



INTERIM REPORT 2014



STRENGTH THROUGH DIVERSITY

# SUMMARY

	6M 2014 *	6M 2013 *	Change in %
<b>Summary income statement (EUR m) *</b>			
Revenue	242.3	205.3	18.0%
EBITDA	10.5	1.2	761.4%
<b>ROS (EBITDA / revenue)</b>	<b>4.3%</b>	<b>0.6%</b>	<b>3.7%</b>
Profit from operations (EBIT)	5.4	-2.5	320.1%
Profit before tax (EBT)	3.5	-4.1	186.0%
Profit for the period from continuing operations	2.9	-3.4	185.1%
Profit for the period from discontinued operation	-7.3	-2.0	-256.8%
Profit for the period	-4.4	-5.4	19.4%
Operating profit before working capital changes	3.1	-1.6	291.8%
<b>Summary statement of financial position (EUR m)</b>			
Non-current assets	125.6	148.9	-15.7%
Current assets	314.4	248.7	26.4%
<i>Non-current assets qualified as held for sale</i>	46.6	-	-
Total assets	486.5	397.7	22.4%
Borrowings	358.0	280.1	27.8%
<i>Liabilities associated directly with non-current assets qualified as held for sale</i>	43.9	-	-
Equity	84.6	117.5	-28.0%
<b>Equity rate (%)</b>	<b>17.4%</b>	<b>29.6%</b>	<b>-12.2%</b>
Investment *	5.4	3.7	44.4%
as % of revenue	2.2%	1.8%	0.4%
<b>Average head count *</b>	<b>2,279</b>	<b>2,173</b>	<b>4.9%</b>
<b>Per employee ratios (EUR '000)</b>			
Revenue	106.3	94.5	12.5%
Profit from operations (EBIT)	2.4	-1.6	246.4%
Operating profit before working capital changes	1.3	-0.7	282.9%
Share issue	9,434,990	9,434,990	-
Own shares	-943,499	-943,499	-
Shares in circulation	8,491,491	8,491,491	-
<b>Per share ratio (EUR)</b>			
EBITDA	1.2	0.1	761.4%
Profit from operations (EBIT)	0.6	-0.3	320.1%
Profit for the period from continuing operations	0.3	-0.4	185.1%
Profit for the period from discontinued operation	-0.9	-0.2	-256.8%
Profit for the period	-0.5	-0.6	19.4%
Operating profit before working capital changes	0.4	-0.2	291.8%
Equity	10.0	13.8	-28.0%
<b>Share price</b>			
Year end	10.23	8.70	17.6%
High	10.23	9.45	8.3%
Low	8.80	8.12	8.4%

\* The agreement for the sale of the majority of the stabilisers and leaf springs business was signed on 18 June 2014. The profit from these operations up to the time of the disposal is included in profit from discontinued operations in accordance with IFRS 5. The figures for the first half of 2013 have been adjusted accordingly. The assets of the business and the related debts are reported separately. Investment and head count refer to the continuing operations.





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# OPERATING REVIEW FOR THE FIRST HALF OF 2014

## DEAR SHAREHOLDER,

The second quarter of 2014 was dominated by two events that will have a lasting effect on the future development of the Frauenthal Group.

The closing of the purchase of ÖAG AG took place on 30 June 2014. This acquisition puts the Frauenthal Group in a leading position in the market for wholesale plumbing supplies in Austria, with annual sales of the order of EUR 550 million (m).

Due to the acquisition of ÖAG AG the Wholesale Plumbing Supplies Division has been renamed Frauenthal Trade. The Division now combines Frauenthal Handels- und Dienstleistungs GmbH, SHT Haustechnik AG, ÖAG AG, SHT Finance, 1a Installateur, SHT Termocom trgovina d.o.o. and SHT Slovensko s.r.o..

An agreement for the sale of the bulk of the steel spring and stabiliser business to the Hendrickson Group, a global supplier of chassis components and systems for heavy commercial vehicles, was signed on 18 June. The production plants for parabolic springs, air links and stabilisers in France, Romania and Austria will be sold, while the Portuguese site specialised in the manufacture of springs for light commercial vehicles will remain part of the Frauenthal Group. The deal is expected to close in the fourth quarter, assuming that approval is granted by the competition authorities. The sale of the French, Romanian and Austrian facilities will see Frauenthal withdraw from a business in which earnings have been

unsatisfactory owing to market conditions and the competitive environment. Cash inflows from the sale are expected to be of the order of EUR 20-25m. The acquirer will pay the purchase price mainly through the assumption of financial liabilities of EUR 20-25m attributable to the acquired business.

The final purchase price for ÖAG AG has not yet been determined, since it is dependent on the values contained in an audited closing statement of financial position, which is expected to be presented during the third quarter. However, Frauenthal Holding AG gained control of the company on the closing date. ÖAG AG is therefore included in consolidation as of 30 June 2014 and in the interim financial statements for the half year. In the initial consolidation as at 30 June 2014 provisional values in accordance with the Austrian Business Code (UGB) are used, since the closing statement of financial position is not yet available, and fair values cannot be determined with sufficient accuracy. Since the closing statement is not available, the final purchase price has not yet been determined. The use of provisional UGB values for initial consolidation means that goodwill arising on consolidation has not been measured. The provisional purchase price represents the net worth of the acquired company. The purchase price allocation for the acquisition will take place in the third quarter, when the final purchase price is agreed and the fair values can be accurately determined (provisional purchase price allocation: EUR 23.3m).

In accordance with IFRS 5, because the bulk of the

steel spring and stabiliser business is being disposed of, the results for that business are disclosed as a discontinued operation. The comments on business performance that follow relate only to continuing operations, and the comparative figures have been adjusted accordingly.

The continuing operations consist of SHT Group (including amounts from the ÖAG AG statement of financial position, but not from the income statement, which will only be included from 1 July 2014), the air tank business, the U-bolt business, the Gnotec Group and the steel spring business in Portugal (Frauenthal Automotive Azambuja).

With the acquisition of the Gnotec Group in May 2013 and the restructuring of the air tank business in October 2013, the operating activities of Frauenthal Automotive Division increased significantly. The market for heavy commercial vehicles is muted. The Plumbing Supplies Division benefited from a more favourable market environment at the start of the year, and increased both its revenue and its earnings. Consolidated EBITDA improved by EUR 9.3m to EUR 10.5m, and net profit rose by EUR 6.3m to EUR 2.9m.

All signs point towards a stable market environment in the heavy commercial vehicles business and growing passenger vehicles sales in the third quarter. For these reasons, Frauenthal Automotive Division is expecting a further year-on-year improvement in results. The plumbing supplies business has stabilised in Austria, but no recovery is yet in sight in Slovakia. Taking seasonal fluctuations into account, earnings for the Frauenthal Trade Division in the third quarter are likely to be significantly better. The integration of ÖAG AG will bring an increase in revenue of around EUR 140m in 2014 (July to December). Earnings will depend on integration costs and the synergies achievable in the short term: profits from the ÖAG AG acquisition cannot yet be accurately forecast since detailed planning of integration measures could only begin after 30 June, when the deal closed.

## OVERVIEW OF KEY DEVELOPMENTS

All comments and figures relate only to continuing operations.

- The EUR 9.3m increase in consolidated EBITDA compared with the same period last year, to EUR 10.5m, was largely attributable to Frauenthal Automotive Division.
- The EUR 36.1m (55.6%) increase in Frauenthal Automotive Division's revenue to EUR 100.9m was the result of acquisition of the Gnotec Group, which contributed sales of EUR 50.3m in the first half year, while business in the rest of the Division remained stable. EBITDA improved by EUR 9.1m to EUR 9.3m. EUR 5.6m of the improvement was contributed by the Gnotec Group. Another reason for the improved result was last year's restructuring of the air tank business. EBIT improved by EUR 7.9m to EUR 6.2m.
- Frauenthal Trade posted a EUR 1.0m increase in revenue to EUR 141.4m (up 0.7%); of the growth, EUR 1.5m came from Austrian business. As a result, and despite disappointing market developments in Slovakia, EBIT improved by EUR 0.7m to EUR 1.3m.
- Group EBIT of EUR 5.4m represented an increase of EUR 7.9m. The Frauenthal Group's financial results were more or less unchanged despite the financing costs for Gnotec Group, because of realised SEK exchange gains. Income tax expense came to EUR 1.7m, meaning it was EUR 1.2m higher year on year. This is due to the improved earnings resulting from the Gnotec Group acquisition.
- The Group recorded a profit of EUR 2.9m for the first half, after a loss of EUR 3.4m in the same period in 2013.

## HIGHLIGHTS OF DIVISIONAL TRADING PERFORMANCE

### FRAUENTHAL AUTOMOTIVE

The European commercial vehicle market continued its recovery in the second quarter of 2014, with an increase in new registrations across the EU of 9.3%. Growth in the medium and heavy vehicle segments of 1.6% fell back in the course of the second quarter. The general economic malaise, the Ukraine crisis and the particular frailty of the French market have combined to depress demand for heavy commercial vehicles. In contrast, the light vehicles segment – which is not affected by the introduction of the Euro 6 standard – recorded dynamic growth of 10.9%. The recovery of the EU commercial vehicles market as a whole is being driven primarily by larger countries, with the exception of France: new registrations were up by 38% in Spain, by 13.6% in Italy, by 11.1% in the UK and by 8.3% in Germany, Europe's biggest individual market. Continuing growth in the light vehicles segment is also being supported by increasing online trade, so that the long-term perspectives in this market segment are positive. The EUR 36.1m (55.6%) increase in Frauenthal Automotive Division's sales was the result of the acquisition of the Gnotec Group.

In the Gnotec Group, during the first half of 2014 preparations for the start of series production in the Chinese production facility in Kushan (near Shanghai) were successfully completed. The ramp-up costs for this plant depressed earnings in the first half of this financial year.

The average divisional head count of 1,458 during the reporting period was 168 up on year end 2013. During the first half of 2013 a total of EUR 3.6m was invested, chiefly in measures aimed at improving productivity and quality, and in continuing construction of the plant in China. Of this investment, EUR 1.7m was in the Gnotec Group, and EUR 1.6m in the air tank business.

### Sale of the bulk of the steel spring and stabiliser business

On 18 June 2014 a contract was signed with TBC Netherlands Holdings Coöperatief U.A., a company in the Hendrickson Group, for the sale of 100% of the shares in Frauenthal Automotive Sales GmbH, with its subsidiaries Frauenthal Automotive Judenburg GmbH (Austria), Frauenthal Automotive France S.A.S (France) and Frauenthal Automotive Sibiu S.R.L. (Romania). The production facility in Portugal (Frauenthal Automotive Azambuja Unipessoal Lda.) and the mothballed plant in Slovenia (Frauenthal Automotive Ravne d.o.o.) remain in the Frauenthal Group. Closing is expected in the fourth quarter of 2014, provided that approval is granted by the competition authorities. Sale proceeds will be in the region of EUR 20-25m and will mainly consist of the discharge of financial liabilities to the Frauenthal Group companies. The purchaser is also assuming external financial liabilities of some EUR 5m. The exact amount depends on operating performance up until closing of the deal. With this sale, the Frauenthal Group is exiting a product business that in January to June 2013 generated around EUR 46m of revenue and currently has about 800 employees, but produces an inadequate return. The generally weak growth in the heavy commercial vehicles market, the unfavourable competitive environment, which is characterised by excess production capacity for heavy duty parabolic springs, and the ever-present downward pressure on prices are the reasons for this. The sale of the business is an alternative to restoring it to adequate profitability within the Group, which would have required substantial investment and restructuring measures. The purchaser of the business is part of a global manufacturer of chassis components and systems, predominantly for heavy commercial vehicles. It is to be expected that the global presence, strong market position, technical expertise and systems skills will enable this group to develop market opportunities for the production facilities it has acquired. The acquisition will also strengthen the purchaser's presence in the strategically important European market.





The effect of the sale on the Frauenthal Group's finances and earnings in the financial year 2014 will be income and cash inflow of the order of EUR 20-25m. The effect of the difficult economic situation of this business was reflected in the financial statements for 2013, which included writedowns of goodwill and property, plant and equipment amounting to EUR 29.4m.

Following the sale, the other product groups in the Frauenthal Automotive Division (air tanks, U-bolts and the Gnotec Group) are profitable and well-positioned strategically, and offer many opportunities for growth, as does the steel spring plant in Portugal, which specialises in light duty springs and is benefiting from the dynamic growth in demand for light commercial vehicles.

#### **FRAUENTHAL TRADE**

Revenue in the Frauenthal Trade Division in the first half of 2014 increased by EUR 1.0m, or 0.7%, to EUR 141.4m. EUR 7.2m of total revenue was attributable to SHT Slovensko. The revenue contribution from Austrian operations was up by EUR 1.5m, or 1.1%. The sales increase was achieved in spite of the more or less complete withdrawal from DIY business. A major factor in the increase in sales compared with the first half of 2013 was the mild weather at the beginning of the year, particularly in eastern Austria. Counteracting this, public sector savings contributed to a generally subdued market environment. The share of contract business in the same period last year rose, which put pressure on the gross margin. SHT Group again made modest gains in market share in Austria. In the light of expansion of capacity by virtually all market participants over the past few years, this is convincing confirmation of the Group's strategy: service quality and innovation are also keys to success in the highly price-sensitive wholesale plumbing supplies market. The increase in earnings compared with the first half of 2013 is largely attributable to the sales growth in Austria. Cost-saving measures introduced in the third quarter of last year have now been implemented, and are contributing to earnings growth. The unfavourable market con-

ditions in Slovakia and the integrative measures and other changes introduced in SHT Slovensko had a slightly depressing effect on earnings. Improvement in SHT Slovensko will mainly depend on when the Slovakian building industry begins to recover.

The Group's strategy of building up its leadership in product portfolio, distribution structures, logistics, customer service, and innovative systems that generate customer benefits was confirmed by the award of coveted Austrian Association for Network Logistics (VNL) prize in the second quarter of 2014. The FLOW logistics system (error-free logistics through optimised goods flows) uses state-of-the-art communications technology to set industry standards in logistics performance and generate additional customer added value and benefits. This constitutes a considerable competitive advantage. Another special distinction is the Austrian KnewLEDGE prize for 2014, which SHT received for its exemplary in-house training activities. The award recognised the years of hard work invested in staff and organisational development, and singled out the apprentice training scheme as well as the talent management and leadership programmes for praise.

#### **Acquisition of ÖAG AG**

The deal for the acquisition of ÖAG AG by Frauenthal Handels- und Dienstleistungs GmbH closed on 30 June 2014. The provisional purchase price was EUR 23.3m. With annual revenue of EUR 273m and 714 employees, ÖAG AG is the third largest Austrian wholesale plumbing supplier and has a nationwide branch network. Kontinentale, which is part of ÖAG AG, is an established wholesaler of engineering infrastructure products with annual sales of around EUR 80m. This product segment is an ideal complement to the SHT Group portfolio. SHT and ÖAG AG will continue as separate brands to ensure continuing supplier trust and customer loyalty. The potential synergies in procurement, logistics and administration will be realised gradually. One major potential synergy will come from the integration and standardisation of warehouse logistics, which in the medium term should result in a significant reduction in working capital, and free up liquidity.



## BUSINESS DEVELOPMENT

Even with the acquisition of ÖAG AG, the search for a new, third line of business continues. As a result of the intensive searches of the last two years, Frauenthal's contacts in the M&A market continue to produce numerous acquisition candidates for analysis.

## LIQUIDITY AND INVESTMENT

In the first half of the year the Group generated operating activities of EUR 5.3m and used EUR 6.9m in investment activities. Working capital rose by EUR 8.4m, reflecting the seasonal fluctuations in the SHT Group. EUR 23.3m was used for the acquisition of ÖAG AG, and EUR 3.4m for the earn-out payment for Gnotec Group. EUR 1.7m was used to pay a Frauenthal Holding AG dividend. Liquidity needs to the end of 2013 total EUR 39m. This will be covered by the utilisation of new short-term credit lines. Frauenthal Automotive Division makes use of an ABS facility for EUR 10m.

The EUR 129.3m (incl. discontinued operation) or 36.2% increase in total assets as compared to year-end 2013 is largely attributable to the initial consolidation of ÖAG AG as at 30 June 2014. The assets and liabilities of the steel spring and stabiliser business that was sold are recognised under non-current assets held for disposal. The EUR 11.8m reduction in working capital is mainly the result of utilisation of almost EUR 10m of the ABS facility. If no more attractive investment opportunities present themselves, the Group will have EUR 35m at its disposal for redemption of the corporate bond which falls due in May 2016. The Group has invested this sum in money market instruments with leading Austrian banks.

## OUTLOOK

In **Frauenthal Automotive Division** we see no long-term improvement in the demand for heavy commercial vehicles, but are optimistic that – because of its broader customer mix and the start of deliveries to a car manufacturer in China – the passenger vehicle business (Gnotec Group) can expect its markets to grow. Thanks to the acquisition of the Gnotec Group, which in 2014 is part of the Frauenthal Group for a whole calendar year for the first time, divisional revenue for the current financial year is expected to grow by around EUR 40m. Forecasts for the commercial vehicle industry, in view of its highly cyclical nature and today's unstable macroeconomic environment, are particularly uncertain. In spite of the current weakness in demand, the Division's operating profit is expected to increase considerably: the contribution by the Gnotec Group and the full year effect of the restructuring of the air tank business should result in respectable earnings growth. In the short and medium-term, the focus of the Group's activities will be on reorganisation following the expected disposal of the steel spring and stabiliser business in the third quarter, as well as on ongoing development of growth strategies for the air tank and U-bolt businesses and the Gnotec Group.

In the **Frauenthal Trade Division** we expect moderate growth in revenue and earnings for the whole year, on the back of a modest increase in market share and a stable plumbing and heating supplies sector. The acquisition of ÖAG AG is expected to result in revenue growth of some EUR 140m in 2014. Results will be held down by the costs of integration, but provisions for these costs have already been made.

Due to seasonal variations in the Division's business it is not possible to extrapolate full-year performance from the results for the latest quarter.

**The Frauenthal Group's Automotive Division is well positioned in all its current product markets, and its operating results are meeting expectations. The sale of the steel spring business has solved the problem of unsatisfactory returns in this product segment, and the earnings power of the Group will receive a permanent boost. SHT Group is holding its own in a very competitive environment. Starting in 2015, the ÖAG AG acquisition will have a substantial positive impact on the Frauenthal Group's earnings.**

**From today's vantage point, overall operating profit significantly in excess of the level of 2013 is to be expected.**

Vienna, August 2014  
Frauenthal Holding AG  
The Executive Board



Hans-Peter Moser  
Member of the  
Executive Board



Martin Sailer  
Member of the  
Executive Board



Frauenthal Automotive Division (Gnotec Kunshan):  
The start of series production for a Chinese car customers starting in August 2014



# NOTES

## TO THE HALF-YEARLY INTERIM REPORT

The interim report of Frauenthal Holding AG (Frauenthal Group) for the half year ended 30 June 2014 was drawn up in accordance with International Accounting Standard IAS 34 Interim Financial Reporting and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and applicable in the European Union. This half-yearly interim report has neither been audited nor has it been reviewed by an independent auditor.

### CONSOLIDATION AND ACCOUNTING POLICIES

The scope of consolidation was determined in accordance with paragraph 12 IAS 27. The number of companies included in consolidation has changed by one (addition of ÖAG AG) since 31 December 2013. The consolidated financial statements thus comprise the results of the parent, Frauenthal Holding AG, and 31 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 acquisition of a new, additional subsidiary, ÖAG AG, closed on 30 June 2014.

The final purchase price for ÖAG AG has not yet been determined, since it is dependent on the values contained in an audited closing statement of financial position, which is expected to be presented during the third quarter. However, Frauenthal Holding AG gained control of the company on the closing date. ÖAG AG is therefore included in consolidation as of 30 June 2014 and in the interim financial statements for the half year. In the initial consolidation as at 30 June 2014 provisional values in accordance with the Austrian Business Code (UGB) are used, since the closing statement of financial position is not yet available, and fair values cannot be determined with sufficient accuracy. Since the closing statement is not available, the final purchase price has not yet been determined. The use of provisional UGB values for initial consolidation means that goodwill arising on consolidation has not been measured. The provisional purchase price represents the net worth of the acquired company. The purchase price allocation for the acquisition will take place in the third quarter, when the final purchase price is agreed and the fair values can be accurately determined (provisional purchase price allocation: EUR 23.3m).

An agreement for the sale of the bulk of the steel springs and stabilisers business to the Hendrickson Group, a global supplier of chassis components and systems for heavy commercial vehicles, will be signed on 18 June. The production plants for parabolic springs, air links and stabilisers in France, Romania and Austria will be sold, while the Portuguese site specialised in the manufacture of springs for light commercial vehicles will remain part of the Frauenthal Group. Completion of the transaction is expected in the fourth quarter of 2014, subject to approval by the relevant competition authorities. The sale of the French, Romanian and Austrian facilities will see Frauenthal withdraw from a business in which earnings have been unsatisfactory owing to market conditions and the competitive environment. Cash inflows from the sale are expected to be of the order of EUR 20-25m. The acquirer will pay the purchase price mainly through the assumption of financial liabilities of EUR 20-25m attributable to the acquired business.

The accounting policies used to prepare the financial statements for the year ended 31 December 2013 were applied without change to the interim report for the first half of 2014. The main differences between these policies and the provisions of the Austrian Business Code (UGB) lie in the treatment of deferred tax and goodwill amortisation, and in the calculation of employee benefit obligations.

## EFFECTS OF CHANGES IN THE SCOPE OF CONSOLIDATION

The effects of the initial consolidation of ÖAG AG on the interim statement of financial position as compared to the previous year's figures were as follows:

	EUR .000	6M 2014
Preliminary purchase price paid in cash		23,300
Net assets		-23,300
<b>Gains/losses arising on consolidation</b>		<b>0</b>

	EUR .000	30.06.2014 Preliminary Fair value at *)
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment		10,145
Financial assets		2,871
		<b>13,016</b>
<b>Current assets</b>		
Inventories		41,904
Trade receivables		40,101
Other current assets		9,295
Cash and cash equivalents		832
		<b>92,132</b>
<b>Non-current liabilities</b>		
Provisions for employee benefits		10,547
Other provisions		9,375
		<b>19,922</b>
<b>Current liabilities</b>		
Short-term borrowings		3,180
Trade payables		37,393
Other liabilities		8,698
Other provisions		12,655
		<b>61,926</b>
<b>Net assets</b>		<b>23,300</b>

\*)The disclosures include provisional figures from the interim financial statements as at 30 June 2014 prepared in accordance with the Austrian Business Code (UGB). This is due to the fact that a reliable calculation of fair values was not possible before completion of this half-yearly report (editorial deadline: 8 August 2014) since the final purchase price was still to be determined when the Group assumed control on 30 June 2014 (see also page 12).

	EUR .000	6M 2014
<b>Net cash from/used in investing activities</b>		
Preliminary purchase price paid in cash		-23,300
Cash and cash equivalents		832
<b>Net cash outflow</b>		<b>-22,468</b>

The effects of the disposal of the bulk of the springs and stabilisers business are recognised under the items referring to discontinued operations in the consolidated statement of profit or loss.

Statement of profit or loss discontinued operation in accordance with IFRS 5

	EUR .000	6M 2014	6M 2013
<b>Revenue</b>		<b>46,137</b>	<b>56,979</b>
Changes in inventories of finished goods and work in progress		529	-224
Work performed by the entity and capitalised		34	10
Other income		446	500
Raw material and consumables used		-31,006	-37,386
Staff costs		-13,882	-14,562
Depreciation and amortisation expense		-3,710	-1,931
Other expenses		-5,504	-4,725
<b>Profit/Loss from operations</b>		<b>-6,956</b>	<b>-1,339</b>
Interest income		292	2
Interest expense		-510	-593
<b>Net finance costs</b>		<b>-218</b>	<b>-591</b>
<b>Profit/loss before tax</b>		<b>-7,174</b>	<b>-1,930</b>
Income tax expense		-113	-112
<b>Profit/loss for the period</b>		<b>-7,287</b>	<b>-2,042</b>

In addition to the operating results, the inclusion of impairment and transaction costs in the profit or loss from discontinued operations means that this figure fell in comparison with the result from the first half of 2013.

EBIT from the discontinued operations declined by EUR 5.6m year-on-year. Of this amount, EUR 4.4m is accounted for by impairment (largely write-downs of assets to their fair value) and transaction costs. EUR 1.2m of the reduction is due to the fall in operating results, mainly caused by deterioration of the market environment after introduction of the EURO VI standards.



The following effects are recognised in the consolidated statement of financial position, under the items “Non-current assets held for disposal” and “Liabilities in respect of non-current assets held for disposal”:

	EUR '000	30.06.2014 Fair value at
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment		9,562
Deferred tax assets		1,646
		<b>11,208</b>
<b>Current assets</b>		
Inventories		16,854
Trade receivables		11,753
Receivables to continuing operations		2,079
Other current assets		4,647
Cash and cash equivalents		56
		<b>35,390</b>
<b>Non-current liabilities</b>		
Long-term borrowings		2,568
Provisions for employee benefits		4,321
Other provisions		1,962
		<b>8,852</b>
<b>Current liabilities</b>		
Short-term borrowings		2,374
Trade payables		6,303
Payables to continuing operations		18,840
Other liabilities		6,558
Other provisions		1,022
		<b>35,097</b>
<b>Net assets</b>		<b>2,649</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Due to the disposal of the bulk of the steel springs and stabilisers business (sale expected to close in the fourth quarter), profit for the period is broken down into continuing operations (the Frauenthal Trade Division and the remainder of the Frauenthal Automotive Division) and discontinued operations (the steel springs and stabilisers operations held for disposal). Management's analysis below relates to the continuing operations. Profit for the comparative period (January to June 2013) is broken down in the same way.

### Revenue

The Frauenthal Group returned cumulative consolidated IFRS revenue including the Gnotec Group of EUR 242.3m for the first two quarters of 2014 – up by EUR 37.0m or 18% year on year. Of this amount, EUR 33.0m is attributable to the inclusion in consolidation of the Gnotec Group, which only contributed to two months of results in the first half of 2013.

Frauenthal Automotive reported a EUR 36.1m increase in revenue to EUR 100.9m (up 55.6%), with revenue from the Gnotec Group amounting to EUR 50.3m (the company was consolidated with effect from 1 May 2013). The moderate recovery in the European commercial vehicles market continued in the second quarter with an overall increase in new vehicle registrations in the EU.

Revenue in the Frauenthal Trade Division advanced by EUR 1.0m, or 0.7%. This was due to the strong start to the year as a result of favourable weather conditions. Cumulative revenue for the first two quarters increased year-on-year from EUR 140.4m to EUR 141.4m.

### Earnings

At EUR 10.5m, Group EBITDA for the first half of 2014 represented an improvement of EUR 9.3m on the comparative period of 2013. This growth was mainly attributable to the Frauenthal Automotive Division.

EBITDA for Frauenthal Automotive amounted to EUR 9.3m, up by EUR 9.1m on the same period a year earlier. The rise in earnings is largely accounted for by the Gnotec Group, which contributed EUR 5.6m. The Gnotec Group was included in consolidation from May 2013; in May and June 2013 it contributed earnings of EUR 1.4m. Another reason for the improved result was last year's restructuring of the air tank business.

Higher revenue in the Frauenthal Trade Division and on-budget growth in Slovakia also translated into improved earnings. Divisional EBITDA advanced by EUR 0.9m year on year to EUR 3.2m. The gross margin declined only slightly in Austria despite the less favourable order book, which comprised a higher proportion of orders in the large-scale contract business segment. SHT Slovensko's earnings are on an upward trajectory thanks to cost-saving measures and activities aimed at integrating the merged businesses more closely.

Group EBIT increased by EUR 7.9m, turning positive by EUR 5.4m following a loss of EUR 2.5m in the first half of 2013. The Frauenthal Automotive Division recorded EBIT of EUR 6.2m, with the Gnotec Group's contribution amounting to EUR 3.7m. EBIT from the Frauenthal Trade Division came in at EUR 1.3m, a year-on-year improvement of EUR 0.7m.

Profit for the period of EUR 2.9m represented a rise of EUR 6.3m on the first six months of 2013. The Frauenthal Group's net finance costs increased by EUR 0.3m; this development was attributable to financing costs for the Gnotec Group. Exchange gains (SEK/EUR) had a positive effect. Income tax expense increased by EUR 1.2m to EUR 1.7m, due to the Group's strong earnings performance (largely attributable to the Gnotec Group).

As revenue and earnings in both divisions are subject to seasonal fluctuations, extrapolations from results for the first half are not a reliable guide to full-year performance.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Frauenthal Group's total assets increased by EUR 129.3m or 36.2% from their level at year-end 2013, to stand at EUR 486.5m (31 December 2012: EUR 357.2m) including non-current assets held for disposal. The effects of the acquisition of ÖAG AG and the sale of the bulk of the steel springs and stabilisers business on the statement of financial position are noted under the item "Effects of changes in the scope of consolidation".

In the Frauenthal Automotive Division, receivables were reduced due to utilisation of an ABS credit line to the amount of EUR 9.4m. This credit line was not utilised as at 31 December 2013.

Equity declined by EUR 7.0m to EUR 84.6m (31 December 2013: EUR 91.6m) as a result of the loss for the year of EUR 4.4m. The equity ratio declined from 25.7% as at year-end 2013 to 17.4% as at 30 June 2014, as a result of the rise in total assets.

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Operating profit before working capital changes advanced to EUR 3.1m – an improvement of EUR 4.7m caused by separate recognition of most of the steel springs and stabilisers business under “of which discontinued operations”.

Net cash used in investing activities was EUR 32.8m, comprising EUR 22.5m for the acquisition of ÖAG AG and EUR 3.4m for the earn-out for acquisition of the Gnotec Group (Jan-Jun 2013: EUR 26.0m, of which EUR 21.1m for acquisition of the Gnotec Group). The Frauenthal Automotive Division invested EUR 3.6m (Gnotec: EUR 1.7m, air tank business: EUR 1.6m), mainly on automation equipment, measures to reduce energy consumption, quality enhancements, and modernisation of the recently acquired facility in Hustopeče. The Frauenthal Trade Division invested EUR 1.7m in logistics systems, the vehicle fleet, and the modernisation and expansion of retail space.

Net cash used in financing activities includes EUR 1.7m in dividends paid (EUR 0.20 per share).

## EMPLOYEES

The Frauenthal Group employed an average of 2,279 people in the first half of 2014 (Jan-Jun 2013: 2,173).

The Frauenthal Automotive Division employed an average of 1,452 people during the first six months of 2014 (Jan-Jun 2013: 1,284).

The Frauenthal Trade Division currently employs an average of 817 people, comprising the Wholesale Plumbing Supplies Division; recently acquired ÖAG AG employed 714 people as at 30 June 2014 and is not included in the average number of employees in the Frauenthal Trade Division.

## SHARE PRICE PERFORMANCE

Frauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. The share price ended 2013 at EUR 9.01. It stood at EUR 10.23 at the close of trading on 30 June 2014, its highest ever value. On 27 March 2014 the share price hit a low for the quarter of EUR 8.80. Market capitalisation as at 30 June 2014 was EUR 96.5m (30 December 2013: EUR 85.0m); this included 1,900,000 unlisted registered shares.

For more information on the share price performance and ownership structure visit [www.frauenthal.at](http://www.frauenthal.at).



## RELATED PARTY TRANSACTIONS

There were no material changes in relationships with related parties in the interim period.

FT-Holding GmbH, Chemnitz, holds a 74.24% interest in Frauenthal Holding AG (31 December 2013: 74.24%). The companies that own FT-Holding GmbH are controlled by Hannes Winkler and Ernst Lemberger. Frauenthal Vermögensverwaltung GmbH (FVV), Vienna draws up the consolidated financial statements for the largest group of companies to which the Frauenthal Group belongs.

The value of related party transactions between Frauenthal Group companies and entities controlled by Hannes Winkler and Ernst Lemberger, involving rental and other services, was at a similar level as in the same period in the previous year.

Related party transactions are concluded on an arm's-length basis.

## COMPOSITION OF THE EXECUTIVE BOARD

Hans-Peter Moser is responsible for the Business Development Department and continues to head the Frauenthal Trade Division. In addition to his duties as Group CFO, Martin Sailer oversees the Frauenthal Automotive Division.

# DECLARATION BY THE EXECUTIVE BOARD

## PURSUANT TO SECTION 87(1) AUSTRIAN STOCK EXCHANGE ACT

The Executive Board hereby declares that to the best of its knowledge the 2014 half-yearly interim report of the Frauenthal Group, prepared in accordance with International Financial Reporting Standards (IFRS), to the maximum extent possible gives a true and fair view of the assets, finances and earnings of the companies included in consolidation. The operating review likewise as far as possible gives a true and fair view of the assets, finances and earnings of the Frauenthal Group, and provides information on the course of business, and the potential impact of existing and future risks on the Group's business activities.

The interim report was compiled on 8 August 2014.

Frauenthal Holding AG  
The Executive Board



Hans-Peter Moser  
Member of the Executive Board



Martin Sailer  
Member of the Executive Board

**In addition to comprehensive 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.**

# ABRIDGED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	EUR .000	6M 2014	6M 2013
<b>Revenue</b>		<b>242,304</b>	<b>205,299</b>
Changes in inventories of finished goods and work in progress		132	394
Work performed by the entity and capitalised		0	23
Other income		3,179	3,314
Raw material and consumables used		-166,058	-144,007
Staff costs		-46,868	-41,358
Depreciation and amortisation expense		-5,044	-3,678
Other expenses		-22,223	-22,450
<b>Profit/loss from operations</b>		<b>5,422</b>	<b>-2,463</b>
Interest income		1,095	842
Interest expense		-3,012	-2,454
<b>Net finance costs</b>		<b>-1,917</b>	<b>-1,612</b>
<b>Profit/loss before tax from continuing operations</b>		<b>3,505</b>	<b>-4,075</b>
Income tax expense		-1,725	-546
Change in deferred tax		1,117	1,217
<b>Profit/loss for the period from continuing operations</b>		<b>2,897</b>	<b>-3,404</b>
<b>Profit/loss for the period from discontinued operation</b>		<b>-7,287</b>	<b>-2,042</b>
<b>Profit/loss for the period</b>		<b>-4,390</b>	<b>-5,446</b>
Profit/loss attributable to non-controlling interests		0	0
Profit/loss attributable to owners of the parents		-4,390	-5,446
<b>Earnings per share from continuing operations</b>			
basic		0.34	-0.40
diluted		0.34	-0.40
<b>Earnings per share from discontinued operation</b>			
basic		-0.86	-0.24
diluted		-0.85	-0.24
<b>Earnings per share from continuing and discontinued operations</b>			
basic		-0.52	-0.64
diluted		-0.51	-0.64

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	EUR .000	6M 2014	6M 2013
<b>Profit/loss for the period from continuing operations</b>		<b>2,897</b>	<b>-3,404</b>
Gains/losses on currency translation		-1,047	-1,132
<b>Items that will be reclassified to profit or loss ("recycled")</b>		<b>-1,047</b>	<b>-1,132</b>
<b>Total comprehensive income/loss from continuing operations</b>		<b>1,850</b>	<b>-4,536</b>
<b>Profit/loss for the period from discontinued operation</b>		<b>-7,287</b>	<b>-2,042</b>
Gains/losses on currency translation		0	-2
<b>Items that will be reclassified to profit or loss ("recycled")</b>		<b>0</b>	<b>-2</b>
<b>Total comprehensive income/loss from discontinued operation</b>		<b>-7,287</b>	<b>-2,044</b>
<b>Total comprehensive income</b>		<b>-5,437</b>	<b>-6,580</b>
Attributable to non-controlling interests		0	0
Attributable to owners of the parent		-5,437	-6,580



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR ,000 | 30 Jun 2014 | 31 Dec 2013

Assets		
<b>Non-current assets</b>		
Intangible assets	36,329	38,365
Property, plant and equipment	72,326	72,796
Deferred tax assets	12,977	13,650
Financial assets	3,947	1,077
	<b>125,579</b>	<b>125,888</b>
<b>Current assets</b>		
Inventories	127,553	99,984
Trade receivables	110,468	78,918
Tax receivables	2,797	6,912
Other financial assets	8,759	2,701
Other non-financial assets	6,900	2,691
Cash and cash equivalents	39,054	40,124
<i>Receivables to discontinued operation</i>	18,840	0
	<b>314,371</b>	<b>231,330</b>
<b>Non-current assets qualified as held for sale</b>	<b>46,598</b>	<b>0</b>
<b>Total assets</b>	<b>486,548</b>	<b>357,218</b>
<b>Equity</b>		
Share capital	9,435	9,435
Capital reserves	21,093	21,093
Retained earnings	67,679	73,667
Accumulated other comprehensive income	-6,051	-5,004
Own shares	-7,553	-7,553
	<b>84,603</b>	<b>91,638</b>
<b>Non-current liabilities</b>		
Bond	99,660	99,570
Long-term borrowings	8,297	19,585
Other financial liabilities	0	3,588
Other non-financial liabilities	270	270
Provisions for employee benefits	25,111	18,654
Deferred tax liabilities	7,356	8,248
Other provisions	11,775	3,934
	<b>152,469</b>	<b>153,849</b>
<b>Current liabilities</b>		
Bond	561	3,018
Short-term borrowings	68,253	19,496
Trade payables	82,792	57,428
Other financial liabilities	11,766	10,958
Other non-financial liabilities	23,293	15,809
Current tax payable	2,065	2,639
Other provisions	14,719	2,383
<i>Liabilities to discontinued operation</i>	2,079	0
	<b>205,528</b>	<b>111,731</b>
<b>Liabilities associated directly with non-current assets qualified as held for sale</b>	<b>43,948</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>486,548</b>	<b>357,218</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	EUR '000	6M 2014	6M 2013
Profit/loss for the period		-4,390	-5,446
Gains/losses on deconsolidation of subsidiaries		0	1,991
Interest income and expense		2,135	2,203
Taxes on income		1,839	658
Depreciation and amortisation of non-current assets		8,754	5,609
Gains on disposal of non-current assets		0	-476
Losses on disposal of non-current assets		88	16
Change in deferred tax assets		-973	-1,559
Change in long-term provisions		-232	-28
Interest paid		-5,621	-5,295
Interest received		1,606	662
Income taxes paid		-248	-29
Other non-cash expenses		100	100
<b>Operating profit before working capital changes</b>		<b>3,058</b>	<b>-1,594</b>
<i>of which discontinued operation</i>		-3,398	-67
Change in inventories		-2,519	-5,056
Change in trade receivables		-3,202	-19,401
Change in other receivables		-1,505	3,697
Change in short-term provisions		540	-229
Change in trade payables		-5,725	-339
Change in other liabilities		4,259	1,344
Translation-related changes		-265	-211
<b>Net cash used in/from operating activities</b>		<b>-5,359</b>	<b>-21,789</b>
<i>of which discontinued operation</i>		9,705	-2,920
Acquisition of intangible assets and purchase of property, plant and equipment		-6,747	-5,151
Proceeds from sale of intangible assets and property, plant and equipment		212	766
Changes arising from investment grants		-337	-298
Acquisition of subsidiaries less cash and cash equivalents acquired		-25,909	-21,069
Proceeds from disposal of subsidiaries less cash and cash equivalents disposed of		0	-283
<b>Net cash from/used in investing activities</b>		<b>-32,781</b>	<b>-26,035</b>
<i>of which discontinued operation</i>		-1,387	-1,400
Dividends paid		-1,698	-1,698
Acquisition of non-controlling interests		0	-1,800
Change in borrowings		38,824	43,687
<b>Net cash used in/from financing activities</b>		<b>37,126</b>	<b>40,189</b>
<i>of which discontinued operation</i>		-8,927	4,450
<b>Change in cash and cash equivalents</b>		<b>-1,014</b>	<b>-7,635</b>
Cash and cash equivalents at beginning of period		40,124	49,348
Cash and cash equivalents at end of period		39,110	41,713
<i>of which discontinued operation</i>		56	196

## STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Capital reserve	Retained earnings	Other comprehensive income			Treasury shares	Equity attributable to owners of the parent	Non-controlling interests	Total equity
				Translation reserve	Fair value reserve	Actuarial gains and losses in accordance with IAS 19				
<b>At 1 Jan. 2013</b>	<b>9,435</b>	<b>21,093</b>	<b>104,336</b>	<b>-2,219</b>	<b>94</b>	<b>-1,200</b>	<b>-7,553</b>	<b>123,986</b>	<b>3,507</b>	<b>127,493</b>
Dividends			-1,698					-1,698		-1,698
Acquisition of non-controlling interests			1,707					1,707	-3,507	-1,800
Share options			177					177		177
Total comprehensive income for 2013			-30,855	-1,665	-3	-11		-32,534		-32,534
<b>At 31 Dec. 2013/1 Jan. 2014</b>	<b>9,435</b>	<b>21,093</b>	<b>73,667</b>	<b>-3,884</b>	<b>91</b>	<b>-1,211</b>	<b>-7,553</b>	<b>91,638</b>	<b>0</b>	<b>91,638</b>
Dividends			-1,698					-1,698		-1,698
Share options			100					100		100
Total comprehensive income for 6M 2014			-4,390	-1,047				-5,437		-5,437
<b>At 30 Jun. 2014</b>	<b>9,435</b>	<b>21,093</b>	<b>67,679</b>	<b>-4,931</b>	<b>91</b>	<b>-1,211</b>	<b>-7,553</b>	<b>84,603</b>	<b>0</b>	<b>84,603</b>

## SEGMENTAL ANALYSIS

### Strategic business segments \*

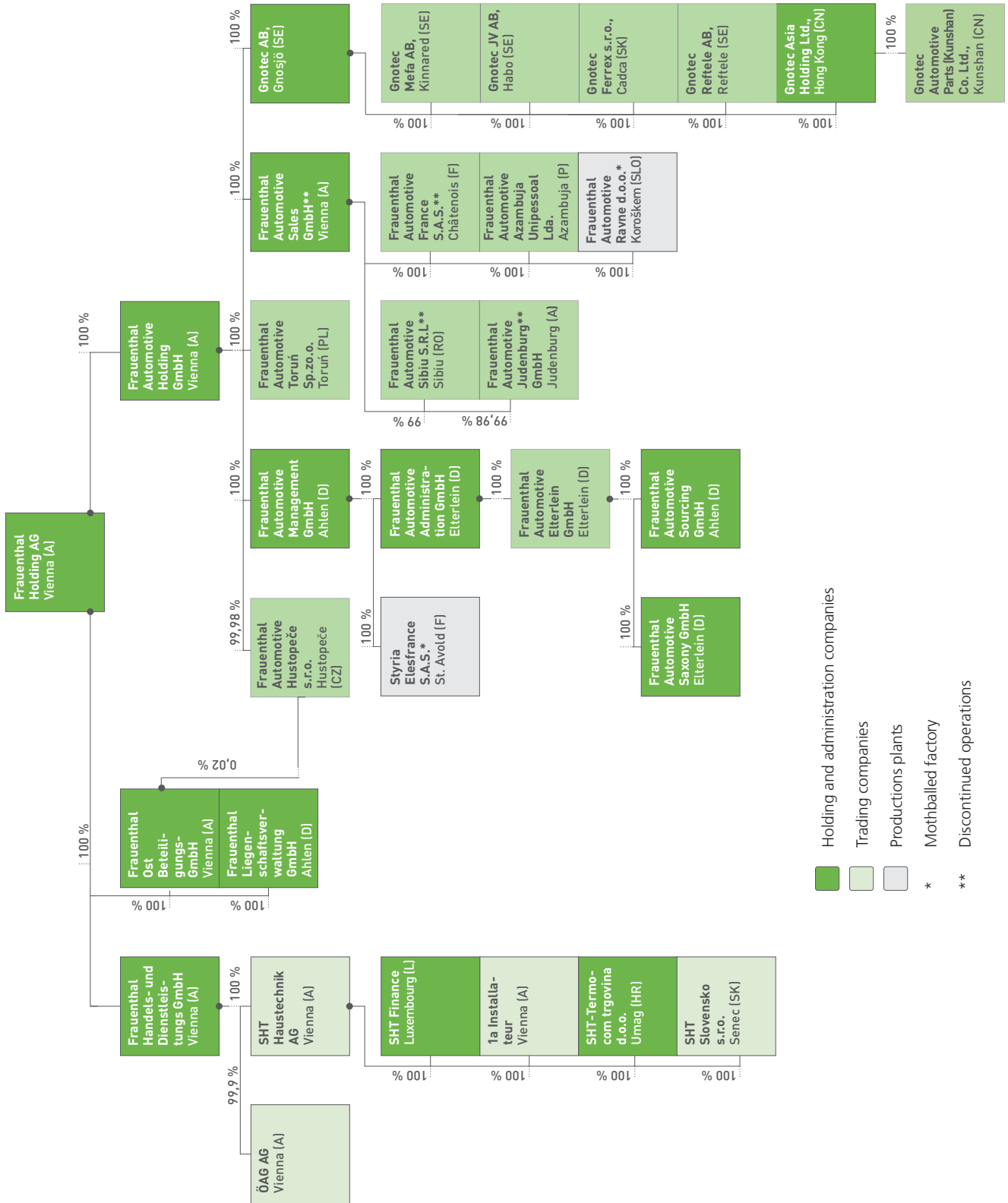
EUR '000	Frauenthal Automotive		Frauenthal Trade		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013	1-6/2014	1-6/2013
Revenues from external customers	100,882	64,828	141,416	140,422	6	48	0	0	242,304	205,298
Intersegment revenues	10	4	0	0	1,035	1,257	-1,045	-1,261	0	0
Total revenues	100,892	64,832	141,416	140,422	1,041	1,305	-1,045	-1,261	242,304	205,298
EBITDA	9,310	184	3,169	2,299	-2,012	-1,268	0	0	10,467	1,215
EBIT	6,232	-1,645	1,261	584	-2,071	-1,402	0	0	5,422	-2,463
Average head count	1,452	1,284	817	875	10	14	0	0	2,279	2,173

\* The agreement for the sale of the majority of the stabilisers and leaf springs business was signed on 18 June 2014. The profit from these operations up to the time of the disposal is included in profit from discontinued operations in accordance with IFRS 5.



# OUR STRUCTURE

Status as of 30.06.2014



- Holding and administration companies
- Trading companies
- Production plants
- \* Mothballed factory
- \*\* Discontinued operations

# IMPRINT

## FINANCIAL CALENDAR 2014

23.04.2014	Annual results 2013
17.05.2014	Record day
20.05.2014	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	Report on the third quarter of 2014

## SHAREHOLDER INFORMATION

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<b>Internet:</b> www.frauenthal.at
<b>Vienna Stock Exchange: Prime Market</b>
<b>Symbol:</b> FKA
<b>ISIN:</b> AT 0000762406 (shares)
<b>Bloomberg-code:</b> FKA AV
<b>Reuters-code:</b> FKAV.V1
<b>Market capitalisation:</b> MEUR 96,5 incl. 1,900,000 pieces unlisted registered shares (30.06.2014)
<b>Vienna Stock Exchange: Listing on Vienna Stock Exchange official market</b>
<b>Symbol:</b> FKA
<b>ISIN:</b> AT0000A0PG75 (bonds)

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