frauenthal
GROUP

ANNUAL REPORT 2013

5-YEAR-SUMMARY

	IFRS 2013	IFRS 2012*	IFRS 2011*	IFRS 2010	IFRS 2009
Summary income statement (EUR m)					
Revenue	574.8	509.9	514.2	539.4	454.5
EBITDA	20.4	18.3	24.7	34.3	-6.0
EBITDA underlying [1)]	*22.7*	*18.3*	*24.7*	*32.8*	*-0.1*
ROS (EBITDA / revenue)	**3.6%**	**3.6%**	**4.8%**	**6.4%**	**-1.3%**
ROS (EBITDA / revenue) underlying [1)]	***4.0%***	***3.6%***	***4.8%***	***6.1%***	***0.0%***
Profit from operations (EBIT)	-22.5	7.9	14.5	21.7	-25.2
Profit from operations (EBIT) underlying [1) 2)]	*9.2*	*7.9*	*14.5*	*20.2*	*-19.4*
Profit before tax (EBT)	-27.9	3.2	8.6	18.1	-29.6
Profit for the year from continuing operations	-	1.3	6.1	-	-
Profit for the year from discontinued operations	-	37.7	7.6	-	-
Profit for the year	-30.9	39.0	13.7	17.4	-29.4
Profit for the year underlying	*0.8*				
Operating profit before working capital changes	16.9	11.0	31.1	29.2	-7.3
Summary statement of financial position (EUR m)					
Non-current assets	125.9	124.0	142.8	136.1	136.3
Current assets	231.3	216.5	221.8	154.8	118.5
Total assets	357.2	340.5	364.6	290.9	254.7
Borrowings	265.6	213.0	265.8	201.4	182.7
Equity	91.6	127.5	98.9	89.5	72.1
Equity ratio (%)	**25.7%**	**37.4%**	**27.1%**	**30.8%**	**28.3%**
Investment	16.3	15.2	13.7	9.3	12.1
as % of revenue	2.8%	3.0%	2.7%	1.7%	2.7%
Average head account [2)]	**2,989**	**2,613**	**2,368**	**2,548**	**2,442**
Per employee ratios (EUR '000)					
Revenue	192.3	195.1	217.1	211.7	186.1
Profit from operations (EBIT)	-7.5	3.0	6.1	8.5	-10.3
Operating profit before working capital changes	5.7	4.2	13.1	11.5	-2.8
Share issue	9,434,990	9,434,990	9,434,990	9,434,990	9,434,990
Own shares	-943,499	-943,499	-272,456	-282,456	-261,390
Shares in circulation	8,491,491	8,491,491	9,162,534	9,152,534	9,173,600
Per share ratio (EUR)					
EBITDA	2.4	2.2	2.7	3.8	-0.7
Profit from operations (EBIT)	-2.6	0.9	1.6	2.4	-2.7
Profit for the year from continuing operations	-3.6	0.2	0.7	-	-
Profit for the year from discontinued operations	-	4.4	0.8	-	-
Profit for the year	-3.6	4.6	1.5	1.9	-3.2
Operating profit before working capital changes	2.0	1.3	3.4	3.2	-0.7
Equity	10.8	15.0	10.8	9.8	7.6
Share price					
Year end	9.01	8.80	9.40	10.90	7.49
High	9.94	11.00	13.52	10.90	8.50
Low	8.12	8.11	8.10	6.59	4.25
Dividend and Bonus	0.2[3)]	0.2	0.3	0.3	0.0

1) 2013: Adjustment of Eur 2,3m for deconsolidation of Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH due to the disposal of the companies
2) 2013: Adjustment for EUR 29,4m from Impairments
1) 2010: Adjustment for Eur 1,5m in write-ups of non-current assets
1) 2009: Adjustment of Eur 6m for deconsolidation of Styria Federn GmbH, Düsseldorf and a,d, Fabrika Opruga Styria Gibnjara Kraljevo, Serbia, due to the disposal of the companies
3) Distribution proposed at the Annual General Meeting
* 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,

2013 – SETTING A COURSE FOR A SUCCESSFUL AND SUSTAINABLE FUTURE

Profitable acquisitions, restructuring measures and adjustments to reflect the trading environment shaped developments in 2013.

12.7% revenue gain thanks to acquisition of Gnotec

- Frauenthal Automotive accounted for 47% and SHT 53% of consolidated income of EUR 574.8m
- Newly acquired Swedish automobile component supplier Gnotec contributed EUR 59.3m (May-December 2013 – full year effect of EUR 84m); Gnotec is part of the Frauenthal Group since 13 May 2013.

Earnings impacted by extraordinary non-recurring expenses

- Impairments of EUR 28.7m in the spring and stabilisers manufacturing business and deconsolidation effects of EUR 2.3m meant that EBIT was negative by EUR 22.5m
- Adjusted EBIT of EUR 9.2m (2012: EUR 7.9m)
- SHT generated EBIT of EUR 10.6m
- Gnotec contributed EUR 4.4m to Group EBIT

Net loss of EUR 30.9m, and – adjusted for total extraordinary expenses of EUR 31.7m – a net profit of EUR 0.8m.

Commercial vehicle market: stagnating demand and change to new standard

- Despite “last buy” effects, sales of Euro 5 compliant trucks in the EU advanced by only 1%
- Euro 6 emissions standards offer from 2014 opportunities for new business

Acquisition-driven growth: purchase of the profitable Gnotec Group

- attractive purchase price
- Expansion of the customer and product portfolios
- Increased profitability
- First production plant opens in China

Adjusting to the market served by Frauenthal Automotive: capacity reduction

- Disposal of the loss-making air reservoir manufacturing plant in Ahlen and successful realignment of the air tank business
- One-time impairment loss recognised in the spring business to reflect changed expectations

SHT holds its own in an adverse climate

- Revenue up 2.7% to EUR 307.4m despite contracting market
- Earnings affected by costs of integrating SHT Slovensko
- Market share gains in Austria

Construction industry: testing market climate

- Slight dip in construction activity in Austria
- Sharp decline in Slovak market
- Accelerated integration and optimisation of SHT Slovensko

Outlook for 2014

FRAUENTHAL AUTOMOTIVE

- European truck market stable at best
- Positive prospects for Gnotec's passenger vehicle business
- Expansion of new plant in China

WHOLESALE PLUMBING SUPPLIES (SHT)

- Further increase in market share expected
- Consolidation of SHT Slovensko to improve profitability in spite of challenging trading environment

Pursuit of diversification

- Acquisition of third division still a strong focus
- Our aim: independence from automotive and construction industries

CONTENT

STATEMENT
BY THE CHAIRMAN OF THE SUPERVISORY BOARD

We again saw a number of highs and lows in 2013, with developments taking a particularly surprising turn towards the end of the year. After the most successful year in our history from a financial point of view in 2012, the following year brought a significant decline in equity and a poor year in our history as a listed company.

SHT, and the air-tanks and U-bolts businesses all recorded consistently positive performance. The acquisition of Gnotec has added another attractive line of business. Steel springs and stabilisers experienced a significant downturn towards the end of the year which has put a completely new complexion on our future expectations.

The markets and competitive environment in these lines of business were affected by several unfavourable developments, which have had a considerable impact owing to our status as the market leader. Significant writedowns required under IFRS in the wake of impairment tests prompted by a change for the businesses. However, this should be seen independently of the operating results, which were in line with the forecast for 2013.

The second major negative aspect of 2013 was that we were unable to acquire and integrate a third division, in spite of the Group's concerted efforts. Ultimately, none of the projects under review met our criteria in terms of the expected return or risk. This was primarily attributable to a trading environment characterised by a large amount of liquidity looking for a home, which in turn is driving up prices.

In addition to these markedly negative developments, we should also pay tribute to the successes achieved during the year. Although less conspicuous, they are more important from a wider perspective as they are helping to underpin the strength of the entire Group. These include:

- SHT's expanding market share and long-term competitive edge under adverse market conditions
- improving the cost base through the full integration of the Hustopeče air reservoir manufacturing plant
- realignment of capacity and resulting shake-out in the air reservoir industry following the closure of our plant in Ahlen, and
- added impetus for Frauenthal Automotive thanks to the acquisition of Gnotec

The challenges of 2013 will continue to have an influence in 2014. There is no sign of a rapid improvement in either the operating climate or the competitive environment for any part of the Group. On the

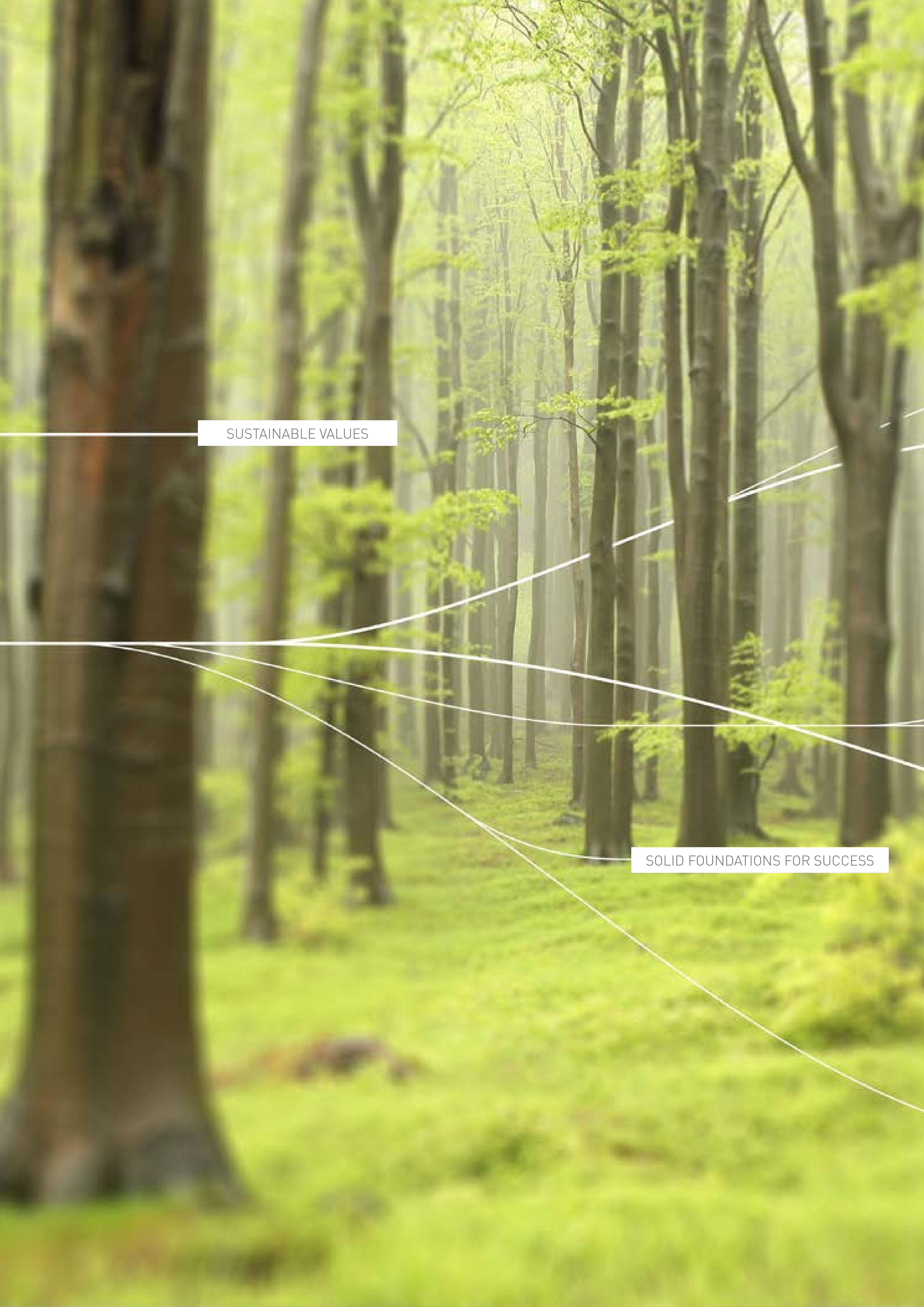
Hannes Winkler Chairman of the Supervisory Board

contrary, competition, and pressure on prices and margins will increase across the board. We will only be able to combat these developments by innovating and playing to our strengths. The setbacks in some areas will not prevent us from pursuing these objectives with renewed intensity.

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 I look forward to our discussions at the Annual General Meeting in May.

Vienna, April 2014

Hannes Winkler, Chairman of the Supervisory Board


SUSTAINABLE VALUES
SOLID FOUNDATIONS FOR SUCCESS

STRENGTH THROUGH DIVERSITY

TRUST

Before initiating the press process, Lucie Doležalová (33) loads blanks into the 250-tonne deep draw press by hand. The press forms a base in the sheet metal blanks, which will become air reservoirs.

THE FRAUENTHAL GROUP AT A GLANCE

- Diversification for stability
- Reliable supplier
- Attractive employer

STRENGTH THROUGH DIVERSITY

The Frauenthal Group is a Vienna based conglomerate with a pan-European presence. Its corporate claim is "strength through diversity", and it is committed to long-term value growth. Its two divisions, Frauenthal Automotive and Wholesale Plumbing Supplies (SHT), supply premium products and services designed to maximise customer benefits. In 2013 the Frauenthal Group had a head count of 2,989, and generated revenue of EUR 574.8m.

EXECUTIVE BOARD

Hans-Peter Moser, heads the Wholesale Plumbing Supplies Division and the Business Development Department.

Martin Sailer, is in charge of the Frauenthal Automotive Division and is Group Chief Financial Officer.

STRATEGY

THE FRAUENTHAL-GROUP

- Is a diversified group;
- Sees itself as an industrial investor, and pursues a buy and build strategy,
- Invests in growth in order to achieve an attractive ROCE;
- Aims for leading positions in the markets in which it operates;
- Makes acquisitions in order to extend its customer relationships, product portfolio, and geographical reach or key competencies;
- Has gained defensible competitive advantage by offering customer benefits in the shape of superior product and service quality.

FRAUENTHAL HOLDING AG

The Group's parent has a lean organisational structure that performs the following holding company functions:

HUMAN RESOURCES

- Long-term staff development policies designed to maximise employees' opportunities to enhance their skills and assume increased responsibilities;
- A sophisticated talent management system that is capable of developing experts and managers internally.

FINANCE

- A solid equity ratio and assured access to long-term debt finance;
- Priority given to long-term stability over short-term performance;
- Largely decentralised funding for expansion projects that is tailored to the risks entailed by them.

INVESTOR RELATIONS & COMMUNICATIONS

- Transparent and timely information.

BUSINESS DEVELOPMENT

- Identification of attractive investment opportunities;
- Long-term value growth and maximisation of shareholder value.

www.frauenthal.at

TWO OPERATING DIVISIONS

FRAUENTHAL AUTOMOTIVE

Frauenthal Automotive is Europe's leading truck chassis component manufacturer, and one of the commercial vehicle industry's development partners. The division operates 13 factories in Europe and one in China. In 2013 its 2,115-strong workforce generated revenue of EUR 267.4 m.

frauenthal automotive
smart parts for trucks

LEAF SPRINGS

Frauenthal Automotive markets a wide range of springs, made in Azambuja, Portugal, Châtenois, France, Judenburg, Austria and Sibiu, Romania. Leaf springs play a key role in the efficiency, safety and comfort of trucks, trailers and vans. To meet the need for lightweight springs and the call for overall reductions in vehicle weight, Frauenthal Automotive develops springs that are capable of withstanding high stresses even with only a small number of leaves.

- Parabolic springs for medium and heavy trucks;
- High-stress mono-leaf springs;
- Parabolic springs for light commercial vehicles;
- Air links;
- Trapezoidal springs;
- Plastic springs: a new generation of products that deliver the same performance as steel springs but weigh less than half as much.

STABILISERS

Stabilisers are among the basic components of bus and truck suspension systems because they improve vehicle stability and handling, especially when cornering. Frauenthal Automotive produces its stabilisers in Douai, France. Besides the core solid stabiliser product range, the division develops and manufactures tubular stabilisers, which are playing an increasingly important part in the weight saving technologies featured by the new generation of trucks.

U-BOLTS

These are U-shaped mountings for leaf springs on truck axles, made at our factory in Toruń, Poland. They are critical to the safety of trucks, buses and trailers. We use state-of-the-art technologies to make them – especially in the key thread rolling, heat treatment, bending and corrosion protection coating processes.

AIR RESERVOIRS

Frauenthal's air reservoirs are made in Elterlein, Germany and Hustopeče, Czech Republic. These air tanks form part of truck and trailer compressed air braking systems and auxiliary equipment. Our custom, space saving solutions for steel and aluminium air reservoirs include:

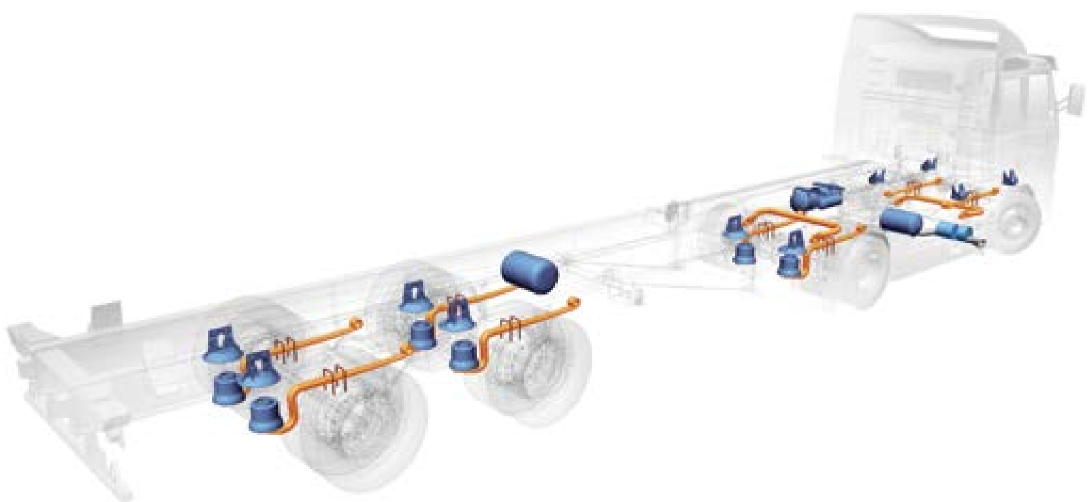
- Assembly-ready modules with welded-on mounting brackets;
- Front mounting systems;
- Non-standard geometries;
- Multi-chamber air tank systems;

Our compact air reservoirs have great promise as an aid to complying with strict emission regulations as they make room for new components and systems on vehicle chassis.

PRESSED AND WELDED COMPONENTS

We make these products at five European factories, in Anderstorp, Reftele, Habo and Kinnared, all in Sweden, and Cadca, Slovakia, as well as a plant in Kunshan, China. We use pressing, stamping, cutting and welding processes to develop and manufacture a wide variety of top-quality metal components for automotive and industrial applications. The product portfolio comprises about 4,000 items, and includes everything from the simplest small parts, made in a single stamping or pressing operation, through to complex modules welded or soldered together from large numbers of parts. Our profound understanding of material properties and metal forming, and our innovative approach to process development enable us to offer cost-effective solutions.

www.frauenthal-automotive.com



WHOLESALE PLUMBING SUPPLIES (SHT)

The Wholesale Plumbing Supplies Division is the market and service leader in Austria, and third-placed in the market in Slovakia. In 2013 SHT had 860 employees and posted revenue of EUR 307.4m.

SHT leads the way in the industry in terms of quality and innovation, offering plumbers a comprehensive distribution, service and logistics network with a broad plumbing and heating product range.

The company supplies leading industry brands alongside its own Prisma and SaniMeister lines and its exclusive elements range. It stocks a total of 580,000 items.

STRONG SERVICE NETWORK AND CUSTOMER-DRIVEN LOGISTICS

SHT's customers gain from its lead in terms of speed, reliability and product availability thanks to the company's highly developed distribution network, precision logistics management and innovative approach. In Austria SHT operates:

- Six logistics centres
- Six sales outlets
- Over 40 Installateur-Service-Center (ISC) cash and carry stores
- 11 bathroom showrooms
- Six heating and energy advice centres
- One heating showroom

SHT Slovakia is made up of the two Slovakian plumbing supplies wholesalers acquired in 2012, Technopoint Sanitrends and GAMA Myjava. In Slovakia, SHT operates:

- One central warehouse
- 11 sales offices

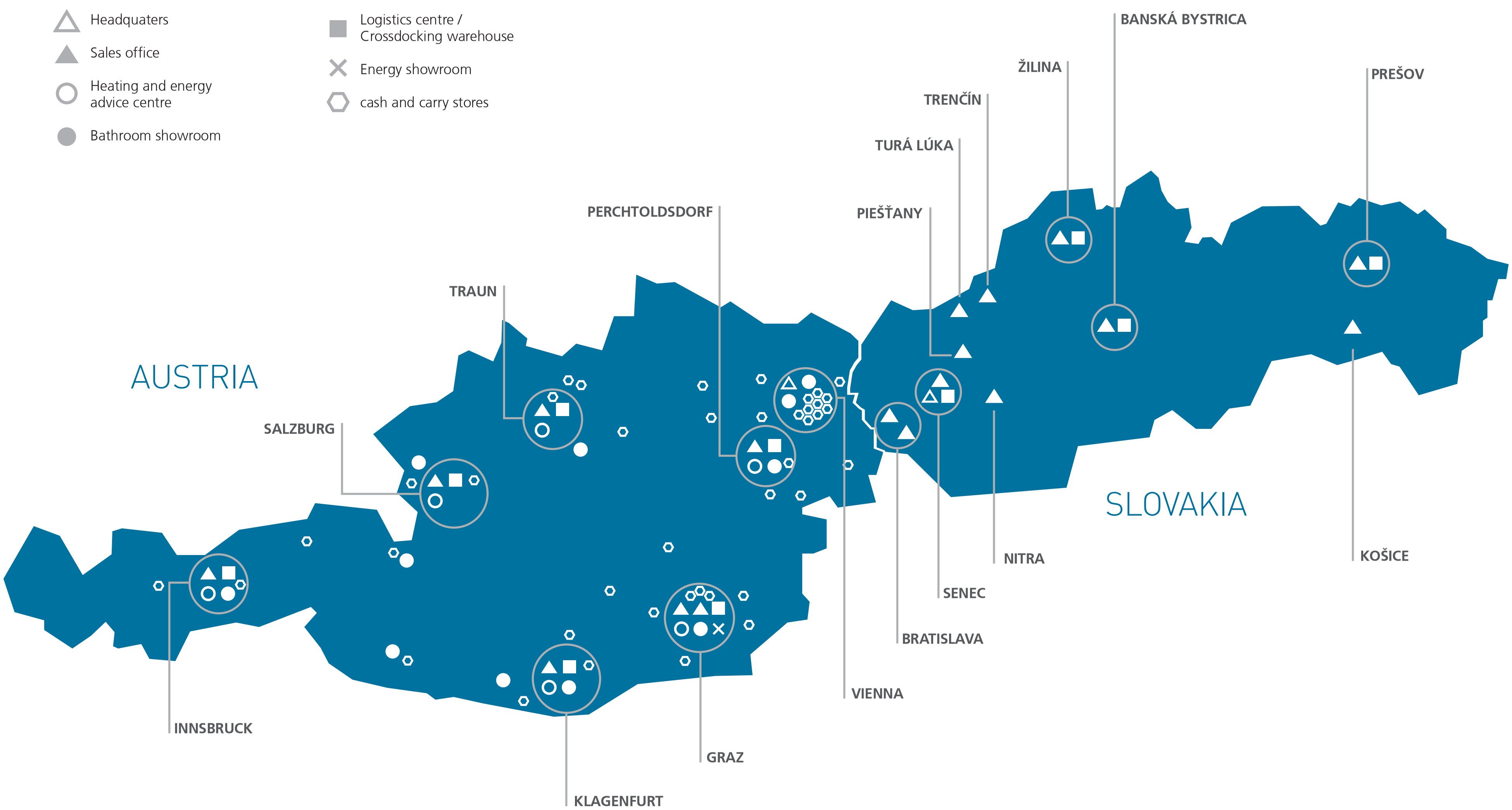
E-commerce bringing benefits

The mySHT platform has state-of-the-art, user friendly features that enable SHT to offer the comprehensive online service that customers depend on in this market. It lets them find out what products are in stock, order items and access general information at any time, regardless of opening hours.

1A-INSTALLATEURE

Member companies of 1a-Installateure can make use of marketing initiatives such as advertising campaigns and workshops staged by 1a-Installateur Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH, a wholly-owned subsidiary of SHT.

www.sht-gruppe.at


Headquaters
Sales office
Heating and energy advice centre
Bathroom showroom
Logistics centre / Crossdocking warehouse
Energy showroom
cash and carry stores
AUSTRIA
SLOVAKIA
INNSBRUCK
SALZBURG
TRAUN
KLAGENFURT
GRAZ
PERCHTOLDSDORF
VIENNA
BRATISLAVA
SENEC
PIEŠŤANY
TURÁ LÚKA
TRENČÍN
NITRA
ŽILINA
BANSKÁ BYSTRICA
PREŠOV
KOŠICE

OUR LOCATIONS

Frauenthal Holding AG manages the Group's Frauenthal Automotive and Wholesale Plumbing Supplies (SHT) divisions centrally from Vienna, Austria.

FRAUENTHAL AUTOMOTIVE

A network of specialised production sites, with 13 locations in nine European countries and one operation in China, creates value added and underpins supply security, low costs and flexibility.

WHOLESALE PLUMBING SUPPLIES (SHT)

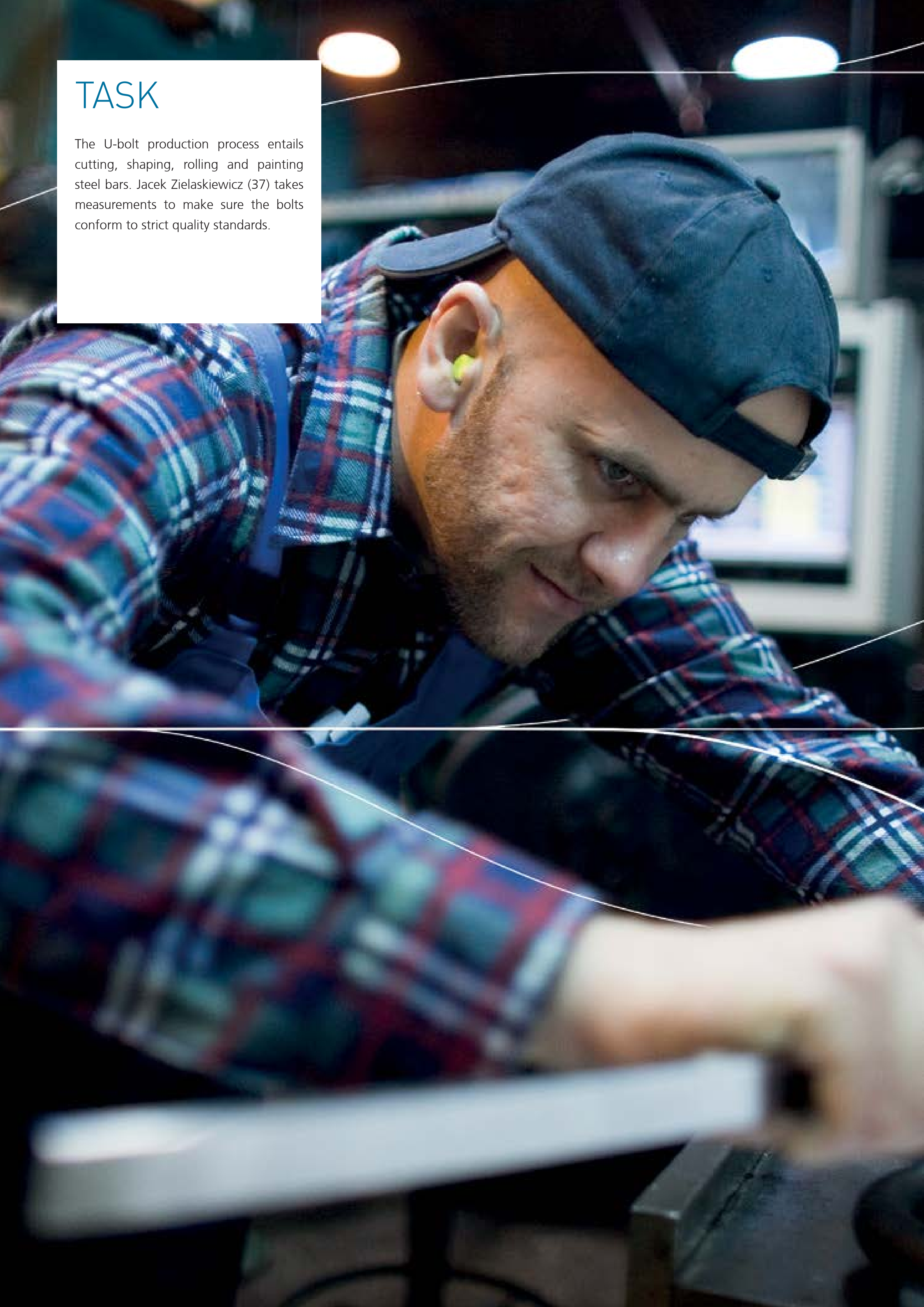
The division's specialist wholesale brand boasts a well developed bricks and mortar sales network, with 60 outlets in Austria and 11 sites in Slovakia, as well as modern e-commerce services. The company stands out for its excellent customer advice, logistics skills and encyclopaedic knowledge of the latest technical developments.

AUSTRIA


EUROPE
GNOTEC I ANDERSTORP AB
Anderstorp
GNOTEC JV AB
Habo
GNOTEC MEFA AB
Kinnared
GNOTEC MEFA AB
Reftele
GNOTEC FERREX S.R.O.,
Čadca
FRAUENTHAL AUTOMOTIVE
ELTERLEIN GMBH, Elterlein
SHT SLOVENSKO S.R.O.
Senec
831 06 Bratislava
831 04 Bratislava
949 01 Nitra
921 01 Piešťany
907 03 Turá Lúka
911 01 Trenčín
974 05 Banská Bystrica
010 41 Žilina
040 01 Košice
080 06 Prešov
FRAUENTHAL AUTOMOTIVE
TORUŃ SP.ZO.O, Toruń
FRAUENTHAL AUTOMOTIVE
FRANCE S.A.S., Châtenois
FRAUENTHAL AUTOMOTIVE
HUSTOPEČE S.R.O.
Hustopeče
FRAUENTHAL AUTOMOTIVE
FRANCE S.A.S., Douai
FRAUENTHAL HOLDING AG
Vienna
FRAUENTHAL AUTOMOTIVE
SIBIU S.R.L., Sibiu
FRAUENTHAL AUTOMOTIVE
AZAMBUJA UNIPESSOAL LDA., Azambuja
ASIA
GNOTEC AUTOMOTIVE PARTS CO. LTD.
Kunshan

TASK

The U-bolt production process entails cutting, shaping, rolling and painting steel bars. Jacek Zielaskiewicz (37) takes measurements to make sure the bolts conform to strict quality standards.



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.

CORPORATE GOVERNANCE

INTERVIEW WITH THE EXECUTIVE BOARD

PROFITABLE ACQUISITIONS AND RESTRUCTURING PREPARE THE WAY FOR LONG-TERM SUCCESS.

"Thanks to our expanded R&D activities we can act as a strategic partner to the European commercial vehicle industry, and offer it space and weight saving components. That sets us apart from the competition."

Martin Sailer

Was 2013 a year of contrasts for Frauenthal?

Moser: There's no getting around the fact that 2013 was a tough year that did not fulfill our expectations. My personal objective, which I put a lot of effort into, was to acquire a business with the potential to lay the foundations for a third division. I discovered that either the potential targets were too troubled, or there were healthy and strategic investors or private equity companies prepared to pay prices for them that were beyond our reach. We have a big cash pile. We looked over a large number of firms, but after carefully weighing up the opportunities and risks we did not make any acquisitions.

I hardly need to add that the necessity to recognise impairments on our spring and stabiliser business was a bitter disappointment. The operating income adjusted for write-downs lies however above the previous year.

Leaving the problems aside, what were the bright sides of 2013?

Moser: The Gnotec acquisition and the restructuring of the air reservoir business were major steps in the direction of sustainable profitability for the Frauenthal Automotive Division. And for its part the SHT Group (Wholesale Plumbing Supplies Division) put the right structures in place for SHT Slovensko by capturing synergies, and returned satisfactory results. The action taken will not fully bear fruit until 2014. That's because Gnotec was only acquired in May 2013, and restructuring measures did not fully take hold until the third quarter of the year.

In fact, our management team and the whole workforce did a fine job last year. Due to restructuring and the need to adjust to market conditions, regretfully both divisions had to lay staff off. The need to safeguard profitability, and with it the rest of the jobs at Frauenthal, left us with no alternative. I would also like to thank the Supervisory Board and the Works Council for their contributions. Last year they shared responsibility with us for decisions with particularly big repercussions for the Frauenthal Group. As ever, the Executive and Supervisory boards and the employee representatives worked together in a climate of constructive cooperation and trust.

You were obliged to recognise significant impairments in your steel spring and stabiliser business. What is the outlook for these product families?

Sailer: Due to the heavy investment in increasing capacity and productivity at the spring factories over the past few years, and the large amounts of goodwill recognised, the carrying amounts of these opera-

tions were very high. The impairment review revealed a need to take EUR 28.7m in writedowns on revised long-term expectations – especially in the light of more severe competitive pressures.

What was the thinking behind the Gnotec acquisition in Sweden?

Sailer: The Gnotec deal has enabled us to pursue a number of goals simultaneously. In the first place, it has strengthened our profitability and allowed us to expand into supplying the car industry. Also, its business is less volatile and more predictable than Frauenthal Automotive's other product families. The broad customer base and product portfolio and longer average product life are stabilising factors. Gnotec has brought Frauenthal Automotive many new customers, as well as its first location in China. Having a factory in Čadca, Slovakia, gives Gnotec the

from left

Martin Sailer, responsible for the Frauenthal Automotive Division

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

> "Gnotec has strengthened our profitability and allowed us to expand into supplying the car industry. Also, its business is less volatile and more predictable than the other markets we serve."

Martin Sailer

top

Martin Sailer, responsible for the Frauenthal Automotive Division

right page

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

right kind of footprint in Europe, which is vital when it comes to winning new business from the car industry. Only suppliers with sufficient scale, experience and technological expertise have a chance of fulfilling these customers' increasingly strict requirements as to product quality, ability to innovate, flexibility, continuous cost reductions and global reach. Gnotec has done a lot for our ability to meet these demands, so this acquisition is a big step towards positioning Frauenthal Automotive as a strategic partner to the European commercial vehicle industry.

European commercial vehicle demand registered only a slight increase in 2013, despite the introduction of Euro 6 compliant trucks. What is the medium-term outlook for the industry?

Sailer: The changeover from Euro 5 to Euro 6 models began giving the European truck market a lift in the third quarter of 2013. With the strict Euro 6 standard mandatory for heavy goods vehicles registered in the EU from 1 January 2014, many customers seized this last opportunity to buy the cheaper Euro 5 models. The preemptive purchases mean that the market is unlikely to pick up in 2014. Neither is the heavy duty segment set to grow in the medium term – European industrial production is expanding too slowly for that, and exports are set to decline because the European OEMs are stepping up local manufacturing in the BRIC markets.

What is your recipe for success in a trading environment like this?

Sailer: We have to accept that the downward pressure on prices, and the resultant need for continuous cost reductions, is a fact of life. We're responding by adding to our CEER production sites, adjusting capacity to maintain good capacity utilisation, and pressing ahead with our continuous improvement programmes. For our customers, having suppliers that play an active part in product and system development is becoming more important all the time. Thanks to the fact that we beefed up our R&D activities some years back, we're now in a position to offer them space and weight saving components, and that sets us apart from most of the competition. During the second Euro 6 vehicle development phase these products will take on a still more vital role, as the extra weight of the high-volume exhaust gas after-treatment systems will have to be saved elsewhere.

> "SHT's service quality leadership has been especially valuable in this weak trading environment. We've won market shares, and recorded the second-best result in our history."

Hans-Peter Moser

> "We will continue to pursue our selective acquisition strategy, and to look for targets that will add shareholder value either in the form of a third business division or as add-ons to our current operations."

Hans-Peter Moser

After a record year in 2012 the Wholesale Plumbing Supplies Division has seen a fall-off in results. What were the reasons for that?

Moser: I'm not unhappy with the SHT Group's figures given that they were recorded in a shrinking market. The EUR 1.6m decline in profits compared to the record result in 2012 was mainly down to the cost of integrating the new subsidiaries in Slovakia, while we also had to contend with a slight contraction in the Austrian market and a crash in demand in Slovakia. The figures from our Austrian operations were roughly unchanged, year on year. As a wholesaler, there are limits to the extent that you can react to a stagnant market by cutting costs unless you are prepared to allow your service quality and your structures to suffer. Not that was an issue for the SHT Group, because we compensated for the weak overall demand, at least in part, by gaining market share. Forecasts for construction in Austria, a core market for plumbing products, point to a modest upturn. Our lead on service quality was a particularly big advantage in this environment.

SHT has gained a competitive edge by investing heavily in logistics and sales outlets. What can you do to hang on to this lead?

Moser: We have been working to deliver additional benefits to our customers across Austria by providing premium services, and to extend our defensible competitive advantage in this way. This will make us less vulnerable to economic downturns. Our industry-leading product range and availability, and our stable, close-knit team also give us an unassailable lead. Now our efforts to keep improving our services are focusing on mobile IT solutions.

You've said that Frauenthal will be looking to buy into a new line of business. When can we expect you to unveil a third division?

Moser: Our Business Development Department has looked at about 100 potential takeover targets and built up an extensive network of contacts. Any new business division will have to enable us to play to our strengths. In particular, we're well versed in logistics, in managing multicultural teams, and in key account management in an industry where the customers are multinational OEMs. We also need to be able to identify the levers for sustainable improvements in a target's performance. Besides this, the candidate's size, the purchase price and any other investments that would be needed, the management resources that would be tied up, and its geographical focus (whether Europe is the main market) must tick the boxes. We've not yet found a target that fits the bill on all these counts. Our Group's diversification strategy, summed up by our 'strength through diversity' claim, remains in place.

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 six meetings in 2013. As well as monitoring the Company's day-to-day business activities, during the reporting period the Supervisory Board focused on strategic business development planning 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 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, 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 2013 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 2013 presented in accordance with IFRS, the consolidated financial statements of the Group for the year ended 31 December 2013 as well as the operating reviews for the 2013 financial year were audited by BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerbratungsgesellschaft, 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 2013, and the operating reviews for the 2013 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 2013, as well as the operating reviews for the 2013 financial year, and has approved the separate annual financial statements of Frauenthal Holding AG for the year ended 31 December 2013. 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 2013.

22. April 2014

Hannes Winkler
Chairman of the Supervisory Board

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 2013 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 long-standing 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 2014. 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.

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

Hans-Peter Moser was appointed to the Frauenthal Holding AG Executive Board in 2006 and his current term of office runs until 31 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 joined the supervisory board of SHT Haustechnik AG on 22 September 2011, at which time he gave up his position as chairman of that company's executive board. 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, after which he accumulated 25 years' experience in the financial departments of various international companies. Following 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, financial control, internal and external reporting, treasury and internal audit, and investor relations functions. In addition, since July 2012 he has been 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.

SUPERVISORY BOARD

The Frauenthal Holding AG Supervisory Board held six meetings in 2013. The Supervisory Board consists of six members elected by the Annual eneral 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, Johannes Strohmayer, Heike Jandl and Birgit Eckert. The members delegated to the board by the central works council are Jürgen Tschabitzer, August Enzian and Klaus Kreitschek. 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.

COMPOSITION OF THE SUPERVISORY BOARD

Name (date of birth)	Initial appointment	End of current term of office	Independent member pursuant to C-Rulel 53	Independent member pursuant to C-Rulel 54
Hannes Winkler (b. 1955) Chairperson since 26 Mar. 2010	22 May 1997	2015	no	no
Dietmar Kubis (b. 1957) Deputy Chairperson	10 Feb. 1999	2018	yes	yes
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

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.

MEMBERS DELEGATED BY THE CENTRAL WORKS COUNCIL:

Name (date of birth)	Initial delegation
Jürgen Tschabitzer (b. 1962) Member	10 Sep. 2007
August Enzian (b. 1961) Member	27 Sep. 2010
Klaus Kreitschek (b. 1960) Member	10 Jan. 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. In the period under review, the audit committee and the remuneration committee each met twice. The strategy committee did not hold a meeting in 2013.

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 (chairperson), 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, particularly 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 (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 chairperson 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.

ADVANCEMENT OF WOMEN

As a company committed to sustainable business practices, Frauenthal addresses social responsibility issues such as equal opportunities at work. All employees are treated equally, regardless of sex, age, religion, culture, colour of skin, social background, sexual orientation or nationality.

The Group is attempting to increase the number of women on management committees, the Supervisory Board and the Executive Board, as well as in senior management at Group companies by conducting targeted searches for suitable candidates when filling such positions. At the time of writing, out of the five executive board positions (two at Frauenthal Holding AG and three at SHT Haustechnik AG), one is held by a woman. Two of the nine members of the Supervisory Board are female. The Group actively supports staff who demonstrate readiness to take on management responsibilities.

COMPLIANCE

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

REMUNERATION REPORT

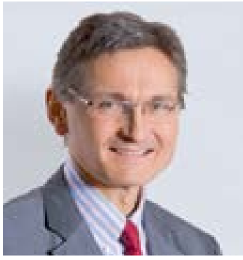
EXECUTIVE BOARD

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 of up to EUR 200,000 per annum (gross), geared to the personal performance of each Board member. The variable component is based on target setting agreements that contain quantitative and qualitative objectives. Quantitative objectives relate to the attainment of budget targets and to liquidity. Qualitative objectives concern aims for individual divisions, for the Group as a whole, and for human resource development including management development.

In 2013 the total remuneration of the Executive Board, including contributions to pension funds and accident insurance plans, was EUR 1,038,000. Payment of retirement benefits is not tied to performance criteria. Members have no contractual entitlements to termination benefits on leaving office.

Vorstand	Bruttobezüge
Hans-Peter Moser Member of the Executive Board	EUR 474,000 (variable component: EUR 110,000)
Martin Sailer Member of the Executive Board	EUR 564,000 (variable component: EUR 200,000)

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



Hannes Winkler
Chairperson

Dietmar Kubis
Deputy Chairperson

Birgit Eckert
Member of the Supervisory board

Heike Jandl
Member of the Supervisory board

Oskar Grünwald
Member of the Supervisory board

Johannes Strohmayer
Member of the Supervisory board

August Enzian
Employee Representative

Klaus Kreitschek
Employee Representative

Jürgen Tschabitzer
Employee Representative

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	20,000 (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 (48) to the consolidated financial statements, Share option plan.

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 of the Board (except the employee representatives) 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. It 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.

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

The remuneration of the Supervisory Board in 2013 totalled EUR 104,000. As in previous years, Hannes Winkler, Chairman of the Supervisory Board, waived his entitlement to compensation for attendance in 2013. No stock option plans are granted to Supervisory Board members.

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 (2012: EUR 19,000).

RELATED PARTY TRANSACTIONS

Disclosures on related party transactions are made in Note (50) to the consolidated financial statements, Related party disclosures.

22 April 2014

Mag. Hans-Peter Moser
Member of the
Executive Board

Dr. Martin Sailer
Member of the
Executive Board

INVESTOR RELATIONS
AND CAPITAL MARKET STRATEGY

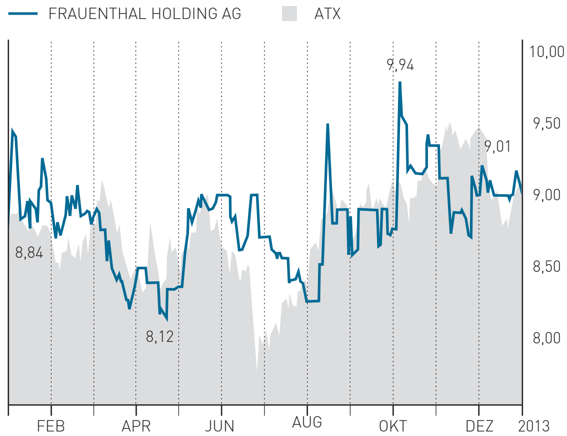
Frauenthal Holding's investor relations activities are hallmarked by transparency, dependability and continuity. Frauenthal is a typical diversified group that tends to appeal to conservative investors, for whom low risk and steady value growth are more important than short-term upside potential. As the Group, with its two lines of business, does not belong to any one sector, performance comparisons with any single peer group are very hard to make. The two 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 ideal for equity investors whose focus is on given industries and the risk profiles associated with them.

SHARE PRICE PERFORMANCE

Our share price entered 2013 on EUR 8.84. The price trended gently downwards, reaching a low of EUR 8.12 on 22 April. However there were rallies on the first positive news of the year, at the start of February, in the shape of talks on the purchase of Gnotec AB – a Swedish manufacturer of metal automotive and industrial components – and the subsequent full acquisition of the company on 22 March. Following some ups and downs over the summer months, the year's high came in the third quarter, with EUR 9.94 recorded on 3 October. There was little movement in our share price over the last two months of the year, during which it traded at around EUR 9, closing on EUR 9.01. This represented a gain of 2.4% compared to the previous year-end close of EUR 8.80 (on 28 December 2012).

The Company's total value in terms of its market capitalisation including unlisted registered shares was EUR 85.0m as at 30 December, compared to EUR 83.0m on 28 December 2012.

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

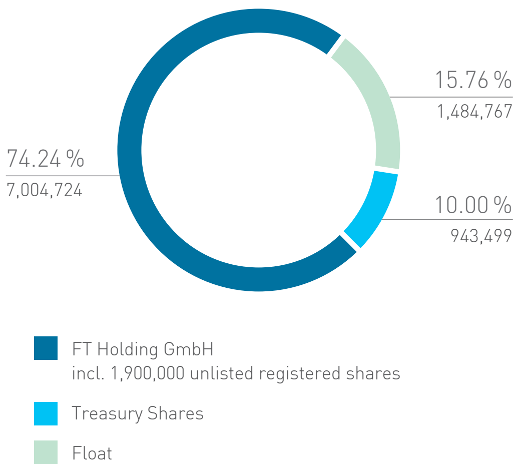


OWNERSHIP

Frauenthal shares have been traded on the Vienna Stock Exchange since 10 June 1991. On 23 July 2007 we stepped up to the prime market in order to raise the Company's profile and attract increased investor interest. By then Frauenthal had long complied with the strict publicity and trans-

parency requirements for admission to continuous trading. 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 imposed by our promotion to the prime market in 2007, the 1,900,000 unlisted bearer shares owned by FT Holding were converted into registered shares; these remain unlisted.

The number of treasury shares is unchanged at 943,499, equal to 10% of the share capital. During the reporting period the free float decreased from 1,613,441 shares or 17.10% of the capital to 1,486,767 (15.76%). The 7,004,724 shares owned by the principal shareholder FT Holding GmbH represented an interest of 74.24%, compared to 72.9% in 2012.



from left

Erika Hochrieser, Head of Investor Relations and Controlling

Pauline Marlier, Investor Relations and Controlling

EUR '000	IFRS 2013	IFRS 2012	Change
Key share ratios			
Share issue	9,434,990	9,434,990	0
Own shares	-943,499	-943,499	0
Shares in circulation	8,491,491	8,491,491	0
Per share ratio (EUR)			
EBITDA	2.4	2.2	0.3
Profit from operations (EBIT)	-2.6	0.9	-3.6
Profit for the year from continuing operations	-3.6	0.2	-3.8
Profit for the year from discountinued operations	0.0	4.4	-4.4
Profit for the year	-3.6	4.6	-8.3
Operating profit before working capital changes	2.0	1.3	0.7
Equity	10.8	15.0	-4.2
Share price			
Year end	9.01	8.80	0.2
High	9.94	11.00	-1.1
Low	8.12	8.11	0.0
Dividend and Bonus	0.2*	0.2	0.0

* Vorschlag für die Ergebnisverwendung an die Hauptversammlung

SHAREHOLDER INFORMATION

Investor Relations Officer: Mag. Erika Hochrieser
Investor's hotline: +43 (1) 505 42 06
E-Mail: e.hochrieser@frauenthal.at
Internet: www.frauenthal.at
Vienna Stock Exchange: Prime Market
Symbol: FKA
ISIN: AT 0000762406 (shares)
Bloomberg-code: FKA AV
Reuters-code: FKAV.V1
Market capitalisation: MEUR 85.0 incl. 1,900,000 pieces unlisted registered shares (30. 12. 2013)
Vienna Stock Exchange: Listing on Vienna Stock Exchange official market
Symbol: FKA
ISIN: AT000A0PG75 (bonds)

PRODUCT

Most of Gnotec's customers are in the automotive industry – both the passenger and commercial vehicle sectors – but the Group serves other industrial manufacturers too, providing processes and solutions that involve a diverse range of materials and strengths, order volumes and complexity.

TASK

Niguyen Kin Hoa (36) has completed an order for Scania which is about to be loaded. This is an important step in the fulfilment process, as it ensures that the customer receives the right packaging and order number.

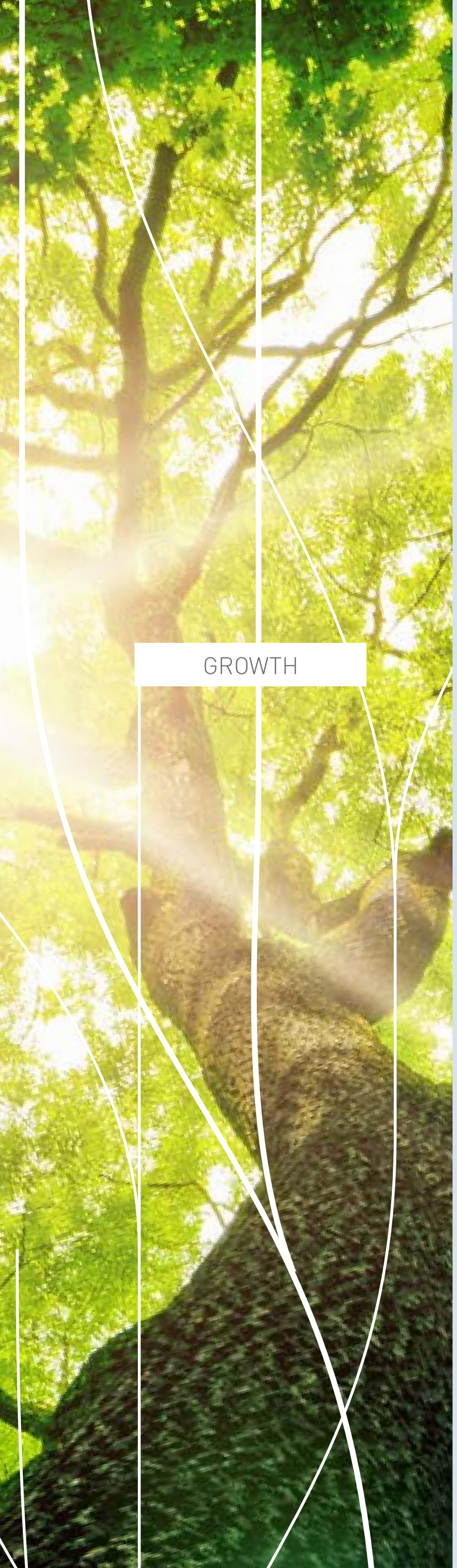
TASK

Andrea Winter, 52 works at the Perchtoldsdorf outlet (Wholesale Plumbing Supplies Division). She is pictured here confirming a transfer order.

PRODUCT

Once a transfer order has been completed it must be confirmed in the ERP system. Confirmation finalises the order in SAP, and the delivery note is printed out.

SUCCESS FACTORS



A HISTORY OF SUCCESS

2013

The Frauenthal Group acquired Swedish pressed, stamped and welded metal components producer Gnotec AB, including its five plants located in Sweden and Slovakia. With the acquisition of Gnotec, Frauenthal Automotive also gained a foothold in the growing Chinese market; the Frauenthal Group's first factory outside Europe, in Kunshan near Shanghai, began series production of pressed and stamped parts for a car manufacturer in 2014. The loss-making air reservoir factory in Ahlen, Germany, was disposed of in April as part of measures to adjust capacity to market conditions. In parallel, successful realignment of the air tank business was completed with all production moved to the plant in Hustopeče, Czech Republic, and the Group's two factories in Elterlein, Germany. In the SHT Group, Slovakian plumbing supplies wholesalers Technopoint Sanitrends s.r.o. and GAMA Mayjava s.r.o. merged to form SHT Slovensko.

2012

The industrial Honeycombs Division was sold to the Japanese technology group IBIDEN on 1 June 2012. Frauenthal Group presses ahead with its strategy of growing and acquired Worthington Cylinders a.s. (Frauenthal Automotive Division) and Technopoint Sanitrends s.r.o. und GAMA Myjava s.r.o. (Wholesale Plumbing Supplies Division). Frauenthal Holding AG repurchased 671,043 shares in a off-market buyback programme and now holds 10% of the share capital.

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.

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,

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,

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.

THINK AHEAD

IMPROVEMENT

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.

2004 – Acquisition of the German Linnemann-Schnetzer Group Together with the Styria Federn Group it now forms Frauenthal Holding's Automotive Components Division

2003 – Acquisition of the Finnish spring factory Styria Jouset Oy in Billnäs from Imatra Steel.

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.

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.

1998 – Ventana acquires 5,1 % of the Ceram Group.

1996 – Merger of the Frauenthal Keramik AG Group with Tridelta Technische Keramik GmbH to form the Ceram Holding Group, Jena, Germany.

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

1990 – Takeover of Frauenthal Keramik AG and the formation of the Ceram Group.

1985 – Start of the manufacture of SCR catalysts. Later, casting filters and heat storage media are added to the honeycomb ceramics product range.

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

1921 – Ludwig Neumann founds Erste Osterreichische Porzellanfabrik. In the 1950s focus on manufacturing hard porcelain high voltage insulators.

HUMAN RESOURCES

Frauenthal's workforce and management are at the heart of its success, and are central to its future growth and development. One of our Group's main goals is to be an attractive employer.

We give a lot of thought to creating a work environment that puts personal development, a culture of innovation and continuous improvement centre stage. A broad-based talent management effort identifies able employees and offers them development opportunities tailored to their needs. The holding company manages strategic human resources initiatives and oversees the roll-out of Group-wide standards and activities. Last year the Group employed an average of 2,989 people in nine European countries and China (2012: 2,613).

SENIOR LEADERSHIP TEAM (SLT)

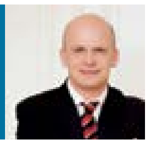
Since 2010, the top level management in the Frauenthal Group have belonged to a senior leadership team (SLT). The SLT meets several times a year under the leadership of the Frauenthal Holding AG Executive Board to discuss central issues relating to corporate strategy and business development, and key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

In 2013 **Stefan Ottosson,** CEO of the Gnotec Group, joined the Senior Leadership Team. Markus Gahleitner, who was CFO of Frauenthal Automotive from 2012 until the end of 2013, is no longer a member of the SLT, as he has left the Group.

In 2013 the SLT focused on continuing to develop expansion plans for the Frauenthal Automotive and Wholesale Plumbing Supplies divisions. This ultimately led to acquisition of the Gnotec Group, with the aim of driving growth and gains in market shares.
Another focus was the integration of SHT Slovensko and the Gnotec Group into the existing divisions.

Members of the Senior Leadership Team: Hans-Peter Moser, Martin Sailer, Beatrix Pollak, Manfred Prinz, Wolfgang Knezek, Matias Mosesson, Josef Unterwieser, Helfried Jelinek, Stefan Ottosson, Erika Hochrieser, Bernd Allmer

"We support and stretch our people. We expect them to demonstrate a sense of responsibility and commitment."



Bernd Allmer, Vice President Human Resources, Frauenthal Holding AG

KEY ROLE OF MANAGEMENT STAFF

Trained managers are crucial to achieving our growth objectives. The Frauenthal Group gives preference to internal recruitment, and this implies a strong focus on timely identification and development of employees with high leadership potential. The fourth cycle of our 18-month internal management training programme kicked off in October 2013, with 13 participants. The Frauenthal Leadership and Learning Programme is a multi-stage training scheme conducted in English. Our management development effort also extends into the lower levels of the organisational hierarchy. For example, there is a one-year programme for production workers at Frauenthal Automotive, conducted in local languages, that centres on leadership and team management, communication and hands-on project work.

HIGH POTENTIALS

The Frauenthal High Potential Programme is for employees with good prospects of making careers in technical or project management. The second such programme, with 12 participants, was under way during the reporting period.

MOVE EXCHANGE PROGRAMME

The More Opportunities Via Exchange (MOVE) programme is a scheme that enables staff members with initiative to work at Group companies in other countries. MOVE secondments last for three to six months, and are aimed at all employees up to and including middle management level.

LEADERSHIP PRINCIPLES AND LEADERSHIP AWARD

The Group-wide Leadership Principles provide guidance for all management staff. To promote their implementation, in 2013 a Leadership Award was conferred on the best manager at each site. The winners were chosen by staff members.

EQUAL OPPORTUNITIES AND FAMILY-FRIENDLY POLICIES

The Frauenthal Group has an unusually high proportion of female employees, and strives to ensure that they enjoy good development opportunities. When filling vacancies preference is given to women with the necessary qualifications. At the same time we seek to enhance employees' quality of life by making it easier to reconcile working and family life, and maintaining a strong workplace health promotion effort. The myFamily pilot project under way in the SHT Group (Wholesale Plumbing Supplies Division) is designed to increase staff retention by promoting flexible working practices.

INVESTING IN THE FUTURE

The Frauenthal Group employs 81 apprentices. Some 23 new apprentices were taken on in 2013. We offer training in a wide variety of business and technical occupations, as a way to fulfil our social responsibility to provide job opportunities for young people. SHT obtained state accredited training provider status in mid-2013.

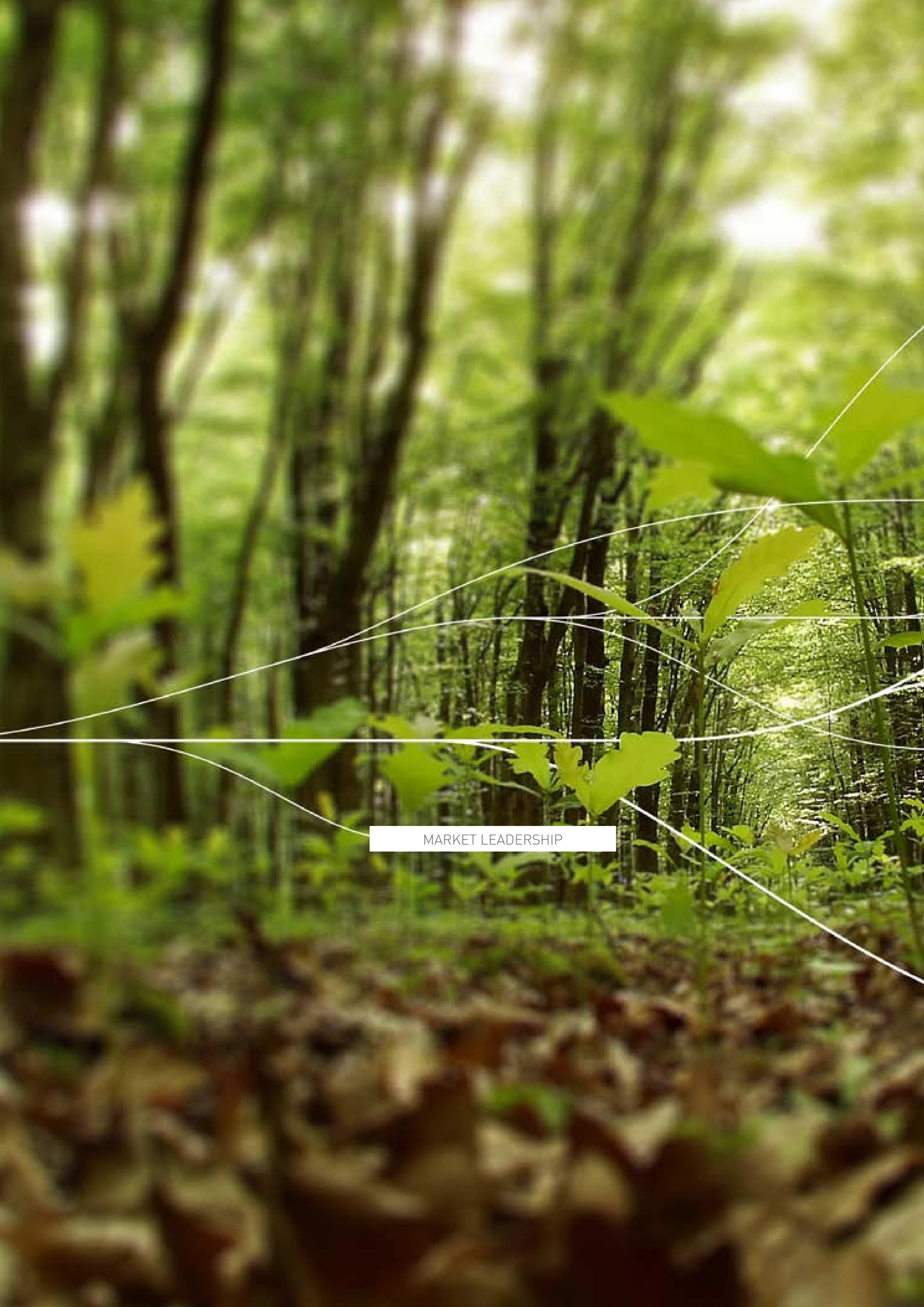
HUMAN RESOURCES MANAGEMENT ACCREDITATION

INVESTORS IN PEOPLE

In February 2013 SHT received the internationally recognised Investors In People quality standard. The certification goes to companies that have clear goals, effective management, focused staff development policies and strategies for sustainable performance improvements. Only ten Austrian companies have received this accreditation to date.

2013 HR STATISTICS

Average head count: 2,989
Proportion of non-salaried staff: 57%
Proportion of salaried staff: 43%



MARKET LEADERSHIP

STRENGTH THROUGH SUSTAINABLE VALUES

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is a leading priority at the Frauenthal Group in terms of our social, environmental and economic responsibilities.

The Group's policies are geared towards promoting responsible management that creates added value in the long run. Our CSR strategy comprises the three main pillars of people, planet and profit, and sustainability is a guiding principle for each of these aspects. It covers everything from generating long-term value to a product range and product development that take account of environmental factors, as well as efficient production processes that conserve resources, treating employees and customers with respect, and implementing social initiatives.

RESOURCE-EFFICIENT PRODUCTS AND PRODUCTION PROCESSES

The entire Group is committed to minimising the consumption of resources, because efficient production methods translate into ecological and financial gains. At Frauenthal Automotive efficiency comes in the shape of reduced energy use and lower reject rates. Environmental aspects play a significant part in product development. Frauenthal Automotive is pioneering the design of lighter components with longer useful lives, which in turn makes an important contribution to the development of more environmentally friendly commercial vehicles and a reduction in CO2 emissions.

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 to save water. As far as internal activities are concerned, the division promotes the efficient use of resources through its SHT eco initiative, which includes the installation of photovoltaic systems at the division's plants, the use of ecofriendly printing methods for the sales catalogue, and energy-saving measures. .

SOCIAL RESPONSIBILITY

The Frauenthal Group is fully aware of its responsibilities towards the community, and supports and initiates educational measures and programmes aimed at people in need.

TEACH FOR AUSTRIA

The Group is a supporter of Teach for Austria, an initiative designed to ensure that all children and young people in Austria have access to high-quality education.

Under the initiative, university graduates with outstanding personal qualities and technical skills spend two years working as teachers (or "fellows") at schools which are tailored to the needs of disadvantaged children from surrounding areas who have only a slim chance of receiving a good education. We provide financial support, and a number of Frauenthal employees work at the schools alongside the fellows – including Frauenthal Holding Executive Board member Hans-Peter Moser, who gave a class on geography based on an SHT case study. .

HELP FOR FLOOD VICTIMS IN UPPER AUSTRIA

In late 2013 SHT and numerous industrial partners and plumbing companies donated EUR 84,000 to flood victims. 14 families in the Upper Austrian town of Schärding received direct financial support and we also contributed towards a local council project aimed at extending flood protection measures.

NEW BATHROOM FOR THE FAMILY OF A CHILD SUFFERING FROM EPIDERMOLYSIS BULLOSA

The family of a child afflicted with epidermolysis bullosa, a serious congenital and currently incurable skin disease, received a new bathroom with the help of SHT. The money was raised from purchases made on the mySHT platform, and a new bathroom worth EUR 15,000 was provided thanks to the support of the company's industry partners and a local plumber.

INNOVATION

For Frauenthal, innovation is primarily about continuously improving product quality, production processes, and the Group’s product and service ranges. On the service front, we are working to harness information technology to deliver increased customer benefits.

"To succeed in today's global competitive environment, we have made it our stated aim to enhance our components' performance and develop new products. At our new, industry leading lab in Châtenois we are conducting intensive research into material properties, so as to optimise designs and production processes."

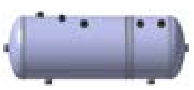
Sébastien Brogly, R&D Manager at Frauenthal Automotive France

FRAUENTHAL AUTOMOTIVE DIVISION LOOKING TO EXTEND TECHNOLOGY LEAD

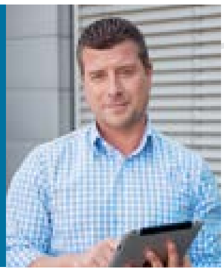
Frauenthal Automotive's innovation strategy is aimed at enhancing product and process performance, adding new, high-performance components to its product range, and matching service offerings still more closely with customer needs. The division is striving to minimise overall vehicle operating costs and to increase efficiency in terms of cargo capacity and fuel consumption. The focus areas for new product development are saving weight and space, and longer useful life. To create more efficient components, European technology leader Frauenthal Automotive is working on improved material properties, new product designs and production process optimisation.

R&D SUCCESS IN ACTION – TRANSFORMATIVE PRODUCTS

Frauenthal Automotive is developing new products that meet customers' needs in terms of lower weight and space requirements and longer service lives.

Innovation		Distinguishing feature	Customer benefits
	Dual chamber air reservoir	The dual chamber air reservoir combines two separate air tanks in a single component.	• Weight savings • Lower volume resulting in reduced space requirements • Cost savings due to easier installation
	Tube stabiliser	The stabiliser is hollow.	• Weight savings • Better handling
	High-tension front axle spring	Higher tensions make it possible to reduce leaf weight and the number of spring leaves.	• Weight savings • Better handling
	Plastic spring	The spring is made of a light plastic material.	• Weight savings
	I-link	This trailer suspension link has a completely new design.	• Weight savings • Improved performance

“We aim to put our customers in the lead by providing them with innovative solutions. We never rest on our laurels and we continue to develop new ideas. Our people rely on new technologies, well tried systems and their vast fund of expertise to come up with solutions that bring real benefits to our customers.”



Johann Wiehart, eBusiness Manager at SHT

A STEP AHEAD THANKS TO IN-HOUSE R&D FACILITIES

The Frauenthal Automotive Division’s development expertise stems from technological know-how accumulated over a long period, in-house R&D facilities, highly skilled staff and close links with the production plants. Development partnerships with customers and close technical cooperation with suppliers have also played a key role in our strong innovation track record. Major investments are testimony to Frauenthal Automotive’s strong commitment to R&D. Examples are the leading-edge materials research laboratory opened in 2013 and the test facilities at the Centre of Compentence for leaf springs, both located at our Châtenois production site in France.

A step ahead thanks to in-house R&D: Frauenthal’s state-of-the-art materials research laboratory at Châtenois, France, opened in 2013.

WHOLESALE PLUMBING SUPPLIES DIVISION (SHT) FOCUSING ON CUSTOMER SERVICE

The opportunities for the Wholesale Plumbing Supplies Division to innovate mostly lie in new logistics processes and sales and marketing tools. The division’s logistics performance, in terms of product availability, delivery accuracy and speed, and customer service standards, is crucial to gaining a competitive edge in its market.

FLAWLESS GOODS FLOWS

SHT uses unique logistics software tools to optimise the flows of goods at its six distribution centres, and as a result its internal processes and deliveries are exceptionally error free. The project that brings these activities together is labelled FLOW, which stands for fehlerfreie Logistik durch optimierte Warenbewegungen [faultless logistics through optimised goods movements]. During the first phase of the project internal stock flows were improved, leading to an extremely low error rate of 0.09%. In 2013 SHT moved on to the second phase, which involves the electronic recording of every step from loading through to delivery.

MAKING LOGISTICS PROCESSES RELIABLE, FAST AND TRANSPARENT

SHT employees use ruggedised iPhones, called Speedmakers, to control every logistics step from loading to delivery. The phones are attached to workers’ arms with special covers, and allow them to scan, phone, text and photograph conveniently and

Error-free logistics: SHT employees use adapted iPhones, called Speedmakers, to control every step in the logistics process from loading to delivery.

securely with a single device. Goods are scanned and deliveries confirmed using a customised online application that communicates directly with SAP.

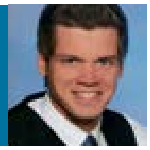
MYAPP REVOLUTIONISING DAILY WORK FOR SHT CUSTOMERS

Customer benefits are also at the heart of the innovative myApp smartphone and tablet app, developed in 2013. This highly intuitive software rationalises processes and makes customers' operations more efficient. The application is an aid to warehouse management, ordering, construction site management and document management, as well as monitoring and communication. It also helps users optimise stocks and shorten transport routes.

CONTINUOUS IMPROVEMENT

Establishing a firm understanding among employees and management of what continuous improvement involves is a defining aspect of the Frauenthal Group's corporate culture.

" As authoritative experts, staff members working in production play the key role in continuous improvement."



Rok Vorsic, Continuous Improvement Manager Frauenthal Automotive

Continuous improvement is the key to sustainable success. The objectives are:

- Increased customer satisfaction
- Streamlined added value chain
- Improved material flows, quality, supplier loyalty and cost structure

FRAUENTHAL AUTOMOTIVE – CUSTOMER SATISFACTION AND PRODUCTIVITY

The management teams at individual production sites are given significant responsibility for implementing continuous improvement/Lean Management. They are entrusted with making sure that awareness of the subject is built among employees on an ongoing basis. The outcome is greater customer satisfaction, improved competitiveness and productivity and better job satisfaction. People working at Frauenthal Automotive have continuous access to training courses and workshops that are geared towards identifying potential improvements in their working environment and helping them implement changes with the rest of their team. The goal is to ensure that every single person is well-versed in all aspects of continuous improvement, and able to contribute ideas via the appropriate channels.

WHOLESALE PLUMBING SUPPLIES (SHT) – INCREASING EFFICIENCY

The Wholesale Plumbing Supplies Division's continuous improvement activities in 2013 were shaped by efforts to increase efficiency through the optimal use of available resources. Key activities included the integration of the Slovakian SHT operations, merging the two ERP systems and merging SHT branches in eastern Austria. Thanks to careful coordination of various processing steps the division was also able to leverage efficiency gains from its SAP systems. Standardising processes throughout the division is another focus.

Countless improvements: coating and mounting of links at the Châtenois plant has moved to continuous flow production.

Optimising production flows: thanks to a life-size wooden replica of the production line in Judenburg, staff can eliminate potential problems before installation.

CHANGEOVER TO CONTINUOUS FLOW PRODUCTION

As part of the focus on continuous improvement, the spring production plant in Châtenois, France successfully implemented measures to optimise processes for coating and mounting the links manufactured there. A new configuration of production equipment and connections to conveyor belts have made it possible to make the switch from series production to continuous flow production, a development which increases productivity and significantly reduces throughput times. The team's responsiveness has also improved significantly. As well as bringing advantages to the division, customers benefit from faster throughput time and lower failure rates.

Improvements at a glance

Productivity: increased
Inventories: reduced
Throughput times: improved
Value-added time: improved
Production space: reduced

RELIABLE RESULTS THANKS TO WOOD SIMULATION

A wood simulation is proving its mettle in Judenburg, Austria as part of the spring manufacturing plant's "slim production line" project. The production employees themselves are currently working on the optimal layout for the line, drawing on continuous improvement principles for their inspiration. As it is not possible to satisfactorily model all of the problems that crop up during the complex process on paper or on a computer, they have built a life sized mock-up in wood to help optimise production flows before implementing the necessary changes. The combined knowledge of all of the people involved is fed into the simulation, meaning that they will be able to identify more strongly with their new workspace when it is completed. At the same time the new line will enhance productivity, while inventories, transport paths, space requirements, throughput times, waiting periods and physical distances will all be cut.

TASK

Martina Petersson (23) needs to deliver components from the semi-finished parts warehouse to one of the welding robots. A computer integrated into the forklift truck enables her to find the right pallet more easily and document the transport.

INTERNATIONAL EXPANSION - OUR LATEST ACQUISITIONS

PRODUCT

Gnotec produces some 4,000 different items, from simple small parts to complex modules. Extensive expertise in material properties and metal forming, combined with an innovative approach to process development enable Gnotec to offer cost-effective solutions.

GNOTEC: VÄLKOMMEN TILL FRAUENTHAL-GRUPPEN!

Swedish pressed, stamped and welded parts manufacturer Gnotec joined the Frauenthal Group in May 2013. The acquisition extended Frauenthal Automotive's leadership of the European chassis component market and gave us a foothold in the Chinese growth market. At the same time it has improved the Group's profitability.

WIDE PRODUCT RANGE AND HIGHLY SPECIALISED FACTORIES

Gnotec's product portfolio comprises about 4,000 different parts, ranging from simple steel clamps through to complex welded assemblies such as bodywork components for Volvo buses. Each of its six locations (four in Sweden, and plants in China and Slovakia) specialises in given manufacturing processes. The engineering function develops design proposals, based on customer specifications, which are then perfected by the production departments. For example, Gnotec are expert in reducing the number of parts required to make a component. Parts that are an ideal match for existing equipment and process expertise are cheap to make – a key competitive advantage in the automotive component supply industry. Reliable quality, closeness to customers' plants, and engineering know-how are also crucial to profitability in a country like Sweden.

STABLE BUSINESS MODEL THANKS TO DIVERSIFICATION AND LONG-TERM CONTRACTS

Apart from the Scandinavian commercial vehicle producers, Gnotec supplies car manufacturers in China and Sweden, as well as Tier 2 auto component makers including airbag and safety belt manufacturers. The company also serves non-automotive industrial customers. Most of the products are supplied under exclusive (single source) contracts that run for the entire product life cycle, which can be up to 15 years in the commercial vehicle industry. These orders are locked in for such long periods because of the expensive tools – mostly dies – which are usually owned by the customer. If the customer wanted a number of suppliers for the same part it would have to bear the cost of the tooling several times over. It also makes little sense to switch suppliers during the product life cycle provided that the quality and delivery reliability are satisfactory.

> "Thanks to its acquisition by the Frauenthal Group Gnotec is now part of an automotive component supplier with a presence across Europe. Gnotec is gaining from our broad access to customers in the commercial vehicle sector, and this has already generated new business for it. For its part, Gnotec has enabled Frauenthal to break into the car component market, and brought us our first overseas location, in China."

Martin Sailer, the Frauenthal Holding AG Executive Board member in charge of the Frauenthal Automotive Division

> "Our 'Keep it simple' claim highlights our core product design skill. We know how to provide our customers with the simplest, most cost-effective solutions that are out there."

Stefan Ottosson, Chief Executive Officer Gnotec

PROCESS AND TECHNOLOGICAL EXPERTISE

At the heart of Gnotec's business model is its mastery of sheet steel stamping, pressing, bending and welding processes, and laser cutting. Each of these processes has many facets. For example, where pressing operations are concerned the pressure, speed and flexibility of the machinery varies. It is vital to have precisely the right equipment for the component concerned. This is the way to meet the automotive industry's requirements with regard to consistent quality, tolerances, delivery dates and – most important of all – costs.

Dependable quality: products made by Frauenthal are subject to stringent quality controls.

BRIEF PROFILE

NAME: Gnotec AB, a Frauenthal Group company since 13 May 2013.

PRODUCTION SITES: four in Sweden, one in China and one in Slovakia.

PRODUCTS AND SERVICES

- Development and production of metal components for automotive and industrial applications.
- About 4,000 different products.
- Automated pressing, laser cutting, press bending, welding and other processes.

MARKET POSITION: leading manufacturer of pressed, stamped and welded parts for the automotive and other industries.

REVENUE IN 2013: EUR 59 m

HEAD COUNT: about 500.

CUSTOMERS: leading OEMs including Assa Abloy, Autoliv, JBT FoodTech, Renault, Scania, Volvo Car Corporation and Volvo Trucks.

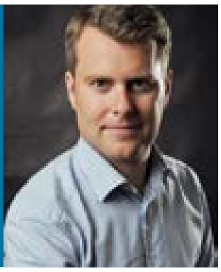
EXPERIENCE: 70 years' experience of working for the automotive industry.

CHINESE OPERATION MARKS STRATEGIC BREAKTHROUGH

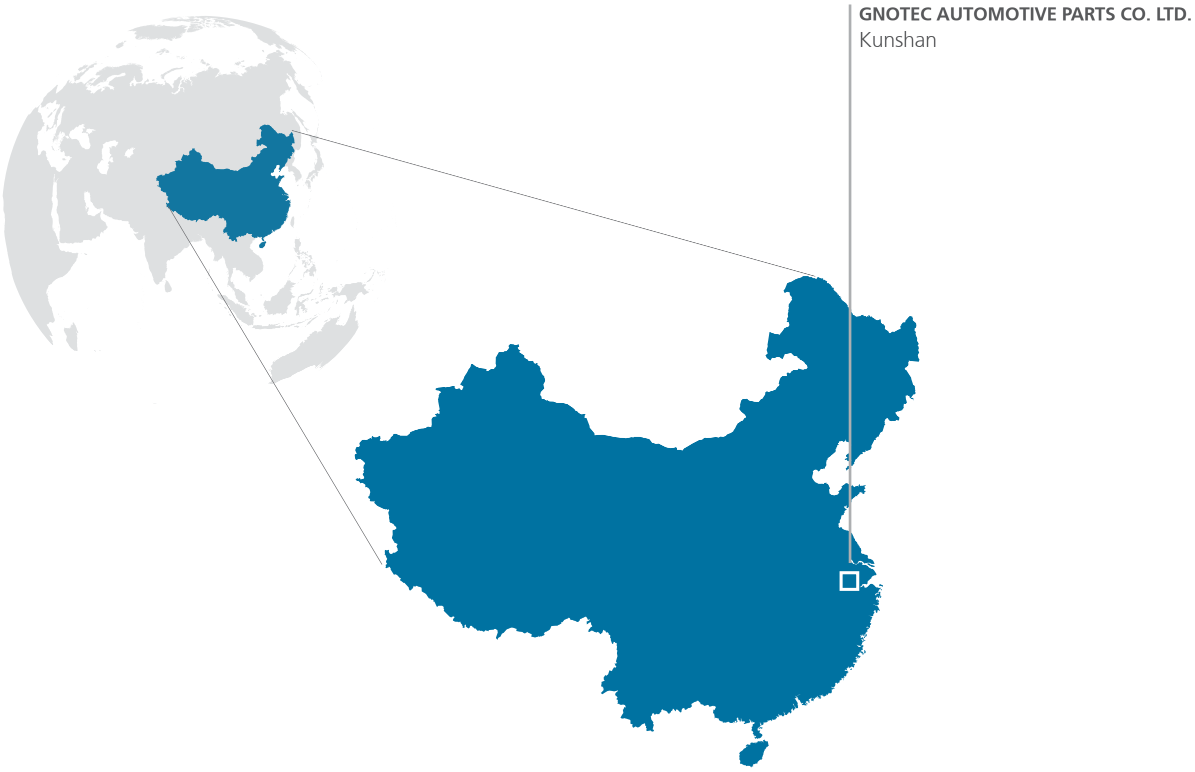
The Frauenthal Group's first Chinese factory, in Kunshan, near Shanghai, began mass producing pressed and stamped parts for a motor manufacturer in 2014.

This was a consequence of the European automotive industry's globalisation strategy. Frauenthal Automotive is partnering its customers in the Chinese growth market. Thanks to Frauenthal's cooperation with a Korean steel group, which is providing the production facilities, start-up has only required a relatively modest investment, and it will be possible to ramp up production progressively as further orders come in.

"I am very excited to join Gnotec and the Frauenthal Group and look forward to use my experience from China and the Metal Stamping industry in my new role. A lot of work has already been done during the initial start-up phase, and I look forward to join the team and work together to assure a stable mass production start and growing the business."



Jonas Palmqvist, General Manager at the Kunshan plant



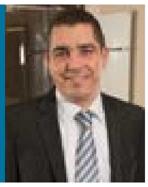
Frauenthal's first production plant in China: extensive preparations and intensive training to European standards paved the way for a successful start to operations.

ACQUISITIONS

STRENGTH THROUGH ORGANIC GROWTH

SHT SLOVENSKO: VITAJTE VO FRAUENTHAL GROUP!

> "Market leader SHT's know-how is easy to transfer to the environment in Slovakia. We are pooling our long experience, exploiting synergies and succeeding together in this market."



Martin Reisinger, Managing Director, SHT Slovensko

In 2012 SHT rose to become the third-largest plumbing supplies wholesaler in Slovakia as a result of the Technopoint Sanitrends and GAMA Myjava acquisitions. In 2013 reorganisation of the Slovak operations was completed by the opening of a new headquarters building adjoining a modern logistics centre.

Since September 2013 SHT Slovensko's customers have had the benefit of an efficient logistics centre in Senec, about 30km to the east of Bratislava. The company is the first Slovak wholesaler to be capable of making same-day deliveries nationwide, four days a week. The central warehouse has a well-balanced range of goods, with 7,000 items in stock, in 6,000 square metres of space. End-to-end tracking of all goods flows assures maximum delivery accuracy. A good truck fleet also contributes to the quality of the firm's logistics services. Plumbers' day-to-day needs are met by 12 cash and carry stores. The well-established Technoline private label comprises a wide-ranging selection of plumbing and heating products. Customers also gain from the company's membership of the SHT Group, which gives them access to an even broader product portfolio, premium service standards, prize-winning logistics, joint marketing activities and far-reaching infrastructure.

INTERNATIONAL EXPANSION

SHT's decision to enter the Slovak market underlines its commitment to becoming a successful player outside Austria. Due to current business conditions and the fact that it is already the market leader, at present SHT has little headroom for growth within its home market. Moving into neighbouring countries offers a good opportunity to drive continued growth.

from left:
Thomas Stadlhofer,
Martin Reisinger,
František Porásik,
Managing Directors, SHT Slovensko

Newly opened: the modern, high-performance SHT Slovakia logistics centre in Senec has 7,000 selected items in stock, stored in 6,000 square metres of space.

BRIEF PROFILE

SHT SLOVENSKO

NAME: SHT Slovakia, created by the acquisition of plumbing supplies wholesalers Technopoint Sanitrends and GAMA Myjava in 2012

LOCATIONS:
- One central warehouse
- 12 cash and carry stores

PRODUCTS AND SERVICES
- Large sales, service and logistics networks
- Wide range of plumbing and heating products

MARKET POSITION: No. 3 in the Slovak wholesale plumbing supplies market

REVENUE IN 2013: EUR 17m

HEAD COUNT: About 140

CUSTOMER BASE: 1,730 plumbers

TASK

Camilla Jakobsson (35) checks components produced in the 400-tonne steel press before delivery to customers. These vital quality controls are performed in quick succession by employees who have all received thorough training.

PRODUCT

Pressing, stamping, cutting and welding processes are employed at Gnotec's five locations (three in Sweden and one each in Slovakia and China) to develop and manufacture a wide variety of high quality metal components. Customers include car and truck makers as well as other industrial sectors.

OPERATING REVIEW

OPERATING REVIEW
FRAUENTHAL HOLDING AG

BUSINESS PERFORMANCE IN BRIEF

Frauenthal Group posted EBITDA of MEUR 20.4 and a post-tax loss (net loss) of EUR 30.9m, including extraordinary expenses of EUR 31.7m.

The most important developments in the 2013 financial year were as follows. The unfavourable market environment led to moderate declines in sales in both divisions, ignoring growth attributable to acquisitions. The restructuring of Frauenthal Automotive made significant pro-gress as a result of the acquisition of Swedish automotive component supplier Gnotec and the structural reorganisation of the airtanks product group. As part of the impairment review of goodwill and non-current assets, the revision of long-term market expectations for steel springs and stabilisers necessitated a substantial writedown of EUR 28,7m for Frauenthal Automotive. The SHT Group (Wholesale Plumbing Supplies) was successful in increasing sales, but as a result of the costs of integrating SHT Slovensko this did not translate into a corresponding improvement in earnings. And finally, the intensive search for an appropriate third line of business has so far borne no fruits, despite Frauenthal's concerted efforts.

In 2013 Frauenthal Group's posted EBITDA came to EUR 20.4m, with a post-tax loss of EUR 30.9m. This net loss includes extraordinary expenses of EUR 31.7m, so that without these writedowns there would have been a post-tax profit of EUR 0.8m. After allowing for a dividend of EUR 0.20 per share, equity at the end of the reporting period totalled EUR 91.6m, a drop of EUR 35.9m compared with the position a year earlier. Of this, EUR 30.9m was made up of the net loss. The increase in total liabilities following the acquisition of the Gnotec Group combined with the net loss for the year to push down the equity ratio from 37.4% to 25.7%.

Despite a sharp drop in Slovakia, Wholesale Plumbing Supplies achieved growth of +2.7%.

The eurozone in 2013 was plagued by continuing economic uncertainties, especially in Southern Europe. So in spite of the effects of last-chance Euro 5 buying (purchases brought forward to avoid having to comply with the Euro 6 emission standard, which came into force on 1 January 2014), registrations of commercial vehicles in the EU were up by only 1%, while for medium and heavy trucks it was 8.6%.

Despite a slight decline in the Austrian market and a sharp drop in Slovakia, Wholesale Plumbing Supplies achieved growth of EUR 8.2m (2.7%) in 2013, of which EUR 7.0m was attributable to the inclusion of a whole year's operations in Slovakia. Profit on ordinary activities (EBIT) fell back from EUR 12.2m in 2012 to EUR 10.6m. The decline principally reflects the depressed market environment in Slovakia, and the costs of restructuring and integrating the two Slovakian companies, which were merged into SHT Slovensko with effect from 1 September 2013.

The risk of substantial back tax payments relating to a subsidiary in Germany described in earlier years has disappeared, as a result of a favourable decision by the tax authorities. No provisions were made against the risk in earlier years because of the low probability of any tax becoming payable.

TRADING ENVIRONMENT

Last year, the differing rates of macroeconomic growth around the world were generally to the disadvantage of Frauenthal Group, which is almost entirely dependent on the EU market. A 0.1% economic growth in the European Union was muted in 2013, and the eurozone decline of 0.4% meant a continuing unfavourable market environment for commercial vehicles. Economic growth of 0.4% in Austria had no material effects on SHT Group's performance.

Demand for commercial vehicles, especially for heavy trucks, is primarily dependent on hauliers' economic expectations, and secondly on technology-linked replacement needs. The beginning of the financial year saw a sharp drop in registrations and production in the EU. Starting in the third quarter, the effects of last-chance Euro 5 buying started to make themselves felt: the EU's new, stricter Euro 6 emission standard for heavy commercial vehicles was coming into force on 1 January 2014, and since these trucks were more expensive than the Euro 5 models, many hauliers were covering their needs with the old Euro 5 vehicles. The demand this stimulated became more pronounced in the fourth quarter. For 2013 as a whole, registrations of medium and heavy vehicles were up by nearly 9%, while if light vehicles are included, growth was only 1%.

Frauenthal Automotive posted an increase of EUR 56.6m (26.8%) in revenue, of which Gnotec Group contributed EUR 59.3m. The Gnotec Group was acquired in May 2013, and its results for the period from May to December are reflected in profit and loss. Frauenthal Automotive's other sales fell by EUR 2.7m, down 1.2%, mainly as a result of the restructuring of the airtanks business and effects of an unfavourable products mix.

DIFFICULT BUSINESS CLIMATE FOR STEEL SPRINGS AND STABILISERS

Frauenthal Automotive posted an increase of EUR 56.6m (26.8%) in revenue.

The competitive environment for steel springs and stabilisers in Europe is characterised by considerable overcapacity. Despite the stable market for commercial vehicles, the demand for these components in Europe is falling slightly. The main reasons are the globalisation of the business operations of international commercial vehicle manufacturers on the one hand, and technological developments on the other. All the major manufacturers of heavy commercial vehicles have production facilities in South America (principally Brazil) and Asia. Local content requirements have strengthened the local supplier base in these regions, so that the need to import components produced in Europe is declining. Already in 2013, these developments had a depressing effect on Frauenthal's steel springs business, and it must be assumed that exports will continue to decline. The development of lighter steel springs, which has been one of Frauenthal Automotive's strategic goals, has meant that the tonnage of spring leaves is declining, and that the increased product quality requires less production capacity. Against this backdrop, price competition is becoming increasingly fierce. Price considerations now play such a dominant role in customers' decisions when awarding contracts that even with improved products, the ability to resist pressure on prices remains very limited. In the process of moving from Euro 5 to Euro 6 truck models, long-term contracts with strategic customers were renegotiated; the major contracts were finalised in the first quarter of 2014. Market shares and volumes were in general secured, and some new business was also agreed, which has bolstered the very promising prospects of winning additional market shares for more advanced products in the years to come. The other side of the picture in 2013 was that the loss of light springs business in particular to competitors outside Europe was a drag on performance. This shortfall cannot be made good in the short term. This has led to a reassessment of the medium and long-term outlook for this business segment – capacity adjustments are unavoidable. In the light of the pressures on prices, assumptions about the margins attainable on higher-performance products, both those already introduced and those currently under development must also be revised. The carrying amounts of property, plant and equipment were comparatively high as a result of investment over the past years in urgently necessary measures to improve productivity, quality, automation and R&D infrastructure (development laboratory for steel and plastic springs in Chatenois), together with expansion of capacity in the strategically key plant in Romania (Sibiu). There was also goodwill of EUR 11.5m from the acquisition of the Styria Group in 2002. The impairment review established that given the revised estimates of its long-term earnings prospects the value of the light springs business was EUR 28.7m lower than the carrying amount. The impairment writedowns eliminate the goodwill of EUR 11.5m entirely and reduce the value of property, plant and equipment by EUR 17.2m, which represented 53.5% of the EUR 26.4m total value of property, plant and equipment in the steel springs and stabilisers business prior to the writedowns.

The impairment review revised the value of the light springs business EUR 28.7m lower than the carrying amount. (goodwill EUR 11.5m and property, plant and equipment EUR 17.2m).

These disadvantageous circumstances affect only the steel springs and stabilisers business. The market position, competitive situation and strategic prospects of the other Frauenthal Automotive businesses (Gnotec, airtanks and U-bolts) are distinctly more promising, so that the steel springs and stabilisers business is a specific, exceptional situation.

The main factors that influence the performance of our Wholesale Plumbing Supplies Division (SHT) are the level of construction activity in Austria, and the willingness of private households to invest in renovation and renewal of plumbing and heating systems. While the building industry as a whole declined slightly in 2013, the commercial new construction segment also suffered a setback. 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 public sector economies had an inhibiting effect on the market. But the private renovation segment again prospered in 2013. Market volumes for the whole year were adversely affected by the cold weather at the start of 2013, which led to postponement of building activities. The reduction in sales was not entirely made up over the later months. 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 a higher quality product range, and through the better purchasing terms enjoyed as a result of joining the VGH buying group. Gaining additional market share, particularly in the West and the South of Austria, helped to increase revenue in Austria by EUR 1.2m (0.4%), despite the overall unsatisfactory market environment. In the construction industry in Slovakia, sales shrank by 15%. SHT Slovensko's financial year was largely taken up with the ambitious programme of integration and restructuring measures involved in merging the originally independent groups, Technopoint and Gama Myjava. Consolidating inventories in a single, centralised logistics centre, integrating the IT systems and implementing the considerable personnel synergies also had temporary adverse effects on operating performance. The EUR 7.0m increase in SHT Slovensko's revenue was attributable to the inclusion of a full year's trading for both businesses for the first time. With the creation of SHT Slovensko, the Wholesale Plumbing Supplies Division is excellently positioned to take advantage of the growth that is forecast for Slovakia in the coming years.

LIQUIDITY

The main factor affecting Frauenthal Group's liquidity in 2013 was the acquisition of Swedish automotive component supplier Gnotec for a purchase price of EUR 24.7m. EUR 14m of this was financed by a long-term bank loan. The Group's unutilised credit lines at the end of 2013 stood at EUR 67.7m. The net liquidity position was down by EUR 33.6m compared with the end of 2012. EUR 24.7m of the reduction represented the cost of the Gnotec Group and EUR 1.8m the purchase of a minority interest in the Frauenthal Automotive Division. Financing costs increased by EUR 0.8m to EUR 6.8m as a result of the purchase and initial consolidation of the Gnotec Group. These were offset by interest income of EUR 1.4m on liquid funds invested in the money market, so that net interest expense (the financial result) came out at EUR 5.4m, EUR 0.7m higher than last year.

TASK

Each individual spring must conform exactly to the agreed dimensions, so measurements are extremely precise. Giza Costica (52) prepares the milling process by putting the machine in the correct position.

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.

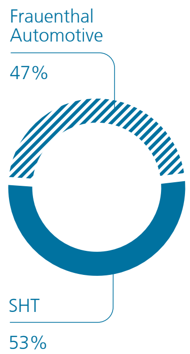
MANAGEMENT'S ANALYSIS OF RESULTS

The post-tax results include extraordinary one-time expenses of EUR 31.7m, consisting of EUR 29.4m of impairment writedowns (EUR 28.7m from the light springs business and stabilizers) and EUR 2.3m of deconsolidation expenses.

The 2013 financial year was marked by acquisitions, restructuring and a difficult market environment for both divisions. The consolidated results for the Group show revenue of EUR 574.8m, EBITDA of EUR 20.4m and a loss after tax of EUR 30.9m. The post-tax results include extraordinary one-time expenses of EUR 31.7m, consisting of EUR 29.4m of impairment writedowns and EUR 2.3m of deconsolidation expenses in connection with the sale of the Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH plants. Adjusted for the extraordinary expenses, the operating results after tax showed a profit of EUR 0.8m, which was EUR 0.5m lower than in the year before. The long-term prospects for the steel springs and stabilisers business have been evaluated in the light of current market developments and Management's strategic goals. The resulting expectations for the medium and long-term future made necessary the impairment writedowns described above. The increase in EBITDA before extraordinary expenses was wholly attributable to the acquisition of the Gnotec Group, which was included in consolidation with effect from 1 May 2013 and contributed EBITDA of EUR 7.1m and net profits of EUR 3.4m for the eight-month period to the end of the year.

Due to the disposal of the Industrial Honeycombs Division on 1 June 2012, profit for the year after tax is broken down between continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions) and discontinued operations (the Industrial Honeycombs Division). This analysis of results refers only to continuing operations.

REVENUE



The consolidated IFRS revenue for 2013 of EUR 574.8m was EUR 64.9m higher (12.7%) than in the previous year. The increase is the result of the acquisition of the Gnotec Group, which in the period May-December 2013 contributed EUR 59.3m to consolidated revenue, and to SHT Slovensko, which was included in consolidation for the full year for the first time in 2013.

Revenue by reportable segments

EUR '000	2013	2012	Change
Frauenthal Automotive	267,408	210,680	56,728
Wholesale Plumbing Supplies	307,400	299,227	8,173
Other	35	11	24
Frauenthal Group	**574,843**	**509,918**	**64,925**

The change from Euro 5 to Euro 6 models in the closing months of the year led to a noticeable increase in registrations. The Euro 5 "last buy" effect brought a 1% increase in total vehicle sales in the EU as compared with 2012. In the medium and heavy truck segment the increase was 8.6%. However, production and the demand for components did not increase to the same extent because exports, particularly to South America, fell. The reason is that European OEMs are looking for local suppliers – especially in Brazil – for components that until now they sourced from European suppliers such as Frauenthal Automotive. This change in behaviour is the result of stricter local content regulations. Frauenthal Automotive posted sales of EUR 267.4m, – an increase of EUR 56.7m (26.8%) compared with the previous year. EUR 59.3m of this growth came from the Gnotec Group, which was initially consolidated with effect from 1 May 2013. The decline in other business was mainly the result of the restructuring of air reservoirs production, because the Group's sales were down for a limited period following the sale of the Ahlen factory.

Revenue by regions

EUR '000	2013	2012	Change
Austria	293,824	294,672	-848
Germany	75,016	86,656	-11,640
France	23,197	20,501	2,696
Sweden	78,394	36,255	42,139
Belgium	33,714	21,155	12,559
Other EU	59,871	43,559	16,312
Rest of Europe	6,598	6,343	256
Americas	1,967	39	1,928
Asia	1,153	370	783
Other	1,109	368	740
Frauenthal Group	**574,843**	**509,918**	**64,925**

Despite an overall shrinking market, which also suffered from the unfavourable weather con-ditions at the beginning of the year, in 2013 the Wholesale Plumbing Supplies Division (SHT) recorded a 2.7% increase in sales. Revenue of EUR 307.4m was up EUR 8.2m on the previous year. The bulk of the sales – EUR 290.6m – came from Austria, with EUR 16.8m contributed by Slovakia. Sales growth came to EUR 1.4m (up 0.5%) in Austria and EUR 6.8m (up 68.5%) in Slovakia. The increase in Slovakia is, however, explained by the fact that the two companies merged to form SHT Slovensko (Technopoint Sanitrends, spol. s.r.o. and GAMA Myjava, s.r.o.) and were included in the SHT Group figures for a complete year for the first time in 2013. The expanded sales and service network in Austria, the broad product range, and the high level of logistics services together with innovative service applications ensure competitive advantages which in 2013 once again helped the Group to win additional market shares. The problem with the market in the last three years is twofold: the fierce price competition in contract business, and the noticeable efforts to economise in the public and quasi-public sector. The situation is also aggravated by the expansion taking place in wholesale capacity. In the past financial year the SHT Group successfully defended its position in this difficult environment, as is shown by the sales growth it achieved against the market trend.

EARNINGS

Frauenthal Group's EBITDA of EUR 20.4m was EUR 2.1m higher than in 2012: of this total, the Frauenthal Automotive Division contributed EUR 9.2m and the Wholesale Plumbing Supplies Division (SHT) EUR 14.2m. The EBITDA increase came from the Gnotec Group. The EBITDA of EUR 20.4m was net of extraordinary expenses of EUR 2.3m (deconsolidation expenses for the Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH plants); adjusted for this item, the EBITDA for the Group came to EUR 22.7m, which was EUR 4.4m higher than in 2012.

Profits			
EUR '000	2013	2012	Change
Revenue	574,843	509,918	64,925
EBITDA	20,448	18,265	2,183
EBITDA (adjusted)[1]	*22,714*	*18,265*	*4,449*
EBIT	-22,480	7,896	-30,376
EBIT (adjusted)[1 2]	*9,246*	*7,896*	*1,350*
Net finance costs	-5,373	-4,692	-681
Profit before tax	-27,853	3,204	-31,057
Profit before tax (adjusted)[1 2]	*3,873*	*3,204*	*669*
Profit after tax	-30,855	1,309	-32,164
Profit after tax (adjusted)[1 2]	*871*	*1,309*	*-438*

1) 2013: Adjusted for deconsolidation expenses of EUR 2.3m for Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH.
2) 2013: Adjusted for total impairments of EUR 29.4m

Consolidated EBIT declined by EUR 30.4m year on year, turning to a loss of EUR 22.5m. This was the result of extraordinary expenses totalling EUR 31.7m (impairments at Frauenthal Automotive of EUR 28.7m, impairments of land of EUR 0.7m, and deconsolidation expense of EUR 2.3m).

EUR m	Frauenthal Automotive	Holding companies and others	Frauenthal Group
Goodwill	11.5	0	**11.5**
Non-current assets	17.2	0.7	**17.9**
Impairments	**28.7**	**0.7**	**29.4**
Deconsolidation	2.3	0	**2.3**
Frauenthal Group	**31.0**	**0.7**	**31.7**

Frauenthal Automotive contributed EUR -29.1m and Wholesale Plumbing Supplies EUR 10.6m. For Frauenthal Automotive there were extraordinary writedowns of EUR 28.7m in the steel springs and stabilisers business, as a result of the impairment review. Without these writedowns, and adjusting also for the deconsolidation expenses of EUR 2.3m, Frauenthal Automotive's EBIT was EUR 1.9m, which was EUR 3.8 higher than in the previous year. This increase in earnings from operations is attributable to the acquisition of the Gnotec Group. The adjusted consolidated EBIT was EUR 9.2m, which was EUR 1.3m up on 2012. There was a net loss for the Frauenthal Group of EUR 30.9m, and – adjusted for the total extraordinary expenses of EUR 31.7m – a net profit of EUR 0.8m (2012: EUR 1.3m).

EBITDA adjusted Frauenthal Automotive EUR 11.5m, SHT EUR 14.2m.

EBITDA by segments			
EUR '000	2013	2012	Change
Frauenthal Automotive	9,200	4,685	4,515
adjusted [1]	*11,466*	*4,685*	*6,781*
Wholesale Plumbing Supplies	14,174	15,721	-1,547
Other	-2,926	-2,141	-785
Frauenthal Group	**20,448**	**18,265**	**2,183**
adjusted [1]	***22,714***	***18,265***	***4,449***
as % of revenue	3.56%	3.58%	-0.02%

1) 2013: Adjusted for deconsolidation expenses of EUR 2.3m for Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH.

ASSETS AND FINANCES

The total assets of the Frauenthal Group grew from EUR 340.5m in 2012 to EUR 357.2m at the end of 2013. The increase was largely attributable to the acquisition of the Gnotec Group, which raised Frauenthal Group's total assets at the time of initial consolidation by EUR 62.4m.

Balance sheet shaped by the acquisition of Gnotec..

Non-current assets changed only slightly, because the additions to property, plant and equipment contributed by the Gnotec Group together with other investments of EUR 16.4m were matched by writedowns of EUR 42.9m (of which extraordinary writedowns made up EUR 29.4m). Inventories rose by EUR 19.0m as a result of the inventories acquired as part of the Gnotec Group. Other current assets contain the trade receivables acquired. This includes cash and cash equivalents, which are matched by long-term investments. One investment of EUR 10m expired on June 21 2013, and the balance as at 31 December 2013 was EUR 35m.

As a result of the loss for the year, the Group's equity fell by EUR 35.9m to EUR 91.6m. During 2013, a dividend of EUR 1.7m (EUR 0.20 per share) was paid out of the profit for the 2012 financial year. The equity ratio of 37.4% as at the end of 2012 fell to 25.7% as at 31 December 2013, as a result of the increase of liabilities incurred for the acquisition of the Gnotec Group and of the loss for the year.

Long-term debt increased from EUR 128.7m to EUR 153.8m, principally as a result of the long-term financing of EUR 12.3m for the Gnotec Group and the financial liabilities taken over as part of the Gnotec Group acquisition. A potential earn-out for the Gnotec acquisition is also disclosed as a long-term liability. Short-term liabilities contain the remaining Gnotec financing, which was covered out of short-term assets. The 14% minority interest (EUR 1.8m) in Frauenthal Automotive Sales GmbH was acquired, and there were other investments totalling EUR 16.4m. Cash inflows of EUR 5.7m relate to the dividend received for 2012 and the receipt of a residual payment for the divested Industrial Honeycombs Division.

Assets and finances

EUR '000	2013	2012	Change
Non-current assets	125,888	124,010	1,877
Inventories	99,984	81,038	18,946
Other current assets	131,346	135,428	-4,081
Total assets	**357,218**	**340,476**	**16,742**
Equity	91,638	127,493	-35,855
Non-current liabilities	153,849	128,665	25,184
Current liabilities	111,731	84,318	27,413
Total equity and liabilities	**357,218**	**340,476**	**16,742**

INVESTMENT AND ACQUISITIONS

EUR 16.4m investments, of which EUR 10.4m from Frauenthal Automotive, EUR 5.7m from SHT.

In the 2013 financial year, EUR 16.4m was invested in the implementation of Frauenthal's growth and quality strategies, of which EUR 1.0m was spent on intangible assets and EUR 15.3m on property, plant and equipment. The Frauenthal Automotive Division invested EUR 10.4m, mainly on automation equipment, a materials and processes testing laboratory, measures to reduce energy consumption, quality enhancement and modernisation of the recently acquired facility in Hustopeče. The Wholesale Plumbing Supplies Division invested EUR 5.7m, mainly in logistics systems, the vehicle fleet, and modernisation and expansion of retail space. The change in scope of consolidation item shows the Gnotec Group assets acquired. The impairment writedowns meant that the total assets of the Frauenthal Group did not increase significantly between the end of 2012 and 31 December 2013.

Change in non-current assets

EUR '000	Intangible assets	Property, plant and equipment	Financial assets	Total non-current assets
31 Dec. 2012	**38,064**	**71,462**	**1,042**	**110,568**
Investments	1,049	15,296	5	16,350
Writedowns	0	0	-3	-3
Change in scope of consolidation	13,697	16,401	33	30,131
Depreciation, amortisation, impairment	-13,975	-28,953	0	-42,928
of which impairment	*-11,775*	*-17,840*	*0*	*-29,615*
Disposals	-1	-405	0	-406
Currency translation and other	-469	-1,005	0	-1,474
31 Dec. 2013	**38,365**	**72,796**	**1,077**	**112,238**

CASH FLOWS

Cash flows from operations for the year of EUR 16.9m were up by EUR 4.9m compared with 2012. The changes in trade receivables and payables, and in inventories are largely attributable to the Gnotec Group acquisition, and resulted in net cash flow from operating activities of EUR 7.0m.

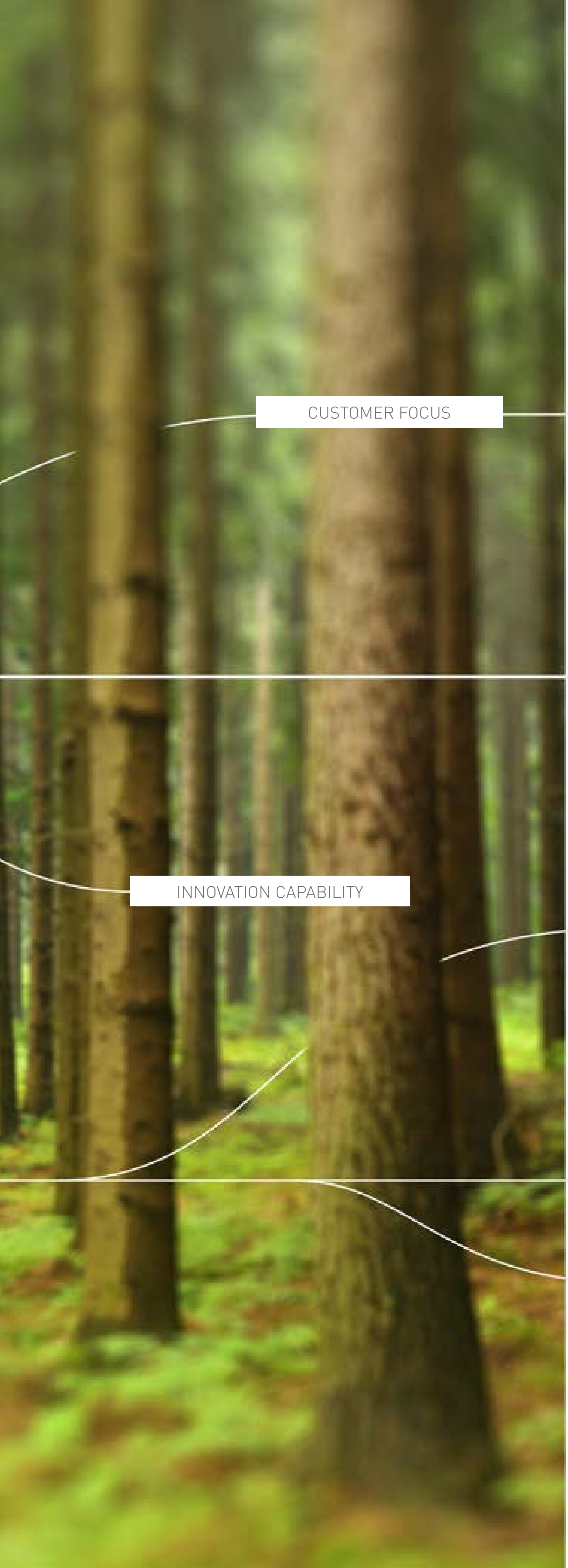
Statement of cash flows

EUR '000	2013	2012	Change
Operating profit before working capital changes	16,918	12,011	4,907
Net cash used in/from operating activities	47	679	-632
Net cash used in investing activities	-30,130	-21,168	-8,962
Net cash from/used in investing activities	20,859	-46,447	67,306
Change in cash and cash equivalents	-9,224	9,959	-19,183
Cash and cash equivalents at end of year	40,124	49,348	-9,224

Net cash used in investing activities came to EUR 30.1m, made up of the payment of EUR 24.7m of the purchase price for the Gnotec Group, investments in non-current assets of EUR 16.4m, together with Gnotec Group cash balances at the time of acquisition amounting to EUR 3.6m and the receipt of the contingent consideration relating to the sale of the Industrial Honeycombs Division. Of this, Frauenthal Automotive Division invested EUR 10.4m in improving product quality, and the Wholesale Plumbing Supplies Division invested EUR 5.7m in enhancing logistics capabilities and in services for end users.

Net cash used in investing activities partly made up of the payment of EUR 24.7m of the purchase price for the Gnotec Group.


PRODUCT AND SERVICE QUALITY
EMPLOYEES



CONTINUOUS IMPROVEMENT

STRENGTH THROUGH SOLID FOUNDATIONS

DISCLOSURES IN ACCORDANCE WITH SECTION 243A UGB [AUSTRIAN BUSINESS CODE]

Frauenthal Holding AG has a share capital of EUR 9,434,990 (2012: 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 is unchanged at 943,499, and equal to 10% of the share capital. The free float fell from 1,613,441 shares (17.10%) to 1,486,767 shares (15.76%). The interest of the major shareholder, FT Holding GmbH, increased correspondingly to 7,004,724 shares, a 74.24% interest (2013: 72.90%).

There are no classes of shareholders with special control rights. On 1 June 2011 the Frauenthal Holding AG Supervisory Board approved a share option plan for 2012–2017 for mem-bers of the Company's Executive Board 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 mem-bers 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 con-trol 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 compen-sate 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 installed a Group-wide risk management system (RMS). 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), the core elements of which are financial controls, reporting, internal audit and management meetings at all levels, is constantly adjusted to the needs of the RMS.

The Group's risk exposure has not changed materially since last year; as a result of the acquisition of the Gnotec Group, however, the volatility of the commercial vehicles market is of increased importance. With Gnotec, on the other hand, Frauenthal Automotive has for the first time generated significant sales in the passenger vehicles market and in non-automotive sectors, so that the risk situation is improved. The first plant in China, which is to be progressively expanded, adds a new country risk. For the SHT Group, with its Slovakian subsidiary, country risk is also a relevant consideration. What is completely new is the Group's exposure to currency risk, since with the Gnotec Group acquisition the valuation of significant volumes of assets is affected by the exchange rate of the Swedish krona (SEK) against the euro. For example, a 10% devaluation or revaluation of the Swedish krona would reduce or increase respectively the Group's equity by some 4%, that is by EUR 4.8m. The SEK is a volatile currency, so this new risk is significant.

The increasing importance of strategic risks, particularly in the Frauenthal Automotive Division, as against generally decreasing operational risks, is caused by the globalisation strategy of OEM customers and the attendant risk of the transfer of production from Europe or the emergence of non-European suppliers.

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 made to the audit committee at two meetings, and they are constantly monitored by the Executive Board. Proposals for any consequent changes are submitted to the audit committee in the form of a detailed internal control system report, which is updated at least twice a year. The report revises the risk matrix to reflect newly identified risks, reevaluates the importance of existing risks and removes no longer relevant risks where appropriate.

FRAUENTHAL AUTOMOTIVE DIVISION

CUSTOMER RISK

Contracts for the production of truck components such as springs, U-bolts, air reservoirs, and welded, punched and formed parts are usually for one or more years. They specify details of the products and set out the terms and conditions of supply, but do not bind either supplier of customer to specific quantities, since these depend on market 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, on the reliability of its logistics and quality standards, and on its ability to collaborate with the customer on new developments.

During the year under review the Division succeeded in winning a number of major new contracts and securing extensions of existing ones. However some contracts, for technologically less advanced products, were lost to competitors from low-cost countries. The decisive point is that for strategically important products existing contracts were retained, and that new ones were concluded. Frauenthal Automotive's proven ability in developing improved pro-ducts was the crucial factor in obtaining new, long-term contracts for the Euro 6 vehicles series.

The most significant risks affecting customer relationships are technology risks (suspension systems may change, making the Division's products obsolete), price risks (competitive pressure may enable customers to push prices down), and the loss of market share due to competitive disadvantages with regard to pricing or technology. The current depressed state of the European commercial vehicle market and overcapacity in some areas (in particular steel springs and stabilisers) has to some extent increased customer willingness to exert aggressive pressure on prices. All major OEMs are stepping up their pressure, since they are themselves exposed to fierce competition in the Euro 6 market.

In the commercial vehicle sector, the manufacturers are predominantly very large, international enterprises. There were no credit defaults during the year, 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 transport, especially by heavy trucks, is the main determinant 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 ex-ports to these regions. The haulage companies' access to finance also affects demand. The undercapitalisation 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 outcome could eventually be a sudden surge in demand. The single greatest 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, or by other macroeconomic shocks.

In 2013 stagnating demand led to unsatisfactory capacity utilisation in steel spring and stabiliser plants, and required workforce adjustments including lay-offs of agency personnel. Capacity utilisation for all other product ranges was good. Increasing flexibility in production continues to be a strategic goal, because the market for commercial vehicles will remain a volatile one

To the extent that it is possible to predict market developments, it appears highly unlikely that we will face capacity bottlenecks and difficulties in meeting customers' demands.

In exceptional cases quality defects can lead to material fractures or braking system leaks 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 insurance. The insurance cover is considered to be adequate, but in extreme cases it could nevertheless be insufficient. The quality and safety requirements set by customers are becoming ever more strict, and customer audits are regularly held to monitor compliance. There were two potential warranty cases in the year under review, but the facts had not been established by the time the financial statements were prepared, and there had been no specific claims by the customers. A provision has been made for identifiable risks that would not be covered by the insurance.

ENVIRONMENTAL RISK

Frauenthal Group companies comply with all environmental licensing conditions, statutory provisions and rulings. All staff 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 plant (Frauenthal Automotive Châtenois, France) soil decontamination is in progress. The action being taken is in line with the official requirements.

OPERATIONAL RISK

The production of braking system air reservoirs involves forming, welding and surface treat-ment processes. Spring, stabiliser and U-bolt production involves hot rolling, bending and tempering, and gives rise to significant fire hazards. The production of welded, punched and formed components is generally highly automated. All of these processes are associated with production outage and safety risks. During 2013 there were no incidents of this sort.

These risks are minimised by work and process instructions, training programmes, continuous maintenance and testing, and appropriate 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 production 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. The Gnotec Group is responsible for its own procurement.

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

Supply constraints for production materials or energy are not currently likely. We ensure that there are sufficient numbers of suppliers for all important production supplies, so there are no critical dependencies on single sources.n.

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. Where competition between wholesalers gives rise to fierce battles for market share, this may lead to price erosion. However, stabilising aspects of the customer relationship (product availability, reliable logistics, finance, technical advice, etc.) mean that price is not the only factor in customers' decisions, and that the risks associated with price competition can be countered by these aspects of service quality. Due to its market leader-ship, 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.

SHT's customers are primarily in the building industry, and the credit default risks are those typical of small businesses and the plumbing trade.

SHT has an efficient receivables management system in place to mitigate these risks. Customer creditworthiness and credit limits are kept under constant observation so as to identify insolvency risks at an early stage. Late payments are rigorously pursued. Delivery limits, which are regularly adjusted to reflect payment behaviour, reduce the default risks, which are also passed on by taking out credit insurance. In 2013 payment defaults were a minimal 0.2% of sales, at the same level as in 2012. An average of 70% of the receivables are covered by trade credit insurance.

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

MARKET RISK

Building activity, both commercial and do-it-yourself, has a significant impact on SHT's wholesale plumbing supplies business. The market was weak in 2013: even private renovation activities, which grew so strongly in past years, stagnated, and SHT has a particularly high share of the private renovation segment. Price competition in this low-volume segment is less fierce than in large-scale project business.

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 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 on terms acceptable to SHT. Conversely, its market leadership makes SHT a customer that these suppliers would be loath to lose.

Negotiation of purchasing prices is a core senior 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. The potential claims by 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 therefore limited to the insurance retention. At the end of the reporting period, roughly 22 months after the conclusion of the contract, the general guarantee had expired without any claims having been made. The term of the guarantee against environmental risks has not yet expired, but there have been no indications that claims under guarantees or warranties might be made.

IMPAIRMENT TESTS

In accordance with the provisions of IAS 36, in 2013 the assets of the Frauenthal Group were again routinely subjected to impairment tests.

The valuations of the various Group companies are based on earnings forecasts for the coming five years. The calculations use the authorised budgets for 2014 and conservative estimates for the following years, which in some cases are supported by the renowned Global Insight market survey. The current carrying amounts were compared with the valuations, and impairment recognised where necessary. The discount rate chosen was the weighted average cost of capital after tax (WACC), i.e., 7.9% for the Wholesale Plumbing Supplies Division, and 7.98% for the Frauenthal Automotive Division

The impairment review led to the recognition of EUR 29.4m in impairment writedowns in the consolidated financial statements.

There is a writedown of EUR 0.7m to reduce the value of a piece of land not needed by the business to its market value, and writedowns of EUR 28.7m relating exclusively to the steel springs and stabilisers business, which is part of the Frauenthal Automotive Division. Current, up-to-date assumptions about market developments and future competition, together with strategic management decisions taking into account assumed future price trends and losses of business volumes to non-European competitors made it necessary to make assumptions about business prospects and market-oriented measures to adjust capacity. The impairment review revealed shortfalls in carrying amounts of the cash generating units (CGUs) in the following companies: Frauenthal Automotive Sales Gmbh, Vienna; Frauenthal Automotive Sibiu S.R.L, Sibiu; Frauenthal Automotive Judenburg GmbH, Vienna; Frauenthal Automotive France S.A.S., Chatenois; Frauenthal Automotive Azambuja Unipessoal Lda., Azambuja; Frauenthal Automotive Ravne d.o.o., Koroskem. The discounted cash flow values of the CGUs is EUR 28.7m less than the EUR 68.0m carrying amount of the business in the Group's consolidated financial statements. Details of the impairment tests are disclosed in the notes to the consolidated financial statements. At the end of the reporting period there were no deferred tax assets recognised in this business; should the business improve in future years, write-ups may be possible. Starting with the 2014 financial year, this impairment of assets will lead to an improvement in the operating performance of the business, because the basis of calculation of depreciation has been significantly reduced.

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.

Given the credit balances with banks of EUR 40.1m at the end of the reporting period, and the available bank credit lines of EUR 67.7m, the liquidity risk should be assessed as very low. The EUR 100m bond issue falls due in May 2016.

The liquidity requirements implied by the 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 purchases of materials. These currency risks are largely not hedged, but they are kept under constant observation, and could be hedged if necessary. The effect of the volatility of the SEK is potentially material, and exchange rate trends are monitored very closely. At the end of the reporting period date there were currency futures contracts to the value of EUR 3.5m hedging the SEK exposure.

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 4.875 %, ensures that the Group is securely financed until May 2016. The interest rates payable on the credit lines are mostly Euribor linked. EUR 19.6m (largely funding the Gnotec acquisition) is long-term financing and EUR 19.5m comes from short-term financing agreements. 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 sensitivity analysis for currency and interest rate changes is contained in the notes, under "Financial instruments".

TAX RISKS

In earlier years a material tax risk was reported in connection with substantial tax loss carry-forwards of a subsidiary, Frauenthal Automotive Elterlein GmbH, This risk no longer exists, because in a ruling dated 4 February 2014 the tax audit accepted the validity of the loss carryforwards. The consolidated statement of financial position contains deferred tax assets of EUR 5.9m relating to these tax loss carryforwards. There was no accounting provision for this potential risk in earlier years, because the risk was judged to be negligible. As a result, the tax audit has no effect on the results for the year.

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 companies to undertake voluntarily to implement the Austrian Code of Corporate Governance. In addition, adherence to high ethical standards in business conduct is also considered as crucial to sustainable business policies. As a supplier to all the major commercial vehicle manufacturers, Frauenthal is aware that compliance behaviour is also assessed by the customers. The audit committee of the Supervisory Board regularly assesses potential compliance risks, and discusses action to improve compliance in the Group. During the year under review the procedures for maintaining the confidentiality of compliance-related information were further refined.

ACCOUNTING

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

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 accounting manual and regular training courses for finance managers help maintain compliance with the current International Financial Reporting Standards and ensure that accounting methods are standardised across the Group.

There are group-wide signature regulations covering the release of invoices for payment.

The bookkeeping processes for recording business transactions are by and large computerised. Computer 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 scheduled backups on a daily, weekly and monthly basis. Documents are kept in secure archives and in accordance with the legal minimum retention periods.

In the operational units the bookkeeping for business transactions is ongoing. Payments are made weekly.
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 end of the reporting period.

To ensure that the necessary provisions are made, the current course of business is discussed in detail at monthly meetings with the Executive Board. The monthly reporting forms the basis of these discussions. The introduction of a system of internal checks at management level will make it easier to keep track of impending liabilities in future

Close communication between the central finance department and finance managers at Group companies means that all budget variances are reviewed and analysed.

The monthly reports include detailed analyses of budget variances in earnings, items on the statement of financial position and cash flows in the various segments and companies. An extensive key performance indicator system supports internal 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 balances of all group companies are monitored at all times. 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 plan trigger 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 2014 budget assumptions at Group level include significant growth, principally as a consequence of the acquisition of the Gnotec Group in 2013. Capital investments (not including any acquisitions) will rise, mainly as a result of Gnotec Group growth projects. The liquidity situation is unlikely to change significantly unless acquisitions are made in 2014. In the Frauenthal Automotive Division there will be investment in the expansion of the facility in China (Gnotec), and capacity expansion at other Gnotec sites (particularly in Slovakia). There will also be productivity enhancements in airtanks and U-bolts in projects with short payback periods, and improvements in plant infrastructure. 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 planned investments will largely be financed from cash flows. No events likely to result in a major drain on liquidity are foreseen. However, unexpectedly strong sales growth could create additional liquidity needs. Even in this case sufficient credit lines are available, provided that the banks meet their commitments as anticipated. In the event that acquisitions give rise to significant funding needs, we will seek forms of financing appropriate to the specific deals. Acquisitions are to be financed within the divisions concerned. At present, the Group's main source of external finance is the EUR 100m bond repayable on 25 May 2016.

LITIGATION

At the time these financial statements were prepared, there were no legal disputes pending or to be expected.

INNOVATION REPORT

For Frauenthal Group, innovation is primarily about continuously improving product quality, production processes, and the product and service portfolios, and not about costly research into fundamental 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 new applications for existing products. Innovation in manufacturing processes can involve redesigning factory layouts to optimise 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 component installation for customers. We also aim to be innovative in our internal processes where this can contribute to progress on costs and quality. At Gnotec, product innovation is an integral part of the business model: creative engineering solutions are a significant factor in maintaining a competitive advantage. The Gnotec Group is also researching innovative production processes for formed components. Gnotec's know-how is not so much related to specific products, but more to the mastery and optimisation of the complex processes needed in the production of anything from very simple to highly complex steel components, mainly for the automobile industry.

FRAUENTHAL AUTOMOTIVE:

FOCUS ON WEIGHT REDUCTION

The most important goal of Frauenthal's innovation activities is the reduction of the weight and volume of suspension components, so as to reduce fuel consumption and make heavier payloads possible. Extending the service life of chassis components to match vehicle lifespan is another major priority. This results in lower total costs over the useful life of the vehicle. The Euro 6 emission standard, which comes into force in Europe in 2014, is an important factor, as the complex exhaust gas aftertreatment 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 30kg can be achieved by using our high-tension front axle springs and tubular stabiliser bars. Over the past twelve years, we have been successful in reducing the weight of a typical front axle from 100kg to 60kg: increased tension levels make it possible to reduce the number of spring leaves. While tubular designs cost more to make than conventional solid stabilisers, they are also up to 15kg lighter. Improved materials are the only way to achieve even higher tension levels and further weight reductions. A materials research laboratory with the capability to investigate material properties provides the necessary R&D capacity. Products using composites for springs and airtanks are also under development.

WHOLESALE PLUMBING SUPPLIES (SHT):

FOCUSING ON LOGISTICS OPTIMISATION AND CUSTOMER SERVICE

SHT has a long track record of developing innovative logistics solutions. This has generated customer benefits such as almost completely error-free deliveries, high levels of product availability and simplified administrative processes. The implementation of the Flow Project (error-free logistics and goods movements) was brought to a successful close. 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. Another focus in the strategy is on the use of state-of-the-art communications technologies that simplify customers' access to SHT services.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Responsible behaviour and sustainable business practices are just as important to the Frauenthal Group as financial considerations. Our values are shared by all our staff, and many parts of the Group have implemented initiatives aimed at promoting considerate 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. These are 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 making commercial vehicles more environmentally friendly. SHT Group encourages the use of products based on renewable technologies such as photovoltaics, heat pumps and solar thermal systems, and of products that help to conserve water. At the same time, the SHT eco campaign promotes 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 prodution and service processes are made possible by our people's skills and expertise, which is why we systematically require and encourage our staff's continuing personal and professional development as part of a comprehensive training and education 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 which can be put into practice quickly.

HUMAN RESOURCES (HR) AT FRAUENTHAL

HR development is crucial to Frauenthal Group's continued growth. The shortage of skilled managers is the biggest obstacle to development and expansion. For several years now, Frauenthal has been aware that current demographic trends are responsible for a significant and growing shortage of qualified staff. 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 cornerstones of our HR strategy. Wherever possible, the aim is to fill management positions with the best candidates from within the Group. It is also important to recognise that our ability to offer jobs and development opportunities that meet employees' individual needs will be crucial to Frauenthal's competitiveness: in this respect it is important to encourage the development of younger members of staff. Frauenthal aims to include a higher-than-average proportion of staff in its development programmes.

Another important goal of our HR policy is to help staff strike a balance between work and family commitments. SHT Group's myFamily programme has created more flexible part-time working models, long-term career planning that accommodates breaks for raising children, child care support and support for employees with personal difficulties. Experiences to date have been positive, and encourage further extension of the programme.

The Group uses tried-and-tested tools and techniques to identify potential high flyers at executive and management trainee levels. In the internal recruitment of executives, particular attention is paid to matching employees' development goals and opportunities as closely as possible to corporate needs.

The Frauenthal Leadership and Learning Program, in its fourth year in 2013, makes a major contribution here, and also helps with integration within the Group. In the most recently completed 18-month project, some 60 management staff gained practical leadership and management skills that they can apply directly in their day-to-day work.

Frauenthal High Potential Program, in its second time in 2013, is used to develop people who are recognised as having particular potential for careers in management or specialist roles. The programme focuses on the theoretical and practical learning outcomes from internal projects in order to enhance technical expertise and help staff acquire professional project management skills. With completion of the current 15-month project, some 30 specialists have acquired practical experience in applying project management and self-management skills in their day-to-day work.

FRAUENTHAL AND ENVIRONMENTAL PROTECTION

The Frauenthal Group takes environmental protection very seriously. All Group companies comply with environmental licensing conditions, legislation, statutory orders and rulings. Staff receive comprehensive information and training on environmental, health, and safety issues. Both of Frauenthal's 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no events of exceptional significance after the end of the financial year.

OUTLOOK

The European commercial vehicles market made a moderate recovery in the third and fourth quarters of 2013 as a result of the changeover from the Euro 5 to the Euro 6 truck model. Market experts are assuming that there were advanced purchases in 2013, and that therefore that the European commercial vehicles market will be no better than stable in 2014. The economic slump in Southern Europe continues to dampen the market for commercial vehicles, although gradual recoveries are to be expected in Spain and Italy. Exports – especially to South America – should pick up again slightly. Positive developments are foreseen for Gnotec Group's car business. Estimates for the commercial vehicles business are notoriously unreliable, because the unstable economic environment can completely unsettle this extremely sensitive market at any time. Revenue growth of around 10% is predicted for the Frauenthal Automotive Division, which will be largely the contribution of the Gnotec Group: 2014 will be its first full year as a member of Frauenthal Group. Investments will be focused on quality improvements, and above all on productivity-enhancing measures, as well as on further expansion of Gnotec's plant in China. Capacity adjustment measures for the steel springs and stabilisers business are under evaluation.

The Wholesale Plumbing Supplies Division (SHT) is also expected to gain more market share in 2014, although there are no significant measures planned to extend the Austrian sales and service network. Modest market growth is expected, in particular in commercial new construction and renovation business. Optimisation of purchasing processes and terms and conditions of sale should contribute to further improvements in profitability. One major focus will be on consolidating the progress made at SHT Slovensko, so that profitability can be improved in spite of the continued weakness of the market in Slovakia.

To sum up, the high points of 2013 were the acquisition of the Gnotec Group and the resultant broadening of Frauenthal Automotive's product and customer portfolios, together with the successful restructuring of the airtanks business. At the same time, Frauenthal faced up to the declining prospects in the steel springs and stabilisers business by recognising appropriate impairment writedowns. Business Development continued the systematic search for a suitable third line of business to add to the Group's portfolio. However, conditions in the M&A market meant that it was not possible to identify an acquisition candidate that satisfied Frauenthal's specific investment criteria. Establishing a third division is still the goal, but there will be a change in procedure – less effort will invested in searching systematically, because the extensive search activities to date have resulted in numerous potential acquisition targets being brought to our attention on an ongoing basis.

Vienna, 22 April 2014
Frauenthal Holding AG

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

TASK

Volkan Öztürk, 28, using the automated order picking system, which has two stations. Goods are placed in store on one side, and picked on the other, to be prepared for delivery.

PRODUCT

The cutting edge Y-LOG order picking system has been introduced at the SHT Perchtoldsdorf site. The system means that 6,400 shelf positions are housed in a confined area, and three times as many items as before can now be batched.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Note	EUR '000	2013	2012 *
[31]	**Revenue**	**574,843**	**509,918**
	Changes in inventories of finished goods and work in progress	-317	-1,122
	Work performed by the entity and capitalised	74	163
[32]	Other income	11,900	13,342
[33]	Raw material and consumables used	-396,620	-353,150
[34]	Staff costs	-111,679	-101,646
[20,21,35]	Depreciation and amortisation expense	-13,313	-10,163
[5]	Impairment	-29,615	-206
[36]	Other expenses	-57,753	-49,240
	Profit/loss from operations	**-22,480**	**7,896**
[37]	Interest income	1,432	1,275
[37]	Interest expense	-6,805	-5,997
	Other finance income	0	30
[37]	**Net finance costs**	**-5,373**	**-4,692**
	Profit/loss before tax from continuing operations	**-27,853**	**3,204**
[38]	Income tax expense	-2,719	-1,509
[38]	Change in deferred tax	-283	-386
	Profit/loss for the year from continuing operations	**-30,855**	**1,309**
	Profit before tax from discontinued operations	**0**	**47,970**
[38]	Income tax expense	0	-2,395
[38]	Change in deferred tax	0	-7,871
	Profit for the year from discontinued operations	**0**	**37,704**
	Profit/loss for the year before non-controlling interests	**-30,855**	**39,013**
	Profit/loss attributable to non-controlling interests	0	-453
	Profit/loss attributable to owners of the parent (profit for the year)	-30,855	39,466
[40]	Earnings per share from continuing operations		
	basic	-3.63	0.20
	diluted	-3.62	0.19
[40]	Earnings per share from discontinued operations		
	basic	0.00	4.17
	diluted	0.00	4.17
[40]	Earnings per share from continuing and discontinued operations		
	basic	-3.63	4.37
	diluted	-3.62	4.36

* 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 profit from discontinued operations in accordance with IFRS 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2013	2012 *
Profit/loss for the year from continuing operations	**-30,855**	**1,309**
Gains/losses on currency translation	-1,665	445
Gains/losses on fair value measurement (available-for-sale assets)	-3	65
Items that will be reclassified to profit or loss ("recycled")	**-1,668**	**510**
Actuarial losses not recognised in employee benefit provisions	-52	-1,679
Change in deferred tax	41	437
Items that will not be reclassified to profit or loss ("recycled")	**-11**	**-1,242**
Other comprehensive loss from continuing operations	**-1,679**	**-732**
Total comprehensive income/loss from continuing operations	**-32,534**	**577**
Profit for the year from discontinued operations	**0**	**37,704**
Gains/losses on currency translation	0	-84
Other comprehensive income/loss from discontinued operations	**0**	**-84**
Total comprehensive income from discontinued operations	**0**	**37,620**
Total comprehensive income	**-32,534**	**38,197**
Attributable to non-controlling interests	0	-516
Attributable to owners of the parent	-32,534	38,713

* 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 profit from discontinued operations in accordance with IFRS 5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	EUR ´000	31 Dec. 2013	31 Dec. 2012
	Assets		
	Non-current assets		
[3,5,20]	Intangible assets	38,365	38,064
[5,21]	Property, plant and equipment	72,796	71,462
[6,23]	Deferred tax assets	13,650	13,442
[7,22]	Financial assets	1,077	1,042
		125,888	**124,010**
	Current assets		
[8,24]	Inventories	99,984	81,038
[9,25]	Trade receivables	78,918	67,398
[9,25]	Tax receivables	6,912	4,669
[9,25]	Other financial assets	2,701	7,000
[9,25]	Other non-financial assets	2,691	7,013
[10,26]	Cash and cash equivalents	40,124	49,348
		231,330	**216,466**
	Total assets	**357,218**	**340,476**

Note	EUR ´000	31 Dec. 2013	31 Dec. 2012
	Equity and liabilities		
	Equity		
[27]	Share capital	9,435	9,435
[27]	Capital reserves	21,093	21,093
[27]	Retained earnings	73,667	104,336
[27]	Accumulated other comprehensive income	-5,004	-3,325
[27]	Own shares	-7,553	-7,553
	Equity attributable to owners of the parent	**91,638**	**123,986**
[27]	**Non-controlling interests**	**0**	**3,507**
		91,638	**127,493**
	Non-current liabilities		
[13,28]	Bond	99,570	99,395
[13,28]	Long-term borrowings	19,585	5,585
	Other financial liabilities	3,588	0
[13,28]	Other non-financial liabilities	270	270
[11,29]	Provisions for employee benefits	18,654	16,627
[6,23]	Deferred tax liabilities	8,248	3,226
[12]	Other provisions	3,934	3,562
		153,849	**128,665**
	Current liabilities		
[13,28]	Bond	3,018	3,019
[13,28]	Short-term borrowings	19,496	9,254
[13,28]	Trade payables	57,428	45,932
[13,28]	Other financial liabilities	10,958	8,490
[13,28]	Other non-financial liabilities	15,809	13,536
[29]	Current tax payable	2,639	2,702
[12,29]	Other provisions	2,383	1,385
		111,731	84,318
	Total equity and liabilities	**357,218**	**340,476**

STATEMENT OF CASH FLOWS

Note	EUR ´000	2013	2012
	Profit for the year before non-controlling interests	-30,855	39,013
	Gains/losses on deconsolidation of subsidiaries	2,266	-36,444
	Interest income and expense	5,373	5,107
	Taxes on income	2,719	3,904
	Depreciation and amortisation of non-current assets	42,928	11,882
	Gains on disposal of non-current assets	-595	-674
	Losses on disposal of non-current assets	40	31
	Change in deferred tax assets	-166	-622
	Change in long-term provisions	567	533
	Gains arising on consolidation and fair value measurement of liability to pay purchase price	-199	-2,684
	Interest paid	-6,125	-6,558
	Interest received	1,403	1,240
	Income taxes paid	-615	-604
	Other non-cash expenses	177	198
[19,41]	**Operating profit before working capital changes**	**16,918**	**14,322**
	of which discontinued operations	0	2,311
	Change in inventories	-11,846	-4,682
	Change in trade receivables	-1,807	-5,600
	Change in other receivables	1,629	550
	Change in short-term provisions	1,016	2,295
	Change in trade payables	-531	-6,363
	Change in liabilities to Group companies	0	-418
	Change in other liabilities	-5,139	-2,440
	Translation-related changes	-193	186
[19,42]	**Net cash used in/from operating activities**	**47**	**-2,150**
	of which discontinued operations	0	-2,829

Note	EUR '000	2013	2012
	Acquisition of intangible assets and purchase of property, plant and equipment	-16,349	-19,122
	Proceeds from sale of intangible assets and property, plant and equipment	954	1,386
	Changes arising from investment grants	-330	-463
[2]	Acquisition of subsidiaries less cash and cash equivalents acquired[1]	-21,068	-5,963
[2,43]	Proceeds from disposal of subsidiaries less cash and cash equivalents disposed of[1]	6,663	75,272
[43]	**Net cash from/used in investing activities**	**-30,130**	**51,110**
	of which discontinued operations	7,000	72,839
	Dividends paid	-1,698	-2,749
	Shares repurchased	0	-7,021
[44]	Acquisition of non-controlling interests	-1,800	0
	Redemption of 2005 bond	0	-27,295
	Change in borrowings	24,357	-2,497
[44]	**Net cash used in/from financing activities**	**20,859**	**-39,562**
	of which discontinued operations	0	6,885
	Change in cash and cash equivalents	**-9,224**	**9,398**
	Cash and cash equivalents at beginning of period	49,348	39,950
[26]	Cash and cash equivalents at end of period	40,124	49,348

1) See Note 2 for information on the effects of changes in the scope of consolidation

TASK

Parabolic springs are heated in preparation for the next stage of the production process at the Frauenthal Automotive plant in Sibiu, Romania. Before this step, Ioan Dimitru, 46, 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.

STATEMENT OF CHANGES IN EQUITY

Note	EUR '000	Share capital	Capital reserve	Retained earnings	Other comprehensive income			Treasury shares	Equity attributable to owners of the parent	Non- con- trolling interests	Total equity
					Translation reserve	Fair value reserve	Actuarial gains and losses in accordance with IAS 19				
	At 1 Jan. 2012	**9,435**	**21,093**	**67,421**	**-2,601**	**29**	**0**	**-532**	**94,845**	**4,023**	**98,868**
[40]	Dividends			-2,749					-2,749		-2,749
[27]	Repurchase of own shares							-7,021	-7,021		-7,021
[48]	Share options			198					198		198
	Total comprehensive income for 2012			39,466	382	65	-1,200		38,713	-516	38,197
	At 31 Dec. 2012/1 Jan. 2013	**9,435**	**21,093**	**104,336**	**-2,219**	**94**	**-1,200**	**-7,553**	**123,986**	**3,507**	**127,493**
[40]	Dividends			-1,698					-1,698		-1,698
[44]	Acquisition of non-controlling interests			1,707					1,707	-3,507	-1,800
[48]	Share options			177					177		177
	Total comprehensive income for 2013			-30,855	-1,665	-3	-11		-32,534		-32,534
	At 31 Dec. 2013	**9,435**	**21,093**	**73,667**	**-3,884**	**91**	**-1,211**	**-7,553**	**91,638**	**0**	**91,638**

NON-CURRENT ASSET MOVEMENT SCHEDULE*

Intangible assets

EUR '000	Trademarks and rights to supply customers	Customer relations-hips, rights and licences	Goodwill	Develop-ment costs	Total
Cost					
at 1 Jan. 2012	**15,000**	**16,307**	**25,310**	**1,650**	**58,267**
Change in scope of consolidation	0	-219	0	-1,390	-1,609
Exchange differences	0	8	0	0	8
Additions	0	1,074	0	0	1,074
Disposals	0	15	0	0	15
Reclassifications	0	51	0	0	51
At 31 Dec. 2012	**15,000**	**17,206**	**25,310**	**260**	**57,776**
At 1 Jan. 2013	**15,000**	**17,206**	**25,310**	**260**	**57,776**
Change in scope of consolidation	0	13,660	0	0	13,660
Exchange differences	0	-527	0	0	-527
Additions	0	934	0	115	1,049
Disposals	0	119	13,807	24	13,950
Reclassifications	0	12	0	0	12
At 31 Dec. 2013	**15,000**	**31,166**	**11,503**	**351**	**58,020**
Accumulated depreciation, amortisation and impairment					
at 1 Jan. 2012	979	14,002	3,457	1,328	19,766
At 31 Dec. 2012	1,185	14,902	3,457	168	19,712
At 1 Jan. 2013	1,185	14,902	3,457	168	19,712
At 31 Dec. 2013	1,340	16,944	1,197	174	19,655
Carrying amount at 1 Jan. 2012	14,021	2,305	21,853	322	38,501
Carrying amount at 31 Dec. 2012	13,815	2,304	21,853	92	38,064
Carrying amount at 1 Jan. 2013	13,815	2,304	21,853	92	38,064
Carrying amount at 31 Dec. 2013	13,660	14,222	10,306	177	38,365

*The non-current asset movement schedule is part of the notes to the consolidated financial statements

Intangible assets

EUR '000	Trademarks and rights to supply customers	Customer relationships, rights and licences	Goodwill	Development costs	Total
Carrying amount at 1 Jan. 2012	**14,021**	**2,305**	**21,853**	**322**	**38,501**
Change in scope of consolidation	0	-132	0	-153	-285
Exchange differences	0	-1	0	0	-1
Additions	0	1,074	0	0	1,074
Disposals	0	2	0	0	2
Reclassifications	0	51	0	0	51
Writedowns during the year	206	991	0	77	1,274
of which amortisation and depreciation	*0*	*991*	*0*	*77*	*1,068*
of which impairment	206	*0*	*0*	*0*	*206*
Carrying amount at 31 Dec. 2012	**13,815**	**2,304**	**21,853**	**92**	**38,064**
Carrying amount at 1 Jan. 2013	**13,815**	**2,304**	**21,853**	**92**	**38,064**
Change in scope of consolidation	0	13,697	0	0	13,697
Exchange differences	0	-481	0	0	-481
Additions	0	934	0	115	1,049
Disposals	0	1	0	0	1
Reclassifications	0	12	0	0	12
Writedowns during the year	155	2,243	11,547	30	13,975
of which amortisation and depreciation	*0*	*2,170*	*0*	*30*	*2,200*
of which impairment	*155*	*73*	*11,547*	*0*	*11,775*
Carrying amount at 31 Dec. 2013	**13,660**	**14,222**	**10,306**	**177**	**38,365**

Property, plant and equipment

EUR '000	Land and buildings	Plant and equipment	Other plant and equipment, fixtures and fittings	Prepayments made and assets under construction	Total
Cost					
at 1 Jan. 2012	**60,885**	**127,330**	**44,845**	**6,275**	**239,335**
Change in scope of consolidation	-3,062	-17,938	-3,973	-5,768	-30,741
Exchange differences	246	145	-20	-27	344
Additions	2,219	2,547	4,911	8,375	18,052
Disposals	4,197	1,112	3,012	17	8,338
Reclassifications	295	3,334	128	-3,808	-51
At 31 Dec. 2012	**56,386**	**114,306**	**42,879**	**5,030**	**218,601**
At 1 Jan. 2013	**56,386**	**114,306**	**42,879**	**5,030**	**218,601**
Change in scope of consolidation	9,280	3,371	626	880	14,157
Exchange differences	-768	-916	-48	-55	-1,787
Additions	2,522	4,238	5,310	3,226	15,296
Disposals	40	773	2,421	16	3,250
Reclassifications	676	3,786	324	-4,798	-12
At 31 Dec. 2013	**68,056**	**124,012**	**46,670**	**4,267**	**243,005**

Property, plant and equipment

EUR '000	Land and buildings	Plant and equipment	Other plant and equipment, fixtures and fittings	Prepay-ments made and assets under construction	Total
Accumulated depreciation, amortisation and impairment					
At 1 Jan. 2012	27,400	97,997	31,544	93	157,034
At 31 Dec. 2012	26,657	90,769	29,144	569	147,139
At 1 Jan. 2013	26,657	90,769	29,144	569	147,139
At 31 Dec. 2013	34,019	104,559	30,657	974	170,209
Carrying amount at 1 Jan. 2012	33,485	29,333	13,301	6,182	82,301
Carrying amount at 31 Dec. 2012	29,729	23,537	13,735	4,461	71,462
Carrying amount at 1 Jan. 2013	29,729	23,537	13,735	4,461	71,462
Carrying amount at 31 Dec. 2013	34,037	19,453	16,013	3,293	72,796
Carrying amount at 1 Jan. 2012	**33,485**	**29,333**	**13,301**	**6,182**	**82,301**
Change in scope of consolidation	-4,416	-6,283	-1,197	-5,768	-17,664
Exchange differences	218	-16	-2	-27	173
Additions	2,219	2,547	4,911	8,375	18,052
Disposals	221	251	252	17	741
Reclassifications	295	3,760	128	-4,234	-51
Writedowns during the year	1,851	5,553	3,154	50	10,608
of which amortisation and depreciation	*1,851*	*5,553*	*3,154*	*50*	*10,608*
of which impairment	*0*	*0*	*0*	*0*	*0*
Carrying amount at 31 Dec. 2012	**29,729**	**23,537**	**13,735**	**4,461**	**71,462**
Carrying amount at 1 Jan. 2013	**29,729**	**23,537**	**13,735**	**4,461**	**71,462**
Change in scope of consolidation	9,280	5,482	718	921	16,401
Exchange differences	-520	-384	-35	-54	-993
Additions	2,522	4,238	5,310	3,226	15,296
Disposals	7	270	112	16	405
Reclassifications	676	3,695	324	-4,707	-12
Writedowns during the year	7,643	16,845	3,927	538	28,953
of which amortisation and depreciation	*2,147*	*5,657*	*3,300*	*9*	*11,113*
of which impairment	*5,496*	*11,188*	*627*	*529*	*17,840*
Carrying amount at 31 Dec. 2013	**34,037**	**19,453**	**16,013**	**3,293**	**72,796**

SEGMENTAL ANALYSIS**

Strategic business segments*

	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
EUR '000	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenues from external customers	267,408	210,680	307,400	299,227	35	11	0	0	574,843	509,918
Intersegment revenues	14	15	0	0	2,272	2,266	-2,286	-2,281	0	0
Total revenues	267,422	210,695	307,400	299,227	2,307	2,277	-2,286	-2,281	574,843	509,918
EBITDA	9,200	4,685	14,174	15,721	-2,926	-2,141	0	0	20,448	18,265
EBITDA (adjusted)[1]	*11,466*	*4,685*	*14,174*	*15,721*	*-2,926*	*-2,141*	*0*	*0*	*22,714*	*18,265*
Depreciation, amortisation and impairment	38,288	6,543	3,618	3,550	1,022	276	0	0	42,928	10,369
of which impairment	28,712	0	155	206	748	0	0	0	29,615	206
EBIT	-29,088	-1,858	10,556	12,171	-3,948	-2,417	0	0	-22,480	7,896
EBIT (adjusted)[1,2]	*1,890*	*-1,858*	*10,556*	*12,171*	*-3,200*	*-2,417*	*0*	*0*	*9,246*	*7,896*
Interest income	193	180	246	192	2,979	2,594	-1,986	-1,691	1,432	1,275
Interest expense	-3,154	-1,746	-397	-377	-5,245	-5,936	1,991	2,062	-6,805	-5,997
Profit before tax	-32,049	-3,424	10,405	12,016	-6,214	-5,759	5	371	-27,853	3,204
Profit before tax (adjusted)[1,2]	*-1,071*	*-3,424*	*10,405*	*12,016*	*-5,466*	*-5,759*	*5*	*371*	*3,873*	*3,204*
Taxes on income	-1,437	-986	-2,706	-2,755	1,424	568	0	1,664	-2,719	-1,509
Investment [3]	10,440	9,488	5,749	5,325	161	433	0	-80	16,350	15,166
Employees	2,115	1,736	860	862	14	15	0	0	2,989	2,613

1 2013: Adjustment of EUR 2.3m for deconsolidation of Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH.
2 2013: Adjustment of EUR 11.5m for impairment of goodwill and of EUR 17.9m for impairment of assets (including land)
3 2012: Investment does not include additions in the Industrial Honeycombs Division which were disposed of during the reporting period

Strategic business segments

	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
EUR '000	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Borrowings	99,611	57,199	55,319	51,408	128,744	127,697	-18,094	-23,321	265,580	212,983
Assets	130,800	120,962	119,110	113,792	251,602	250,120	-144,294	-144,398	357,218	340,476

Geographical information

in TEUR	Revenue*		Assets		Average no. of employees*	
	2013	2012	2013	2012	2013	2012
Austria	408,244	405,165	46,442	61,325	899	905
Germany	93,036	113,224	10,087	11,824	255	399
France	59,795	61,967	2,421	7,338	239	231
Sweden	52,214	0	26,043	0	375	0
Rest of the world	116,917	88,906	26,168	29,039	1,221	1,078
Consolidation	-155,363	-159,344	0	0	0	0
Frauenthal Group	**574,843**	**509,918**	**111,161**	**109,526**	**2,989**	**2,613**

Revenue by geographical markets (final customers)*

in TEUR	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Frauenthal Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Austria	8,862	9,798	284,962	284,863	0	11	293,824	294,672
Germany	70,229	83,005	4,751	3,651	35	0	75,016	86,656
France	23,197	20,501	0	0	0	0	23,197	20,501
Sweden	78,394	36,255	0	0	0	0	78,394	36,255
Belgium	33,714	21,155	0	0	0	0	33,714	21,155
Other EU	42,233	32,846	17,638	10,713	0	0	59,871	43,559
Rest of Europe	6,578	6,343	20	0	0	0	6,598	6,343
Americas	1,967	39	0	0	0	0	1,967	39
Asia	1,153	370	0	0	0	0	1,153	370
Other	1,079	368	29	0	0	0	1,109	368
Total	**267,408**	**210,680**	**307,400**	**299,227**	**35**	**11**	**574,843**	**509,918**

* 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 profit from discontinued operations in accordance with IFRS 5.
** The segmental analysis is part of the notes to the consolidated financial statements

TASK

Amanda Svensson (24) and Clark Ledborn (33), who both work in technical support for production, analyse variances for the toolmaking operation.

PRODUCT

Gnotec Engineering develops product designs that optimise production and help reduce manufacturing costs. For example, the number of parts required to make a component can be reduced, while using existing equipment and processes.

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.

The Frauenthal Group is 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 13 factories in nine European countries, and at its production plant in China. Its customers include all of the leading European commercial vehicle manufacturers. The acquisition of Gnotec, which was completed on 13 May 2013, added a number of customers from the passenger vehicle sector. 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 energy 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 2013 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, IFRS, and IFRIC and SIC interpretations effective as at 31 December 2013 and applicable in the European Union.

The calculations included in this report were made electronically. All amounts are rounded, which may result in rounding differences, and manual calculation can lead to deviations from the reported subtotals and totals.

THE FOLLOWING NEW AND AMENDED STANDARDS AND INTERPRETATIONS WERE APPLIED FOR THE FIRST TIME OR THEIR APPLICATION BECAME MANDATORY IN THE 2013 FINANCIAL YEAR

Amendment 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. **The statement of comprehensive income was adjusted accordingly.**

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. However, IFRS 13 does not specify whether or when fair value measurement is necessary, but instead sets out the method for measuring fair value when this is required under another standard. It is to be applied to annual periods beginning on or after 1 January 2013. **IFRS 13 was taken into account, but its impact was restricted to disclosures in the consolidated financial statements.**

Amendments to IAS 36 Impairment of Assets

The introduction of IFRS 13 meant that some of the requirements of IAS 36 were too broadly defined, including the need to report the recoverable amount of a cash-generating unit regardless of whether an impairment loss had been recognised. The amendments to IAS 36 brought about the following clarifications:

- Correction whereby disclosure of recoverable amounts is only required in relation to assets and cash-generating units for which impairment losses are recognised during a particular annual period
- Clarification of the disclosures required for impaired assets for which the recoverable amount was measured at fair value less costs to sell

The amendments are applicable retrospectively to reporting periods beginning on or after 1 January 2014, and early application in conjunction with IFRS 13 is permitted. **These amendments were applied early.**

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.**

Recovery of Underlying Assets: Amendments to IAS 12 Income Taxes

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. **Application had no material effect on the Company's consolidated financial statements.**

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

The amendments are intended to address inconsistencies in the interpretation of the existing rules on the offsetting of financial assets and 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. **This standard had no implications for the consolidated financial statements.**

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 applicable to annual periods beginning on or after 1 July 2011. However, in accordance with the relevant EU endorsement they will become effective for the Group from 1 January 2013. **These amendments are not relevant to the consolidated financial statements.**

Amendments to IFRS 1 Government Grants

These amendments are intended to bring the requirements for first-time adopters into line with those for companies which have already adopted IFRS, with regard to the application of amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, in connection with the reporting of government loans. The amendments are applicable to annual periods beginning on or after 1 January 2013, but **at present they are not relevant to the Group's consolidated financial statements.**

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 1 January 2013. They include:
amendments to IAS 16 Property, Plant and Equipment, and
amendments 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. **These amendments do not affect the Frauenthal Group.**

Amendments to IAS 32

The amendments to IAS 32 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. **These amendments do not affect the Frauenthal Group.**

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.

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. The standard is applicable retrospectively to annual periods beginning on or after 1 January 2013. However, in accordance with the relevant EU endorsement they will become effective for the Group from 1 January 2014. **This standard does not currently have any implications for the Frauenthal Group.**

IFRS 11 Joint Arrangements

The core principle of IFRS 11 is the requirement for a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, and to account for those rights and obligations accordingly. This standard eliminates the option of proportionate consolidation for joint ventures. The standard is applicable to annual periods beginning on or after 1 January 2013. However, in accordance with the relevant EU endorsement they will become effective for the Group from 1 January 2014. **At present it is assumed that this standard will not affect the Frauenthal Group.**

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. The standard is applicable to annual periods beginning on or after 1 January 2013. However, in accordance with the relevant EU endorsement they will become effective for the Group from 1 January 2014. **Application of IFRS 12 will result in additional disclosures in 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 applicable to annual periods beginning on or after 1 January 2013. However, in accordance with the relevant EU endorsement they will become effective for the Group from 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 applicable to annual periods beginning on or after 1 January 2013. However, in accordance with the relevant EU endorsement they will become effective for the Group from 1 January 2014. **These amendments do not currently affect the Frauenthal Group.**

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (published on 28 June 2012)

The amendments clarify the transition guidance for IFRS 10 and also provide additional transition relief with regard to all three standards, in particular a requirement to only provide adjusted comparative figures for the reporting period directly preceding first-time adoption.

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

The amendments to IFRS 10, IFRS 12 and IAS 27 create 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 applicable to annual reporting periods beginning on or after 1 January 2014. **It is assumed that this standard will not have any implications for the Frauenthal Group.**

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

Regulatory background: As part of the stricter regulation of the derivatives market, certain newly concluded, standardised over-the-counter (OTC) derivatives contracts must be cleared through central counterparties (CCPs). In addition, existing OTC derivatives may be novated to such CCPs. This gives rise to a number of accounting issues, such as the derecognition of existing and the recognition of new derivatives contracts, as well as the continuity of existing hedging relationships. Owing to legal and regulatory provisions and the consequent need for contractual amendments as a result of novation, the amendment dispenses with the requirement for derecognition of derivatives designated as hedging instruments. Although continuation of the hedging relationship is still possible, the impact on fair value of changes in credit ratings, which in turn have implications for hedge effectiveness, must be reflected in a company's financial statements. The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. **These amendments do not affect the Frauenthal Group.**

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 2013 IS NOT YET MANDATORY. THEIR APPLICATION IS SUBJECT TO THEIR ENDORSEMENT BY THE EU.

IFRS 9 Financial Instruments – classification and measurement of financial assets

IFRS 9 was published in November 2009, and dealt with the 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. Allocation to the amortised cost category is dependent on a company's business model and the tax treatment of its financial assets, and on the contractual cash flows related to individual instruments. These amendments are to be applied retrospectively to annual reporting periods beginning on or after 1 January 2015. **The Group is currently assessing the implications of the amendment.**

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

The amendment to IFRS 9 carried out in 2010 introduced new rules for the classification and measurement of financial liabilities which were broadly in line with classification under IAS 39. The two main 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 reporting periods beginning on or after 1 January 2015. **The Group is currently assessing the implications of the amendment.**

IAS 19 Employee Benefits

On 21 November 2013 the IASB amended IAS 19 with regard to accounting for contributions by employees or third parties under defined benefit plans. Paragraph 93 clarifies the accounting policies to be used for contributions from employees or third parties set out in the formal terms of the plan if these are linked to service. The amendments apply to annual reporting periods beginning on or after 1 July 2014, although early application is permitted. **These amendments do not affect the Frauenthal Group.**

Annual Improvements to IFRSs 2010-2012 Cycle

The annual improvements comprise a large number of amendments to a variety of standards. The amendments apply to annual reporting periods beginning on or after 1 July 2014, and the standards affected include IFRS 2 Share-based Payment; IFRS 3 Business Combinations; IFRS 8 Operating Segments; IFRS 13 Fair Value Measurement; IAS 16 Property, Plant and Equipment; IAS 24 Related Party Disclosures; and IAS 38 Intangible Assets. **The Group is currently evaluating the effects of the amendments.**

Annual Improvements to IFRSs 2011-2013 Cycle

The annual improvements comprise a large number of amendments to a variety of standards. The amendments apply to annual reporting periods beginning on or after 1 July 2014, and the standards affected include IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 13 Fair Value Measurement; and IAS 40 Investment Property.

All of the amendments introduced by both Annual Improvements projects are subject to endorsement by the EU and apply to annual reporting periods beginning on or after 1 July 2014. Early application is permitted. **The implications of the amendments are currently being assessed.**

IFRIC 21 Levies

IFRIC 21 deals with the question of when to recognise a liability to pay a levy imposed by governments on entities in accordance with laws and/or regulations (such as bank taxes). It also addresses liabilities within the scope of IAS 37 and liabilities to pay levies whose timing and amount are certain. However, the interpretation does not apply to taxes, liabilities that arise from emissions trading schemes, or costs that arise from recognising a liability to pay a levy. IFRIC 21 is consistent with IFRIC 6 but does not replace it. Retrospective application will be mandatory for annual reporting periods beginning on or after 1 January 2014. **This does not currently affect the Frauenthal Group.**

B. 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 2012.

ACQUISITIONS AND FORMATIONS

With effect from 13 May 2013, the Group acquired Gnotec AB and its subsidiaries Gnotec i Anderstorp AB, Anderstorp; Gnotec JV AB, Habo; Gnotec Mefa AB, Kinnared (all Sweden); Gnotec Ferrex, s.r.o., Cadca, Slovakia; and Gnotec Asia Holding Ltd, Hong Kong, China. The Gnotec Group is part of the Frauenthal Automotive Division.

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Gnotec AB	Gnosjö, Sweden	100.00%		31 Dec.
Gnotec i Anderstorp AB	Anderstorp, Sweden	100.00%		31 Dec.
Gnotec Ferrex, s.r.o.	Cadca, Slovakia	100.00%		31 Dec.
Gnotec JV AB	Habo, Sweden	100.00%		31 Dec.
Gnotec Mefa AB	Kinnared, Sweden	100.00%		31 Dec.
Gnotec Asia Holding Ltd.	Hong Kong, China	100.00%		31 Dec.

The new Gnotec Automotive Parts (Kunshan) Co. Ltd. plant opened in Kunshan, China, in 2013.

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Gnotec Automotive Parts (Kunshan) Co. Ltd.	Kunshan, China	100.00%		31 Dec.

MERGERS

Slovakian subsidiaries Technopoint Sanitrends, spol.s.r.o., Bratislava, and GAMA Myjava s.r.o., Myjava, merged with their parent company SHT Slovakia s.r.o., Bratislava, which was renamed SHT Slovensko s.r.o. with effect from 1 September 2013.

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Technopoint Sanitrends, spol.s.r.o.	Bratislava, Slovakia	100.00%		31 Dec.
GAMA Myjava s.r.o.	Myjava, Slovakia	100.00%		31 Dec.

Worthington Cylinders a.s., Hustopeče, Czech Republic, merged with Frauenthal Automotive Hustopeče s.r.o., Hustopeče, Czech Republic.

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Worthington Cylinders a.s.	Hustopeče, Czech Republic	100.00%		31 Dec.

DISPOSALS

Frauenthal Automotive Ahlen GmbH, Ahlen, Germany was sold on 30 April 2013, and Frauenthal Automotive Westphalia GmbH, Ahlen, Germany was disposed of on 3 December 2013.

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Frauenthal Automotive Ahlen GmbH	Ahlen, Germany	100.00%		31 Dec.
Frauenthal Automotive Westphalia GmbH	Ahlen, Germany	100.00%		31 Dec.

The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 30 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 2013:

2013	Austria	Abroad	Total
Consolidated at 31 Dec. 2012	**7**	**21**	**28**
Disposals	0	-2	-2
Acquisitions	0	6	6
Formations	0	1	1
Mergers	0	-3	-3
Consolidated at 31 Dec. 2013	**7**	**23**	**30**

The following companies are fully consolidated:

		Holding		
	Domicile	Indirect	Direct	End of reporting period
Frauenthal Ost Beteiligungs-GmbH	Vienna, Austria		100.00%	31 Dec.
Frauenthal Handels- und Dienstleistungs-GmbH	Vienna, Austria		100.00%	31 Dec.
SHT Group				
SHT Haustechnik AG	Perchtoldsdorf, Austria	100.00%		31 Dec.
SHT Termocom trgovina d.o.o.	Umag, Croatia	100.00%		31 Dec.
SHT Slovensko s.r.o.	Senec, Slovakia	100.00%		31 Dec.
1a Installateur-Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH	Vienna, Austria	100.00%		31 Dec.
SHT Finance GmbH	Luxembourg, Luxembourg	100.00%		31 Dec.
Frauenthal Automotive Group				
Frauenthal Automotive Holding GmbH	Vienna, Austria		100.00%	31 Dec.
Frauenthal Liegenschaftsverwaltungsgesellschaft mbH	Ahlen, Germany		100.00%	31 Dec.
Frauenthal Automotive Administration GmbH	Elterlein, Germany	100.00%		31 Dec.
Frauenthal Automotive Azambuja Unipessoal, Lda.	Azambuja, Portugal	100.00%		31 Dec.
Frauenthal Automotive Elterlein GmbH	Elterlein, Germany	100.00%		31 Dec.
Frauenthal Automotive France S.A.S.	Châtenois-les-Forges, France	100.00%		31 Dec.
Frauenthal Automotive Hustopeče s.r.o.	Hustopeče, Czech Republic	100.00%		31 Dec.

	Domicile	Holding Indirect	Holding Direct	End of reporting period
Frauenthal Automotive Judenburg GesmbH	Judenburg, Austria	100.00%		31 Dec.
Frauenthal Automotive Management GmbH	Ahlen, Germany	100,00%		31 Dec.
Frauenthal Automotive Ravne d.o.o.	Ravne na Koroskem, Slovenia	100,00%		31 Dec.
Frauenthal Automotive Sales GmbH	Vienna, Austria	100,00%		31 Dec.
Frauenthal Automotive Saxony GmbH	Elterlein, Germany	100,00%		31 Dec.
Frauenthal Automotive Sibiu S.R.L.	Sibiu, Romania	100,00%		31 Dec.
Frauenthal Automotive Sourcing GmbH	Ahlen, Germany	100,00%		31 Dec.
Frauenthal Automotive Toruń Sp.zo.o.	Toruń, Poland	100,00%		31 Dec.
Styria Elesfrance S.A.S.	St. Avold, France	100,00%		31 Dec.
Gnotec AB	Gnosjö, Sweden	100,00%		31 Dec.
Gnotec Asia Holding Ltd.	Hong Kong, China	100,00%		31 Dec.
Gnotec Automotive Parts (Kunshan) Co. Ltd.	Kunshan, China	100,00%		31 Dec.
Gnotec i Anderstorp AB	Anderstorp, Sweden	100,00%		31 Dec.
Gnotec Ferrex, s.r.o.	Cadca, Slovakia	100,00%		31 Dec.
Gnotec JV AB	Habo, Sweden	100,00%		31 Dec.
Gnotec Mefa AB	Kinnared, Sweden	100,00%		31 Dec.

Due to the disposal of the Industrial Honeycombs Division, in 2012 profit for the year was broken down into continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions) and discontinued operations (the Industrial Honeycombs Division) in the statement of profit or loss. Unless otherwise stated, all of the 2012 figures in the notes relate to the continuing operations.

(2) EFFECTS OF CHANGES IN THE SCOPE OF CONSOLIDATION

INITIAL CONSOLIDATION

The acquisition of Swedish automotive component supplier Gnotec significantly extended the Frauenthal Automotive product portfolio. The Gnotec Group specialises in the production of pressed, stamped and formed parts as well as sheet metal welded assemblies. Its main customers include Scandinavian commercial and passenger vehicle producers, which it supplies directly and as a Tier 2 supplier. The customer portfolio also includes non-automotive industrial clients.

The low purchase price was the result of pressure from Gnotec's owner (a Swedish state pension fund) and the structure of the industry in which the company operates, which consists of numerous small and medium-sized enterprises, only a few of which would be in a position to acquire a business like Gnotec. This combination of pressure to sell and a lack of competing bidders enabled Frauenthal to purchase the profitable and strategically sound Gnotec Group at a reasonable price. As a result, Frauenthal reported a gain arising on consolidation of EUR 2,376,000.

The effects of the consolidation of Gnotec AB and its subsidiaries on the 2013 consolidated statement of profit or loss and statement of financial position as compared to the previous year's figures were as follows:

Effects on the consolidated statement of profit or loss

EUR '000	Apr.-Dec. 2013 recognised	2013 proforma
Revenue	59,320	83,919
Profit for the year	3,430	4,371

The purchase price based on the fair value of Gnotec AB at the time of acquisition gave rise to a gain of EUR 2,376,000 on consolidation. Contingent consideration not yet payable (in respect of an earn-out provision) falls due in 2014 and 2015, and is dependent on EBITDA for 2013 and 2014, respectively, in accordance with local generally accepted accounting principles (GAAP). The maximum earn-out including interest is EUR 7,176,000; the amount of EUR 7,003,000 reported as at 31 December 2013 is the discounted maximum earn-out.

EUR '000	2013
Purchase price paid in cash	24,713
Contingent consideration not yet payable arising on consolidation (original estimate)	4,826
Sub-total	**29,538**
Net assets	-31,915
Gains arising on consolidation[1]	**-2,376**
Adjusted contingent consideration not yet payable arising on consolidation [2]	2,177
Total contingent consideration not yet payable	**7,003**

1) included in other income
2) included in sundry other expenses

The net cash outflow for the acquisition of the Gnotec Group is as follows:

EUR '000	2013
Net cash from/used in investing activities	
Purchase price paid in cash	-24,713
Cash and cash equivalents	3,645
Net cash outflow	**-21,068**

Effects on the consolidated statement of financial position

in TEUR	30.04.13 Fair value at
Non-current assets	
Intangible assets	13,696
Property, plant and equipment	18,042
Deferred tax assets	335
Financial assets	35
	32,108
Current assets	
Inventories	9,893
Trade receivables	10,659
Tax assets	837
Other non-financial assets	1,197
Cash and cash equivalents	3,645
	26,231
Non-current liabilities	
Provisions for employee benefits	3,472
Deferred tax liabilities	4,992
	8,464
Current liabilities	
Short-term borrowings	95
Trade payables	12,535
Other financial liabilities	2,458
Other liabilities	2,442
Current tax liabilities	430
	17,960
Net assets	**31,915**

DECONSOLIDATION

The disposals of Frauenthal Automotive Ahlen GmbH and Frauenthal Automotive Westphalia GmbH, both of Ahlen, Germany, were completed on 30 April 2013 and 3 December 2013 respectively.

The carrying amounts of the assets and liabilities disposed of were as follows:

in TEUR	Frauenthal Automotive Ahlen GmbH **30.04.2013**	Frauenthal Automotive Westphalia GmbH **30.11.2013**	Total
Non-current assets	1,078	81	1,159
Current assets	4,260	299	4,559
Non-current liabilities	3,564	501	4,065
Current liabilities	4,903	6,057	10,960

in TEUR	Frauenthal Automotive Ahlen GmbH **Jan.-Apr. 2013**	Frauenthal Automotive Westphalia GmbH **Jan.-Nov 2013**	Total
Revenue	5,309	1,135	6,444
Profit for the year	-274	-699	-973

Each subsidiary was sold for EUR 1. Cash and cash equivalents of EUR 337,000 were disposed of as a result of the sale and the total losses arising on deconsolidation were EUR 2,266 (Frauenthal Automotive Ahlen GmbH: expenses of EUR 2,437,000; Frauenthal Automotive Westphalia GmbH: gain of EUR 171,000). This amount is included in other expenses.

(3) CONSOLIDATION OF INVESTMENTS IN SUBSIDIARIES

Business combinations are accounted for using the acquisition method. The acquisition cost is the sum of the fair value of the consideration paid at the time of the acquisition and the value of the non-controlling interests in the acquired company. In accounting for all business combinations the Group measures the non-controlling interests in the acquired company either at fair value or as a pro rata share of the acquiree’s identifiable net assets. Costs arising in the course of a business combination are recognised as expenses.

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, if not more frequently, in the same way as with new acquisitions.

(4) FOREIGN 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 statement of profit or loss are reported under the "Currency reserve" 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	
		31.12.2013	31.12.2012	2013	2012
Poland	PLN	**4.1543**	4.0740	**4.2142**	4.1677
Romania	RON	**4.4710**	4.4445	**4.4152**	4.4574
Croatia	HRK	**7.6265**	7.5575	**7.5784**	7.5101
Czech Republic	CZK	**27.4270**	25.1510	**26.0374**	25.1590
Sweden	SEK	**8.8591**	-	**8.7566**	-
Hong Kong	HKD	**10.6933**	-	**10.3739**	-
China	CNY	**8.3491**	-	**8.2868**	-

C. 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.

(5) NON-CURRENT ASSETS

Goodwill, other intangible assets, and property, plant and equipment are tested for impairment when trigger events occur. Impairment testing of goodwill and intangible assets with indefinite useful lives (such as brands) is carried out at least in the fourth quarter of each year. These tests are 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 the weighted average cost of capital (WACC).

The following cash-generating units were subject to impairment reviews:

Cash generating units (CGUs)

	Goodwill/ brands at 31 Dec. 2012 (EUR '000)	WACC after tax at 31 Dec. 2012	Impair-ments	Goodwill/ brands at 31 Dec. 2013 (EUR '000)	WACC after tax at 31 Dec. 2013	Division
Springs and stabilisers	**11,547**	6.96%	-11,547	**0**	7.98%	Frauenthal Automotive
U-bolts	**2,000**	6.96%	0	**2,000**	7.98%	Frauenthal Automotive
Wholesale Plumbing Supplies	**18,307**	6.99%	0	**18,307**	7.90%	Wholesale Plumbing Supplies
Total	**31,854**		-11,547	**20,307**		

The value of goodwill and brands (i.e. intangible assets with indefinite useful lives) is yielded by the budget figures for 2014 as approved in 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 budget for the Springs and stabilisers cash-generating unit is drawn up on the basis of a modest medium-term recovery in the commercial vehicle markets in the first two or three years covered by the calculations. In light of the latest Euroconstruct forecasts for the Austrian construction industry, the Wholesale Plumbing Supplies cash-generating unit expects moderate growth of 1-1.2% and an EBIT margin between 3% and 4% in the next few years. The U-bolts unit anticipates growth of 2-6% in the coming years.

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 carrying amounts in the U-bolts and Wholesale Plumbing Supplies cash-generating units are appropriate and there is no need to recognise impairment. The impairment review involved assessing the long-term prospects for the steel springs and stabilisers business (formerly Styria Group) on the basis of recent market trends and management's strategic objectives. The fair value less costs to sell (Level 3 inputs) was calculated.

The assumptions used are outlined below.

Impairment tests: assumptions

Steel springs and stabilisers	2014	2015	2016	2017	2018
Market growth inc. new orders	-6%	0%	0%	0%	0%
Price changes	-1%	-1-0%	-1-0%	-1-0%	-1-0%
Changes in materials costs	0%	0%	0%	0%	0%
Bought-in services (energy, maintenance)	0-1%	0-1%	0-1%	0-1%	0-1%

The resulting indicators for medium and long-term expectations resulted in the need to recognise impairments of EUR 29.4m (Styria Group goodwill: EUR 11.5m; property, plant and equipment: EUR 17.9m) in profit or loss. Writedowns of EUR 28.6m in the Springs and stabilisers CGU (a subsegment of the Frauenthal Automotive Division) and of EUR 0.8m on property, plant and equipment in the Holding companies and others segment are recognised as impairments.

Significant overcapacity is the defining feature of the competitive climate in the European steel springs and stabilisers market. Although the commercial vehicle market remains stable, sales are trending downwards. This is mainly due to the globalisation of international commercial vehicle manufacturers' operations and to technological advances. All of the leading OEMs in the heavy trucks business have production facilities in South America (primarily in Brazil) and Asia. Due to "local content" requirements, these companies are expanding their regional supplier bases and demand for components produced in Europe is declining. This trend had a negative impact on the steel springs segment in 2013 and it is assumed that exports will continue to fall. The development of lighter steel springs – one of Frauenthal Automotive's strategic goals – is reflected in a drop in tonnage for spring leafs. As a result, increased product quality means that less production capacity is required. This in turn is leading to more intense price competition. From a customer perspective, price is becoming such a dominant factor in decisions to award contracts that improved products have only a limited effect in terms of reducing the pressure on prices. Long-term agreements with strategically important customers were renegotiated in the course of the changeover from Euro 5 to the new Euro 6 generation of trucks, and agreement was reached on major contracts in the first quarter of 2014. This enabled the Group to defend its market share and maintain volumes, and to secure new orders which underline the bright prospects for expanding our share of the market for more sophisticated products in the next few years. However, the loss of orders to non-European competitors, in particular for light springs, had an impact during the period under review, and it will not be possible to make up for this in the short term. In view of this, we re-evaluated the medium-to-long-term outlook for this business. Capacity adjustments will be essential. The assumptions for margin growth for higher performance products already launched and those in the development phase will also have to be reviewed owing to the downward pressure on prices. Due to the investments made in recent years in urgent measures related to productivity and quality gains, automation, R&D infrastructure (development laboratory for steel and plastic springs in Chatenois), and capacity expansion at the strategically important Sibiu plant in Romania, the carrying amounts of non-current assets in this business are relatively high.

SENSITIVITIES

There are no foreseeable changes in the basic assumptions used for the U-bolts and Wholesale Plumbing Supplies CGUs which could possibly lead to impairments.

The sensitivity analysis below shows the effects of the key parameters on carrying amounts in the Springs and stabilisers cash-generating unit.

CGU	Key measurement assumptions	Change	Effect on carrying amount EUR '000
Springs and stabilisers	Discount rate	+0.5%	-2,118
	Budgeted cash flow	-10%	-1,635
	Cash flow from perpetuity	-10%	-2,412
	Revenue growth	-25bp	-6,411

INTANGIBLE 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.

The Group's **development costs** are recognised by the Frauenthal Automotive Division 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.

As a result of purchase price allocation in relation to Gnotec AB, the Frauenthal Automotive Division has capitalised **customer relationships** as intangible assets with useful lives of seven years.

Trademarks and rights to supply customers comprise brands acquired in the course of the purchase of the Wholesale Plumbing Supplies Division. At present there is no intention to change these brands, the Group carries out brand maintenance and the length of their useful lives is unforeseeable. As a result they are recognised as having indefinite useful lives. This item also comprises rights to supply customers in the Wholesale Plumbing Supplies Division including existing rights at the time of the acquisition. These rights are indefinite and notice of termination must be given. Impairment is carried out following the termination of supply rights. These rights currently relate to plumbers in Austria. In 2013 impairment losses of EUR 155,000 (2012: EUR 206,000) were recognised as a result of the termination of the rights of six plumbers (2012: eight) to supply customers (withdrawals).

The other intangible assets are recognised at cost, and are amortised over their useful lives if determinable.

	Years
Intangible assets with finite useful lives	3-10

In accordance with IFRS 3, **goodwill and intangible assets with indefinite useful lives** are tested for impairment annually, and when there are indications of impairment. For the purposes of impairment testing goodwill is allocated to the various cash-generating units. The decisive criterion for the classification of manufacturing operations as cash-generating units is their technical and financial ability to generate revenue. The impairment loss for a particular CGU is calculated by comparing the carrying amount (including any goodwill) with the higher of the net realisable amount or value in use. Value in use is the present value of future cash flows calculated on the basis of figures from a medium-term budget. The discount rate is based on the Group's weighted average cost of capital. If the figure produced by the calculation is lower than the carrying amount, this difference is primarily recognised as impairment of goodwill. Any additional impairment is recognised for the CGU's remaining assets in relation to their carrying amounts.

Pursuant to IFRS 3, impaired goodwill cannot be revalued.

PROPERTY, PLANT AND EQUIPMENT

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.

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.

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

	Years
Factory and office buildings	10-50
Plant and equipment	5-20
Other plant and equipment, fixtures and fittings	3-10

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.

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. **No borrowing costs** were capitalised in 2013.

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 expected useful life. The commitments arising from future lease instalments are stated under "Other financial 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 21. Such investment grants as occur in the Group are immaterial.

Expenses arising from operating leases are expensed as incurred.

(6) 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.

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 previous years the Group has provided information on a material tax risk relating to considerable tax loss carryforwards at the Frauenthal Automotive Elterlein GmbH subsidiary. This risk no longer applies as the carryforwards were reinstated by notice on 4 February 2014 following a tax inspection. This confirmed the management's assumptions. As a result, no adjustments of the capitalised amounts were necessary. Deferred tax assets of about EUR 5.9m, created by the capitalisation of these carryforwards, are reported in 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 the period under review the Group's non-capitalised tax loss carryforwards amounted to EUR 66,391,000 (2012: EUR 69,600,000). The non-capitalised deferred tax assets relating to these carryforwards totalled EUR 16,598,000 (2012: EUR 17,909,000). Deferred tax assets of EUR 10,820,000 (2012: EUR 10,811,000) were recognised on tax loss carryforwards. (See Note 23 for further information.)

(7) FINANCIAL ASSETS

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.

(8) INVENTORIES

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), proportionate material and production overheads, and production-related administrative overheads. Inventory risks other than those arising from the length of storage or reduced realisable value are recognised by impairment.

(9) RECEIVABLES

Receivables are reported at amortised cost under the "Loans and receivables" item in accordance with IAS 39. Contingent default risk is recognised on separate allowance accounts by means of impairment. Uncollectible receivables are written off.

(10) CASH AND CASH EQUIVALENTS

This item mainly comprises cash on hand and bank balances which are recognised at amortised cost.

(11) PROVISIONS

DEFINED BENEFIT PENSION PLANS

All employee benefit obligations (provisions for pensions and termination and jubilee benefits) are calculated using the projected unit credit method in accordance with IAS 19 Employee Benefits.

Defined benefit pension plans are in place in Austria, Germany and Sweden, and defined benefit termination plans have been set up in Austria and in France.

Individual pension agreements which come into effect after ten years of service have been concluded with three retired employees of Austrian companies.

Salaried staff employed under Austrian law whose employment commenced before 1 January 2003 and has continued for at least three consecutive years are entitled to termination benefits in case of termination upon reaching the statutory retirement age, and in the event that employment is terminated by the employer. The level of the termination benefit is dependent on the employee's salary at the time the employment is terminated and the length of service. As a result this entitlement is treated as a defined benefit pension entitlement, whereby there are no plan assets to cover these entitlements.

Under collective agreements employees in Austria receive jubilee benefits after a certain number of years of service. Provisions for jubilee benefits are calculated in accordance with the requirements of IAS 19 concerning other long-term employee benefits.

Staff at the German subsidiaries are entitled to disability and retirement pensions after ten years with the company under the terms of works agreements.

Collective agreements for employees at the French subsidiaries entitle staff to termination benefits depending on the length of service. These entitlements are covered by plan assets to a small extent.

Works agreements provide for company pensions for employees of the Swedish subsidiaries.

Actuarial gains and losses on provisions for pensions and termination benefits are recognised immediately in other comprehensive income, but not in profit or loss, while actuarial gains and losses on provisions for jubilee benefits are reported in profit or loss as staff costs.

The parameters for the actuarial calculations are outlined in the table below.

	Provisions for pensions		Provisions for termination and jubilee benefits	
Parameter	2013	2012	2013	2012
Schweden				
Discount rate	4.00%	-	-	-
Average salary or pension increases	2.00%	-	-	-
Duration	26 years	-	-	-
Other countries				
Discount rate	3.50%	3.70%	3.50%	3.70%
Average salary or pension increases	1.5%-2.0%	2.00%	0-3.0%	2.5-3.0%
Duration	10-20years	-	9-13 years	-

DEFINED CONTRIBUTION PENSION PLANS

A distinction is made between defined benefit pension plans – for which provisions for pensions and termination benefits must be recognised – and defined contribution pension plans. The expenses for defined contribution commitments consist solely of the contributions payable, which are included in staff costs.

Termination benefit entitlements for Austrian employees whose employment commenced after 31 December 2002 are paid into a defined contribution plan (employee benefit fund).

See Note 29 Provisions for additional information on employee benefit plans.

(12) OTHER PROVISIONS

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.

(13) LIABILITIES

Liabilities are recognised at amortised cost using the effective interest method.

(14) DERIVATIVES

Derivatives are reported at fair value through profit of loss (hedge accounting is not performed).

(15) 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.

(16) NET FINANCE COSTS

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 45 Financial instruments.

(17) FOREIGN CURRENCY TRANSLATION

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

(18) 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.

With regard to estimation uncertainty in relation to intangible assets and property, plant and equipment, readers are referred to the information on impairment testing and sensitivities in Note 5 Non-current assets.

Information on estimation uncertainty and sensitivities relating to provisions for employee benefits are covered in Note 29 Provisions.

A fall in earnings in Austria in the next five years will not affect deferred tax assets. However, a 10% drop in earnings in Germany would necessitate a reduction of EUR 591,000 in deferred tax assets recognised for tax loss carryforwards.

Estimation uncertainty in relation to inventories, receivables and other provisions is within normal boundaries. See Notes 24, 25 and 29 for information on carrying amounts, impairments and other details.

(19) ADJUSTMENT OF PREVIOUS YEAR'S FIGURES

The more detailed classification adopted in 2013 resulted in changes in the classification used in the 2012 statement of financial position and statement of cash flows, and in the notes to the 2012 accounts.

A distinction was made in the statement of financial position between financial and non-financial assets and liabilities, and the previous year's figures were adjusted accordingly. As a result the "Other assets" item amounting to EUR 18,682,000 is now reported under "Tax assets" (EUR 4,669,000), "Other financial assets" (EUR 7,000,000) and "Other non-financial assets" (EUR 7,013,000). The amount of EUR 22,026,000 reported under "Other liabilities" in 2012 is recognised under "Other financial liabilities" (EUR 8,490,000) and "Other non-financial liabilities" (EUR 13,536,000).

The following adjustments were made in the statement of cash flows:

EUR '000	Adjusted previous year's figures 2012	consolidated financial statements 2012
Taxes on income	3,904	0
Income taxes paid	-604	0
Operating profit before working capital changes	**14,322**	**11,022**
Change in other liabilities	-2,440	860
Net cash used in operating activities	**-2,150**	**-2,150**

The classification used in the statement of comprehensive income is in accordance with the newly introduced provisions of IAS 1.

D. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(20) INTANGIBLE ASSETS

Intangible assets include goodwill totalling EUR 10,306,000. Impairment losses of EUR 11,547,000 were recognised in the Frauenthal Automotive Division (steel springs and stabilisers subgroup) in 2013 as the result of an impairment review.

	31 Dec. 2012	Additions	Disposals	Impairment	31 Dec. 2013
Frauenthal Automotive	**13,547**	0	0	-11,547	**2,000**
SHT Group	**8,307**	0	0	0	**8,307**
Frauenthal Group	**21,853**	**0**	**0**	**-11,547**	**10,306**

The other main intangible assets – customer relationships, trademarks and rights to supply customers, and licences – are recognised in the accounts of the various subgroups. Customer relationships recognised in the Frauenthal

Automotive Division (additions arising on consolidation of the Gnotec subgroup: EUR 13,696,000), with a useful life of seven years, make up the most significant proportion of these. Trademarks and rights to supply customers include trademarks with indefinite useful lives amounting to EUR 10,000,000 (2012: EUR 10,000,000).

Further details can be found under Note 5 Non-current assets, and in the non-current asset movement schedule under "changes in intangible assets".

(21) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment amounted to 72,796,000 as at the end of the reporting period; the acquisition of the Gnotec Group added to the total, but this item was also reduced by impairment losses. Investment totalled 15,296,000 in 2013.

EUR '000	2013	2012
Wholesale Plumbing Supplies	5,112	4,918
Frauenthal Automotive	10,024	8,837
of which Gnotec (May-Dec. 2013)	*2,264*	*0*
Industrial Honeycombs (Jan.-May 2012)	0	3,945
Holdings	160	352
Frauenthal Group	**15,296**	**18,052**
of which land	*2,522*	*2,219*

Where substantially all risks and rewards incidental to ownership lie with the Frauenthal Group, leased assets are stated 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. For further information see Note 28.

As at the end of the reporting period, property, plant and equipment to the value of EUR 3,487,000 (2012: EUR 4,738,000) was pledged as collateral for bank borrowings.

(22) FINANCIAL ASSETS

Frauenthal classifies all financial assets that do not form part of another category as available for sale. Financial instruments in the Wholesale Plumbing Supplies Division with a value of EUR 1,077,000 are included in the Frauenthal Group's financial assets. Further information can be found under Accounting and measurement policies.

(23) DEFERRED TAX

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

Analysis of deferred tax		
EUR ,000	2013	2012
Changes in statement of financial position items	**-5,992**	**-2,630**
Property, plant and equipment	-8,818	-4,120
Other assets	15	-75
Provisions for employee benefits	2,855	2,394
Other provisions	-9	-702
Other liabilities	-35	-127
Capitalised tax loss carryforwards	**10,820**	**10,811**
Frauenthal Automotive Elterlein GmbH	5,906	6,595
Frauenthal Holding AG	4,078	1,424
Frauenthal Handels- und Dienstleistungs GmbH	0	1,209
Other	836	1,584
Deferred tax liabilities (periodisation fund)	**-958**	**0**
Gnotec AB	-958	0
Capitalised deferred tax loss carryforwards arising from impairments of investments	**1,531**	**2,035**
Deferred tax at 31 Dec.	**5,402**	**10,216**
Deferred tax assets	13,650	13,442
Deferred tax liabilities	-8,248	-3,226

Companies in Sweden are permitted to recognise a tax allocation reserve (known as a "Periodiseringsfond") each year, to a maximum of 25% of profit before tax. Each allocation is accounted for as a separate reserve which must be utilised within six years and recognised in income. The aim of this rule is to give companies a way to offset losses with profit from previous years. Gnotec AB's tax allocation reserve at the end of the reporting period amounted to SEK 38.6m (EUR 4.4m). This amount is recognised as a deferred tax liability.

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.

However, deferred tax assets were only recognised for tax loss carryforwards that can be utilised within a period of five years. The local tax rates were applied to the foreign subsidiaries. No tax loss carryforwards were recognised as deferred tax assets, due to the probable lack of availability of taxable profit against which they can be utilised in the amount of EUR 16,598,000 (2012: EUR 17,400,000).

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 38.

(24) INVENTORIES

The inventories reported comprise the following:

EUR '000	2013	2012
Raw material and consumables used	17,389	13,065
Work in progress	7,376	6,706
Finished goods and merchandise	75,158	61,266
Prepayments	62	1
Inventories	**99,984**	**81,038**

The following table shows the inventory write-downs:

EUR '000	2013	2012
Provisions for inventory write-downs at 1 January	**6,173**	**4,003**
Change in scope of consolidation	116	1,101
Exchange differences	-11	1
Allocations (expenses for impairment provisions)	648	1,828
Utilisation	-959	-239
Reversals	-64	-521
Provisions for inventory write-downs at 31 December	**5,903**	**6,173**
Carrying amount of written-down inventories at 31 December	**55,208**	**49,766**

As at the end of the reporting period, inventories of EUR 5,318,000 (2012: EUR 6,154,000) were pledged as collateral for bank borrowings.

(25) RECEIVABLES

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

EUR '000	2013	2012
Trade receivables (net)	78,918	67,398
Tax receivables	6,912	4,669
Other financial assets	2,701	7,000
Other non-financial assets	2,691	7,013
Receivables	**91,222**	**86,080**

In 2012 the contingent consideration of EUR 7,000,000 resulting from the disposal of the Industrial Honeycombs Division was reclassified as other financial assets.

As at the end of the reporting period there were EUR 8,797,000 (2012: EUR 7,127,000) in receivables that were overdue but not yet impaired. The breakdown of these receivables by time buckets was as follows:

EUR '000	31 Dec. 2013	31 Dec. 2012
Receivables not yet due and not impaired	70,122	60,271
Receivables overdue but not yet impaired		
less than 60 days	7,064	5,068
between 61 and 180 days	798	797
between 181 and 360 days	846	907
more than 360 days	89	355
	8,797	**7,127**
Trade receivables (net)	78,918	67,398

EUR '000	Frauenthal Automotive	Wholesale Plumbing Supplies
less than 60 days	5,271	1,793
between 61 and 180 days	332	467
between 181 and 360 days	64	782
more than 360 days	59	30
Receivables overdue but not yet impaired	**5,726**	**3,071**

Where trade receivables were neither impaired nor overdue, 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	2013	2012
Provisions for impairment losses at 1 January	**4,013**	**2,640**
Change in scope of consolidation	0	1,078
Exchange differences	-6	-2
Allocations (expenses for impairment provisions)	1,327	1,042
Utilisation	-1,371	-560
Reversals	-173	-185
Provisions for impairment losses at 31 December	**3,790**	**4,013**
Carrying amount of impaired receivables at 31 December	**26,064**	**28,820**

(26) CASH AND CASH EQUIVALENTS

EUR '000	31 Dec. 2013	31 Dec. 2012
Cash at bank	39,916	49,146
Deferred payments	181	173
Cash on hand	28	30
Cash and cash equivalents	40,124	49,348

Cash and cash equivalents fell due to an investment of EUR 10,000,000 reaching maturity, which reduced bank borrowings.

(27) EQUITY

SHARE CAPITAL

Changes in equity in 2013 are presented in the statement of changes in equity.

The Company's registered share capital at the end of the reporting period was EUR 9,434,990.00 (2012: 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 changes in voting rights in 2013. 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 comprise share premiums related to capital increases.

RETAINED EARNINGS

This item comprises cumulative retained earnings. The distributable profit for the year attributable to owners of the parent was EUR 4,699,000 (2012: TEUR 9,841,000) as at 31 December 2013.

ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income of EUR -5,004,000 (2012: EUR -3,325,000) comprises translation reserves totalling EUR -3,884,000 (2012: EUR -2,219,000), the fair value reserve amounting to EUR 91,000 (2012: EUR 94,000) and actuarial gains and losses in accordance with IAS 19 of EUR -1,211,000 (2012: EUR -1,200,000).

OWN SHARES

The number of treasury shares is unchanged at 943,499, equal to 10% of the share capital.

Own shares	Number of shares	Share capital, EUR	% of share capital
At 31 Dec. 2013	943,499	943,499	10.00
At 31 Dec. 2012	943,499	943,499	10.00

NON-CONTROLLING INTERESTS

The Group purchased all non-controlling interests in subsidiaries in 2013 with the result that no third parties hold non-controlling interests (2012: EUR 3,507,000).

(28) LIABILITIES

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

Liabilities at 31 Dec. 2013 EUR ´000	Total	Maturity up to 1 year	Maturity 1-5 years	Maturity over 5 years	Collateralised
Bond	102,588	3,018	99,570	0	0
Borrowings (including leases)	39,081	19,496	19,240	344	12,250
Trade payables	57,428	57,428	0	0	0
Other financial liabilities	14,546	10,958	3,588	0	0
Other non-financial liabilities	16,079	15,810	270	0	0
Total liabilities	**229,722**	**106,711**	**122,668**	**344**	**12,250**

The comparative amounts as at 31 December 2012 were as follows:

Liabilities at 31 Dec. 2013 EUR '000	Total	Maturity up to 1 year	1-5 years	over 5 years	Collatera-lised
Bond	102,414	3,019	99,395	0	0
Borrowings (including leases)	14,839	9,254	5,585	0	0
Trade payables	45,932	45,932	0	0	0
Other financial liabilities	8,490	8,490	0	0	0
Other non-financial liabilities	13,806	13,536	270	0	0
Total liabilities	**185,481**	**80,231**	**105,250**	**0**	**0**

Borrowings comprise bank borrowings amounting to EUR 37,503,000 (2012: EUR 14,572,000) and finance lease liabilities of EUR 1,578,000 (2012: EUR 267,000). Other financial liabilities include payroll liabilities totalling EUR 7,361,000 (2012: EUR 8,490,000) and the contingent consideration not yet payable for purchase of the Gnotec Group (see also Note 2) amounting to EUR 7,176,000 (2012: EUR 0).

EUR '000	2013	2012	Change
Employee liabilities (accruals for unused leave)	6,828	5,521	1,307
Tax liabilities	3,602	4,119	-517
Liabilities in respect of investment grants	1,381	1,477	-97
Suppliers' credit balances	2,464	616	1,848
Accruals	570	592	-22
Warranty liabilities and damages	427	621	-195
Accounting and auditing costs	56	100	-44
Sundry other liabilities	752	489	263
Other non-financial liabilities	**16,079**	**13,536**	**2,543**

(29) PROVISIONS

LONG-TERM PROVISIONS

The breakdown of long-term provisions is as follows:

EUR '000	Provisions for pensions 2013	Provisions for pensions 2012	Provisions for termination benefits 2013	Provisions for termination benefits 2012	Other long-term provisions 2013	Other long-term provisions 2012
At 1 Jan.	7,442	6,654	9,185	10,175	3,562	5,148
Change in scope of consolidation	1,509	0	0	-1,877	-103	-1,574
Additions	11	579	765	528	903	365
Utilisation	-25	-49	-368	-36	-383	-128
Reversals	-520	-33	-15	0	-148	-349
Interest effects	328	291	355	395	90	101
Exchange diffe-rences	5	0	0	0	-4	-1
Reclassifications	0	0	-18	0	18	0
At 31 Dec.	**8,750**	**7,442**	**9,904**	**9,185**	**3,934**	**3,562**

Other long-term provisions includes the provision for jubilee benefits of EUR 2,732,000 (2012: EUR 2,674,000); the remainder mostly relates to other long-term obligations to employees.

Changes in the net present value of termination benefit and pension obligations in 2013 at a discount rate of 3.5% or 4.0%, were as follows:

EUR '000	Pension	Termination benefit
Net present value of obligations at 31 Dec. 2012	7,442	9,457
Changes in scope of consolidation	1,509	0
Current service cost	414	475
Interest cost	328	355
Payments	-505	-340
Actuarial gains (-) / losses (+)	-438	240
Net present value of obligations at 31 Dec. 2013	**8,750**	**10,186**

Changes in the net present value of termination benefit and pension obligations in 2012 at a discount rate of 3.7% were as follows:

EUR '000	Pension	Termination benefit
Net present value of obligations at 31 Dec. 2011	6,654	10,438
Changes in scope of consolidation	0	-1,877
Current service cost	93	467
Interest cost	291	395
Payments	-395	-473
Actuarial gains (-) / losses (+)	800	507
Net present value of obligations at 31 Dec. 2012	**7,442**	**9,457**

The following table shows changes in the value of termination benefit plan assets.

	2013	2012
Fair value of plan assets at 1 Jan.	272	263
Interest income	10	9
Contributions by employer	27	30
Payments	-27	-30
Fair value of plan assets at 31 Dec.	**282**	**272**

Movements in DBO were as follows:

Provisions for pensions

EUR '000	31 Dec. 2009	31 Dec. 2010	31 Dec. 2011	31 Dec. 2012	31 Dec. 2012
Net present value of obligations	6,379	6,930	6,654	7,442	**8,750**

Provisions for termination benefits

EUR '000	31 Dec. 2009	31 Dec. 2010	31 Dec. 2011	31 Dec. 2012	31 Dec. 2013
Net present value of obligations	8,500	9,826	10,438	9,457	**10,186**

Provisions for termination benefits		
EUR '000	31 Dec. 2012	31 Dec. 2013
Net present value of obligations	9,457	**10,186**
Fair value of plan assets	272	**282**
Provisions for termination benefits	9,185	**9,904**

SENSITIVITY ANALYSIS OF EMPLOYEE BENEFIT PROVISIONS

A 0.5 percentage point change in the assumed discount rates used to calculate pension payments, and termination and jubilee benefits would have the following effects:

Discount rate change			
EUR '000	2013 3.5% or 4%	Decrease -0,5%	Change
Provisions for pensions	8,750	9,379	-629
Provisions for termination benefits	9,904	10,500	-596
Provisions for jubilee benefits	2,674	2,759	-85
Total	**21,328**	**22,639**	**-1,311**

Discount rate change			
EUR '000	2013 3.5% or 4%	Increase +0,5%	Change
Provisions for pensions	8,750	8,190	560
Provisions for termination benefits	9,904	9,344	559
Provisions for jubilee benefits	2,674	2,596	78
Total	**21,328**	**20,130**	**1,197**

A 0.5 (or 0.25) percentage point change in the assumed salary trends used to calculate pension payments, and termination and jubilee benefits would have the following effects:

Salary trend			
EUR '000	2013 3.5% or 4%	Decrease -0.25% or -0.5%	Change
Provisions for pensions	8,750	8,589	161
Provisions for termination benefits	9,904	9,618	286
Provisions for jubilee benefits	2,674	2,620	54
Total	**21,328**	**20,827**	**501**

Gehaltstrend EUR '000	2013 3.5% or 4%	Szenario +0.25% or +0.5%	Change
Provisions for pensions	8,750	8,924	-174
Provisions for termination benefits	9,904	10,198	-295
Provisions for jubilee benefits	2,674	2,730	-56
Total	**21,328**	**21,853**	**-525**

SHORT-TERM PROVISIONS

Changes in the short-term provisions were as follows:

EUR '000	2013	2012
At 1 Jan.	1,385	1,746
Change in scope of consolidation	-160	0
Additions	1,903	854
Utilisation	-743	-90
Reversals	0	-1,132
Exchange differences	-1	7
At 31 Dec.	**2,383**	**1,385**

Other short-term provisions mainly comprise provisions for bonuses and contingent losses.

(30) CONTINGENT LIABILITIES

As at 31 December 2013 the Frauenthal Group had EUR 4,157,000 (2012: EUR 692,000) in contingent liabilities. These are partly made up of contingent liabilities for investment projects.

In recent years the Group provided information on a material tax risk relating to considerable tax loss carryforwards at the Frauenthal Automotive Elterlein GmbH subsidiary. This risk no longer applies as the carryforwards were reinstated by notice on 4 February 2014 following a tax inspection. No provision was made for this risk in previous years. The Management's evaluation of the risk was proven to be accurate. Consequently the outcome of the tax inspection has no effect on the results for the period under review.

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

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	2013	2012
Next year, limited term	1,868	875
Next year, indefinite term	7,704	7,945
Next five years, limited term	4,233	1,701
Next five years, indefinite term	41,207	40,831
Over five years, limited term (p.a.)	91	434
Over five years, indefinite term (p.a.)	8,838	7,992

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.

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 neither normal business operations, nor are there any environmental licensing conditions which could lead to material off-balance-sheet financial obligations for the Group.

E. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The consolidated statement of profit or loss is presented using the nature of expense method.

(31) REVENUE

Most of the Group's revenue was again generated in EU member states in 2013, 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	2013	2012	Change
Austria	293,824	294,672	-848
Other EU	270,214	208,126	62,088
Americas	1,967	39	1,928
Rest of the world	8,837	7,081	1,756
Revenue	**574,843**	**509,918**	**64,925**

(32) OTHER INCOME

The following amounts are reported as “Other income”:

Other income

EUR ´000	2013	2012	Change
Gains on reversals of provisions	565	1,096	-530
Exchange gains	761	707	54
Insurance recoveries	264	449	-184
Reversals of investment grants	58	58	0
Bonuses and grants received	2,834	3,698	-864
Gains on disposal of non-current assets	596	674	-78
Gains arising on consolidation	2,376	2,684	-308
Sundry other income	4,446	3,976	471
Other income	**11,900**	**13,342**	**-1,442**

Sundry other income

EUR ´000	2013	2012	Change
Income from charging-on of expenses	185	374	-189
Income from rentals and property service charges	247	221	27
Income from insurance payments	195	473	-277
Income relating to prior years	294	930	-636
Reversals of impairment losses	915	0	915
Sundry other income	2,610	1,978	632
Sundry other income	**4,446**	**3,976**	**471**

(33) RAW MATERIAL AND CONSUMABLES USED

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

EUR ´000	2013	2012	Change
Cost of materials	360,989	327,938	33,051
Cost of consumables used	35,631	25,212	10,419
Total	**396,620**	**353,150**	**43,469**

(34) STAFF COSTS

Apart from permanent employees the Group head count includes an annual average of 202 (2012: 86) agency staff.

EUR '000	2013	2012	Change
Non-salaried staff	1,728	1,431	297
Salaried staff	1,261	1,182	79
Total	**2,989**	**2,613**	**376**

As at the end of the reporting period the Frauenthal Group employed 2,943 people (2012: 2.597). The table below shows the composition of staff costs.

EUR '000	2013	2012	Change
Wages	31,139	28,041	3,098
Salaries	53,392	48,705	4,687
Termination benefit expense	1,965	2,116	-151
Retirement benefit expense	484	225	259
Expenses for social security contributions and other pay-related levies and compulsory contributions	23,361	21,228	2,133
Other employee benefit expense	1,338	1,331	7
Staff costs	**111,679**	**101,646**	**10,032**

Following a change in the way wages and salaries are reported in 2013, the figures for 2012 have also been adjusted.

The Austrian Group companies made EUR 352,000 (2012: EUR 338,000) in contributions to defined contribution plans under the BMVG [Company Pension Fund Act] and individual employment contracts.

(35) 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.

(36) OTHER EXPENSES

The following table shows the breakdown of other expenses, which increased largely as a result of the acquisition of the Gnotec Group. Deconsolidation expense of EUR 2,266,000 relating to the sale of the Frauenthal Automotive Ahlen and Frauenthal Automotive Westphalia air reservoir plants also had an effect.

Other expenses

EUR ´000	2013	2012	Change
Taxes other than income taxes	1,130	690	440
Other distribution costs	4,595	5,293	-698
Rental expenses	9,467	8,351	1,116
Freight costs	9,237	7,662	1,575
Administrative expenses	5,673	4,555	1,119
Legal and consultancy expenses	3,291	3,472	-180
Third-party repairs	955	585	370
Agency staff	832	593	239
Travel costs	2,190	2,130	60
Insurance expenses	2,046	1,829	216
Staff recruitment and training	1,574	1,457	117
Impairment losses	899	1,043	-144
Third-party services	5,077	4,711	366
Exchange losses	789	952	-163
Waste disposal costs	451	439	12
Bank charges	666	565	100
Losses on disposal of non-current assets	40	32	8
Damages claims	462	281	181
Lease expenses	430	161	269
Restructuring expenses	0	1,200	-1,200
Deconsolidation expense	2,266	0	2,266
Earn-out adjustment	2,177	0	2,177
Sundry other expenses	3,505	3,239	265
Other expenses	**57,753**	**49,240**	**8,513**

The following expenses in respect of the services of the auditors, BDO Austria GmbH, were recognised in 2013:

EUR	2013	2012
Year-end audit	60,000	60,000
Other certification services	110,000	128,923
Tax consultancy services	216,229	229,389
Other services	116,110	67,000
Total	**502,339**	**485,312**

(37) NET FINANCE COSTS

EUR '000	2013	2012	Change
Interest income	1,432	1,275	157
Interest expense	-6,806	-5,997	-808
Other finance income	0	30	-30
Total	**-5,373**	**-4,692**	**-682**

(38) INCOME TAX

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 2,719,000 (2012: EUR 1,509,000) includes EUR 2,714,000 (2012: EUR 1,399,000) in current tax expense.

Tax payments totalled EUR 615,000 in 2013 (2012: EUR 604,000).

CHANGE IN DEFERRED TAX

EUR ,000	2013	2012
Net deferred tax assets	**5,402**	**10,216**
Change	-4,814	-7,005
of which change in scope of consolidation	-4,657	857
of which change in expense for the year as per statement of profit or loss	-283	-8,257
of which change in other comprehensive income	41	437
of which exchange differences	85	-42

Readers are referred to Note 23 for the analysis of deferred tax. The change in deferred tax was as follows:

Reconciliation of legally applicable and effective tax rate		
EUR '000	Jan.-Dec. 2013	Jan.-Dec. 2012
Profit/loss before tax from continuing operations	-27,853	3,204
Profit before tax from discontinued operations	0	47,970
Profit/loss before tax	**-27,853**	**51,174**
Income tax expense at applicable rate of 25%	**-6,963**	**12,794**
Tax effects		
Tax expense from previous periods	-5	-110
Utilisation of non-capitalised tax loss carryforwards	34	113
Increase in non-capitalised tax loss carryforwards	-11,504	-2,299
Initial recognition of tax loss carryforwards	3,539	4,011
Permanent tax differences and other	-2,066	-403
Differences in tax rates applicable to subsidiaries	37	-242
Changes in tax rates applied to measurement of deferred tax	0	0
Total tax effects	**-9,965**	**1,070**
Taxes on income	**3,002**	**11,724**
Tax expense as shown in income statement	-2,719	-3,904
Change in deferred tax	-283	-7,820
Total tax expense as shown in statement of comprehensive income	**-3,002**	**-11,724**
of which continuing operations	-3,002	-1,458
of which discontinued operations	0	-10,266
Effective tax rate	**-11%**	**23%**

(39) IFRS 5

The disposal of the Industrial Honeycombs Division at a 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.

Income statement from discontinued operations		
EUR '000	31.05.2012	1-12/2011
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**

(40) EARNINGS PER SHARE

With a weighted average of 8,491,491 shares in circulation, the basic loss per share from continuing operations was EUR 3.63 (2012: earnings per share of EUR 0.20). The decline is mainly a result of impairment losses recognised as a consequence of the impairment tests. The diluted loss per share, with a weighted average of 8,530,161 shares in circulation, was EUR 3.62 (2012: earnings per share of EUR 0.19), as a result of the dilutive effect of the share option plan (see Note 48).

The difference between the market price and the exercise price, together with the outstanding options, results in a total of 38,670 dilutive potential ordinary shares (2012: 19,647).

Earnings per share were calculated on the basis of the following information:

No par shares	2013	2012
Number of shares issued	9,434,990	9,434,990
Average number of own shares	-943,499	-406,665
Shares in circulation (= basic shares)	**8,491,491**	**9,028,325**
Share options outstanding	38,670	19,647
Number of shares used in calculating diluted earnings per share	8,530,161	9,047,972

Earnings, EUR '000	2013	2012
Earnings from continuing operations, basic/diluted = profit or loss after tax attributable to owners of the parent	-30,855	1,762
Earnings from discontinued operations, basic/diluted	**0**	**37,704**
Earnings from continuing and discontinued operations	-30,855	39,466

The Executive Board recommends payment of a dividend of EUR 0.20 per share (2012: EUR 0.20), corresponding to a total dividend payout of EUR 1,698,000 (2012: EUR 1,698,000).

F. NOTES TO THE CONSOLIDATED 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.

The item "of which discontinued operations" relates to the disposal of the Industrial Honeycombs Division (see Note 39).

(41) 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.

Information relating to changes in cash flows reported in 2012 can be found under Note 19.

(42) 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.

Information relating to changes in cash flows stated for 2012 can be found under Note 19.

(43) CASH FLOWS FROM INVESTING ACTIVITIES

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

Proceeds from disposal of subsidiaries less cash and cash equivalents disposed of includes the contingent consideration of EUR 7,000,000 received in relation to the disposal of the Industrial Honeycombs Division.

(44) 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.

The acquisition of non-controlling interests amounting to EUR 1,800,000 relates to the purchase of non-controlling interests of EUR 3,507,000 in Frauenthal Automotive Sales GmbH.

G. SUPPLEMENTARY INFORMATION

(45) FINANCIAL INSTRUMENTS AND RISK REPORT

The Frauenthal Group holds underlying financial instruments including 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.

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. Due to the bank balances of EUR 40.1m and unused credit lines of EUR 67.7m as at the end of the reporting period, the Company's liquidity risk is limited. The EUR 100m bond issued in 2011 is due in May 2016. 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 (and of the previous period) no use was made of this financing model.

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.

The table below shows the contractually agreed (undiscounted) interest and principal payments due on the underlying financial liabilities.

EUR ´000	Carrying amount at 31 Dec. 2013	Financial flows, 2014		Financial flows, 2015	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**213,642**	**5,975**	**87,881**	**5,829**	**13,572**
Bond	102,588	4,875	0	4,875	0
Bank borrowings	39,081	969	19,496	688	10,070
Trade payables	57,428	0	57,428	0	0
Other financial liabilities	14,546	131	10,958	266	3,502

EUR ´000	Financial flows, 2016-2018		Financial flows, 2019-	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**5,894**	**107,671**	**285**	**1,845**
Bond	4,875	100,000	0	0
Bank borrowings	1,019	7,671	285	1,845
Trade payables	0	0	0	0
Other financial liabilities	0	0	0	0

All the instruments held on 31 December 2013 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 2012 were as follows:

EUR '000	Carrying amount at 31.12.2012	Financial flows, 2013		Financial flows, 2014	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**171,675**	**5,325**	**63,676**	**5,146**	**2,891**
Bonds	102,414	4,875	0	4,875	0
Bank borrowings	14,839	450	9,254	271	2,891
Trade payables	45,932	0	45,932	0	0
Other financial liabilities	8,490	0	8,490	0	0

EUR '000	Financial flows, 2015-2017		Financial flows, 2018-	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**15,399**	**102,694**	**250**	**0**
Bonds	14,625	100,000	0	0
Bank borrowings	774	2,694	250	0
Trade payables	0	0	0	0
Other financial liabilities	0	0	0	0

INTEREST RATE RISK

The risk to the Group's financial assets and liabilities from interest rate movements is currently regarded as low in comparison to its exchange, default and credit risk exposures, as financing is mainly based on the EUR 100m bond with a fixed coupon of 4,875 %, which has secured adequate financing up to May 2016. However, after the bond matures, interest rate movements could influence the Group's assets, finances and earnings. The interest rates payable on the credit lines are mostly Euribor linked. Of this borrowing, EUR 19.6m is assured by long-term and EUR 19.5m by short-term loan agreements. A close watch is kept on interest rate trends and the related risk. If necessary, interest rate hedges can be employed.

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, and interest income and expense, as well as other items on the statement of profit or loss, 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.

If the market interest rate of variable-rate financial liabilities had been 200 basis points higher/lower at the end of the reporting period, then profit would have been approximately EUR 310,000 lower/higher. If the rate had been

400 basis points higher/lower at the end of the reporting period, this would have led to a profit EUR 620,000 lower/higher than the actual result, meaning that equity would have been EUR 620,000 lower/higher.

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 means of regular credit checks and active credit management. In the Wholesale Plumbing Supplies Division these risks are also largely covered by credit insurance.

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

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 has been reinforced and centralised in recent 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.

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 these 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 relating to a portion of trade receivables. 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.

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 movements in the Czech Republic, Poland, Romania and Sweden expose the Group to some price risk, since the relevant exchange rates affect the payment flows from receivables and payables denominated in foreign currencies. Therefore, attempts are made to minimise RON and SEK exchange risk and to 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.

As at the end of the reporting period there were leu-denominated currency futures contracts worth RON 264,000 (2012: 24,000), with a negative fair value of EUR 59,000. An exchange gain of EUR 2,000 (2012: loss of EUR 61,000) was recognised in profit or loss. Generally accepted option pricing models (Level 3 inputs) are used to measure fair value.

The acquisition of the Gnotec Group in May 2013 and a fluctuating exchange rate necessitated hedging of the SEK exchange risk by means of forward exchange contracts. As at the end of the reporting period there were two hedges in two tranches, each worth EUR 1,750,000 (maturity dates: 24 April 2014 and 25 June 2014). The contracts generated gains of EUR 66,000 in 2013 (2012: EUR 0) which were recognised in profit or loss.

Currency sensitivity analyses are based on the following assumptions.

The influence of volatile currencies (the Czech koruna, Polish zloty, Romanian leu and Swedish krona) on costs at the production sites in these countries is very limited due to the invoicing of steel – the main input – in euro. Most of the customer invoices are also in euro and consequently present no exchange risk. We therefore only hedge RON and SEK exchange rate risk, but the other risks are constantly monitored 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 4.4710 (2012: 4.4445) – a devaluation of 0.60% compared to year-end 2012. If the average Romanian leu-euro exchange rate had been

10% higher or lower at the end of the reporting period, earnings would have been EUR 82,000 lower, or EUR 67,000 higher, respectively. Equity would have been EUR 318,000 higher or EUR 260,000 lower as a result.

The exchange rate for the Polish zloty at the end of the reporting period was PLN 4.1543 (2012: PLN 4.0740), meaning the currency lost 1.97% against the euro in the course of the reporting period. 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 172,000 higher, or EUR 139,000 lower, respectively. Equity would have been EUR 920,000 higher or EUR 753,000 lower as a result.

The exchange rate to the Czech koruna at the end of the reporting period was CZK 27.4270 (2012: CZK 25.1510), a fall of 9.05% compared to year-end 2012. If the average exchange rate of the koruna to the euro had been 10% higher or lower at the end of the reporting period, earnings would have been EUR 26,000 lower, or EUR 21,000 higher, respectively. Equity would consequently have been EUR 599,000 higher or EUR 490,000 lower.

The exchange rate of the Swedish krona at the end of the reporting period was SEK 8.8591. As the Swedish subsidiary was acquired on 13 May 2013, the exchange rate on 30 April 2013 (SEK 8.5420) is used for the comparison. On that basis the currency declined by 3.71% against the euro. If the average exchange rate of the krona to the euro had been 10% higher or lower at the end of the reporting period, earnings would have been EUR 397,000 higher, or EUR 325,000 lower, respectively, meaning that equity would have been EUR 4,844,000 higher, or EUR 3,963,000 lower.

FAIR VALUES

The following table presents the fair values, measurement categories and carrying amounts of the Group's financial assets and liabilities. 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. 2013	Fair value at 31 Dec. 2013	Carrying amount at 31 Dec. 2012	Fair value at 31 Dec. 2012
Financial instruments	AFS	1,077	1,077	1,042	1,042
Trade receivables	LAR	78,918	78,918	67,398	67,398
Other receivables	LAR/HFT	2,701	2,701	7,000	7,000
of which currency futures transaction	*HFT*	*42*	*42*	*0*	*0*
Cash and cash equivalents	n.a.	40,124	40,124	49,348	49,348
Aggregated by measurement categories					
available for sale	AFS	1,077		1,042	
loans and receivables	LAR	81,577		74,398	
held for trading	HFT	42		0	

Liabilities					
EUR '000	Mea-surement category	Carrying amount at 31 Dec. 2013	Fair value at 31 Dec. 2013	Carrying amount at 31 Dec. 2012	Fair value at 31 Dec. 2012
Non-current liabilities					
Bond	FLAC	99,570	102,059	99,395	103,371
Bank borrowings	FLAC	19,585	19,585	5,585	5,585
Other financial liabilities	FLAC	3,588	3,588	0	0
Current liabilities					
Bond	FLAC	3,018	3,094	3,019	3,140
Bank borrowings	FLAC	19,496	19,496	9,254	9,254
Trade payables	FLAC	57,428	57,428	45,932	45,932
Other financial liabilities	FLAC/HFT	10,958	10,958	8,490	8,490
of which currency futures transaction	*HFT*	*84*	*84*	*61*	*61*
Aggregated by measurement categories					
financial liabilities measured at amortised cost	FLAC	213,559		171,615	
held for trading	HFT	84		61	

The following valuation methods were applied to measure financial assets at fair value:

Fair value hierarchy			
in TEUR	Measure-ment category	Carrying amount at 31 Dec. 2013	Carrying amount at 31 Dec. 2012
Level 1: market approach			
Financial instruments	AFS	1,077	1,042
Level 2: market approach			
Currency futures transaction	HFT	42	0
Currency futures transaction	HFT	-84	-61

The market value (Level 1 input) of the bond was used to ascertain its fair value. Almost all bank borrowings are at variable interest rates. Therefore, as for other financial assets and liabilities, the carrying amount constitutes an appropriate approximation of fair value.

Net results by measurement categories

EUR '000		Net result in 2013	Net result in 2012
Held for trading	HFT	43	-61
Loans and receivables	LAR	-3,790	-4,013
Current and non-current liabilities	FLAC	-6,805	-5,997

(46) 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 Gnotec acquisition has extended the product portfolio to include manufactured metal parts, enabling Frauenthal to enter the automotive sector. The division has production sites in Austria, the Czech Republic, France, Germany, Poland, Portugal, Romania, Slovakia and Sweden.

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 and in Slovakia.

Intersegment revenues chiefly relate to 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.

(47) 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). After payment of a dividend of EUR 0.2 per share, equity as at the end of the reporting period was EUR 91,638,000. The equity ratio dropped from 37.4% to 25.7%, as a result of the acquisition of the Gnotec Group, which expanded the balance sheet, and of the net loss incurred by the Group as a result of the impairment losses.

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 – climbed from 53.26% to 110.81% in 2013, reflecting the decrease in equity and rise in net debt resulting from the Gnotec acquisition.

Net interest-bearing debt is the balance of interest-bearing assets and liabilities. Total equity is equal to accounting equity.

EUR '000	2009 IFRS	2010 IFRS	2011 IFRS	2012 IFRS	2013 IFRS
Borrowings	98,830	97,787	152,740	117,253	141,669
Cash and cash equivalents	-2,267	-3,416	-40,329	-49,348	-40,124
Net debt	96,563	94,371	112,412	67,905	101,545
Gearing ratio	**134.74%**	**105.44%**	**113.70%**	**53.26%**	**110.81%**

(48) 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 managers. All members of the Frauenthal Group's senior management team are eligible to participate in the plan; there were nine eligible participants (2012: eleven) 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 co-owners. The plan gives the senior management team an incentive to perform to the best of their ability for the long-term good of the business. 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 value of Frauenthal treasury shares according to the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2010.

The estimated value of options granted in 2013 was EUR 420,000 (2012: EUR 198,000), which corresponds to the fair value. The fair value is calculated on the basis of the day on which the share option plan was originally 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%).

In 2013 options on a total of 34,000 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 2013.

The fair value of the options granted is stated under staff costs and carried in equity. The fair value is determined on the day an option is granted, and spread over the period during which participants in the plan are unconditionally entitled to exercise the options granted (vesting period).

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

Number of share options	2013	2012
At 1 Jan.	25,000	0
Options granted	34,000	25,000
Options expired	-3,000	0
Options exercised	0	0
At 31 Dec.	56,000	25,000

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. All options granted in 2013 have yet to expire.

(49) MEMBERS OF 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, Chairman 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

The members delegated to the board by the central works council are Jürgen Tschabitzer, August Enzian and Klaus Kreitschek.

August Enzian, since 27 September 2010
Jürgen Tschabitzer, since 7 May 2012
Klaus Kreitschek, since 10 January 2013

The remuneration of members of the Supervisory Board in 2013 amounted to EUR 104,000.00 (2012: EUR 104,000.00).

The membership of the Executive Board was as follows:

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

In 2013 the total remuneration of the Executive Board, including contributions to pension funds and accident insurance plans, was EUR 1,038,000, which was attributable to the various Board members as follows.

Hans-Peter Moser

EUR '000	2013	2012	Change
Fixed salary	350	280	70
Variable component	110	350	-240
Pension fund contributions	14	14	0
Share options (fair value of options granted)	0	0	0

Martin Sailer

EUR '000	2013	2012	Change
Fixed salary	350	286	64
Variable component	200	130	70
Pension fund contributions	13	13	0
Share options (fair value of options granted)	73	71	2
Number of options granted (in shares)	10,000	10,000	0

Payment of retirement benefits is not tied to performance criteria. Members have no contractual entitlements to termination benefits on leaving office.

The compensation of the Executive Board consists of a fixed salary and a variable component of up to EUR 200,000 per annum (gross), geared to the personal performance of each Board member. The variable component is based on target setting agreements that contain quantitative and qualitative objectives. The quantitative objectives include budget and liquidity targets. Qualitative objectives relate to goals for individual divisions, for the Group as a whole, and for human resource and management development.

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 (2012: EUR 19,000).

(50) RELATED PARTY DISCLOSURES

FT-Holding GmbH, Chemnitz holds a 74.24% interest in Frauenthal Holding AG (2012: 72.9%) Hannes Winkler and Ernst Lemberger have controlling interests in the companies that own 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 3,516,000 in 2013 (2012: EUR 3,573,000), of which outstanding liabilities totalled EUR 8,000 as at the end of the reporting period.

Validus Immobilien Holding GmbH charged EUR 3,330,000 in rent (2012: EUR 3,222,000) for office, commercial and storage space used by SHT Haustechnik AG, 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 rent charged is due to indexation. Property service costs are charged on, in addition to the rent. 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. Validus Immobilien Holding GmbH and all of its subsidiaries are controlled by Hannes Winkler.

Related parties also charged Frauenthal Holding AG for services and expenses amounting to EUR 198,000 (2012: EUR 367,000). For their part Frauenthal Group companies charged related parties EUR 12,000 (2012: EUR 16,000) for IT and other services.

Related party transactions are charged at market prices.

(51) EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no events of exceptional significance after the end of the reporting period.

The Executive Board of Frauenthal Holding AG approved the consolidated financial statements for consideration by the Supervisory Board on 22 April 2014.

Vienna, 22 April 2014
Frauenthal Holding AG

Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Member of the Executive Board

PRODUCT

Gnotec produces some 4,000 different items, from simple small parts to complex modules. Extensive expertise in material properties and metal forming, combined with an innovative approach to process development enable Gnotec to offer cost-effective solutions.

TASK

Matilda Johansson (26) consigns a weld-on bracket to the warehouse. The part needs to be stored in the right compartment to allow quick retrieval, so it is marked with a location number.

TASK

Matilda Johansson (26) consigns a weld-on bracket to the warehouse. The part needs to be stored in the right compartment to allow quick retrieval, so it is marked with a location number.

PRODUCT

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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 2013. These statements comprise the consolidated statement of financial position as at 31 December 2013, 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 2013, 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, 22 April 2014

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Marcus Bartl Auditor	Klemens Eiter 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

These springs, made for Ford, have eyes. Vasile Bardasu (46) checks that they are correctly angled and aligned by measuring the axis on each side of the eye.

PRODUCT

Frauenthal Automotive is the market leader for these products and continues to drive development: engineers at the Group’s state-of-the-art research and testing centre are developing the innovations our customers will need in the future.

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Assets

in EUR	31 Dec 2013	31 Dec 2012
Non-current assets		
Intangible assets	1,623	3,614
Property, plant and equipment	551,339	536,458
Financial assets	67,787,252	61,812,251
	68,340,214	**62,352,323**
Current assets		
Receivables		
Receivables from Group companies	87,009,878	86,655,304
Other receivables and assets	742,515	7,844,176
Own shares	7,553,599	7,553,599
Cash and cash equivalents	35,009,781	45,028,279
	130,315,773	**147,081,358**
Prepayments and deferred assets	74,725	97,814
Total assets	**198,730,712**	**209,531,495**

Equity and liabilities

in EUR	31 Dec 2013	31 Dec 2012
Equity		
Share capital	9,434,990	9,434,990
Capital reserves	21,259,241	21,259,241
Retained earnings	55,753,599	55,753,599
Profit for the year	4,698,906	9,840,764
	91,146,735	**96,288,594**
Provisions		
Provisions for taxes	11,150	1,501,549
Other provisions	1,145,420	765,770
	1,156,570	**2,267,319**
Liabilities		
Bond	103,018,493	103,018,493
Trade payables	93,299	77,743
Payables to the Group companies	3,069,000	7,820,354
Other liabilities	246,615	58,992
	106,427,407	**110,975,582**
Total Equity and liabilities	**198,730,712**	**209,531,495**

TASK

Markus Felbermaier, 36, 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.

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.

DIVIDEND RECOMMENDATION

The net profit of Frauenthal Holding AG was EUR 4,698,905.66.

The Executive Board is recommending payment of a dividend of EUR 0.20 per share to the Annual General Meeting. Subject to the approval of the Annual General Meeting a dividend of EUR 0.20 will be distributed to the holder of each share with dividend entitlement in issue at the end of the reporting period, and the remaining amount will be carried forward to new account.

Except where exempt under section 94 EStG (Austrian Income Tax Act), dividends are subject to investment income withholding tax of 25 %.

22 April 2014

Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Member of the Executive Board

INCOME STATEMENT

in EUR	2013	2012
Revenue	**2,003,300**	**1,968,600**
Other operating income	684,629	942,613
Gains on disposal of non-current assets	0	22,999
Gains on reversal of provision	5,249	10,637
Staff costs	-2,298,926	-2,407,698
Depreciation and amortisation expense, and impairment	-116,213	-118,393
Other operating expenses	-3,774,147	-4,883,163
Profit from operations (EBIT)	**-3,496,108**	**-4,464,405**
Income from Group companies	2,500,000	7,681,598
Other interest and similar income	2,316,935	3,026,860
Gains on disposal of financial assets	0	42,069,380
Expenses from financial assets	-24,999	0
Interest and similar expenses	-4,876,123	-5,436,672
Net finance income	**-84,187**	**47,341,166**
Profit before tax	**-3,580,295**	**42,876,761**
Income tax expenses	136,734	-9,408,340
Profit after tax	**-3,443,561**	**33,468,421**
Reversal to retained earnings	0	0
Allocation to retained earnings	0	-24,520,777
Net profit from ordinary activities	**-3,443,561**	**8,947,644**
Profit brought forward	8,142,467	893,120
Net profit for the period	**4,698,906**	**9,840,764**

TASK

Pavel Táborský (29) checks that an air reservoir is 100% airtight. The test is performed on the mounted tank after welding and shot peening. To ensure the tank is completely sealed, it is filled with water and pressure is applied for a specific amount of time.

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.

GLOSSARY

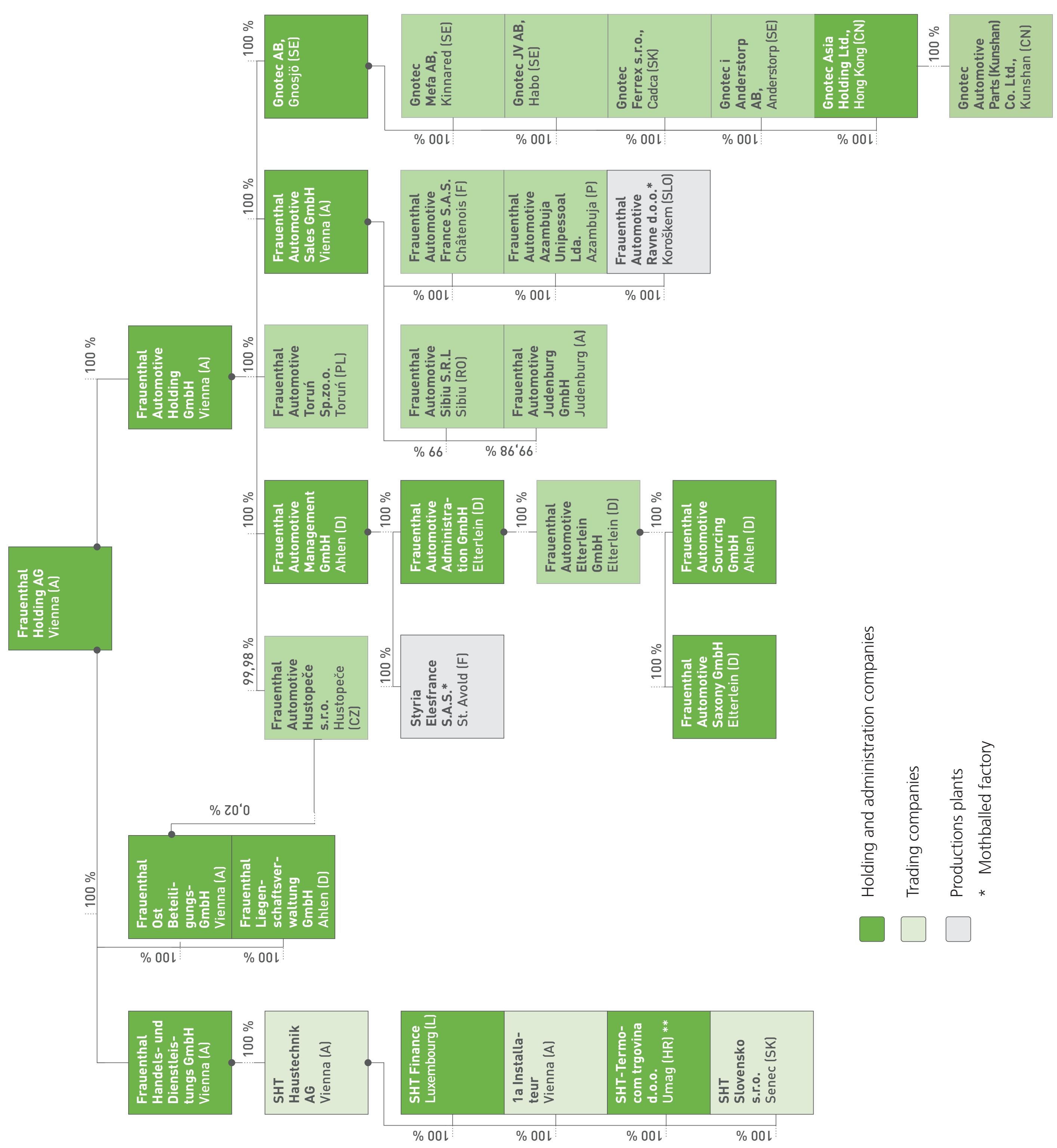
ABBREVIATIONS

ABS	Asset-Backed-Securities
ABS	Asset backed securities
AFS	Available for sale
BMVG	betriebliches Mitarbeitervorsorgegesetz (Employee Benefits Act)
CDS	Credit default swap
CGU	Cash Generating Unit
CNY	Chinese yuan
CZK	Czech koruna
D&O	Directors’ and officers’ (insurance)
DBO	Defined benefit obligation
DCF method	Discounted cash flow method
EBIT	Earnings before interest and tax Operating result before net finance costs and tax
EBITA	Earnings before interest, tax and amortisation Operating profit before impairment of goodwill
EBITDA	Earnings before interest, tax, depreciation and amortisation = gross cash flow
ERP	Enterprise resource planning (software)
EU	European Union
EUR	Euro
EUR ’000	Thousand euro
EUR m	Million euro
FA	Frauenthal Automotive
FIFO	First in, first out
FLAC	Financial liabilities measured at amortised cost
GDP	Gross domestic product
HFT	Held for trading
HKD	Hong Kong dollar
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	Installateur Service Center
IT	Information technology
kg	kilogram
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
PLN	Polish zloty
POA	Profit on ordinary activities
PoC	Percentage of completion
Reg. no.	Registration number
ROCE	Return on capital employed ROCE = NOPAT/CE
RON	New Romanian leu
RON '000	Thousand (new) Romanian lei
SAP	Systemanalyse und Programmentwicklung (full name of the German software company)
SEK	Swedish krona
SEK m	Million Swedish krona
SHT	SHT Haustechnik AG
UGB	Unternehmensgesetzbuch (Austrian Business Code)
WACC	Weighted average cost of capital The average market value of the enterprise's debt and equity

OUR STRUCTURE

Status as of 31.12.2013



TASK

Shqipron Maholi (26) changes the electrodes on a welding head. This is done after every 2,000 welding jobs in order to maintain quality.

PRODUCT

Most of Gnotec's customers are in the automotive industry – both the passenger and commercial vehicle sectors – but the Group serves other industrial manufacturers too, providing processes and solutions that involve a diverse range of materials and strengths, order volumes and complexity.

SITES

Frauenthal Holding AG
Rooseveltplatz 10
A-1090 Vienna, Austria
Tel.: +43 1 505 42 06
Fax: +43 1 505 42 06 33
e-mail: holding@frauenthal.at
Homepage: www.frauenthal.at

Frauenthal Ost Beteiligungsges.m.b.H.
Rooseveltplatz 10
A-1090 Vienna, Austria
Tel.: +43 1 505 42 06
Fax: +43 1 505 42 06 33
e-mail: holding@frauenthal.at
Homepage: www.frauenthal.at

Frauenthal Handels- und Dienstleistungs GmbH
Rooseveltplatz 10
A-1090 Vienna, Austria
Tel.: +43 1 505 42 06
Fax: +43 1 505 42 06 33
e-mail: holding@frauenthal.at
Homepage: www.frauenthal.at

Frauenthal Automotive Sales GmbH
Gussstahlwerkstraße 21
A-8750 Judenburg, Austria
Tel.: +43 3572 44011 0
Fax: +43 3572 44011 468
e-mail: sales@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Holding GmbH
Rooseveltplatz 10
A-1090 Vienna, Austria
Tel.: +43 1 505 42 06
Fax: +43 1 505 42 06-33
e-mail: holding@frauenthal.at
Homepage: www.frauenthal.at

Frauenthal Automotive France S.A.S.
Avenue des Forges
F-90700 Châtenois-les-Forges, France
Tel.: +33 (0)3 84 58 25 00
Fax: +33 (0)3 84 58 25 01
e-mail: chatenois@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Management GmbH
Lindweg 25
D-59229 Ahlen, Germany
Tel.: +49 2382 782 0
Fax: +49 2382 782 1276
e-mail: management@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Liegenschaftsverwaltung GmbH
Lindweg 25
D-59229 Ahlen, Germany
Tel.: +49 2382 782 40
Fax: +49 2382 782 140
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Sourcing GmbH
Scheibenberger Straße 45
D-9481 Elterlein, Germany
Tel.: +49 373 49 662 16
Fax: +49 373 49 662 106
e-mail: sourcing@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Judenburg GesmbH
Gussstahlwerkstraße 21
A-8750 Judenburg, Austria
Tel.: + 43 3572 44011 0
Fax: +43 3572 44011 468
e-mail: judenburg@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Styria Elesfrance SAS
27 rue du Champ de Mars
F-57200 Sarreguemines, France
Tel: +33 (0) 3 84 58 25 52
Fax: +33 (0) 3 84 58 25 01
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Ravne d.o.o.
Koroška cesta 14
SLO-2390 Ravne Na Koroškem, Slovenia
Tel.: +386 2 821 76 91
Fax: +386 2 822 07 93
e-mail: ravne@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Azambuja, Unipessoal, Lda.
Estrada Nacional N°3, Vale do Cardal
P-2050-011 Azambuja, Portugal
Tel.: +351 263 409 500
Fax: +351 263 409 517/8
e-mail: azambuja@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Sibiu S.R.L.
Forjorilor Street, Nr. 22
RO-550233 Sibiu, Romania
Tel.: +40 269 207 347
Fax: +40 269 207 345
e-mail: sibiu@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Elterlein GmbH
Scheibenberger Straße 45
D-09481 Elterlein, Germany
Tel.: +49 373 49 662 0
Fax: +49 373 49 662 37
e-mail: elterlein@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Gnotec AB
Box 42 (Lĺnggatan 32)
SE-335 21 Gnosjö, Sweden
Tel.: +46 371 234 90
e-mail: info@gnotec.com
Homepage: www.gnotec.com

Gnotec Mefa AB (Reftele)
Bruksgatan 7
SE-330 21 Reftele, Sweden
Tel.: +46 371 234 00
Fax: +46 371 234 29
e-mail: info.reftele@gnotec.com
Homepage: www.gnotec.com

Gnotec JV AB
Ringvägen 21
SE-566 31 Habo, Sweden
Tel.: +46 36 488 00
Fax: +46 36 408 60
e-mail: info.habo@gnotec.com
Homepage: www.gnotec.com

Frauenthal Automotive Administration GmbH
Scheibenberger Straße 45
D-9481 Elterlein, Germany
Tel.: +49 373 49 662 0
Fax: +49 373 49 662 37
e-mail: administration@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Toruń sp.zo.o.
ul. Na Zapleczu 25
PL-87-100 Toruń, Poland
Tel.: +48 56 6642 101
Fax: +48 56 682 69 50
e-mail: torun@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Frauenthal Automotive Hustopeče s.r.o.
Bratislavská 2
CZ-693 01 Hustopeče, Czech Republic
Tel.: +420 (0) 519 301 811
Fax.: +420 (0) 519 411 165
e-mail: hustopece@frauenthal-automotive.com
Homepage: www.frauenthal-automotive.com

Gnotec Mefa AB (Kinnared)
Box 46 (Älvdalsvägen)
SE-314 05 Kinnared, Sweden
Tel.: +46 345 484 00
Fax: +46 345 484 25
e-mail: info.kinnared@gnotec.com
Homepage: www.gnotec.com

Gnotec i Anderstorp AB
Box 263 (Trĺddragarleden 9)
SE-334 25 Anderstorp, Sweden
Tel.: +46 371 234 00
Fax: +46 371 234 80
e-mail: info.anderstorp@gnotec.com
Homepage: www.gnotec.com

Gnotec Ferrex s.r.o.
Podzávoz 2824
SK-02201 Čadca, Slovakia
Tel.: +421 41 431 21 11
Fax: +421 41 431 21 22
e-mail: info.ferrex@gnotec.com
Homepage: www.gnotec.com

Gnotec Automotive Parts Co. Ltd.
358 Xinsheng Road
Jiangsu Province
CN-215332 Huaqiao, Kunschan
Tel.: +86 512 3668 7020
Fax: +86 512 3668 7030
e-mail: info.china@gnotec.com
Homepage: www.gnotec.com

SHT Haustechnik AG
Großhandel für Sanitär-, Heizungs-
und Installationstechnik
Gurkgasse 7-9
A-1140 Vienna, Austria
Tel.: +43 5 96 96 0 0
Fax: +43 5 96 96 0 90
e-mail: info@sht-gruppe.at
Homepage: www.sht-gruppe.at

SHT trgovina d.o.o.
Spina br. 41,
HR-52470 Umag, Croatia
Tel: +43 5 96 96 0 0
Fax: +43 5 96 96 0 90
e-mail: info@sht-gruppe.at
Homepage: www.sht-gruppe.at

Gnotec Asia Holding Ltd
c/o Intertrust Hong Kong
38th Floor, Central Plaza, 18 Harbour Road
CN-Wanchai, Hong Kong
Tel.: +46 371 234 90
e-mail: info@gnotec.com
Homepage: www.gnotec.com

SHT Slovensko, s.r.o.
Prologis Park 7,
Diaľničná cesta 24,
SK- 903 01 Senec, Slovakia
Tel: +421 (02) 492 08 600
Fax: +421 (02) 492 08 608
e-mail: technopoint@technopoint.sk
Homepage: www.technopoint.sk

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FINANCIAL CALENDER 2014

27.03.2014	Annual results 2013
17.05.2014	Record day
20.05.2014	Interim report on the first quarter of 2014
27.05.2014	Annual General Meeting
28.05.2014	Results of the vote of the Annual General Meeting
02.06.2014	Ex-day
04.06.2014	Dividend payment
20.08.2014	Interim report on the first half of 2014
20.11.2014	Interim report on the third quarter of 2014

SHAREHOLDER INFORMATION

Investor Relations Officer: Mag. Erika Hochrieser
Investor's hotline: +43 (1) 505 42 06
E-Mail: e.hochrieser@frauenthal.at
Internet: www.frauenthal.at
Vienna Stock Exchange: Prime Market
Symbol: FKA
ISIN: AT 0000762406 (shares)
Bloomberg-code: FKA AV
Reuters-code: FKAV.V1
Market capitalisation: MEUR 85.0 incl. 1,900,000 pieces unlisted registered shares (30.12.2013)
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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Published by: Frauenthal Holding AG, Rooseveltplatz 10, A-1090 Vienna,
Tel.: +43 (1) 505 42 06, Fax: +43 (1) 505 42 06-33, e-mail: holding@frauenthal.at, www.frauenthal.at

Coordination, layout, graphic and pictures: jumptomorrow design gmbh, Schottenfeldgasse 60/33L
1070 Vienna, Tel.: +43 (1) 524 84 24, Fax: +43 (1) 524 84 24-25, e-mail: office@jumptomorrow.com, www.jumptomorrow.com

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