

Strength through diversity

REPORT ON THE THIRD QUARTER OF 2013



product of the Gnotec Group

SUMMARY

	9M 2013	9M 2012	Change in %	2012
Summary income statement (EUR m) *				
Revenue	418.4	380.4	10.0%	509.9
EBITDA	10.8	12.6	-14.4%	18.3
EBITDA adjusted ³⁾	13.2	12.6	5.0%	18.3
ROS (EBITDA / revenue)	2.6%	3.3%	-0.7%	3.6%
ROS (EBITDA / revenue) adjusted ³⁾	3.2%	3.3%	-0.1%	3.6%
Profit from operations (EBIT)	2.0	5.3	-62.4%	7.9
Profit from operations (EBIT) adjusted ³⁾	4.4	5.3	-16.4%	7.9
Profit before tax (EBT)	-1.9	1.3	-249.8%	3.2
Profit for the period from continuing operations	-2.5	-0.8	-207.1%	1.3
Profit for the period from discontinued operations		37.3	-100.0%	37.7
Profit for the period	-2.5	36.5	-106.9%	39.0
Operating profit before working capital changes	7.3	9.3	-22.3%	11.0
thereof discontinued operations		2.3	-100.0%	2.3
Summary statement of financial position (EUR m)				
Non-current assets	149.6	116.2	28.8%	124.0
Current assets	251.8	239.6	5.1%	216.5
Total assets	401.4	355.8	12.8%	340.5
Borrowings	280.4	222.7	25.9%	213.0
Equity	121.0	133.0	-9.0%	127.5
Equity ratio (%)	30.2%	37.4%	-7.2%	37.4%
Investment *	10.1	10.6	-4.6%	15.2
as % of revenue ²⁾	2.4%	1.8%	0.7%	3.0%
Average head count *	2,972	2,402	23.7%	2,613
Per share ratios (EUR '000) *				
Revenue ²⁾	140.8	158.4	-11.1%	195.1
Profit from operations (EBIT) ²⁾	0.7	2.2	-69.6%	3.0
Operating profit before working capital changes	2.4	3.9	-37.2%	4.2
Share issue	9,434,990	9,434,990	-	9,434,990
Own shares	-943,499	-272,456	-246.3%	-943,499
Shares in circulation	8,491,491	9,162,534	-7.3%	8,491,491

	9M 2013	9M 2012	Change in %	2012
Per share ratios (EUR)				
EBITDA	1.3	1.4	-7.6%	2.2
Profit from operations (EBIT)	0.2	0.6	-59.5%	0.9
Profit for the period from continuing operations	-0.3	-0.1	-231.3%	0.2
Profit for the period from discontinued operations	0.0	4.1	-100.0%	4.4
Profit for the period	-0.3	4.0	-107.4%	4.6
Operating profit before working capital changes	0.9	1.0	-16.2%	1.3
Equity	14.3	14.5	-1.8%	15.0
Share price				
Year end	8.75	9.50	-7.9%	8.80
High	9.50	11.00	-13.6%	11.00
Low	8.12	8.11	0.1%	8.11
Dividend ¹⁾				0.2

1) Distribution proposed to Annual General Meeting

2) Continuing operations

3) 2013: Adjusted for EUR 2,4m for deconsolidation of Frauenthal Automotive Ahlen GmbH

* 2012: The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5.

The 2012 figures have been adjusted accordingly.

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OPERATING REVIEW FOR THE THIRD QUARTER OF 2013

DEAR SHAREHOLDER,

2013 remains a challenging year for the Frauenthal Group, although a number of highly encouraging trends emerged in the third quarter. The wide variety of influences shaping our core markets and areas of operation, and their effects on profit are summarised below.

Frauenthal Automotive

- “Last buy” surge in sales of EURO 5 compliant trucks breathes fresh life into flat European truck market.
- Gnotec is being integrated into the Group and is making a contribution to revenue and earnings, while a plant is being built up in China.
- Restructuring of the air reservoir business is now finalised, and two profitable plants with strong capacity utilisation remain part of the Frauenthal Group.

Wholesale Plumbing Supplies

- In the first nine months of the year the Austrian construction industry contracted slightly and in Slovakia the sector declined sharply.
- Best-in-class service continues to translate into greater market share and improved revenue in Austria.
- With effect from 1 September 2013 we merged the two Slovak companies acquired in the previous financial year. They now operate from a single site in Senec under the name of SHT Slovensko, in a move that brings costs into line with market volumes.

Restructuring and integration costs for air reservoir business and SHT Slovensko having a negative impact on earnings

- EBITDA (adjusted¹): EUR 13.2m (2012: EUR 12.6m)
- EBIT (adjusted¹): EUR 4.4m (2012: EUR 5.3m)
- Equity ratio: 30.2% (2012: 37.4%)
- Headcount: 2,972 (2012: 2,402)

In pursuit of its strategy of a diversified business model, Frauenthal continues to focus its efforts on identifying a third division in a sector with different economic cycles to those affecting the construction and commercial vehicle industries.

The recovery in the truck market looks set to continue in the fourth quarter of 2013, thanks to the “last buy” effect and the resulting surge in sales of Euro 5 compliant trucks; Gnotec’s encouraging trading performance and the improved earnings at the restructured air tank business point to a significant rise in fourth-quarter earnings in the Frauenthal Automotive Division. Demand in the plumbing supplies market remains subdued, which suggests a year-on-year shortfall in fourth-quarter earnings in the Wholesale Plumbing Supplies Division.

The key developments during the quarter were as follows:

- The EUR 3.3 million (m) year-on-year decline in earnings before interest and tax (EBIT) to EUR 2.0m (not adjusted) was mainly due to problems in the Frauenthal Automotive Division. The weakness of the commercial vehicles market led to a drop in

¹ Adjustment of EUR 2.4m for deconsolidation of Frauenthal Automotive Ahlen GmbH.

sales of EUR 7.1m or 4.4% (not including Gnotec). Gnotec contributed EUR 35.1m to Group revenue between May and September 2013, helping to advance divisional revenue by some EUR 28.0m. The Division saw EBIT contract by EUR 2.3m to EUR -2.1m. The results included non-recurring expense (deconsolidation expense arising from the disposal of Druckluftbehälterwerk Frauenthal Automotive Ahlen GmbH) of EUR 2.4m. Gnotec contributed operating profit of EUR 2.7m to earnings for May to September 2013.

- Wholesale Plumbing Supplies delivered an EUR 10.0m (up 4.6%) growth in revenue to EUR 227.4m, of which EUR 8.0m was attributable to the Slovakian wholesaler acquired by the Group in 2012. The Division was unable to match the previous year's earnings owing to the subdued trading environment and scheduled and other business developments in Slovakia. Divisional EBIT was down by EUR 0.6m on the comparative period in 2012, at EUR 6.1m.
- Swedish automotive supplier Gnotec is performing well, with the company benefiting particularly from the buoyant performance of passenger vehicle manufacturers. The Group has five production facilities (four in Sweden and one in Slovakia) where it produces stamped, punched, welded and formed parts primarily for the European automotive industry (car and truck manufacturers). In 2013 its 400 employees generated annual sales of some EUR 80m.
- The Group recorded a loss from continuing operations of EUR 2.5m in the third quarter of this year after a loss of EUR 0.8m in the like period in 2012. The year-on-year decline slowed significantly in the third quarter of 2013.

HIGHLIGHTS OF DIVISIONAL TRADING PERFORMANCE

FRAUENTHAL AUTOMOTIVE

In the third quarter the European truck market continued its moderate recovery, albeit from a very low base. Total commercial vehicle registrations fell by 4% during the reporting period, impacted mainly by the huge uncertainty surrounding the economies of southern Europe. However, the increase in the third quarter is 2.1%. Registrations of heavy and medium-sized trucks slipped by 6.8%, but in the third quarter there is an increase by 3.8% (compared to the third quarter 2012). Broken down by geographical region, the heaviest declines were accounted for by Italy, Netherlands and Belgium. Relatively speaking, Great Britain was the strongest market. Growth in exports to countries such as Brazil and Russia was not able to make up for the shortfall. The increase in production in the third quarter was driven by the impending change from Euro 5 to Euro 6 models. The commercial vehicle manufacturers are preparing themselves both for last-chance Euro 5 buying and for Euro 6 pre-ordering. The 4.4% drop in divisional revenue (excluding Gnotec) correlates with the 6.1% fall in heavy truck registrations in the EU. Despite the current short-term improvement in the market, there is no evidence to suggest a sustained rise in European commercial vehicle production in the medium term. As the division's capacity and structures are geared towards considerably higher volume than that projected for 2013 as a whole, fixed and indirect costs will have to be realigned to reflect the current situation. The disposal of the air reservoir production site in Ahlen (Frauenthal Automotive Ahlen GmbH), which had been loss-making for some time, was an important step for the air reservoir business. The transaction was completed

in April 2013 and was recognised in full in September 2013. The resultant significant improvement in revenue for this segment will help to bolster the positive earnings performance of the Frauenthal Automotive Division from the third quarter of 2013 onwards.

Efforts to raise Frauenthal's share of the market for components for the new Euro 6 truck models by developing improved products have begun to pay off. New business includes orders for technically advanced front axle springs. There is strong customer interest in lightweight leaf springs, stabilisers and air reservoirs, as shown by numerous highly promising enquiries. This trend is being driven by the demands of the Euro 6 emission standard. Weight reductions are essential to achieve the lower fuel consumption that the standard requires, and will be crucial to the competitiveness of new model ranges. It is proving more difficult than previously thought to generate the required level of new business for steel spring production, as the kinds of projects that would be a good fit take a long time to realise. The acquisition of additional market share on economically viable terms is extremely difficult given the current state of the commercial vehicle industry and a significant increase in pressure on prices from customers. Frauenthal Automotive's main competitive strengths are its outstanding development capabilities and the production facility in Romania with its highly attractive cost structures. The state-of-the-art leaf springs development centre in Châtenois, France, was expanded in June, and now offers the ideal conditions for developing production-ready components. Besides improving product properties, the major priorities include streamlining production processes and optimising costs. A large part of Frauenthal Automotive's volume is now locked in by new long-term supply contracts and extensions to existing ones.

The divisional head count has risen by 489 since the end of 2012, to an average of 2,094. This takes into account the 112 employees of the subsidiary sold, Frauenthal Automotive Ahlen GmbH, and the increase of 467 employees following the acquisition of the Gnotec group. During the first three quarters of

2013 a total of EUR 2.7m was invested, chiefly on measures aimed at improving productivity.

ACQUISITION OF GNOTEC GROUP

Gnotec, which the Group acquired in May 2013, is making good progress in terms of the current earnings situation, order intake and the medium-term business outlook. Due to the breadth of the markets it serves (commercial vehicle manufacturers, car makers and industrial customers) the Group is exposed to different influences and dynamics than the Frauenthal Automotive Division's other product segments. With Gnotec, Frauenthal Automotive has also established a presence in China: an initially smaller-scale production facility near Shanghai is scheduled to come onstream in the fourth quarter of 2013. To begin with it will concentrate on supplying Chinese automotive customers. There is significant potential for acquiring new customers in future.

Gnotec is forecast to contribute around EUR 57m to consolidated revenue and EUR 6m to consolidated EBIT between May and December.

WHOLESALE PLUMBING SUPPLIES (SHT)

Sales at the **Wholesale Plumbing Supplies Division (SHT)** increased by EUR 10.0m, or 4.6%, in the first three quarters of the year to EUR 227.4m, of which more than EUR 8.0m was attributable to the Slovakian subsidiaries (SHT Slovensko) acquired in 2012. The revenue contribution from the Austrian operations was up by EUR 2.0m or 0.9%. It will not be possible to fully make up for the business lost at the start of the year due to the particularly harsh winter. Public sector savings further subdued the trading environment, particularly in eastern Austria. The lower proportion of contract business is reflected in the improved gross margin. The SHT Group increased its market share in Austria. This development is all the more impressive in light of the additional capacity introduced by virtually all participants over the past few years, and a ringing endorsement of the Group's strategy. Service quality and innovation are the keys to success in the highly price-sensitive wholesale

plumbing supplies market. The drop in earnings as compared with the same period a year earlier was solely attributable to market factors – at the end of the third quarter, markets served by the SHT Group had contracted by 3%. Cost-reduction measures went some way to offsetting the lost profits caused by the decline in revenue – none of these affected the organisation's structures or its ability to perform. Revenue fell short of expectations in Slovakia, as the construction market shrank by some 15% during the first three quarters of the year. Measures aimed at reducing personnel and marketing costs will only make up for some of the negative effects of the sluggish market environment over the course of the year. During the third quarter of the year, the two newly acquired companies' logistics centres were merged. Synergies in administration were also leveraged more quickly than scheduled. In addition to benefiting from the resulting improvement in purchasing conditions, SHT Slovensko has a strong operating structure which will allow it to significantly boost earnings once the market starts to turn the corner. The operating loss reported by this segment is the chief factor behind the decline in earnings in the Wholesale Plumbing Supplies segment. Management believes that the Slovakian market has now bottomed out.

In spite of the difficult market climate, the Group will continue to pursue its strategy of extending SHT Slovensko's leadership in service quality, distribution structures, logistics, customer service, and innovative systems that generate customer benefits. Regular customer feedback confirms that the Group's efforts to extend its service and quality lead are being well received on the market.

LITIGATION

In 2010 a **tax inspection** took place at Frauenthal Automotive Elterlein GmbH (formerly Linnemann-Schnetzer Deutschland GmbH), located in Elterlein, Germany. This company had accumulated substantial tax loss carryforwards, which reduced its tax burden by about EUR 7.6m (and by EUR 9m including

interest) during the 2006–2012 period. Remaining deferred tax assets of EUR 7m arising from the capitalisation of part of these tax loss carryforwards are carried on the consolidated statement of financial position. The inspection resulted in the disallowance of the tax loss carryforwards, and the related assessment notices were issued in September 2010. In the opinion of the Executive Board and its expert advisers the tax authorities' arguments for disallowing the deductions are untenable. A number of thoroughly researched independent expert reports conclude that, in light of the facts of the case, the legal position, the prevalent legal opinion and the relevant precedents, the tax loss carryforwards are very likely to be reinstated on appeal in the financial courts. In consequence, no accounting provision has been made for the risk of a back tax payment. Neither is it necessary to write down the deferred tax assets of EUR 7m. However, there is a danger of court appeal proceedings lasting several years, which would give rise to general litigation risks. An official statement issued by the tax authorities in the second quarter confirmed that there was no change in their legal position. The formal requirements for initiating appeal proceedings are expected in the near future. This step by the tax authorities is in line with the Group's expectations and does not change its assessment of the attendant risks. If the court of appeal in Germany finds in favour of the tax authority, there is a risk that the taxes saved thus far, which together with interest amount to EUR 9m as of September 2013, will become payable and the deferred tax assets of EUR 7m will need to be derecognised. Our assessment of the risks posed by the case will be updated on a quarterly basis in light of legal developments and any new information received, and accounting action taken if necessary.

BUSINESS DEVELOPMENT

Since the disposal of the Industrial Honeycombs Division in June 2012, the Group has made four acquisitions: two wholesale plumbing suppliers in Slovakia

(April and October 2012), Czech air reservoir manufacturer Worthington Cylinders (October 2012) and Swedish automotive component supplier Gnotec (May 2013). The total purchase price for the four acquisitions was EUR 31.6m.

The most important goal of the Frauenthal Group's business development activities is to acquire a new line of business (third division), but the feasibility of such a step is far harder to predict than that of add-on acquisitions. Numerous companies are being assessed on the basis of the Group's investment criteria. At the time of writing, a number of potential acquisition targets were being examined, but no binding agreements or definite decisions had yet been reached. The key criteria for determining strategic fit with the Frauenthal Group are:

- sufficient revenue (suitability as a third line of business within the Group)
- defensible, dominant position in a niche market
- independence from the cycles affecting the automotive industry
- clear potential for expansion or optimisation through the expertise and resources available to the Frauenthal Group
- virtually all trade and industry sectors will be taken into consideration

All available sources are being examined for potential targets: the focus is on Germany, Austria, Switzerland and northern Italy. All of our takeover targets are assessed very carefully and are subjected to the necessary due diligence reviews. As a result, it is impossible to forecast the timing of the next major acquisition.

LIQUIDITY AND INVESTMENT

In the first three quarters of the year, continuing operations generated cash inflows of EUR 7.8m before working capital changes. Investment totalled EUR

9.6m. Working capital rose by EUR 30.1m in line with normal seasonal patterns, particularly in the SHT Group, and an additional outflow of EUR 1.8m was attributable to the purchase of the 14% minority interest in Frauenthal Automotive Sales GmbH and EUR 24.7m to the acquisition of the Gnotec Group. Cash inflows of EUR 5.7m relate to the dividend for 2012, the receipt of a residual payment for the divested Industrial Honeycombs Division, and EUR 3.6m in net liquidity acquired with the purchase of the Gnotec Group. Dividends amounting to EUR 1.7m were distributed to Frauenthal Group shareholders. Liquidity needs during the first three quarters period totalled EUR 50.8m. Of this amount EUR 14m is financed by means of a long-term bank loan (used to finance the acquisition of the Gnotec Group), EUR 26.8m by short-term credit lines and EUR 10m by bank balances.

Total assets rose by EUR 61.0m or 17.9% from their level at year-end 2012. Of this amount EUR 48.7m is attributable to the consolidation of the Gnotec Group. The Group has EUR 46m in unused credit lines. If no more attractive investment opportunities present themselves, the Group will have EUR 35m at its disposal for redemption of the corporate bond which falls due in May 2016. The Group has invested this sum in money market instruments with leading Austrian banks.

OUTLOOK

Although there are no signs of any significant improvement in demand in the long term, based on our customers' current production forecasts we still expect the **Automotive Components Division** to record revenue growth in the fourth quarter of the year, and revenue to remain close to last year's level (excluding Gnotec). Any predictions for the fourth quarter of the year are clouded with uncertainty, as our customers' forecasts are subject to volatile seasonal fluctuations in December. Thanks to the acquisition of Gnotec, divisional revenue for the current financial year is expected to grow by around EUR 57m. The

business outlook for Gnotec is positive, particularly in the passenger vehicle segment. In view of the highly cyclical nature of the commercial vehicle industry and today's unstable economic environment, such forecasts are particularly uncertain. The difficulties associated with predicting the effects of the introduction of Euro 6 compliant trucks adds another layer of uncertainty. The main short and medium-term priorities for management are stepping up efforts to generate new business and implementing cost-reduction programmes throughout the organisation.

In the **Wholesale Plumbing Supplies Division (SHT)** we expect revenue to increase nominally and earnings to fall just short of last year's level, even though our market share will improve slightly owing to the contraction in the Austrian plumbing and heating supplies sector during the course of the year. The lion's share of revenue growth in the Group will be contributed by new company SHT Slovensko. Total earnings for the SHT Group will fall year on year due to the start-up losses incurred in Slovakia.

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

As discussed previously, we remain committed to our "strength in diversity" strategy, and are stepping up the search for suitable acquisition targets that have the potential to become the Frauenthal Group's third division. Free liquidity, an attractive deal flow and our experienced team are the keys to concluding a suitable transaction.

The continued stagnation of the European commercial vehicle market bear out the decision to realign existing structures at the Frauenthal Automotive Division. The Executive Board is confident that the strides made in product development will be translated into improved earnings given the completed launch of Euro 6 compliant vehicles. Key priorities for the Executive Board will be to remedy the Frauenthal Automotive Division's unsatisfactory earnings posi-

tion and to pursue its growth strategy through additional acquisitions. The acquisition of the Gnotec Group and the restructuring of the air reservoir business completed in the first half will make a considerable contribution in 2013.

The Wholesale Plumbing Supplies Divisions will use best-in-class services to prevail in an increasingly difficult environment.

Thanks mainly to the positive performance of Gnotec, we currently expect the Frauenthal Group to post a slight improvement on the 2012 results in spite of the restructuring costs incurred by the Frauenthal Automotive Division.

Vienna, November 2013

Frauenthal Holding AG

The Executive Board



Mag. Hans-Peter Moser
Member of the
Executive Board



Dr. Martin Sailer
Member of the
Executive Board

NOTES TO THE INTERIM REPORT ON THE THIRD QUARTER OF 2013

The third quarter report of Frauenthal Holding AG (the "Frauenthal Group") for the three months ended 31 September 2013 was drawn up in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. This report for the third quarter of 2013 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 as follows since 31 December 2012. Frauenthal Automotive Ahlen GmbH was sold on 30 April reducing the number of companies in the consolidated Group by one; the Gnotec Group was acquired on 13 May increasing the number of Group subsidiaries by seven. Gnotec's subsidiaries are Holding Gnotec AB, Gnosjö in Sweden, the Gnotec Asia Holding Ltd. holding company in Hong Kong as well as the recently founded manufacturing company Gnotec Automotive Parts (Kunshan) Co Ltd., Kunshan in China. The remaining locations are manufacturing facilities in Sweden and another production location in Slovakia. Technopoint Sanitrends, spol. s.r.o., GAMA Myjava s.r.o. and SHT Slovakia s.r.o. were merged in the third quarter of the financial year and now operate under the name of SHT Slovensko s.r.o, which is based in Senec. The consolidated statements thus comprise the results of the parent, Frauenthal Holding AG, and 31 subsidiaries which are under the common control of Frauenthal Holding AG, and in which the latter or one of its subsidiaries holds a majority of the voting rights.

The accounting policies used to prepare the financial statements for the quarter ended 30 September 2013 were applied without change to the third quarter of 2013. 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. Due to the disposal of the Industrial Honeycombs Division on 1 June 2012, profit for the year is broken down into continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions) and discontinued operations (the Industrial Honeycombs Division). Management's analysis below relates to the continuing operations. The results for the comparative periods – 9M 2012 and full year 2012 – are likewise analysed by continuing and discontinued operations.

The acquisition of the Gnotec Group and SHT Slovensko pushed up the Frauenthal Group's total revenues by 10%. The Frauenthal Group returned cumulative consolidated IFRS revenue including the Gnotec Group of EUR 418.4m for the first three quarters – up by EUR 38.0m or 10.0% year on year.

Gnotec contributed EUR 35.1m to consolidated revenue for the period May to September (the company was consolidated for the first time with effect from 1 May 2013). While the Frauenthal Automotive Division without Gnotec was unable to replicate its strong performance in the comparative period, revenue in the Wholesale Plumbing Supplies Division advanced by 4.6%.

Commercial vehicle manufacturers began reining in planned production at the start of the year because of persistent economic uncertainties, and some factories were temporarily closed. The expected market recovery by the EURO-V-last-buy-effect will occur from September onwards. This resulted in a EUR 7.1m or 4.4% year-on-year fall in revenue in the Frauenthal Automotive Division (excluding Gnotec) during the first three quarters, to EUR 155.9m (9M 2012: 163.0m). Frauenthal Automotive including Gnotec delivered a EUR 28.0m growth in revenue to EUR 191.0m (up 17.2%).

Despite a muted trading environment the Wholesale Plumbing Supplies Division recorded an upturn in revenue of EUR 10.0m or 4.6%. Growth was propelled by increased market shares owing to the division's stronger presence in western Austria, the acquisitions in Slovakia, high logistics and service standards, and the introduction of innovative new products. The Slovakian sites contributed EUR 8.0m of the revenue gain. Divisional revenue for the Wholesale Plumbing Supplies for the first three quarters advanced to EUR 227.4m (9M 2012: EUR 217.4m).

Earnings

Group EBITDA for the first three quarters of 2013 was down by EUR 1.8m or 14.4% year on year, at EUR 10.8m. The results included non-recurring expense (deconsolidation expense arising from the disposal of Druckluftbehälterwerk Frauenthal Automotive Ahlen GmbH) of EUR 2.4m. Adjusted for deconsolidation expense, consolidated EBITDA amounted to EUR 13.2m, up 5.0% on the same period a year earlier.

EBITDA for the Frauenthal Automotive division amounted to EUR 3.9, down EUR 0.9m on the same period a year earlier. The decline in earnings is attributable to the one-off effect of the deconsolidation, the drop in revenue and the costs of capacity underutilisation, particularly in the steel springs and stabiliser segment; and to a lesser extent the costs of restructuring measures (reductions in the workforce). High energy and transport costs continue to be an additional burden. The cost-saving measures implemented in the second quarter of 2012 are already having a positive effect, and the commissioning of several investments designed to increase productivity are also starting to bear fruit. After adjustment for deconsolidation expense, EBITDA amounted to EUR 6.3m, a year-on-year increase of EUR 1.5m. Gnotec contributed EUR 3.6m to consolidated revenue for the period from May to September.

Higher revenue in the Wholesale Plumbing Supplies Division was not translated into improved earnings. Divisional EBITDA slipped by EUR 0.5m year on year to EUR 8.7m. The gross margin improved in Austria thanks to a favourable order book, with a lower proportion of orders in the large-scale contract business segment. The Group has added capacity on the Austrian wholesale plumbing supplies market, and the sluggish market has intensified price competition in this segment. SHT Slovensko's earnings are on an upward trajectory thanks to cost-saving measures and activities aimed at integrating the merged businesses more closely.

Group EBIT decreased by EUR 3.3m compared with the strong year-earlier performance, to EUR 2.0m (9M 2012: 5.3m). EBIT amounted to EUR 4.4m after adjustment for deconsolidation expense. The Frauenthal Automotive Division recorded a negative EBIT result of EUR 2.1m (EUR 0.3m after adjustment). The Wholesale Plumbing Supplies Division delivered EBIT of EUR 6.1m, a year-on-year decline of EUR 0.6m.

There was a loss for the period from continuing operations (the Frauenthal Automotive and Wholesale Plumbing Supplies divisions, and Frauenthal Holding AG) of EUR 2.5m, representing a year-on-year deterioration of EUR 1.7m. In the third quarter, net profit came in at EUR 2.9m (Q3 2012: EUR 1.1m), a considerable turnaround following last year's decline.

The Frauenthal Group's net finance costs narrowed by EUR 0.2m, reflecting the lower interest rates and the financial income from investments (cash inflows from the disposal of the Industrial Honeycombs Division). The Group's tax burden lightened by EUR 1.5m, following the recognition of deferred tax assets.

The basic and diluted loss per share from continuing operations was EUR 0.29 (diluted) and EUR 0.30 (undiluted) (9M 2012: diluted and undiluted earnings per share of EUR 3.98), on a diluted weighted average of 8,536,943 shares (9M 2012: 9,174,541 shares) and an undiluted weighted average of 8,491,491 shares (9M 2012: 9,162,534 shares) in circulation.

As revenue and earnings in both divisions are subject to seasonal fluctuations, extrapolations from results for the third quarter are not a reliable guide to performance for the year as a whole.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Frauenthal Group's total assets increased by EUR 61.0m or 17.9% from their level at year-end 2012, to stand at EUR 401.4m (31 December 2012: EUR 340.5m). Of this amount EUR 48.7m is attributable to the inclusion in consolidation of the Gnotec Group. This total includes goodwill of EUR 10m, in addition to the fixed purchase price of EUR 24.7m a further variable price component of EUR 4.8m has already been taken into account. The goodwill recognised in the consolidated statement of financial position caused intangible assets to advance to EUR 48.0m. Property, plant and equipment at 30 September 2013 of EUR 86.5m reflects the addition of the non-current assets of EUR 16.0m held by the Gnotec Group. As depreciation and amortisation exceeds the investment total, property, plant and equipment for the other companies was down by EUR 1.0m. The rise of EUR 0.7m in deferred tax assets largely stemmed from the utilisation of the tax loss carryforwards in the Austrian tax group.

As at 30 September 2013 current assets stood at EUR 251.8m – up by EUR 35.3m as compared to the position at year-end 2012. The majority of the increase is attributable to the addition of the Gnotec Group which contributed EUR 33.0m.

At 30 September 2013 inventories amounted to EUR 95.8m, an increase of EUR 14.7m (of which the Gnotec Group accounted for EUR 11.1m) compared with 31 December 2012. The additional rise in inventories is in line with seasonal patterns in the Wholesale Plumbing Supplies Division (SHT).

Trade receivables amounted to EUR 98.7m at 30 September 2013, which represents a rise of EUR 31.3m (EUR 13.4m of this amount was accounted for by the Gnotec Group). In line with seasonal patterns, trade receivables in the Wholesale Plumbing Supplies Division advanced by EUR 10.0m.

A EUR 2.1m fall in "Other assets" as at 30 September 2013 (addition of EUR 3.7m through the Gnotec Group), of which EUR 5.7m represented receipt of the dividend due in relation to Porzellanfabrik Frauenthal and the payment of the remainder of the purchase price by IBIDEN in the 2012 financial year.



Camilla Jakobsson, Production Leader, Gnotec Kinnared

Cash and cash equivalents were down by EUR 8.6m. Gnotec also contributed bank balances of EUR 4.7m, and a short-term investment of EUR 10m matured on 21 June 2013.

Equity declined by EUR 6.5m to EUR 121.0m (31 December 2012: EUR 127.5m) as a result of the loss for the period of EUR 2.5 and the acquisition of the minority interest previously held by Ascometal S.A.S. The equity ratio slid from 37.4% as at year-end 2012 to 30.2% as at 31 September 2013 as a result of the expansion of the balance sheet.

Non-current liabilities and short term bank borrowings (including bonds) were up by EUR 41.8m on year-end 2012, at EUR 159.1m. This was largely a reflection of increased short-term bank borrowings in the Wholesale Plumbing Supplies Division, which rose due to seasonal factors. It also reflected financing costs related to the Gnotec Group amounting to EUR 24.7m (the acquisition was financed via a long-term loan amounting to EUR 14.0m and the rest from cash held by Frauenthal Group). The minority interest in Frauenthal Automotive Sales GmbH of EUR 1.8m was acquired, and investments in the first three quarters totalled EUR 9.6m. Cash inflows of EUR 5.7m relate to the dividend for 2012 and the receipt of a residual payment for the divested Industrial Honeycombs Division.

NOTES TO THE STATEMENT OF CASH FLOWS

Operating profit before working capital changes slid to EUR 7.3m – a drop of EUR 2.1m primarily caused by the lower profit made by the Frauenthal Automotive Division in the first three quarters of 2013. Owing to the changes in working capital, cash flows from operating activities were negative by EUR 17.1m, compared to a cash outflow of EUR 19.5m in the same period a year earlier. The operations discontinued in 2012 were responsible for negative cash flows from operating activities of EUR 2.8m.

Net cash used in investing activities was EUR 34.3m (9M 2012: EUR 59.9m). Of this amount, EUR 70.5m was attributable to discontinued operations. The net cash inflow due to changes in the scope of consolidation item reflects financing costs related to the Gnotec Group of 24.7m. The Frauenthal Automotive Division invested EUR 6.4m in improving quality during the first three quarters of the year (of this amount EUR 1.3m was accounted for by Gnotec), and the Wholesale Plumbing Supplies Division EUR 3.7m in enhancing its logistics capabilities and end-user services.

EMPLOYEES

In the first three quarters of 2013 the Frauenthal Group employed an average of 2,972 people excluding the workforce of the Industrial Honeycombs Division (9M 2012: 2,402 excluding Industrial Honeycombs). The acquisitions carried out by the two divisions resulted in an increase in the total headcount of 757.

The largest employer in the Group was the Frauenthal Automotive Division, at 2,094 (9M 2012: 1,605). The divisional workforce grew by around 200 as a result of the acquisition of Frauenthal Automotive Hustopeče, with the addition of the Gnotec Group contributing a further 467 people. Conversely, the disposal of Frauenthal Automotive Ahlen GmbH reduced the total number of employees by around 110. The Wholesale Plumbing Supplies Division employed an average of 864 people over the first nine months of the period under review (9M 2012: 782), an increase of 82.

SHARE PRICE PERFORMANCE

Frauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. Our share price ended 2012 on EUR 9.80. After a promising start to the year the price steadily declined, reaching a low of EUR 8.12 on 22 April. Frauenthal stock then began to rally, and continued to rise until the end of the third quarter, reaching a high of EUR 9.50 on 13 August. It stood at EUR 8.75 at the close of trading on 30 September 2013. Market capitalisation as at 30 September 2013 was EUR 82.6m (30 December 2012: EUR 83.0m); this included 1,900,000 unlisted registered shares.

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

COMPOSITION OF THE EXECUTIVE BOARD

Hans-Peter Moser has taken charge of the expanded Business Development Department and continues to head up the Wholesale Plumbing Supplies Department. In addition to his duties as Group CFO, Martin Sailer oversees the Frauenthal Automotive Division.

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

The Executive Board hereby declares that to the best of its knowledge the interim report of the Frauenthal Group for the third quarter of 2013, 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, November 2013

Frauenthal Holding AG

The Executive Board



Hans-Peter Moser
Member of the Executive Board



Martin Sailer
Member of the Executive Board

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



GERMAN



Lothar Bartl, Kersten May und Ronald Uloth, final assembly of air reservoirs,
Frauenthal Automotive Elterlein GmbH

SHORTENED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	EUR '000	9M 2013	9M 2012 *
Revenue		418,390	380,422
Changes in inventories of finished goods and work in progress		-662	1,444
Work performed by the entity and capitalised		50	108
Other operating income		5,785	6,745
Raw material and consumables used		-289,829	-264,121
Staff costs		-83,411	-75,762
Depreciation, amortisation and impairment		-8,791	-7,286
Other operating expenses		-39,536	-36,237
Profit from operations		1,996	5,313
Interest income		970	936
Interest expense		-4,851	-4,990
Net finance costs		-3,881	-4,054
Profit before tax from continuing operations		-1,885	1,259
Income tax expense		-948	-611
Change in deferred tax		323	-1,465
Profit for the period from continuing operations		-2,510	-817
Profit before tax from discontinued operations		0	47,970
Income tax expense		0	-3,240
Change in deferred tax		0	-7,441
Profit for the period from discontinued operations		0	37,289
Profit for the period		-2,510	36,472
Loss attributable to non-controlling interests		0	-464
Loss/profit attributable to owners of the parent (consolidated profit for the period)		-2,510	36,936
Earnings per share from continuing operations			
basic		-0.30	-0.09
diluted		-0.29	-0.09
Earnings per share from continuing and discontinued operations			
basic		-0.30	3.98
diluted		-0.29	3.98

* The disposal of the Industrial Honeycombs division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5.
The year 2012 figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	EUR '000	9M 2013	9M 2012 *
Profit for the period from continuing operations	-2,510	-817	
Losses/gains on currency translation	-603	335	
Other comprehensive loss/income from continuing operations	-603	335	
Total comprehensive income from continuing operations	-3,113	-482	
Profit for the period from discontinued operations	0	37,289	
Losses on currency translation	0	0	
Other comprehensive loss from discontinued operations	0	0	
Total comprehensive income from discontinued operations	0	37,289	
Total comprehensive income	-3,113	36,807	
Attributable to non-controlling interests	0	-496	
Attributable to owners of the parent	-3,113	37,303	

* The disposal of the Industrial Honeycombs division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5.
The year 2012 figures have been adjusted accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	EUR '000	30 Sep 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets		47,954	38,064
Tangible assets		86,490	71,462
Other financial assets		1,082	1,042
Deferred tax assets		14,106	13,442
		149,632	124,010
Current assets			
Inventories		95,785	81,038
Trade receivables		98,690	67,398
Other assets		16,574	18,682
Cash and cash equivalents		40,704	49,348
		251,753	216,466
Total ASSETS		401,385	340,476

	EUR '000	30 Sep 2013	31 Dec 2012
EQUITY AND LIABILITIES			
Equity			
Share capital		9,435	9,435
Capital reserves		21,093	21,093
Retained earnings		103,295	63,670
Translation reserves		-2,822	-2,219
Other reserves		94	94
Own shares		-7,553	-7,553
Profit for the year		-2,510	39,466
Equity attributable to owners of the parent		121,032	123,986
Non-controlling interests		0	3,507
		121,032	127,493
Non-current liabilities			
Bond		99,525	99,395
Bank borrowings		15,272	5,585
Other liabilities		270	270
Provisions for termination benefits		9,277	9,185
Provisions for pensions		7,575	7,442
Deferred tax		4,471	3,226
Other long-term provisions		3,408	3,562
		139,798	128,665
Current liabilities			
Bond		1,790	3,019
Bank borrowings		42,507	9,254
Trade payables		56,823	45,932
Other liabilities		32,938	22,026
Tax provisions		2,441	2,702
Other short-term provisions		4,056	1,385
		140,555	84,318
Total EQUITY AND LIABILITIES		401,385	340,476

STATEMENT OF CASHFLOWS

	EUR '000	9M 2013	9M 2012
Profit for the period before non-controlling interests		-2,510	36,472
Gains on deconsolidation of subsidiaries		2,448	-36,029
Interest income and expense		3,881	4,469
Depreciation and amortisation of non-current assets		8,791	8,799
Gains on disposal of non-current assets		-558	-633
Losses on disposal of non-current assets		18	12
Change in deferred tax assets		-664	600
Change in long-term provisions		145	829
Interest paid		-5,666	-6,538
Interest received		1,230	1,161
Other non-cash expenses		150	207
Operating profit before working capital changes		7,265	9,349
thereof discontinued operations			2,311
Change in inventories		-7,598	-10,981
Change in trade receivables		-21,662	-22,222
Change in other receivables		4,481	-453
Change in short-term provision		-152	2,190
Change in trade payables		-1,643	-3,281
Change in liabilities to Group companies		0	-418
Change in other liabilities		2,244	6,125
Translation related changes		-79	196
Net cash used in operating activities		-17,144	-19,495
thereof discontinued operations			-2,829
Investments in non-current assets		-10,141	-14,577
Proceeds from sale of non-current assets		868	1,234
Proceeds from investment grants		-315	-447
Net cash inflow due to changes in the scope of consolidation		-24,713	73,678
Net cash used in investing activities		-34,301	59,888
thereof discontinued operations			70,470
Dividends paid		-1,698	-2,749
Redemption of the 2005 bond		0	-27,295
Change in non-controlling interests		-1,800	0
Change in borrowings		42,938	5,624
Net cash used from financing activities		39,440	-24,420
thereof discontinued operations			6,885
Change in cash and cash equivalents		-12,005	15,973
Cash and cash equivalents at beginning of period		49,348	39,950
Change in cash and cash equivalents due to changes in the scope of consolidation		3,361	
Cash and cash equivalents at end of period		40,704	55,923

STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Capital reserve	Retained earnings	Translation reserve	Fair value reserve	Own shares	Equity attributable to owners of the parent	Non-control-ling interests	Total equity
At 1 Jan, 2012	9,435	21,093	67,421	-2,601	29	-532	94,845	4,023	98,868
Dividends			-2,749				-2,749		-2,749
Repurchase of own shares						-7,021	-7,021		-7,021
Share options			198				198		198
Total comprehensive income for 2012			38,266	382	65		38,713	-516	38,197
At 31 Dec, 2012/1 Jan, 2013	9,435	21,093	103,136	-2,219	94	-7,553	123,986	3,507	127,493
Dividends			-1,698				-1,698		-1,698
Acquisition of non-control-ling interests			1,707				1,707	-3,507	-1,800
Share options			150				150		150
Total comprehensive income for the period			-2,510	603			3,113		3,113
Balance at 30 Sept, 2013	9,435	21,093	100,785	-2,822	94	-7,553	121,032	0	121,032

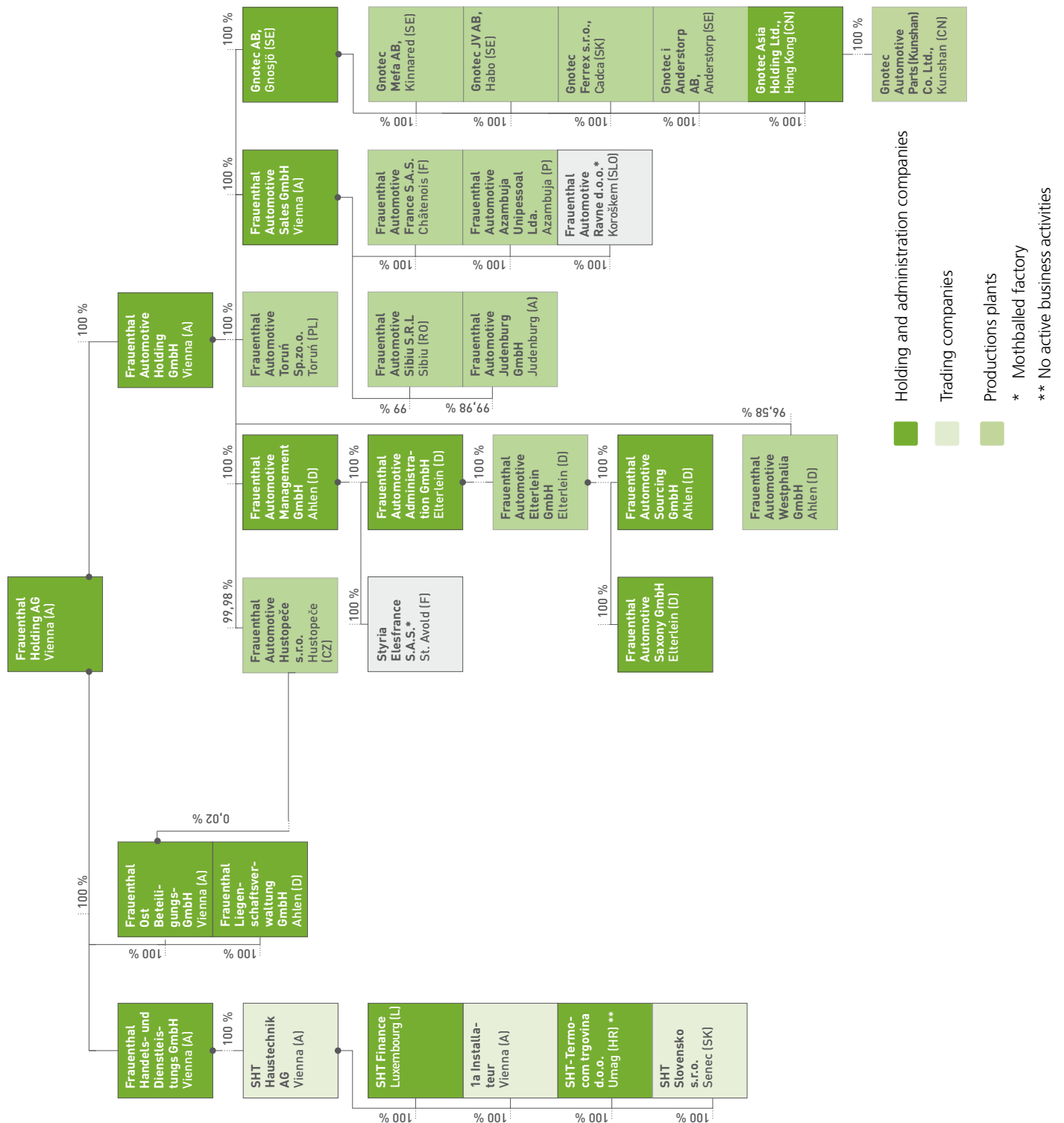
SEGMENT ANALYSIS

EUR '000	Frauenthal Automotive		Wholesale Plumbing Supplies		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012
Strategic business segments *										
Revenues from external customers	190,994	163,028	227,364	217,383	32	10	0	0	418,390	380,421
Intersegment revenues	8	12	0	0	1,800	1,730	-1,808	-1,742	0	0
Total revenues	191,002	163,040	227,364	217,383	1,832	1,740	-1,808	-1,742	418,390	380,421
EBITDA	3,874	4,808	8,716	9,187	-1,843	-1,480	40	84	10,787	12,599
<i>EBITDA adjusted</i>	6,322	4,808	8,716	9,187	-1,843	-1,480	0	84	13,195	12,599
EBIT	-2,121	214	6,122	6,699	-2,045	-1,685	40	85	1,996	5,313
<i>EBIT adjusted</i>	327	214	6,122	6,699	-2,045	-1,685	0	85	4,404	5,313
Employees	2,094	1,605	864	782	14	15	0	0	2,972	2,402

* The disposal of the Industrial Honeycombs Division was completed on 1 June 2012. The gains on disposal and the profit up to the time of the disposal are included in the profit from discontinued operations in accordance with IFRS 5. The year 2012 figures have been adjusted accordingly.

OUR STRUCTURE

Status as of 30.09.2013



IMPRINT

FINANCIAL CALENDER 2014

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

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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 82.6 incl. 1,900,000 pieces unlisted registered shares (30.09.2013)
Vienna Stock Exchange: Listing on Vienna Stock Exchange official market
Symbol: FKA
ISIN: AT000A0PG75 (bonds)

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

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Note: Editorial changes have been made to this report in the interests of readability (including the colour scheme and layout). The original can be inspected at the Company's headquarters.
The Editorial deadline for the Report on the third quarter of 2013 was 20. November 2013.

