concerted efforts are being made to buy into a new, third line of business that we can then develop to achieve strong value growth. All our previous acquisitions were uncharted territory for us at first, yet with few exceptions we were able to achieve large increases in value. We will be looking to do so again with a new third business division.

To support these efforts, we have set up a new Business Development Department with specialist staff, and a related Executive Board remit. Hans-Peter Moser has taken on the job of building this Department up and implementing our expansion strategy. Martin Sailer will reshape Frauenthal Automotive's strategy to steer it along the testing road to improved profitability and competitiveness. The renewed sharp downturn in demand has created a difficult environment for the division.

Our successful public off-market buyback programme gave shareholders an opportunity to reduce their investment in Frauenthal Holding AG; returning money to shareholders via the stock exchange would have been problematical. This allowed Frauenthal to accumulate a large number of additional treasury shares for use in acquisitions and the employee stock option programme.

As I do every year, I would like to take this opportunity of saying a special thank-you to our customers, suppliers and employees, the Executive Board and my colleagues on the Supervisory Board for their outstanding contributions. I should also like to thank our shareholders for their loyalty. I hope that this annual report will make interesting reading, and look forward with to our discussions at the Annual General Meeting in May.

Vienna, 11 March 2013

Hannes Winkler, Chairman of the Supervisory Board

SENIOR LEADERSHIP TEAM (SLT)

Since 2010 the top managers in the Frauenthal Group have belonged to a senior leadership team (SLT). The SLT meets several times a year under the leadership of the Frauenthal Holding AG Executive Board to discuss central issues relating to corporate strategy and business development, and key human resources management actions aimed at attracting and developing talent. Openness, continuous improvement and innovation are always high on the agenda, as is respect for diversity.

New recruits in 2012 were Erika Hochrieser from Frauenthal Holding, and the new management team at Frauenthal Automotive – Markus Gahleitner, Matias Mosesson and Helfried Jelinek. Magnus Baarman, who held operational executive responsibility for Frauenthal Automotive from 2008–2012, is no longer with the SLT as he has left the Group.

Magnus will be remembered for the large part he played in turning Frauenthal Automotive around. He took over at the head of Frauenthal Automotive in the midst of the 2008 crisis. Securing an enduring improvement in customer relationships, locking in long-term contracts, integrating the group ("one company" policy), and masterminding the development and successful marketing of new, innovative products are just some of his achievements.

The disposal of the Industrial Honeycombs Division led to the departure of Karl Führer and Chaohong Zhu in 2012.

In 2012 the SLT focused on outlining expansion plans for the Frauenthal Automotive and Wholesale Plumbing Supplies divisions. This ultimately led to three acquisitions aimed at driving growth and gains in market shares. The overarching goal of all the team's deliberations is to find ways of gaining a long-term competitive edge by creating additional customer benefits. We firmly believe that this is the only way to achieve superior growth in shareholder value.

In 2013 we will again be concentrating strongly on business development – this time with the clear aim of diversifying by buying into a third line of business. What we are looking for is a target that is the leader in a niche market, and is differently synchronised with the business cycle to Frauenthal Automotive and SHT. This should also be the sort of acquisition that will enable us to use our toolkit (restructuring, financing, industrial and distribution experience) to achieve rapid growth in shareholder value.

From left:
Wolfgang Knezek, member of the Executive Board of SHT Haustechnik AG,
Beatrix Pollak, member of the Executive Board of SHT Haustechnik AG and speaker of the Board,
Matias Mosesson, Chief Sales and Technology Officer and Managing Director of the Frauenthal Automotive division,
Martin Sailer, member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive division,
Josef Unterwieser, Chief Operating Officer and Managing Director of the Frauenthal Automotive division,
Erika Hochrieser, Head of Investor Relations and Controlling,
Bernd Allmer, Vice President Human Resources & Change Management,
Manfred Prinz, member of the Executive Board of SHT Haustechnik AG,
Hans-Peter Moser, member of the Executive Board of Frauenthal Holding AG and responsible for the Wholesale Plumbing Supplies division,
Markus Gahleitner, Chief Financial Officer and Managing Director of the Frauenthal Automotive division,
Helfried Jelinek, Chief Operating Officer and Managing Director of the Frauenthal Automotive division

„I expect the economic climate to be very challenging over the next few months, Fortunately, our team, with its mixed background, has virtues that are increasingly crucial today – agility, and an ability to take quick decisions, and anticipate economic and political trends. We will continue to drive growth without overstretching ourselves, by maintaining highly professional business development and HR efforts. And we will diversify by entering a new, third line of business."

Hans-Peter Moser,
member of the Executive Board of Frauenthal Holding AG
and responsible for the Wholesale Plumbing Supplies division (SHT)

TASK

Markus Felbermaier, 35, Manager of the SHT Bäderparadies showroom in Graz. "Using a 3D computer planning tool, we can put together the ideal layout for any size of bathroom. We show customers suitable products and help them select models, materials and colours."

PRODUCT

The Bäderparadies in Graz is one of SHT's 11 premium showrooms in Austria. The way to your dream bathroom is an SHT Bäderparadies – because it's home to a huge selection of branded products, as well as a host of ideas and design options for your personal oasis of wellbeing.

CORPORATE GOVERNANCE

Hans-Peter Moser, responsible for the Wholesale Plumbing Supplies Division, **Martin Sailer**, responsible for the Frauenthal Automotive Division

INTERVIEW WITH THE EXECUTIVE BOARD

"... 2012 WAS AN EVENTFUL YEAR..."

INTERVIEW WITH FRAUENTHAL HOLDING AG EXECUTIVE BOARD MEMBERS HANS-PETER MOSER AND MARTIN SAILER

2012 was an eventful year for the Frauenthal Group – a division sold, acquisitions and two very different operating divisions. Where is the Frauenthal Group heading?

Moser: Today the Frauenthal Group is better placed than it was in the previous few years, despite the troubles of the European commercial vehicle market. Thanks to the disposal of the Industrial Honeycombs Division we have a very comfortable liquidity cushion, and we are largely self-sufficient in terms of funding for our growth projects. The transaction demonstrated that our Group is capable of building up business divisions that boast strong long-term profitability, and also of realising the value it has created in this way. Selling to the Japanese technology group IBIDEN was the best call for our shareholders, for the

Frauenthal Group, and for the division and its workforce. The SHT Group has now delivered revenue and earnings growth for the fifth year in a row, and has taken its first steps in the direction of internationalising its operations. The severe recessions across southern Europe have hit Frauenthal Automotive hard, but we know how to respond, and have a detailed action plan to put the Division on track for strong and sustainable profitability.

To return to 2012, I'd like to congratulate our management team and the entire workforce on their fine performance across all divisions. We owe our ex-colleagues in the Industrial Honeycombs Division a particular debt of gratitude. Despite the anxieties that are an inescapable part of any disposal process they continued to make an active and positive contribution, and this played a key part in tying up the deal. I should also like to thank the Supervisory Board and the works council. Last year they were involved in decisions of momentous importance for the Frauenthal Group. As always, the Executive and Supervisory boards and the employee representatives had an excellent working relationship.

The most notable event of 2012 for Frauenthal was the disposal of the Industrial Honeycombs Division and long-established subsidiary Porzellanfabrik Frauenthal. Why has the Group part company with this successful operation?

Sailer: It certainly wasn't an easy decision. The Industrial Honeycombs Division goes back to the beginning of the Frauenthal Group's history, and was a textbook example of how to build up a solid and highly profitable business. However, this operation was faced with major changes in its trading environment. With the globalisation of its markets – witness China – the big growth opportunities for power station catalysts had moved overseas. Meanwhile, the Euro 6 standard for heavy goods vehicles was placing significantly heavier technological demands on diesel catalysts and exhaust after-treatment systems. In both areas, we could only safeguard future growth by making massive investments and entering new technology partnerships.

After weighing the opportunities and risks of that course of action we concluded that the best solution for all stakeholders was to exit – and that went for the Division itself in particular, since it would be able to profit from the technological know-how and sales network of a global industrial group. The Frauenthal Group was no longer the ideal owner for this business. Naturally, a good price was a make-or-break condition for the deal. We managed that. Our underlying diversification strategy and our belief in "strength through diversity" remains in place. We're working hard not just on growth by acquisition in the two existing divisions but also on searching for a new, third line of business that meets our investment criteria. The disposal has given us a solid financial platform for this. The Frauenthal Group has a lot of room for manoeuvre.

> „The Frauenthal Group has a sound financial platform to build on its philosophy of 'strength through diversity'."
>
> Hans-Peter Moser,
> member of the Executive Board of Frauenthal Holding AG
> and responsible for the Wholesale Plumbing Supplies division (SHT)

Frauenthal Automotive is up against a sharp contraction in demand. What is the outlook for the European commercial vehicle market?

Sailer: In 2012 the European commercial vehicle market was once again true to its role as an economic bellweather. The transport industry has been holding back on investment since last summer at the latest, in response to the recession and the economic storm

Martin Sailer, responsible for the Frauenthal Automotive Division

clouds over southern Europe. The economic crisis in the south has also reduced the freight volumes transported between central and southern Europe. These problems have been compounded by the impending changeover to Euro 6 vehicles. That has prompted many hauliers to put off replacement investments until the third and fourth quarters of 2013, when last chance buying is likely to push up Euro 5 sales. In 2012 these factors led to 12.4 % drop in overall demand in the EU, and a fall of 9.1 % in sales of heavy commercial vehicles. Those trends were driven by declines in registrations of between 20 % and 29 % in Italy, Portugal and Spain. Only exports to Russia and South America held steady. Going forward, we also have to be realistic about the mid to long-term prospects for Europe. The record figures of 2007–08 belong to history, and in future sales in the European single market will largely be limited to replacement investments. The high share of European production going to export will steadily retreat, as all the major manufacturers are extending their global footprints. According to optimistic estimates, in future average output in Europe will run at around 2011–12 levels – though wide short-term swings can never be ruled out. For component suppliers this means they will have to rely less on quantitative growth than on qualitative growth through higher value products and systems.

What consequences will these trends have for Frauenthal Automotive?

Sailer: We have three large product groups, with different levels of capacity utilisation and market share. Our position in the air reservoir segment is even stronger following the acquisition of the Czech Worthington Cylinders plant. We now have a full product range, and deliver to all the European OEMs – mostly as the principal supplier. In the stabiliser and U-bolt segments capacity utilisation is satisfactory – in each case at a single site – and we have sufficient reserve capacity to cope if demand picks up. We also believe we have a good chance of winning additional market shares in these segments. As regards steel springs, we have four plants, each with their own strengths and priorities. The expansion at the factory in Sibiu, Romania, where we have almost doubled capacity, gives us the freedom to improve capacity utilisation by relocating production.

The next step must be enhancing our second sourcing capability, that is, our ability to offer to supply

„Extending our second sourcing options and boosting product development is creating benefits for our customers.“

Martin Sailer,
member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive division

products from two different sites. The benefits for customers are potential improvements to delivery logistics and increased security of supply. The advantages for us are greater control of capacity utilisation and more opportunities for cross-site learning – sharing best practice. The other strategic thrust is stepping up our product development effort. Our customers' growing interest in improved, lightweight parabolic springs is evidenced by requests for prototypes and the first volume production orders. Due to the demands that the Euro 6 standard places on vehicles, weight reduction has become a genuine selling point for our customers for the first time. This gives us opportunities that we must seize, and we will be upping our R&D budget again. We hope to continue to win over potential customers by introducing innovative designs, fine-tuning our production processes, using more advanced materials and enhancing product performance.

„The full effect of the cost savings and the investments in increasing productivity will not be seen until 2013."

Martin Sailer,
member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive division

Frauenthal Automotive Division's results have gone downhill badly. What do you blame for this?

The main reason for the slump in earnings was lower demand. Our production capacity and cost base are aligned to a volume at least 15 % above 2012 levels. Despite the fact that we exploited the leeway for adjusting capacity – for instance by laying off agency workers – inadequate volume impacted earnings by about EUR 5.5m. Frauenthal Automotive's EBIT contribution was down by a total of EUR 8.9m. Apart from low volume, earnings were hit by higher energy and transport costs, as well as technical problems and delays in bringing new equipment, aimed at increasing productivity, into service. We launched a cost reduction programme back in the summer, when the first warning signs of a downturn in demand emerged. This was already bearing fruit by the end of 2012, but the full impact of the cost savings and the investments in increasing productivity will only be seen this year. I'm mainly referring to the action to streamline structures that affect our indirect costs. It's also worth remembering that last year personnel reduction expenses due to inadequate capacity utilisation at some plants shaved about EUR 1.3m off earnings. Last but not least, the closure of the loss-making formed parts and welded components manufacturing operation in Ahlen (Frauenthal Automotive Westphalia GmbH) causes total expenses of about EUR 2.2m, thereof EUR 1.2m with an impact on the result.

There have been some changes in the Frauenthal Automotive management team. What was behind them?

Sailer: Magnus Baarman, CEO of Frauenthal Automotive until December 2012, decided to look for new challenges after ten years of achievement with the Group. We would like to thank him for his important contribution. Magnus took the helm at the height of the crisis in 2009, and under his leadership Frauenthal Automotive built better and broader customer relationships. He was also instrumental in the introduction of the "one company" approach. His most important contribution was to force the pace of product development – a move that is now paying dividends. I decided to take over as CEO of the Frauenthal Automotive Division. There are two main objectives behind the new leadership structure. Firstly, we want to provide improved support for the factories in pushing through productivity gains – both by making new investments and by pursuing continuous improvement initiatives – and promote know-how

Hans-Peter Moser, responsible for the Wholesale Plumbing Supplies Division

transfers between the various sites. Helfried Jelinek, who succeeded in driving product innovation and lean management at our Judenburg plant, has now taken on the same role at all four steel spring operations. Josef Unterwieser will be concentrating on the air reservoir and U-bolt plants. An important task will be exploiting the synergies between our German factory and the Czech acquisition. Secondly, we need to beef up the R&D effort and forge more development partnerships with customers. We have combined the functions of chief sales officer and chief technology officer, and appointed Matias Mosesson to this position. This will make it easier to coordinate R&D and sales, and to win over customers by demonstrating technological prowess and a strong commitment to innovation.

The Wholesale Plumbing Supplies Division (SHT) grew again in 2012, although it had no help from market conditions. How do you account for this success?

Moser: It's true that there was no growth in construction activity in Austria, except for a bit of a pick-up in commercial new build and renovation. Overall market growth was a mere 0.4 %. The fall-off in public sector investment depressed output, and the private renovation segment flatlined after a run of boom years. SHT's success comes from its relentless drive to expand its sales and service networks and steadily improve its logistics performance. In terms of reliability – punctual, error-free goods deliveries – SHT has achieved record performance and put clear water between itself and the competition. In 2012 SHT once again reaped the benefits of all the hard work that has gone into business development. A clear indicator of success was its high and stable market share in eastern Austria, despite increasingly fierce competition. SHT grew its market shares in Austria as a whole last year. This reflected the continued extension of our local presence. The main investments in sales space were a new, integrated Bäderparadies showroom and heating centre in Puntigam, Graz, a new Bäderparadies in Ansfelden, a new ISC pick-up store in Imst and the ISC expansion in Perchtoldsdorf. Meanwhile our logistics operations have been breaking new ground. Deploying state-of-the-art mobile communication technology has enabled us to keep better track of goods flows. The new standards being set by SHT's logistics systems were recognised by a

„Improving productivity and know-how transfers, stepping up the R&D effort and forging new development partnerships are top priorities for the new leadership team.“

Hans-Peter Moser,
member of the Executive Board of Frauenthal Holding AG
and responsible for the Wholesale Plumbing Supplies division (SHT)

„Continued extension of our local presence has enabled us to grow our market shares in Austria.“

Hans-Peter Moser,
member of the Executive Board of Frauenthal Holding AG
and responsible for the Wholesale Plumbing Supplies division (SHT)

top award in 2012. This went to the pilot YLOG system – an automated high-bay warehouse for small parts – which has been in operation for the past four years. The stability provided by SHT's success is extremely important in view of the volatility of the commercial vehicle market.

SHT is venturing abroad for the first time. What are the aims of your expansion strategy?

Moser: The division's first international expansion move was the takeover and integration of Slovak wholesale plumbing supplier Technopoint Sanitrends, spol. s.r.o. The next step, in October, was the purchase of the fifth-largest plumbing supplies merchant in Slovakia, GAMA Myjava s.r.o., with a 90-strong workforce. The two companies have been merged and placed under joint management as SHT-Slovakia. The acquisitions give SHT nationwide reach in Slovakia, and it now has an annual turnover of about EUR 20m, placing it a close third in this market. By leveraging synergies and our know-how and clout as a buyer we have been able to boost SHT-Slovakia's profitability quite quickly. Testing the water in a nearby and relatively small market is a unique learning opportunity for us, before possibly going on to larger acquisitions. The aim of the strategy is to increase earnings by expanding into neighbouring countries, where there are limits to the risks involved. Due to our strong market position in Austria there's not much scope to grow on our home market. But expansion stands or falls on whether you can commit management resources to it. We don't want to bite off more than we can chew. I'm very pleased with the management team at SHT, and their talent development arrangements. Because of this I have stepped down from my operational position as an executive board member, and I now support the division in my capacity as chairperson of the SHT supervisory board. Beatrix Pollak took over as chair of the executive board at the end of last year. Together with fellow board members Wolfgang Knezek and Manfred Prinz she is continuing to work for innovative solutions that will generate benefits for plumbers and end users.

The Frauenthal Group is geared up for further takeovers. What is the profile of the ideal acquisition target?

Moser: Last year's three transactions ticked all our boxes for an add-on acquisition – a clear business model, good strategic fit, strong synergies and an acceptable price. The key issues are whether our strengths would do something for the target company and whether the acquisition would strengthen our market position. Both at Frauenthal Automotive and at SHT, we are capable of integrating the acquirees quickly, without it being a major drain on our processes and structures. Frauenthal Automotive Hustopeče s.r.o. in the Czech Republic came with an excellent management team and an outstanding reputation with its customers. The largest customer, Volvo, has awarded Hustopeče its top supplier award in recognition of its consistently high product quality. This acquisition will not only considerably expand our share of the air reservoir market but also bring us technological know-how, as some of Hustopeče's production methods are different to those at our German sites. All our plants have their own advantages and special skills.

That creates opportunities for sites to learn from each other, increases our flexibility, and benefits our customers because we can offer the right production process for a given set of requirements at low cost. SHT's two acquisitions in Slovakia played to its strengths in purchasing, marketing and logistics. In

„We don’t want to bite off more than we can chew.“

Martin Sailer,
member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive division

next to no time we were able to merge the two companies into SHT-Slovakia and boost their profitability. We mean to stick to this approach to acquisitions in both divisions. The current low valuations of automotive component suppliers are resulting in some very attractively priced potential buys.

You have underlined that the Frauenthal Group is still wedded to its “strength through diversity” philosophy after the disposal of the Industrial Honeycombs Division. What industries are you interested in?

Moser: Our hunt for a new “third division” is not primarily about picking a particular industry. We are actively searching for companies that we can make more profitable by giving them the benefit of our strengths. It’s important to be realistic about our own limits, and to know what we don’t do so well. All that means that we are taking an opportunistic approach to possible entry to a new line of business. The Frauenthal Group has a long track record of sustainably growing companies’ value. Twice now, we have shown our mettle by realising value growth through disposals – the sale of the Porzellanfabrik Frauenthal insulator business and, last year, that of the Industrial Honeycombs Division. The way we have turned SHT into the market leader whilst maintaining high and steadily growing profitability is further proof of our capabilities. In the automotive business, too, we have succeeded in claiming market leadership in all of our product segments. Our strengths lie in B2B industries, where we can deliver rising customer service standards and profits by continuously improving internal processes such as production and logistics. At Frauenthal Automotive, we are well versed in managing multicultural teams and in key account management in an industry where the customers are multinational OEMs. We are less familiar with R&D driven business models like those in the IT or pharmaceutical industries. What matters is being able to identify the levers for sustainable improvements in an acquisition candidate’s performance. It goes without saying that the target’s size, the amount of capital that would have to be raised to pay the purchase price and make any additional investments that are needed, the management resources that the deal would tie up, and the candidate’s regional focus (whether Europe is its main market) must all be a good fit for the Frauenthal Group.

On the subject of Europe, I can’t help noticing that Frauenthal generates scarcely any revenue outside Europe and hasn’t got a single operation outside this continent. Aren’t you afraid of missing out on the growth markets?

Moser: Not at all. Of course, we don’t see much growth potential in the single market, but what interests us is not growth per se, it’s profitable growth. That’s just as possible working out of Europe, as even the industrial honeycombs business showed. We don’t rule out overseas direct investments on principle, and we are looking at a number of possibilities. So far, though, no options have presented themselves where the risks didn’t outbalance the opportunities.

The commercial vehicle industry began ailing again in 2012. Do you have a formula for making this business more persistently profitable and less crisis-prone?

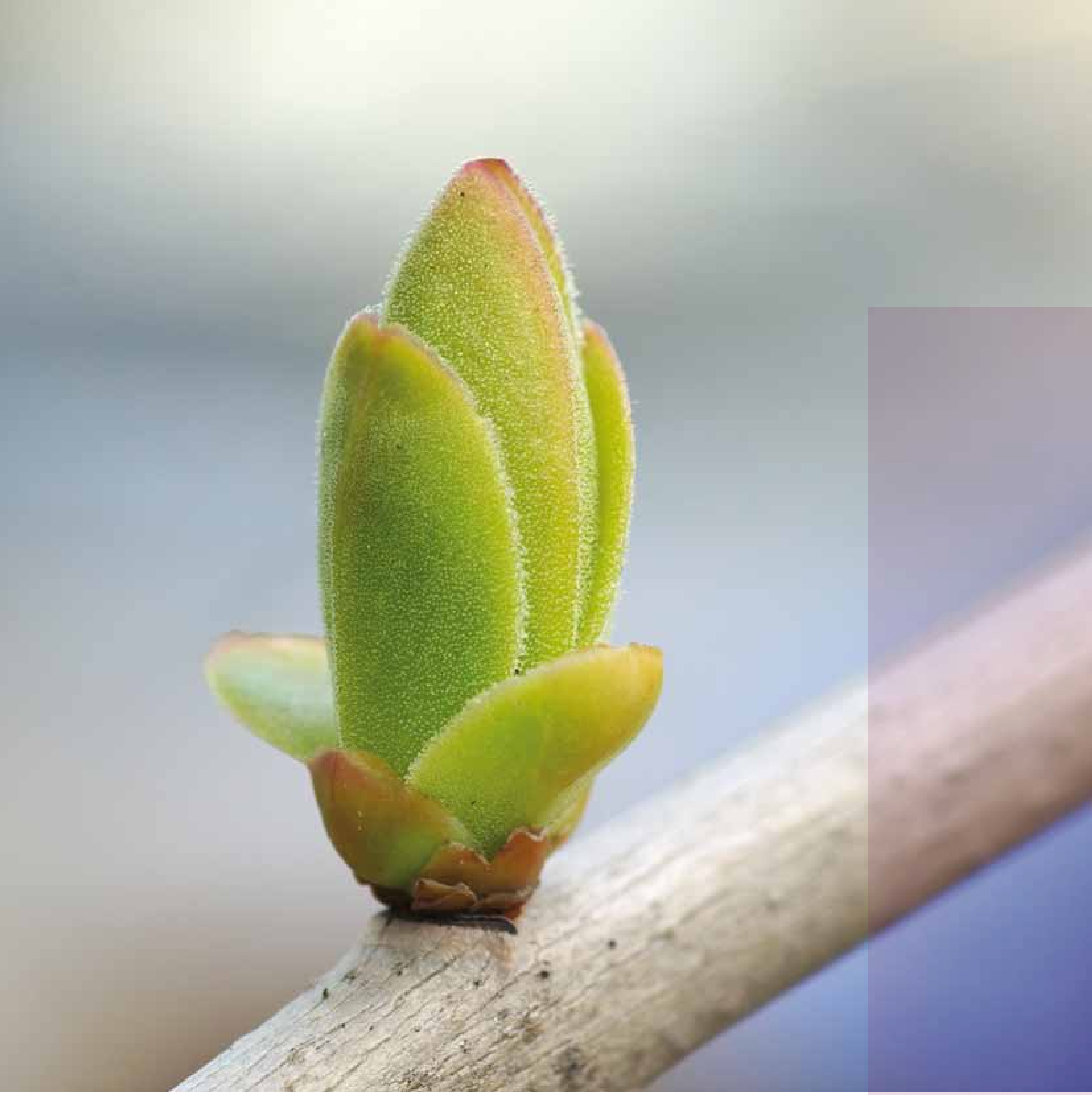
Sailer: We did the right things in 2009. We reduced break-even revenue, cut our fixed costs, increased our flexibility and stepped up product development. The excellent results in 2010 and 2011 showed we were working on the right lines. Unfortunately, demand for heavy truck shrank by about 9 % in 2012, and that prevented the Frauenthal Automotive Division from delivering a decent profit. No automotive component supplier is immune to market fluctuations, the only question is how far you can cushion your earnings against them. We must do still more on that front. In other words, we must trim our fixed costs still further, increase our agility, and improve our gross margins. An important element of our strategy will not kick in until 2014, when volume production of Euro 6 vehicles starts. Then we will be able to sell larger amounts of our higher performance products. I'm very upbeat about our chances of winning market share and reaping the benefits of our development work. But we have to accept that, because of the long model cycles and the long-term supply contracts, it usually takes several years before a supplier change is possible.

What targets have you set yourselves for 2013?
Moser: Our main tasks will be completing the integration of the 2012 acquisitions, continuing with the expansion of the SHT Group by making one or two more acquisitions, and most importantly of all, adjusting Frauenthal Automotive to the medium-term market situation. The Group is aiming to buy a new, third line of business. In the HR area, our well tried staff development programmes will be focused on key functions. Taken as a whole, 2013 looks set to be a challenging year because of the situation on the commercial vehicle market. But we are confident of making good progress towards our growth objectives.

Thank you for talking to me.

„Our strength is in increasing profitability by continuously improving internal processes."

Hans-Peter Moser,
member of the Executive Board of Frauenthal Holding AG
and responsible for the Wholesale Plumbing Supplies division (SHT)



INVESTING IN THE FUTURE, TODAY.

Three acquisitions were successfully made in 2012, strengthening our continuing operations.

REPORT OF THE SUPERVISORY BOARD

Good corporate governance, effective teamwork between Board members, and close cooperation with the Executive Board, as well as the provision of timely and comprehensive information, enable the Frauenthal Holding AG Supervisory Board to discharge all of its duties.

The Supervisory Board held five meetings in 2012. As well as monitoring the Company's day-to-day business activities, during the reporting period the Board focused on strategic business development planning and maximisation of shareholder value for the Frauenthal Group and its divisions. The Executive Board provided the Supervisory Board with regular, timely and comprehensive oral and written information on all relevant business development issues, and on the Company's situation and strategy, as well as its risk position and risk management, by sending monthly reports to Supervisory Board members, and by maintaining ongoing contact with them by telephone, and face to face.

The audit committee met twice in the course of the reporting period. Its work centred on overseeing the audit of the separate company annual financial statements and preparations for their adoption, the audit of the consolidated financial statements, the dividend recommendation, the parent company and Group operating reviews, and the Corporate Governance Report. The audit committee also paid close attention to the Company's risk management system. This permits systematic Group-wide identification, assessment and management of risks, on the basis of the Company's risk policies, and strategic and operating objectives. The effectiveness of the risk management system is assessed by the auditors pursuant to Rule 83 of the Austrian Code of Corporate Governance, and by the audit committee, which also monitors the effectiveness of the internal control system. The latter is designed to safeguard the effectiveness and economic efficiency of the Company's business activities, the integrity and reliability of its financial reporting, and compliance with the relevant laws and regulations.

Two meetings of the remuneration committee were held during the year.

In 2012 the Supervisory Board of Frauenthal Holding AG discharged the duties incumbent on it under the law and the articles of association, and satisfied itself that the Company's business was being properly conducted. The separate annual financial statements of Frauenthal Holding AG for the year ended 31 December 2012, the consolidated financial statements of the Group for the year ended 31 December 2012 presented in accordance with IFRS, as well as the operating reviews for the 2012 financial year were audited by BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were given an unqualified audit certificate. The audit revealed no grounds for objection.

The Supervisory Board's review of the separate company annual financial statements, the consolidated financial statements for the year ended 31 December 2012, and the operating reviews for the 2012 financial year revealed no grounds for objection. The report of the auditors, BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was submitted to the Supervisory Board. The Board has expressed its agreement with the separate annual financial statements of Frauenthal Holding AG and the consolidated financial statements for the year ended 31 December 2012, as well as the operating reviews for the 2012 financial year, and has approved the separate annual financial statements of Frauenthal Holding AG for the year ended 31 December 2012. The annual financial statements are thereby adopted in accordance with section 96(4) Aktiengesetz [Austrian Companies Act].

Reference is also made to the Company's declaration regarding compliance with the Austrian Code of Corporate Governance in 2012.

CORPORATE GOVERNANCE REPORT

DISCLOSURES IN ACCORDANCE WITH SECTION 243B UGB (AUSTRIAN BUSINESS CODE)

Frauenthal Holding AG was one of the first companies to commit to implementation of the voluntary Austrian Code of Corporate Governance. On 27 March 2003 the Company undertook to adhere to these rules, which go beyond its legal obligations, wherever possible. In 2012 the Executive and Supervisory boards again attached prime importance to adhering as closely as possible to all the rules of the Code, and to maintaining and enhancing the Company's high internal standards.

Frauenthal Holding AG's corporate governance policies are based on: Austrian law (in particular the Austrian Companies Act and Capital Market Act); the articles of association; the rules of procedures of the Company's governing bodies; and the Austrian Code of Corporate Governance.

The Code is constantly being developed in order to increase transparency for all stakeholders – which is also a longstanding goal of the Frauenthal Group.

CORPORATE GOVERNANCE REPORT

Frauenthal Holding AG has been listed on the Vienna Stock Exchange since 10 June 1991. The Austrian Code of Corporate Governance is generally recognised on this market. Frauenthal Holding AG complies with all binding L-Rules (legal requirements) and the C-Rules (comply or explain) of the Code in its version of July 2012, and regularly has its compliance with the Code externally evaluated in accordance with R-Rule 62 (recommendation). The Code is available for download at www.corporate-governance.at and is posted on www.frauenthal.at.

Our compliance with the Code of Corporate Governance was last evaluated by our auditors, BDO Austria GmbH, at the start of 2013. The evaluation report certifies our adherence to the Code and the correctness of this Corporate Governance Report.

EXECUTIVE BOARD

The Executive Board liaises with the Supervisory Board on Group strategy, reporting to it regularly on implementation and the Company's current situation, including the risk outlook. The rules and procedures of the Supervisory Board, audit committee and Executive Board flesh out the legal framework that defines the responsibilities of the Company's governing bodies and how they function.

COMPOSITION OF THE EXECUTIVE BOARD

The Executive Board of Frauenthal Holding AG is made up of Hans-Peter Moser and Martin Sailer, who have equal rights. As the Executive Board has only two members there is no need for a chairperson. Hans-Peter Moser and Martin Sailer bear joint overall executive responsibility. The Executive Board members have not been appointed to the supervisory boards of any other companies.

Hans-Peter Moser was appointed to the Frauenthal Holding AG Executive Board in 2006 and his current term of office runs until December 2014.

Hans-Peter Moser was born in 1966, and is married with three children. He studied business administration at the Vienna University of Economics and Business from 1984–1990, and qualified as a chartered accountant in 1996. After working as a trainee accountant at the practice of Prof. Egger from 1991–1995 he headed the finance and accounts department at Novoferm GmbH from 1995–1999. He then moved to Tchibo/Eduscho GmbH, where he was commercial director from 1999–2002. Mr Moser joined the Frauenthal Holding AG Executive Board in April 2006, and is responsible for the Wholesale Plumbing Supplies Division (SHT). Within the holding company, he is responsible for the secretarial department, human resources, administration, legal affairs and business development. Hans-Peter Moser is chairman of the supervisory board of SHT Haustechnik AG. He does not hold any comparable positions outside the Group.

Martin Sailer was appointed to the Frauenthal Holding AG Executive Board in September 2008 and his term of office expires on 30 June 2016.

He was born in 1962, and is married with two children. He studied business administration from 1980–1984, and was a research assistant at the universities of Graz and St, Gallen for several years. He accumulated 20 years' experience in the financial departments of various international companies. After a spell with the corporate controlling department at Daimler-Benz AG from 1989–1992, he was chief financial officer at a major car importer from 1993–1998 and Vice President Finance at the Ventana Group (now FVV Frauenthal Vermögensverwaltung GmbH, Vienna) between 1998 and 2000. Before joining Frauenthal he was finance director with the Austrian and German subsidiaries of the Pfizer pharmaceutical group, with responsibility for financial control, reporting, finance, tax, internal audit and business development (2001–2008). Since September 2008 he has headed the finance department at Frauenthal Holding, and as such is also in charge of the finance, controlling, internal and external reporting, treasury and internal audit, and investor relations functions. In addition, he is responsible for the Frauenthal Automotive Division. Martin Sailer is a member of the SHT Haustechnik AG supervisory board, but does not hold any comparable positions outside the Group.

Name (Year of Birth)	Date of initial appointment	End of current term of office
Hans-Peter Moser (born 1966) Member of the Executive Board	April 2006	December 2014
Martin Sailer (born 1962) Member of the Executive Board	September 2008	June 2016

SUPERVISORY BOARD

The Frauenthal Holding AG Supervisory Board held five meetings in 2012. It consists of six members elected by the Annual General Meeting and three members delegated by the central works council. The six elected board members are Hannes Winkler (Chairperson), Dietmar Kubis (Deputy Chairperson), Oskar Grünwald and Johannes Strohmayer, as well as Heike Jandl and Birgit Eckert who were elected to the board by the Annual General Meeting on 1 June 2011. New members delegated to the board by the central works council are Jürgen Tschabitzer and Klaus Kreitsche. They replaced Klement-Michael Marchl and Karoline Neuhäusser.

COMPOSITION OF THE SUPERVISORY BOARD

Johannes Strohmayer is the only board member who holds a supervisory board seat on another Austrian or foreign listed company. He is chairman of the supervisory board of Österreichische Staatsdruckerei Holding AG, which has been listed on the Austrian Stock Exchange since November 2011.

Jürgen Tschabitzer had already served on the Frauenthal Holding AG Supervisory Board between 10 September 2007 and 15 May 2009. He was again delegated to the board on 7 May 2012 when Klement-Michael Marchl was recalled by the works council. Klement-Michael Marchl left the board because he was employed by the Industrial Honeycombs Division, which was sold in 2012. Karoline Neuhäusser was recalled from her position on the

Name (date of Birth)	Initial appointment	End of current term of office	Independent member persuant to C-Rule 53	C-Rule 54
Dietmar Kubis (b. 1957) Deputy chairperson	10 Feb. 1999	2013	yes	yes
Hannes Winkler (b. 1955) Chairperson since 26 March 2010	22 May 1997	2015	no	no
Oskar Grünwald (b. 1937) Member	21 May 1999	2014	yes	yes
Johannes Strohmayer (b. 1950) Member	2 Jun. 2010	2014	yes	yes
Heike Jandl (b. 1972) Member	1 Jun. 2011	2015	yes	yes
Birgit Eckert (b. 1952) Member	1 Jun. 2011	2015	no	no

Members delegated by the central works council:

Name (date of Birth)	First appointed
Jürgen Tschabitzer (b. 1962) Member	10 Sep. 2007
August Enzian (b. 1961) Member	27 Sep. 2010
Klaus Kreitschek (b. 1960) Member	10 Jan. 2013

board on 31 December 2012 due to her retirement, The correct number of employee representatives was restored when Klaus Kreitschek was delegated on 10 January 2013.

SUPERVISORY BOARD COMMITTEES

Employee codetermination on supervisory boards is an aspect of the Austrian corporate governance system which is required by law. The Supervisory Board has set up three committees to help it to perform its work efficiently. As well as the audit committee, which is required by law, a strategy committee and a remuneration committee were established by the Supervisory Board meeting held on 4 May 2006. The Code only prescribes the formation of the latter two committees for boards with more than six members. The audit committee met twice in the course of the year under review, as well as the remuneration committee. The strategy committee did not hold a meeting in 2012.

MEMBERS OF THE AUDIT COMMITTEE

Name (date of Birth)	Position
Oskar Grünwald (b. 1937)	Chairperson
Dietmar Kubis (b. 1957)	Member
August Enzian (b. 1961)	Employee representative

Oskar Grünwald (Chairman), Dietmar Kubis and employee representative August Enzian make up the audit committee. The committee is mainly responsible for overseeing the audit of the individual annual financial statements and preparations for their adoption, the audits of the consolidated financial statements, the dividend recommendation, the separate parent company and Group operating reviews, and the Corporate Governance Report. Oversight of the Group's accounting processes, and the effectiveness of the internal controlling, internal audit and risk management systems are high priorities for the committee. A further important responsibility of the audit committee is preparing the Supervisory Board's recommendation for the selection of the auditors, and monitoring the independence of the auditors of the individual and consolidated financial statements, par-

Hannes Winkler
Chairman

Dietmar Kubis
Deputy-Chairperson

Oskar Grünwald
Member

Johannes Strohmayer
Member

Birgit Eckert
Member

Heike Jandl
Member

Jürgen Tschabitzer
Employee representative

August Enzian
Employee representative

Klaus Kreitschek
Employee representative

Karoline Neuhäusser was recalled from her position on the board on 31 December 2012 due to her retirement. The correct number of employee representatives was restored when Klaus Kreitschek was delegated on 10 January 2013.

ticularly with regard to the provision of any additional services.

MEMBERS OF THE STRATEGY COMMITTEE

Name (date of Birth)	Position
Hannes Winkler (b. 1955)	Chairperson
Johannes Strohmayer (b. 1950)	Member
Jürgen Tschabitzer (b. 1962)	Employee representative

The strategy committee comprises Hannes Winkler as Chairperson, Johannes Strohmayer and Jürgen Tschabitzer (employee representative). The committee is concerned with the Group's strategic alignment, and is consulted by the Executive Board on all strategic decisions.

MEMBERS OF THE REMUNERATION COMMITTEE

Name (date of Birth)	Position
Hannes Winkler (b. 1955)	Chairperson
Dietmar Kubis (b. 1957)	Member
Jürgen Tschabitzer (b. 1962)	Employee representative

The remuneration committee consists of its chairman Hannes Winkler, Dietmar Kubis and employee representative Jürgen Tschabitzer. This committee concludes Executive Board employment contracts, and determines the compensation of Executive Board members. It also sets the targets for the performance-related pay components and monitors their attainment.

INDEPENDENCE OF THE SUPERVISORY BOARD

The criteria for the independence of Supervisory Board members conform to the guidelines set out in Annex 1 to the Austrian Corporate Governance Code, and have therefore not been separately posted on the Group's website. A Supervisory Board member may declare himself/herself to be independent if he/she has no business or personal relationships with the Company or its Executive Board which constitute a material conflict of interest and might therefore influence the member's behaviour. A majority of the members of the Supervisory Board of Frauenthal Holding AG are independent in this sense (Dietmar Kubis, Oskar Grünwald, Johannes Strohmayer and Heike Jandl), and have no business or personal relationship with the Company or its Executive Board.

COMPLIANCE

Frauenthal Holding AG has implemented Group-wide compliance guidelines to prevent insider trading. Frauenthal is one of the first listed companies in Austria to have set up an e-learning platform to support inside area staff in keeping to the compliance guidelines, and to prevent insider trading. Wolfgang Knezek is the Company's Compliance Officer, He reports to Frauenthal Holding AG's Executive Board.

REMUNERATION REPORT

EXECUTIVE BOARD

The remuneration committee of the Supervisory Board is responsible for determining Executive Board pay. The compensation of the Executive Board consists of a fixed salary and a variable component, representing up 100 % which is geared to the personal performance of each Board member. The variable component is based on qualitative and quantitative target setting agreements; the qualitative and the quantitative elements must represent equal shares of the variable component. The quantitative targets relate to the attainment of budget targets, and to value growth and liquidity, while the qualitative targets concern pre-agreed objectives for individual divisions or for the Group as a whole.

In 2012 the total remuneration of the Executive Board was EUR 1,072,000. Of this amount EUR 705,000 are reported as staff costs and EUR 367,000 as consultancy expenses, under "Other operating expenses" (related party transaction with FVV Frauenthal Vermögensverwaltung GmbH). Regular contributions are made to a pension fund for Board members. Payment of retirement benefits is not tied to performance criteria. Members have no contractual entitlements to termination benefits on leaving office.

Executive Board	Remuneration
Hans-Peter Moser Member of the Executive Board	EUR 644,000 (variable component: EUR 350,000)
Martin Sailer Member of the Executive Board	EUR 428,000 (variable component: EUR 130,000)

On 1 June 2011 the Frauenthal Holding AG Supervisory Board approved a share option plan for 2012–2017 for members of the Company's Executive Board and for Frauenthal Group senior management. Under the plan members can be awarded up to 10,000 options annually, each entitling them to subscribe to one no par bearer share at a price of EUR 2.00, for outstanding performance during the FY 2011–2016 period, The exercise price of EUR 2.00 corresponds to the rounded-up average carrying value of Frauenthal treasury shares according to the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2010. Options granted cannot be exercised until three years after their allocation to plan members, and must be exercised by the end of the same financial year. They are not transferable, and must be exercised in person. Shares acquired by exercising options will be subject to a 36-month holding period. All plan participants will be entitled, before expiry of the holding period, to sell as many of the shares acquired by exercising the options as are needed to pay the personal income tax to which they become liable through exercise of the options, out of the net sales proceeds.

Executive Board	Options held
Hans-Peter Moser Member of the Executive Board	10,000 (exercised)
Martin Sailer Member of the Executive Board	10,000 (granted)

Further details are provided in a written report by the Executive and Supervisory boards, dated 1 June 2011, which is available for inspection at corporate headquarters and on the corporate website (www.frauenthal.at). Additional information can also be drawn from Note [45] Share option plan, of the notes to the 2012 consolidated financial statements.

SUPERVISORY BOARD

Members of the Supervisory Board receive annual basic compensation of EUR 5,000, due at the end of the year. If membership of the Board commences during a calendar year, basic compensation is calculated on a pro rata basis. Members may also receive performance related compensation of EUR 5,000 each. This bonus is only granted in financial years when the Annual General Meeting approves the payment of a dividend for the previous financial year. This is due upon approval of a resolution to this effect by the Annual General Meeting, and is only paid to members who sat on the Supervisory Board in the previous financial year. Until further notice, members of the Supervisory Board will also receive a flat attendance fee of EUR 2,000 for each Board meeting they attend. The same applies to attendance of meetings of Supervisory Board committees unless these take place on the same day as meetings of the full Board. In addition, the Company compensates members' travel expenses incurred in relation to attendance at meetings of the Supervisory Board and Board committees. The remuneration of the Supervisory Board in 2012 totalled EUR 104,000. As in previous years, Hannes Winkler, Chairman of the Supervisory Board, waived his entitlement to compensation for attendance in 2012. No stock option plans are granted to Supervisory Board members.

Supervisory Board	Remuneration
Dietmar Kubis Deputy chairperson	EUR 24,000
Hannes Winkler Chariman	Waived
Oskar Grünwald Member	EUR 22,000
Johannes Strohmayer Member	EUR 20,000
Heike Jandl Member	EUR 18,000
Birgit Eckert Member	EUR 20,000

DIRECTORS AND OFFICERS (D&O) INSURANCE COVER

Frauenthal Holding AG has taken out directors and officers (D&O) insurance cover for the Executive Board, chief executives of Group companies and the Supervisory Board, and bears the cost of EUR 19,000 (2011: EUR 19,000).

RELATED PARTY TRANSACTIONS

Disclosures on related party transactions are made in Note 47 to the consolidated financial statements, Related party disclosures.

11 March 2013

Hans-Peter Moser
Member of the
Executive Board

Martin Sailer
Member of the
Executive Board

HEALTHY GROWTH.

HR development is crucial to the Group's continued growth.

INVESTOR RELATIONS
AND CAPITAL MARKET STRATEGY

from left:
Pauline Marlier, Investor Relations and Controlling,
Erika Hochrieser, Head of Investor Relations and Controlling

Frauenthal Holding's investor relations policies are hallmarked by transparency, dependability and continuity. Frauenthal is a typical diversified group that tends to appeal to conservative investors, for whom safety and steady value growth are more important than short-term upside potential. As the group, with its two lines of business, does not belong to any one sector, performance comparisons with a peer group are hard to make. The divisions' business models have very different risk-reward profiles. Their growth prospects also vary due to their differing geographical focus, and the dynamics of the markets they serve. Frauenthal is not a particularly good buy for equity investors whose focus is on given industries and the risk profiles associated with them.

In 2003, then still on the standard auction market (today the Company is listed on the prime market), Frauenthal became one of the first companies to commit to the Austrian Code of Corporate Governance, and the principles of transparency and non-discriminatory treatment of shareholders that the Code enshrines.

A YEAR OF VOLATILE STOCK MARKETS

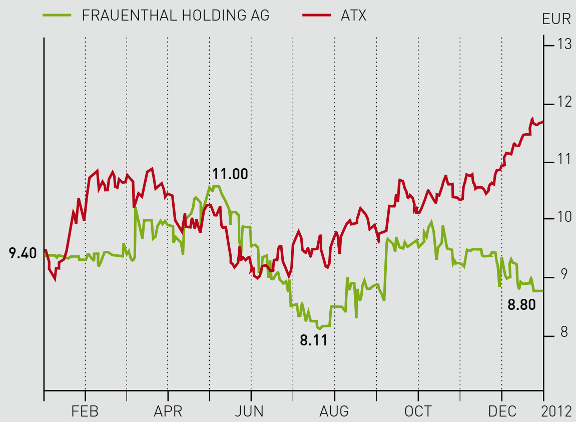
Global equity markets advanced in three big waves in 2012. Strong price rises at the start of the year were followed by a first setback, mainly induced by the European debt crisis. Unexpectedly good company results, and impressive margins and profits in view of the state of the world economy, propelled many of the leading share indexes to year's highs by September and October. Markets then suffered another reverse up to mid-November, caused by uncertainties ahead of the US presidential election and by the looming fiscal cliff. Prices then took off again, but this time the European bourses and Japan gained a lot more ground than the US markets.

The Dow Jones rose by 7.3 % on the year. The German DAX posted much larger gains, surging by 29.1 % – its strongest performance since 2003 – and the Japanese Nikkei put on 22.9 %. Austria's ATX index of leading shares fared almost as well as the DAX, climbing by 26.9 % to end the year on 2,401.21.

FRAUENTHAL'S SHARE PRICE PERFORMANCE

Our share price entered 2012 on EUR 9.40. News of SHT's expansion into Slovakia through its takeover of plumbing supplies merchant Technopoint Sanitrends s.r.o. contributed to a bright performance that took the price to a high of EUR 11.00 on 2 May. The price then came off steadily until it hit a low for the year of EUR 8.11 on 19 July. News of the sale of the

Group's third division, Industrial Honeycombs, to Japanese technology group IBIDEN CO. was responsible for the slide. Frauenthal's share price began to rally in mid-August. The buyback programme, priced at EUR 10.00, lifted the share to that level on 8 October. The voluntary public offering was priced at EUR 10.00, which was 13 % higher than the price of the bearer shares at the close on 4 September 2012, immediately before the announcement of the intention to make an offer. The acquisitions of a Slovak competitor, GAMA Myjava s.r.o., and of the Czech Worthington Cylinders a.s. air reservoir factory gave the share price a slight lift. After the end of the buyback programme, and the publication of cautious guidance from management there was little prospect of further gains, and our share ended the year on EUR 8.80 – a loss of 6.35 % compared to the previous year-end close of EUR 9.40 (on 29 December 2011). This ran counter to the ATX trend.



TURNOVER AND MARKET CAPITALISATION DOWN

The Company's total value in terms of its market capitalisation including unlisted registered shares was EUR 83.0m as at 28 December, compared to EUR 88.7m on 29 December 2011. Turnover averaged 4,367 shares per day (2011: 5,976 shares).

NUMBER OF TREASURY SHARES INCREASED

Frauenthal shares have been traded on the Vienna Stock Exchange since 10 June 1991. On 23 July 2007 we switched to the prime market in order to raise the Company's profile and attract increased investor interest. By then Frauenthal had already met the strict publicity and transparency requirements for admission to continuous trading for some time. Frauenthal Holding AG has a share capital of EUR 9,434,990, divided into 7,534,990 no par bearer shares and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the share capital. Due to formal requirements arising from promotion to the prime market in 2007, the 1,900,000 unlisted bearer shares owned by FT Holding were converted into registered shares which remain unlisted.

Under the authorisation given by the Annual General Meeting on 6 June 2012 Frauenthal Holding AG repurchased 671,043 bearer shares by way of a voluntary offer in accordance with sections 4 et seq. Takeover Act. The offer period was from 26 September to 10 October 2012. The offer, priced at EUR 10 per share, was fully taken up. By the end of the offer period shareholders had tendered a total of 1,030,087 shares, meaning that the offer was oversubsribed, and Frauenthal was obliged to prorate it by 35 % pursuant to section 20 Takeover Act.

The number of treasury shares rose from 272,456 to 943,499, equal to 10 % of the share capital, as a result of the buyback, while the free float correspondingly decreased to 1,613,441 shares or 17.10 % of the capital. The principal shareholder remains FT Holding GmbH, with an interest of 72.9 %.

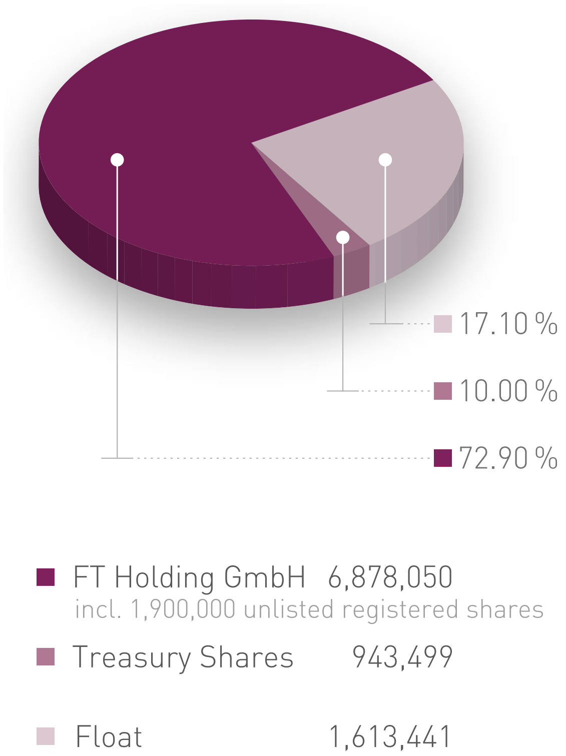
TASK

Karin Chalupková, 32, an employee at the newly acquired Frauenthal Automotive Hustopeče plant (formerly Worthington Cylinders), checks and calibrates air reservoirs.

PRODUCT

The Frauenthal Automotive Hustopeče factory supplies major European truck manufacturers with air reservoirs for braking systems. The plant now plays a part in Frauenthal Automotive's overall strategy.

CZECH REPUBLIC



KEY SHARE RATIOS

	2012*	2011*	Change
Shares in issue	9,434,990	9,434,990	0
Own shares	943,499	272,456	671,043
Shares in circulation	8,491,491	9,162,534	–671,043
Per share ratios (EUR)			
EBITDA	2.2	2.7	–0.5
Profit from operations (EBIT)	0.9	1.6	–0.7
Profit for the year from continuing operations	0.2	0.8	–0.6
Profit for the year from discontinued operations	4.4	0.7	3.7
Profit for the year	4.6	1.5	3.1
Operating profit before working capital changes	1.3	3.4	–2.1
Equity	15.0	10.8	4.2
Share price			
Year end	8.80	9.40	–0.60
High	11.00	13.52	–2.52
Low	8.11	8.10	0.01
Dividend and Bonus	no recommendation	0.30	

* 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.

TASK

Franz Frank, 51, works at Frauenthal Automotive's Judenburg site. Here, he is seen transporting air links, to the next stage in the production process – bending and hardening – after tie-holes have been created at the front.

PRODUCT

The air link came into being as a spin-off of the parabolic spring in the early 1990s. In air suspended front and rear axles for trucks or buses, and in trailer axles, the function of the air links is to guide the axle and stabilise the vehicle.

OUR COMPANY

1921

Ludwig Neumann founds Erste Osterreichische Porzellanfabrik. In the 1950s focus on manufacturing hard porcelain high voltage insulators.

1974

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

1985

Start of the manufacture of SCR catalysts. Later, casting filters and heat storage media are added to the honeycomb ceramics product range.

1990

Takeover of Frauenthal Keramik AG and the formation of the Ceram Group.

1991

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

1996

Merger of the Frauenthal Keramik AG Group with Tridelta Technische Keramik GmbH to form the Ceram Holding Group, Jena, Germany.

1998

Ventana acquires 75,1 % of the Ceram Group.

2001

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

2002

Reorganisation of the Group as a holding company for industrial investments – Frauenthal Holding AG. Acquisition of the Styria Federn Group, Truck components become the Group’s largest line of business.

2003

Acquisition of the Finnish spring factory Styria Jouset Oy in Billnäs from Imatra Steel.

2004

Acquisition of the German Linnemann-Schnetzer Group Together with the Styria Federn Group it now forms Frauenthal Holding’s Automotive Components Division

2005

Issue of a EUR 70 million bond, Takeover of ThyssenKrupp Automotive – European commercial vehicle spring business. Acquisition of Austria's leading plumbing supplies wholesaler SHT Haustechnik AG from Leithanien Investment Group SA.

2006

Closure of the spring factory in Billnäs (FI). Construction of a new factory in Frauental to manufacture diesel catalysts. Hans-Peter Moser is appointed to the Executive Board. A ten-to-one share split is resolved.

2007

Closure of the Linnemann Schnetzer air reservoir factory in Hungary, Takeover of the U-bolt manufacturer Pol-Necks, based in Toruń (PL), and the spring factory AD Fabrika Opruga Styria Gibnjara Kraljevo (RS), SHT Haustechnik AG acquires Röhrich, Frauenthal shares begin trading on the Vienna Stock Exchange prime market on 23 July,

2008

SHT opens three ISC outlets and a Bäderparadies showroom, and starts the Y-LOG order picking system enters into service, Martin Sailer and Hans-Peter Moser take on the responsibilities of Winfried Braumann and Michael Ostermann,

A HISTORY OF SUCCESS

2012

The Industrial Honeycombs Division was sold to Japanese technology group IBIDEN on 1 June 2012, resulting in a cash inflow of EUR 80.7m. The group used its increased financial muscle to press ahead with its strategy of growing its existing divisions by acquisition, acquiring three companies: Worthington Cylinders a.s. was added to the Frauenthal Automotive, and Technopoint Sanitrends s.r.o. and GAMA Myjava s.r.o. joined Wholesale Plumbing Supplies. Frauenthal Holding AG repurchased 671,043 shares in an off-market buyback programme, and now holds 10 % of the share capital. Equity reached EUR 127.5m, and the equity ratio 37.4 % – both records.

2011

Successful issue of a EUR 100m bond. Thanks to the ongoing recovery in the commercial vehicle markets, and steady performance in the SHT, the Frauenthal Group posted best results and earnings.

2010

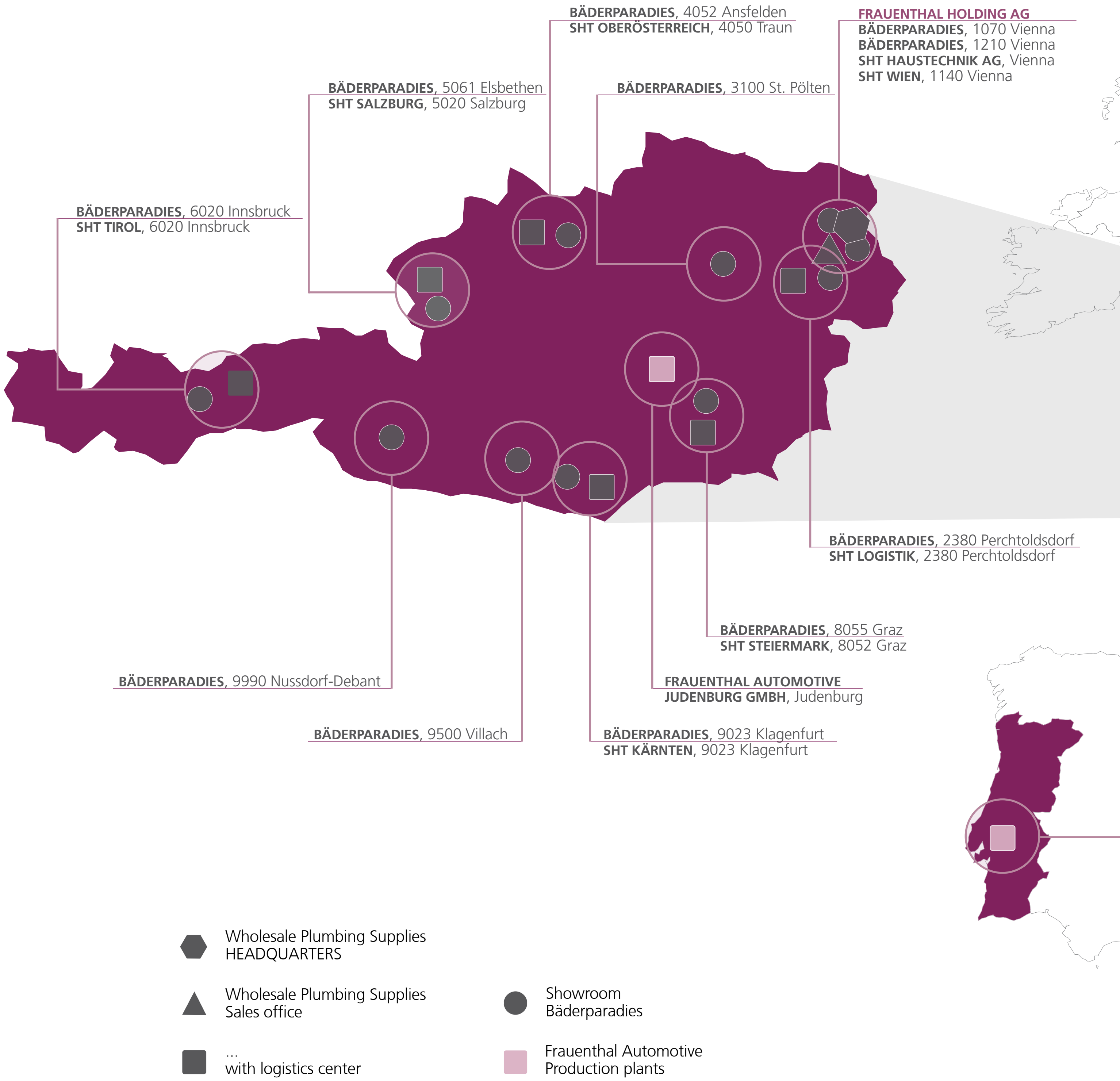
Following extensive restructuring during the crisis in 2009, the Automotive Components Division returns to the black. The two other divisions post record results.

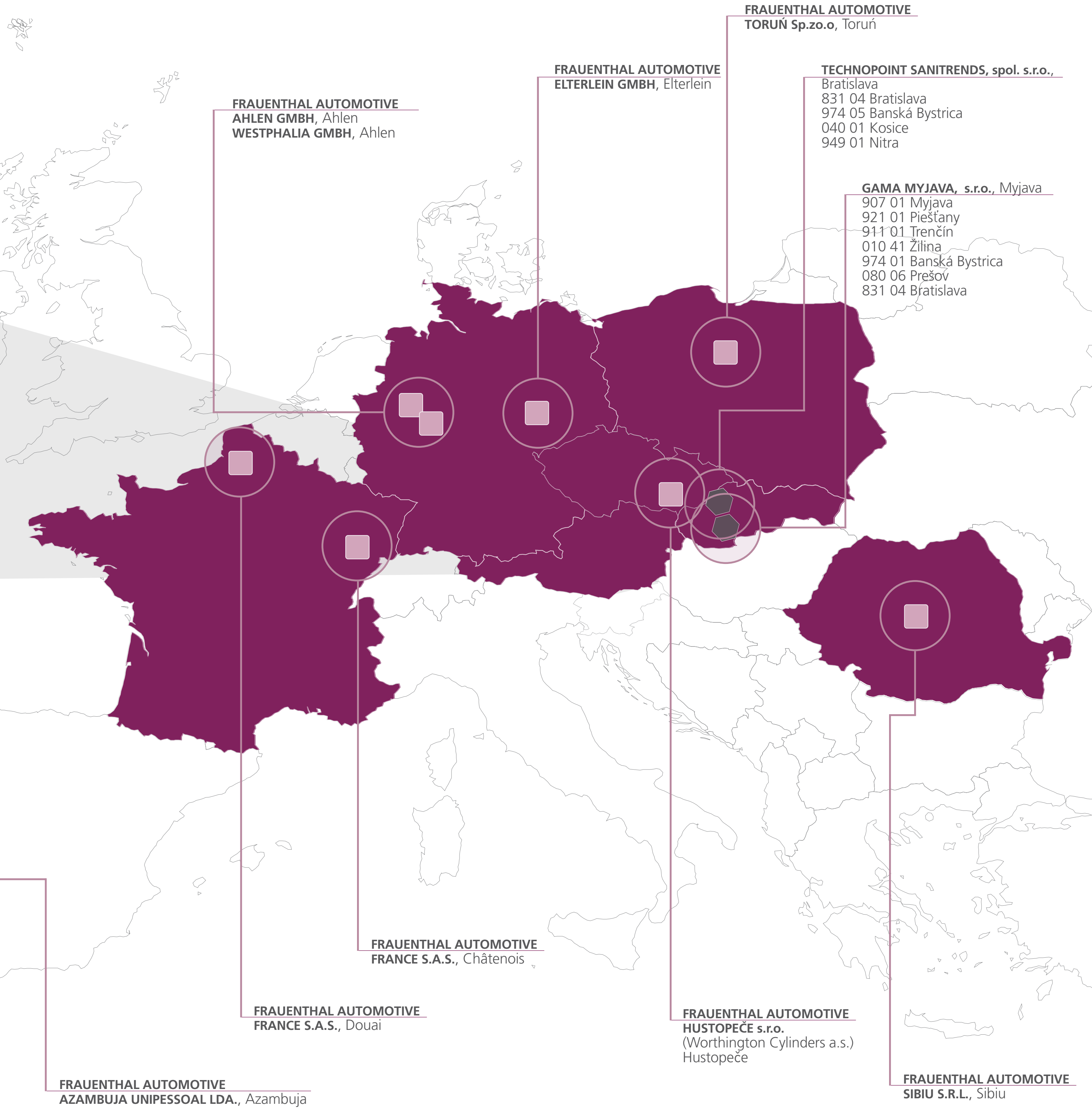
2009

Automotive Components feels the force of the hard economic whereas SHT and Industrial Honeycombs both perform strongly. Disposal of Styria Federn GmbH in Düsseldorf and its Serbian subsidiary Styria Gibnjara Kraljevo. The production in the plants Ravne, Slovenia (Styria Vzmeti) and the Styria Elesfrance air reservoir and stabiliser factory in St. Avold, France is closed.

OUR SITES

The Group is led from Frauenthal Holding AG in Vienna (A).




FRAUENTHAL AUTOMOTIVE
TORUŃ Sp.zo.o, Toruń
FRAUENTHAL AUTOMOTIVE
ELTERLEIN GMBH, Elterlein
TECHNOPOINT SANITRENDS, spol. s.r.o.,
Bratislava
831 04 Bratislava
974 05 Banská Bystrica
040 01 Kosice
949 01 Nitra
FRAUENTHAL AUTOMOTIVE
AHLEN GMBH, Ahlen
WESTPHALIA GMBH, Ahlen
GAMA MYJAVA, s.r.o., Myjava
907 01 Myjava
921 01 Piešťany
911 01 Trenčín
010 41 Žilina
974 01 Banská Bystrica
080 06 Prešov
831 04 Bratislava
FRAUENTHAL AUTOMOTIVE
FRANCE S.A.S., Châtenois
FRAUENTHAL AUTOMOTIVE
FRANCE S.A.S., Douai
FRAUENTHAL AUTOMOTIVE
HUSTOPEČE s.r.o.
(Worthington Cylinders a.s.)
Hustopeče
FRAUENTHAL AUTOMOTIVE
AZAMBUJA UNIPESSOAL LDA., Azambuja
FRAUENTHAL AUTOMOTIVE
SIBIU S.R.L., Sibiu

OUR CORPORATE STRATEGY

Frauenthal is a diversified group, consisting of the following business divisions:

- **Frauenthal Automotive Division:** Supplier of components for suspension and braking systems (steel springs, stabilisers, air reservoirs and U-bolts), primarily to the European commercial vehicle industry;
- **Wholesale Plumbing Supplies Division (SHT):** Austria's number one wholesale supplier of sanitary, heating and other plumbing products,Division Industrielle Wabenkörper: Umwelttechnikgeschäft mit keramischen Katalysatoren für Kraftwerke, Industrieanlagen und Dieselmotoren (Porzellanfabrik Frauenthal).

The Frauenthal Group's appeal is founded on predictability, reliability and transparency.

Frauenthal Holding is not a private equity investor. Businesses are only acquired and developed if they hold out the prospect of long-term value growth. We aim to generate a return on capital employed that exceeds that of similar companies, and invest in areas which promise rapid growth and attractive returns. Consequently, our priority is to invest in increasing quality and productivity, as opposed to revenue growth at any cost. As such, we do not seek to exploit value growth by divesting subsidiaries; however, this is a valid option if it supports the long-term maximisation of shareholder value and accords with the interests of all the stakeholders concerned.

The Frauenthal Group works for sustainable and profitable growth, based primarily on product and process innovation, as well as greenfield investments. We look for acquisitions and partnerships that are a good strategic fit, and will help expand our customer relationships, product portfolio, market coverage and key competencies.

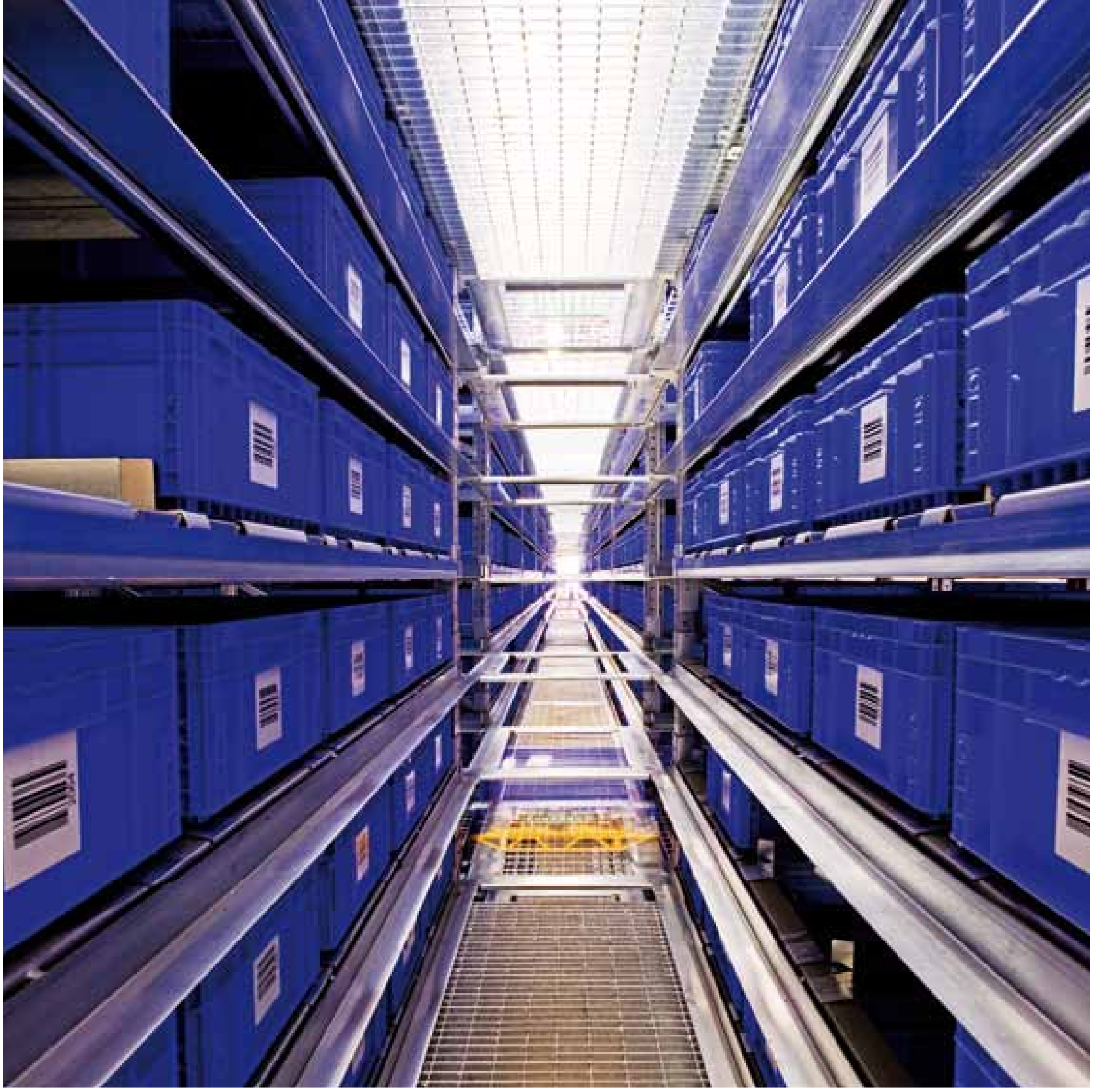
Our pursuit of market leadership in all areas of our business is based not on price leadership, but on quality products and services, an attractive product portfolio, innovativeness and long-term partnerships with customers. We aim to capitalise on global market opportunities and the shift towards environmentally friendly technologies.

Our production and logistics processes are constantly being refined, with a view to continuous improvements in productivity. This is crucial to safeguarding our international competitiveness, since the majority of our sites are located in high-cost countries. Efficient organisational structures serve to sharpen our competitive edge.

The overarching aim in all of our industrial activities is to supply premium products and services that provide exceptional customer benefits, thereby achieving a defensible market leadership.

Frauenthal Holding AG has a lean organisational structure and performs typical holding company functions. The divisional chief executives are responsible for operations and for meeting the budget targets set for them.

Management development and human resources initiatives are steered by the holding company. Our HR policy is geared towards supporting and developing employees over the long term, so as to give them the best possible chance of enhancing their skills and shouldering wider responsibilities. By identifying high potentials at an early stage, we are able to develop experts and managers internally, limiting our dependence on the increasingly competitive market for talent.



The YLOG automated order-picking system at SHT's small parts warehouse packs over 6,000 different items into a very small area. Error rates when selecting items for delivery have been reduced to almost zero.

The Group's finances are managed centrally by Frauenthal Holding. The financial strategy is based on a solid equity ratio and secured long-term borrowing, Long-term stability is more important to us than short-term optimisation. We aim to fund growth projects in a manner appropriate to the associated risk; financing is largely decentralised, and is carried out at divisional level. We seek to avoid risk spillover between the divisions.

The Group's investor relations and communications policies are designed to provide the capital markets with comprehensive, transparent and up-to-date information.

„The overarching aim in all of our industrial activities is to supply premium products and services that provide exceptional customer benefits, thereby achieving a defensible market leadership."

Hans-Peter Moser,
member of the Executive Board of Frauenthal Holding AG
and responsible for the Wholesale Plumbing Supplies division (SHT)

INNOVATION AND CONTINUOUS IMPROVEMENT

Matias Mosesson, Chief Sales and Technology Officer and Managing Director of the Frauenthal Automotive Division

For the Frauenthal Group, innovation is chiefly a matter of continuously improving product quality, production processes, our product portfolio, and the range and quality of our services, as opposed to costly research into basic technologies where these are still far removed from commercial applications. The majority of the Group's products have already been on the market for a long time, and are technically mature. On the service side, we strive to develop innovative solutions – especially through the use of information technology. The aim increase customer benefits by providing simpler access to our service portfolio, greater transparency, and prompt, error-free delivery. We also work to strengthen customer relationships by introducing new services that address customer needs, are difficult to replicate and, as a result, create competitive advantage.

For Frauenthal Automotive, innovation is a matter of improving material properties, optimising production processes, and developing new designs and applications for existing products.

Innovation in manufacturing processes may involve redesigning factory layouts, optimising production flows, investing in plant that improves quality and productivity, fine-tuning production processes, or standardising and stabilising individual manufacturing steps. An example of product design innovation is the pre-assembly of various components, which cuts the cost of product mounting for customers. We also aim to be innovative in our internal processes, as a means of driving progress in terms of cost and quality benefits.

Our capacity for innovation is enhanced by our own investments in research and development, by cooperation with external public and private sector partners,

„We are driving research into the use of new materials for existing product lines so as to counter substitution risks and offer our customers further component weight savings."

Matias Mosesson,
Chief Sales and Technology Officer and Managing Director of the Frauenthal Automotive division

From left:
Helfried Jelinek,
Chief Operating Officer and Managing Director of the Frauenthal Automotive Division,
Thomas Traffler,
production worker,
Gunter Uhl,
Plant Manager of Frauenthal Automotive Judenburg

"Our investment in a new shot peening machine at the Judenburg site marked a major advance towards increased automation and higher capacity. The machine's unique versatility guarantees a stable, controllable process. This means that we can maintain consistent quality, and our products have the key performance characteristics required – an important differentiator and customer benefit."

Gunter Uhl,
plant manager, Frauenthal Automotive Judenburg

and by development partnerships with customers, Acquiring companies or licences is also an option if it will allow or accelerate developments with an impact on competitiveness.

An innovation can only be regarded as a success if it has been implemented and has generated competitive advantages. Many of our successful innovations are protected by patents, since development is expensive and we need to ensure that the money that goes into creating our intellectual property is not lost.

FRAUENTHAL AUTOMOTIVE – FOCUSING ON WEIGHT SAVINGS

The key objective of product innovation in the Frauenthal Automotive Division is to make suspension components lighter, as this cuts fuel consumption and permits heavier loads. As regards air reservoirs, reducing the size of the parts is also important. Extending the service life of suspension components to match the vehicle lifespan is also a major priority as this results in lower total costs over the useful life of the vehicle. The Euro 6 emission standard, due to come into force in 2014, is an important factor, as the emission limits it imposes can only be efficiently met by cutting fuel consumption – and this in turn requires weight reductions. All of our customers are aggressively pursuing weight reduction targets for their new Euro 6 vehicle ranges. High-tension front axle springs and tubular stabilisers can bring major weight savings. Using more highly stressed springs for front axles allows the number of spring leafs to be reduced, and while tubular designs cost more to make than solid stabilisers they are also up to 20 kg lighter. Improved materials and new production processes are the only way to achieve still higher tension levels and further weight reductions. Steel spring development is therefore based at our largest production site, Frauenthal Automotive Châtenois, France, which has a state-of-the-art materials lab. Close links between the development and production functions are essential in the case of steel springs, because important product properties can only be achieved by modifications to production processes. A central task of the R&D function is investigating the complex interactions between materials, product design and individual parameters of the production process.

WHOLESALE PLUMBING SUPPLIES (SHT) – PUTTING CUSTOMER SERVICE FIRST

The potential for innovation in our wholesale plumbing supplies business lies in the logistics and sales areas. Logistics performance, in terms of product availability, and delivery accuracy and speed, is a key factor in competition.

In 2012 SHT's outstanding contribution in this area was honoured by the coveted Verein Netzwerk Logistik (Association for Network Logistics) award, for the YLOG system (an automated high-bay warehouse for small parts), implemented between 2008 and 2010.

Continuous improvement of processes and software, together with deeper integration of logistics processes with automated data capture (using scanners) has led to steady improvements in SHT's logistics key performance indicators, and it has been notching up industry leading error-free and product availability rates. Customers benefit from almost 100 % reliability, the highest product availability rates in the industry and simplified administrative processes. Delivery notes can now be accessed online, and customers can check the status of their order at any time thanks to a track and trace system.

Taken together, the innovations introduced have given SHT a competitive edge, resulting in superior profitability to that of its peer group.

PRODUCT

SHT operates six logistics centres, seven sales outlets, 40 pick-up stores and 11 up-market Bäderparadies bathroom showrooms. The Slovak Technopoint Sanitrends and Gama Myjava operations were acquired in 2012.

AUSTRIA

From left:
Markus Gahleitner, Chief Financial Officer, **Martin Sailer**, member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive Division, **Matias Mosesson**, Chief Sales and Technology Officer, **Josef Unterwieser**, Chief Operating Officer, **Helfried Jelinek**, Chief Operating Officer

FRAUENTHAL AUTOMOTIVE

frauenthal automotive
smart parts for trucks

THE NEW MANAGEMENT TEAM AT FRAUENTHAL AUTOMOTIVE, MARKUS GAHLEITNER, JOSEF UNTERWIESER, MATIAS MOSESSON AND HELFRIED JELINEK IS STEPPING UP TO ADDRESS THE MANY CHALLENGES POSED BY A TROUBLED INDUSTRY

Mosesson: To stay competitive in our business we need outstanding development capabilities. In the past few years our group has invested a substantial amount in R&D in order to strengthen our core technological expertise. At the same time our factories have had to become technically more sophisticated to meet the challenges presented by our new, highly stressable products. This is the only way to offer our customers more value added in the long term. A case in point is a joint development project with our main trailer customer which has led to the introduction of a completely new product design – the so-called "I-link". The result is a high-performance, lightweight trailing arm. Our customers are also very interested in our new highly stressed front axle springs and our space saving air reservoirs. I am confident that our new products will win us more large orders for components for Euro 6 models. My aim is to form even more development partnerships with customers. By working with them we can leverage our expertise to develop lower-cost solutions.

Jelinek: We have recently added flexibility to the other features, such as top quality and high productivity, that go to make us a successful firm. We are the only manufacturer of springs and air reservoirs with a number of factories in Europe. That gives us unique opportunities for cross-location knowledge sharing on matters such as lean management, continuous improvement, automation and quality standards – and we plan to make still more use of them. My experience as the manager of our Austrian Frauenthal Automotive Judenburg plant has shown me that involving the entire labour force in the continuous improvement process generates a lot of good ideas and encourages people to be more self-directed in their work. It is easier to overcome resistance to change if you have success stories to point to. To improve our performance, we need to do more to exchange examples of best practice between sites and learn from each other.

Gahleitner: Our goals are sustainable improvements in profitability and a steady improvement in our resilience to cyclical fluctuations. Trimming fixed costs and increasing our flexibility – in other words, our ability to quickly adjust capacity to order volume – are the key to achieving these objectives. Because of this we intend to do more to exploit cross-location synergies, and we will make targeted rationalisation investments. We will also be pushing ahead faster with our second sourcing strategy – creating the capability to manufacture the same products at two sites. Now that we have completed the capacity expansion at our Sibiu plant in Romania we have more options for using second sourcing to enhance our group's flexibility, which will be good for its competitiveness.

Unterwieser: The acquisition of Frauenthal Automotive Hustopeče s.r.o. in November 2012 has given us an efficient air tank plant in a low-cost location that has a good name with its customers for product quality and delivery reliability. I am hoping to promote know-how transfers between our air reservoir factories, and to integrate the Czech subsidiary in our group as a quickly as possible. We want to leverage the added expertise it has brought us to offer our customers tailored solutions.

Frauenthal Automotive I-Lenker, a new product design

„We are taking action to increase profitability and progressively reduce our vulnerability to ups and downs in demand."

Markus Gahleitner,
Chief Financial Officer and Managing Director of the Frauenthal Automotive division

Grand opening of the newly structured plant in Romania
From left:
Rudolf Lukavsky, Commercial attaché of the Austrian Embassy in Bucharest,
Magnus Baarman, former Managing Director of Frauenthal Automotive
Daniel Preda, Managing Director of Frauenthal Automotive Sibiu,
Hannes Winkler, Chairman of the Supervisory Board of Frauenthal Holding AG,
Guido Eyer, Purchasing Manager BPW,
Martin Sailer, member of the Executive Board of Frauenthal Holding AG and responsible for the Frauenthal Automotive Division,
Tadej Strahovnik, representative of the union and employee of Frauenthal Automotive Sibiu

WHAT EURO 6 MEANS FOR FRAUENTHAL

Euro 6 is a mandatory standard, based on an EU directive, that lays down the emission limits for commercial vehicles registered in the EU. From 1 January 2014 on, all vehicles newly registered in the EU will have to be Euro 6 compliant. The standard is considerably stricter than the current Euro 5 standard. It brings drastic reductions in the limits for NOx emissions. It is also significantly lowers the limits for soot particles and hydrocarbons. In the case of carbon monoxide it makes less difference as Euro 5 already set very stringent limits, With currently available technology, a wall flow diesel particulate filter is essential to conform to Euro 6 emission values. The standard also raises the bar for the performance of the NOx catalyst. The complete exhaust gas after-treatment system (catalysts, filters and electronics) of a Euro 6 compliant vehicle is much more complex, heavier, larger and more expensive than a Euro 5 system. Moreover, to keep within the emission limits fuel consumption must be reduced, and this in turn means that the weight of the vehicle must be lowered. Because of this weight saving springs and stabilisers have become a much more attractive option. As these components make up a large part of the overall weight of a truck, lightweight designs have a disproportionate impact. Space saving air reservoirs also have a lot to recommend them, as the air tank must be mounted close to the engine, and bulkier exhaust gas after-treatment systems mean that there is less room on the chassis than before.

„It is easier to overcome resistance to change if you have success stories to point to. To improve our performance, we need to do more to exchange examples of best practice between sites and learn from each other."

Helfried Jelinek,
Chief Operating Officer and Managing Director of the Frauenthal Automotive division

Management of the new plant Frauenthal Automotive Hustopeče
From left:
Veronika Bařinová, Purchasing Manager,
Pavla Ungerová, Financial Manager,
Peter Beck, Sales Manager,
Ladislav Pregrt, Quality Manager,
Aleš Tichý, Managing Director,
Jitka Hejlová, Human Resources Manager,
Marek Koško, Project and Engineering Manager
Foreground:
Martin Lajdorf, Logistics Manager

„Rapid integration of the new Frauenthal Automotive Hustopeče s.r.o. subsidiary will add to the division's expertise.“

Josef Unterwieser,
Chief Operating Officer and Managing Director of the Frauenthal Automotive division

„New products for Euro 6 models improve our prospects of winning new large orders.“

Matias Mosesson,
Chief Sales und Technology Officer and Managing Director of the Frauenthal Automotive division

From left:
Wolfgang Knezek,
member of the
Executive Board of
SHT Haustechnik AG,
Hans-Peter Moser,
member of the
Executive Board of
Frauenthal Holding AG
and responsible for the
Wholesale Plumbing
Supplies Division,
Beatrix Pollak,
member of the
Executive Board of
SHT Haustechnik AG
and speaker of the
Board,
Manfred Prinz,
member of the
Executive Board of
SHT Haustechnik AG

WHOLESALE PLUMBING SUPPLIES (SHT GROUP)

Interview with SHT Haustechnik AG executive board members Beatrix Pollak, Wolfgang Knezek and Manfred Prinz

Pollak: We made a great leap forward in the expansion of the SHT Group in 2012. At the beginning of the year, our regional operations were united under the SHT brand. This has given us a sharper profile as a Group, and the regular customer surveys we carry out confirm that SHT is seen as the market leader in terms of quality throughout Austria. Our Smart Service approach means that we provide services tailored to each customer segment. In 2013, we want to push products that help to save energy and water, under the "SHT eco" banner. Our belief in environmental sustainability is not only reflected in our products – it is a corporate value shared by staff.

Knezek: Implementation of the FLOW project, which aims to create error-free logistics through optimised movements of goods, is progressing rapidly. Currently, the focus is on further expansion of track and

„Our Smart Service approach means that we provide services tailored to each customer segment. In 2013, we want to push products that help to save energy and water, under the 'SHT eco' banner."

Beatrix Pollak, member of the Executive Board of SHT Haustechnik AG and speaker of the Board

trace functionality – additional features include delivery notification by SMS, computerised returns entry at the delivery site, electronic delivery notes and electronic signatures. We are the market leaders when it comes to logistics. This is a decisive competitive advantage: for plumbing contractors, close to 100 % shipping accuracy and optimised product availability are real service benefits. Our expansion of sales and logistics services reflects the growth of the business. In 2012, we opened new ISC pick-up stores as well as a Bäderparadies showroom in Ansfelden, and remodelled a combined Bäderparadies showroom and heating centre in Puntigam, Graz.

Prinz: Our first steps into foreign territory have been taken successfully, with the establishment of SHT-Slovakia. In our regional expansion to neighbouring countries, focusing on CEE, we can transfer our know-how in procurement, logistics and customer service to the new locations. Naturally, the Slovakian market presents different challenges than our home market. But due to the procurement conditions we have been able to negotiate as well as various operational improvements, we were able to significantly improve the results from our new Slovakian subsidiaries within just a few months. On the back of this experience, we now want to move forward with the regional expansion strategy, in manageable steps.

Pollak: Based on the success we have enjoyed up to now, we have high expectations for the future of SHT. Joining international buying group VGH has given us access to more advantageous purchasing conditions; our long established Bäderparadies showroom on Vienna's Kaiserstrasse has been completely refurbished; and we have enjoyed success in Slovakia right from the beginning. I am especially pleased about the highly positive feedback we get from customers at our events. They see the SHT Group as the market leader in terms of service, providing innovative solutions for plumbers and end users.

„The SHT Group is the market leader in Austria for quality in customer services and logistics."

Wolfgang Knezek, member of the Executive Board of SHT Haustechnik AG

„Our first foreign investments are already proving successful and have affirmed our strategy for regional expansion."

Manfred Prinz, member of the Executive Board of SHT Haustechnik AG

TASK

The surface of an air reservoir undergoes final inspection before it is palleted. Věra Franková, 56, Frauenthal Automotive Hustopeče plant, scans in a customer bar code on a reservoir and the relevant employee ID number. Both codes are saved on the computer system to make it possible to track the item.

PRODUCT

Frauenthal Automotive Hustopeče supplies steel air reservoirs with capacities of up to 120 litres. These free up space on the vehicle chassis for additional equipment, and the resultant weight reductions lead to fuel savings.

CZECH REPU

OPERATING REVIEW

OPERATING REVIEW

BUSINESS PERFORMANCE IN BRIEF

2012 financial year was dominated by four key developments.

For Frauenthal, the 2012 financial year was dominated by four key developments: firstly, the disposal of the Industrial Honeycombs Division; secondly, the use of part of the proceeds to make three acquisitions to drive our growth strategy for the continuing operations – the Frauenthal Automotive and Wholesale Plumbing Supplies (SHT) divisions – and for a share buyback programme; thirdly, the significant negative impact on earnings in the Frauenthal Automotive Division of the contraction in the European commercial vehicle market; and fourthly, the growth in both revenue and earnings recorded by the SHT Group. The disappearance of a business division has added to the importance to the Group of growth by acquisition in the remaining operations, and business development activities have been stepped up accordingly.

Frauenthal Group posted EBIT of EUR 56.3m and profit for the year of EUR 39.0m.

In 2012 the Frauenthal Group posted EBIT of EUR 56.3m, of which EUR 7.9m came from continuing operations, and a profit for the year of EUR 39.0m (continuing operations EUR 1.3m). Although a dividend of EUR 0.30 was paid, equity as at the end of the reporting period stood at EUR 127.5m – an increase of EUR 28.6m – for an equity ratio of 37.4 %. Total commercial vehicle registrations in the EU fell by 12.4 %, and registrations of heavy vehicles were down by 9.1 %, with sales hit by the uncertain economic situation in the euro zone, and in particular by the crisis in the south European euro members. Owing to – very subdued – real growth in construction output, gains in market shares, and the acquisition of two wholesalers in Slovakia, in 2012 the Wholesale Plumbing Supplies Division delivered revenue growth of 7.3 %; half of this was accounted for by the acquisitions. Earnings grew faster than revenue thanks to an improved gross margin. Due to the nature of the agreements with the acquirer, the results of the Industrial Honeycombs Division, sold to the Japanese technology group IBIDEN with effect from 1 June 2012, have no influence on the Group's annual results. Our philosophy of spreading risk, through a diversified group structure, again showed its worth in 2012.

TRADING ENVIRONMENT

Last year, the economic environment was unfavourable for the Frauenthal Group, which is almost entirely dependent on the EU market. In 2011 the 1.5 % growth rate in the EU-27 had been close to the 1.8 % achieved by the USA. However, in 2012 the EU slid into recession and the economy contracted by 0.4 % whilst the US economy grew by 2.2 %. Frauenthal Automotive has a foot in the high growth Asian (6.6 %) and South American (3.0 %) regions, and in Russia (3.4 %) through its customers' exports, and these markets indirectly contributed 25 % of total revenue. The trading environment for the SHT Group was somewhat more helpful, with the Austrian economy growing by 0.8 %.

Demand for commercial vehicles – and especially heavy trucks – is largely a reflection of road hauliers' economic expectations; the only exception is spare part sales. Demand was relatively solid at the start of the year, but gloom descended towards the end of the second quarter.

The downward spiral of the south European peripheral countries and the continuing uncertainty about the survival of the euro dented investment confidence, and this in turn led to an increase in the average age of vehicle fleets. It is still too early to predict when the suspected investment backlog will lead to a pick-up in demand. During the reporting period the only encouragement came from the Russian and South American export markets.

Another source of uncertainty for the commercial vehicle market is the upcoming introduction of the Euro 6 model generation. This stricter emission standard will be mandatory for all new vehicles registered in the EU from 1 January 2014 onwards. Because of the complexity of the exhaust gas after-treatment systems, Euro 6 compliant trucks are heavier, more expensive to operate and have a higher price tag. At present there is no reason to expect that there will be any significant incentives (tax relief, etc.) to run a Euro 6 vehicle in the EU. How customers react to the changeover, and whether there is a boom in purchases of Euro 5 vehicles before these model ranges are retired will have a major impact on demand in 2013.

The Frauenthal Automotive Division suffered a 10.7 % decline in revenue. Its sales performance was considerably better in the first half of the year than the second. Most of the manufacturers accumulated stocks of unsold vehicles in the course of 2012, and scaled back production towards the end of the year in order to normalise their inventories.

The main factors that influence the performance of our Wholesale Plumbing Supplies Division (SHT) are construction activity in Austria, and the willingness of private households to invest in renovation and renewing plumbing and heating systems.While overall construction output only inched up in 2012 the commercial new build segment grew faster. The large-scale contract segment is fiercely contested and as a result margins are under pressure. Public sector orders failed to provide any stimulus, and the private renovation segment, which had been expanding very rapidly for several years, only grew marginally in 2012. The Wholesale Plumbing Supplies Division (SHT) succeeded in boosting its gross margin again, despite increased reliance on contract business. This was achieved by focusing on upscale products and fine-tuning the division's discount and purchasing policies. The division posted a solid 7.3 % growth performance on the back of demand growth and market share gains in western and southern Austria. The improvement in earnings thus reflected both volume growth and improved profitability.

Revenue in the Frauenthal Automotive Division was down by 10.7 %.

SHT achieved robust growth of 7.3 % thanks to gains in market shares.

IT'S THE WAY WE GET THERE THAT MATTERS

Responsible behaviour and sustainable business practices are just as important as financial considerations.

MANAGEMENT'S ANALYSIS OF RESULTS

Disposal of the Industrial Honeycombs Division generated a cash inflow of EUR 80.7m. Net proceeds of the disposal amounted to EUR 37.7m.

The Frauenthal Group's results for 2012 are affected by a number of transactions and changes in accounting methods that are unrelated to its operating performance. The following account of the transactions concerned is intended to assist in interpretation of the annual financial statements.

DISPOSAL OF THE INDUSTRIAL HONEYCOMBS DIVISION

Three acquisitions were made in 2012. Negative goodwill arising on the acquisitions was EUR 2.7m.

The results of the Industrial Honeycombs Division (EBIT for the period between January and May 2012, and net proceeds of the disposal) are disclosed in the "Profit for the year from discontinued operations" income statement item. The results of the remaining Frauenthal Automotive and Wholesale Plumbing Supplies (SHT) divisions, and of Frauenthal Holding AG are reported as "Profit for the year from continuing operations".
Unless otherwise stated, all the income statement items relate to the continuing operations, and the comparative figures have been adjusted accordingly.

Share buyback caused a cash outflow of EUR 7.0m. Frauenthal Holding AG now holds 10 % of share capital.

The disposal of the Industrial Honeycombs Division took place on 1 June 2012. The proceeds were EUR 51.3m. The assets sold comprised the Group's interests in: Porzellanfabrik Frauenthal GmbH; CERAM Frauenthal Korea Co., Ltd., Seoul; and CERAM Environmental Inc., Leawood, Kansas. In addition the acquirer, the Japanese IBIDEN Group, assumed EUR 29.4m in debt. EBIT from discontinued operations was EUR 48.4m. The profit for the year from discontinued operations was EUR 37.7m. This is net of EUR 10.3m in income tax liability arising from the profit on the disposal. This tax liability is made up of EUR 2.4m in current tax, and EUR 7.9m in deferred tax expense occasioned by the use of tax loss carryforwards.

ACQUISITIONS

The Frauenthal Group made three acquisitions in the course of 2012. At the start of April 2012 the Group acquired Technopoint Sanitrends s.r.o., Bratislava, and on 15 October 2012 the Frauenthal purchased the fifth-largest plumbing supplies wholesaler in Slovakia, GAMA Myjava s.r.o., Myjava. This was followed by the acquisition on 5 November 2012 of the Worthington Cylinders a.s. air reservoir factory in Hustopeče, Czech Republic (renamed as Frauenthal Automotive Hustopeče s.r.o. on 1 January 2013). The purchase prices totalled EUR 6.9m, and in addition the Group assumed EUR 1.6m in debt. The negative goodwill arising on the acquisitions (shown under "Other income") totalled EUR 2.7m, and the transaction costs were EUR 0.5m (reported under "Other expenses"). The positive impact of the net negative goodwill of EUR 2.2m is recognised in divisional EBIT; the Frauenthal Automotive Division accounted for EUR 1.2m and the Wholesale Plumbing Supplies Division for EUR 1m of this amount.

SHARE REPURCHASE PROGRAMME

On 19 October 2012 Frauenthal Holding AG repurchased 671,043 shares at a price of EUR 10 per share in a public off-market repurchase programme; the total cost was thus EUR 6.7m. The buyback had no effect on profit or loss. The acquisition value of the shares and the EUR 0.3m in transaction costs (stamp duty, etc.) are carried in the "Own shares" reserves. The EUR 7.0m in question correspond to the cash outflow arising from the transaction.

IMPAIRMENT REVIEWS AND NON-RECURRING EXPENSES

In 2012 the Frauenthal Group's assets were again subjected to routine impairment tests in accordance with IAS 36.

The valuations of the various Group companies are based on earnings forecasts for the coming five years. The approved budget for 2013 and conservative estimates for subsequent years, partly derived from authoritative market studies, were used for the calculations. The current carrying amounts were compared to the valuations, and impairment recognised where necessary. A discount rate (WACC) of 7.27 % was applied.

Impairment reviews encompass property, plant and equipment, goodwill, capitalised development costs, brands and rights to supply customers, as well as deferred tax assets.

The activities of Frauenthal Automotive Westphalia GmbH, Ahlen (production of formed parts and welded assemblies) were largely discontinued at the end of the year. The cost of closing this company totalled EUR 2.2m (social plan: EUR 1.8m; other exceptional expenses: EUR 0.4m); EUR 1.0m of this amount was recognised in 2011, and EUR 1.2m in 2012. Expenses of EUR 1.3m were incurred as a result of personnel reduction programmes in the Frauenthal Automotive Division (early retirement programme at Frauenthal Automotive Azambuja Unipessoal, Lda. and downsizing in Austria, France and Germany) in 2012. These measures affected a total of 55 employees.

SHARE OPTION PLAN

On 1 June 2011 the Supervisory Board approved a share option plan for senior executives. The award of share options is at the discretion of the Supervisory Board. In the 2012 annual financial statements expenses of EUR 198,000 (EUR 48,000) arising from the plan are reported as staff costs. In compliance with International Accounting Standards (IAS 39), this amount is also reported under retained earnings. To calculate the staff costs assumptions must be made about future awards of options; there are no legal entitlements to allocations.

EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Due to the change in the IFRS accounting treatment of post-employment benefit obligations under IAS 19 these are for the first time shown not in the income statement but under other comprehensive income; this reduces the "Other reserves" equity item. Due to changes in the calculation parameters – in particular, the reduction in the discount rate from 4.5 % to 3.7 % – the pension provision increased by EUR 1.6m.

A provision of EUR 0.5m was recognised for the variable remuneration (bonuses) of employees with the holding companies. The method of accounting for this pay component changed as at 31 December 2012. In previous years the amounts disbursed for such bonuses had been recognised in profit or loss. Because of the new accounting policy the bonus expense was recorded twice in 2012 – once for 2011 and once as a provision for 2012. This component of staff costs was thus higher in 2012.

Readers are referred to Note [46] Governing bodies for information on remuneration policies.

Restructuring provisions impacted Frauenthal Automotive's results.

Expenses of EUR 0.2m arising from the share option plan reported as staff costs.

Pension obligations reported under OCI for the first time (EUR 1.6m).

Bonus expense recorded twice in 2012 due to new accounting policy.

GROUP REVENUE

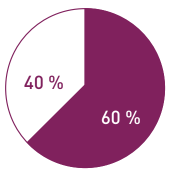
Group revenue was almost stable, at EUR 509.9m (down by 0.8%).

The Frauenthal Automotive Division suffered a 10.5 % fall in revenue due to contracting markets, especially in southern Europe, in the second half of the year. Most commercial vehicle manufacturers accumulated stocks of unsold vehicles in the course of 2012, and scaled back production towards the end of the year in order to normalise their inventories.

The Wholesale Plumbing Supplies Division posted revenue growth of 7.3 % despite subdued activity in the construction sector.

The rise was driven by – very modest – real growth in construction output, gains in market shares and the acquisition of two wholesalers in Slovakia.

Revenue

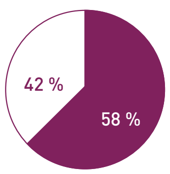


☐ Frauenthal Automotive
■ SHT

EUR '000	2012	2011	Change
Revenue by reportable segments			
Frauenthal Automotive	210,680	235,315	–24,635
Wholesale Plumbing Supplies	299,227	278,839	20,388
Other	11	25	–14
Frauenthal Group	**509,918**	**514,179**	**–4,261**

The largest revenue contribution, almost all of it generated in Austria, came from the Wholesale Plumbing Supplies Division, at EUR 299.2m.

Geographical information



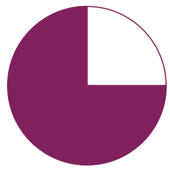
☐ other countries
■ Austria

EUR '000	2012	2011	Change
Geographical information			
Austria	294,672	285,697	8,974
Germany	86,656	95,529	–8,873
France	20,501	21,427	–926
Sweden	36,255	44,451	–8,196
Belgium	21,155	19,383	1,772
Other EU	43,559	36,954	6,605
Rest of Europe	6,343	10,097	–3,754
Americas	39	15	24
Asia	370	342	29
Other	368	284	84
Frauenthal Group	**509,918**	**514,179**	**–4,261**

EARNINGS

Group EBITDA was EUR 18.3m – down by EUR 6.5m or 26.2 % year on year. The main difference was in the earnings of the Frauenthal Automotive Division, which fell by 66.7 %.

EBITDA by reportable segments



☐ Frauenthal Automotive EUR 5m

■ SHT EUR 16m

EUR ´000	**2012**	2011	Change
EBITDA by reportable segments			
Frauenthal Automotive	4,685	13,758	–9,073
Wholesale Plumbing Supplies	15,721	13,425	2,296
Other	–2,141	–2,445	304
Frauenthal Group	**18,265**	**24,738**	**–6,473**
as % of revenue	3.58 %	4.81 %	–1.23%

The division’s EBITDA contribution was EUR 4.7m. This reflected EUR 2.5m in extraordinary expenses in the shape of closure and personnel reduction costs.

The earnings of the Wholesale Plumbing Supplies Division outgrew revenue thanks to an improved gross margin. The division returned EBITDA of EUR 15.7m, up by 17.1 %.

“Other” relates to Frauenthal Holding AG, and is largely attributable to project costs.

Net interest expense down by EUR 1.2m year on year at EUR 4.7m.

EUR ´000	**2012**	2011	Change
Profit or loss			
Revenue	**509,918**	**514,179**	**–4,261**
EBITDA	**68,164**	**36,028**	**32,136**
thereof EBITDA from continuing operations	18,265	24,738	–6,473
EBITDA from discontinued operations	49,899	11,290	38,609
EBIT	**56,282**	**22,523**	**33,758**
thereof EBIT from continuing operations	7,896	14,513	–6,618
EBIT from discontinued operations	48,386	8,010	40,376
Net finance costs	**–5,107**	**–6,061**	**953**
thereof net finance costs of continuing operations	–4,692	–5,901	1,209
net finance costs of discontinued operations	–415	–160	–256
Profit before tax	**51,174**	**16,463**	**34,712**
thereof profit before tax of continuing operations	3,204	8,599	–5,395
profit before tax of discontinued operations	47,970	7,864	40,106
Profit for the year	**39,013**	**13,733**	**25,280**
thereof profit for the year of continuing operations	1,309	7,629	–6,320
profit for the year of discontinued operations	37,704	6,104	31,600

The finance costs of the continuing operations fell by EUR 0.9m to EUR 6.0m as a result of the redemption of the outstanding amount due on the 2005 bond. Interest income from the money market investments was EUR 1.3m, leaving net interest expense at EUR 4.7m – a decrease of EUR 1.2m year on year. Most of the finance costs concern the transaction costs of the EUR 100m bond issue in 2011.

ASSETS AND FINANCES

Record equity of EUR 127.5m and equity ratio of 37.4 %.

Total assets contracted by EUR 24.2m to EUR 340.5m (year-end 2011: EUR 364.6m). The disposal of the Industrial Honeycombs Division removed EUR 66.6m from the balance sheet, while consolidation of the three acquisitions added EUR 17.5m to total assets. "Other current assets" rose partly because of increased trade receivables in the Frauenthal Automotive Division. In order to cut costs, the proceeds of the disposal of the Industrial Honeycombs Division were partly employed to scale back the use of the EUR 15.5m ABS finance. "Other current assets" were also lifted by receivables of EUR 7.0m from the acquirer of the Industrial Honeycombs Division (EUR 5.2m in dividends and EUR 1.8m for the remainder of the purchase price). Some EUR 45m of the proceeds of the disposal of the division where channelled into investments with leading Austrian banks. Of this amount EUR 10m went to medium-term investments and EUR 35m to investments with maturities matching that of the bond due in 2016.

EUR '000	2012	2011	Change
Assets and finances			
Non-current assets	124,010	142,837	–18,827
Inventories	81,038	94,154	–13,116
Other current assets	135,428	127,657	7,772
Total assets	**340,476**	**364,648**	**-24,172**
Equity	127,493	98,868	28,625
Non-current liabilities	128,665	137,546	–8,881
Current liabilities	84,318	128,234	–43,916
Total equity and liabilities	**340,476**	**364,648**	**–24,172**

The profit for the year from discontinued operations increased equity by EUR 37.7m; this gain was partly offset by the share repurchase programme (EUR 7.0m) and the dividend payment (EUR 2.7m). Short-term debt fell by EUR 27.3m as a result of the redemption of the outstanding amount due on the 2005 bond and the scaling back of short-term credit lines. These measures were aimed at using surplus liquidity from the disposal of the Industrial Honeycombs Division to optimise costs.

Net liquidity jumped by EUR 44.5m.

Net liquidity jumped by EUR 44.5m as compared to the end of the previous reporting period. There were no significant changes in the Group's financing arrangements with banks, and at year-end there were EUR 68.2m in unused credit lines.

NON-CURRENT ASSETS

The Group invested EUR 19.1m in 2012, of which EUR 14.1m was devoted to property, plant and equipment and EUR 1.1 to patents, licences, rights and software in the continuing operations. These investments were designed to implement Frauenthal's growth and quality strategies. A total of EUR 6.9m was paid to acquire Technopoint Sanitrends s.r.o., GAMA Myjava s.r.o. and Worthington Cylinders a.s. The main influences on the Group's non-current assets were the disposal of the Industrial Honeycombs Division and the acquisitions. The "Change in scope of consolidation" item below shows a net reduction of EUR 17.9m in total assets, resulting from EUR 23.1m in disposals and EUR 5.2m in additions.

EUR '000	Intangible assets	Property, plant and equipment	Financial assets	Total non-current assets
Change in non-current assets				
31.12.2011	**38,501**	**82,301**	**1,716**	**122,518**
Investment	1,074	18,052	0	19,126
Write-up	0	0	65	65
Change in scope of consolidation	–285	–17,664	0	–17,949
Depreciation, amortisation and impairment	–1,274	–10,608	0	–11,882
thereof impairment	–206	0	0	–206
Disposals	–2	–741	–739	–1,482
Currency translation and other	50	122	0	172
31.12.2012	**38,064**	**71,462**	**1,042**	**110,568**

The main investment in the Frauenthal Automotive Division was the completion of the expansion at Frauenthal Automotive Sibiu S.R.L., which now has an annual capacity of 25,000 tonnes. An important measure aimed at raising the level of automation and improving productivity was the installation of a highly automated stress peening machine at Frauenthal Automotive Judenburg GesmbH. Frauenthal Automotive invested EUR 4.0m in capacity expansions and EUR 1.9m in productivity improvements. An additional EUR 0.9m went to expanding R&D infrastructure. The division's investment in non-current assets, including those of the Czech acquisition, totalled EUR 9.5m (spending of EUR 8.8m on property, plant and equipment, and EUR 0.7m on intangible assets).

Frauenthal Automotive invested EUR 9.5m, and Wholesale Plumbing Supplies EUR 5.3m.

EUR 6.9m spent on three acquisitions.

Most of the EUR 5.3m in capital expenditure in Wholesale Plumbing Supplies was directed to improvements in logistics systems, to the vehicle fleet, and to modernising and expanding retail space. The division spent EUR 0.4m on IT investments. The figures for the Wholesale Plumbing Supplies Division include the non-current assets of the acquirees in Slovakia.

CASH FLOW

The operating profit before working capital changes of the continuing operations was EUR 12.9m down year on year at EUR 8.7m, due to the lower profits of the Frauenthal Automotive Division.

Changes in trade receivables and payables, and inventories yielded net cash from operating activities of EUR 0.7m in the continuing operations. The EUR 21.2m in net cash used by the continuing operations in investing activities comprises EUR 15.2m in spending on existing locations and EUR 6.9m in investment in the three acquisitions, less proceeds from the sale of non-current assets. Detailed information on investment during the year is given in the section entitled "Investment and acquisitions".

EUR '000	2012	2011	Change
Statement of cash flows			
Operating profit before working capital changes	**11,022**	**31,122**	**–20,100**
thereof continuing operations	8,711	21,592	–12,881
discontinued operations	2,311	9,530	–7,219
Net cash from/used in operating activities	**–2,150**	**8,473**	**–10,623**
thereof continuing operations	679	11,293	–10,614
discontinued operations	–2,829	–2,820	–9
Net cash from/used in investing activities	**51,671**	**–20,788**	**72,459**
thereof continuing operations	–21,168	–12,943	–8,225
discontinued operations	72,839	–7,845	80,684
Net cash used in/from financing activities	**–39,562**	**49,228**	**–88,790**
thereof continuing operations	–46,447	38,265	–84,712
discontinued operations	6,885	10,963	–4,078
Change in cash and cash equivalents	**9,959**	**36,913**	**–26,954**
Cash and cash equivalents at end of period	**49,348**	**39,950**	**9,398**

Cash and cash equivalents reflects the EUR 45m in money market investments.

Net cash used by the continuing operations in financing activities includes the EUR 2.7m dividend payment, the EUR 7.0m share repurchase and the EUR 27.3m paid to redeem the rest of the 2005 bond, as well as repayments of bank borrowings using the surplus liquidity. The change in cash and cash equivalents, and cash and cash equivalents at the end of the period reflect the EUR 45m in money market investments.

TASK

Anke Reese, 41, who works at the Frauenthal Automotive Elterlein plant, readies an aluminium air reservoir module for the welding on of a mounting. Welding aluminium is a job for particularly highly skilled welders.

PRODUCT

With welded bracket air reservoirs, a mounting bracket, welded to the reservoir, is screwed to the chassis instead of using restraining straps or wires. This has the advantage of preventing friction at the mounting points.

GERMANY

DISCLOSURE IN ACCORDANCE WITH SECTION §243A UGB (AUSTRIAN BUSINESS CODE)

Frauenthal Holding AG has a share capital of EUR 9,434,990 (2011: EUR 9,434,990), divided into 7,534,990 no par bearer shares and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the share capital. There are no other classes of shares.

The number of treasury shares rose from 272,456 to 943,499, equal to 10% of the Company's share capital, as a result of a share repurchase programme. The free float correspondingly decreased to 1,613,441 shares or 17.10 % of the capital. The principal shareholder remains FT Holding GmbH, with an interest of 72.9 %. The Executive Board of Frauenthal Holding AG is not aware of any restrictions on voting rights or share transfers.

There are no classes of shareholders with special control rights. There are no employee shareholders. On 1 June 2011, the Supervisory Board of Frauenthal Holding AG approved a share option plan for the 2012–2017 period for members of the Executive Board of Frauenthal Holding AG and for Frauenthal Group senior management. Other than those conferred by law, there are no rights to appoint or dismiss members of the Executive or Supervisory boards, or to amend the articles of association.

By resolution of the 23rd Annual General Meeting held on 6 June 2012 the Executive Board is empowered, not later than 30 June 2017: (a) subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 4,717,495.00, by issuance, in one or more tranches, of up to 4,717,495 voting bearer or registered shares of no par value, against contributions in cash or in kind; (b) subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights if and only if the share capital is being increased: (i) in order to implement an employee share ownership plan or a share option plan for members of the Executive Board, and senior executives of the Company or its subsidiaries and affiliates; or (ii) against contributions in kind taking the form of companies, factories, parts of factories or shares in one or more domestic or foreign companies; and (c) subject to the approval of the Supervisory Board, to determine the class of the new shares to be issued (bearer or registered), the amount of the issue and the other terms and conditions of the issue (authorised capital).

Important supply and procurement contracts concluded by the Group contain change of control clauses. Detailed disclosures regarding these agreements would cause significant damage to the Group, and are therefore not required. The Company has not entered into any agreements with members of its Executive or Supervisory boards or employees to compensate them in the event of the acceptance of a public takeover bid.

RISK REPORT

In order to comply with Rule 69 of the Austrian Code of Corporate Governance and to make further improvements in this area, we have put a Group-wide risk management system (RMS) in place. Sources of risk are systematically identified and assessed, and strategies for managing them laid down. A key element of the RMS is early warning signs, which are methodically pinpointed, analysed and reported on. Our responses to risk exposures are determined by their categorisation in the risk matrix, which is regularly updated. They range from active management to ongoing and case by case monitoring. The internal control system (ICS) – which centres on financial control, reporting, internal audit and management meetings at all levels – is constantly adjusted to the needs of the RMS.

The Group's risk exposures have changed since the disposal of the Industrial Honeycombs Division. Some risks specific to the division have been eliminated, while the Group's dependence on the continuing operations has increased. In particular, the Group is now more exposed to the ups and downs of the volatile commercial vehicle market. A new – at least temporary – exposure is the investment risk associated with the cash holdings arising from the disposal.

The main overall trend is towards increased exposure to strategic risks, particularly as regards the Frauenthal Automotive Division, while the operational risks are abating.

The principal risk categories that are examined on a divisional basis are:

- Strategic risk: market trends, competition and customer relationships;
- Operational risks affecting business processes: security of supply, potential disruptions to production processes and debtor risk.

At Group level the RMS mainly focuses on the following risk categories:

- Compliance;
- Financial risk: liquidity, valuations, tax, exchange rates and interest rates;
- Staff risk.

Presentations on these principal risks and related risk control activities were given to the audit committee at two meetings, and they were constantly monitored by the Executive Board. Proposals for any policy changes required were submitted to the audit committee in the form of detailed internal control system reports (updated at least biannually). These revise the risk matrix in the light of newly identified risks and the reassessment or removal of risks where appropriate.

FRAUENTHAL AUTOMOTIVE DIVISION

CUSTOMER RISK

In the truck component business (springs, U-bolts and air reservoirs) it is customary to make one or multi-year blanket agreements that define the products and establish terms and conditions, but do not lay down binding supply quantities over the entire contract term as these depend on the demand for commercial vehicles. Whether a component supplier can win or extend such contracts depends on its competitiveness. This is primarily a matter of price, but also depends on the supplier's ability to deliver the products required, the reliability of its logistics and quality standards, and its ability to collaborate with the customer on new developments.

Frauenthal Automotive agreed one or multi-year contracts.

Orders for strategically important products were retained and new orders won. Our demonstrated ability to develop improved products played a key role in winning new long-term contracts to supply components for the new Euro 6 compliant vehicle ranges.

Frauenhal Automotive exposed to technological, price and market share risks.

The most significant risks affecting our customer relationships are technological risks (suspension systems may change, rendering Frauenthal Automotive's products obsolete), price risks (competitive pressure could enable customers to put downward pressure on prices), and the loss of market shares due to competitive disadvantages with regard to pricing or technology. The current downturn in the European commercial vehicle market and overcapacity are enabling customers to squeeze prices. Most of the truck manufacturers are very large, multinational corporations. There were no defaults during the reporting period, and we expect this risk to remain relatively insignificant.

MARKET RISK

The European commercial vehicle market is primarily driven by road haulage companies' economic expectations, as the demand for goods deliveries, especially by heavy trucks, is mainly a factor of industrial production. Exports from Europe to the Middle East, Russia and, to a lesser extent, South America are also of importance. Political risks could affect exports to these regions. The haulage companies' access to finance also influences demand. The under-capitalisation that is characteristic of the industry and the banks' increasingly restrictive lending policies tend to depress demand for vehicles. Since this is likely to result in an investment backlog due to ageing fleets the upshot could eventually be a sudden surge in demand. The greatest single economic risk to which the division is exposed is that of a sudden collapse in economic activity of the sort that could be unleashed by a European financial or currency crisis.

During the reporting period declining demand led to unsatisfactory capacity utilisation at our plants, and required workforce adjustments including lay-offs of agency staff. Increasing the flexibility of our manufacturing operations is one of our strategic goals, as the commercial vehicle market is likely to remain volatile. To the extent that it is possible to predict market developments, it appears highly unlikely that we will face capacity bottlenecks and difficulties in supplying our customers.

In exceptional cases quality defects can lead to material fractures or braking system leakages during on-road use of truck components. Comprehensive quality control and plant monitoring minimise the risk of such damage, and potential claims for damages are covered by our insurance. We regard our insurance cover as adequate, but in extreme cases it could nevertheless be insufficient. The quality and safety requirements of our customers are becoming ever more strict, and customer audits are regularly held to monitor compliance. Although these audits generally went well during the year under review, they revealed a need to improve some production steps and quality assurance measures, and in some cases action was taken almost immediately.

ENVIRONMENTAL RISK

Frauenthal Group complies with all environmental licensing conditions, legislation, orders and notices.

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

At some plants there are instances of soil contamination by wastes containing oil which are a legacy of the long history of production at these sites. However, all of our sites meet the licensing conditions imposed by the authorities responsible for them.

At one site (Frauenthal Automotive France s.a.s.) soil decontamination is in progress. The action being taken is in line with the official licensing conditions.

OPERATIONAL RISK

The production of braking system air reservoirs involves forming, welding and surface treatment processes. Spring, stabiliser and U-bolt production involves hot rolling, bending and tempering, and gives rise to significant fire hazards. All of these processes are associated with production outage and safety risks. During the reporting period there were no incidents of this sort.

These risks are minimised by work and process instructions, training programmes, continuous maintenance and testing, and insurance cover. In the case of spring and pressure vessel production it is also possible to relocate operations to other sites.

SUPPLY RISK

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

Materials procurement is centrally managed by Frauenthal Automotive Sourcing GmbH, permitting ongoing market monitoring and regular negotiations with suppliers.

Energy prices have a major influence on production costs, and thus on Group earnings, as price movements cannot automatically be passed on to customers.

Shortages of materials or energy appear relatively unlikely as the respective markets are well supplied at present. During the reporting period a key spring steel supplier pulled out of this market segment. However, thanks to our second sourcing policy we were able to procure the steel from a replacement supplier relatively quickly. We ensure that there are sufficient numbers of suppliers for all the important intermediate products, so as to avoid over-dependence on any single supplier.

WHOLESALE PLUMBING SUPPLIES DIVISION (SHT)

CUSTOMER RISK

SHT's wholesale business involves a large number of customers in the plumbing trade. Consumers are not directly supplied. The key success factors are procurement prices and terms and conditions, efficient warehousing and delivery logistics, and the quality and financing of customer receivables. Due to its market leadership, nationwide branch network and efficient logistics, SHT has a very strong competitive position, and is an indispensable supplier for many customers. Customer satisfaction surveys confirm SHT's lead in terms of service quality.

Due to market leadership, nationwide branch network and efficient logistics, SHT has a very strong competitive position, and is an indispensable supplier.

Most of the customers are tradesmen, and the default risks are those characteristic of the plumbing trade, which is predominantly one of small businesses.

SHT has an efficient receivables management system in place to mitigate this risk. Customer creditworthiness and credit limits are kept under constant observation so as to identify insolvency risks at an early stage. Payment delays are rigorously pursued. Delivery limits, which are frequently adjusted according to payment behaviour, reduce the default risk. Default risk is also passed on by taking out credit insurance. During the year under review the ratio of bad debts to revenue was unchanged at a mere 0.2 % (2011: 0.2 %). An average of 70 % of the receivables were covered by trade credit insurance.

Bad debts a mere 0.2 % of revenue at SHT.

Since most of SHT's customers are small businesses the default risk is widely diversified. Large projects and the related risks play a relatively minor role in SHT's business, but there are instances of them.

MARKET RISK

Construction activity, both in the commercial and the self-build segment, has a significant impact on SHT's wholesale plumbing supplies business. The renovation market has grown very rapidly over the past few years, and SHT has a particularly high share of the private renovation segment. Price competition in this low-volume segment is less fierce than in the contract business segment.

The sales and marketing organisation constantly monitors short and long-term construction activity trends, and reports to the Executive Board on a weekly basis.

OPERATIONAL RISK

Procurement terms and conditions a major influence on SHT's profitability.

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

Talks on purchasing prices are a core management responsibility. Because of its large market shares SHT is well placed to obtain good prices. Joining the VGH buying group has also strengthened SHT's hand in negotiations with manufacturers of plumbing and heating products.

INDUSTRIAL HONEYCOMBS DIVISION

The Industrial Honeycombs Division was sold to Japanese technology group IBIDEN with effect from 1 June 2012. The risks associated with this transaction arise from the guarantees extended by Frauenthal Holding AG. These potential claims on the part of the buyer are financial (caps), and apply for a limited period; the amounts and periods are in line with normal market practice. Moreover, insurance was taken out to cover all the relevant liability risks. The risk is limited to the insurance retention. At the time of writing, about eight months after the conclusion of the acquisition agreement, there were no indications that any guarantee or liability claims would be asserted.

FINANCIAL RISK

The Group's operations give rise to financial risks (including currency, liquidity and interest rate risks) which could have a significant impact on its assets, finances and earnings.

Due to the bank balances of EUR 49.2m and unused credit lines (including the ABS facility) of EUR 68.2m as at the end of the reporting period the Company's liquidity risk is very limited. EUR 100m bond issue is due in May 2016. The cash assets are held as fixed term deposits with the largest Austrian banks. The risk involved in investing money with these systemic banks is regarded as low.

The liquidity requirements implied by projected business performance can be met from cash flows, existing overdraft facilities and other potential sources of finance. The Group's liquidity needs are managed by the treasury function at the holding company, and are closely monitored.

The influence of volatile currencies (the Romanian leu, the Polish zloty and the Czech koruna) is limited because most of the sales are invoiced in euro, as are the main input materials. Frauenthal therefore largely refrains from hedging these currency risks, but they are kept under constant observation, and could be hedged if necessary.

The Group's interest rate risk exposure is currently limited, due to the fact that most of its financing needs are met by the five-year bond issued in May 2011. This EUR 100m bond, with a fixed coupon of 4⅞ %, ensures that the Group will enjoy adequate financing up to May 2016. The interest rates payable on the credit lines are mostly Euribor linked. A close watch is kept on interest rate trends and the related risk. If necessary, interest rate hedges can be employed.

After the bond matures, interest rate movements could influence the Group's assets, finances and earnings. A rapid rise in money market rates would depress earnings.

Additional information on the analysis of the sensitivity of earnings to currency and interest rate changes is contained in the notes, under "Financial instruments".

TAX RISKS

In 2011 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 substantial tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of about EUR 7m, created by the capitalisation of these carryforwards, are stated in the consolidated statement of financial position. The tax inspection resulted in the disallowance of the tax loss carryforwards, and assessment notices to this effect, for the 2005–2007 audit period, were issued. Notice was also given of the suspension of enforcement of this decision, meaning that there has been no effect on liquidity. In the opinion of the Executive Board the tax authorities' arguments for disallowing the deductions are unlikely to be upheld in the light of the legal situation, the relevant precedents and prevalent legal opinion. A risk evaluation carried out on the basis of expert reports by three eminent independent consultants puts the risk that the tax loss carryforwards will continue to be disallowed after all appeals have been exhausted at well under 50 %, and in consequence no accounting provision has been made for the risk of a back tax payment. However, there is a risk of protracted court appeal proceedings. The situation is being reviewed on a quarterly basis, and any new information affecting our risk assessment will be taken into account. There were no new developments regarding this matter during the reporting period. Since the tax authorities have yet to express a final opinion it has not yet been possible to institute court appeal proceedings.

COMPLIANCE-RISK

As a listed company, Frauenthal Holding AG is obliged to comply with a large body of corporate governance rules, and stock exchange and securities legislation. New rules are frequently added to the Austrian Code of Corporate Governance. We seek to mitigate compliance risk by providing training, and by including compliance in the executive objective setting and performance appraisal system. The Company gives high priority to compliance with all legal requirements, in order to avoid violations that could result in significant damage to its reputation and legal sanctions.

In 2003 Frauenthal Holding AG became one of the first listed companies to commit itself to implementation of the voluntary Austrian Code of Corporate Governance. The Company also sees the maintenance of high ethical standards in its business dealings as crucial to sustainable business policies. Its compliance with legal requirements and quality standards is evaluated by our customers, which include all the major European commercial vehicle manufacturers. The audit committee of the Supervisory Board regularly assesses potential compliance risks, and discusses action to improve compliance in the Group. During the reporting period we refined our procedures for maintaining the confidentiality of compliance-related information.

ACCOUNTING

The documentation of operational processes follows precise rules in the Frauenthal Group.

Accounting processes at Group companies are the responsibility of their local finance managers. They use Cognos consolidation software to send monthly results to the Group Finance and Controlling Department. Following detailed analysis and discussions with the finance managers, monthly reports on the consolidated results are sent to the Executive and Supervisory boards, and the entire management team. The operating subsidiaries' management teams provide extensive comments on their units' business performance.

A Group manual and regular training courses for finance managers help maintain compliance with the

Interest rate risk limited due to the EUR 100m bond issue.

Risk that tax loss carryforwards at a German operation will be disallowed is well under 50 %, according to three expert reports.

Over and above its commitment to the Code of Corporate Governance, Company sees high ethical standards as crucial to sustainable business policies.

current International Financial Reporting Standards and ensure that accounting methods are standardised across the Group. There are group-wide signature regulations that establish clear rules for the clearance of invoices for payment.

Electronic bookkeeping processes record transactions. User authorisations are centrally managed by the IT department responsible, in accordance with the individual access rights required, which are frequently reviewed. Local IT departments are responsible for data backup, performing different types of daily, weekly and monthly backup in line with precise schedules. Documents are kept in secure archives and in accordance with the legal minimum retention periods.

Our operating subsidiaries book transactions on an ongoing basis. Payments are made at weekly intervals.

All Group companies have organisational regulations which ensure that transactions subject to accounting requirements are included in the annual financial statements. At Group companies with fully integrated ERP systems, internal vouchers are automatically issued whenever goods are ordered, and then run through a routine release process. At the end of the month all the finance departments perform checks to ensure that no invoices are missing. In order to obtain an accurate picture of the financial position for a given period, outstanding invoices are accrued as necessary. Confirmations of outstanding invoices are obtained from the main suppliers prior to the balance sheet date.

To ensure that the necessary provisions are made, the current course of business is examined in detail at monthly Executive Board meetings. The monthly reporting forms the basis of these discussions. The introduction of the “four-eye principle” in the Group’s management structures has made it easier to keep track of impending liabilities.

Close communication between the central finance department and finance managers at Group companies means that any deviations from budget are followed up.

The monthly reports include detailed analyses of deviations from budget, balance sheet items and cash flows in the various segments and companies. An extensive key performance indicator system supports internal benchmarking comparisons over extended periods. Any conspicuous disparities are analysed in detail. Close attention is paid to customer relationships, productivity and workforce structure, permitting early identification of potential problems. Where necessary, the Executive Board initiates internal audit projects.

The cash holdings of all Group companies are monitored on an ongoing basis. Reports on liquidity are sent to the Executive Board once a week and to the Supervisory Board (which includes the audit committee) at monthly intervals. The figures are verified by monthly comparisons of cash flow statements and bank statements. Operational units are given clear monthly liquidity targets. Deviations from these result in the implementation of predefined reporting and authorisation processes.

Responsibility for managing identified risks is clearly assigned, and those concerned are ultimately answerable to the Executive Board. Updated risk reports are drawn up at least twice a year and submitted to the audit committee.

FINANCIAL REVIEW

The Group’s budget for 2013 is based on the expectation of moderate organic growth, mainly as a result of the acquisitions in 2012. Investment, other than any further acquisitions, is expected to decline. The liquidity situation is unlikely to change significantly unless acquisitions are made in 2013. In the Frauenthal Automotive Division capital expenditure will focus on investments in improving productivity with short payback periods. No capacity expansions are planned. Positive cash flows from operating activities are anticipated in both divisions. Existing short-term bank credit lines are sufficient to meet financing needs although the liquidity position at Group level will be subject to seasonal fluctuations. The investments planned for 2013 will be financed from cash flow. No events likely to result in a major drain on liquidity are foreseen. However, unexpectedly strong revenue growth could create additional liquidity needs. The Group has access to sufficient credit lines to cope with this eventuality, provided that our banks meet their commitments as anticipated. In the event that acquisitions give rise to significant funding needs we will seek financing structures tailored to the given transactions. Acquisitions are to be financed within the divisions concerned. The Group's main source of external finance is the EUR 100m bond due on 25 May 2016.

No events likely to result in a major drain on liquidity are foreseen.

LITIGATION

In May 2009 a minority shareholder brought an action to contest resolutions of the Annual General Meeting passed on 14 May 2009. The disputed resolutions concern the discharge of two members of the Supervisory Board, a special audit in connection with the repayment of profit sharing certificates and other matters. After the available legal remedies had been exhausted without success Interfides Wirtschaftsprüfungs- und Steuerberatung GmbH was engaged to carry out a special audit, and this was completed on 27 February 2012. The audit gave rise to no objections.

INNOVATION REPORT

For the Frauenthal Group, innovation is primarily about continuously improving product quality, production processes, and the product and service portfolios, as opposed to costly research into basic technologies. Most of the Group's products have already been on the market for a long time, and are technically mature. On the service side, we strive to develop innovative solutions – especially through the use of information technology – to increase customer benefits by providing simpler access to our services, greater transparency and prompt, error-free delivery. We also work to strengthen customer relationships by introducing new services that address customer needs, are difficult to replicate and, as a result, create competitive advantage.

Product innovation involves improving material properties, optimising production processes, and developing new product designs and applications for existing products. Innovation in manufacturing processes can involve redesigning factory layouts, optimising production flows, investing in plant that improves quality and productivity, fine-tuning production processes, and standardising and stabilising individual manufacturing steps. An example of product design innovation is the pre-assembly of various components, so as to cut the cost of product mounting for customers. We also aim to be innovative in our internal processes where this can contribute to progress on costs and quality.

FRAUENTHAL AUTOMOTIVE – FOCUS ON WEIGHT REDUCTION

The key objective of product innovation in the Frauenthal Automotive Division is to make suspension components lighter, as this cuts fuel consumption and permits heavier loads. Extending the service life of suspension components to match the vehicle lifespan is also a major priority as this results in lower total costs over the useful life of the vehicle. The Euro 6 emission standard, due to come into force in Europe in 2014, is an important factor, as the complex exhaust gas after-treatment systems that are needed add weight to the vehicle, and this has to be compensated for by making weight savings elsewhere. Frauenthal's products can make a major contribution towards meeting the aggressive weight reduction targets required for the new Euro 6 compliant vehicles. Weight reductions of up to 30 kg can be achieved by using our high-tension front axle springs and tubular stabiliser bars. Over the past 12 years we have been able to lower the weight of a typical front

Innovation focuses on continuously improving product quality, production processes, and product and service portfolios, rather than costly research into basic technologies.

axle spring from 100 kg to 60 kg, through increased tension levels which make it possible to reduce the number of spring leafs. While tubular designs cost more to make than conventional solid stabilisers they are also up to 20 kg lighter. Improved materials are the only way to achieve higher tension levels and the resultant weight reductions. A materials research laboratory with the capability to investigate material properties provides the necessary R&D capacity. We are also driving development of steel springs and air reservoirs made from alternative (composite) materials.

WHOLESALE PLUMBING SUPPLIES (SHT) – FOCUSING ON LOGISTICS OPTIMISATION AND CUSTOMER SERVICES

SHT has a long track record of developing innovative logistics solutions. This has generated customers benefits in the shape of almost completely error-free deliveries, high levels of product availability and simplified administrative processes. Implementation of the FLOW project, aimed at error-free logistics through optimised goods flows, is making rapid strides. Currently, the focus is on further expansion of the track and trace functionality, with new features including delivery notification by text message, computerised returns recording at the delivery site, electronic delivery notes and electronic signatures.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Short-term profits are not the only measure of success; sustainable business development is every bit as important.

Responsible behaviour and sustainable business practices are just as important to the Frauenthal Group as financial considerations. Our values are shared by our all staff, and many parts of the Group have implemented initiatives aimed at promoting respectful treatment of other people and careful stewardship of natural resources. Frauenthal does not see short-term profits as the only measure of success. Sustainable business development, and fulfilment of our responsibilities to employees, customers, society at large and the environment are every bit as important to us. That is achieved by paying attention to our social responsibilities when taking management decisions, and by involving many staff members in a wide range of decisions affecting the various parts of the Group.

Increasing the efficiency of our production processes helps meet both financial and environmental targets. Lean management and continuous improvement play an important part in this at Frauenthal, promoting careful husbanding of resources. In our production operations we attach particular importance to minimising energy use and rejects. Environmental concerns also have a major influence on the development of each division's product mix. Frauenthal Automotive has pioneered the development of ever lighter and more durable leaf springs. Weight reduction and a longer useful life, which helps eliminate the need to replace components frequently, both play a part in more environmentally friendly commercial vehicles. The SHT Group's product range gives prominence to products based on renewable energy technologies, such as photovoltaics, heat pumps and solar thermal systems, as well as products that help save water. Meanwhile the SHT eco campaign is promoting resource conservation internally, for example through the increased use of reusable containers.

Our ability to develop sustainable technologies, and the resultant improvements across all our production and service processes are made possible by our people's expertise. That is why technical skills and personal development are systematically supported by an extensive training and development programme. Workplace safety and ergonomics, and preventive health care are also top priorities. Regular factory inspections and lean management workshops are good opportunities to identify potential improvements and act on them quickly.

FRAUENTHAL AND ENVIRONMENTAL PROTECTION

The Frauenthal Group takes environmental protection very seriously. All Group companies comply with environmental licensing conditions, legislation, orders and notices. Our employees receive comprehensive health, safety and environment information and training. Both of our divisions are benefiting from recent environmental policy developments. Product development at Frauenthal Automotive is focused on reducing fuel consumption, and the SHT Group promotes products that conserve resources. Improvements in production processes at Frauenthal Automotive usually lead to direct energy savings, and reduced wear and tear. A good example of Group policy is the expansion of capacity at Frauenthal Automotive Sibiu S.R.L. in Romania, where EUR 0.3m was invested in environmental measures last year.

HUMAN RESOURCES (HR)

HR development is crucial to the Frauenthal Group's continued growth. The shortage of skilled managers is the biggest obstacle to growth. For several years now, the Group has been aware of the existence of a significant and growing shortage of qualified staff due to demographic trends. As the scarcity of talent is set to become more acute, timely identification and development of staff with strong leadership potential is one of the key issues for our HR strategy. The aim is to fill management positions with the best internal candidates wherever possible. Our ability to offer jobs and development opportunities that meet employees' individual needs will be crucial to Frauenthal's competitiveness. Giving women the right support and encouragement to move up the management ladder is also a major concern.

Another important aim of our HR policy is to help staff strike a balance between work and family commitments. The SHT Group's myFamily programme has created more flexible part-time working models, long-term career planning that accommodates breaks for raising children, and support for employees with personal difficulties. Initial feedback on these services has been positive and has encouraged us to expand the programme.

Timely identification and development of high potentials is a key element of HR strategy.

Well tried talent spotting tools are used at executive and management trainee levels. When recruiting managerial staff internally, we take particular care to align the development objectives set for them and the opportunities they are offered as closely as possible with the Group's business requirements.

The Frauenthal Leadership and Learning Programme, held for the third time in 2012, is an important HR development and integration mechanism for the Group. In the most recent 18-month programme, some 50 management staff gained practical leadership and management skills that they can apply directly in their day-to-day work.

2012 marked the second year of the Frauenthal High Potential Programme, which supports employees who singled out for their outstanding leadership and management potential. The programme focuses on enhancing technical expertise and helping staff acquire professional project management skills, through training and application what has been learned to internal projects. We will continue to support specialist and project management careers by offering our people clear development prospects

BUSINESS DEVELOPMENT

Top priority is to buy into a new third line of business.

The Supervisory Board has backed the Executive Board's decision to keep the Company's strategy of growth by acquisition in place. Because of this the activities of the Business Development Department were stepped up during the reporting period, and three acquisitions were made for the existing divisions. We will be looking for further acquisitions that fit the divisional strategies, and a large number of potential acquisition targets were examined during the year. The focus was on extending Frauenthal Automotive's product range and on geographical expansion by the SHT Group into neighbouring markets. The Group is also aiming to buy into a new, third line of business. The requirements for this are: a different relationship to the business cycle to Frauenthal's other activities; marketing leading niche products; and revenue of over EUR 150m. The Group has over EUR 100m in resources to fund acquisitions.

EVENTS AFTER THE END OF THE REPORTING PERIOD

With effect from 3 February 2013, Frauenthal Automotive Holding GmbH purchased the 14 % interest in Frauenthal Automotive Sales GmbH previously held by Ascometal S.A.S. As a result Frauenthal Automotive Sales is now wholly owned by Frauenthal Automotive Holding GmbH. The acquisition means that there are no longer any minority interests in the Frauenthal Group. There are no effects on the income statement, and Frauenthal Automotive Sales continues to be included in consolidation.

OUTLOOK

Frauenthal Automotive expects to maintain revenue at 2012 level in 2013.

Since the third quarter of 2012 the European commercial vehicle market has again been in recession. Hit by the woes of south European economies, total European commercial vehicle registrations slid by 12.4 %, and those of heavy vehicles were down by 9.1 %. The downturn gathered pace in the fourth quarter, spreadin to Germany, Europe's largest European commercial vehicle market. Stable overall non-EU exports, bolstered by growing sales to Russia and South America, were not enough to make up the shortfall. All the major commercial vehicle manufacturers adjusted their output and stocks to declining demand by introducing short-time working and extending their holiday shutdowns. The negative trend has extended into the first quarter of 2013. However, the full-year forecasts show demand holding at 2012 levels, as from the third quarter onwards the looming mandatory introduction of Euro 6 compliant vehicles is expected to bring a "last buy" surge in sales of Euro 5 trucks combined with a lift from the arrival of the new models. The economic forecasts also indicate a pick-up in growth in the second half. Ageing fleets, resulting in the gradual emergence of an investment backlog, will also stimulate demand, but it is not possible to predict when this effect will kick in. Experience teaches that such assessments are highly uncertain, since economic instability is always capable of spooking the sensitive commercial vehicle market. Frauenthal Automotive Division expects total revenue to remain at last year's level in 2013 despite a slight contraction in demand. The division's investment policy will concentrate on improvements to quality and productivity.

SHT expects moderate demand growth and gains in market shares in 2013.

Group well placed to weather even harsh market conditions.

In the Wholesale Plumbing Supplies Division (SHT), 2013 will see investments in expanding and modernising the Austrian sales and service network, and in selective increases in logistics capacity. We see the division enjoying moderate demand growth – especially in the commercial new build and commercial renovation segments – and continuing to win market shares as a result of its sustained effort to enhance the quality of its logistics operations and its investments in additional sales space. The division is aiming to drive further improvements in profitability by optimising its procurement processes and pricing policies. Another high priority is integrating the Slovak wholesalers acquired in 2012 and leveraging the resultant synergies.

In 2012 the Frauenthal Group achieved its best annual profit and the highest equity ratio in its history as a result of the disposal of the Industrial Honeycombs Division. The Group is well placed to weather adverse market conditions, should the economic environment worsen.

Vienna, 11 March 2013

Frauenthal Holding AG

Hans-Peter Moser	Martin Sailer
Member of the	Member of the
Executive Board	Executive Board

TASK

Rudy Kammerer, 58, measures and inspects suspension links at the Frauenthal Automotive France plant in Châtenois-les Forges. The links are then packed and distributed to customers.

PRODUCT

In air suspended front and rear axles for trucks or buses, and in trailer axles, the function of the air links is to guide the axle and stabilise the vehicle.

FRANCE

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

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

Note	EUR '000	2012	2011*
9, 28	**Revenue**	**509,918**	**514,179**
	Changes in inventories of finished goods and work in progress	–1,122	3,390
	Work performed by the entity and capitalised	163	84
29	Other operating income	13,342	9,227
30	Raw material and consumables used	–353,150	–357,596
31	Staff costs	–101,646	–96,411
16, 32	Depreciation, amortisation and impairment	–10,369	–10,225
33	Other operating expenses	–49,240	–48,135
	Profit from operations	**7,896**	**14,513**
34	Interest income	1,275	947
34	Interest expense	–5,997	–6,903
	Other finance income	30	42
	Net finance costs	**–4,692**	**–5,914**
	Profit before tax from continuing operations	**3,204**	**8,599**
35	Income tax expense	–1,509	–1,503
35	Change in deferred tax	–386	533
	Profit for the year from continuing operations	**1,309**	**7,629**
	Profit before tax from discontinued operations	**47,970**	**7,863**
	Income tax expense	–2,395	–112
	Change in deferred tax	–7,871	–1,647
	Profit for the year from discontinued operations	**37,704**	**6,104**
	Profit for the year	**39,013**	**13,733**
	Loss/profit attributable to non-controlling interests	–453	247
	Profit attributable to owners of the parent (consolidated profit for the year)	39,466	13,486
36	Earnings per share from continuing operations		
	basic	0.20	0.81
	diluted	0.19	0.81
	Earnings per share from continuing and discontinued operations		
	basic	4.37	1.47
	diluted	4.36	1.47

* 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	2012	2011*	Note
Profit for the year from continuing operations	**1,309**	**7,629**	
Gains on currency translation	445	38	
Gains/losses on fair value measurement (available-for-sale assets)	65	–8	16
Actuarial gains and losses not recognised in employee benefit provisions	–1,679	0	
Change in deferred tax	437	0	
Other comprehensive loss/income from continuing operations	**–732**	**30**	
Total comprehensive income from continuing operations	**577**	**7,659**	
Profit for the period from discontinued operations	**37,704**	**6,104**	
Losses on currency translation	–84	–748	
Income tax	0	0	
Other comprehensive loss from discontinued operations	**–84**	**–748**	
Total comprehensive income from discontinued operations	**37,620**	**5,356**	
Total comprehensive income	**38,197**	**13,015**	
Attributable to non-controlling interests	–516	–22	
Attributable to owners of the parent	**38,713**	**13,037**	

* 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

Note	EUR '000	31 Dec. 2012	31 Dec. 2011
	ASSETS		
	Non-current assets		
3, 10, 16	Intangible assets	38,064	38,501
10, 16	Property, plant and equipment	71,462	82,301
10, 16	Investments in associates	0	739
10, 16	Other financial assets	1,042	977
12, 17	Deferred tax assets	13,442	20,319
		124,010	**142,837**
	Current assets		
11, 18	Inventories	81,038	94,154
11, 18	Trade receivables	67,398	73,210
11, 18	Other assets	18,682	14,118
11, 19, 42	Cash and cash equivalents	49,348	40,329
		216,466	**221,811**
	Total ASSETS	**340,476**	**364,648**

EUR '000	31 Dec. 2012	31 Dec. 2011	Note
EQUITY AND LIABILITIES			
Equity			20
Share capital	9,435	9,435	20
Capital reserves	21,093	21,093	20
Retained earnings	63,670	53,935	7, 20, 45
Translation reserves	–2,219	–2,601	
Other reserves	94	29	
Own shares	–7,553	–532	20
Profit for the year	39,466	13,486	
Equity attributable to owners of the parent	**123,986**	**94,845**	
Non-controlling interests	**3,507**	**4,023**	20
	127,493	**98,868**	
Non-current liabilities			13, 21, 23
Bond	99,395	99,229	23
Bank borrowings	5,585	11,989	13, 23, 38
Other liabilities	270	1,253	13, 23
Provisions for termination benefits	9,185	10,175	13, 21
Provisions for pensions	7,442	6,654	13, 21
Deferred tax	3,226	3,098	13, 21, 35
Other long-term provisions	3,562	5,148	13, 21
	128,665	**137,546**	
Current liabilities			13, 22, 23
Bond	3,019	30,839	23
Bank borrowings	9,254	10,684	13, 23 ,38
Trade payables	45,932	60,170	13, 23
Liabilities to Group companies	0	418	13, 23
Other liabilities	22,026	23,712	13, 23
Tax provisions	2,702	665	13, 22
Other short-term provisions	1,385	1,746	13, 22
	84,318	**128,234**	
Total EQUITY AND LIABILITIES	**340,476**	**364,648**	

STATEMENT OF CASH FLOWS

Note	EUR '000	2012	2011
	Profit for the year before non-controlling interests	39,013	13,733
	Gains on deconsolidation of subsidiaries	–36,444	0
	Interest income and expense	5,107	6,078
	Share of results of associates	0	–13
	Depreciation and amortisation of non-current assets	11,882	13,504
	Gains on disposal of non-current assets	–674	–441
	Losses on disposal of non-current assets	31	36
	Change in deferred tax assets	–622	452
	Change in long-term provisions	533	1,777
	Reversal of negative goodwill arising on consolidation	–2,684	0
	Interest paid	–6,558	–4,485
	Interest received	1,240	481
	Other non-cash expenses	198	0
	Operating profit before working capital changes	**11,022**	**31,122**
37, 38	thereof discontinued operations	2,311	9,530
	Change in inventories	–4,682	–22,102
	Change in trade receivables	–5,600	–5,698
	Change in other receivables	550	–2,285
	Change in short-term provisions	2,295	–32
	Change in trade payables	–6,363	8,439
	Change in liabilities to Group companies	–418	351
	Change in other liabilities	860	–1,091
	Translation related changes	186	–231
	Net cash used in/from operating activities	**–2,150**	**8,473**
39	thereof discontinued operations	–2,829	–2,820
	Investments in non-current assets	–19,122	–21,596
	Proceeds from sale of non-current assets	1,386	830
	Proceeds from investment grants	–463	–22
	Net cash inflow due to changes in the scope of consolidation	69,870	0
	Net cash from/used in investing activities	**51,671**	**-20,788**
40	thereof discontinued operations	72,839	-7,845
	Dividends paid	–2,749	–2,746
	Shares repurchased	–7,021	0
	Receipts from changes in the composition of share capital	0	–1,075
	2011 bond issue	0	100,000
	Redemption of 2005 bond	–27,295	–42,706
	Change in borrowings	–2,497	–4,245
	Net cash used in/from financing activities	**–39,562**	**49,228**
41	thereof discontinued operations	6,885	10,963
	Change in cash and cash equivalents	**9,959**	**36,913**
	Cash and cash equivalents at beginning of period	39,950	3,037
	Change in cash and cash equivalents due to changes in the scope of consolidation	–561	0
	Cash and cash equivalents at end of period	49,348	39,950

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STATEMENT OF CHANGES IN EQUITY

Note	in TEUR	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
20, 45	**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	0	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
	Repurchase of own shares						–7,021	–7,021		–7,021
	Share options			198				198		198
	Total comprehensive income for 2012			38,266	382	65		38,713	–516	38,197
	Balance at 31 Dec. 2012	**9,435**	**21,093**	**103,136**	**–2,219**	**94**	**–7,553**	**123,986**	**3,507**	**127,493**

NON-CURRENT ASSET MOVEMENT SCHEDULE 2012

CHANGES IN COSTS

EUR '000	Cost at 1 Jan. 2012	Change in scope of con-solidation	Exchange differences	Additions	Disposals	Reclass-ifications	Cost at 31 Dec. 2012	Accumulated depreciation, amortisation and impairment at 1 Jan. 2012	Accumulated depreciation, amortisation and impairment at 31 Dec. 2012	Carrying amount at 31 Dec. 2012	Carrying amount at 1 Jan. 2012
Intangible assets											
Concessions, patents and similar rights and licences	31,307	–219	8	1,074	15	51	32,206	14,981	16,087	16,119	16,326
Goodwill	25,310		0	0	0	0	25,310	3,457	3,457	21,853	21,853
Development costs	1,650	–1,390	0	0	0	0	260	1,328	168	92	322
	58,267	**–1,609**	**8**	**1,074**	**15**	**51**	**57,776**	**19,766**	**19,712**	**38,064**	**38,501**
Property, plant and equipment											
Land and buildings	60,885	–3,062	246	2,219	4,197	295	56,386	27,400	26,657	29,729	33,485
Plant and equipment	127,330	–17,938	145	2,547	1,112	3,334	114,306	97,997	90,769	23,537	29,333
Other plant and equipment, fixtures and fittings	44,845	–3,973	–20	4,911	3,012	128	42,879	31,544	29,144	13,735	13,301
Prepayments made and assets under construction	6,275	–5,768	–27	8,375	17	–3,808	5,030	93	569	4,461	6,182
	239,335	**–30,741**	**344**	**18,052**	**8,338**	**–51**	**218,601**	**157,034**	**147,139**	**71,462**	**82,301**
	297,602	**–32,350**	**352**	**19,126**	**8,353**	**0**	**276,377**	**176,800**	**166,851**	**109,526**	**120,802**

CHANGES IN CARRYING AMOUNTS

EUR '000	Carrying amount at 1 Jan. 2012	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclass-ifications	Write-downs during the year	Amortisation and depreciation	Impairment	Carrying amount at 31 Dec. 2012
Intangible assets										
Concessions, patents and similar rights and licences	16,326	−132	−1	1,074	2	51	1,197	991	206	16,119
Goodwill	21,853	0	0	0	0	0	0	0	0	21,853
Development costs	322	−153	0	0	0	0	77	77	0	92
	38,501	**−285**	**−1**	**1,074**	**2**	**51**	**1,274**	**1,068**	**206**	**38,064**
Property, plant and equipment										
Land and buildings	33,485	−4,416	218	2,219	221	295	1,851	1,851	0	29,729
Plant and equipment	29,333	−6,283	−16	2,547	251	3,760	5,553	5,553	0	23,537
Other plant and equipment, fixtures and fittings	13,301	−1,197	−2	4,911	252	128	3,154	3,154	0	13,735
Prepayments made and assets under construction	6,182	−5,768	−27	8,375	17	−4,234	50	50	0	4,461
	82,301	**−17,664**	**173**	**18,052**	**741**	**−51**	**10,608**	**10,608**	**0**	**71,462**
	120,802	**−17,949**	**172**	**19,126**	**743**	**0**	**11,882**	**11,676**	**206**	**109,526**

NON-CURRENT ASSET MOVEMENT SCHEDULE 2011

CHANGES IN COSTS

EUR '000	Cost at 1 Jan. 2011	Exchange differences	Additions	Disposals	Reclass-ifications	Cost at 31 Dec. 2011	Accumulated depreciation, amortisation and impairment at 1 Jan. 2011	Accumulated depreciation, amortisation and impairment at 31 Dec. 2011	Carrying amount at 31 Dec. 2011	Carrying amount at 1 Jan. 2011
Intangible assets										
Concessions, patents and similar rights and licences	30,783	–17	787	237	–9	31,307	14,038	14,981	16,326	16,745
Goodwill	25,310	0	0	0	0	25,310	3,457	3,457	21,853	21,853
Development costs	1,650	0	0	0	0	1,650	1,099	1,328	322	551
	57,743	**–17**	**787**	**237**	**–9**	**58,267**	**18,594**	**19,766**	**38,501**	**39,149**
Property, plant and equipment										
Land and buildings	58,560	–475	2,866	376	310	60,885	26,039	27,400	33,485	32,521
Plant and equipment	120,230	–610	6,527	771	1,954	127,330	92,439	97,997	29,333	27,791
Other plant and equipment, fixtures and fittings	42,029	–44	4,163	1,464	161	44,845	29,500	31,544	13,301	12,529
Prepayments made and assets under construction	1,452	–2	7,253	12	–2,416	6,275	2	93	6,182	1,450
	222,271	**–1,131**	**20,809**	**2,623**	**9**	**239,335**	**147,980**	**157,034**	**82,301**	**74,291**
	280,014	**–1,148**	**21,596**	**2,860**	**0**	**297,602**	**166,574**	**176,800**	**120,802**	**113,440**

CHANGES IN CARRYING AMOUNTS

EUR '000	Carrying amount at 1 Jan. 2011	Exchange differences	Additions	Disposals	Reclass-ifications	Write-downs during the year	Amortisation and depreciation	Impairment	Carrying amount at 31 Dec. 2011
Intangible assets									
Concessions, patents and similar rights and licences	16,745	0	787	0	–9	1,197	1,017	180	16,326
Goodwill	21,853	0	0	0	0	0	0	0	21,853
Development costs	551	0	0	0	0	229	229	0	322
	39,149	**0**	**787**	**0**	**–9**	**1,426**	**1,246**	**180**	**38,501**
Property, plant and equipment									
Land and buildings	32,521	–394	2,866	20	310	1,798	1,798	0	33,485
Plant and equipment	27,791	–81	6,527	85	1,954	6,773	6,773	0	29,333
Other plant and equipment, fixtures and fittings	12,529	–1	4,163	135	161	3,416	3,416	0	13,301
Prepayments made and assets under construction	1,450	–2	7,253	12	–2,416	91	91	0	6,182
	74,291	**–478**	**20,809**	**252**	**9**	**12,078**	**12,078**	**0**	**82,301**
	113,440	**–478**	**21,596**	**252**	**0**	**13,504**	**13,324**	**180**	**120,802**

SEGMENT ANALYSIS

EUR '000	Frauenthal Automotive 2012	Frauenthal Automotive 2011	Wholesale Plumbing Supplies 2012	Wholesale Plumbing Supplies 2011	Holding companies and others 2012	Holding companies and others 2011	Intragroup eliminations 2012	Intragroup eliminations 2011	Frauenthal Group 2012	Frauenthal Group 2011
Strategic business segments*										
Revenues from external customers	210,680	235,315	299,227	278,839	11	25	0	0	509,918	514,179
Intersegment revenues	15	469	0	0	2,266	2,260	–2,281	–2,729	0	0
Total revenues	210,695	235,784	299,227	278,839	2,277	2,285	–2,281	–2,729	509,918	514,179
EBITDA	4,685	13,758	15,721	13,425	–2,141	–2,445	0	0	18,265	24,738
Depreciation, amortisation and impairment	6,543	6,692	3,550	3,315	276	218	0	0	10,369	10,225
whereof impairment	0	0	206	180	0	0	0	0	206	180
EBIT	–1,858	7,066	12,171	10,110	–2,417	–2,663	0	0	7,896	14,513
Interest income	180	1,666	192	181	2,594	1,410	–1,691	–2,310	1,275	947
Interest expense	–1,746	–2,157	–377	–454	–5,936	–6,603	2,062	2,311	–5,997	–6,903
Profit before tax	–3,424	6,576	12,016	9,878	–5,759	–7,855	371	0	3,204	8,599
Taxes on income	–986	–1,228	–2,755	–1,840	568	3,062	1,664	–1,497	–1,509	–1,503
Investment	9,488	9,509	5,325	4,098	433	128	–80	0	15,166	13,735
Employees	1,736	1,658	862	697	15	13	0	0	2,613	2,368

EUR '000	Frauenthal Automotive 2012	Frauenthal Automotive 2011	Wholesale Plumbing Supplies 2012	Wholesale Plumbing Supplies 2011	Holding companies and others 2012	Holding companies and others 2011	Intragroup eliminations 2012	Intragroup eliminations 2011	Industrial Honeycombs 2011	Frauenthal Group 2012	Frauenthal Group 2011
Strategic business units											
Borrowings	57,199	61,992	51,408	48,577	127,697	150,177	–23,321	–24,341	29,376	212,983	265,781
Capital employed	112,633	82,672	82,810	79,125	118,833	133,574	–105,450	–115,848	39,967	208,826	219,490
Assets	120,962	129,316	113,792	108,755	250,120	238,114	–144,398	–155,426	43,889	340,476	364,648

* 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.

EUR '000	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Frauenthal Group	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue by geographical markets (final customers) *								
Austria	9,798	11,356	284,863	274,316	11	25	294,672	285,697
Germany	83,005	91,724	3,651	3,805	0	0	86,656	95,529
France	20,501	21,427	0	0	0	0	20,501	21,427
Sweden	36,255	44,451	0	0	0	0	36,255	44,451
Belgium	21,155	19,383	0	0	0	0	21,155	19,383
Other EU	32,846	36,236	10,713	718	0	0	43,559	36,954
Rest of Europe	6,343	10,097	0	0	0	0	6,343	10,097
Americas	39	15	0	0	0	0	39	15
Asia	370	342	0	0	0	0	370	342
Other	368	284	0	0	0	0	368	284
Total	**210,680**	**235,315**	**299,227**	**278,839**	**11**	**25**	**509,918**	**514,179**

EUR '000	Revenue*		Assets		Investments and acquisitions*		Average no. of employees*	
	2012	2011	2012	2011	2012	2011	2012	2011
Geographical information								
Austria	405,165	392,135	322,694	340,047	13,414	7,902	905	900
Germany	113,224	126,060	42,456	46,673	2,270	1,247	399	418
France	61,967	66,967	32,456	23,399	2,028	1,991	231	263
Rest of the world	88,906	85,595	65,853	53,271	4,531	3,670	1,078	787
Consolidation	–159,344	–156,578	–122,983	–98,742	–7,077	–1,075	0	0
Frauenthal Group	**509,918**	**514,179**	**340,476**	**364,648**	**15,166**	**13,735**	**2,613**	**2,368**

*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.

PRODUCT

The Frauenthal Automotive Toruń factory in Poland produces U-bolts – U-shaped mounts used to attach leaf springs to truck axles. Since these are safety critical components they must meet high technical standards.

POLAN

TASK

Jacek Chojnacki, 29, a member of the production workforce at Frauenthal Automotive Toruń adjusts a spring U-bolt to give the product its characteristic U-shaped form. Very tight tolerances must be adhered to in order to avoid problems on the customer's assembly line.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL

Frauenthal Holding AG is registered in the Vienna register of companies under number 83990 s. The Company's registered address is: Frauenthal Holding AG, Rooseveltplatz 10, 1090 Vienna, Austria.

Frauenthal Holding AG is the holding company of the Frauenthal Group – a diversified, listed Austrian group with two divisions – the Frauenthal Automotive Division and the Wholesale Plumbing Supplies Division. The Frauenthal Automotive Division develops and produces suspension and compressed air braking system components at ten factories in seven European countries. It accounts all of the leading European commercial vehicle manufacturers among its customers. SHT Haustechnik AG (SHT), Perchtoldsdorf, is Austria's leading sanitary, heating and plumbing supplies wholesaler. Porzellanfabrik Frauenthal GmbH (the former Industrial Honeycombs Division), which manufactures and distributes ceramic catalysts for the reduction of NOx in flue gas emissions, was sold to the Japanese technology group, IBIDEN CO., LTD., on 1 June 2012.

These consolidated financial statements have been prepared in accordance with internationally accepted accounting standards, under the exemption granted by section 245a UGB (Austrian Business Code). The consolidated annual financial statements of Frauenthal Holding AG (hereafter "the Frauenthal Holding Group" or "the consolidated financial statements") as at 31 December 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and applicable in the European Union.

The presentation of the consolidated financial statements takes account of all amendments to existing IAS, new IFRS, and IFRIC and SIC interpretations effective as at 31 December 2012 and applicable in the European Union.

APPLICATION OF THE FOLLOWING NEW AND AMENDED STANDARDS AND INTERPRETATIONS IS MANDATORY FOR THE FIRST TIME FOR FINANCIAL YEARS BEGINNING ON OR AFTER 31 DECEMBER 2012.

Transfers of Financial Assets – amendments to IFRS 7 Financial Instruments: Disclosures

In October 2010 the IASB published amendments to IFRS 7 Financial Instruments: Disclosures enhancing the disclosure requirements but retaining the derecognition rules established by IAS 39. The amendments extend the notes disclosure requirements for transfers of financial assets in which the transferor has some continuing involvement. Additional disclosures are necessary if an unusually large amount is transferred at the end of the reporting period. Application of the amendments is mandatory for annual periods beginning on or after 1 July 2011, but earlier application is permitted. **Application of the amendments to IFRS 7 had no material effect on the Company's consolidated financial statements.**

THE FOLLOWING IFRS ADOPTED BY THE EU WERE ISSUED BEFORE THE END OF THE REPORTING PERIOD BUT THEIR APPLICATION IS NOT MANDATORY UNTIL SUBSEQUENT REPORTING PERIODS UNLESS USE IS MADE OF AN ELECTIVE RIGHT TO APPLY THEM EARLY.

Amendments to IAS 19 Employee Benefits

The amendments to IAS 19 eliminate the corridor method. This means that in future all changes in defined benefit obligation and plan assets will be recognised immediately. All actuarial gains and losses will be recognised immediately in other comprehensive income. The amendments are to be applied retrospectively to annual periods beginning on or after 1 January 2013. **These amendments were applied early.**

THE FOLLOWING IFRS, ADOPTED BY THE EU, WERE ISSUED BEFORE THE END OF THE REPORTING PERIOD BUT THEIR APPLICATION IS NOT MANDATORY UNTIL SUBSEQUENT REPORTING PERIODS IF NO USE IS MADE OF AN ELECTIVE RIGHT TO APPLY THEM EARLY.

Amendments to IAS 1, Presentation of Items of Other Comprehensive Income

Items presented in other comprehensive income must be grouped on the basis of whether or not they are potentially reclassifiable to a separate statement of profit or loss subsequently (so-called "recycling"). The tax related to the two groups of items must be shown separately. The amendments are to be applied retrospectively to annual periods beginning on or after 1 July 2012.

IFRS 10 Consolidated Financial Statements

IFRS 10 uses control as the sole basis for consolidation, regardless of the nature of the investee. This implies that the risks and rewards approach in SIC-12 is eliminated. This standard is to be applied retrospectively to annual periods beginning on or after 1 January 2014. **This change does not affect the Frauenthal Group's consolidated financial statements.**

IFRS 11 Joint Arrangements

This standard eliminates the option of proportionate consolidation for joint ventures. It is to be applied to annual periods beginning on or after 1 January 2014. **This change does not affect the Frauenthal Group's consolidated financial statements.**

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for investments in subsidiaries, joint arrangements, associates, special purpose vehicles and unconsolidated structured entities in a single comprehensive standard. Many of the disclosure requirements are retained from IAS 27, 28 and 31, but others are new. This standard is to be applied to annual periods beginning on or after 1 January 2014. **The Company is currently evaluating the implications.**

IFRS 13 Fair Value Measurement

This standard, issued in May 2011, introduces a single framework for measuring the fair value of both financial and non-financial items. It is to be applied to annual periods beginning on or after 1 January 2013. **The Group is currently evaluating the implications for the consolidated financial statements.**

Amendments to IAS 27 Separate Financial Statements

As a result of the publication of IFRS 10, IAS 27 now only applies to separate financial statements. The amendments are to be applied to annual periods beginning on or after 1 January 2014.

Amendments to IAS 28 Investments in Associates and Joint Ventures

IAS 28 has been revised in consequence of the issue of IFRS 10 and IFRS 11. The amendments are to be applied to annual periods beginning on or after 1 January 2014.

Amendments to IAS 12 Income Taxes: Recovery of Underlying Assets

The amendments create a rebuttable presumption that deferred tax on investment properties, and on property, plant and equipment measured using the fair value model or the revaluation method should be determined on the basis that its carrying amount will be recovered through sale. The amendments are to be applied to annual periods beginning on or after 11 December 2012, and **will apply to the Group. However the effects have not yet been evaluated.**

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards

These amendments remove the fixed dates for first-time adopters, and provide guidance for first-time adoption of IFRS under conditions of severe hyperinflation. The amendments are to be applied to annual periods beginning on or after 11 December 2012.

Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

In future, companies will be required to disclose gross and net amounts from set-offs, as well as amounts arising from existing set-off rights that do not meet the offsetting reporting requirements. Retrospective application of the amendments is mandatory for annual periods beginning on or after 1 January 2014. However, additional retrospective disclosures are mandatory for annual periods and interim periods beginning on or after 1 January 2013. **The implications of these amendments are currently under investigation.**

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation applies to all types of natural resources that are extracted using a surface mining process. It is to be applied to annual periods beginning on or after 1 January 2013. **It is irrelevant to the consolidated financial statements.**

APPLICATION OF THE FOLLOWING STANDARDS, AND INTERPRETATIONS OF AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012 IS NOT YET MANDATORY. THEIR APPLICATION IS SUBJECT TO THEIR ENDORSEMENT BY THE EU.

IFRS 9 Financial Instruments – classification and measurement of financial assets

The previous measurement categories for financial assets – loans and receivables, held-to-maturity investments, available-for-sale financial assets, and at fair value through profit or loss – have been replaced by amortised cost and fair value. These amendments are to be applied retrospectively to annual periods beginning on or after 1 January 2015. **The Group is currently evaluating the implications for the consolidated financial statements.**

IFRS 9 Financial Instruments – addition of requirements for accounting for financial liabilities

The two big differences from the initial standard lie in the reporting of changes in credit risk and the elimination of the exception whereby some derivative liabilities were required to be measured at cost. These amendments are to be applied retrospectively to annual periods beginning on or after 1 January 2015. **The Group is currently evaluating the implications for the consolidated financial statements.**

Amendments to IFRS 1 – Government Loans

On 13 March 2012 the IASB adopted amendments to IFRS1 First-time Adoption of International Financial Reporting Standards relating to the accounting treatment and measurement of government loans with a below-market rate of interest. The amendments are to be applied to annual periods beginning on or after 1 January 2013. **The Frauenthal Group has not taken out any government loans.**

Annual Improvements to IFRSs 2009–2011 Cycle

The annual improvements comprise a large number of amendments to a variety of standards. The amendments are to be applied to annual periods beginning on or after 1January 2013. They include amendments to IAS 16 Property, Plant and Equipment and to IAS 32 Financial instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment are to be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise they are to be treated as inventories. **Management does not expect the amendments to IAS 16 to have a material influence on the consolidated financial statements.**

Amendments to IAS 32

The amendments to IAS 16 clarify that the treatment of income tax relating to distributions to holders of an equity instrument and the transaction costs of an equity transaction is to be in accordance with IAS 12. **Management does not expect the amendments to IAS 16 to have a material influence on the consolidated financial statements.**

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

(published on 28 June 2012); EU endorsement status: pending, but postponed to delays in endorsing the underlying standards). The amendments clarify the transition guidance for IFRS 10 and also provide additional transition relief with regard to all three standards.

Amendments to IFRS 10, IFRS 12 and IAS 27 – exemption from consolidation for investment entities

On 31 October 2012 the IASB published a statement entitled "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)". This creates an exception to consolidation of subsidiaries for investment entities, provided that the parent meets the definition of an "investment entity". This means that investments by the parent in some subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The amendments are to be applied to annual periods beginning on or after 1 January 2014. **These amendments do not affect the Frauenthal Group.**

The other accounting and measurement policies, and approaches to calculation and presentation applied to the consolidated financial statements are unchanged from the previous year. Unless otherwise stated all amounts are rounded to the nearest thousand euro (EUR '000).

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

B. CONSOLIDATION AND ACCOUNTING POLICIES

■ Consolidation principles

[1] Scope of consolidation

The scope of consolidation was determined in accordance with paragraph 12 IAS 27. The number of companies included in consolidation has changed as follows since 31 December 2011.

The Industrial Honeycombs Division was sold to Japanese technology group IBIDEN on 1 June 2012. The division comprised Porzellanfabrik Frauenthal GmbH, Vienna, CERAM Frauenthal Korea Co., Ltd., Seoul, and CERAM Environmental Inc., Leawood, Kansas – all wholly owned subsidiaries. The 50 % interest in CERAM Liegenschaftsverwaltung GmbH was also sold.

At the start of April 2012 SHT acquired Technopoint Sanitrends spol.s.r.o., Bratislava. SHT Termocom trgovina d.o.o., Umag was formed on 12 July 2012. SHT made a further acquisition on 15 October 2012 when it took over the fifth-largest plumbing supplies wholesaler in Slovakia, GAMA Myjava s.r.o., Myjava.

On 5 November 2012 the Frauenthal Automotive Division took over Worthington Cylinders a.s., Hustopeče, an air reservoir manufacturer. A holding company, Frauenthal Automotive Hustopeče s.r.o., Hustopeče was formed, and was merged with Worthington Cylinders a.s. on 1 January 2013. The merger company is registered in Hustopeče as Frauenthal Automotive Hustopeče s.r.o.

The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 28 subsidiaries which are under the common control of Frauenthal Holding AG, and in which the latter or one of its subsidiaries holds a majority of the voting rights.

The number of consolidated subsidiaries changed as follows in the course of 2012:

	Austria	Abroad	Total
Consolidated at 31 Dec. 2011	8	18	26
Disposals	–1	–2	–3
Acquisitions	0	3	3
Formations	0	2	2
Consolidated at 31 Dec. 2012	7	21	28

In 2011 the changes in the scope of consolidation were as follows:

	Austria	Abroad	Total
Consolidated at 31 Dec. 2010	8	19	27
Disposals	0	0	0
Formations	0	0	0
Mergers	0	–1	–1
Consolidated at 31 Dec. 2011	8	18	26

The following companies are fully consolidated:

End of reporting period: 31 Dec.	Domicile	Holding Indirect	Holding Direct
Frauenthal Ost Beteiligungs-GmbH	Vienna, Austria		100.00 %
Frauenthal Handels- und Dienstleistungs-GmbH	Vienna, Austria		100.00 %
SHT-Gruppe			
SHT Haustechnik AG	Perchtoldsdorf, Austria	100.00 %	
SHT Termocom trgovina d.o.o.	Umag, Croatia	100.00 %	
SHT Slovakia s.r.o.	Bratislava, Slovakia	100.00 %	
Technopoint Sanitrends, spol.s.r.o.	Bratislava, Slovakia	100.00 %	
GAMA Myjava s.r.o.	Myjava, Slovakia	100.00 %	
1a Installateur-Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH	Vienna, Austria	100.00 %	
SHT Finance GmbH	Luxembourg, Luxembourg	100.00 %	
Frauenthal Automotive Gruppe			
Frauenthal Automotive Holding GmbH	Vienna, Austria		100.00 %
Frauenthal Liegenschaftsverwaltungsgesellschaft mbH	Ahlen, Germany		100.00 %
Frauenthal Automotive Administration GmbH formerly: Linnemann-Schnetzer Verwaltung GmbH	Elterlein, Germany	100.00 %	
Frauenthal Automotive Ahlen GmbH formerly: Linnemann-Schnetzer Ahlen GmbH	Ahlen, Germany	100.00 %	
Frauenthal Automotive Azambuja Unipessoal, Lda. formerly: Styria Impormol, Unipessoal, Lda.	Azambuja, Portugal	86.00 %	
Frauenthal Automotive Elterlein GmbH vormals: Linnemann-Schnetzer Deutschland GmbH	Elterlein, Germany	100.00 %	
Frauenthal Automotive France S.A.S. formerly: Styria Ressorts Véhicules Industriels S.A.S	Châtenois-les-Forges, France	86.00 %	
Frauenthal Automotive Judenburg GesmbH formerly: Styria Federn GesmbH	Judenburg, Austria	86.00 %	
Frauenthal Automotive Management GmbH formerly: Frauenthal Deutschland GmbH	Ahlen, Germany	100.00 %	
Frauenthal Automotive Ravne d.o.o. formerly: Styria Vzmeti d.o.o	Ravne na Koroskem, Slovenia	86.00 %	
Frauenthal Automotive Sales GmbH formerly: Frauenthal Automotive Components GmbH	Vienna, Austria	86.00 %	
Frauenthal Automotive Saxony GmbH formerly: Linnemann-Schnetzer Sachsen GmbH	Elterlein, Germany	100.00 %	
Frauenthal Automotive Sibiu S.R.L. formerly: Styria Arcuri S.R.L.	Sibiu, Romania	86.00 %	
Frauenthal Automotive Sourcing GmbH formerly: Frauenthal Einkauf GmbH	Ahlen, Germany	100.00 %	
Frauenthal Automotive Toruń Sp.zo.o. formerly: Pol-Necks Sp.zo.o.	Toruń, Poland	100.00 %	
Frauenthal Automotive Westphalia GmbH formerly Linnemann-Schnetzer Formparts GmbH	Ahlen, Germany	100.00 %	
Styria Elesfrance S.A.S.	St. Avold, France	100.00 %	
Frauenthal Automotive Hustopeče s.r.o	Hustopeče, Czech Republic	100.00 %	
Worthington Cylinders a.s.	Hustopeče, Czech Republic	100.00 %	

The following companies (Industrial Honeycombs Division) were sold to the Japanese technology group IBIDEN on 1 June 2012:

End of reporting period: 31 Dec.	Domicile	Holding Indirect	Holding Direct
Porzellanfabrik Frauenthal GmbH	Vienna, Austria		100.00 %
Ceram Environmental, Inc.	Kansas, USA	100.00 %	
Ceram Frauenthal Korea Co., Ltd.	Seoul, Korea	100.00 %	

The associate CERAM Liegenschaftsverwaltung GmbH, consolidated in 2011, was divested together with the Industrial Honeycombs Division.

Technopoint Sanitrends, spol.s.r.o. and GAMA Myjava s.r.o., acquired in 2012, were included in the SHT Group. Worthington Cylinders a.s. became part of the Frauenthal Automotive Division.

End of reporting period: 31 Dec.	Domicile	Holding Indirect	Holding Direct
Technopoint Sanitrends, spol. s.r.o	Bratislava, Slovakia	100.00 %	
GAMA Myjava, s.r.o.	Myjava, Slovakia	100.00 %	
Worthington Cylinders a.s.	Hustopeče, Czech Republic	100.00 %	

The holding companies SHT Termocom trgovina d.o.o. and Frauenthal Automotive Hustopeče s.r.o. were formed in 2012.

End of reporting period: 31 Dec.	Domicile	Holding Indirect	Holding Direct
SHT Termocom trgovina d.o.o.	Umag, Croatia	100.00 %	
Frauenthal Automotive Hustopeče s.r.o.	Hustopeče, Czech Republic	100.00 %	

Due to the disposal of the Industrial Honeycombs Division, profit for the year is broken down into continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions) and discontinued operations (the Industrial Honeycombs Division). Unless otherwise stated all of the figures in the notes relate to the continuing operations. The results for the comparative period, 2011 are likewise adjusted by excluding the Industrial Honeycombs Division.

[2] Effects of changes in the scope of consolidation

The effects of consolidation of the acquisitions on the 2012 consolidated income statement and statement of financial position as compared to the previous year's figures were as follows:

Effects on the consolidated income statement:

EUR '000	Technopoint Sanitrends spol. s.r.o.	Gama Myjava, s.r.o.	Worthington Cylinders a.s.	Consolidation
	4-12/2012	**10-12/2012**	**11-12/2012**	**2012**
Revenue	7,204	2,992	1,620	11,816
EBITDA	–41	32	56	47
EBIT	–59	4	–64	–119

The three new subsidiaries were acquired at a combined cost of EUR 6,962,000.

Effects on the consolidated statement of financial position:

EUR '000	Technopoint Sanitrends spol. s.r.o.	Gama Myjava s.r.o.	Worthington Cylinders a.s.	Consolidation
Date of the initial consolidation	**31 Mar. 2012**	**30 Sep. 2012**	**31 Oct. 2012**	**2012**
Non-current assets	17	854	4,305	5,176
Deferred tax assets	0	0	0	0
Inventories	2,157	2,582	985	5,724
Receivables	862	1,498	3,209	5,570
Cash and cash equivalents	97	300	566	964
Total ASSETS	**3,134**	**5,235**	**9,065**	**17,434**
Equity	744	3,570	6,158	10,473
Provisions	3	204	38	245
Borrowings	0	0	1,501	1,501
Other liabilities	2,387	1,461	1,367	5,215
Total EQUITY AND LIABILITIES	**3,134**	**5,235**	**9,065**	**17,434**

The disposal of the Industrial Honeycombs Division at price of EUR 51,343,000 was completed on 1 June 2012. The gains on the disposal of, and profit of the Industrial Honeycombs Division up to the time of the disposal are aggregated and shown under the profit from discontinued operations as required by IFRS 5. The previous year's figures have been adjusted accordingly.

EUR'000	31.05.2012	1-12/2011
Income statement from discontinued operations		
Sales revenue	**31,948**	**73,668**
Total revenue	**37,016**	**80,725**
Raw material and others	–19,203	–38,251
Staff costs	–9,106	–19,824
Other operating expenses	–4,837	–11,360
EBITDA from discontinued operations	**3,870**	**11,290**
Depreciation and amortisation expense, and impairment	–1,513	–3,280
Profit from discontinued operations (EBIT)	**2,357**	**8,010**
Net finance costs from discontinued operations	**–416**	**–160**
Disposal result	**46,029**	**0**
Profit before tax from discontinued operations	**47,970**	**7,850**
Income tax expense from operating result	–740	–111
Income tax expense from disposal result	–1,641	0
Change in deferred tax from operating result	59	–150
Change in deferred tax from disposal result	–7,944	0
Profit for the period from discontinued operations	**37,704**	**7,589**

EUR'000	31.05.2012	31.12.2012
Balance sheet from discontinued operations		
ASSETS		
Non-current assets	**23.149**	**20.703**
Current assets	**43.432**	**40.752**
Inventories	22.660	18.012
Trade receivables	16.460	18.391
Other assets	2.408	2.545
Cash and cash equivalent	1.903	1.804
Total ASSETS	**66.581**	**61.455**
EQUITY AND LIABILITIES		
Equity	**9.161**	**14.513**
Non-current liabilities	**3.947**	**4.410**
Provisions for termination benefits	2.014	1.877
Deferred tax	862	921
Other long-term provisions	1.071	1.612
Current liabilities	**53.473**	**42.532**
Bank borrowings	6.984	5.303
Trade payables	7.262	10.562
Finance lease liabilities	3.654	3.454
Liabilities to Group companies	29.542	19.368
Other liabilities	5.241	3.798
Tax provisions	742	0
Other short-term provisions	48	47
Total EQUITY AND LIABILITIES	**66.581**	**61.455**

[3] Consolidation of investments in subsidiaries

Investments in subsidiaries are consolidated at fair value.

The purchase method was used to consolidate new subsidiaries. This involves allocating the cost of the acquisition to the identifiable assets and liabilities (including contingent liabilities) of the acquiree.

The excess of the acquisition cost over the fair value of the net assets is reported as goodwill.

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

Pursuant to IFRS 3, goodwill arising on acquisitions made before 31 December 2005 is tested for its future economic benefits at the end of each reporting period in the same way as with new acquisitions.

The following negative goodwill was recognised upon consolidation of new subsidiaries in 2012:

EUR '000	Technopoint Sanitrends spol. s.r.o.	Gama Myjava, s.r.o.	Worthington Cylinders a.s.	Summe
Negative goodwill	0	1,070	1,615	2,684

A total of EUR 2,684,000 in negative goodwill was reversed and recognised in profit or loss.

[4] Elimination of intragroup balances

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

[5] Elimination of intragroup profits or losses

Where material, intragroup profits or losses are eliminated. Intragroup sales of plant and equipment to a value of EUR 195,000 (2011: EUR 134,000) took place in 2012. At the time of the sales the carrying amount of these assets was EUR 133,000, and the profit of EUR 62,000 was eliminated at Group level. In 2011 there was a book profit of EUR 134,000, which was likewise eliminated at Group level.

[6] Elimination of intragroup income and expenses

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

[7] Currency translation

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

Since the subsidiaries carry on their business independently in financial, economic and organisational terms, the functional currency is their local currency. Income and expenses in statements presented in foreign currencies are translated at the average rate for the year, and assets and liabilities at the mean rate ruling at the end of the reporting period. Exchange differences arising on the translation of equity are offset against the translation reserves. Exchange differences resulting from the application of differing exchange rates in the income statement are reported under the "Other reserves" balancing item, and are not recognised in profit or loss.

In the separate financial statements of Frauenthal Holding AG and its subsidiaries, foreign currency receivables and payables are measured at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising at the end of the reporting period are recognised in profit or loss.

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

EUR 1	Closing rate		Average rate	
	31 Dec. 2012	31 Dec. 2011	**2012**	2011
Poland (PLN)	**4.0740**	4.4580	**4.1677**	4.1380
Romania (RON)	**4.4445**	4.3233	**4.4574**	4.2399
Croatia (HRK)	**7.5575**	–	**7.5101**	–
Czech Republic (CZK)	**25.1510**	–	**25.1590**	–

Accounting and measurement policies

The annual financial statements of all consolidated companies are presented using uniform recognition and measurement policies as required by IAS 27. Immaterial variations in the separate financial statements of foreign Group companies are disregarded. All the material consolidated Group companies submitted audited financial statements drawn up to 31 December 2012.

[8] General

Assets are normally recognised at cost less depreciation or amortisation, and receivables and liabilities at amortised cost. An impairment loss is recognised whenever there are indications of impairment.

The carrying amounts of intangible assets, and property, plant and equipment are compared with the recoverable amount, and an impairment loss recognised where necessary.

[9] Revenue recognition

Revenue from the sale of products is recorded when title and the risk of ownership is transferred to the customer, provided that a price has been agreed or can be determined, and its payment is probable. Revenue is stated net of discounts and customer bonuses. Interest is calculated using the effective interest method, in accordance with IAS 39.

[10] Non-current assets

Acquired and internally generated **intangible assets** are recognised in accordance with IAS 38 if it is probable that use of the assets will be associated with future economic benefits and their cost can be reliably determined.

They are recognised at cost, and are amortised over between three and ten years if their useful lives are determinable.

	in years
Intangible assets with finite useful lives	3–10

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

Development costs incurred by the Frauenthal Automotive Division are recognised as internally generated intangible assets in accordance with IAS 38. Recognition is at production cost provided that the expenditure is clearly attributable to the assets, that completion of the assets is technically feasible and that there is a market for them. There must also be a sufficient probability that the development activities will generate future cash inflows. All the development projects in progress are being carried out with the intention of completing them. The capitalised production costs comprise the costs directly and indirectly attributable to the development process. Capitalised development costs are amortised over the anticipated product life cycle from the commencement of production. Sufficient technical and financial resources are available to complete the development projects.

All **property, plant and equipment** is used for operational purposes, and is measured at cost less depreciation over the useful lives of the assets. Depreciation is according to the straight-line method. Low value non-current assets with costs per item of up to EUR 400 that are immediately written off in the local accounts for tax reasons are likewise written off in the consolidated accounts in the year of addition and reported as disposals on grounds of immateriality.

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

	in years
Factory and office buildings	10–50
Plant and equipment	5–20
Other plant and equipment, fixtures and fittings	3–10

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

The cost of self-constructed assets includes all costs directly attributable to the production process and reasonable production overheads. Since 2009 borrowing costs have only been capitalised if they are attributable to qualifying non-current assets. Borrowing costs are recognised as part of the purchase or conversion costs. There were no material changes in borrowing costs in 2012.

Leased assets are reported as non-current assets. In accordance with IAS 17, property, plant and equipment acquired under finance leases is recognised at fair value at the time of addition or, if lower, the present value of the lease payments.

Depreciation is on a straight-line basis over the useful life. The commitments arising from future lease instalments are stated under "Other liabilities". Finance leases are leases under which substantially all the risks and rewards incidental to ownership are transferred to the Group.

Investment grants are not recognised as liabilities under Group accounting regulations (netting). A grant is deducted when determining the carrying amount of the asset concerned, and is recognised over the life of the depreciable asset by way of a reduced depreciation charge. For further details readers are referred to Note 16. Such investment grants as occur in the Group are immaterial.

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

Expenses arising from operating leases are expensed as incurred.

[11] Current assets

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

Work in progress and finished goods are measured at the lower of costs of conversion or net realisable value at the end of the reporting period. The costs of conversion comprise the directly attributable costs (materials and wages), and proportionate material and production overheads. General administrative expenses and interest on borrowings are not included in the measurement of conversion costs.

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

Other current assets are carried at the lower of the nominal amount or purchase cost, net of any impairment losses. In the event of impairment they are stated at the lower comparative amount. Additional information on the derivative financial instruments employed is given in Note 44 Financial instruments.

[12] Deferred tax

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

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

[13] Provisions, liabilities and hedges

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

The **pension provisions** were calculated using the projected unit credit method. Under this, the benefit obligation is the actuarial present value of the entitlements at the end of the reporting period, adjusted for future salary and pension increases. Country mortality and invalidity tables were used for the actuarial calculation. The imputed retirement ages were likewise based on the relevant legislative provisions in the countries concerned. An annual discount rate of 3.7 % (2011: 4.5 %), and average annual salary and pension increases of 2.0 % (2011: 2.0 %) were applied. All actuarial gains and losses were recognised in profit or loss in the financial year in which they arose.

The **provisions for termination and jubilee benefits** were calculated using the projected unit credit method, under which the expected benefit obligation is attributed to employees' periods of service up to the attainment of maximum entitlement. Future annual salary increases of 3.0 % (2011: 3.0 %) were assumed. As with the calculation of the pension provision, the discount rate applied was 3.7 % (2011: 4.5 %). At the end of the reporting period, the provisions were equal to the present value of the entire entitlements. All actuarial gains and losses arising from the calculation of the termination benefits were recognised in comprehensive income in the financial year in which they arose. As in the previous year the provisions for jubilee benefits were entirely recognised in profit or loss. The other provisions were recognised for all identifiable risks and contingent liabilities where it was probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate of the amount could be made.

Provisions are only recognised if there is a present obligation arising from a past event, an outflow of resources is probable and a reliable estimate of the amount can be made. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are recognised at the present value of the expenditure expected to be required to settle the obligation. Liabilities are shown at amortised cost.

[14] Currency translation

Foreign currency receivables and payables are measured at the exchange rate ruling at the date of the transaction concerned.

[15] Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that may affect amounts recognised for assets and liabilities, contingent liabilities at the end of the reporting period, and income and expense during the reporting period. Actual outcomes may differ from these estimates.

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

- Employee benefit plans: The valuation of pension plans, and termination and jubilee benefit obligations is based on a method that uses parameters such as the expected discount rate, salary and pension increases, and staff turnover. If the relevant parameters diverge significantly from expectations, this may have a material impact on the provisions in question, and in turn on the Company's net pension expense. A discount rate of 3.7 % was applied to the calculation of the pension provisions. The corridor for future salary and pension increases is between zero and 2 %. A discount rate of 3.7 % was applied to the calculation of the termination benefit provisions. Staff turnover rates were estimated for all Group companies. The future increases in salaries were assumed to average 3 %; here, too, staff turnover at all Group companies was assumed. See Note 21 Long-term provisions for additional information on employee benefit plans.

- Deferred tax: When making judgements about the recoverability of deferred tax, the Executive Board assesses the likelihood that it will be possible to recover all deferred tax assets.

  In 2011 a tax inspection took place at one of our subsidiaries – Frauenthal Automotive Elterlein GmbH (formerly Linnemann-Schnetzer Deutschland GmbH), located in Elterlein, Germany (see Note 17 for further information). This company is entitled to substantial tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of EUR 7m arising from the capitalisation of part of these tax loss carryforwards are carried on the consolidated statement of financial position.

  The ultimate recoverability of deferred tax assets depends on whether taxable profit is made in periods during which the temporary differences are deductible. If the Company does not generate sufficient taxable profit, then deferred tax assets cannot be utilised as tax loss carryforwards. In 2012 deferred tax assets were recognised in respect of EUR 10,811,000 (2011: EUR 19,647,000) in tax loss carryforwards. No deferred tax assets were recognised on EUR 17,909,000 (2011: EUR 14,625,000) of tax loss carryforwards (see Note 17 for further information).

- Impairment testing of goodwill, other intangible assets, and property, plant and equipment is normally based on the projected discounted net cash inflows from continuing use of the assets and their disposal at the end of their useful lives. Factors such as lower revenue and resultant lower net cash inflows, or changes in the discount rates applied, may lead to impairments.
  Valuations of cash-generating units are based on estimated cash inflows, which are discounted at a Group rate of 7.27 % (2011: 6.57 %) for the cost of capital (WACC) after tax. A WACC of 6.96 % (2011: 7.22 %) after tax was applied to the Frauenthal Automotive Division, and one of 6.99 % (2011: 6.90 %) to the Wholesale Plumbing Supplies Division. The value of goodwill is yielded by the approved budget figures for 2013, and conservative assumptions regarding market trends in subsequent years, partly based on authoritative market studies, as well as the projected cash flows derived from these estimates over a period of five years (no growth in the perpetuity is assumed). The current carrying amounts were compared to the valuations so calculated (the recoverable amount is the higher of the value in use or net fair value, i.e. fair value less costs to sell), and impairment recognised where necessary. The impairment tests performed did not lead to the recognition of any impairment losses.

- The budget figures used to calculate net present value are based on the assumption of a moderate recovery in the commercial vehicle market over the first two to three years of the projections. No goodwill impairment losses were recognised in 2012.

Other assumptions and estimates largely relate to:

Determination of the useful lives of property, plant and equipment: Property, plant and equipment is measured at cost less straight-line depreciation and impairment. The depreciation periods are based on the expected useful lives of the assets. Property, plant and equipment is depreciated in the year of addition, on a pro rata basis. The residual values, useful lives and depreciation methods applied to assets are reviewed at the end of each reporting period, as a minimum. If expectations are at variance with the previous estimates the changes required are accounted for as changes in estimates, in accordance with IAS 8. The cost of self-constructed assets includes the costs directly attributable to the production process, and proportionate material and production overheads, as well as administrative overheads related to production or the provision of services.

The cost of an asset includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimated cost of dismantling and removing the item, and restoring the site on which it is located. If an item of property, plant and equipment is composed of different parts with varying useful lives, then the significant parts are depreciated according to their individual useful lives.

Maintenance and repair costs are expensed as incurred. Borrowing costs are capitalised. See Note 10 Non-current assets for the disclosures regarding useful lives.

- The recognition and measurement of provisions: "Other" provisions are recognised when there are legal or constructive obligations as a result of past transactions or events, and these are likely to lead to outflows of resources that can be reliably estimated. Such provisions are made in the amounts likely to be required to settle the obligations, taking all identifiable risks into account, and are not netted against reimbursements. The amounts required to settle obligations are calculated according to the best estimates. Provisions are discounted where the effect of the time value of money is material. Changes in estimates of the amount or timing of payments or changes in the discount rate applied to the measurement of provisions for dismantling, removal or restoration and similar obligations are recognised in accordance with the changes in the carrying amounts of the corresponding assets.

  In the event that a reversal of a provision exceeds the carrying amount of the corresponding asset the difference is recognised as income. Provisions are recognised for the cost of external legal advice in connection with impending losses arising from outstanding transactions.

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[16] Non-current assets

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

INTANGIBLE ASSETS

The **capitalised development costs** relate entirely to the Frauenthal Automotive Division.

in EUR '000	31 Dec. 2011	Change in scope of consolidation	Amortisation	31 Dec. 2012
Frauenthal Group	**322**	**–153**	**–77**	**92**

The change in the scope of consolidation arises from the disposal of the Industrial Honeycombs Division. The amortisation of development costs, amounting to EUR 77,000 (2011: EUR 229,000) is reported under discontinued operations.

The comparative figures for 2011 were as follows:

in EUR '000	31 Dec. 2010	Additions	Disposals	Amortisation	31 Dec. 2011
Frauenthal Group	**551**	**0**	**0**	**-229**	**322**

Research and development costs totalling EUR 2,540,000 (2011: EUR 1,914,000) were recognised as expenses; they largely arose in the Frauenthal Automotive Division.

in EUR '000	**2012**	2011
Research and development costs	**2,540**	**1,914**

The value of goodwill is yielded by the approved budget figures for 2013, and conservative estimates for subsequent years, partly based on authoritative market studies, as well as the projected cash flows derived from these estimates over a period of five years. The current carrying amounts were compared to the goodwill so calculated (the recoverable amount being the higher of value in use or net realisable value).

Goodwill is tested for impairment at least once a year. As in the previous year, no impairment was recognised in 2012. The breakdown of goodwill at 31 December 2012 was as follows:

Goodwill in EUR '000	31 Dec. 2011	Additions	Disposals	Amortisation	31 Dec. 2012
Frauenthal Automotive	13,547	0	0	0	13,547
SHT Group	8,307	0	0	0	8,307
Frauenthal Group	**21,854**	**0**	**0**	**0**	**21,854**

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

Brands and rights to supply customers, licences and software	31 Dec. 2011	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassification	Amortisation	31 Dec. 2012
Frauenthal Group	**16,326**	**–219**	**8**	**1,074**	**–15**	**51**	**–1,106**	**16,119**

Impairments of EUR 206,000 (2011: EUR 180,000) were recognised in respect of brands and rights to supply customers with indefinite useful lives, which make up part of the statement of financial position item shown in the table. These brand rights relate to internally generated brands that form part of the product range, and which the Group does not currently intend to change or retire. The rights to supply customers are of unlimited duration and can only be ended by termination of contract. Impairment is recognised as soon as any of these rights are terminated. The impairment losses are reported under the "Depreciation and amortisation expense, and impairment" item in the income statement. They relate entirely to the Wholesale Plumbing Supplies Division. The carrying amount of these rights at the end of the reporting period was EUR 13,815,000 (2011: EUR 14,201,000).

In 2011 the movements in "Brands and rights to supply customers, licences and software" were as follows:

Brands and rights to supply customers, licences and software	31 Dec. 2010	Additions	Disposals	Reclassifications	Amortisation	31 Dec. 2011
Frauenthal Group	**16,745**	**787**	**0**	**-9**	**-1,197**	**16,326**

The brands and rights to supply customers were measured according to their value in use. The carrying amounts were originally calculated using the discounted cash flow (DCF) method. The main influence on the cash flow forecast used to value the brand and customer supply rights is the revenue generated by the product or customer segment projected by the annual budget. The discount rate (WACC) is 6.99% (2011: 6.90%) after tax. The forecasting period is usually five years (2011: five years).

Due to the long contractual terms, an exception is made in the case of the rights to supply customers, and a period of 20 years (2011: 20 years) is applied. The parameters applied are based on experience and are reviewed on an annual basis.

PROPERTY, PLANT AND EQUIPMENT

Land in the "Land and buildings" item amounts to EUR 5,498,000 (31 Dec. 2011: EUR 5,700,000). In 2011 this item included land owned by the divested Industrial Honeycombs Division of EUR 311,000. Additions to property, plant and equipment in 2012 totalled EUR 18,051,000 (2011: EUR 20,810,000). Of this amount the Wholesale Plumbing Supplies Division accounted for EUR 4,918,000 (2011: EUR 3,757,000), the Frauenthal Automotive Division EUR 8,837,000 (2011: EUR 9,159,000), and from January until May 2012 the Industrial Honeycombs Division EUR 3,945,000 (2011: EUR 7,771,000). The other investments in property, plant and equipment were made by the holding companies.

Where substantially all of the risks and rewards incidental to ownership lie with the Frauenthal Group it states leased assets at the lower of fair value or the present value of the future lease payments at the time of addition. The Group has no material finance lease contracts.

Low value assets with individual purchase costs of up to EUR 400 per item are fully written off in the year of addition and reported as disposals, due to immateriality. They are disclosed under the relevant items as intangible assets or property, plant and equipment.

As the end of the reporting period property, plant and equipment to a value of EUR 3,213,000 and EUR 1,525,000, respectively, was pledged as collateral for bank borrowings by the Frauenthal Automotive Division (Frauenthal Automotive Sibiu S.R.L., Sibiu) and the Wholesale Plumbing Supplies Division (GAMA Myjava s.r.o., Myjava). In 2011 the location of Pol-Necks Sp.zo.o., Toruń was the subject of such pledges, in an amount of EUR 198,000.

FINANCIAL ASSETS

The 50 % interest in Ceram Liegenschaftsverwaltung GmbH, Vienna, which is accounted for using the equity method, was sold together with the Industrial Honeycombs Division. This investment, to a value of EUR 739,000, was reported under the investments in associates, in the non-current assets, in previous years.

The non-current financial assets reported in the statement of financial position relate to investment fund units owned by SHT Haustechnik AG, Perchtoldsdorf. As in the previous year, no financial assets were purchased in 2012. The financial assets held by the Company are units in a bond fund which mainly invests in euro-denominated sovereign bonds. They are available for sale, and are carried at fair value, which corresponds to the acquisition cost at the time of measurement.

A EUR 65,000 write-up (2011: EUR 8,000 write-down) of financial assets was recognised by an allocation to the fair value reserve.

No financial assets were bought or sold in 2012.

As at the end of the reporting period no liabilities were collateralised by financial assets.

Frauenthal classifies all financial assets that do not form part of another category as available for sale. Only the aforementioned securities held by SHT Haustechnik AG fall within this category.

[17] Deferred tax

Deferred tax assets in an amount of EUR 13,442,000 (2011: EUR 20,319,000) and deferred tax liabilities totalling EUR 3,226,000 (2011: EUR 3,098,000) are carried on the consolidated statement of financial position.

In calculating deferred tax, a tax rate of 25% is applied to the Austrian companies. The composition of deferred tax is as follows:

EUR'000	2012	2011
Analysis of deferred tax		
Changes in statement of financial position items	**–2,630**	**–3,363**
Development costs	0	–58
Other non-current assets	–4,120	–3,901
Other current assets	–75	–1,159
Provisions for pensions	2,629	2,699
Provisions for jubilee benefits	–235	–268
Other provisions	–702	–471
Other liabilities	–127	–205
Capitalised tax loss carryforwards	**10,811**	**19,647**
Frauenthal Automotive Elterlein GmbH	6,595	8,227
Frauenthal Holding AG	1,424	6,966
Frauenthal Handels- und Dienstleistungs GmbH	1,209	2,923
Other	1,584	1,531
Capitalised deferred tax loss carryforwards arising from impairments of investments	**2,035**	**937**
Deferred tax at 31 Dec.	**10,216**	**17,221**
thereof deferred tax assets	13,442	20,319
deferred tax liabilities	–3,226	–3,098

There are three tax groups in the Frauenthal Group. The two Austrian groups use the stand-alone method of determining tax contributions, while the German group has a profit pooling agreement.

As at the end of the reporting period EUR 6,960,000 (2011: EUR 28,880,000) in tax loss carryforwards were available to Frauenthal Holding AG. However, deferred tax assets were only recognised for tax loss carryforwards that can be utilised within a period of five years. In 2012 a total of EUR 1,424,000 in deferred tax assets (2011: EUR 6,966,000) were recognised in respect of EUR 5,695,000 (2011: EUR 27,863,000) in tax loss carryforwards. The local tax rates were applied to the foreign subsidiaries.

As in the previous year, deferred tax assets were recognised for the tax loss carryforwards of Frauenthal Automotive Elterlein GmbH, Elterlein (formerly Linnemann-Schnetzer Deutschland GmbH) to the extent to which it is probable that the temporary differences will reverse within five years and that taxable profit will be available against which they can be utilised. Of a total of EUR 62,402,000 (31 Dec. 2011: EUR 64,841,000) in tax loss carryforwards available to Frauenthal Automotive Elterlein GmbH, use was made of EUR 21,984,000 (2011: EUR 27,423,000) to recognise EUR 6,595,000 (2011: EUR 8,227,000) in deferred tax assets. A tax inspection at Frauenthal Automotive Elterlein was initiated in 2009. This led to the tax authorities' disallowing the tax loss carryforwards arising from the merger in 2005, resulting in a significant increase in tax expense in the periods from 2005 onwards. The company has appealed against the assessment notices issued by the tax inspectors and the tax office responsible for the assessment. An expert opinion from Ernst & Young commissioned by Frauenthal rates the likelihood that the tax tribunal or the court of second instance, the Federal Fiscal Court, will uphold the appeal as very high. It remains very probable that the Linnemann-Schnetzer Group will be able to make use of the tax loss carryforwards over the next few years.

Deferred tax assets arising from tax loss carryforwards available to Frauenthal Handels- und Dienstleistungs GmbH, Vienna decreased from EUR 2,923,000 at 31 December 2011 to EUR 1,209,000 at the end of the reporting period due to the result for tax purposes.

Most of the other tax loss carryforwards are available to the French and Romanian subsidiaries. The tax loss carryforwards available to the Austrian, French and German companies can be utilised for an indefinite period.

Holdings in subsidiaries have given rise to tax loss carryforwards due to impairments to investments, which can be spread over seven years under Austrian tax law. At 31 December 2012 a total of EUR 8,138,00 (2011: EUR 3,750,000) tax loss carryforwards were available.

Tax loss carryforwards amounting to EUR 2,035,000 (2011: EUR 937,000) arising from impairments to investments were recognised at the end of the reporting period.

Deferred tax assets and liabilities are offset due to fulfilment of the conditions established by paragraph 74 IAS 12. A detailed presentation of the movements in deferred tax and tax income is set out in Note 35.

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

DEFERRED TAX

Frauenthal Automotive Elterlein GmbH:	EUR	10,105,000	(2011:	EUR 9,355,000)
Frauenthal Automotive Westphalia GmbH:	EUR	1,679,000	(2011:	EUR 771,000)
Frauenthal Automotive Ravne d.o.o.:	EUR	1,666,000	(2011:	EUR 1,521,000)
Styria Elesfrance S.A.S:	EUR	1,552,000	(2011:	EUR 1,626,000)
Frauenthal Automotive Ahlen GmbH:	EUR	1,267,000	(2011:	EUR 497,000)
Others	EUR	1,640,000	(2011:	EUR 855,000)

[18] Current assets

INVENTORIES

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

EUR '000	2012	2011
Raw material and consumables used	13,065	24,280
Work in progress	6,706	11,331
Finished goods and merchandise	61,266	58,544
Prepayments	1	0
Inventories	**81,038**	**94,154**

The two acquisitions in the Wholesale Plumbing Supplies Division increased inventories by EUR 4,739,000, while the disposal of a business division reduced them by EUR 18,012,000.

The following table shows the inventory write-downs:

EUR '000	2012	2011
Provisions for inventory write-downs at 1 January	**4,003**	**4,203**
Change in scope of consolidation	1,101	0
Exchange differences	1	–3
Allocations (expenses for impairment provisions)	1,828	486
Utilisation	–239	–309
Reversals	–521	–374
Provisions for inventory write-downs at 31 December	**6,173**	**4,003**
Carrying amount of written-down inventories at 31 December	**49,766**	**49,043**

Of the total inventory write-downs at the end of the reporting period EUR 1,434,000 (2011: EUR 1,334,000) relate to raw materials and consumables used, EUR 78,000 (2011: nil) to work in progress, and EUR 4,661,000 (2011: EUR 2,671,000) to finished goods and merchandise.

The carrying amount of impaired inventories was EUR 49,766,000 as at 31 December 2012 (2011: EUR 49,043,000). Of this, EUR 46,225,000 (2011: EUR 44,321,000) related to finished goods in the Wholesale Plumbing Supplies Division, and EUR 3,541,000 (2011: EUR 4,722,000) to inventories in the Frauenthal Automotive Division.

As the end of the reporting period inventories to a value of EUR 6,154,000 were pledged as collateral for bank borrowings by the Frauenthal Automotive Division (Frauenthal Automotive Sibiu S.R.L., Sibiu).

RECEIVABLES AND OTHER ASSETS

All the receivables are short term and have maturities of less than one year. The breakdown of receivables is as follows:

EUR '000	2012	2011
Trade receivables (net)	67,398	73,210
Other assets	18,682	14,118
Receivables	**86,080**	**87,328**

The trade receivables carried on the balance sheet are EUR 5,812,000 lower than in 2011. This largely reflects the following factors. Trade receivables in the Frauenthal Automotive Division rose by EUR 12,547,000. 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 progressively eliminated. ABS finance shrank from EUR 15,532,000 as at year-end 2011 to zero as at 31 December 2012. The divestment of the Industrial Honeycombs Division led to a reduction of EUR 18,392,000 in trade receivables including contract receivables.

EUR '000	2012	2011
Tax receivables	4,669	5,218
Prepayments and accrued income	1,799	3,020
Sundry other assets	12,215	5,879
Sundry other assets	**18,682**	**14,118**

The main reasons for the year-on-year increase in "Sundry other assets" were a EUR 5,182,000 dividend receivable from IBIDEN Porzellanfabrik Frauenthal GmbH and a receivable of EUR 1,818,000 from the acquirer of the Industrial Honeycombs Division (final purchase price instalment).

The maturities of the trade receivables were as follows:

			thereof: overdue at end of reporting period in the following time bands			
EUR '000	Trade receivables	thereof: not overdue at end of reporting period	less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
at 31 Dec. 2012	**67,398**	**60,271**	**5,068**	**797**	**907**	**355**
at 31 Dec. 2011	73,210	57,706	4,598	1,336	929	0

Where trade receivables were neither impaired nor in arrears, as at the end of the reporting period there were no indications that the debtors would default.

Movements in provisions for impairments of trade receivables were as follows:

EUR '000	2012	2011
Provisions for impairment losses at 1 January	**2,640**	**1,582**
Change in scope of consolidation	1,078	0
Exchange differences	–2	–3
Allocations (expenses for impairment provisions)	1,042	1,520
Utilisation	–560	–230
Reversals	–185	–229
Provisions for impairment losses at 31 December	**4,013**	**2,640**
Carrying amount of impaired receivables at 31 December	**28,920**	**29,122**

The "Changes in the scope of consolidation" item includes EUR 1,014,000 in impaired receivables of the Slovak GAMA Myjava s.r.o. and Technopoint Sanitrends s.r.o. acquisitions, which are attributable to the Wholesale Plumbing Supplies Division, as well as EUR 64,000 in written-down receivables of Worthington Cylinders a.s. which are attributable to the Frauenthal Automotive Division. The "Allocations" item, amounting to EUR 1,042,000 (2011: EUR 1,520,000), shows the net change in impaired receivables. The Wholesale Plumbing Supplies Division accounted for EUR 985,000 (2011: EUR 1,507,000) of this amount, and the Frauenthal Automotive Division for the remaining EUR 57,000 (2011: EUR 13,000). Receivables that have been written down and are already overdue are shown in the above table. All of the EUR 560,000 (2011: EUR 230,000) in utilisation of provisions is attributable to the Wholesale Plumbing Supplies Division.

The EUR 185,000 (2011: EUR 229,000) in reversals include receivables already completely written off where the impairments were reversed because payments were received. Impairments are carried in a separate account and are not directly deducted from receivables.

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

At the end of each reporting period the carrying amounts of financial assets that are not recognised at fair value through profit or loss are assessed for objective evidence of impairment (e.g. significant financial difficulties on the part of the debtor, a high probability that the debtor will enter bankruptcy, the disappearance of an active market for the financial asset in question, or significant adverse changes that have taken place in the technological, economic, legal or market environment in which the issuer operates, and indicate that the fair value of the assets may permanently remain below their amortised cost).

As in 2011, most of the impaired receivables recognised at year-end 2012, which have a carrying amount of EUR 28,920,000 (2011: EUR 29,122,000), derive from the Wholesale Plumbing Supplies Division.

As at the end of the reporting period there were EUR 3,865,000 (2011: EUR 3,091,000) in receivables that were overdue but not yet impaired in the Frauenthal Automotive Division. The breakdown of these receivables by time buckets was as follows:

EUR '000 at 31 Dec. 2012	thereof: not overdue at end of reporting period	thereof: overdue at end of reporting period in the following time bands			
		less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
TOTAL	3,865	3,795	66	3	0

EUR '000 at 31 Dec. 2011	thereof: not overdue at end of reporting period	thereof: overdue at end of reporting period in the following time bands			
		less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
TOTAL	3,091	2,804	334	38	–86

As the end of the reporting period receivables to a value of EUR 2,274,000 were pledged as collateral for bank borrowings by the Frauenthal Automotive Division (Frauenthal Automotive Sibiu S.R.L.).

[19] Cash and cash equivalents
This item includes EUR 45,000,000 in short-term investments made in consequence of the surplus liquidity generated by the disposal of the Industrial Honeycombs Division. The investments were made with leading Austrian banks. Some EUR 35,000,000 were invested long term, and EUR 10,000,000 in instruments with maturities up to June 2013.

[20] Equity

SHARE CAPITAL

Changes in equity in 2012 are presented in the statement of changes in equity.

The Company's registered share capital as at the end of the reporting period was EUR 9,434,990.00 (2011: EUR 9,434,990.00), and was fully paid up. The share capital is divided into 7,534,990 bearer shares of no par value and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the share capital. There were no material changes in voting rights in 2012. Each no par share corresponds to EUR 1.00 of the share capital.

By resolution of the 23rd Annual General Meeting held on 6 June 2012 the Executive Board is empowered, not later than 30 June 2017: (a) subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 4,717,495.00, by issuance, in one or more tranches, of up to 4,717,495 voting bearer or registered shares of no par value, against contributions in cash or in kind; (b) subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights if and only if the share capital is being increased: (i) in order to implement an employee share ownership plan or a share option plan for members of the Executive Board, and senior managers of the Company or its subsidiaries and affiliates; or (ii) against contributions in kind taking the form of companies, factories, parts of factories or shares in one or more domestic or foreign companies; and (c) subject to the approval of the Supervisory Board, to determine the class of the new shares to be issued (bearer or registered), the amount of the issue and the other terms and conditions of the issue (authorised capital).

CAPITAL RESERVES

The capital reserves include EUR 21,093,000 in appropriated capital reserves in the meaning of the Austrian Companies Act (2011: EUR 21,093,000).

RETAINED EARNINGS

Retained earnings comprise the reserves accumulated from undistributed profits and the statutory reserves. This item increased by EUR 9,735,000 to stand at EUR 63,670,000 at the end of the reporting period (year-end 2011: EUR 53,935,000). The rise was mainly due to the total comprehensive income of EUR 12,286,000 retained in 2012, and the share option plan valued at EUR 198,000. Further information on the share option plan is presented in Note 45. Retained earnings were reduced by EUR 2,749,000 by the dividend payment in June 2012.

TRANSLATION RESERVES

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

OTHER RESERVES/FAIR VALUE RESERVE

This item includes an EUR 65,000 (2011: EUR 8,000 write-down) write-up of financial assets held by SHT Haustechnik AG, Perchtoldsdorf. Upon disposal of the assets the reserve will be reversed, and the realised gains or losses recognised in the income statement. “Other reserves” rose to EUR 94,000 (2011: EUR 29,000) as a result of the write-up of the financial assets held by SHT Haustechnik AG.

OWN SHARES

The purchase of EUR 7,021,000 in own shares in connection with the share repurchase programme led to an increase of EUR 532,000 in this item, to EUR 7,553,000 at the end of the reporting period (31 Dec. 2011: EUR 532,000).

Under the authorisation given by the Annual General Meeting on 6 June 2012 Frauenthal Holding AG repurchased 671,043 bearer shares by way of a voluntary offer in accordance with sections 4 et seq. Takeover Act. The offer period was from 26 September to 10 October 2012. The offer, priced at EUR 10 per share, was fully taken up. By the end of the offer period shareholders had tendered a total of 1,030,087 shares, meaning that the offer was oversubscribed, and Frauenthal was obliged to prorate it by 35 % pursuant to section 20 Takeover Act.

Own shares	No. of shares	Share capital, EUR	% of share capital
at 31 Dec. 2012	**943,499**	**943,499**	**10,00**
at 31 Dec. 2011	272,456	272,456	2,89

The number of treasury shares rose from 272,456 to 943,499, equal to 10 % of the share capital, as a result of the buyback, while the free float correspondingly decreased to 1,613,441 shares or 17.10 % of the capital. The principal shareholder remains FT Holding GmbH, with an interest of 72.9 %.

NON-CONTROLLING INTERESTS

This item relates to EUR 3,507,000 in non-controlling interests in the Frauenthal Automotive Group (2011: EUR 4,023,000).

[21] Long-term provisions

The pension provisions were calculated using the projected unit credit method. An annual discount rate of 3.7 % p.a. (2011: 4.5 %), and estimated average annual salary and pension increases of 2.0 % were applied.

The provisions for termination and jubilee benefits were also calculated using the projected unit credit method. Future annual salary increases of 2.5–3.0 % p.a. were assumed. As with the calculation of the pension provision, the discount rate applied was 3.7 % p.a. (2011: 4.5 %).

Staff turnover rates were assumed when calculating pension, termination and jubilee benefit entitlements for all Group companies.

Movements in the long-term provisions in 2012 were as follows:

EUR '000	1 Jan. 2012	Change in scope of consolidation	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclassifications	31 Dec. 2012
Provisions for termination benefits	10,175	–1,877	528	–36	0	395	0	0	9,185
Provisions for pensions	6,654	0	579	–49	–33	291	0	0	7,442
Other long-term provisions	5,148	–1,574	365	–128	–349	101	–1	0	3,562
Long-term provisions	**21,977**	**–3,451**	**1,472**	**–213**	**–382**	**787**	**–1**	**0**	**20,189**

The comparative figures for 2011 are shown below.

EUR '000	1 Jan. 2011	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclassifications	31 Dec. 2011
Provisions for termination benefits	9,826	58	–160	–7	458	0	0	10,175
Provisions for pensions	6,930	17	–495	0	202	0	0	6,654
Other long-term provisions	4,078	1,679	–151	–485	111	–2	–82	5,148
Long-term provisions	**20,834**	**1,754**	**–806**	**–492**	**771**	**–2**	**–82**	**21,977**

The provisions for pensions, and termination and jubilee benefits (reported under "Other long-term provisions") relate to the provisions for employee benefit obligations recognised in accordance with IAS 19. The timing of the benefits provided for cannot be reliably estimated.

The carrying amounts of the provisions for termination benefits and pensions correspond to the defined benefit obligations (DBO) at the end of the reporting period. Changes in the provisions for termination benefits and pensions at a discount rate of 3.7 % were as follows:

in EUR '000	Pension	Termination benefit
DBO, 31 Dec. 2011	6,653,826	10,175,211
Changes in scope of consolidation	0	–1,877,026
Service cost	92,979	452,776
Interest cost	290,525	395,225
Payments	–395,412	–472,533
Actuarial gains (-)/losses (+)	799,608	511,377
DBO, 31 Dec. 2012	**7,441,526**	**9,185,030**

in EUR '000	Pension	Termination benefit
DBO, 31 Dec. 2010	6,930,427	9,826,025
Changes in scope of consolidation	0	0
Service cost	87,876	551,782
Interest cost	301,975	458,000
Payments	–439,745	–297,475
Actuarial gains (-)/losses (+)	–226,707	–363,121
DBO, 31 Dec. 2011	**6,653,826**	**10,175,211**

The projected movements in provisions for termination benefits and pensions in 2013 are as follows:

in EUR '000	Pension	Termination benefit
DBO, 31 Dec. 2012	7,441,526	9,185,030
Service cost	113,000	475,174
Interest cost	267,886	354,650
Payments	–402,653	–161,193
Projected DBO, 31 Dec. 2013	**7,419,759**	**9,853,661**

Movements in DBO were as follows:

in EUR '000	31 Dec. 2008	31 Dec. 2009	31 Dec. 2010	31 Dec. 2011	**31 Dec. 2012**
Provisions for pensions	9,746	6,379	6,930	6,654	**7,442**
Provisions for termination benefits	9,685	8,500	9,826	10,175	**9,185**

The table below shows the recent changes in "Other long-term provisions".

EUR '000	1 Jan. 2012	Change in scope of con-solidation	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclassifica-tions	31 Dec. 2012
Other employee benefit provisions	3,143	−307	248	−117	−43	101	2	0	3,027
Other provisions	2,005	−1,267	117	−11	−306	0	−3	0	535
Other long-term provisions	**5,148**	**−1,574**	**365**	**−128**	**−349**	**101**	**−1**	**0**	**3,562**

EUR '000	1 Jan. 2011	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclassifica-tions	31 Dec. 2011
Other employee benefit provisions	2,990	130	−82	−4	111	−2	0	3,143
Other provisions	1,088	1,549	−69	−481	0	0	−82	2,005
Other long-term provisions	**4,078**	**1,679**	**−151**	**−485**	**111**	**−2**	**−82**	**5,148**

The "Other long-term employee benefit provisions" comprise provisions for jubilee benefits, final termination gratuities and part-time retirement benefits. The jubilee benefits accounted for EUR 2,674,000 (2011: EUR 2,758,000) of this amount at the end of the reporting period. The allocation to the provision for jubilee benefits amounted to EUR 266,000 (2011: EUR 137,000). The provision for final termination gratuities amounted to EUR 48,000 (2011: EUR 58,000) as at the end of the reporting period. "Other provisions" include provisions for risks that could arise from warranty claims, contractual guarantees or product liability in respect of delivered goods. Soil rehabilitation will have to be carried out at the Frauenthal Automotive France S.A.S. site in Châtenois-les-Forges due to official licensing conditions.

A rehabilitation plan has been drawn up on the basis of technical reports, and the approach to be taken to the work has been agreed with the environmental agency concerned. "Other provisions" include a provision of EUR 114,000 (2011: EUR 241,000) for decontamination work at this location. This amount corresponds to management's estimate of the cost of the most likely solution at time when the financial statements were drawn up.

SENSITIVITY ANALYSIS OF THE EMPLOYEE BENEFIT PROVISIONS

If the calculations for pension payments, termination and jubilee benefits, and part-time retirement obligations were discounted at a rate of 3.2 % instead of the 3.7 % applied in 2012, the Frauenthal Group's employee benefit obligation would increase by EUR 1,320,000. The analysis is as follows:

EUR '000	2012 3,7 %	Scenario 3,2 %	Difference
Provisions for pensions	7,442	7,974	–533
Provisions for termination benefits	9,185	9,774	–589
Provisions for jubilee benefits	2,674	2,748	–75
Provisions for part-time retirement obligation	306	430	–124
Total provisions	**19,606**	**20,926**	**–1,320**

If the calculations were discounted at a rate of 4.2 % instead of 3.7 %, the Group's benefit obligation would be reduced by EUR 989,000. The analysis of the changes is as follows:

EUR '000	2012 3,7 %	Scenario 4,2 %	Difference
Provisions for pensions	7,442	6,966	475
Provisions for termination benefits	9,185	8,694	491
Provisions for jubilee benefits	2,674	2,532	142
Provisions for part-time retirement obligation	306	425	–119
Total provisions	**19,606**	**18,617**	**989**

These provisions were made on the basis of a discounted cash flow calculation, applying a discount rate of 5 % to the future cash inflows and outflows.

[22] Short-term provisions

Changes in the short-term provisions in 2012 were as follows:

EUR '000	1 Jan. 2012	Change in scope of con-solidation	Allocations	Utilisation	Reversals	Exchange diff.	Reclassifica-tions	**31 Dec. 2012**
Tax provisions	665	0	2,525	–502	0	0	0	2,688
Other provisions	1,746	0	854	–90	–1,132	7	0	1,385
Short-term provisions	**2,411**	**0**	**3,379**	**–592**	**–1,132**	**7**	**0**	**4,073**

EUR '000	1 Jan. 2011	Allocations	Utilisation	Reversals	Exchange diff.	Reclassifica-tions	**31 Dec. 2011**
Tax provisions	528	656	–491	–28	0	0	665
Other provisions	1,916	1,260	–812	–696	–4	82	1,746
Short-term provisions	**2,444**	**1,916**	**–1,303**	**–724**	**–4**	**82**	**2,411**

The short-term provisions include: restructuring provisions of EUR 227,000 (2011: EUR 1,171,000); provisions for contingent losses of EUR 425,000 (2011: EUR 421,000); "other employee benefit provisions" of EUR 559,000 (2011: EUR 99,000); and "other provisions" of EUR 174,000 (2011: EUR 55,000).

A tax inspection took place at Frauenthal Automotive Elterlein in 2011. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m (EUR 6.3m including interest) during the tax audit period (2005–2010). However, the carryforwards have been disallowed, and the company has lodged an appeal against the assessment notice.

Three reports by independent consultants have stated that the appeal is likely to succeed, so the management sees no impending risk that Frauenthal Automotive Elterlein will ultimately be denied the use of the carryforwards, and has consequently not made any provision for the risk of a back tax payment.

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

[23] Liabilities

An analysis of liabilities as at the end of the reporting period by maturities is shown below.

Liabilities at 31 Dec. 2012 in EUR '000	Total amount	Maturity			Collateralised
		up to 1 year	1–5 years	over 5 years	
Bond	102,414	3,019	99,395	0	0
Bank borrowings (including leases)	14,839	9,254	5,585	0	0
Prepayments received	40	40	0	0	0
Trade payables	45,892	45,892	0	0	0
Other liabilities	22,296	22,026	270	0	0
Total liabilities	**185,481**	**80,231**	**105,250**	**0**	**0**

The liquidity picture in 2012 was largely shaped by the divestment of the Industrial Honeycombs Division. The cash inflow of EUR 80.7m was made up of a purchase price of EUR 51.3m and the assumption of EUR 29.4m in debt by the acquirer. EUR 28.1m of the influx of liquidity was used to repay short and medium-term borrowings; this included winding down an ABS financing facility. EUR 10m was channelled into medium-term money market instruments, and EUR 35m into long-term instruments with maturities coinciding with that of the EUR 100m bond issue due in 2016. These investments were made with leading Austrian banks. The effective rate of interest of the five-year bond is 5.08 %.

The bank borrowings include EUR 267,000 (2011: EUR 489,000) in finance lease liabilities, of which none (2011: EUR 228,000) have maturities of over five years, and EUR 185,000 (2011: EUR 209,000) maturities of between one and five years, while EUR 82,000 (2011: EUR 52,000) are current.

The comparative amounts as at 31 December 2011 were as follows:

Liabilities at 31 Dec. 2011 in EUR '000	Total amount	Maturity up to 1 year	1–5 years	over 5 years	Collateralised
Bond	130,068	30,839	99,229	0	
Bank borrowings (including leases)	22,672	10,684	11,548	441	431
Prepayments received	3,487	3,487	0	0	
Trade payables	56,683	56,683	0	0	
Liabilities to Group companies	418	418	0	0	
Notes payable	0	0	0	0	
Other liabilities	24,965	23,713	1,253	0	
Total liabilities	**238,295**	**125,824**	**112,030**	**441**	**431**

Some EUR 43m of the proceeds of the EUR 100m bond issue in 2011 were used for early redemption of a portion of the 2005 bond issue (due on 28 June 2012). The outstanding EUR 27m was repaid on 28 June 2012.

"Other liabilities" were EUR 2,669,000 lower year on year as at the end of the reporting period. The main reasons for this decrease were reduced employee liabilities and liabilities arising from investment grants. The table below shows the changes from the comparative period.

EUR '000	**2012**	2011	Change
Employee liabilities	14,011	15,786	–1,775
Tax liabilities	4,119	4,460	–341
Liabilities in respect of investment grants	1,477	1,972	–495
Suppliers' credit balances	616	372	244
Accruals	592	400	192
Prepayments received	108	140	–32
Warranty liabilities and damages	621	667	–46
Accounting and auditing costs	100	96	4
Sundry other liabilities	652	1,072	–420
Other liabilities	**22,296**	**24,965**	**–2,669**

Apart from wage and salary, and employee benefit expense for December 2012, "Employee liabilities" mainly relate to accruals for unused leave. As in the previous year, the suppliers' credit balances are almost completely attributable to the Wholesale Plumbing Supplies Division.

[24] Contingent liabilities

As at 31 December 2012 the Frauenthal Group had EUR 692,000 (2011: EUR 692,000) in contingent liabilities. These are contingent liabilities on the part of Frauenthal Automotive Azambuja Unipessoal, Lda., Azambuja, to IAPMEI in respect of investment projects. The liabilities will continue to exist until the projects in question have been completed.

In 2011 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 substantial tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of EUR 7m arising from the capitalisation of part of these tax loss carryforwards are carried on the consolidated statement of financial position. The tax inspection resulted in the disallowance of the tax loss carryforwards, and assessment notices to this effect, for the 2005–2007 audit period, were issued. Notice was also given of the suspension of enforcement of this decision, meaning that there has been no effect on liquidity. In the opinion of the Executive Board the tax authorities' arguments for disallowing the deductions are unlikely to be upheld in the light of the legal situation, the relevant precedents and prevalent legal opinion. A risk evaluation carried out on the basis of expert reports by three eminent independent consultants puts the risk that the tax loss carryforwards will continue to be disallowed after all appeals have been exhausted at well under 50 %, and in consequence no accounting provision has been made for the risk of a back tax payment. However, there is a risk of protracted court appeal proceedings. The situation is being reviewed on a quarterly basis, and any new information affecting our risk assessment will be taken into account. There were no new developments regarding this matter during the reporting period. Since the tax authorities have yet to express a final opinion it has not been possible to institute court appeal proceedings.

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

[25] Contingent assets

As in the previous year, there were no contingent assets as at the end of the reporting period.

[26] Rental and lease commitments

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

EUR '000	**2012**	2011
Next year, limited term	875	1,174
Next year, indefinite term	7,945	6,627
Next five years, limited term	1,701	3,344
Next five years, indefinite term	40,831	36,124
Over five years, limited term (p.a.)	434	2
Over five years, indefinite term (p.a.)	7,992	7,816

The items "Next year, indefinite term", "In the next five years, indefinite term" and "Over five years, indefinite term" relate almost entirely to rental commitments assumed by the Wholesale Plumbing Supplies Division.

[27] Other financial obligations

As at the end of the reporting period, Frauenthal Holding AG and its subsidiaries were involved in no material litigation for which provisions had not been recognised. Apart from the aforementioned rental and lease commitments there are no long-term contractual obligations other than those arising from normal business operations, nor are there any environmental licensing conditions which could lead to material off-balance-sheet financial obligations for the Group.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

[28] Revenue

Most of the Group's revenue was again generated in EU member states in 2012, as the largest revenue contribution comes from the Wholesale Plumbing Supplies Division, and this most of its sales in Austria. The Group's revenue is largely derived from the sale of goods.

EUR ´000	2012	2011	Change
Geographical information			
Austria	294,672	285,697	8,975
Other EU	208,126	217,744	–9,618
Americas	39	15	24
Rest of the world	7,081	10,723	–3,642
Revenue	**509,918**	**514,179**	**–4,261**

[29] Other operating income

"Other operating income" rose by EUR 4,115,000 year on year. The following amounts are reported as "Other operating income":

EUR ´000	**2012**	2011	Change
Other operating income			
Gains on reversals of provisions	1,096	1,031	65
Exchange gains	707	996	–289
Insurance recoveries	449	416	33
Reversals of investment grants	58	59	–1
Gains on disposal of non-current assets	674	421	253
Negative goodwill	2,684	0	2,684
Sundry other income	7,674	6,304	1,370
Other operating income	**13,342**	**9,227**	**4,115**

The three acquisitions in 2012 gave rise to negative goodwill of EUR 2,684,000. Of this, EUR 1,615,000 is attributable to the Frauenthal Automotive Division and EUR 1,070,000 to the Wholesale Plumbing Supplies Division.

"Sundry other operating income" increased by EUR 1,370,000, as shown below.

EUR '000	2012	2011	Change
Sundry other income			
Bonuses and grants received	3,698	3,776	–78
Income from charging-on of expenses	374	331	43
Income from rentals and property service charges	221	220	1
Income from insurance payments	473	276	197
Income relating to prior years	930	203	727
Reversals of impairment losses	0	52	–52
Sundry other income	1,978	1,446	532
Sundry other income	**7,674**	**6,304**	**1,370**

"Bonuses and grants received" include EUR 3,385,000 (2011: EUR 3,159,000) in suppliers' contributions to costs and bonuses, and grants for apprentices and staff training in the Wholesale Plumbing Supplies Division. Services, refunds, income arising from complaints, and insurance recoveries are stated under "Sundry other operating income".

[30] Raw material and consumables used

The breakdown of "Raw material and consumables used" is as follows:

EUR '000	2012	2011	Change
Cost of materials	327,938	328,913	–975
Cost of consumables used	25,212	28,682	–3,470
Total	**353,150**	**357,596**	**–4,445**

Due to the lower sales recorded by Frauenthal Automotive raw material and consumables used in the division decreased by EUR 19,422,000.

In contrast, these expenses rose by EUR 14,538,000 in the Wholesale Plumbing Supplies Division as a result of higher sales and the acquisitions.

[31] Staff costs

In 2012 the Frauenthal Group employed an average of 2,613 people (2011: 2,368), a year-on-year increase of 245. Apart from permanent employees the Group head count includes an annual average of 86 (2011: 120) agency staff.

EUR '000	2012	2011	Change
Non-salaried staff	1,431	1,385	46
Salaried staff	1,182	983	199
TOTAL	**2,613**	**2,368**	**245**

As at the end of the reporting period the Frauenthal Group employed 2,597 people (2011: 2.309). The table below shows the composition of staff costs.

EUR '000	2012	2011	Change
Staff costs			
Wages	58,549	57,446	1,103
Salaries	18,197	15,515	2,682
Termination benefit expense	2,116	1,427	689
Retirement benefit expense	225	540	–315
Expenses for social security contributions, other pay-related levies and compulsory contributions	21,228	20,231	997
Other employee benefit expense	1,331	1,252	79
Staff costs	**101,646**	**96,411**	**5,235**

The Austrian Group companies made EUR 338,000 (2011: EUR 367,000) in contributions to defined contribution plans under the BMVG [Company Pension Fund Act] and individual employment contracts.

The head counts for 2012 and the comparative period exclude the workforce of the Industrial Honeycombs Division which was sold in June. In 2011 the division employed an average of 321 people, and at year-end 2011 the total was 340.

SENIOR MANAGEMENT

The payments made to or on behalf of senior managers in key positions are shown below. The number of senior managers increased by 16 to 99 in 2012, and their salaries rose accordingly, by EUR 777,000 to EUR 9,570,000. The Wholesale Plumbing Supplies Division was almost entirely responsible for this change.

EUR '000	2012	2011	Change
Pension payments to former senior employees	162	189	–27
Number of senior managers	99	83	16
Salaries	9,570	8,793	777
Pension payments	81	71	10
Termination and retirement benefits	81	0	81
Employee benefit fund	71	60	11

No termination or retirement benefits for senior managers beyond those required by law were disbursed in 2012.

EUR '000	2012	2011	Change
Termination and retirement benefits, other employees	2,179	1,895	284

Of the EUR 2,341,000 (2011: EUR 1,966,000) in expenses for pension payments, and termination and retirement benefits for senior managers and other employees of the Group, EUR 2,179,000 (2011: EUR 1,895,000) relate to other employees, and the remaining EUR 162,000 (2011: EUR 71,000) to senior managers.

As in the previous year, no defined benefit pension commitments by Frauenthal Holding AG or its subsidiaries to serving members of the Executive Board, chief executive officers of Group companies or other senior managers were in place. Regular contributions are made to a pension fund for members of the Executive Board. Current Executive Board members' remuneration is reported under "Other expenses" and under "Staff costs".

[32] Depreciation and amortisation expense, and impairment

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

[33] Other operating expenses

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

EUR '000	**2012**	2011	Change
Taxes other than income taxes	690	717	–27
Property service charges	77	93	–16
Other distribution costs	5,293	4,771	522
Rental expenses	8,351	7,660	691
Freight costs	7,662	7,681	–19
Administrative expenses	4,555	4,425	130
Legal and consultancy expenses	3,472	3,817	–345
Third-party repairs	585	1,003	–418
Agency staff	593	847	–254
Travel costs	2,130	2,216	–86
Insurance expenses	1,829	1,665	164
Staff recruitment	1,457	1,514	–57
Impairment losses	1,043	1,099	–56
Third-party services	4,711	4,496	215
Exchange losses	952	888	64
Waste disposal costs	439	505	–66
Bank charges	565	882	–317
Losses on disposal of non-current assets	32	36	–4
Damages claims	281	353	–72
Lease expenses	161	170	–9
Restructuring expense	1,200	1,000	200
Other expenses	3,162	2,297	865
Other operating expenses	**49,240**	**48,135**	**1,105**

"Other operating expenses" rose by EUR 1,105,000 year on year, mainly as a result of higher "Other distribution costs", rental expenses and restructuring costs. The restructuring costs arose in the Frauenthal Automotive Division. A provision of EUR 1,200,000 (2011: EUR 1,000,000) for costs arising from social plans was recognised for the Frauenthal Automotive Westphalia GmbH plant in Ahlen. Some EUR 506,000 of the EUR 952,000 in exchange losses were recognised in 2012 (2011: EUR 234,000). Exchange differences, sundry amounts, levies and amounts charged-on are stated under "Other operating expenses".

The following expenses in respect of the services of the auditors, BDO Austria GmbH, were recognised in 2012:

EUR	2012	2011
Annual audit	60,000	60,000
Other certification services	128,923	141,945
Tax consultancy services	229,389	146,580
Other services	67,000	28,600
Total	**485,312**	**377,125**

[34] Net finance costs

As in 2011, all borrowing costs attributable to qualifying assets were capitalised in the reporting period.

EUR '000	2012	2011	Change
Interest income	1,275	947	328
Interest expense	–5,997	–6,903	906
Other financial income	30	42	–12
Total	**–4,692**	**–5,914**	**1,222**

Finance costs fell by EUR 906,000 to EUR 5,997,000 as a result of the redemption of the outstanding amount due on the old bond. Interest income from the money market investments was EUR 1,275,000, leaving net interest expense at EUR 4,692,000 – a decrease of EUR 1,222,000 year on year.

Interest income was up by EUR 328,000 year on year, mainly reflecting the larger amount invested. Interest expense of EUR 5,997,000 was down by EUR 906,000 on 2011. The decrease is largely explained by the redemption of the old bond and the action to reduce bank borrowings.

[35] Income tax expense

TAXES ON INCOME

The rate of taxation applicable to the parent company, Frauenthal Holding AG, is 25 %. The "Income tax expense" item amounting to EUR 1,509,000 (2011: EUR 1,503,000) includes EUR 1,399,000 (2011: EUR 1,519,000) in current tax expense.

Tax payments totalled EUR 604,000 in 2012 (2011: EUR 755,000).

CHANGE IN DEFERRED TAX

The net reduction in deferred tax assets and liabilities of EUR 7,820,000 is reported as a decrease of EUR 8,257,000 in tax expense (continuing operations EUR –386,000; discontinued operations EUR –7,871,000) and an increase of EUR 437,000 in other comprehensive income (2011: tax expense of EUR 1,115,000).

EUR'000	2012	2011
Changes in deferred tax		
Deferred tax at 1 Jan.	**17,221**	**18,308**
thereof deferred tax assets	20,319	20,771
deferred tax liabilities	–3,098	–2,463
Changes in scope of consolidation	**857**	**0**
thereof deferred tax assets	832	0
deferred tax liabilities	25	0
Changes in statement of financial position items	**–187**	**–641**
Development costs	0	57
Other non-current assets	–361	–495
Other current assets	216	–176
Employee benefit provisions	119	591
Jubilee benefit provisions	33	–403
Other provisions	–223	–10
Other liabilities	29	–205
Tax loss carryforwards and deferred tax loss carryforwards	**–7,668**	**–428**
Changes due to profit for the period for tax purposes	–8,555	–1,250
Changes in capitalisation of tax loss carryforwards	887	822
Changes in deferred tax	**–7,820**	**–1,115**
thereof increase/decrease in deferred tax assets	–7,709	–452
increase/reversal of deferred tax liabilities	–153	–635
exchange differences	42	–28
Changes in equity	**0**	**0**
Exchange differences	**–42**	**28**
Deferred tax at 31 Dec.	**10,216**	**17,221**
davon aktive latente Steuern	13,442	20,319
davon passive latente Steuern	–3,226	–3,098

Readers are referred to Note 17 for the analysis of deferred tax. The change in deferred tax was as follows:

EUR'000	2012	2011
Reconciliation of legally applicable and effective tax rate		
Profit before tax from continuing operations	3.204	8.599
Profit before tax from discontinued operations	47.970	7.863
Profit before tax	**51.174**	**16.462**
Income tax expense at applicable rate of 25 %	12.794	4.116
Tax effects		
Tax expense from previous periods	–110	44
Utilisation of non-capitalised tax loss carryforwards	113	34
Increase in non-capitalised tax loss carryforwards	–2.299	–747
Initial recognition of tax loss carryforwards	4.011	2.469
Permanent tax differences and other	–403	–172
differences in tax rates applicable to subsidiaries	–242	–241
Changes in tax rates applied to measurement of deferred tax	0	0
Total tax effects	**1.070**	**1.387**
Taxes on income	**11.724**	**2.729**
Tax expense as shown in income statement	–3.904	–1.614
VChange in deferred tax	–7.820	–1.115
Total tax expense as shown in statement of comprehensive income	**–11.724**	**–2.729**
thereof continuing operations	–1.895	–970
discontinued operations	–10.266	–1.759
Effective tax rate	**23 %**	**17 %**

[36] Earnings per share

Basic earnings per share from continuing operations, with a weighted average of 9,028,325 shares in circulation, were EUR 0.20 per share. Diluted earnings per share from continuing operations, with a weighted average of 9,047,972 shares in circulation, were EUR 0.19 (2011: 9,152,808 shares, and diluted and basic earnings per share of EUR 0.81).

	2012	2011
No par shares		
Number of shares issued	9,434,990	9,434,990
Own shares	–943,499	–272,456
Shares in circulation	**8,491,491**	**9,162,534**

Earnings per share from continuing operations are calculated by offsetting the profit for the year of continuing operations of EUR 1,309,000 against the profit of EUR 453,000 attributable to non-controlling interests, and dividing the result by the weighted average diluted and basic number of shares.

The Executive Board will not be recommending payment of a dividend for 2012 (2011: dividend of EUR 0.10 per share plus special dividend of EUR 0.20 per share).

E. STATEMENT OF CASH FLOWS

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

[37] Operating profit before working capital changes

Operating profit before working capital changes is the profit/loss for the year, adjusted for non-cash expenses and income, and the change in long-term provisions, as well as proceeds from the sale of non-current assets.

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

[38] Non-cash transactions

Paragraph 43 IAS 7 requires the exclusion of non-cash transactions from the statement of cash flows, and material non-cash transactions were accordingly eliminated.

[39] Cash flows from operating activities

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

[40] Cash flows from investing activities

Cash flows from investing activities include investment in intangible assets, and property, plant and equipment. Proceeds from sale of non-current assets include those from the sale of both intangible assets, and property, plant and equipment.

The changes in cash and cash equivalents due to changes in the scope of consolidation, amounting to EUR 69,870,000, arose from inflows as a result of the disposal of the Industrial Honeycombs Division (EUR 76,796,000), and from the outflows due to the acquisition of Technopoint Sanitrends spol. s.r.o., GAMA Myjava, s.r.o. and Worthington Cylinders a.s. (EUR 6,926,000). The changes in cash and cash equivalents due to the disposal of the Industrial Honeycombs Division comprised: the price (EUR 51,343,000); the assumption of debt by the acquirer (EUR 29,427,000); and other liabilities (EUR 115,000); less transaction costs (EUR 2,434,000); and tax expense (EUR 1,655,000).

[41] Cash flows from financing activities

This part of the statement groups all cash inflows and outflows relating to equity and borrowings. Pursuant to paragraph 17 IAS 7 the change in holdings of treasury shares is shown under cash flows from financing activities.

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

[42] Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cheques and bank balances.

The reconciliation of cash and cash equivalents at the end of the financial year as shown in the statement of cash flows with the related item in the statement of financial position is as follows:

EUR '000	31 Dec. 2012	31 Dec. 2011
Cash and cash equivalents	49,348	40,329
Pledged deposits at banks	0	–379
	49,348	**39,950**

Cash and cash equivalents at the end of the reporting period were EUR 49,348,000 (2011: EUR 39,950,000).

F. SUPPLEMENTARY INFORMATION

[43] Segmental analysis

The Frauenthal Group's primary segments are the Frauenthal Automotive and Wholesale Plumbing Supplies divisions. The main measure used to manage segmental performance is EBIT. The classification is on the basis of the differences between the products manufactured and distributed, and services provided by the various segments.

The Frauenthal Automotive Division supplies components to manufacturers of commercial vehicles and trailer axles. The product range comprises leaf springs, links, stabilisers and air reservoirs for braking systems, as well as U-bolts. The division has production sites in Austria, the Czech Republic, France, Germany, Poland, Portugal and Romania. The Frauenthal Automotive Ravne d.o.o. factory in Ravne, Slovenia and the Styria Elesfrance S.A.S. plant in St. Avold, France were closed during the year.

The Wholesale Plumbing Supplies Division distributes leading sanitary, heating and other plumbing brands, as well as its own Prisma and SaniMeister branded products in Austria.

Intersegment revenues chiefly concern management services by and overhead contributions to the holding companies; these are charged according to fixed hourly rates or on a cost-plus basis.

Detailed segmental reporting disclosures are shown in a separate summary table. In the "Revenues by geographical areas (final customers)" table, revenue is allocated according to the locations to which the invoices were issued. The revenue disclosures in this table are in accordance with paragraph 32 IFRS 8.

[44] Financial instruments

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

OBJECTIVES OF CAPITAL MANAGEMENT

The Group's capital management policies are aimed at safeguarding its ability to continue as a going concern and maintaining an equity ratio adequate for the industries in which it operates, i.e. about 30 % (on the basis of the IFRS consolidated financial statements). The disposal of the Industrial Honeycombs Division increased the Frauenthal Group's equity to EUR 127,493,000, for an equity ratio of 37.4 % (2011: 27.1 %) – the highest in its history.

Frauenthal aims for high growth, and this is reflected in its corporate strategy. The Group's dividend policy is primarily designed to ensure that sufficient resources are available to fund growth.

Net gearing – the ratio of risk exposure (debt) to consolidated equity – dropped from 113.70 % to 53.26 % in 2012, reflecting an increase of one-third in equity as a result of the divestment of the Industrial Honeycombs Division, and the near-halving of net debt.

Net debt fell as a result of the winding down of bank borrowings and the redemption of the outstanding amount due on an old bond. Moreover, cash and cash equivalents rose due to the investment of the surplus cash generated by the disposal of the Industrial Honeycombs Division.

Net interest-bearing debt is the balance of interest-bearing assets and liabilities. Total equity is accounting equity plus non-controlling interests.

EUR '000	2008 IFRS	2009 IFRS	2010 IFRS	2011 IFRS	2012 IFRS
Borrowings	109,413	98,830	97,787	152,740	117,253
Cash and cash equivalents	–16,302	–2,267	–3,416	–40,329	–49,348
Net debt	93,111	96,563	94,371	112,412	67,905
Gearing ratio	**91,18%**	**134,74%**	**105,44%**	**113,70%**	**53,26%**

FINANCIAL RISK

In 2012 the Frauenthal Automotive Division used derivative financial instruments to hedge against RON exchange rate risk. The main source of downside price risk exposure is euro/leu exchange rate volatility. Attempts are made to minimise exchange risk and make it predictable over extended periods with the assistance of hedging instruments. As at the end of the reporting period there were leu denominated currency futures contracts worth RON 24,000 (2011: nil), for which a negative fair value of EUR 61,000 was recognised. Generally accepted option price models are used to measure fair value.

	RON ´000	USD ´000	EUR ´000	
	2012	2011	Fair value at 31 Dec. 2012	Fair value at 31 Dec. 2011
Currency futures transaction	24,000	4,000	–61	–27

LIQUIDITY RISK

Due to the cash flow structure of the operating subsidiaries and the overdraft facilities available to them, their liquidity risk exposure is relatively low. The liquidity needs of the Group's continuing operations can be met from cash flow, and are managed by the holding company's treasury function.

There are also sufficient borrowing facilities, mainly with Austrian banks, to ensure that the Group's liquidity requirements will be met.

In all, ten banks have granted credit lines totalling EUR 181.4m (2011: EUR 247.9m) to Frauenthal Holding AG and its subsidiaries. As at the end of the reporting period the Group had around EUR 68.2m (2011: EUR 138.3m) in open credit lines, assuming that the banks fulfil their commitments. In addition, Frauenthal Holding AG holds EUR 45m in money market investments. These are mostly invested long term with Austrian banks, and are earmarked for the redemption of the bond due in May 2016 unless more attractive opportunities present themselves. During the period under review all payment obligations (interest and principal) arising from loans were serviced punctually.

There are also adequate reserves of liquidity to fall back on, as the Group has the option of packaging receivables in asset-backed securities (ABS) in order to maintain liquidity. As at the end of the reporting period no use was being made of this financing model. As at 31 December 2011 the Group had sold EUR 15,532,000 in receivables to Nordea Bank.

The budgets of the Frauenthal Automotive and Wholesale Plumbing Supplies divisions are based on the assumption that they will generate positive cash flows from operating activities. Since no major investments are planned, Group liquidity is expected to be largely unchanged over the year as a whole, though seasonal fluctuations are anticipated. No events likely to result in a major drain on liquidity are foreseen.

DEFAULT AND CREDIT RISK, AND HEDGING

In both divisions, the default and credit risk associated with receivables and the risk of default by counterparties is managed by regular credit checks, active credit management. In the Wholesale Plumbing Supplies Division these risks are also managed by means of credit insurance.

Specific provisions are recognised in the Wholesale Plumbing Supplies Division for receivables where there is a significant risk of default.

At the end of the reporting period, the Group had EUR 7,127,000 in receivables which were overdue, but for which impairment losses had not been recognised. Note 18 Current assets contains a summary table of impaired receivables. An analysis of the EUR 7,127,000 in overdue but unimpaired receivables is shown below.

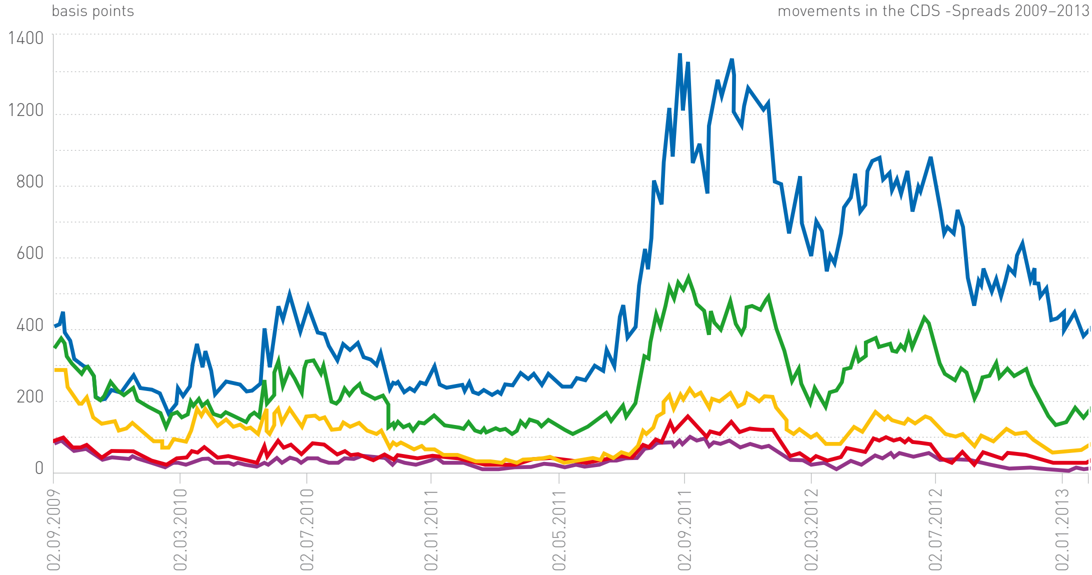
	thereof: overdue at end of reporting period in the following time bands				
EUR ´000	less than 60 days	between 61 and 180 day	between181 and 360 days	more than 360 days	
Frauenthal Automotive	3,795	66	3	0	3,865
Wholesale Plumbing Supplies	1,272	731	904	355	3,262
Non-impaired receivables	**5,068**	**797**	**907**	**355**	**7,127**

In the **Frauenthal Automotive Division** it is customary to conclude one or multi-year contracts that define the products, and establish the terms and conditions, but do not lay down binding supply quantities over the entire contract term. Whether a component supplier can win or extend such contracts depends on its competitiveness. This is primarily a matter of price, but also depends on the supplier's ability to deliver the products required, on the reliability of its logistics and quality standards, and on its ability to collaborate with the customer on new developments. Because of this, product quality, timeliness and customer satisfaction are constantly monitored to enable management to react quickly to significant underperformance.

The customer risks to which the Frauenthal Group is exposed include credit and default risks. Commercial vehicle manufacturers are mostly very large, multinational corporations, but their creditworthiness was eroded by the economic crisis, which hit the automotive sector particularly hard.

Because of this the Group's debtor management system was reinforced and centralised in previous years. The starting point for this was close observation of all payment delays. The Executive Board is notified of significant irregularities on a monthly basis, and action is taken at all levels of the organisation involved to ensure that every delinquent invoice is tracked by the field sales force.

The credit default swap (CDS) spreads of the Group's key accounts were again monitored on a monthly basis during the reporting period. Credit default swaps are financial instruments that make it possible to buy and sell default risks. The premium (the CDS spread) reflects the market's assessment of the creditworthiness of the reference entity. Spreads rose very steeply from July 2011 until the end of the year. This indicator was volatile in 2012, and although the spread widened during the summer it improved towards the end of the year. The chart below shows the movements in the CDS spreads of some major customers up to 11 January 2013.



Despite the collapse of demand for commercial vehicles in 2009 there have been no major defaults in recent years, and we expect this risk to remain relatively insignificant in future.

The Frauenthal Automotive Division does not use any hedging instruments since the majority of its customers are major international companies, and the cost of such hedges would therefore not be justified. Netting agreements provide protection against risk.

The business of the **Wholesale Plumbing Supplies Division** involves a large number of customers in the plumbing trade. The division has ongoing business relationships with over 3,500 Austrian plumbers, and the default risks are typical of a trade in which small businesses predominate.

The key success factors for the Division are procurement prices, and terms and conditions, efficient warehousing and delivery logistics, and the quality and financing of customer receivables. Where competition between wholesalers gives rise to fierce battles for market shares, this may lead to severe price erosion. However, other, stabilising aspects of the customer relationship (delivery reliability, finance, technical advice, etc.) mean that the price of the products is not the sole determinant of customers' decisions, and that the risks associated with price competition can be countered by such means of cementing customer loyalty.

Wholesale Plumbing Supplies has taken a number of steps to manage default risks. In 2003 the division introduced specialised receivables monitoring and management software, which supports early identification and assessment of existing risks, and correct responses to them.

Default and credit risk is countered by regular creditworthiness and credit limit checks, active credit management and credit insurance. As most of SHT Haustechnik AG's customers are small tradesmen, significant risk exposure from major projects is rare. This risk management system is an integral component of the overall planning, control and reporting process. Due to the large number of customers there is no significant risk concentration. Reliable and secure information technology is also an important consideration for the Wholesale Plumbing Supplies Division. The Division addresses this issue by using state-of-the-art technology – particularly for data backup and firewalls – as well as a highly available computer centre, redundant data lines and catastrophe planning.

Reference is made to the section of the operating review entitled "Customer risk" for further information on default and credit risk.

FOREIGN EXCHANGE RISK

The introduction of the euro significantly reduced the Frauenthal Group's exposure to foreign exchange risk. The Group's main customers and production facilities are located within the euro area, and its ongoing operations therefore expose it to little foreign exchange risk.

Exchange rate volatility is the main reason for Frauenthal's price risk exposure in Romania. However, as the Romanian subsidiary invoices a large part of its exports in EUR, movements in this currency have little impact on results.

The relevant exchange rates affect the payment flows generated by receivables and payables denominated in foreign currencies. Attempts are therefore made to minimise RON exchange risk and make it predictable over extended periods by using hedging instruments. As a result of these hedges the Group was not exposed to any significant currency risks as at the end of the reporting period.

The currency sensitivity analyses that support this assessment are based on the following assumptions.

The main underlying financial instruments involved (cash and cash equivalents, interest-bearing financial assets and finance lease liabilities) are denominated in the functional currency, and exchange rate movements therefore have no effect on earnings or equity.

The influence of volatile currencies (the Romanian leu, the Polish zloty and the Czech koruna) on costs at the production sites in the countries concerned is very limited due to the invoicing of the main input – steel – in euro. Most of the customer invoices are also in euro and consequently present no currency risk. We therefore only hedge RON exchange rate risk, but the other risks are kept under constant observation and could be hedged if necessary.

The sensitivity analyses for the volatile currencies yield the following results.

The exchange rate of the Romanian leu to the euro at the end of the reporting period was 4.4445 (2011: 4.3233) – a devaluation of 2.80 % compared to year-end 2011. If the average exchange rate of the Romanian currency to the euro had been 10 % higher or lower at the end of the reporting period, earnings would have been EUR 30,000 higher, or EUR 25,000 lower, respectively. Equity would have been EUR 482,000 higher or EUR 394,000 lower as a result.

The exchange rate of the Polish zloty at the end of the reporting period was 4.0740 (2011: 4.4580). This represented a revaluation of 8.61 % compared to year-end 2011. If the average exchange rate of the zloty to the euro had been 10 % higher or lower at the end of the reporting period, earnings would have been EUR 103,000 higher, or EUR 84,000 lower, respectively. Equity would have been EUR 800,000 higher or EUR 654,000 lower as a result.

The exchange rate of the Czech koruna at the end of the reporting period was 25.1510. As the Czech subsidiary was acquired on 31 October 2012 the exchange rate on that day (CZK 25.0640) is used for the comparison. On the basis the currency was devalued by 0.35 % against the euro. If the average exchange rate of the Czech currency to the euro had been 10 % higher or lower at the end of the reporting period, earnings would have been EUR 7,000 lower, or EUR 6,000 higher, respectively. Equity would have been EUR 681,000 higher or EUR 557,000 lower as a result.

MATERIAL PRICE RISK

In the Frauenthal Automotive Division the availability of steel is assured by long-term supplier relationships and supply contracts. There are agreements with customers which would enable steel price increases to be passed on to them in the event of shortages of materials, and sharp increases in the prices of steel and other inputs. There are no other material risks.

INTEREST RATE RISK

The risk from interest rate movements to the Group's financial assets and liabilities is currently regarded as low in comparison to its exchange, default and credit risk exposures, as its financing is mainly based on bonds.

In May 2011 the Group floated a EUR 100m bond issue; the five-year bond has a fixed coupon of 4.875 %. Of the proceeds, EUR 43m went towards early redemption of a portion of the 2005 bond issue (due on 28 June 2012). The outstanding EUR 27m was repaid on 28 June 2012. There will be significant refinancing requirements when the 2011 bond matures in May 2016, and after this interest rate movements could influence the Group's assets, finances and earnings.

Most of the Group's remaining borrowing is at variable rates of interest: EUR 5.6m is long-term and EUR 9.3m short-term debt. The corporate treasury function monitors interest rate trends and the related risk. If necessary, interest rate hedges can be employed. During the reporting period the average rate of interest on the Group's interest-bearing borrowings was 4.54 % (2011: 3.39 %).

In order to make optimum use of the surplus liquidity generated by the disposal of the Industrial Honeycombs Division bank liabilities were prematurely wound down, and the remaining EUR 45m were invested with leading Austrian banks at fixed interest rates. Some EUR 35m was invested long term, up to the redemption date of the bond (May 2016), and EUR 10m matures in June 2013.

The Group subjects its interest rate risk to sensitivity analyses in accordance with IFRS 7. These reveal the effects of changes in market interest rates on interest payments, income and expense, other income statement items and equity. The interest rate sensitivity analyses are based on the following assumptions.

Changes in the market interest rates of fixed-rate underlying financial instruments only affect the Group's results when these instruments are remeasured to fair value. Fixed-interest financial instruments measured at amortised cost as required by IFRS 7 are not exposed to interest rate risk.

Changes in market interest rates affect net interest income from variable-rate underlying financial instruments and are therefore included in the calculation of profit sensitivity.

Most of the Group's financing is underpinned by a EUR 100m bond with a fixed interest rate of 4.875 %. If the market interest rate of variable rate financial liabilities at the end of the reporting period had been 200 basis points higher/lower, then profit would have been approx. EUR 64,000 lower/higher. If the rate had been 500 basis points higher/lower at the end of the reporting period, this would have led to a profit EUR 161,000 lower/higher than the actual result. Equity would have been EUR 161,000 lower/higher.

A discount rate of 3.7 % is applied to the provisions for employee benefits. If the level of market interest rates had been 50 basis points higher at the end of the reporting period (with a discount rate of 4.2 %), then equity would have been EUR 1.0m higher. Equity would have dropped by EUR 1.3m if the level of market interest rates had been 50 basis points lower at the end of the reporting period (with a discount rate of 3.2 %).

FAIR VALUES

The fair values of the **derivative financial instruments** held, and their measurement categories, carrying amounts and fair values are shown in the table below. The fair values of the **underlying financial instruments** are effectively identical to the carrying amounts due to the daily or short-term maturities.

ASSETS EUR '000	Measurement category	Carrying amount at 31 Dec. 2012	Fair value at 31 Dec. 2012	Carrying amount at 31 Dec. 2011	Fair value at 31 Dec. 2011
Financial assets	AFS	1,042	1,042	977	977
Trade receivables	LAR	67,398	67,398	73,210	73,210
Other receivables	LAR	12,215	12,215	5,879	5,879
Cash and cash equivalents	n.a.	49,348	49,348	40,329	40,329
Aggregated by measurement categories					
available for sale	AFS	1,042		977	
loans and receivables	LAR	79,613		79,089	

LIABILITIES EUR '000	Measurement category	Carrying amount at 31 Dec. 2012	Fair value at 31 Dec. 2012	Carrying amount at 31 Dec. 2011	Fair value at 31 Dec. 2011
Non-current liabilities					
Bond	FLAC	99,395	103,371	99,229	102,355
Bank borrowings	FLAC	5,585	5,585	11,989	11,989
Other liabilities	FLAC	270	270	1,253	1,253
Current liabilities					
Bond	FLAC	3,019	3,140	30,839	29,722
Bank borrowings	FLAC	9,254	9,254	10,684	10,684
Trade payables	FLAC	45,932	45,932	60,170	60,170
Other liabilities	FLAC	13,242	13,242	15,657	15,657
Currency futures transaction	HFT	61	61	27	27
Aggregated by measurement categories					
Financial liabilities measured at amortised cost	FLAC	176,697		229,820	
Held for trading	HFT	61		27	

	EUR '000	Net result in 2012	Net result in 2011
Net results by measurement categories			
Held for trading	HFT	–61	–27
Loans and receivables	LAR	–4,013	–2,640
Current and non-current liabilities	FLAC	–5,997	–6,903

The net results by measurement categories include the negative fair value of the leu-denominated currency futures contracts held by the Frauenthal Automotive Division, in an amount of EUR 61,000, which is shown under "Held for trading". In 2011 this item concerned the negative fair value of currency futures transactions carried out by the Industrial Honeycombs Division, in an amount of EUR 27,000.

The "Loans and receivables" item relates to the impaired receivables, details of which are given in Note 18. The "Current and non-current liabilities" concern interest expense in 2012.

The financial instruments can be classified according to the following fair value hierarchy:

	EUR '000	Measurement category	Carrying amount at 31 Dec. 2012	Carrying amount at 31 Dec. 2011
Level 1: market approach	Financial assets	AFS	1,042	977
	Currency futures transaction	HFT	–61	–27

Some EUR 45m of the surplus liquidity generated by the disposal of the Industrial Honeycombs Division was invested with leading Austrian banks. Of this amount EUR 35m was invested long term, and EUR 10m matures in June 2013.

The long-term bank borrowings are normally recognised at the amounts due, as the current interest rates for liabilities with like maturities correspond to the average rate of interest on these liabilities. The outstanding EUR 27m due on the 2005 bond was repaid on 28 June 2012. The "Bonds" item includes the EUR 100m five-year bond issued in May 2011. The price of this bond was unchanged at EUR 104.00 from 6 December 2012 until the end of the reporting period. The bonds were not remeasured at the end of the reporting period. The short-term bank borrowings are shown at amortised cost in the consolidated statement of financial position. The table below shows the contractually agreed (undiscounted) interest and principal payments due on the underlying financial liabilities. The Frauenthal Group has derivative financial liabilities of EUR 61,000 (2011: EUR 27,000) which come from the divested Industrial Honeycombs Division.

EUR '000	Carrying amount at 31 Dec. 2011	Financial flows, 2013		Financial flows, 2014	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**117,253**	**5,338**	**5,362**	**5,153**	**1,606**
Bonds	102,414	4,875	0	4,875	0
Bank borrowings	14,572	450	5,265	271	1,512
whereof long-term borrowings (long-term portion)	4,419	9	213	21	1,512
long-term borrowings (current portion)	3,722	24	3,722	0	0
loans and overdrafts	6,357	417	1,255	250	0
deferred payments	74	0	74	0	0
Finance lease liabilities	267	14	97	7	93

EUR '000	Financial flows, 2015–2017		Financial flows, 2018–	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**15,403**	**102,770**	**250**	**0**
Bonds	14,625	100,000	0	0
Bank borrowings	774	2,694	250	0
whereof long-term borrowings (long-term portion)	24	2,694	0	0
long-term borrowings (current portion)	0	0	0	0
loans and overdrafts	750	0	250	0
deferred payments	0	0	0	0
Finance lease liabilities	4	77	0	0

"Loans and overdrafts" include overdraft facilities and the cash pooling system, for which no principal is shown because they are used as rolling loans.

All the instruments held on 31 December 2012 for which payments had been contractually agreed as at that date are included in the above disclosures. Budgeted new liabilities are excluded. Amounts in foreign currencies were translated at the rates ruling at the end of the reporting period. Borrowings repayable at any time are always shown in the column with the shortest maturities.

By way of comparison, the figures for 2011 were as follows:

EUR '000	Carrying amount at 31 Dec. 2012	Financial flows, 2012 Interest	Financial flows, 2012 Principal	Financial flows, 2013 Interest	Financial flows, 2013 Principal
Underlying financial liabilities	**152.740**	**6.595**	**30.776**	**5.774**	**7.203**
Bonds	130,068	5,578	27,295	5,050	0
Bank borrowings	22,183	1,017	3,429	724	7,151
whereof long-term borrowings (long-term portion)	9,852	292	0	216	6,939
long-term borrowings (current portion)	2,904	71	2,895	0	0
loans and overdrafts	9,417	654	524	508	212
deferred payments	10	0	10	0	0
Finance lease liabilities	489	0	52	0	52

EUR '000	Financial flows, 2014–2016 Interest	Financial flows, 2014–2016 Principal	Financial flows, 2017– Interest	Financial flows, 2017– Principal
Underlying financial liabilities	**13.658**	**104.345**	**502**	**441**
Bonds	12,059	100,000	0	0
Bank borrowings	1,599	4,188	502	213
whereof long-term borrowings (long-term portion)	64	2,913	0	0
long-term borrowings (current portion)	0	0	0	0
loans and overdrafts	1,535	1,275	502	213
deferred payments	0	0	0	0
Finance lease liabilities	0	157	0	228

In May 2011 the Group issued EUR 100m in bonds. EUR 43m of the proceeds went towards early redemption of a portion of the 2005 bond issue (due on 28 June 2012).

[45] Share option plan

On 1 June 2011, the Supervisory Board of Frauenthal Holding AG approved a share option plan for the 2012–2017 period for members of the Executive Board of Frauenthal Holding AG and for Frauenthal Group senior management. All members of the Frauenthal Group's senior leadership team are eligible to participate in the plan. Eleven persons (2011: ten) were eligible to participate as at the end of the reporting period.

The plan is designed to give the members an incentive to continue contributing to the success of the Group, and as a result to share in that success. Share options enhance employees' sense of identification with the Company by making them into co-owners.

The share option plan has a term of five years (2012–2017).

On the basis of a discretionary decision by the Frauenthal Holding AG Supervisory Board, under the plan members can be awarded up to 10,000 options per year for outstanding performance during the 2012–2017 financial years. Each option entitles them to subscribe to one no par bearer share at a price of EUR 2.00. The exercise price of EUR 2.00 corresponds to the rounded-up average carrying amount of Frauenthal treasury shares according to the annual financial statements of Frauenthal Holding AG as at 31 December 2010.

The fair value of the options granted in 2012 – EUR 198,000 (2011: EUR 48,000) – is stated under "Staff costs", and carried in the "Capital reserves" equity item. The fair value is calculated on the basis of the day on which the share option plan was adopted (22 September 2011), as well as 30 June and 16 October 2012, and spread over the period during which the participants are unconditionally entitled to exercise the options granted. The value of the options was calculated using the discrete Black Scholes model, based on the American option pricing model. Under this approach, options are valued in accordance with six parameters: the current share price (source: Bloomberg); the exercise price (EUR 2); the time to maturity of the option (42–90 months); the risk-free interest rate matching the maturity of the option (source for risk-free interest rate: Deutsche Bundesbank; 2.4193 %); volatility (42.3025 %); and the dividend yield (2.4081 %). The amount recognised as expense was adjusted for projected employee turnover in order to reflect the anticipated number of options which will actually be exercised. In 2012 options on a total of 25,000 no par bearer shares were granted to the Frauenthal Holding AG Executive Board and other senior executives of the Frauenthal Group. No options were exercised in 2012.

The change in the number of share options is shown below.

	2012	2011
Number of share options		
At 1 Jan.	0	0
Options granted	25,000	10,000
Options exercised	0	–10,000
At 31 Dec.	**25,000**	**0**

The options granted are exercisable from the third anniversary of allocation until the end of the same financial year. Under the applicable legal provisions, if a member retires he/she is entitled to exercise all the options granted up to the retirement date immediately. If he/she fails to exercise the options within three months of retirement they lapse. In the event that a member dies or leaves the Company due to invalidity all the unexercised options are paid for in cash at their value on the date in question. If the value is negative no settlement is made.

Shares acquired by exercising options are subject to a 36-month holding period. However all plan participants will be entitled, before expiry of the holding period – but not during regular or discretionary blocking periods – to sell as many of the shares acquired by exercise of the options as is necessary to pay the personal income tax to which they become liable through exercise of the options out of the net sales proceeds (i.e. the proceeds less any tax on same). A plan participant who retires or leaves the Company due to invalidity is entitled to sell all the shares acquired exercising the options after retiring or separating from the Company due to invalidity, but must do so before the holding period expires.

All of the options are non-transferable.

[46] Governing bodies

The Frauenthal Holding AG Supervisory Board consists of six members elected by the Annual General Meeting and three members delegated by the central works council.

Hannes Winkler, Chairperson since 26 March 2010
Dietmar Kubis, Deputy Chairperson since 10 February 1999
Oskar Grünwald, member since 21 May 1999
Johannes Strohmayer, member since 2 June 2010
Heike Jandl, member since 1 June 2011
Birgit Eckert, member since 1 June 2011

New members delegated to the board by the central works council are Jürgen Tschabitzer and Klaus Kreitschek. They replaced Klement-Michael Marchl and Karoline Neuhäusser. Klement-Michael Marchl left the board because he was employed by the Industrial Honeycombs Division, which was sold in 2012. Karoline Neuhäusser was recalled from her position on the board on 31 December 2012 due to her retirement.

August Enzian, since 27 September 2010
Jürgen Tschabitzer, since 7 May 2012
Karoline Neuhäusser, until 31 December 2012
Klaus Kreitschek, since 10 January 2013

In 2012 the Supervisory Board received EUR 104,000 (2011: EUR 78,000) in compensation. As in previous years, Hannes Winkler waived his entitlements.

The membership of the Executive Board was as follows:

Hans-Peter Moser, since April 2006
Martin Sailer, since September 2008

In 2012 the total remuneration of the Executive Board was EUR 1,072,000. Of this amount EUR 705,000 are reported as staff costs and EUR 367,000 as consultancy expenses, under "Other operating expenses" (related party transaction with FVV Frauenthal Vermögensverwaltung GmbH). Regular contributions are made to a pension fund for Board members. Members have no contractual entitlements to termination benefits on leaving office. Additional information on related party transactions is given in Note 47 Related party disclosures.

The compensation of the Executive Board consists of a fixed salary and a variable component of up to EUR 200,000 per annum, gross. The variable component is based on board members' personal performance. The variable component is based on qualitative and quantitative target setting agreements; the qualitative and the quantitative elements must represent equal shares of the variable component. The quantitative targets relate to the attainment of budget targets, and to value growth and liquidity, while the qualitative targets concern pre-agreed objectives for individual divisions and/or the Group as a whole. Frauenthal Holding AG has taken out directors and officers (D&O) insurance cover for the Executive Board, chief executives of Group companies and the Supervisory Board, and bears the cost of EUR 19,000 (2011: EUR 19,000).

[47] Related party disclosures

FT-Holding GmbH, Chemnitz continues to hold a 72.9 % interest in Frauenthal Holding AG. Hannes Winkler and Ernst Lemberger each indirectly own 50 % of FT-Holding GmbH. Frauenthal Vermögensverwaltung GmbH (FVV), Vienna draws up the consolidated financial statements for the largest group of companies to which the Frauenthal Group belongs.

Related party transactions between Frauenthal Group companies and entities controlled by Hannes Winkler and Ernst Lemberger, involving rental and other services, amounted to EUR 3,573,000 in 2012 (2011: EUR 4,070,000). The services exclusively concern Executive Board members' remuneration charged-on to Frauenthal at cost.

With effect from 30 June 2010, FVV's entire holding in Validus Immobilienholding GmbH, Vienna was transferred by way of a demerger to a company wholly owned by Hannes Winkler. As a result, Validus Immobilieholding GmbH and all of its subsidiaries are controlled by Hannes Winkler.

Validus Immobilienholding GmbH charged EUR 3,222,000 in rent (2011: EUR 3,108,000) for office, commercial and storage space used by SHT Haustechnik AG, Perchtoldsdorf and the premises at Rooseveltplatz 10, 1090 Vienna, where all the central departments of Frauenthal Holding AG, as well as the senior management of the Frauenthal Automotive Division are based. The increase in the rental is due to indexation and additional rented space at the Rooseveltplatz premises. The rental cost is in line with normal market rates and was subjected to an arm's-length comparison which was confirmed by an independent valuation report.

Expenses in respect of Executive Board services were charged by FVV for the January–March period. They amounted to EUR 367,000 (2011 January–December: EUR 998,000).

For their part Frauenthal Group companies charged consolidated subsidiaries of FVV EUR 16,000 (2011: EUR 36,000) for IT and other services.

[48] Events after the end of the reporting period

Frauenthal Automotive Holding GmbH, Vienna acquired the 14% interest in Frauenthal Automotive Sales GmbH previously held by Ascometal S.A.S. between the end of the reporting period and the signature of the auditors' certificate on 11 March 2013, namely, on 4 February 2013. As a result Frauenthal Automotive Sales is now wholly owned by Frauenthal Automotive Holding GmbH. The acquisition means that there are no longer any minority interests in the Frauenthal Group. There are no effects on the income statement, and Frauenthal Automotive Sales continues to be included in consolidation.

Vienna, 11 March 2013

Frauenthal Holding AG

Hans-Peter Moser Member of the Executive Board	Martin Sailer Member of the Executive Board

TASK

Dejan Stojanovic, 40, an order picker at SHT's Perchtoldsdorf facility (Wholesale Plumbing Supplies Division), is responsible for the prompt delivery of products to plumbers,

PRODUCT

SHT Haustechnik AG has six distribution centres in Austria, giving it nationwide coverage, Since it is not possible for each centre to stock all of the products, some items needed by customers are delivered overnight from other centres, The items are then delivered to the customer the following day,

AUDITORS' REPORT
REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated annual financial statements of

FRAUENTHAL HOLDING AG, VIENNA,

for the year ended 31 December 2012. These statements comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, as well as the notes to the accounts.

RESPONSIBILITY OF THE COMPANY'S LEGAL REPRESENTATIVES FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND THE GROUP'S ACCOUNTING

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

AUDITORS' RESPONSIBILITIES, AND DESCRIPTION OF THE NATURE AND SCOPE OF THE STATUTORY AUDIT

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

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

We believe that the audit evidence obtained is sufficient and appropriate to provide a sound basis for our audit opinion.

OPINION

Our audit gave rise to no objections. Based on the results of our audit, in our opinion the consolidated financial statements to the maximum possible extent conform to the legal regulations, and present a true and fair view of the Group's assets and finances as at 31 December 2012, as well as its earnings and cash flows for the year then ended, in accordance with the **International Financial Reporting Standards (IFRSs) applicable in the EU and the regulations applicable in Austria.**

OPINION ON THE GROUP OPERATING REVIEW

The legal regulations require us to audit the Group operating review to determine whether it is consistent with the consolidated annual financial statements and whether the other disclosures made in the operating review do not present a false view of the Group's position. The auditor's report must also contain a statement as to whether the Group operating review is consistent with the consolidated financial statements and whether the disclosures made in accordance with section 243a UGB (Austrian Commercial Code) are correct.

In our opinion the operating review is consistent with the consolidated financial statements. The disclosures under section 243a UGB are correct.

Vienna, 11 March 2013

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Andreas Thürridl	Peter Bartos
Auditor	Auditor

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

TASK

Emil Stoian, 49, paints a trapezoidal spring at the Frauenthal Automotive plant in Sibiu. The process requires extreme care, as the thickness of the paint is crucial to the spring's corrosion resistance and hence to its service life.

PRODUCT

The Frauenthal Automotive Sibiu plant in Romania manufactures both parabolic and trapezoidal springs. Trapezoidal springs are still frequently used for vehicles designed for construction sites and other rough terrain.

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

in EUR	31 Dec 2012	31 Dec 2011
Assets		
Non-current assets		
Intangible assets	3,614	4,816
Property, plant and equipment	536,458	333,678
Financial assets	61,812,251	72,904,371
	62,352,323	**73,242,865**
Current assets		
Receivables		
Trade receivables	0	1,460
Receivables from Group companies	86,655,304	86,538,512
Receivables from associates	0	14,348
Others receivables and assets	7,844,176	832,363
Own shares	7,553,599	532,822
Cash and cash equivalents	45,028,279	36,079,612
	147,081,358	**123,999,117**
Prepayments and deferred assets	97,814	76,271
Total assets	**209,531,495**	**197,318,253**

in EUR	31 Dec 2012	31 Dec 2011
Equity and liabilities		
Equity		
Share capital	9,434,990	9,434,990
Capital reserves	21,259,241	21,259,241
Retained earnings	55,753,599	31,232,822
Profit for the year	9,840,764	3,641,881
	96,288,594	**65,568,934**
Provisions		
Provisions for taxes	1,501,549	0
Other provisions	765,770	449,265
	2,267,319	**449,265**
Liabilities		
Bond	103,018,493	130,838,884
Trade payables	77,743	86,546
Payables to Group companies	7,820,354	337,417
Other liabilities	58,992	37,207
	110,975,582	**131,300,054**
Total Equity and liabilities	**209,531,495**	**197,318,253**

TASK

Horst Vertnik, 43, is seen measuring warm air links to check that the machinery used to make them was correctly set up. He works at the Frauenthal Automotive Judenburg plant.

PRODUCT

The air link came into being as a spin-off of the parabolic spring in the early 1990s. In air suspended front and rear axles for trucks or buses, and in trailer axles, the function of the air links is to guide the axle and stabilise the vehicle.

FRAUENTHAL HOLDING AG SEPARATE FINANCIAL STATEMENTS

The separate annual financial statements of Frauenthal Holding AG, prepared in accordance with Austrian accounting regulations, were given an unqualified audit certificate by BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna and have been submitted to the register of companies at the Vienna commercial court, together with the related documents, under register number FN 83990s. These statements can be requested free of charge from Frauenthal Holding AG, Rooseveltplatz 10, 1090 Vienna, and will be available for inspection at the Annual General Meeting.

EUR 2,748,760.20 was distributed as dividends from the profit for the 2011 financial year. The Executive Board has not recommended payment of a dividend for 2012.

11 March 2013

Hans-Peter Moser Member of the Executive Board	Martin Sailer Member of the Executive Board

INCOME STATEMENT

in EUR	2012	2011
Revenue	**1,968,600**	**2,155,000**
Other operating income	942,613	328,940
Gains on disposal of non-current assets	22,999	2,529
Gains on reversal of provision	10,637	12,450
Staff costs	–2,407,698	–1,296,834
Depreciation and amortisation expense, and impairment	–118,393	–65,368
Other operating expenses	–4,883,163	–3,795,129
Profit from operations	**–4,464,405**	**–2,658,412**
Income from Group companies	7,681,598	16,856,902
Other interest and similar income	3,026,860	1,141,389
Gains on disposal of financial assets	42,069,380	444
Interest and similar expenses	–5,436,672	–5,365,584
Net finance income	**47,341,166**	**12,633,151**
Profit before tax	**42,876,761**	**9,974,739**
Income tax expenses	–9,408,340	1,630,321
Profit after tax	**33,468,421**	**11,605,060**
Reversal to retained earnings	0	19,556
Allocation to retained earnings	–24,520,777	–10,000,000
Net profit from ordinary activities	**8,947,644**	**1,624,616**
Profit brought forward	893,120	2,017,265
Net profit for the period	**9,840,764**	**3,641,881**

TASK

Yvonne Sladek, 33, works at the SHT Installateur Service Center (ISC) in Vienna's 14th district, where wholesale customers receive face-to-face advice and assistance from our customer advisors when selecting products.

PRODUCT

With six logistics centres and eight sales outlets, SHT can react swiftly to customer enquiries. Plumbers can find the goods they need locally at one of around 40 ISC pick-up stores.

GLOSSARY

ABREVIATIONS

ABS	Asset backed securities
AFS	Available for sale
BMVG	Betriebliches Mitarbeitervorsorgegesetz (Employee Benefits Act)
BPW	BPW Bergische Achsen AG
CDS	Credit Default swap
CO_2	Carbon dioxide
CZK	Czech koruna
D&O	Directors' and officers' (insurance)
DCF method	Discounted cash flow method
DBO	Defined benefit obligation
EBITDA	**Earnings before interest, tax, depreciation and amortisation** = gross cash flow
EBITA	**Earnings before interest, tax and amortisation** Operating profit before write-downs of goodwill
EBIT	**Earnings before interest and tax (operating profit)** Operating result before net finance costs and tax
ERP	Enterprise resource planning (software)
EU	European Union
EUR	euro
EUR million	million euro
EUR '000	Thousand euro
EVA	**Economic value added** Difference between the return on capital employed and the cost of capital: capital employed multiplied by (ROCE – WACC)
FA	Frauenthal Automotive
FIFO	First in, first out
FLAC	Financial liabilities measured at amortised cost
GM	General Motors
HFT	Held for trading
HR	Human resources
HRK	Croatian kuna
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISC	Installateurservicecenter (plumbers' service centre)
IT	Information technology
kg	kilogramm
kk	Scope of consolidation
km	kilometer
LAR	Loans and receivables

NOPAT	**Net operating profit after tax** EBITA minus adjusted tax (average effective rate of 25%)
NOx	Nitrogen oxide
OEM	Original equipment manufacturer
p.a.	per annum
PoC	Percentage of completion
PLN	Polish zloty
ROCE	**Return on capital employed** ROCE = NOPAT/CE
RON	New Romanian leu
RON ’000	Thousand Romanian lei
RSD	Serbian dinar
SAP	Systemanalyse und Programmentwicklung (System Analysis and Program Development)
SHT	SHT Haustechnik AG
SIC	Standing Interpretations Committee
USD ’000	Thousand US dollars
UGB	Unternehmensgesetzbuch (Austrian Business Code)
USA	United States of America
USD	US dollar
WACC	**Weighted average cost of capital** The average market value of the enterprise’s debt and equity (Put at 6.57% for the Frauenthal Group in 2011, and at 7.27% in 2012)

OUR STRUCTURE

per 31.12.2012

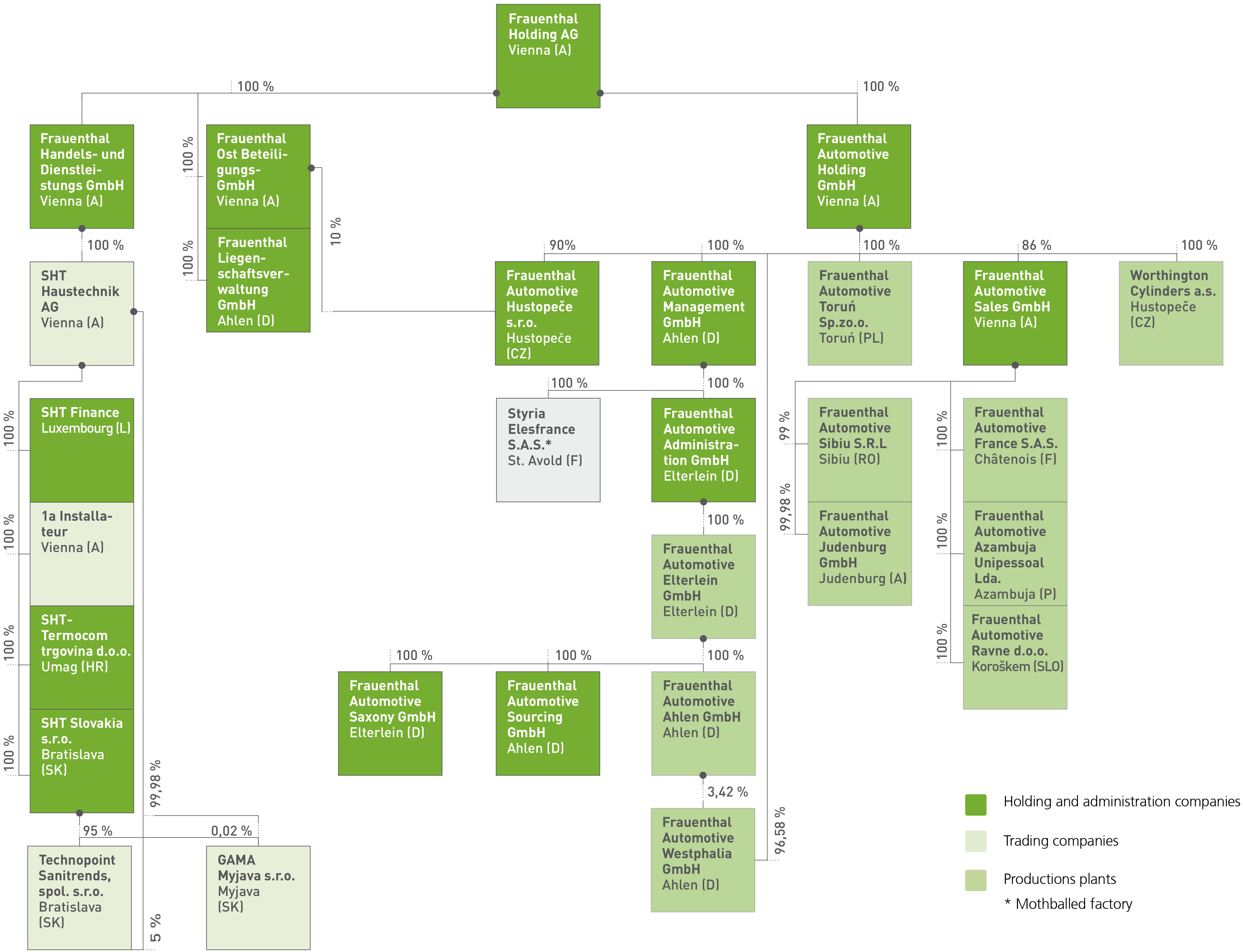
TASK

Parabolic springs are heated in preparation for the next stage of the production process at the Frauenthal Automotive plant in Sibiu. Before this step, Ioan Dimitru, 45, grinds the spring leaves to remove any sharp edges.

PRODUCT

Frauenthal Automotive has played a key role in technical progress in parabolic springs. There is a trend towards highly stressable and single-leaf springs. A lower number of leaves, and designs that can withstand stress mean that less material is used, reducing the weight of the spring and the overall vehicle.

ROMANIA


Frauenthal Holding AG Vienna (A)
100 %
100 %
Frauenthal Handels- und Dienstleistungs GmbH Vienna (A)
100 %
SHT Haustechnik AG Vienna (A)
100 %
SHT Finance Luxembourg (L)
100 %
1a Installateur Vienna (A)
100 %
SHT-Termocom trgovina d.o.o. Umag (HR)
100 %
SHT Slovakia s.r.o. Bratislava (SK)
95 %
Technopoint Sanitrends, spol. s.r.o. Bratislava (SK)
5 %
99,98 %
0,02 %
GAMA Myjava s.r.o. Myjava (SK)
100 %
Frauenthal Ost Beteiligungs-GmbH Vienna (A)
100 %
Frauenthal Liegenschaftsverwaltung GmbH Ahlen (D)
10 %
90%
Frauenthal Automotive Hustopeče s.r.o. Hustopeče (CZ)
Frauenthal Automotive Holding GmbH Vienna (A)
100 %
Frauenthal Automotive Management GmbH Ahlen (D)
100 %
Styria Elesfrance S.A.S.* St. Avold (F)
100 %
Frauenthal Automotive Administration GmbH Elterlein (D)
100 %
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100 %
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100 %
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100 %
Frauenthal Automotive Ahlen GmbH Ahlen (D)
3,42 %
Frauenthal Automotive Westphalia GmbH Ahlen (D)
96,58 %
100 %
Frauenthal Automotive Toruń Sp.zo.o. Toruń (PL)
86 %
Frauenthal Automotive Sales GmbH Vienna (A)
100 %
Worthington Cylinders a.s. Hustopeče (CZ)
99 %
Frauenthal Automotive Sibiu S.R.L Sibiu (RO)
99,98 %
Frauenthal Automotive Judenburg GmbH Judenburg (A)
100 %
Frauenthal Automotive France S.A.S. Châtenois (F)
100 %
Frauenthal Automotive Azambuja Unipessoal Lda. Azambuja (P)
100 %
Frauenthal Automotive Ravne d.o.o. Koroškem (SLO)
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Trading companies
Productions plants
* Mothballed factory

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IMPRINT

FINANCIAL CALENDER 2013

26.02.2013	Preliminary annual results 2012
11.03.2013	Annual results 2012
12.05.2013	Record day
21.05.2013	First-quarter interim report 2013
22.05.2013	Annual General Meeting
23.05.2013	Result of the vote of the Annual General Meeting
27.05.2013	Ex-day
29.05.2013	Dividend-Payment
21.08.2013	Interim financial report for the half year ended 30 June 2013
21.11.2013	Third-quarter interim report 2013

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Vienna Stock Exchange: Prime Market

Symbol: FKA

ISIN: AT 0000762406 (shares)

Bloomberg-code: FKA AV

Reuters-code: FKAV.V1

Market capitalisation: MEUR 88.7 incl. 1,900,000 pieces unlisted registered shares (29.12.2012)

Vienna Stock Exchange: Listing on Vienna Stock Exchange official market

Symbol: FKA

ISIN: AT000A0PG75 (bonds)

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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