ANNUAL REPORT 2011

5-Year-Summary

5-Year-Summary	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Summary income statement (EUR m)					
Revenue	587.9	539.4	454.5	645.4	592.0
EBITDA	36.0	34.3	-6.0	42.8	42.3
EBITDA underlying [1]	36.0	32.8	-0.1	42.8	40.9
ROS (EBITDA / revenue)	**6.1%**	**6.4%**	**-1.3%**	**6.6%**	**7.2%**
ROS (EBITDA / revenue) underlying [1]	6.1%	6.1%	0.0%	6.6%	6.9%
Earnings before interest and tax (EBIT)	22.5	21.7	-25.2	22.7	27.8
Earnings before interest and tax (EBIT) underlying [1]	22.5	20.2	-19.4	22.7	26.4
Earnings before tax (EBT)	16.5	18.1	-29.6	17.1	23.2
Profit/loss after tax	13.7	17.4	-29.4	11.5	18.6
Operating profit before working capital changes	31.1	29.2	-7.3	32.7	31.9
Summary statement of financial position (EUR m)					
Non-current assets (IFRS)	142.8	136.1	136.3	150.8	144.8
Current assets (IFRS)	221.8	154.8	118.5	174.3	169.4
Total assets	364.6	290.9	254.7	325.2	314.2
Borrowings	265.8	201.4	182.7	223.1	220.2
Equity	98.9	89.5	72.1	102.1	94.0
Equity ratio (%)	**27.1%**	**30.8%**	**28.3%**	**31.4%**	**29.9%**
Investment (additions to non-current assets)	21.6	9.3	12.1	27.1	18.8
as % of revenue	3.7%	1.7%	2.7%	4.2%	3.2%
Average head account [2]	2,689	2,548	2,442	3,327	3,032
Per employee ratios (EUR '000)					
Revenue	218.6	211.7	186.1	194.0	195.3
EBIT	8.4	8.5	-10.3	6.8	9.2
Operating profit before working capital changes	11.6	11.5	-2.8	9.8	10.5
Shares issue	9,434,990	9,434,990	9,434,990	9,434,990	9,434,990
Own shares	-272,456	-282,456	-261,390	-261,390	-261,390
Shares in circulation	9,162,534	9,152,534	9,173,600	9,173,600	9,173,600
Per share ratios (EUR)					
EBITDA	3.9	3.8	-0.7	4.7	4.6
EBIT	2.5	2.4	-2.7	2.5	3.0
Profit/loss after tax	1.5	1.9	-3.2	1.3	2.0
Operating profit before working capital changes	3.4	3.2	-0.7	3.5	3.5
Equity	10.8	9.8	7.6	11.1	10.2
Share price					
Year end	9.40	10.90	7.49	6.58	22.89
High	13.52	10.90	8.50	22.88	25.60
Low	8.10	6.59	4.25	5.00	20.25
Dividend and bonus	0.3[3]	0.3	0.0	0.0	0.2

1) 2007: adjustement for reversal of EUR 1.4m in negative goodwill arising on consolidation of acquisitions, recognised as income. 2009: adjustement of EUR 6m for deconsolidation of Styria Federn GmbH, Düsseldorf and A.D. Fabrika Opruga Styria Gibnjara Kraljevo, Serbia due to the disposal of these companies; 2010: adjustment for EUR 1.5m in write-ups of non-currents assets. 2) Including average number of agency workers. 3) Distribution proposed to the Annual General Meeting.

SOLID EARNINGS AND REVENUE GROWTH

Thanks to the ongoing recovery in the commercial vehicle market in the first nine months of 2011, and steady performance in the Wholesale Plumbing Supplies Division (SHT), the Frauenthal Group posted the best results in its history, with significant revenue gains and earnings before interest and tax (EBIT) of EUR 22.5 million (m). However, the unfavourable operating environment meant that earnings in the Industrial Honeycombs Division were down in comparison to the record level of 2010. Tax expense, which reflects the Group's renewed profitability, weighed on the profit for the year, which stood at EUR 13.7m. All divisions made good progress in implementing a strategy geared towards profitable long-term growth.

AUTOMOTIVE COMPONENTS REVENUE UP 24%

The Automotive Components Division recorded a 23.9% jump in revenue, on the back of 10% growth in the European commercial vehicles market. Demand in the heavy goods vehicles segment went up by 36%, reflecting the continued rebound in industrial production and significant improvement in European commercial vehicle exports. Divisional EBIT rose by 88.2% to EUR 7.4m. This was mainly due to revenue increases coinciding with gains in productivity. Automotive Components stepped up its product development efforts and realised continuous improvements in productivity and product performance in 2011, helping it to achieve a number of notable successes. These included a supply agreement with a leading manufacturer for high tension front axle springs for its next-generation commercial vehicles. The Division also acquired a major new client for its air reservoirs. Both achievements highlight the strategic importance of a diversified product portfolio with high cross-selling potential. The option of establishing a presence in Russia, a market with high growth potential, is still being assessed, and no decision has yet been reached.

STEADY GROWTH AND IMPROVED EARNINGS IN WHOLESALE PLUMBING SUPPLIES

In spite of the sluggish recovery in the construction market, the Wholesale Plumbing Supplies Division registered a solid 3% growth performance. This was driven by a modest uptick in commercial building starts, which have been particularly hard hit in recent years, and continued expansion in the private renovation business. The exceptional growth rates seen in previous years could not be reached, with unrealistic price demands leading to a considerable drop in deliveries to do-it-yourself chains. But increased revenue, optimised policies for conditions and purchasing, and a sales drive for the premium product range combined to produce a significant jump in profitability. EBIT improved by 24.7% to EUR 10.1m, which was all the more satisfying given that revenue contribution from the contract business rose in the face of stiff price competition. The SHT Group continued to pursue a strategy of consolidating its market leadership by enhancing its logistics capabilities and service quality. Manfred Prinz joined the Executive Board. Hans-Peter Moser no longer serves as Chairman of the Executive Board. He joined the Supervisory Board of SHT Group.

“THE SUCCESSFUL BOND ISSUE REFLECTS THE MARKET’S CONFIDENCE IN THE FRAUENTHAL GROUP AND LAYS THE FOUNDATIONS FOR CONTINUED GROWTH.”

MARTIN SAILER AND HANS-PETER MOSER, EXECUTIVE BOARD

DECLINE IN EARNINGS IN INDUSTRIAL HONEYCOMBS

Revenue in the Industrial Honeycombs Division was flat, leading to a significant decrease in earnings compared to the record 2010 results. Nevertheless, EBIT of EUR 7.3 (down -33.4%) was the second best in the Division’s history. The downturn was a result of the challenging market environment – management had little control over the soaring costs of materials, an unfavourable US dollar exchange rate, and unavoidable reductions in prices for diesel catalysts. The Division operated at full capacity thanks to a 71.4% jump in demand for diesel engine catalysts, which partially offset the drop in sales of power station catalysts to Asian customers. The power station business in Europe and the USA performed strongly, and the Division secured several significant orders for its new plate catalysts. But sales in the Chinese market declined, as the implementation of legislation that should tighten environmental standards is patchy at best. A number of large-scale investments were made in 2011 as part of the sustainable growth strategy. These were aimed at enhancing technical expertise in diesel catalysts for the automotive sector and boosting employee numbers.

HIGH LIGHTS 2011

NEW BOND IMPROVES LIQUIDITY

In May 2011 the Group successfully issued a EUR 100m, five-year bond with a coupon of 4.875%. Part of the proceeds have been earmarked for early redemption of EUR 70m of bonds maturing in June 2012, and the rest will be invested until remaining outstanding bonds fall due. This latest bond issue has secured long-term financing for the Group which will be spent on a number of projects aimed at driving growth. The placement also proved to be well-timed in light of the recent upturn in the financial markets.

SUBSTANTIAL GROWTH IN EQUITY

Owing to the Group's strong performance, the Annual General Meeting approved a dividend of EUR 0.30 per share. In spite of this, Group equity increased to EUR 98.9m. The equity ratio dropped from 30.8% to 27.1% as excess liquidity from the bond issue and overall sales growth expanded the balance sheet. .

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Statement by the chairman of the supervisory board

Global economic uncertainty persisted in 2011, spreading from the financial markets to the real economy, and reaching proportions that would have been unimaginable just a few years ago. Against this backdrop, our annual report for the last financial year is a heartening example of steady business development.

Our success in 2011, on the back of recovery and consolidation in 2010, is further proof that we acted responsibly when we pushed through the painful restructuring exercises of 2009. Restored profitability in 2011 permitted early refinancing of the bond due in 2012. Our sound capital structure and secure liquidity position have given us considerable leeway and opened up new growth possibilities.

We are constantly striving to increase the Group's agility and adaptability in the face of an unstable environment, to respond to unpredictable market developments still more quickly and appropriately than was possible in 2008 and 2009. This is one of the key demands on our planning processes.

Thanks to this progress, we can look ahead with optimism, and we feel that we are well equipped for the challenges that the markets will surely present.

In some of our business operations, changes are just around the corner, and this means that we must constantly question our strategy if we are to remain true to our tenets of seeking market leadership and sustainable competitiveness, and maximising shareholder value. Together with the operational agenda and an increasingly strong focus on HR development, these adjustments to our strategy are central to the work of the Executive Board and joint decision-making with the Supervisory Board.

The leadership teams at the holding company and the divisions were reinforced and given still stronger long-term foundations in 2011. We also began working towards systematic, comprehensive succession planning, especially for the top three tiers of management. Alongside still better risk management, such "soft" investments in management capacity are crucial to the successful implementation of expansion projects.

In anticipation of continued good progress and constructive cooperation, I would like to thank the Executive Board, and our employees, customers, suppliers, and Supervisory Board members and shareholders for their contribution, and the commitment and loyalty they have shown. I hope that this annual report will make interesting reading, and look forward with interest to our dialogue at the Annual General Meeting on 6 June 2012.

Vienna, 15 March 2012

Hannes Winkler,
Chairman of the Supervisory Board

Senior Leadership Team (SLT)

The senior leadership team (SLT) consists of the senior managers of the Frauenthal Group. In 2011 Manfred Prinz joined the SHT Haustechnik AG Executive Board, whilst Hannes Winkler, Chairman of the Frauenthal Holding AG Supervisory Board, left the SLT.

The SLT meets several times a year to address central issues relating to the corporate strategy and business development, under the leadership of the Frauenthal Holding Executive Board. Openness, respect for diversity and a sustained drive for improvement and innovation are always high on the agenda.

By working together, the SLT benefits from the wide variety of challenges and experiences members bring to the table from the different business divisions, and from the "one company" ethos.

The team focus their energies primarily on the current status of business operations in the individual divisions. The process of developing a common view involves examining business and management processes, as well as organisational design and communications, and aligning targets for organisational units and employees with the overall business strategy.

Steering all group companies towards becoming learning organisations creates competitive advantage for the Group. Last year, emphasis was placed on formulating and implementing corporate values and guiding principles for senior management.

To maintain growth momentum, progress on systematic succession planning, active talent management, innovation and continuous improvement is being nurtured across the Group, and significant potential synergies between the divisions are being exploited.

"For all the material differences between our business divisions, we are united by common values, culture and leadership. As well as focusing on the business development, the SLT devotes a lot of time to corporate social responsibility, because our responsibilities do not end with our business operations."

Hans-Peter Moser,
Member of the Executive Board of Frauenthal Holding AG

from left: Karl Führer, Chief Executive Officer of Porzellanfabrik Frauenthal GmbH | **Chaohong Zhu,** Chief Executive Officer of Porzellanfabrik Frauenthal GmbH | **Josef Unterwieser,** Senior Vice President and Chief Executive Officer Automotive Components Group | **Martin Sailer,** member of the board of Frauenthal Holding AG and responsible for the division Industrial Honeycombs. | **Magnus Baarman,** President and Chief Executive Officer Automotive Components Group | **Hans-Peter Moser,** member of the board of Frauenthal Holding AG and responsible for the divisions Automotive Components and Wholesale Plumbing Supplies | **Bernd Allmer,** Vice President Human Resources & Change Management | **Beatrix Pollak,** member of the Executive Board of SHT Haustechnik AG | **Manfred Prinz,** member of the Executive Board of SHT Haustechnik AG | **Wolfgang Knezek,** member of the Executive Board of SHT Haustechnik AG

TASK

Franz Pflanzl, 56, works in the SCR catalyst extrusion unit at Porzellanfabrik Frauenthal GmbH (Industrial Honeycombs Division). He is seen here charging an extruder with the strained paste used to make catalysts.

PRODUCT

Frauenthal catalysts are used for the selective catalytic reduction (SCR) process which breaks the NOx in exhaust gas down into nitrogen and water vapour – both natural components of the atmosphere. This helps to reduce low-level ozone and acid rain.

CORPORATE GOVERNANCE

"WE'RE ALSO VERY WELL PLACED TO DEAL WITH A VOLATILE FUTURE."

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

2011 was a good year for the Frauenthal Group. Your bond issue was well received. But does your diversified business model really have a good track record?

Moser: Our business model, with three equally important, independent operations, has certainly shown its worth in crises and in consolidation phases. The Group's financial stability reduces all the divisions' dependence on outside lenders. Our group-wide initiatives have also been a big success – especially the human resources and strategy development programmes. They give all three divisions the benefit of the holding company's know-how, and of the synergies in the Group. Just as the divisions' business strategies must be adapted to changing conditions, so we must keep re-examining the Group's structures to see whether they still make sense. The divisions' risk exposures and growth opportunities, and the action that can be taken to make the most of their potential are very different from each other. This means that we have to pay attention to their risk and opportunity profiles, and make sure they have the financial independence they need.

To return to last year, I should like to congratulate our management team and the entire workforce on their outstanding performance across all divisions. In the Automotive Components Division, I have been particularly impressed by their success in winning new orders. That is the reward for all the hard work they have put in to developing better products. SHT ran counter to the market trend and grew revenue by 3%, as well as delivering a big im-provement in profitability. Porzellanfabrik Frauenthal posted a 71.4% gain in diesel catalyst sales despite working at full capacity from the start. These are just a few examples of the achievements that would not have been possible without a highly motivated and skilled workforce. I'd also like to thank the Supervisory Board and the works councils for playing their usual constructive role in important decisions we took which will shape the Company's future.

> "The Group's financial stability reduces all the divisions' dependence on outside lenders."

The Automotive Components Division was mostly responsible for your good results as a group. How resilient is this cyclical business, given the volatility of commercial vehicle markets?

Sailer: There's no denying that the earnings growth recorded by Automotive Components, which put in one of the best EBIT performances in its history at EUR 7.4m, was key to the group result. We have done a lot to enhance our manufacturing flexibility in the division, and reduce our exposure to demand fluctuations. We are using the Slovene plant as reserve capacity, and some products are either made there or at other sites, depending on the order book situation. By creating larger production units, such as the Styria Arcuri factory in Romania, we can manufacture many of the products at more than one location, and that brings greater flexibility and optimum capacity utilisation on the production lines. We are wary when orders are climbing, and rely partly on agency workers, which helps us reduce our breakeven revenue. That's vital, because the main problem is not demand fluctuations but the short lead times in our production planning, which we can't influence. This is where the steady reductions in our cost base that we have achieved through our continuous improvement initiative, launched about two years ago, play a vital role. The division's long-term survival mainly depends on winning new business – especially orders for components for coming vehicle generations – as well as maintaining our development partnerships with customers, and broadening the factories' customer bases by cross-selling – for example, selling a customer you have been supplying with steel springs air reservoirs or U-bolts, as well. We made a lot of progress towards these goals in 2011.

"New orders, development partnerships and cross-selling"

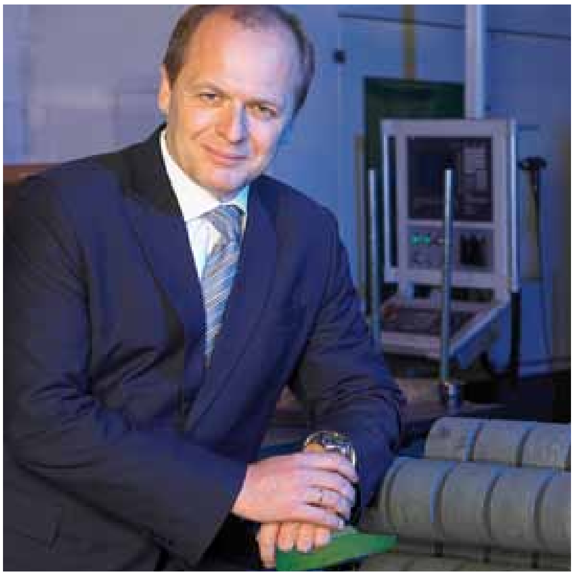
Towards the end of the year there were signs of a fall-off in demand. Do you see an-other crisis around the corner?

Moser: I don't expect a slump in demand on a par with 2009. At that time there was a big overhang of unsold new vehicles, and the manufacturers were caught off guard by the crisis and reacted much too late. The current situation is completely different. The market is much less overheated than in 2008, and like our customers we are basing our decisions strictly on the forward visibility we have. When all's said and done, we have to remember that in 2011 commercial vehicle sales were still 25% down on all-time high in 2008. On the other hand, the problem seems to be restricted to Europe, instead of being a global crisis like 2008/09. The European OEMs' exports to other continents, which account for about 30% of our out-put, are going fine – but the biggest difference this time round is the fact that ready for any-thing, and we know from experience precisely what to do when. Thanks to the sharp reduc-tion in our fixed costs and our more flexible manufacturing capacity we could live with a big drop in demand. We actually anticipate only a moderate fall-off, and there is no sign of any looming disasters.

Automotive Components has been working on some major strategic initiatives. Which elements of your strategy did you manage to push through in 2011, and where do you go from here?

Moser: We're making good progress against our strategic initiatives. To take one example, we have largely attained our objective of implanting a "one company" ethos. We have held "town hall meetings" at all our sites to introduce the staff there to the Group strategy. The message we put across was that we can only succeed as a group, and it is never possible to optimise a single site in isolation from the rest. I gained the impression that everyone supports this goal, even though it means that some functions, such as procurement and invoicing, must be partly centralised or that Group-wide activities like materials research must be concentrated at given sites. People can see that the management team we have brought together in Vienna is doing a fine job.

I am pleased that we have been able to persuade managers who previously successfully headed up just one plant to take on Group-wide tasks. This is the best way to organise know-how transfers between locations, and leverage synergies. An important signal, to our people and the outside world, was changing the names of the subsidiaries. Before, we spoke of Frauenthal Automo-



Hans-Peter Moser

"Making a reality of the "one company" philosophy"

tive Components (FAC) as a group, but the factories kept their legacy names (Styria Federn, Styria Arcuri, etc.). Beginning with 1 July 2012 every plant will have a name that begins with "Frauenthal Automotive" and will have a suffix indicating the function (e.g. Frauenthal Automotive Management) or the location (e.g. Frauenthal Automotive Judenburg). We refer to the group as "Frauenthal Automotive, Smart Parts for Trucks".

The Wholesale Plumbing Supplies Division returned record results in a flat market. How do you account for this success?

Moser: SHT again grew faster than the market in 2011. The Innsbruck outlet played a major part in that, but we also made inroads in southern and central Austria, thanks to excellent logistics, a comprehensive range and sharp pricing. In the east of the country, where we have a very strong position, with a market share of about 45%, we are running into the limits of what is possible in volume terms. Our goal in 2011 was improved profitability. Since 2005 we have invested a lot in expanding our branch network and developing our logistics systems, and today SHT is the unrivalled market leader. In 2011 we successfully addressed the challenge of capitalising on this position to achieve higher profits. We grew our gross margin by

"Market shares gained thanks to excellent logistics, a comprehensive range and sharp pricing"

0.9 percentage points, and this was the key driver of our good earnings performance. EBIT was up by 24.7% to EUR 10.1m, and we recorded solid revenue growth of 3%. In line with our belief in putting quality before quantity, we dropped low-margin business segments and moved our product range up market. Our success in improving our profitability is still more remarkable when you consider that our growth in the fiercely contested large-scale contract segment was stronger than in the private renovation market. SHT is in good shape for the future – and that goes for the management team, too. A new position has been added to the Executive Board. Manfred Prinz took charge of finance and IT in October 2011. I resigned as chairman, but am continuing to follow SHT's progress as a member of the Supervisory Board. Beatrix Pollak and Wolfgang Knezek have had their contracts extended for a further term of office.

Earnings fell sharply in the Industrial Honeycombs Division. Why was that?

Sailer: Firstly, I should point out that our environmental business posted the second-best earnings performance in its history at EUR 7.3m, despite a very harsh trading environment. The fall of EUR 3.6m or 33.4% in EBIT as compared to the record figure in 2010 should be seen in this light. Three factors were chiefly responsible for the fall-off in earnings – all of them largely beyond management's control. In the first place, US dollar exchange rate trends were unhelpful, whereas in 2010 we benefited from a strong dollar. Since about one-third of the Industrial Honeycombs division's revenue is invoiced in dollars we are exposed to currency risk although we regularly hedge against it.
The most important negative development was the steep increases in material prices during the year, which our contractual agreements prevent us from passing on to cus-

"Steep increases in material prices since 2010

tomers immediately. For example, the world market price of tungsten rose by over 30%. We took cor-rective measures – mainly by carrying out development work designed to cut the proportion of costly materials in our products. Due to global economic trends we do not expect prices to climb higher within our forecasting horizon. Earnings were also hit very hard by the price reductions we were forced to grant an important commercial vehicle diesel catalyst customer in order to retain its business and hold on to opportunities to enter new market segments. The drop in earnings was not volume related, since honeycomb production capacity was fully utilised throughout the year.

The Industrial Honeycombs Division has set itself highly ambitious growth targets. How realistic are they in the light of current trends?

Sailer: Last year's operational problems don't affect the opportunities open to us. In fact, we have launched major investment projects that will boost our capacity and our profitability. The largest and most significant, initiated in the fourth quarter, will significantly enhance our technological capabilities as regards large diesel catalysts. This is crucial to our prospects in the new market that will be created by the Euro 6 emission standard in Europe, and the agricul-tural and construction machinery markets. Diesel catalysts have become a mainstay of the division's business, and already account for 32% of its revenue. Merely deciding to expand

"Diesel catalysts have become a mainstay of the division's business, and account for 32% of revenue"

our capacity in this area has been enough to win us market shares. Our diesel catalysts are not just a key long-term growth driver, they also demonstrate that we are among the technology leaders in the catalytic ceramics industry. The good growth prospects come from the spread of environmental legislation throughout the world, and the advent of new products and applications. Here, I'm thinking of the plate catalyst, which is making very promising progress, of gas turbines and – in the medium term – the marine engine market. Given the qualms about nuclear energy, and the limited potential for alternative power generation technologies for the foreseeable future, the use of fossil fuels is more likely to rise than to fall. And that means that the demand for efficient NOx catalysts is virtually certain to increase. Tapping this market will call for further globalisation of our operations. The technological demands of future vehicle emission standards are also partly uncharted territory for us as a component manufacturer. Meeting these challenges is central to the division's strategic development.

Since 2008 everyone has been talking about China as the big growth market. How is this market evolving, and what approach are you taking to it?

Sailer: At present, this emerging market is sending out contradictory signals. On the upside, the new five-year plan lays down mandatory NOx limits that would force power station operators to use NOx catalysts in large parts of the country. Meanwhile, though, the power generation

"We still expect the environmental legislation to be implemented in the near future, and want to be geared up for the boom that it will trigger"

companies are still fighting for electricity price increases to compensate them for the cost of these investments. In principle, the compensation and the price increases have been in place since December 2011, which could give the Chinese market a shot in the arm, but implementation of the five-year plan is still marking time. Because of all that, our Chinese sales have slumped. At present we are putting most of our effort into widening our customer base, and are strengthening our sales organisation. We still expect the environmental legislation to be implemented in the near future, and want to be geared up for the boom that will trigger. We are looking at a number of scenarios for long-term development of this market, including potential strategic partnerships.

Martin Sailer

Thanks to the EUR 100m bond issue the Frauenthal Group has no liquid funds. How do you envisage using your full war chest?

Sailer: In view of what happened afterwards on financial markets, our successful bond issue in May 2011 looks like a very prescient move. In fact, we had no way of predicting subsequent events, and simply made the most of the favourable situation on the capital market in the spring.

"2011 bond has created a strong platform for continued growth."

Our good results for 2010 made it possible to find takers for the 4.875%, five-year bonds, and the EUR 100m issue was heavily oversubscribed. The main purpose of the issue was the early redemption of EUR 70m in bonds due in May 2012. Happily, we were able to repay most of the old bond ahead of time, and this wound down our excess liquidity. After the redemption of the outstanding bonds there will still be a cash cushion, and we'll use that to provide long-term funding for growth projects in all three divisions. But we are also considering how we can decentralise the financing of projects in the divisions to reflect their varying risk and opportunity profiles more accurately. At any rate, the bond has created a strong platform for continued growth.

2011 was another highly successful year for Frauenthal. Are you relaxed about the turbulent times ahead?

Moser: Market turbulence has become an everyday reality. You need to keep your nerve, and not shoot from the hip in response to market volatility. There's no need for that, because we've learned how to deal with volatility, and are a very stable business, all in all. But being relaxed doesn't mean losing sight of the need to keep developing your structures and adjusting your priorities to current circumstances. The growth opportunities and the specific risks in each of our three divisions call for greater flexibility – for instance, as regards strategic partnerships and appropriate financing. We are examining various strategic options for the Group that would be in tune with the divisions' opportunities and shareholders' interests.

Strengthening your management resources was one the goals you set yourselves for last year.

Moser: We've strengthened our management by appointing a new member of the SHT Executive Board, a joint managing director at Industrial Honeycombs, and two additional works managers in Automotive Components. And below this level, we have recruited highly qualified specialists to a number of strategically important functions – especially in Industrial Honeycombs.

"Identification and development of high potentials are core to our HR effort"

Other positions remain to be filled. We're continuing to drive the core elements of our human resources effort – the identification and development of high potentials – through existing programmes. We're well placed to win out in the "war for talent" in the outside employment market, and plan to take further steps to make Frauenthal are more attractive employer.

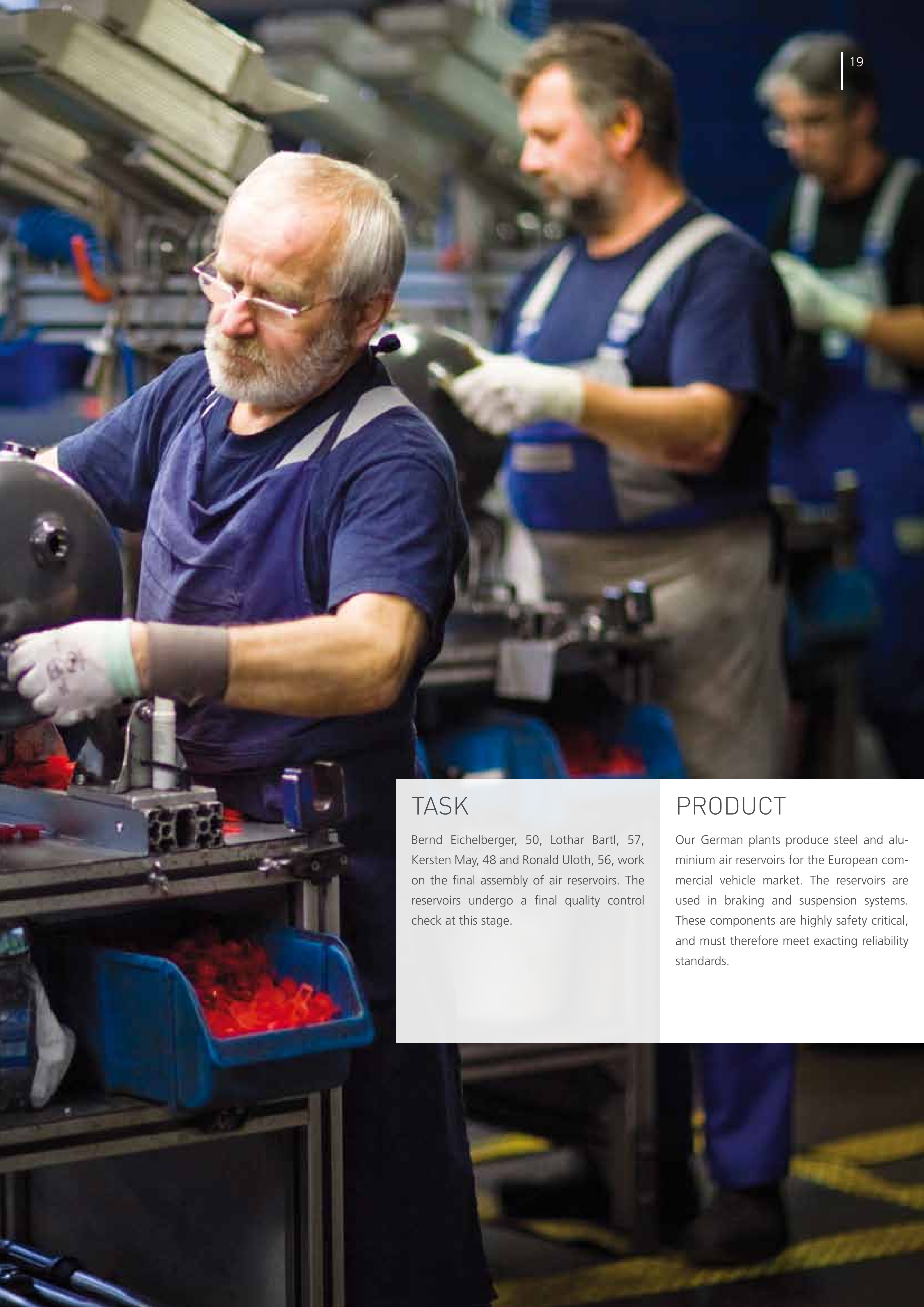
Thank you for talking to me.

TASK

Katrin Gross, 46, is a top air reservoir welder. She is pictured here hand-welding a mounting on to an air reservoir module. Katrin is the only woman on the shop floor at the Linnemann-Schnetzer Ahlen site (Automotive Components Division).

PRODUCT

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



TASK

Bernd Eichelberger, 50, Lothar Bartl, 57, Kersten May, 48 and Ronald Uloth, 56, work on the final assembly of air reservoirs. The reservoirs undergo a final quality control check at this stage.

PRODUCT

Our German plants produce steel and aluminium air reservoirs for the European commercial vehicle market. The reservoirs are used in braking and suspension systems. These components are highly safety critical, and must therefore meet exacting reliability standards.

Report of the Supervisory Board

Corporate governance, collaboration within the Supervisory Board and with the Executive Board as well as the regular and global information provide a solid base to enable the Supervisory Board of Frauenthal Holding AG to fully achieve its tasks.

The Supervisory Board held five meetings in 2011, and was regularly informed of the progress of the Company's business by means of monthly reports.

The audit committee met twice in the course of the year under review. The remuneration committee met three times in the 2011 financial year.

As well as monitoring the company's day-to-day business activities, in 2011 the Supervisory Board focused on strategic development planning for the Frauenthal Group and its divisions.

The Supervisory Board of Frauenthal Holding AG discharged the duties incumbent on it by law and the articles of association, and was satisfied that the Company's business was being properly conducted. The annual financial statements of Frauenthal Holding AG for the year ended 31 December 2011 presented in accordance with IFRS, the consolidated financial statements of the Group for the year ended 31 December 2011, and the operating reviews for the 2011 financial year were audited by BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were given an unqualified audit certificate. The audit revealed no grounds for objection.

The Supervisory Board's review of the individual annual financial statements, the consolidated financial statements for the year ended 31 December 2011, and the operating reviews for the 2011 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 annual financial statements of Frauenthal Holding AG and consolidated financial statements for the year ended 31 December 2011, and the operating reviews for the 2011 financial year, and has approved the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2011. The annual financial statements are thereby adopted under section 96 subsection 4 Aktiengesetz (Austrian Companies Act).

Additional information in the Statement on the Austrian Code of Corporate Governance Frauenthal Holding AG, 2011 financial year.

15 March 2012

Hannes Winkler
Chairman of the Supervisory Board

Statement on the Austrian Code of Corporate Governance Frauenthal Holding AG, 2011 financial year

CORPORATE GOVERNANCE POLICY

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 and procedures for the company's managing bodies; and the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

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.

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.

FRAUENTHAL HOLDING AG'S COMMITMENT

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 2011, the Executive Board and Supervisory Board maintained its focus on conforming as closely as possible to all rules of the Code, and on maintaining and enhancing the company's high internal standards. As a result there is very little need to clarify deviations from the Code.

AUSTRIAN CODE OF CORPORATE GOVERNANCE

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. The version of the Code (January 2010) is available at www.corporate-governance.at and www.frauenthal.at. Frauenthal complies with all of the legal requirements set out in the Code's 33 L-Rules. The Code also contains 45 C-Rules (comply or explain) which require explanations of any deviations. In accordance with R-Rule 62 (recommendation), Frauenthal regularly has its compliance with the Code externally evaluated. Our compliance with the Code of Corporate Governance was last evaluated by the external auditors, BDO Austria GmbH, at the start of 2012. The evaluation report certifies Frauenthal's adherence to the Code and the correctness of this Corporate Governance Report.

SIGNIFICANT EVENTS IN 2011

The most important events with regard to corporate governance in 2011 were the increase in the proportion of women sitting on the Supervisory Board of Frauenthal Holding AG (with the election of two women to the Board and delegation of a female employee representative), and the extension of Hans-Peter Moser's appointment to the Executive Board.

Heike Jandl and Birgit Eckert were elected to the Supervisory Board. The Supervisory Board now comprises Hannes Winkler (Chairman), Dietmar Kubis (Deputy Chairman), Oskar Grünwald, Johannes Strohmayer, and new members Heike Jandl und Birgit Eckert, elected to the Board by the Annual General Meeting of 1 June 2011. The Works Council delegated Karoline Neuhäusser as its new Supervisory Board member. The three employee representatives on the board are now Klement-Michael Marchl, August Enzian and Karoline Neuhäusser. This means that one third of the Supervisory Board's members are female.

Hans-Peter Moser's appointment to the Executive Board was extended for a further three years. His current period of office will end on 31 December 2014.

DEVIATIONS

C-Rule 31: Frauenthal Holding AG does not view the publication of Executive Board remuneration as useful or appropriate in terms of data protection and the individual Executive Board members' right to privacy.

The amended Austrian Code of Corporate Governance which came into effect on 1 January 2010 has been applied. This most recent version includes adjustments for legislative amendments and also provides for recommendations for remuneration. Rules 27-30 were applicable to the 2011 financial year following the extension of an appointment to the Executive Board.

COMPOSITION OF THE EXECUTIVE BOARD

C-Rule 16: The Executive Board of Frauenthal Holding AG is made up of Hans-Peter Moser and Martin Sailer, who hold equal rights as members of the Executive Board. 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 (Year of Birth)	First appointed	End of current term of office
Hans Peter Moser (1966)	April 2006	December 2014
Martin Sailer (1962)	September 2008	June 2013

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

Hans-Peter Moser was born in 1966, and is married with three children. He studied business administration at the Vienna University of Economics and Business from 1984–1990, and qualified as a chartered accountant in 1996. After working as a trainee accountant at the practice of Prof. Egger from 1991–1995, he headed the finance and accounts department at Novoferm GmbH from 1995–1999. He then moved to Tchibo/Eduscho GmbH, where he was commercial director from 1999–2002. Hans-Peter Moser joined the Frauenthal Holding AG Executive Board in April 2006, and is responsible for the Wholesale Plumbing Supplies (SHT) and Automotive Components divisions. Within the holding company, he is responsible for the secretariat, human resources, administration, legal affairs and business development. Hans-Peter Moser joined the Supervisory Board of SHT Haustechnik AG on 22 September 2011, and no longer serves as Chairman of the Company's Executive Board. Mr Moser 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 in June 2013.

Born in 1962, Martin Sailer is married with two children. He studied business administration from 1980–1984, and held research assistant positions for several years at the universities of Graz and St. Gallen. He has 20 years' experience in the financial departments of various international companies. After a spell with the corporate controlling department at Daimler-Benz AG from 1989–1992, he was Chief Financial Officer at a major car importer from 1993–1998 and Vice President Finance at the Ventana Group (now FVV Frauenthal Vermögensverwaltung GmbH, based in Vienna) between 1998 and 2000. Before joining Frauenthal he was finance director at pharmaceutical group Pfizer in Austria and Germany, with responsibility for controlling, reporting, finance, tax, internal auditing and business development (2001–2008). Since September 2008 he has headed the finance department of Frauenthal Holding, incorporating finance, controlling, internal and external reporting, treasury and internal audit, and investor relations. In addition, he is responsible for the catalyst business and other ceramic honeycombs (Industrial Honeycombs Division). Martin Sailer is also a member of the SHT Haustechnik AG Supervisory Board, and does not hold any comparable positions outside the Group.

COMPENSATION AND TRANSPARENCY OF EXECUTIVE BOARD REMUNERATION

C-Rule 31: In 2011, Executive Board remuneration totalled EUR 1,401,000 (2010: EUR 934,000). Frauenthal Holding AG does not view the publication of Executive Board remuneration as useful or appropriate in terms of data protection and the individual Executive Board members' right to privacy.

C-Rules 27/30: The remuneration committee of the Supervisory Board is responsible for determining Executive Board pay. Executive Board remuneration consists of a fixed salary and a variable component, capped at 100% of the fixed component and based on individual performance. The variable component is determined according to agreed qualitative and quantitative targets; the qualitative and the quantitative elements must represent

Our Supervisory Board

Hannes Winkler
Chairman

Dietmar Kubis
Deputy-Chairperson

Oskar Grünwald
Member

Johannes Strohmayer
Member

Birgit Eckert
Member

Heike Jandl
Member

Klement-Michael Marchl
Employee representative

August Enzian
Employee representative

Karoline Neuhäusser
Employee representative

equal shares of the variable component. The quantitative targets relate to value growth and liquidity while the qualitative targets concern pre-agreed objectives for given divisions or for the Group as a whole. Regular pension contributions are made to a pension fund for Board members. Members have no contractual entitlements to termination benefits on leaving office.

C-Rule 28: On 1 June 2011, the Supervisory Board of Frauenthal Holding AG approved a share option plan for 2012–2017 for members of the Executive Board of Frauenthal Holding AG 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 2011–2016 financial years. The exercise price of EUR 2.00 corresponds to the rounded-up average carrying value of Frauenthal treasury shares according to the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2010. Options granted cannot be exercised until three years after their allocation to plan members, and must be exercised by the end of the same financial year. They are not transferable, and must be exercised in person. Shares acquired by way of 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 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.
The Supervisory Board also resolved on 1 June 2011, separately from the share option plan, to award an Executive Board member, Hans-Peter Moser, an option to purchase 10,000 Frauenthal shares. The option granted to Mr Moser is in recognition of his outstanding performance and exceptional efforts on behalf of the company and the Frauenthal Group in recent years. The option was exercised on 22 December 2011. Shares acquired by exercise of this option are not subject to a holding period.
An own-account investment (meaning an obligation to acquire additional shares in the company) is not required in connection with the allocation of this share option.

Further details are provided in a written report by the Executive and Supervisory boards, dated 1 June 2011, which is available for inspection at the company's headquarters and on the company's website (www.frauenthal.at).

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 (2010: EUR 31,000).

SUPERVISORY BOARD COMMITTEES

C-Rule 39: 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. The six elected board members are Hannes Winkler (Chairman), Dietmar Kubis (Deputy Chairman), Oskar Grünwald, Johannes Strohmayer, as well as Heike Jandl and Birgit Eckert, who were elected to the board by the Annual General Meeting of 1 June 2011. The Works Council delegated Karoline Neuhäusser as its new Supervisory Board member. The three employee representatives on the board are now Klement-Michael Marchl, August Enzian and Karoline Neuhäusser.

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 personnel committee were established by the Supervisory Board meeting held on 4 May 2006 (C-Rule 43). The Code only prescribes the formation of the latter two committees for Supervisory Boards with more than six members.

MEMBERS OF THE AUDIT COMMITTEE

Name (Year of Birth)	Functions
Oskar Grünwald (1937)	chairman
Dietmar Kubis (1957)	member
August Enzian (1961)	employee representation

- Oskar Grünwald (Chairman), Dietmar Kubis and employee representative August Enzian make up the **audit committee**. The committee is mainly responsible for overseeing the audit of the individual annual financial statements and preparations for their adoption, the audits of the consolidated financial statements, the dividend recommendation, the individual 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 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.

MEMBER OF THE STRATEGY COMMITEE

Name (Year of Birth)	Functions
Hannes Winkler (1955)	chairman
Johannes Strohmayer (1950)	member
Klement-Michael Marchl (1960)	employee representative

- The **strategy committee** comprises Hannes Winkler as Chairman, Johannes Strohmayer and Klement-Michael Marchl (employee representative). The committee is concerned with the Group's strategic alignment, and is consulted by the Executive Board on all strategic decisions.

MEMBER OF THE REMUNERATION COMMITEE

Name (Year of Birth)	functions
Hannes Winkler (1955)	chairman
Dietmar Kubis (1957)	member
Klement-Michael Marchl (1960)	employee representative

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

ACTIVITIES OF THE SUPERVISORY BOARD DURING THE YEAR UNDER REVIEW

C-Rule 36: Five Supervisory Board meetings, two audit committee meetings and three remuneration committee meetings took place in the 2011 financial year, in which the Board dealt in depth with the strategic alignment of Frauenthal Holding AG and with Executive Board matters. The issues focused on are described in greater detail in the report of the Supervisory Board and in the section on Supervisory Board committees. The audit committee made a thorough examination of the Frauenthal Group's risk management and internal controlling systems, and the internal audit function. All committee members were present at all the committee meetings held in 2011. Average attendance of the Supervisory Board meetings held in 2011 was 100%. No member attended less than 50% of the meetings.

INDEPENDENCE OF THE SUPERVISORY BOARD

C-Rule 53: 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, Heike Jandl), and have no business or personal relationship to the Company or its Executive Board members.

C-Rule 54: Where a company has a free float of more than 20%, the Supervisory Board members elected by the Annual General Meeting or delegated by shareholders under the articles of association must include at least one independent member, as described within C-Rule 53, who does not own a stake in the company of more than 10%, nor represents the interests of such a shareholder. The free float comprises 24.21% of the shares in Frauenthal Holding AG. Since four members are independent as set out in C-Rule 53, this rule is complied with.

COMPENSATION FOR SUPERVISORY BOARD MEMBERS

C-Rule 58: In 2011, the Supervisory Board members and their compensation were as follows:

Name (Year of Birth)	First appointed	End of current term of office	Independence in the meaning of C-Rule 53	Independence in the meaning of C-Rule 54	Compensation in 2011
Dietmar Kubis (1957) deputy chairperson	10.02.1999	2013	yes	yes	22.000 €
Hannes Winkler (1955) Chairman from 26.03.2010	22.05.1997	2012	no	no	Waived
Oskar Grünwald (1937) Member	21.05.1999	2014	yes	yes	22.000 €
Johannes Strohmayer (1950) Member	02.06.2010	2014	yes	yes	16.000 €
Heike Jandl (1972) Member	01.06.2011	2012	yes	yes	8.917 €
Birgit Eckert (1952) Member	01.06.2011	2012	no	no	8.917 €

Supervisory Board members delegated by the central works council:

Name (Year of Birth)	First delegation
Klement-Michael Marchl (1960) Member	27.11.2006
August Enzian (1961) Member	27.09.2010
Karoline Neuhäusser (1954) Member	07.09.2011

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. Dietmar Kubis has resigned his membership of the Supervisory Board of Nexus AG, listed in Germany.

C-Rule 51: In accordance with the resolution of the 22nd Annual General Meeting of 1 June 2011, the following compensation was decided: Members of the Supervisory Board will each receive annual basic compensation of EUR 5,000 from 1 January 2011, payable 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. As of 1 January 2011, members of the Supervisory Board may additionally receive a performance-related bonus of EUR 5,000 each. This bonus will be granted in financial years where the Annual General Meeting approves the payment of a dividend to shareholders for the previous financial year. The bonus is payable once the Annual General Meeting passes such a resolution, and will only be paid to members who sat on the Supervisory Board in the previous financial year. Until further notice, members of the Supervisory Board additionally receive an attendance fee of EUR 2,000 for each Board meeting they attend. This fee is also payable for attendance at meetings of Supervisory Board committees, when these do not take place on the same day as meetings of the full Supervisory Board. In addition, the company compensates members' travel expenses incurred in relation to attendance at meetings of the Supervisory Board and Supervisory Board committees.

As in previous years, Hannes Winkler, Chairman of the Supervisory Board, waived his entitlement to compensation for 2011. The compensation paid to Supervisory Board members is set out in the table under C-Rule 58. No stock option plans are granted to Supervisory Board members.

ADDITIONAL CORPORATE GOVERNANCE MECHANISMS

The Company's risk management system focuses on strategic risks and opportunities. It enables 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 externally evaluated by the auditors pursuant to Rule 83 of the Austrian Code of Corporate Governance, and monitored by the audit committee, which also oversees the effectiveness of the internal controlling 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.

C-Regel 21: Frauenthal Holding AG has implemented Group-wide compliance guidelines to prevent insider trading. Frauenthal is also the first listed company in Austria to have set up an e-learning platform to support inside area staff in keeping to the compliance guidelines, and to prevent insider trading. Wolfgang Knezek is the Company's Compliance Officer. He reports to Frauenthal Holding AG's Executive Board.

RELATED PARTY TRANSACTIONS

FT-Holding GmbH, Chemnitz continued to hold a 72.9% interest in Frauenthal Holding AG. Hannes Winkler and Ernst Lemberger each own 50% of FT-Holding GmbH. Frauenthal Vermögensverwaltung GmbH (FVV), Vienna draws up the consolidated financial statements for the largest group of companies to which the Frauenthal Group belongs.

Related party transactions between Frauenthal Group companies and entities controlled by Hannes Winkler and Ernst Lemberger, involving other services and rental services exclusively for Hannes Winkler, amounted to EUR 4,070,000 in 2011 (2010: EUR 3,425,000). The services exclusively concern Executive Board members' remuneration charged-on to Frauenthal.

With effect from 30 June 2010, FVV's entire holding in Validus Immobilien Holding GmbH was transferred by way of a demerger to a company wholly owned by Hannes Winkler. As a result, Validus Immobilien Holding GmbH and all of its subsidiaries are controlled by Hannes Winkler.

Validus Immobilien Holding GmbH charged EUR 3,108,000 in rent (2010: EUR 2,785,000) 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 Automotive Components Division are based. The year-on-year increase in the amount charged is due to indexation and additional rented space at the Gurkgasse (1140 Vienna) and Hans Maier Strasse (6020 Innsbruck) premises. In addition, for the first time the Hans Maier Strasse and Rooseveltplatz premises represented related party transactions for a full year. The rental cost is in line with normal market rates and was subjected to an arms-length comparison which was confirmed by an independent valuation report.

Expenses in respect of Executive Board services was again charged by FVV Frauenthal Vermögensverwaltung GmbH. They amounted to EUR 998,000 (2010: EUR 632,000).

No other costs were charged to Frauenthal Holding AG by FVV, Vienna in 2011 (2010: EUR 29,000).

Frauenthal Group companies, however, charged consolidated subsidiaries of FVV Frauenthal Vermögensverwaltung GmbH, Vienna EUR 36,000 (2010: EUR 21,000) for IT and other services.

The special audit of related party transactions initiated in the reporting period was concluded in February 2012 and did not result in any negative audit findings. Neither the rent payments, nor the charged-on costs for services or the repayment for profit sharing certificates by Frauenthal Group companies to companies held by FVV Frauenthal Vermögensverwaltungs GmbH (formerly Ventana Beteiligungsgesellschaft m.b.H.) constituted the return of capital contributions. The payments for services and rentals were at arm's-length rates, and were found to be reasonable in both in purpose and amount.

Vienna, 15 March 2012

Hans-Peter Moser
Member of the
Executive Board

Martin Sailer
Member of the
Executive Board

PRODUCT

The Judenburg plant makes air suspension springs as well as trapezoidal springs. Trapezoidal springs are still very frequently used in vehicles used on construction sites and for other rough terrain.

TASK

Franz Hörtler, 52, an employee of Styria Federn in Judenburg (Automotive Components Division), is responsible for fitting nuts and bolts on trapezoidal spring sets.

Investor relations and capital market strategy

Pauline Marlier and Erika Hochrieser, Investor Relations

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

SUCCESSFUL EUR 100 MILLION BOND ISSUE

Bonds are the backbone of the Group's funding. IR activities were stepped up ahead of a EUR 100m bond issue in May, so as to increase investor awareness of Frauenthal and assist in selling it to a wide public (making it a "retail bond"). The strong interest attracted by the bond demonstrated the market's confidence in the Group's business model and its management. Our financial communications are intended to reflect the Group's values, which include transparency, reliability, careful husbanding of cash, and conservative investment and financing policies.

INVESTOR RELATIONS ACTIVITIES STEPPED UP

In line with our goal of providing stakeholders with comprehensive, up-to-date information, the main medium for external communication – our corporate website – was revamped during the reporting period, and the Industrial Honeycombs Division's site was completely redesigned. The navigation was made clearer, and additional information about the business environment, and the Group's main products and its business strategy included. Frauenthal Holding's annual and quarterly reports also keep shareholders and bondholders up to date with the latest developments in the divisions and the long-term outlook for them.

The new site (see figure page 30) is a user friendly platform that provides all the information investors need quickly and simply. It now contains more background on the divisions, and their products and strategies. As the Jobs/Career section of the site explains, "We are always on the look out for dynamic individuals to join our team", and applications can be submitted directly to the divisional human resources managers. The homepage always features up-to-the-minute news on the Group. The investor relations pages feature detailed information on the share, current financial reports, documentation for annual general meetings, press releases and stock exchange announcements. The online content also includes an interactive share price chart, a fact sheet and an online version of the annual report. We also offer a free email service to keep investors, analysts and anyone with an interest in the Group updated on all new developments on a regular basis.

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

WORLD FINANCIAL MARKETS PLAGUED BY UNCERTAINTY

2011 was a year of high volatility on financial markets throughout the world, and prices fell heavily in the second half. Predominantly good news at the start of the year was overshadowed first by the Japanese tsunami, and then by fears of an economic slowdown and persistent worries about contagion from the European debt crisis spreading. This led to massive corrections on many markets in the third and fourth quarters. The Euro Stoxx 50 slid by 17% on the year, and the Nikkei 225 shed 18%. However US blue chip index Dow Jones Industrial ended the year 6% up.

ATX DOWN BY ONE-THIRD

The ATX, the lead index of the Vienna Stock Exchange, was down by about 35% on the year, closing on 1,891.68 on the last day's trading. The price falls were reflected in shrinking monthly turnover figures. Turnover on most of the world's exchanges went sideways or fell last year. It was EUR 59.7m on the Vienna Stock Exchange – down by 18% year on year. However, volume in terms of the number of executed trades was 6% up year on year. Market capitalisation as of 29 December 2011 was EUR 73bn (year-end 2010: EUR 91bn). The Vienna Stock Exchange attracted a total of EUR 1.3bn in new capital.

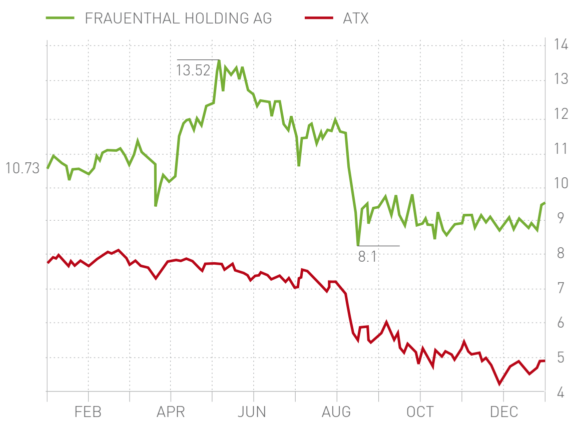
FRAUENTHAL HOLDS UP BETTER THAN ATX

Our share price ended 2010 on EUR 10.90 and stood at EUR 10.73 at the close on the first trading day of 2011. It bucked the ATX trend, advancing in the first half of 2011 and hitting a high of EUR 13.52 on 2 May. This robust performance was driven by a good set of first quarter results and optimistic guidance. In the Automotive Components Division, management expected demand to remain at high levels, while in the Industrial Honeycombs Division it saw honeycomb production running at full capacity throughout the year, and it forecast Wholesale Plumbing Supplies to record moderate revenue growth and keep winning market shares. Our share price put in another strong showing in the second quarter.

However it steadily lost ground in the second half, in line with the ATX, due to negative overall market sentiment, reaching a low of EUR 8.10 on 9 August. The price failed to recoup most of its losses thereafter, although Frauenthal announced further revenue and profit growth, and the outlook remained encouraging. From the third quarter onwards, the market looked critically at cyclicals – and the Frauenthal Group is exposed to cyclical trends due to the Automotive Components Division.

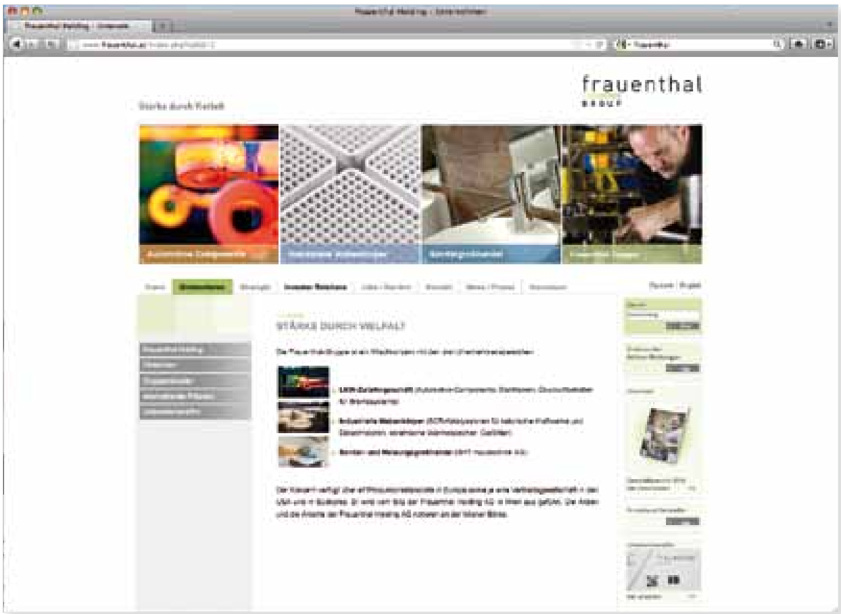
Nevertheless, our stock posted a modest recovery for a year-end price of EUR 9.40, despite a volatile market environment. This represented a loss of 13.76% on the year, whereas the ATX slumped by about 35%.

SHARE PRICE IN FINANCIAL 2011



TURNOVER AND MARKET CAPITALISATION DOWN

The Company's total value in terms of its market capitalisation including unlisted registered shares was EUR 88.7m as at 29 December, compared to EUR 102.8m on 31 December 2010. Turnover averaged 5,976 shares per day (2010: 7,889 shares).



Website of Frauenthal Holding AG
www.frauenthal.at

Website of Industrial Honeycombs Division
www.frauenthal.net

AGAIN HIGH DIVIDEND PLANNED

The Executive Board will be recommending payment of a dividend of EUR 0.10 per share and a special dividend of EUR 0.20 per share for 2011 at the Annual General Meeting, to be held on 6 June 2012. Last year's dividend and special dividend totalled EUR 0.30 per share.

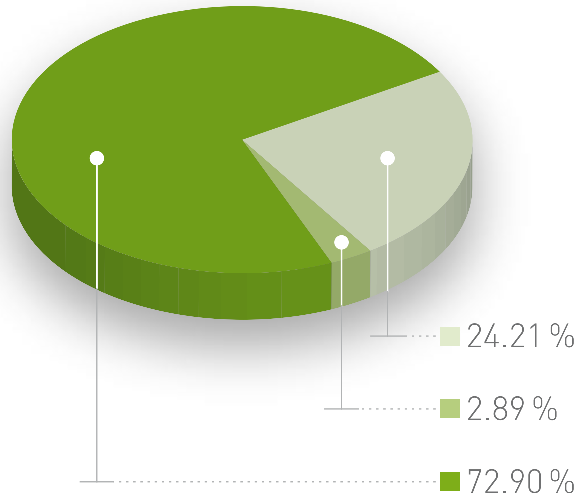
SHAREHOLDING STRUCTURE SLIGHTLY CHANGED

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

Due to formal requirements arising from promotion to the prime market in 2007, the 1,900,000 unlisted bearer shares owned by FT Holding were converted into registered shares which remain unlisted.

In 2011 Frauenthal Holding AG's shareholder structure underwent minor changes as a result of the sale of treasury shares due to a share option plan. On 1 June 2011 the Frauenthal Holding AG Supervisory Board approved a share option plan for the 2012–2017 period, for members of the Executive Board and for senior executives of Group companies. The Supervisory Board also resolved, separately from the share option scheme, to award an Executive Board member, Hans-Peter Moser, an option to purchase 10,000 Frauenthal shares. Mr. Moser exercised his option on 22 December 2011, acquiring 10,000 ordinary shares at a price of EUR 2 per share.

This reduced the number of treasury shares from 282,456 to 272,456, representing 2.89% of the Company's capital, and resulted in a corresponding increase in the free float to 2,284,484 shares or 24.21% of the capital. The principal shareholder remains FT Holding GmbH, with an interest of 72.9%.



- FT Holding GmbH 6,878,050
  incl. 1,900,000 unlisted registered shares
- Treasury Shares 272,456
- Float 2,284,484

TASK

Jürgen Koch, 34, is a machine operator at the Styria Federn plant in Judenburg (Automotive Components Division). The links manufactured there are preheated in ovens. Jürgen positions the products and monitors the process.

PRODUCT

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

KEY SHARE RATIOS

	2011	2010	
Shares in issue	9,434,990	9,434,990	0
Own shares	-272,456	-282,456	10,000
Shares in circulation	9,162,534	9,152,534	10,000
Per share ratios (EUR)			
EBITDA	3.9	3.8	0.2
EBIT	2.5	2.4	0.1
Profit/loss after tax	1.5	1.9	-0.4
Operating profit before working capital changes	3.4	3.2	0.2
Equity	10.8	9.8	1.0
Share price			
Year end	9.4	10.9	-1.5
High	13.52	10.9	2.6
Low	8.1	6.59	1.5
Dividend and bonus	0.3[1)]	0.3	0.0

[1)] Distribution proposed to the Annual General Meeting

SHAREHOLDER INFORMATION

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Investors' 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 88.7 incl. 1,900,000 pieces unlisted registered shares (29.12.2011)

Vienna Stock Exchange:

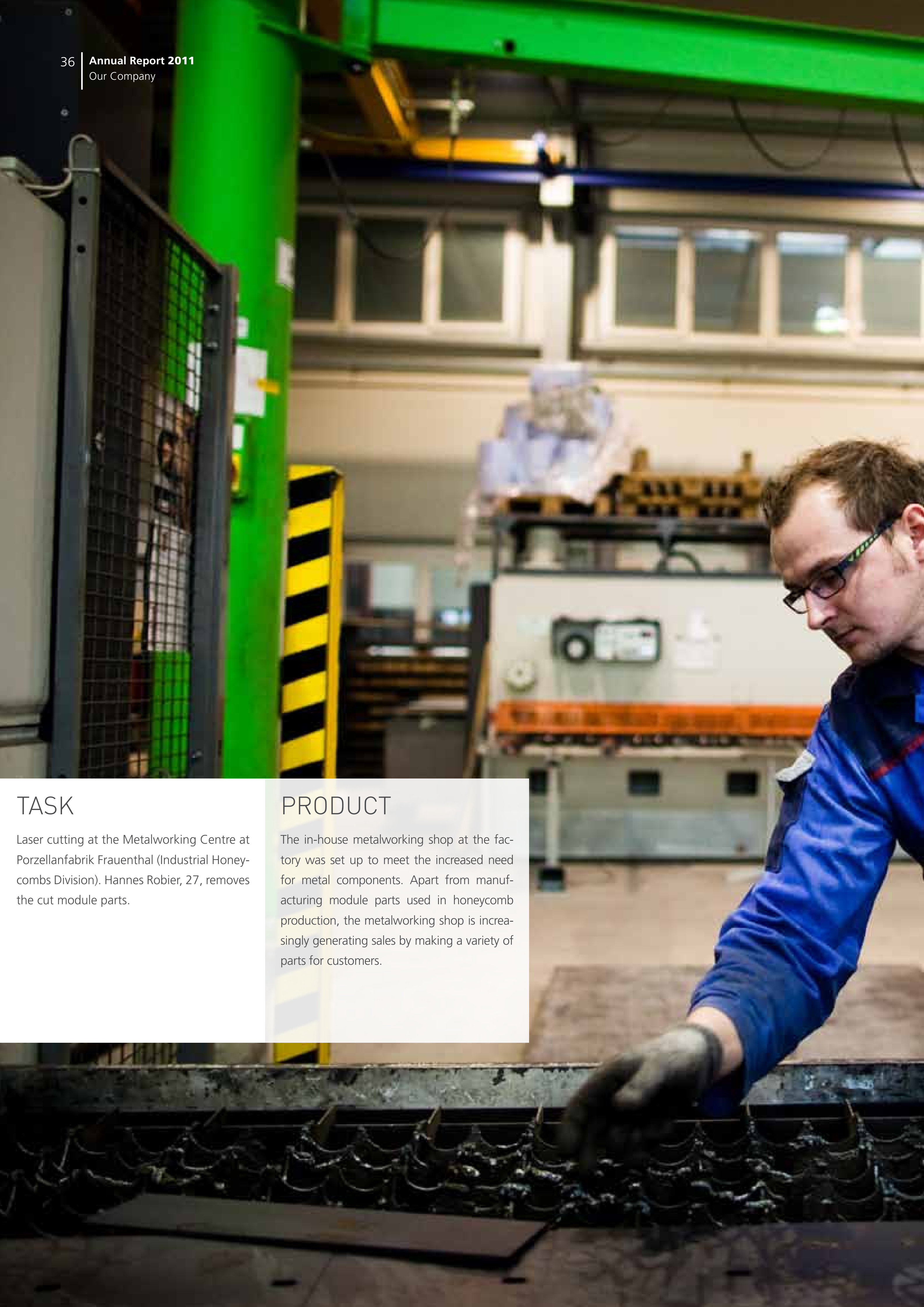
Listing on Vienna Stock Exchange official market

Symbol: FKA

ISIN: AT 0000492749 (bond 2005)

Symbol: FKA

ISIN: AT 000A0PG75 (bond 2011)



TASK

Laser cutting at the Metalworking Centre at Porzellanfabrik Frauenthal (Industrial Honeycombs Division). Hannes Robier, 27, removes the cut module parts.

PRODUCT

The in-house metalworking shop at the factory was set up to meet the increased need for metal components. Apart from manufacturing module parts used in honeycomb production, the metalworking shop is increasingly generating sales by making a variety of parts for customers.

OUR COMPANY

1921: Foundation of the Erste österreichische Porzellanfabrik in Frauental an der Lassnitz, Styria, Austria

The Frauenthal Group goes back to a porcelain factory in Frauental an der Lassnitz, Styria, Austria.

1921 Ludwig Neumann founds Erste Österreichische Porzellanfabrik. In the 1950s the company begins to focus on manufacturing hard porcelain high voltage insulators; these become its core business.

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

1985 Frauenthal starts manufacturing SCR catalysts. Later, casting filters and heat storage media are added to the honeycomb ceramics product range.

1990 A buy-out by the Swedish management results in the takeover of Frauenthal Keramik AG and the formation of the Ceram Group, which grows to become the world's second-largest porcelain insulator manufacturer.

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

1996 The Frauenthal Keramik AG Group merges with Tridelta Technische Keramik GmbH to form the Ceram Holding Group, domiciled in Jena, Germany. The merged company is the European market leader in porcelain insulators for high and ultra-high voltage applications.

1998 Ventana acquires 75.1% of the Ceram Group.

2001 The insulator business is sold to an American private equity firm, The Riverside Company. Porzellanfabrik Frauenthal GmbH, with its catalyst and non-catalytic honeycomb businesses, remains with Frauenthal Keramik AG.

2002 The Group is reorganised as a holding company for industrial investments – Frauenthal Holding AG. The acquisition of the Styria Federn Group (revenue approx. EUR 91m) from Ventana Beteiligungsgesellschaft m.b.H. increases the Frauenthal Group's annual revenue to EUR 120m. Truck components become the Group's largest line of business.

2003 Frauenthal Holding acquires a Finnish spring factory in Billnäs from Imatra Steel. The new subsidiary – Styria Jouset Oy, with revenues of approximately EUR 13m and some 90 employees – strengthens Styria Federn's market position due to its closeness to Scandinavian truck manufacturers and the fact that it operates the only factory in the area producing tubular stabilisers.

2004 The acquisition of the German Linnemann-Schnetzer Group – the European market leader in steel braking system air reservoirs – represents a major expansion of the Frauenthal Group. Linnemann-Schnetzer and the Styria Federn Group now form Frauenthal Holding's Automotive Components Division with total revenue of some EUR 170m.

The company's original focus was on manufacturing high-voltage insulators

2005 During the summer Frauenthal Holding floats the first bond in its history, successfully placing a EUR 70 million issue. In July the Group acquires ThyssenKrupp Automotive's European commercial vehicle spring business. The next acquisition follows in September, with the takeover of Austria's leading plumbing supplies wholesaler SHT Haustechnik Beteiligungs Aktiengesellschaft from Leithanien Investment Group SA

2006 Frauenthal announces the planned closure of the loss-making spring factory in Billnäs, Finland. In April the Supervisory Board approves the construction of a new factory building in Frauental to manufacture diesel catalysts, due to the strong growth potential of this product category. Hans-Peter Moser is appointed to the Frauenthal Holding AG Executive Board. Members' remits are changed, and based on divisional responsibilities. In May the Annual General Meeting resolves a ten-to-one share split. The Group's share price reaches an all-time high and subsequently holds in a range of EUR 22–24.

2007 The start of the year sees the closure of the Linnemann Schnetzer air reservoir factory in Hungary. In late May Frauenthal subsidiary SHT Haustechnik acquires Röhrich, a central heating supplies wholesaler. During the summer Frauenthal Automotive Components GmbH completes the purchase of leading U-bolt manufacturer Pol-Necks, based in Toruń, Poland, from Necks Invest. Frauenthal shares begin trading on the Vienna Stock Exchange prime market on 23 July. The year ends with yet another acquisition – the AD Fabrika Opruga Styria Gibnjara Kraljevo spring factory in Serbia.

2008 SHT builds market share as it opens three ISC outlets and a Bäderparadies showroom, and the new Y-LOG order picking system enters into service. In March 2008 Executive Board Chairman Winfried Braumann leaves the company. In September Martin Sailer is named as Deputy Member of the Executive Board with responsibility for finance. Michael Ostermann leaves the company at year end. His management responsibilities are transferred to Hans-Peter Moser and Martin Sailer, who now head Automotive Components and Industrial Honeycombs respectively. The financial crisis triggers a sharp decline in orders for truck components in the fourth quarter. Despite this, Automotive Components posts 11% revenue growth for the year.

2009 Automotive Components feels the full force of the worst economic crisis since the Second World War. The truck component business has to contend with a -63 % decline in revenue (from a record level in 2008). However, SHT and Industrial Honeycombs both perform strongly, delivering 4% and 47% revenue growth, respectively. The need to reduce capacity in the automotive component business results in the disposal of Düsseldorf-based Styria Federn GmbH and its Serbian subsidiary Styria Gibnjara Kraljevo, and the closure of the plant in Ravne, Slovenia (Styria Vzmeti) and the Styria Elesfrance air reservoir and stabiliser factory in St. Avold, France. Relocating some production lines and dispensing with unneeded holding

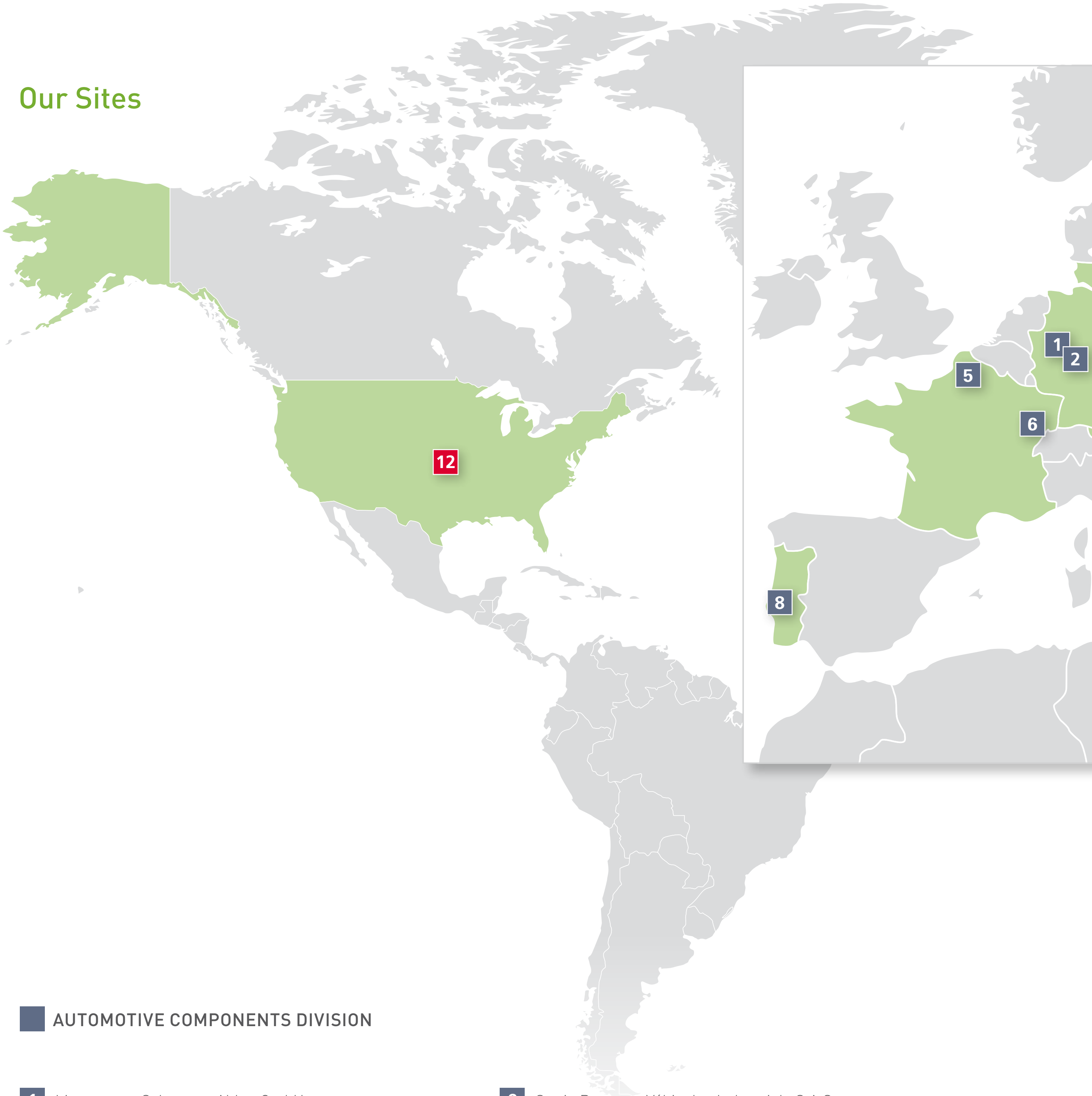
2001: Insulator activities are sold and the focus shifts to manufacturing SCR catalysts

structures enables Automotive Components to adjust its structure to a significantly smaller truck component market. The number of employees in the Automotive Components Division falls by 1,200.

2010 Following extensive restructuring during the crisis in 2009, the Automotive Components Division returns to the black. Wholesale Plumbing Supplies and Industrial Honeycombs post record results. No dividend is paid to shareholders for the 2009 financial year, in a move to strengthen liquidity and capital. As a result equity advances to EUR 17.4m, compensating almost 60% of the loss from 2009. Owing to a restrictive investment strategy and tight working capital policies, total assets rise by just 14%. The equity ratio advances by 2.5 percentage points to 30.8%. The Frauenthal Group reports some of the best results in its history as truck markets recover and all three Divisions record steady growth for a net profit of EUR 17.4m.

2011 In May the Group issues a EUR 100m, five-year bond with a coupon of 4.875%. This latest bond issue has secured long-term financing for the Group which will be spent on a number of projects aimed at driving growth. Thanks to the ongoing recovery in the commercial vehicle markets, and steady performance in the Wholesale Plumbing Supplies Division (SHT), the Frauenthal Group posted one of its best results and earnings in its history, with significant revenue gains and earnings before interest and tax (EBIT) of EUR 13.7m. However, the unfavourable operating environment meant that earnings in the Industrial Honeycombs Division are down on the record level of 2010. All divisions make good progress in implementing a strategy geared towards profitable long-term growth. The equity ratio dropped from 30.8% to 27.1% as excess liquidity from the bond issue and overall sales growth expanded the balance sheet.

Our Sites



AUTOMOTIVE COMPONENTS DIVISION

1 Linnemann-Schnetzer Ahlen GmbH
Ahlen (D)

2 Linnemann-Schnetzer Formparts GmbH
Ahlen (D)

3 Linnemann-Schnetzer Deutschland GmbH
Elterlein (D)

4 Styria Federn Ges.m.b.H.
Judenburg (A)

5 Styria Ressorts Véhicules Industriels S.A.S.
Douai (F)

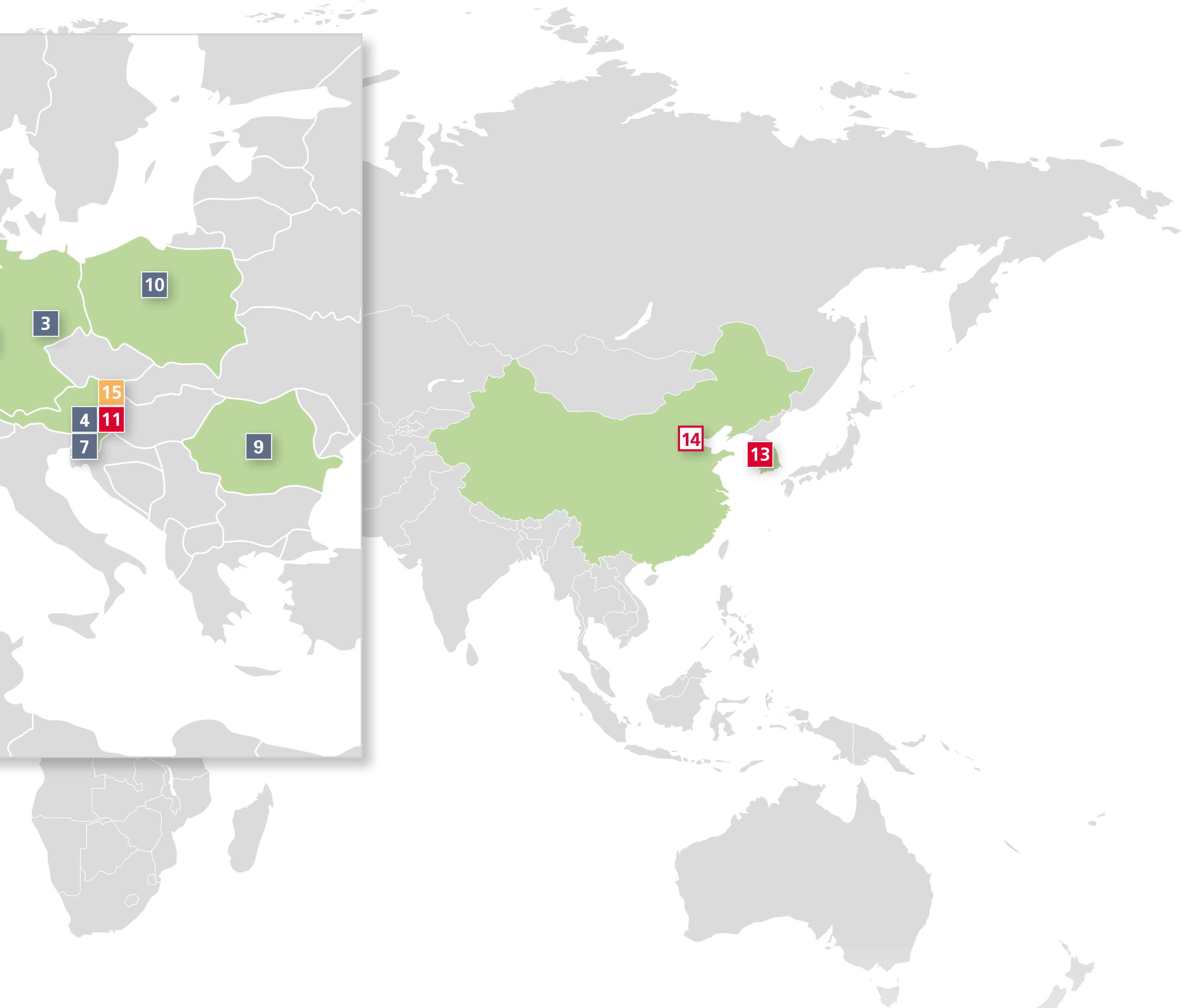
6 Styria Ressorts Véhicules Industriels S.A.S.
Châtenois (F)

7 Styria Vzmeti d.o.o.
Ravne na Koroškem (SLO)

8 Styria Impormol Unipessoal Lda.
Azambuja (P)

9 Styria Compa Arcuri S.R.L.
Sibiu (RO)

10 Pol-Necks Sp.zo.o.
Toruń (PL)



INDUSTRIAL HONEYCOMBS DIVISION

11 Porzellanfabrik Frauenthal GmbH
Frauental (A)

12 CERAM Environmental Inc.
Kansas (USA)

13 CERAM Frauenthal Korea Co. Ltd.
Seoul (KOR)

14 Beijing Ceram Environmental Engineering Co. Ltd.
Sales company under construction
Beijing (CN)

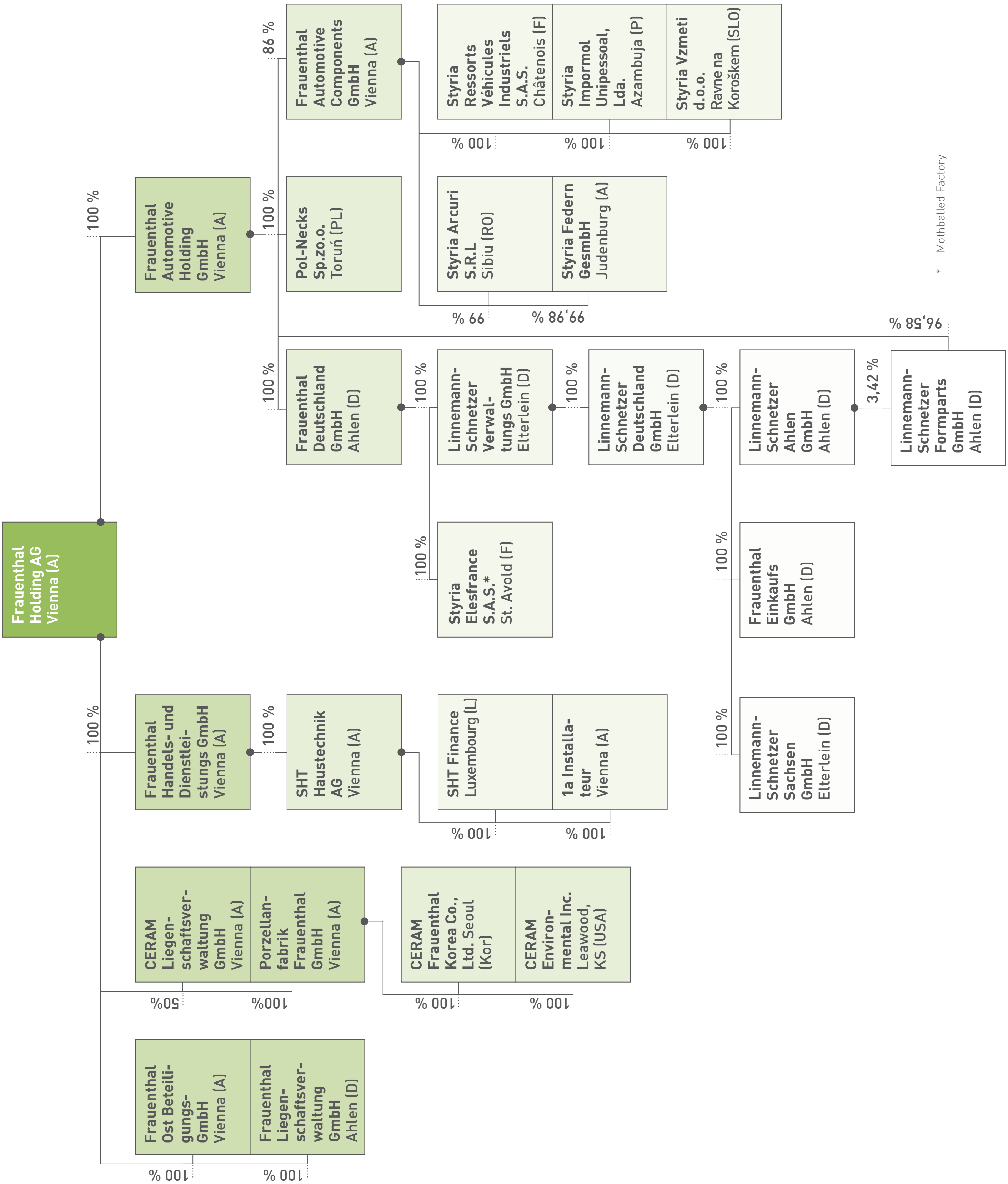
WHOLESALE PLUMBING SUPPLIES DIVISION

15 SHT Haustechnik AG
Vienna (A)

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

Our Structure

status as of 31. December 2011



* Mothballed Factory

Our corporate strategy

Frauenthal is a diversified group, consisting of three business divisions.

- Automotive Components Division: Supplier of components for suspension and braking systems (steel springs, stabilisers, air reservoirs, U-bolts), primarily to the European commercial vehicles industry;
- Wholesale Plumbing Supplies Division (SHT Group)
- Industrial Honeycombs Division: Environmental technology, including ceramic catalysts for power stations, industrial power plants and diesel motors (Porzellanfabrik Frauenthal)

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

Frauenthal Holding is not a private equity investor. Businesses are only acquired and developed if they hold the prospect of long-term value growth. We aim to generate a return on capital which exceeds that of similar companies. We invest in areas which promise growth and attractive returns on investment. Consequently, our priority is investing in quality and productivity, as opposed to revenue growth at all costs.

We regularly review opportunities in the Group's various divisions, to assess whether and to what extent they offer the possibility of increased shareholder value.

The Frauenthal Group pursues a strategy of sustainable and profitable growth, based primarily on product and process innovation, and greenfield investments. Acquisitions and partnerships should provide a good strategic fit, contributing to the expansion of our customer relationships, product portfolio, market coverage and core competencies.

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

Our production and logistics processes are constantly being refined, with the goal of achieving continuous improvements in productivity. This is vital to safeguarding our international competitiveness, since the majority of our sites are located in high-cost markets. Efficient company structures serve to sharpen our competitive edge.

Frauenthal Holding AG has a lean organisational structure and performs central management functions. Divisional chief executives are responsible for operations, and meeting the budget targets set for them.

Management development and human resources (HR) initiatives are steered by the holding company. The principles underlying our HR policy are geared towards supporting and developing employees over the long term, so that they have the best possible opportunities for further training and assuming more responsibility. By identifying high potentials at an early stage, we are able to develop experts and managers internally, limiting our dependence on the increasingly competitive market for talent.

The Group's finances are managed centrally by Frauenthal Holding AG. The financing strategy is based on a solid equity ratio and secured long-term borrowing. Long-term stability is more important to us than short-term optimisation. Growth projects are financed at an appropriate level of risk and, as far as possible, by the respective business division. Risk spillover to other divisions should be avoided.
The Group's investor relations and communications policies are designed to supply the equity and bond markets with comprehensive, transparent and up-to-date information.

Innovation and Continuous Improvement – a key success factor

"The question is: how can I make life easier by introducing changes in my day-to-day work? If we can do that, it will generate positive effects for employees and for the company as a whole"

Wolfgang Grasl, Director Continuous Improvement, Automotive Components Division

For the Frauenthal Group, innovation is chiefly a matter of continuously improving product quality, production processes, and our product and service range, as opposed to extensive research into basic technologies. The majority of the Group's products are technically mature and already well established on the market. We strive to develop innovative customer service solutions, in particular through the use of IT, so that we can increase customer benefits by offering simpler access to our service portfolio, greater transparency and prompt, error-free delivery. We also work to strengthen customer relationships by introducing new services that address customer needs, are difficult to replicate and as a result generate a competitive advantage.

Product innovation involves improving material properties, optimising production processes, and developing new product designs and applications for existing products. Innovation in manufacturing processes may comprise improvements such as redesigning factory layouts, optimising production flows, investing in plant that improves quality and productivity, fine-tuning production processes, and standardising and stabilising individual manufacturing steps. Pre-assembling various components, so as to cut the cost of product mounting for customers, is an example of product design innovation. We also aim to be innovative in our internal processes, as a means of driving progress in terms of cost and quality benefits. created a competitive advantage.

All of the Group's divisions realised innovations during the year under review. Frauenthal Holding provided centralised support, and the divisions shared their expertise and experience in innovation management.

Automotive Components – focus on weight reductions

The key objective of product innovation in the Automotive Components Division is to make chassis components lighter, which in turn helps reduce fuel consumption and enables greater load capacities. 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 2013, is an important consideration, as the new emission limits can only be met by means of further fuel savings – and this in turn requires weight reductions. All of our customers are aggressively pursuing weight reduction targets for their new Euro 6 vehicle ranges. Thanks to products such as high-tension springs for front axles, and tubular stabiliser bars, the Automotive Components Division

Andreas Raindl

Christoph Pfarrhofer

can offer weight reductions of up to 30kg. The use of more highly tensioned springs for front axles allows the number of spring leafs to be reduced. Tubular stabiliser bars are more costly to produce than solid stabilisers, but they are up to 15kg lighter. Improved materials are the only way to achieve even higher tension levels and further weight reductions. To boost our R&D capacity accordingly, we will be investing in a materials research laboratory in year 2012.

The continuous improvement initiative introduced at all sites in 2009 involved workshops, the appointment of local initiative pilots and countless individual improvements. The initiative is a step towards creating a learning organisation, and is also aimed at cutting costs and raising capacity by reducing lead times. Local initiative pilots (seven in total) have been nominated at all sites, and are responsible for training, as well as implementing numerous incremental improvements.

Wholesale Plumbing Supplies (SHT) – focus on customer service

The ever-wider application of state-of-the-art IT technologies enables us to enhance customer service and gain a decisive advantage over our competitors. SHT is the first wholesaler to offer its customers the option of planning plumbing installations, such as new bathrooms, on their iPad. Users can step into their virtual dream bathroom with the iPad app. All of our catalogues are available in the App Store, allowing professional plumbers and heating engineers to select the perfect range of fittings on site with their customers. SHT's field sales force can

> "If I have all the information at my fingertips when I am on site with the customer, I can carry out an analysis and reach a decision quickly."
>
> Christoph Pfarrhofer, Vice President Sales,
> Wholesale Plumbing Supplies Division

find all the data they need via the app, and prepare effectively for sales calls.

In logistics, the precise monitoring of the goods flow down to each individual article means that the bar has been raised even higher in terms of delivery quality and warehouse efficiency. In addition, we have improved customer access to telephone sales by reorganising our call centre.

Industrial Honeycombs – improved catalyst performance at constant volumes

One of the key strategic goals for Porzellanfabrik Frauenthal is the development of diesel engine catalysts that deliver higher performance and comply with the Euro 6 emissions standard. Increasing the active catalytic surface improves the NOx reduction rate, making it possible to meet the demanding new emissions standard, which will enter into force in 2014. This requires larger diameters, and in order to limit increases in weight and volume – a key consideration for commercial vehicle manufacturers – higher cell densities are needed, which in turn means thinner cell walls. Along with the mechanical and thermal stability of the catalyst, this is


Beatrice Rossmanith

"We are continually improving the materials we work with, and our lab provides precise chemical and physical analyses. State-of-the-art lab technology and years of experience set us apart from the competition."

Beatrice Rossmanith, Industrial Honeycombs Division

a critical success factor. Manufacturing such sophisticated products while maximising productivity and keeping rejects to a minimum, requires fine-tuning of materials and production processes. Our extensive experience, broad-based specialist know-how and highly qualified employees mean that Frauenthal is in a unique position to deliver outstanding technical performance.

The Industrial Honeycombs Division is currently the only part of the Frauenthal Group which carries out basic materials research. One important focus is research into new material mixtures – a key strategic factor, given the increasing prices of some raw materials and the threat of temporary raw material shortages.

Die Innovationsstrategie der Frauenthal-Gruppe

Innovation does not happen by chance: it is the product of a corporate culture which fosters innovation. The essential features of such a culture include tailored incentive schemes, effective internal communications, transparency, investments in technological infrastructure, external partnerships, training programmes, appropriate financial and human resources, and management support for innovation. Each of the Group's divisions also has access to a wealth of expertise and experience, which is shared across the Group.

Automotive Components

INTERVIEW WITH MAGNUS BAARMAN AND JOSEF UNTERWIESER, JOINT MANAGING DIRECTORS OF THE AUTOMOTIVE COMPONENTS DIVISION.

With revenue growth of 23.9% and EBIT of EUR 7.4m, Automotive Components (FAC) is back on the road to success. Does this mean that divisional restructuring activities are now complete?

Baarman: We are now in a phase of continuous expansion. As part of our strategy we also set specific development goals for the expansion of our production network and cross-company functions. Restructuring is now in full swing as we forge ahead with our various investment projects. At Styria Arcuri in Romania, the first phase of expansion towards becoming a 20,000 tonne plant is almost complete. We are investing in facilities for new product generations and materials research at Styria Federn Judenburg in Austria and Styria Ressorts Véhicules Industriels in France. I could list more examples, but the main point here is that the customers are responding well to our efforts. In light of the buoyant order intake, development partnerships, and lively interest in our new, higher-performance products, I am convinced that we are on the right track.

> "Restructuring is now in full swing as we forge ahead with our various investment projects."

Which areas have seen the Automotive Components Division strengthen its market standing?

Baarman: The most significant new order came from a very large customer for high-tension front axle springs for its next generation Euro 6 compliant trucks. Our product offers better performance and is lighter. The fact that we can offer this is testament to the strength of our development activities. I am particularly pleased that we harnessed our cross-selling potential once again in 2011, and won new customers for air reservoirs and U-bolts. These successes demonstrate that our "one face to the customer" approach is gaining traction. Instead of individual plants, the Automotive Components Division is putting its full range of products at the customers' disposal. We are calling the group Frauenthal Automotive, Smart Parts for Trucks.

> "Our dedicated development activities were the key to securing the Division's most significant new order"

The decision was taken to discontinue formed parts and welded assemblies manufacturing in Ahlen. What were the reasons behind this decision?

Unterwieser: We are no longer pursuing these operations due to their incompatibility with the cost base in North Rhine-Westfalia, and insufficient volumes. In addition, management is unable to envisage building a solid market position for these product families. Despite intense marketing efforts we have been unable to win enough orders for these components as they have a low development input and are not of strategic importance to customers. The products are also strategically insignificant for Frauenthal, and as a result the product groups do not justify the disproportionate level of management attention that would be required to achieve a successful turnaround.

There is constant pressure on component manufacturers to offer customers price reductions in order to secure long-term orders. How do you cope with these expectations?

Unterwieser: The Continuous Improvement initiative that we launched in 2009 delivers many benefits, including attractive price reductions thanks to a large number of smaller measures. For example, we are currently planning a project which will slash energy consumption by about EUR 1m; measures range from better insulation for furnaces to optimised machine control systems.

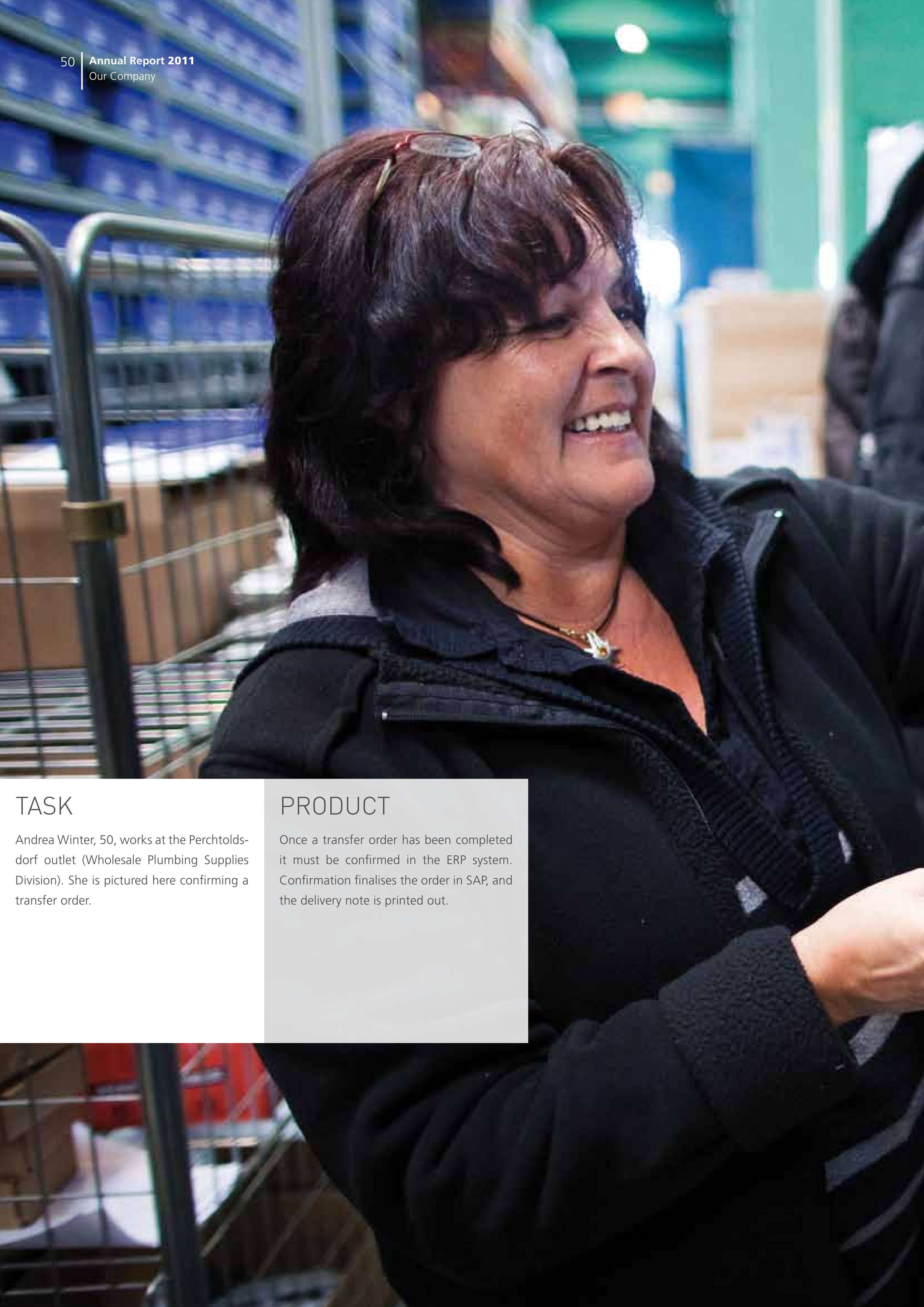
> „Our Continuous Improvement Initiative has delivered considerable potential for cost savings."

Josef Unterwieser, Magnus Baarman, Hans-Peter Moser

You have largely achieved your ambition of anchoring the "one company" mentality in your Division and now the task is to take the message to the outside world. How do you plan to do this?

Unterwieser: From 1 July 2012 the Automotive Components Division will operate under the new name of Frauenthal Automotive smart parts for trucks and all other company names will be adapted accordingly. Every plant is currently operating under its legacy name, but will be given a new name that begins with "Frauenthal Automotive" and has a suffix indicating the function (e.g. Frauenthal Automotive Management) or the location (e.g. Frauenthal Automotive Judenburg). The new names of the plants are as follows:

Frauenthal Automotive Holding GmbH
Frauenthal Automotive Management GmbH
Frauenthal Automotive Torun Sp. z o.o
Frauenthal Automotive Sales GmbH
Frauenthal Automotive Lorraine S.A.S.
Frauenthal Automotive Administration GmbH
Frauenthal Automotive Elterlein GmbH
Frauenthal Automotive Saxony GmbH
Frauenthal Automotive Sourcing GmbH
Frauenthal Automotive Ahlen GmbH
Frauenthal Automotive Westphalia GmbH
Frauenthal Automotive Sibiu S.R.L
Frauenthal Automotive Judenburg GesmbH
Frauenthal Automotive Azambuja Unipessoal Lda.
Frauenthal Automotive Ravne d.o.o.
Frauenthal Automotive France S.A.S.



TASK

Andrea Winter, 50, 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.

Wholesale Plumbing Supplies (SHT Group)

INTERVIEW WITH SHT HAUSTECHNIK AG EXECUTIVE BOARD MEMBERS BEATRIX POLLAK, WOLFGANG KNEZEK AND MANFRED PRINZ

Die SHT konnte auch 2011 wieder zulegen, obwohl der Markt nur sehr moderat gewachsen ist?

Pollak: In 2011 we saw the first increase in commercial building starts in four years, and the growth in contract business outpaced that in the private renovation market. Of course, this shift in the product mix put more pressure on margins. Our competitors have expanded capacity, especially in eastern Austria, and are employing aggressive price policies to generate sales in the large-scale contract segment. The pressure on prices had some impact on us, but we are sticking to our strategy of putting profitability before revenue. We have also scaled back our activities in the do-it-yourself segment on account of unreasonable price demands. Against this backdrop I am particularly proud that the Division succeeded in significantly improving its gross margin. And we will continue to pursue this goal systematically, by optimising procurement, tailoring our service and price policies to customer needs, and promoting our premium product range. We are fully aware that as the market leader, our competitors will seize every opportunity to gain ground on us. In eastern Austria in particular, we have had to defend our position by further optimising our product range, logistics and after-sales service. In other parts of the country, the expansion of our logistics and sales network has helped us add market share.

> "I am particularly proud that the Division succeeded in significantly improving its gross margin."

High-performance logistics is a decisive competitive factor in the wholesale segment. How can SHT build on its extremely strong position in this regard?

Knezek: We keep very close track of our logistics performance, following a range of parameters that have a direct impact on our customers. The Division achieved a new record of 0.20% for error rates in the picking of articles for delivery. New software will help us to further improve traceability in the goods flow and boost warehouse efficiency. And we have increased customer access to telephone sales by reorganising our call centre. We will also be looking to expand our logistics capacity in eastern Austria, where we are currently stretched almost to our limits.

You joined SHT's Executive Board in October, and you have a wealth of experience in IT. What are your goals for 2012?

Prinz: Firstly, I would like to express my respect for all the efforts that have gone into expanding SHT in recent years. It's certainly a challenge to join the market leader in terms of sales and service quality, and to find ways to contribute to the company's further growth.
I am extremely impressed by the quality of SHT's staff and the level of service they provide. I see my main task as helping the Division to streamline existing processes and develop new solutions by capitalising on the rapidly increasing range of options presented by IT. Our focus is on customer benefits – easier access to services, improved transparency and faster order processing, to name but a few. The most immediate challenge is the upcoming SAP release change.

> „Our focus is on customer benefits – easier access to services, improved transparency and faster order processing."

You are targeting further improvements in profitability. Does that mean you will be curbing SHT's expansion?

Pollak: On the contrary, strong profitability is essential to support ongoing investments in expanding the service portfolio. We are currently investing heavily in our retail space, with some new outlets, and upgrades at other locations. Thanks to our strong reputation across the country, we can emphasise the SHT brand in our marketing activities, and gradually move away from the traditional brands such as Kucharik and VS-Sanitär. SHT is also taking steps towards expanding into neighbouring countries, where we can leverage synergies in purchasing and logistics.


Manfred Prinz, Wolfgang Knezek, Beatrix Pollak, Hans-Peter Moser

About SHT

Values: SHT offers its partners high-value services, and is committed to:

- greater ambition: SHT has the hardest-working consultants
- greater precision: SHT's logistics specialists have the keenest eye for detail
- greater fairness: SHT deals fairly with its partners

Infrastructure: Thanks to a highly developed distribution network consisting of six logistics centres and eight sales outlets, SHT can react swiftly to customer inquiries. Total warehouse space across Austria adds up to 70,000 square metres. The company's painstaking logistics management is the key to customer satisfaction. Plumbers can find the goods they need locally at one of around 40 ISC pick-up stores. SHT's 12 premium Bäderparadies bathroom showrooms present a comprehensive range of design options. Detailed advice and state-of-the-art planning software are all part of the service. Staff at the company's seven heating and energy advice centres have extensive expertise in all aspects of energy engineering.

Product range: The company supplies leading industry brands alongside its own Prisma and SaniMeister lines and its exclusive elements range. It offers a total of 500,000 items, 28,000 of which are kept permanently in stock.

1A-Installateure: 1a-Installateur Marketingberatungs-GmbH, a wholly-owned subsidiary of SHT, offers its member firms marketing services (such as coordination of advertising campaigns) and training seminars.

Industrial Honeycombs

INTERVIEW WITH KARL FÜHRER AND CHAOHONG ZHU, JOINT MANAGING DIRECTORS OF PORZELLANFABRIK FRAUENTHAL GMBH.

Porzellanfabrik Frauenthal faces major challenges. What are your priorities in tackling them?

Führer: We are aiming high with our growth strategy. Our top priority is breaking into additional segments of the power station market with our new plate catalysts. The strong order intake shows that our decision to become the third company in the world to offer this product was a good move. It allows us to bid for contracts that our honeycomb catalysts are not well suited to. The power station market in Europe and the US is still growing – with the usual ups and downs – though the downward pressure on prices, combined with mounting material costs, is a headache for us. That makes action to improve profitability another priority. In 2011 we again invested in increased vertical integration, so as to replace expensive bought-in parts. Keeping down the use of costly materials and looking for low-cost sources of supply are major concerns.

"Power station market in Europe and the US still powering ahead"

2011 was another year of rapid growth in diesel catalyst sales. What are you up against in this line of business?

Zhu: One of the keys to continued growth is entering new diesel catalyst markets. We are targeting Brazil, where the current European emission standard – Euro 5 – is being introduced, and Europe, where the stricter Euro 6 standard is due to come into force in 2014. The main selection criteria for automotive customers are reliability and flexibility on deliveries, and ongoing product development. Because of the strong demand from our automotive customers we have actually had to borrow capacity from the power station business to make diesel catalysts, so I am very glad that the green light has been given to a major investment project. From 2012 on we will not only have a lot more capacity, we will also be able to achieve high productivity when making large catalysts with high cell densities for trucks, agricultural machinery and construction plant. This gives our customers security of supply, and Frauenthal a technological USP. I'm also upbeat about our prospects of breaking into the Brazilian market with the Euro 5 range, in tandem with our European customers. Our products are ideal for local market conditions.

What are your plans for China?

Zhu: China will undoubtedly turn into a giant market for both power station and diesel catalysts. Thanks to the sales over the past few years we have an excellent reputation there. I want to build on that and make the most of the current phase in the market, to win clients in the power generation sector, and to sensitise the commercial vehicle industry to the technological advantages of our products. We have strengthened our local sales organisation to do that.

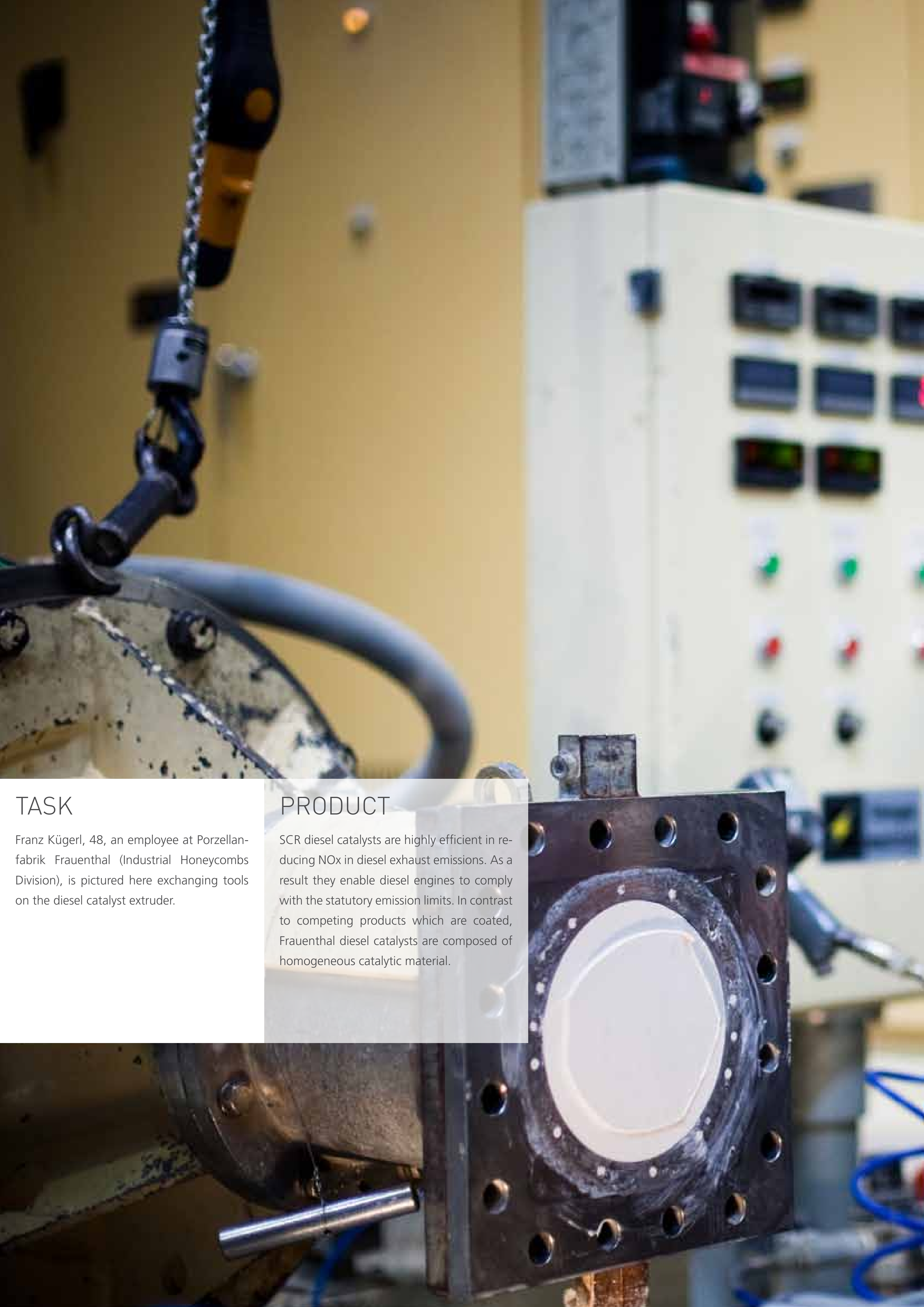
Unlike their European counterparts Chinese truck manufacturers don't have any experience of production models with complex exhaust emission control systems. If China introduces Euro 5 in the next few years we'll have to be ready to market complete systems with SCR catalysts, oxidation catalysts, particulate filters, electronics, and so on – perhaps together with a partner. We are currently examining a number of options for achieving this ability to deliver system solutions.

How are you readying the organisation to meet the challenges of your new markets?

Führer: The Industrial Honeycombs Division has trebled its revenue since 2002, and developed new products and markets. To adapt our internal resources and structures to this rapid growth, we launched a change management project at the start of this year, and we have also reinforced some key areas of operations. With the assistance of our new HR manager, we have recruited specialists and trainee managers for the R&D, Product Management, Innovation Management and Sales & Marketing departments.

Frauenthal Holding has helped us to drive progress with the internal development of high potentials. Other projects that are currently under way involve refining our management information systems, and planning capacity expansions at our Frauental site. We can build on the strengths of our traditional business – a loyal and highly motivated workforce, and world leading technological expertise – to add to our excellent global reputation.

Martin Sailer, Karl Führer, Chaohong Zhu



TASK

Franz Kügerl, 48, an employee at Porzellanfabrik Frauenthal (Industrial Honeycombs Division), is pictured here exchanging tools on the diesel catalyst extruder.

PRODUCT

SCR diesel catalysts are highly efficient in reducing NOx in diesel exhaust emissions. As a result they enable diesel engines to comply with the statutory emission limits. In contrast to competing products which are coated, Frauenthal diesel catalysts are composed of homogeneous catalytic material.

OPERATING REVIEW

OPERATING REVIEW

Business performance

All in all, 2011 was an excellent year for the Frauenthal Group, though divisional results present a mixed picture. The Automotive Components Division returned 23.9% revenue growth and highly satisfactory earnings, thanks to the continued recovery in the European commercial vehicle market and a strong export performance. The Wholesale Plumbing Supplies Division (SHT) made significant advances in productivity and recorded solid growth despite very muted market growth. In the Industrial Honeycombs Division revenue held up well but earnings declined sharply due to persistent downward price pressure, mounting material costs and an unfavourable trend in the US dollar exchange rate. The Frauenthal Group posted EBIT of EUR 22.5m and a profit for the year of EUR 13.7m. Despite payment of a dividend of EUR 0.30, equity as at the end of the reporting period was EUR 99m. The equity ratio dropped from 30.8% to 27.1% as the EUR 100m bond issue and overall sales growth expanded the balance sheet.

The European commercial vehicle market extended its recovery, driven by catch-up investment and climbing industrial production. Commercial vehicle registrations in the EU rose by 10% overall, and those of heavy goods vehicles jumped by 36%. Thanks to the moderate recovery in the commercial new build segment of the construction market and increased market shares, the Wholesale Plumbing Supplies Division registered 3% revenue growth. Earnings grew faster than revenue thanks to an improved gross margin. Revenue in the Industrial Honeycombs Division was down by 7.2%. The recovery in the commercial vehicle market lifted diesel catalyst sales by 71.4%.

Implementation of the Group's long-term expansion strategy progressed across all three divisions.

Trading environment

Following growth of around 5% in 2010, the global economy continued to recover in 2011, expanding by some 4%, although there was a sharp slowdown in the fourth quarter as a result of the financial crisis. A striking feature of recent trends is the fact that the growth forecasts for the CEE countries have converged with those for Western Europe. Growth slowed somewhat in China, but was still above 9% in 2011; however, the prognosis for 2012 is considerably bleaker due to the uncertain economic climate.

Industrial production – an important growth driver for the commercial vehicle sector – was up by 3.3% in the EU as a whole and by 1.3% in Germany in 2011.

Optimism in the light of a relatively rapid revival in economic activity in the fourth quarter of 2010 and the first quarter of 2011 gave way to deep gloom, as the financial crises that engulfed Greece, Portugal, Spain and Italy shook confidence in the public finances and began to the threaten the stability of the European banking system. During the second quarter of 2011 industrial production, solid until then, began to lose steam due to worries about a looming credit crunch, the negative impact of public saving cuts and the impression that policymakers were consistently behind the curve in managing the crisis. The investment climate in Europe has deteriorated due to the general uncertainty about the future of the financial system. With the dramatic crisis of 2009 still fresh in their memories, many companies – including Frauenthal – are being very cautious about new investments.

Interest rates continued to rise going into the second quarter, and the one-month Euribor peaked at 1.325% (on 30 June 2011) and the five-year rate at 2.62% (on 27 February 2011). Towards the end of the year the one-month Euribor fell to 1.024% (30 December 2011) and the five-year rate to 1.78% (19 December 2011). As there was no real danger of inflation getting out of hand, the European Central Bank was able to concentrate on providing the banking system with sufficient liquidity. Experts regard an increase in interest rates in 2012 as unlikely.

Due to the euro crisis the exchange rate of the US dollar against the single currency climbed in the course of the year. The medium-term forecasts put the dollar at 1.38 to the euro (in August 2012).

More than ever, the current unpredictability of the financial environment calls for an agile approach to business planning. In the cyclical Automotive Components Division, we have created the conditions to adjust capacity quickly when there are swings in demand. The downgrading of commercial vehicle demand in forecasts, which started during the fourth quarter, is a clear indicator of the poor economic outlook for 2012.

There were wide regional variations in European demand for commercial vehicles in 2011. The main engines of growth were Germany – the largest national market in the EU – where sales were up by 20%, and the United Kingdom, where they rose by 18%. Commercial vehicle registrations as a whole were up by 10% across the EU. In the key heavy goods vehicle segment EU sales surged by 36%, with the CEE member states recording the highest growth rates, but momentum slowed in the fourth quarter. Production continued to expand, supported by a sharp pick-up in exports to Brazil and Russia.

In the Automotive Components Division revenue was up by 23.9%; the growth rate was significantly higher in the first half than the second. Output largely followed demand as inventories of unsold vehicles had already returned to normal in 2010.

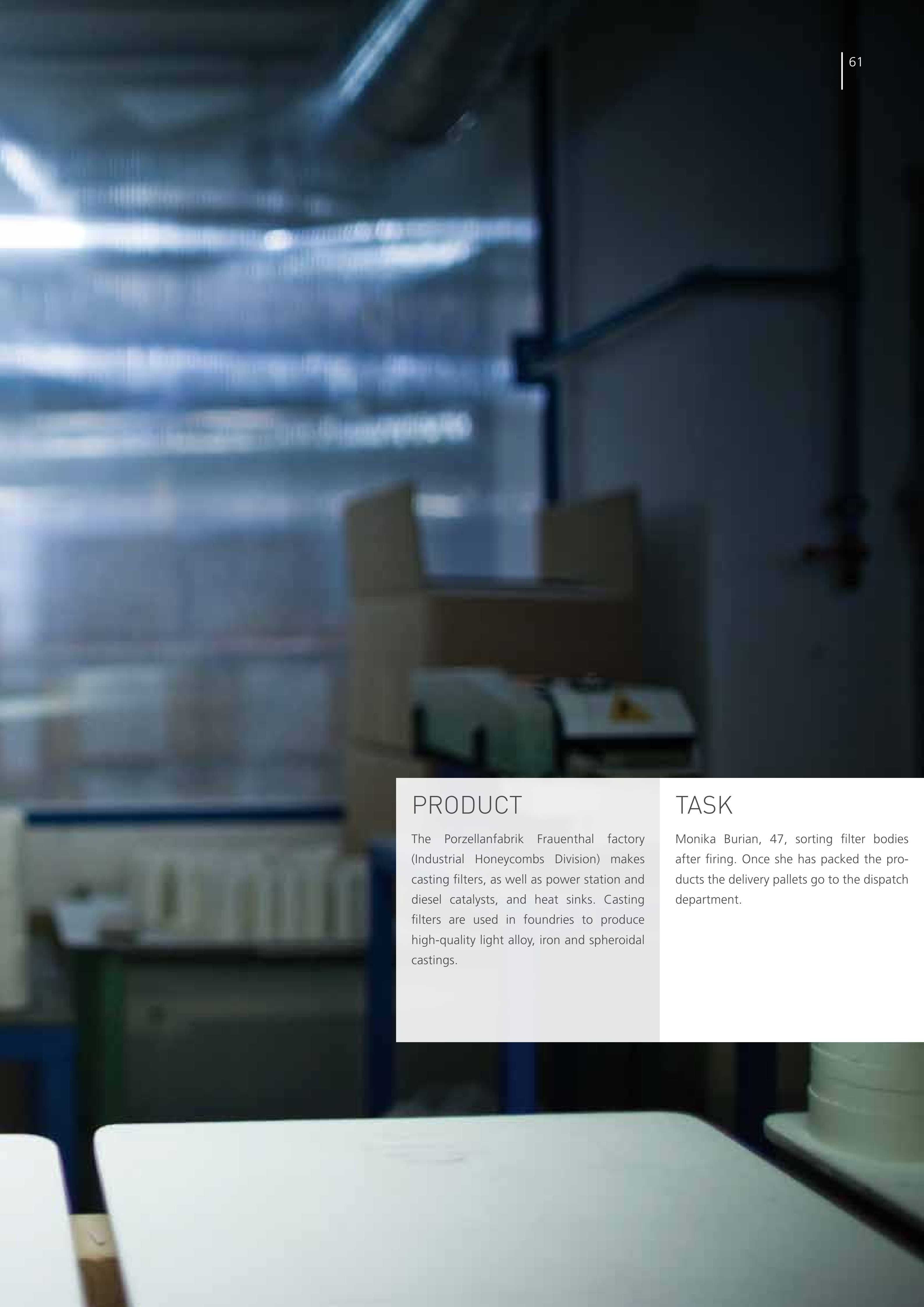
The Industrial Honeycombs Division posted the second-best earnings performance in its history at EUR 7.3m, despite an extremely adverse trading environment. The fall of EUR 3.6m (or 33.4%) in EBIT as compared to the record figure in 2010 should be seen in this context. Three factors were chiefly responsible for the fall-off in earnings. US dollar exchange rate movements were unhelpful, whereas the division had benefited from the strength of the dollar in 2010. Around one third of divisional revenue was invoiced in dollars. The most important negative development vis à vis 2010 was steep increases in material prices, which our contractual agreements prevent us from passing on to customers immediately.

The rise of over 30% in the world market price of tungsten was particularly painful. Due to global economic trends we do not expect prices to climb higher for the foreseeable future. Earnings were also severely impacted by price reductions that we were obliged to grant to one of our important truck diesel catalyst customers, in order to retain its business and to secure opportunities to enter new market segments. The drop in earnings was not volume related, and honeycomb production capacity was fully utilised throughout the year.

The main factors that influence the performance of our Wholesale Plumbing Supplies Division (SHT) are construction activity in Austria, and the willingness of private households to invest in renovation and in renewing plumbing and heating systems. Despite the slight contraction of the economy towards the end of 2011, the construction markets served by SHT held steady. Price competition in the large-scale contract segment is very fierce, and this is squeezing margins, while public sector orders are failing to provide any stimulus. But the private renovation segment again prospered in 2011, following a run of very rapid growth in the preceding periods. The Wholesale Plumbing Supplies Division (SHT) was able to increase gross margin despite an increased proportional revenue contribution from contract business. This was achieved by focusing on the higher end of the product range and pulling out of unprofitable market segments. Demand growth and market share gains in western and southern Austria drove a solid growth performance at 3%, which reflected both volume growth and improved profitability.

Changes in liquidity

The main developments affecting the Frauenthal Group's liquidity in 2011 were the EUR 100m bond issue (a five-year bond with a coupon of 4.875%), and increased business volume. Net liquidity narrowed by EUR 18m as compared to the end of the previous reporting period, squeezed by higher investment and output growth. EUR 43m of the issue proceeds were devoted to early redemption of the EUR 70m bond maturing in June 2012. The increase in the Group's liquidity needs was driven by 9% revenue growth, changes to the business mix in the Industrial Honeycombs Division, the EUR 14m rise in investment and the EUR 2.7m dividend payout (no dividend was paid in 2010). Strong operating profit before working capital changes of EUR 31m compensated for the increase in working capital caused by higher output. We continued to widen our banking relationships, and added to them with new financiers located abroad. At year end the Group had EUR 138m in unused credit lines. Finance costs rose as a result of the interest due on the new bond, and higher interest rates in the first half of the year.



PRODUCT

The Porzellanfabrik Frauenthal factory (Industrial Honeycombs Division) makes casting filters, as well as power station and diesel catalysts, and heat sinks. Casting filters are used in foundries to produce high-quality light alloy, iron and spheroidal castings.

TASK

Monika Burian, 47, sorting filter bodies after firing. Once she has packed the products the delivery pallets go to the dispatch department.

Management's Analysis of Results

Thanks to the ongoing recovery in the commercial vehicle market, which was particularly robust in the first three quarters, and solid trading in the Wholesale Plumbing Supplies Division (SHT), the Frauenthal Group posted revenue growth of EUR 48.5m to EUR 587.9m, and one of the best EBIT performances in its history, at EUR 22.5m. However, an unfavourable operating environment meant that earnings in the Industrial Honeycombs Division were down on their 2010 record level.

REVENUE

IFRS consolidated revenue for 2011 was up by 9% year on year to EUR 587.9m. This gain was largely due to the impact of the recovery in the commercial vehicle market and the performance of the Automotive Components Division. The largest revenue contribution – almost all of it generated in Austria – came from the Wholesale Plumbing Supplies Division, at EUR 278.8m.

EUR '000	2011	2010	Change
Revenue by reportable segments (revenues from external customers)			
Automotive Components	235,315	190,000	45,315
Wholesale Plumbing Supplies	278,839	270,639	8,200
Industrial Honeycombs	73,678	78,724	-5,046
Other	25	22	3
Frauenthal Group	**587,857**	**539,385**	**48,472**

The Automotive Components Division recorded a 23.9% jump in revenue to EUR 235.3m on the back of 10% growth in the European commercial vehicle market. Demand was lifted by the heavy goods vehicle segment, which registered a 36% surge in sales, reflecting the continued rebound in industrial production, and a marked pick-up in exports by the European commercial vehicle industry.

In spite of the sluggish recovery in the construction market, revenue in the Wholesale Plumbing Supplies Division rose by a solid 3%, to reach EUR 278.8m. The main growth drivers were a moderate upturn in commercial building starts, which had been particularly hard hit in the preceding periods, and the continued upturn in private renovation. The latter segment failed to match the extremely high growth rates of previous years. Unrealistic price demands led to a considerable drop in deliveries to do-it-yourself chains.

Revenue in the Industrial Honeycombs Division dropped by 6.4% to EUR 73.7m, but total output was almost unchanged. Diesel catalyst sales jumped by EUR 10m, or 71.4%, to EUR 24m. The power station catalyst business traded well in Europe and the USA, and the division secured substantial orders for its new plate catalysts. Chinese sales declined, depressed by the fact that although legislation requiring higher environmental standards is now in place, implementation is only rudimentary so far.

EUR '000	2011	2010	Change
Geographical information			
Austria	298,889	288,562	10,327
Germany	109,304	91,177	18,127
France	21,986	23,130	-1,144
Sweden	44,451	30,880	13,571
Belgium	22,123	13,921	8,202
Other EU	51,610	37,744	13,866
Rest of Europe	10,379	9,863	516
Americas	20,110	15,966	4,144
Asia	8,624	27,904	-19,280
Other	381	238	143
Frauenthal Group	**587,857**	**539,385**	**48,472**

EARNINGS

Group EBITDA advanced by EUR 1.7m year on year to EUR 36.0m. The largest divisional earnings contribution was from the Automotive Components Division at EUR 14.1m – up by 42.0%. Wholesale Plumbing Supplies accounted for EUR 13.4m (+14.2%) of total EBITDA, and Industrial Honeycombs for EUR 10.5m (-23.2%).

EUR '000	2011	2010	Change
EBITDA by reportable segments			
Automotive Components	14,070	9,909	4,161
Wholesale Plumbing Supplies	13,425	11,752	1,673
Industrial Honeycombs	10,538	13,724	-3,186
Other	-2,005	-1,063	-942
Frauenthal Group	**36,028**	**34,322**	**1,706**
as % of revenue	6.13%	6.36%	-0.23%

The improvement in the Automotive Components Division's earnings was mainly driven by productivity gains. Increased efforts on the product development front and continuous improvements to productivity and product performance translated into tangible success. An example of this was the agreement signed with a leading commercial vehicle manufacturer to supply high tension front axle springs for its next-generation range. The division also won a major new customer for its air reservoirs. These breakthroughs highlight the strategic importance of a broad product portfolio that lends itself to cross-selling. Divisional EBIT leapt by 88.2% year on year to EUR 7.4m.

The Wholesale Plumbing Supplies Division recorded one of the best EBIT results in its history. Revenue growth, judicious purchasing and pricing policies, and efforts to push premium products led to a marked improvement in profitability, lifting EBIT by 24.7% to EUR 10.1m. This result was especially impressive in view of the fact that our share of revenue in the fiercely contested contract market segment increased. The division again relentlessly pursued its strategy to consolidate its market leadership by enhancing its logistics capabilities and service quality.

However, an unfavourable operating environment meant that earnings in the Industrial Honeycombs Division were down on their 2010 record level. Management was largely powerless to influence rising material prices, an unfavourable US dollar exchange rate trend, and the need to make concessions on diesel catalyst prices. Nevertheless, EBIT of EUR 7.3m (-33.4%) was the second best in the division's history. Industrial Honeycombs operated at full capacity thanks to a 71.4% jump in diesel catalyst sales, which partly offset the fall-off in Asian demand for power station catalysts. Power station catalyst sales were strong in Europe and the USA, and the division secured substantial orders for its new plate catalysts.

The change in the item "Other" is largely attributable to project costs borne by Frauenthal Holding AG.

EUR '000	2010	Organic growth	Impairment losses	2011
Profit or loss				
Revenue	539,385	48,472		587,857
EBITDA	**34,322**	**1,706**		**36,028**
EBIT	21,705	998	-180	22,523
Net finance costs	-3,618	-2,443		-6,061
Profit before tax	18,087	-1,445	-180	16,462
Profit after tax	17,373	-3,460	-180	13,733

At Group level EBIT came in at EUR 22.5m – a year-on-year gain of EUR 0.8m or 3.8%. Earnings for the reporting period were affected by recognition of a EUR 1m restructuring charge for social plans at the Linnemann-Schnetzer-Formparts GmbH factory in Ahlen, Germany. The plant was shut down because it was not generating sufficient volume to operate at a profit. During the comparative period there were EUR 1.5m in gains on the revaluation of non-current assets in the Automotive Components Division, which are reported in the income statement, under "Other operating income".

The profit for the year decreased by EUR 3.6m or 21.0% as compared to 2010, owing to increased finance costs occasioned by the EUR 100m bond issue, and to higher tax expense (of which EUR 1.1m relates to deferred tax).

ASSETS AND FINANCES

The total assets of the Frauenthal Group grew by 25% to EUR 364.6m (2010: EUR 290.9m). The increase largely reflects the successful EUR 100m bond issue launched in May 2011.

Part of the proceeds were used for early redemption of a total of EUR 43m of the EUR 70m bond issued in 2005 (due in June 2012), leaving EUR 27m outstanding. A further EUR 36m were invested with various banks, and will be used to repay the remainder of the 2005 bond in June 2012. The rest of the proceeds were devoted to paying down short-term credit lines, so as to use the surplus liquidity generated by the new bond efficiently. The cash investments are reported under the "Other current assets" item, and besides increased receivables they are the main reason for the growth in total assets. Sales growth pushed up receivables, which climbed by a total of EUR 5.7m year on year. The Wholesale Plumbing Supplies and Industrial Honeycombs divisions were responsible for most of the increase. Receivables in the Automotive Components Division, which were almost unchanged, included EUR 15.5m in ABS finance (2010: EUR 13.9m) used to finance sales to a large truck manufacturer.

Inventories rose by EUR 22.1m; most of the change was attributable to the Wholesale Plumbing Supplies and Industrial Honeycombs divisions, which saw inventories expand by EUR 8.4m and EUR 9.9m, respectively. Inventories held by the Automotive Components Division also rose, by EUR 3.8m year on year.

The increase in non-current assets was due to higher capital expenditure.

ASSETS AND FINANCES	EUR '000	2010	Organic growth	2011
Non-current assets		136,095	6,742	142,837
Inventories		72,052	22,102	94,154
Other current assets		82,761	44,896	127,657
Total assets		**290,908**	**73,740**	**364,648**
Equity		89,502	9,366	98,868
Non-current liabilities		109,375	28,171	137,546
Current liabilities		92,031	36,203	128,234
Total equity and liabilities		**290,908**	**73,741**	**364,648**

Due to the strong profit for the year, equity climbed by EUR 9.4m to EUR 98.9m (year-end 2010: EUR 89.5m), despite an outflow of EUR 2.7m in dividend payments. The equity ratio dropped from 30.8% to 27.1% as excess liquidity from the bond issue and increased business volume swelled the balance sheet.

The new bond was chiefly responsible for the rise in long-term borrowings. During the comparative period this item comprised EUR 70m from the 2005 issue. As at the end of the reporting period long-term borrowing included the new EUR 100m issue maturing in 2016, less the cost of the transaction, which is being spread over five years. Due to its maturity, the 2005 bond (due in June 2012) was transferred from the non-current to the current liabilities. Only the outstanding amount of EUR 27m is carried, as EUR 43m has already been repaid. Short-term bank borrowings declined by EUR 3.4m as part of the proceeds of the bond issue was used to pay down credit lines. The trade payables included in "Current liabilities" were up from EUR 49.8m to EUR 60.2m due to increased output.

ASSETS	2011 EUR '000	2010 EUR '000	EQUITY AND LIABILITIES	2011 EUR '000	2010 EUR '000
Non-current assets	142,837	136,095	Equity	98,868	89,502
Inventories	94,154	72,052	Non-current liabilities	137,546	109,375
Other current assets	127,657	82,761	Current liabilities	128,234	92,031
	364,648	**290,908**		**364,648**	**290,908**

ASSETS	2011	2010	EQUITY AND LIABILITIES	2011	2010
Non-current assets	39%	47%	Equity	27%	31%
Inventories	26%	25%	Non-current liabilities	38%	37%
Other current assets	35%	28%	Current liabilities	35%	32%
	100%	**100%**		**100%**	**100%**

INVESTMENT AND ACQUISITIONS

In 2011 all the divisions rolled out expansion strategies. The related capital expenditure totalled EUR 21.6m. One of the main investments in the Automotive Components Division was the expansion of capacity at Styria Arcuri SRL, Romania, to 25,000 tonnes. Capacity expansions and investment in increased efficiency at Styria Ressorts SAS, France, and Styria Federn GesmbH, Austria were major milestones on the way to introducing innovative new products. The Automotive Components Division invested a total of EUR 9.6m. The Industrial Honeycombs Division spent EUR 7.9m on expanding capacity, increasing vertical integration and developing new products. Most of the EUR 4.1m in capital expenditure in Wholesale Plumbing Supplies was channelled into the division's logistics and into modernising retail space. The significant increase in investment reflected both the division's good trading performance and the Group's determination to strengthen all three divisions.

EUR '000	Intangible assetsen	Property, plant and equipment	Financial assets	Total non-current assets
Change in non-current assets				
31 Dec. 2010	**39,149**	**74,291**	**1,884**	**115,324**
Investment	787	20,809	0	21,596
Depreciation, amortisation and impairment	-1,426	-12,078	-13	-13,517
whereof impairment	-180	0	0	-180
Disposals	0	-252	-180	-432
Currency translation and other	-9	-469	25	-453
31 Dec. 2011	**38,501**	**82,301**	**1,716**	**122,518**

Intangible assets decreased from EUR 39.1m to EUR 38.5m. "Depreciation, amortisation and impairment" includes EUR 0.2m in writedowns of trademarks following impairment tests carried out in the Wholesale Plumbing Supplies Division. Property, plant and equipment grew to EUR 82.3m (end-2010: EUR 74.3m), reflecting EUR 20.8m in capital expenditure, and EUR 12.1m in depreciation. No impairments were recognised in respect of property, plant and equipment. Disposals of financial assets largely relate to the sale of financial assets in the Wholesale Plumbing Supplies Division.

CASH FLOW

The EUR 1.9m year on year improvement in operating profit before working capital changes to EUR 31.1m was driven by the Group's strong performance.

Changes in trade receivables and trade payables resulted in net cash from operating activities of EUR 8.5m (2010: EUR 11.3m).

Net cash used in investing activities was EUR 20.8m (2010: EUR 8.9m). This outflow mainly reflected the strong rebound in investment in the Automotive Components Division; it was reduced by EUR 0.8m in cash inflows from investment grants. Detailed information on investment during the year is given in the section entitled "Investment and acquisitions". Heavy investment resulted in a negative free cash flow of EUR 12.3m (2010: EUR +2.4m).

The change in cash and cash equivalents during the period reflects the short-term investment of EUR 36m – part of the proceeds of the bond issue. Cash and cash equivalents, as presented in the statement of cash flows, include a pledged bank deposit in an amount of EUR 0.4m.

Statement of cash flows	EUR '000 2011	2010	Change
Operating profit before working capital changes	**31,122**	**29,247**	**1,875**
Net cash from operating activities	8,473	11,336	-2,863
Net cash used in investing activities	-20,788	-8,924	-13,709
Free cash flow	-12,315	2,412	-16,572
Net cash from/used in financing activities	49,228	-1,263	52,336
Change in cash and cash equivalents	36,913	1,149	35,764
Cash and cash equivalents at end of period	**39,950**	**3,037**	**36,913**

SHAREHOLDER VALUE

Growing the value of the Frauenthal Group is one of the management's prime objectives. Economic value added (EVA) and return on capital employed (ROCE) are calculated at Group level.

Value measures	EUR '000 2011	2010	Change
Revenue	587,857	539,385	48,472
EBITA	**22,523**	**21,705**	**818**
Taxes at average effective rate	-5,631	-5,426	-205
NOPAT	**16,892**	**16,279**	**613**
Capital employed	219,490	189,854	29,636
WACC in %	6,57%	7,08%	-0,51%
Cost of capital	14,420	13,442	978
ROCE in %	**7.70%**	**8.57%**	**-0.87%**
EVA	**2,472**	**2,837**	**-365**
EVA per share in EUR	**0.3**	**0.3**	**0.0**

Due to the positive trading performance in 2011 most of the key value indicators improved. EBITA was up by EUR 0.8m on the comparative period, to EUR 22.5m. Applying an average effective tax rate of 25% yields a tax burden of EUR 5.6m, for a net operating profit after tax (NOPAT) of EUR 16.9m – up by EUR 0.6m. When this indicator is related to the capital employed throughout the Group the ROCE thus calculated shows the extent to which Frauenthal is meeting investors' expectations in terms of returns. The weighted average cost of capital (WACC), which was adjusted to the changes in the Group's financing and in financial markets, was 6.57% in 2011.

The other key indicator, economic value added (EVA) declined to EUR 2.5m (2010: EUR 2.8m). EVA is the difference between NOPAT and ROCE, and is a measure of profitability. The increase in total capital employed (higher non-current assets and working capital) resulted in a slight decline in this value measure.

Disclosures in accordance with section 243a UGB (Austrian Business Code)

The Company's share capital is divided into 7,534,990 (2010: 7,534,990) bearer shares of no par value and 1,900,000 (2010: 1,900,000) registered shares of no par value. All but the 1,900,000 registered shares are admitted to listing on the official market of the Vienna Stock Exchange. There are no other classes of shares.

The Executive Board of Frauenthal Holding AG is not aware of any restrictions on voting rights or share transfers.

FT-Holding GmbH, Chemnitz continues to hold a 72.9% interest in Frauenthal Holding AG. Hannes Winkler and Ernst Lemberger each own 50% of FT-Holding GmbH. Frauenthal Vermögensverwaltung GmbH (FVV), Vienna draws up the consolidated financial statements for the largest group of companies to which the Frauenthal Group belongs.

There are no classes of shareholders with special control rights.

On 1 June 2011, the Supervisory Board of Frauenthal Holding AG approved a share option plan for members of the Executive Board of Frauenthal Holding AG and for Frauenthal Group senior management. Further information on the share option plan is presented in Note 45 of the notes to the accounts.

There are no rights to appoint or dismiss members of the Executive and Supervisory boards or amend the articles of association other than those conferred by the law.

By resolution of the 18th Annual General Meeting held on 3 May 2007, the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,681,634.00, not later than 30 June 2012, by issuing, in one or more tranches, up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind.

Important supply and procurement contracts concluded by the Group contain change of control clauses. Detailed disclosures regarding these agreements would cause significant damage to the Group, and are therefore not required.

The Company has not entered into any agreements with members of its Executive or Supervisory boards or employees to compensate them in the event of the acceptance of a public takeover bid.

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.

TASK

Hasan Karan, 29, and Halil Tasdemir, 32, ensure that the goods reception process runs smoothly at the Wholesale Plumbing Supplies Division's Perchtoldsdorf site.

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 began developing a formalised, uniform Group-wide risk management system in 2007. The purpose of this project was to systematically identify sources of risk, spot risks at an early stage and counter them by taking appropriate action.

In 2011 we again upgraded our risk management mechanisms, focusing on the internal control system, and established metrics and early warning indicators for the main risks involved. Breaching of these thresholds triggers predefined reporting duties or risk control actions.

During the year risks were investigated for their probability and potential impact as a means of managing them. The main types of risk exposures identified were:

- Market risk
- Competition risk
- Customer risk
- Liquidity risk
- Supply risk and
- Compliance risk

Presentations on these risks and related risk control activities were given to the audit committee at two meetings, and they were constantly monitored by the Executive Board. Proposals for any policy changes required were submitted to the audit committee on a quarterly basis, in the form of detailed internal control system reports. These reports update the risk matrix in the light of newly identified risks, and the reassessment or elimination of risks where appropriate.

The Group is also confronted with environmental, operational and financial risks (e.g. currency risks).

Automotive Components Division

CUSTOMER RISK

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

During the reporting period the division succeeded in winning a number of large new contracts and securing extensions of existing ones. However some contracts, for technologically less advanced for products, were lost to competitors from low-cost countries. On the other hand, orders for strategically important products were won or retained.

The key performance indicator reporting system introduced at the start of 2010 tracks parameters such as delivery reliability, product quality and customer satisfaction. The factories report these to management on a monthly basis together with detailed comments. In the event that targets are missed by wide margins early action can be taken.

In 2011 Automotive Components again obtained TS 16949 certification. This standard is aimed at enhancing system and process quality, and customer satisfaction. The Styria Arcuri plant in Romania won a Ford Q1 award. This certification, which is recognised throughout the world, is a mark of outstanding quality.

The customer risks to which the Frauenthal Group is exposed include credit and default risks. Truck manufacturers are mostly very large, multinational corporations. Their creditworthiness was eroded by the 2009 economic crisis, which hit the automotive sector particularly hard, but improved markedly in 2010 and 2011.

Close monitoring of all payment delays is the cornerstone of our centralised receivables management system. 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.

In addition, we began watching our key accounts' credit default swap (CDS) spreads in 2009. The main risk measure is the premium (the CDS spread), which depends on the market's assessment of the creditworthiness of the reference entity. This indicator improved considerably as compared to 2010.

There were no defaults during the reporting period, and we expect this risk to remain relatively insignificant.

Due to the recovery in the commercial vehicle market we do not expect our customers to restructure their European production capacity, and regard related defaults as unlikely. However changes in companies' legal structures (e.g. mergers between some competitors) could lead to changes in the purchasing practices of major customers in future.

Due to the long development lead times of truck model ranges, steel springs, and steel and aluminium pressure vessels are not exposed to short-term technological substitution risks. In the long term, however, such risks could arise from the development of new suspension, axle and braking systems, or the use of plastics or other alternative materials. There are no definite threats of this sort in sight at present.

To maintain Frauenthal's reputation as a reliable development partner, action was taken to improve communication between the field sales force and development staff. All the information obtained by sales representatives on customers' expectations now feeds into product development.

We are steadily extending our market shares by stepping up our product development effort and maintaining our strong focus on quality. Nevertheless, the possibility that we will lose part of some customers' business to our competitors cannot be ruled out as automotive customers are unwilling to become dependent on individual suppliers.

MARKET RISK

Economic trends in Europe are the main determinant of demand for the truck components. The key export markets are the Near and Middle East, and Russia; some exports also go to South America. Political risks (warfare, embargos, coups, etc.) could affect exports to these regions. Due to the large market shares held by Automotive Components and the framework contracts with truck manufacturers, swings in the demand for trucks in these markets have an immediate impact on our sales, and there is little that can be done in the short term to counteract the effects. Like other capital goods markets, the market for trucks is cyclical, and apart from general economic influences it also reflects the demand for transport services and movements in interest rates on investment loans.

Last year the improved market situation led to satisfactory capacity utilisation at our plants. The management teams at the various production sites report on capacity utilisation there on a monthly basis.

In the event of future sharp increases in demand, short-term capacity bottlenecks could arise. Although the organisation has reserve capacity, delivery delays cannot be excluded under such circumstances.

Frauenthal has sufficient manufacturing flexibility to cope with a 20% fall in demand without restructuring being required.

In exceptional cases quality defects can lead to material fractures or braking system leakages during on-road use of truck components. Comprehensive quality control and plant monitoring minimise the probability of such damage, and potential claims for damages are covered by our insurance. We regard our insurance cover as adequate, but in extreme cases it could nevertheless be insufficient.

ENVIRONMENTAL RISK

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

At some plants there is soil contamination by industrial waste containing oil, dating back to the 1930s, 1940s and 1950s. However all of our sites meet the licensing conditions imposed by the authorities responsible for them.

Soil rehabilitation will have to be carried out at one site — Styria Ressorts Véhicules Industriels, Châtenois, France — due to official licensing conditions. A rehabilitation plan has been drawn up on the basis of technical reports, and the approach to be taken to the work has been agreed with the environmental agency concerned. A provision has been recognised for the cost of the work.

OPERATIONAL RISK

The production of braking system air reservoirs involves forming, welding and surface treatment processes. Spring and U-bolt production involves hot rolling, bending and tempering, and gives rise to significant fire hazards. All of these processes are associated with production outage and safety risks.

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

SUPPLY RISK

The availability of steel and other input materials is safeguarded by long-term supplier relationships in the case of the spring and U-bolt businesses, and by long-term supply contracts in that of 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 enable steel price increases to be passed on, but only for part of the year.

Materials procurement is centrally managed by Frauenthal Einkaufs GmbH, permitting ongoing market monitoring and regular negotiations with suppliers.
Energy prices also have a significant influence on overall production costs, and thus on Group earnings. Energy shortages — particularly of natural gas, which is an important energy source at the factories — could arise, as many of the plants are in countries which are heavily dependent on gas supplies from Russia.

Wholesale Plumbing Supplies Division (SHT Group)

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 shares this may lead to price erosion. However other, stabilising aspects of the customer relationship (product availability, delivery reliability, finance, technical advice, etc.) mean that the price of the products is not the sole determinant of customers' decisions, and that the risks associated with price competition can be countered by such aspects of service quality. Due to its market leadership, nationwide branch network and efficient logistics, SHT has a very strong competitive position, and is an indispensable supplier for many customers.

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

SHT has an efficient receivables management system in place to mitigate this risk. Customer creditworthiness and credit limits are kept under constant observation so as to identify insolvency risks at an early stage. Regular meetings are now held between the central receivables management unit, and the sales and marketing organisation in the interests of closer communication, and this enables any payment delays to be vigorously pursued. Default risk is also mitigated by taking out credit insurance. During the year under review bad debts were a mere 0.24% of revenue.

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

As at the reporting date overdue payments were equal to 6.6% of payables – a slight increase on 2010.

MARKET RISK

Economic conditions in Austria — and in particular, personal consumption, and the construction and renovation cycle — have a significant influence on the wholesale plumbing supplies business (SHT).

Because of this the sales and marketing organisation constantly monitors short and long-term construction activity trends, and reports to the Executive Board on a weekly basis. Staff are in frequent touch with customers and manufacturers to adjust supply requirements, and the information gained feeds into the reporting.

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 at terms acceptable to SHT. Conversely, due to its market leadership SHT would also be hard for the suppliers to replace.

Talks on purchasing prices are a top management responsibility. Due to its strong market position the Wholesale Plumbing Supplies Division (SHT) is well placed to manage this form of operational risk.

Industrial Honeycombs Division

CUSTOMER RISK

Power station catalysts are a project based business, and success depends on contract acquisition skills, prices and product quality, as well as technical references. The clients for power station catalysts are plant engineering companies and power station operators. In the case of export contracts we take the usual precautions in terms of payment guarantees, on the basis of credit ratings. Due to the size of some projects a misjudgement of a business partner's creditworthiness could have serious implications for the Group as a whole. The prepayments and delivery milestones customary for large projects help to mitigate this risk. The receivables are largely covered by normal payment agreements (prepayments and letters of credit).

To reduce default risk, payment delays are monitored by weekly meetings between top management, and the finance and product management departments.

The Group is active in overseas markets (China, South Korea and the USA) — mainly in connection with its power station catalyst and heat sink businesses. The contracts in question are subject to the political, legal, tax and business risks specific to the countries concerned.

Top management monitors country risk on an ongoing basis. Where necessary, information is immediately disseminated around the organisation.

MARKET RISK

Power station catalyst sales are primarily driven by environmental regulations governing generation at thermal power stations and other large combustion plants, as well the need for spares for existing systems. Demand is fuelled by the introduction of stricter limit values for NOx emissions which can only be complied with by installing selective catalytic reduction (SCR) catalysts. Once retrofitting of existing thermal power stations has been completed the demand is confined to equipment for new stations, as well as spare parts for SCR systems – an area of business that is steadily growing in importance.

As regards diesel catalyst sales, at present the key factor is not overall truck demand but demand for Euro 5 compliant vehicles. This standard normally requires SCR catalysts; whether these are mandatory depends on national environmental legislation.

There are technical substitution risks in that the coming Euro 6 compliant vehicle generation which will start being introduced in 2013 may also use alternative technologies, meaning that 2013 will be a year of decision for the Industrial Honeycombs Division's position in this market segment. Since the technological developments that will result from Euro 6 are not entirely predictable, the division's business prospects with regard to the production of diesel catalysts for the European market are subject to considerable uncertainties.

The power station catalyst business is not subject to any technical substitution risks. The division is highly competitive due to its acknowledged quality leadership. There are only a few direct competitors throughout the world. However a sustained fall in the US dollar exchange rate would weaken Frauenthal's price competitiveness against its main American competitor.

OPERATIONAL RISK

Ceramic honeycombs are manufactured by an extrusion process, followed by drying, calcination and firing. All of these processes are associated with production outage and safety risks.

As in other Group operations, these risks are minimised by work and process instructions, training programmes, continuous maintenance and testing, and insurance cover.

Power station catalysts are specially produced for the generating station and combustion equipment concerned. Design or production defects could result in claims from clients, to the extent that the catalyst manufacturer is liable.

During the reporting period a defect occurred, in the form of non-compliant emission values at a large power station that had been equipped with catalysts by the Industrial Honeycombs Division. At the time of writing, the cause of the defect was not yet entirely certain, but it appeared likely that malfunctioning of the catalysts was to blame. The contractual arrangements governing this equipment require the Industrial Honeycombs Division to exchange the catalysts in question. The insurance only covers part of a potential warranty claim or other form of compensation.

As things stand, the extent of the loss is still uncertain as there are a number of ways of attaining contractually compliant emission values at the power station. However a provision of EUR 1.3m was recognised, to cover the cost of the most likely engineering scenario.

There is also a risk that contracts may be prematurely terminated, or may run into difficulties.

SUPPLY RISK

The raw and intermediate materials used in the production of catalysts and ceramic honeycombs are sourced from long-standing suppliers, and wherever possible availability is assured by one-year contracts. Some of these materials may be affected by tight supply and speculation, and thus here, too, supply and cost risks can arise. This applies, for example, to rare earths and the alloying metals tungsten and vanadium.

At the time of writing there were no shortages of key input materials in sight, but the aforementioned materials are regarded as potentially critical, and shortages and price rises are possible. Frauenthal is pressing ahead with research into alternative materials in order to minimise its supply and price risk exposures. Potential alternative suppliers are assessed at regular intervals.

There is a risk that margins will be eroded in the event of tungsten price increases that cannot be passed on to customers due to competitive pressures. This was a particularly serious problem during the reporting period, as the price of tungsten – a key material for the Industrial Honeycombs Division – rose by about 30% during the year, and this had a significant negative impact on divisional results.

As with Automotive Components, production costs in the division are also significantly influenced by energy costs. Here, too, supply shortages and price rises would have a negative impact on Group earnings.

IMPAIRMENT TESTS

In 2011 the Frauenthal Group's assets were again subjected to routine impairment tests in accordance with IAS 36.

The valuations of the various Group companies are based on earnings forecasts for the coming five years. The approved budget for 2012 and conservative estimates for subsequent years, partly derived from authoritative market studies, were used for last year's calculations. The current carrying amounts were compared to the valuations, and impairment recognised where necessary. A discount rate (WACC) of 6.57% (2010: 7.08%) was applied.

Impairment reviews encompass property, plant and equipment, goodwill, capitalised development costs, brands and rights to supply customers, as well as deferred tax assets. The impairment review did not result in any writedowns or writeups.

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.

In order to ensure that its liquidity needs are met it maintains adequate overdraft facilities, mainly with Austrian banks. Additional credit facilities were again arranged in 2011. In all, nine banks have granted credit lines totalling EUR 247.9m to Frauenthal Holding AG and its subsidiaries. At year-end 2011 the Group had EUR 138.3m in open credit lines. Following the EUR 100m issue of a five-year bond in May, the redemption of the EUR 70m bond due in June 2012 is assured. EUR 43m of the latter was repaid prematurely during the reporting period, and short-term bank borrowings were reduced by EUR 21m. The EUR 36m of excess liquidity is being held in fixed term deposits at reputable banks up to the due date of the old bond. The risk involved in investing money with these systemic banks is regarded as low. The loss of these monetary assets cannot be completely ruled out if the financial and banking crisis spreads, and threatens the survival of some banks.

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

The main currency risks attach to the Industrial Honeycombs Division, which does a large amount of its business in the US dollar area. Only a relatively minor part of this risk is internally hedged by the procurement of raw and intermediate materials priced in dollars. Currency hedges are used for some medium and long-term contracts. As a result, the Company is not exposed to any significant short-term currency risks with regard to the US dollar; however, exchange rate movements do affect profitability. Sustained and significant dollar exchange rate movements have a considerable influence on the ability of the Industrial Honeycombs Division to compete against American rivals. Financial derivatives are only employed to hedge existing contracts, and their use is subject to appropriate internal rules and controls.

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

The Group's interest rate risk exposure is currently limited, due to the fact that most of its financing needs are met by the 2016 bond issued in May 2011. This EUR 100m bond, with a fixed coupon of 4.875%, to a large extent locks in borrowing costs up to May 2016. The interest rates payable on the credit lines are mostly Euribor linked. Of this borrowing, EUR 12.0m is assured by long-term and EUR 10.7m by short-term loan agreements. The treasury function keeps a close watch on interest rate trends and the related risk. If necessary, interest rate hedges can be employed.

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

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

TAX RISKS

A tax inspection at the Linnemann-Schnetzer Deutschland GmbH subsidiary, located in Elterlein, Germany, was completed during the year. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of EUR 8m arising from the capitalisation of these tax loss carryforwards are carried on the Group balance sheet. The tax inspection resulted in the disallowance of the tax loss carryforwards, and assessment notices to this effect, for the 2005–2007 audit period, were issued. Notice was also given of the suspension of enforcement of this decision, meaning that there has been no effect on liquidity. In the opinion of the Executive Board the tax authorities' arguments for disallowing the deductions are unlikely to be upheld in the light of the legal situation, the relevant precedents and prevalent legal opinion. A risk evaluation carried out on the basis of expert reports by three eminent independent consultants puts the risk that the tax loss carryforwards will continue to be disallowed after all appeals have been exhausted at well under 50%, and in consequence no accounting provision has been made for the risk of a back tax payment. However, there is a risk of protracted court appeal proceedings. The situation is being re-evaluated on a quarterly basis, and any new information affecting our risk assessment will be taken into account.

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. The Company attaches great importance to compliance with all legal requirements, in order to avoid violations that could result in significant damage to its reputation and legal sanctions. In 2003 Frauenthal Holding AG became one of the first listed companies to commit itself to implementation of the voluntary Austrian Code of Corporate Governance. The Company also sees the maintenance of high ethical standards in its business dealings as crucial to sustainable business policies. Its compliance with legal requirements and quality standards is evaluated by our customers, which include all the major European commercial vehicle manufacturers. Management also believes that a credible commitment to ethical corporate behaviour is vital to remaining an attractive employer.

During the reporting period we continued to develop our compliance processes, and reinforced the in-house human resources assigned to these tasks. The audit committee of the Supervisory Board regularly assesses potential compliance risks, and discusses action to improve compliance in the Group. During the reporting period, two additional measures were taken towards these ends. On the insider trading compliance front, an e-learning tool that provides an easy-to-understand guide to the relevant provisions of the Stock Exchange Act for all managers and staff in inside areas was introduced throughout the Group. In addition, the Group-wide code of conduct was distilled into a single document, published and communicated to all managers.

ACCOUNTING

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

Accounting processes at Group companies are the responsibility of their finance managers. They use Cognos consolidation software to send monthly results to the Group Finance and Controlling Department, which has five employees. Following detailed analysis and discussions with the finance managers at the subsidiaries, 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-wide manual and regular training courses for finance managers help to standardise accounting methods and maintain compliance with the current International Financial Reporting Standards.

At the Group companies in the Automotive Components and Industrial Honeycombs divisions, the departments concerned check invoices for correctness. Release for payment is approved by chief executives or finance managers. Payment authorisation levels in the subsidiaries have graduated limits.

At SHT and its branches (Wholesale Plumbing Supplies Division), Group-wide signature regulations establish clear remits. Authorisations to pay individual invoices are escalated according to the sums involved. For example, it is mandatory for two executive board members to sign off payments of large amounts.
Electronic bookkeeping processes record transactions. User authorisations are centrally managed by the respective IT department, in accordance with the individual access rights required. These are frequently reviewed. Local IT departments are responsible for data backup. They perform different types of daily, weekly and monthly backup in line with precise schedules. Documents are kept in secure archives,

in accordance with the legal minimum retention periods.

All of our operating units book transactions on an ongoing basis. Payments are made at weekly intervals.

Group companies have comprehensive organisational regulations which guarantee that all 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. Prior to the balance sheet date, confirmations of outstanding invoices are obtained from the main suppliers.

To ensure that the necessary provisions are made, the current course of business is examined in detail at monthly Executive Board meetings. The monthly reporting forms the basis for these discussions.

The introduction of the "four-eye principle" in the Group's management structures has made it easier to keep track of impending liabilities.

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

The monthly reports include detailed analyses of budget shortfalls, balance sheet items and cash flows in the various segments and companies. An extensive indicator system supports internal benchmarking comparisons over extended periods. Conspicuous disparities are subjected to detailed analysis. 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.

In order to forestall potential liquidity shortages, the cash holdings of all companies that participate in cash pooling arrangements are constantly monitored. Reports on liquidity are sent to the Executive Board at weekly, and to the Supervisory Board and audit committee at monthly intervals. The figures are verified by means of monthly comparisons of cash flows and bank statements. Operational units are given clear monthly liquidity targets. Deviations from the targets result in the implementation of predefined reporting and authorisation processes.

Everyone responsible for managing risk in the Frauenthal Group has a clearly defined role, and all are ultimately answerable to the Executive Board.

REPORT ON THE COMPANY'S FINANCIAL CONDITION

The Group's budget for 2012 is based on moderate organic growth, with a slight reduction in investment. The liquidity position is not expected to change significantly. In the Automotive Components Division, the investment programme launched during the reporting period will continue, with resources going to capacity expansions, productivity increases and quality improvements at three sites. In the Industrial Honeycombs Division, we will be investing in capacity to support of the development of the diesel catalyst business, and in action to increase profitability. Positive cash flows from operating activities are anticipated in all divisions. Existing short-term bank credit lines are sufficient to meet financing needs despite seasonal fluctuations in liquidity at Group level. The investments planned for 2012 will be financed from cash flow and subsidised loans. No events likely to result in a major drain on liquidity are foreseen. However, if business grows faster than expected, this could give rise to additional cash requirements. The likelihood of this is greatest in the Automotive Components Division. The Group has access to sufficient credit lines to cope with this eventuality, provided that our banks meet their commitments. The Frauenthal Group's rating outlook is stable due to the results for 2011. Despite the fact that the banks are likely to be more restrictive in their lending policies, there is no reason to expect them to reduce our credit lines. The Group's main source of external finance is the EUR 100m bond due on 25 May 2016. EUR 27m in outstanding bonds issued in 2005 will fall due on 28 June 2012; repayment will be made using the liquid funds that are currently invested with leading Austrian banks.

Litigation

In May 2009 a minority shareholder brought an action to contest resolutions of the Annual General Meeting passed on 14 May 2009. The disputed resolutions concern the discharge of two members of the Supervisory Board, and a special audit in connection with the repayment of profit sharing certificates, rent payments and charged-on costs for services.

The plaintiff is contesting the resolutions on the grounds that the majority shareholder, FT Holding GmbH, should have been excluded from voting on the agenda items in question. The action was upheld by the courts of first and second instance. An appeal was brought to the Supreme Court, which upheld the decision reached by the Vienna Provincial Court of Appeal. The special audit conducted by Interfides Wirtschaftsprüfungs- und Steuerberatung GmbH was completed in February 2012, and did not result in any new audit findings. Neither the rent payments, nor the charged-on costs for services or the payments for profit sharing certificates by Frauenthal Group companies to companies held by Ventana Beteiligungsgesellschaft m.b.H. constituted the return of capital contributions. The payments for services and rentals were at arm's length rates, and were therefore found to be reasonable in both in purpose and amount.

Innovation report

For the Frauenthal Group, innovation is primarily about continuously improving product quality, production processes, and our product and service range, as opposed to extensive research into basic technologies. The majority of the Group's products are technically mature and already well established on the market. We strive to develop innovative customer service solutions, in particular through the use of IT, so that we can increase customer benefits by offering simpler access to our service portfolio, greater transparency and prompt, error-free delivery. We also work to strengthen customer relationships by introducing new services that address customer needs and are difficult to replicate, and that as a result generate a competitive advantage.

Product innovation involves improving material properties, optimising production processes, and developing new product designs and applications for existing products. Innovation in manufacturing processes may comprise improvements such as redesigning factory layouts, optimising production flows, investing in plant that improves quality and productivity, fine-tuning production processes, and standardising and stabilising individual manufacturing steps. An example of product design innovation is pre-assembly of various components, which cuts the cost of product mounting for customers. We also aim to be innovative in our internal processes, as a means of driving progress in terms of cost and quality benefits.

AUTOMOTIVE COMPONENTS – FOCUSING ON WEIGHT REDUCTION

The key objective of product innovation in the Automotive Components Division is to make chassis components lighter, which in turn helps reduce fuel consumption and increase load capacities. Extending the service life of chassis components to match the 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 2013, is an important consideration, as the new emission limits can only be met by means of further fuel savings – and this in turn requires weight reductions. All of our customers are aggressively pursuing weight reduction targets for their new Euro 6 vehicle ranges. Thanks to products such as high-tension springs for front axles and tubular stabiliser bars, the Automotive Components Division can offer weight reductions of up to 30kg. The use of more highly tensioned springs for front axles allows the number of spring leafs to be reduced. Tubular stabiliser bars are more costly to produce than solid stabilisers, but up to 15kg lighter. Improved materials are the only way to achieve even higher tension levels and further weight reductions. To boost our R&D capacity accordingly, we invested in a materials research laboratory in 2011.
The continuous improvement initiative introduced at all sites in 2009 involved workshops, the appointment of local initiative pilots and countless individual improvements. The initiative is a step towards creating a learning organisation, and is also aimed at cutting costs and raising capacity, by reducing lead times. Local initiative pilots (seven in total) have been

nominated at all sites, and are responsible for training, as well as implementing numerous incremental improvements.

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

Over the past few years SHT has invested in an innovative, highly automated order picking system. This high-performance system has brought about continuous improvements in the transparency of all logistics processes. The aim is to produce a comprehensive electronic record of all movements in goods, from procurement to customer delivery and any returns. This also includes track and trace systems, where items are scanned at all stages of the goods flow. This has further reduced the Division's extremely low error rates and waste levels, and increased efficiency throughout the logistics process.

The development of new bathroom planning and design tools is another SHT innovation. Using the latest communications technology, customers can easily plan their new bathroom with the help of attractive visualisations. Improved data exchange with SHT's service centres represents a further benefit for customers.

INDUSTRIAL HONEYCOMBS – IMPROVED CATALYST PERFORMANCE AT CONSTANT VOLUMES

One of the key strategic goals for Porzellanfabrik Frauenthal is the development of diesel engine catalysts that deliver higher performance and comply with the Euro 6 emissions standard. Increasing the active catalytic surface improves the NOx reduction rate, making it possible to meet the demanding new emissions standard. This requires larger diameters, and in order to limit increases in weight and volume – a key consideration for commercial vehicle manufacturers – higher cell densities are needed, which in turn means thinner cell walls. Along with the mechanical and thermal stability of the catalyst, this is a critical success factor. Manufacturing such sophisticated products while maximising productivity and keeping rejects to a minimum requires fine-tuning of materials and production processes. Our extensive experience, comprehensive specialist know-how and highly qualified employees mean that Frauenthal is in a unique position to deliver outstanding technical performance.

The Industrial Honeycombs Division is currently the only part of the Frauenthal Group which carries out basic materials research. One important focus is research into new material mixtures – a key strategic factor, given the increasing prices of some materials and the threat of temporary material shortages.

Sustainability and corporate social responsibility

Corporate responsibility and sustainability are just as important to the Frauenthal Group as financial considerations. In addition to the values shared by all of our employees, many parts of the Group have implemented initiatives aimed at promoting respect for people and resources.

Short-term performance is not the only measure of success; the long-term development of the business is a far more telling indication of how we are living up to our responsibilities to staff and customers, as well as society and the environment. We safeguard the Company's long-term future by means of management decisions that take into account the interests of people and society as a whole, and by involving staff from various parts of the Group in a range of decision-making processes.

Meeting financial and environmental targets is the key to raising production efficiency. Implementing best practice and lean management principles play an important part in this, promoting careful use of resources in production, where the focus is on minimising energy consumption and rejects. Environmental concerns are a central concern in the development of each division's product mix. Porzellanfabrik Frauenthal has been helping to reduce greenhouse gas emissions for many years, thanks to its range of diesel engine and power station catalysts. The Automotive Components Division is an industry pioneer in research and development, as reflected in the development of ever lighter and more durable leaf springs. Weight reduction and a longer useful life – which helps to eliminate the need to replace components frequently – contribute to the development of commercial vehicles which are more environmentally friendly. SHT's energy consulting and renovation activities, with their focus on renewable technologies such as photovoltaics, heat pumps and solar thermal collectors round out the contribution of our product and service portfolio.

The development of sustainable technology and the resulting improvements along the value chain have only been possible thanks to the corresponding skills and experience of our employees. As a result, staff training and development are leading priorities, as reflected in the wide range of courses currently on offer. Besides job-related and lean management training, the programmes are also designed to promote English as our corporate language. Workplace safety is a vital consideration, alongside ergonomics and preventive health care. Regular factory inspections and lean management workshops enable us to highlight improvements and implement them quickly.

Human resources (HR)

HR development is central to the Frauenthal Group's continued growth. The Group has been tracking developments on the labour market for several years, and is well aware of the shortage of qualified staff resulting from demographic changes. As the scarcity of talent is set to become more acute, timely identification and development of employees with strong leadership potential is one of the main priorities of our HR strategy. The aim is to fill management positions, in the first instance, with the best talent from within the Group. The ability to offer jobs and development opportunities tailored to individual employee requirements is also vital to preserving the Company's competitiveness. Furthering the development of young members of staff is also an important consideration. Our aim is to maximise the proportion of female employees taking part in the Group's HR development initiatives. As a company committed to sustainable business practices, Frauenthal Holding addresses social responsibility issues such as equal opportunities. Women make up one quarter of the executive board members of the Austrian Group companies. We also strive to appoint women to supervisory board positions where opportunities arise. At present, the Frauenthal Holding Supervisory Board consists of nine members including the employee representatives, and one third of the members are female.

One of our most important HR policy objectives is helping staff to strike a balance between family and work commitments. A number of initiatives are currently being piloted in the Wholesale Plumbing Supplies Division, in order to establish their effectiveness in meeting employees' needs. Flexible part-time working, teleworking, childcare support and long-term career planning including family leave arrangements are among the measures that have been implemented or are under consideration.

Tried-and-tested tools are used to identify potential at executive and management trainee level. When recruiting managerial staff internally, we take particular care to align the development objectives set for them and the opportunities they are offered as closely as possible with the Group's business requirements.

The Frauenthal Leadership and Learning Programme, which completed its third cycle in 2011, makes a significant contribution to this, and constitutes an important mechanism for the Group. Completion of the latest round of the 18-month programme means a total of 45 management staff have gained practical leadership and management skills which can be directly integrated into day-to-day operations. Many of the participants have gone on to assume higher-level responsibilities after finishing the programme.

The Frauenthal High Potential Programme, which was conducted for the first time in 2011, is designed to support those employees with outstanding leadership and management potential. The programme focuses on enhancing technical expertise and professional project management abilities, via training and the application of skills to internal projects. We will continue to support specialist and project management careers which offer our employees clear development prospects.

High levels of job satisfaction, dedication and loyalty on the part of our employees are vital to the Group's success-

"Mirror, mirror on the wall, who's the best manager of them all? Learning from a management role model is part of the recipe for successful personal development. And Group-wide leadership principles, employee support processes, trust, feedback, strategic development and teamwork all provide a source of guidance. We give everyone the opportunity – and all the support they need – to reflect regularly on their progress, receive feedback and exploit their potential to the full."

Gerda Hechinger, HR Business Partner, Wholesale Plumbing Supplies Division

"Besides gathering experience in new areas of work, we also enhance our managerial, personal development and change management skills, so we have the tools we need to handle whatever the future has in store. Our managers play an important part in talent management by offering constructive feedback, and allocating challenging tasks and projects to younger staff members."

Karin Bindreiter, HR Business Partner, Automotive Components Division

"The main aim of my work is to help people develop their leadership and technical skills, as well as to strengthen the Company's reputation as an attractive employer. Our clear strategy and consistent focus on human resources allow us to create value for our employees and customers."

Anna Kostrzewska, HR Business Partner, Pol-Necks, Automotive Components Division

"Staff appraisals form a basis for honest communication, feedback, trust building, personal development and responsible management. Holding regular appraisals is an important part of the manager's job and the key to promoting continuous communication with employees. This requires honest and constructive feedback, a steady flow of information and a sense of mutual respect."

Monika Kusin, HR Business Partner, Industrial Honeycombs Division

"Finding talented employees with leadership potential – be it inside or outside the organisation – and providing them with systematic support is vital to the Company's continued growth and an important task for all Frauenthal Group managers. Detailed succession planning and leadership development gives managers the tools they need to take on new challenges."

Bernd Allmer, Vice President Human Resources & Change Management, Frauenthal Group

ful development. We have been tracking these important indicators using internationally recognised processes since 2010, with a focus on increasing employee involvement in the business and introducing measures designed to boost job satisfaction.

Additional resources have been channelled to the HR function in all three divisions. The detailed implementation of Group-wide standards and initiatives is coordinated by a team of HR managers, under the supervision of the holding company.

Environmental protection

The Frauenthal Group takes environmental protection very seriously. Group companies comply with environmental licensing conditions, legislation, orders and notices. Our employees receive comprehensive information and training on health, safety and environmental issues. Environmental policy developments are crucial to all of our businesses. The worldwide trend towards stricter NOx emission regulations both for stationary plant (thermal power stations, waste incinerators, etc.) and for diesel engines (commercial vehicles, ships, and agricultural and construction machinery) is creating excellent long-term growth prospects for the SCR catalyst business. The use of SCR catalysts also makes it possible to optimise engine management, which in turn cuts fuel consumption by several percentage points.

Compliance with the stricter limits established by the Euro 6 standard for commercial vehicles – which comes into effect in 2013 – will require a reduction in both fuel consumption and NOx emissions. One of the Automotive Components Division's key strategic goals is to engineer weight reduction by steadily lowering the weight of springs and stabilisers and developing lighter chassis designs. Over the past decade we have succeeded in almost halving the weight of the front springs of a truck from some 100kg to around 60kg.
Increased public awareness of the importance of environmental protection and conservation of scarce resources, such as energy and water, has also brought about changes in our product range and focus in the Wholesale Plumbing Supplies Division. SHT now offers an extensive photovoltaic product range. This groundbreaking technology is still far less widespread in Austria compared to countries such as Germany. However, thanks to our concentration on service and quality, and our extensive distribution network, we are well placed to contribute to its growth.

Events after the end of the reporting period

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

Outlook

Due to the financial crisis which took hold in the third and fourth quarters of 2011, combined with fears of renewed recession, expectations in cyclical industries deteriorated markedly although there was no slump in the real economy. Forecasts suggest that the commercial vehicle market, which is highly cyclical, will shrink by 10–20% in 2012. Experience shows that these estimates are subject to great uncertainty, since the current volatile economic climate may unsettle the market still more, which would in turn translate into a significantly worse fall-off in demand. In contrast to the crisis in 2009 there are no signs that our customers are holding high inventories of unsold vehicles, so any drop in revenue in the Automotive Components Division should not exceed a fall in commercial vehicle sales. A possible decline in revenue in Automotive Components should at least in part be offset by new business and gains in market shares. This expectation is supported by a number of additional orders for air reservoirs and U-bolts which the Division has recently secured. As the market leader, Automotive Components is naturally exposed to the risk that customers will award large contracts to rivals in order to keep their suppliers fighting for every order. The Division's enhanced production flexibility and the cautious expansion of capacity (with improved options for relocating production, reserve capacity at the Styria Vzmeti plant in Slovenia, and the use of agency staff) will cushion the impact on earnings of moderate decreases in sales. In 2012 we will continue expanding capacity at the Styria Arcuri (Romania) and Styria Ressorts (France) sites. Investments aimed at improving quality and increasing productivity at other plants are also planned for 2012, and SAP will be rolled out at further locations. Formed parts operations (such as those at Linnemann-Schnetzer in Ahlen, Germany), which are not profitable and have no strategic importance for the Group, will be sold off or closed down.

The Industrial Honeycombs Division expects revenue growth and strong capacity utilisation in the light of current order backlog, with the plate catalyst product line set to perform particularly well. Customer agreements in place also point to a rise in revenue from diesel catalysts, unless there is a significant downturn in the commercial vehicle market. The project pipeline is well filled in Europe, the USA and South Korea. Business in China is expected to revive after the sharp drop in order intake. The trading environment in China – a potential growth market – remains challenging, as power station operators are still seeking electricity price increases to recompense them for investments in SCR systems. The framework legislation under the current five-year plan sets binding NOx emission limits which will require the installation of SCR plants, but actual implementation has yet to materialise. Aggressive pricing by some competitors will again be the defining feature of the world market this year, and we anticipate sustained pressure on prices.

Prices on the commodity markets stabilised in the second half of the reporting period, and increases are not expected owing to the current state of the global economy. Enhancing our technological capabilities and expanding production capacity will be the focus of attention in the diesel catalyst business in 2012. We aim to improve profitability by increasing vertical integration.

In the Wholesale Plumbing Supplies Division (SHT), 2012 will see investments in expanding and modernising the Austrian sales and service network, and in selective increases in logistics capacity. Management sees the division enjoying moderate demand growth – especially in the commercial new build segment – and continuing to make market inroads as a result of its strong commitment to product and service quality. Cut-throat price competition will continue to be a feature of the contract business, and may even intensify as some competitors add capacity. The focus in 2012 will be on optimising purchasing processes and pricing policies, with a view to achieving further profitability gains. Finally, expansion into neighbouring countries is a major priority at SHT, as a means of maintaining volume and making optimum use of existing infrastructure.

2011 will mainly be remembered for organic growth and the EUR 100m bond issue. We hope that 2012 will be hallmarked by relentless implementation of divisional growth strategies. This will involve implementing an ambitious investment programme and identifying potential partners, as well as acquisition targets. We are planning to invest in property, plant and equipment, and in recruiting additional experts and managers for all three divisions. However, the increasingly unstable economic situation will mean that our traditionally cautious approach to liquidity management will again be to the fore. If the operating environment deteriorates more than anticipated, we will adapt our investment and expansion initiatives accordingly.
The Frauenthal Group recorded a solid overall performance in 2012, and the bond issue has left us with plenty of capital. The ongoing implementation of our growth strategies is laying the foundations for future development. Should the economy take a turn for the worse, we will be well placed to weather even severe market conditions.

Vienna, 15 March 2012

Frauenthal Holding AG

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

PRODUCT

Frauenthal catalysts are used for the selective catalytic reduction (SCR) process which breaks the NOx in exhaust gas down into nitrogen and water vapour – both natural components of the atmosphere. This helps to reduce low-level ozone and acid rain.

TASK

Herbert Hackl, 57, works at Porzellanfabrik Frauenthal (Industrial Honeycombs Division). He is seen here lifting extruded parts on to a drying rack. The SCR catalysts are then taken to the drying chamber.

CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated income statement

Note	EUR '000	2011	2010
9,28	**Revenue**	**587,857**	**539,385**
	Changes in inventories of finished goods and work in progress	7,682	2,837
	Work performed by the entity and capitalised	678	9
29	Other operating income	11,388	10,333
30	Raw material and consumables used	-395,847	-353,178
31	Staff costs	-116,235	-107,487
16,32	Depreciation and amortisation expense, and impairment	-13,504	-12,617
33	Other operating expenses	-59,496	-57,577
	Profit from operations	**22,523**	**21,705**
	Share of profit of associates	13	28
	Interest income	952	243
34	Interest expense	-7,068	-3,942
	Other finance income	42	53
	Net finance costs	**-6,061**	**-3,618**
	Profit before tax	**16,462**	**18,087**
35	Income tax expense	-1,614	-958
35	Change in deferred tax	-1,115	244
	Profit after tax	**13,733**	**17,373**
	Attributable to non-controlling interests	247	182
	Attributable to owners of the parent (consolidated profit/loss for the year)	**13,486**	**17,191**
36	**Earnings per share (basic/diluted)**	**1.47**	**1.87**

Consolidated statement of comprehensive income

Note	EUR '000	2011	2010
	Profit after tax	**13,733**	**17,373**
	Losses/gains on currency translation	-710	250
16	Losses/gains on fair value measurement (available-for-sale assets)	-8	-28
	Income tax	0	0
	Other comprehensive income	**-718**	**222**
	Total comprehensive income	**13,015**	**17,595**
	Attributable to non-controlling interests	-22	172
	Attributable to owners of the parent	**13,037**	**17,423**

Consolidated statement of financial position

Note	EUR '000	31.Dec 2011	31. Dec 2010
	ASSETS		
	Non-current assets		
3,10,16	Intangible assets	38,501	39,149
10,16	Property, plant and equipment	82,301	74,291
10,16	Investments in associates	739	726
10,16	Other financial assets	977	1,158
12,17	Deferred tax assets	20,319	20,771
		142,837	**136,095**
	Current assets		
11,18	Inventories	94,154	72,052
11,18	Trade receivables	73,210	67,511
11,18	Other assets	14,118	11,834
11,19,42	Cash and cash equivalents	40,329	3,416
		221,811	**154,813**
	Total ASSETS	**364,648**	**290,908**

Note	EUR '000	31.Dec 2011	31. Dec 2010
	EQUITY AND LIABILITIES		
20	**Equity**		
20	Share capital	9,435	9,435
20	Capital reserves	21,093	21,093
7,20,45	Retained earnings	53,935	40,924
	Translation reserves	-2,601	-1,901
	Other reserves	29	37
20	Own shares	-532	-552
20	Non-controlling interests	4,023	3,275
	Profit/loss for the year	13,486	17,191
		98,868	**89,502**
13,21,23	**Non-current liabilities**		
23	Bonds	99,229	70,000
13,23,38	Bank borrowings	11,989	12,369
13,23	Other liabilities	1,253	3,709
13,21	Provisions for termination benefits	10,175	9,826
13,21	Provisions for pensions	6,654	6,930
13,21,35	Deferred tax	3,098	2,463
13,21	Other long-term provisions	5,148	4,078
		137,546	**109,375**
13,22,23	**Current liabilities**		
23	Bonds	30,839	1,375
13,23,38	Bank borrowings	10,684	14,043
13,23	Trade payables	60,170	49,775
13,23	Liabilities to Group companies	418	68
13,23	Other liabilities	23,712	24,327
13,22	Tax provisions	665	528
13,22	Other short-term provisions	1,746	1,915
		128,234	**92,031**
	Total EQUITY AND LIABILITIES	**364,648**	**290,908**

Statement of cash flows

Note	EUR '000	2011	2010
	Profit for the year before non-controlling interests	13,733	17,373
	Interest income and expense	6,078	3,646
	Share of results of associates	-13	-28
	Depreciation and amortisation of non-current assets	13,504	12,617
	Write-ups of non-current assets	0	-1,500
	Gains on disposal of non-current assets	-441	-35
	Losses on disposal of non-current assets	36	17
	Change in deferred tax assets	452	-1,880
	Change in long-term provisions	1,777	2,620
	Interest paid	-4,485	-3,879
	Interest received	481	296
37, 38	**Operating profit before working capital changes**	**31,122**	**29,247**
	Change in inventories	-22,102	-10,189
	Change in trade receivables	-5,698	-22,148
	Change in other receivables	-2,285	-2,848
	Change in short-term provisions	-32	1,356
	Change in trade payables	8,439	13,979
	Change in liabilities to Group companies	351	58
	Change in other liabilities	-1,091	1,776
	Translation-related changes	-231	105
39	**Net cash from operating activities**	**8,473**	**11,336**
	Investments in non-current assets	-21,596	-9,328
	Proceeds from sale of non-current assets	830	429
	Proceeds from investment grants	-22	-25
40	**Net cash used in investing activities**	**-20,788**	**-8,924**
	Dividends paid	-2,746	0
	Receipts from changes in the composition of share capital	-1,075	0
	Issue of 2011 bond (due in 2016)	100,000	0
	Redemption of 2005 bond (due in 2012)	-42,706	0
	Change in borrowings	-4,245	-1,263
41	**Net cash from/used in financing activities**	**49,228**	**-1,263**
	Change in cash and cash equivalents	**36,913**	**1,149**
	Cash and cash equivalents at beginning of period	3,037	1,888
42	Cash and cash equivalents at end of period	39,950	3,037

Statement of changes in equity

Note	EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Fair value reserve	Own shares	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
20,45	**At 1 Jan. 2010**	**9,435**	**21,093**	**40,924**	**-2,161**	**65**	**-396**	**68,960**	**3,103**	**72,063**
	Repurchase of own shares						-156	-156		-156
	Total comprehensive income for 2010			17,191	260	-28		17,423	172	17,595
	Balance at 31 Dec. 2010/1 Jan. 2011	**9,435**	**21,093**	**58,115**	**-1,901**	**37**	**-552**	**86,227**	**3,275**	**89,502**
	Dividends			-2,746				-2,746		-2,746
	Acquisition of non-controlling interests			-1,845				-1,845	770	-1,075
	Disposal of own shares						20	20		20
	Share options			152				152		152
	Total comprehensive income for 2011			13,745	-700	-8		13.037	-22	13,015
	Balance at 31 Dec. 2011	**9,435**	**21,093**	**67,421**	**-2,601**	**29**	**-532**	**94,845**	**4,023**	**98,868**

Non-current asset movement schedule 2011

CHANGES IN COSTS

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

CHANGES IN CARRYING AMOUNTS

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

Non-current asset movement schedule 2010

CHANGES IN COSTS

EUR '000	Cost at 1 Jan. 2010	Exchange differences	Additions	Disposals	Reclassifica-tions	Cost at 31 Dec. 2010	Accumulated depreciation, amortisation and impairment at 1 Jan. 2010	Accumulated depreciation, amortisation and impairment at 31 Dec. 2010	Carrying amount at 31 Dec. 2010	Carrying amount at 1 Jan. 2010
Intangible assets										
Concessions, patents and similar rights and licences	30,462	4	458	144	3	30,783	12,488	14,038	16,745	17,974
Goodwill	25,310					25,310	3,457	3,457	21,853	21,853
Development costs	1,662	0		12		1,650	882	1,099	551	780
	57,434	**4**	**458**	**156**	**3**	**57,743**	**16,827**	**18,594**	**39,149**	**40,607**
Property, plant and equipment										
Land and buildings	55,156	115	825	26	2,490	58,560	21,936	26,039	32,521	33,220
Plant and equipment	118,028	99	1,893	81	291	120,230	90,452	92,439	27,791	27,576
Other plant and equipment, fixtures and fittings	38,763	11	4,338	1,173	90	42,029	27,450	29,500	12,529	11,313
Prepayments made and assets under construction	2,529	-2	1,800	1	-2,874	1,452	1	2	1,450	2,528
	214,476	**223**	**8,856**	**1,281**	**-3**	**222,271**	**139,839**	**147,980**	**74,291**	**74,637**
	271,910	**227**	**9,314**	**1,437**	**0**	**280,014**	**156,666**	**166,574**	**113,440**	**115,244**

CHANGES IN CARRYING AMOUNTS

EUR '000	Carrying amount at 1 Jan. 2010	Exchange differences	Additions	Disposals	Reclassifications	Write-ups during the year	Write-downs during the year	Depreciation and amortisation	Impairment	Carrying amount at 31 Dec. 2010
Intangible assets										
Concessions, patents and similar rights and licences	17,974	0	458		4	0	1,691	1,614	77	16,745
Goodwill	21,853	0	0	0	0	0	0	0		21,853
Development costs	780	0	0		0	0	229	229		551
	40,607	**0**	**458**	**0**	**4**	**0**	**1,920**	**1,843**	**77**	**39,149**
Property, plant and equipment										
Land and buildings	33,220	103	825	21	173	0	1,779	1,779		32,521
Plant and equipment	27,576	34	1,893	4	2,608	1,500	5,816	5,816		27,791
Other plant and equipment, fixtures and fittings	11,313	9	4,338	120	90	0	3,101	3,101	0	12,529
Prepayments made and assets under construction	2,528	-2	1,800	1	-2,875	0	0	0	0	1,450
	74,637	**144**	**8,856**	**146**	**-4**	**1,500**	**10,696**	**10,696**	**0**	**74,291**
	115,244	**144**	**9,314**	**146**	**0**	**1,500**	**12,616**	**12,539**	**77**	**113,440**

Segmental analysis

EUR '000	Industrial Honeycombs		Automotive Components		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Strategic business units												
Revenues from external customers	73,678	78,724	235,315	190,000	278,839	270,639	25	22	0	0	587,857	539,385
Intersegment revenues		687	781	1,226		0	2,700	2,368	-3,481	-4,281	0	0
Total revenues	73,678	79,411	236,096	191,226	278,839	270,639	2,725	2,390	-3,481	-4,281	587,857	539,385
EBITDA	10,538	13,724	14,070	9,909	13,425	11,752	-2,005	-1,056		-7	36,028	34,322
Adjusted EBITDA	10,538	13,724	14,070	9,909	13,425	11,752	-2,005	-1,056	0	-7	36,028	34,322
Depreciation, amortisation and impairment	3,280	2,829	6,692	5,988	3,315	3,646	218	154	-1	0	13,504	12,617
whereof impairment					180	77		0	0	0	180	77
EBIT	7,258	10,895	7,378	3,921	10,110	8,106	-2,224	-1,210	1	-7	22,523	21,705
Income from investments accounted for using the equity method		0		0		0	13	28	0	0	13	28
Investments accounted for using the equity method		0		0		0	739	726	0	0	739	726
Borrowings	29,376	28,788	61,992	64,899	48,577	40,969	150,177	141,606	-24,341	-74,856	265,781	201,406
Capital employed	39,967	22,998	82,672	69,998	79,125	79,872	133,574	169,122	-115,848	-152,136	219,490	189,854
Assets	43,889	45,697	129,316	170,118	108,755	98,815	238,114	217,181	-155,426	-240,903	364,648	290,908
Investment	7,861	2,611	9,509	2,589	4,098	3,880	128	283	0	-36	21,596	9,327
Employees	321	292	1,658	1,563	697	682	13	11	0	0	2,689	2,548

	Industrial Honeycombs		Automotive Components		Wholesale Plumbing Supplies		Holding companies and others		Frauenthal Group	
EUR '000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue by geographical markets (final customers)										
Austria	13,192	12,273	11,356	9,769	274,316	266,498	25	22	298,889	288,562
Germany	13,775	11,025	91,724	76,550	3,805	3,602	0	0	109,304	91,177
France	559	483	21,427	22,647	0	0	0	0	21,986	23,130
Sweden	0	20	44,451	30,860	0	0	0	0	44,451	30,880
Belgium	2,740	313	19,383	13,608	0	0	0	0	22,123	13,921
Other EU	14,656	10,682	36,236	26,523	718	539	0	0	51,610	37,744
Rest of Europe	282	273	10,097	9,590	0	0	0	0	10,379	9,863
Americas	20,095	15,908	15	58	0	0	0	0	20,110	15,966
Asia	8,282	27,747	342	157	0	0	0	0	8,624	27,904
Other	97	0	284	238	0	0	0	0	381	238
Total	**73,678**	**78,724**	**235,315**	**190,000**	**278,839**	**270,639**	**25**	**22**	**587,857**	**539,385**

	Revenue		Assets		Investments and acquisitions		Average no. of employees	
EUR '000	2011	2010	2011	2010	2011	2010	2011	2010
Geographical information								
Austria	464,405	417,920	340,047	327,356	15,763	8,716	1,211	1,138
Germany	126,372	99,184	46,673	92,688	1,247	1,712	418	432
France	66,967	56,534	23,399	25,010	1,991	472	263	274
Rest of the world	104,649	83,182	53,271	49,302	3,670	628	797	704
Consolidation	-174,536	-117,435	-98,742	-203,448	-1,075	-2,201	0	0
Frauenthal Group	**587,857**	**539,385**	**364,648**	**290,908**	**21,596**	**9,327**	**2,689**	**2,548**

Consolidated financial statements

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011.

A. GENERAL

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

Frauenthal Holding AG is the holding company of the Frauenthal Group – a diversified, listed Austrian group with three divisions. Group operations include the truck component business (Automotive Components Division) comprising the Styria Group — Europe's leading manufacturer of leaf springs and stabilisers for heavy vehicles and trailers — and the Linnemann-Schnetzer Group which is the European market leader in steel and aluminium air reservoirs, as well as Pol-Necks, a U-bolt manufacturer. They also include an interest in Porzellanfabrik Frauenthal GmbH (Industrial Honeycombs Division), which manufactures and distributes ceramic catalysts for the reduction of NOx in flue gas emissions from power stations and industrial plants, heat exchangers and foundry filters, as well as diesel catalysts for trucks. Frauenthal Holding's third line of business is the SHT Haustechnik Group (Wholesale Plumbing Supplies Division), which is Austria's leading plumbing supplies wholesaler.

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" and "the consolidated financial statements") as at 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The presentation of the consolidated financial statements takes account of all amendments to existing IAS, new IFRS, and IFRIC and SIC interpretations effective as at 31 December 2011 and applicable in the European Union. As compared to the consolidated financial statements as at 31 December 2010 the following standards and interpretations have been amended, or their application has become mandatory due to their adoption as EU law or their becoming effective for the first time.

	New and amended standards and interpretations effective for the first time	Effective date
IAS 24	Related party disclosures	1 Jan. 2011
IAS 32	Financial Instruments: Presentation: Classification of Rights Issues	1 Feb. 2010
IFRS 1	First Time Adoption of IFRS (Limited Exemption from Comparative I FRS 7 Disclosures for First-time Adopters)	1 July 2010
Miscellaneous	Improvements to IFRS made by the 2010 annual improvements project	1 July 2010 and 1 Jan. 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 Jan. 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

On 4 November 2009 the IASB published a revised version of IAS 24 Related Party Disclosures. The amendments to IAS 24 concern the definition of related parties. The new version also simplified the disclosure of transactions between entities that are government controlled or in which a government has a significant influence. Application of the amendments to IAS 24 is mandatory for annual periods beginning on or after 1 January 2011. Early application is permitted. These amendments affected the Frauenthal Group's consolidated financial statements.

The IASB published an amendment to IAS 32 Financial Instruments: Presentation, entitled Classification of Rights Issues, on 8 October 2009. This amends IAS 32 to the effect that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency must be reported as equity instruments if they are offered pro rata to all the existing owners of the same class of equity instruments. Application of these amendments is mandatory for annual periods beginning on or after 1 February 2010. Early application is permitted. These amendments did not affect the Frauenthal Group's consolidated financial statements.

On 28 January 2010 the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards entitled Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. This amendment enables first-time adopters to use the exemption from comparative disclosures about fair value measurements and liquidity risk. IFRS 7 provides for such exemptions in cases where the comparative periods end before 31 December 2009. Application of the amendments to IFRS 1 and IFRS 7 is mandatory for annual periods beginning on or after 1 July 2010. Early application is permitted. The amendments are not relevant to the Frauenthal Group as they concern first-time adoption.

The 2010 Annual Improvements Project resulted into detailed changes to a number of standards and an interpretation. The annual improvements process is designed to clarify guidance and wording, and remove unintentional inconsistencies between IFRSs. This omnibus standard had no implications for the consolidated financial statements.

The IASB published amendments to IFRIC 14 entitled Prepayments of a Minimum Funding Requirement on 26 November 2009. These require companies that are subject to minimum funding requirements to treat prepayments of contributions to employee benefit funds made to meet these requirements as assets. Application of the amendments to IFRIC 14 is mandatory for annual periods beginning on or after 1 January 2011. Early application is permitted. This interpretation had no implications for the consolidated financial statements.

The IASB published amendments to IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments on 26 November 2009. IFRIC 19 deals with the accounting treatment of the issuance of equity instruments by a debtor to repay financial liabilities (debt-equity swaps). Equity instruments issued to extinguish financial liabilities must be measured at the fair value of the instruments unless that fair value cannot be reliably measured, in which case they must be measured to reflect the fair value of the financial liability extinguished.

Where liabilities are extinguished by issuing equity instruments, the difference between the carrying amount of the financial liability and its fair value at the time of derecognition must be recognised in profit or loss. Application of the amendments to IFRIC 19 is mandatory for annual periods beginning on or after 1 July 2010. Early application is permitted. This interpretation had no implications for the consolidated financial statements.

Accounting standards not yet applied

The IASB has also approved amendments to a standard that were adopted by the EU during the reporting period, but are not yet mandatorily applicable.

	Standards adopted by the EU but not effective	Effective date (adoption by the EU)
IFRS 7	Transfers of Financial Assets	1 July 2011 (22 Nov. 2011)

These amendments, to IFRS 7, extended the de-recognition disclosure requirements for financial assets. They require additional disclosures in a note to the accounts regarding financial assets that are transferred but not yet derecognised in their entirety, and the relationship between those assets and associated liabilities. Where transferred assets are derecognised in their entirety, in future it will be necessary to give detailed qualitative and quantitative information on any rights and obligations retained or assumed as part of the transaction. The note will also have to disclose the effects on profit or loss of the transaction itself and of the measurement of the retained or assumed rights and obligations. Application of the amendments to IFRS 7 is mandatory for annual periods beginning on or after 1 July 2011. Early application is permitted. The implications of these amendments for the Frauenthal Group are currently under investigation.

New accounting standards not yet adopted by the EU

The IASB and IFRIC have also approved standards and interpretations that were not applied during the reporting period because their adoption as EU law is still pending.

	New standards not yet adopted by the EU	Effective date	(adoption by the EU)
IAS 1	Presentation of Financial Statement	1 July 2012	(Q1 2012)
IAS 12	Presentation of Financial Statement	1 Jan. 2012	(Q2 2012)
IAS 19	Employee Benefits	1 Jan. 2012	(Q1 2012)
IAS 27	Separate Financial Statements	1 Jan. 2013	(Q3 2012)
IAS 28	Investments in Associates and Joint Ventures	1 Jan. 2013	(Q3 2012)
IAS 32 bzw IFRS 7	Offsetting Financial Assets and Financial Liabilities	1 Jan. 2013 and 1 Jan. 2014	(Q3 2012)
IFRS 1	First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation	1 July 2011	(Q2 2012)
IFRS 9 bzw IFRS 7	Financial instruments	1 Jan. 2015	(postponed)
IFRS 10	Consolidated Financial Statements	1 Jan. 2013	(Q3 2012)
IFRS 11	Joint Arrangements	1 Jan. 2013	(Q3 2012)
IFRS 12	Disclosure of Interests in Other Entities	1 Jan. 2013	(Q3 2012)
IFRS 13	Fair Value Measurement	1 Jan. 2013	(Q3 2012)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan. 2013	(Q2 2012)

On 16 June 2011 the IASB published amendments to IAS 1 Presentation of Financial Statements. These improve the presentation of other comprehensive income (OCI). In future the OCI items will be divided into items that might be recycled to profit or loss in subsequent periods and items that would not be reclassified subsequently. The option to present items of OCI either before tax or net of tax has not been changed. However, if the items are presented before tax, then the tax related to each of the two groups of OCI items (those that might and those that will not be reclassified) must be shown separately. Application of the amended version of IAS 1 will be mandatory for annual periods beginning on or after 1 July 2012. Early application is permitted. The implications of these amendments are currently under investigation.

The amendments to IAS 12 introduce the rebuttable presumption that the carrying amounts of investment properties measured at fair value, and of property, plant and equipment and intangible assets measured using the revaluation model will be recovered through sale. The importance of this is that the measurement of deferred tax liabilities or assets may depend on whether the carrying amount of the related asset is expected to be recovered through use or sale. The implications of these amendments are currently under investigation.

The amended IAS 19 Employee Benefits was published on 16 June. This marked the completion of the project aimed at changing the accounting treatment of employee benefits, and in particular of termination and pension benefits.

The previous choice between immediate recognition of actuarial gains and losses in profit or loss or OCI, or deferred recognition (corridor method) was abolished, and these effects must now be immediately recognised in OCI. The disclosure requirements of IAS 19 have also been revised. Additional disclosures will be required to present the characteristics of benefit plans, the risks arising from them, sensitivity analyses, and information on multi-employer plans. Application of the amended version of IAS 19 will be mandatory for annual periods beginning on or after 1 January 2013. The implications of these amendments are currently under investigation.

The publication of the "consolidation package" (IFRS 10, 11 and 12) will mean that the provisions of IAS 27 that do not relate to separate financial statements are replaced by IFRS 10. From now on IAS 27 will only contain rules on the accounting treatment of subsidiaries, associates and joint ventures in the separate financial statements of parents. The amended version of IAS 27 will be effective for annual periods beginning on or after 1 January 2013. Early application in conjunction with the standards contained in the "consolidation package" is permitted. The implications of these amendments are currently under investigation.

Revision of IAS 28 Investments in Associates led to the addition of rules for accounting for investments in joint ventures, and to the prescription of the equity method. Investments in associates or joint ventures that are held for sale must be accounted for in accordance with IFRS 5. However, any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale must be accounted for using the equity method. In the event of a reduction in the investment through the disposal of the interests held in accordance with IFRS 5, the retained portion is accounted for in accordance with IFRS 9 unless it is neither an investment in a joint venture nor one in an associate. A return to the equity method is required if the classification as held for sale ceases to apply. The amended version of IAS 28 will be effective for annual periods beginning on or after 1 January 2013. Early application in conjunction with the standards contained in the "consolidation package" is permitted. The implications of these amendments are currently under investigation.

On 16 December the IASB published amendments to IAS 32 Financial instruments: Presentation and IFRS 7 Financial Instruments: Disclosures relating to the offsetting rules. 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. The implications of these amendments are currently under investigation.

The amendments to IFRS 1 have added an exemption for first-time adopters of IFRS to allow an entity that has been subject to severe hyperinflation to measure assets and liabilities at fair value in its opening IFRS statement of financial position.

In addition, the fixed date for first-time adopters established by IFRS 1 is changed to the date of transition to IFRS. As a result, first-time adopters are not obliged to retrospectively adjust transactions to IFRS accounting rules where this would have led to the derecognition of financial instruments or to so-called "day 1 differences" before the date of transition to IFRS. The amendments are not relevant to the Frauenthal Group as they concern first-time adoption.

IFRS 9, published on 12 November 2009, represented the first phase of a project aimed at replacing IAS 39. It dealt with the classification and measurement of financial assets, but not with the measurement of financial liabilities. The former "loans and receivables", "held to maturity", "available for sale" and "at fair value through profit or loss" categories were replaced by new "fair value" and "at amortised cost" asset classes. Classification of a financial instrument as "at amortised cost" depends on the company's business model and the characteristics of the instrument. Non-fulfilment of the relevant conditions leads to recognition at fair value through profit or loss. In exceptional cases some equity instruments may be measured at fair value but not through profit or loss. However, any subsequent changes in fair value must then be irrevocably presented in other comprehensive income, and can no longer be recognised in profit or loss. On 28 September 2010, rules for accounting for financial liabilities were added to IFRS 9, completing the classification and measurement phase of the project. On 16 December 2011 the mandatory effective date of IFRS 9 was put back to annual periods beginning on or after 1 January 2015. The implications of this new standard are currently under investigation.

The publication of IFRS 10 Consolidated Financial Statements supersedes the consolidation guidance provided by IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities, introducing a single consolidation model instead. In the opinion of the IASB, the different approaches of IAS 27 and SIC 12 led to inconsistencies in determining the scope of consolidation. While IAS 27 is based on the control approach, SIC 12 provides for consolidation by the party that is exposed to the majority of the risks and rewards of the entity (risks and rewards approach). Under IFRS 10 the control concept will be the sole arbiter of the scope of consolidation. Control is defined as follows:

- The investor has power over the investee (paragraph 7 (a));
- The investor has exposure, or rights, to variable returns from its involvement with the investee (paragraph 7 (b));
- The investor has the ability to use its power over the investee to affect the amount of the investor's returns (paragraph 7 (c)).

Future application of IFRS 10 must be retrospective, in accordance with IAS 8, unless the entity is consolidated for the first time or is no longer consolidated for the first time. IFRS 10 will be effective for annual periods beginning on or after 1 January 2013. Early application in conjunction with the standards contained in the "consolidation package" is permitted. The implications of this new standard are currently under investigation.

IFRS 11 Joint Arrangements has replaced IAS 31 Joint Ventures. Under the new standard, joint arrangements are either joint ventures and joint operations.

Among other things IFRS 11 has removed the option of proportionate consolidation of joint ventures. Under IFRS 11 joint ventures can only be consolidated using the equity method. The impending change in the method may have significant effects on the financial statements of companies that have until now used proportionate consolidation. IFRS 11 will be effective for annual periods beginning on or after 1 January 2013. Early application in conjunction with the standards contained in the "consolidation package" is permitted. The implications of this new standard are currently under investigation.

IFRS 12, which summarises disclosure requirements, was adopted as part of the "consolidation package". The standard requires disclosures on: the basis of control; the nature and extent of the entity's ability to access or use consolidated assets, and settle consolidated liabilities; the risks associated with its interests in unconsolidated structured entities; and the interest of non-controlling interests in consolidated companies. IFRS 12 will be effective for annual periods beginning on or after 1 January 2013. Early application in conjunction with the standards contained in the "consolidation package" is permitted. The implications of this new standard are currently under investigation.

The IASB published IFRS 13 Fair Value Measurement on 12 May 2011. The standard deals with fair value measurement and the related disclosures. It is aimed at further convergence of IFRS and US GAAP. The standard emphasises that fair value is a market-based measurement, and defines it as the price "…that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." (paragraph 9 IFRS 13) IFRS 13 states that when measuring fair value, an entity should take into account: the characteristics of the asset or liability being measured, the transaction (market participants, measurement date, market conditions and reference market) and the price. Application of the new standard will be mandatory for annual periods beginning on or after 1 January 2013. The implications of this new standard are currently under investigation.

The IASB published IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine on 19 October 2011. This interpretation answers the questions as to when production stripping costs should be recognised as assets, how to approach initial measurement of the stripping activity asset, and how to deal with subsequent measurement of the stripping activity asset. Application of this interpretation will be mandatory for annual periods beginning on or after 1 January 2013. Early application is permitted. The implications of this new interpretation are currently under investigation.

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

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

B. CONSOLIDATION AND ACCOUNTING POLICIES

Consolidation principles

[1] Scope of consolidation

The scope of consolidation was determined in accordance with paragraph 12 IAS 27. The number of companies included in consolidation has changed by one since 31 December 2010. Linnemann-Schnetzer Produktionsgesellschaft mbH, Ahlen, Germany has been merged with its parent company Linnemann-Schnetzer Deutschland GmbH, Elterlein, Germany. The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 26 subsidiaries which are under the common control of Frauenthal Holding AG, and in which the latter or one of its subsidiaries holds a majority of the voting rights.

The number of consolidated subsidiaries changed as follows in the course of 2011:

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

In 2010 the changes in the scope of consolidation were as follows:

	Austria	Abroad	Total
Consolidated at 31 Dec. 2009	8	18	26
Disposals	0	0	0
Formations	0	2	2
Mergers	0	-1	-1
Consolidated at 31 Dec. 2010	**8**	**19**	**27**

The following companies are fully consolidated:

End of reporting period 31 Dec	Domicile	Holding	
		Indirect	Direct
Porzellanfabrik Frauenthal GmbH	Vienna, Austria		100.00%
Ceram Environmental, Inc.	Kansas, USA	100.00%	
Ceram Frauenthal Korea Co., Ltd.	Seoul, Korea	100.00%	
Frauenthal Ost Beteiligungs-GmbH	Vienna, Austria		100.00%
Frauenthal Handels- und Dienstleistungs-GmbH	Vienna, Austria		100.00%
SHT Haustechnik AG	Perchtoldsdorf, Austria	100.00%	
1a Installateur-Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH	Vienna, Austria	100.00%	
SHT Finance GmbH	Luxembourg, Luxembourg	100.00%	
SHT Slovakia s.r.o.	Bratislava, Slovakia	100.00%	
Frauenthal Liegenschaftsverwaltungsgesellschaft mbH	Ahlen, Germany		100.00%
Frauenthal Automotive Holding GmbH	Vienna, Austria		100.00%
Frauenthal Deutschland GmbH	Ahlen, Germany	100.00%	
Pol-Necks Sp.zo.o.	Torun, Poland	100.00%	
Frauenthal Automotive Components GmbH	Vienna, Austria	86.00%	
Styria Vzmeti d.o.o.	Ravne na Koroskem, Slovenia	86.00%	
Styria Ressorts Véhicules Industriels S.A.S.	Châtenois, France	86.00%	
Styria Federn GesmbH	Judenburg, Österreich	99.98%	
Styria Impormol, Unipessoal, Lda.	Azambuja, Portugal	86.00%	
Styria Arcuri S.R.L.	Sibiu, Romania	100.00%	
Linnemann-Schnetzer Verwaltung GmbH	Elterlein, Germany	100.00%	
Linnemann-Schnetzer Deutschland GmbH	Elterlein, Germany	100.00%	
Linnemann-Schnetzer Formparts GmbH	Ahlen, Germany	100.00%	
Frauenthal Einkaufs GmbH	Ahlen, Germany	100.00%	
Linnemann-Schnetzer Ahlen GmbH	Ahlen, Germany	100.00%	
Linnemann-Schnetzer Sachsen GmbH	Elterlein, Germany	100.00%	
Styria Elesfrance S.A.S.	St. Avold, France	100.00%	

Linnemann-Schnetzer Produktionsgesellschaft mbH, Ahlen, Germany has been merged with its parent company Linnemann-Schnetzer Deutschland GmbH, Elterlein, Germany.

End of reporting period 31 Dec	Domicile	Holding	
		Indirect	Direct
DirectLinnemann-Schnetzer Produktionsgesellschaft mbH	Ahlen, Germany	100.00%	

Frauenthal Automotive Components GmbH acquired the non-controlling interest of 24.256% (11,760,129 shares) in Styria Arcuri S.R.L. for EUR 1,075,000 on 25 February 2011. The seller of this interest was Compa S.A., domiciled at Henri Coanda Str. No. 8, Sibiu, Romania.

As in the previous year, associates are accounted for using the equity method.

End of reporting period 31 Dec	Domicile	Holding	
		Indirect	Direct
Ceram Liegenschaftsverwaltung GmbH	Vienna, Austria		50.00%

Draeger Consult GmbH, Siegburg, Germany (50% interest) has not been included in consolidation because it was inactive during the period under review. The company's influence on the Group's assets, finances and earnings is immaterial.

[2] Effects of changes in the scope of consolidation

The merger of Linnemann-Schnetzer Produktionsgesellschaft mbH, Ahlen, Germany with its parent company Linnemann-Schnetzer Deutschland GmbH, Elterlein, Germany had no effect on the scope of consolidation. The acquisition of the interest of the non-controlling shareholder in Styria Arcuri S.R.L. affected the reported portion of the Frauenthal Group's equity held by non-controlling interests.

[3] Consolidation of investments in subsidiaries

Investments in subsidiaries are consolidated at fair value.

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

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

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

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

[4] Elimination of intragroup balances

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

[5] Elimination of intragroup profits or losses

Where material, intragroup profits or losses are eliminated. Intragroup sales of plant and equipment to a value of EUR 134,000 (2010: EUR 1,590,000) took place in 2011. By the time of the sales this plant and equipment had been completely written down, and the profit, in the amount of the sales proceeds, was eliminated at Group level. In 2010 there was a book profit of EUR 299,000, which was likewise eliminated at Group level.

[6] Elimination of intragroup income and expenses

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

[7] Currency translation

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

Since the subsidiaries carry on their business independently in financial, economic and organisational terms, the functional currency is their local currency. Income and expenses in statements presented in foreign currencies are translated at the average rate for the year, and assets and liabilities at the mean rate ruling at the end of the reporting period.

Exchange differences arising on translation of equity are offset against the other reserves. Exchange differences resulting from the application of differing exchange rates in the income statement are likewise reported under the "Other reserves and currency translation balancing item", and are not recognised in profit or loss.

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

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

EUR 1	Closing rate		Average rate	
	31 Dec. 2011	31 Dec. 2011	**2011**	2010
Poland (PLN)	**4.4580**	3.9750	**4.1380**	4.0049
Republic of Korea (KRW)	**1,498.6900**	1,499.0600	**1,545.8610**	1,529.7280
Romania (RON)	**4.3233**	4.2620	**4.2399**	4.2169
USA (USD)	**1.2939**	1.3362	**1.4000**	1.3207

■ Accounting and measurement policies

The annual financial statements of all consolidated companies are presented using uniform accounting policies as required by IAS 27. Immaterial variations in the separate financial statements of foreign subsidiaries and associates are disregarded. All the material consolidated Group companies submitted audited financial statements drawn up to 31 December 2011.

[8] General

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

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

[9] Revenue recognition

Revenue from the sale of products is recorded when title and the risk of ownership is transferred to the customer, provided that a price has been agreed or can be determined, and its payment is probable. Revenue is stated net of discounts and customer bonuses. Revenue accruing to Porzellanfabrik Frauenthal GmbH, Vienna from long-term construction contracts is realised in accordance with the percentage of completion (PoC) method, in conformity with IAS 11. Interest is calculated using the effective interest method, in accordance with IAS 39.

[10] Non-current assets

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

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

	in years
Intangible assets with finite useful lives	3 -10

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

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

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

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

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

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

The cost of self-constructed assets includes all costs directly attributable to the production process and reasonable production overheads. Since 2009 borrowing costs have only been capitalised if they are attributable to qualifying non-current assets. Borrowing costs are recognised as part of the purchase or conversion costs.

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.

Where it is not reasonably certain that ownership will pass to the Group, depreciation is on a straight-line basis over the shorter of the lease term or the useful life. The commitments arising from future lease instalments are stated under "Other liabilities". Finance leases are leases under which substantially all the risks and rewards incidental to ownership are transferred to the Group.

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

Associates are accounted for using the equity method.

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.

[11] Current assets

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

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

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

Long-term construction projects in the Industrial Honeycombs Division are measured in accordance with the PoC method, in conformity with IAS 11. Contract revenue and stage of completion are determined on the basis of fixed price contracts. The percentage of completion is measured by the ratio of the contract costs incurred up to the end of the reporting period to the total contract costs estimated at the end of the reporting period.

Expenses arising from operating leases are expensed as incurred.

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. As at the end of the reporting period there were no outstanding dollar-denominated options (2010: USD 1,000,000); there were USD 4,000,000 (2010: USD 1,000,000) in dollar-denominated currency futures contracts, for which a negative fair value of EUR 27,000 was recognised. Additional information on the derivative financial instruments employed is given in Note 44 Financial Instruments.

[12] Deferred tax

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

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

[13] Provisions, liabilities and hedges

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

The **pension provisions** were calculated using the projected unit credit method. Under this, the benefit obligation is the actuarial present value of the entitlements at the end of the reporting period, adjusted for future salary and pension increases. Country mortality and invalidity tables were used for the actuarial calculation. The imputed retirement ages were likewise based on the relevant legislative provisions in the countries concerned. An annual discount rate of 4.5% (2010: 4.5%), and average annual salary and pension increases of 2.0% (2010: 2.0%) were applied. All actuarial gains and losses are recognised in profit or loss for the financial year in which they arise.

The **provisions for termination and jubilee benefits** were calculated using the projected unit credit method, under which the expected benefit obligation is attributed to the periods of service of the employee up to the attainment of maximum entitlement. Future annual salary increases of 3.0% (2010: 3.0%) were assumed. As with the calculation of the pension provision, the discount rate applied was 4.5% (2010: 4.5%). At the end of the reporting period, the provisions were sufficient to fund the entire defined benefit obligation. All actuarial gains and losses are recognised in profit or loss in the financial year in which they arise. The other provisions are recognised for all identifiable risks and contingent liabilities where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

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

If a hedge of a planned transaction subsequently results in the recognition of a financial asset or liability, then IAS 39 requires that the associated gains or losses that were recognised directly in equity up to this point be reclassified into profit or loss in the period or periods during which the asset acquired or liability assumed affects profit or loss. If the transaction subsequently results in the recognition of a non-financial asset or liability, then the amounts recognised directly in equity are offset against the initial valuation of the asset or liability, meaning that to all intents and purposes there is no effect on profit or loss.

[14] Currency translation

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

[15] Estimates

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

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

- Employee benefit plans: The valuation of pension plans, and termination and jubilee benefit obligations is based on a method that uses parameters such as the expected discount rate, salary and pension increases, and staff turnover. If the relevant parameters diverge significantly from expectations, this may have a material impact on the provisions in question, and in turn on the Company's net pension expense. A discount rate of 4.5% was applied to the calculation of the pension provisions. The corridor for future salary and pension increases is between zero and 2%. A discount rate of 4.5% was applied to the calculation of the termination benefit provisions. Staff turnover rates were estimated for all Group companies. The future increases in salaries and pensions were assumed to average 3%; here, too, staff turnover at all Group companies was assumed. See Note 21 Long-term provisions for additional information on employee benefit plans.

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

  About EUR 8m in deferred tax assets originating from Linnemann-Schnetzer Deutschland GmbH are carried on the consolidated statement of financial position. This company underwent a tax inspection which was completed in 2011. It is entitled to considerable tax loss carryforwards, and deferred tax assets of about EUR 8m arising from the capitalisation of part of these tax loss carryforwards are shown in the 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.

- Impairment testing of goodwill, other intangible assets, and property, plant and equipment is normally based on the projected discounted net cash inflows from continuing use of the assets and their disposal at the end of their useful lives. Factors such as lower revenue and resultant lower net cash inflows, or changes in the discount rates applied, may lead to impairments.

Valuations of cash-generating units are based on estimated cash inflows, which are discounted at a Group rate of 6.57% (2010: 7.08%) for the cost of capital (WACC) after tax. A WACC of 7.22% (2010: 8.0%) after tax was applied to the Automotive Components Division, and one of 6.90% (2010: 8.67%) to the Plumbing Supplies Division. No WACC was calculated for the Industrial Honeycombs Division as no goodwill exists in this subgroup. The value of goodwill is yielded by the approved budget figures for 2012, and conservative assumptions regarding market trends in subsequent years, partly based on authoritative market studies, as well as the projected cash flows derived from these estimates over a period of five years (no growth in the perpetuity is assumed). The current carrying amounts were compared to the valuations so calculated (the recoverable amount is the higher of the value in use or net fair value, i.e. fair value less costs to sell), and impairment recognised where necessary. The impairment tests performed did not lead to the recognition of any impairment losses.

- The budget figures used to calculate net present value are based on the assumption of a moderate recovery in the commercial vehicle market over the first two to three years of the projections. No goodwill impairment losses were recognised in 2011.

- No impairments or reversals thereof in respect of non-current assets were recognised in the reporting period. In 2010 the carrying amounts of non-current assets (machinery operated by the Automotive Components Division) were increased by EUR 1,500,000 in the course of impairment tests, as a result of the improvement in market conditions. The write-ups are recognised in the income statement, under the "Other operating income" item.

Other assumptions and estimates largely relate to:

- Construction contracts: Contract receivables and related revenue are recognised in accordance with the PoC method. The construction contracts entered into by the Company are specifically negotiated fixed price contracts.

  The percentage of completion is determined using the cost-to-cost method. Reliable estimates of the total cost of the contracts, the selling prices and the actual costs incurred are available on a monthly basis. The estimated contract profits are recognised in proportion to the revenue realised. Under the cost-to-cost method revenue and contract profits are recognised according to the ratio of the actual production costs incurred to the estimated overall costs. Changes in the estimates of total contract costs, and any resultant losses are recognised as expenses during the period in which they arise. Expected losses arising on the measurement of contracts not yet billed are immediately recognised as expenses.

- Expected losses are recognised as expenses if it is probable that total contract costs will exceed total contract revenue. Provisions are made for possible warranty claims by customers in accordance with the percentage of completion. The PoC receivables in the Group are disclosed in Note 18 Current assets, and the PoC revenue in Note 28 Revenue.

- Determination of the useful lives of property, plant and equipment: Property, plant and equipment is measured at cost less straight-line depreciation and impairment. The depreciation periods are based on the expected useful lives of the assets. Property, plant and equipment is depreciated in the year of addition, on a pro rata basis. The residual values, useful lives and depreciation methods applied to assets are reviewed at the end of each reporting period, as a minimum. If expectations are at variance with the previous estimates the changes required are accounted for as changes in estimates, in accordance with IAS 8. The cost of self-constructed assets includes the costs directly attributable to the production process, and proportionate material and production overheads, as well as administrative overheads related to production or the provision of services. The cost of an asset includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimated cost of dismantling and removing the item, and restoring the site on which it is located. If an item of property, plant and equipment is composed of different parts with varying useful lives, then the significant parts are depreciated according to their individual useful lives.

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

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

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

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[16] Non-current assets

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

Intangible assets

The capitalised **development costs** relate entirely to the diesel catalyst manufacturing operation in the Industrial Honeycombs Division.

Development costs EUR '000	31 Dec. 2010	Additions	Disposals	Amortisation	31 Dec. 2011
Frauenthal Group	551	0	0	-230	321

In 2011 there was no income from the capitalisation of development costs (2010: nil). Amortisation of development costs, amounting to EUR 230,000 (2010: EUR 229,000) is reported under "Depreciation, amortisation and impairment".

The comparative figures for 2010 were as follows:

Development costs EUR '000	31 Dec. 2009	Additions	Disposals	Amortisation	31 Dec. 2010
Frauenthal Group	780	0	0	-229	551

Research and development costs totalling EUR 3,688,000 (2010: EUR 2,241,000) were recognised as expenses. They largely arose in the Industrial Honeycombs Division, which spent EUR 1,774,000 (2010: EUR 1,591,000) and the Automotive Components Division, which was responsible for EUR 1,914,000 (2010: 650,000) of the expenditure.

EUR '000	2011	2010
Research and development costs	3,688	2,241

The value of goodwill is yielded by the approved budget figures for 2012, and conservative estimates for subsequent years, partly based on authoritative market studies, as well as the projected cash flows derived from these estimates over a period of five years. The current carrying amounts were compared to the goodwill so calculated (the recoverable amount being the higher of value in use or net realisable value).

Goodwill is tested for impairment at least once a year. As in the previous year, no impairment was recognised in 2011. The breakdown of goodwill at 31 December 2011 was as follows:

Goodwill in EUR '000	31 Dec. 2010	Additions	Disposals	Amortisation	31 Dec. 2011
Styria Group	11,547	0	0	0	11,547
Pol-Necks Sp.zo.o.	2,000	0	0	0	2,000
SHT Haustechnik Group	8,307	0	0	0	8,307
Frauenthal Group	**21,854**	**0**	**0**	**0**	**21,854**

No impairment was recognised in 2010. The breakdown of goodwill at 31 December 2010 was as follows:

Goodwill in EUR '000	31 Dec. 2009	Additions	Disposals	Amortisation	31 Dec. 2010
Styria Group	11,547	0	0	0	11,547
Pol-Necks Sp.zo.o.	2,000	0	0	0	2,000
SHT Haustechnik Group	8,307	0	0	0	8,307
Frauenthal Group	**21,854**	**0**	**0**	**0**	**21,854**

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

Brands and rights to supply customers, licences and software	31.12.2010	Additions	Disposals	Reclassifi-cations	Amortisation	31 Dec. 2011
Frauenthal Group	**16,745**	**787**	**0**	**-9**	**-1,197**	**16,326**

Impairments of EUR 180,000 (2010: EUR 77,000) were recognised in respect of brands and rights to supply customers with indefinite useful lives, which make up part of the statement of financial position item shown in the table. These brand rights relate to internally generated brands that form part of the product range, and which the Group does not currently intend to change or retire. The rights to supply customers are of unlimited duration and can only be ended by termination of contract. Impairment is recognised as soon as any of these rights are terminated. The impairment losses are reported under the "Depreciation and amortisation expense, and impairment" item in the income statement. They relate entirely to the Wholesale Plumbing Supplies Division. The carrying amount of these brands and rights at the end of the reporting period was EUR 14,021,000 (2010: EUR 14,201,000).

In 2010 the movements in "Brands and rights to supply customers, licences and software" were as follows:

Brands and rights to supply customers, licences and software	31 Dec. 2009	Additions	Disposals	Reclassifi-cations	Amortisation	31 Dec. 2010
Frauenthal Group	**17,974**	**458**	**0**	**4**	**-1,691**	**16,745**

The brands and rights to supply customers were measured according to their value in use. The carrying amounts were originally calculated using the discounted cash flow (DCF) method. The main influence on the cash flow forecast used to value the brand and customer supply rights is the revenue generated by the product or customer segment projected by the annual budget. The discount rate (WACC) is 6.90% (2010: 8.67%) after tax. The forecasting period is usually five years (2010: five years).

Due to the long contractual terms, an exception is made in the case of the rights to supply customers, and a period of 20 years (2010: 20 years) is applied. The parameters applied are based on experience and are reviewed on an annual basis.

Property, plant and equipment
Land in the "Land and buildings" item amounts to EUR 5,700,000 (31 Dec. 2010: EUR 5,269,000). Additions to property, plant and equipment in 2011 totalled EUR 20,810,000 (2010: EUR 8,856). Of this amount the Wholesale Plumbing Supplies Division accounted for EUR 3,757,000 (2010: EUR 3,500,000), the Automotive Components Division EUR 9,159,000 (2010: EUR 2,540,000) and the Industrial Honeycombs Division EUR 7,771,000 (2010: EUR 2,569,000).

Where substantially all of the risks and rewards incidental to ownership lie with the Frauenthal Group it states leased assets at the lower of fair value or the present value of the future lease payments at the time of addition. The assets held under finance leases carried in the statement of financial position relate largely to land and buildings used by Porzellanfabrik Frauenthal GmbH under a long-term lease, and to a lesser degree to plant at the Styria Federn Judenburg site. The Group has entered into no other material finance lease contracts.

The Porzellanfabrik Frauenthal GmbH factory is on land owned by the lessor, Ceram Liegenschaftsverwaltungs GmbH (CLV). The terms of the agreements are such that Porzellanfabrik Frauenthal GmbH is the beneficial owner of the parts of the building used by it. Because of this the discounted lease payments for the building are capitalised. The carrying value of the building was EUR 489,000 (2010: EUR 541,000) at the end of the reporting period.

Porzellanfabrik Frauenthal GmbH can use the land and buildings leased to it by Ceram Liegenschaftsverwaltungs GmbH for an indefinite period.

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

A large truck manufacturer made a EUR 12,000 (2010: EUR 300,000) contribution to the cost of installing a special production line at the Châtenois plant in France. This project has now been completed and no further payments will be made. Investment grants are normally accounted for by netting.

The Styria Federn GesmbH plant in Judenburg received investment grants totalling EUR 211,000 (2010: EUR 215,000). Property, plant and equipment to a value of EUR 2,499,000 was purchased for the project in question. EUR 35,000 of the new grant received and EUR 24,000 of an earlier one relate to this investment. The initial amount recognised under this statement of financial position item was EUR 149,000. Together with the EUR 211,000 in grants, less EUR 59,000 in reversals, this yields a closing amount of EUR 301,000 on the liabilities side.

As at the end of the reporting period, property, plant and equipment to a value of EUR 198,000 (2010: EUR 2,923,000) was pledged as collateral for bank borrowings by Pol-Necks Sp.zo.o.

Financial assets

The 50% interest in Ceram Liegenschaftsverwaltung GmbH, Vienna, which is accounted for at Group level using the equity method, was amortised at EUR 13,000 (2010: EUR 28,000). The carrying amount of the investment was EUR 739,000 at the end of the reporting period (31 Dec. 2010: EUR 726,000). Ceram Liegenschaftsverwaltung GmbH, Vienna has no contingent liabilities. The company's aggregated key financial indicators are as follows:

EUR ´000	2011	2010
Non-current assets	2,329	2,452
Current assets	1,170	969
Borrowings	766	734
Revenue	4,918	4,842
POA	38	73
Profit after tax	**25**	**67**

The non-current financial assets reported in the statement of financial position relate to investment fund units owned by SHT Haustechnik AG. In 2011 the company purchased no securities (2010: EUR 14,000) to fund pension benefit obligations. The financial assets in question are units in a bond fund which mainly invests in euro-denominated sovereign bonds. They are available for sale, and are carried at fair value, which corresponds to the acquisition cost at the time of measurement. They were purchased shortly before the end of the reporting period in 2010, meaning that the carrying amount as at 31 December 2010 was the same as the fair value.

An EUR 8,000 write-down (2010: EUR 28,000) of the financial assets held by SHT Haustechnik AG was recognised by a deduction from the fair value reserve.

Financial assets with a carrying value of EUR 176,000 at the time of disposal (2010: EUR 264,000) were sold during the reporting period. The proceeds of the sale of these assets were EUR 172,000. The profit of EUR 4,000 was recognised in the income statement, as "Gains on disposal of financial assets".

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

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

[17] Deferred tax

Deferred tax assets in an amount of EUR 20,319,000 (2010: EUR 20,771,000) and deferred tax liabilities totalling EUR 3,098,000 (2010: EUR 2,463,000) are carried on the consolidated statement of financial position.

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

EUR '000	2011	2010
Analysis of deferred tax		
Changes in statement of financial position items	**-3,363**	**-2,704**
Development costs	-58	-115
Other non-current assets	-3,901	-3,398
Other current assets	-1,159	-983
Employee benefit provisions	2,699	2,108
Provisions for jubilee benefits	-268	135
Other provisions	-471	-465
Other liabilities	-205	14
Capitalised tax loss carryforwards	**19,647**	**20,131**
Linnemann-Schnetzer Deutschland GmbH, Elterlein site	8,227	8,500
Frauenthal Holding AG	6,966	5,602
SHT Haustechnik AG	0	539
Frauenthal Handels- und Dienstleistungs GmbH	2,923	3,853
Styria Arcuri S.R.L., Sibiu	411	440
Styria Impormol Unipessoal, Lda., Azambuja	230	175
Styria Ressorts Véhicules Industriels S.A.S., Châtenois	890	1,022
Capitalised deferred tax loss carryforwards arising from impairments of investments	**937**	**881**
Styria Federn GesmbH, Judenburg	240	360
Frauenthal Holding AG	697	521
Deferred tax at 31 Dec.	**17,221**	**18,308**
whereof deferred tax assets	20,319	20,771
deferred tax liabilities	-3,098	-2,463

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

As at the end of the reporting period EUR 28,880,000 (2010: EUR 23,741,000) in tax loss carryforwards were available to Frauenthal Holding AG. However, deferred tax assets were only recognised for tax loss carryforwards that can be utilised within a period of five years. In 2011 a total of EUR 6,966,000 in deferred tax assets (2010: EUR 5,602,000) were recognised in respect of EUR 27,863,000 (2010: EUR 22,409,000) in tax loss carryforwards. The local tax rates were applied to Styria Arcuri S.R.L., Sibiu, Styria Impormol Unipessoal, Lda, Azambuja, Styria Ressorts Véhicules Industriels S.A.S., Châtenois les Forges, and Linnemann-Schnetzer Deutschland GmbH, Elterlein.

As in the previous year, deferred tax assets were recognised for the tax loss carryforwards of Linnemann-Schnetzer Deutschland GmbH to the extent to which it is probable that the temporary differences will reverse within five years and that taxable profit will be available against which they can be utilised. Of a total of EUR 64,841,000 (31 Dec. 2010: EUR 69,088,000) in tax loss carryforwards available to Linnemann-Schnetzer Deutschland GmbH, use was made of EUR 27,423,000 (2010: 28,833,000) to recognise EUR 8,227,000 (2010: EUR 8,500,000) in deferred tax assets. A tax inspection at Linnemann-Schnetzer Deutschland GmbH, initiated in 2009, was completed in 2011. This led to the tax authorities disallowing the tax loss carryforwards arising from the merger in 2005, resulting in a significant increase in tax expense in the periods from 2005 onwards. The company has appealed the assessment notices issued by the tax inspectors and the tax office responsible for the assessment. An expert opinion from Ernst & Young commissioned by Frauenthal rates the likelihood that the tax tribunal or the court of second instance, the Federal Fiscal Court, will uphold the appeal as very high. It remains very probable that the Linnemann-Schnetzer Group will be able to make use of the tax loss carryforwards over the next few years.

As at the end of the reporting period no tax loss carryforwards (2010: EUR 2,157,000) were available to the Wholesale Plumbing Supplies Division. Deferred tax assets arising from tax loss carryforwards available to Frauenthal Handels- und Dienstleistungs GmbH decreased from EUR 3,853,000 at 31 December 2010 to EUR 2,923,000 at the end of the reporting period.

Deferred tax assets recognised for tax loss carryforwards in respect of Styria Arcuri S.R.L. declined from EUR 440,000 to EUR 411,000.

As at the end of the reporting period tax loss carryforwards of EUR 868,000 (2010: EUR 661,000) were available to Styria Impormol Unipessoal, Lda, and carryforwards of EUR 2,669,000 (2010: EUR 3,066,000) were available to Styria Ressorts Véhicules Industriels S.A.S. Deferred tax assets of EUR 230,000 (2010: EUR 175,000) and EUR 890,000 (2010: EUR 1,022,000) were recognised for Styria Impormol Unipessoal, Lda, and Styria Ressorts Véhicules Industriels S.A.S. respectively. The tax loss carryforwards available to the Austrian, French and German companies can be utilised for an indefinite period. There is a time limit of six years in Portugal. Of the EUR 868,000 in tax loss carryforwards, EUR 260,000 can be used up to 2017 and EUR 608,000 up to 2016.

Holdings in subsidiaries have given rise to tax loss carryforwards due to impairments to investments, which can be spread over seven years under Austrian tax law. At 31 December 2011 the following tax loss carryforwards were available:

Frauenthal Holding AG	**EUR 2,790,000**	(2010: EUR 2,084,000)
Styria Federn GesmbH, Judenburg	**EUR 960,000**	(2010: EUR 1,439,000)

Tax loss carryforwards amounting to EUR 937,000 (2010: EUR 881,000) arising from impairments to investments were recognised at the end of the reporting period.

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

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

Deferred Tax

Frauenthal Deutschland GmbH	EUR	**855,000**	(2010: EUR	888,000)
Styria Elesfrance S.A.S	EUR	**1,626,000**	(2010: EUR	1,506,000)
Linnemann-Schnetzer Ahlen GmbH	EUR	**497,000**	(2010: EUR	326,000)
Linnemann-Schnetzer Formparts GmbH	EUR	**771,000**	(2010: EUR	552,000)
Linnemann-Schnetzer Deutschland GmbH	EUR	**9,355,000**	(2010: EUR	10,189,000)
Styria Vzmeti d.o.o.	EUR	**1,521,000**	(2010: EUR	1,459,000)

[18] Current assets

Inventories

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

EUR '000	2011	2010
Raw material and consumables used	24,280	17,861
Work in progress	11,331	8,110
Finished goods and merchandise	58,544	46,016
Prepayments	0	64
Inventories	**94,154**	**72,052**

Part of the increase in inventories of raw material and consumables was occasioned by the capitalisation of recycling materials. Up to 10% of the rejects that arise during catalyst production and the pulverised spent catalysts can be recycled (depending on the product and mix of materials). These recycling materials were capitalised for the first time in 2011. This was not done in the past because of the small quantities involved. In 2011 a change in the product mix led to increased sales of waste materials.

The following table shows the inventory write-downs:

EUR '000	2011	2010
Provisions for inventory write-downs at 1 January	**4,203**	**4,658**
Exchange differences	-3	-10
Allocations (expenses for impairment provisions)	486	561
Utilisation	-309	-599
Reversals	-374	-407
Provisions for inventory write-downs at 31 December	**4,003**	**4,203**
Carrying amount of written-down inventories at 31 December	**49,043**	**40,172**

Of the total inventory write-downs at the end of the reporting period, some EUR 1,334,000 (2010: EUR 1,525,000) relates to impairments of raw material and consumables, and EUR 2,671,000 (2010: EUR 2,650,000) to impairments of finished goods and merchandise, while there were no write-downs of work in progress (2010: EUR 29,000).

The carrying amount of impaired inventories was EUR 49,043,000 as at 31 December 2011 (2010: EUR 40,172,000). Of this, EUR 44,321,000 (2010: EUR 35,938,000) related to finished goods in the Wholesale Plumbing Supplies Division, and EUR 4,722,000 (2010: EUR 4,234,000) to inventories in the Automotive Components Division.

Receivables and other assets

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

EUR '000	2011	2010
Trade receivables (net)	73,210	67,511
Other assets	14,118	11,834
Receivables	**87,328**	**79,345**

Total trade receivables rose by EUR 5,699,000. Trade receivables rose by EUR 3,757,000 in the Wholesale Plumbing Supplies Division, and by EUR 2,038,000 in the Industrial Honeycombs Division. There was a slight reduction in trade receivables in the Automotive Components Division.

Trade receivables include EUR 8,727,000 (2010: EUR 7,985,000) in contract receivables in the Industrial Honeycombs Division.

The use of an asset-backed securities (ABS) facility in connection with sales to a major truck manufacturer reduced receivables by EUR 15,532,000 (2010: EUR 13,880,000). The receivables were sold to Nordea Bank.

The rest of the "Sundry other assets" largely relate to receivables from Austrian tax authorities, prepayments and deferred assets. "Sundry other assets" were as follows:

EUR '000	2011	2010
Tax receivables	5,218	5,097
Prepayments and accrued income	3,020	703
Sundry other assets	5,879	6,035
Sundry other assets	**14,118**	**11,834**

The EUR 5,880,000 in "Sundry other assets" are largely attributable to the Wholesale Plumbing Supplies Division, and relate to creditors' debit balances, deposits and retentions, prepayments, insurance, support payments to suppliers, and receivables from employees.

PoC receivables in the Industrial Honeycombs Division were as follows:

EUR '000	2011	2010
Contract costs	10,537	9,674
Profits	2,014	1,766
Prepayments received	-3,824	-3,455
PoC receivables	**8,727**	**7,985**

The maturities of the trade receivables were as follows:

EUR '000	Trade receivables (gross)	Trade receivables (net)	Neither impaired nor overdue at end of the reporting period	Not impaired at end of reporting period but overdue in the following time bands			
				less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
at 31 Dec. 2011	**75,849**	**73,210**	**57,706**	**4,598**	**1,336**	**929**	**0**
at 31 Dec. 2010	69,094	67,511	44,181	3,537	892	819	0

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

Provisions for impairments of trade receivables evolved as follows:

EUR '000	2011	2010
Provisions for impairment losses at 1 January	**1,582**	**1,845**
Change in scope of consolidation		
Exchange differences	-3	1
Allocations (expenses for impairment provisions)	1,520	276
Utilisation	-230	-385
Reversals	-229	-155
Provisions for impairment losses at 31 December	**2,640**	**1,582**
Carrying amount of impaired receivables at 31 December	**29,122**	**25,655**

The "Allocations" item, amounting to EUR 1,520,000 (2010: EUR 276,000), shows the net change in impaired receivables. The Wholesale Plumbing Supplies Division accounted for EUR 1,507,000 (2010: EUR 209,000) of this amount, and the Automotive Components Division for the remaining EUR 13,000 (2010: EUR 67,000). Receivables that have been written down and are already overdue are shown in the above table. All of the EUR 230,000 in utilisation of provisions is attributable to the Industrial Honeycombs Division, which was responsible for EUR 208,000 of the total of EUR 385,000 recorded in 2010. The EUR 229,000 (2010: EUR 155,000) in reversals include receivables already completely written off where the impairments were reversed because payments were received. Impairments are carried in a separate account and are not directly deducted from receivables.

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

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

All of the impaired receivables, which have a carrying amount of EUR 29,122,000, (2010: EUR 25,655,000) derive from the Wholesale Plumbing Supplies Division.

At the end of the reporting period EUR 3,091,000 (2010: EUR 3,572,000) in receivables in the Automotive Components Division were overdue, but impairment losses on them had not yet been recognised.

[19] Cash and cash equivalents

This item includes EUR 36m in short-term investments made in consequence of the surplus liquidity generated by the new bond issue. The investments mature in 13 months, as the old bond is due for redemption in June 2012. The money was invested as follows: Raiffeisenlandesbank Oberösterreich Aktiengesellschaft EUR 6m; Volksbank AG Investkredit EUR 10m; Raiffeisenlandesbank Niederösterreich-Wien AG EUR 6m; Hypo-Bank Burgenland Aktiengesellschaft EUR 3m; Raiffeisen Bank International EUR 11m. The weighted average interest rate is 2.54%.

[20] Equity

Share capital

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

Registered share capital at the end of the reporting period was EUR 9,434,990.00 (2010: 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 Company's share capital. There were no material changes in voting rights in 2011. Each no par share corresponds to EUR 1.00 of the share capital.

By resolution of the 18th Annual General Meeting held on 3 May 2007 the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,681,634.00, not later than 30 June 2012, by issuance, in one or more tranches, of up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind.

Capital reserves

The capital reserves include EUR 21,093,000 in appropriated capital reserves in the meaning of the Austrian Companies Act (2010: EUR 21,093,000).

Retained earnings

Retained earnings comprise the reserves accumulated from undistributed profits and the statutory reserves. In 2011 retained earnings increased by EUR 13,011,000 to stand at EUR 53,935,000 at the end of the reporting period (2010: EUR 40,924,000). The rise was mainly due to the total comprehensive income of EUR 17,191,000 retained in 2010, and the share option plan valued at EUR 152,000. Further information on the share option plan is presented in Note 45. Retained earnings were reduced by EUR 2,746,000 by the dividend payment in June 2011, and by a further EUR 1,845,000 by the acquisition of the non-controlling interests in Styria Compa S.R.L.

Translation reserves

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

Other reserves/fair value reserve

This item includes an EUR 8,000 (2010: EUR 28,000) write-down of financial assets held by SHT Haustechnik AG. Upon disposal of the assets the reserve will be reversed, and the realised gains or losses recognised in the income statement. "Other reserves" amounted to EUR 37,000 in 2010, but fell to EUR 29,000 at the end of the reporting period as a result of this write-down.

Own shares

The sale of own shares under the share option plan led to a decline of EUR 20,000 in this item, to EUR 532,000 at the end of the reporting period (31 Dec. 2010: EUR 552,000). Details of the share option plan are given in Note 45.

In 2011 Frauenthal Holding AG's shareholder structure underwent minor changes as a result of the sale of treasury shares due to a share option plan. On 1 June 2011 the Supervisory Board of Frauenthal Holding AG approved a share option plan for 2012–2017 for members of the Executive Board of Frauenthal Holding AG and for Frauenthal Group senior management. The Supervisory Board also resolved, separately from the share option scheme, to award an Executive Board member, Hans-Peter Moser, an option to purchase 10,000 Frauenthal shares. Mr. Moser exercised his option on 22 December 2011, acquiring 10,000 ordinary shares at a price of EUR 2 per share.

Own shares	Number of shares	Share capital, EUR	% of share capital
at 31 Dec. 2011	**272,456**	**272,456**	**2.89**
at 31 Dec. 2010	282,456	282,456	2.99

This reduced the number of treasury shares from 282,456 to 272,456, representing 2.89% of the Company's capital, and resulted in a corresponding increase in the free float to 2,284,484 shares or 24.21% of the capital. The principal shareholder remains FT Holding GmbH, with an interest of 72.9%.

Non-controlling interests

This item relates to EUR 4,023,000 in non-controlling interests in the Styria Group (2010: EUR 3,275,000).

[21] Long-term provisions

The pension provisions were calculated using the projected unit credit method. An annual discount rate of 4.5% (2010: 4.5%), and average annual salary and pension increases of 2.0% (2009: 2.0%) were applied.

The provisions for termination and jubilee benefits were also calculated using the projected unit credit method. Future annual salary increases of 3.0% were assumed. As with the calculation of the pension provision, the discount rate applied was 4.5% (2010: 4.5%).

Staff turnover rates were estimated for all Group companies.

Movements in the long-term provisions in 2011 were as follows:

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

The comparative figures for 2010 are shown below.

EUR '000	1 Jan. 2010	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclass-ifications	**31 Dec. 2010**
Provisions for termination benefits	8,500	594	-328	-4	467	0	597	9,826
Provisions for pensions	6,379	334	0	-52	269	0	0	6,930
Other long-term provisions	4,983	855	-328	-981	146	0	-597	4,078
Long-term provisions	**19,862**	**1,783**	**-656**	**-1,037**	**882**	**0**	**0**	**20,834**

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

The carrying amounts of the provisions for termination benefits and pensions correspond to the respective defined benefit obligations (DBO) at the end of the reporting period. Changes in the provisions for termination benefits and pensions at a discount rate of 4.5% were as follows:

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

Due to a change in the treatment of the employee benefit provisions at the French subsidiary, this company's provisions are included in the DBO for the first time. Income and expenses arising from adjustments to provisions are recognised in the income statement, under the "Staff costs" item.

EUR	Pension	Termination
DBO, 31 Dec. 2009	6,378,589	8,500,306
Reclassifications	0	758,887
Service cost	73,809	521,627
Interest cost	273,986	466,995
Payments	-491,461	-244,596
Actuarial gains (-) / losses (+)	695,504	-177,194
DBO, 31 Dec. 2010	**6,930,427**	**9,826,025**

The projected movements in provisions for termination benefits and pensions in 2012 are as follows:

EUR	Pension	Termination
DBO, 31 Dec. 2011	6,653,826	10,175,211
Service cost	92,979	562,502
Interest cost	290,525	478,978
Payments	-395,412	-295,617
Projected DBO, 31 Dec. 2012	**6,641,918**	**10,921,074**

Movements in DBO were as follows:

DBO in EUR '000	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	31 Dec. 2010	**31 Dec. 2011**
Provisions for pensions	10,524	9,746	6,379	6,930	**6,654**
Provisions for termination benefits	9,627	9,685	8,500	9,826	**10,175**

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

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

EUR '000	1 Jan. 2010	Allocations	Utilisation	Reversals	Interest effects	Exchange diff.	Reclassif-ications	31 Dec. 2010
Other employee benefit provisions	3,987	396	-154	-788	146	0	-597	2,990
Other provisions	996	459	-174	-193	0	0	0	1,088
Other long-term provisions	**4,983**	**855**	**-328**	**-981**	**146**	**0**	**-597**	**4,078**

The "Other long-term employee benefit provisions" comprise provisions for jubilee benefits, final termination gratuities and part-time retirement benefits. The jubilee benefits accounted for EUR 2,758,000 (2010: EUR 2,646,000) of this amount at the end of the reporting period. The allocation to the provision for jubilee benefits amounted to EUR 137,000 (2010: EUR 303,000). The provision for final termination gratuities amounted to EUR 58,000 (2010: EUR 34,000) as at the end of the reporting period. "Other provisions" include provisions for risks that could arise from warranty claims, contractual guarantees or product liability in respect of delivered goods. The allocations include a warranty provision of EUR 1,275,000 recognised in the Industrial Honeycombs Division in response to a defect in the form of non-compliant emission values at a large power station that had been equipped with catalysts by the Division. At the time of writing, the cause of the defect had not been properly ascertained, but it appeared likely that malfunctioning of the catalysts was to blame. The contractual arrangements governing this equipment require the Industrial Honeycombs Division to exchange the catalysts in question. The insurance only covers part of a potential warranty claim or other form of compensation. As things stand, the extent of the loss is still uncertain, as there are a number of ways of attaining contractually compliant emission values at the power station. Soil rehabilitation will have to be carried out at one site – Styria Ressorts Véhicules Industriels, France – due to official licensing conditions. A rehabilitation plan has been drawn up on the basis of technical reports, and the approach to be taken to the work has been agreed with the environmental agency concerned. A provision of EUR 241,000 was recognised for decontamination work at the site. These amounts correspond to management's estimate of the cost of the approaches most likely to be chosen for the work in each case.

Sensitivity analysis of employee benefit provisions

A sensitivity analysis of the employee benefit provisions reveals that if the calculations for pension payments, termination and jubilee benefits, and part-time retirement obligations were discounted at a rate of 4.0% instead of the 4.5% applied in 2011, the Frauenthal Group's employee benefit obligation would increase by EUR 1,320,000. The analysis is as follows:

EUR '000	2011 4.5%	Scenario 4.0%	Difference
Provisions for pensions	6,654	7,102	-448
Provisions for termination benefits	10,175	10,921	-746
Provisions for jubilee benefits	2,758	2,881	-123
Provisions for part-time retirement obligation	572	575	-3
Total provisions	**20,159**	**21,479**	**-1,320**

If the calculations were discounted at a rate of 5.0% instead of 4.5%, the Group's benefit obligation would be reduced by EUR 1,042,000. The analysis of the changes is as follows:

EUR '000	2011 4.5%	Scenario 5.0%	Difference
Provisions for pensions	6,654	6,253	401
Provisions for termination benefits	10,175	9,656	519
Provisions for jubilee benefits	2,758	2,640	118
Provisions for part-time retirement obligation	572	568	4
Total provisions	**20,159**	**19,116**	**1,042**

[22] Short-term provisions

Changes in the short-term provisions in 2011 were as follows:

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

EUR '000	1 Jan. 2010	Allocations	Utilisation	Reversals	Exchange diff.	Reclassif-ications	31 Dec. 2010
Tax provisions	171	461	-104	0	0	0	528
Other provisions	916	1,543	-360	-189	6	0	1,916
Short-term provisions	**1,087**	**2,004**	**-464**	**-189**	**6**	**0**	**2,444**

Movements in "Other provisions" were as follows:

EUR '000	1 Jan. 2011	Allocations	Utilisation	Reversals	Exchange diff.	Reclassif-ications	31 Dec. 2011
Restructuring	1,245	1,089	-782	-463	0	82	1,171
Impending losses	315	106	0	0	0	0	421
Provision for damages	215	0	0	-215	0	0	0
Other employee benefit provisions	65	52	0	-18	0	0	99
Legal and consultancy costs	76	13	-30	0	-4	0	55
Other short-term provisions	**1,916**	**1,260**	**-812**	**-696**	**-4**	**82**	**1,746**

EUR '000	1. Jan. 2010	Allocations	Utilisation	Reversals	Exchange diff.	Reclassif-ications	31 Dec. 2010
Waste disposal costs	166	0	-100	-66	0	0	0
Restructuring	45	1,245	0	-45	0	0	1,245
Impending losses	514	0	-199	0	0	0	315
Provision for damages	93	200	0	-78	0	0	215
Other employee benefit provisions	56	64	-61	0	6	0	65
Legal and consultancy costs	42	34	0	0	0	0	76
Other short-term provisions	**750**	**1,543**	**-260**	**-123**	**6**	**0**	**1,916**

The restructuring item includes a provision of EUR 89,000 recognised for Linnemann-Schnetzer Ahlen GmbH, Germany, and one of EUR 82,000 for Styria Elesfrance SAS, France. It also includes a provision recognised for Linnemann-Schnetzer-Formparts GmbH, Germany. As the plant has been unable to secure sufficient orders, and is consequently no longer able to operate at a profit, it is scheduled to close by the end of 2012. A provision of EUR 1,000,000 for costs arising from social plans was recognised to cover the termination benefits payable to the staff affected. An additional provision of EUR 106,000 for contingent losses was recognised during the reporting period in respect of Styria Federn GesmbH, Austria. This is related to anticipated losses on products sold at fixed prices agreed with customers which are less than the manufacturing costs. The provisions for contingent losses of EUR 421,000 at the end of the reporting period were entirely attributable to Styria Federn GesmbH. There were no longer any provisions for damages as of the end of the reporting period, following the reversal in 2011 of the entire provision for Styria Impormol, Unipessoal, Lda., Portugal.

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

The tax inspection at Linnemann-Schnetzer Deutschland GmbH was completed in 2011. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m (EUR 6.3m including interest) during the tax audit period (2005–2010). However, the carryforwards have been disallowed, and the company has lodged an appeal against the assessment notice.

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

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

[23] Liabilities

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

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

In May 2011 the Group issued a five-year, EUR 100m bond with an effective interest rate of 5.08%. Of the proceeds, EUR 43m went towards early redemption of a portion of the 2005 bond issue (due on 28 June 2012), EUR 36m was invested, and the remainder was used to repay short-term bank borrowings. The outstanding EUR 27m of the 2005 bond will be repaid on 28 June 2012. The long-term borrowings include EUR 431,000 secured by collateral (2010: EUR 612,000). Of this amount, EUR 379,000 (2010: EUR 379,000) relates to a passbook which was pledged by Porzellanfabrik Frauenthal (Industrial Honeycombs Division) to Ceram Liegenschaftsverwaltung GmbH under the shareholder agreement concluded in connection with the demerger and disposal of the insulator business in 2001. It is highly unlikely that recourse will be made to the collateral. At the end of the reporting period the Pol-Necks subsidiary in Poland had EUR 52,000 (2009: EUR 233,000) in outstanding borrowings which were secured by collateral. EUR 198,000 (2010: EUR 416,000) of the collateral was accounted for by land and buildings. This item no longer includes collateral of EUR 122,000 related to inventories, EUR 294,000 to investment loans and EUR 2,092,000 to production which was extant at the end of the previous reporting period.

The bank borrowings include EUR 489,000 (2010: EUR 570,000) in finance lease liabilities, of which EUR 228,000 (2010: EUR 277,000) have maturities of over five years, and EUR 209,000 (2010: EUR 212,000) maturities of between one and five years, while EUR 52,000 (2010: EUR 81,000) are current.

The comparative amounts as at 31 December 2010 were as follows:

		Maturity			
Liabilities at 31 Dec. 2010 in EUR '000	Total amount	up to 1 year	1-5 years	over 5 years	Collateral-ised
Bond	71,375	1,375	70,000	0	
Bank borrowings (including leases)	26,412	14,043	12,093	277	612
Prepayments received	5,547	3,591	1,956	0	
Trade payables	46,184	46,184	0	0	
Liabilities to Group companies	68	68	0	0	
Notes payable	0	0	0	0	
Other liabilities	26,080	24,327	1,753	0	
Total liabilities	**175,665**	**89,586**	**85,802**	**277**	**612**

"Other liabilities" were EUR 1,115,000 lower year on year as at the end of the reporting period. The main reasons for the decrease were reduced tax liabilities and sundry other liabilities. The table below shows the changes in relation to the comparative period.

EUR '000	2011	2010	Change
Employee liabilities	15,786	14,373	1,413
Tax liabilities	4,460	6,035	-1,575
Liabilities in respect of investment grants	1,972	1,807	164
Suppliers' credit balances	372	504	-133
Accruals	400	219	181
Prepayments received	140	0	140
Warranty liabilities and damages	667	255	412
Introduction fund	0	467	-467
Accounting and auditing costs	96	0	96
Sundry other liabilities	1,072	2,420	-1,348
Other liabilities	**24,965**	**26,080**	**-1,115**

Apart from payroll and employee benefit expense for December 2011, "Employee liabilities" mainly relate to accruals for unused leave. Two subsidiaries had liabilities arising from investment grants at the end of the reporting period: Styria Impormol, Portugal (EUR 1,484,000; 2010: EUR 1,659,000) and Styria Federn GesmbH, Austria (EUR 301,000; 2010: EUR 149,000). As in the previous year, the suppliers' credit balances are almost completely attributable to the Wholesale Plumbing Supplies Division.

[24] Contingent liabilities

As at 31 December 2011 the Frauenthal Group had EUR 692,000 (2010: EUR 1,145,000) in contingent liabilities. Styria Federn Impormol has contingent liabilities to IAPMEI in respect of investment projects. The liabilities will continue to exist until the projects in question have been completed. The contingent liabilities totalling EUR 904,000 to Tansgas Industria and EDP Elektrizität no longer existed at the end of the reporting period. Likewise, the contingent liabilities of Styria Federn GesmbH, Austria to third parties, which amounted to EUR 241,000, had ceased to exist as at 31 December 2011.

A tax inspection at the Linnemann-Schnetzer Deutschland GmbH subsidiary, located in Elterlein, Germany, was completed during the year. This company is entitled to considerable tax loss carryforwards, which reduced its tax burden by about EUR 6m during the tax audit period. Deferred tax assets of EUR 8m arising from the capitalisation of part of these tax loss carryforwards are carried on the consolidated statement of financial position. The tax inspection resulted in the disallowance of the tax loss carryforwards, and assessment notices to this effect, for the 2005–2007 audit period, were issued. Notice was also given of the suspension of enforcement of this decision, meaning that there has been no effect on liquidity. In the opinion of the Executive Board, the tax authorities' arguments for disallowing the deductions are unlikely to be upheld in the light of the legal situation, the relevant precedents and prevalent legal opinion. A risk evaluation carried out on the basis of expert reports by three eminent independent consultants suggests there is only a minimal risk that the tax loss carryforwards will continue to be disallowed after all appeals have been exhausted, and in consequence no accounting provision has been made for the risk. However, there is a risk of protracted court appeal proceedings. The situation is being re-evaluated on a quarterly basis, and any new information affecting our assessment will be taken into account.

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

TASK

Hannelore Reichmann, 49 works at Porzellanfabrik Frauenthal (Industrial Honeycombs Division). She sorts the diesel catalysts before carrying out visual inspections and scanning in the serial numbers.

PRODUCT

SCR diesel catalysts are highly efficient in reducing NOx in diesel exhaust emissions. As a result they enable diesel engines to comply with the statutory emission limits. In contrast to competing products which are coated, Frauenthal diesel catalysts are composed of homogeneous catalytic material.

[25] Contingent assets

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

[26] Rental and lease commitments

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

EUR '000	2011	2010
Next year, limited term	1,213	1,250
Next year, indefinite term	6,627	5,975
Next five years, limited term	3,356	3,766
Next five years, indefinite term	36,124	32,027
Over five years, limited term	2	2
Over five years, indefinite term	7,816	6,720

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

[27] Other financial obligations

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

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

[28] Revenue

Most of the Group's revenue was again generated in EU member states in 2011, as the largest revenue contribution comes from the Wholesale Plumbing Supplies Division, and this makes almost all of its sales in Austria.

EUR '000	2011	2010	Change
Revenue by regions			
Austria	298,889	288,562	10,327
Other EU	249,474	196,851	52,623
USA	20,110	15,966	4,144
Rest of the world	19,384	38,006	-18,622
Revenue	**587,857**	**539,385**	**48,472**

The revenue is derived from the sale of goods. Some EUR 35,546,000 of the revenue (2010: EUR 53,332,000) is accounted for by construction contracts and was measured using the PoC method in accordance with IAS 11.

[29] Other operating income

"Other operating income" rose by EUR 1,055,000 year on year. The following amounts are reported as "Other operating income":

EUR '000	2011	2010	Change
Other operating income			
Gains on reversals of provisions	1,177	382	795
Exchange gains	1,248	603	645
Insurance recoveries	564	595	-31
Reversals of investment grants	59	25	34
Gains on write-ups of non-current assets	0	1,535	-1,535
Gains on disposal of non-current assets	437	0	437
Sundry other income	7,902	7,192	710
Other operating income	**11,388**	**10,333**	**1,055**

Reversals of provisions accounted for income of EUR 350,000 in the Industrial Honeycombs Division, and of EUR 827,000 in the Automotive Components Division. Exchange gains rose sharply owing to the stronger Romanian leu during 2011. "Gains on disposal of non-current assets" includes income of EUR 437,000 in the Automotive Components Division The gains on revaluation of non-current assets include EUR 1,535,000 in write-ups of machinery in the Automotive Components Division.

"Sundry other operating income" increased by EUR 710,000.

EUR '000	2011	2010	Change
Sundry other income			
Bonuses and grants received	4,676	4,042	634
Gains on reversals of provisions	660	127	533
Income from charging-on of expenses	331	283	48
Income from rentals and property service charges	237	274	-38
Income from insurance payments	276	102	173
Income relating to prior years	203	593	-391
Reversals of impairment losses	52	0	52
Sundry other income	1,469	1,771	-302
Sundry other income	**7,902**	**7,192**	**710**

"Bonuses and grants received" include EUR 3,159,000 in suppliers' contributions to costs and bonuses, grants for apprentices and staff training in the Wholesale Plumbing Supplies Division, as well as grants from the Styrian business promotion agency SFG for supported projects. The year-on-year change in "Other operating income" is due mainly to subsidies and research grants received by the Industrial Honeycombs Division. The reversal of unused provisions for warranty claims in Industrial Honeycombs accounted for EUR 456,000 of the increase in "Gains on the reversal of provisions". The largest contribution to the "Income from rentals and property service charges" item, at EUR 99,000, came from the Wholesale Plumbing Supplies Division. Services, refunds, income arising from complaints, and insurance recoveries are stated under "Sundry other operating income".

[30] Raw material and consumables used

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

EUR '000	2011	2010	Change
Cost of materials	364,894	328,711	36,183
Cost of consumables used	30,953	24,467	6,486
Total	**395,847**	**353,178**	**42,669**

The change in the cost of materials was primarily due to the increased output and higher raw material prices in the Automotive Components Division.

[31] Staff costs

In 2011 the Frauenthal Group employed an average of 2,689 people (2010: 2,548), a year-on-year increase of 141. Apart from permanent employees the Group head count includes an annual average of 120 (2010: 123) agency staff.

	2011	2010	Change
Non-salaried staff	1,644	1,536	108
Salaried staff	1,045	1,012	33
Total	**2,689**	**2,548**	**141**

The Automotive Components Division accounted for the majority of the employees, with a head count of 1,658 (2010: 1,563). The division's head count grew by 95 because of the continuing recovery in the commercial vehicle market. Employment in the Industrial Honeycombs Division increased by 29 compared to the like period in 2010, raising the average to 321 (2010: 292). The Wholesale Plumbing Supplies Division employed an average of 697 people (2010: 682).

As at the end of the reporting period the Frauenthal Group employed 2,649 people (2010: 2.578).

The table below shows the composition of staff costs.

EUR '000	2011	2010	Change
Wages	67,947	63,128	4,819
Salaries	20,171	17,783	2,388
Termination benefit expense	1,880	2,489	-609
Retirement benefit expense	540	588	-48
Expenses for social security contributions and other pay-related levies	24,187	22,256	1,931
Other employee benefit expense	1,511	1,244	267
Staff costs	**116,235**	**107,487**	**8,748**

Austrian Group companies made EUR 507,000 (2010: EUR 515,000) in contributions to defined contribution plans under the BMVG (Company Pension Fund Act) and individual employment contracts.

Senior management

The payments made to or on behalf of the Executive Board and other senior executives in key positions are shown below. The number of senior executives increased by six to 91 in 2011, and salaries rose accordingly, by EUR 1,354,000 to EUR 9,915,000. Half of that increase was attributable to the Automotive Components Division.

EUR '000	2011	2010	Change
Pension payments to former senior employees	189	249	-60
Number of senior executives	91	85	6
Salaries	9,915	8,561	1,354
Pension payments	71	68	3
Termination and retirement benefits	0	72	-72
Employee benefit fund	60	50	10

No termination or retirement benefits for senior executives beyond those required by law were disbursed in 2011. Retired chief executive officers and senior executives in the Wholesale Plumbing Supplies Division received a total of EUR 72,000 in the reporting period, and EUR 2,345,000 (2010: 2,936,000) was paid to other employees.

EUR '000	2011	2010	Change
Termination and retirement benefits of other employees	2,345	2,936	-591

Of the EUR 2,416,000 (2010: EUR 3,076,000) in expenses for pension payments, and termination and retirement benefits for senior executives and other employees of the Group, EUR 2,345,000 (2010: EUR 2,936,000) relate to other employees, and the remaining EUR 71,000 (2010: EUR 140,000) to senior executives. The Wholesale Plumbing Supplies Division was responsible for most of the change in the "Termination and retirement benefits for other staff" item, at EUR 378,000.

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

[32] Depreciation and amortisation expense, and impairment

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

[33] Other operating expenses

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

EUR '000	2011	2010	Change
Taxes other than income taxes	756	832	-77
Operating costs	2,003	624	1,378
Other distribution costs	6,110	7,512	-1,402
Rental expenses	8,118	7,631	488
Freight costs	9,591	7,670	1,920
Administrative expenses	4,646	4,649	-2
Legal and consultancy expenses	3,929	2,952	977
Third-party repairs	3,646	3,702	-56
Agency staff	2,357	2,636	-279
Travel costs	2,574	2,325	249
Insurance expenses	2,014	2,097	-83
Staff recruitment	1,514	1,221	294
Impairment losses	1,099	1,268	-169
Third-party services	5,401	4,943	458
Exchange losses	1,096	625	471
Waste disposal costs	701	742	-41
Bank charges	657	695	-38
Losses on disposal of non-current assets	36	16	19
Damages claims	353	284	70
Lease expenses	170	225	-55
Restructuring expense	1,000	1,375	-375
Other expenses	1,725	3,553	-1,828
Other operating expenses	**59,496**	**57,577**	**1,919**

"Other operating expenses" increased by EUR 1,919,000 year on year in 2011, mainly as a result of increased operating costs, freight costs, and legal and consultancy expenses. Operating costs include a warranty provision of EUR 1,275,000 recognised in the Industrial Honeycombs Division. The rise in freight costs was attributable to the increase in sales in the Wholesale Plumbing Supplies Division. "Other distribution costs" fell by EUR 1,402,000, mainly as a result of the slowdown in the Industrial Honeycombs Division's Chinese business.

The Automotive Components Division accounted for the entire restructuring expense. A provision of EUR 1,000,000 for costs arising from social plans was recognised for the Linnemann-Schnetzer Formparts GmbH plant.

Exchange differences, third-party services and amounts charged-on are stated under "Other operating expenses".

The following auditing expenses were recognised in 2011:

Reportable expenses relating to BDO Austria GmbH EUR	2011	2010
Year-end audit	60,000	60,000
Other certification services	141,945	171,120
Tax consultancy services	146,580	130,736
Other services	28,600	0
Total	**377,125**	**361,856**

[34] Interest and similar expenses

As in 2010, all borrowing costs attributable to qualifying assets were capitalised in the reporting period.

[35] Income tax expense

Taxes on income

The rate of taxation applicable to the parent company, Frauenthal Holding AG, is 25%. The "Income tax expense" item amounting to EUR 2,729,000 (2010: EUR 714,000) includes EUR 1,614,000 (2010: EUR 958,000) in current tax expense.

Change in deferred tax

The EUR 1,115,000 net change in deferred tax assets and liabilities is reported as tax expense (2010: tax income of EUR 244,000).

EUR '000	2011	2010
Changes in deferred tax		
Deferred tax at 1 Jan.	**18,308**	**18,075**
whereof deferred tax assets	20,771	18,891
deferred tax liabilities	-2,463	-816
Changes in statement of financial position items	**-641**	**-559**
Development costs	57	125
Other non-current assets	-495	-635
Other current assets	-176	-3
Employee benefit provisions	591	-203
Provisions for jubilee benefits	-403	-147
Other provisions	-10	305
Other liabilities	-205	-1
Tax loss carryforwards and deferred tax loss carryforwards	**-428**	**765**
Changes due to profit for the period for tax purposes	-1,250	-215
Changes due to profit for the period for tax purposes	822	980
Changes in deferred tax	**-1,115**	**244**
whereof increase/decrease in deferred tax assets	-452	1,880
increase/reversal of deferred tax liabilities	-635	-1,647
exchange differences	-28	11
Changes in equity	**0**	**0**
Exchange differences	**28**	**-11**
Deferred tax at 31 Dec.	**17,221**	**18,308**
whereof deferred tax assets	20,319	20,771
deferred tax liabilities	-3,098	-2,463

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

EUR '000	2011	2010
Reconciliation of legally applicable and effective tax rate		
Profit before tax	**16,462**	**18,087**
Income tax expense at applicable rate of 25%	**4,116**	**4,522**
Tax effects		
Tax expense from previous periods	44	-204
Utilisation of non-capitalised tax loss carryforwards	34	59
Increase in non-capitalised tax loss carryforwards	-747	-1,079
Initial recognition of tax loss carryforwards	2,469	4,404
Permanent tax differences and other	-172	929
Differences in tax rates applicable to subsidiaries	-241	-301
Changes in tax rates applied to measurement of deferred tax	0	0
Total tax effects	**1,387**	**3,808**
Taxes on income	**2,729**	**714**
Tax expense as shown in income statement	-1,614	-958
Change in deferred tax	-1,115	244
Total tax expense as shown in income statement	**-2,729**	**-714**
Effective tax rate	17%	4%

[36] Earnings per share

Basic and diluted earnings per share are identical for the 2011 financial year. On the basis of the consolidated net profit for the period after non-controlling interests of EUR 13,486,000 (2010: EUR 17,191,000) and a weighted average of 9,152,808 shares in circulation (2010: 9,164,669), the earnings per share were EUR 1.47 (2010: EUR 1.87).

	2011	2010
Shares		
Number of shares issued	9,434,990	9,434,990
Own shares	-272,456	-282,456
Shares in circulation	**9,162,534**	**9,152,534**

The Executive Board will be recommending payment of a dividend of EUR 0.10 per share and a special dividend of EUR 0.20 per share for 2011 (2010: dividend of EUR 0.10 per share and special dividend of EUR 0.20 per share).

E. STATEMENT OF CASH FLOWS

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

[37] Operating profit before working capital changes

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

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

[38] Non-cash transactions

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

[39] Cash flows from operating activities

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

[40] Cash flows from investing activities

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

[41] Cash flows from financing activities

This part of the statement groups all cash inflows and outflows relating to equity and borrowings. Pursuant to paragraph 17 IAS 7 the change in holdings of treasury shares is shown under cash flows from financing activities. Interest paid and received, and tax are reported under "Operating profit before working capital changes". Dividends paid are shown under cash flows from financing activities.

[42] Cash and cash equivalents

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

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

EUR '000	31 Dec. 2011	31 Dec. 2010
Cash and cash equivalents	40,329	3,416
Pledged deposits at banks	-379	-379
	39,950	**3,037**

The cash and cash equivalents available to the Company at the end of the reporting period amounted to EUR 39,950,000 (2010: EUR 3,037,000).

PRODUCT

Ceramic heat sinks are employed for regenerative afterburning of exhaust gases, to recover thermal energy. They are typically used in the wood processing industry and at automotive paint plants.

TASK

Johann Golob, 46, prepares the cut heat sinks for the firing process at Porzellanfabrik Frauenthal (Industrial Honeycombs Division). The heat sinks are placed on racks before firing.

F. SUPPLEMENTARY INFORMATION

[43] Segmental analysis

The Frauenthal Group's primary segments are the Automotive Components, Wholesale Plumbing Supplies and Industrial Honeycombs divisions. The classification is on the basis of the differences between the products manufactured and distributed, and services provided by the various segments.

The Automotive Components Division supplies components to manufacturers of commercial vehicles and trailer axles. The product range comprises leaf springs, links, stabilisers and air reservoirs for braking systems, as well as U-bolts. The division has production sites in Austria, France, Germany, Poland, Portugal, Romania and Slovenia.

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

The core business of the Industrial Honeycombs Division is the production and distribution of SCR catalysts for flue gas purification, and of non-catalytic honeycomb products. In 2009 the production and distribution of SCR diesel catalysts was transferred to the Industrial Honeycombs Division. The production location is in Frauental, Austria. Sales companies in Kansas, USA and Seoul, South Korea, and a representative office in Beijing, China are responsible for distribution on the American and Asian markets.

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

Detailed segmental reporting disclosures are shown in a separate summary table. In the "Revenues by geographical areas (final customers)" table, revenues are allocated according to the locations to which the invoices were issued. The revenue disclosures in this table are in accordance with paragraph 33 IFRS 8.

[44] Financial instruments

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

Objectives of capital management

The Group's capital management policies are aimed at safeguarding its ability to continue as a going concern and maintaining a sufficient equity ratio for the industries in which it operates, i.e. about 30% (on the basis of the IFRS consolidated financial statements). The equity ratio dropped from 30.8% to 27.1% as excess liquidity from the bond issue in May 2011 and overall sales growth expanded the balance sheet.

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. For this reason, no dividend was paid in 2009 in order to strengthen the equity base. As a result, equity increased to EUR 13.3m, compensating almost 60% of the loss in 2009. Owing to the Group's strong performance and the successful restructuring programme in 2010, the Annual General Meeting approved a dividend of EUR 0.30 per share for that year. The Executive Board will be recommending payment of a dividend of EUR 0.10 per share and a special dividend of EUR 0.20 per share for 2011 at the Annual General Meeting, to be held on 6 June 2012.

Net gearing – the ratio of risk exposure (net debt) to capital – rose from 105.44% to 113.70% in 2011. The growth in equity as a result of the recovery in the Automotive Components Division only partly offset the increase in financial liabilities due to the bond issue. Cash and cash equivalents rose sharply owing to the investment of some proceeds from the bond issue. Net interest-bearing debt is the balance of interest-bearing assets and liabilities. Total equity is accounting equity plus non-controlling interests.

EUR ´000	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS	2011 IFRS
Interest-bearing liabilities	99,828	109,413	98,830	97,787	152,740
Cash and cash equivalents	-10,218	-16,302	-2,267	-3,416	-40,329
Net debt	89,610	93,111	96,563	94,371	112,412
Gearing ratio	**95.33%**	**91.18%**	**134.74%**	**105.44%**	**113.70%**

Financial risk

In 2011 the Industrial Honeycombs Division used derivative financial instruments to hedge against US dollar exchange rate risk. Downside price risk exposure is principally associated with EUR/USD exchange rate volatility. As Porzellanfabrik Frauenthal invoices a large part of its exports in USD, movements in this currency have a significant influence on results. However, attempts are made to minimise exchange risk and make it predictable over extended periods with the assistance of a wide variety of hedging instruments.

As at the end of the reporting period there were no outstanding dollar-denominated options (2010: USD 1,000,000) and USD 4,000,000 (2010: USD 1,000,000) in dollar-denominated currency futures contracts, for which a negative fair value of EUR 27,000 was recognised. Generally accepted option price models are used to measure fair value. Frauenthal no longer pays for raw materials in Japanese yen, and all such contracts are now denominated in euro.

As a result, it was not necessary to hedge against yen exchange rate risk during the reporting period.

	USD ´000		EUR ´000	
	2011	2010	Fair value at 31 Dec. 2011	Fair value at 31 Dec. 2010
Options	0	1,000	0	-12
Currency futures transaction	4,000	1,000	-27	-38

The sole purpose of the above USD derivative transactions was to hedge against exchange rate risk. The transactions are measured at fair value. Fluctuations in the value of the hedging instruments are offset by movements in the value of the underlying transactions being hedged.

Liquidity risk

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

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

In all, nine banks have granted credit lines totalling EUR 247.9m (2010: EUR 192m) including bonds to Frauenthal Holding AG and its subsidiaries. As at the end of the reporting period the Group had around EUR 138.3m (2010: EUR 94m) in open credit lines, assuming that the banks fulfil their commitments. Of the unused credit lines EUR 12.0m (2010: EUR 12.4m) is assured by long-term and EUR 10.7m (2010: 14.0m) by short-term loan agreements. 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 EUR 15,532,000 in receivables (2010: EUR 13,880,000) had been sold to Nordea Bank. As in the previous year, the interest rate is the three-month Euribor rate plus 115 basis points. There is no significant risk as the transaction involves guaranteed payments by Nordea Bank for the invoices on the due dates. Daily monitoring means that there is ongoing information on the status of the receivables.

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

Default and credit risk/hedges

In all the divisions, the default and credit risk associated with receivables and the risk of default by counterparties is managed by regular credit checks, active credit management, and in the Wholesale Plumbing Supplies Division by means of credit insurance.

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

At the end of the reporting period, the Group had EUR 6,863,000 in receivables which were overdue, but for which impairment losses had not yet been recognised. Note [18] contains a summary table of impaired receivables. The total amount of EUR 8,683,000 was broken down as follows:

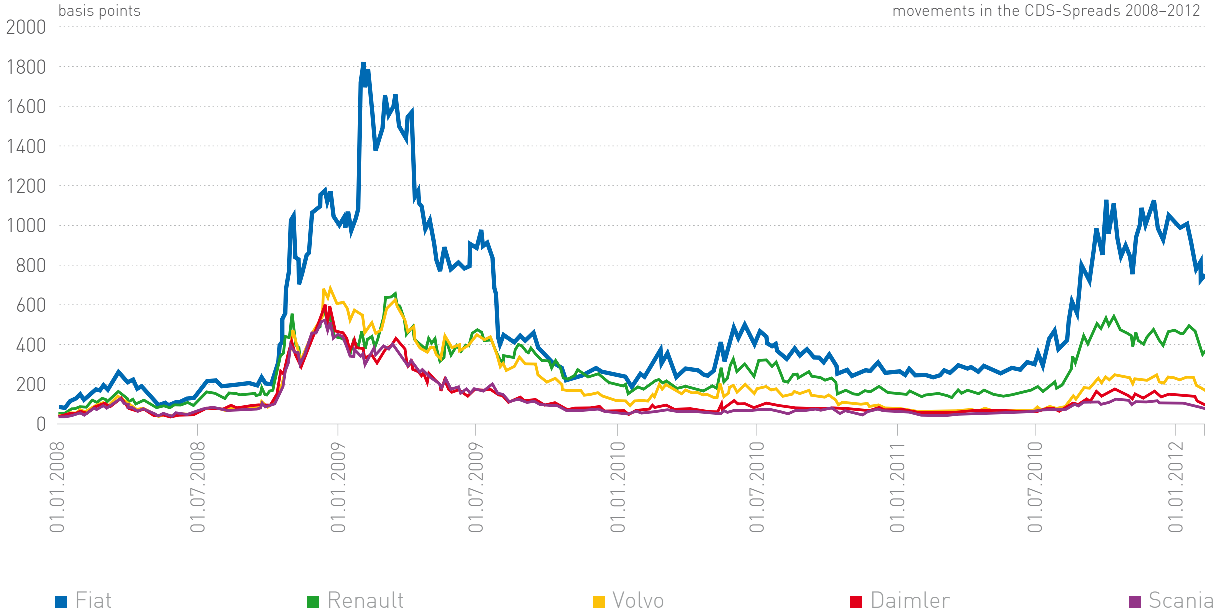
EUR '000	Non-impaired trade receivables overdue in the following time bands			
	less than 60 days	between 61 and 180 days	between 181 and 360 days	more than 360 days
Automotive Components	2,803	334	39	0
Wholesale Plumbing Supplies	709	454	840	0
Industrial Honeycombs	1,086	548	50	0
Non-impaired trade receivables	**4,598**	**1,336**	**929**	**0**

In the **automotive component industry** 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, the reliability of its logistics and quality standards, and 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. Truck manufacturers are mostly very large, multinational corporations, but their creditworthiness was eroded by the economic crisis, which hit the automotive sector particularly hard.

Because of this the Group's debtor management system was reinforced and centralised in 2010. 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. This indicator deteriorated markedly as a result of the financial crisis, but a sharp improvement was noticeable from mid-2010 onwards. Spreads then rose significantly from July 2011, and remained high until the end of the year. The extremely high premium for Fiat is driven by the market's assessment of Italian sovereign risk. However, spreads are below their record levels of early 2009. The chart below shows the movements in the CDS spreads of some major customers between 1 January 2008 and 8 February 2012.



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

The Automotive Components 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 justifiable. Factoring is used as a means of hedging against default by one large customer, and netting agreements also provide protection against risk.

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

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

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

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

A large part of the business of the **Industrial Honeycombs Division** concerns power station catalysts, and is project based. Success depends on contract acquisition skills, prices and product quality, as well as technical references. The clients for power station catalysts are plant engineering companies and power station operators. In the case of export contracts the Division takes the usual precautions in terms of payment guarantees, on the basis of credit ratings. Due to the size of some projects, misjudgement of a business partner's creditworthiness could have serious implications for the Group as a whole. The prepayments and delivery milestones customary for large projects help to mitigate this risk. The level of default risk is similar to that in the Automotive Components Division.

The receivables are largely covered by normal payment agreements (prepayments and letters of credit), and this helps reduce default and credit risk. Receivables in the division's diesel catalyst business mainly relate to major European commercial vehicle manufacturers.

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

Foreign exchange risk

The introduction of the euro significantly reduced the Frauenthal Group's exposure to foreign exchange risk. The Group's main customers and production facilities are located within the Eurozone, and its ongoing operations therefore expose it to little foreign exchange risk. The main currency risks attach to the Industrial Honeycombs Division, which does a large amount of business in the US dollar area. Because of this currency hedges are used for some medium and long-term contracts, on a case-by-case basis.

As at the end of the reporting period, USD exchange rate risk was as follows:

USD '000	Fair value at 31 Dec. 2011	Fair value at 31 Dec. 2010
USD exposure	237	1,477

The exchange rate of the US dollar to the euro at that point was 1.2939 – 3.1657% lower than at year-end 2010.

Exchange rate volatility is the main reason for Frauenthal's price risk exposures. As the Company invoices a large part of its exports in USD, movements in this currency have a significant influence on results.

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

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

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

As Porzellanfabrik Frauenthal invoices a large part of its exports in USD, the Division regularly concludes hedging transactions. In 2011, 33% (2010: 94%) of all dollar-denominated receipts were hedged. The remaining 67% were exposed to foreign exchange risks (2010: 6%). The sensitivity analysis relates to the hedged receipts, amounting to USD 21.0m (2010: USD 21.8m). If Porzellanfabrik Frauenthal had not hedged the dollar-denominated receipts, finance costs would have been EUR 260,000 lower (2010: EUR 284,000 higher). If it had failed to hedge the receipts and the euro had been devalued/revalued by 10% against the dollar during the reporting period, finance costs would have been EUR 1.6m (2010: EUR 1.4m) higher/lower than was actually the case. Equity would, in turn, have been EUR 1.6m (2010: EUR 1.4m) higher or lower.

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

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

The exchange rate of the Romanian leu to the euro at the end of the reporting period was 4.3233 (2010: 4.2620), a devaluation of 1.97% compared to year-end 2010. If the average exchange rate of the Romanian currency to the euro had been 10% higher or lower at the end of the reporting period, earnings would have been EUR 92,000 higher, or EUR 75,000 lower, respectively. Equity would have been EUR 583,000 higher or EUR 477,000 lower as a result.

The exchange rate of the Polish zloty at the end of the reporting period was 4.458 (2010: 3.975), a devaluation of 7.73% compared to year-end 2010. 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 140,000 lower, respectively. Equity would have been EUR 657,000 higher or EUR 538,000 lower as a result.

Material price risk

The Wholesale Plumbing Supplies and Industrial Honeycombs divisions both face material price risk. There is no such risk in the Automotive Components Division as the availability of steel is assured by long-term supplier relationships and supply contracts. Automotive Components has agreements with customers which would enable steel price increases to be passed on to them in the event of shortages of materials, and sharp increases in the prices of steel and other inputs. In the Industrial Honeycombs Division, raw and intermediate materials for the production of catalysts and ceramic honeycombs are sourced from long-standing suppliers, and wherever possible availability is assured by one-year contracts. Hedges cannot be used against increases in the prices of vanadium and tungsten, as the quantities involved are too small. Material price increases can be passed on to customers with a time lag. Technical modifications are being made that should reduce consumption of expensive materials with volatile prices.

Interest rate risk

The risk from interest rate movements to the Group's financial assets and liabilities is currently regarded as low in comparison to its exchange, default and credit risk exposures, as its financing is mainly based on bonds. The EUR 70m bond issued in 2005 has a fixed interest rate of 3.875% and a duration of seven years. In May 2011 the Group floated a EUR 100m bond issue; the five-year bond has a fixed coupon of 4.875% Of the proceeds, EUR 43m went towards early redemption of a portion of the 2005 bond issue (due on 28 June 2012). The outstanding EUR 27m of the 2005 bond will be repaid on 28 June 2012. After the issue EUR 46m of the proceeds were invested with a number of banks. In September EUR 10m of these investments were liquidated due to risk considerations. The investments were valued at EUR 37m at the end of the reporting period, and will be used to redeem the 2005 bond. The rest of the proceeds were devoted to paying down short-term credit lines, so as to use the surplus liquidity generated by the new bond efficiently. There will be significant refinancing requirements when the bond matures in May 2016, after which interest rate movements could influence the Group's assets, finances and earnings.

Most of the Group's remaining borrowing is at variable rates of interest. Of this, 12.0m (2010: 12.4m) is long term and EUR 10.7m (2010: 14.0m) is short term. The corporate treasury function monitors interest rate trends and the related risk. If necessary, interest rate hedges can be employed. During the year under review the average rate of interest on the Group's interest-bearing borrowings was 3.39% (2010: 2.60%).

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

Changes in the market interest rates of fixed-rate underlying financial instruments only affect the Group's results when these instruments are remeasured to fair value. Fixed-interest financial instruments measured at amortised cost 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 at the end of the reporting period had been 200 basis points higher/lower, then profit would have been approx. EUR 79,000 lower/higher. If the rate had been 500 basis points higher/lower at the end of the reporting period, this would have led to a profit EUR 198,000 lower/higher than the actual result. Equity would have been EUR 198,000 lower/higher.

A discount rate of 4.5% is applied to the provisions for employee benefits. If the level of market interest rates had been 50 basis points higher at the end of the reporting period (with a discount rate of 5%), then equity would have been EUR 1.0m higher. Equity would have dropped by EUR 1.3m if the level of market interest rates had been 50 basis points lower at the end of the reporting period (with a discount rate of 4%).

Fair values

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

Assets	EUR '000	Measure-ment category	Carrying amount at 31 Dec. 2011	Fair value at 31 Dec. 2011	Carrying amount at 31 Dec. 2010	Fair value at 31 Dec. 2010
Financial assets		AFS	977	977	1,158	1,158
Trade receivables		LAR	73,210	73,210	67,511	67,511
Other receivables		LAR	5,879	5,879	6,035	6,035
Cash and cash equivalents		n.a.	40,329	40,329	3,416	3,416
Aggregated by measurement categories						
Available for sale		AFS	977		1,158	
Loans and receivables		LAR	79,089		73,546	

Liabilities	EUR '000	Measure-ment category	Carrying amount at 31 Dec. 2011	Fair value at 31 Dec. 2011	Carrying amount at 31 Dec. 2010	Fair value at 31 Dec. 2010
Non-current liabilities						
Bond		FLAC	99,229	102,355	70,000	69,685
Bank borrowings		FLAC	11,989	11,989	12,369	12,369
Other liabilities		FLAC	1,253	1,253	0	0
Bond		FLAC	30,839	29,722	1,375	1,375
Bank borrowings		FLAC	10,684	10,684	14,043	14,043
Trade payables		FLAC	60,170	60,170	49,775	49,775
Other liabilities		FLAC	15,657	15,657	24,395	24,395
Currency futures transaction		HFT	27	27	50	50
Aggregated by measurement categories						
Financial liabilities measured at amortized cost		FLAC	229,820		171,957	
Held for trading		HFT	27		50	

	EUR '000	Net result in 2011	Net result in 2010
Net results by measurement categories			
Available for sale	AFS	0	0
Held for trading	HFT	-27	-50
Loans and receivables	LAR	-2,640	-1,582
Current and non-current liabilities	FLAC	-7,068	-3,942

The net results by measurement categories include the negative fair values of the dollar-denominated currency futures contracts and options held by the Industrial Honeycombs Division, which are shown under the "Held for trading" item. The "Loans and receivables" item relates to the impaired receivables, details of which are given in Note 18. The "Current and non-current liabilities" concern interest expense in 2011.

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

		EUR '000	Measurement category	Carrying amount at 31 Dec. 2011	Carrying amount at 31 Dec. 2010
Level 1: market approach	Financial assets		AFS	977	1,158
	Currency futures transaction		HFT	-27	-50

The long-term bank borrowings are normally recognised at the amounts due, as the current interest rates for liabilities with like maturities correspond to the average rate of interest on these liabilities. In May 2011 the Group issued EUR 100m in bonds. Of the proceeds, EUR 43m went towards early redemption of a portion of the 2005 bond issue (due on 28 June 2012). The outstanding EUR 27m of the 2005 bond will be repaid on 28 June 2012. After the issue EUR 46m of the proceeds were invested with a number of banks. In September EUR 10m of these investments were liquidated due to risk considerations, reducing the total to EUR 36m. The rest of the proceeds were devoted to paying down short-term credit lines, so as to use the surplus liquidity generated by the new bond efficiently. The price of the outstanding portion of the 2005 bond, which is listed on the Vienna Stock Exchange, was unchanged at EUR 95.50 from 27 October 2011 until the end of the reporting period (31 Dec. 2010: EUR 99.55). The price of the newly issued bond was unchanged at EUR 103.15 from 27 September 2011 until the end of the reporting period. The bonds were not remeasured at the end of the reporting period. The short-term bank borrowings are shown at amortised cost in the consolidated statement of financial position. The table below shows the contractually agreed (undiscounted) interest and principal payments due on the underlying financial liabilities. The Frauenthal Group has derivative financial liabilities of EUR 27,000 (2010: EUR 50,000).

EUR '000	Carrying amount at 31 Dec. 2011	Financial flows, 2012		Financial flows, 2013	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**152,740**	**6,595**	**30,776**	**5,774**	**7,203**
Bonds	130,068	5,578	27,295	5,050	
Bank borrowings	22,183	1,017	3,429	724	7,151
whereof long-term borrowings (long-term portion)	9,852	292		216	6,939
long-term borrowings (current portion)	2,904	71	2,895		
loans and overdrafts	9,417	654	524	508	212
deferred payments	10		10		
Finance lease liabilities	489		52		52

EUR '000	Financial flows, 2014–2016		Financial flows, 2017–	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**13,658**	**104,345**	**502**	**441**
Bonds	12,059	100,000		
Bank borrowings	1,599	4,188	502	213
whereof long-term borrowings (long-term portion)	64	2,913		
long-term borrowings (current portion)				
loans and overdrafts	1,535	1,275	502	213
deferred payments				
Finance lease liabilities		157		228

"Loans and overdrafts" include overdraft facilities for which no principal is shown because they are used as rolling loans. This item also includes an export loan to Styria Federn GesmbH, Judenburg.

Here, too, no principal is shown as the loan is extended each year, provided that the ratio of exports to production is sufficient, and because of this repayment is not planned.

All the instruments held on 31 December 2011 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 2010 were as follows:

EUR '000	Carrying amount at 31 Dec. 2010	Financial flows, 2011		Financial flows, 2012	
		Interest	Principal	Interest	Principal
Underlying financial liabilities	**97,787**	**4,059**	**3,186**	**3,908**	**72,951**
Bonds	71,375	2,713	0	2,713	70,000
Bank borrowings	25,842	1,346	3,108	1,195	2,875
whereof long-term borrowings (long-term portion)	10,251	231	0	215	2,875
long-term borrowings (current portion)	2,850	55	2,850	0	0
loans and overdrafts	12,702	1,059	220	980	0
deferred payments	38	0	38	0	0
Finance lease liabilities	570	1	78	0	76

EUR '000	Financial flows, 2013-2015		Financial flows, 2016-	
	Interest	Principal	Interest	Principal
Underlying financial liabilities	**3,106**	**7,576**	**1,033**	**216**
Bonds	0	0	0	0
Bank borrowings	3,106	7,376	980	0
whereof long-term borrowings (long-term portion)	166	7,376	0	0
long-term borrowings (current portion)	0	0	0	0
loans and overdrafts	2,940	0	980	0
deferred payments	0	0	0	0
Finance lease liabilities	0	200	53	216

[45] Share option plan

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

The plan is designed to give the participants an incentive to continue contributing to the success of the Group, and as a result to share in that success. Share options enhance employees' sense of identification with the Company by making them into co-owners. The plan gives the senior leadership team an incentive to perform to the utmost 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 fair value of the options granted in 2011 – EUR 48,000 – is stated under "Staff costs", and carried in the "Capital reserves" equity item. The fair value is calculated on the basis of the day on which the share option plan was adopted (22 September 2011) and spread over the period during which the participants are unconditionally entitled to exercise the options granted. The value of the options was calculated using the discrete Black Scholes model, based on the American option pricing model. Under this approach, options are valued in accordance with six parameters: the current share price (source: Bloomberg); the exercise price (EUR 2), the time to maturity of the option (42–90 months); the risk-free interest rate matching the maturity of the option (source for risk-free interest rate: Deutsche Bundesbank; 2.4193%); volatility (42.3025%); and the dividend yield (2.4081%). The amount recognised as expense was adjusted for projected employee turnover in order to reflect the anticipated number of options which will actually be exercised.

The Supervisory Board also resolved on 1 June 2011, separately from the share option plan, to award an Executive Board member, Hans Peter Moser, an option to purchase 10,000 Frauenthal shares. Mr. Moser received the right to acquire up to 10,000 no par bearer shares in the Company on a one-time basis. The option can be exercised between 7 December 2011 and 31 December 2012. Shares acquired by exercise of this option are not subject to a holding period. The option granted to Mr Moser is in recognition of his outstanding performance and exceptional efforts on behalf of the Company and Group in recent years – particularly in the Wholesale Plumbing Supplies Division (SHT Haustechnik AG and its subsidiaries), and in connection with the successful restructuring of the Automotive Components Division.

Mr Moser exercised his option on 22 December 2011, acquiring 10,000 no par bearer shares at a price of EUR 2 per share. On 22 December 2011, the Frauenthal share price stood at EUR 9.25. As at the end of the reporting period Mr Moser held 10,000 ordinary shares. The fair value of the options granted, amounting to EUR 104,000, is included in "Legal and consultany expenses" under the "Other expenses" item, and carried in the "Capital reserves" equity item.

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

Number of share options	2011	2010
At 1 Jan.	0	0
Options granted	10,000	0
Options exercised	-10,000	0
At 31 Dec.	**0**	**0**

[46] Governing bodies

During the reporting period the Frauenthal Holding AG Supervisory Board consisted of six members elected by the Annual General Meeting and three members delegated by the central works council. Ms Birgit Eckert and Ms Heike Jandl were elected to the Board in 2011.

Hannes Winkler, Chairman since 26 March 2010
Dietmar Kubis, Deputy Chairman 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 Works Council delegated Ms Karoline Neuhäusser as its new Supervisory Board member. The three employee representatives on the board are now:

Klement-Michael Marchl, since 27 November 2006
August Enzian, since 27 September 2010
Karoline Neuhäusser, since 7 September 2011

In 2011 the Supervisory Board received EUR 78,000 (2010: EUR 36,000) in compensation. As in previous years, Hannes Winkler waived his entitlements.

The membership of the Executive Board was as follows:

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

The total remuneration of the Executive Board was EUR 1,401,000 (2010: EUR 934,000); this is reported under "Staff costs" and "Other operating expenses". Frauenthal Vermögensverwaltung GmbH, Vienna charged on EUR 998,000 of members' salaries and payroll-related expenses to Frauenthal Holding AG. Further information is provided in Note 47, Related party disclosures.

The compensation of the Executive Board consists of a fixed salary and a variable component, representing up to 100% of total remuneration, geared to the personal performance of each Board member. Regular contributions are made to a pension fund for Board members. Members have no contractual entitlements to termination benefits on leaving office. 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 (2010: EUR 31,000).

[47] Related party disclosures

FT-Holding GmbH, Chemnitz continues to hold a 72.9% interest in Frauenthal Holding AG. Hannes Winkler and Ernst Lemberger each indirectly own 50% of FT-Holding GmbH. Frauenthal Vermögensverwaltung GmbH (FVV), Vienna draws up the consolidated financial statements for the largest group of companies to which the Frauenthal Group belongs.

Related party transactions between Frauenthal Group companies and entities controlled by Hannes Winkler and Ernst Lemberger, involving services, and transactions involving rent with entities controlled solely by Hannes Winkler, amounted to EUR 4,070,000 in 2011 (2010: EUR 3,425,000). The services exclusively concern Executive Board members' remuneration charged-on to Frauenthal.

With effect from 30 June 2010, FVV's entire holding in Validus Immobilien Holding GmbH was transferred by way of a demerger to a company wholly owned by Hannes Winkler. As a result, Validus Immobilien Holding GmbH and all of its subsidiaries are controlled by Hannes Winkler.

Validus Immobilien Holding GmbH charged EUR 3,108,000 in rent (2010: EUR 2,785,000) 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 Automotive Components Division are based. The year-on-year increase in the amount charged is due to indexation and additional rented space at the Gurkgasse (1140 Vienna) and Hans Maier Strasse (6020 Innsbruck) premises. In addition, for the first time the Hans Maier Strasse and Rooseveltplatz premises represented related party transactions for a full year. The rental cost is in line with normal market rates and was subjected to an arm's-length comparison which was confirmed by an independent valuation report.

Expenses in respect of Executive Board services were again charged by FVV. They amounted to EUR 998,000 (2010: EUR 632,000).

No other costs were charged to Frauenthal Holding AG by FVV, Vienna in 2011 (2010: EUR 29,000).

Frauenthal Group companies charged consolidated subsidiaries of FVV Frauenthal Vermögensverwaltung GmbH, Vienna EUR 36,000 (2010: EUR 21,000) for IT and other services.

The special audit of related party transactions initiated in the reporting period was concluded in February 2012 and did not result in any negative audit findings. Neither the rent payments, nor the charged-on costs for services or the repayment for profit sharing certificates by Frauenthal Group companies to companies held by FVV Frauenthal Vermögensverwaltungs GmbH (formerly Ventana Beteiligungsgesellschaft m.b.H.) constituted the return of capital contributions. The payments for services and rentals were at arm's-length rates, and were found to be reasonable in both in purpose and amount.

[48] Events after the end of the reporting period

There were no events requiring disclosure between the end of the reporting period and the date on which the auditor's report was signed (15 March 2012).

G. DECLARATION BY THE EXECUTIVE BOARD PURSUANT TO SECTION 82(4) AUSTRIAN STOCK EXCHANGE ACT

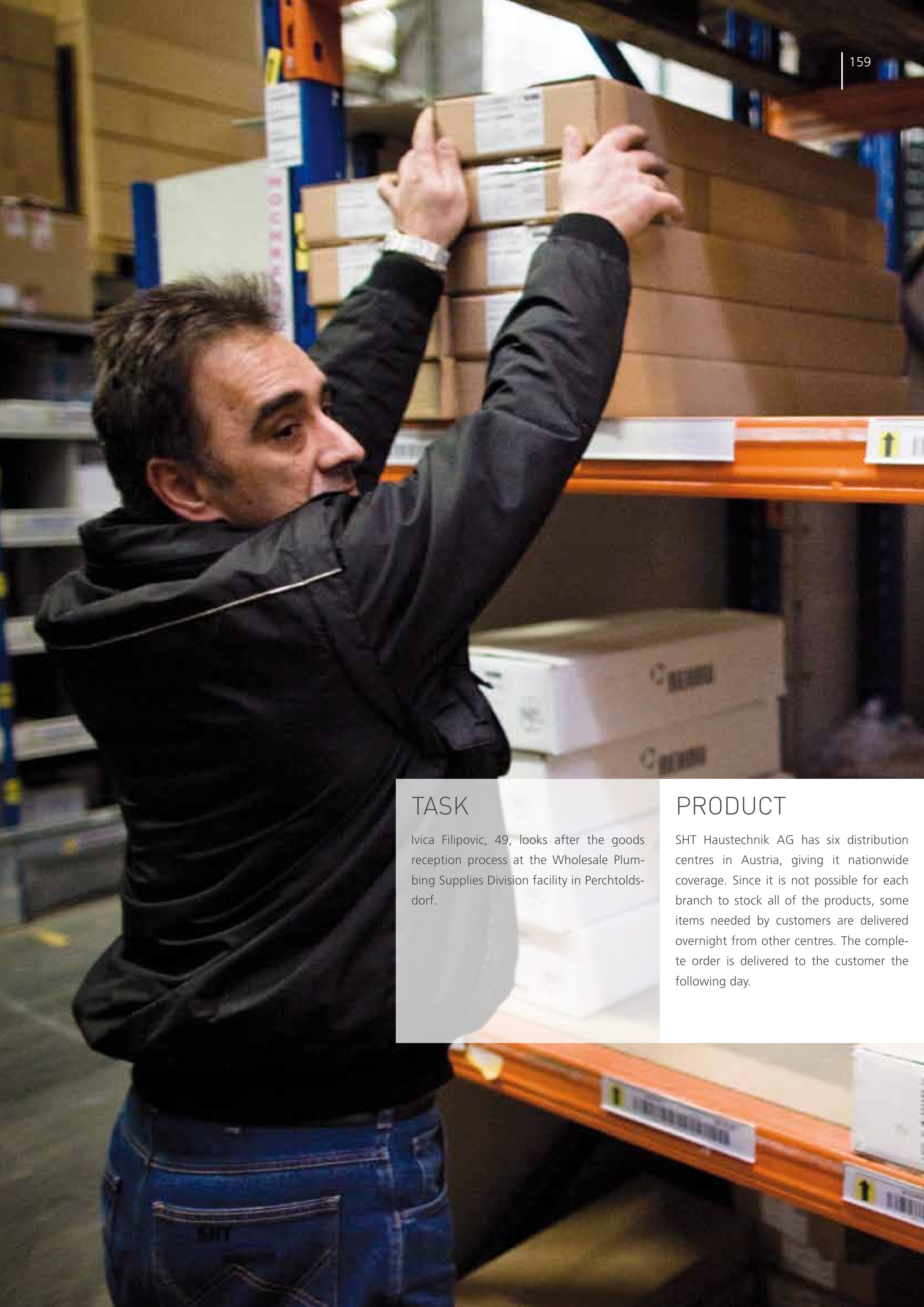
The Executive Board hereby declares that to the best of its knowledge the annual financial statements of the Frauenthal Group, drawn up in accordance with International Financial Reporting Standards (IFRS), to the maximum extent possible give a true and fair view of the assets, finances and earnings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

Vienna, 15 March 2012

Frauenthal Holding AG

Hans-Peter Moser
Member of the Executive Board

Martin Sailer
Member of the Executive Board



TASK

Ivica Filipovic, 49, looks after the goods reception process at the Wholesale Plumbing Supplies Division facility in Perchtoldsdorf.

PRODUCT

SHT Haustechnik AG has six distribution centres in Austria, giving it nationwide coverage. Since it is not possible for each branch to stock all of the products, some items needed by customers are delivered overnight from other centres. The complete order is delivered to the customer the following day.

Auditors' report

Report on the consolidated financial statements

Frauenthal Holding AG, Vienna,

for the year ended 31 December 2011. These statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and 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 the Group's 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 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 2011, 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, 15 March 2012

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Andreas Thürridl
Auditor

Peter Bartos
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.

COMPANY FINANCIAL STATEMENTS

TASK

Mustafa Saat, 56, is pictured here carrying out the final inspection of an air reservoir at Linnemann-Schnetzer Ahlen (Automotive Components Division). His responsibilities also include checking the type plate identification for customers.

PRODUCT

Our German plants produce steel and aluminium air reservoirs for the European commercial vehicle market. The reservoirs are used in braking and suspension systems. These components are highly safety critical, and must therefore meet exacting reliability standards.

Statement of financial position

in EUR	31.Dec.2011	31.Dec.2010
Assets		
Non-current assets		
Intangible assets	4,816	1,774
Property, plant and equipment	333,678	304,456
Financial assets	72,904,371	102,904,372
	73,242,865	**103,210,602**
Current assets		
Receivables		
Trade receivables	1,460	0
Receivables from Group companies	86,538,512	24,377,515
Receivables from associates	14,348	6,600
Others receivables and assets	832,363	260,183
Own shares	532,822	552,379
Cash and cash equivalents	36,079,612	33,408
	123,999,117	**25,230,085**
Prepayments and deferred assets	76,271	87,506
Total assets	**197,318,253**	**128,528,193**

in EUR	31.Dec.2011	31.Dec.2010
Equity and liabilities		
Equity		
Share capital	9,434,990	9,434,990
Capital reserves	21,259,241	21,259,241
Retained earnings	31,232,822	21,252,378
Profit for the year	3,641,881	4,763,025
	65,568,934	**56,709,634**
Provisions		
Other provisions	449,265	211,150
	449,265	**211,150**
Liabilities		
Bond	130,838,884	71,374,829
Trade payables	86,546	90,611
Payables to Group companies	337,417	30,453
Other liabilities	37,207	111,516
	131,300,054	**71,607,409**
Total Equity and liabilities	**197,318,253**	**128,528,193**

PRODUCT

SCR diesel catalysts are highly efficient in reducing NOx in diesel exhaust emissions. As a result they enable diesel engines to comply with the statutory emission limits. In contrast to competing products which are coated, Frauenthal diesel catalysts are composed of homogeneous catalytic material.

TASK

Beatrice Rossmanith, 22, is responsible for taking diesel catalyst measurements at Porzellanfabrik Frauenthal (Industrial Honeycombs Division). She uses a geometry measuring machine, and also carries out visual inspections.

Frauenthal Holding AG individual financial statements

The 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 3,641,880.59.

The Executive Board is recommending payment of a dividend of EUR 0.10 and a bonus of EUR 0.20 per share to the Annual General Meeting.

Subject to the approval of the Annual General Meeting a dividend and bonus totaling EUR 0.30 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 %.

Dividends may be collected from Bank Austria AG, a member of the UniCredit Group, from 15 June 2012 on presentation of Gewinnschein (dividend coupon) No. 19.

Vienna, March 2012

The Executive Board

Income statement

in EUR	2011	2010
Revenue	**2,155,000**	**1,946,260**
Other operating income	328,940	313,812
Gains on disposal of non-current assets	2,529	0
Gains on reversal of provision	12,450	11,358
Staff costs	-1,296,834	-1,123,714
Depreciation and amortisation expense, and impairment	-65,368	-75,588
Other operating expenses	-3,795,129	-2,081,813
Profit from operations	**-2,658,412**	**-1,009,685**
Income from Group companies	16,856,902	15,085,761
Other interest and similar income	1,141,389	161,571
Gains on disposal of financial assets	444	0
Interest and similar expenses	-5,365,584	-2,742,853
Net finance income	**12,633,151**	**12,504,479**
Profit before tax	**9,974,739**	**11,494,794**
Income tax expenses	1,630,321	2,536,066
Profit after tax	**11,605,060**	**14,030,860**
Reversal to retained earnings	19,556	0
Allocation to retained earnings	-10,000,000	-10,656,503
Net profit from ordinary activities	**1,624,616**	**3,374,357**
Profit brought forward	2,017,265	1,388,668
Net profit for the period	**3,641,881**	**4,763,025**

GLOSSARY

Abbreviations

ABS	Asset backed securities
AFS	Available for sale
BMVG	Betriebliches Mitarbeitervorsorgegesetz (Employee Benefits Act)
BPW	BPW Bergische Achsen AG
CDS	Credit default swap
CLV	Ceram Liegenschaftsverwaltung GmbH
CO_2	Carbon dioxide
D&O	Directors' and officers' (insurance)
DBO	Defined benefit obligation
DCF method	Discounted cash flow method
EBITDA	**Earnings before interest, tax, depreciation and amortisation** = gross cash flow
EBITA	**Earnings before interest, tax and amortisation** Operating profit before write-downs of goodwill
EBIT	**Earnings before interest and tax (operating profit)** Operating result before net finance costs and tax
ERP	Enterprise resource planning (software)
EU	European Union
EUR	euro
EUR million	million euro
EUR '000	Thousand euro
EVA	**Economic value added** Difference between the return on capital employed and the cost of capital: capital employed multiplied by (ROCE minus WACC)
FIFO	First in, first out
FLAC	Financial liabilities measured at amortised cost
GDP	Gross domestic product
GHG	Greenhouse gas
GM	General Motors
HFT	Held for trading
HR	Human resources
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISC	Installateurservicecenter (plumbers' service centre)
IT	Information technology
JPY '000	Thousand Japanese yen
kg	kilogram
km	kilometre
KRW	Korean won (currency of the Republic of Korea)
LAR	Loans and receivables

NOPAT	**Net operating profit after tax** EBITA minus adjusted tax (average effective rate of 25%)
NOx	Nitrogen oxide
OEM	Original equipment manufacturer
p.a.	per annum
PoC	Percentage of completion
POA	Profit on ordinary activities
POFA	Porzellanfabrik Frauenthal
PLN	Polish zloty
REG. NO.	Registration number
ROCE	**Return on capital employed** ROCE = NOPAT / CE
RON	New Romanian leu
RDS	Serbian dinar
SAP	Systemanalyse und Programmentwicklung (System Analysis and Program Development)
SCR	Selective catalytic reduction
SHT	SHT Haustechnik AG
SIC	Standing Interpretations Committee
USD '000	Thousand US dollars
UGB	Unternehmensgesetzbuch (Austrian Business Code)
USA	United States of America
USD	US dollar
WACC	**Weighted average cost of capital** The average market value of the enterprise's debt and equity Put at 7.08% for the Frauenthal Group in 2010, and fell to 6.57% in 2011

TASK

Peer Wittrack, 45, is employed at Linnemann-Schnetzer Ahlen (Automotive Components Division). Here he is seen submerging an air reservoir in water to test it for leaks.

PRODUCT

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

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29.03.2012	Annual report 2011
21.05.2012	First-quarter interim report 2012
27.05.2012	Record day
06.06.2012	Annual General Meeting
11.06.2012	Result of the vote of the Annual General Meeting
12.06.2012	Ex-Day
15.06.2012	Dividend-Payment
21.08.2012	Interim financial report for the half year ended 30 June 2012
21.11.2012	Third-quarter interim report 2012

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Vienna Stock Exchange: Prime Market

Symbol:: FKA

ISIN: AT 0000762406 (shares)

Bloomberg-code: FKA AV

Reuters-code: FKAV.V1

Market capitalisation: MEUR 88.7 incl. 1,900,000 pieces unlisted registered shares (29.12.2011)

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Symbol: FKA

ISIN: AT 0000492749 (bonds)

Symbol: FKA

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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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