



# Interim Report 2010

## Strength through diversity

## Summary

	1 - 6 / 2010	1 - 6 / 2009	Deviation %	1 - 12 / 2009
<b>Summary income statement (EUR m)</b>				
Revenue	249.7	218.4	14.4 %	454.5
EBITDA	12.1	-10.4	216.2 %	-6.0
EBITDA, underlying <sup>2)</sup>	12.1	-4.1	392.2 %	-0.1
<b>ROS (EBITDA / revenue)</b>	<b>4.8 %</b>	<b>-4.8 %</b>	<b>201.6 %</b>	<b>-1.3 %</b>
<b>ROS (EBITDA / revenue) underlying<sup>2)</sup></b>	<b>4.8 %</b>	<b>-1.9 %</b>	<b>355.5 %</b>	<b>0.0 %</b>
Earnings before interest and tax (EBIT)	5.8	-18.3	131.5 %	-25.2
Earnings before interest and tax (EBIT), underlying <sup>2)</sup>	5.8	-12.0	148.0 %	-19.4
Profit on ordinary activities (POA)	3.9	-20.6	118.7 %	-29.6
Profit/loss after tax	2.9	-20.0	114.6 %	-29.4
Operating profit before working capital changes	8.7	-8.2	205.8 %	-7.3
<b>Summary balance sheet (EUR m)</b>				
Non-current assets	132.6	144.5	-8.2 %	136.3
Current assets	163.3	149.9	8.9 %	118.5
Total assets	295.9	294.4	0.5 %	254.7
Debt	221.0	213.2	3.7 %	182.7
Equity	74.9	81.2	-7.8 %	72.1
<b>Equity ratio in %</b>	<b>25.3 %</b>	<b>27.6 %</b>	<b>-2.3 %</b>	<b>28.3 %</b>
Investment (additions to non-current assets)	3.4	6.9	-50.2 %	12.1
as % of revenue	1.4 %	3.2 %	-1.8 %	2.7 %
<b>Average head count</b>	<b>2,431</b>	<b>2,482</b>	<b>-2.1 %</b>	<b>2,442</b>
<b>Per employee ratios (EUR '000)</b>				
Revenue	102.7	88.0	16.8 %	186.1
EBIT	2.4	-7.4	132.2 %	-10.3
Operating profit before working capital changes	3.6	-3.3	208.0 %	-2.8
Shares in issue	9,434,990	9,434,990	0.0 %	9,434,990
Treasury shares <sup>3)</sup>	-266,935	-261,390	-2.1 %	-261,390
Shares in circulation <sup>3)</sup>	9,168,055	9,173,600	-0.1 %	9,173,600
<b>Per share ratios (EUR)</b>				
EBITDA	1.3	-1.1	216.2 %	-0.7
EBIT	0.6	-2.0	131.6 %	-2.7
Profit/loss after tax	0.3	-2.2	114.6 %	-3.2
Operating profit before working capital changes	1.0	-0.9	205.8 %	-0.7
Equity	8.2	8.9	-7.8 %	7.6
Share price				
Ultimo	7.34	6.24	17.6 %	7.49
High	8.40	7.00	20.0 %	8.50
Low	6.59	5.00	31.8 %	4.25
Dividend and bonus <sup>1)</sup>				0.0

1) Distribution proposed to the Annual General Meeting

2) 2009: Adjusted by deconsolidation expense Styria Federn GmbH and Styria Gibnjara Kraljevo in the amount of EUR 6m

3) Purchase of own shares

## Operating review for the first half of 2010

DEAR SHAREHOLDER,

We happy to be able to inform you of positive business developments across all divisions of the Frauenthal Group. For the Automotive Components Division 2010 has so far been a year of consolidation, with assistance from the early-stage recovery in the commercial vehicle market. The Wholesale Plumbing Supplies Division (SHT) is still delivering revenue growth while the Industrial Honeycombs Division is working at full capacity and growing rapidly. Earnings improved significantly in the second quarter. The Frauenthal Group was back in the black, with a first-half profit of EUR 2.9 million (m).

The main highlights of the first half of 2010 were as follows:

- The **Automotive Components Division** returned marginally positive EBIT thanks to rigorous restructuring programmes that were implemented in 2009 and have now largely been completed. The 25% year-on-year increase in divisional revenue in the first half was partly driven by customers' inventory builds, but rising registrations are now increasingly lifting sales. The division recorded EBITDA of EUR 3.0m and break-even EBIT on revenue of EUR 87.3m.
- In the **Automotive Components Division** the main taker for the air reservoirs produced by the Linnemann-Schnetzler Group's Ahlen site is progressively moving its business to a competitor. The details of the phase-out are currently being negotiated with the customer. The works council and the trade union have been notified of the impending closure of at least part of the air reservoir production operations at this plant, and talks have started on a social plan.
- The **Wholesale Plumbing Supplies Division (SHT)** registered 3% growth in a stagnant overall market, on the back of robust private renovation demand. Contract business continued to decline. Due to slow construction activity, particularly as regards commercial buildings, there has been no let-up in the fierce price competition in this segment. However SHT is capable of winning market shares even in this tough environment. Expanding its logistics network and service offerings – latterly, by opening a new integrated logistics, service and sales centre in Innsbruck – has enabled SHT to continue to grow in western Austria.
- The **Industrial Honeycombs Division** delivered another strong performance. Continued strong demand for power station catalysts from all regional markets and a surge in sales of diesel catalysts in the second quarter brought a 25% gain in revenue and a 73% jump

in earnings. Order books are still at record levels. The new plate catalysts are undergoing trials at clients' power stations.

- Growth across all divisions led to a revenue gain of 14% for the Frauenthal Group as a whole. EBIT turned positive by EUR 5.8m (H1 2009: EUR -18.3m). Frauenthal's credit lines are more than sufficient to meet the increased liquidity needs generated by growth. The Automotive Components Division is continuing to exercise great caution with regard to new investments.
- The Frauenthal Group's diversified structure is again showing its worth in the current consolidation phase. The fact that the divisions serve completely different markets reduces the Group's overall risk exposures.

### Financial and market highlights

Group revenue was up by EUR 31.4m (+14 %) on the first half of 2009, with all three divisions contributing to growth. The Automotive Components Division posted 25% revenue growth to EUR 17.6m in the first half of 2010, and revenue leapt by 54% in June. Wholesale Plumbing Supplies recorded revenue growth of EUR 4.0m or 3%, and Industrial Honeycombs a gain of EUR 8.2m or 25%. EBITDA progressed by EUR 22.5m, to turn positive by EUR 12.1m, boosted by higher revenue, but benefiting still more from the cost reductions in the Automotive Components Division, which have now largely fed through to results. EBIT advanced by EUR 24.1m year on year, for a positive first-half figure of EUR 5.8m. This significant improvement in earnings is partly a reflection of the major restructuring charges in Automotive Components recognised in the comparative period. Net finance costs fell due to low interest rates. Income tax expense was up by EUR 1.5m as a consequence of improved results. The Group turned an interim profit of EUR 2.9m. This result was no longer impacted by any significant restructuring expenses, as the restructuring programmes still under way were provided for in 2009.

However we remain cautious about market trends, as the current production hike is inspired by these customers' very upbeat expectations for the second half. If economic conditions worsen (double dip recession) this will directly impact the commercial vehicle market and, coming on top of the inventory build, lead to another collapse in output like that in 2009.

Production growth in the commercial vehicle industry is also benefiting the Industrial Honeycombs Division, which is enjoying a significant increase in diesel catalyst sales.



## TRADING ENVIRONMENT

### Automotive Components

Trends in the commercial vehicle market varied widely between product categories, regions and customer groups in the first half of 2010. Overall, vehicle registrations in the EU rose by 4% year on year. The light commercial vehicle segment posted the smallest decline last year and grew by 8% in the first six months of 2010. The medium and heavy truck segment rebounded by -13% during the period under review. Heavy vehicles, which were especially hard hit by the economic crisis, are of particular importance to Frauenthal. Registrations were up by -16% in the EU and by -6% in the key German market where demand is surging. Exports to Central and Eastern Europe and Russia almost completely dried up at the start of the crisis, but are now gradually recovering and improved by 22% in the first half of 2010. Factors driving demand growth are the brighter overall economic situation which is buoying freight volumes, and the rise in the average vehicle age in the course of the crisis. Growth is being held back by the large volumes of idled trucks, the weak finances of many hauliers, and the incentive to postpone investment until Euro 6-compliant vehicles come on to the market in 2011. These negative factors, combined with economic uncertainties, are causing the transport industry to take a cautious view of the overall trading environment.

### Wholesale Plumbing Supplies (SHT)

The decline in the wholesale plumbing and central heating supplies market continued in the opening six months of 2010. The private renovation segment, which is continuing to grow, is the main prop for demand. However the heating segment is also expanding rapidly, driven by the trend towards environmentally-friendly products, and high and rising energy costs. Construction is now in its third year of decline, with the commercial building segment suffering particularly badly, and has dragged contract business down with it. As a result sales of plumbing supplies are flat and fierce price competition is continuing – and in some cases intensifying. During the period under review, SHT focused its attention on the growth segments of the plumbing supplies market such as photovoltaic products and premium own brands. Expansion of the service network also continued with the opening of the integrated sales and service centre in Innsbruck in July. The new outlet will help the Wholesale Plumbing Supplies Division to extend its market leadership.

### Industrial Honeycombs

Demand for power station catalysts remains strong across all regional markets. The largest growth potential is in China, which accounted for around 30% of the Industrial Honeycombs Division's revenue in the first half of 2010. However, new projects are also proceeding in Europe and the USA. Orders for stationary plant (mainly power stations) rose by 7% year on year. The heat exchanger and foundry filter markets are only gradually recovering slowly from last year's collapse in demand. Increased truck production led to a 115% jump in orders for diesel catalysts in the period under review. Work is continuing on the development of high-volume diesel catalyst prototypes designed to comply with the Euro 6 emission limits due to enter into force in 2013. The first half also saw the launch of a new line of plate catalysts for power plants.

## BUSINESS PERFORMANCE: IN-DEPTH DIVISIONAL REVIEW

### Automotive Components

The first half of 2010 was a period of consolidation for Automotive Components following the radical restructuring and cost reduction measures implemented in 2009. The division now has an optimised production network at its disposal, with significantly improved capacity utilisation thanks to the relocation of production from discontinued operations and the incipient economic recovery. Since capacity was only run down by 25–30%, the division still has sufficient reserve capacity for a continuation of the current upturn in demand. EBITDA improved by EUR 19.2m in the first six months of this year, turning positive by EUR 3.0m. Three-quarters of the increase was due to cost cutting and capacity adjustments, with the rest to the EUR 17.6m (25%) rise in revenue. EBIT crept into positive territory. The improvement is also explained by the absence of significant restructuring costs, as provisions for measures introduced in 2009 and completed this year were recognised in the 2009 financial statements. The plant in Judenburg, a specialist supplier of links for trailer axles, again made a positive EBIT contribution despite being particularly severely impacted by the crisis. Short-time working has ended at all locations, and there are isolated instances of hiring. However, first-half revenue in 2010 was still 55% down on the record level recorded in 2008. Not only have the production relocations – all of which were accepted by our customers – been a success, but the accelerated product development drive is also starting to bear fruit. The latest round of restructuring involved the closure of the French steel and aluminium air reservoir and tubular stabiliser factory (Styria Elesfrance S.A.S. in Saint Avold). Production has been migrated to other Frauenthal Group sites.

Only one more locational issue remains to be settled in 2010. The steel air reservoir plant in Ahlen, Germany, has been hit by a strategic decision by its most important customer to start sourcing these products from a competitor in the fourth quarter of 2010. We are working with the works council and union to arrive at a solution that will minimise the hardship for employees who cannot be taken on in the formed parts and welded components operations at the Ahlen site. Up to 120 employees will be affected by the partial closure if it goes ahead, as is probable.

An intense effort to deepen the division's customer relationships and develop improved products has been under way since the onset of the crisis. This is increasingly bringing results, including higher market shares, the conclusion of new long-term supply contracts and the extension of existing agreements. Product development is critical to the division's long-term growth prospects, with new vehicle ranges, due to start

coming on to the market in 2011, needing to comply with the stricter Euro 6 emission standard in force from 2013 on. Globalisation is also opening up new perspectives for the industry. European vehicle component makers now face the challenge of supplying commercial vehicle manufacturers' overseas operations from local plants. Preliminary talks related to the issue are currently being held with several customers.

### Wholesale Plumbing Supplies (SHT)

Business confidence in the industry is generally strong, despite slow contract business, especially from new commercial building projects. The overall market continued to contract in the first half, fanning the price war, which intensified in the contract business. Consequently, SHT posted only a small increase in gross margins compared with the same period in 2009. After bad weather delayed the start of the construction season, SHT enjoyed a brighter second quarter. First-half sales growth reached 3%, due once again to rapidly growing private renovation demand for sanitary and heating products – segments where SHT is particularly well placed. However flat construction demand was reflected in modest overall growth in sales of plumbing supplies. As in 2009, state subsidies are boosting the renewable energy market. However, the stimulus packages are only having a marginal effect. The steady decline in the number of building permits issued, the generally bleak outlook for building construction, and the belief that private renovation business is bound to run out of steam sooner or later, is dampening optimism. This makes SHT's strategy of growing by gaining market shares all the more important. The opening of the new integrated service and sales centre in Tyrol in July is a case in point – the new outlet is expected to significantly strengthen the division's foothold in this regional market. Strong visitor traffic at the showrooms and on the mySHT web platform also augur well. Revenue growth of EUR 4.0m (3.4%), coupled with a slight improvement in margins and higher costs due to higher sales volume, together resulted in EBIT of EUR 0.9m, following a break-even result in the comparative period.

### Industrial Honeycombs

Revenue growth of 25 % in the first half, full capacity utilisation and booming order intake and backlog ensured there was no let-up in the strong performance of the catalyst business. Diesel catalyst sales surged by 160% in the second quarter as the recovery in the commercial vehicle market continued, for an overall first-half gain of 115%. Orders are coming in from all regional markets. The stronger dollar boosted revenue and earnings, as some 26% of orders are invoiced in USD. The division's product mix, with the high revenue contribution from diesel catalysts, and the savings leveraged by investments in vertical integration, were reflected in earnings, and EBIT jumped by EUR 2.3m or 73% to



## report on the first half of 2010

EUR 5.4m. The launch of the new line of plate catalysts for stationary plant was a success, and the first reference applications are now being tested. This SCR catalyst type, which is new to the division, suits the special requirements of Asian markets and parts of the US market. It opens the door to the 25% of the market where honeycombs cannot be used for technical reasons. The division is now the world's only manufacturer with substantial capacity for both types of stationary SCR catalysts.

## LIQUIDITY AND INVESTMENT

First-half Group cash flow before working capital changes was EUR 8.7m. Growth across all divisions, coupled with the normal seasonal pattern in SHT's business, led to an increase of EUR 20m in liquidity needs as compared to year-end 2009, mainly as a result of a EUR 26.4m increase in working capital, but also due to investments totalling EUR 3.4m. The Automotive Components Division is still taking a wait-and-see approach to investment because medium-term market developments are clouded by major uncertainties. Following the completion of the new outlet in Innsbruck, no further major investment projects are planned in Wholesale Plumbing Supplies (SHT). Owing to consistently high capacity utilisation in Industrial Honeycombs, short-term investments aimed at overcoming production bottlenecks are being made, while the division is also undertaking a strategic capacity planning exercise. At EUR 71m the Group's unused credit lines are more than sufficient to cope with any shortages of finance due to unexpectedly rapid revenue growth.

## OUTLOOK

Customers' revised production plans indicate that the current improvement in the trading environment for the Automotive Components Division will continue at least in the short term (for the next three months). However, we remain wary of market developments further ahead. Accurate forecasts can only be made for very short periods, and reliable predictions for the fourth quarter of 2010 are not possible. The present macroeconomic situation is unstable, with growth forecasts being constantly revised, governments wrestling with budget crises, and companies and banks under financial pressure. The commercial vehicle market is extremely sensitive to changes in economic conditions, so another collapse could occur at any time. This would have a major impact on Frauenthal as a component supplier, since its customers would again have to grapple with inventory overhangs. The launch of the new Euro 6 compliant vehicle generations may stimulate demand, but not before the second half of 2011.

We see the Wholesale Plumbing Supplies Division recording moderate revenue growth and further gains in market shares. The integrated sales and service centre in Innsbruck should deliver revenue growth in a region where SHT is still heavily underrepresented. With no signs of an upturn in the contract business on the horizon, price competition will continue to squeeze margins.

The Industrial Honeycombs Division is set to enjoy full capacity utilisation for the rest of the year. It remains to be seen whether diesel catalyst sales will continue to rise, as expected. This will have a significant influence on full-year earnings growth. The new plate-type catalyst is still in the launch phase, but it is expected to result in the first orders for replacement parts before long. Project business, which generates more revenue, usually has longer lead times, so there is no assurance that Industrial Honeycombs will win large contracts of this type in the second half of 2010. Key procurement decisions by customers on high-volume catalysts for Euro 6 compliant diesel engines are expected in the next few quarters. The division has the technology to win this business.

**The Frauenthal Group's diversified structure has shown its worth, and will continue to do so in the current phase of market recovery and consolidation. The strong showings by the Wholesale Plumbing Supplies and Industrial Honeycombs divisions, and the stabilisation of the Automotive Components Division point to a significant improvement in annual results compared with 2009. A substantial profit for the year is within the realm of possibility, provided that the economic climate does not deteriorate in the fourth quarter. Due to the seasonal variations in the Group's businesses, it is not possible to extrapolate full-year performance from the results for the first half. All three divisions have opportunities to grow organically, by gaining market shares, and entering new product and geographical markets, as well as by acquisition. All the available options are being weighed up carefully. However, 2010 will not be a year of bold ventures. We will keep to our cautious liquidity management policy and restrictive investment strategy as we continue to build solid foundations for the Group.**

Vienna, August 2010

Frauenthal Holding AG

The Executive Board





## Notes to the half-yearly interim report

The interim report of Frauenthal Holding AG (Frauenthal Group) for the half year ended 30 June 2010 was drawn up in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. This report has neither been audited nor has it been reviewed by an independent auditor.

### CONSOLIDATION AND ACCOUNTING POLICIES

The scope of consolidation was determined in accordance with paragraph 12 IAS 27. The number of companies included in consolidation has changed by one since 31 December 2009. Linnemann-Schnetzer Formparts GmbH was formed in Ahlen, Germany in January. The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG and 27 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 accounting and measurement policies used to prepare the financial statements for the year ended 31 December 2009 were applied without change to the second quarter of 2010. The main differences between these policies and the provisions of the UGB (Austrian Business Code) lie in the use of the percentage of completion (PoC) method to value long-term construction contracts, in the treatment of deferred tax and goodwill amortisation, and in the calculation of employee benefit obligations.

### NOTES TO THE CONSOLIDATED INCOME STATEMENT

#### Revenue

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

Cumulative consolidated IFRS revenue for the first two quarters was EUR 249.7m – a gain of EUR 31.4m or 14.4% on the comparative period. All three divisions contributed to this improvement. Stock disposal and rising new vehicle registrations helped propel the Automotive Components Division to EUR 17.6m year-on-year revenue growth. Half-yearly divisional revenue was up by 25.2%, from EUR 69.8m to EUR 87.3m. Despite having to contend with a flat overall market, the Wholesale Plumbing Supplies Division posted year-on-year revenue growth of EUR 4.0m due to positive trends in the heating and private renovation segments. Cumulative revenue rose by 3.4%, from EUR 119.4m to EUR 123.4m. Continued buoyant demand for power

station catalysts and escalating demand for diesel catalysts lifted revenue in the Industrial Honeycombs Division by EUR 8.2m year on year. The division's revenue climbed by 25.4% to EUR 40.5m (H1 2009: EUR 32.3m).

Sales to the EU area accounted for 89% of total revenue, those to the USA for 4% and those to the rest of the world for 7%.

#### Earnings

At EUR 12.1m, Group EBITDA for the second quarter of 2010 represented an improvement of EUR 22.5m on the comparative period. The Industrial Honeycombs Division made the largest EBITDA contribution. The Automotive Components Division swung from a EUR 16.2m EBITDA loss in the comparative period to a positive figure of EUR 3m as cost reduction measures took effect. Earnings for the first half of 2009 were depressed by deconsolidation expense arising from the disposal of Styria Federn GmbH, Düsseldorf, and its subsidiary A.D. Fabrika Opruga Styria Gibnjara Kraljevo, Serbia. The Wholesale Plumbing Supplies Division returned EBITDA of EUR 2.8m – a 19% gain – despite tight margins; earnings growth was driven by the upturn in private renovation demand. The Industrial Honeycombs Division delivered the largest EBITDA contribution, at EUR 6.9m. Rapid revenue growth was reflected in a EUR 3.1m or 84.7% year-on-year increase in this division's EBITDA.

Group EBIT improved by EUR 24.1m, from a negative EUR 18.3m to a positive figure of EUR 5.8m. Earnings growth was driven by a combination of decreased net finance costs, low restructuring costs, revenue growth and the cost reductions in the Automotive Components Division. It was made up of EBIT breakeven in the Automotive Components Division, and contributions of EUR 0.9m from Wholesale Plumbing Supplies (affected by seasonal fluctuations) and EUR 5.4m from Industrial Honeycombs.

The profit before non-controlling interests (profit after tax) for the first half of the year was EUR 2,921,000. On the basis of the interim profit after non-controlling interests of EUR 3,148,000 (H1 2009: EUR -17,743,000) and an average of 9,168,055 shares in issue (H1 2009: 9,173,600 shares), basic and diluted earnings per share were EUR 0.34 (H1 2009: EUR -1.93).

Revenue and earnings in all divisions are subject to seasonal fluctuations, meaning that extrapolations from second quarter results do not yield reliable forecasts for the year as a whole.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

The Frauenthal Group's total assets grew by EUR 41.2m from year end, to stand at EUR 295.9m (31 Dec. 2009: EUR 254.7m).

This increase is chiefly attributable to inventories amounting to EUR 10.5m and higher trade receivables of EUR 32.9m. Inventories were up by EUR 0.9m in Automotive Components. The seasonal nature of the Wholesale Plumbing Supplies' business was responsible for a EUR 9.4m increase in this division's inventories. Trade receivables rose in all three divisions. The largest increase came from Automotive Components (EUR 16.9m), followed by Wholesale Plumbing Supplies (EUR 11.2m) and Industrial Honeycombs (up EUR 4.8m). The introduction of an ABS system for a major truck manufacturer brought a EUR 4.6m increase in receivables for Automotive Components, up from EUR 3m in the comparative period.

Cash and cash equivalents rose from EUR 2.3m to EUR 5.3m.

On the equity and liabilities side of the balance sheet, bank borrowings climbed by EUR 22.1m as a result of the increased liquidity requirements occasioned by growth across all three divisions. Trade payables rose from EUR 37.1m to EUR 49.6m. The equity rose by EUR 2.8m to EUR 74.9m. The increase in total assets led to a drop in the equity ratio from 28.3% at year end to 25.3% as at 30 June 2010.

## NOTES TO THE CASH FLOW STATEMENT

Due to the profit for the period of EUR 2.9m, operating profit before working capital changes improved by EUR 17m year on year to EUR 8.7m.

Higher trade receivables and the change in inventories resulted in net cash used in operating activities of EUR 17.6m (H1 2009: EUR 16.6m).

Net cash used in investing activities declined by EUR 3.2m to EUR 3.1m, reflecting lower investment during the period under review in order to conserve liquidity. For more information on the Company's investment strategy see the Liquidity and Investment section of the operating review.

As the cash flow statement shows, cash and cash equivalents as at the end of the second quarter included a pledged bank deposit amounting to EUR 0.4m.

## EMPLOYEES

In the second quarter of 2010 the Frauenthal Group employed an average of 2,431 people (H1 2009: 2,482). Head count in the Automotive Components Division fell by an average of 130 compared to the like period in 2009. Staff were hired in response to the incipient recovery on the commercial vehicle market, but there was an overall decline from 1,585 to 1,455 due to the disposal of Styria Federn GmbH and its subsidiary A.D. Fabrika Opruga Styria Gibnjara Kraljevo. In addition, the merger of CERAM Catalysts GmbH into Porzellanfabrik Frauenthal GmbH resulted in the transfer of a number of employees from Automotive Components to Industrial Honeycombs. This resulted in an increase of 88 in head count in Industrial Honeycombs to 282. The number of employees in the Wholesale Plumbing Supplies Division was little changed, declining by ten to an average of 684.

## SHARE PRICE PERFORMANCE

Frauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. Our share price ended 2009 almost 14% up on the year. During the first half of the year the price was relatively firm, in line with the overall market situation, and climbed steadily from EUR 7.49 at year-end 2009 to end April on a high of EUR 8.40. The price then drifted downwards to close on EUR 7.34 on 30 June 2010. The low for the first half of EUR 6.59 came on 15 June.

On 16 June 2010 the Executive Board resolved to make use of the authorisation given by the Company's 21st annual general meeting to repurchase shares. The purchase corresponds to 10% of the Company's share capital. The repurchase scheme was launched on 22 June 2010 and is expected to run until 31 December 2010. A total of 5,545 shares were repurchased by 30 June. The number of treasury shares rose from 261,390 to 266,935, equal to 2.83% of the Company's capital. The free float amounts to 2,290,005 shares or 24.27% of the capital.

For more information on our share price visit our website at [www.frauenthal.at](http://www.frauenthal.at).



## COMPOSITION OF THE EXECUTIVE BOARD

As at 30 June 2010 the Executive Board consisted of Hans-Peter Moser, who is in overall charge of the Automotive Components and Wholesale Plumbing Supplies divisions, and Martin Sailer who heads up the corporate finance function and the Industrial Honeycombs Division.

## DECLARATION BY THE EXECUTIVE BOARD PURSUANT TO SECTION 87(1) AUSTRIAN STOCK EXCHANGE ACT

The Executive Board hereby declares that to the best of its knowledge the 2010 half-yearly financial report of the Frauenthal Group, prepared in accordance with International Financial Reporting Standards (IFRS), to the maximum extent possible gives a true and fair view of the assets, finances and earnings of the companies included in consolidation. The operating review likewise as far as possible gives a true and fair view of the assets, finances and earnings of the Frauenthal Group, and provides information on the course of business, and the potential impact of existing and future risks on the Group's business activities.

Vienna, 12 August 2010

Frauenthal Holding AG

The Executive Board



Hans-Peter Moser  
Member of the Executive Board



Martin Sailer  
Member of the Executive Board

## Consolidated income statement

	EUR '000	1-6 / 2010	1-6 / 2009
<b>Revenue</b>		<b>249,745</b>	<b>218,374</b>
Changes in inventories of finished goods and work in progress		-937	-4,000
Other operating income		3,655	3,825
Raw material and consumables used		-159,853	-144,141
Staff costs		-52,722	-52,647
Depreciation and amortisation expense, and impairment		-6,309	-7,901
Other operating expenses		-27,807	-31,812
<b>Profit from operations</b>		<b>5,772</b>	<b>-18,302</b>
Interest income		91	155
Interest expense		-2,001	-2,494
<b>Net finance costs</b>		<b>-1,910</b>	<b>-2,339</b>
<b>Profit before tax</b>		<b>3,862</b>	<b>-20,641</b>
Income tax expense		-386	-298
Change in deferred tax		-555	890
<b>Profit after tax</b>		<b>2,921</b>	<b>-20,049</b>
Attributable to non-controlling interests		-227	-2,306
<b>Attributable to owners of the parent (consolidated profit/loss for the year)</b>		<b>3,148</b>	<b>-17,743</b>
<b>Earnings per share in EUR (basic/diluted)</b>		<b>0.34</b>	<b>-1.93</b>

## Consolidated statement of comprehensive income

	in TEUR	1-6 / 2010	1-6 / 2009
<b>Profit after tax</b>		<b>2,921</b>	<b>-20,049</b>
Gains and losses on currency translation and changes in non-controlling interests		-81	-862
Purchase of own shares		-40	0
<b>Other comprehensive income</b>		<b>-121</b>	<b>-862</b>
<b>Total comprehensive income</b>		<b>2,800</b>	<b>-20,911</b>
Attributable to non-controlling interests		-272	-2,423
<b>Attributable to owners of the parent</b>		<b>3,072</b>	<b>-18,488</b>



## Consolidated balance sheet

	EUR '000	30.06.2010	31.12.2009
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		39,678	40,608
Property, plant and equipment		72,483	74,637
Investments in associates		698	698
Other financial assets		1,435	1,435
Deferred tax assets		18,312	18,891
		<b>132,606</b>	<b>136,269</b>
<b>Current assets</b>			
Inventories		72,369	61,863
Trade receivables		78,290	45,364
Other assets		7,293	8,986
Cash and cash equivalents		5,338	2,267
		<b>163,290</b>	<b>118,480</b>
<b>Total assets</b>		<b>295,896</b>	<b>254,749</b>

	EUR '000	30.06.2010	31.12.2009
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital		9,435	9,435
Capital reserves		21,093	21,093
Retained earnings		40,924	67,408
Translation reserves		-2,197	-2,161
Other reserves		65	65
Own shares		-436	-396
Minority interests		2,831	3,103
Profit/loss for the year		3,148	-26,484
		<b>74,863</b>	<b>72,063</b>
<b>Non-current liabilities</b>			
Bond		70,000	70,000
Bank borrowings		12,998	11,069
Other liabilities		2,824	2,858
Provisions for termination benefits		8,370	8,500
Provisions for pensions		6,404	6,379
Provisions for deferred taxes		816	816
Other long-term provisions		5,186	4,983
		<b>106,598</b>	<b>104,605</b>
<b>Current liabilities</b>			
Bond		0	1,375
Bank borrowings		38,525	16,386
Trade payables		49,631	37,053
Liabilities to Group companies		64	10
Other liabilities		24,917	22,170
Tax provisions		316	171
Other short-term provisions		982	916
		<b>114,435</b>	<b>78,081</b>
<b>Total Equity and Liabilities</b>		<b>295,896</b>	<b>254,749</b>

## Cash flow statement

	EUR '000	1-6 / 2010	1-6 / 2009
Net profit/loss before minority interests		2,921	-20,049
Deconsolidation expense		0	6,261
Interest income and expense		1,910	2,339
Depreciation and amortisation of non-current assets		6,309	7,901
Gains on disposal of non-current assets		-22	0
Losses on disposal of non-current assets		4	72
Change in deferred tax assets		579	-772
Change in long-term provisions		98	-513
Interest paid		-3,169	-3,640
Interest received		91	155
<b>Operating profit before working capital changes</b>		<b>8,721</b>	<b>-8,246</b>
Change in inventories		-10,507	4,602
Change in trade receivables		-32,927	-970
Change in other receivables		1,694	5,477
Change in short-term provisions		210	-578
Change in trade payables		12,294	-12,066
Change in liabilities to Group companies		54	-111
Change in other liabilities		2,757	-4,305
Translation related changes		70	-383
<b>Net cash from operating activities</b>		<b>-17,634</b>	<b>-16,580</b>
Investments in non-current assets		-3,430	-6,886
Proceeds from sale of non-current assets		74	20
Proceeds from investment grants		240	1,562
Proceeds from repayment of loans		0	31
Changes arising on changes in the scope of consolidation		0	-1,014
<b>Net cash used in investing activities</b>		<b>-3,116</b>	<b>-6,287</b>
Change in borrowings		28,451	17,719
<b>Cash flow from financing activities</b>		<b>28,451</b>	<b>17,719</b>
<b>Change in cash and cash equivalents</b>		<b>7,701</b>	<b>-5,148</b>
Cash and cash equivalents at beginning of period		1,888	16,302
Cash and cash equivalents at end of period		9,589	11,154





## Statement of changes in equity

	EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Cash flow hedge reserve	Revaluation reserve	Treasury shares	Profit/loss for the year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
<b>Balance at 1 Jan. 2009</b>		<b>9,435</b>	<b>21,093</b>	<b>55,560</b>	<b>-1,937</b>	<b>359</b>	<b>0</b>	<b>-396</b>	<b>11,848</b>	<b>95,962</b>	<b>6,159</b>	<b>102,121</b>
Consolidated profit for 2008				11,848					-11,848	0		0
Consolidated profit for 2009									-26,484	-26,484	-2,925	-29,409
Other comprehensive income					-224	-359	65			-518	-131	-649
<b>Balance at 31 Dec. 2009 / 1 Jan. 2010</b>		<b>9,435</b>	<b>21,093</b>	<b>67,408</b>	<b>-2,161</b>	<b>0</b>	<b>65</b>	<b>-396</b>	<b>-26,484</b>	<b>68,960</b>	<b>3,103</b>	<b>72,063</b>
Consolidated profit for 2009				-26,484					26,484	0		
Consolidated profit for 1-6 / 2010									3,148	3,148	-227	2,921
Other comprehensive income					-36			-40		-76	-45	-121
<b>Balance at 30 Jun. 2010</b>		<b>9,435</b>	<b>21,093</b>	<b>40,924</b>	<b>-2,197</b>	<b>0</b>	<b>65</b>	<b>-436</b>	<b>3,148</b>	<b>72,032</b>	<b>2,831</b>	<b>74,863</b>

## Segmental analysis

	EUR '000	Industrial Honeycombs		Automotive Components		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
		1 - 6 / 2010	1 - 6 / 2009	1 - 6 / 2010	1 - 6 / 2009	1 - 6 / 2010	1 - 6 / 2009	1 - 6 / 2010	1 - 6 / 2009	1 - 6 / 2010	1 - 6 / 2009	1 - 6 / 2010	1 - 6 / 2009
Strategic business segments													
Revenue from external customers		39,799	32,291	86,508	66,604	123,427	119,408	11	71	0	0	249,745	218,374
Intersegment revenues		687	0	809	3,150	0	0	1,194	1,269	-2,690	-4,419	0	0
Total revenues		40,486	32,291	87,317	69,754	123,427	119,408	1,205	1,340	-2,690	-4,419	249,745	218,374
Earnings before interest and tax (EBIT)		5,429	3,134	5	-21,184	890	5	-552	553	0	-809	5,772	-18,302
Earnings before interest and tax (EBIT) underlying <sup>1)</sup>		5,429	3,134	5	-14,923	890	5	-552	553	0	-809	5,772	-12,040
Employees		282	194	1,455	1,585	684	694	10	9	0	0	2,431	2,482

<sup>1)</sup> 1-6/2009: adjusted by deconsolidation expense SD/GIB

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# Imprint

## 2010 FINANCIAL CALENDAR

29 April 2010	Publication of annual results 2009
17 May 2010	Publication of the interim report on the first quarter of 1 / 2010
02 June 2010	21 <sup>st</sup> Annual General Meeting
08 June 2010	Ex-dividend date
11 June 2010	Dividend payment day
12 August 2010	Publication of the interim report on the first half of 2010
11 November 2010	Publication of the interim report on the third quarter of 2010

## SHAREHOLDER INFORMATION

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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: EUR 55.3m (30 June 2010)

Vienna Stock Exchange: Listing on the Vienna Stock Exchange official market

Symbol: FKA

ISIN: AT 0000492749 (bonds)

In addition to detailed information on Group companies, our website offers downloads of quarterly reports, AGM documents, press releases, stock exchange announcements, product photographs, and the latest annual report in German and English.

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### Note:

Editorial changes have been made to this report in the interests of readability (including the colour scheme and lay-out). The original can be inspected at the Company's headquarters.

