Notes to the Consolidated Financial Statements

of ElringKlinger AG for the 2013 Financial Year

General information

As parent company of the Group, ElringKlinger AG is filed in the commercial register at the local court of Stuttgart (Amtsgericht) under the number HRB 361242. The company is domiciled in Dettingen/Erms (Germany). The address is ElringKlinger AG, Max-Eyth-Str. 2, 72581 Dettingen/Erms. The articles of incorporation are dated June 13, 2012. The registered company name is ElringKlinger AG.

The financial year is the calendar year.

The object of ElringKlinger AG and its subsidiaries (the "ElringKlinger Group") is the development, manufacture and distribution of technical and chemical products, in particular of gaskets, sealing materials, plastic products and modules for the automotive sector and for the manufacturing industry in general. The company also offers services relating to the technology used in its products. The corporate object also encompasses the administration and commercial exploitation of landed property.

Accounting principles

The consolidated financial statements of ElringKlinger AG as of December 31, 2013, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the supplementary commercial law regulations pursuant to § 315a (1) HGB. All IFRSs and IFRICs mandatory for the financial year 2013 have been observed.

On March 20, 2014, the Management Board of ElringKlinger AG submitted for approval the consolidated financial statements to the Supervisory Board, which will meet on March 24, 2014.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are in thousand EUR (EUR k).

The income statement was prepared in accordance with the cost of sales method. In order to enhance the clarity of presentation, various items in the statement of financial position and in the income statement have been combined.

The following regulations and amendments to existing regulations were applied for the financial year 2013 for the first time:

IFRS 7 Offsetting Financial Assets and Financial Liabilities

The amendment also resulted in additional disclosures in the notes to the financial statements regarding the offsetting of financial instruments. In addition to additional disclosures on actual offsetting procedures performed, disclosure requirements were introduced for existing offsetting rights that do not comply with the offsetting criteria pursuant to IAS 32.

IFRS 13 Fair Value Measurement

IFRS 13 uniformly governs the fair value measurement for all IFRSs. IFRS 13 applies when another standard requires or permits fair value measurements or disclosures about fair value measurements. The provisions do not expand the scope of measurement at fair value, but rather provide guidance on how to apply fair value measurement in those instances where this is already required or permitted by standards. The application of IFRS 13 did not have any material effect on the measurement of the fair values of the Group. Mandatory disclosures can be found in the disclosures in the notes to the financial statements on the individual assets and liabilities whose fair value was calculated.

IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

IAS 1 has led to a change in how items are grouped in other comprehensive income. Thus, the items that could later be reclassified to net income must be recorded separately from the items that are not reclassified. This provides the users of the financial statements with an improved understanding of the effects of the individual items of other comprehensive income on future net income. This amendment will result in a change in presentation for all companies but will not impact the assets, liabilities or financial position of the ElringKlinger Group.

IAS 12 Deferred Tax: Recovery of Underlying Assets

The amendment of IAS 12 implements a requirement simplifying the treatment of temporary tax differences associated with applying the fair value model from IAS 40. Accordingly, unless proven otherwise, it is assumed that, in principle, realizing the carrying amount through the sale is decisive for measuring the deferred taxes for investment property valued at fair value. The amendment did not have any effect on the consolidated financial statements of ElringKlinger AG.

IAS 19 Employee Benefits (revised 2011)

In accordance with the transition provisions in the revised standard, the Group applied IAS 19R retroactively in the current reporting period. The opening statement of financial position for the earliest presented comparative period (January 1, 2012) and the comparative figures were restated accordingly. IAS 19R amends, among other things, the accounting treatment of defined benefit pension plans. This had the following effects for the ElringKlinger Group:

- Interest expenses and the expected income from plan assets in the previous IAS 19 were replaced by a net interest amount in IAS 19R, which is calculated from applying the discount rate to the net debt or net asset value from defined benefit plans at the beginning of each reporting period.
- Taking into account the risk sharing between employees and employers changes how the defined benefit obligation and service cost are calculated for the Swiss Companies.

The effects of the retroactive application of IAS 19R on the comparative figures reported in the previous year are presented below.

Group statement of financial position *EUR k*	Amount published Jan. 1, 2012	Change	Amount restated Jan. 1, 2012
Equity and liabilities			
Revenue reserves	376,847	0	376,847
Other reserves	22,208	1,610	23,818
Equity attributable to the shareholders of ElringKlinger AG	580,653	1,610	582,263
Non-controlling interests in equity	29,458	289	29,747
Total equity	**610,111**	**1,899**	**612,010**
Provisions for pensions	79,132	-1,899	77,233
Total equity and liabilities	**1,217,590**	**0**	**1,217,590**

Group statement of financial position *EUR k*	Amount published Dec. 31, 2012	Change	Amount adjusted Dec. 31, 2012
Equity and liabilities			
Revenue reserves	424,631	-191	424,440
Other reserves	3,048	1,863	4,911
Equity attributable to the shareholders of ElringKlinger AG	609,277	1,672	610,949
Non-controlling interests in equity	30,978	290	31,268
Total equity	**640,255**	**1,962**	**642,217**
Provisions for pensions	101,559	-1,962	99,597
Total equity and liabilities	**1,268,591**	**0**	**1,268,591**

Group income statement *EUR k*	Amount published Dec. 31, 2012	Change	Amount adjusted Dec. 31, 2012
Cost of sales	-814,778	-233	-815,011
Finance costs	-21,910	43	-21,867
Net income	**89,402**	**-190**	**89,212**

The diluted and basic earnings per share decreased from EUR 1.36 to EUR 1.35 in the previous year.

Group statement of comprehensive income *EUR k*	Amount published Dec. 31, 2012	Change	Amount adjusted Dec. 31, 2012
Net income	89,402	-190	89,212
Actuarial losses from pension commitments, net after tax	-15,904	253	-15,651
Other comprehensive income after tax	-20,396	253	-20,143
Total comprehensive income	**69,006**	**63**	**69,069**
of which: attributable to non-controlling interests	2,907	1	2,908
of which: attributable to shareholders of ElringKlinger AG	66,099	62	66,161

The amendment to IAS 19 had a similar impact in the current period as in the comparative period.

IAS 36 Recoverable Amount Disclosures for Non-financial Assets

The amendment to IAS 36 is intended to eliminate undesired repercussions of the disclosure requirements resulting from the introduction of IFRS 13. Furthermore, disclosure requirements are standardized in the event that, with regard to an individual assets or a cash-generating unit, a write-down or write-up is recognized and the recoverable amount is calculated based on the fair value less costs to sell. The amendments are mandatory for financial years beginning on January 1, 2014. Early adoption is permitted. The ElringKlinger Group has early adopted the amendments.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 governs the treatment of the costs that are incurred from the removal of overburden during the stripping operations of a surface mine and has no effect on the consolidated financial statements of ElringKlinger AG.

Annual improvements to IFRSs (2009 to 2011)

The pronouncement relates to smaller amendments to the standards IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments did not affect the accounting policies and the presentation of the assets, liabilities, financial position and profit or loss of the Group.

The following standards, which have already been adopted by the EU but are not yet mandatory for the financial year 2013, have not yet been applied by the ElringKlinger Group:

IFRS 10 Consolidated Financial Statements

The objective of IFRS 10 is to define the term “control” for all entities uniformly. The standard provides application guidance for this purpose.

IFRS 11 Joint Arrangements

The standard supersedes IAS 31 “Investments in joint ventures.” IFRS 11 primarily abolishes the previous option to use proportionate consolidation for joint ventures.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 summarizes the disclosure requirements for an entity’s investments in subsidiaries, joint arrangements and associated companies previously contained in IAS 27, IAS 31 and IAS 28. The new standard has extensive disclosure requirements for non-consolidated special-purpose entities in particular.

IFRS 10, 11 and 12 and the subsequent amendments to IAS 27 and IAS 28 apply in the EU for the first time to financial years beginning on or after January 1, 2014. There are not expected to be any effects on the future accounting treatment of proportionately consolidated entities as the entities that have been included by proportionate consolidation since the financial year 2013 are included in the consolidated financial statements in the course of full consolidation. However, the retroactive application of the amended standards will make it necessary to disclose the restated comparative figures from the prior period. There is not expected to be any material impact on the presentation of the statement of financial position as of December 31, 2013. Sales revenues for the period of first-time application will be down some EUR 23.4 million. There is not expected to be any material impact on net income. The ElringKlinger Group also does not expect any significant effect on its future assets, liabilities, financial position and profit or loss.

IFRS 10, IFRS 12 and IAS 27 Investment Entities

This amendment applies to the reporting years beginning on or after January 1, 2014 and exempts entities that satisfy the definition criteria of an investment entity pursuant to IFRS 10 from the consolidation duty. The investment entities must instead measure the shares in their subsidiaries at fair value through profit and loss in future. This amendment is not relevant for the Group as ElringKlinger AG does not satisfy the definition criteria of an investment entity pursuant to IFRS 10.

IAS 32 Financial instruments: Offsetting financial assets and financial liabilities

The amendment to IAS 32 was issued in December 2011 and become mandatory for the first time in the financial year beginning on or after January 1, 2014. The amendments are intended to address existing inconsistencies by providing supplemental guidance. However, the current underlying provisions for offsetting financial instruments will remain in force. The amendments will not affect the accounting policies applied by the Group.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendment to IAS 39 permits under certain circumstances the continuation of hedge accounting when derivatives designated as hedging instruments are transferred to a central clearing agency as a consequence of laws or regulations (novation). The amendment is effective for reporting periods beginning on or after January 1, 2014. Since no hedge accounting is applied in the ElringKlinger Group, the amendment will not affect the consolidated financial statements.

The following standards, which have already been adopted by the EU but are not yet mandatory for the financial year 2013, have not yet been applied by the ElringKlinger Group:

IFRS 9 Financial Instruments

IFRS 9 was published in November 2009. The standard was developed by the IASB as the first part of the project to extensively revise the accounting treatment of financial instruments and contains new regulations on the classification and measurement of financial assets. In October 2010 the requirements of IAS 39 on financial liabilities were largely carried over unchanged to IFRS 9. In December 2011 an addition was made to IFRS 9 in that the previous-year financial statements may not be restated upon first-time adoption and additional disclosure requirements must be met. In November 2013 the IASB, based on the third part of the project to replace IAS 39, published an addition to IFRS 9 containing general provisions on the future accounting treatment of hedge accounting. The current version of IFRS 9 does not contain an effective date. A mandatory first-time effective date is only determined once all phases of the project have been completed and there is a definitive version of IFRS 9.

The Group will analyze the future phases of IFRS 9 to assess their full impact on the Group as soon as they have been published by the IASB.

IAS 19R Employee Contributions

The amendment to IAS 19R was published in November 2013 and is effective for the first time in financial years beginning on or after July 1, 2014. The amendment regulates the recognition of contributions by employees or third-parties to the pension plan as a reduction in service costs if these reflect the work performed in the reporting period. The amendment is applicable retrospectively. Early adoption is permitted. The effects from the first-time adoption of the amendment to IAS 19R on the consolidated financial statements of ElringKlinger AG are currently being analyzed.

IFRIC 21 Levies

IFRIC 21 deals with the issue of accounting for public levies which do not represent income taxes within the meaning of IAS 12 and clarifies in particular when obligations to pay such levies are recognized as liabilities in the financial statements. Voluntary early application of the interpretations is permitted. The application of the amendment is mandatory for financial years beginning on or after January 1, 2014. The Group does not expect the application of IFRIC 21 to have any material impact on its consolidated financial statements.

Improvements to IFRSs (2010 to 2012) and (2011 to 2013)

The amendments resulting from these pronouncements published in December 2013 relate to smaller amendments to nine standards in total. They are mandatory for the first time in the financial year beginning on or after July 1, 2014. The effects from the first-time adoption on the assets, liabilities, financial position and profit or loss of the Group are currently being analyzed.

Scope of consolidated financial statements

The consolidated financial statements of ElringKlinger AG as of December 31, 2013, include the annual financial statements of six (2012: 6) domestic and 30 (2012: 25) foreign subsidiaries in which ElringKlinger AG holds, either directly or indirectly, more than 50% of the shares or is able to control the entity's financial and business policy for other reasons (control relationship). Inclusion begins at the time the control relationship comes into being and ends when control is deemed to no longer exist.

ElringKlinger Engineered Plastics North America, Inc., Buford, USA, a subsidiary of ElringKlinger Kunststofftechnik GmbH, Germany, was formed on April 8, 2013.

Another subsidiary of ElringKlinger Marusan Corporation, Tokyo, Japan, ElringKlinger (Thailand) Co. Ltd, Bangkok, Thailand, was formed on April 19, 2013.

KOCHWERK Catering GmbH with its registered office in Dettingen/Erms, Germany, was formed on April 29, 2013. ElringKlinger AG holds a 100% interest in the company.

With effect as of May 10, 2013, HURO Invest S.R.L., Timisoara, Romania, was merged into HURO Supermold S.R.L., Timisoara, Romania.

Hummel Formen GmbH, Lenningen, Germany, was merged into ElringKlinger AG in the third quarter of 2013 with a merger date on January 1, 2013.

The companies previously included in the consolidated financial statements by proportionate consolidation ElringKlinger Korea Co., Ltd., Changwon, South Korea, and ElringKlinger Marusan Corporation, Tokyo, Japan, with its subsidiaries are fully consolidated as of December 31, 2013.

An overview of the 36 entities included is provided on the following page.

Schedule of Shareholdings and Scope of Consolidation

as of December 31, 2013

Name of company	Domicile	Capital share in %
Parent		
ElringKlinger AG[1]	Dettingen/Erms	
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Domestic		
Gedächtnisstiftung KARL MÜLLER BELEGSCHAFTSHILFE GmbH	Dettingen/Erms	100.00
Elring Klinger Motortechnik GmbH	Idstein	92.86
ElringKlinger Logistic Service GmbH	Rottenburg /Neckar	96.00
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen	74.50
Hug Engineering GmbH[2]	Magdeburg	93.67
KOCHWERK Catering GmbH	Dettingen/Erms	100.00
Foreign		
ElringKlinger Abschirmtechnik (Schweiz) AG	Sevelen (Switzerland)	100.00
Hug Engineering AG	Elsau (Switzerland)	93.67
Elring Klinger (Great Britain) Ltd.	Redcar (UK)	100.00
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00
Hug Engineering S.p.A.[2]	Mailand (Italy)	93.67
Technik-Park Heliport Kft.	Kecskemét-Kádafalva (Hungary)	100.00
Elring Parts Ltd.	Gateshead (UK)	100.00
Elring Klinger, S.A.U.	Reus (Spain)	100.00
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00
ElringKlinger Meillor SAS	Nantiat (France)	100.00
HURO Supermold S.R.L.	Timisoara (Romania)	100.00
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00
ElringKlinger North America, Inc.	Plymouth/Michigan (USA)	100.00
ElringKlinger USA, Inc.	Buford (USA)	100.00
Hug Engineering Inc.[2]	Austin (USA)	93.67
Elring Klinger México, S.A. de C.V.	Toluca (Mexico)	100.00
EKASER, S.A. de C.V.	Toluca (Mexico)	100.00
Elring Klinger do Brasil Ltda.	Piracicaba (Brazil)	100.00
ElringKlinger South Africa (Pty) Ltd.	Johannesburg (South Africa)	100.00
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00
Changchun ElringKlinger Ltd.	Changchun (China)	88.00
ElringKlinger Korea Co., Ltd.	Changwon (South Korea)	100.00
ElringKlinger China, Ltd.	Suzhou (China)	100.00
ElringKlinger Engineered Plastics North America, Inc.[3]	Buford (USA)	74.50
ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd.[3]	Qingdao (China)	74.50
ElringKlinger Marusan Corporation[4]	Tokyo (Japan)	50.00
Taiyo Jushi Kakoh Co., Ltd.[5]	Tokyo (Japan)	50.00
Marusan Kogyo Co., Ltd.[6]	Tokyo (Japan)	23.45
PT. ElringKlinger Indonesia[5]	Karawang (Indonesia)	50.00
ElringKlinger (Thailand) Co., Ltd[5]	Bangkok (Thailand)	50.00

[1] ElringKlinger AG prepares the consolidated financial statements for the largest and smallest group of consolidated subsidiaries
[2] Wholly owned subsidiary of HUG Engineering AG
[3] Wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH
[4] Consolidated due to contractual possibility of exercising control
[5] Wholly owned subsidiary of ElringKlinger Marusan Corporation
[6] 46.9% subsidiary of ElringKlinger Marusan Corporation, consolidated due to majority of voting rights

Acquisition of non-controlling interests

With effect from January 1, 2013, ElringKlinger AG acquired the 49% interest previously held by non-controlling interests in the subsidiary ElringKlinger South Africa (Pty) Ltd., with its registered office in Johannesburg, South Africa. The purchase price amounted to EUR 589 k, with the resulting difference from the non-controlling interests accounted for recognized directly in equity. ElringKlinger AG now holds a 100% interest in the company.

On August 1, 2013, ElringKlinger AG acquired the 10% interest previously held by non-controlling interests in the subsidiary Elring Parts Ltd., with its registered office in Gateshead, UK. The purchase price amounted to EUR 701 k, with the resulting difference from the non-controlling interests accounted for recognized directly in equity. ElringKlinger AG now holds a 100% interest in the company.

On August 1, 2013, ElringKlinger AG acquired the 25% interest previously held by non-controlling interests in the subsidiary HUG Engineering AG, with its registered office in Elsau, Switzerland. The purchase price amounted to EUR 4,606 k, with the resulting difference from the non-controlling interests accounted for recognized directly in equity. ElringKlinger AG now holds a 93.67% interest in the company.

Step-by-step purchase of interests

With its investments, ElringKlinger generally strives to have a majority shareholding. In this connection, the 50% interest in ElringKlinger Korea Co., Ltd., Changwon, South Korea, was acquired by ElringKlinger AG from the joint shareholder with effect as of February 1, 2013. ElringKlinger AG now holds a 100% interest in the company. The purchase price amounted to EUR 4,266 k. The transaction-related costs of EUR 53k to date were recognized in administrative costs.

The assets and liabilities of the acquired shares were measured at fair value as of the acquisition date.

The business combination resulted in goodwill of EUR 4,915 k. This was paid primarily for the positive forecasts as well as the expected synergies and allocated to the Original Equipment segment.

Goodwill is not tax deductible.

The first-time full consolidation of the company increased the Group's revenue by EUR 4,678 k as of December 31, 2013 and earnings before taxes were reduced by EUR 415 k.

Had the acquisition been completed as of January 1, 2013, ElringKlinger Korea Co., Ltd. would have contributed EUR 5,146 k to group revenue and burdened earnings before taxes with EUR 395 k.

The following table contains the final distribution of the purchase price between the assets and liabilities:

EUR k	IFRS carrying amount as of the acquisition date	Purchase price allocation	Acquisition date fair value
Intangible assets	–	82	82
Land and buildings	132	–	132
Technical equipment and machinery	1,852	–	1,852
Other equipment, furniture and fixtures	104	–	104
Property, plant and equipment under construction	76	–	76
Long-term securities	212	–	212
Deferred tax assets	289	–	289
Inventories	2,155	–	2,155
Trade receivables	2,033	–	2,033
Other current assets	1,278	–	1,278
Cash and cash equivalents	2,231	–	2,231
Total assets	**10,362**	**82**	**10,444**
Provisions	164	–	164
Deferred tax liabilities	–	16	16
Current trade payables	6,275	–	6,275
Current provisions	68	–	68
Tax payable	11	–	11
Other current liabilities	293	–	293
Total liabilities	**6,811**	**16**	**6,827**
Net assets	**3,551**	**66**	**3,617**

EUR k			Feb. 1, 2013
Purchase price of the shares 50%			4,266
Fair value of the old shares 50%			4,266
Measurement basis for goodwill			**8,532**
Goodwill			4,915

The fair value adjustments for intangible assets relate to the profit margins contained in the order backlog as of the acquisition date as well as the resulting deferred tax effect.

The shares in ElringKlinger Korea Co., Ltd. accounted for on a proportional basis were remeasured upon acquiring the outstanding shares at a fair value of EUR 4,266 k. The transition to full consolidation resulted in non-cash income of EUR 1,386 k from the remeasurement of the shares held to date, which was recognized as other operating income.

No contingent liabilities were identified in the course of the acquisition. No impairment losses were recognized in respect of trade receivables. Their fair value corresponds to the gross value of EUR 2,033 k.

Full consolidation of ElringKlinger Marusan Corporation

With its investments, ElringKlinger generally strives to have a majority shareholding. As of December 31, 2013, ElringKlinger AG and its joint venture partner entered into an agreement regarding control of ElringKlinger Marusan Corporation, Tokyo, Japan. On account of the new contractual regulations, ElringKlinger AG is in a position to shape decisions and thereby exercise control over the joint venture.

Under this agreement, a put and call option was agreed with the non-controlling interests on their shares. The obligation resulting from this agreement is recognized as a financial liability and recorded at amortized cost in the amount of the fair value of EUR 37,054 k. Changes to the fair value are recognized in the income statement in subsequent periods.

ElringKlinger Marusan is therefore fully consolidated in the ElringKlinger Group; the shareholdings of the non-controlling interests have not been disclosed.

The shares in ElringKlinger Marusan accounted for on a proportional basis were remeasured at their fair value of EUR 37,054 k. The transition to full consolidation resulted in non-cash income of EUR 17,556 k from the remeasurement of the shares held to date, which was recognized as other operating income. The transition to full consolidation did not result in any changes to group revenue or earnings.

The goodwill resulting from the change in the organization of the company primarily reflects the positive earnings prospects of the ElringKlinger Marusan Group and in particular the growth potential in the ASEAN countries. This has been allocated to the Original Equipment segment. Goodwill is not tax deductible.

Had the change in the organization of the company taken place as of January 1, 2013, the contribution made by the Marusan Group to ElringKlinger's group revenue in 2013 would have amounted to EUR 23,423 k and earnings before tax to EUR 559 k.

The following table contains the provisional distribution of the value of the company between assets and liabilities:

EUR k	IFRS carrying amount as of the acquisition date	Preliminary allocation of the business value	Acquisition date fair value
Goodwill	25	–	25
Patents, licenses, software and similar rights	316	–	316
Order backlog, customer base and technology	–	9,204	9,204
Land and buildings	6,939	–	6,939
Technical equipment and machinery	5,664	–	5,664
Other equipment, furniture and fixtures	163	–	163
Property, plant and equipment under construction	621	–	621
Loans to affiliated companies	6,910	–	6,910
Non-current securities	44	–	44
Other non-current assets	215	–	215
Deferred tax assets	1,587	–	1,587
Inventories	4,028	–	4,028
Trade receivables	12,418	–	12,418
Other current assets	1,476	–	1,476
Cash and cash equivalents	10,679	–	10,679
Total assets	**51,085**	**9,204**	**60,289**
Non-controlling interests	2,363	–	2,363
Non-current provisions	1,874	–	1,874
Deferred tax liabilities	85	3,169	3,254
Non-current financial liabilities	67	–	67
Other non-current liabilities	160	–	160
Current financial liabilities	1,757	–	1,757
Current trade payables	4,967	–	4,967
Current provisions	60	–	60
Tax payable	789	–	789
Other current liabilities	1,388	–	1,388
Total liabilities	**13,510**	**3,169**	**16,679**
Net assets	**37,575**	**6,035**	**43,610**
Proportionate share of the business value 50%			37,054
Fair value of the old shares 50%			37,054
Consolidation			
Measurement basis for goodwill			**74,108**
Goodwill			30,498

As part of the allocation, hidden reserves were identified for intangible assets. The assets identified include the profit margins contained in the order backlog as of the acquisition date as well as in the technology and customer base. For the customer base, which is amortized over a useful life of

five years using the straight-line method, a fair value of EUR 7,064 k was calculated. The corresponding deferred tax effect was also recognized at the respective asset values.

As part of the allocation, no contingent liabilities and receivables were identified. No impairment losses were recognized in respect of trade receivables. Their fair value corresponds to the gross value of EUR 12,418 k.

The fair values of the intangible assets are currently only provisional. A definitive assessment of the assets and liabilities is expected in 2014.

Summary of the principal accounting and measurement methods

The consolidated financial statements were prepared on the basis of historical acquisition and manufacturing costs with the exception of assets and liabilities for which measurement at fair value is mandatory in accordance with IFRS.

The fundamental accounting and measurement methods applied in preparing the consolidated financial statements are described below:

Consolidation methods

Assets and liabilities of the domestic and foreign companies included in the consolidated financial statements are recognized and measured according to the accounting policies that apply uniformly across the ElringKlinger Group.

Upon acquisition of a company, the assets and liabilities of the subsidiaries acquired are measured at their fair value at the time of acquisition. If the purchase price of the interest exceeds the identified assets and liabilities to be measured at fair value, the excess is capitalized as goodwill. If the difference is negative, the identifiable assets and liabilities are remeasured, as are the acquisition costs. Any remaining negative difference is recorded in income.

Under the subsequent consolidation in accordance with the corresponding assets and liabilities, hidden reserves and liabilities identified are adjusted, written off or released. Capitalized goodwill is not amortized, but is subject to annual impairment testing in accordance with IFRS 3.

If additional shares of an already fully consolidated subsidiary are acquired, the difference between the purchase price and carrying amount of non-controlling interests is recognized directly in equity.

The minority interest in subsidiaries held by shareholders outside the Group must be shown as a separate line item under group equity.

Net income for the year for subsidiaries acquired or sold in the course of the year are included in the group income statement from the effective time of acquisition or until the effective time of divestment.

The financial year of all companies included, except the Indian subsidiary (March 31), corresponds to the financial year of the parent company. In case of differing reporting dates, interim financial statements are prepared as of the reporting date of the parent company.

All receivables, liabilities, sales revenues, other income and expenses within the scope of consolidation are eliminated. Accumulated results from intergroup supplies are eliminated from inventories or non-current assets.

Currency translation

The reporting currency of the ElringKlinger Group is the euro.

Foreign currency transactions are translated in the individual financial statements of ElringKlinger AG and its consolidated companies at the rates current as of the transaction date. As of the end of the reporting period, assets and liabilities in foreign currency are measured at the closing rate. Differences arising on translation are recorded in income.

Currency translation differences from monetary items that form part of a net investment in a foreign operation are reported under other comprehensive income.

The financial statements of the foreign companies are translated into euros since this is the functional currency of the parent company. Since subsidiaries and joint ventures operate their businesses independently in financial, economic and organizational respects, the functional currency is identical to the relevant national currency of the company. For reasons of simplification, the expenses and income from financial statements of entities included in the consolidated financial statements which were originally prepared in foreign currencies are translated at the average rate for the year. The average rate for the year is calculated on the basis of daily rates. Assets and liabilities are translated at the closing rate. Currency differences are reported as separate items directly in equity. In the event of a disposal of a consolidated entity, accumulated currency differences are recorded as part of the gain or loss on sale.

The rates used for currency translation are shown in the table below:

Currency	Abbr.	Closing rate Dec. 31, 2013	Closing rate Dec. 31, 2012	Average rate 2013	Average rate 2012
US dollar (USA)	USD	1.37910	1.31940	1.33083	1.29284
Pound (UK)	GBP	0.83370	0.81610	0.85008	0.81163
Franc (Switzerland)	CHF	1.22760	1.20720	1.22906	1.20428
Canadian dollar (Canada)	CAD	1.46710	1.31370	1.37711	1.29058
Real (Brazil)	BRL	3.25760	2.70360	2.89373	2.53343
Peso (Mexico)	MXN	18.07310	17.18450	17.12746	16.94385
RMB (China)	CNY	8.34910	8.22070	8.17328	8.14721
WON (South Korea)	KRW	1,450.93000	1,406.23000	1,456.23833	1,447.12500
Rand (South Africa)	ZAR	14.56600	11.17270	13.01281	10.57579
Yen (Japan)	JPY	144.72000	113.61000	130.18167	103.49667
Forint (Hungary)	HUF	297.04000	292.30000	297.93333	288.18167
Turkish lira (Turkey)	TRY	2.96050	2.35510	2.56752	2.31404
Leu (Romania)	RON	4.47100	4.44450	4.41495	4.45736
Indian rupee (India)	INR	85.36600	72.56000	78.47108	69.00309
Indonesian rupiah (Indonesia)	IDR	16,764.78000	12,713.97000	14,067.13083	12,123.76333
Bath (Thailand)	THB	45.17800	40.34700	41.08033	40.05708

Accounting policies

Goodwill

The goodwill is attributable to cash-generating units (segments) as follows

EUR k	2013	2012
Original Equipment	130,793	99,291
Engineered Plastics	4,816	4,816
Aftermarket	1,658	1,658
Total	137,267	105,765

Goodwill is capitalized and subjected to impairment testing on an annual basis. If the value is no longer recoverable, impairment is recorded. Otherwise, the valuation of the previous year is retained. Impairment of goodwill is not reversed, even if the impairment has ceased to apply.

ElringKlinger conducts an impairment test of goodwill at least once annually. Regular annual impairment testing of goodwill is performed as of the closing date on December 31. During impairment tests, the recoverable amount of the cash-generating unit is compared to its carrying amount. The value in use that is applied is the recoverable amount.

The values in use of the cash-generating units are determined by discounting future cash flows. This calculation is based on the following key assumptions:

A detailed plan of the cash flows for the cash-generating units is established over the forecast period of five years. Subsequent periods are accounted for by a perpetual annuity determined on the basis of the average for the years 2014 to 2018.

The plan is based on expected future market developments taking into consideration the business development thus far. The material assumptions relate to the development of revenue and earnings after taxes.

Sales revenue planning at the ElringKlinger Group is performed at an individual component level. A variety of different information is used for the sales revenue planning. With regard to short-term planning, the current order backlog, information on the respective manufacturer and information from independent sources, such as advisory firms or automobile associations, is used. In the medium term, ElringKlinger, in performing its sales revenue planning, expects the global automotive markets to sustain slight growth.

Costs are also budgeted at an individual component level within the ElringKlinger Group. This takes into account efficiency as well as cost increases. For the raw materials processed in the cash-generating units, group-wide uniform planning assumptions were applied. For prices of materials, excessive price increases are not expected. For other costs, it is assumed that they will continue to develop in line with regional economic development dependent on sales revenues.

The discount factor applied as of December 31, 2013 was the weighted average cost of capital (WACC) before taxes of 10.70% (2012: 9.54%). The WACC is determined on the basis of the basic interest rate according to the IDW method, the market risk premium and the beta factor. Beta represents the individual risk of a share as compared to a market index. It is calculated as the average value for the peer group. The credit spread as a premium over the risk-free rate was derived from a rating of a peer group.

As in the previous year, the discount rate was used without applying a growth discount to determine the terminal value.

The impairment test performed as of December 31, 2013 did not result in the impairment of goodwill. Even changes in key parameters management deemed to be possible would not result in impairment.

Goodwill from business combinations prior to April 1, 2004 is mainly capitalized and otherwise offset against reserves. Upon divestment of a consolidated company, any goodwill related to it is included in calculating the deconsolidation result. The goodwill that was offset against reserves, however, is not considered in determining the profit or loss on disposal.

Intangible assets

Purchased intangible assets, mainly patents, licenses and software, are recognized at cost.

Internally generated intangible assets, with the exception of goodwill, are capitalized if it is sufficiently probable that use of the asset is associated with a future economic benefit, the costs of the asset can be determined reliably, and the technical and economic feasibility along with the ability and intent to market it are ensured. The manufacturing costs of internally generated intangible assets are determined on the basis of directly attributable individual costs as well as their proportion of directly attributable overheads.

With the exception of goodwill, all intangible assets in the Group have determinable useful lives and are amortized over these useful lives using the straight-line method. Patents, licenses and software generally have useful lives of 10 years. Capitalized development costs and basic standard software have useful lives of 5 years. If the actual useful life is materially longer or shorter than 10 or 5 years, this actual useful life is recognized.

Property, plant and equipment

Tangible assets used in business operations for a period longer than one year are measured as property, plant and equipment at cost less straight-line depreciation in accordance with their use as well as any necessary impairment. The manufacturing cost of self-constructed property, plant and equipment is determined on the basis of directly attributable individual costs and their proportion of overhead cost. The allowable alternative of revaluation is not applied.

Depreciation is calculated throughout the Group based on the following useful lives:

Category of property, plant and equipment	Years
Buildings	15 to 40
Plant and machinery	12 to 15
Special tooling	3
Operating and office equipment	3 to 15

The useful lives and the depreciation methods and residual carrying amounts are reviewed periodically in order to ensure that the depreciation method and period are consistent with the expected useful lives.

Investment property

Investment property is measured at cost less straight-line depreciation. It is reported separately under non-current assets.

The useful lives of investment property are 40 years in the case of buildings and 20 years in the case of external facilities.

Impairment of property, plant and equipment and of intangible assets other than goodwill

Pursuant to IAS 36, property, plant and equipment and intangible assets are subjected to impairment testing at the end of each reporting period if there is evidence of impairment. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized to the recoverable amount. The recoverable amount is the larger of the following two amounts: the net realizable value less anticipated costs to sell or the value in use. If the recoverable amount for an individual asset cannot be determined, an estimate of the recoverable amount is made at the next higher level cash-generating unit.

In the event that the recoverable amount exceeds the carrying amount in subsequent periods, a reversal is recognized up to, at most, depreciated cost.

Impairments and reversals are recorded in income.

Financial instruments

Under IAS 39, a financial instrument is a contract that constitutes a financial asset for one entity and a financial liability for another entity, or an equity instrument.

Financial instruments held within the Group are divided into the following categories:

- Financial assets measured at fair value through profit or loss
- Financial liabilities measured at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets
- Financial investments held to maturity
- Other financial liabilities that are measured by the effective interest rate method at amortized cost.

At their acquisition date, financial instruments are categorized on the basis of their intended use.

Financial assets include cash, trade receivables and other loans and receivables and derivative financial assets held for trading.

Financial liabilities include trade payables, bank debt, derivative financial liabilities held for trading and other financial liabilities.

Financial assets

Derivatives are recorded in the statement of financial position on the day of the trade and all usual purchases and sales of financial assets are recorded in the statement of financial position on the exercise date, i.e., on the day that the Group has entered into the obligation to purchase or to sell an asset.

Upon initial recognition, financial assets are measured at fair value. In the case of all financial investments that are not classified as "measured at fair value through profit or loss", transaction costs directly attributable to the purchase are included.

Financial assets that are not classified as "fair value through profit or loss" are reviewed for impairment at the end of each reporting period. If the fair value of the financial asset is lower than its carrying amount, the carrying amount is written down to its fair value. This reduction represents an impairment loss and is recognized as an expense. Any impairment previously recognized as an expense is reversed and credited to the income statement if warranted by events occurring after the original recognition of the impairment.

Changes to the fair value of financial assets classified as available for sale are recognized in equity after taking deferred taxes into account. Any arising foreign exchange gains or losses are recognized through profit or loss.

The fair values recognized in the statement of financial position generally correspond to the market prices of the financial instruments. If market prices are not available, the fair values are calculated using recognized measurement models and with recourse to current market parameters. The measurement methods include using the most recent transactions between knowledgeable, willing and independent business partners (i.e., at arm's length), comparison with a current fair value of another, substantially identical, financial instrument and the analysis of discounted cash flows.

A financial asset is derecognized if the contractual rights to receive cash flows from this financial asset have expired or have been transferred. In the framework of the transfer, essentially all risks and rewards connected with ownership of the financial asset or the power of control over the asset must be transferred.

Financial assets acquired for the purpose of sale in the near future (financial instruments held for trading) are recognized at their **fair value through profit or loss**. Within the ElringKlinger Group, these are derivatives which do not meet the prerequisites for hedge accounting.

Financial assets resulting from money transfer, the rendering of services or the procurement of merchandise involving third parties are classified as **loans and receivables**. Current assets and liabilities classified in this category are measured at acquisition cost, whereas the non-current financial assets and liabilities are measured at amortized cost in accordance with the effective interest method.

Cash and cash equivalents includes cash in hand, bank deposits and short-term deposits with an original term of less than three months, and are measured at amortized cost.

Impairments on doubtful receivables involve to a considerable extent estimates and judgments of the individual receivables based on the creditworthiness of the customer concerned. If there is objective evidence of impairment of loans and receivables (e.g., major financial difficulties on the part of the debtor or negative changes in the market environment of the debtor), these are recognized in the income statement. Impairments of trade receivables are initially recognized in an adjustments account. The impaired receivable is derecognized when it is considered unrecoverable.

Using the effective interest method, financial instruments are recorded at amortized cost in the category **"financial investments held to maturity"** when the Group has the intent and the legal ability to hold them until maturity.

Assets are allocated to **financial assets classified as available for sale** if they are financial assets for which there is intention to sell and they were not acquired for trading purposes or cannot be allocated to any of the above categories. This category does not contain securities held for trading, for example. They are measured at fair value.

Financial liabilities

Financial liabilities comprise, in particular, trade payables, bank debt, derivative financial liabilities and other liabilities.

Upon initial recognition, financial liabilities are measured according to fair value less any transaction costs directly attributable to borrowing.

Financial liabilities are derecognized when the liability on which the obligation is based is settled, terminated or has expired.

At ElringKlinger, **financial liabilities measured at amortized cost** include trade payables and interest-bearing loans. They are measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liability is retired or has been redeemed.

Financial liabilities measured at fair value through profit or loss comprise the financial liabilities held for trading purposes, in this case, derivatives, including any embedded derivatives that have been separated from the host contract, if applicable, since these do not qualify for hedge accounting as a hedging instrument. Gains or losses are recognized in the income statement.

Derivative financial instruments and treatment of hedges

Under IAS 39, all derivative financial instruments such as currency, price and interest swaps as well as forward exchange transactions, must be recognized at market values, independently of the purpose or the intent of the agreement under which they were concluded. Since no hedge accounting is applied in the ElringKlinger Group, the changes in the fair value of the derivative financial instruments are always recognized in profit or loss.

Derivative financial instruments used in the ElringKlinger Group are interest and price hedge transactions. The purpose of derivative financial instruments is to reduce the negative effects of interest and price risks on the assets, liabilities, financial position and profit or loss of the Group. As of the reporting date, there was one financial derivative (interest rate swap) as well as five nickel hedging contracts and forward contracts for electricity and gas.

Inventories

Inventories are recognized at cost or the lower net realizable value. Raw materials, supplies and consumables as well as merchandise are measured at the average amortized cost. Manufacturing cost of work in progress and finished goods are determined on the basis of directly attributable individual costs and their proportion of production overheads. The proportion of overhead cost attributable to these products is determined on the basis of normal staffing levels. Manufacturing cost does not include selling expenses and borrowing cost. General administrative overheads are included in manufacturing cost if related to production. Net realizable value represents the estimated sales price less all estimated costs through to completion as well as the cost of marketing, sales and distribution. Markdowns are made for detectable impairment due to lack of marketability and quality defects, and to account for declining sales prices.

In the majority of cases, the customers acquire beneficial ownership of tools. The tools are recognized under inventories until the transfer of beneficial ownership.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, checks and bank deposits available on demand. No cash equivalents are held. Cash is recognized at amortized cost.

Non-current assets held for sale

Non-current assets classified as held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

Provisions for pensions

Provisions for pensions are calculated on the basis of the projected unit credit method in accordance with IAS 19 (revised 2011). Measurement takes into account not only to the pensions and vested benefits known at the end of the reporting period, but also expected future increases in pensions and salaries with a prudent estimate of the relevant variables and biometric assumptions.

Actuarial gains and losses resulting from the difference between the expected and actual accounting changes in headcount, as well as differences arising from changes to accounting assumptions, are recognized in full in the period in which they occur. They are recognized outside of the income statement under other comprehensive income.

In determining the discount interest rates, the company is guided by the interest rates observed in capital markets for corporate bonds with first class credit ratings (AA rating or better) which are denominated in the same currency and have similar terms.

Provisions

Provisions are recorded when a past event gives rise to a present legal or constructive obligation to a third party, utilization of the obligation is probable and the anticipated amount of the obligation can be estimated reliably.

The measurement of these provisions is at the present best estimate of the expenses necessary to fulfill the obligation. If appropriate, the amount of the provision corresponds to the present value of the expenditures expected to be necessary to meet the obligations. Refund claims are capitalized separately, if applicable. If the Group expects at least a partial refund for a provision, the refund is recognized under other assets if the return of the refund is expected.

Leases

In lease relationships in which the Group is the lessee, beneficial ownership of the leased items is attributed to the lessee in accordance with IAS 17 to the extent that the lessee bears all risks and rewards associated with ownership of the leased item (finance leases). The depreciation methods and useful lives correspond to those of comparable purchased assets. The leased object is capitalized at the time the contract is concluded at its fair value or, if lower, at the present net value of the future minimum lease payments. Initial direct costs are accounted for as part of the asset. The lease obligations which correspond to the carrying amount of the leased object are shown under financial liabilities.

If beneficial ownership under a lease rests with the lessor (operating leases), the lessor recognizes the leased object in its statement of financial position. The lease expenditures incurred are then recorded as expenses over the term of the lease using the straight-line method. Lease relationships in which the ElringKlinger Group is the lessor, and for which the lessee does not for the most part bear all risks and rewards associated with ownership, are classified as operating leases. Income from operating lease relationships of the industrial park is recognized as sales revenues.

Recognition of income and expense

Sales revenues are measured at the fair value of the consideration received or to be received and represent the amounts that are to be obtained for goods and services in the normal course of business. The sales revenues are shown net of sales deductions, discounts and value added taxes.

Sales revenues are recorded when the performances due have been rendered and the principal risks and rewards have passed to the purchaser and receipt of the payment can be reliably expected.

Interest income is recognized on an accrual basis using the effective interest method.

Income from services is recognized as soon as the services have been rendered.

Dividend income from financial investments is recorded at the time the payment claim arises.

Other income is recognized on an accrual basis in accordance with the substance of the underlying contract.

Operating expenses are recorded in the income statement at the time of performance or at the time of origination.

Research and development costs

Research costs are expensed at the time they are incurred. The costs for development activities are recognized if all the following criteria are satisfied.

- The development costs can be determined reliably.
- The product or the process can be realized technically and commercially.
- Future commercial benefits are likely.
- There is the intent and sufficient resources to complete the development and to use or sell the asset.

Capitalized costs are included under intangible assets. Other development costs are recognized as an expense when incurred. The recognized costs are amortized over five years. As of the financial year 2013, amortization of internally generated capitalized development costs of EUR 6,328 k (2012: EUR 5,624 k) is recognized under cost of sales instead of research and development costs in order to improve presentation of the Group's income statement.

Government grants

The Group receives government grants primarily for development projects. These are recorded in income in the period when they are received and reported as other operating income, since the expenses have already been incurred.

Borrowing costs

Borrowing costs directly associated with the acquisition, construction, or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Interest not capitalized pursuant to IAS 23 is recognized on an accrual basis as an expense using the effective interest method. The actual borrowing costs are capitalized if a financing loan can be definitively assigned to a specific investment. Unless a direct relationship can be established, the Group's average interest rate for borrowed capital for the current period is used. The Group's average interest rate for borrowed capital for the financial year 2013 amounted to 2.66% (2012: 3.6%). In the financial year 2013 borrowing costs of EUR 274 k (2012: 452) were recognized.

Income taxes and deferred taxes

The income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is determined on the basis of the taxable income for the relevant year. Taxable income differs from earnings before taxes as shown in the income statement, since it excludes expenses and income which will be tax deductible in earlier or later years or those which will never become taxable or tax deductible. The liability of the Group for current tax expense is calculated on the basis of applicable tax rates or tax rates established by law as of the end of the reporting period.

Deferred taxes are the expected tax charges and benefits from the differences in the carrying amounts of assets and liabilities in the tax base of the individual companies compared with the valuations in the consolidated financial statements under IFRS. The balance sheet liability method is applied. Such assets and liabilities are not recognized if the temporary difference is the result of (i) goodwill arising from a purchase of interests (a share deal) or (ii) from the first-time recognition of other assets and liabilities resulting from occurrences that do not affect the taxable income or earnings before taxes according to the income statement. Deferred taxes are recorded on all taxable temporary differences when it is probable that taxable profits will be available against which the deductible temporary differences can be offset. Otherwise, deferred tax assets are recognized on loss carryforwards to the extent that their future use may be anticipated.

The carrying amount of the deferred tax assets is examined each year as of the end of the reporting period and is reduced if it is no longer likely that sufficient taxable income will be available.

Deferred taxes are measured at the future tax rates, i.e., those that are expected to apply at the time of realization.

Changes in deferred tax assets are recognized in the income statement as tax income or expense unless they relate to other comprehensive income or items recognized directly in equity; in these cases, deferred taxes are also reported under other comprehensive income or directly in equity.

Contingent liabilities and contingent receivables

No contingent liabilities are recognized. Unless the possibility of an outflow of resources with economic benefit is remote, they are disclosed in the notes. Contingent receivables are not recognized in the financial statements. If the inflow of economic benefits is probable, they are disclosed in the notes.

Use of estimates

Financial statements are prepared in accordance with the pronouncements of the IASB using estimates which influence valuations of items in the statement of financial position, the nature and the scope of contingent liabilities and contingent receivables as of the end of the reporting period and the amounts of income and expenses in the reporting period. At ElringKlinger, the assumptions and estimates relate mainly to the recoverability of receivables, the recoverability of inventories, the recognition and measurement or provisions, the measurement of a financial liability from a written put option, the measurement of goodwill and the realization of future tax benefits. Actual results may deviate from these estimates. Changes are recognized through profit or loss at the time better insights are available.

Warranty obligations may arise by force of law, by contract or for policy reasons. Provisions are recognized for the expected claims arising from warranty obligations. A claim may be expected especially if the warranty period has not yet expired, if warranty expenses have been incurred in the past, or if there is concrete evidence of warranty incidents being imminent. The warranty risk is

determined on the basis of the circumstances from individual estimates or from past experience, and appropriate provisions are recognized.

The use of estimates for other items in the group statement of financial position and the group income statement are described in the accounting principles for the respective items. This pertains in particular to the matters: Impairments of goodwill, impairments of property, plant and equipment and intangible assets, impairment of receivables and the valuation of pension provisions.

Risks and uncertainties

The development of the global vehicle markets is generally linked to the economic situation. This applies even more to the truck segment than to the passenger vehicle segment. In light of this, a collapse in economic development always poses the risk that the demand for vehicles drops and therefore also vehicle production in the short to medium term. This would result cause demand for ElringKlinger components to fall.

According to current assessments, there continue to be risks regarding economic development in the southern and western European markets which are affected by the tense economic situation and high unemployment. Although there were reports of the economies stabilizing here in 2013, a quick and far-reaching recovery is not to be expected. On the whole, the economic situation is expected to gradually improve in Europe as of 2014. Weak development in Europe, however, can be compensated for on a global scale by the grown in Asia and North America. The Internal Monetary Fund anticipates economic growth to be stronger in 2014 than 2013 and forecasts an increase of 3.7%.

At a global level, the risk of a dramatic collapse in vehicle production – similar to the 2008/2009 crisis – can therefore be ruled out for the most part. ElringKlinger expects global vehicle production in 2014 to increase by some 2% to 3%.

ElringKlinger is represented worldwide and, with its broad customer structure, is generally neither dependent on individual markets nor on individual manufacturers. This means that an adverse economic situation in one region can at least be partially offset. Thanks to its flexible position, ElringKlinger, in the event of greater economic turmoil, would be in the position to react immediately to the market conditions and quickly adjust the cost structures.

ElringKlinger makes adequate provision for economic risks during the planning stage. The budget is generally based on a rather cautious macroeconomic scenario.

Provisions are recognized for risks arising from litigation if an entity of the ElringKlinger Group is the defendant and the weight of evidence supports a negative outcome. The provision is recognized in the amount that the entity will probably lose in the case of a negative outcome. This amount includes any payments to be made by the entity such as compensation or severance pay and the expected costs of the lawsuit. In litigation in which the entity itself is the plaintiff, provisions are set up for the cost of the lawsuit only.

Individual disclosures on the Group Income Statement

Sales revenues

1

Sales revenues increased by EUR 48,049 k in comparison with 2012 to reach EUR 1,175,231 k.
Sales revenues of the Group are made up as follows:

EUR k	2013	2012
Sale of goods	1,162,940	1,115,693
Proceeds from the rendering of services	8,031	7,254
Income from rental and leasehold	4,260	4,235
Total	1,175,231	1,127,182

Breakdown by geographical markets:

EUR k	2013	2012
Domestic	360,796	338,882
Foreign	814,435	788,300
Total	1,175,231	1,127,182

The location of the customer is used to determine allocation of sales revenues. The division of group revenues by segment and region is presented in note (30) **Segment reporting*** .

* *Cf. page 214*

Cost of sales

2

The cost of sales shows the costs incurred to obtain the sales revenues.
Cost of sales includes:

EUR k	2013	2012
Cost of materials	520,881	506,118
Personnel expenses*	203,138	192,020
Depreciation and amortization	60,380	58,463
Other expenses	61,759	58,410
Total	846,158	815,011

* Previous-year figures restated

3 Selling expenses

Selling expenses increased by EUR 4,297 k compared to 2012 to reach EUR 82,343 k. Selling expenses mainly include personnel expenses, material and marketing costs, as well as amortization and depreciation related to sales activities.

4 General and administrative expenses

General and administrative expenses include personnel expenses and material costs as well as the amortization and depreciation related to the administrative area. General and administrative expenses rose by EUR 1,842 k compared to 2012 to reach EUR 47,617 k.

5 Research and development costs

Research and development costs include the personnel expenses and the cost of experimental materials and tools attributable to these activities, unless these are development costs that are required to be capitalized under the conditions set forth in IAS 38.57. Development costs increased by EUR 168 k compared to 2012 to reach EUR 57,136 k. Development costs of EUR 8,985 k (2012: EUR 8,394 k) were capitalized in the financial year 2013.

6 Other operating income

EUR k	2013	2012
Government grants	7,261	4,019
Reimbursements from third parties	1,731	1,614
Income from disposals of non-current assets	1,124	3,663
Reversal of provisions/deferred liabilities	482	901
Insurance reimbursements	457	720
Write-up of impaired receivables	279	871
License fees	235	125
Income from claims reimbursements	108	30
Income from the disposal of machinery	0	68
Other	21,555	3,389
Total	**33,232**	**15,400**

In connection with the transition to the full consolidation of ElringKlinger Marusan Corporation and ElringKlinger Korea Co., Ltd., other comprehensive income contains income from the remeasurement of the shares held to date totaling EUR 18,942 k.

Other operating income also includes out-of-period income from the reversal of provisions and deferred liabilities (EUR 482 k; 2012: EUR 901 k).

Other operating expenses

7

EUR k	2013	2012
Other taxes (excl. income taxes)	2,676	1,287
Impairment of receivables	1,170	495
Defaults on receivables	906	1,089
Expenditures for claims	772	409
Recognition of provisions/deferred liabilities	729	763
Losses on disposal of non-current assets	678	894
Other fees	249	612
Selling costs for machinery	20	108
Other	3,077	2,159
Total	10,277	7,816

Net finance costs

8

EUR k	2013	2012
Finance income		
Income from currency differences	8,570	5,105
Interest income	743	1,240
Other	27	513
Finance income, total	**9,340**	**6,858**
Finance costs		
Expenses from currency difference	-13,163	-8,467
Interest expenses*	-11,880	-13,398
– thereof from derivative financial instruments	-158	-132
Other	-13	-2
Finance costs, total	**-25,056**	**-21,867**
Net finance costs	-15,716	-15,009

* Previous-year figures restated

Of the interest expenses, EUR 3,285 k (2012: EUR 3,862 k) are related to interest portions of pension plans and the remainder to bank interest and interest expense from the reversal of discounts on long-term provisions. Borrowing costs for qualifying assets in the amount of EUR 274 k were capitalized in the reporting year (2012: EUR 452 k); this represents a corresponding improvement in the result. Interest expenses for finance leases are immaterial.

9 Income taxes

Income taxes are composed as follows:

EUR k	2013	2012
Current tax expense	38,047	35,739
Deferred taxes	-34	-1,330
Tax expense reported	38,013	34,409

The income taxes consist of corporation and municipal trade taxes including the solidarity surcharge of the domestic Group companies as well as comparable income taxes of the foreign Group companies.

The income tax rate calculated for the German companies is 27.7% (2012: 27.6%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 10.0% and 38.9% (2012: between 10.0% and 40.0%). The average foreign tax rate is 27.2% (2012: 26.0%).

Deferred taxes are calculated by applying the tax rates in force or expected to be in force in the different countries at the time of realization as the law presently stands.

The following table shows a reconciliation between the income tax expense that might theoretically be expected to arise for the Group under application of the current domestic rate of 27.7% (2012: 27.6%) and the income tax expense actually reported.

EUR k	2013	2012
Earnings before taxes	149,216	123,621
Expected tax rate	**27.7%**	**27.6%**
Expected tax expense	**41,333**	**34,107**
Change in the expected tax rate due to:		
– Flat-rate tax on dividends	0	302
– Investment property has a fair value as of the reporting date	-3,953	1,224
– Difference in basis of assessment of local taxes	139	312
– Utilization of non-current and expiration of current tax loss carryforwards	0	2,629
– Write-up of non-current and write-down of current tax loss carryforwards (from other periods)	4,101	-433
– Addition to non-current tax loss carryforwards (relating to the period)	1,668	0
– Taxes relating to other periods	172	441
– Deviations due to changes in tax rate	-4,573	-4,255
– Other effects	-875	81
Current tax expense	38,013	34,409
Actual tax rate	**25.8%**	**27.8%**

Retained earnings of EUR 13,897 k (2012: EUR 21,951 k) at domestic and foreign subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense in relation to distributions in Germany amounted to EUR 193 k (2012: EUR 286 k) and was recorded as a deferred tax liability. Further retained earnings of domestic and foreign subsidiaries of EUR 264,948 k (2012: EUR 195,226 k) are intended to be permanently reinvested in those operations on the basis of current planning.

In the financial year 2013, deferred tax income on actuarial losses recognized under other comprehensive income amounted to EUR 6,349 k (2012: EUR 5,486 k).

Deferred tax assets on tax loss carryforwards have been recognized in the amount of EUR 1,171 k (2012: EUR 3,893 k). No deferred tax assets were recognized in respect of tax loss carryforwards amounting to EUR 32,302 k (2012: EUR 16,818 k), since it was not expected that the deferred tax assets would be utilized in the foreseeable future.

Unused income tax loss carryforwards primarily relate to foreign subsidiaries. The Group's total income tax loss carryforwards amount to:

Expiration of loss carryforwards within	EUR k
One year	0
Two years	540
Three years	1,508
Four years	1,673
Five years	4,042
More than five years	18,931
Non-forfeitable	8,683
Total	**35,377**

Tax deferrals relate to the following line items:

Items of the statement of financial position	Deferred tax assets		Deferred tax liabilities	
EUR k	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	334	69	9,517	6,688
Property, plant and equipment	1,898	1,427	31,799	35,379
Investment property	0	0	1,795	553
Financial assets	14	16	51	7
Other non-current assets	142	320	18	66
Inventories	2,945	2,304	1,604	994
Trade receivables	569	428	151	709
Other current assets	-97	0	787	1,998
Cash and cash equivalents	1	0	0	0
Provisions for pensions	10,933	13,671	-734	-856
Non-current provisions	1,207	1,156	0	0
Non-current financial liabilities	17	15	390	0
Other non-current liabilities	84	202	0	0
Current provisions	1,785	3,169	-72	-71
Trade payables	45	198	23	4
Current financial liabilities	19	46	1	0
Other current liabilities	1,600	2,638	152	1,024
Deferred taxes associated with investments in subsidiaries	0	0	193	286
Tax loss carryforwards	1,171	3,893	0	0
Total	**22,667**	**29,552**	**45,675**	**46,781**
Offsetting of deferred tax assets against deferred tax liabilities	-13,147	0	-13,147	0
Shown in the statement of financial position	**9,520**	**29,552**	**32,528**	**46,781**

(10) Basic and diluted earnings per share

To obtain the basic earnings per share, the period profit attributable to the shareholders of the parent company is divided by the number of individual shares.

Diluted earnings per share correspond to basic earnings per share and are calculated as follows:

	2013	2012
Share of earnings attributable to shareholders of ElringKlinger AG in EUR k*	105,418	85,719
Average number of shares	63,359,990	63,359,990
Earnings per share in EUR*	**1.66**	**1.35**

*Previous-year figures restated

Disclosures on the Group Statement of Financial Position

Intangible assets

(11)

EUR k	Development costs (internally generated)	Goodwill (purchased)	Patents, licenses, software (purchased)	Intangible assets under construction (purchased)	Total
Cost as of Jan. 1, 2013	**33,487**	**118,982**	**41,484**	**0**	**193,953**
Currency changes	-166	-1,689	-431	0	-2,286
Change in consolidated group	0	33,047	9,302	0	42,349
Additions	8,985	0	2,562	85	11,632
Reclassifications	0	0	132	0	132
Disposals	4,980	0	80	0	5,060
As of Dec. 31, 2013	**37,326**	**150,340**	**52,969**	**85**	**240,720**
Depreciation and amortization as of Jan. 1, 2013	**18,187**	**13,217**	**26,560**	**0**	**57,964**
Currency changes	-102	-144	-240	0	-486
Change in consolidated group	0	0	-143	0	-143
Additions	6,328	0	4,261	0	10,589
Disposals	3,837	0	77	0	3,914
As of Dec. 31, 2013	**20,576**	**13,073**	**30,361**	**0**	**64,010**
Net carrying amount as of Dec. 31, 2013	16,750	137,267	22,608	85	176,710
Cost as of Jan. 1, 2012	**28,112**	**118,530**	**38,562**	**137**	**185,341**
Currency changes	44	452	-95	0	401
Change in consolidated group	0	0	34	0	34
Additions	8,394	0	2,901	0	11,295
Reclassifications	0	0	135	-137	-2
Disposals	3,063	0	53	0	3,116
As of Dec. 31, 2012	**33,487**	**118,982**	**41,484**	**0**	**193,953**
Depreciation and amortization as of Jan. 1, 2012	**15,584**	**13,215**	**22,409**	**0**	**51,208**
Currency changes	30	2	-78	0	-46
Change in consolidated group	0	0	18	0	18
Additions	5,624	0	4,257	0	9,881
Disposals	3,051	0	46	0	3,097
As of Dec. 31, 2012	**18,187**	**13,217**	**26,560**	**0**	**57,964**
Net carrying amount as of Dec. 31, 2012	15,300	105,765	14,924	0	135,989

Purchase commitments to acquire intangible assets amounted to EUR 12 k as of December 31, 2013 (December 31, 2012: EUR 69 k).

All amortization of intangible assets is contained under the following line items in the income statement:

EUR k	2013	2012
Cost of sales	7,506	779
Selling expenses	1,018	1,291
General and administrative expenses	1,405	1,310
Research and development costs	691	6,144
Total	**10,620**	**9,524**

Property, plant and equipment

12

EUR k	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Property, plant and equipment under construction	Total
Cost as of Jan. 1, 2013	**291,965**	**736,752**	**132,211**	**47,272**	**1,208,200**
Currency changes	-5,405	-16,955	-1,211	-1,882	-25,453
Change in consolidated group	430	-7,563	-425	842	-6,716
Additions	19,934	39,211	10,562	45,864	115,571
Reclassifications	5,486	31,863	2,307	-39,788	-132
Disposals	410	6,418	5,699	0	12,527
As of Dec. 31, 2013	**312,000**	**776,890**	**137,745**	**52,308**	**1,278,943**
Depreciation and amortization as of Jan. 1, 2013	**61,178**	**485,933**	**96,089**	**0**	**643,200**
Currency changes	-1,520	-12,389	-826	0	-14,735
Change in consolidated group	-3,105	-11,315	-542	0	-14,962
Additions	7,810	49,565	7,481	0	64,856
Reclassifications	0	-1	1	0	0
Disposals	250	5,706	5,568	0	11,524
As of Dec. 31, 2013	**64,113**	**506,087**	**96,635**	**0**	**666,835**
Net carrying amount as of Dec. 31, 2013	247,887	270,803	41,110	52,308	612,108
Cost as of Jan. 1, 2012	**249,302**	**673,094**	**124,194**	**74,628**	**1,121,218**
Currency changes	-1,276	-2,921	-267	-1,209	-5,673
Change in consolidated group	2,100	1,506	200	0	3,806
Additions	23,305	34,732	7,557	36,898	102,492
Reclassifications	22,504	37,013	3,058	-62,571	4
Disposals	3,970	6,672	2,531	474	13,647
As of Dec. 31, 2012	**291,965**	**736,752**	**132,211**	**47,272**	**1,208,200**
Depreciation and amortization as of Jan. 1, 2012	**55,922**	**435,991**	**91,760**	**0**	**583,673**
Currency changes	-360	-2,312	-207	0	-2,879
Change in consolidated group	137	549	167	0	853
Additions	7,039	55,369	6,608	0	69,016
Disposals	1,560	3,664	2,239	0	7,463
As of Dec. 31, 2012	**61,178**	**485,933**	**96,089**	**0**	**643,200**
Net carrying amount as of Dec. 31, 2012	230,787	250,819	36,122	47,272	565,000

Property, plant and equipment contains technical equipment capitalized by the Group as beneficial owner under finance lease arrangements in the amount of EUR 778 k (2012: EUR 1,064 k). In the financial year, amortization of leased assets amounted to EUR 286 k (2012: EUR 154 k).

In the financial year 2013, impairments, based on the fair value less costs to sell, of EUR 525 k were recognized on land and buildings. Impairments relate to the Original Equipment segment.

Purchase commitments to acquire property, plant and equipment amounted to EUR 30,237 k as of December 31, 2013 (December 31, 2012: EUR 36,996 k).

13 Investment property

EUR k	Investment property	Investment property under construction	Total
Cost as of Jan. 1, 2013	**23,652**	**104**	**23,756**
Currency changes	-217	-2	-219
Additions	77	0	77
Reclassifications	6	-6	0
Disposals	6	0	6
As of Dec. 31, 2013	**23,512**	**96**	**23,608**
Depreciation and amortization as of Jan. 1, 2013	**10,427**	**0**	**10,427**
Currency changes	-67	0	-67
Additions	501	0	501
As of Dec. 31, 2013	**10,861**	**0**	**10,861**
Net carrying amount as of Dec. 31, 2013	12,651	96	12,747
Cost as of Jan. 1, 2012	**22,663**	**96**	**22,759**
Currency changes	883	7	890
Additions	0	110	110
Reclassifications	107	-109	-2
Disposals	1	0	1
As of Dec. 31, 2012	**23,652**	**104**	**23,756**
Depreciation and amortization as of Jan. 1, 2012	**9,688**	**0**	**9,688**
Currency changes	250	0	250
Additions	489	0	489
As of Dec. 31, 2012	**10,427**	**0**	**10,427**
Net carrying amount as of Dec. 31, 2012	13,225	104	13,329

Investment property includes the Idstein and Kecskemét-Kádafalva (Hungary) industrial parks.

Investment property has a fair value of EUR 17,460 k as of the reporting date (2012: EUR 16,889 k). The input data used to determine the fair value correspond to stage 3 of the fair value hierarchy. The fair value is determined using the discounted cash flow method and general approximations. Under the discounted cash flow method, the surplus of expected future rental payments (lease agreements) is discounted over the expected cash expenses to the valuation date. The capitalization factor applied was an interest rate of 8.69% (2012: 9.92%). Measurement of the fair values was not performed by an independent expert.

All investment property is rented out under operating leases. The resulting rental income came to EUR 4,260 k (2012: EUR 4,235 k). Expenses directly connected with this financial investment amounted to EUR 4,462 k (2012: EUR 4,251 k). Material contractual commitments to acquire or maintain investment property did not exist as of the end of the reporting period. Furthermore, there were no limitations regarding the saleability of investment property.

Financial assets

(14)

EUR k	Non-current securities	Other financial assets	Total
Acquisition cost as of Jan. 1, 2013	**1,532**	**125**	**1,657**
Currency changes	-5	-1	-6
Change in consolidated group	157	0	157
Additions	966	5	971
Revaluations	24	0	24
Disposals	734	28	762
As of Dec. 31, 2013	**1,940**	**101**	**2,041**
Depreciation and amortization as of Jan. 1, 2013	**20**	**0**	**20**
Currency changes	1	0	1
Change in consolidated group	29	0	29
Additions	11	0	11
As of Dec. 31, 2013	**61**	**0**	**61**
Net carrying amount as of Dec. 31, 2013	**1,879**	**101**	**1,980**
Fair value as of Dec. 31, 2013	1,880	101	
Acquisition cost as of Jan. 1, 2012	**1,524**	**1,122**	**2,646**
Currency changes	6	0	6
Additions	404	8	412
Disposals	402	1,005	1,407
As of Dec. 31, 2012	**1,532**	**125**	**1,657**
Depreciation and amortization as of Jan. 1, 2012	**25**	**0**	**25**
Currency changes	2	0	2
Revaluations	6	0	6
Disposals	1	0	1
As of Dec. 31, 2012	**20**	**0**	20
Net carrying amount as of Dec. 31, 2012	**1,512**	**125**	**1,637**
Fair value Dec. 31, 2012	1,549	125	

Of the non-current securities, EUR 1,433 k (2012: EUR 1,512 k) is pledged in full to secure pension claims.

15 Non-current income tax assets and other non-current assets

Non-current income tax assets contain mainly the corporate tax credit of ElringKlinger AG capitalized at present value in the amount of EUR 1,988 k (2012: EUR 2,688 k). The corporation tax credit are being disbursed to ElringKlinger AG in ten equal annual installments from 2008 until 2017.

Other non-current assets include an advance payment on future licensing expenses amounting to EUR 645 k (2012: EUR 861 k).

16 Inventories

EUR k	Dec. 31, 2013	Dec. 31, 2012
Raw materials, consumables and supplies	74,759	66,705
Work in progress	47,436	29,983
Finished goods and merchandise	132,446	127,330
Advance payments	2,746	5,568
Total	257,387	229,586

Under inventories, markdowns of EUR 16,319 k (2012: EUR 14,788 k) have been made to account for marketability risks. No write-ups were performed. Impairments are recognized in cost of sales.

17 Trade receivables, current income tax assets and other current assets

For trade receivables and other current assets, impairments of EUR 4,698 k (2012: EUR 3,706 k) were recognized for specific identifiable risks and likely use of discounts.

The carrying amount of the trade receivables and other assets corresponds to their fair values.

Trade receivables do not bear interest and are generally due in 30 to 120 days.

The adjustment account for trade receivables developed as follows:

EUR k	2013	2012
As of Jan. 1	**3,706**	**4,485**
Additions	2,281	1,427
Reversals/utilizations	-925	-2,049
Exchange rate effects	-364	-157
As of Dec. 31	4,698	3,706

All expenses and income from impairment of trade receivables are presented under other operating expenses or income.

A breakdown of the due dates of the trade receivables is provided below:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Neither overdue nor impaired	**170,351**	**150,835**
Overdue, not impaired		
– less than 30 days	17,504	19,728
– from 31 to 60 days	7,110	5,874
– from 61 to 90 days	3,985	2,529
– from 91 to 180 days	2,260	470
– more than 180 days	2,610	516
Total:	33,469	29,117
Discounts	**-273**	**0**
Impaired	**3,906**	**5,898**
Carrying amount	**207,453**	**185,850**

The need to recognize impairment losses is analyzed on every reporting date for the major customer on an individual basis. Additionally, a large number of receivables are grouped into homogeneous groups and assessed for impairment collectively.

For the portfolio of receivables neither overdue nor impaired, nothing has been identified as of the reporting date that would indicate that the debtors will not meet their payment obligations.

The other current assets include receivables relating to VAT and other taxes amounting to EUR 14,787 k (2012: EUR 9,615 k), as well as insurance receivables in the context of warranty claims.

In connection with a warranty claim, ElringKlinger AG and the customers concerned agreed to the final payment of EUR 24.4 million in a compensation agreement in 2011. The warranty claim related to gaskets delivered in early 2008. A portion totaling EUR 17.4 million had already been paid in 2011. Further partial payments totaling EUR 5.0 million and EUR 1.0 million were paid in the first and second quarters of 2012, respectively. The residual amount of EUR 1.0 million was paid in the second quarter of 2013. This payment is offset by receivables in the same amount from our direct and excess loss insurer, of which EUR 10.0 million had already been settled in 2011. The outstanding amount of the receivable has not yet been settled. ElringKlinger has therefore brought legal action. The proceedings are still pending. ElringKlinger continues to assume that the receivable will be paid in full.

(18) Cash and cash equivalents

The item cash and cash equivalents comprises cash and deposits held by the Group in current accounts. As in the previous year, there were no cash equivalents.

The carrying amount of these assets corresponds to their fair value

(19) Non-current assets held for sale

The property held for sale as of December 31, 2012 is a building held by ElringKlinger Korea Co., Ltd. which was sold in the financial year 2013. This did not have any effect on earnings in 2013.

(20) Equity

* Cf. page 154

The changes in individual items of equity in the Group are shown separately in the "**Statement of changes in equity**"*.

The share capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2013 and is divided into 63,359,990 registered shares, each entitled to a single vote. The share capital is paid in full. Each registered share represents a theoretical interest of EUR 1.00 of the share capital. Profit is distributed in accordance with § 60 AktG in conjunction with § 23 no. 1 of the Articles of Association.

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital by issuing new shares for cash and/or in-kind contributions on one or more occasions, however by no more than EUR 31,679,995, by May 17, 2017 (Authorized Capital 2012). As a rule, the shareholders are entitled to subscription rights. The shares may also be acquired by one or more banks subject to the proviso that they offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights

- in order to eliminate fractional amounts;
- if the capital increase against in-kind contributions is implemented specifically for the purpose of acquiring companies, parts of companies, equity investments or other assets in connection with an intended acquisition or within the framework of business combinations;
- if the new shares are issued against cash contributions and if the issue price per new share does not fall significantly below the quoted price of shares already listed, and the shares issued without subscription rights pursuant to § 186 (3) sentence 4 AktG, do not represent more than 10% of the share capital, either on the date on which this authorization takes effect or on the date on which it is exercised. The upper limit of 10% of share capital includes any shares issued or sold during the term of this authorization in exclusion of shareholders' subscription rights in direct or indirect application of § 186 (3) sentence 4 AktG.

The Management Board has not exercised the authorization to date.

The capital reserves were essentially created from the premium from the 2010 capital increase.

The revenue reserves contain the earnings generated by the group companies where these had not yet been distributed. There is also an amount of EUR 26,181 k from the first application of IFRSs in 2005.

The other reserves contain actuarial gains and losses from pension commitments, equity impact of controlling interests and currency translation differences.

Under the German Stock Corporation Act (AktG), the distributable dividend is measured by the retained earnings, which are shown in the annual financial statements of ElringKlinger AG that have been drawn up according to the provisions of the German Commercial Code (HGB). In the financial year 2013, ElringKlinger AG distributed to its shareholders a dividend of EUR 28,512 k (EUR 0.45 per share) from the retained earnings for 2012. In the financial year 2012, the distribution was EUR 36,749 k (EUR 0.58 per share) from the retained earnings for 2011.

The Management Board and the Supervisory Board will propose to the Annual General Meeting on the 2013 financial statements to be held on May 16, 2014, a distribution from retained earnings amounting to EUR 31,680 k of a dividend of EUR 0.50 per share carrying dividend rights.

Non-controlling interests in equity and net income

(21)

ElringKlinger AG holds less than 100% of the shares in some of the companies that have been included in the consolidated financial statements. In accordance with IAS 27, the relevant non-controlling interests are reported under equity in the group statement of financial position, separately from the equity attributable to the shareholders of the parent company. Similarly, non-controlling interests in the net income and in total comprehensive income are reported separately in the group income statement and in the reconciliation to total comprehensive income.

Provisions for pensions

(22)

The pension obligations of the Group's foreign companies mainly take the form of defined contribution plans while in the case of domestic companies, pension obligations take the form of defined benefit and defined contribution plans.

Under the **defined contribution plans** the company pays contributions to state or private pension schemes on the basis of statutory or contractual obligations or on a voluntary basis. Once the contributions are paid, the company has no further obligations, such as follow-up contribution payments. Current contribution payments are reported under personnel expenses in the reporting year; in the reporting year, the Group's contribution payments totaled EUR 16,511 k (2012: EUR 15,987 k) and are allocated to the relevant function costs.

The **defined benefit plans** are accounted for in the group through the recognition of provisions for pensions that are determined by the projected unit credit method in accordance with IAS 19. In addition to the pensions and vested benefits known at the end of the reporting period, expected future increases in pensions and salaries are taken into account with a prudent estimate of the relevant variables.

Under the defined benefit plans, the employees receive life-long pension payments once they have reached a certain age or suffered disability. In addition, surviving dependents also receive benefits. The amount of the benefit is determined by the length of service with the company and the employee's terminal salary. For employees subject to collective bargaining, the eligible service period is limited to 30 years. For executive employees, the benefit is limited to 35% or 45% of the terminal salary, whereby in certain cases the benefits from prior commitments do not count towards this limit.

In 2011, the ElringKlinger AG's pension system was partially modified. In order to secure pension payments going forward, the obligations to certain executive employees were transferred to Allianz Pensionsfonds AG and a provident fund covered by plan assets, Allianz Pensions-Management e.V. This does not affect the amount of benefits. The assets received by the pension fund constitute plan assets within the meaning of IAS 19.7 and are therefore netted against the obligation to the plan beneficiaries.

The pension plans of the Swiss companies insure employees against the economic consequences of old age, disability and death. Assets are fully covered as part of a reinsurance agreement in place. A shortfall can arise by concluding such an agreement at a fully collective foundation covered by plan assets.

The obligations from the benefits granted are subject to certain risks. The main risks are interest rate risks, where falling market interest rates lead to a higher present value of the obligation in the future, inflation risks, which may lead to higher pension benefits and longevity risks where benefits are paid over a period longer than the one assumed in the mortality tables.

The following assumptions were used as a basis for measuring the Group's obligations.

Measurement as of	Dec. 31, 2013	Dec. 31, 2012
Discount rate (vesting period)	3.22%	2.72%
Discount rate (pension period)	2.94%	2.51%
Expected salary increases (in %)	2.53%	2.50%
Future pension increases	1.75%	2.30%

The changes in the present value of defined benefit obligations can be broken down as follows:

EUR k	2013	2012
Present value of pension benefits as of Jan. 1	**126,176**	**103,439**
Current service cost	6,835	4,130
Past service costs	-190	24
Interest expense	3,285	3,862
Disbursements/utilization	-4,874	-6,893
Actuarial gains/losses	-8,959	21,509
Currency differences	-754	90
Other changes	-2,902	15
Change in consolidated group	1,053	0
Present value of pension benefits as of Dec. 31	119,670	126,176
Of which (partially) covered by plan assets	32,036	34,790
of which not covered	87,634	91,386

The average weighted term of the defined benefit obligation amounts to 16.11 years. Actuarial gains and losses arise from the following effects:

EUR k	2013	2012
Effects from changes in the interest rate	-9,276	21,197
Effects from changes in demographic assumptions	20	-15
Effects from other experience-based adjustments	297	327
Actuarial gains/losses	-8,959	21,509

The table below shows the changes to the plan assets over the course of the financial year:

EUR k	2013	2012
Market value as of Jan. 1	26,579	26,206
Change in consolidated group	108	0
Interest income	586	866
Employer contributions	1,957	2,729
Plan participant contributions	2,410	2,699
Service costs	-1,525	-5,739
Actuarial gains/losses	29	-372
Other	-2,388	0
Currency effects	-409	190
Market value as of Dec. 31	27,347	26,579

Plan assets comprise insurance claims. The plan assets and present value of defined benefit obligations are allocated to key countries as follows:

EUR k	2013	2012
Present value of pension benefits as of Dec. 31.		
Germany	84,047	91,696
Switzerland	32,038	31,468
Other	3,585	3,012
Present value of pension benefits as of Dec. 31.	119,670	126,176
Market value of plan assets as of Dec. 31		
Germany	2,368	1,909
Switzerland	24,848	24,559
Other	131	111
Market value of plan assets as of Dec. 31	27,347	26,579

The actual return on plan assets amounted to EUR 638 k (2012: EUR 525 k).

In 2014, liquidity is likely to be reduced due to contributions to plan assets and the reimbursement rights and by direct Group benefit payouts, which are expected to amount to EUR 7,739 k (2012: EUR 6,697 k). The future payments from pension obligations are as follows:

EUR k	2013	2012
For the next 12 months	7,739	6,697
Between one and five years	15,062	10,124
More than five years	227,017	230,472

The following amounts are reported in the income statement for defined benefit plans

EUR k	2013	2012
Current service cost	4,245	4,130
Net interest expenses	2,699	2,995
Past service costs	-190	24
Income from reimbursement rights	0	-21
Total pension expense	**6,754**	**7,128**

Net interest expenses comprise interest expenses of EUR 3,285 k (2012: EUR 3,862 k) as well as interest income from plan assets of EUR 586 k (2012: EUR 867 k).

The service cost and past service costs are reported as part of the personnel expenses of the functional areas.

The full amount of actuarial gains and losses during the current year is reported under other comprehensive income. Changes are shown in the table below:

EUR k	2013	2012
Recognized actuarial gains and losses	-9,079	21,114
Deferred taxes on actuarial gains and losses recognized under other comprehensive income	3,088	-5,463

The amount of the Group's obligation as reported on the statement of financial position is derived as follows:

EUR k	2013	2012
Present value of pension obligation (incl. fair value of reimbursement rights)	119,670	126,176
Fair value of plan assets	27,347	26,579
Reported pension provision	92,323	99,597
Fair value of reimbursement rights	0	237

With regard to sensitivities, the key actuarial assumptions determined were the discount rate, salary increases and future pension developments.

A 1% increase/decrease in the discount rate would lead to a decrease/increase in the DBO of EUR -76,852 k/EUR 105,015 k.

A 0.5% increase/decrease in future salary increases would lead to an increase/decrease in the DBO of EUR 86,029 k/EUR -83,767 k.

A change in future pension developments of +0.25%/-0.25% would lead to an increase/decrease in the DBO of EUR 86,212 k/EUR -81,244 k.

Other provisions

23

Other provisions can be broken down as follows:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Current provisions	19,472	18,409
Non-current provisions	10,345	11,121
Total	**29,817**	**29,530**

Current provisions:

EUR k	Personnel obligations	Warranty obligations	Expected losses from customer contracts	Litigation costs	Other risks	Total
As of Dec. 31, 2012	**3,023**	**8,347**	**3,528**	**252**	**3,259**	**18,409**
Exchange rate differences	-97	0	-26	-7	-32	-162
Change in consolidated group	30	0	0	0	34	64
Utilization	2,939	4,556	2,005	0	2,290	11,790
Reversal	522	629	554	207	342	2,254
Addition	2,455	1,986	2,441	124	7,663	14,669
Reclassifications	214	326	0	2	-6	536
As of Dec. 31, 2013	2,164	5,474	3,384	164	8,286	19,472

Non-current provisions:

EUR k	Personnel obligations	Warranty obligations	Expected losses from customer contracts	Litigation costs	Other risks	Total
As of December 31, 2012	**8,746**	**415**	**0**	**529**	**1,431**	**11,121**
Exchange rate differences	-16	0	0	-3	-28	-47
Change in consolidated group	1	0	0	0	60	61
Utilization	991	0	0	0	278	1,269
Reversal	734	0	0	381	451	1,566
Unwinding of discount	177	26	0	34	0	237
Addition	1,418	432	0	0	494	2,344
Reclassifications	-214	163	0	14	-499	-536
As of Dec. 31, 2013	8,387	1,036	0	193	729	10,345

Personnel provisions are recognized for the partial retirement schemes, long-term service benefits and similar obligations.

The provision for warranties represents the best estimate of the management and was recognized on the basis of past experience and the industry average for defective products with regard to the Group’s liability for a warranty of twelve months. In addition, specific individual warranties were taken into account.

The other risks relate to a variety of identifiable individual risks and uncertain obligations, which have been included based on the likelihood of their occurrence.

Current and non-current financial liabilities

24

EUR k	Domestic	Foreign	Total Dec. 31, 2013	Domestic	Foreign	Total Dec. 31, 2012
Overdrafts	52,582	2,884	55,466	87,255	4,785	92,040
Financial liabilities with a residual term of less than one year	26,450	38,967	65,417	58,710	32,966	91,676
Current financial liabilities	**79,032**	**41,851**	**120,883**	**145,965**	**37,751**	**183,716**
Financial liabilities with a residual term of between one and five years	165,357	53,536	218,893	80,621	32,269	112,890
Financial liabilities with a residual term of more than five years	18,453	0	18,453	18,103	0	18,103
Non-current financial liabilities	**183,810**	**53,536**	**237,346**	**98,724**	**32,269**	**130,993**
Total	**262,842**	**95,387**	**358,229**	**244,689**	**70,020**	**314,709**

This includes liabilities from finance leases in the amount of EUR 608 k (2012: EUR 567 k) with a nominal volume of EUR 622 k (2012: EUR 651 k).

The average interest rates were:

in%	Dec. 31, 2013	Dec. 31, 2012
Overdrafts		
Domestic	0.91	1.00
Foreign	6.20	5.02
Financial liabilities:		
Domestic: less than one year	3.81	3.75
Domestic: between one and five years	2.19	3.35
Domestic: more than five years	1.79	1.81
Foreign: less than one year	2.81	3.23
Foreign: between one and five years	1.93	3.43
Foreign: more than five years	–	–

Fixed interest rates have been agreed for financial liabilities amounting to EUR 291,745 k (2012: EUR 284,048 k).

In addition, interest swaps are in place for a nominal EUR 5,000 k in loans. Under these swaps, variable interest payments are exchanged for fixed amounts.

Land charges on company land with a carrying amount of EUR 108,107 k (2012: EUR 90,763 k), collateral on inventory with a carrying amount of EUR 3,782 k (2012: EUR 2,351 k) and collateral on receivables of EUR 2,643 k (2012: EUR 7,873 k) have been pledged as collateral. The secured liabilities amounted to EUR 48,483 k (2012: EUR 37,479 k) as of December 31, 2013.

As of December 31, 2013, the Group had unused lines of credit amounting to EUR 117,140 k (2012: EUR 113,616 k).

(25)

Trade payables and other current and non-current liabilities

Trade payables and other current and non-current liabilities consist of outstanding obligations from trade and current expenses.

The carrying amounts of trade payables approximate their fair value.

The trade payables and other current and non-current liabilities are not secured except for the reservations of title that are customary in trading relationships.

Other current and non-current liabilities include accrued liabilities relating to tooling revenue.

(26)

Hedging policy and financial instruments

Risks and hedging policy

As a consequence of the international nature of the activities of the ElringKlinger Group, changes in exchange rates, interest rates and prices of raw materials impact the assets, liabilities, financial position and profit or loss of the Group. The risks arise from currency and interest rate fluctuations in connection with business operations and financing. Further risks result from fluctuations in the market prices of raw materials. Additionally, there are liquidity risks which relate to credit and market risks or accompany a deterioration of business operations and financial market turmoil.

By concluding hedges, the Management Board of ElringKlinger AG aims to manage the risk factors that may adversely affect the assets, liabilities, financial position and profit or loss and thus to minimize these influences. Within the ElringKlinger Group, derivative financial instruments may only be entered into with the consent of the Management Board. Hedge accounting in accordance with IAS 39 was not applied.

Currency risk

Due to the international nature of its business, the ElringKlinger Group is exposed to currency risks in the normal course of business.

Exchange rate risk arises for the Group in relation to its operating business principally when sales revenues are generated in a different currency than that in which the related costs are incurred. Sales revenues are generally generated in the functional currency (which is the relevant national currency) of the Group entity concerned. In order to reduce currency risks from operating business, the purchases of goods, raw materials and services as well as investing and financing activities are generally accounted for in the functional currency of the group entity. The group also endeavors to minimize its foreign currency risk by manufacturing its products in the relevant local sales markets.

In order to further limit currency risk, current receivables, liabilities and debts denominated in foreign currencies are hedged with forward currency transactions.

Subsidiaries are not permitted to take out financing in foreign currency or to invest it for speculative reasons. Intragroup financing and investment is usually denominated in the relevant functional currency.

Several ElringKlinger AG subsidiaries are domiciled outside the euro area. Since the euro is the reporting currency of the ElringKlinger Group, the income and expenses of these subsidiaries are translated into euros upon consolidation. Changes in the average exchange rates as compared to prior periods can therefore result in currency translation effects that are reflected in the equity of the Group under other comprehensive income.

Due to the inclusion of subsidiaries, the group also recognizes assets and liabilities relating to these subsidiaries outside of the euro area that are denominated in national currencies. When these assets are translated into euros, exchange rate fluctuations can lead to changes in value. The changes in these net assets are reflected in group equity under other comprehensive income.

A sensitivity analysis has been conducted in order to quantify the potential effects of exchange rate changes on consolidated net income. This analysis illustrates the change in consolidated net income in the event that the relevant functional currency of the Group companies appreciates or depreciates by 10% as compared to the foreign currency

Dec. 31, 2013 *EUR k*	CHF	CNY	EUR	INR	KRW	Other	Total
Local currency +10%							
Consolidated net income	2,138	-1,739	1,404	-932	-436	-541	-106
Local currency -10%							
Consolidated net income	-2,138	1,739	-1,404	932	436	541	106

Dec. 31, 2012 *EUR k*	CNY	CHF	MXN	BRL	USD	Other	Total
Local currency +10%							
Consolidated net income	-1,519	-1,252	564	-341	-221	108	-2,661
Local currency -10%							
Consolidated net income	1,519	1,252	-564	341	221	-108	2,661

Interest rate risk

Interest rate risk arises primarily from financial assets that are subject to a floating rate of interest. The Group manages interest rate risk with the objective of optimizing its interest income and expense.

Fixed interest rates have been agreed mainly for the financing liabilities of the ElringKlinger Group. In individual instances, additional swap transactions have been entered into in order to transform variable interest rates into fixed interest rates. As a result, the risk arising from interest rate fluctuations is only slight.

Had market interest rates been 1% higher on December 31, 2013, earnings would have been EUR 446 k (2012: EUR 212 k) greater. A 1% reduction in the market interest rate would have resulted in EUR 446 k (2012: EUR 273 k) less in earnings.

Risk arising from prices for raw materials

ElringKlinger is exposed to risks from changes in the prices for the raw materials it uses in production. In order to mitigate fluctuations in the purchase prices for raw materials, ElringKlinger has entered into five nickel hedges. Where necessary, it is possible to hedge acceptable procurement prices by means of additional derivatives.

ElringKlinger processes a significant volume of high-grade steel. This includes alloy surcharges, in particular for nickel, which is a stock exchange listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in part price calculations. A price corridor surrounding the average calculation cost is hedged. If the stock exchange quotation of nickel exceeds the upper range of the corridor, ElringKlinger receives a compensatory payment. If the stock exchange quotation of nickel falls below the lower range of the corridor, ElringKlinger has to pay a surcharge. The existing nickel hedges expire in the financial year 2014 and the latest expiration date is on December 31, 2014.

The Group manages the credit risk of derivatives by entering into derivative financial transactions exclusively with major banks of impeccable creditworthiness in accordance with uniform guidelines.

Had the market value of nickel been 10% higher on December 31, 2013, earnings would have been EUR 48 k greater. A 10% reduction would have resulted in EUR 111 k less in earnings.

Credit risk

Credit risk defines the risk of economic loss arising from counterparty’s failure to satisfy contractual payment obligations.

Credit risk encompasses both the direct risk of default, the risk of a ratings downgrade, and concentration risks. The maximum risk exposures of financial assets generally subject to credit risk correspond to their carrying amounts and can be described as follows:

Liquid funds

Liquid funds comprise primarily bank deposits available on demand. The ElringKlinger Group is exposed to losses from credit risks in connection with the investment of liquid funds if financial institutions fail to meet their obligations (counterparty risk). In order to minimize this risk, care is taken in selecting the financial institutions at which deposits are made. The maximum risk exposure corresponds to the carrying amount of the liquid funds at the end of the reporting period.

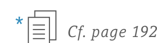
Trade receivables

Trade receivables relate primarily to the global sales of gaskets, sealing materials, plastic products and modules for the automotive sector and for the manufacturing industry in general. Credit risk resides in the possibility of counterparty default, and is characterized by the Group's customer base, which includes a number of key accounts.

In the domestic business, most receivables are secured by reservation of title. In order to limit credit risk, credit checks in the form of inquiries with credit information services are performed for selected counterparties. Moreover, internal processes are in place to continually monitor receivables where partial or complete default may be anticipated.

In its export business, ElringKlinger also assesses the credit standing of its counterparties by submitting inquiries to credit information services and on the basis of the specific country risk. In addition, credit guarantee insurance policies are taken out or letters of credit are required as collateral for credit in certain cases.

Allowances are also recognized in respect of identifiable individual risks and the likelihood that discounts will be utilized. The maximum risk exposure from trade receivables corresponds to the carrying amount of these receivables at the end of the reporting period. The carrying amounts of trade receivables, together with a separate breakdown of overdue receivables and receivables for which allowances have been recognized, can be found in **note 17***.


* Cf. page 192

In 2013, the two largest customers accounted for 12.0% and 9.3% of sales, respectively (2012: 12.1% and 11.6%).

Liquidity risk

The solvency and liquidity of the ElringKlinger Group is constantly monitored by liquidity planning. Furthermore, a cash liquidity reserve and guaranteed credit lines ensure solvency and liquidity. Reference is also made to the financing risks presented in the risk report as part of the group management report.

Expected cash outflows

The following table shows all contractually fixed payments for redemptions, repayments and interest from financial liabilities recognized in the statement of financial position, including derivative financial instruments that have a negative market value.

EUR k	Trade payables	Financial liabilities	Finance leases	Derivatives	Total
As of Dec. 31, 2013					
Carrying amount	**68,574**	**357,621**	**608**	**220**	**427,023**
Outflows					
Expected outflows:	**68,574**	**376,988**	**622**	**220**	**446,404**
– less than one month	42,602	45,494	40	110	88,246
– between one and three months	22,374	9,420	77	73	31,944
– between three months and one year	3,598	63,673	340	37	67,648
– between one and five years	0	239,172	165	0	239,337
– more than five years	0	19,229	0	0	19,229

EUR k	Trade payables	Financial liabilities	Finance leases	Derivatives	Total
As of Dec. 31, 2012					
Carrying amount	**58,065**	**314,142**	**567**	**227**	**373,001**
Outflows					
Expected outflows:	**58,065**	**330,684**	**651**	**229**	**389,629**
– less than one month	36,914	4,912	33	30	41,889
– between one and three months	17,068	84,082	66	20	101,236
– between three months and one year	3,161	114,325	220	117	117,823
– between one and five years	627	108,173	268	62	109,130
– more than five years	295	19,192	64	0	19,551

* Cf. page 201

Further disclosures on financial liabilities are provided under note 24*.

Additional information on financial instruments

27

This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments. No recognized financial instruments were offset.

The following table shows the carrying amounts (CA) and fair values (FV) of financial assets

	Cash and cash equivalents	Trade receivables	Other current assets	Financial assets		Total
EUR k	CA	CA	CA	CA	FV	CA
As of Dec. 31, 2013						
Loans and receivables	62,949	207,453	1,228	74	74	271,704
held to maturity	0	0	0	1,433	1,431	1,433
held for trading	0	0	87	0	0	87
available for sale	0	0	0	473	473	473
Total	**62,949**	**207,453**	**1,315**	**1,980**	**1,978**	**273,697**
As of Dec. 31, 2012						
Loans and receivables	54,273	185,850	832	95	95	241,050
held to maturity	0	0	0	1,386	1,423	1,386
held for trading	0	0	25	0	0	25
available for sale	0	0	0	156	156	156
Total	**54,273**	**185,850**	**857**	**1,637**	**1,674**	**242,617**

Other current assets contain derivatives measured at fair value of EUR 87 k (2012: EUR 25 k).

The following table shows the carrying amounts (CA) and fair values (FV) of financial liabilities:

EUR k	Other current liabilities		Current financial liabilities	Trade payables	Derivatives		Non-current financial liabilities		Total
	CA	FV	CA	CA	CA	FV	CA	FV	CA
As of Dec. 31, 2013									
Financial liabilities measured at acquisition cost	49,040	49,040	120,883	68,574	0	0	237,346	239,438	475,843
Financial liabilities measured at fair value through profit or loss	0	0	0	0	220	220	0	0	220
As of Dec. 31, 2012									
Financial liabilities measured at acquisition cost	17,660	17,660	183,716	58,065	0	0	130,993	131,886	390,434
Financial liabilities measured at fair value through profit or loss	0	0	0	0	227	227	0	0	227

Other current liabilities contain a purchase price liability of EUR 37,054 k from a written put option which is measured at amortized cost.

Management determined that the carrying amount of cash, trade receivables, other receivables, trade payables, other current financial liabilities and other current liabilities is virtually the same as their fair value primarily as a result of the short term of these instruments.

The fair value of the other financial instruments held to maturity and for trading is based on prices quoted in an active market as of the reporting date.

ElringKlinger determines the market value of non-current fixed-interest liabilities to banks, finance lease liabilities and derivatives by discounting expected future cash flows with the current prevailing interest rates for similar financial liabilities with comparable residual terms and the company-specific risk rate.

The fair value of the put option of non-controlling interests of ElringKlinger Marusan Corporation on their shares contained in other current liabilities is based on forecasts of the corporate value. For the measurement of this put option of non-controlling interests, estimates are made when forecasting business development as well as when selecting the interest rate used regarding the liability stated. A 10% change in the corporate value causes the put option to increase/decrease by EUR 3,705 k.

Financial assets and liabilities measured at fair value are classified into the following 3-level fair value hierarchy as of the valuation date December 31, 2013:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2013			
Financial assets			
available for sale	473	0	0
held for trading*	0	87	0
Total	**473**	**87**	**0**
Financial liabilities			
available for sale	0	0	0
held for trading*	0	220	0
Total	**0**	**220**	**0**
Dec. 31, 2012			
Financial assets			
available for sale	156	0	0
held for trading*	0	25	0
Total	**156**	**25**	**0**
Financial liabilities			
available for sale	0	0	0
held for trading*	0	227	0
Total	**0**	**227**	**0**

* These are derivatives that do not qualify for hedge accounting.

The following table shows the allocation of financial assets and liabilities that are not measured at fair value, but for which a fair value was disclosed, at the three levels of the fair value hierarchy as of the valuation date December 31, 2013:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2013			
Financial assets			
Financial assets	1,431	0	74
Total	**1,431**	**0**	**74**
Financial liabilities			
Non-current liabilities from finance leases	0	0	162
Non-current financial liabilities	0	237,184	0
Purchase price liability from written put option	0	0	37,054
Total	**0**	**237,184**	**37,216**
Dec. 31, 2012			
Financial assets			
Financial assets	1,423	0	95
Total	**1,423**	**0**	**95**
Financial liabilities			
Liabilities from finance leases	0	0	292
Non-current financial liabilities	0	130,701	0
Total	**0**	**130,701**	**292**

The levels of the fair value hierarchy are defined as follows:

Level 1: Measurement based on market prices

Level 2: Measurement based on market prices for similar instruments on the basis of measurement models based on inputs that are observable on active markets.

Level 3: Measurement based on inputs for assets and liabilities not representing observable market data

An assessment is made at the end of every reporting period as to whether the assets and liabilities accounted for at fair value have been transferred between the levels of the fair value hierarchy. There were no reclassifications in the reporting period.

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards of beneficial ownership to the Group as lessee. As of December 31, 2013, future minimum lease payments under finance leases amounted to EUR 622 k (2012: EUR 651 k). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities as of December 31, 2013 is as follows:

EUR k	Minimum lease payments Dec. 31, 2013	Interest included in minimum lease payments Dec. 31, 2013	Liabilities from finance leases Dec. 31, 2013
Term			
Less than one year	457	11	446
Between one and five years	165	3	162
More than five years	0	0	0
Total	**622**	**14**	**608**

Net gains/losses on financial instruments

EUR k	2013	2012
Held-for-trading financial instruments*	-121	-202
Available-for-sale assets	24	158
Held-to-maturity financial investments	-1	-2
Loans and receivables	-1,874	539
Financial liabilities measured at acquisition cost	-3,579	-2,399

* These are derivatives which do not qualify for hedge accounting.

Net gains and losses from derivatives include the effects from changes in market values, which were recorded in full in profit or loss for the period.

Net gains on disposal of available-for-sale assets include income from the fair value adjustment of securities recognized directly in equity. There were no net gains that were reclassified from other comprehensive income to the income statement.

Net gains and losses on held-to-maturity financial instruments include impairments and revaluations.

Net gains and losses on loans and receivables primarily consist of impairments and revaluations.

Net losses from financial liabilities measured at cost include currency translation losses.

Total interest income and expense for financial assets and liabilities that are not measured at fair value through profit and loss were as follows:

EUR k	2013	2012
Total interest income	352	558
Total interest expense	-8,171	-9,718

As in the previous year, total interest income did not result in interest income from impaired financial assets.

Derivative financial instruments

As of the end of the reporting period, December 31, 2013, there were the following financial derivatives

EUR k	Fair value	Carrying amount	Statement of financial position item
Commodities derivatives			
Nickel hedge	87	87	Other current assets
Nickel hedge	-157	-157	Current provisions
Interest rate derivatives			
Interest rate swap	-63	-63	Current provisions
Total	**-133**	**-133**	

The market values of the financial derivatives are computed using recognized mathematical methods and the market data available as of the end of the reporting period (mark-to-market method).

Capital management

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ElringKlinger believes that the Group's sound financial base is a prerequisite for further growth. The Group's solid capital resources render it possible to invest in future organic growth, as well as in external growth.

The Management Board of the parent company has set a target minimum equity ratio of 40% within the Group. ElringKlinger AG's Articles of Association do not define any capital requirements.

The management is authorized to buy back own shares up to a total of 10% of the share capital existing at the time of the resolution (May 21, 2010). The authorization is valid until May 21, 2015. There are no share option programs that impact the capital structure.

The following table presents changes in equity and total assets as of December 31, 2013 as compared to December 31, 2012.

EUR million	2013	2012
Equity*	**704.6**	**642.2**
as % of total capital*	50.5%	50.6%
Non-current liabilities*	379.0	298.6
Current liabilities	311.7	327.7
Debt*	**690.7**	**626.3**
as % of total capital*	49.5%	49.4%
Total capital	1,395.3	1,268.6

* Previous-year figures restated

The change in equity from December 31, 2012 to December 31, 2013 was due primarily to an increase in revenue reserves and a decrease in other reserves. Debt was increased year-on-year by 10.3%.

The equity ratios of ElringKlinger AG (53.1%) and the Group (50.5%) exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

All external minimum capital requirements and covenants were satisfied during the reporting period.

For one loan, financial covenants have been agreed upon, and if these covenants are breached, the terms of the loans change and the loans become immediately callable. These can be broken down as follows:

Dec. 31, 2013 Covenant	Upper/ lower limit	Value as of Dec. 31, 2013
Equity ratio within the Group	25%	41.3%
Ratio of financial liabilities to EBITDA	2.8 : 1	1.65
Ratio of EBIT to interest expenses	3.5 : 1	16.16

29 Notes to the Statement of Cash Flows

The group statement of cash flows shows how the liquidity of the ElringKlinger Group has changed as a result of cash inflows and outflows in the course of the financial year. In accordance with IAS 7, cash flows are categorized as from operating activities, investing activities or financing activities.

The cash reported in the statement of cash flows comprises liquid funds reported on the statement of financial position, i.e., cash in hand, checks and bank deposits.

Cash flows from investing and financing activities are determined by reference to payments. By contrast, cash flows from operating activities are derived indirectly from earnings before taxes for the year. For the indirect computation, effects from currency translation and changes to the scope of the consolidated financial statements are eliminated from the changes to the items of the statement of financial position arising from operating activities. For this reason, it is not possible to reconcile the changes in the relevant items of the statement of financial position with the corresponding figures evident from the published group statement of financial position.

30 Segment reporting

The organizational and internal reporting structure of the ElringKlinger Group is centered around its five business divisions: “Original Equipment”, “Aftermarket”, “Engineered Plastics”, “Services” and “Industrial Parks”.

The activities in the “Original Equipment” and “Aftermarket” reporting segments relate to the manufacturing and distribution of parts and components for the engine, transmission and exhaust system in motor vehicles (powertrain), as well as battery and fuel cell components and tools machining.

The “Engineered Plastics” segment manufactures and distributes technical products made of high-performance PTFE plastics for the vehicle and general industrial sectors.

The “Services” reporting segment primarily operates engine test benches and contributes to the development of engines.

The “Industrial Parks” segment is responsible for the administration and leasing of land and buildings.

The “Consolidation” column in the “Segment reporting” table below provides an overview of consolidations between the segments. The “Other” column merely contains financial liabilities not directly attributable to the individual segments. Internal control and reporting are based on IFRS. The Group measures the performance of its segments based on earnings before taxes in accordance with IFRS. With the exception of the Original Equipment segment’s provision of supplies to the Aftermarket segment, the extent of trade between the individual segments is insignificant. The exchange of goods and/or services between the segments takes place at arm’s-length prices.

The segment results contain an impairment loss in the amount of EUR 525 k.

The Original Equipment segment generated more than 10% of the Group’s consolidated sales revenues from one customer (EUR 140,453 k).

Segment reporting

Segment	Original Equipment		Aftermarket		Engineered Plastics		Industrial Parks	
EUR k	2013	2012	2013	2012	2013	2012	2013	2012
Sales revenue	**951,031**	**906,599**	**119,266**	**117,815**	**92,571**	**91,281**	**4,258**	**4,234**
Intersegment revenue	18,499	22,710	0	0	156	68	302	241
Segment revenue[5]	**969,530**	**929,309**	**119,266**	**117,815**	**92,727**	**91,349**	**4,560**	**4,475**
EBIT[2]	**119,571**	**93,063**	**22,305**	**24,422**	**16,046**	**15,662**	**125**	**384**
+ Interest income	726	1,190	35	44	431	415	12	6
– Interest expense	-10,581	-11,665	-1,135	-1,305	-569	-658	-39	-166
Earnings before taxes	**109,716**	**82,587**	**21,205**	**23,161**	**15,908**	**15,419**	**98**	**224**
Depreciation and amortization[4]	69,480	73,294	1,165	1,256	3,698	3,368	436	402
Capital expenditures[3]	115,809	103,887	2,044	1,657	5,195	5,736	217	274
Segment assets	1,228,051	1,085,957	67,044	71,500	90,950	86,495	15,729	15,681
Segment liabilities	394,242	336,291	22,756	23,255	22,490	18,986	1,342	4,229

Segment	Services		Other		Consolidation[1]		Group	
EUR k	2013	2012	2013	2012	2013	2012	2013	2012
Sales revenue	**8,105**	**7,253**	**0**	**0**	**0**	**0**	**1,175,231**	**1,127,182**
Intersegment revenue	4,225	4,320	0	0	-23,182	-27,339	0	0
Segment revenue[5]	**12,330**	**11,573**	**0**	**0**	**-23,182**	**-27,339**	**1,175,231**	**1,127,182**
EBIT[2]	**2,306**	**2,247**	**0**	**0**	**0**	**0**	**160,353**	**135,778**
+ Interest income	20	14	0	0	-481	-427	743	1,240
– Interest expense	-37	-31	0	0	481	427	-11,880	-13,398
Earnings before taxes	**2,289**	**2,230**	**0**	**0**	**0**	**0**	**149,216**	**123,621**
Depreciation and amortization[4]	1,167	1,067	0	0	0	0	75,946	79,387
Capital expenditures[3]	4,015	2,342	0	0	0	0	127,280	113,896
Segment assets	13,049	11,441	0	0	-19,533	-2,483	1,395,290	1,268,591
Segment liabilities	4,568	3,814	264,871	242,282	-19,533	-2,483	690,736	626,374

[1] See comments on page 214
[2] Earnings before interest and taxes
[3] Investments in intangible assets and property, plant and equipment and investment property
[4] Depreciation and amortization including impairments
[5] A different presentation was selected for segment revenue

Segment reporting by region

Region *in EUR k*		Sales revenues[1]	Non-current assets	Investments
Germany	2013	360,796	385,785	52,791
	2012	338,882	377,690	66,142
Rest of Europe	2013	358,753	215,079	28,099
	2012	342,702	205,192	19,404
NAFTA	2013	200,553	53,920	19,416
	2012	197,798	43,868	8,497
Asia-Pacific	2013	189,460	124,194	19,517
	2012	178,915	66,223	17,405
South America and other	2013	65,669	24,568	7,457
	2012	68,885	22,982	2,448
Group	**2013**	**1,175,231**	**803,546**	**127,280**
	2012	**1,127,182**	**715,955**	**113,896**

[1] The location of the customer is used to allocate sales revenues to the regions

Other disclosures

Contingent liabilities

As in the previous year, the ElringKlinger Group is currently not subject to contingent liabilities from guarantees, performance bonds or bills of exchange issued.

Contingent liabilities

For one group company, it was determined that formal requirements in approval and information processes for public authorities were not fully complied with. National legislation provide for corresponding fines in such a case. The authorities have not yet begun formal proceedings. We currently see it as not improbable that the authorities will do so. A potential cash outflow is expected to come to a mid seven-digit figure in euro. A potential refund of these possible cash outflows is not evident.

Operating leases

Expenses include payments from operating leases of EUR 6,570 k (2012: EUR 6,197 k).

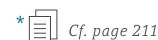
At the end of the reporting period, the Group had outstanding obligations arising from binding operating leases that fall due as follows

EUR k	Dec. 31, 2013	Dec. 31, 2012
less than one year	3,359	3,566
between one and five years	7,763	6,197
more than five years	4,009	4,274
Total	**15,131**	**14,037**

Of that amount, EUR 9,072 k (2012: EUR 9,314 k) related to outstanding obligations from binding operating leases for commercial premises, EUR 2,749 k (2012: EUR 2,562 k) to office equipment, and EUR 3,310 k (2012: EUR 2,161 k) to other lease arrangements.

Finance lease

Information on the finance lease can be found in **note (27)***.


* *Cf. page 211*

Other financial commitments

Energy purchase commitments

EUR k	Dec. 31, 2013	Dec. 31, 2012
less than one year	9,477	7,371
between one and five years	18,683	14,739
more than five years	0	0
Total	28,160	22,110

The purchase of a plot of land resulted in an obligation to pay the purchase price of EUR 1,500 k.

Proceeds from lease agreements

The future lease payments due to ElringKlinger in relation to binding operating leases from letting the industrial parks Idstein and Kecskemét-Kádafalva (Hungary) are due as follows:

EUR k	Dec. 31, 2013	Dec. 31, 2012
less than one year	1,412	1,722
between one and five years	2,414	1,804
more than five years	1,052	387
Total	4,878	3,913

Number of employees

The average number of **employees** during the year (excluding Management Board members) was as follows:

	2013	2012
Employees	6,373	6,158
Trainees	170	156
Total	6,543	6,314

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 307,944 k (2012: EUR 282,448 k). Of that amount, 6.8% (2012: 7.2%) related to contributions to the statutory pension scheme.

Events after the end of the reporting period

After the reporting date there were no additional significant events requiring additional disclosures.

Related-party disclosures

Transactions between the parent company, ElringKlinger AG, and its subsidiaries are eliminated in the course of consolidation and are therefore not discussed in this note. In addition, the following business relationships exist between companies of the ElringKlinger Group and related parties and companies controlled by related parties:

Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen, concerning traineeships. Mr. Walter Herwarth Lechler is the Chairman of the Supervisory Board of ElringKlinger AG and holds a significant interest in Lechler GmbH. ElringKlinger earned EUR 80 k during the reporting year (2012: EUR 94 k). As of the end of the reporting period, December 31, 2013, there was one outstanding receivable of EUR 19 k (2012: EUR 0 k).

Lease agreement between Technik-Park Heliport Kft., Kecskemét-Kádafalva, Hungary (TPH), and the Lechler GmbH subsidiary, Lechler Kft., Kecskemét-Kádafalva, Hungary. TPH earned EUR 200 k in rental income based on this lease during the reporting year (2012: EUR 200 k). As in the previous year, this did not result in any receivables as of the end of the reporting period.

Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen, and Lechler GmbH, Metzingen, regarding assembly activities and the storage of components. This agreement gave rise to EUR 521 k in sales revenues during the reporting year (2012: EUR 515 k). As of the end of the reporting period, December 31, 2013, there was one outstanding receivable of EUR 38 k (2012: EUR 29 k).

Master supply agreement between Rich. Klinger Dichtungstechnik GmbH & CO. KG, Gumpoldskirchen, Austria, and companies of the ElringKlinger Group concerning the procurement of materials. Mr. Klinger-Lohr is a shareholder and in the financial year 2013 was a member of the Supervisory Board of ElringKlinger AG and has a significant interest in Rich. Klinger Dichtungstechnik GmbH & Co. KG. ElringKlinger AG procured EUR 2,370 k worth of materials under this agreement in 2013 (2012: EUR 1,803 k). As of the end of the reporting period, December 31, 2013, there was one outstanding receivable of EUR 190 k (2012: EUR 107 k).

Master supply agreement between ElringKlinger AG and Klinger AG Egliswil, Switzerland, regarding the procurement of materials. Mr. Klinger-Lohr is a shareholder and in the financial year 2013 was a member of the Supervisory Board of ElringKlinger AG and member of the administrative board of Klinger AG Egliswil. ElringKlinger AG procured EUR 69 k worth of materials under this agreement in 2013 (2012: EUR 63 k). As in the previous year, this did not result in any liabilities as of the end of the reporting period December 31, 2013.

Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd., Changchun, China, (CEK), and CHYAP, the company controlled by Ms. Liu, who is a joint partner in CEK. CEK procured EUR 99 k worth of services under these business relations in 2013 (2012: EUR 101 k). As of December 31, 2013, there was EUR 8 k in liabilities (2012: EUR 2 k). Furthermore, CEK sold EUR 17 k worth of goods and raw materials to CHYAP (2012: EUR 35 k). As of the reporting date December 31, 2013 there were no trade receivables (2012: EUR 2 k).

Loan agreement between Lechler GmbH and ElringKlinger AG dated August 15, 2013. Lechler GmbH granted ElringKlinger AG a loan in the amount of EUR 7,000 k. The loan carries an interest rate of 1.60% p.a. and has a term until August 17, 2015.

Supply agreement between Lechler GmbH and KOCHWERK Catering GmbH, Dettingen/Erms, Germany, a wholly owned subsidiary of ElringKlinger AG. KOCHWERK Catering GmbH, Dettingen/Erms, Germany, supplies Lechler GmbH, Metzingen, Germany, with canteen food. Revenue amounted to EUR 69 k in 2013. As of the reporting date there was one outstanding receivable of EUR 10 k.

The salaries of the employee representatives to the Supervisory Board are in line with market conditions.

Corporate bodies

Supervisory board

Walter Herwarth Lechler, Stuttgart, Chairman	Managing Partner of Lechler GmbH, Metzingen **Governance roles:** a) n.a. b) Lechler Inc., St. Charles, USA Lechler Ltd., Sheffield, United Kingdom Lechler India Pvt. Ltd., Thane, India ELEX India Pvt. Ltd., Thane, India
Markus Siegers*, Altbach, Deputy chairman	Chairman of the Works Council of ElringKlinger AG
Gert Bauer*, Reutlingen	First General Representative and collector of IG Metall trade union, Reutlingen/Tübingen **Governance roles:** a) Hugo Boss AG, Metzingen b) BIKOM GmbH, Reutlingen
Armin Diez*, Lenningen	Divisional Director of the Cylinder-head Gaskets and Battery Technology/E-Mobility at ElringKlinger AG
Klaus Eberhardt, Lindau (since May 16, 2013)	Former CEO of Rheinmetall AG, Düsseldorf **Governance roles:** a) KSPG AG, Neckarsulm MTU Aero Engines AG, Munich Dürr AG, Stuttgart b) n.a.
Pasquale Formisano*, Vaihingen an der Enz	Set-up engineer Chairman of the Works Council of ElringKlinger Kunststofftechnik GmbH

Dr. Margarete Haase, Cologne	Member of the Executive Board of DEUTZ AG, Cologne **Governance roles:** a) Fraport AG, Frankfurt am Main ZF Friedrichshafen AG, Friedrichshafen b) DEUTZ (Dalian) Engine Co. Ltd., Dalian, China Deutz Engines (Shandong) Co. Ltd., Changlin, China Deutz Engine (China) Ltd. Co, Linyi, China (since November 21, 2013)
Karl Uwe van Husen, Waiblingen (until May 16, 2013)	Managing Director
Dr. Thomas Klinger-Lohr, Egliswil, Switzerland (until December 31, 2013)	Chairman of the board of Betal Netherlands Holding BV, Rotterdam, Netherlands **Governance roles:** a) n.a. b) Klinger AG Egliswil, Egliswil, Switzerland
Paula Monteiro-Munz*, Grabenstetten	Deputy chairwoman of the Works Council of ElringKlinger AG
Prof. Hans-Ulrich Sachs, Bremen	Managing Partner of betec Umformtechnik GmbH, Adelmannsfelden
Manfred Strauß, Stuttgart	Managing shareholder of M&S Messebau und Service GmbH, Neuhausen a.d.F. **Governance roles:** a) n.a. b) Pro Stuttgart Verwaltungs GmbH, Stuttgart Pro Stuttgart Verkehrsverein, Stuttgart
Gerhard Wick*, Geislingen a. d. Steige	Union secretary for IG Metall, district administration, Baden-Württemberg district **Governance roles:** a) Stihl AG, Waiblingen WMF AG, Geislingen an der Steige since April 23, 2013 b) n.a.

*Employee representative
[a] Membership in supervisory boards to be established by law within the meaning of § 125 AktG
[b] Membership in analogous domestic and foreign supervisory bodies, Sec. 125 AktG

Remuneration of the supervisory board

Total remuneration of the Supervisory Board of ElringKlinger AG amounted to EUR 619 k (2012: EUR 579 k) in the reporting period. In addition, travel expenses in the amount of EUR 2 k (2012: EUR 1 k) were reimbursed.

Total remuneration of the Supervisory Board is distributed among the individual supervisory board members as follows:

	Fixed remuneration		Variable remuneration		Total remuneration	
EUR	2013	2012	2013	2012	2013	2012
Walter Herwarth Lechler	48,000	37,250	55,480	40,624	**103,480**	**77,874**
Dr. Helmut Lerchner	0	17,000	408	19,242	**408**	**36,242**
Markus Siegers	25,000	25,000	41,812	37,633	**66,812**	**62,633**
Gert Bauer	18,000	17,000	27,875	25,088	**45,875**	**42,088**
Armin Diez	18,000	18,000	27,875	25,088	**45,875**	**43,088**
Klaus Eberhardt	14,250	0	17,210	0	**31,460**	**0**
Pasquale Formisano	14,000	14,000	27,875	25,088	**41,875**	**39,088**
Dr. Margarete Haase	14,000	14,000	27,875	25,034	**41,875**	**39,034**
Dr. Rainer Hahn	0	0	0	55	**0**	**55**
Karl Uwe van Husen	9,250	26,000	10,815	25,088	**20,065**	**51,088**
Dr. Thomas Klinger-Lohr	22,000	17,000	27,875	25,088	**49,875**	**42,088**
Paula Monteiro-Munz	18,000	18,000	27,875	25,088	**45,875**	**43,088**
Prof. Hans-Ulrich Sachs	14,000	9,250	27,606	15,536	**41,606**	**24,786**
Manfred Strauß	14,000	14,000	27,875	25,088	**41,875**	**39,088**
Gerhard Wick	14,000	14,000	27,875	25,088	**41,875**	**39,088**
Total amount	242,500	240,500	376,331	338,828	618,831	579,328

Variable remuneration shown reflects the expense for which provisions have been recognized, based on the provisional consolidated income before taxes prepared in accordance with IFRS over the past three financial years (previous year: consolidated income before taxes prepared in accordance with IFRS over the past financial year). The remuneration of the employee representatives in the Supervisory Board amounted to EUR 442 k in 2013 (2012: EUR 440 k) for their activities as employees.

The difference between the provision for variable remuneration for the financial year 2012 and the actual amounts paid out was EUR 7,485. This amount was paid out to the members of the Supervisory Board on a pro rata basis and is included under variable remuneration.

Management board

Dr. Stefan Wolf, Sindelfingen, Chairman	Responsible for all Group companies and the corporate functions of Finance, Controlling, Legal Affairs, Personnel, IT, Investor Relations, and Corporate Communications, as well as the Aftermarket and Industrial Parks divisions
Theo Becker, Metzingen	Responsible for the Cylinder-head Gaskets, Specialty Gaskets, Housing Modules/Elastomer Technology, Shielding Technology, E-Mobility, Exhaust gas purification technology and Tooling Technology divisions, as well as the corporate functions Quality and Environment, Materials Management and ElringKlinger AG Plants
Karl Schmauder, Hülben	Responsible for Original Equipment Sales and New Business Areas
Governance roles in supervisory boards and other supervisory bodies	Dr. Stefan Wolf is a member of the Board of Directors of Micronas Semiconductor Holding AG, Zurich, member of the supervisory board of Fielman AG, Hamburg, and Chairman of the Supervisory Board of Norma Group AG, Maintal
	Karl Schmauder is Chairman of the Advisory Board of e-mobil BW GmbH, Stuttgart and Advisory Board member of Steiff Beteiligungs-GmbH, Giengen

Remuneration of the Management Board

The remuneration paid to the members of the Management Board includes fixed and variable components. The variable component is made up of short-term performance-related remuneration and of performance-related remuneration with long-term incentive effects. The long-term performance-related remuneration relates to stock appreciation rights. Provisions are also recognized for pensions. Expenses amounted to:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Short-term fixed remuneration	1,265	889
Short-term variable performance-based remuneration	2,311	1,601
Long-term variable stock-based remuneration	-57	209
Service cost from pensions	392	127
Total	**3,911**	**2,826**

Total management board remuneration pursuant to Sec. 314 (1) No. 6a Sentence 1 to 4 HGB is distributed to the individual management board members as follows:

EUR	Year	Short-term fixed remuneration	Short-term variable performance-based remuneration	Long-term variable stock-based remuneration	Total amount
Dr. Stefan Wolf	**2013**	**503,389**	**1,025,012**	**158,318**	**1,686,719**
	2012	354,009	651,266	62,066	1,067,341
Theo Becker	**2013**	**381,950**	**642,790**	**142,929**	**1,167,669**
	2012	273,096	474,728	39,388	787,212
Karl Schmauder	**2013**	**379,429**	**642,790**	**142,929**	**1,165,148**
	2012	261,963	474,728	47,125	783,816
Total	**2013**	**1,264,768**	**2,310,592**	**444,176**	**4,019,536**
Total	2012	889,068	1,600,722	148,579	2,638,369

Short-term variable performance-based remuneration reflects expenses for which provisions have been recognized, calculated as a percentage of the average IFRS consolidated income before interest and taxes over the last three years (previous year: IFRS consolidated income before taxes in the financial year). In addition, the differences between provisions recognized as of December 31, 2012 and the amounts actually paid in 2013 are included. For the stock appreciation rights, the fair value as of the grant date is used.

Stock appreciation rights refer to a right to a cash settlement, not, however, for ElringKlinger AG stock. The currently outstanding stock appreciation rights were granted in five and four annual tranches, beginning on February 1, 2008 and January 1, 2009, respectively. The tranches have a term of four years. The strike price is the average stock price of the last 60 trading days prior to the grant date. The number of stock appreciation rights is calculated based on the fixed remuneration of the re-

spective board member and the strike price. The cash payment to be granted is calculated based on the difference between the exercise price, which is also calculated as an average of the stock price over the last 60 trading days, and the strike price. A payment occurs only in the event that the share price of ElringKlinger AG increases more than the smoothed index MDAX in which the stock is listed, but at least by 25%. The payment per tranche is limited to the fixed salary amount for the year.

Beginning in 2013, five tranches of 30,000 stock appreciation rights will be granted on February 1 of each year. The strike price is calculated using the arithmetic mean of the market price of ElringKlinger stock on the last 60 trading days prior to the grant date. The grant is subject to an investment by the Management Board members of one-tenth of the number of granted stock appreciation rights in shares of ElringKlinger AG. The holding period of the stock appreciation rights is four years. Within a period of two additional years after the holding period expires, a Management Board member may demand redemption of the stock appreciation rights. The redemption price is calculated using the average market price of ElringKlinger's shares of the last 60 trading days prior to redemption. Redemption of the stock appreciation rights may be demanded only if the redemption price exceeds the strike price by 25%. The total redemption price is limited to two fixed annual salaries at the time of redemption.

Provisions are recognized in order to cover the estimated future obligation. The fair value of the obligation is determined based on the Cox-Ross-Rubinstein model or the Black-Scholes model using current market parameters. A risk-free interest rate ranging between 0.13% and 0.64% was used depending on the term. The volatility of the share price (34.40%), the MDAX index (19.03%), and a correlation of 60.37% were determined over a four-year period. The expected dividend was EUR 0.50 per share.

The provision is accrued pro rata temporis over the vesting period and is assessed on every reporting date and again on the exercise date. Changes in the fair value are recognized in net income.

For financial year 2013, the following data arose:

Date tranche was issued	2010	2011	2012	2013
Number of stock appreciation rights exercised				
Value of stock appreciation rights exercised (EUR k)				
Number of stock appreciation rights (not yet exercisable)	49,090	32,501	42,406	90,000
Average strike price (EUR)	15.68	24.83	19.43	24.54
Average remaining term to maturity in years	0.04	1.04	2.04	3.08
Value of stock appreciation rights held by members of the Management Board				
December 31, 2013 (EUR k)	0	24	69	129
December 31, 2012 (EUR k)	194	42	44	0
December 31, 2011 (EUR k)	103	21	0	0
December 31, 2010 (EUR k)	75	0	0	0

The present value (DBO) of the pension provisions amounts to:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Dr. Stefan Wolf	2,412	2,536
Theo Becker	2,042	2,139
Karl Schmauder	2,881	3,096
Total	7,335	7,771

Provisions for pensions and remuneration for former members of the Management Board

Provisions of EUR 11,592 k (2012: EUR 13,260 k) were recognized for pension obligations to former members of the Management Board, the management of merged companies, and their surviving dependents. The total remuneration of former members of the Management Board – including remuneration of former members of corporate bodies of merged companies – came to EUR 823 k (2012: EUR 894 k) during the financial year 2013.

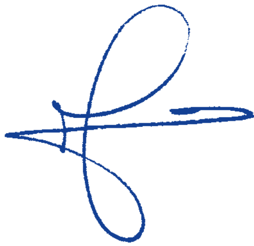
The auditor fees amounted to

EUR k	2013	2012
Audit of the annual financial statements	379	558
Other assurance services	9	0
Tax advisory	0	0
Other services	12	0
Total	400	558

Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance on December 4, 2013 pursuant to § 161 AktG on the German Corporate Governance Code and published it on the ElringKlinger AG website on December 4, 2013. This declaration of compliance will be available on the ElringKlinger AG website and therewith made permanently available to shareholders

Dettingen/Erms, 20 March 2014
Management Board



Dr. Stefan Wolf | Theo Becker | Karl Schmauder

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report, which has been combined with the management report of ElringKlinger AG:

"We have audited the consolidated financial statements prepared by ElringKlinger AG, Dettingen/Erms, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report which has been combined with the management report of ElringKlinger AG for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of [German] commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 20, 2014
Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft

Marbler
Wirtschaftsprüfer [German Public Auditor]

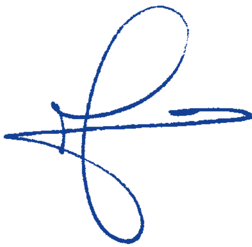
Göhner
Wirtschaftsprüfer [German Public Auditor]

Responsibility Statement

Responsibility Statement According to §§ 297(2) Sentence 4 and 315(1) Sentence 6 HGB (German Commercial Code)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of ElringKlinger AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Dettingen/Erms, March 20, 2014
Management Board



Dr. Stefan Wolf | Theo Becker | Karl Schmauder