

## Financial calendar

<b>9 April 2008</b>	Annual results press conference
<b>24 April 2008</b>	Annual General Meeting
<b>8 May 2008</b>	First-quarter interim report
<b>2 May 2008</b>	Ex-day
<b>5 May 2008</b>	Dividend payment date
<b>5 August 2008</b>	Second-quarter interim report
<b>4 Nov. 2008</b>	Third-quarter interim report

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**Note:**  
 In the interests of readability editorial changes have been made to this annual report (including the colour scheme and layout).

The original can be viewed at the Company's headquarters.

## How you can cut your carbon footprint

How to reduce your family's CO<sub>2</sub> emissions

Before	CO <sub>2</sub> /Year	After	CO <sub>2</sub> /Year
<b>Heating</b>			
- You keep your home at a constant temperature of 21-22° C during the heating season.	<b>10,200 kg</b>	- You have reduced overall room temperatures.	<b>8,165 kg</b>
- Your central heating system was last serviced four years ago; insulation and outside doors are damaged.		- Your central heating system has been serviced, and insulation replaced.	
- Your water heating stays on during extended absences.		- You turn off the water heating when you go away for extended periods [more than two days].	
<small>[Your annual heating oil consumption is 3,750 litres.]</small>		<small>[Your annual heating oil consumption falls to 3,000 litres.]</small>	
<b>Washing</b>			
- You normally wash your laundry at 60°C.	<b>180 kg</b>	- You wash moderately soiled laundry at 40°C, and never use the hot wash cycle [maximum of 60°C].	<b>90 kg</b>
- You use a clothes dryer.		- You hang the washing out to dry.	
<b>Refrigeration</b>			
- Your fridge-freezer is ten years old, is set to a lower temperature than necessary, and is seldom defrosted.	<b>115 kg</b>	- You have reset the refrigerator to a higher temperature, regularly defrost the freezer, and now take more care to close the door quickly.	<b>100 kg</b>
<b>Cooking</b>			
- You boil the water for your tea on the stove.	<b>160 kg</b>	- You have bought a kettle, and take care to re-use a ring or oven that is already hot.	<b>135 kg</b>
- You often forget to cover pans.		- You use less frozen food.	
- You never bother to use a preheated ring or oven.			
- You often cook frozen food in the oven.			
<b>Lighting</b>			
- You use conventional light bulbs.	<b>180 kg</b>	- You have switched to energy saving bulbs.	<b>70 kg</b>
<b>Appliances</b>			
- You usually leave the TV, video and music centre on stand-by.	<b>160 kg</b>	- You now largely avoid stand-by power consumption by using switched extension leads.	<b>124 kg</b>
<b>Travel</b>			
- You drive to work on your own.	<b>4,900 kg</b>	- You make use of car sharing opportunities and offer lifts.	<b>3,300 kg</b>
- You normally use the car for leisure activities and shopping.		- You use public transport more to travel to leisure destinations.	
- You also drive when you go on holiday.		- Wherever possible you cycle, take public transport or walk to the shops.	
<small>Result: 20,000 km/year / Assumptions: medium-sized car with an average fuel consumption of 8.5 litres per 100 km.</small>		- You go on holiday by rail.	
		- You have adopted a fuel saving driving style.	
		<small>Result: 15,000 km/year</small>	
<b>Food</b>			
- You pay little attention to where food comes from.	<b>5,500 kg</b>	- You give preference to local products.	<b>3,300 kg</b>
- You only buy local produce if it is no more expensive than competing products.		- You look out for drinks with reusable packaging.	
- Your dustbin fills up fast.		- You buy organic food instead of frozen food or ready meals.	
<b>Before</b>	<b>21,395 kg</b>	<b>After</b>	<b>15,284 kg</b>

The further away goods come from, the higher the CO<sub>2</sub> emissions due to transportation. For instance, apples imported from South Africa come with ten times the CO<sub>2</sub> emissions that locally grown fruit causes.

Source: <http://gpool.lfrz.at/gpoollexport/media/file/mittelaufschlag.pdf>

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## Highlights of 2007

Closure of Linnemann Schnetzer Hungary

The closure of the Linnemann-Schnetzer Hungary Kft. compressed air reservoir plant, which will help to reduce overcapacity, is announced. Although this will have a negative impact on earnings for 2007, in 2008 the resultant expenses will be more than outweighed by the reduction in fixed costs and the improvement in the cost base.

New customer for diesel catalysts

The Frauenthal Group signs a multi-year agreement with an additional truck manufacturer for the supply of diesel catalysts. The deal significantly increases Ceram Catalyst's share of the truck diesel catalyst market.

AGM paves the way for listing on the Vienna prime market

AG annual general meeting resolves the conversion of a block of shares not admitted to trading into registered shares, paving the way for a listing on the Vienna Stock Exchange prime market.

Acquisition of central heating supplies wholesaler Röhrich

The acquisition of central heating supplies wholesaler Röhrich extends SHT's market shares in the provinces of Upper Austria and Salzburg, and in its increasingly important central heating business, as well as strengthening its hand in procurement, and enabling it to exploit property, IT and logistics synergies.

Acquisition of U-bolt manufacturer Pol-Necks

Frauenthal Automotive Components GmbH acquires Pol-Necks, Europe's leading U-bolt manufacturer. The company's factory in Torun, Poland, has state-of-the-art, highly automated production equipment. The acquisition will extend the product range in our automotive components business.

New diesel catalyst plant opened

Our new diesel catalyst factory building in Frauenthal is inaugurated. Frauenthal shares start trading on the Vienna Stock Exchange prime market on 23 July 2007.

Serbian spring factory acquired

The purchase of Serbian spring manufacturer Gibnjara Kraljevo in November 2007 gives Frauenthal's Automotive Components Group additional production capacity to meet the strong demand from the truck industry. The company has traditionally enjoyed good business relationships with ex-Soviet states, which should help the Frauenthal Group to enter these markets.

New four-year agreement with leading truck manufacturer

A new four-year contact with a leading European truck manufacturer for the supply of springs and stabilisers locks in more than EUR 400 million in revenue for the Frauenthal Automotive Components Group, opening the way for a large investment project aimed at raising capacity at the Châtenois plant.

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## Five-year summary

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	IFRS 2003
<b>Summary income statement (EUR m)</b>					
Revenue	592.0	489.6	269.6	201.4	121.9
EBITDA	42.3	33.4	33.5	16.6	6.9
EBITDA underlying <sup>1)</sup>	40.9	33.4	22.8	16.6	6.9
<b>ROS (EBITDA/revenue)</b>	<b>7.2 %</b>	<b>6.8 %</b>	<b>12.4 %</b>	<b>8.2 %</b>	<b>5.6 %</b>
ROS (EBITDA/revenue) (underlying) <sup>1)</sup>	6.9 %	6.9 %	9.4 %	8.2 %	5.6 %
Earnings before interest and tax (EBIT)	27.8	21.4	25.1	8.1	1.8
Earnings before tax (EBT) <sup>1)</sup>	26.4	21.4	14.4	8.1	1.8
Profit on ordinary activities (POA)	23.2	17.6	22.5	6.4	1.6
Profit/loss after tax	18.6	14.1	21.7	4.0	-0.5
Operating profit before working capital changes	31.9	27.3	15.9	13.5	5.5

<b>Summary balance sheet (EUR m)</b>					
Non-current assets	144.8	128.7	124.8	62.8	43.6
Current assets	169.4	153.3	154.5	66.3	50.7
Total assets	314.2	282.0	279.3	129.1	94.3
Debt	220.2	203.3	202.2	94.3	62.4
Equity	94.0	78.7	77.1	34.8	31.9
<b>Equity ratio in %</b>	<b>29.9 %</b>	<b>27.9 %</b>	<b>27.6 %</b>	<b>27.0 %</b>	<b>33.8 %</b>
Investment (additions to non-current assets) as % of revenue	3.2 %	3.5 %	2.6	2.8 %	4.5 %
Average head count <sup>2)</sup>	3,032	2,738	2,051	1,476	949

<b>Per employee ratios (EUR ,000)</b>					
Revenue	195.3	178.8	131.5	136.4	128.4
EBIT	9.2	7.8	12.3	5.5	1.9
Operating profit before working capital changes	10.5	10.0	7.7	9.2	5.8

Shares in issue <sup>4)</sup>	9,434,990	9,434,990	943,499	875,000	875,000
Treasury shares <sup>4)</sup>	-261,390	-261,390	-26,139	-26,139	-26,139
Shares in circulation <sup>4)</sup>	9,173,600	9,173,600	917,360	848,861	848,861

<b>Per share ratios (EUR) <sup>4)</sup></b>					
EBITDA	4.6	3.6	36.5	19.5	8.1
Betriebserfolg (EBIT)	3.0	2.3	27.4	9.5	2.1
Profit/loss after tax	2.0	1.5	23.7	4.8	-0.6
Operating profit before working capital changes	3.5	3.0	17.3	15.9	6.5
Equity	10.2	8.6	84.0	41.0	37.6
Share price					
Year end	22.89	23.00	158.00	66.00	18.0
High	25.60	31.50	168.99	73.00	19.20
Low	20.25	16.01	66.00	18.00	13.00
Dividend and bonus	0.2 <sup>5)</sup>	0.2	2.0	1.0	1.0

<sup>1)</sup> 2005: Adjusted for EUR 10.8m in reversal of negative goodwill arising from acquisitions, recognised as income  
<sup>1)</sup> 2007: Adjusted for EUR 1.4m in reversal of negative goodwill arising from acquisitions, recognised as income  
<sup>2)</sup> From 1 Jan. 2006: including average number of employees of the SHT Haustechnik Group  
<sup>3)</sup> Including the average number of leased employees from 2003 onwards, in accordance with IFRS  
<sup>4)</sup> Ten-to-one share split on 21 June 2006  
<sup>5)</sup> Distribution proposed to the Annual General Meeting

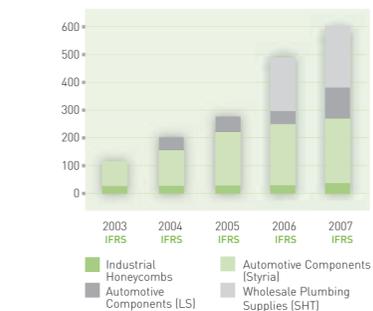


Erich Weiss, 43, production foreman

## Highlights

Figures for the 2003-2007 financial years according to IFRS

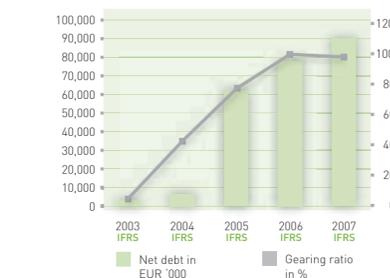
### Consolidated revenue (EUR m)



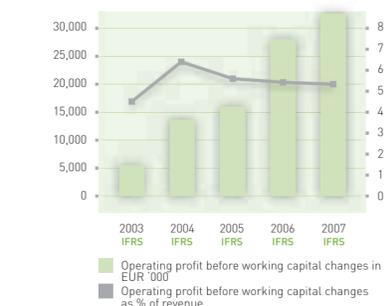
### Operating profit <sup>1)</sup>



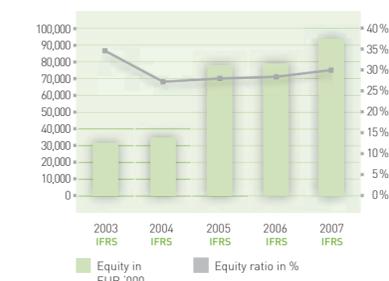
### Gearing ratio



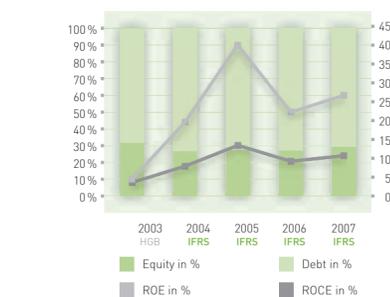
### Cash-Flow



### Capital and reserves



### Capital Structure <sup>2)</sup>



<sup>1)</sup> 2005: excluding reversal of negative goodwill (EUR 10.8m)

<sup>1)</sup> 2007: excluding reversal of negative goodwill (EUR 1.4m)

<sup>2)</sup> 2005: ROCE excluding reversal of negative goodwill and consolidation of SHT Haustechnik Group (EUR 10.8m)

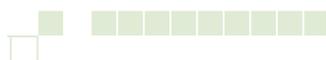
<sup>2)</sup> 2007: excluding reversal of negative goodwill and consolidation of SHT Haustechnik Group (EUR 1.4m)

## Frauenthal in figures

- The average worker burns up about 7,000 kilocalories of energy per shift; in other words, he/she loses about 1 kg of weight.
- The average worker loses 1–2 litres of sweat per shift.
- Spring production makes use of 120 muscles in a worker's body.
- Workers walk between 1.5–2 km per shift.
- An average of 500 tonnes of steel per day are delivered to our company, and the same amount is delivered each day. That's 9,900 t per month, and an astonishing 119,000 t per year.
- It takes 21 work steps to make single leaf spring.
- It takes 15 work steps to manufacture an air reservoir.
- Our springs weigh an average of 50kg.
- A worker lifts an hourly average of 55 kg of steel which comes to 440 kg per day.
- Our top managers travel an average of about 350,000 km per year, for a total fuel consumption of about 31,500 litres.
- Our senior executives spend about 1,800 hours a year on board aircraft.

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FRAUENTHAL GROUP 2007



## Statement by the Chairman of the Supervisory Board



### **Dear shareholder,**

As you can see from the annexed financial statements, 2007 was a year of rapid growth. Thanks to excellent economic conditions and further gains in market shares across all of the Group's activities, revenue was up by almost 21%. Frauenthal's satisfactory performance was also reflected in increases of 27% in EBITDA and 30% in EBIT.

At the Group level, the main features of the year under review were the implementation of a modern staff development policy, further progress towards divisionalisation, and the formulation of a strategy for Frauenthal Automotive Components, Frauenthal Environmental and SHT for the 2008–2010 period.

The Executive Board's operational review gives a detailed insight into the staff development policy. My fellow members of the Supervisory Board and I share the conviction that the key conditions for the Group's continued rapid, stable and profitable growth have now been created.

The wisdom of divisionalising the Group's activities has been demonstrated, and further progress was made during the year. The Automotive Components, Environmental and SHT Divisions now operate largely independently, and are therefore able to react quickly to new developments. The responsibility that rests with the heads of division, and the local plant managers and their teams is correspondingly great. In the new corporate culture that is now emerging, we see them as our fellow entrepreneurs.

The formulation of a long-term strategy involved frequent meetings of the strategy committee and the Supervisory Board, as well as a lengthy strategy workshop held together with the Executive Board and the CEOs of the subsidiaries in July 2007. The proposals developed there were placed before the Supervisory Board in September 2007, and were discussed in depth and ultimately approved in the form of our new Strategy 2010.

The central principles of the strategy are:

- A continued focus on the existing businesses — Automotive, Environmental and SHT;
- Heavy but carefully targeted investment in staff and process development, capacity expansions and product innovation;
- Selective acquisitions that are a good fit with the existing portfolio in terms of product and geographical markets.

The emphasis on our existing businesses also means that no new platform investments will be made during the planning period.

Despite the high forecast growth in revenue, EBITDA and EBIT, according to the calculations available to us it will be possible to finance all the planned activities from internal resources and projected cash flows, and hence no further recourse to the equity or capital markets is likely before 2010.

Rapid progress towards internationalising the Group's operations was again made during the year under review. Following the acquisition of Pol-Necks in Torun, Poland in the summer of 2007 and of Gibnjara Kraljevo in Kraljevo, Serbia at the end of the year, Frauenthal now has a presence in two more European countries. In addition, a sales office for power station catalysts has been opened in South Korea, and in India preparations for the formation of a production subsidiary in the Automotive Components Division are under way.

In response to the growing globalisation of the Frauenthal Group, and the increasing importance of cross-site and border activities, and actions across and within the divisions, talks have begun between employee representatives and Group management on the establishment of a European works council. We expect these negotiations to be concluded in 2008.

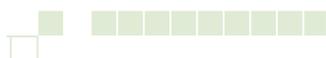
In Austria, too, expansion continued. The acquisition of Salzburg based heating specialist Röhrich will make a significant contribution to the SHT Group's expertise in that area, as well as improving logistics in western Austria.

The construction and commissioning of the new Ceram Catalysts diesel catalyst production plant in Frauenthal, which was completed in record time in July 2007, underlines the growing importance to the Group of environmental products, and its increased focus on innovation and high technology.

In 2008 the implementation of Strategy 2010 at Group level will mean that Frauenthal Holding Aktiengesellschaft evolves into an active holding company with a few strong central support functions — finance, reporting, controlling, investor relations and human resources — and divisions with a high degree of independence.

On behalf of the Supervisory Board, I would like to thank the Executive Board, our CEOs, and their teams and employees, whose number has grown to 3,200 as of March 2008, for their contributions. And for 2008, which I look forward to with confidence, we wish all concerned every success.

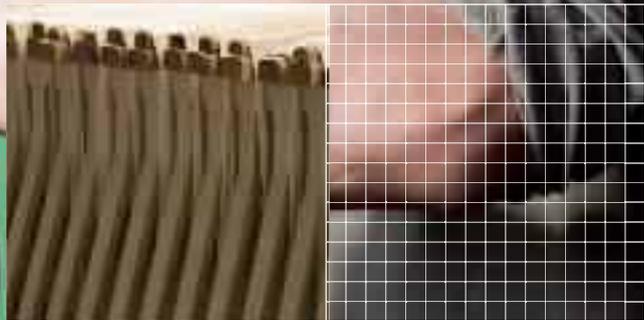
Ernst Lemberger  
Chairman of the Supervisory Board



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## Letter to shareholders

### Dear shareholder!

For 2007, we predicted that the healthy economic climate — a particularly strong growth performance from the new EU member states — would continue to support truck demand. We also expected further increases in demand for power station catalysts, and saw SHT's sales benefiting from the boom.

As it turned out, the 2007 financial year significantly surpassed our expectations across all of the Group's operations. Total revenue was up by 21% to EUR 592 million (m), with EBITDA rising by the same percentage, to EUR 42.3m.

Each of our three divisions contributed to these sharp gains in revenue and profit, which were almost exclusively driven by organic growth.

In the truck component business, 2007 was the fourth successive year in which growth was much stronger than anticipated. At the start of the year, the closure of our Hungarian plant enabled us to reduce overcapacity in air reservoirs. However, the greatest challenge of 2007 was satisfying customer demand, particularly for leaf springs. Almost all of our plants were running flat out, and were sometimes pushed to the limits of their capacity. Thanks to quota systems, outsourcing to subcontractors, additional investment designed to ease production bottlenecks rapidly, and the transfer of orders to spring manufacturers operating at below full capacity, serious delivery problems were avoided. Revenue in the Automotive Components Division jumped by over 22%. The improvement in EBITDA lagged behind at around 16%, mainly reflecting the cost of the Hungarian closure, but also affected by higher costs at our spring factories which were running at close to maximum capacity.

At the end of November 2007 we completed the purchase of the Gibnjara Kraljevo spring factory in Serbia which has a sizeable amount of free production capacity.

There were no capacity bottlenecks in the air reservoir business, and production from the Hungarian plant was relocated quickly and smoothly to the French and German sites.

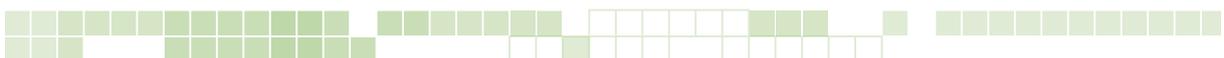
Despite swelling demand for diesel catalysts, capacity was also adequate in this segment thanks to our timely investment in the new Frauental plant and the rapid start-up there.

The acquisition of Pol-Necks, a Polish U-bolt manufacturer, has allowed us to expand our component range still further. U-bolts are used to attach leaf springs to truck axles, and are thus closely related to our springs business in technical terms.

The Porzellanfabrik Frauental power station catalyst business continued to profit from expanding demand in all its three regional markets (Europe, the USA and Asia) in 2007, resulting in revenue growth of more than 14%, while order backlog reached a record high at year end. In response to market conditions, a number of investments were made to overcome production bottlenecks, boosting capacity by almost 50%. Capacity will be stepped up further in 2008.

The SHT wholesale plumbing supplies business got off to a bright start, with high deliveries due to the exceptionally mild winter. The changeover to SAP IT systems in 2006 had been accompanied by teething troubles, but in 2007 the anticipated benefits began to emerge.

These improvements in SHT's business processes, combined with a strong economy fuelled revenue growth of 21% and a rise of 15% in profits. These figures also include the acquisition of the central heating supplies wholesaler Röhrich in May.



We also made significant advances in terms of Group structure. Diesel catalyst production was spun off from the power station catalyst business and now forms part of the Automotive Components Division. The division was restructured, and a new procurement and sales subsidiary established; the changes will not take full effect until 2008.

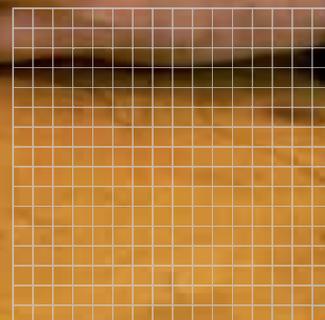
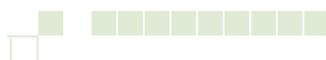
Our plans to secure access to the fast growing Indian and NAFTA markets have progressed well, with agreements concluded with partners in India and Mexico.

**However we view staff development at all levels as the key factor in the company's continued expansion, and this year's annual report highlights this issue.**

We should reap still more benefits from our major expansion programme in 2008. Despite growing concerns about overall economic trends, we believe that the coming year will bring continued demand driven revenue growth across all our divisions. In the automotive components business, we hope to capitalise fully on our success in largely overcoming capacity bottlenecks. As to the power station catalyst business, we are upbeat about both replacement investment and demand for new power station catalysts in the USA and Europe in 2008, and will therefore continue to expand capacity at the Frauental site. However further falls in the US dollar exchange rate could have a negative impact on profitability. It is still not entirely clear when the anticipated boom in Chinese demand will be triggered by amended environmental regulations for new coal-fired power stations, which already exist in draft form.

We also expect SHT to encounter further demand growth in 2008, albeit at well below the levels seen in 2007. We will be focusing strongly on the central heating business during the current financial year.

Winfried Braumann  
Chairman of the Executive Board



In 2008 we will again be investing heavily and taking other actions aimed at improving productivity at our factories. Another high priority will be promoting innovation in the Group. We will not only be targeting new product developments but also the introduction of new production processes, and the creation of a culture of innovation across all operations.

We will again be on the look-out for potential acquisitions capable of supporting the Group's strategic development in our existing businesses, and the Executive Board is confident that it will once more be able to fulfil shareholders' expectations in the year ahead.

*The motto, "Our people — the key to our success" goes a lot further than the subject matter of this year's annual report. Nevertheless, there is no disputing that we have our workforce to thank for our success this year, and that is why we have chosen these words to express our gratitude and appreciation of their contribution.*



Winfried Braumann  
CEO

*By being open with employees and treating them with respect we create a setting in which not only economic but also social values are truly lived. Our proactive approach to information, and communicating both successes and setbacks that staff know what to expect from us. The workforce are central to our efforts — as people and not just as "human capital".*



Hans-Peter Moser  
Member of the Executive Board

*These days, there is a tendency to reduce the human side of the business to numbers, and to pay too little tribute to its importance. We know our people make an outstanding contribution to the Group's success, and we have the greatest respect for our team's excellent performance.*

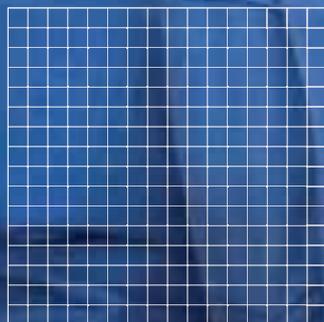


Michael Ostermann  
Member of the Executive Board





# Corporate Governance



Left: Hermann Sprinz, 48, foreman  
Right: Christian Hallach, 34, production worker

## Our Executive Board



**WINFRIED BRAUMANN,  
CHAIRMAN OF THE EXECUTIVE BOARD**

Born in 1956, married with two children. Studied Law in Salzburg and Vienna (graduated in 1974). Studied Economics at the University of Vienna. Assistant lecturer in Company Law at the Vienna University of Economics and Business Administration under Prof. Peter Doralt (1977). Assistant lecturer in Civil, Commercial and Securities Law at the Vienna University of Economics and Business Administration (1981). Head of the legal department at the FGG (Finance Guarantee Corporation) (1985). Economic policy secretary to the finance minister (1987). CEO of the FGG from 1993. Chairman of the Third Senate of the Takeover Commission of the Vienna Stock Exchange since 1999. Chairman of the Frauenthal Holding AG Executive Board since October 2002.

Additional roles: chief executive of Frauenthal Handels- und Dienstleistungs-GmbH.



**MICHAEL OSTERMANN,  
MEMBER OF THE EXECUTIVE BOARD**

Born in 1965. Married with two children. Studied Mechanical Engineering at the Düsseldorf University of Applied Sciences (1989–1994). Joined Böhler Federn GmbH (now Styria Group) in 1994. Internally promoted in the Styria Group to Research and Development Manager (1996) and Technical Director (1997). CEO, Styria Federn GmbH, Düsseldorf (1999). CEO, Styria Holding s.a.s. from 2000, and a member of the Executive Board of Frauenthal Holding AG since May 2005.

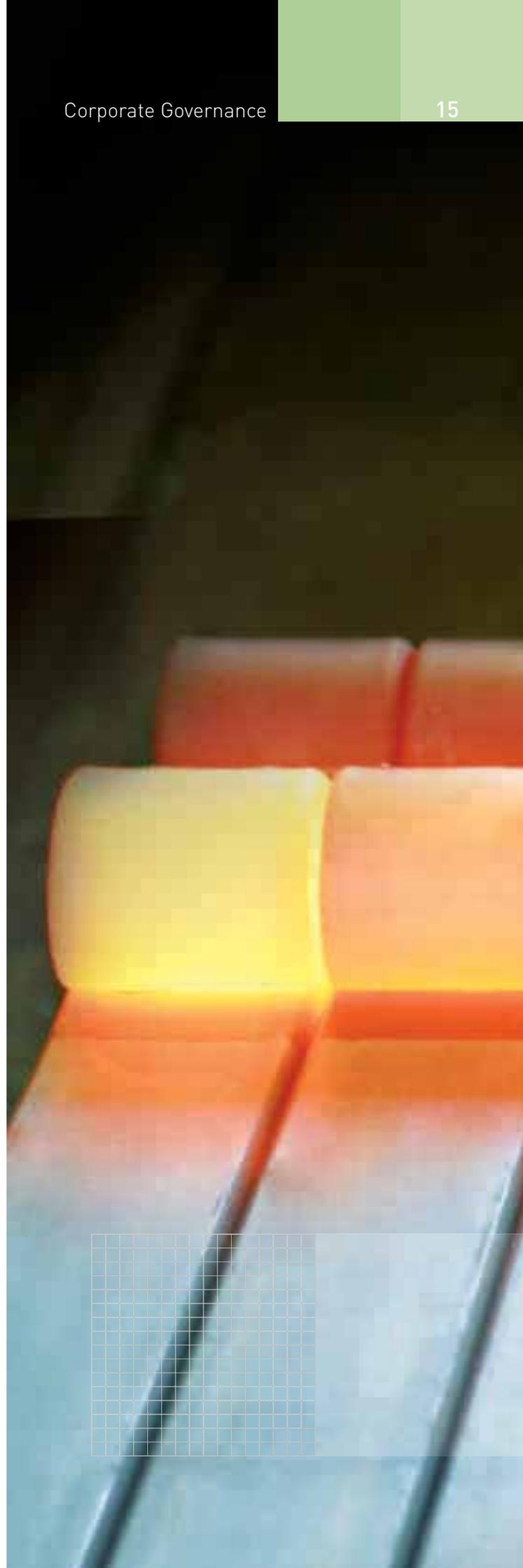
Additional roles: Managing Director of the Styria Group; CEO, Frauenthal Deutschland GmbH, Styria Federn Holding GmbH, Frauenthal Automotive Components GmbH and Linnemann-Schnetzler Deutschland GmbH. Deputy Chairman of the VDFI (Association of the German Springs Industry) since 1999.



**HANS-PETER MOSER,  
MEMBER OF THE EXECUTIVE BOARD**

Born in 1966. Married with three children. Studied Business Administration at the Vienna University of Economics and Business Administration (1984–1990). Trainee accountant at the practice of Prof. Egger (1991–1995). Qualified as a chartered accountant in spring 1996. Head of the finance and accounts department at Novoferm GmbH (1995–1999). Commercial Director at Tchibo/Eduscho GmbH (1999–2002). Member of the Executive Board of Frauenthal Holding AG since April 2006.

Additional roles: CEO of Ventana Beteiligungsgesellschaft m.b.H and SHT Haustechnik AG.



## Report of the Supervisory Board

The Supervisory Board held four meetings in 2007, during which the Executive Board provided it with detailed reports on the Company's business, the state of its affairs and all major business transactions. The members of the Supervisory Board were regularly informed of the course of the Company's business by means of monthly reports, while the Chairman was constantly notified of the state of the Company between meetings. The Supervisory Board reviewed actions requiring its approval and discussed them in detail with the Executive Board.

In the year under review, several meetings of the audit committee and the strategy committee were held.

The Supervisory Board's attention in the past year focused on changes in the Group's structure, the formulation of Strategy 2010 and related initiatives such as the staff development and innovation programmes.

The preparation and execution of acquisitions was another important area of the Board's work. The purchase and integration of Röhrich by the SHT Group, the acquisition of Pol-Necks by the Automotive Components Division and preparations for the takeover of Gibnjara Kraljevo were discussed in detail and constantly monitored.

In 2007 the Supervisory Board of Frauenthal Holding AG discharged the duties incumbent on it by virtue of the law and the articles of association, and satisfied itself that the Company's business was being properly conducted. The annual financial statements of Frauenthal Holding AG for the year ended 31 December 2007, presented in accordance with IFRS, the consolidated financial statements of the Group for the year ended 31 December 2007, and the operating reviews for the 2007 financial year were audited by BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were given an unqualified auditors' certificate. The audit revealed no grounds for objection.

The Supervisory Board's ongoing assessment of the Executive Board's conduct of business, and the Board's review of the company and consolidated annual financial statements for the year ended 31 December 2007, and the operating reviews for the 2007 financial year also revealed no grounds for objection.

The report of the auditors, BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was submitted to the Supervisory Board. The Board has stated its agreement with the annual financial statements of Frauenthal Holding AG and consolidated financial statements for the year ended 31 December 2007, and the operating reviews for the 2007 financial year, and has approved the annual financial statements of Frauenthal Holding AG for the year ended 31 December 2007. The annual financial statements are thereby adopted under section 125 *Aktiengesetz* (Austrian Companies Act).

Vienna, March 2008

For the Supervisory Board

Ernst Lemberger  
Chairman of the Supervisory Board



## Our Supervisory Board

### Shareholder representatives

#### Hannes Winkler

First elected on 22 May 1997; term of office runs until the 2010 Annual General Meeting.

Member of the Supervisory Board

Playing a part in the development of a rapidly expanding and successful business is very enjoyable. We will continue to focus on consolidating and extending the market leadership of all the Group's existing divisions. We are also taking the first steps towards establishing overseas sites in countries such as India, Mexico or perhaps China — though this does not mean an all-out globalisation strategy.



#### Ernst Lemberger

First elected on 12 December 1989; term of office runs until the 2010 Annual General Meeting.

Chairman of the Supervisory Board

Despite the tough challenges for all concerned, we will continue to work with great enthusiasm towards our goal of transforming the Frauenthal Group from a good medium-sized enterprise into a leader in each of its divisional markets, and a truly international company with outstanding earnings.

To reach these goals, we intend to invest a large part of the Group's cash flow in staff development, process improvements and product innovation.



#### Dietmar Kubis

First elected on 10 February 1999; term of office runs until the 2010 Annual General Meeting.

Deputy Chairman  
Independent member  
Member of the supervisory board of Nexus AG, Germany — a listed company



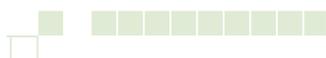
#### Oskar Grünwald

First elected on 21 May 1999; term of office runs until the 2010 Annual General Meeting.

Independent member

The inauguration of the Ceram Catalysts factory in Frauenthal and the related start-up of diesel catalyst production marked the conclusion of a lengthy project that demonstrated the Frauenthal Group's ability to develop new and more environmentally friendly products. The mixed backgrounds of the management team are one reason for the Group's good track record of innovation.

Last year's acquisitions were major breakthroughs. They represent a successful continuation of the expansion strategy of the past few years, have brought additional market shares, and have put the Group on a broader footing. The management team have clearly proved that they are good at integrating acquisitions.





**Victor J. Maundrell**  
First elected on  
27 June 2002; term of  
office runs until the 2010  
Annual General Meeting.

Independent member  
of the Supervisory Board

Our group still has growth opportunities in Austria, and in Central and Eastern Europe. However we also want to grow along with existing customers of the Automotive Components and Industrial Honeycomb divisions in North and Central America, and carve out substantial shares of the fast growing Indian and Chinese markets.

**Employee representatives**



**Karl Pollak**  
Chairman of the Group  
works council

For me, Frauenthal's inclusion in the prime market was definitely the big highlight of the year. We are a dynamic group with a sharp eye for innovations and acquisitions, as well as a disciplined approach to the use of capital. We will continue to watch potential new markets, and enter them where appropriate. We have grown our market shares by providing good quality and making acquisitions. A particularly impressive achievement was the well targeted and rapid expansion of the Automotive Components Division's capacity.



**Johann Schallert**  
First elected on  
4 May 2006; term of  
office runs until the 2010  
Annual General Meeting.

Independent member  
Member of the supervisory board  
of Austria Email AG, Knittelfeld  
— a listed company

Last year's unexpectedly high demand was a big challenge for the Automotive Components Division. Some strong partnerships were forged as a result. The main features of last year for SHT were the injection of central heating expertise from the Röhrich takeover, the strengthening of its foothold in the west, and the capture of significant market shares.

Apart from further growth by acquisition, I see organic growth, and still greater improvements in all internal processes, so as to be "best in class" in all divisions, as high priorities for coming years.



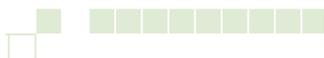
**Jürgen Tschabitzer**  
I see the inauguration of the CERAM Catalysts factory in Frauental and the capacity expansions at the Styria sites as the highlights of 2007. The Supervisory Board's highly transparent information policy definitely contributes to the positive attitude on the part of the workforce, and it will help us join forces to tackle the challenges of the next few years together.





**Klement-Michael Marchl**

Many of the staff at CERAM Catalysts are proud to be associated with a “green product” that makes a significant contribution to protecting the environment. The optimism at Ceram Catalysts has infected some of the people at POFA, and that is bound to be good for the whole operation. The Frauenthal Group is a listed company, and is managed with great care. The communication between “ordinary” members and the employee representatives on the Supervisory Board is highly professional, and there is a climate of mutual acceptance.



# Statement on the Austrian Code of Corporate Governance



Mario Konrad, 31, production worker

A responsible approach to corporate governance is a central element of our corporate culture

Frauenthal Holding AG was one of the first companies to commit to implementation of the voluntary Austrian Code of Corporate Governance. On 27 March 2003 the Company undertook to adhere to these rules, which go beyond its legal obligations, wherever possible.

Due to our long history of good corporate governance and our stress on maximum transparency in our relations with stakeholders, the publication of a revised Code in June 2007 has given rise to only a few deviations from “comply or explain” rules.

**Rule 30:** The compensation of the Executive Board consists of a fixed salary and a variable component, representing up to 50% of total remuneration, geared to the personal performance of each Board member. This variable component is determined by qualitative and quantitative target agreements; the qualitative and the quantitative elements must represent equal shares of the variable component. The quantitative targets relate to value growth and liquidity while the qualitative targets concern pre-agreed objectives for given divisions or for the Group as a whole. Regular pension contributions are made to a pension fund for Board members. Members have no contractual entitlements to termination benefits on leaving office.

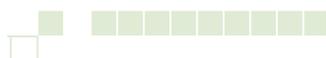
**Rule 39:** On 4 May 2006 the Supervisory Board resolved to set up strategy and compensation committees in addition to the legally mandatory audit committee (members Oskar Grünwald, Johann Schallert and Albert Freidl), despite the fact that the Code only prescribes the formation of such committees where boards have more than six members. The strategy committee comprises Ernst Lemberger, Victor J. Maundrell and Klement-Michael Marchl. It deals with the Group’s strategic alignment and is consulted by the Executive Board on all strategic decisions. The compensation committee deals with matters relating to the remuneration of the Executive Board and the contents of Executive Board members’ employment contracts. The membership of this committee comprises Hannes Winkler, Dietmar Kubis and Karl Pollak.

**Rule 51:** By resolution of the 17<sup>th</sup> Annual General Meeting held on 4 May 2006 every Supervisory Board member is entitled to an attendance fee of EUR 1,500 per day for actual attendance of board meetings. The fee is payable only once regardless of how many meetings are held on the same day. As in previous years, in 2007 the chairman Hannes Winkler and Ernst Lemberger waived their compensation.

**Rule 53:** The criteria for the independence of Supervisory Board members conform to the guidelines set out in Annex 1 to the Code, and have therefore not been posted on the Group’s website. The minimum requirements of the Code are more than fulfilled in that a majority of the Supervisory Board are independent members having no business or personal relationships with the Company or the Executive Board.

**Rule 57:** This rule provides for an age limit for Supervisory Board members, whereas Frauenthal Holding’s articles of association do not do so, as we believe that the provision is simplistic and represents excessive interference in shareholders’ rights. Instead, the composition of the Board is determined solely by members’ professional and personal qualifications.

The Company’s compliance with the Code of Corporate Governance was carefully evaluated by its auditors, BDO Auxilia Treuhand GmbH who certified the implementation and correct interpretation of the Code.



# Share Price Performance

## Market conditions

World stock markets were exceptionally volatile in the second half of 2007, due to the influence of the US subprime crisis. This led to hefty writedowns by banks, and a marked decline in private and institutional investors' appetite for risk. Inflation fears touched off by high oil, commodity and food prices also held prices back. Despite these developments most indices ended the year slightly higher.

The Vienna ATX index of leading shares was marginally in the black, putting on 1.1 % for the year. Partly as a result of the predominance of mid and small caps among the companies listed in Vienna, the ATX failed to match the performance of the Eurostoxx 50.

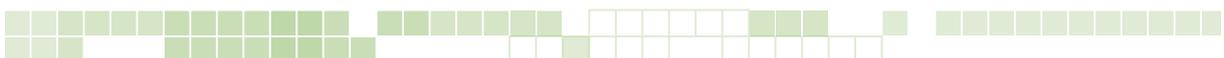
In the first half the ATX was buoyed by good economic and company data, as well as takeover talk, and it went on to hit an all-time high of 4,981.87 on 9 July 2007. Prices then fell back in line with the international trend. However the largest initial public offering (IPO) in the history of the Vienna Stock Exchange went ahead at the start of the fourth quarter despite adverse market conditions. Seven companies went public in 2007, and in all, IPOs and secondary issues brought an influx of over EUR 10bn in fresh capital during the year, maintaining the previous year's high level of issuance activity.

Average monthly turnover on the Vienna Stock Exchange rose to almost EUR 15bn from EUR 10.5bn in 2006. Since 2006 foreign traders have accounted for over 50% of volume, and in 2007 the number of international investment banks trading in Vienna rose to 42 (2006: 33) to overtake that of the local members. Market capitalisation topped EUR 157bn in 2007.

## Our share

Our share price went into 2007 at EUR 21.51, on the heels of an impressive 43.7% advance in the previous year. Immediately after the Annual General Meeting and the announcement of our forthcoming promotion to the prime market our price hit a first-half high of EUR 25.15. In the wake of a number of roadshows, the announcement of the acquisition of the Polish Pol-Necks spring factory and our inclusion in the prime market the price recorded an all-time high of EUR 25.85 on 23 July 2007. Subsequent performance reflected the increasingly bearish market climate as economic worries piled up, and our price fell steadily to reach a low of EUR 19.43 on 23 October. Thereafter it moved broadly in line with the ATX, before posting a strong rally late in the year on news of the four-year truck component supply contract to end on EUR 22.89.

Despite weakening sentiment on equity markets our price again reflected the Group's steady growth and our efforts to offer investors clear and consistent information. We believe that our stock's performance is testimony to the success of our strategy and the good response to the Frauenthal investment story on the prime market.





### Shareholder structure

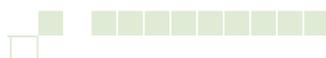
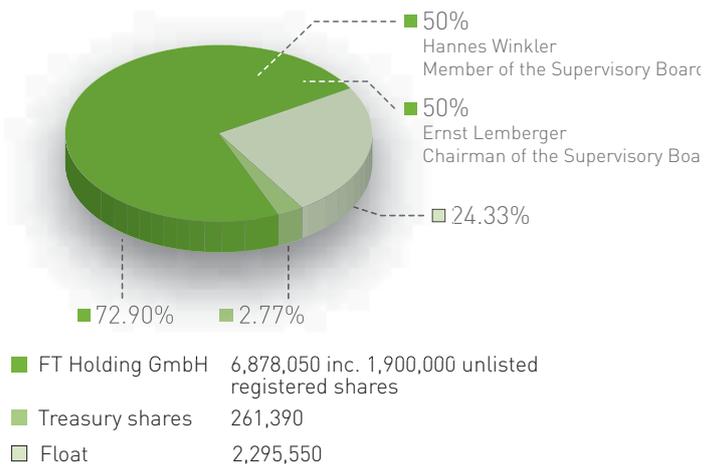
Frauenthal shares have been traded on the Vienna Stock Exchange since 10 June 1991. Our stock was included in the prime market on 23 July 2007; until then it was traded on the standard auction market. We decided to switch in order to boost the Company's reputation and investor interest. Frauenthal had already met the strict publicity and transparency requirements for admission to continuous trading for some time.

Frauenthal Holding AG has a share capital of EUR 9,434,990, divided into 7,534,990 no par bearer shares and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the Company's share capital. There were no material changes in voting rights in 2007.

The principal shareholder in Frauenthal Holding is FT Holding GmbH, Chemnitz, Germany, which owns a 72.9% interest. The principal shareholder in FT Holding GmbH is Ventana Beteiligungsgesellschaft m.b.H., Vienna. This entity is owned by Hannes Winkler and Ernst Lemberger, both of whom are private equity investors with extensive experience of developing and managing industrial companies, and of mergers and acquisitions. Frauenthal Holding can call on their full business experience and contacts in pursuit of its acquisition strategy. Due to formal requirements arising from promotion to the prime market during the year the 1,900,000 unlisted bearer shares owned by FT Holding were converted into registered shares which remain unlisted.

In line with the voting rights, own shares held by Frauenthal Holding AG represent 2.77% of the share capital, and the remaining 24.33% in terms of voting rights make up the free float. The shareholding structure is thus unchanged.

Voting rights:  
9,434,990 inc. 1,900,000 unlisted registered shares  
=100 %



## Per share ratios

	2007	2006 <sup>1)</sup>	Change
Shares in issue	9,434,990	9,943,990	0
Treasury shares	-261,390	-261,390	0
Shares in circulation <sup>1)</sup>	9,173,600	9,173,600	0

### Per share ratios (EUR)

EBITDA	4.6	3.6	1.0
EBIT	3.0	2.3	0.7
Profit/loss after tax	2.0	1.5	0.5
Operating profit before working capital changes	3.5	3.0	0.5
Equity	10.2	8.6	1.7
Share price			
Year end	22.89	23.00	-0.11
High	25.60	31.50	-5.90
Low	20.25	16.01	4.24
Dividend and bonus	0.2 <sup>2)</sup>	0.2	0.0

<sup>1)</sup> Ten-to-one share split on 21 June 2006

<sup>2)</sup> Distribution proposed to the Annual General Meeting





## Investor Relations

We have significantly expanded our investor relations activities due to our inclusion in the prime market. We mount roadshows in Europe to inform investors of the Company's objectives, results and strategies. The main focus of our IR efforts is providing investors and analysts with consistent and simultaneous information. We became one of the first companies listed on the standard auction market to sign up to the Austrian Code of Corporate Governance in 2003, and are committed to equal treatment and transparency for all shareholders.

Extensive corporate information, quarterly reports, AGM documents, press releases, stock exchange announcements, product stock shots and our annual report in German and English are posted on our website. In order to offer investors, analysts and the general public still better service we have expanded our website and the linked sites of our subsidiaries, and harmonised their design in line with our "one company" philosophy. The Frauenthal website is intended to be a modern, user-friendly platform with quick and easy navigation. New features are an interactive share price chart, recent Capital Bank research reports, online versions of our annual reports and a free mail service that lets users register for up-to-the-minute news on the Company.

**Our efforts are appreciated by investors, and have been very well received by the markets."**

Erika Hochrieser, Investor Relations

## Shareholder Information

### Investor Relations Officer

Erika Hochrieser

### Investor Hotline

+43 (0)1 505 42 06

### E-mail:

e.hochrieser@frauenthal.at

### Website

[www.frauenthal.at](http://www.frauenthal.at)

### Vienna Stock Exchange

Prime Market

### Symbol

FKA

### ISIN

AT 0000762406 (shares)

### Bloomberg code

FKA AV

### Reuters code

FKAV.V1

### Market capitalisation

EUR 172.5m (as of 28 Dec. 2007)

### Vienna Stock Exchange

Listing on the Vienna Stock Exchange official market

### Symbol

FKA

### ISIN

AT 0000492749 (bonds)

Apart from extensive 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.





Our Employees. Our Success.

Helmut Feeberger, 45, production worker

## Our history of success

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

**1921** Ludwig Neumann founds Erste Österreichische Porzellanfabrik. In the 1950s the company begins focusing on manufacturing hard porcelain high voltage insulators which become its core business.

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

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

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

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

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

**1998** Ventana acquires 75.1% of the Ceram Group.

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

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

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

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

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

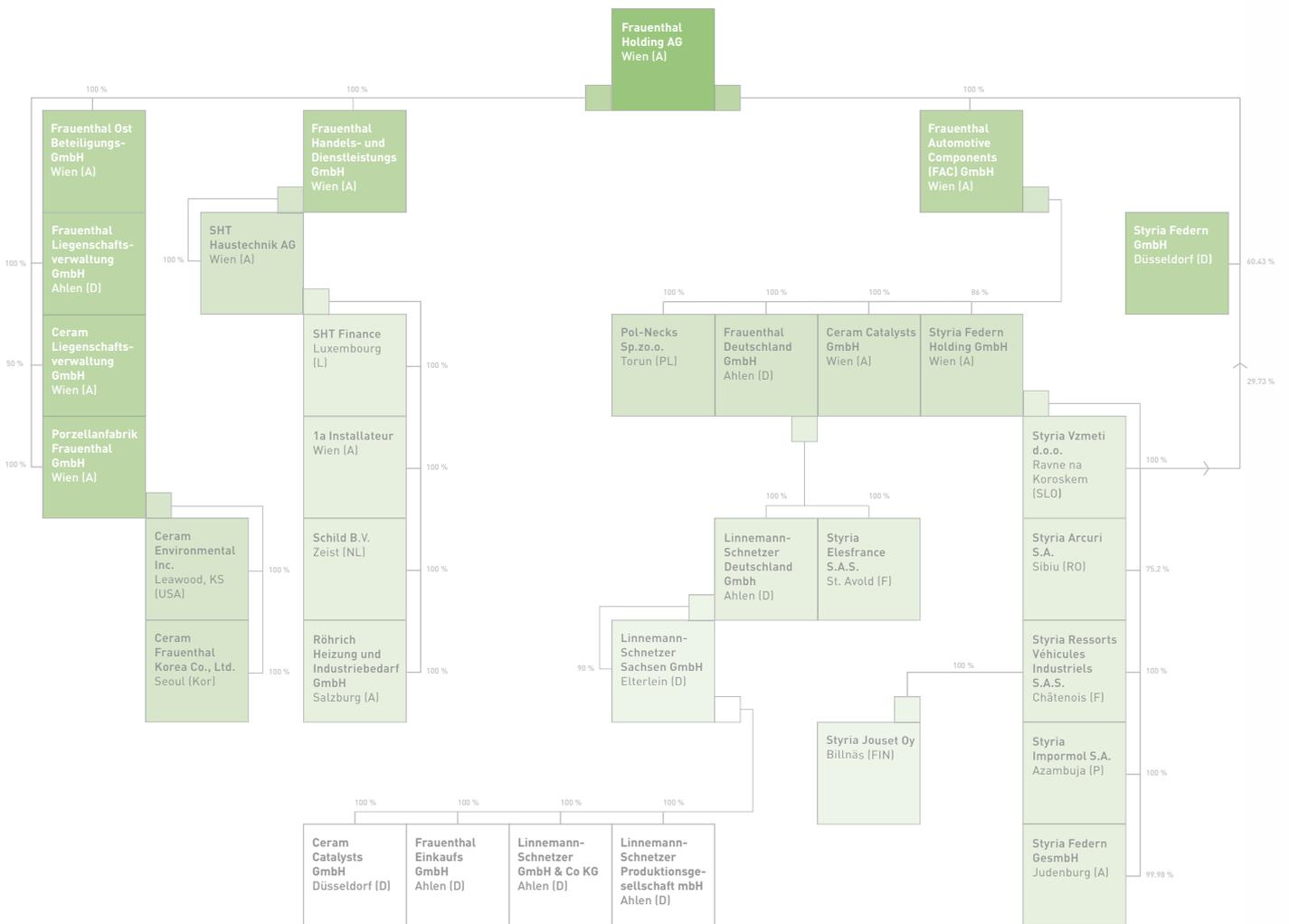
**2006** Frauenthal announces the planned closure of the loss-making spring factory in Billnäs, Finland. In April the Supervisory Board approves the construction of a new factory building in Frauenthal to manufacture diesel catalysts, due to the strong growth potential of this product category. Hans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

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



# Our structure

Status as of 31 December 2007



## Our sites



- |  |  |
|--|--|
| <p><b>1</b> Linnemann-Schnetzer GmbH &amp; Co<br/>Ahlen (D)</p> <p><b>2</b> Linnemann-Schnetzer Sachsen GmbH<br/>Elterlein (D)</p> <p><b>3</b> Eles France s.a.s. (Linnemann-Schnetzer)<br/>St. Avold (F)</p> <p><b>4</b> Styria Federn Ges.m.b.H.<br/>Judenburg (A)</p> <p><b>5</b> Styria Federn GmbH<br/>Düsseldorf (D)</p> <p><b>6</b> Styria Ressorts s.a.s.<br/>Douai (F)</p> <p><b>7</b> Styria Ressorts Véhicules Industriels s.a.s.<br/>Châtenois (F)</p> | <p><b>8</b> Styria Vzmeti d.o.o.<br/>Ravne na Koroskem (SLO)</p> <p><b>9</b> Styria Impormol S.A.<br/>Azambuja (P)</p> <p><b>10</b> Styria Compa Arcuri S.A.<br/>Sibiu (RO)</p> <p><b>11</b> Porzellanfabrik Frauenthal GmbH<br/>Frauenthal (A)</p> <p><b>12</b> Ceram Catalysts GmbH<br/>Frauenthal (A)</p> <p><b>13</b> Frauenthal Holding AG/Ventana und SHT Haustechnik AG<br/>Wien (A)</p> <p><b>14</b> Pol-Necks Sp.zo.o.<br/>Torun (PL)</p> |
|--|--|

## Our corporate strategy

Frauenthal is a listed, diversified group with three divisions:

- The Industrial Honeycomb Division comprising Porzellanfabrik Frauenthal, which produces power station catalysts;
- The Automotive Components Division, comprising the Styria and Linnemann-Schnetzer Groups, Pol-Necks and the Ceram Catalysts diesel catalyst business; and
- The Wholesale Plumbing Supplies Division, comprising the SHT Group.

In line with our commitment to value-based management, we seek to increase our Group's value, and to outperform our peer group in terms of return on capital on a sustainable basis. Investments are made in areas where rapid growth and high returns on capital employed can be achieved.

The Group's finances are managed centrally by Frauenthal Holding. The financing strategy gives priority to long-term financial stability — especially as measured by the equity ratio — and flexibility over the short-term minimisation of finance costs.

Our investor relations and communication policies are designed to provide the equity and bond markets with transparent, up-to-date information.

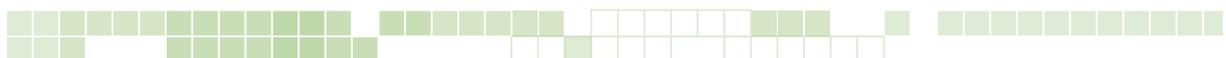
Despite the very different lines of business we operate in, our success in the marketplace and good customer relationships stem from one unifying business principle.

Our strong market shares, broad product range and innovative capabilities distinguish us from our competitors, making us the partner of choice for our customers.

We are continuously improving our manufacturing and logistics processes. Constant progress on productivity is essential if we are to maintain our cost competitiveness — especially as most of our sites are in high-wage countries.

In the interests of lean organisational structures Frauenthal Holding focuses on central management functions, while Group companies' chief executives are responsible for operations, and for meeting the budget targets set for them. Management development and human resources initiatives are centrally directed.

Frauenthal is a diversified, acquisition-oriented group. Acquisitions must promise long-term strategic advantages, and be a good fit for existing businesses in terms of their product portfolios and geographical markets. Frauenthal is not a private equity investment company. We only buy and develop businesses with their long-term value growth potential in mind, and not in order to sell them later on.





Franz Haring, 43, production worker

## Our employees



Renée Wippel, 45, production worker at POFA



*Only companies with clear strategic objectives will have a future in tomorrow's globalised world. Because of that I'm delighted to be playing a part in the Fraunthal Group's expansion, and to be witnessing the development of the business, the people who make it up, and our market power. I'm impressed by the team spirit that people from different cultures have shown at the strategy workshops. Above all, the meetings are a good way to brush up my English.*

Detlef Schubert, CEO,  
Linnemann-Schnetzer Sachsen and Linnemann-Schnetzer Ahlen, Germany



Franz Streit, 44, agency production worker



Our people play a vital role in the success of the Group. Following a series of acquisitions and restructurings in recent years, the Group now has sites in seven European countries. It consists of independent companies with histories of their own. Our "one company principle", which aims at fostering a common view of the Frauenthal Group, lies at the heart of all our human resources activities. Action on this cultural change programme, piloted in 2006, was stepped up during the year under review, and is starting to bear fruit.

### One company

Our cross-divisional training schemes centre not just on specialist expertise but also on personal encounters. Developing a mutual basis for communication, and appreciation and respect for other people's backgrounds are the key to successful operations, and provide fertile soil for the growth of an innovation friendly culture across the entire Group.



### Individualised training

Last year the average head count including leased employees was 3,044 at 15 sites (2006: 2,738 employees). Staff completed a total of 2,770 days of training and development, or approximately one training day per employee. Our training programmes are tailored to the given locations, and to the individual needs of the staff members.

### 2007: Employees – facts and figures

Total head count including part-time staff: **3,044**

Employees on full-time contracts: **2,889**

New recruits in 2007: **624**

Proportion of male employees: **90%**

Proportion of female employees: **10%**

Average age: **40**

Proportion of non-salaried staff: **65%**

Proportion of salaried staff: **35%**

### Human resources philosophy

Our human resources (HR) strategy has two pillars: group-wide standards, and centrally prescribed and managed policies. Local staff training and development activities are carried out at plant level, and adapted to the requirements of the sites concerned. .



Franz Haring, 43, production worker

### Group-wide activities

The main objectives of the central strategic human resources unit are to develop a common approach to management, harmonise the quality of management by means of common standards, e.g. with regard to staff appraisals, and train and develop up-and-coming executives. In all of these activities, special attention is paid to cultural sensitivity, and respect for and appreciation of cultural differences within the Group. The unit aims to give a lead on future strategic issues.

### Employee survey

During the first quarter of 2007 we conducted our first ever standardised employee survey. Response rates were encouragingly high, ranging from 39% to 98%, depending on the location. The results are used to develop local and Group-wide training and development plans.

### Frauenthal Leadership Learning Program

The Frauenthal Leadership Learning Programme (FLLP) was launched in March 2007. The aim is develop the leadership skills of Frauenthal Group employees, which will in turn help us hit our growth targets, and equip us for the challenges of tomorrow. On the basis of staff appraisals, annual performance and the criteria for high

### Intensive executive training course

For the first time, an intensive executive training course was held for high potentials from the three German sites. The focus was on developing individual leadership capabilities.

### Local training

Training and development programmes at the individual sites are adapted to their specific requirements, which include:



*"I was thrilled when I found out that I was one of the 15 selected participants. Personally, the most valuable part of the programme was building up contacts with colleagues and getting to know them better. The main insight was that top managers are just normal people who can achieve a great deal and change things through their actions. I reached the conclusion that personal strength is all about doing."*

Erika Hochrieser, Controlling & Investor Relations,  
Frauenthal Holding AG Wien, Austria



*„The IFRS training was a good thing especially as it gave us the chance to work there too, as a team, to raise problems and clarify things.“*

Bianca Irimie, Leitung Finanzabteilung,  
Styria Federn Arcuri, Rumänien

*Type of training: Security and operation of the Installation „Natural Gas.“*

*„I liked it very much since I was able to eliminate a lot of doubts. It will be very helpful for my daily work.“*

Marco Antonio, blue collar worker, Styria Federn  
Impomol, Portugal

potentials, plant and divisional managements nominate FLLP candidates, who are approved by the Executive Board. Fifteen young executives are currently participating in the 18-month, English-language programme. The core topic is leadership, which is addressed by three modules: developing individual leadership qualities, coaching and high performance management, and change management. The trainees also attend workshops on business simulation, project management, and intercultural negotiation and cooperation. In future, a new FLLP will start every year.

- Upgrading technical qualifications and the technological know-how of manual and administrative staff;
- Implementing and optimising quality systems such as lean management, kaizen and 6Sigma, and production and process optimisation systems for blue-collar staff;
- Obtaining licences to operate cranes and forklifts;
- In-house leadership and management training tailored to target group needs;



- IT training, e.g. in Excel, technical drawing programs;
- Health, safety and environmental protection;
- Business administration, accounting, finance and controlling; and
- Languages such as English and German.

## Investing in the future

The Frauenthal Group employs 84 apprentices. A total of 47 apprentices were taken on in 2007. We offer training in a wide variety of business and technical occupations, showing that we take our social responsibility to provide job opportunities for young people seriously.

*"I quickly realised that this wasn't a typical training course - of the sort where you take a checklist and handbook home with you. That would certainly have been a lot easier — during the training we had to work independently on real-life examples drawn from working life — but I'm sure it did a lot more for me."*

Raimund Paschen, Finance and Controlling Manager,  
Styria Federn Düsseldorf, Germany



### Apprentices day

*"If a problem crops up, discuss it straight away. If something isn't clear, just ask, and then get to work and give it your all."*

Patrick Jäger, apprentice,  
Styria Federn Judenburg, Austria

*„A quick changeover process is the key to competitive advantage for any manufacturer. The implementation of SMED on the heat treatment line allows us to increase the reactivity and improve the productivity. After one week of SMED training in a team of seven people, I understand the SMED principle and am able to apply the SMED method on other production lines. The most important thing is that SMED thinking can be carried over into many other areas in the plant."*

Wenjun Huang, business development engineer,  
Styria Federn Châtenois, France



## Looking to the future

In 2008 we will be looking to build on our past success in the field of human resources. We will be launching a Junior Potentials programme, a Senior Potentials programme for employees aged over 55 and, in response to the employee survey, a health initiative.



## Employee profile

Johannes Enzinger, 58  
Steel stores  
Styria Federn Judenburg, Austria

### How long have you been with Styria Federn?

I was 21 and had just finished my military service when my uncle, who was working here at the time, told me that the company was looking for staff.

### Where have you worked up to now?

I used to be in the grinding shop, which doesn't exist any more because now the job is mechanised. Since then I've been in assembly, a spring fitter — I've done it all!

### Where have you enjoyed working most?

Actually, my current position, here in the steel stores. I can look after my patch the way I want, and decide where things belong.

### What do you like about working for Styria Federn?

I've always had great colleagues, and there's a good atmosphere among the staff. The work is certainly hard, but I love it.

### And what was most memorable experience?

Definitely the 100<sup>th</sup> anniversary celebration last year. I also had something to celebrate — my 35th anniversary — and I received a special award during the event.

### And your family?

I'm married with two grown-up children who both went to university. In fact, they both did work placements and holiday jobs here in the past.

### How do you unwind outside work?

I like Schuhplatteln, which is a traditional Austrian folk dance. Its healthy, good for your joints and your spirits, and basically gets you in a good mood..





*„A highly informative training programme that gives you an overview of the steps that have to be taken to introduce an environmental management system in a company. But as there are so many different laws, regulations, etc. to comply with I think it would be almost impossible to implement a management system like this without support from outside consultants.“*

Thomas Steinkamp,

Quality Management Department, Linnemann-Schnetzer Deutschland GmbH, Germany

## Innovation

In the past few years the rapid expansion of the Frauenthal Group has been powered by acquisitions of companies that mostly market products and services at the mature phase of the product life cycle. However in future the Group's growth will no longer be primarily acquisition led, but will come from exploiting and developing the potential of existing Group companies. In particular, we will be relying on innovation to fuel sustainable organic growth.

Our diesel catalysts are an excellent example of innovation-led growth. The process of adapting SCR catalysts — originally used only to reduce NOx emissions at thermal power stations — for diesel engines involved fundamental research carried out in close cooperation with university institutes, and bringing the product to market took over ten years. In 2007 the product, which is now manufactured at a new plant, generated EUR 10.9 million in revenue. In 2007 Ceram Catalysts won an innovation award from the Styrian provincial government for the development, and ranked among the top six nominees for the Austrian State Prize for Innovation. The diesel catalyst is already the Frauenthal product with the fastest growing sales, and has good prospects of global success, but it still has plenty of development potential. Our research department recently proved this by producing a high temperature rare earth vanadate SCR catalyst, marking a major milestone along the road to Euro 6 compliant emission reduction systems from trucks.

Our new development centre for springs and air reservoirs, opened in 2006, is another side of our drive to speed up innovation. In future, new products developed in close collaboration with our customers' R&D departments, steel manufacturers and universities will represent a significant and rapidly growing proportion of Group revenues.

Meanwhile a newly established department will focus on production process innovation. It will set out to develop proprietary production processes that will set us apart from the competition.

These activities are supported by the Frauenthal Innovation Board which consists of senior managers from all divisions. The aim of this body is both to act itself to keep up the momentum of innovation and to nurture a culture of innovation at all levels of Group companies.



## Acquisitions

Frauenthal's acquisitions policy focuses on companies that can bring the Group sustainable strategic benefits, and complement and strengthen existing lines of business in terms of markets, geographic coverage and the overall product portfolio. We continued to pursue this strategy systematically during the year under review.

On 25 May 2007 SHT completed the acquisition of Röhrich Heizung und Industriebedarf Gesellschaft m.b.H, a well-established wholesaler based in Salzburg with an excellent reputation for expertise in heating systems. In 2006 the company had 65 staff, and sales offices in Graz, Innsbruck, Klagenfurt, Linz, Salzburg and Vienna, and generated EUR 19m in revenue. The acquisition will extend SHT's market shares in Upper Austria and Salzburg, and in the increasingly important central heating market, as well as strengthening its hand in procurement, and enabling it to exploit property, IT and logistics synergies.

On 13 June 2007 Frauenthal Automotive Components GmbH concluded an agreement with Necks Invest AB (Sweden) for the acquisition of Pol-Necks Sp.zo.o., Torun, Poland. Pol-Necks produces U-bolts — U-shaped clamps used to attach leaf springs to truck axles — which as safety components are required to meet high technical standards. Pol-Necks Sp.zo.o. is the leading manufacturer of U-bolts in Europe, and its factory in Torun, Poland has state-of-the-art, highly automated production equipment. Sales in 2006 were EUR 8.5m. The Pol-Necks acquisition represented a further step forward for the expansion of our truck component supply business. Due to the good fit with our leaf springs business the acquisition reinforces Frauenthal's position as an automotive supplier, as well as creating potential technological synergies in the development of core truck axle components.

On 30 November Styria Federn GmbH, Düsseldorf acquired a 69.5% stake in A.D. Fabrika Opruga Gibnjara Kraljevo at a privatisation auction in Belgrade.

Gibnjara Kraljevo produces leaf springs, railway springs,

coil springs and stabilisers to Western standards. The purchase gives the Frauenthal Automotive Group additional production capacity to meet the strong demand from the truck industry. The company has traditionally enjoyed good business relationships with ex-Soviet states, which should help smooth the way for us to enter these markets.

Gibnjara Kraljevo returned revenue of about EUR 3m in 2006. Over the next two years a total of EUR 1.8m will be invested in expanding production capacity.

The company will be a member of the Styria Federn Group, and will thus form part of Frauenthal's Automotive Components Division; it will be renamed "Styria Gibnjara".





Left: Alfred Mayr, 35, production worker  
Right: Michael Würzger, 25, production worker

## Frauenthal – Group overview

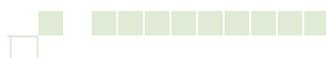
The Frauenthal Group has three divisions:

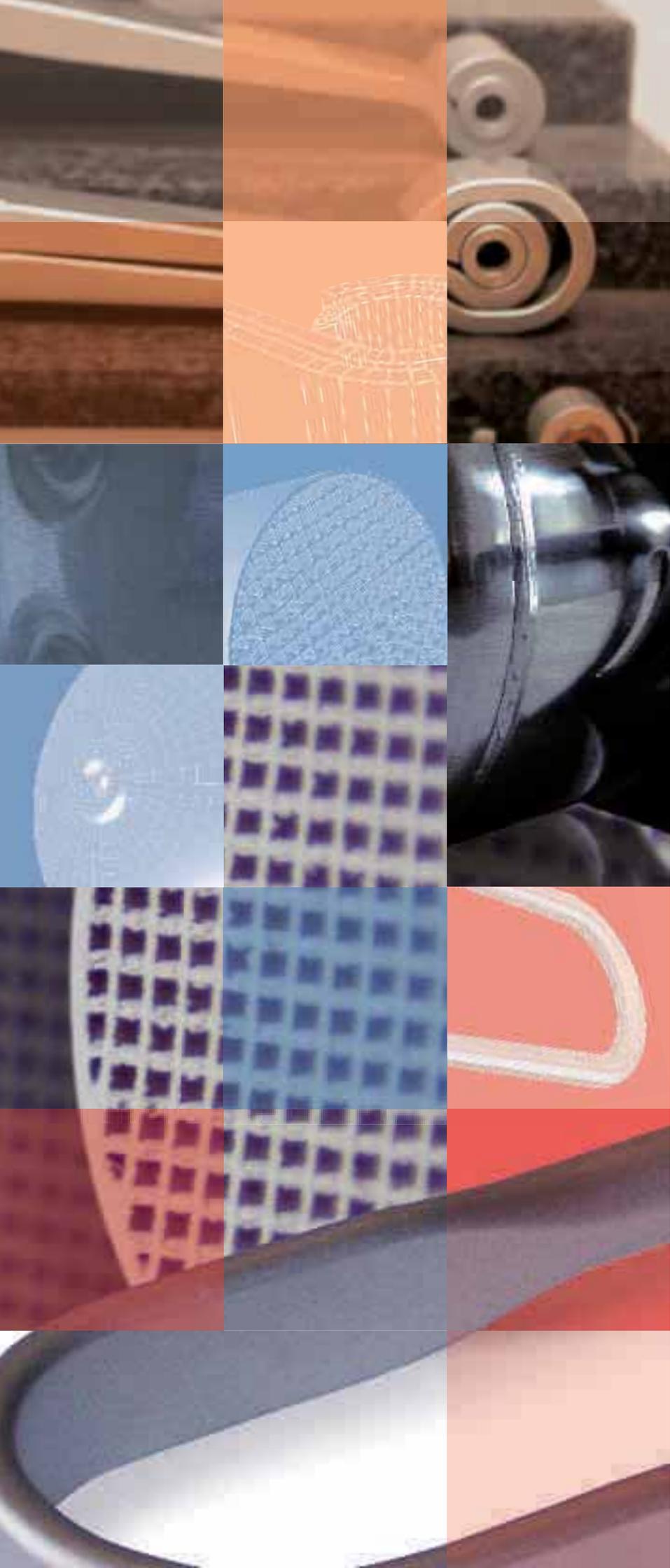
- Industrial Honeycombs comprising Porzellanfabrik Frauenthal, which produces power station and catalytically inactive ceramic honeycombs (heat sinks and foundry filters);
- Automotive Components, comprising: a truck component supply business focused on the European market that manufactures leaf springs, steel air reservoirs and U-bolts, operating through the Styria Federn and Linnemann-Schnetzer groups, and Pol-Necks; and the Ceram Catalysts diesel catalyst business; and
- Wholesale Plumbing Supplies, made up of the SHT Group — an Austrian chain of plumber's merchants acquired at the end of 2005.

The Group is headed by Frauenthal Holding AG, which is listed on the Vienna Stock Exchange prime market. Just over 72% of the shares are held by Ventana Beteiligungsgesellschaft m.b.H — an investment company owned by Ernst Lemberger and Hannes Winkler. The free float amounts to a little less than 25%, and just under 3% are treasury shares held by the holding company.

The Group is headed by Frauenthal Holding, which is responsible for the corporate finance and controlling, investor relations, business development and strategic human resource development functions.

The business divisions report to the respective divisional directors. The Executive Board members in charge of the Automotive Components and SHT Divisions also hold operational responsibility for them.





# Automotive Components Group

Styria Federn, Linnemann-Schnetzer, Ceram and Pol-Necks

The Automotive Components Division was created by integrating the Styria Federn Group with the Linnemann-Schnetzer Group, acquired in 2004. It has 12 production sites, in Austria, France, Germany, Poland, Portugal, Romania and Slovenia, and is the market leading European producer of leaf springs, stabilisers, braking systems and steel air reservoirs for commercial vehicles. In 2007 the Automotive Components Group gained two new members through the formation of Ceram Catalysts and the takeover of Pol-Necks. The recently opened Ceram Catalysts production plant in Austria has made the Frauenthal Automotive Group one of Europe's top two diesel catalyst manufacturers, while the acquisition of Pol-Necks also brought us leadership of the spring U-bolt market. Production of U-bolts for mounting leaf springs to vehicle axles creates significant synergies for the division, while entering the catalyst business has opened up considerable growth potential. Modern commercial vehicles equipped with our catalysts already meet the exhaust emission standards that have yet to come into force.

The Automotive Components Group posted revenue of EUR 312.5 million in 2007 — a 21.9% year-on-year increase — and is the leader in its European market segments. In its first year of operation Ceram Catalysts generated over EUR 10m in revenue, while Pol-Necks contributed EUR 5.2 million to revenue in the second half of 2007.

The Group's customer portfolio encompasses all the main European truck manufacturers, and almost all the trailer and axle manufacturers, including DAF, Daimler-Chrysler, Iveco, MAN, Renault Truck, Scania and Volvo, as well as BPW Bergische Achsen, Sauer, and other trailer and axle makers. The division's business philosophy centres on total cost leadership. The goal is not to offer the cheapest springs, stabilisers or air reservoirs but to sell components that cut the cost of customers' end-products. This is not just a matter of prices, since quality and availability aspects also play a part. The Group's role ranges from consultancy to end-to-end solutions for chassis components and their design. These require constant contact with customers' design, development and test departments.

Systematic pursuit of this strategy, coupled with rigorous cost reduction and productivity programmes, and a value management approach has generated sufficient profits over the past few years to pay for investments in the future of the business.

We offer our customers the benefits of modern production facilities, technological leadership, and the expertise of 2,211 highly motivated employees. These strengths result in process reliability, enabling top-quality products to be manufactured cost-effectively.



## Products

The Styria Group produces parabolic and trapezoidal springs, and suspension arms, as well as solid and tubular stabiliser bars.



### PARABOLIC SPRINGS

Styria has played a key role in technical progress in parabolic springs. Designing the leafs for stress minimisation has brought a significant reduction in the materials required as compared to conventional multi-leaf springs without compromising strength and reliability. Styria manufactures parabolic springs in Azambuja, Châtenois les Forges, Düsseldorf, Judenburg, Ravne and Sibiu.



### AIR LINKS

The air link came into being as a spin-off of the parabolic spring in the early 1990s. In air suspended truck rear axles and trailer axles, the air links guide the axle, stabilise the vehicle superstructure and support the air bellows, thereby considerably reducing the number of parts and thus the cost of the system. This product is produced in Châtenois les Forges and Judenburg.



### TRAPEZOIDAL SPRINGS

In Europe trapezoidal springs are still frequently employed in vehicles designed for construction sites and other rough terrain. They are also used in off-road vehicles in Africa and Asia due to their ruggedness. All Styria's trapezoidal springs are manufactured in Ravne, Slovenia and Sibiu, Romania.



### STABILISERS

Stabilisers are among the basic components of truck and delivery van suspension systems. Solid stabiliser bars are our main product, and are used by all customers due to their low cost. Styria also develops and produces tubular stabiliser bars for weight critical applications, as they can be up to 40% lighter. This has a positive effect on unsprung mass, driving comfort and fuel consumption. Styria manufactures solid stabilisers in Douai and tubular stabilisers in St. Avold (both in France).



Our ability to develop and manufacture these high-grade products is convincing proof of our research and development capabilities.

The Linnemann-Schnetzer Group manufactures steel and aluminium air reservoirs, welded assemblies, and drawn and formed parts for the European commercial vehicle, trailer and bus industry. Technologies range from sheet metal forming, welding and surface treatment through to test engineering.

#### AIR RESERVOIRS (STEEL/ALUMINIUM)

Linnemann-Schnetzer manufactures EN 286-2 compliant steel and aluminium compressed air reservoirs for the European commercial vehicle market. The reservoirs are designed for use in vehicle and trailer compressed air braking systems and auxiliary equipment, or exclusively for air intake. The tanks are chiefly intended to withstand static loading, and are dimensioned accordingly.



#### COMPRESSED AIR TANKS WITH MOUNTING BRACKETS

At present, restraining straps or wires are the usual means of attaching air reservoirs to commercial vehicles. This has obvious disadvantages because it involves complicated mounting procedures, a number of fittings and the risk of damage to the reservoir through friction at the mounting points.



#### SHAPED PARTS AND WELDED ASSEMBLIES

Linnemann-Schnetzer manufactures various formed parts and welded component groups from steel, special steel and aluminium alloys with material thicknesses of up to 12 mm. Range of applications: air spring components such as cylinder covers, pistons, fixing plates and holders; chassis and heavy-gauge sheet metal parts for the commercial vehicle industry; frame-mounting parts for forklifts; and housings and covers for various industries.



#### DIESEL CATALYSTS

Ceram Catalysts manufactures SCR catalysts at its new plant. Modern commercial vehicles fitted with these products already meet the Euro 5 emission standard which is due to come into force on 1 October 2009. We are excellently placed to capitalise on the fast growing demand in this segment. SCR diesel catalysts differ from conventional power station catalysts in their special composite materials, product design and fine cell geometry. In contrast to competing products which are coated, Frauenthal diesel catalysts are composed of homogeneous catalytic material. They combine exceptional durability with the same high level of performance under all operating conditions.



#### SPRING U-BOLTS

Pol-Necks Sp.zo.o. produces U-bolts — U-shaped mounts used to attach leaf springs to truck axles. As safety components, these are required to meet high technical standards. Pol-Necks is the leading U-bolt manufacturer in Europe, and its factory in Torun, Poland, boasts state-of-the-art, highly automated production equipment.

## Trading environment

2007 saw a continuation of the positive trading environment of the previous few years in terms of economic growth and commercial vehicle demand. After reaching record levels in 2005 and 2006, production and exports of heavy trucks again hit new highs in 2007. In 2007 the European commercial vehicle industry produced some 432,000 units in categories over 15 tonnes gross weight and 103,000 units in categories between six and 15 t gross weight — an overall year-on-year gain of around 14%. International sales performed even better, with European manufacturers exporting about 35% of their output and far exceeding the figures for 2006. Exports to almost all regions were up, with Russia recording the fastest growth at 130%. According to the VDA (German Association of the Automotive Industry) record sales were driven both by a continuation of the positive factors at work in 2006 (an investment backlog, EU enlargement and the economic upswing in key markets), and by new medium sized truck models, as well as increased demand for the new Euro 5 compliant vehicles.

At the same time, however, there was no let-up in the heavy downward pressure on prices and the trend towards sourcing from manufacturers in low-wage countries — reflecting globalisation and order pooling due to OEMs' centralised procurement strategies.

On the materials side, steel and scrap prices stabilised at high levels as expected, but the prices of alloying metals such as vanadium, tungsten and molybdenum surged. Energy costs also rose sharply in 2007.

## Business developments in 2007

### a) SPECIAL INVESTMENT PROGRAMME

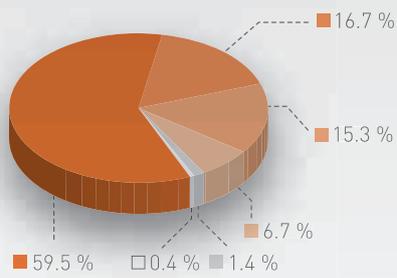
In order to meet rising demand, in 2007 we launched a special investment programme which will boost the Styria Group's production capacity by about 10% by mid-2008.

### b) PRODUCTION AND SALES

Capacity utilisation was high or very high at all of our factories, and most sites registered improvements in revenue, output and earnings. The Styria Group's product revenue progressed by 7.7% in 2007, from 91,000 to around 98,000 tonnes.



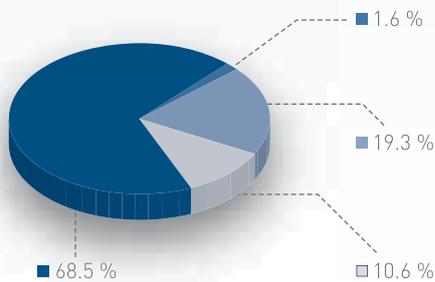
% of tonnage



- Parabolic Springs
- Solid stabilisers
- Air links
- Tubular stabilisers
- Trapezoidal springs
- Other

Output at Linnemann-Schnetzer was also lifted by the strong truck market, and was well up on 2006 in volume terms. The first half of 2007 saw the closure of our Hungarian factory. Production was relocated to existing plants in France and Germany.

% of unit



- Steel air reservoirs
- Welded assemblies
- Aluminium air reservoirs
- Formed parts



Porzellanfabrik Frauenthal

Porzellanfabrik Frauenthal GmbH and its subsidiaries Ceram Environmental Inc. (USA) and Ceram Frauenthal Korea, Ltd. form the Frauenthal Group's Industrial Honeycomb Division.

Porzellanfabrik Frauenthal can look back on a tradition of industrial ceramics manufacturing spanning more than 80 years. The introduction of SCR honeycomb catalyst production in 1985 marked the company's entry to a new market which was subsequently progressively widened by the addition of non-catalytic honeycombs in the shape of heat exchangers and foundry filters. Production of the Frauenthal SCR diesel catalyst, developed for commercial vehicles, was spun off on 31 December 2006 and transferred to Frauenthal's Automotive Components Division.

## Products

Porzellanfabrik Frauenthal GmbH is one of the world's leading producers of honeycomb ceramics. Its main products include:

### SCR CATALYSTS

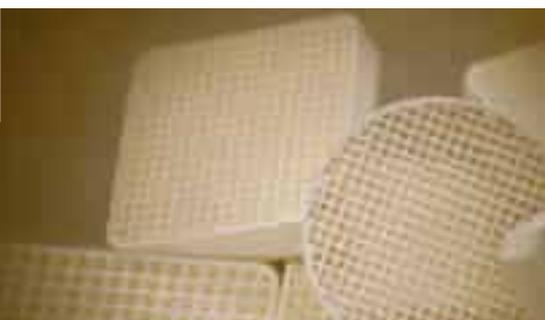
Frauenthal catalysts are used for the selective catalytic reduction (SCR) process. The technology is employed in thermal power stations, waste incinerators, stationary diesel motors and industrial plants. NO<sub>x</sub> contained in exhaust gases is broken down into nitrogen and water vapour, both of which are natural components of air. This plays an important part in reducing low-level ozone, acid rain and the greenhouse effect.

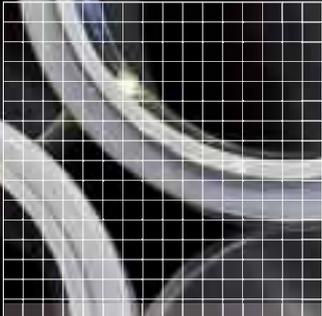
### HEAT SINKS

Ceramic heat sinks are employed for regenerative afterburning of exhaust gases, to recover thermal energy. Specialised developments and improved material properties also enable ceramic heat sinks to be used in special incinerators that are exposed to high thermal and chemical stresses.

### CASTING FILTERS:

Honeycomb ceramic casting filters that control, laminarise and filter the flow of molten metal are employed in foundries to produce high-quality light metal, grey and spheroidal castings.





SHT Group

SHT Haustechnik AG is Austria's leading sanitary, heating and plumbing supplies wholesaler. The company has been part of the Frauenthal Holding Group since 2005. SHT had a headcount of 715 in Austria and returned revenue of EUR 240m in 2007 for a year-on-year gain of about 21% which was well above the industry average.

## Business performance

Overall demand for plumbing supplies was robust during the year, and benefited from strong construction activity, a positive investment climate and modest material price inflation. The total sales of the Austrian wholesale plumbing supplies industry currently amount to about EUR 800m.

The SHT Group gained market shares in 2007 as a result of two factors. On the one hand, organic growth was driven by the continued expansion and upgrading of outlets, and resultant improvements in customer service. On the other, the acquisition of Josef Hofmann and Röhrich Heizungs- und Industriebedarf GmbH expanded SHT's sales network, and it now operates five logistics centres, eight sales outlets, 33 pick-up stores and ten up-market bathroom showrooms.

Management continues to believe that SHT's key success factor is a well-trained, committed workforce which responds swiftly and competently to customer inquiries. In order to maintain this high level of service, in 2007 the company established the SHT Academy — a training programme open to all SHT employees.

1a-Installateur Marketingberatungsges.m.b.H, a wholly-owned subsidiary of SHT, offers marketing services that promote around 200 member firms under the 1a-Installateure (A1 Plumbers) umbrella brand name, which is well known throughout Austria. Examples of such activities include advertising campaigns, trade show appearances and training events.

## Products

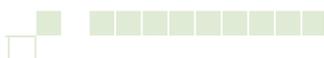
SHT distributes the leading sanitary, heating and plumbing equipment brands in Austria, as well as its own Prisma and SaniMeister brands. Successful proprietary brands are important as they are a chance to differentiate the group from the competition in terms of its products as well as its services. The third-party products that SHT stocks are only sourced from well-known branded manufacturers. Preference is given to suppliers with production facilities in Austria, in the interests of good value for money.

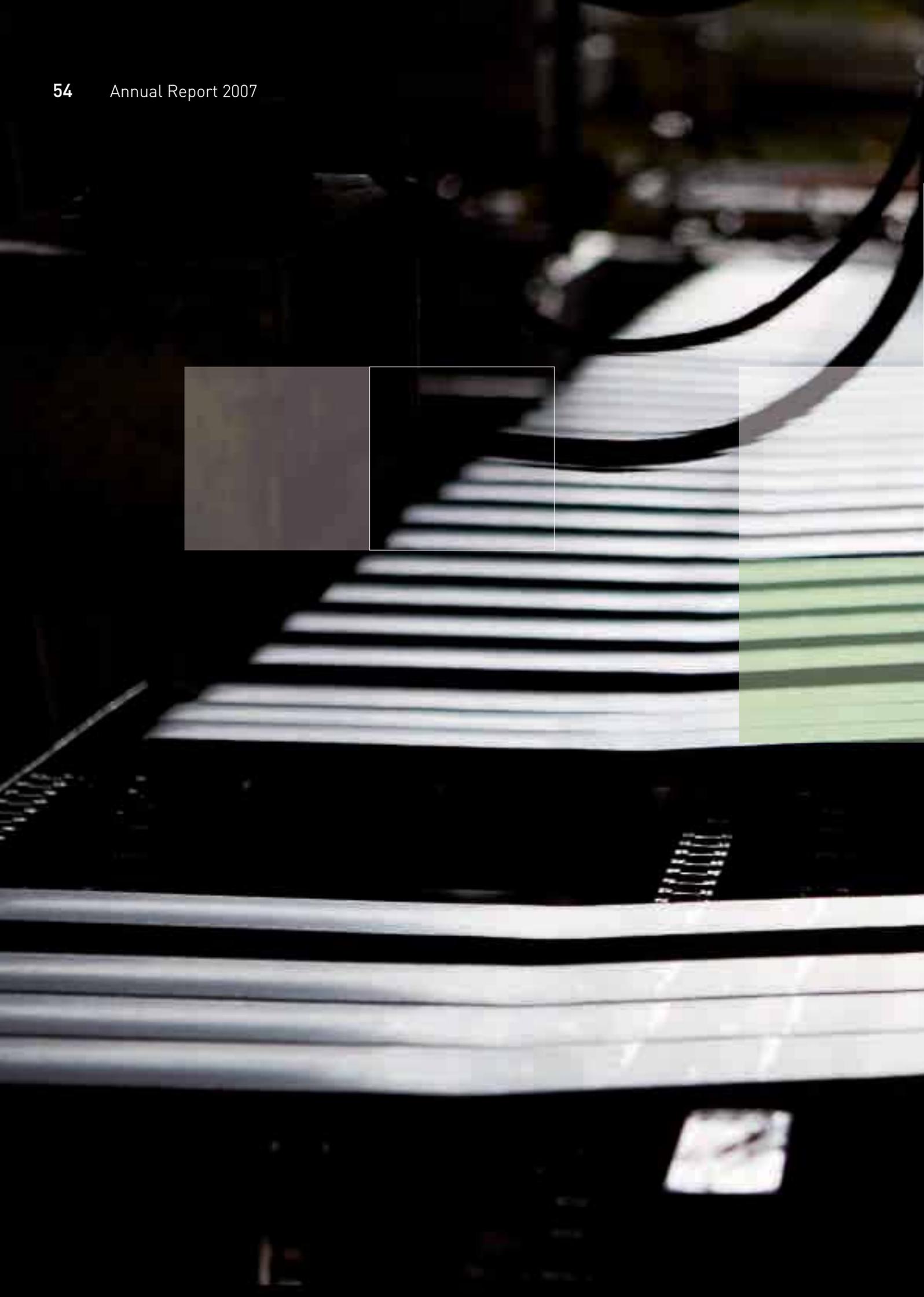
## Outlook

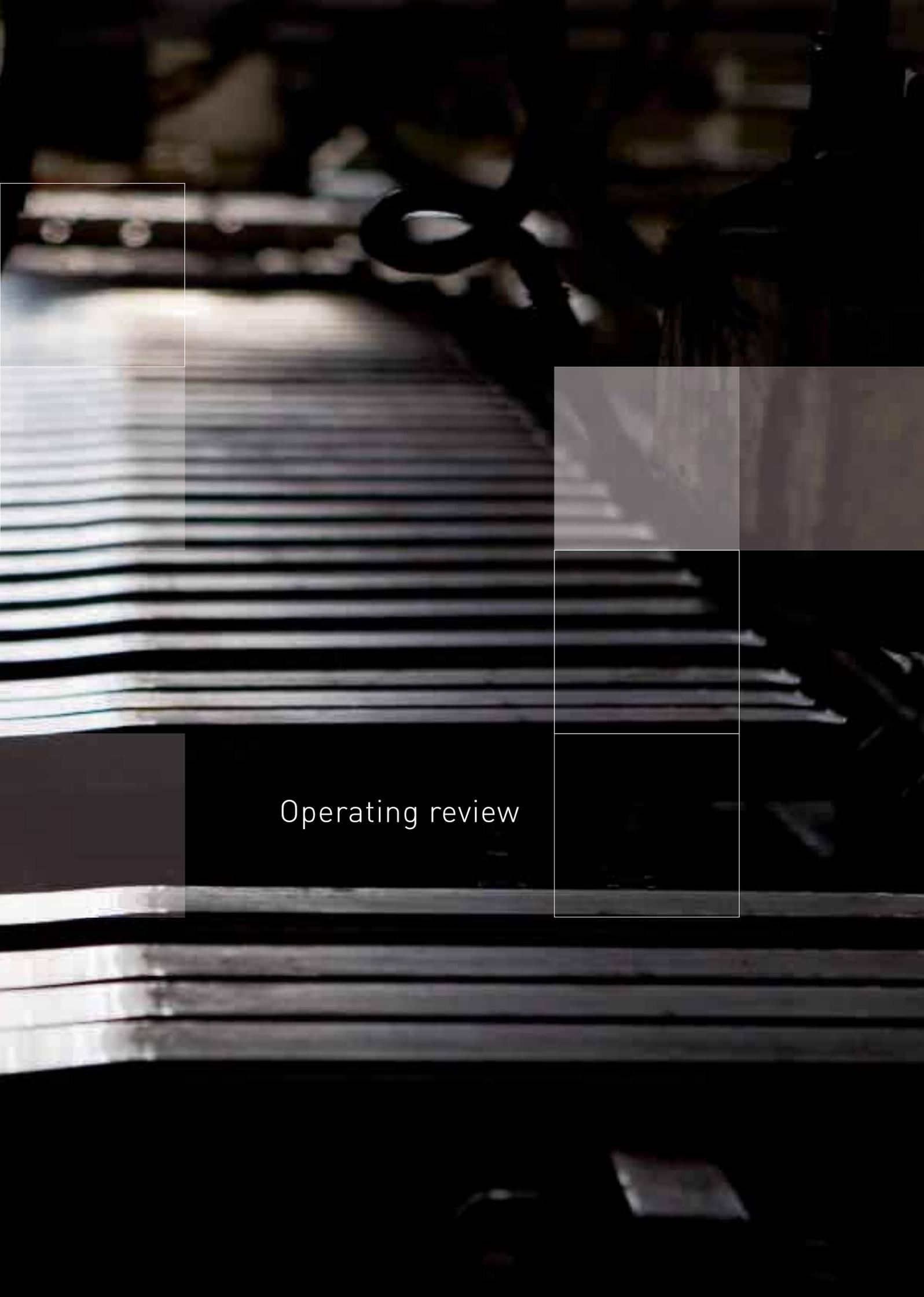
A high priority in 2008 will be boosting heating supplies sales. SHT's services coupled with the expertise gained through the Röhrich acquisition should provide a strong platform for rapid growth in this segment.

SHT is also focusing on continuous improvement of its core business processes in order to enhance the quality of its customer service whilst keeping costs under tight control. The objective is to maintain long-term profitability by extending SHT's lead in the market for bespoke solutions.

The management and workforce strongly identify with the corporate claim, "unser service ist mehrwert" ("our service is added value"), and are working to make this shine through in all of SHT's activities.







Operating review

## Highlights of 2007

**January:** Linnemann-Schnetzer Hungary Kft. is shut down in order to trim air reservoir over-capacity. The closure costs impact profits for 2007, but will be more than offset by lower operating expenses in 2008.

**February:** A multi-year contract with a new diesel catalyst customer strengthens Ceram Catalysts' market position.

**May:** The Annual General Meeting paves the way for promotion to the Vienna Stock Exchange prime market by resolving to convert of a block of unlisted shares into registered shares.

The SHT Group bolsters its market shares and heating expertise by acquiring Röhrich, a central heating supplies wholesaler.

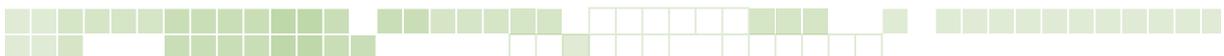
**June:** The product range in automotive supplies is expanded with the acquisition of U bolt manufacturer Pol-Necks Sp.zo.o.

**July:** The new diesel catalyst plant in Frauental is officially inaugurated.

Frauenthal shares start trading on the Vienna Stock Exchange prime market on 23 July 2007.

**November:** The acquisition of the Gibnjara Kraljevo spring factory in Serbia increases the Group's leaf spring capacity and opens up prospects for new business in Central and Eastern Europe.

**December:** A new four-year contract worth over EUR 400m is signed with a leading truck manufacturer.







## Economic climate

In 2007 Eurozone GDP growth remained at the previous year's level of 2.7%. The EU accession states put in a particularly strong growth performance, with GDP rising by an average of 6%. The US economy expanded by 2.3%, compared to 3.3% in the previous year. GDP rose by 2.6% in Germany — almost as much as in 2006.

Economic growth was supported by strong exports and investment; consumer demand failed to improve to the same extent. In Germany and Austria the construction boom held up for a while. However business confidence faded during the second half of 2007, hit by the financial crises, as well as the weakness of the dollar which directly impacted exports.

WIFO (the Austrian Institute of Economic Research) sees growth in the Eurozone falling to 1.9% in 2008. The Institute predicts the new EU member states to outperform the rest of the EU again, averaging 5% growth, and German growth to slow to 1.8%. The bottom of the downturn will not be reached until the second half. The US growth rate is projected to slide to 1.5%. The forecasts are subject to a great deal of uncertainty due to the continued instability of financial markets, and a sharper downswing or a outright recession in the USA are regarded as possibilities.

A further revaluation of the euro against the dollar is generally expected. The inflation rate in the Eurozone has accelerated sharply.

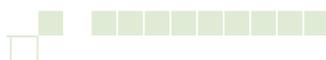
Our expectations for our businesses in the light of the above economic data are as follows.

Economic trends in Europe, the USA, China and South Korea are of importance for the power station catalyst business because climbing energy demand increases the need for stricter environmental regulation of generating stations. Strong growth in Asia is fuelling rapidly rising energy demand. Meanwhile the USA and Europe are making efforts to reduce their oil and gas dependence. We do not expect the economic slowdown in the USA

and Europe to be reflected in a marked decline in demand, and see the current growth trends in these markets continuing. The weak dollar is generally unfavourable to Porzellanfabrik Frauenthal's competitiveness. However the fact that the purchase prices of many of the company's inputs are denominated in dollars or yen partly offsets this effect by cutting the cost of the materials it uses.

Demand for heavy trucks also tends to move in step with economic activity, and is actually used as a leading indicator. However in recent years growing goods traffic, and the upgrading of commercial vehicle fleets in the new EU member states and throughout Central and Eastern Europe have meant that truck demand has outpaced overall economic growth by a wide margin. Our customers anticipate another significant increase in demand in 2008 despite current doubts about the economic climate. Certainly, we do not anticipate an abrupt drop in sales.

Economic conditions in Austria — and in particular, personal consumption, and the construction and renovation cycle — have a significant impact on SHT's wholesale plumbing supplies business. Personal consumption is forecast to grow by 1.9% and construction spending by 2.5% in 2007. This slowdown is likely to make itself felt in the wholesale plumbing supplies market, and revenue growth will therefore probably be lower than in 2007.



## Management's analysis of results

Thanks to continued growth across all three divisions we can look back on a successful year for the Frauenthal Group in terms of both revenue and earnings performance.

Automotive component sales posted year-on-year gains from the outset, buoyed by the favourable economic climate.

Due to the improved trading environment and the resultant growth in total output, the industrial honeycomb business likewise recorded higher volume and earnings.

The wholesale plumbing supplies business made a significant contribution to revenue and earnings growth in 2007.

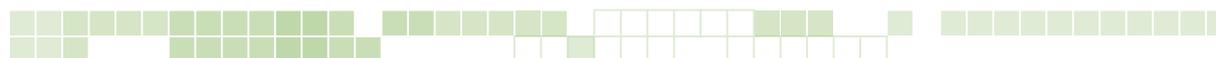
### Revenue

IFRS consolidated revenue for 2007 was up by EUR 102.5m (20.9%) on the previous period, at EUR 592m. The Pol-Necks Sp.zo.o. and Röhrich Heizung acquisitions contributed EUR 17.2m (3.5%) to revenue growth.

	EUR '000	2007	2006	Change
<b>Revenue by business segments</b>				
Industrial honeycombs		39,105	34,230	4,875
Automotive components		312,476	256,600	55,876
Wholesale plumbing supplies		240,395	198,694	41,701
Other		26	28	-2
<b>Frauenthal Group</b>		<b>592,002</b>	<b>489,552</b>	<b>102,450</b>

Diesel catalyst production was spun off from Porzellanfabrik Frauenthal GmbH with effect from 1 January 2007, and the marketing subsidiary for this operation now forms part of the Automotive Components Division. In the 2007 financial year the diesel catalyst business generated EUR 12.3m in revenue. The Austrian wholesale plumbing supplies business only serves the home market. The Group as a whole recorded revenue growth in the USA as well as the EU.

	EUR '000	2007	2006	Change
<b>Revenue by geographical markets</b>				
Austria		264,633	219,982	44,651
Germany		150,011	122,042	27,969
France		28,246	26,004	2,242
Sweden		32,603	27,449	5,154
Belgium		24,518	19,647	4,871
Other EU		58,277	51,582	6,695
Rest of Europe		9,003	4,477	4,526
America		16,410	8,229	8,181
Asia		8,087	8,910	-823
Other		214	1,230	-1,016
<b>Frauenthal Group</b>		<b>592,002</b>	<b>489,552</b>	<b>102,450</b>



## Earnings

Consolidated EBITDA of EUR 42.3m was 26.8% up year on year.

The improvement was largely driven by organic growth.

	EUR '000	2006	Organic Growth	Acquisitions	Negative goodwill in 2007	2007
<b>Development of earnings</b>						
Revenue		489,552	85,213	17,237	0	592,002
<b>EBITDA</b>		<b>33,386</b>	<b>7,057</b>	<b>495</b>	<b>1,393</b>	<b>42,331</b>
EBIT		21,411	4,940	76	1,393	27,820
Net finance cost		-3,807	-623	-176	0	-4,606
Profit before tax		17,604	4,317	-100	1,393	23,214
Profit after tax		14,080	3,326	-176	1,393	18,623

The analysis of EBITDA by divisions set out below also reveals an encouraging trend.

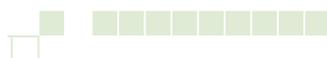
	EUR '000	2007	2006	Change
<b>EBITDA by business segments</b>				
Industrial honeycombs		4,558	3,002	1,556
Automotive components		24,875	21,478	3,397
Wholesale plumbing supplies		11,720	10,169	1,551
Reversal of negative goodwill		1,393	0	1,393
Other		-215	-1,263	1,048
<b>Frauenthal Group</b>		<b>42,331</b>	<b>33,386</b>	<b>8,945</b>
as % of revenue		7.15%	6.82%	0.33%

The earnings figure for the SHT Group is shown adjusted for the reversal of EUR 1.4m in negative goodwill arising on the consolidation of Röhrich Heizung und Industriebedarf GmbH as this was a non-recurring effect.

The EBITDA contribution of the Automotive Components Division rose by EUR 3.4m despite a EUR 2.4m charge due to the Hungarian works closure. The overall cost of the closure was EUR 3.3m.

Higher investment and the acquisitions raised depreciation and amortisation, and net finance costs in 2007. While this spending held back post-tax profits growth it has also created a springboard for future increases in earnings.

As in 2006, the effective tax rate was 20%. The Group's actual tax burden rose in line with earnings growth.



## Assets and finances

The Frauenthal Group's total assets expanded from EUR 282m to EUR 314m. This marked increase largely reflected the acquisitions.

	EUR '000	2006	Organic growth	Effect of acquisition	2007
Non-current assets		128,694	3,033	13,101	144,828
Inventories		70,824	-156	4,010	74,678
Other current assets		82,481	6,276	5,916	94,673
<b>Total assets</b>		<b>281,999</b>	<b>9,153</b>	<b>23,027</b>	<b>314,179</b>

Equity	78,660	13,802	1,537	93,999
Long-term borrowings	111,150	-9,230	1,257	103,177
Short-term borrowings	92,189	4,581	20,233	117,003
<b>Total liabilities</b>	<b>281,999</b>	<b>9,153</b>	<b>23,027</b>	<b>314,179</b>

ASSETS	2007 EUR '000	2006 EUR '000	EQUITY AND LIABILITIES	2007 EUR '000	2006 EUR '000
Non-current assets	144,828	128,694	Equity	93,999	78,660
Inventories	74,678	70,824	Long-term borrowings	103,177	111,150
Other current assets	94,673	82,481	Short-term borrowings	117,003	92,189
	<b>314,179</b>	<b>281,999</b>		<b>314,179</b>	<b>281,999</b>

Non-current assets grew due to heavier strategic investment spending. Action initiated in 2006 to reduce the amount of inventories carried was successful, and the increase in this item was entirely attributable to the new subsidiaries. The rise in "Other current assets" was due to higher trade receivables, reflecting the strong growth in sales volume. The introduction of an ABS system for a major truck manufacturer contributed EUR 13.9m to receivables in 2007.

Consolidated equity was up by EUR 15.3m at year end. The EUR 18.6m profit after tax for 2007 played a major part in the Group's healthy equity ratio. In 2007 distributions of EUR 1.8m and EUR 1.2m were made to shareholders and minority interests, respectively.

Despite the aforementioned growth in total assets the equity ratio advanced from 28% to 30%.

The participation certificates carried as long-term borrowings in 2006, amounting to EUR 10.5m, were reclassified as short-term borrowings in 2007.



ASSETS	2007 in %	2006 in %	EQUITY AND LIABILITIES	2007 in %	2006 in %
Non-current assets	46 %	46 %	Equity	30 %	28 %
Inventories	24 %	25 %	Long-term borrowings	33 %	39 %
Other current assets	30 %	29 %	Short-term borrowings	37 %	33 %
	<b>100 %</b>	<b>100 %</b>		<b>100 %</b>	<b>100 %</b>

The structure of our balance sheet was largely unchanged, apart from a shift in the maturities of our borrowings.

## Cash flow

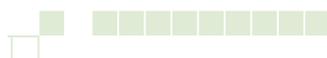
Operating profit before working capital changes — a performance measure essentially uninfluenced by non-cash income — rose by EUR 4.6m or 17% as compared to the previous period, to EUR 31.9m.

The steps taken in 2006 to keep down current assets by controlling inventories positively impacted cash flows from operating activities. Rapid sales growth led to an increase in working capital.

Cash flows from investing activities include EUR 20.0m in investment in intangible assets, financial assets, and property, plant and equipment. EUR 2.4m in loans extended by the Group were repaid during the 2007 financial year. The proceeds from the sale of non-current assets and financial assets totalled EUR 2.4m. The consolidation of the acquisition companies resulted in a cash outflow of EUR 10.6m.

Dividend payments in respect of 2006 caused cash outflows of EUR 3.0m, and the repayment of borrowings an outflow of EUR 0.5m. Financial liabilities rose by EUR 4.1m.

Cash flow statement	2007	2006
	EUR '000	EUR '000
<b>Operating profit before working capital change</b>	<b>31,917</b>	<b>27,314</b>
Cash flows from operating activities	24,798	20,841
Cash flows from investing activities	-25,782	-16,110
<b>Free cash flow</b>	<b>- 984</b>	<b>4,732</b>
Cash flows from financing activities	587	-18,874
Change in cash and cash equivalents	- 397	-14,142
<b>Cash and cash equivalents at end of period</b>	<b>10,218</b>	<b>10,615</b>



## Investment and acquisitions

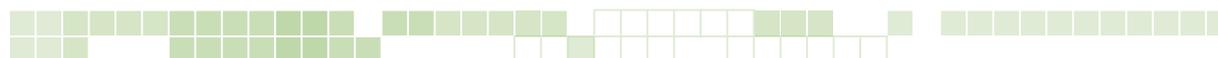
In 2007 we invested EUR 1.9m in intangible assets. Some EUR 0.1m in expenditure on the development of diesel catalysts and on product developments by the production subsidiaries in the Automotive Components Division is reported as "Work performed by the entity and capitalised". Most of the EUR 1.8m in investment in software relates to the Group-wide introduction of SAP solutions.

Investment of EUR 16.9m in property, plant and equipment was well above depreciation of EUR 11.5m. Strong demand and the expansion of diesel catalyst production capacity in the automotive components segment necessitated higher capital expenditure at our plants. Spending on modernisation, expansion and replacement investments totalled EUR 12.9m in 2007. During the 2007 financial year the SHT Group invested EUR 2.7m in property, plant and equipment, while EUR 1.2m went to expanding capacity at the Frauental site.

Additions to financial assets include the EUR 1.2m acquisition in Serbia. All of the securities acquired with the new subsidiaries were sold during the year.

	EUR '000	Intangible assets	Property, plant and equipment	Financial assets	Total non-current assets
<b>Change in non-current assets</b>					
31 Dec. 2006		42,598	64,193	1,577	108,368
Investment		1,867	16,908	1,214	19,989
Acquisitions <sup>1)</sup>		3,262	7,884	194	11,340
Depreciations and amortisation		-2,976	-11,535	-32	-14,543
Disposals		-50	-2,189	-194	-2,433
Currency translation and other		5	181	0	186
31 Dec. 2007		44,706	75,442	2,759	122,907

<sup>1)</sup> Change in non-current assets due to change in the scope of consolidation



## Shareholder value

Growing the value of the Frauenthal Group is one of management's prime objectives.

Economic value added (EVA) and return on capital employed (ROCE) are the key measures used at Group level to manage performance.

Value measures	2007	2006
	EUR '000	EUR '000
Revenue	592,002	489,552
<b>EBITA *</b>	<b>27,209</b>	<b>21,412</b>
Taxes at average effective rate	-6,802	-5,353
<b>NOPAT *</b>	<b>20,407</b>	<b>16,059</b>
Capital employed	195,377	167,964
WACC in %	7.26 %	7.16 %
Cost of capital	14,184	12,026
<b>ROCE in % *</b>	<b>10.44 %</b>	<b>9.56 %</b>
<b>EVA *</b>	<b>6,222</b>	<b>4,033</b>
<b>EVA per share in EUR *</b>	<b>0.7</b>	<b>0.4</b>

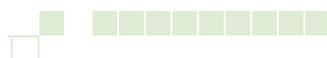
\* 2007: adjusted for the reversal of negative goodwill

Net operating profit after tax (NOPAT) was up by 27 % year on year. This indicator is related to capital employed throughout the Group, and the ROCE derived from it shows the extent to which Frauenthal is meeting investors' expectations in terms of returns.

The weighted average cost of capital (WACC) was recalculated as a result of the changes in the Group's financing.

The other key indicator, economic value added (EVA), rose from EUR 4,033,000 to EUR 6,222,000. EVA is the difference between NOPAT and the return on capital employed.

These improvements reflected the good performance of all Frauenthal's business operations.



## Disclosures in accordance with section 243a UGB (ABC)

The Company's share capital is divided into 7,534,990 (2006: 9,434,990) bearer shares of no par value and 1,900,000 (2006: nil) registered shares of no par value. All but the 1,900,000 registered shares are admitted to listing on the official market of the Vienna Stock Exchange. There are no classes of shares other than the no par shares.

The Executive Board of Frauenthal Holding AG is not aware of any restrictions on voting rights or the transfer of shares.

Ventana Beteiligungs GmbH holds 72.9% of the share capital of Frauenthal Holding AG through its wholly owned subsidiary FT-Holding GmbH.

There are no classes of shareholders with special control rights.

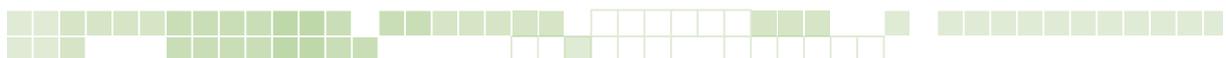
There are no employee shareholders.

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

By resolution of the 18th Annual General Meeting held on 3 May 2007 the Executive Board is empowered, subject to the approval of the Supervisory Board, to 30 June 2012 increase the Company's share capital by up to EUR 2,681,634.00 by issuance, in one or more tranches, of up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind.

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

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





## Risk report

In order to comply with Rule 67 of the Austrian Code of Corporate Governance and to make further improvements in this area, we began developing a formalised, uniform Group-wide risk management system in 2007. The purpose of this project is to identify risks at an early stage and counter them by taking appropriate action to minimise deviations from our targets.

As a first step we decided to identify and assess the main risks to which the Group is exposed. We began with the SHT Group as a pilot project, and went on to document the key risks affecting Styria Judenburg and Porzellanfabrik Frauenthal, and designate the risk owners.

The second stage, initiated at the start of 2008, involves establishing a risk management system based on these methods, so as to put a permanent Group-wide risk monitoring system in place by the end of the year. Suitable metrics and early warning indicators will be established for the main parameters to be monitored. Transgression of these limits will trigger predetermined reporting duties or clearly defined risk control measures

### COMPETITION AND CUSTOMER RISK

The Frauenthal Group produces truck components, catalysts for power stations and diesel engines, ceramic heat sinks and casting filters, and also operates in the wholesale plumbing supplies trade. In all its areas of business, the Group faces competition from other companies, which it must counter by maintaining a strong customer focus, and by means of cost reductions, productivity increases, innovation and price adjustments.

In the truck component (springs, air reservoirs and diesel catalysts) business it is customary to make one or multi-year blanket agreements that define the products, and establish the terms and conditions, but do not lay down binding supply quantities over the entire contract term. Whether a component supplier can win or extend such contracts depends on its competitiveness. This is mainly a

matter of price, but also has to do with its ability to supply the products required, the reliability of its logistics and quality, and its ability to collaborate with the customer on new developments.

As a truck component supplier, our Group is affected by changes in the demand for commercial vehicles and by competition between truck manufacturers, as these impact sales volume. Owing to our high market shares we cannot insulate ourselves from the effects of swings in truck demand (business cycle risk). However there is not a one-to-one relationship between changes in the market shares of the truck manufacturers we supply and our overall sales, since virtually all the commercial vehicle makers take our springs and air reservoirs. This does not apply to diesel catalysts, as we currently only have two customers for these.

The customer risks to which we are exposed also consist of credit and default risks. Most of the truck manufacturers are very large, multinational companies with good creditworthiness, but we also supply a number of smaller companies, mostly in Europe but also overseas. Most of the credit insurance cover is for such smaller customers. It is taken out when we regard this as necessary in the light of our assessment of a customer's creditworthiness.

Power station catalysts are a project based business, and success depends on contract acquisition skills, prices and product quality, as well as technical references. The clients are plant engineering companies and power station operators. In the case of export contracts the usual precautions in terms of payment guarantees are taken, on the basis of credit ratings. Due to the size of these projects a misjudgment of a business partner's creditworthiness could have a serious impact on the Group as a whole. The prepayments and part-deliveries customary for large projects help to mitigate this risk.

By contrast, SHT's wholesale business involves a large number of customers in the plumbing trade. Consumers are not directly supplied. The key success factors are



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

Most of SHT's customers are tradesmen, and the default risks are those characteristic of the plumbing trade, which is predominantly one of small businesses. This risk is combatted by efficient debtor management and ongoing monitoring of payment backlogs and defaults, as well as credit insurance cover. Since most of SHT's customers are small businesses, the default risk is widely diversified. Large projects and the related risks play a minor role in SHT's business, but there are instances of them.

The Group is active in several overseas countries — mainly in connection with power station catalyst and heat sink business. The transactions in question are subject to the political, legal, tax and business risks specific to these countries.

## TECHNICAL RISK

Due to the long development lead times of truck model ranges, springs and air reservoirs are not exposed to short-term technological substitution risks. In the long term, however, such risks could arise from the development of new suspension, axle and braking systems, and must be managed by ongoing monitoring of, and active involvement in technical development.

SCR catalysts have only recently been introduced as standard equipment for diesel vehicles. Long-term and fleet tests have demonstrated their durability and stable long-term performance. However long-term risks could emerge from widespread everyday use. Catalyst manufacturers will not be directly exposed to any claims, but problems could affect long-term sales. Engine and emission reduction technology is making rapid advances, and the development of competing systems can therefore not be excluded.

Power station catalysts are custom products, tailored to the generating station (and combustion equipment) concerned. Engineering or production defects could result in claims from customers, where the catalyst manufacturer was liable.

Contracts for the supply of ceramic honeycombs, springs or air reservoirs may be prematurely terminated, or may run into difficulties.

## EXPOSURE TO BUSINESS CYCLE AND POLITICAL RISK

Economic trends in Europe are a significant determinant of demand for the truck components produced by the Styria and Linnemann-Schnetzer groups. However economic growth in export markets for trucks in the Near and Middle East, Russia and Asia also influences truck component sales. Political risks (warfare, embargos, coups, etc.) may also affect exports to these regions. Due to the large market shares of both groups and the blanket contracts with truck manufacturers, swings in the demand for trucks in these markets have a direct and rapid impact on product sales, and there is little that can be done in the short term to counteract this. Like other capital goods markets, the market for trucks is cyclical, and apart from general economic influences it also reflects the demand for transport services and movements in interest rates for investment loans. As regards diesel catalyst sales, the key factor is not overall truck demand but demand for Euro 4 and 5 compliant vehicles.

Power station catalyst sales are primarily driven by environmental regulations governing generation at thermal power stations and other large combustion plants. Demand arises from the introduction of stricter limit values for NOx emissions which can only be complied with by installing SCR catalysts. Once retrofitting of existing thermal power stations has been completed the demand is confined to equipment for new stations and spare parts for SCR systems.

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



## DEPENDENCE ON MAJOR CONTRACTS

Our Group is dependent on major contracts with suppliers and customers. The termination or non-fulfilment of such agreements could have a negative effect on the Group's assets, finances and earnings.

## ENVIRONMENTAL RISK

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

At some of our works there is some soil contamination by wastes containing oil, dating back to the 1930s, 1940s and 1950s. However all our sites meet the licensing conditions imposed on them by the authorities responsible for them, and this is evidenced by appropriate surveys and written records. While there are no pending court or out-of-court proceedings relating to environmental matters at present, the possibility that future changes in the law or the discovery of environmental risks arising from legacies of the past will have a significant negative influence on the Group cannot be ruled out.

## OPERATIONAL RISK

The production of braking system air reservoirs involves forming, welding and surface treatment processes. Spring and U-bolt production is chiefly a hot rolling, bending and tempering process, and is associated with significant fire hazards. Ceramic honeycombs are manufactured by an extrusion process, followed by drying, calcination and firing. All these processes are associated with production outage and safety risks. These risks are minimised by work and process instructions, training programmes, continuous maintenance and testing, and insurance cover. In the case of spring and pressure vessel production it is also possible to relocate operations to other sites.

The availability of steel and other inputs is safeguarded by long-term supplier relationships in the case of the spring and U-bolt businesses, and by long-term supply contracts in that of the air reservoir business. However shortages of raw materials, and sharp increases in the prices of steel and other production materials would give rise to supply risks. In most cases agreements with customers enable steel price increases to be passed on.

Raw and intermediate materials for the production of catalysts and ceramic honeycombs are sourced from longstanding suppliers, and wherever possible availability is assured by one-year contracts. In 2005 some of these materials (e.g. the alloying metals tungsten and vanadium) were affected by tight supply and speculation, showing that here, too, supply and cost risks can arise.

Energy prices have a significant influence on overall production costs, and thus on the Group's earnings.

Springs and air reservoirs, which as safety critical parts are subject to special requirements and standards, are associated with warranty and product liability risks, since defects can lead to warranty claims and safety recall campaigns by truck manufacturers. The production of catalysts, heat sinks and casting filters can also give rise to warranty and product liability risks.

These are limited internally by training programmes, work instructions, quality control and product tests, and externally by customer audits and product liability insurance, as well as recall insurance. In the case of power station catalysts and ceramic honeycombs, project risk is controlled by end-to-end project risk management, and warranty risk is reduced by quality control and monitoring of SCR systems during commissioning and operation.

Procurement terms and conditions have a major influence on the profitability of the wholesale business. Some suppliers have large market shares in Austria, and would thus be hard to replace if they were unwilling to extend their supply agreements at terms acceptable to SHT.



Our Group depends on the error-free functioning of its IT (hardware and software) systems. System errors can lead to interruptions in operations. Software will need to be progressively upgraded and new ERP software introduced in the automotive components business in coming years. This could lead to introduction problems with severe effects on the efficiency and ability to supply products of the sites concerned. This risks can be mitigated by careful preparation and constant learning from experience, but cannot be entirely excluded.

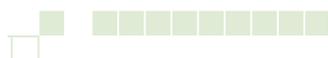
## FINANCIAL RISK

The Group's operations give rise to financial risks (including currency, liquidity and interest rate risks) which could have a significant impact on its assets, finances and earnings. Due to the cash flow structure of the operating subsidiaries the liquidity risk is relatively low. The liquidity needs of the Group's ongoing operations can be met from cash flow, and are managed by the holding company's treasury function.

The main currency risks attach to the power station catalyst operation, which does a considerable amount of business in the US dollar area. Only a relatively minor part of this risk is internally hedged by the procurement of raw and intermediate materials priced in dollars. Because of this currency hedges are used for some medium and long-term contracts.

The interest rate risk to which the Group's current capital structure exposes it is limited, as the EUR 70m bond issue floated in June 2005 is at a fixed  $3\frac{7}{8}\%$  rate of interest for a duration of seven years, and this meets most of the Group's financing needs. However, in the event of additional borrowing, and in the period after the maturity of the bond, interest rate movements could influence the Group's assets, finances and earnings.

Financial derivatives are only employed to hedge existing contracts, and their use is subject to appropriate internal rules and controls.



## Innovation

Most of the Frauenthal Group's products have already been on the market for a long time, and are technically mature. Steel springs, U-bolts and steel braking system air reservoirs are standard equipment for most commercial vehicles. Nevertheless, we regard our Group's ability to continuously improve the customer benefits conferred by such products through our research and development activities as one of its main strengths.

Our central automotive component research and development facility in Düsseldorf underwent further expansion in 2007. There is also an R&D centre for air reservoirs in Ahlen, Germany. The new location in Düsseldorf concentrates the Group's suspension springing R&D know-how at one site. Not only does this give our R&D effort in this area of technology a clear structure but it also sends a message to our customers about the importance we attach to innovation.

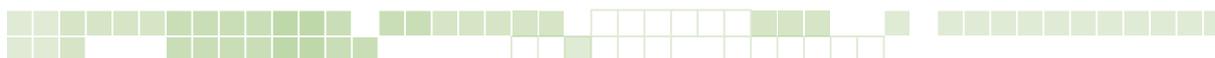
The acquisition cost of a heavy truck represents only about 10% of the total cost of operating it over its entire lifetime. The fuel, maintenance and staff costs account for far higher percentages. Fuel savings through weight reductions, increased reliability, and longer service life and maintenance intervals are important sales arguments for end-users. Joint developments aimed at improving systems can have a far greater impact on the overall operating costs of trucks than cuts in the prices paid to component suppliers, which only play a marginal role. Because of this we cooperate closely with the truck and trailer manufacturers' development departments on the optimisation of suspension systems and subsystems, and see ourselves as a long-term development partner for them. An important goal is cutting development lead times. Use of simultaneous engineering methods and new computer technologies is enabling all concerned to be involved in the development process. This creates efficient partnerships that greatly reduce the time taken for a design to enter production. Complete system solutions in the shape of module and component designs can be implemented more quickly as a result.

Such solutions include innovative production techniques like the forward integration of air reservoirs. This involves both standard pre-mounting of components on the reservoir, and the production and supply of complete tank modules for direct fitting to vehicle chassis. In future, we will be giving equal priority to process and product innovation.

Another major focus will be expanding our formed metal parts and welded component product ranges. Sales of these products rose again in 2007. The development of a four-point suspension arm has for the first time married the Styria Group's suspension system know-how with the LS Group's process and production engineering expertise in a joint project that holds out great promise for future air-sprung axle designs.

The potential for innovation in our automotive business goes far beyond new applications. The development of new products for truck springing systems will cement our technological leadership. Here, our R&D strategy relies on collaborative research projects with universities in the German speaking world (including the Aachen University of Technology, and the Universities of Bochum and Leoben), and close cooperation with steel producers, as well as the use of state-of-the-art software for complex simulations.

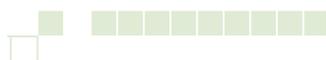
The range of applications for the extruded catalysts and ceramic honeycombs developed and manufactured by Porzellanfabrik Frauenthal is constantly growing. The diesel catalyst — a new development based on the same principles as the older power station catalyst technology — is the best example to date of successful R&D work in our Group. Investigation of the chemical and physical processes that take place in our catalysts is a challenging area of research connected with micro and nanotechnology. Cooperation with Austrian and foreign universities, and development partners in industry played a particularly valuable role in this project, which received substantial research funding from the Austrian government.



The development potential for automotive SCR catalysts is far from having been exhausted by the production readiness of Euro 5 trucks. We are convinced that this catalyst technology also represents the most environmentally friendly and economical solution for meeting future, even stricter vehicle emissions standards such as Euro 6 and EPA 2010. Patent protected developments, aimed at improving the heat resistance and effectiveness of our catalysts, are currently undergoing trials.

As regards power station catalysts, our focus is on innovative, custom solutions that create competitive advantages for ourselves and our clients. Thanks to the large number of foreign reference projects, meeting complex technical requirements, and to close performance monitoring, we are steadily extending our application know-how. This experience lays the groundwork both for product developments and for optimised overall concepts for power station flue gas purification systems that go far beyond catalysts as such. The benefits for our clients lie in significant reductions in maintenance and operating costs, as well as increased reliability and plant availability.

The heat sink product range has benefited from a number of successful development projects resulting in new composite materials that are used in the wood industry because of their chemical resistant properties.



## Human Resources

The Frauenthal Holding Executive Board regards human resources development as crucial to continued growth, and strategic HR initiatives are therefore centrally managed by the holding company.

Our HR strategy has two main planks: group-wide standards, and centrally prescribed and managed policies. Local staff training and development activities are carried out at plant level, and adapted to the requirements of the sites concerned.

Group-wide guidelines are also in place for employee appraisals, employee surveys at Group locations, and the Frauenthal Leadership Learning Programme.

2008 will see the launch of a Group-wide initiative for the recruitment and training of young university graduates (Junior Potential Programme), a drive to interest older members of staff in taking on Group responsibilities (Senior Potential Programme), and works based preventive health programmes.

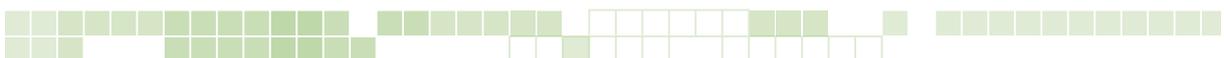
## Environmental protection

### ENVIRONMENTAL PROTECTION – A MAJOR PRIORITY

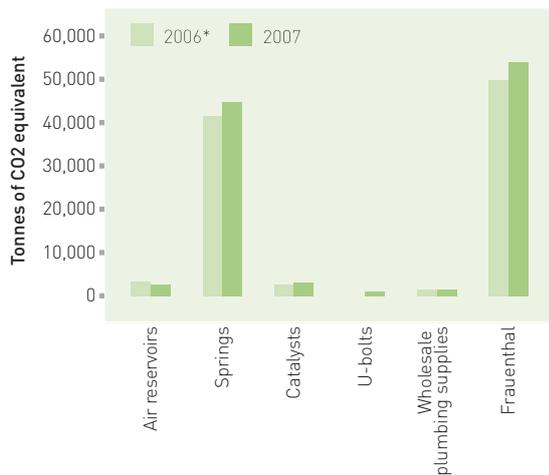
The Frauenthal Group takes environmental protection particularly seriously. Group companies comply with all environmental licensing conditions, legislation, orders and notices, and employees receive comprehensive health, safety and environment information and training. However, the Frauenthal Group is not only subject to environmental regulations — key areas of our business also benefit from environmental policy developments. The introduction of stricter environmental legislation has a direct impact on our power station and truck catalyst businesses. Emission control systems are growing in importance, and will exert a major influence on the design of future truck models, thus in turn affecting the demands placed on the truck parts we manufacture. For instance, thanks to the efforts our in-house research and development department, over the past decade we have succeeded in almost halving the weight of the front springs, from some 100 kg to around 60 kg. This has helped cut the unladen weight of a vehicle by between 80–100 kg, resulting in a considerable reduction in fuel consumption. Increased public awareness of the importance of environmental protection and conservation of scarce resources such as energy and water has also brought about changes in our sanitary product range and our product focus. We aim to make a significant contribution to protecting the environment by constantly upgrading our technology in these areas.

### FIRST CARBON BALANCE SHEET

In response to the growing importance of combating climate change, Frauenthal Holding has commissioned the first voluntary audit of its energy balance. The audit compares emissions of the greenhouse gases (GHGs) carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) arising directly from production and internal transportation in financial 2007 with the figures from the previous year. Other greenhouse gases are of minor importance and were therefore excluded.



### GREENHOUSE GAS EMISSIONS BY PRODUCTION SEGMENT



\*The figures for 2006 do not include Pol-Necks and Röhrich  
 Total emissions in 2007: 54,157 tonnes of CO<sub>2</sub>  
 Total emissions in 2006: 49,581 tonnes of CO<sub>2</sub>

The audit findings show that in 2007 the Frauenthal Group's CO<sub>2</sub> emissions were 54,157 tonnes (2006: 49,581 tonnes). Spring production was responsible for 84% of the total, reflecting the fact that these are our most energy intensive operations and represent one of the Group's main areas of activity. Our 54,157 tonne carbon footprint is equal to the energy consumption of 4,923 average Europeans or 18,000 car drivers over the same period. The acceleration in the year-on-year rise in GHG emissions 9.2% in 2007 was due both to the acquisitions — particularly that of U-bolt manufacturer Pol-Necks — and increased spring output.

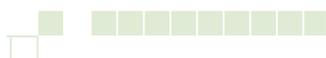
### GREENHOUSE GAS EMISSION REDUCTION

Despite a total increase in production of around 20% across all segments, GHG emissions were up by only 9.2%, pointing to efficient energy use within the Group. However, the audit also revealed sharp variations in emissions between individual plants, indicating that there is still great potential for energy savings. For some years now our power station catalyst works has been using 6,650 MWh of waste heat from a neighbouring factory, resulting in a considerable reduction in GHG emissions. The new diesel catalyst plant which opened in the spring of 2007 consumes 1,235 MWh of heat from the same source, and other locations are set to follow this positive example. The use of waste heat cut CO<sub>2</sub> emissions at the two factories by 1,558 tonnes in 2007. Seven of our 13 plants are certified under the ISO14000 environmental management standard, and another five are due to follow suit in the course of 2008.

#### CO<sub>2</sub> reductions due to Frauenthal products are almost three times as high as total Group emissions

Our successful truck diesel catalyst production operation in Frauenthal, Styria started up in 2006. Following the addition of a new factory building in spring 2007 it generated EUR 10.9m in revenue over the year. Frauenthal diesel catalysts have the following key advantages:

- Sufficient reduction in NO<sub>x</sub> emissions to meet the Euro 5 limits;
- 5–7% cut in fuel consumption; and
- Resultant 5% reduction in CO<sub>2</sub> emissions.



The use of SCR catalysts makes it possible to optimise engine management, thereby decreasing fuel consumption by 5–7%. In 2007 around 30,000 new trucks equipped with Frauenthal SCR catalysts were registered. Even if fuel savings came in at the lower level of only 5%, this would represent a reduction in fuel consumption of 59.4 million litres of diesel, assuming an average of 120,000 km per vehicle on the road. This 5% cut in fuel consumption in turn translates into an annual decrease in CO<sub>2</sub> emissions from these vehicles of some 156,000 tonnes.

These figures show that our innovative products cut CO<sub>2</sub> emissions by almost three times as much as Frauenthal's total greenhouse gas emissions (2007: 54,147 tonnes).

**This is further evidence that Frauenthal is helping to combat climate change.**

## CLIMATE PROTECTION OFFICER

As the reducing our carbon footprint is among our top priorities, in 2008 we plan to take a close look at our sites, and to appoint a Group climate change officer. The task of this person will be to build on our past progress, monitor current activities and develop a long-term climate change strategy for Frauenthal.

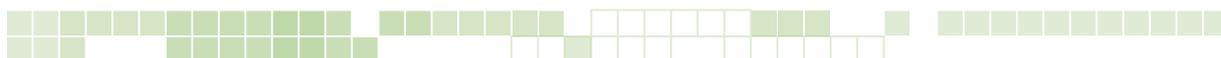
## ROLE OF PRIVATE INDIVIDUALS

In 2007 Austrian GHG emissions (excluding agriculture) amounted to 93 million tonnes, only ten million tonnes of which were accounted for the industrial sector. Total emissions were 24.5 million tonnes or 36% above Austria's Kyoto target. According to the findings of the UN IPCC Fourth Assessment Report, CO<sub>2</sub> emissions must be slashed by 20% over the next eight years if uncontrollable climate change is to be avoided. The onus is not just on both companies but on private individuals, too, to reduce their greenhouse gas emissions. The examples on the back cover of this Report offer advice on what you can do.

<b>Number of trucks fitted with Frauenthal catalysts in 2007</b>	<b>Quantity</b>	<b>30,000</b>
Annual mileage per truck	km	120,000
Average fuel consumption per truck per 100 km	l	33
<b>Annual fuel consumption for trucks fitted with SCR catalytic converter</b>	<b>l/year</b>	<b>1,188,000,000</b>
Reduction in fuel consumption resulting from improved motor management in combination with SCR catalytic converter	%	5
<b>Fuel savings of trucks fitted with SCR catalytic converters</b>	<b>l</b>	<b>59,400,000</b>
CO <sub>2</sub> emissions per litre of diesel consumed <sup>1</sup>	g/l	2,630
<b>Reduction in CO<sub>2</sub> emissions resulting from use of SCR catalytic converters</b>	<b>tonnes</b>	<b>156,222</b>

<sup>1</sup> Source: German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

l=litres, km=kilometres, g=grams, t=tonnes, CAT=catalytic converter, SCR=selective catalytic reduction



## Events after the balance sheet date

Styria Federn GmbH, Düsseldorf acquired a 69.5% interest in A.D. Fabrika Opruga, Kraljevo at a public auction held on 30 November 2007. The Serbian competition authority cleared the transaction on 28 December 2007, and it was entered in the register of companies on 4 January 2008. The takeover came into effect after an extraordinary general meeting held on 22 January 2008.

The purchase price of EUR 1.4m is reported under financial assets in the consolidated financial statements. The company was consolidated with effect from 1 January 2008.

At the extraordinary general meeting the name of the company was changed to A.D. Fabrika Opruga Styria Gibnjara, new articles of association were adopted, and a new supervisory board was appointed.

The enterprise, which is a public limited company, manufactures leaf springs, railway springs, coil springs and stabilisers for the truck and railway industries. In 2007 the company had 235 employees and returned revenue of EUR 3.4m.

A detailed action plan designed to enable the new subsidiary to meet its objectives as part of the Automotive Components Division has already been drawn up. Over the next two years a total of EUR 1.8m will be invested in expanding production capacity. The purchase gives the Frauenthal Automotive Group additional production capacity to meet the strong demand from the truck industry.

## Outlook

Despite downbeat economic forecasts we believe that 2008 will bring continued demand driven revenue growth across all our divisions.

We expect the Automotive Components Division to benefit from continued strong export demand, particularly from Eastern Europe and Russia, and see the increase in truck production outstripping economic growth in Europe. We hope to capitalise fully on our success in largely overcoming capacity bottlenecks.

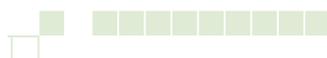
In the power station catalyst business, we currently have strong order books, and anticipate further growth in both replacement demand and sales of equipment for new power stations in the USA and Europe in 2008. We will therefore continue to expand capacity at the Frauenthal site. However further falls in the US dollar exchange rate could have a negative impact on profitability. We have not budgeted for the expected surge in Chinese demand that will be triggered by amended environmental regulations for new coal-fired power stations, though these are already on the drawing board. This additional demand will not generate any revenue in 2008.

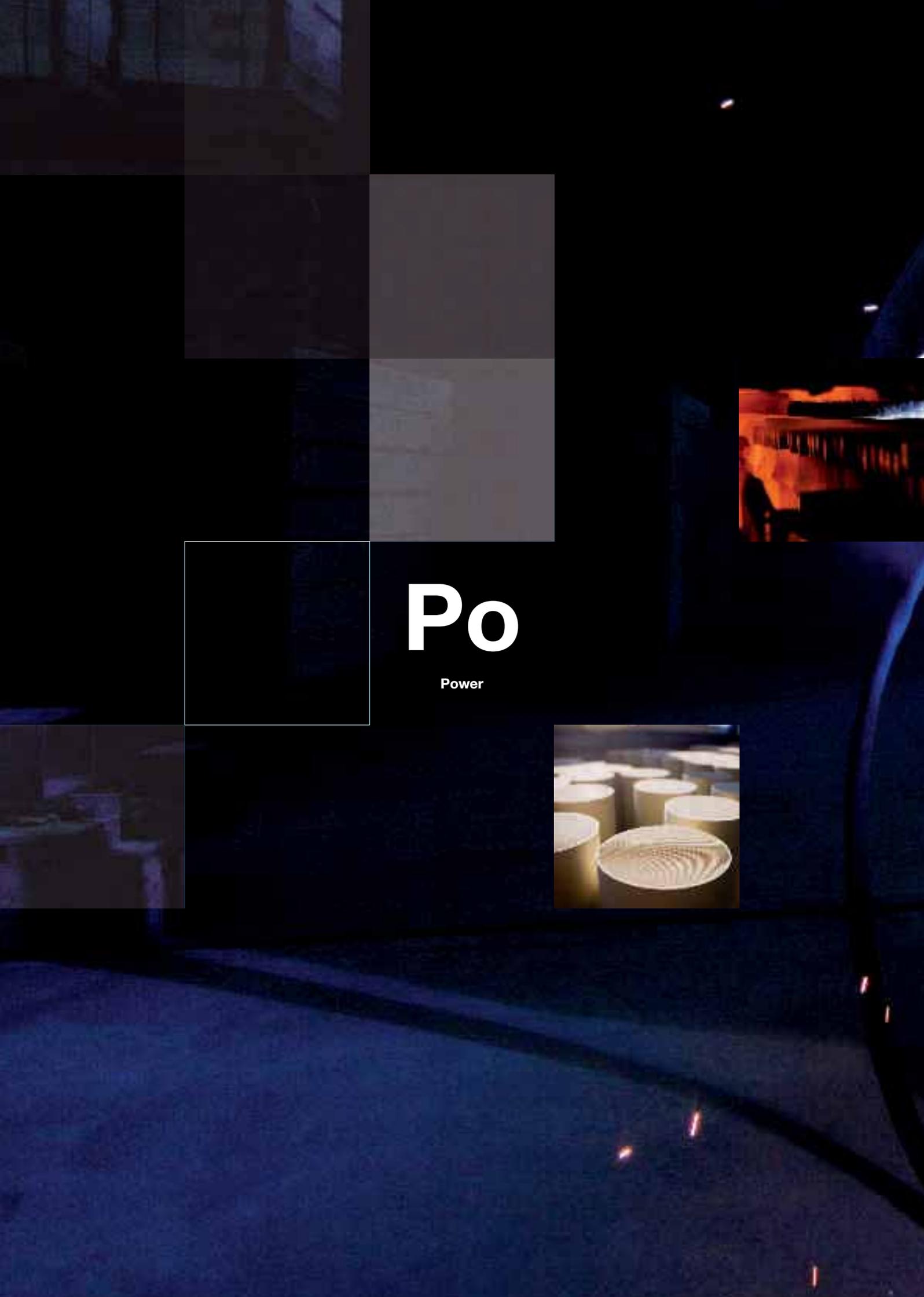
We expect the market served by SHT to continue to expand, but see demand growth slowly sharply. We will be focusing strongly on the central heating business during the current financial year.

In 2008 we will again be investing heavily and taking other steps to increase productivity at our factories. Another high priority will be promoting innovation in our Group. We will not only be targeting new product developments but will also be looking to introduce new production processes, and to create a culture of innovation across all three divisions.

We will again be targeting potential acquisitions that are a good fit for our strategy for developing the existing businesses.

On current information we believe that the outlook is for further robust growth in revenue and earnings in 2008.





**Po**

Power





**Sv**

Stable Value

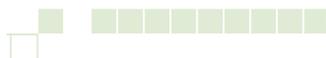
Consolidated Financial Statements 2007

## Balance sheet

Note		EUR '000	EUR '000
	<b>Assets</b>	<b>31 Dec. 2007</b>	<b>31 Dec. 2006</b>
	<b>Non-current assets</b>		
3,10,16	Intangible assets	44,706	42,598
10,16	Property, plant and equipment	75,442	64,193
10,16	Investments in associates	697	700
10,16	Other financial assets	2,062	877
12,17	Deferred tax assets	21,921	20,326
		<b>144,828</b>	<b>128,694</b>
	<b>Current assets</b>		
11,18	Inventories	74,678	70,824
11,18	Trade receivables	73,200	61,048
11,18	Other assets	11,255	10,818
11,18,40	Cash and cash equivalents	10,218	10,615
		<b>169,351</b>	<b>153,305</b>
	<b>Total assets</b>	<b>314,179</b>	<b>281,999</b>



Note		EUR '000	EUR '000
	<b>Equity and Liabilities</b>	<b>31 Dec. 2007</b>	<b>31 Dec. 2006</b>
19	<b>Equity</b>		
19	Share capital	9,435	9,435
19	Capital reserves	21,093	21,093
7,19	Retained earnings	39,890	28,765
	Translation reserve	-132	-78
19	Own shares	-396	-396
19	Minority interests	6,604	6,881
	Profit for the year	17,505	12,960
		<b>93,999</b>	<b>78,660</b>
	<b>NON-CURRENT LIABILITIES</b>		
13,22	<b>Liabilities</b>		
22	Bond	70,000	70,000
13,22,36	Bank borrowings	2,766	1,279
13,22	Other liabilities	0	10,500
		<b>72,766</b>	<b>81,779</b>
13,20	<b>Provisions</b>		
13,20	Provisions for termination benefits	9,627	9,130
13,20	Provisions for pensions	10,524	11,022
13,20,34	Provisions for deferred tax	2,126	1,535
13,20	Other long-term provisions	8,134	7,684
		<b>30,411</b>	<b>29,371</b>
		<b>103,177</b>	<b>111,150</b>
	<b>CURRENT LIABILITIES</b>		
13,22	<b>Liabilities</b>		
22	Bond	1,375	1,375
13,22,36	Bank borrowings	15,187	5,469
13,22	Trade payables	59,487	53,712
13,22	Other liabilities	36,356	26,394
		<b>112,405</b>	<b>86,950</b>
13,21	<b>Provisions</b>		
13,21	Tax provisions	2,007	2,474
13,21	Other short-term provisions	2,591	2,765
		<b>4,598</b>	<b>5,239</b>
		<b>117,003</b>	<b>92,189</b>
	<b>Total Equity and Liabilities</b>	<b>314,179</b>	<b>281,999</b>



## Income statement

		EUR '000	
Note		2007	2006
9,27	<b>Revenue</b>	<b>592,002</b>	<b>489,552</b>
	Changes in inventories of finished goods and work in progress	2,076	-797
16	Work performed by the entity and capitalised	642	1,864
28	Other operating income	11,135	10,505
29	Raw material and consumables used	-386,239	-317,544
30	Staff costs	-118,879	-103,576
16,21	Depreciation and amortisation	-14,511	-11,974
32	Other operating expenses	-58,406	-46,619
	<b>Profit from operations</b>	<b>27,820</b>	<b>21,411</b>
	Share of results of associates	-3	-27
	Interest income	653	642
33	Interest expense	-5,260	-4,416
	Other finance income	33	72
	Other finance costs	-29	-78
	<b>Net finance costs</b>	<b>-4,606</b>	<b>-3,807</b>
	<b>Profit before tax</b>	<b>23,214</b>	<b>17,604</b>
34	Income tax expense	-4,303	-3,011
34	Change in deferred tax	-288	-513
	<b>Profit before minority interests</b>	<b>18,623</b>	<b>14,080</b>
	Minority interests	-1,118	-1,121
	<b>Net profit/loss for the period</b>	<b>17,505</b>	<b>12,959</b>
47	<b>Earnings per share (undiluted/diluted)</b>	<b>1.91</b>	<b>1.41</b>





Alfred Mayr, 35, production worker

## Cash Flow Statement

Note	EUR '000	EUR '000
	2007	2006
	18,623	14,080
	3	27
	14,511	11,974
	- 230	-6
	306	315
	29	50
	167	224
	45	649
	-1,537	0
36	<b>31,917</b>	<b>27,313</b>
	156	-5,531
	-6,986	-4,177
	-2,135	-3,114
	-1,025	-3,524
	4,316	11,660
	-17	253
	- 946	-1,680
	- 482	-359
37	<b>24,798</b>	<b>20,841</b>
	-19,989	-19,049
	2,356	2,939
	2,448	0
	-10,597	0
38	<b>-25,782</b>	<b>-16,110</b>
	-2,987	-1,992
	- 538	-9,296
	0	-7,750
	4,112	150
	0	14
39	<b>587</b>	<b>-18,874</b>
	<b>-397</b>	<b>-14,143</b>
	10,615	24,757
40	<b>10,218</b>	<b>10,615</b>

# Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Translation reserve	Treasury shares	Net profit/loss	Equity attributable to equity holders of the parent	Minority interests	Total equity
<b>At 1 Jan. 2006</b>	<b>6,857</b>	<b>23,671</b>	<b>11,421</b>	<b>-76</b>	<b>-396</b>	<b>19,178</b>	<b>60,655</b>	<b>16,403</b>	<b>77,058</b>
Consolidated net profit for 2005			19,178			-19,178	0		0
Consolidated net profit for 2006						12,960	12,960	1,121	14,081
Capital increase	2,578	-2,578					0		0
Participation certificates							0	-10,500	-10,500
Dividends			-1,834				-1,834	-158	-1,992
Exchange differences on translating foreign operations and change in minority interests				-2			-2	15	13
<b>At 31 Dec. 2006 = 1 Jan. 2007</b>	<b>9,435</b>	<b>21,093</b>	<b>28,765</b>	<b>-78</b>	<b>-396</b>	<b>12,960</b>	<b>71,779</b>	<b>6,881</b>	<b>78,660</b>
Consolidated net profit for 2006			12,960			-12,960	0		0
Consolidated net profit for 2007						17,505	17,505	1,118	18,623
Dividends		-1,835					-1,835	-1,153	-2,988
Exchange differences on translating foreign operations and change in minority interests				-54			-54	-242	-296
<b>At 31 Dec. 2007</b>	<b>9,435</b>	<b>21,093</b>	<b>39,890</b>	<b>-132</b>	<b>-396</b>	<b>17,505</b>	<b>87,395</b>	<b>6,604</b>	<b>93,999</b>

## Non-current asset movement schedule

### Changes in costs

	Cost at 1 Jan. 2007	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassifications	Cost at 31 Dec. 2007	Accumulated depreciation/amortisation	Carrying value at 31 Dec. 2007	Carrying value at 1 Jan. 2007	Carrying value at 1 Jan. 2006	Write-downs in year
<b>Intangible assets</b>												
Concessions, patents and similar rights and licences	26,731	141	3	999	406	23	27,491	8,782	18,709	19,466	20,166	1,841
Goodwill	25,312	3,195			1,805		26,702	2,934	23,768	21,500	21,500	926
Development costs	1,635			112	42		1,705	251	1,454	1,593	925	209
Prepayments	39			756		-20	775	0	775	39	52	0
	<b>53,717</b>	<b>3,336</b>	<b>3</b>	<b>1,867</b>	<b>2,253</b>	<b>3</b>	<b>56,673</b>	<b>11,967</b>	<b>44,706</b>	<b>42,598</b>	<b>42,643</b>	<b>2,976</b>
<b>Property, plant and equipment</b>												
Land and buildings	40,760	5,231	148	2,599	2,339	2,007	48,406	17,681	30,725	23,966	25,312	1,129
Plant and equipment	106,682	4,358	-203	7,470	3,386	4,596	119,517	86,790	32,727	25,285	23,115	7,058
Other plant and equipment, fixtures and fittings	32,121	325	-159	3,973	2,353	31	33,938	25,316	8,622	7,912	7,199	3,348
Prepayments made and assets under construction	7,085	135	-26	2,866	55	-6,637	3,368	0	3,368	7,030	2,651	0
	<b>186,648</b>	<b>10,049</b>	<b>-240</b>	<b>16,908</b>	<b>8,133</b>	<b>-3</b>	<b>205,229</b>	<b>129,787</b>	<b>75,442</b>	<b>64,193</b>	<b>58,277</b>	<b>11,535</b>
<b>Financial assets</b>												
Investments in associates	740						740	43	697	700	727	3
Securities held as non-current assets	1,044	194	-1		194		1,043	195	848	877	2,612	29
Prepayments				1,214			1,214		1,214			
	<b>1,784</b>	<b>194</b>	<b>-1</b>	<b>1,214</b>	<b>194</b>	<b>0</b>	<b>2,997</b>	<b>238</b>	<b>2,759</b>	<b>1,577</b>	<b>3,339</b>	<b>32</b>
	<b>242,149</b>	<b>13,579</b>	<b>-238</b>	<b>19,989</b>	<b>10,580</b>	<b>0</b>	<b>264,899</b>	<b>141,992</b>	<b>122,907</b>	<b>108,368</b>	<b>104,259</b>	<b>14,543</b>

## Changes in carrying values

	EUR 000	Carrying value at 1 Jan. 2007	Change in scope of consolidation	Exchange differences	Additions	Disposals	Reclassifications	Write-downs in year	Carrying value at 31 Dec. 2007
<b>Intangible assets</b>									
Concessions, patents and similar rights and licences		19,466	67	2	999	7	23	1,841	18,709
Goodwill		21,500	3,195		0	1	0	926	23,768
Development costs		1,593			112	42	0	209	1,454
Prepayments		39			756	0	-20	0	775
		42,598	3,262	2	1,867	50	3	2,976	44,706
<b>Property, plant and equipment</b>									
Land and buildings		23,966	4,933	169	2,599	1,820	2,007	1,129	30,725
Plant and equipment		25,285	2,606	56	7,470	228	4,596	7,058	32,727
Other plant and equipment, fixtures and fittings		7,912	210	-15	3,973	141	31	3,348	8,622
Prepayments made and assets under construction		7,030	135	-26	2,866	0	-6,637		3,368
		64,193	7,884	184	16,908	2,189	-3	11,535	75,442
<b>Financial assets</b>									
Investments in associates		700			0	0	0	3	697
Securities held as non-current assets		877	194			194	0	29	848
Prepayments					1,214				1,214
		1,577	194	0	1,214	194	0	32	2,759
		108,368	11,340	186	19,989	2,433	0	14,543	122,907

## Segmental analysis

	EUR '000		Industrial honeycombs		Automotive components		Plumbing supplies wholesaling		Holding companies and others		Intragroup eliminations		Frauenthal Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Strategic business segments</b>														
External sales	39,105	34,230	312,476	256,600	240,395	198,694	26	28	592,002	489,552				
Intersegment revenue	1,245		340	842			3,212	3,112	-4,797	-3,954				0
Total revenue	40,350	34,230	312,816	257,442	240,395	198,694	3,238	3,140	-4,797	-3,954				489,552
EBITDA	4,558	3,002	24,875	21,478	13,113	10,169	-261	-1,263	46	0	42,331	33,386		
Reclassification of negative goodwill <sup>1)</sup>					-1,393			0	0	0	-1,393	0		
Adjusted EBITDA	4,558	3,002	24,875	21,478	11,720	10,169	-261	-1,263	46	0	40,938	33,386		
Depreciation, amortisation and impairment	459	648	10,258	7,807	3,642	3,371	152	148			14,511	11,974		
whereof impairment			926		258	180					1,184	180		
Adjusted EBIT	4,099	2,354	14,617	13,671	8,078	6,798	-413	-1,411	46	0	26,427	21,412		
Share of results of associates							-3	-27			-3	-27		
Investment in equity method associates							697	700			697	700		
Borrowings	17,133	16,355	93,560	96,603	46,199	46,698	223,487	171,334	-160,199	-128,619	220,180	202,371		
Capital employed	2,406	9,419	104,013	57,851	73,890	60,937	161,629	62,654	-146,561	-22,897	195,377	167,964		
Assets	25,578	24,579	228,226	220,516	97,163	95,648	278,840	226,703	-315,628	-286,415	314,179	281,031		
Investment	1,201	5,177	13,897	10,076	3,528	3,611	149	185			18,775	19,049		
Acquisitions <sup>2)</sup>			11,074		748			45,600	-11	-45,600	11,811	0		
Employees	172	169	2,199	1,937	652	623	9	9			3,032	2,738		

<sup>1)</sup> Only material earnings components are adjusted; immaterial amount arising from reversal of negative difference in the automotive components segment was not eliminated.

<sup>2)</sup> Including purchase price of A.D. Fabrika Opruga, Kraljevo.

	Revenue		Assets		Investments and acquisitions		Average no. of employees	
	2007	2006	2007	2006	2007	2006	2007	2006
EUR '000								
<b>Geographical markets by sites/domiciles</b>								
Austria	329,107	268,661	360,467	266,476	21,186	51,997	1,071	975
Germany	173,818	101,746	172,074	186,144	7,140	4,014	645	545
France	77,862	67,924	53,691	50,045	2,133	3,375	337	319
Rest of the world	109,925	100,137	76,119	63,064	2,392	3,474	979	899
Consolidation	-98,710	-48,916	-348,172	-284,698	-2,265	-43,811	0	0
<b>Frauenthal Group</b>	<b>592,002</b>	<b>489,552</b>	<b>314,179</b>	<b>281,031</b>	<b>30,586</b>	<b>19,049</b>	<b>3,032</b>	<b>2,738</b>

	Industrial honeycombs		Automotive components		Plumbing supplies wholesaling		Holding companies and others		Frauenthal Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
EUR '000										
<b>Revenue by geographical markets (final customers)</b>										
Austria	1,114	1,274	23,098	19,986	240,395	198,694	26	28	264,633	219,982
Germany	5,743	7,318	144,268	114,724	0	0	0	0	150,011	122,042
France	1,362	997	26,884	25,007	0	0	0	0	28,246	26,004
Sweden	387	0	32,215	27,449	0	0	0	0	32,603	27,449
Belgium	1,510	1,125	23,008	18,522	0	0	0	0	24,518	19,647
Other EU	4,502	4,885	53,777	46,697	0	0	0	0	58,277	51,582
Rest of Europe	163	392	8,840	4,085	0	0	0	0	9,003	4,477
America	16,370	8,195	39	34	0	0	0	0	16,410	8,229
Asia	7,816	8,834	270	76	0	0	0	0	8,087	8,910
Other	138	1,210	77	20	0	0	0	0	214	1,230
<b>Total</b>	<b>39,105</b>	<b>34,230</b>	<b>312,476</b>	<b>256,600</b>	<b>240,395</b>	<b>198,694</b>	<b>26</b>	<b>28</b>	<b>592,002</b>	<b>489,552</b>

## Notes

### to the consolidated balance sheet as at 31 December 2007 and the consolidated income statement for the year ended 31 December 2007

#### A. General

Frauenthal Holding AG is registered in the Vienna register of companies under number 83990 s. The Company's registered address is: Prinz-Eugen-Strasse 30/4A, 1040 Vienna, Austria.

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

These consolidated financial statements have been prepared in accordance with internationally accepted accounting standards, under the exemption granted by section 245a UGB (Austrian Business Code). The consolidated annual financial statements of Frauenthal Holding AG (hereafter "the Frauenthal Holding Group" and "the consolidated financial statements") as at 31 December 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

No new or amended IFRS are voluntarily applied prior to their effective dates.

The following new standards and interpretations were adopted in 2007:

- IFRS 7 Financial Instruments: Disclosures, applicable on or after 1 January 2007**
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, applicable on or after 1 March 2006**
- IFRIC 8 Scope of IFRS 2, applicable on or after 1 May 2006**
- IFRIC 9 Reassessment of Embedded Derivatives, applicable on or after 1 June 2006**
- IFRIC 10 Interim Financial Reporting and Impairment, applicable on or after 1 November 2006**

The following amended standards and interpretations were adopted in 2007:

- IAS 1 Presentation of Financial Statements, applicable on or after 1 January 2007**
- IAS 32 Financial instruments: Presentation, applicable on or after 1 January 2007**



The International Accounting Standards Board adopted IFRS 7 Financial Instruments: Disclosures in August 2005. The standard contains new requirements regarding information on the significance of financial instruments for an entity's financial position and performance. IFRS also imposes additional requirements with regard to the reporting of risks arising from financial assets and liabilities.

IFRIC 10 Interim Financial Reporting and Impairment was issued in July 2006. This interpretation states that impairments of goodwill, and of certain financial assets recognised in interim financial statements which are subject to the prohibition of reversals under IAS 36 and 39 may not be reversed in subsequent interim or annual financial statements.

The amendment to IAS 1 Presentation of Financial Statements introduces additional requirements for disclosures about an entity's capital, including its capital structure, and its objectives, policies and processes for managing capital. The amendment of August 2005 replaced the disclosure rules in IAS 32 by those of IFRS 7 Financial Instruments: Disclosures. The title of IAS 32 was amended to Financial Instruments: Presentation. The amendment to IAS 1 and the new IFRS 7 significantly extended the disclosure requirements for the notes to the Frauenthal Group's accounts.

IFRIC 7–9 have not resulted in no significant changes to the Frauenthal consolidated financial statements.

The following new or amended standards and interpretations issued by 31 December 2007 and endorsed by the EU but not yet effective have not been voluntarily adopted early:

**IFRS 8 Operating Segments, applicable on or after 1 January 2009**

**IFRIC 11 IFRS 2 Group and Treasury Share Transactions, applicable on or after 1 March 2007**

The impact of these new or amended standards and interpretation is unknown or cannot be reliably assessed.

All the other accounting and measurement policies were unchanged from the previous year.

Unless otherwise stated all amounts are expressed in thousand euro (EUR '000).

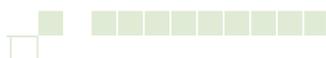
A glossary, including abbreviations of Group companies' names used in these notes, is appended thereto.

## B. Consolidation, accounting and measurement methods

### ■ Consolidation principles

#### [1] Scope of consolidation

The scope of consolidation was determined in accordance with IAS 27.11. The number of consolidated companies has increased from 29 to 30 since the previous year, due to the acquisition of three companies and the formation of two entities. During the year under review three foreign subsidiaries were merged and one foreign company was divested.



The consolidated statements thus comprise the results of the parent, Frauenthal Holding Group and 30 subsidiaries which are under the common control of the Group and in which the latter or one of its subsidiaries holds a majority of the voting rights.

The number of consolidated subsidiaries changed as follows in the course of financial 2007:

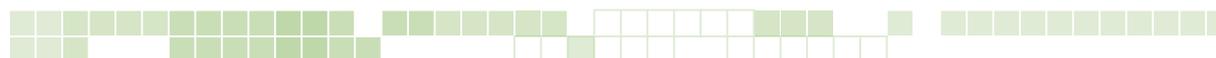
	Austria	Abroad	Total
Consolidated at 31 December	8	21	29
Acquisitions	1	2	3
Formations	1	1	2
Merger	0	-3	-3
Disposal	0	-1	-1
Consolidated at 31 December 2007	10	20	30

During the 2007 financial year Pol-Necks Sp.zo.o., Poland, LW Imobilija d.o.o., Slovenia and Röhrich Heizung und Industriebedarf GmbH, Austria were acquired. In addition Ceram Catalysts GmbH, Austria and Ceram Frauenthal Korea Co. Ltd, Republic of Korea were formed.

Linnemann-Schnitzer Verwaltungs GmbH, Germany was merged with Frauenthal Deutschland GmbH, Germany, LW Imobilija d.o.o., Slovenia with Styrija Vzmeti d.o.o., Slovenia, and Styria Holding S.A.S., Châtenois with Styria Ressorrt Vehicules Industriels S.A.S., Châtenois. Linnemann-Schnitzer Hungary Kft., Hódmezővásárhely was sold during the 2007 financial year

The following companies are fully consolidated:

	Domicile	Holding	
		indirect	direct
Porzellanfabrik Frauenthal GmbH	Vienna, Austria		100.00%
Ceram Enviromental, Inc.	Kansas, USA	100.00%	
Ceram Frauenthal Korea Co., Ltd. (formed on 2 August 2007)	Seoul, Korea	100.00%	
Frauenthal Ost Beteiligungs-GmbH	Vienna, Austria		100.00%
Frauenthal Handels- und Dienstleistungs-GmbH	Vienna, Austria		100.00%
SHT Haustechnik AG	Perchtoldsdorf, Austria	100.00%	
Schild B.V.	Zeist, Netherlands	100.00%	
1a Installateur-Marketingberatung für Gas-, Sanitär- und Heizungsinstallateure GmbH	Vienna, Austria	100.00%	
SHT Finance GmbH	Luxembourg, Luxembourg	100.00%	
Röhrich Heizung und Industriebedarf GmbH (consolidated on 1 April 2007)	Salzburg, Austria	100.00%	
Frauenthal Liegenschaftsverwaltungsgesellschaft mbH	Ahlen, Germany		100.00%
Frauenthal Automotive Components GmbH	Vienna, Austria		100.00%



	Domicile	Holding	
		indirect	direct
Frauenthal Deutschland GmbH	Ahlen, Germany	100.00%	
Pol-Necks Sp.zo.o. (consolidated on 1 July 2007)	Torun, Poland	100.00%	
Ceram Catalysts GmbH (formed on 22 January 2007)	Vienna, Austria	100.00%	
Styria Federn Holding GmbH	Vienna, Austria	86.00%	
Styria Vzmeti d.o.o.	Ravne na Koroskem, Slovenia	86.00%	
Styria Ressorts Véhicules Industriels s.a.s.	Châtenois, France	86.00%	
Styria Federn GmbH	Judenburg, Austria	85.98%	
Styria Federn GmbH	Düsseldorf, Germany	25.57%	60.43%
Styria Jousset Oy	Billnäs, Finland	86.00%	
Styria Impormol S.A.	Azambuja, Portugal	86.00%	
Styria Arcuri S.A.	Sibiu, Romania	64.67%	
Linnemann-Schnetzer Deutschland GmbH	Ahlen, Deutschland	100.00%	
Linnemann-Schnetzer GmbH & Co.	Ahlen, Germany	90.00%	
Linnemann-Schnetzer Sachsen GmbH	Elterlein, Germany	90.00%	
Linnemann-Schnetzer Produktionsgesellschaft mbH	Ahlen, Germany	90.00%	
Ceram Catalysts GmbH	Ahlen, Germany	90.00%	
Frauenthal Einkaufs GmbH	Ahlen, Germany	90.00%	
Styria Elesfrance S.A.S (previously ELES FRANCE S.A.S)	St.Avoid, France	100.00%	

The following companies were acquired during the 2007 financial year:

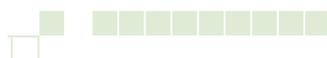
	Domicile	Holding	
		indirect	direct
Röhrich Heizung und Industriebedarf GmbH	Salzburg, Austria	100.00%	
Pol-Necks Sp.zo.o.	Torun, Poland	100.00%	
LW Imobilija d.o.o.	Ravne na Koroskem, Slovenia	100.00%	

During the 2007 financial year the following mergers took place:

	Domicile	Holding	
		indirect	direct
Styria Holding S.A.S.	Châtenois, France		
merged with Styria Ressort Véhicules Industriels s.a.s.	Châtenois, France	86.00%	
LW Imobilija d.o.o.	Ravne na Koroskem, Slovenia		
merged with Styria Vzmeti d.o.o.	Ravne na Koroskem, Slovenia	86.00%	
Linnemann-Schnetzer Verwaltungs GmbH	Ahlen, Germany		
merged with Frauenthal Deutschland GmbH	Ahlen, Germany	100.00%	

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

	Domicile	Holding	
			direct
Ceram Liegenschaftsverwaltung GmbH	Vienna, Austria		50%



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

## [2] Effects of changes in the scope of consolidation

### Effects on the consolidated income statement as compared to 2006

The effects of the additions to the consolidated Group on the consolidated income statement as compared to the previous year's figures were as follows:

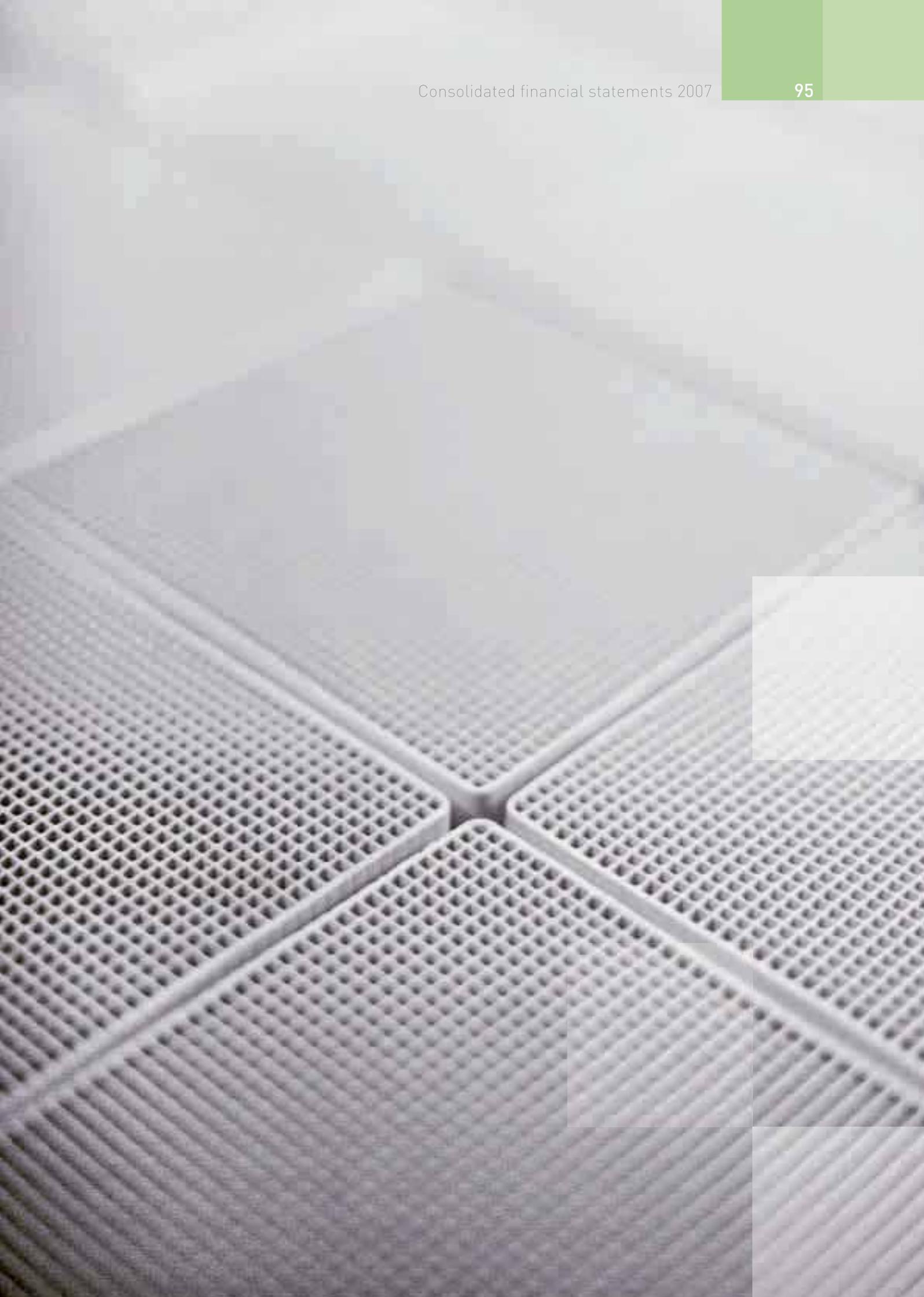
EUR '000	Röhrich Heizung und Industrie- bedarf GmbH	Pol-Necks Sp.zo.o	Consolidation
	Q2-Q4 2007	Q2-Q4 2007	
Revenue	12,079	5,158	<b>17,237</b>
EBIT	-326	402	<b>76</b>
Profit before tax	-429	329	-100

As LW Imobilija d.o.o., which was merged with Styria Vzmeti d.o.o., almost exclusively generated intragroup revenue the effects of the transaction are not shown.

### Effects on the consolidated balance sheet as compared to 2006

The effects of consolidation of the companies acquired during the 2007 financial year on the Frauenthal Group's assets and liabilities were as follows:





	EUR '000	Röhrich Heizung und Industrie- bedarf GmbH	LW Imobilija d.o.o. merged with Styria Vzmeti d.o.o.	Pol-Necks Sp.zo.o	Consolidation
		1.Apr. 2007	1. Jan. 2007	1. Jul. 2007	2007
Intangible assests				67	67
Property, plant und equipment	133	1,032		6,718	7,883
Financial assets	194				194
<b>Non-current assets</b>	<b>327</b>	<b>1,032</b>		<b>6,785</b>	<b>8,144</b>
Deferred tax assets	1,730			32	1,762
Inventories	2,827			1,183	4,010
Receivables	2,058	21		3,837	5,916
Cash and cash equivalents	46	4		134	184
<b>Total assets</b>	<b>6,988</b>	<b>1,057</b>		<b>11,971</b>	<b>20,016</b>
<b>Equity</b>	<b>2,187</b>	<b>168</b>		<b>6,768</b>	<b>9,123</b>
Provisions	983			396	1,379
Bank borrowings	2,723	872		3,496	7,091
Other liabilities	1,095	17		1,311	2,423
<b>Total equity and liabilities</b>	<b>6,988</b>	<b>1,057</b>		<b>11,971</b>	<b>20,016</b>

### [3] Basis of consolidation

Consolidation is performed according to the purchase method. This involves allocating the cost of the acquisition to the identifiable assets and liabilities (including contingent liabilities) of the acquiree. The excess of the acquisition cost over the fair value of the net assets is reported as goodwill.

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

Pursuant to IFRS 3, goodwill arising from acquisitions made before 31 December 2005 is tested for its future economic benefits at the least at each balance sheet date in the same way as with new acquisitions.

### [4] Elimination of intragroup balances

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

### [5] Elimination of intragroup profits or losses

Where material, intragroup profits or losses are eliminated. Book profits of EUR 555,000 (2006: EUR 2,562,000) realised from intragroup asset sales during the 2007 financial year were eliminated.

No profits of Linnemann-Schnetzer GmbH & Co., Ahlen from the sale of self-constructed assets were eliminated at balance sheet date (2006: EUR 33,000).



**[6] Elimination of intragroup income and expenses**

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

**[7] Currency translation**

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

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

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

In the company statements of Frauenthal Holding AG and its subsidiaries, foreign currency receivables and payables are measured at the exchange rate at the date of the transaction. Exchange gains and losses arising at balance sheet are recognised in profit or loss.

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

		EUR 1	Closing rate		Average rate	
			31.Dec. 2007	31.Dec. 2006	2007	2006
Poland	PLN		<b>3.5935</b>	3.8310	<b>3.7749</b>	3.8996
Republic of Korea	KRW		<b>1,377.9600</b>	1,224.8100	<b>1,280.1108</b>	1,200.3983
Romania	RON		<b>3.6077</b>	3.3835	<b>3.3410</b>	3.5125
Hungary	HUF		<b>253.7300</b>	251.7700	<b>251.3742</b>	264.1117
USA	USD		<b>1.4721</b>	1.3170	<b>1.3797</b>	1.2630

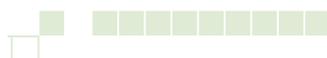
**■ Accounting and measurement policies**

The annual financial statements of all consolidated companies are presented according to uniform accounting and valuation principles in conformity with IAS 27. Immaterial variations in the company statements of foreign subsidiaries and associates are disregarded.

All the consolidated Group companies submitted audited financial statements drawn up to 31 December 2007.

**[8] General**

All assets are recognised at cost less depreciation or amortisation, and liabilities at amortised cost. An impairment loss is recognised whenever there are indications of impairment. In the case of intangible assets the carrying amount is compared with the recoverable amount, and an impairment loss recognised where necessary.



**[9] Revenue**

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

**[10] Non-current assets**

Acquired and internally generated **intangible assets** are recognised in accordance with IAS 38 if it is probable that use of the assets will be associated with future economic benefits and their cost can be reliably determined. They are recognised at cost, and are amortised over their useful lives if determinable. Intangible assets with indefinite useful lives and goodwill recognised on consolidation are not amortised. Pursuant to paragraph 108 of IAS 38, the carrying values are tested for impairment at least annually, and impairment is recognised wherever there is an indication that the economic benefits expected to arise from the assets have declined. Most of the non-amortised intangible assets are acquired trademarks whose useful lives cannot be determined at present.

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

Intangible assets are normally amortised over periods of between three and ten years.



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

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

	Years
Buildings	10 to 50
Plant and equipment	5 to 20
Other plant and equipment, fixtures and fittings	3 to 10

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

The cost of self-constructed assets includes all costs directly attributable to the production process and reasonable production overheads.

**Borrowing costs** are not recognised as part of the costs of purchase or conversion.

**Leased assets** are reported as non-current assets. In accordance with IAS 17, property, plant and equipment acquired under finance leases is recognised at fair value at the time of addition or, if lower, the present value of the lease payments. Where it is not reasonably certain that ownership will pass to the Group depreciation is on a straight-line basis over the shorter of the lease term or the useful life. The commitments arising from future lease instalments are stated under "Other liabilities". Finance leases are leases under which substantially all the risks and rewards incidental to ownership are transferred to the Group.

**Investment grants** are not recognised as liabilities under Group accounting regulations. A grant is deducted in arriving at the carrying amount of the asset concerned, and is recognised over the life of the depreciable asset by way of a reduced depreciation charge.

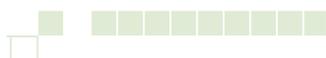
Investments in non-consolidated Group companies and other equity investments, reported under **financial assets**, are recognised at cost, or at fair value if different and if the latter can be reliably measured.

Associates are accounted for using the equity method.

The non-current financial assets are classified as available-for-sale financial assets as defined by IAS 39.

### [11] Current assets

**Inventories** of raw material and consumables used are measured at the lower of cost or net realisable value at balance sheet date. The purchase cost is determined by the moving average, or in some exceptional cases, the FIFO method.



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

Borrowing costs are not recognised as part of the purchase or conversion costs.

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

Long-term construction projects in the industrial honeycomb segment are measured in accordance with the percentage of completion (PoC) method, in conformity with IAS 11. Contract revenue and stage of completion are determined on the basis of fixed price contracts. The percentage of completion is measured by the ratio of the contract costs incurred up to balance sheet date to the total contract costs estimated at balance sheet date.

**Other current assets** are carried at the lower of nominal amount or purchase cost, net of any valuation allowances. In the event of impairment they are stated at the lower comparative amount.

**[12] Deferred tax**

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

**[13] Provisions and liabilities**

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

The pension provisions were calculated using the projected unit credit method. Under this, the benefit obligation is the actuarial present value of the entitlements at balance sheet date, adjusted for future salary and pension increases. Country mortality and invalidity tables were used for the actuarial calculation. The imputed retirement ages were likewise based on the relevant legislative provisions in the respective countries.

An annual discount rate of 4.5% (2006: 4.0%), and average annual salary and pension increases of 3% were applied.



The provisions for termination and jubilee benefits were calculated using the projected unit credit method, under which the expected benefit obligation is attributed to the periods of service of the employee up to the attainment of maximum entitlement. Future annual salary increases of 3.0% are assumed. As with the calculation of the post-employment benefit provision, the discount rate applied is 4.5 % (2006: 4.0% p.a.) At balance sheet date the provisions were sufficient to fund the entire defined benefit obligation.

All actuarial gains and losses are recognised as expense or income in the financial year in which they arise.

The other provisions are recognised for all identifiable risks and contingent liabilities where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made. The provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are recognised at the present value of the expenditure expected to be required to settle the obligation.

Liabilities are shown at amortised cost.

#### **[14] Currency translation**

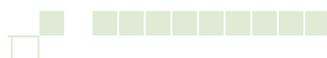
Foreign currency receivables and payables are measured at the exchange rate ruling at the date of the transaction.

#### **[15] Changes in accounting estimates**

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

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

- Employee benefit plans: The valuation of pension plans, and termination and jubilee benefit obligations is based on a method that uses parameters such as the expected discount rate, salary and pension increases, and staff turnover. If the relevant parameters diverge significantly from expectations this may have a material impact on the provisions in question, and thus in turn on the Company's net pension expense.
- Impairment: Impairment testing of goodwill, other intangible assets, and property, plant and equipment is normally based on the estimated future discounted net cash inflows from continuing use of the assets and their disposal at the end of their useful lives. Factors such as lower revenue and resultant lower net cash inflows or changes in the discount rates applied may lead to impairments.
- Deferred tax: When making judgments about the recoverability of deferred tax, the Executive Board assesses the likelihood that it will be possible to recover all deferred tax assets. The ultimate recoverability of deferred tax assets depends on whether taxable profit is made in periods during which the temporary differences are deductible. If the Company does not generate sufficient taxable profit, then deferred tax assets cannot be utilised as tax loss carryforwards.



## C. Notes to the consolidated balance sheet

### [16] Non-current assets

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

#### Intangible assets

In the 2007 financial year development costs incurred by Porzellanfabrik Frauenthal GmbH (diesel catalysts for trucks) and Frauenthal Automotive Components Group production companies (prototyping, and development of materials with improved properties for marketable products) were recognised as internally generated intangible assets.

Development costs in EUR '000	31 Dec. 2006	Additions	Disposal	Abgang	Amortisation	31 Dec. 2007
Frauenthal Group	1,593	0	112	-42	-209	1,454

Income from the capitalisation of EUR 112,000 in development costs (2006: EUR 706,000) is reported under the "Work performed by the entity and capitalised" item. Amortisation of development costs, amounting to EUR 209,000 (2006: EUR 38,000) is stated as "Depreciation and amortisation".

Research and development costs were as follows:

EUR '000	2007	2006
Research and development costs	2,173	1,376

Goodwill at 31 December 2007 was made up as follows:

Goodwill in EUR '000	31 Dec. 2006	Additions	Disposal	Amortisation	31 Dec. 2007
Styria Gruppe	12,025	0	0	0	12,025
Linnemann-Schnetzer Gruppe	1,168	0	0	-926	242
Pol-Necks Sp.zo.o.	0	3,195	0	0	3,194
SHT Haustechnik Gruppe	8,307	0	0	0	8,307
Frauenthal Group	21,500	3,195	0	-926	23,768



During the year under review impairment was recognised in respect of the EUR 926,000 in goodwill attributable to the Linnemann-Schnetzer Hungary Kft. factory as a result of its closure. Testing of the value in use of the various cash-generating units is based on the budget figures and the projected cash flows derived from the latter. Measurement is at a discount rate of 7.26%. The carrying values of the goodwill reported are entirely covered by the cash flows realisable over the next two financial years.

The main intangible assets are brands and rights to supply customers recognised in the accounts of the various sub-groups.

Impairment of EUR 258,000 (2006: EUR 180,000) was recognised in respect of brands and rights to supply customers with indefinite useful lives. These brand rights relate to internally generated brands forming part of the product range which the Group does not currently intend to change or retire. The rights to supply customers are of unlimited duration and can only be ended by termination of contract. Impairment is recognised as soon as any of these rights are terminated. The impairment loss is reported under "Depreciation and amortisation expense" in the income statement.

The carrying value of these brands and rights at balance sheet date was EUR 14,562,000 (31 Dec. 2006: EUR 14,820,000).

The brands and rights to supply customers were measured according to their value in use. The carrying value was originally calculated using the discounted cash flow (DCF) method. The main influence on the cash flow forecast used to value the brand and customer supply rights is the revenue generated by the product or customer segment projected by the annual budget. The discount rate is 8.67% and the forecasting period is usually five years. Due to the long contractual terms, an exception is made in the case of the rights to supply customers, and a period of 20 years is applied. The parameters applied are based on experience and are reviewed on an annual basis.

### Property, plant and equipment

Land in the "Land and buildings" item amounts to EUR 5,292,000 (31 Dec. 2006: EUR 4,569,000). The addition relates to the acquisition companies, LW Imobilija d.o.o. and Pol-Necks Sp.zo.o., with which land valued at EUR 1,009,000 was acquired. The land owned by Linnemann-Schnetzer Ungarn Kft., valued at EUR 251,000, was disposed of as a result of the sale of the company during the 2007 financial year.

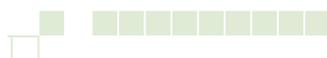
Additions to property, plant and equipment totalled EUR 16,908,000 in 2007 (2006: EUR 17,055,000).

Plant and equipment acquired under finance leases amounting to EUR 284,000 (31 Dec. 2006: EUR 380,000) is reported as non-current assets. A reconciliation of the minimum lease payments and the present value of the outstanding lease payments is not shown due to immateriality.

The Porzellanfabrik Frauenthal GmbH factory is on land owned by Ceram Liegenschaftsverwaltungs GmbH (CLV).

The terms of the agreements are such that Porzellanfabrik Frauenthal GmbH is the beneficial owner of the parts of the building used by it. Because of this the discounted lease payments for the building are capitalised. The carrying value of the building was EUR 765,000 at balance sheet date (2006: EUR 892,000).

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



During the 2003 financial year a EUR 392,000 grant was received from the Slovenian government for investments at the Ravne site. The subsidy is recognised as income over the term. At 31 December 2007 the carrying value of the grant was EUR 161,000.

An investment grant related to the ramp-up of diesel catalyst production at the Frauental site was approved during the 2006 financial year, and is stated at a carrying value of EUR 267,000 as at balance sheet date.

The grant was conditional on a commitment to employ more staff until the end of the term, and part of the grant is repayable if this undertaking is not fulfilled.

As at balance sheet date property, plant and equipment to a value of EUR 2,093,000 and EUR 207,000, respectively, was pledged as security for bank borrowings by Pol-Necks Sp.zo.o. and Porzellanfabrik Frauenthal GmbH.

#### Financial assets

Negative goodwill of EUR 3,000 (2006: EUR 27,000) was recognised in respect of the 50% interest in Ceram Liegenschaftsverwaltung GmbH, Vienna, which is accounted for by the equity method. The carrying value of the investment was EUR 697,000 at balance sheet date (31 Dec. 2006: EUR 700,000).

This company's key financial indicators are as follows:

	EUR '000	2007	2006
Total assets		3,077	3,128
Borrowings		1,659	1,728
Revenue		4,768	4,204
Profit after tax		-5	-57

Ceram Liegenschaftsverwaltung GmbH, Vienna has no contingent liabilities.

The non-current financial assets disclosed in the consolidated balance sheet mainly relate to investment fund units owned by the Austrian Group companies, which were purchased and held in the past as a tax advantaged means of funding termination and pension benefit obligation. These assets are available for sale, and are measured at fair value.

As in the previous period, there were no write-ups of financial assets during the 2007.

As in 2006, no liabilities were secured by financial assets at balance sheet date.

The purchase price of the 69.5% interest in A.D. Fabrika Opruga, Kraljevo is reported as a prepayment.



**[17] Deferred tax**

Deferred tax assets in an amount of EUR 21,921,000 (31 Dec. 2006: EUR 20,326,000) and deferred tax liabilities of EUR 2,126,000 (31 Dec. 2006: EUR 1,535,000) are carried on the consolidated balance sheet.

In calculating deferred tax, a tax rate of 25% is applied to the Austrian companies.

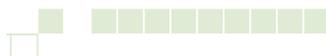
The breakdown of deferred tax is as follows:

Breakdown of deferred tax	EUR '000	
<b>Changes in balanced sheet items</b>		<b>-773</b>
Development costs	-373	
Other non-current assets	-4,158	
Other current assets	-518	
Provisions for termination benefits	2,517	
Provisions for retirement benefits	919	
Provisions for jubilee benefits	307	
Other provisions	34	
Other liabilities	499	
<b>Deferred tax carryforward assets</b>		<b>18,265</b>
Linnemann-Schnetzler Sachsen GmbH	8,500	
Frauenthal Holding AG	4,090	
SHT Haustechnik AG	2,986	
Styria Federn GmbH, Düsseldorf	298	
Frauenthal Handels- und Dienstleistungs GmbH	1,557	
Frauenthal Automotive Components GmbH	209	
Styria Arcuri S.A.	209	
Styria Federn Holding GmbH	166	
Styria Elesfrance S.A.S	250	
<b>Deferred tax carryforward assets arising from writedowns of investments</b>		<b>2,303</b>
SHT Haustechnik AG	1,519	
Styria Federn GmbH, Judenburg	727	
Frauenthal Holding AG	57	
<b>Deferred tax at 31 Dec. 2007</b>		<b>19,795</b>
whereof deferred tax assets	21,921	
deferred tax liabilities	-2,126	

At balance sheet date EUR 16,358,000 (31 Dec. 2006: EUR 13,300,000) in tax loss carryforwards was available to Frauenthal Holding AG; deferred tax assets of EUR 4,090,000 (2006: EUR 3,325,000) on the basis of a tax rate of 25% were recognised for these amounts.

Deferred tax assets of EUR 298,000 (31 Dec. 2006: EUR 1,178,000) arising from tax loss carryforwards were recognised for Styria Federn GmbH, Düsseldorf.

As in 2006, deferred tax assets were recognised for the tax loss carryforwards of Linnemann-Schnetzler Sachsen GmbH to the extent to which it is probable that the temporary difference will reverse and that taxable profit will be available against which it can be utilised.



At balance sheet date the SHT Group had EUR 11,942,000 (31 Dec. 2006: EUR 9,896,000) in tax loss carryforwards, for which deferred tax assets of EUR 2,986,000 (31 Dec. 2006: EUR 2,474,000) were recognised. This increase reflects the acquisition of Röhrich Heizung und Industriebedarf GmbH, which led to the assumption of EUR 6,319,000 in tax loss carryforwards. Deferred tax assets arising from tax loss carryforwards available to Frauenthal Handels- und Dienstleistungs GmbH increased von EUR 716,000 at 31 Dec. 2006 to EUR 1,557,000 at balance sheet date.

Deferred tax assets for tax loss carryforwards of EUR 97,000 recognised by Styria Vzmeti d.o.o. in the previous year were offset against profits in the 2007 financial year. Deferred tax assets recognised for tax loss carryforwards in respect of Styria Arcuri S.A. rose from EUR 123,000 to EUR 209,000. Deferred tax assets arising from tax loss carryforwards were recognised for the first time in respect of Frauenthal Automotive Components GmbH, in an amount of EUR 210,000, Styria Eles France S.A.S., in an amount of EUR 250,000 and Styria Federn Holding GmbH, in an amount of EUR 166,000.

Holdings in subsidiaries have given rise to deferred tax loss carryforwards due to impairments to investments, which can be spread over seven years under Austrian tax law. At balance sheet date the carrying values were as follows:

<b>Frauenthal Holding AG:</b>	<b>EUR</b>	<b>226,000</b>	<b>(31 Dec.2006: TEUR 832,000)</b>
<b>Styria Federn GmbH, Judenburg:</b>	<b>EUR</b>	<b>2,908,000</b>	<b>(31 Dec.2006: TEUR 404,000)</b>
<b>Porzellanfabrik Frauenthal GmbH:</b>	<b>EUR</b>	<b>0</b>	<b>(31 Dec.2006: TEUR 192,000)</b>
<b>SHT Haustechnik AG</b>	<b>EUR</b>	<b>6,077</b>	<b>(31 Dec.2006: TEUR 9,116,000)</b>

Deferred tax loss carryforwards amounting to EUR 2,303,000 (31 Dec. 2006: EUR 2,636,000) arising from impairments to investments were recognised at balance sheet date. Deferred tax assets and liabilities are offset due to fulfilment of the conditions set by paragraph 74 IAS 12.

A detailed presentation of the changes in deferred tax and tax income is set out in Note 34.

## [18] Current assets

### Inventories

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

The inventories reported are made up as follows:

	EUR '000	2007	2006
Raw material and consumables used		19,379	17,236
Work in progress		10,032	8,708
Finished goods and goods for resale		45,263	44,880
Prepayments		4	0
<b>Inventories</b>		<b>74,678</b>	<b>70,824</b>



The SHT Haustechnik Group was largely responsible for the increase in inventories, to which volume growth in the catalyst business also added.

### Receivables and other assets

All the receivables are short term and have maturities of less than one year.

The breakdown of receivables is as follows:

	EUR '000	2007	2006
Trade receivables		73,200	61,048
Other receivables		11,255	10,818
<b>Receivables</b>		<b>84,455</b>	<b>71,866</b>

The increase in trade receivables was due to revenue growth. The trade receivables include EUR 4,070,000 (2006: EUR 2,533,000) in construction contract receivables. All the valuation allowances relate to trade receivables. Percentage of completion (PoC) receivables were as follows:

	EUR '000	2007	2006
Contract costs		7,164	3,082
Profits		2,112	906
Prepayments		-5,206	-1,455
<b>PoC receivables</b>		<b>4,070</b>	<b>2,533</b>

In 2006 "Other receivables" included a short-term loan to a third party amounting to EUR 2,419,000, which was written down by EUR 1,000. This loan was repaid in its entirety during the 2007 financial year. The rest of the "Other receivables" largely relate to receivables from Austrian and foreign tax authorities, prepayments and deferred assets.

At balance sheet date trade receivables assigned and bank balances pledged as security for borrowings were EUR 574,000 (31 Dec. 2006: EUR 775,000).

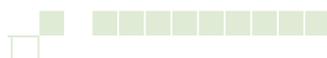
### [19] Equity

Changes in equity during the 2006 and 2007 financial years are shown in a separate annex (Annex 4).

#### Share capital

Registered share capital at balance sheet date was EUR 9,434,990.00 (2006: EUR 9,434,990.00) and was fully paid up. The share capital is divided into 7,534,990 bearer shares of no par value and 1,900,000 unlisted registered shares. Every share corresponds to an equal portion of the Company's share capital. There were no material changes in voting rights in 2007. Each no par share corresponds to EUR 1.00 of the share capital.

By resolution of the 18th Annual General Meeting held on 3 May 2007 the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,681,634.00 by issuance, in one or more tranches, of up to 2,681,634 voting bearer or registered shares of no par value, against contributions in cash or in kind.



### Capital reserves

The capital reserves include EUR 21,093,000 in appropriated capital reserves in the meaning of the Austrian Companies Act (2006: EUR 21,093,000).

### Retained earnings

Retained earnings comprise the reserves accumulated from undistributed profits and the statutory reserve. Retained earnings also include the untaxed reserves recognised in the company accounts in accordance with Austrian tax law, net of the deferred tax attributable to them.

### Translation reserve

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

### Own shares

Frauenthal Holding AG holds 261,390 treasury shares, equal to EUR 261,390 or 2.77 % of the share capital. No further own shares were repurchased or sold during the 2007 financial year.

	Treasury shares	Number	Share capital EUR	% of share capital
At 31 December 2006		261,390	261,390,00	2,77
At 31 December 2007		261,390	261,390,00	2,77

In financial 2003 equity attributable to equity holders of the parent was reduced by the repurchase of treasury shares to a value of EUR 396,000.

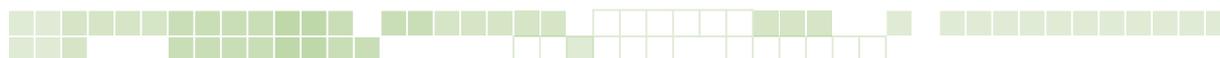
### Minority interests

This item relates to EUR 6,604,000 in minority interests in the Styria Group (31 Dec. 2006: EUR 6,881,000).

### [20] Long-term provisions

Changes in the long-term provisions in 2007 were as follows:

EUR '000	1 Jan.2007	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec.2007
Provisions for termination benefits	9,130	441	1,008	-902	-50	0	9,627
Provisions for pensions	11,022	0	209	-559	-148	0	10,524
Provisions for deferred tax	1,535	396	534	-363	0	24	2,126
Other long-term provisions	7,684	153	825	-382	-142	-4	8,134
<b>Long-term provisions</b>	<b>29,371</b>	<b>990</b>	<b>2,576</b>	<b>-2,206</b>	<b>-340</b>	<b>20</b>	<b>30,411</b>



The provisions for pensions, termination and jubilee benefits (reported under "Other long-term provisions") relate to the provisions for employee benefit obligation recognised in accordance with IAS 19. The carrying amounts of the provisions for termination benefits and pensions correspond to the respective defined benefit obligations (DBO) at balance sheet date.

The changes in the provisions for termination benefits and pensions in the year under review were as follows:

	EUR '000	Retirement EUR '000	Termination EUR '000
DBO at 31 Dec. 2006		11,022	9,130
Service cost		241	587
Interest cost		430	363
Payments		-650	-98
Actuarial gains (-)/losses (+)		-519	-355
<b>DBO at 31 Dec. 2007</b>		<b>10,524</b>	<b>9,627</b>

Income and expenses arising from adjustments to provisions are recognised in the income statement, under the "Staff costs" item. Projected movements in the provisions for termination benefits and pensions in 2008 are as follows:

	EUR '000	Retirement EUR '000	Termination EUR '000
DBO at 31 Dec. 2007		10,524	9,627
Service cost		227	587
Interest cost		457	429
Payments		-666	-180
<b>Projected DBO at 31 Dec. 2008</b>		<b>10,542</b>	<b>10,463</b>

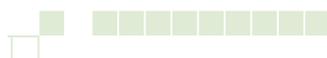
Movements in DBO were as follows:

	EUR '000	31 Dec.2003	31 Dec.2004	31 Dec.2005	31 Dec.2006	31 Dec.2007
Provisions for pensions		3,344	8,688	11,284	11,022	10,524
Provisions for termination benefits		2,678	2,964	8,585	9,130	9,627

The breakdown of "Other long-term provisions" is as follows:

	EUR '000	1.1.2007	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec.2007
Other employee benefit provisions		4,560	153	433	-285	-140	0	4,721
Closure and restructuring		2,541	0	139	-18	0	0	2,662
Other provisions		583	0	253	-78	-3	-4	751
<b>Other long-term provisions</b>		<b>7,684</b>	<b>153</b>	<b>825</b>	<b>-381</b>	<b>-143</b>	<b>-4</b>	<b>8,134</b>

The "Other long-term employee benefit provisions" are provisions for jubilee benefits, final employee settlements and part-time retirement benefits.



The discounted cost of demolition of the Styria Federn factory in Düsseldorf under a contractual agreement, amounting to EUR 2,552,000 at balance sheet date (31 Dec. 2006: EUR 2,431,000), is recognised under the long-term provisions for closures and restructuring. The "Other provisions" include provisions for risks that could arise from warranty claims, contractual guarantees or product liability in respect of delivered goods.

### [21] Short-term provisions

Changes in the short-term provisions in 2007 were as follows:

	EUR '000	1 Jan. 2007	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec.2007
Tax provisions		2,474	7	1,493	-1,356	-611	0	2,007
Other provisions		2,765	223	2,196	-1,947	-650	4	2,591
<b>Short-term provisions</b>		<b>5,239</b>	<b>230</b>	<b>3,689</b>	<b>-3,303</b>	<b>-1,261</b>	<b>4</b>	<b>4,598</b>

	EUR '000	1 Jan. 2007	Change	Allocations	Utilisation	Reversals	Exch. diff.	31 Dec.2007
Closure and restructuring		411	0	178	-165	0	0	424
Other employee benefit provisions		101	0	668	0	-19	0	750
Legal and consultancy costs		0	0	350	0	0	0	350
Impending losses		317	0	48	-317	0	0	48
Provision for claims		934	0	5	-472	-422	4	49
Waste disposal costs		199	0	100	-100	-99	0	100
Other provisions		803	223	847	-893	-110	0	870
<b>Other short-term provisions</b>		<b>2,765</b>	<b>223</b>	<b>2,196</b>	<b>-1,947</b>	<b>-650</b>	<b>4</b>	<b>2,591</b>

The "Other short-term provisions" are recognised for all other identifiable risks where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

### [22] Liabilities

The breakdown of liabilities at 31 December 2007 by maturities and collaterals is as follows:

Liabilities at 31 Dec. 2007 EUR '000	Total amount	Maturity			Collateralised
		Up to 1 year	1-5 years	Over 5 years	
Bond	71,375	1,375	70,000		
Bank borrowings	17,953	15,187	2,626	140	2,300
Prepayments received	8,808	8,808			
Trade payables	48,877	48,877			
Liabilities to Group companies	1,802	1,802			
Other liabilities	36,356	36,356			
<b>Total liabilities</b>	<b>185,171</b>	<b>112,405</b>	<b>72,626</b>	<b>140</b>	<b>2,300</b>

On 29 June 2005 the Frauenthal Holding Group launched a EUR 70,000,000 bond issue. The coupon is 3.875%. The maturity date is 29 June 2012, and redemption will be at face value. The annual coupon date is 29 June. The bond is listed on the Vienna Stock Exchange.

The bank borrowings include EUR 1,049,000 in finance lease liabilities, of which EUR 140,000 have maturities of over five years and EUR 645,000 have maturities of between one and five years, while EUR 265,000 are short term.

The long-term borrowings include EUR 2,300,000 secured by assets as collaterals (31 Dec. 2006: 414,000).

The comparative amounts at 31 December 2006 were:

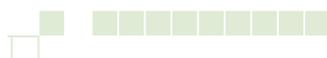
Liabilities at 31 Dec. 2006 EUR '000	Total amount	Maturity			Collateralised
		Up to 1 year	1-5 years	Over 5 years	
Bond	71,375	1,375		70,000	
Bank borrowings	6,748	5,469	835	444	414
Prepayments received	5,417	5,417			
Trade payables	47,797	47,797			
Liabilities to Group companies	499	499			
Other liabilities	36,894	26,394		10,500	
<b>Total liabilities</b>	<b>168,729</b>	<b>86,950</b>	<b>835</b>	<b>80,944</b>	<b>414</b>

The "Other liabilities" comprise:

	EUR '000	2007	2006
Staff liabilities		13,013	9,340
Participation certificate liabilities		11,025	10,500
Tax liabilities		4,756	7,237
Grants received		0	534
Suppliers' credit balances		131	281
Sundry other liabilities		7,431	9,002
<b>Other liabilities</b>		<b>36,356</b>	<b>36,894</b>

Apart from payroll and employee benefit expense for December 2007, "Staff liabilities" mainly relate to accruals for unused leave.

The "Sundry other liabilities" largely concern invoices for 2007 not yet received.



**[23] Contingent liabilities**

Frauenthal Holding AG has given a guarantee of EUR 820,000 to the Privatisation Agency of the Republic of Serbia in respect of the Serbian company A.D. Fabrika Opruga Gibnjara Kraljevo, acquired in December 2007. The guarantee concerns an obligation to make investments of EUR 820,000 at the company by 31 December 2008.

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

**[24] Contingent assets**

As in the previous year, there were no contingent assets as at balance sheet.

**[25] Rental and lease commitments**

Commitments arising from the use of property, plant and equipment not shown in the balance sheet under rental or lease contracts are as follows:

	EUR '000	2007	2006
Next year		7,442	5,974
Next five years		32,838	29,068

A large part of these commitments relate to the rental obligations of the SHT Haustechnik Group and rental payments for the Styria Federn GmbH factory in Düsseldorf.

Readers are referred to Notes 10 and 16 for information on lease assets.

**[26] Other financial obligations**

As at balance sheet date Frauenthal Holding AG and its subsidiaries were involved in no material litigation for which provisions had not been recognised.

Apart from the above rental and lease commitments there are no long-term contractual obligations other than those arising from normal business operations, nor are there any environmental licensing conditions which could lead to material off balance sheet financial obligations for the Group.



## D. Notes to the consolidated income statement

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

### [27] Revenue

Most of the Group's revenue was again derived from EU member states in 2007.

	EUR '000	2007	2006	Change
Austria		264,633	219,982	44,651
Other EU		293,655	246,724	46,931
USA		16,410	8,229	8,181
Rest of the world		17,304	14,617	2,687
<b>Revenue</b>		<b>592,002</b>	<b>489,552</b>	<b>102,450</b>

The revenue is derived from the sale of goods.

Some EUR 26,382,000 of the revenue (2006: EUR 21,157,000) is accounted for by construction contracts and was measured using the PoC method in accordance with IAS 11.

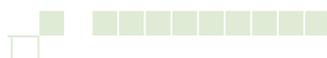
### [28] Other operating income

The following amounts are reported as "Other operating income":

	EUR '000	2007	2006	Change
<b>Other operating income</b>				
Reversal of negative goodwill		1,537	0	1,537
Gains on disposal of non-current assets		230	6	224
Gains on reversal of provisions		653	1,861	-1,208
Exchange gains		559	344	215
Unrealised exchange gains		215	1,017	-802
Insurance recoveries		119	1	118
Sundry other income		7,822	7,276	546
<b>Other operating income</b>		<b>11,135</b>	<b>10,505</b>	<b>630</b>

"Sundry other operating income" includes services, refunds, grants, suppliers' contributions and the reversals of provisions.

	EUR '000	2007
Bonuses and grants received		2,617
Reversal of valuation allowances		1,672
Reversal of deferrals		917
Income from charging-on of expenses		1,228
Income from insurance payments		311
Sundry other income		1,077
<b>Sundry other operating income</b>		<b>7,822</b>



**[29] Raw material and consumables used**

"Raw material and consumables used" comprises the following amounts:

	EUR '000	2007	2006	Change
Cost of materials		349,217	286,043	63,174
Cost of services used		37,022	31,501	5,521
<b>Total</b>		<b>386,239</b>	<b>317,544</b>	<b>68,695</b>

**[30] Staff costs**

The composition of staff costs is as follows:

	EUR '000	2007	2006	Change
Wages and salaries		91,595	79,397	12,198
Termination benefit expense		1,825	830	995
Retirement benefit expense		70	457	-387
Expenses for social security contributions and other pay-related levies and compulsory contributions		24,130	21,675	2,455
Other employee benefit expense		1,259	1,217	42
<b>Staff costs</b>		<b>118,879</b>	<b>103,576</b>	<b>15,303</b>

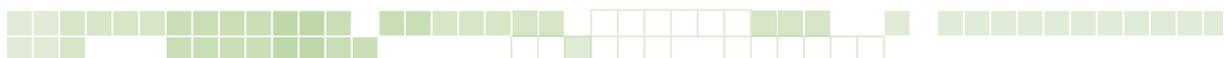
The following payments were made to or on behalf of the Executive Board and senior executives in key positions:

	2007
Salaries	4,358
Pension contributions	257

Of the expenses for termination and retirement benefits EUR 257,000 (2006: EUR 167,000) relates to members of the Executive Board, former chief executive officers of Group companies and other senior executives, and EUR 1,802,000 (2006: EUR 1,120,000) to other employees.

As in the previous year, there are no pension commitments made by the Frauenthal Holding Group or its subsidiaries to serving members of the Executive Board, chief executive officers of Group companies or other senior executives. Regular contributions are made to a pension fund for members of the Executive Board. During the 2007 financial year these totalled EUR 31,000 (2006: EUR 29,000).

Austrian Group companies made EUR 75,000 (2006: EUR 42,000) in contributions to defined contribution plans under the Betriebliches Mitarbeitervorsorgegesetz (Employee Benefit Act) and individual employment contracts.



**[31] Depreciation and amortisation expense**

The breakdown of annual depreciation and amortisation expense by individual items is shown in the non-current asset movement schedule.

**[32] Other operating expenses**

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

	EUR '000	2007	2006	Change
Taxes other than income taxes		1,832	1,818	14
Operating expenses		2,039	3,708	-1,669
Freight costs		9,676	4,504	5,172
Third-party repairs		4,907	3,694	1,213
Administrative expenses		5,055	4,817	238
Legal and consultancy expenses		5,249	3,682	1,567
Other distribution costs		6,901	4,564	2,337
Third-party services		759	765	-6
Travel costs		3,044	2,793	251
Rental expenses		6,348	5,742	606
Insurance expenses		1,830	1,664	166
Restructuring costs		1,495	0	1,495
Bank charges		325	300	25
Waste disposal costs		669	655	14
Staff recruitment		653	493	160
Damage claims		602	279	323
Valuation allowances		1,763	1,532	231
Exchange losses		840	1,110	-270
Lease expenses		287	167	120
Other expenses		4,132	4,332	-200
<b>Other operating expenses</b>		<b>58,406</b>	<b>46,619</b>	<b>11,787</b>

"Other operating expenses" include third party services and amounts charged-on.

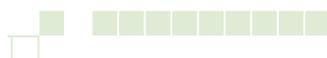
**[33] Interest and similar expenses**

As in the previous year, all borrowing costs were recognised as expense regardless of how the borrowings were applied (paragraph 8 IAS 23).

**[34] Income tax expense****Taxes on income**

The rate of taxation applicable to the parent company, Frauenthal Holding AG is 25%.

The "Income tax expense" item amounting to EUR 4,591,000 (2006: EUR 3,524,000) includes EUR 4,303,000 (2006: EUR 3,011,000) in current tax expense.



**Change in deferred tax**

The EUR 288,000 net change in deferred tax assets and liabilities is reported as tax expense (2006: EUR 513,000).

			EUR '000
<b>Change in deferred tax</b>			
deferred tax at 31 Dec. 2006			18,791
whereof deferred tax assets		20,326	
deferred tax liabilities		-1,535	
<b>Additions from consolidation</b>			<b>1,366</b>
whereof deferred tax assets		1,762	
deferred tax liabilities		-396	
<b>Changes in balance sheet items</b>			<b>-147</b>
Development costs	-36		
Other non-current values	479		
Other current assets	-291		
Provisions for termination benefits	50		
Provisions for retirement benefits	-421		
Provisions for jubilee benefits	46		
Other provisions	-73		
Other liabilities	99		
<b>Tax loss carryforwards and deferred tax loss carryforwards</b>			<b>-216</b>
Changes due to profit for the period for tax purposes	-4,469		
Changes in capitalisation of tax loss carryforwards	4,253		
<b>Changes in deferred tax</b>			<b>-287</b>
whereof increase in deferred tax assets		-165	
reversal of deferred tax liabilities		-197	
exchange differences		75	
<b>Exchange differences</b>			<b>-75</b>
Deferred tax at 31 Dec. 2007			19,795
whereof deferred tax assets		21,921	
deferred tax liabilities		-2,126	

Readers are referred to Note 17 for the breakdown of deferred tax.

From the 2008 financial year onwards changes in the tax rates applicable to the German Group companies, which have been reduced from about 38% to about 30%, will have a major effect on deferred tax. The precise rates payable depend on the tax legislation of the various countries.



EUR '000

Reconciliation of legally applicable to effective tax rate		
IFRS profit from operations		23,214
Income tax expense at rate of 25%		5,804
<b>Tax effects</b>		
Tax income from previous periods	-99	
Utilisation of non-capitalised tax loss carryforwards	132	
Increase of non-capitalised tax loss carryforwards	-15	
Initial recognition of tax loss carryforwards	4,253	
Permanent tax differences and other	307	
Different tax rates applicable to subsidiaries	-2,387	
Changes in tax rates	-978	
<b>Total tax effects</b>		<b>1,213</b>
Income tax expense		4,591
Income tax expense as shown in income statement	-4,303	
Change in deferred tax	-288	
<b>Total tax expense as shown in income statement</b>		<b>-4,591</b>

Effective tax rate in financial 2007: 20 %

## E. Notes to the consolidated cash flow statement

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

### [35] Operating profit before working capital changes

Operating profit before working capital changes is the profit/loss after tax, adjusted for non-cash expenses and income, and the change in long-term provisions, as well as proceeds from the sale of non-current assets which are shown under "Cash flows from investing activities". Cash inflows and outflows from interest received or paid and income taxes are reported under "Cash flows from operating activities".

### [36] Non-cash transactions

In compliance with paragraph 43 IAS 7 non-cash transactions are excluded from the cash flow statement. Material non-cash transactions were accordingly eliminated.

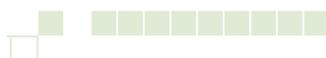
### [37] Cash flows from operating activities

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

### [38] Cash flows from investing activities

Cash flows from investing activities include investment in intangible assets, and property, plant and equipment. The junior loan extended by Frauenthal Holding AG to Ceram Isolatoren Beteiligungs GesmbH (CIBG) — a member of the former PPC Insulators Group — was repaid in full, including the interest, during the 2007 financial year.

Proceeds from sale of non-current assets include EUR 194,000 in proceeds from the sale of financial assets as well as receipts from sales of intangible assets, and property, plant and equipment.



The acquisition of three companies resulted in net cash outflows of EUR 10,597,000.

Purchase prices paid	10,775
- Cash and cash equivalents acquired	-178
<b>Net cash outflows</b>	<b>10,597</b>

### [39] Cash flows from financing activities

This part of the statement groups all cash inflows and outflows relating to equity and borrowings. Pursuant to paragraph 17 IAS 7 the change in holdings of treasury shares is shown under "Cash flows from financing activities".

### [40] Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cheques and bank balances. There are no limits in the meaning of paragraph 48 IAS 7 to the availability for use by the Group of the balances reported as cash and cash equivalents.

## F. Supplementary information

### [41] Average number of employees

	2007	2006	Change
<b>Average number of employees</b>			
Non-salaried employees	1,993	1,864	129
Salaried employees	1,051	874	177
<b>Total</b>	<b>3,044</b>	<b>2,738</b>	<b>306</b>

The 21 employees of Linnemann-Schnetzer Hungary Kft., which was sold in August, are included in the personnel statistics for 2007. Pol-Necks, consolidated in 2007, had an average of 159 employees during the year. The Röhrich und Hoffmann acquisition added a further 73 employees to the head count for 2007. Apart from permanent employees the Group head count includes an annual average of 155 (2006: 108) leased employees.

At balance sheet the Frauenthal Group had 3,130 employees (2006: 2,743).

### [42] Events after the balance sheet date

Styria Federn GmbH, Düsseldorf acquired a 69.5% interest in A.D. Fabrika Opruga, Kraljevo at a public auction held on 30 November 2007. The agreements with the Serbian privatisation agency were signed on 4 December 2007. The Serbian competition authority approved the acquisition on 28 December 2007, and the transaction was entered in the register of companies and the central securities register on 4 January 2008.

The enterprise, which is a public limited company, manufactures leaf and coil springs for the truck and railway rolling stock industries. The company returned revenue of DIN 288m (approx. EUR 3m) in 2007 and had 235 employees at year end.

Following the entry in the register of companies on 4 January 2008 an extraordinary general meeting was held on 22 January 2008 at which the company's name was changed to A.D. Fabrika Opruga Styria Gibnjara, completely new articles of association were adopted, and new supervisory and management boards were appointed.



The takeover did not enter into legal effect until after the balance sheet date. The company is included in consolidation as of 1 January 2008. The acquisition is recorded in the 2007 consolidated statements as an addition to the financial assets in an amount of EUR 1.214m.

The consolidated annual financial statements were completed on 29 February 2008.

#### [43] Related party disclosures

Frauenthal Holding AG is a consolidated subsidiary of Ventana Beteiligungsgesellschaft GmbH. The owners of this company, Ernst Lemberger and Hannes Winkler, are members of the Supervisory Board of Frauenthal Holding AG.

Related party transactions between Frauenthal Group and Ventana Group companies, involving rental and other services, amounted to EUR 155,000 (2006: EUR 253,000) during the year under review.

In 2006 Ventana Beteiligungs GmbH provided the Frauenthal Group with liquid resources in the form of participation certificates to a value of EUR 10,500,000. The interest on participation certificates depends on the issuing companies' results, and the payment of dividends is by resolution of latter's general meetings. In the event of insolvency the participation capital is subordinate to all the other creditors. In financial 2007 the interest payable on the participation certificates in question was EUR 525,000.

SARL Montmeilleur, a company owned by Hannes Winkler and Ernst Lemberger, charged the Group EUR 75,000 in consultancy fees in 2007.

Victor Maundrell, a member of the Supervisory Board of Frauenthal Holding AG, rendered consultancy services to the Automotive Components Group which were approved by the Board, and received EUR 36,000 in fees during the year under review (2006: EUR 90,000).

#### [44] Governing bodies

During the year under review the membership of the Supervisory Board of Frauenthal Holding AG was as follows:

**Ernst Lemberger (Chairman), Dietmar Kubis (Deputy Chairman),  
Hannes Winkler, Oskar Grünwald, Victor J. Maundrell, Johann Schallert (Member of the  
Supervisory Board)**

The following members were delegated by the works council:

**Karl Pollak, Klement Michael Marchl, Jürgen Tschabitzer**

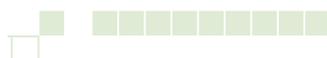
The membership of the Executive Board of Frauenthal Holding AG was

**Winfried Braumann (Chairman), Michael Ostermann, Hans-Peter Moser,  
Claudia Beermann (resigned with effect from the end of October 2007)**

The total remuneration of the Executive Board was EUR 1,122,000; this is in part reported under "Other operating expenses".

In addition to fixed salaries the Executive Board receive performance related compensation equal to up to half of their annual basic salaries.

In the 2007 financial year the Supervisory Board received EUR 23,000 (2006: EUR 33,000) in compensation and expenses.



**[45] Segmental analysis**

The primary segments of the Frauenthal Group are industrial honeycombs, automotive components and wholesale plumbing supplies.

The core business of the industrial honeycombs segment is the production and distribution of SCR catalysts for flue gas purification and of non-catalytic honeycomb products. The production location is in Frauenthal, Austria. Sales companies in Kansas and Seoul are responsible for distribution in the USA and South Korea, respectively.

The automotive components segment supplies components to manufacturers of commercial vehicle components and axles for trailers. The product range comprises leaf springs, stabilisers, air reservoirs for braking systems, U-bolts and truck diesel catalysts. The segment has production sites in Austria, France, Germany, Poland, Portugal, Romania and Slovenia.

The plumbing supplies wholesaler SHT Haustechnik AG distributes leading sanitary, heating and other plumbing brands as well as its own Prisma and SaniMeister brands in Austria.

The classification of the secondary segments is by geographical markets, and is according to the domiciles of Group companies.

Intragroup sales chiefly concern management services by and overhead contributions to the holding companies; measurement is according to fixed hourly rates and on a cost-plus basis.

Detailed segment reporting disclosures are shown in a separate summary table.

**[46] Financial instruments**

The Group's underlying financial instruments largely consist of financial assets such as securities, trade receivables (underlying transactions), bank balances, short and long-term borrowings, and trade payables. The holdings of underlying financial instruments are disclosed in the balance sheet.

**Objectives of capital management**

Our capital management policies are aimed at safeguarding the Company's ability to continue as a going concern and maintaining a sufficient equity ratio for the industries in which it operates, i.e. about 30%. Frauenthal is a high growth company, and this is reflected in its corporate strategy. Our dividend policy is primarily designed to ensure that sufficient resources are available to fund growth.

In 2007 net gearing fell from 99.17% to 95.33%. The Group sets the amount of capital in relation to risk, and manages its capital on the basis of the ratio of net interest bearing liabilities to total equity (net gearing). Net interest bearing debt is the balance of interest bearing assets and liabilities. Total equity is accounting equity plus minority interests.



EUR '000	2003 IFRS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Interest bearing liabilities	17,146	27,495	86,083	88,623	99,828
Cash and cash equivalents	-14,019	-12,177	-24,757	-10,615	-10,218
Net debt in EUR '000	3,126	15,317	61,326	78,007	89,610
<b>Gearing ratio in %</b>	<b>9.79%</b>	<b>43.96%</b>	<b>79.59%</b>	<b>99.17%</b>	<b>95.33%</b>

### Financial risk

In 2007 the industrial honeycombs segment used derivative financial instruments to hedge against US dollar exchange rate risk. At balance sheet there were options with a total face value of USD 12,000,000. The fair value at balance sheet date, amounting to EUR 169,000, is reported under "Other assets". At year end 2006 there were open US dollar futures positions with a face value of USD 4,000,000.

	USD '000		EUR '000	
	2007	2006	Fair value at 31 Dec. 2007	Fair value at 31 Dec. 2006
Options	12,000	0	169	0
Currency futures transactions	0	4,000	0	178

The sole purpose of these derivative transactions is to hedge against existing exchange and interest rate risk. While there is no hedging in the strict sense, fluctuations in the value of these hedging instruments are largely offset by movements in the value of the underlying transactions being hedged. Changes in the value of transactions for which no hedge accounting is performed are normally recognised as profit or loss. During the year under review this did not occur.

The reference values shown above are the face values of the open derivative instrument positions at balance sheet date. The actual amounts involved only represent a fraction of these notional values.

### Liquidity risk

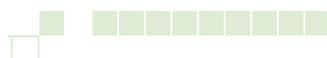
The cash flow structure of the operating divisions is such that the liquidity risk is relatively low. The liquidity needs of the Group's ongoing operations can be met from cash flow, and are managed by the holding company's treasury function. There are also adequate reserves of liquidity to fall back on, as the Group has the option of packaging receivables in asset backed securities (ABS) in order to maintain liquidity. The subsidiaries also have a number of unused credit lines. On 31 December 2007 EUR 13.9m in receivables were sold to Nordea Bank. The interest rate is Euribor + 0.75%. There is no significant risk as the transaction involves guaranteed payments by Nordea Bank for the invoices on the due dates. Daily monitoring means that there is ongoing information on the status of the receivables.

During the period under review all payment obligations (interest and principal) arising from loans were met punctually.

### Default and credit risk

The default and credit risk associated with receivables and the risk of default by counterparties is managed by regular credit checks, active credit management and credit insurance. Specific provisions are recognised up to the maximum default risk associated with receivables.

There is a high degree of customer dependency in the automotive components segment and the power station catalyst business. This gives rise to concentrations of credit risk, but the default risk is very low due to the excellent creditworthiness of the customers. Misjudgments regarding the creditworthiness of business partners could have a significant negative impact on the Group. We therefore monitor our entire counterparty risk exposure and customer portfolio in terms of default probabilities, calculated by international rating agencies. If the creditworthiness assessment or rating do not meet our



requirements, i.e. an investment grade rating is not given, transactions are only concluded on the basis of adequate securities (e.g. prepayments, bank guarantees or letters of comfort). These counterparty requirements also minimise default risk. Netting agreements further reduce risk.

Default risk exposure in the power station catalyst business is restricted to trade receivables with a carrying value of EUR 3,936,000 at balance sheet date. Substantially all of the bank balances can be set off against the bank borrowings. Adequate provision is made for potential defaults by recognising valuation allowances. The prepayments and part-deliveries customary for large projects help to mitigate the risk associated with them.

SHT-Haustechnik AG attaches great importance to ongoing receivables management. Due to its large customer base the SHT Group has regular business relationships with over 3,500 Austrian plumbers. SHT introduced receivables monitoring and management software, which supports early identification and assessment of existing risks, and correct responses to them, some years ago. Default and credit risk is countered by regular creditworthiness and credit limit checks, active credit management and credit insurance. There is little risk exposure from major projects as most of the Group's customers are small tradesmen.

This risk management system is an integral component of our overall planning, control and reporting process. Readers also referred to the comments on this subject in the operating review.

#### **Default safeguards**

The default safeguards applied by SHT-Haustechnik AG are particularly worthy of mention because of the large number of customers. The proportion of the receivables covered by credit insurance is currently over 60%. Only receivables below a defined threshold, and from municipalities and other public sector bodies are not covered by credit insurance. Due to the large number of customers there is no significant risk concentration. The analysis tools provided by the SAP ERP system also support the early identification of sales and procurement risks, permitting rapid recourse to alternative procurement channels and changes to the sales strategy. Reliable information technology is a critical factor for SHT. It addresses this issue by using state-of-the-art technology — particularly for data backup and firewalls — as well as a highly available computer centre, redundant data lines and catastrophe planning.

#### **Foreign exchange risk**

The introduction of the euro has significantly reduced the Frauenthal Group's exposure to foreign exchange risk, and there is thus no significant risk from exchange rate movements. Frauenthal's main customers and production facilities are located within the Eurozone.

Due to the fact that the industrial honeycomb segment's business activities are global, and are heavily concentrated in the US and Asian markets, it is exposed to US dollar exchange rate risk. Only a relatively minor part of this risk is internally hedged by the procurement of raw and intermediate materials priced in USD. Because of this currency hedges are used for some medium and long-term contracts, on a case by case basis.



As at balance sheet date USD exchange rate risk was as follows:

	USD '000	Fair value at 31 Dec. 2007	Fair value at 31 Dec. 2006
Exposure		1,487	443

Downside price risk exposure is principally associated with exchange rate volatility. As the Company invoices a large part of its exports in USD movements in this currency have a significant influence on results. If the USD exchange rate had been 1% higher on average in 2007 Porzellanfabrik Frauenthal's profit would have been about EUR 48,000 lower.

The relevant exchange rates affect the payment flows generated by receivables and payables denominated in foreign currencies. However attempts are made to minimise exchange risk and make it predictable over extended periods with the assistance of a wide variety of hedging instruments. There are no significant cash flow risks.

In the power station catalyst business 60% of the budgeted incoming payments in 2008 are hedged, meaning that the other 40% are exposed to foreign exchange risk.

### Interest rate risk

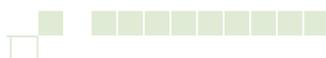
The risk to which the Group is exposed from interest rate movements affecting its financial assets and liabilities is regarded as minimal in comparison to the exchange, and default and credit risk, as its financing is mainly based on the bond which does not mature until 2012. The EUR 70m bond issue, which represents a major component of the financial liabilities, has a fixed interest rate of 3.875% and a duration of seven years (see Note 22). However, in the event of additional borrowing, and in the period after the maturity of the bond, interest rate movements could influence the Group's assets, finances and earnings.

The other financial liabilities bear variable interest rates. The Group's financial investments are mainly in bond funds. They are of little significance for the overall assets and earnings position of the Group. Internal rules limit the proportion of financial liabilities at variable interest rates to 40%. Due to the bond issue, at balance sheet date the proportion of financial liabilities exposed to interest rate risk was very low. As a result of the fixed interest rate bond the effect of a 1% interest rate increase on "Other liabilities" would reduce profits by only EUR 155,000. Hedging instruments are used to reduce the impact of short-term fluctuations in market rates on earnings still further.

During the year under review the average rate of interest on the Group's interest bearing borrowings was 4.26% (2006: 4.10%).

### Fair values

The fair values of the derivative instruments are shown in the table below. The fair values of the underlying financial instruments are effectively identical to the carrying values due to the daily or short-term maturities. The bond is measured at fair value which is determined by the market price of the securities. The fair value of the bond at the price last quoted (on 16 November 2005) was EUR 68,600,000 (31 Dec. 2006: EUR 68,600,000). The price has since fallen further due to the increase in interest rates. No price has been quoted since 16 November 2005. The table below gives further information on the financial liabilities.

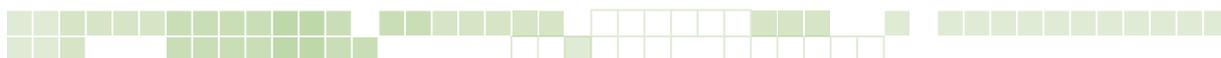


<b>Assets</b>	EUR '000	Measurement category	Carrying value at 31 Dec. 2007	Fair value at 31 Dec. 2007	Carrying value at 31 Dec. 2006	Fair value at 31 Dec. 2006
Financial assets		AFS	848	848	877	877
Options (foreign currency futures transaction in 2006)		HFT	169	169	-178	-178
Trade receivables		LAR	73,200	73,200	61,048	61,048
Other receivables		LAR	11,255	11,255	10,818	10,818
Cash and cash equivalents		LAR	10,218	10,218	10,615	10,615
<b>Aggregated by measurement categories</b>						
available for sale		AFS	848		877	
loans and receivables		LAR	94,673		82,481	
held for trading		HFT	169		-178	
<b>Liabilities</b>						
	EUR '000	Measurement category	Carrying value at 31 Dec. 2007	Fair value at 31 Dec. 2007	Carrying value at 31 Dec. 2006	Fair value at 31 Dec. 2006
<b>Non-current liabilities</b>						
Bond		FLAC	70,000	68,600	70,000	68,600
Bank borrowings		FLAC	2,766	2,766	1,279	1,279
Liabilities to Group companies		FLAC			10,500	10,500
<b>Current liabilities</b>						
Bond		FLAC	1,375	1,375	1,375	1,375
Bank borrowings		FLAC	15,187	15,187	5,469	5,469
Trade payables		FLAC	59,487	59,487	53,712	53,712
Liabilities to Group companies		FLAC	11,261	11,261	778	778
Other liabilities		FLAC	25,095	25,095	25,616	25,616
<b>Aggregated by measurement categories</b>						
Financial liabilities measured at amortised cost		FLAC	185,171		168,729	

### Long and short-term borrowings

The short-term bank borrowings are shown in the balance sheet at the amounts due. The long-term liabilities to banks are likewise normally recognised at the amounts due, as the current interest rates for liabilities with like maturities correspond to the average rate of interest on these liabilities. .

Maturing in	Issue volume	Exposure at 31 Dec. 2007	Residual maturity					Weighted nominal interest rate	Weighted effective interest rate	Fair value at 31 Dec. 2007
			up to 1 year	1-2 years	2-3 years	3-4 years	over 4 years			
2008	8,400	10,417	10,417					5.40 %	5.53 %	10,417
2009	3,000	2,997	2,997					4.75 %	5.30 %	2,997
2010		696	174	348	174			4.30 %	4.60 %	696
2012	2,500	1,419	459	459	271	230		5.51 %	5.62 %	1,419



**[47] Earnings per share**

Undiluted and diluted earnings per share for the 2007 financial year are identical. On the basis of the consolidated net profit for the period after minority interests of EUR 17,505,000 (2006: EUR 12,960,000) and an average of 9,173,600 shares in issue (2006: 9,173,600), earnings per share were EUR 1.91 (2006: EUR 1.41).

	2007	2006
Number of shares in issue	9,434,990	9,434,990
Treasury shares	-261,390	-261,390
Shares in circulation	9,173,600	9,173,600

The Executive Board is recommending payment of a dividend of EUR 0.20 per share (2006: EUR 0.20) per share for the 2007 financial year. In most cases dividends are subject to 25% investment income withholding tax in Austria.

## **G. General exemption from presenting consolidated financial statements in accordance with German commercial regulations (section 264 b No. 4 UGB)**

Linnemann-Schnetzer GmbH & Co., Ahlen, Germany has been included in these consolidated statements, thereby exempting that company, inter alia, from publishing annual financial statements for the year ended 31 December 2007.

## **H. Declaration of the executive board under section 82(4) Austrian Stock Exchange act**

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

Vienna, 29 February 2008

Frauenthal Holding AG

The Executive Board



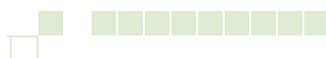
Winfried Braumann  
CEO



Hans-Peter Moser  
Member of the Executive Board



Michael Ostermann  
Member of the Executive Board



## Auditors' report

"We have audited the consolidated annual financial statements of

### **Frauenthal Holding AG, Vienna**

for the year ended 31 December 2007. These statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, cash flow statement and statement of changes in equity for the year then ended, a summary of the principal accounting and measurement policies applied, and notes to the accounts.

### **Responsibility of the Company's legal representatives for the consolidated annual financial statements**

The Company's legal representatives are responsible for the preparation of consolidated annual financial statements which, to the maximum extent possible, present a true and fair view of the Group's assets, finances and earnings in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU. This responsibility includes: designing, implementing and maintaining an internal control system, to the extent that this is relevant to the preparation of consolidated annual financial statements and to the presentation of a true and fair view of the Group's assets, finances and earnings, such that those statements are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting and measurement methods; and making estimates which are reasonable in the circumstances.

### **Auditors' responsibilities**

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. We conducted our audit in accordance with Austrian statutory requirements and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the relevant codes of professional conduct, and plan and perform the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves the performance of audit procedures to obtain evidence about the amounts and other disclosures in the consolidated annual financial statements. The selection of these procedures is at the due discretion of the auditors, taking into account their assessment of the risk of material misstatement due to fraud or error. In making these risk assessments, the auditors consider the internal control system, to the extent relevant to the preparation of the consolidated financial statements and the presentation of a true and fair view of the Group's assets, finances and earnings, in order to determine audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that control system.

An audit also includes assessing the reasonableness of the accounting and measurement methods applied and of significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated annual financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.



The auditing of the annual financial statements of subsidiaries together accounting for 47.80 % of total consolidated revenue and 43.44 % of total consolidated assets was performed by other auditors. To the extent that it concerns these subsidiaries our audit is exclusively based on their certificates.

### Opinion

Based on the results of our audit, in our opinion the consolidated financial statements to the maximum possible extent conform to the legal regulations, and present a true and fair view of the Group's assets and finances as at 31 December 2007, as well as its earnings and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU."

### Report on the operational review

"Austrian legal regulations require us to audit the Group operating review to determine whether it is consistent with the consolidated annual financial statements and whether the other disclosures made in the operating review do not present a false view of the Group's position. In our opinion the operating review is consistent with the consolidated financial statements."

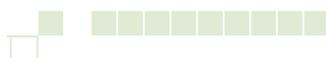
Vienna, 29 February 2008

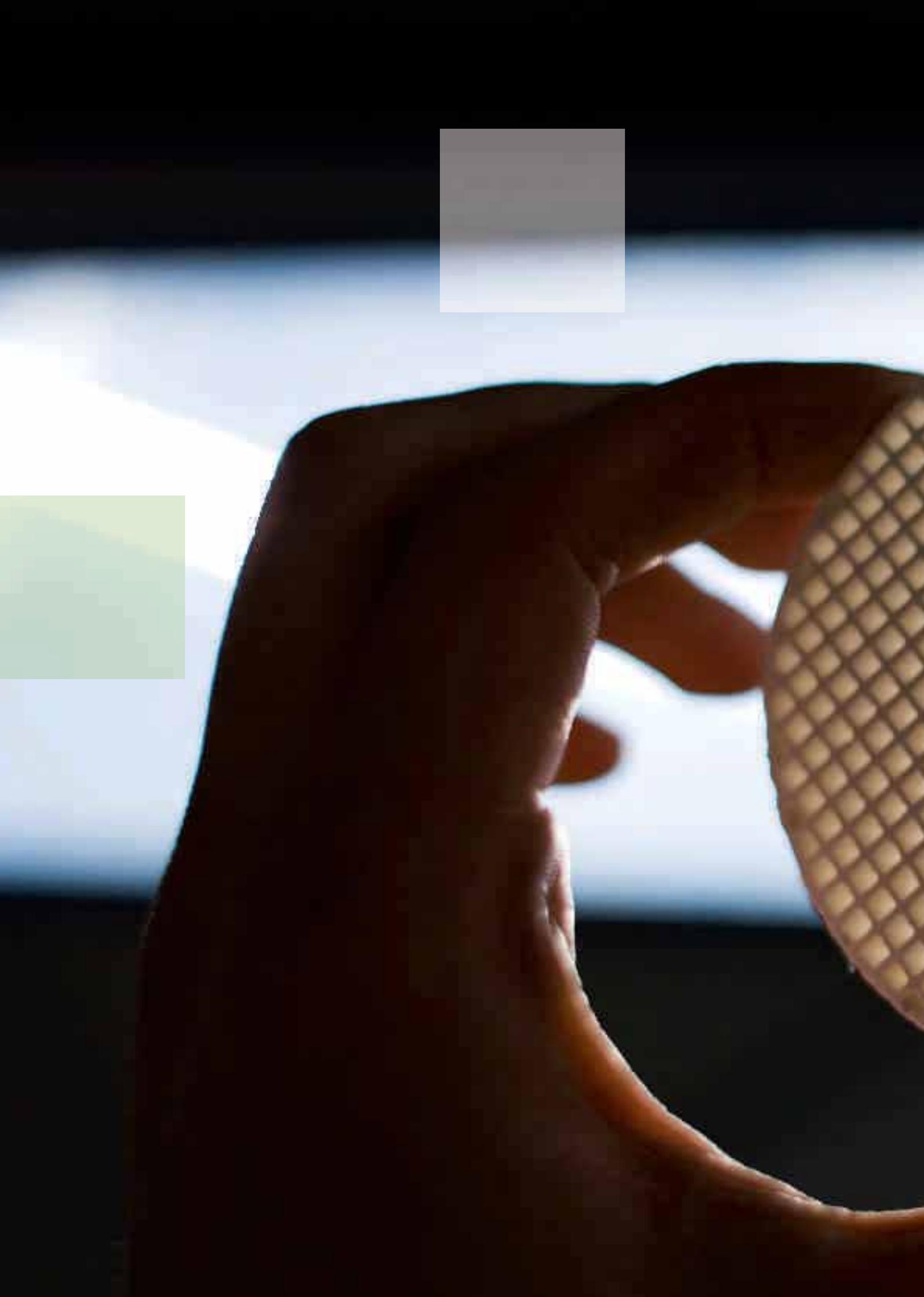
B D O A u x i l i a T r e u h a n d G m b H  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

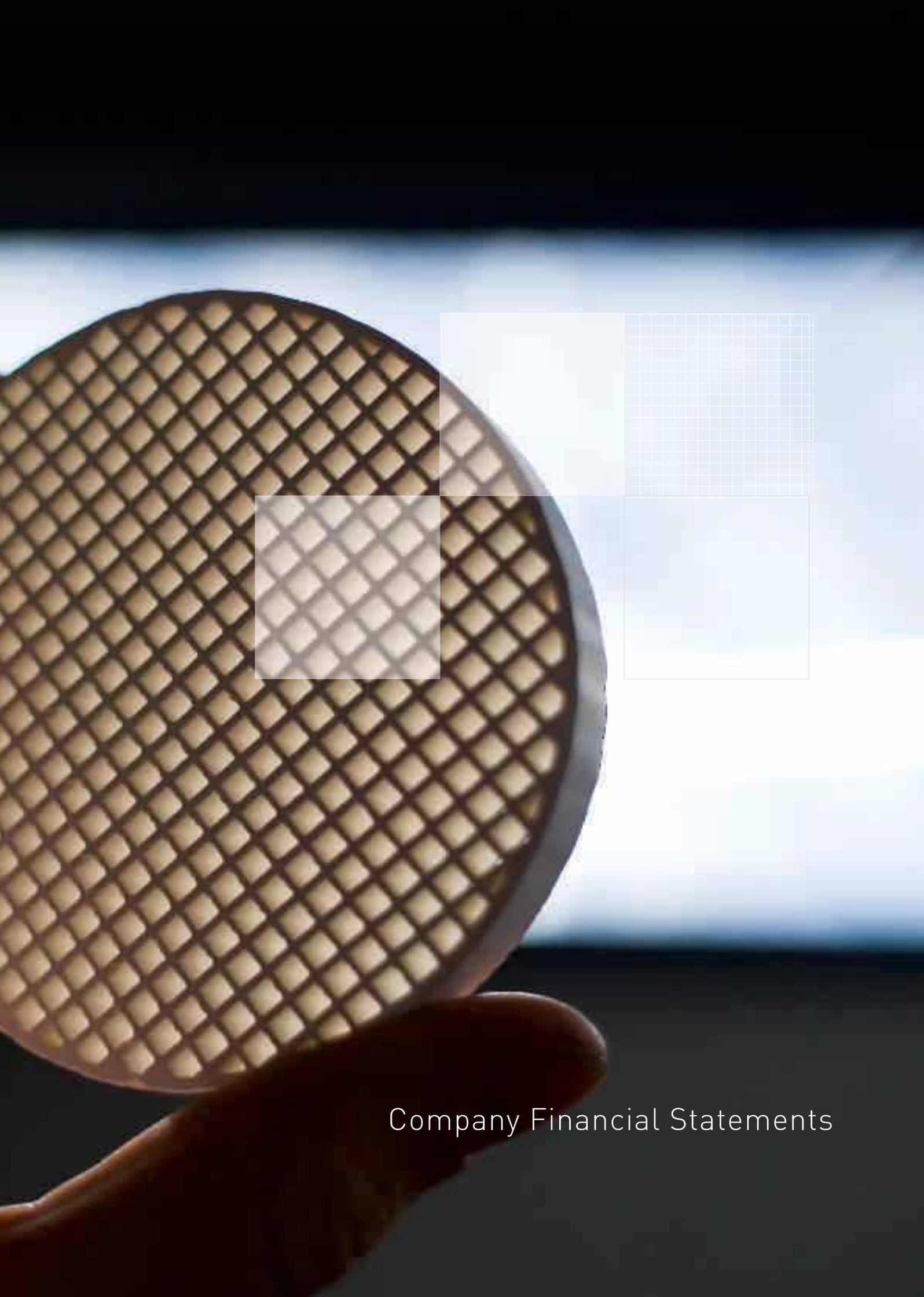
m.p.:  
Kurt Sumhammer  
Auditor and chartered account

m.p.:  
Hans Peter Hoffmann  
Auditor and chartered account

The published auditor's certificate relates to the complete consolidated annual financial statements and operating review, and not to the information extracted therefrom published in the Annual Report.







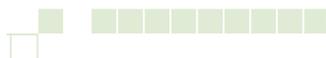
Company Financial Statements

## Balance sheet

	EUR '000	EUR '000
Assets	31 Dec. 2007	31 Dec. 2006
<b>Non-current assets</b>		
Intangible assets	82,327	59,095
Property, plant and equipment	160,362	134,239
Financial assets	103,969,500	103,969,483
	<b>104,212,189</b>	<b>104,162,817</b>
<b>Current assets</b>		
<b>Receivables</b>		
Trade receivables	0	15,048
Receivables from Group companies	12,966,008	8,559,503
Receivables from associates	36,134	19,569
Other receivables and assets	233,658	1,644,386
Own shares	395,874	395,874
Cash and cash equivalents	18,520	14,959
	<b>13,650,195</b>	<b>10,649,339</b>
Prepayments and deferred assets	30,483	37,986
<b>Total assets</b>	<b>117,892,866</b>	<b>114,850,142</b>



	EUR '000	EUR '000
Equity and liabilities	31 Dec. 2007	31 Dec. 2006
<b>Equity</b>		
Share capital	9,434,990	9,434,990
Capital reserves	21,259,241	21,259,241
Retained earnings	7,895,875	5,895,875
Profit for the year	2,181,634	2,273,181
	<b>40,771,740</b>	<b>38,863,287</b>
<b>Provisions</b>		
Provisions for termination benefits	0	6,970
Provisions for deferred tax	0	3,802,660
Other provisions	161,660	261,995
	<b>161,660</b>	<b>4,071,625</b>
<b>Liabilities</b>		
Bond	71,374,829	71,374,829
Bank borrowings	5,000,000	0
Trade payables	272,966	313,199
Payables to Group companies	144,968	134,721
Other liabilities	166,703	92,481
	<b>76,959,466</b>	<b>71,915,230</b>
<b>Total Equity and liabilities</b>	<b>117,892,866</b>	<b>114,850,142</b>



# Frauenthal Holding AG

## company financial statements

The annual financial statements of Frauenthal Holding AG, prepared in accordance with Austrian accounting regulations, were given an unqualified audit certificate by BDO Auxilia Treuhand GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and have been submitted to the register of companies at the Vienna commercial court, together with the related documents, under register number FN 83990 s. These statements can be requested free of charge from Frauenthal Holding AG, Prinz-Eugen-Strasse 30/4a, A-1040 Vienna, and will be available for inspection at the Annual General Meeting.

### **Dividend recommendation**

The net profit of Frauenthal Holding AG for 2007 was EUR 2,181,634.27.

We are recommending payment of a dividend of EUR 0.10 and a bonus of EUR 0.10 per share to the Annual General Meeting.

Subject to the approval of the Annual General Meeting a dividend and bonus totalling EUR 0.20 will be distributed to the holder of each share with dividend entitlement in issue at balance sheet date, and the remaining amount will be carried forward to new account. Except where exempt under section 94 EStG (Austrian Income Tax Act), dividends are subject to investment income withholding tax of 25%.

Dividends may be collected from Bank Austria AG from 5 May 2008 onwards, on presentation of Gewinnschein (dividend coupon) No. 17.

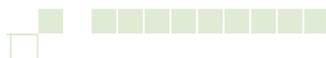
Vienna, March 2008

The Executive Board



## Income statement

	2007 EUR '000	2006 EUR '000
<b>Revenue</b>	<b>1,990,490</b>	<b>2,083,246</b>
Other operating income	1,493,385	119,355
Staff costs	-973,655	-1,014,420
Depreciation and amortisation	-79,592	-74,343
Other operating expenses	-2,759,386	-2,484,782
<b>Profit from operations</b>	<b>-328,758</b>	<b>-1,370,944</b>
Income from Group companies	6,000,000	5,911,247
Interest and similar income	255,465	498,712
Interest and similar expenses	-2,902,628	-2,712,505
<b>Net finance income</b>	<b>3,352,837</b>	<b>3,697,454</b>
<b>Profit before tax</b>	<b>3,024,079</b>	<b>2,326,510</b>
Income tax expense	719,094	246,994
<b>Profit after tax</b>	<b>3,743,173</b>	<b>2,573,504</b>
Allocation to retained earnings	-2,000,000	-500,000
<b>Net profit from ordinary activities</b>	<b>1,743,173</b>	<b>2,073,504</b>
Profit brought forward	438,461	199,677
<b>Net profit for the period</b>	<b>2,181,634</b>	<b>2,273,181</b>





GLOSSARY



## Abbreviations

<b>ABS-System</b>	Asset backed securities system
<b>BMVG</b>	Employee Benefits Act
<b>CE</b>	<b>Capital employed</b> The interest bearing capital employed by the Group: Property, plant and equipment + Intangible assets + Goodwill before amortisation + Working capital + Non-recurring effects = Capital employed
<b>CIBG</b>	Ceram Isolatoren Beteiligungs GmbH
<b>CLV</b>	Ceram Liegenschaftsverwaltungs GmbH
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>DBO</b>	Defined benefit obligation
<b>DCF method</b>	Discounted cash flow method
<b>DIN</b>	Dinar
<b>EBIT</b>	<b>Earnings before interest and tax</b>
<b>EBITA</b>	<b>Earnings before interest, tax and amortisation</b>
<b>EBITDA</b>	<b>Earnings before interest, tax, depreciation and amortisation</b> = gross cash flow
<b>ERP</b>	Enterprise resource planning
<b>ESTG</b>	Income Tax Act
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>EUR m</b>	Million euro
<b>EVA</b>	<b>Economic value added</b> Difference between the return on capital employed and the cost of capital CE x (ROCE-WACC)
<b>FIFO</b>	First-in-first-out method
<b>GDP</b>	Gross domestic product
<b>GHG</b>	Greenhouse gas
<b>HUF</b>	Hungarian forint
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standards Board
<b>IFAC</b>	International Federation of Accountants
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ISA</b>	International Standards on Auditing
<b>ISC</b>	Installateur Service Center
<b>IT</b>	Information technology
<b>kg</b>	Kilogramm
<b>KRW</b>	Won (currency of the Republic of Korea)
<b>LS</b>	Linnemann-Schnetzer
<b>MWh</b>	Megawatt hours
<b>NOPAT</b>	<b>Net operating profit after tax</b> EEBITA less adjusted taxes (standard rate of 30%)



## Corporate directory

<b>OEM</b>	Original equipment manufacturer (motor manufacturer)
<b>p.a.</b>	Per annum
<b>PoC</b>	Percentage of completion
<b>PLN</b>	Zloty
<b>POA</b>	Profit on ordinary activities
<b>R &amp; D</b>	Research and development
<b>ROCE</b>	<b>Return on capital employed</b> ROCE=NOPAT/CE
<b>RON</b>	New Romanian Leu
<b>ROS</b>	<b>Return on sales</b> The operating profit margin of the enterprise ROS=EBITA/Umsatz
<b>RWTH</b>	RWTH Aachen University
<b>SCR</b>	Selective catalytic reduction
<b>SHT</b>	Plumbing supplies wholesale group
<b>SIT</b>	Slovenian tolar
<b>UGB</b>	Austrian Business Code
<b>USD</b>	US dollar
<b>WACC</b>	<b>Weighted average cost of capital</b> The average market value of the enterprise's debt and equity Put at 7.10% for the Frauenthal Group in 2005, at 7.16% in 2006 and at 7.26% in 2007.

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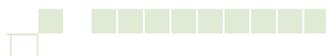
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