



Gnotec

frauenthal  
GROUP

REPORT ON THE THIRD QUARTER OF 2014



STRENGTH THROUGH DIVERSITY

# SUMMARY

	9M 2014 *	9M 2013 *	Change in %
<b>Summary income statement (EUR m) *</b>			
Revenue	446.8	336.6	32.7%
EBITDA	20.6	9.2	123.0%
<i>EBITDA adjusted 1)</i>	20.6	11.6	77.0%
<b>ROS (EBITDA / revenue)</b>	<b>4.6%</b>	<b>2.7%</b>	<b>1.9%</b>
<b>ROS (EBITDA / revenue) adjusted 1)</b>	<b>4.6%</b>	<b>3.5%</b>	<b>1.2%</b>
Profit from operations (EBIT)	12.3	3.3	278.4%
<i>Profit from operations (EBIT) adjusted 1)</i>	12.3	5.7	117.8%
Profit before tax (EBT)	9.1	0.3	*
Profit for the period from continuing operations	9.1	-0.2	*
Profit for the period from discontinued operation	-13.0	-2.3	-461.3%
Profit for the period	-3.9	-2.5	-55.9%
Operating profit before working capital changes	9.1	8.1	11.8%
<b>Summary statement of financial position (EUR m)</b>			
Non-current assets	128.6	149.6	-14.1%
Current assets	302.9	251.8	20.3%
<i>Non-current assets qualified as held for sale</i>	43.4	-	-
Total assets	475.0	401.4	18.3%
Borrowings	348.0	280.4	24.1%
<i>Liabilities associated directly with non-current assets qualified as held for sale</i>	41.8	-	-
Equity	85.1	121.0	-29.7%
<b>Equity ratio (%)</b>	<b>17.9%</b>	<b>30.2%</b>	<b>-12.2%</b>
Investment *	9.5	7.7	24.4%
as % of revenue	2.1%	2.3%	-0.1%
<b>Average head count *</b>	<b>2,987</b>	<b>1,958</b>	<b>52.6%</b>
<b>Per employee ratios (EUR '000)</b>			
Revenue	149.6	171.9	-13.0%
Profit from operations (EBIT)	4.1	1.7	148.1%
Operating profit before working capital changes	3.0	3.7	-18.3%
Share issue	9,434,990	9,434,990	-
Own shares	-943,499	-943,499	-
Shares in circulation	8,491,491	8,491,491	-
<b>Per share ratio (EUR)</b>			
EBITDA	2.4	1.1	123.0%
Profit from operations (EBIT)	1.5	0.4	278.4%
Profit for the period from continuing operations	1.1	0.0	*
Profit for the period from discontinued operation	-1.5	-0.3	-461.3%
Profit for the period	-0.5	-0.3	-55.9%
Operating profit before working capital changes	1.1	1.0	11.8%
Equity	10.0	14.3	-29.7%
<b>Share price</b>			
Year end	10.45	8.75	19.4%
High	10.90	9.50	14.7%
Low	8.80	8.12	8.4%

1) 1-9/2013: Adjusted for EUR 2,4m for deconsolidation of Frauenthal Automotive Ahlen GmbH

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



Frauenthal Trade Division (Kontinentale), pipe hall

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# OPERATING REVIEW FOR THE THIRD QUARTER OF 2014

## DEAR SHAREHOLDER,

The acquisition of ÖAG and the disposal of the majority of the steel springs and stabilisers business will have a significant long-term impact on the Frauenthal Group.

The purchase of ÖAG AG was finalised on 30 June 2014 and a wide-ranging integration project is currently being implemented. The aim is to leverage synergies quickly while also giving the brand images of SHT, ÖAG and Kontinentale a sharper focus.

The initial consolidation of ÖAG AG very likely results in the disclosure of a negative goodwill, which is reported in the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). In the course of the remeasurement process (purchase price allocation), non-current assets (in particular land and buildings) and intangible assets (especially trademarks and deferred tax) will be revalued. This procedure is likely to be completed by the time the 2014 annual financial statements are prepared. The revaluation of these assets is expected to have a significant positive effect on earnings, although it was not possible to estimate its level in the third quarter as the final acquisition price is still to be determined and the measurement process is still ongoing. ÖAG AG is included in the third-quarter operating results (statement of financial position and statement of profit or loss) for the period from 1 July to 30 September 2014. This has

led to an increase of EUR 104.0m in the Frauenthal Group's total assets, which in turn has reduced the equity ratio by five percentage points.

An agreement for the sale of the bulk of the steel spring and stabiliser business to the Hendrickson Group, a global supplier of chassis components and systems for heavy commercial vehicles, was signed on 18 June. The production plants for parabolic springs, air links and stabilisers in France, Romania and Austria will be sold, while the Portuguese site which specialises in the manufacture of springs for light commercial vehicles will remain part of the Frauenthal Group. Completion of the transaction is expected in the fourth quarter of 2014 or at the start of 2015. With a view to the finalisation of the deal, provisions of EUR 3.1m related to obligations arising from the acquisition have been recognised in the third-quarter financial statements.

In accordance with IFRS 5, the businesses disposed of are disclosed as discontinued operations. The comments on business performance in this report relate only to continuing operations, and the comparative figures have been adjusted accordingly. The continuing operations consist of the trading segment composed of SHT and ÖAG AG and of the automotive segment composed of the air tank and U-bolt businesses, the Gnotec Group and the Portuguese steel spring business (Frauenthal Automotive Azambuja).

The acquisition of the Gnotec Group in May 2013 and the restructuring of the air tank business in October 2013 have significantly expanded the Frauenthal Automotive Division's operating activities. Demand for medium and heavy commercial vehicles has fallen slightly, with registrations down by 0.4% at the end of September. The Frauenthal Trade Division has suffered as a result of the stagnant construction market. Divisional revenue rose by EUR 76.5m year on year (of which EUR 76.0m was attributable to the acquisition of ÖAG). Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) improved by EUR 11.4m to EUR 20.6m. Net profit (from continuing operations) rose by EUR 9.3m to EUR 9.1m.

The market for heavy commercial vehicles is likely to remain subdued in the fourth quarter, although passenger vehicle sales and demand for light commercial vehicles look set to increase. We anticipate improved earnings at Frauenthal Automotive – thanks to the performance of Gnotec – and in the air tank business. The plumbing supplies business in Austria is flat, while the market has bottomed out in Slovakia, where there is still no recovery in sight. Taking seasonal factors and the purchase of ÖAG into account, earnings in the Frauenthal Trade Division should improve further in the fourth quarter. Revenue at SHT Slovensko was down slightly year on year, by EUR 1.2m. The acquisition of ÖAG will boost revenue by some EUR 145.0m. Its contribution to earnings, which is dependent on the costs associated with the company's integration and the synergy effects that have already been realised, is likely to be around EUR 3.0m.

## KEY DEVELOPMENTS DURING THE QUARTER

- The EUR 11.4m increase in consolidated EBITDA compared with the same period last year, to EUR 20.6m, was largely attributable to the Frauenthal Automotive Division, which contributed EUR 9.8m of the rise.
- Frauenthal Automotive's revenue advanced by EUR 33.7m or 30.9% to EUR 142.9m. This was due to the acquisition of the Gnotec Group, which contributed revenue of EUR 70.6m in the first three quarters. The Division's other lines of business posted slightly weaker performance owing to the downbeat market situation. EBITDA went up by EUR 9.8m to EUR 12.1m. The Gnotec Group accounted for EUR 7.3m of the rise, while the improvement in EBITDA also reflected last year's restructuring of the air tank business. Divisional earnings before interest and tax (EBIT) increased by EUR 8.3m to EUR 7.4m.
- Frauenthal Trade posted a EUR 76.5m (or 33.6%) increase in revenue to EUR 303.8m, including gains of EUR 1.7m from SHT's Austrian operations and EUR 76.0m from the acquisition of ÖAG, while SHT Slovensko recorded a drop of EUR 1.2m. In spite of sluggish demand, EBIT was up by EUR 1.5m to EUR 7.6m. ÖAG contributed EUR 2.0m of the improvement in earnings between July and September.
- Group EBIT was EUR 12.3m, an increase of EUR 9.1m. The Group's net finance costs were more or less unchanged despite the financing costs for the Gnotec Group, thanks to SEK exchange gains. Income tax expense totalled EUR 1.8m, a year on year rise of EUR 1.0m, due to the improved earnings situation following the Gnotec Group acquisition.
- The Group recorded a profit from continuing operations of EUR 9.1m for the first nine months of the year, after a loss of EUR 0.2m in the same period in 2013. The net loss from discontinued operations was EUR 13.0m, including EUR 8.2m resulting from the impairment of assets, provisions related to obligations arising from the purchase agreement and other costs related to the sale of operations. This resulted in a loss for the period of EUR 3.9m, a year-on-year increase of EUR 1.4m.

## HIGHLIGHTS OF DIVISIONAL TRADING PERFORMANCE

### FRAUENTHAL AUTOMOTIVE

The European commercial vehicle market took a turn for the worse in the third quarter. The Ukrainian crisis, its knock-on effects on Russian business and pre-emptive buying of Euro 5 compliant trucks in 2013 all had a negative effect on sales. In contrast, the light vehicles segment – which is not affected by the introduction of the Euro 6 standard – recorded dynamic growth of 11.7%, bringing about cumulative growth on the European commercial vehicles segment of 9.6%. The recovery of the EU commercial vehicles market as a whole is being driven primarily by larger countries, with the exception of France: new registrations were up by 38% in Spain, by 16.9% in Italy, by 12.4% in the UK and by 7.5% in Europe's biggest individual market, Germany. Increased online trading is fuelling continued growth in demand for light vehicles, which indicates a positive long-term trend for this segment. Gnotec's passenger vehicles business performed well, with its customers reporting strong success on their markets.

The Gnotec Group's preparations for the ramp-up of series production capacity in Kunshan (near Shanghai) proceeded according to plan in the third quarter. Ramp-up costs for the site held back earnings in the first three quarters.

The acquisition of TermoRegulator AB - a manufacturer of formed parts and assemblies for non-automotive customers, based in Motala, Sweden, with annual revenue of around EUR 6m - will be finalised on 13 October 2014. This site will enable us to leverage significant synergies within the Gnotec Group and will also make an important contribution to our strategy of increasing the share of non-automotive customers. The purchase price was around EUR 250k.

The divisional head count as per end of September rose by 74 to 1.443 compared to the reference period in 2013. During the first three quarters of 2014 a total of EUR 6.2m was invested, chiefly on measures aimed at improving productivity and quality, as well as on expanding the production facility in China. Of this amount, EUR 2.2m was attributable to the Gnotec Group and EUR 3.8m to the air tank product family.

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

On 18 June 2014 a contract was signed with TBC Netherlands Holdings Coöperatief U.A., a company in the Hendrickson Group, for the sale of 100% of the shares in Frauenthal Automotive Sales GmbH, with its subsidiaries Frauenthal Automotive Judenburg GmbH (Austria), Frauenthal Automotive France S.A.S (France) and Frauenthal Automotive Sibiu S.R.L. (Romania). The production facility in Portugal (Frauenthal Automotive Azambuja Unipessoal Lda.) and the mothballed plant in Slovenia (Frauenthal Automotive Ravne d.o.o.) remain in the Frauenthal Group. Completion of the transaction is expected in the fourth quarter of 2014 or at the start of 2015. The proceeds from the sale will be in the region of EUR 20-25m and mainly consist of the repayment of financial liabilities to Frauenthal Group companies. The purchaser is also assuming external financial liabilities of EUR 5m. With the sale, the Frauenthal Group has divested a business that generated around EUR 81.8m in revenue between January and September 2013 and currently has about 800 employees, but produces inadequate earnings. The purchaser of the business is part of a global manufacturer of chassis components and systems, predominantly for heavy commercial vehicles. It is to be expected that the global presence, strong market position, technical expertise and systems skills will enable this group to develop market opportunities for the production facilities it has acquired. The acquisition will also strengthen the purchaser's presence in the strategically important European market.



In addition to the operating results, the inclusion of impairment, provisions related to obligations arising from the purchase agreement and transaction costs of EUR 8.2m in the profit or loss from discontinued operations (recognised in the first half of this year) means that earnings fell in comparison with those in the first half of 2013. Writedowns of EUR 29.4m (goodwill and non-current assets) were recognised during an impairment review conducted in 2013 in the steel springs and stabiliser business.

Following the sale, the other product groups in the Frauenthal Automotive Division (air tanks, U-bolts and the Gnotec Group) are profitable and well-positioned strategically, and offer many opportunities for growth, as does the steel spring plant in Portugal, which specialises in light duty springs and is benefiting from the dynamic growth in demand for light commercial vehicles. The Division's strategic objectives include expanding the product and customer portfolio through add-on acquisitions, as well as exploiting the potential opened up by the Group's presence in China, Poland and Slovakia. There are growth prospects on the horizon in both the passenger vehicle and commercial vehicle sectors, more specifically in the trailer and light commercial vehicle segments. The Group also has the potential to acquire new industrial customers in all non-automotive product areas.

#### **FRAUENTHAL TRADE DIVISION**

Revenue in the Frauenthal Trade Division increased by EUR 76.5m or 33.6% in the first three quarters of the year, to EUR 303.8m, of which EUR 76.0m was attributable to ÖAG (included in the Group's financial statements from 30 June 2014) and EUR 11.5m to SHT Slovensko. The revenue contribution from Austrian operations increased the SHT Group's revenue by EUR 1.7m, or 0.8%, in spite of the tangible slowdown in the construction sector. The stagnating private renovation market and public sector savings contributed to a generally unsatisfactory trading market environment. In light of this development, the focus is shifting to contract business as the Group looks to secure the necessary volumes – a move which puts additional pressure on gross

margins. SHT Group again made modest gains in market share in Austria. In the light of expansion of capacity by virtually all market participants over the past few years, this is convincing confirmation of the Group's strategy: service quality and innovation are also keys to success in the highly price-sensitive wholesale plumbing supplies market. The year-on-year increase in earnings is chiefly attributable to the addition of ÖAG AG, which is included in the results for the entire third quarter (July-September). Cost-saving measures introduced in the third quarter of last year also had a positive impact on earnings. The unfavourable market conditions in Slovakia and the integrative measures and other changes introduced at SHT Slovensko led to a slight drop in earnings. Improvement at SHT Slovensko will mainly depend on when the Slovakian building industry begins to recover. However, the restructuring measures on their own will not be sufficient to deliver positive results over the longer term if the trading environment remains in the doldrums.

In spite of the poor 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. There is untapped potential at SHT and ÖAG, which can be exploited for our customers' benefit by sharing expertise and systems, while reinforcing each company's standing on its respective market.

#### **Acquisition of ÖAG AG**

The acquisition of ÖAG AG by Frauenthal Handels- und Dienstleistungs GmbH was completed on 30 June 2014. Since joining the Frauenthal Group, ÖAG has contributed revenue of EUR 76.0m, with EUR 23.1m of this amount accounted for by Kontinentale, an established industrial and civil engineering wholesaler with annual turnover of about EUR 80.0m. SHT scarcely has a presence in the market segments and product groups served by the company. Kontinentale's core customers are municipalities and industrial companies. The core elements of the integration strategy include retaining the separate SHT, ÖAG and Kontinentale brands,



as well as exploiting potential synergies between the companies in procurement, logistics and administration. Harnessing top-level expertise from each of the three businesses will help to push up performance across the board. The transaction has been well received by customers and suppliers alike. ÖAG will join purchasing association VGH with effect from 1 October 2014.

## BUSINESS DEVELOPMENT

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

## LIQUIDITY AND INVESTMENT

In the first three quarters of the year the Group generated operating cash flow of EUR 9.1m and used EUR 6.9m in investment activities. Working capital fell by EUR 2.0m, due to factoring of trade receivables in the Frauenthal Trade Division. EUR 23.3m was used for the acquisition of ÖAG AG, and EUR 3.4m for the earn-out payment for Gnotec Group. EUR 1.7m was used to pay a Frauenthal Holding AG dividend. Liquidity needs for the first three quarters of 2014 amounted to EUR 31m. This will be covered by the utilisation of new short-term credit lines. Frauenthal Automotive made use of an ABS facility for EUR 8.8m, while the Frauenthal Trade Division factored trade receivables amounting to around EUR 15m.

The EUR 117.7m or 33% increase in total assets as compared to year-end 2013 is attributable to the initial consolidation of ÖAG AG as at 30 June 2014. The assets and liabilities of the divested steel spring and stabiliser business are recognised under non-current assets held for disposal. If no more attractive investment opportunities present themselves, the Group will have EUR 35m at its disposal for redemption of the corporate bond which falls due in

May 2016. The Group has invested this sum in money market instruments with leading Austrian banks.

## OUTLOOK

In the **Frauenthal Automotive Division** we see no long-term improvement in the demand for heavy commercial vehicles, but are optimistic that because of the strong performance of key customers and the start of deliveries to a car manufacturer in China, the passenger vehicle business (Gnotec Group) will grow. Thanks to the acquisition of the Gnotec Group, which will complete its first full year as part of the Frauenthal Group in 2014, divisional revenue for the current financial year is expected to grow by around EUR 40m. Forecasts for the commercial vehicle industry are particularly uncertain in view of its highly cyclical nature and the currently unstable macroeconomic environment. In spite of weak demand at present, the Division's operating profit is expected to increase considerably. The contribution by the Gnotec Group and the full-year effect of the restructuring of the air tank business should result in strong earnings growth. In the short and medium term, the Group's activities will focus on the continued development of growth strategies for the air tank and U-bolt businesses and the Gnotec Group.

In the **Frauenthal Trade Division** we expect an increase in revenue and earnings solely through the integration of the ÖAG AG, on the back of a small increase in market share and a slight contraction in the plumbing and heating supplies sector. Although earnings will be tempered by the costs of integrating the new company, we expect ÖAG's consolidation – following finalisation of the purchase price allocation process – to have a positive effect.

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

The Frauenthal Group's Automotive Division is well positioned in all its current product markets. The sharp deterioration in the trading environment in the market for heavy commercial vehicles in the fourth quarter means that results will fall slightly short of expectations. Conclusion of the disposal of the steel spring business in the fourth quarter has solved the problem of unsatisfactory returns in this product segment and will boost profitability. The Frauenthal Trade Division is holding its own in a faltering construction market. From 2015 onwards, the ÖAG AG acquisition will have a substantial positive impact on the Frauenthal Group's earnings.

As things stand, we expect a significant year-on-year improvement in earnings from the Frauenthal Group's continuing operations in 2014.

Vienna, November 2014  
Frauenthal Holding AG  
The Executive Board



Hans-Peter Moser  
Member of the  
Executive Board



Martin Sailer  
Member of the  
Executive Board



Fraunhofer Automotive Division (TermoRegulator), at our new acquired plant TermoRegulator AB in Motala (Sweden) a modern technique of screenprinting is used for Keyboards.

# NOTES

## TO THE INTERIM REPORT ON THE THIRD QUARTER OF 2014

The interim report of Frauenthal Holding AG (Frauenthal Group) for the third quarter ended 30 September 2014 was drawn up in accordance with International Accounting Standard IAS 34 Interim Financial Reporting and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and applicable in the European Union. This report for the third quarter of 2014 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 increased by one (addition of ÖAG AG) since 31 December 2013. The consolidated financial statements thus comprise the annual results of the parent, Frauenthal Holding AG, and 31 subsidiaries which are under the common control of Frauenthal Holding AG, and in which the latter or one of its subsidiaries holds a majority of the voting rights. The acquisition of a new subsidiary, ÖAG AG, was finalised on 30 June 2014.

The final purchase price for ÖAG AG has not yet been determined, since it is dependent on reaching final agreement on the closing financial statements, which are expected to be presented during the fourth quarter. However, Frauenthal Holding AG gained control of the company upon completion of the transaction. ÖAG AG is therefore included in consolidation as of 30 June 2014 and in the Group's financial statements from the first half of 2014 onwards. In the initial consolidation as at 30 June 2014, provisional values in accordance with the Austrian Business Code (UGB) are used in this quarterly report, since the final purchase price is yet to be agreed, and fair values and the effects of initial consolidation cannot be determined with sufficient accuracy. The use of provisional UGB values in the initial consolidation means that no goodwill has yet been calculated. The purchase price allocation for the acquisition will take place in the fourth quarter, at which time the final purchase price (provisional price: EUR 23.3m) and the fair values can be accurately determined.

An agreement for the sale of the bulk of the steel springs and stabilisers business to the Hendrickson Group, a global supplier of chassis components and systems for heavy commercial vehicles, was signed on 17 June. The production plants for parabolic springs, air links and stabilisers in France, Romania and Austria will be sold, while the Portuguese site which specialises in the manufacture of springs for light commercial vehicles will remain part of the Frauenthal Group. Completion of the transaction is expected in the fourth quarter of 2014 or at the start of 2015, subject to approval by the relevant competition authorities. The sale of the French, Romanian and Austrian facilities will see Frauenthal withdraw from a business in which earnings have been unsatisfactory owing to market conditions and the competitive environment. Cash inflows from the sale are expected to be EUR 20-25m. The acquirer will pay the purchase price mainly through the assumption of financial liabilities of EUR 20-25m attributable to the acquired business.

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

## EFFECTS OF CHANGES IN THE SCOPE OF CONSOLIDATION

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

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

	EUR '000	30.06.2014 Preliminary Fair value at *)
<b>Non-current assets</b>		
Property, plant and equipment		10,076
Financial assets		2,871
		<b>12,947</b>
<b>Current assets</b>		
Inventories		41,444
Trade receivables		39,772
Other current assets		8,969
Cash and cash equivalents		832
		<b>91,017</b>
<b>Non-current liabilities</b>		
Provisions for employee benefits		10,104
Other provisions		9,150
		<b>19,254</b>
<b>Current liabilities</b>		
Short-term borrowings		3,180
Trade payables		37,393
Other liabilities		8,750
Other provisions		12,087
		<b>61,410</b>
<b>Net assets</b>		<b>23,300</b>

\*) The disclosures include figures from the interim financial statements as at 30 June 2014 prepared in accordance with the Austrian Business Code (UGB). This is due to the fact that a reliable calculation of fair values was not possible before completion of this quarter report (editorial deadline: 13 November 2014) since the final purchase price was still to be determined when the Group assumed control on 30 June 2014 (see also page 12).

	EUR '000	7-9 / 2014 disclosed
Revenue		75,955
Profit/loss for the period		1,825
	EUR '000	9M 2014
<b>Net cash from/used in investing activities</b>		
Preliminary purchase price paid in cash		-23,300
Cash and cash equivalents		832
<b>Net cash outflow</b>		<b>-22,468</b>

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

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

	EUR '000	9M 2014	9M 2013
<b>Revenue</b>		<b>65,678</b>	<b>81,794</b>
Changes in inventories of finished goods and work in progress		-572	-1,275
Work performed by the entity and capitalised		61	16
Other income		789	659
Raw material and consumables used		-43,318	-52,124
Staff costs		-19,805	-20,656
Depreciation and amortisation expense		-3,694	-2,804
Other expenses		-11,527	-6,869
<b>Profit/loss from operations</b>		<b>-12,388</b>	<b>-1,259</b>
Interest income		319	0
Interest expense		-822	-895
<b>Net finance costs</b>		<b>-503</b>	<b>-895</b>
<b>Profit/loss before tax</b>		<b>-12,891</b>	<b>-2,154</b>
Income tax expense		-157	-171
<b>Profit/loss for the period</b>		<b>-13,048</b>	<b>-2,325</b>

In addition to the operating results, the inclusion of impairment and transaction costs in the profit or loss from discontinued operations means that this figure fell in comparison with the same period a year earlier.

Profit from discontinued operations declined by EUR 11.1m year on year. Of this amount, EUR 8.2m is accounted for by impairment (largely write-downs of assets to fair value recognised in the half-yearly report), provisions for obligations arising from the acquisition and transaction costs. EUR 2.9m of the reduction is due to the fall in operating profit, mainly caused by deterioration of the market environment after introduction of the EURO 6 standards.

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

	EUR '000	30.09.2014 Fair value at
<b>Non-current assets</b>		
Property, plant and other equipment		9,824
Deferred tax assets		1,970
		<b>11,794</b>
<b>Current assets</b>		
Inventories		15,839
Trade receivables		9,801
Receivables to continuing operations		2,036
Other current assets		3,738
Cash and cash equivalents		238
		<b>31,650</b>
<b>Non-current liabilities</b>		
Long-term borrowings		2,294
Provisions for employee benefits		4,966
Other provisions		584
		<b>7,844</b>
<b>Current liabilities</b>		
Short-term borrowings		2,181
Trade payables		7,180
Payables to continuing operations		15,160
Other liabilities		7,926
Other provisions		1,543
		<b>33,990</b>
<b>Net assets</b>		<b>1,611</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Due to the disposal of the majority of the steel springs and stabilisers business (sale expected to be completed in the fourth quarter of 2014 or at the start of 2015), profit for the period is broken down into continuing operations (the Frauenthal Trade Division and the remainder of the Frauenthal Automotive Division) and discontinued operations (the steel springs and stabilisers operations held for disposal). The analysis below refers to the continuing operations. Profit for the comparative period (January to September 2013) is broken down in the same way.

### Revenue

The Frauenthal Group returned cumulative consolidated IFRS revenue including the Gnotec Group of EUR 446.8m for the third quarter of 2014 – up by EUR 110.2m or 32.7% year on year. The increase in revenue is primarily attributable to the new acquisitions (Gnotec Group with effect from 1 May 2013 and ÖAG AG with effect from 30 June 2014).

Frauenthal Automotive reported a EUR 33.7m increase in revenue to EUR 142.9m (up 30.9%), with revenue from the Gnotec Group amounting to EUR 70.6m (only included for five months of the previous year). Earnings from the Division's other businesses contracted slightly due to the challenging market climate.

Revenue in the Frauenthal Trade Division (the new name for the Frauenthal Group's wholesaling business comprising the SHT Group, ÖAG and Kontinentale) expanded by EUR 76.5 (up 33.6%). This development is primarily the result of ÖAG's EUR 76.0m contribution to divisional revenue. Cumulative revenue in the third quarter increased year-on-year from EUR 227.4m to EUR 303.8m.

### Earnings

At EUR 20.6m, Group EBITDA for the third quarter of 2014 represented an improvement of EUR 11.4m on the comparative period of 2013. The increase was largely attributable to Frauenthal Automotive, which contributed EUR 9.8m of the rise, while Frauenthal Trade accounted for EUR 2.4m.

EBITDA for Frauenthal Automotive amounted to EUR 12.1m, up by EUR 9.8m on the same period a year earlier. The rise in earnings is largely accounted for by the Gnotec Group, which contributed EUR 7.3m from January to September. The Gnotec Group was included in consolidation from May 2013; from May to September 2013 it contributed earnings of EUR 3.6m. Another reason for the improved result was last year's restructuring of the air tank business.

EBITDA for the Frauenthal Trade Division advanced by EUR 2.4m year on year to EUR 11.1m. The increase is due to the EUR 2.7m contribution to earnings made by ÖAG AG (July to September). The unfavourable market conditions in Slovakia and the integrative measures and other changes introduced at SHT Slovensko depressed earnings.

Third-quarter Group EBIT advanced by EUR 9.1m from EUR 3.3m to EUR 12.3m. The Frauenthal Automotive Division recorded EBIT of EUR 7.4m, with the Gnotec Group's contribution amounting to EUR 4.3m. The Frauenthal Trade Division reported EBIT of EUR 7.6m, a year-on-year improvement of EUR 1.5m, with newly acquired company ÖAG AG's contribution amounting to EUR 2.0m.

Profit for the period of EUR 9.1m represented a rise of EUR 9.3m on the same period a year earlier. The Frauenthal Group's net finance costs increased by EUR 0.2m; this development was attributable to financing costs for the Gnotec Group. Exchange gains (SEK/EUR) had a positive effect. Income tax expense increased by EUR 1.0m to EUR 1.8m, due to the Group's strong earnings performance (largely attributable to the Gnotec Group).

As revenue and earnings in both divisions are subject to seasonal fluctuations, extrapolations from the 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 117.7m or 33.0% from their level at year-end 2013, to stand at EUR 474.9m (31 December 2013: EUR 357.2m) including non-current assets held for disposal, i.e. the majority



of the steel springs and stabilisers business. The effects of the acquisition of ÖAG AG and the sale of most of the steel springs and stabilisers business on the statement of financial position are included under the item Effects of changes in the scope of consolidation.

In the Frauenthal Automotive Division, receivables were reduced due to utilisation of an ABS credit line of EUR 8.8m. This credit line was not utilised as at 31 December 2013.

Equity declined by EUR 6.5m to EUR 85.1m (31 December 2013: EUR 91.6m) as a result of the loss for the period of EUR 3.9m (continuing and discontinued operations). The equity ratio declined from 25.7% as at year-end 2013 to 17.9% as at 30 September 2014 due to the rise in total assets brought about by the acquisition of ÖAG AG.

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Operating profit before working capital changes advanced year on year to EUR 9.1m – an improvement of EUR 1.0m caused by the separate recognition of most of the steel springs and stabilisers business under the item “of which discontinued operations”.

Net cash used in investing activities was EUR 37.7m, comprising EUR 22.5m for the acquisition of ÖAG AG and an earn-out of EUR 3.4m from the acquisition of the Gnotec Group (Jan-Sep 2013: EUR 26.0m; of which acquisition of the Gnotec Group: EUR 21.1m). During the third quarter the Frauenthal Automotive Division invested EUR 6.2m (Gnotec: EUR 2.2m, air tank business: EUR 3.8m), mainly on expanding the Gnotec facility in China, as well as automation equipment, measures to reduce energy consumption, quality enhancements and modernisation of the recently acquired facility in Hustopeče. The Frauenthal Trade Division invested EUR 3.3m in logistics systems, the vehicle fleet, and the modernisation and expansion of retail space.

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

## EMPLOYEES

The Frauenthal Group employed an average of 2,987 people in the third quarter of 2014 (Jan-Sep 2013: 1,958).

Frauenthal Automotive employed an average of 1,464 people during the first nine months of 2014 (Jan-Sep 2013: 1,080). The average headcount at Frauenthal Trade during the same period amounted to 1,508 (Jan-Sep 2013: 864). ÖAG AG accounted for 690 of the new employees.

## SHARE PRICE PERFORMANCE

Frauenthal has been listed on the Vienna Stock Exchange prime market since 23 July 2007. The share price ended 2013 at EUR 9.01. It stood at EUR 10.45 at the close of trading on 30 September 2014, having reached a high of EUR 10.90 on 25 July. The low of EUR 8.80 came on 27 March 2014. Market capitalisation as at 30 September 2014 was EUR 98.6m (30 December 2013: EUR 85.0m); this included 1,900,000 unlisted registered shares.

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

## RELATED PARTY TRANSACTIONS

There have been no material changes in relationships with related parties since year-end 2013.

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

In the first nine months of 2014 the value of related party transactions between Frauenthal Group companies and entities controlled by Hannes Winkler and Ernst Lemberger, involving rental and other services, was similar to that in the same period of last year.

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

## COMPOSITION OF THE EXECUTIVE BOARD

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

# DECLARATION BY THE EXECUTIVE BOARD

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

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

The report on the third quarter of 2014 was finalised on 13 November 2014.

Vienna, November 2014  
Frauenthal Holding AG  
The Executive Board



Hans-Peter Moser  
Member of the Executive Board



Martin Sailer  
Member of the Executive Board

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

# ABRIDGED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	EUR '000	9M 2014	9M 2013
<b>Revenue</b>		<b>446,789</b>	<b>336,596</b>
Changes in inventories of finished goods and work in progress		374	613
Work performed by the entity and capitalised		0	34
Other income		5,642	5,126
Raw material and consumables used		-314,972	-237,705
Staff costs		-78,040	-62,755
Depreciation and amortisation expense		-8,290	-5,987
Other expenses		-39,187	-32,667
<b>Profit/loss from operations</b>		<b>12,316</b>	<b>3,255</b>
Interest income		1,674	970
Interest expense		-4,870	-3,956
Other finance income		4	0
<b>Net finance costs</b>		<b>-3,192</b>	<b>-2,986</b>
<b>Profit/loss before tax from continuing operations</b>		<b>9,124</b>	<b>269</b>
Income tax expense		-1,757	-778
Change in deferred tax		1,768	324
<b>Profit/loss for the period from continuing operations</b>		<b>9,135</b>	<b>-185</b>
<b>Profit/loss for the period from discontinued operation</b>		<b>-13,048</b>	<b>-2,325</b>
<b>Profit/loss for the period</b>		<b>-3,913</b>	<b>-2,510</b>
Profit/loss attributable to owners of the parents		-3,913	-2,510
<b>Earnings per share from continuing operations</b>			
basic		1.08	-0.02
diluted		1.07	-0.02
<b>Earnings per share from discontinued operation</b>			
basic		-1.54	-0.27
diluted		-1.53	-0.27
<b>Earnings per share from continuing and discontinued operations</b>			
basic		-0.46	-0.30
diluted		-0.46	-0.29

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	EUR '000	9M 2014	9M 2013
<b>Profit/loss for the period from continuing operations</b>		<b>9,135</b>	<b>-185</b>
Gains/losses on currency translation		-1,070	-600
<b>Items that will be reclassified to profit or loss ("recycled")</b>		<b>-1,070</b>	<b>-600</b>
<b>Total comprehensive income/loss from continuing operations</b>		<b>8,065</b>	<b>-785</b>
<b>Profit/loss for the period from discontinued operation</b>		<b>-13,048</b>	<b>-2,325</b>
Gains/losses on currency translation		30	-3
<b>Items that will be reclassified to profit or loss ("recycled")</b>		<b>30</b>	<b>-3</b>
<b>Total comprehensive income/loss from discontinued operation</b>		<b>-13,018</b>	<b>-2,328</b>
<b>Total comprehensive income</b>		<b>-4,953</b>	<b>-3,113</b>
Attributable to owners of the parent		-4,953	-3,113

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000 | 30 Sep 2014 | 31 Dec 2013

Assets		
<b>Non-current assets</b>		
Intangible assets	36,421	38,365
Property, plant and equipment	73,757	72,796
Deferred tax assets	14,475	13,650
Financial assets	3,947	1,077
	<b>128,600</b>	<b>125,888</b>
<b>Current assets</b>		
Inventories	126,893	99,984
Trade receivables	100,051	78,918
Tax receivables	3,193	6,912
Other financial assets	10,450	2,701
Other non-financial assets	6,157	2,691
Cash and cash equivalents	41,012	40,124
<i>Receivables to discontinued operation</i>	15,160	0
	<b>302,916</b>	<b>231,330</b>
<b>Non-current assets qualified as held for sale</b>	<b>43,445</b>	<b>0</b>
<b>Total assets</b>	<b>474,961</b>	<b>357,218</b>
<b>Equity</b>		
Share capital	9,435	9,435
Capital reserves	21,093	21,093
Retained earnings	68,206	73,667
Accumulated other comprehensive income	-6,044	-5,004
Own shares	-7,553	-7,553
	<b>85,137</b>	<b>91,638</b>
<b>Non-current liabilities</b>		
Bond	99,706	99,570
Long-term borrowings	8,183	19,585
Other financial liabilities	0	3,588
Other non-financial liabilities	270	270
Provisions for employee benefits	25,389	18,654
Deferred tax liabilities	8,892	8,248
Other provisions	13,190	3,934
	<b>155,630</b>	<b>153,849</b>
<b>Current liabilities</b>		
Bond	1,790	3,018
Short-term borrowings	59,215	19,496
Trade payables	83,851	57,428
Other financial liabilities	9,803	10,958
Other non-financial liabilities	24,258	15,809
Current tax payable	1,529	2,639
Other provisions	9,878	2,383
<i>Liabilities to discontinued operation</i>	2,036	
	<b>192,360</b>	<b>111,731</b>
<b>Liabilities associated directly with non-current assets qualified as held for sale</b>	<b>41,834</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>474,961</b>	<b>357,218</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	EUR '000	9M 2014	9M 2013
Profit/loss for the period		-3,913	-2,510
Gains/losses on deconsolidation of subsidiaries		27	2,448
Interest income and expense		3,699	3,881
Taxes on income		1,914	948
Depreciation and amortisation of non-current assets		11,984	8,791
Gains on disposal of non-current assets		-25	-558
Losses on disposal of non-current assets		70	18
Change in deferred tax assets		-2,796	-664
Change in long-term provisions		2,931	145
Interest paid		-6,283	-5,666
Interest received		1,699	1,230
Income taxes paid		-402	-141
Other non-cash expenses		150	150
<b>Operating profit before working capital changes</b>		<b>9,055</b>	<b>8,072</b>
<i>of which discontinued operation</i>		-7,263	715
Change in inventories		-1,303	-7,598
Change in trade receivables		8,839	-21,662
Change in other receivables		-2,267	4,481
Change in short-term provisions		-457	-152
Change in trade payables		-3,790	-1,643
Change in other liabilities		1,350	1,437
Translation-related changes		-338	-79
<b>Net cash used in/from operating activities</b>		<b>11,089</b>	<b>-17,144</b>
<i>of which discontinued operation</i>		11,518	6,133
Acquisition of intangible assets and purchase of property, plant and equipment		-11,844	-10,141
Proceeds from sale of intangible assets and property, plant and equipment		351	868
Changes arising from investment grants		-310	-315
Acquisition of subsidiaries less cash and cash equivalents acquired		-25,909	-21,069
Proceeds from disposal of subsidiaries less cash and cash equivalents disposed of		-25	-283
<b>Net cash from/used in investing activities</b>		<b>-37,737</b>	<b>-30,940</b>
<i>of which discontinued operation</i>		-2,538	-2,166
Dividends paid		-1,698	-1,698
Acquisition of non-controlling interests		0	-1,800
Change in borrowings		29,472	42,938
<b>Net cash used in/from financing activities</b>		<b>27,774</b>	<b>39,440</b>
<i>of which discontinued operation</i>		-9,407	-3,909
<b>Change in cash and cash equivalents</b>		<b>1,126</b>	<b>-8,644</b>
Cash and cash equivalents at beginning of period		40,124	49,348
Cash and cash equivalents at end of period		41,250	40,704
<i>of which discontinued operation</i>		238	124

## STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Capital reserve	Retained earnings	Other comprehensive income			Treasury shares	Equity attributable to owners of the parent	Non-controlling interests	Total equity
				Translation reserve	Fair value reserve	Actuarial gains and losses in accordance with IAS 19				
<b>At 1 Jan. 2013</b>	<b>9,435</b>	<b>21,093</b>	<b>104,336</b>	<b>-2,219</b>	<b>94</b>	<b>-1,200</b>	<b>-7,553</b>	<b>123,986</b>	<b>3,507</b>	<b>127,493</b>
Dividends			-1,698					-1,698		-1,698
Acquisition of non-controlling interests			1,707					1,707	-3,507	-1,800
Share options			177					177		177
Total comprehensive income for 2013			-30,855	-1,665	-3	-11		-32,534		-32,534
<b>At 31 Dec. 2013/1 Jan. 2014</b>	<b>9,435</b>	<b>21,093</b>	<b>73,667</b>	<b>-3,884</b>	<b>91</b>	<b>-1,211</b>	<b>-7,553</b>	<b>91,638</b>	<b>0</b>	<b>91,638</b>
Dividends			-1,698					-1,698		-1,698
Share options			150					150		150
Total comprehensive income for 9M 2014			-3,913	-1,040				-4,953		-4,953
<b>At 30 Sep. 2014</b>	<b>9,435</b>	<b>21,093</b>	<b>68,206</b>	<b>-4,924</b>	<b>91</b>	<b>-1,211</b>	<b>-7,553</b>	<b>85,137</b>	<b>0</b>	<b>85,137</b>



## SEGMENTAL ANALYSIS

### Strategic business segments \*

EUR '000	Frauenthal Automotive		Frauenthal Trade		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
Revenues from external customers	142,949	109,200	303,833	227,364	7	32	0	0	446,789	336,596
Intersegment revenues	10	8	0	0	1,652	1,800	-1,662	-1,808	0	0
Total revenues	142,959	109,208	303,833	227,364	1,659	1,832	-1,662	-1,808	446,789	336,596
EBITDA	12,138	2,329	11,142	8,716	-2,674	-1,843	0	40	20,606	9,242
EBITDA adjusted	12,138	4,777	11,142	8,716	-2,674	-1,843	0	0	20,606	11,650
EBIT	7,441	-862	7,636	6,122	-2,761	-2,045	0	40	12,316	3,255
EBIT adjusted	7,441	1,586	7,636	6,122	-2,761	-2,045	0	0	12,316	5,663
Average head count	1,464	1,080	1,508	864	15	14	0	0	2,987	1,958

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



# IMPRINT

## FINANCIAL CALENDAR 2015

26.03.2015	Annual results 2014
10.05.2015	Record day
19.05.2015	Report on the first quarter of 2015
20.05.2015	Annual General Meeting
21.05.2015	Results of the vote of the Annual General Meeting
22.05.2015	Ex-day
28.05.2015	Dividend payment
27.08.2015	Interim report on the first half of 2015
26.11.2015	Report on the third quarter of 2015

## 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:** MEUR 98.6 incl. 1,900,000 pieces unlisted registered shares (30.09.2014)

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

**Symbol:** FKA

**ISIN:** AT0000A0PG75 (bonds)

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