Future Inside

ANNUAL REPORT

2012

elringklinger

What does the future hold for the automotive industry and powertrain technology? Which role will ElringKlinger play? Watch our film and delve into the fascinating world of mobility in 20 to 30 years' time.

ElringKlinger Group – Key Figures

(IFRS)

		2012	2011	2010	2009	2008	2007	2006
Order intake	€ million	1,134.8	1,089.0	886.6	612.9	621.3	644.7	558.9
Order backlog	€ million	456.0	448.4	333.1	242.2	208.6	245.1	208.2
Sales	€ million	1,127.2	1,032.8	795.7	579.3	657.8	607.8	528.4
Cost of sales	€ million	814.8	744.2	557.0	426.3	464.2	400.1	338.7
Gross profit margin		27.7 %	27.9 %	30.0 %	26.4 %	29.4 %	34.2 %	35.9 %
EBITDA	€ million	215.4	245.5[4]	188.9	134.5	133.2	169.0	139.0
EBIT[1]	€ million	136.0	148.7[4]	106.7	63.3	71.5	121.0	93.3
EBIT margin		12.1 %	14.4 %[4]	13.4 %	10.9 %	10.9 %	19.9 %	17.7 %
Earnings before taxes	€ million	123.8	136.6[4]	94.0	49.4	60.0	114.9	87.6
Net income	€ million	89.4	97.6[4]	68.6	34.8	43.2	80.3	61.9
Profit attributable to shareholders of ElringKlinger AG	€ million	85.9	94.9[4]	65.6	33.2	39.8	75.9	57.8
Net cash from operating activities	€ million	112.3	74.5	126.2	148.8	98.2	99.3	89.9
Net cash from investing activities	€ million	-108.2	-147.4	-128.1	-93.6	-211.7	-101.9	-47.0
Net cash from financing activities	€ million	-13.3	35.4	74.0	-49.3	116.9	4.4	-41.7
Operating free cash flow[2]	€ million	8.2	-10.5	-1.9	58.2	-37.6	5.5	42.9
Balance sheet total	€ million	1,268.6	1,217.6	991.3	772.3	764.5	572.5	476.6
Equity	€ million	640.3	610.1	522.3	318.3	288.1	281.1	231.2
Equity ratio		50.5 %	50.1 %	52.7 %	41.2 %	37.7 %	49.1 %	48.5 %
Return on equity after taxes		14.3 %	17.2 %[4]	16.3 %	11.5 %	15.2 %	31.3 %	29.0 %
Return on total assets after taxes		8.2 %	9.9 %[4]	9.2 %	6.4 %	8.2 %	16.5 %	14.5 %
Return on Capital Employed (ROCE)		13.3 %	16.7 %[4]	15.2 %	8.8 %	13.6 %	30.3 %	26.7 %
Earnings per share	€	1.36	1.50[4]	1.11	0.58	0.69	1.32	1.00
Dividends paid	€ million	28.5[3]	36.7	22.2	11.5	8.6	26.9	24.0
Dividend per share	€	0.45[3]	0.58	0.35	0.20	0.15	0.47	0.42

[1] including currency effects
[2] Net cash from operating activities minus net cash from investing activities (excluding acquisitions)
[3] Proposal to the Annual General Shareholders' Meeting 2013
[4] Figures 2011 including one-time income from sale of Ludwigsburg industrial park (EUR 22.7 million before taxes; EUR 16.5 million after taxes)

Highlights of the Year 2012

MAY

Change at helm of Supervisory Board
Subsequent to the Annual General Meeting, the Supervisory Board of ElringKlinger AG elects Walter H. Lechler as its new Chairman. He takes over from Dr. Helmut Lerchner, who retires after having held the post for eight years.

JANUARY

New production site for exhaust gas purification technology
ElringKlinger's acquisition of the metal housing manufacturer and Hug supplier ThaWa GmbH located in the German state of Saxony-Anhalt gives it a cost-effective new production site in the eurozone for its operations in the area of exhaust gas purification technology. ElringKlinger is in the process of building a new factory here for the production of housings and the canning of diesel particulate filters as well as complete exhaust systems. /// Significant Events cf. page 59

JUNE

Cleaning up on land and sea
ElringKlinger's Swiss subsidiary Hug is awarded two major orders for exhaust gas purification systems. The complete systems are to be installed at a power station for stationary electricity generation in North America as well as in six river cruisers. A number of other large-scale cruise ship projects are also in the pipeline. /// Research and Development cf. page 99 et seqq.

JULY

Lightweight components also for trucks
ElringKlinger's newly built factory for plastic housing modules at the company's home site in Dettingen/Erms is officially inaugurated. Operating with 14 state-of-the-art production lines, the plant processes around 3,000 metric tons of polyamide per year for cam covers, oil pans and charge air ducts. Several serial production orders for lightweight truck modules have already been launched.

SEPTEMBER

Making a strong impression at the IAA and Automechanika
ElringKlinger is also in line with the latest trend when it comes to CO_2 reduction and lightweight construction in commercial vehicles. Adopting the slogan "Engine of the Future" for its first appearance at the IAA Commercial Vehicle Show in Hanover, the company presents a series of innovative products in the areas of exhaust gas purification, lightweight construction and thermal management. At the same time, the Aftermarket division presents its new, multimedia service concept Elring+ for retailers and vehicle repair workshops at the Automechanika trade show in Frankfurt.

AUGUST

Sustainably mobile
ElringKlinger publishes its first-ever separate sustainability report. Supplying a wide range of products, the company contributes directly to the reduction of CO_2 and other emissions. Environmental efficiency is prioritized at every stage – from development and production through to delivery.

OCTOBER

Busy trade show season for E-Mobility
ElringKlinger's E-Mobility division makes its debut appearance at three international trade fairs – the Battery Show in Detroit, eCarTec in Munich and Battery+Storage in Stuttgart. There is considerable interest in the company's new cell contact systems for lithium-ion batteries as well as the fuel cell module for generating on-board electricity in commercial vehicles.

DECEMBER

New stepping stone in South-East Asia
The Japanese joint venture ElringKlinger Marusan Corporation opens its first factory in Indonesia. This puts the Group right at the heart of the booming ASEAN region with its own manufacturing facility for cylinder-head and specialty gaskets as well as heat shields. First components roll off the production line at the end of the year. /// Group Companies cf. page 80

Future Inside

ELRINGKLINGER

Which way is the automotive industry heading? What technology will be driving our cars in the future? These questions concern us all in a society characterized by almost unrestricted mobility. The answers will bring about fundamental changes in terms of resource management and infrastructure.

Will personal transport be fully electric? Will the combustion engine still be around in twenty or thirty years' time? Will fuel cell technology come out on top? Whatever the future holds, ElringKlinger is well prepared.

ElringKlinger is one of just a handful of suppliers around the globe that develop and produce technologically sophisticated components for all drive systems – for conventional combustion engines optimized by downsizing as well as for hybrid and electric vehicles using either battery-powered electric engines or fuel cells.

As a development partner and original equipment manufacturer with a global presence, we supply almost all of the world's vehicle and engine manufacturers. To round off our portfolio, ElringKlinger Kunststofftechnik also supplies products made of high-performance PTFE plastics to manufacturers outside the automotive industry. We harness our innovative strengths to achieve the company's goals of sustainable mobility and profitable growth. These efforts are supported by our committed workforce of over 6,200 people at 41 ElringKlinger Group locations worldwide.

COMBUSTION ENGINE

HYBRID TECHNOLOGY

ELECTROMOBILITY

FUEL CELL DRIVES

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TO OUR SHAREHOLDERS

GROUP MANAGEMENT REPORT

KEY (TO SYMBOLS)

* GLOSSARY REFERENCE

* INTERNET REFERENCE

* CROSS REFERENCE

FUEL CELL DRIVES
Scenario 3
more on page 22

ELECTROMOBILITY
Scenario 2
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CONSOLIDATED FINANCIAL STATEMENTS

DR. STEFAN WOLF (Chairman/CEO)

Responsible for Group companies, the corporate functions Finance, Controlling, Legal Affairs, Human Resources, IT, Investor Relations and Corporate Communications, as well as the Aftermarket and Industrial Parks divisions

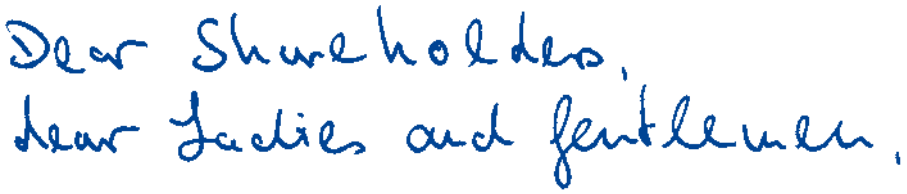
KARL SCHMAUDER

Responsible for Original Equipment Sales and New Business Areas

THEO BECKER

Responsible for the Cylinder-head Gaskets, Specialty Gaskets, Plastic Housing Modules/Elastomer Technology, Shielding Technology, E-Mobility and Tooling Technology divisions, as well as the corporate functions Quality and Environment, Materials Management and ElringKlinger AG plants

Letter to Shareholders



The global economy maintained its forward momentum in 2012, albeit at a less dynamic pace than in the previous year. Growth was driven primarily by the economies of Asia, North America and South America. By contrast, Europe as a whole was in recession in 2012. While individual economies managed to generate slight growth, others – particularly in Southern Europe – saw their GDP fall quite severely in some cases. Despite more visible signs of economic slowdown in the second half of 2012 in particular, ElringKlinger managed to sustain its profitable growth in sales and earnings over the course of 2012.

Sales revenue generated by the ElringKlinger Group reached EUR 1,127.2 million in the financial year just ended, up 9.1% on the figure posted for 2011. In this context, growth is now being driven to a disproportionately large extent by the 36 subsidiaries and investees within the Group. The Group recorded encouraging gains in Asia, above all, but also in North and South America. Earnings before taxes stood at EUR 123.8 million for the ElringKlinger Group as a whole, up 8.7% on the previous year's figure (previous year adjusted for one-time income of EUR 22.7 million from the sale of the Ludwigsburg industrial park).

Total Group assets rose to EUR 1,268.6 million, i.e. 4.2% higher than the figure posted on December 31, 2011. For the first time, this item included ThaWa GmbH, a manufacturer of housings for exhaust gas purification systems that was acquired as of January 1, 2012; the entity was subsequently merged into ElringKlinger AG and is now run as an operating plant at the site in Thale/Sachsen-Anhalt. The equity ratio was 50.5%, which is well above the 40% mark defined as the minimum equity ratio to be achieved by the Group.

As in previous years, we would like you, our shareholders, to reap some of the benefits of ElringKlinger's earnings performance. In 2011, our total dividend of 58 cents comprised a regular dividend plus a bonus that reflected the sale of the Ludwigsburg industrial park. The regular dividend amounted to 40 cents, while the bonus came in at 18 cents. We will propose to the Annual General Meeting to be held in Stuttgart on May 16, 2013, a dividend payout of EUR 28.5 million, which corresponds to 45 cents per share. This represents an increase of 12.5% compared to the regular dividend of 40 cents for 2011.

Whereas the former Freudenberg operations in Nantiat, France, as yet fell far short of our earnings expectations amid an extremely sluggish French automotive market, we made encouraging progress with our Swiss exhaust specialist Hug Engineering, another company acquired in 2011. Indeed, earnings at Hug saw a steady improvement, moving into positive territory for the first time in the fourth quarter of 2012. Supported by a number of new orders for end-to-end exhaust gas purification systems used in ships, locomotives and power stations, together with CARB (California Air Resources Board) accreditation for the immensely important US retrofit market, the company also managed to lay a solid revenue-based foundation for future growth. For 2013, we expect to see Hug improve its operating result by a sizeable EUR 5 to 6 million.

We invested a total of EUR 103.1 million in property, plant, equipment and investment property at Group level during the 2012 financial year. This figure includes expenditure relating to the construction of new production plants, the procurement of machinery and systems, as well as investments in streamlining and automation projects. In making these investments, we are looking to ensure that the Group continues to meet the highest technical standards possible. At the same time, our highly committed approach to investment spending within the Group will help to underpin our position as a leading innovator within the industry in which we operate.

A key focus of capital expenditure in the period under review was on expanding business in the rapidly developing emerging markets of Asia. It is there that we believe growth will be most significant in the future. Alongside China and Korea, we are currently expanding within the ASEAN region with an initial production plant in Indonesia.

In 2012, ElringKlinger's share price benefited from a fundamental improvement in capital market sentiment and more pronounced interest among international investors. Our stock rose from EUR 19.18 at the beginning of the year to EUR 25.50 on December 31, 2012. In the course of the first quarter of 2013, ElringKlinger's share price moved beyond the mark of EUR 28. On publication of the Group's preliminary results for the 2012 financial year, our stock trended lower again. This, however, was not so much attributable to a sense of disappointment within the capital market over the Group's annual performance, but rather to the weakness in earnings in the fourth quarter – largely the result of special factors. In absolute terms, the ElringKlinger Group's operating margin in the fourth quarter of 2012 was still almost five percentage points above the average for the automotive supply industry.

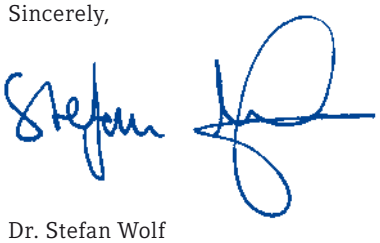
As of December 31, 2012, the ElringKlinger Group employed 6,263 people – 188 more than at the end of the previous year. A result such as that recorded by the ElringKlinger Group in 2012 can only be achieved with the help of the outstanding performance and commitment of a well-qualified and highly motivated workforce. The Management Board would like to thank all members of staff fortheir hands-on contribution and the level of dedication shown in pursuit of our joint goals.

The ElringKlinger Group is well prepared to take on the challenges of the future. Depending on the future direction that the market takes, we intend to increase sales revenue by 5 to 7% in 2013, despite the demanding environment in which we are currently having to operate. Should global vehicle production only stagnate, revenue growth is more likely to be positioned at the lower end of this range. We are targeting more pronounced growth as regards earnings before interest and taxes, the aim being to take EBIT to EUR 150 to 155 million – after EUR 136.0 million in 2012.

This annual report covers our business performance over the course of 2012. We will also be looking at what the future might hold for the automotive industry and powertrain technology. Beyond this, the report also includes extensive information on our strategic approaches to the profitable advancement of the Group. Operating in a challenging sector, which moreover is currently undergoing radical changes in the field of powertrain technology, we will continue to make a decisive contribution by delivering exceptional technological solutions. This will cement the Group's earnings performance.

We hope you enjoy reading our annual report for 2012.

Sincerely,



Dr. Stefan Wolf

Future Inside

What does the future hold for the automotive industry and vehicle drive technology? Will personal transport be fully electric? Will the combustion engine still be around in twenty or thirty years' time, or will fuel cell drives take the lead? Whether the optimized combustion engine, the battery or the fuel cell emerges as the dominant drive train technology, ElringKlinger is well prepared.

Climate change is one of the biggest challenges of our age – one that the automotive industry is determined to meet. Reflecting this concern and the increasing scarcity of fossil fuels, the industry has prioritized efforts to minimize fuel consumption and thereby reduce CO_2 emissions. We also need to cut emissions of particulates, nitrogen oxides, carbon monoxides and hydrocarbons. Today's consumers demand eco-friendly yet affordable mobility solutions.

Numerous states have already introduced strict rules, and there will be dramatic reductions in emissions limits in the years ahead. In the EU, for example, CO_2 emissions for new vehicles will need to be even 20% lower by the year 2020. The United States has decreed a massive reduction of nearly 50% by 2025. Legislation in many emerging countries is based on these demanding targets.

Manufacturers and suppliers have responded vigorously by developing a wide range of sustainable and environmentally friendly mobility concepts. The race to see which of the drive technologies currently under development emerges on top is still open. The only certainty is that tomorrow's drive technology will play a major role in shaping our future living environment and infrastructure. To find out what lies ahead, ElringKlinger looked into its own mobile future. We'd like to invite you to explore a number of scenarios with us, to examine how the next generation might look and what steps the company has already taken to prepare itself.

today

SCENARIO

OPTIMIZED COMBUSTION ENGINE

Whether it runs on petrol or diesel, the conventional combustion engine is still the dominant technology on our roads. Engines are being equipped with increasingly complex exhaust gas purification systems. The automotive industry is working at full speed on the development of alternative drive concepts. As of yet, there is no clear picture of which solution will emerge on top.

1.

SCENARIO

HYBRID TECHNOLOGY

The combination of a combustion engine and an electric drive has proven to be an efficient solution. Electric engines offer the prospect of emission-free driving, while lighter, downsized combustion engines use much less fuel and allow drivers to cover longer distances. Lightweight construction makes up for the additional weight of the extra powertrain.

2.

SCENARIO

ELECTROMOBILITY

Battery-powered electric vehicles dominate the roads. Electric vehicles are extremely light, aerodynamic and much smaller, with hardly any metal parts. The recharging infrastructure has been rolled out. The electricity network is powered by renewable energy, and the first roads have been constructed with induction lines below the surface.

3.

SCENARIO

FUEL CELL DRIVES

The fuel cell has emerged as a highly efficient source of energy for the powertrain. Hydrogen is now also produced synthetically, and drivers can obtain and store a new supply from a network of extremely safe refilling stations. The infrastructure comprises solar towers, wind turbines, electrolysis plants and hydrogen storage facilities.

COMBUSTION ENGINE

HYBRID TECHNOLOGY

ELECTROMOBILITY

FUEL CELL DRIVES

today

SCENARIO

COMBUSTION ENGINE

Efficiency driven by down-sizing and weight reduction.

COMBUSTION ENGINE

HYBRID TECHNOLOGY

ELECTROMOBILITY

FUEL CELL DRIVES

OPTIMIZED COMBUSTION ENGINE

TODAY – SCENARIO

In today's society, our working environment and lifestyles demand a high degree of mobility. At an individual level, that mobility is symbolized by the traditional combustion engine, which has been the dominant drive system for over a hundred years. The infrastructure is almost entirely dependent on fossil fuels such as diesel, petrol or natural gas. However, a radical shift is under way in the world of motoring. Driven by climate change, the growing scarcity of resources and rising fuel prices, the search is on for new solutions. In developing countries, especially in Asia and South America, growing higher disposable incomes and the desire for greater mobility have produced strong regional demand for vehicles and a corresponding rise in new registrations.

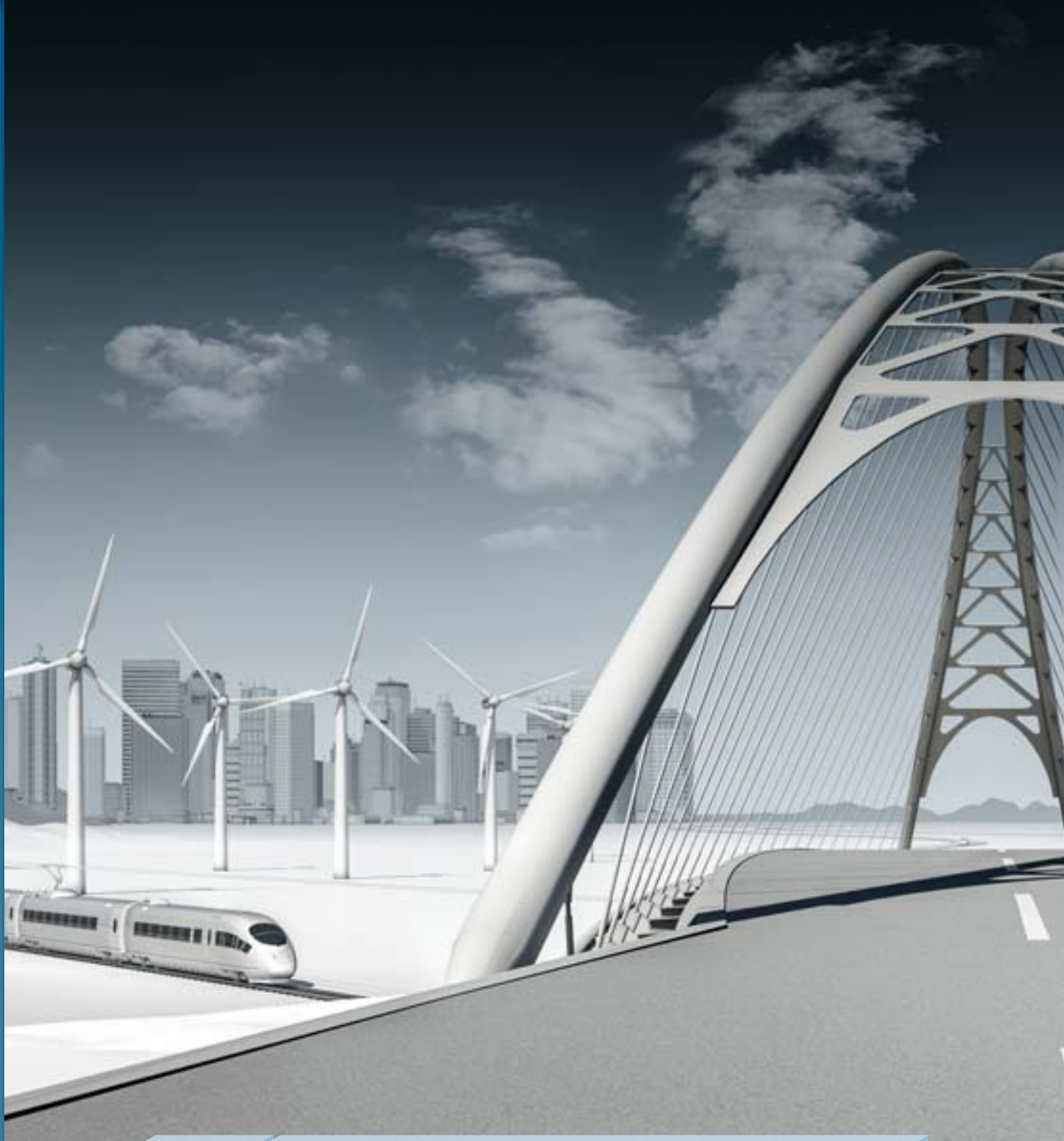
The automotive industry and its suppliers are focused on measures to reduce fuel consumption in order to make further cuts in CO_2 emissions.

At the same time, stricter legislation governing emissions, such as the Euro standards has imposed reductions in the level of pollutants such as nitrogen oxides, hydrocarbons, oxocarbons and particulates. Increasingly, the power units used in off-road applications and in ships also have to be fitted with exhaust gas purification systems.

The development of alternative drive technologies is being promoted by just about every vehicle manufacturer. The highly diverse concepts that engineers are working on also require new infrastructures. For this reason, alternative drive technologies such as battery-powered electric engines and fuel cells are mostly in the initial stages prior to large-scale production. In many cases, they still suffer from performance and cost issues and have not yet become widely established.

Both directly and indirectly, **ElringKlinger's** development know-how and product portfolio are proving to be instrumental in finding solutions within these three core areas being addressed by the automotive industry. Small, turbocharged engines require high-performance gaskets for both the engine and the turbocharger. Furthermore, the number of heat-sensitive parts in the engine, the transmission, the underbody and the exhaust tract is increasing. These areas of the vehicle need to be protected by heat shields. Lightweight plastic components are helping to reduce vehicle weight. Exhaust gas purification systems made by Hug are cutting emissions of particulates and exhaust gases.


Polyamid cam cover with oil separation system
Cylinder-head gasket with stopper geometries
Exhaust gasket with integrated thermal shielding
Lightweight underbody shielding



1. SCENARIO

HYBRID TECHNOLOGY

More than a bridging technology?

HYBRID TECHNOLOGY

ELECTROMOBILITY

FUEL CELL DRIVES

HYBRID TECHNOLOGY

SCENARIO 1

Flexibility and mobility are more important than ever to tomorrow's society. The demands made on personal transport are equally high, though different. On the one hand, vehicles have to deal with short journeys and stop-start traffic in our cities without harming the environment. At the same time, people need vehicles that they can also use easily for longer journeys without having to stop.

The challenge for the automotive industry was to develop drive concepts that are more respectful of the environment and use less fuel without imposing restrictions on the driver. The hybrid drive, initially regarded as a short-term bridging technology, has proven itself on the road as a popular low-CO_2 solution. It combines a combustion engine with an electric/battery-driven powertrain and is thus a merger of two technologies. While the electric engine delivers zero-emissions driving, the combustion engine allows the vehicle to cover longer distances.

The most successful hybrid systems are the "range extender," which uses a compact combustion engine to extend the car's range by recharging the battery, and the plug-in hybrid. Pure electric vehicles, in which a battery stores all the electric power, have remained a niche application within company fleets and for personal transport in large conurbations.

Additional refinements were made to the conventional combustion engine, and fuel consumption was reduced by a further significant margin through downsizing, variable cylinders and turbocharging. However, the number of pure combustion engines on the roads is steadily declining. Hybrids have become a symbol of our era. Lightweight plastic components throughout the vehicle compensate for the extra weight of the high-voltage battery.

Biofuels, bioethanol mixes and synthetic fuels are much more widespread. Overall, there has been a marked change in the energy mix, which is now more decentralized. Although conventional power station technology is still in use to generate electricity, renewables now account for a much greater proportion.

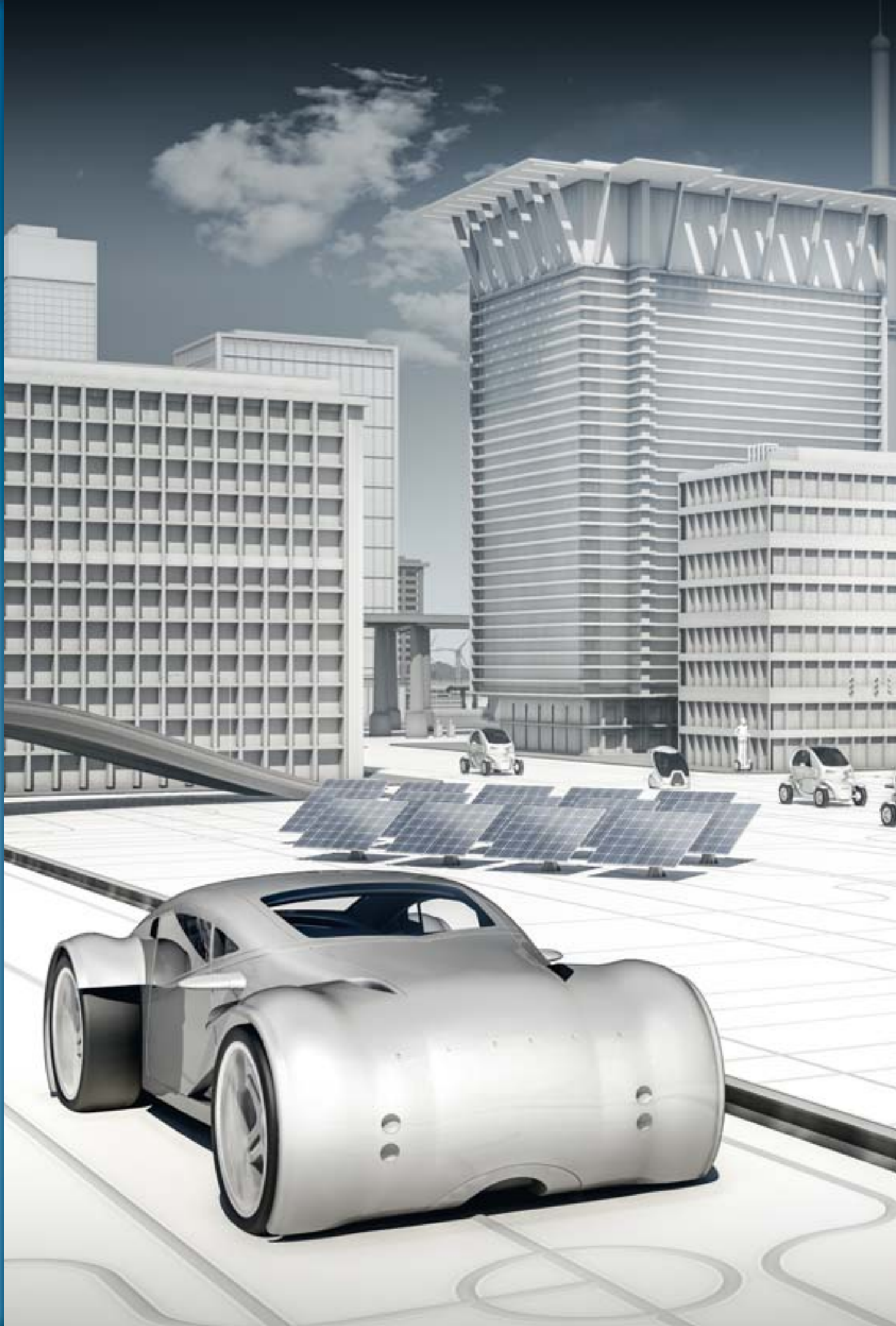
All fuel stations are now equipped with high-voltage recharging points. Many car parks also have recharging stations that are largely supplied from renewable sources. Recharging points have been installed in more and more private homes.

WE ARE ALREADY ONTO IT

ElringKlinger began to prepare itself for this development at an early stage by adding a wide range of products for electric vehicles to its traditional portfolio for the combustion engine.

The company benefits from this trend. Alongside longstanding products such as cylinder-head and specialty gaskets, plastic housing modules and both thermal and acoustic shielding components, it now develops and produces increasing numbers of brand new products, including cell contact systems for lithium-ion batteries, pressure equalization modules, cell housings and covers as well as battery housing seals.


Thermal and acoustic shielding component for turbocharger with integrated high-temperature gasket
Highly heat-resistant turbocharger V-ring gaskets
Cell contact system for lithium-ion batteries with integrated thermal and electronic monitoring
Lightweight oil pan



2.
SCENARIO

ELECTROMOBILITY

All-electric in megalopolis ?

ELECTROMOBILITY

SCENARIO 2

The world is now highly urbanized, and much of the global population lives in conurbations. Nearly all our electricity comes from renewable sources. Photovoltaic and solar thermal systems are very common. Huge wind farms have been built off our coasts.

Hydrogen is generated by electrolysis during the voltage peaks from renewable energy production. It is then stored in the expanded gas supply network and in special large-scale storage units.

City centers have become emission-free zones and are mostly closed to personal vehicles. Commuters use multifunctional transport systems, and car sharing is quite popular.

Hybrid vehicles, which for quite some time acted as a bridging technology, are being phased out. Without traffic emissions, air quality in the city center is excellent. The streets are also much quieter, with cars now being driven by silent battery-powered electric engines. In major cities, the road surface has been equipped with inductors that recharge the vehicle's battery while you are driving.

Batteries are smaller and more powerful, their storage capacity has been boosted significantly by new materials and processes. Thanks to new cell structures, electric cars are no longer limited to short distances.

Recharging times are much shorter compared to the beginning of the 21st century.

Free high-voltage recharging stations have been installed in public car parks. Vehicle bodywork is extremely light, aerodynamic and much more compact. Heavy metallic components have been almost entirely replaced by lightweight plastics.

WE ARE ALREADY ONTO IT

ElringKlinger set up and began expanding its E-Mobility division as early as 2010 with investment in the double-figure millions and a substantial up-front commitment to research and development.

ElringKlinger supplies cell contact systems for lithium-ion batteries in cylindrical and prismatic designs consisting of cell connectors, control interface and cell carrier. The company's portfolio is rounded off by pressure equalization systems and sealing systems for battery casings. A new generation of cell housings and covers for lithium-ion batteries is under development.

Cell Connector

Module connector

Carrier frame

Controlled ventilation and air extraction system

Cell contact system for lithium-ion batteries with integrated thermal and electronic monitoring

Shielding component for electromagnetic radiation

3.
SCENARIO

FUEL CELL DRIVES

Zero emissions in the long run?


H2

FUEL CELL DRIVES

SCENARIO 3

The number of cars on the world's roads has multiplied several times over. Most of the former emerging countries are now fully industrialized, and there is an increasing focus on personal mobility. Reflecting a huge surge in the global demand for energy, zero-CO_2 transport has become a crucial issue. The growing scarcity and increasing price of fossil fuels have helped to promote the development of a hydrogen-based economy. Using renewable resources, hydrogen is produced by means of electrolysis with the help of photovoltaics and wind power.

Diesel- and petrol-driven cars have all but vanished from our roads. Hybrid vehicles are now merely considered a transitional technology.

For many years, developers have been working on safe storage and refilling technologies, and the costs have fallen considerably. Thanks to fuel cells, which, unlike a battery, convert rather than store energy, the car is independent of an external infrastructure for storing electricity.

Hydrogen-powered vehicles have emerged as a highly efficient form of personal transport. The dominant drive technology is the fuel cell powertrain which produces electricity from hydrogen for the electric engine.

A much smaller number of battery-driven electric cars and plug-in hybrids can be found in megacities as a niche solution.

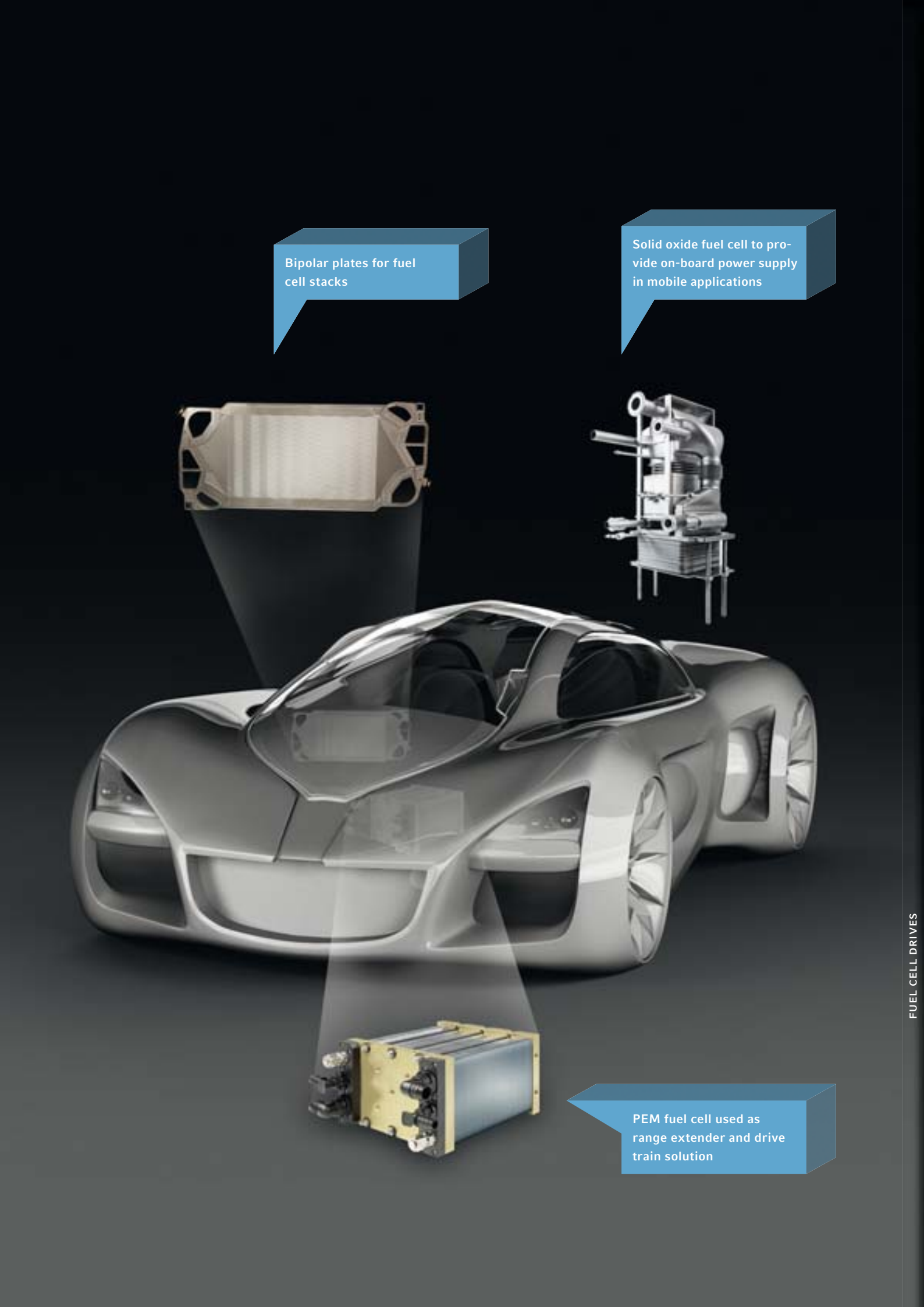
The infrastructure is now completely geared up for the hydrogen-based economy. Hydrogen is also used as a chemical storage solution for alternative energies to generate electricity and heat. Hydrogen is generated by electrolysis during the voltage peaks from renewable energy production. Then, it is channeled into large-scale storage units and to the network of refilling stations.

WE ARE ALREADY ONTO IT

ElringKlinger has been working on fuel cell components for over ten years and holds a large number of important patents for this key technology. It primarily develops and produces bipolar plates, separator frames and complete fuel cell units.

ElringKlinger supplies international vehicle manufacturers with metallic bipolar plates. These are required in large quantities as a key component of the fuel cell stack. They are used, for example, in the PEM (Proton Exchange Membrane) fuel cell stacks that are replacing the combustion engine as the vehicle's powertrain.

The company has also developed its first SOFC units (solid oxide fuel cells). These are used for on-board electricity generation and air conditioning in commercial vehicles. At the same time, ElringKlinger is working on a lightweight stack that can be used to provide electricity and heat for detached and multiple-occupancy buildings based on the principle of combined heat and power (CHP) generation.


Bipolar plates for fuel cell stacks
Solid oxide fuel cell to provide on-board power supply in mobile applications
PEM fuel cell used as range extender and drive train solution

SUSTAINABLE MOBILITY

Cars and drive systems –

ElringKlinger CEO Dr. Stefan Wolf in conversation with Reinhold Messner, extreme mountaineer, environmentalist and former Member of the European Parliament.

WOLF: Mr. Messner, you have done more than most people when it comes to protecting our mountains and promoting eco-friendly mobility. How do you travel from Bozen to Innsbruck?

WOLF: We have grown accustomed to unlimited mobility, and it's the car outside the house that makes it possible. Having said that, it's becoming increasingly expensive to get from A to B. Looking ahead, perhaps we will have to accept certain limits.

WOLF: As automotive supplier, our job is to help safeguard that mobility for the future.

which way are we heading?

MESSNER: By car. I drive a hybrid, which combines a conventional combustion engine with an electric drive, so its fuel consumption is relatively low. Hybrids are too heavy for the mountains, though. You need a lot of oomph to get up those tougher inclines, so you lose the benefit in terms of consumption. The technology works fine in urban conditions. It just isn't the right solution for the Alps.

MESSNER: We Europeans need to stay mobile. Otherwise we will become detached from the rest of the world. Mobility is a fundamental aspect of our social and economic system. We are a mobile society. That's part of our tradition and even our culture. The challenge is to decide what kind of mobility we want.

MESSNER: We need to make some big structural changes. Over the next ten years, I think the focus will be on improvements to the existing drive system. Engines that used fifteen liters per kilometer fifteen years ago now only use five, and we still have a long way to go in this area. Efforts to reduce consumption have been very successful and help to keep the environment in better shape.

DR. STEFAN WOLF: *"At the moment, nobody can predict with certainty which drive system we will be using in twenty years' time. As supplier, however, we can't afford to miss the train – whichever direction it goes in."*

WOLF: That's true, and of course we should remember that lighter vehicles consume less fuel and therefore produce less CO_2. The question is, though, what will the world look like thirty years from now? Which drive system will we be using?

WOLF: We need alternatives – and not just for niche vehicles. That means we need to start laying the technological foundations now. As supplier, we invest a huge amount in this area. After all, suppliers account for 75% of a car's entire value chain.

WOLF: I think hydrogen-based fuel cells are an excellent solution because they generate energy "on board," rather than from an external source like with battery-driven cars, where you have to go to great lengths to store the energy on board. That undermines the overall energy balance.

WOLF: Hydrogen-based fuel cells have good prospects, too. The advantage in this area is that you can produce hydrogen from water through hydrolysis. And of course, there is no shortage of water. In my view, that would be the right technology, although it could take a while. At the moment, most of the hydrogen used to power fuel cells is reformed from fossil fuels.

MESSNER: I don't think we will make a decisive breakthrough until the extraction of fossil fuels becomes even more expensive. Fifty years ago, people spent 50% of their income on food. Now it's just 12%. By contrast, the amount we spend on energy is exorbitant.

MESSNER: There will have to be new mobility solutions. It just isn't yet clear whether the new drive technology for most of us will be fuel cells or batteries or biofuels. I don't mean biofuels from food, of course. I am not comfortable with that approach. I'd rather not have to predict which technology will come out on top in the end.

MESSNER: Personally, I'm convinced that biology will deliver a solution in the long term. Microbes can be used to produce fuel in the form of biogas from rotting waste or sewage plants, although that would still generate a lot of CO_2.

MESSNER: If we combine it with hydrogen generated electrically from the wind and sun, fuel cell technology can also be used for domestic purposes – for heating and household appliances. That would be an efficient and environmentally friendly solution.

WOLF: Whereas that's much easier in stationary applications than in vehicles. For example, we are developing fuel cell stacks for combined heat and power plants that generate electricity and recycle the heat that is produced, rather than wasting it.

Do you think the automotive industry is already doing enough to deliver new mobility systems for the future? At ElringKlinger, we have developed new products both in the areas of fuel cell and battery technology. On a five-year horizon, that would make no sense at all financially because of all the up-front costs. Ultimately, however, we are positioning ourselves for the future.

WOLF: It's important to remember that any alternative drive technology or method of generating energy involves creating a whole new infrastructure, and that would have a major impact on our living environment. If the next twenty years bring us more and more vehicles powered by fuel cells and battery technology, this means more wind turbines and huge solar parks encroaching onto green spaces. So, yes, we would have green energy, but we risk destroying much of the landscape that we value.

MESSNER: I think the automotive industry is investing heavily in alternatives. Everyone knows we can't go on the same way, but as long as there is still potential to reduce costs and consumption by optimizing like downsizing the combustion engine without changing the entire infrastructure and system, and while it is still so expensive to make cars with fuel cells and batteries, it will be difficult for these new technologies to break through. As niche applications, yes, but not for the broader market. They still cost too much for this to happen.

MESSNER: I'm afraid people often take a selfish attitude here. Everyone wants alternative forms of energy, but if that means running a power cable in sight of their house or building a solar park in front of their garden, then it's a different matter. We need to find a sensible compromise depending on the local situation. I have to say I would be against wind turbines, too, in my village, if it meant tourists were less likely to come and visit. Having said that, a wind turbine can be a landmark, too. It just depends where it is located.

REINHOLD MESSNER: *"Mobility is neither good nor bad. In today's society it is simply a necessity."*

WOLF: Ultimately, these are countryside planning issues, and we have to make sure protection is given where it's needed.

WOLF: How do you see things developing in Asia and other fast-growing emerging markets? Incomes are rising for more and more people, and they look at the car as a status symbol. At the moment, only 37 out of every thousand Chinese drive a car. At present, nearly 18 million new vehicles are being registered every year.

WOLF: Countries like India and China will not want to miss out on the development of individual mobility that we have seen here in Europe.

WOLF: So, cars need to be cleaner and produce less CO_2 and particulates.

MESSNER: Covering the countryside in solar parks isn't just ugly. It's the wrong approach for social reasons, too, because we need that land to produce food. And with the population increasing all the time on our little planet, we'll need it even more in the future. Visitors come to South Tyrol, for example, to see its beautiful countryside rather than a landscape spoilt by wind turbines or solar parks. Tourism is like selling oil. Both generate income. But I have to do something for it: I have to preserve that unique landscape in order to make sure it goes on attracting visitors a hundred years from now. It's different with oil. Once it is sold, that's it.

MESSNER: Mass motoring will come in these countries. There is no way of stopping it. The proportion of car ownership may not reach the same level as here, but then, over a billion people live in China. Of course, that will have an impact on the environment, too, and environmental awareness is by no means as well-established in all the emerging countries as it is in Germany and South Tyrol, for example. The cars people buy in China are mostly new and relatively clean. In other emerging markets, however, there are still lots of dirty two-stroke engines around with the resulting impact on air quality. Take Nepal, for example.

MESSNER: You're right, they won't. In China, people want cars as a status symbol or as a way of being mobile. Having your own car quickly becomes part of the whole sense of freedom.

MESSNER: That's right. At present, though, the environmental debate is largely being framed by politicians and the media. As yet, ordinary people see it differently. It's obvious. Sales of hybrid and pure electric vehicles are way below expectations because people are simply not prepared to pay 5,000 or 10,000 euros more for an alternative drive. They are waiting for alternative drive systems to be as affordable as normal cars.

WOLF: There has been a major change in the role of the car in Europe – especially among young people. They don't see it as a status symbol any more but primarily as a means of transport. Do young people have a different take on mobility and will their attitudes towards mobility be different in the future, particularly with greater environmental awareness in mind?

WOLF: If you were to buy a new car in the next three to five years, what would it be?

MESSNER: In my generation, we bought our first car at the age of twenty. Our society has enjoyed fifty years of care-free driving. Even in our towns and cities, the car has been right there in front of our house. My kids don't want that any more. They are much more aware of environmental and resource issues. Many people now live in major conurbations, and they walk or cycle to work or use public transportation. Car-sharing has become fashionable, or you can simply hire a car for a few days when you really need one. Nevertheless, mobility is still a basic desire.

MESSNER: If there is a car with an effective and reliable fuel cell drive, I'll try that. That's been my dream for a long time. The fact that I haven't got one is basically because there isn't yet a fuel cell car on the market. I remember one manufacturer back in 1995 promising that we would all be driving around in fuel cell vehicles within five years, yet, here we are in 2013 and it still hasn't happened. It's a highly complex technology. Having said that, I think there is some hope that it will be with us before too much longer. Until then, I'd go for a car with an optimized combustion engine and proven technology. Apart from that, I'd take the train for longer journeys and would fly if I'm traveling outside Europe.

Report by the Supervisory Board 2012

During the financial year 2012, the Supervisory Board performed the tasks incumbent on it according to the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. The Supervisory Board monitored and advised on the activity of the Management Board as reported below, and was involved in all critically important decisions.

The Management Board submitted monthly written reports to the Supervisory Board concerning economic developments, business performance, order intake, order backlog, revenue and earnings (in each case comparing targeted and prior-year figures), significant new orders, the employment situation of the Group, of ElringKlinger AG, its divisions and subsidiaries, as well as liquidity.

The Supervisory Board convened for four scheduled meetings in 2012. At these meetings, the Management Board provided detailed information on business developments in respect of the most recent part of the year, thereby citing all key indicators and comparisons to prior-year figures and targets for the Group, for ElringKlinger AG, its divisions and subsidiaries at home and abroad. It also looked ahead at figures for the annual period as a whole and assessed the economic, market and competitive environment. In addition, the Management Board supplied regular information on the current risk situation, the status of any significant legal disputes and other matters of critical importance. These issues were presented and discussed in detail during the sessions of the full Supervisory Board.

Aside from the aforementioned regular reports and themes, the Supervisory Board addressed the following subjects at its scheduled meetings:

- The meeting on March 23, 2012, was mainly devoted to the Management Board's explanation of the 2011 annual financial statements for ElringKlinger AG and the Group. It also dealt with the report of the auditing firm PricewaterhouseCoopers AG, the authorization and approval of the financial statements of ElringKlinger AG and the consolidated financial statements and resolution on the Management Board's proposal on the distribution of profit. Furthermore, the Supervisory Board received reports on the integration status of acquired companies (namely the flat gasket division of Freudenberg, the Hug Group and the Hummel-Formen Group), plans for the 2012 Annual General Meeting and the acquisition of a plot of land to build a new operational facility for ElringKlinger Logistic Service GmbH.

- At the Supervisory Board meeting directly following the Annual General Meeting on May 16, 2012, Mr. Walter H. Lechler was elected Chairman and Mr. Markus Siegers was elected Deputy Chairman of the Supervisory Board. The agenda items at the Supervisory Board meeting were the immediately preceding Annual General Meeting and, once again, the integration of acquired companies.

- At its meeting on September 21, 2012, the Supervisory Board discussed progress on the integration of the acquired companies and the acquisition of land with a view to expanding the production operations of ElringKlinger Abschirmtechnik (Schweiz) AG, Sevelen, Switzerland, and ElringKlinger USA, Inc. in Buford, USA. The Supervisory Board also approved the takeover of further ownership interests in the Group entities Elring Gaskets (Pty) Ltd. in South Africa and ElringKlinger Korea Co., Ltd. in South Korea.

WALTER HERWARTH LECHLER (Chairman of the Supervisory Board)

- The budget for 2013 and medium-term planning for the 2013 to 2017 period were the subjects of discussion at the Supervisory Board meeting on December 7, 2012. At its last scheduled meeting of the reporting year, the Management Board reported as usual to the Supervisory Board on the results of internal audits in 2012 and the plans for internal audits in 2013. It also reported in particular detail on the current risk assessment and relevant precautionary measures. Mr. Karl-Uwe van Husen, Chairman of the Audit Committee, also commented on these issues. The reports also referred to compliance within the company, although there was nothing of significance to report in this regard. At this meeting, Dr. Stefan Wolf, Theo Becker and Karl Schmauder were unanimously appointed as CEO and Management Board members respectively for five more years.

All members of the Supervisory Board took part in all but two scheduled meetings, on both of which occasions one Supervisory Board member was unable to attend for good cause. No separate preparatory meetings of employee and shareholder representatives within the Supervisory Board were held as part of scheduled meetings; such meetings were deemed unnecessary, not least in view of the extensive preparatory documents and information available in respect of the meetings to be held. There was no need for any extraordinary

meetings of the Supervisory Board. The Audit Committee convened twice during the reporting year, chaired by Mr. Karl-Uwe van Husen. The March meeting was devoted to in-depth discussion of the auditor's report on the annual financial statements. In December, the meeting focused on the audit of the annual financial statements for 2012, and in particular determination of the focal points of the audit. The CEO reported regularly to the Chairman of the Audit Committee on the results of internal audits and subsequent measures to be introduced. No meetings of the Personnel and Mediation Committees were necessary.

No conflicts of interest between members of the Supervisory Board and the company arose in the financial year 2012.

The Declaration of Conformity by the Supervisory Board and Management Board according to Section 161 of the German Stock Corporation Act (regarding the German Corporate Governance Code) as amended on May 15, 2012, was unanimously approved by written circulation. The Declaration has been accessible on the company's website from December 4, 2012.

In addition to written monthly reports and the four scheduled Supervisory Board meetings, the Chairman of the Supervisory Board maintained frequent contact at short intervals with the CEO (in person, by telephone and via e-mail) in order to assess the current situation and exchange information on major business transactions and significant events. The Chairman of the Supervisory Board informed his Board colleagues of significant occurrences via e-mail or by telephone.

The Management Board involved, in good time, the Supervisory Board in transactions requiring approval, providing well-substantiated documents. It was granted the consent of the Supervisory Board in all instances.

At the Annual General Meeting on May 16, 2012, Professor Hans-Ulrich Sachs was elected to the Supervisory Board on behalf of the shareholders. The election was necessary because Dr. Helmut Lerchner had resigned from his Supervisory Board mandate for age reasons at the end of the Annual General Meeting. Dr. Lerchner had worked for the ElringKlinger Group for a total of 21 years, initially as the Managing Director of Elring GmbH and subsequently (following a corporate merger) of Elring Klinger GmbH. Later, he became Chief Executive Officer of ElringKlinger AG and finally Chairman of the Supervisory Board in 2005. Dr. Lerchner took charge of the company when it was facing challenges and guided the company to a position of renewed strength. The Supervisory Board is deeply indebted to Dr. Lerchner for his consistently defining and pioneering contribution.

At the end of 2012, the Supervisory Board, as stipulated by the German Corporate Governance Code, evaluated its own effectiveness on the basis of a questionnaire issued to all members. This covered issues such as the openness of communication at Supervisory Board meetings and the involvement of all members in discussions. The results of the questionnaire were positive in all instances. The suggestions that were accepted will be applied to the work of the Supervisory Board in the future.

The annual financial statements of ElringKlinger AG presented by the Management Board together with the management report and the relevant consolidated financial statements and Group management report for the financial year 2012 were audited by the auditing firm PricewaterhouseCoopers AG. The auditing firm was appointed at the Annual General Meeting on May 16, 2012, and the Supervisory Board awarded the audit contract accordingly. The consolidated financial statements of ElringKlinger AG were drawn up in accordance with Section 315a of the German Commercial Code on the basis of IFRS (International Financial Reporting Standards). The auditing firm issued unqualified audit opinions for the annual financial statements of ElringKlinger AG, together with the management report, and the consolidated financial statements with the Group management report for the financial year 2012. The documents making up the financial statements,

the Management Board's proposal on the distribution of profit and the two auditor's reports had been submitted to the Supervisory Board. The Audit Committee and the full Supervisory Board examined the reports thoroughly, discussing and scrutinizing them in the presence and with the involvement of the responsible auditors. The Supervisory Board concurred with the outcome of the audit carried out by the auditor. No objections were raised. The Supervisory Board accordingly adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements along with the associated management reports at its meeting on March 22, 2013. At the same meeting, the Supervisory Board approved the Management Board's proposal on the distribution of profit.

The Supervisory Board would like to thank the Management Board and all employees of ElringKlinger AG and its domestic and international subsidiaries for their successful commitment during 2012.

Stuttgart, March 22, 2013
On behalf of the Supervisory Board

Walter Herwarth Lechler
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

German equities market powers ahead in 2012

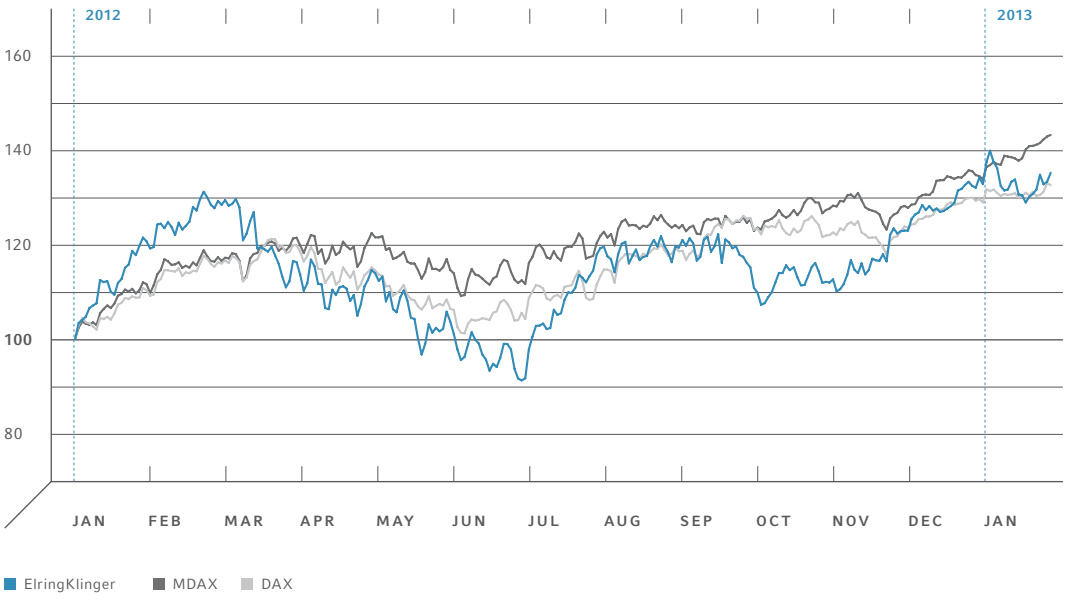
After a turbulent year in 2011, global equity markets got off to an impressive start in 2012. Germany's lead index, the DAX, gained 17.8% in the first quarter, its strongest performance over the same period since 1998.

As the year progressed, however, stock markets around the world came under pressure in response to the European debt crisis and fears that Greece could leave the eurozone. The result was a significant downturn, in which the DAX fell back from its brief first-quarter peak of over 7,000 points to around 6,000 in early June.

It was not until the third quarter that equity markets began to surge upwards again, driven primarily by the announcement of the European Central Bank that it would, if necessary, buy unlimited quantities of national government bonds and by further expansionary measures as part of the U.S. Federal Reserve's monetary policy. August saw the DAX move back above the 7,000 mark.

These rapid gains were followed by a period of consolidation in the fall, before a further year-end rally from the beginning of December. The DAX reached a 2012 high of 7,672 points in December and closed the year 2012 at 7,612 points, 29.1% up on its January starting figure. The MDAX, which includes ElringKlinger shares, rose by an even greater margin of 33.9%.

ELRINGKLINGER'S SHARE PRICE PERFORMANCE (XETRA) SINCE JANUARY 1, 2012
compared to the MDAX and DAX



ElringKlinger stock outperforms DAX and MDAX by wide margin in fourth quarter of 2012

Buoyed up by initially positive market sentiment, shares in ElringKlinger broke through the EUR 20 mark at the beginning of the year and, for a time, even reached a level of EUR 25.

In the second quarter, however, the company's shares were unable to escape the general market downturn. International investors in particular were deterred from buying cyclical stocks such as automotive suppliers in view of the continued uncertainties associated with Europe's economic and financial crisis. Shares in ElringKlinger fell back accordingly and in June reached EUR 17.51, their lowest level for the year.

The stock made a rapid recovery in the second half of the year thanks to a wider market surge and improved earnings from the Group subsidiaries acquired in 2011 and 2012. In November, it broke out of its medium-term decline and in December reached a highpoint for 2012 of EUR 25.77.

In the fourth quarter alone, shares in ElringKlinger put on 23.8%, while the DAX rose by only 5.5% and the MDAX by 8.5% over the same period. At close of trading for the year, the stock stood at EUR 25.50, up 33.0% on its 2012 starting price and 45.7% higher compared to its lowest point in June.

KEY INDICATORS FOR ELRINGKLINGER'S STOCK

	2012	2011
Earnings per share IFRS (after minority interests, in EUR)	1.36	1.50
Shareholders' equity per share (in EUR)[1]	10.11	9.63
High (in EUR)[2]	25.77	26.45
Low (in EUR)[2]	17.51	15.15
Closing price on December 31 (in EUR)[2]	25.50	19.18
P/E (price to earnings ratio)[1]	18.8	12.8
Dividend per share (in EUR)	0.45[3]	0.58[4]
Average daily trading volume (German stock exchanges; no. of shares traded)	127,600	196,400
Average daily trading value (German stock exchanges; in EUR)	2,805,100	4,178,000
Market capitalization as of December 31 (in EUR millions)[2]	1,615.7	1,215.2

[1] as of December 31
[2] XETRA trading
[3] Proposal to 2013 AGM
[4] EUR 0.40 regular dividend plus EUR 0.18 extra dividend reflecting the non-recurring gain from the sale of the Ludwigsburg industrial park

Overall trading volume down

2012 saw a general decline in the volume of trading on equity markets. Overall trading in DAX shares was 20% down on the previous year.

As part of this wider trend, the daily average number of ElringKlinger shares traded fell by 35.0% to 127,600 (196,400). The average value of trades on German stock exchanges stood at EUR 2,805,100 (4,178,000). For ElringKlinger, the year-on-year decline in trading activity can be explained in part by the fact that the stock is often held by long-term investors. In relation to the market capitalization of ElringKlinger AG, which is a key criterion for institutional investors, it nevertheless retained sufficient liquidity.

The fall in average trading volume was reflected in ElringKlinger's MDAX weighting. While the stock's position in terms of market capitalization remained almost unchanged in December 2012 at 38 (37), it slipped back a few positions to 41 (36) when ranked in terms of "average trading volume over the last twelve months."

Proactive investor relations at road shows and local venues

As in previous years, in 2012 ElringKlinger's investor relations activities again focused on maintaining a proactive and ongoing dialog with the capital markets. In a further significant expansion of its IR activities compared to the previous year, the company held presentations at 13 international conferences and took part in a total of 15 road shows in Germany and elsewhere. Within Europe, these events took the company to Switzerland, Scandinavia, the Benelux countries, France, Italy, Spain, the United Kingdom and Ireland. Investors in the United States and Canada also showed considerable interest in the company.

To complete its investor relations program, ElringKlinger hosted numerous visits by institutional investors and financial analysts to the Group's headquarters in Dettingen/Erms and to its international subsidiaries in Brazil and China. The visitors were particularly interested in the company's new factory for lightweight plastic housing modules in Dettingen/Erms and the E-Mobility division's production facilities.

Alongside its annual analysts' conference in Frankfurt, ElringKlinger holds regular telephone conferences throughout the year, following publication of the quarterly results or other significant events, to report on the latest market conditions and the company's performance. In 2012, ElringKlinger broadcast a telephone conference live for the first time via its website **(www.ElringKlinger.com)***. In view of the very positive response, the company will broadcast its telephone conferences live over the internet again in 2013.

*INTERNETLINK

ElringKlinger organized a series of events at its trade show booths, e.g. during the Automechanika exhibition in Frankfurt, giving visitors an opportunity to learn more about its new products and gain an insight into areas of the business such as the Aftermarket division.

Prioritizing individual dialog with private investors

Retail investors hold 20% of the free float in ElringKlinger. As such, the company places great importance on personal contact with this group. Shareholders make frequent use of the company's telephone hotline (+49 (0) 7123 724-631) to discuss any questions they may have about ElringKlinger

with the Investor Relations team. The company's website **www.ElringKlinger.com*** contains a wide range of information, including up-to-date news about the stock, important events and forthcoming publication dates. In 2012, ElringKlinger again expanded its social media activities, and the Investor Relations team frequently announces exciting news about the company on Twitter **(www.twitter.com/ElringKlingerAG)*** and Facebook **(www.facebook.com/ElringKlinger)***.

*INTERNETLINK

*INTERNETLINK

Private investors can also direct questions to CEO Dr. Stefan Wolf in person at one of the regular "live chat" sessions on the website **(www.ElringKlinger.de/de/Chat-mit-dem-ceo)***. The session held in September 2012 attracted a large number of shareholders. The query form in the Investor Relations section of the website allows investors to submit questions to be answered during the next CEO chat. The date of the next session is published in advance on the website.

*INTERNETLINK

Retail investors had an opportunity to meet the CEO in April 2012 thanks to a series of events entitled "Entrepreneurial Spirit and the World of Wine" organized by the Fürst Fugger private bank. In October, ElringKlinger took part in the Heilbronn Equity Forum, a joint event run by the German Graduate School, Apus Capital and Heilbronn Kreissparkasse. CEO Dr. Stefan Wolf gave a presentation about the company and its strategy to a diverse audience of asset managers and retail investors. As a result, the participants were able to gain a comprehensive picture of the company and its strong portfolio.

ElringKlinger's active membership in the Baden-Württemberg Small Caps initiative (BWSC: **www.bwsc.de***) underlines the importance it attaches to retail investors. As part of the initiative, ElringKlinger and eight other companies from the region listed in the Prime Standard segment are involved primarily in a series of measures aimed at improving communications with private investors by holding regular events in collaboration with a number of partnering institutions. In December 2012, for example, ElringKlinger gave its first-ever presentation to a large audience of regional investors in Hamburg in collaboration with Süddeutsche Aktienbank. Alongside the series of presentations, participants were able to meet and talk to company representatives in a relaxed setting.

*INTERNETLINK

Spotlight on ElringKlinger as company attracts more analyst reports

At the end of 2012, ElringKlinger was being covered by a total of 29 financial analysts, of whom 21 issued regular reports on the company's stock. At the year-end, 52% recommended buying the shares, while a further 29% suggested holding. 19% advised selling, albeit in most cases for technical reasons related to the way they valued the shares. An up-to-date list of banks that report regularly on ElringKlinger can be found together with their latest recommendations on the company's website under the heading Investor Relations/Stock/Analysts.

Awards for financial communications

Although we do not regard winning awards as an end in itself in terms of our investor relations work, we are of course delighted that ElringKlinger AG gained high-caliber recognition for the quality of its financial communications on multiple occasions in 2012.

At the 26th ARC Awards (Annual Reports Competition) in 2012, organized by the U.S. agency MerComm, Inc. and regarded as one of the most important events of its kind with submissions from over 60 countries, ElringKlinger's 2011 Annual Report took silver in the category "Non-Traditional Annual Report: Automotive Parts."

The German Design Council, which instituted and organizes the Automotive Brand Contest (abc), selected ElringKlinger's annual report as winner of its "Corporate Publishing" category. According to the jury, the report stood out on account of its excellent design concept. The German Design Council is one of the world's leading design competence centers in the area of communications and knowledge transfer.

There was further recognition at the LACP Vision Awards run by the League of American Communications Professionals, where our annual report picked up silver in the category "Automobile & Components" with 97 out of a maximum 100 points. This international competition is held every year to recognize quality and outstanding achievement in the area of financial communications.

In the prestigious rankings published by the German business review "manager magazin," ElringKlinger's annual report came in 15th place in the MDAX segment. This was a considerable improvement on our 21st position last year, despite the fact that most of the companies taking part in the competition are much larger. Manager magazin analyzes the financial reports published by companies in the DAX, MDAX, SDAX and TecDAX and ranks them on the basis of content and design.

Demonstrating a highly committed approach and easily understandable communications, ElringKlinger also proved popular among the readers of the Börse Online finance magazine. As part of a reader survey entitled "Beste Investor Relations Deutschland" – the BIRD Awards – ElringKlinger was ranked third overall. The survey covered Germany's 160 largest listed companies.

ELRINGKLINGER AG STOCK MARKET DATA

ISIN	DE 0007856023
German Securities Identification Code (WKN)	785 602
Bloomberg	ZIL2
REUTERS	ZILG n.DE
Capital stock	EUR 63,359,990
Number of shares outstanding	63,359,990
Stock exchanges	Official trading: XETRA, Frankfurt, Stuttgart, Munich, Düsseldorf, Hamburg, Berlin
Market segment	Prime Standard
Index	MDAX

AGM approves extra dividend – Walter H. Lechler takes over as Chair of Supervisory Board

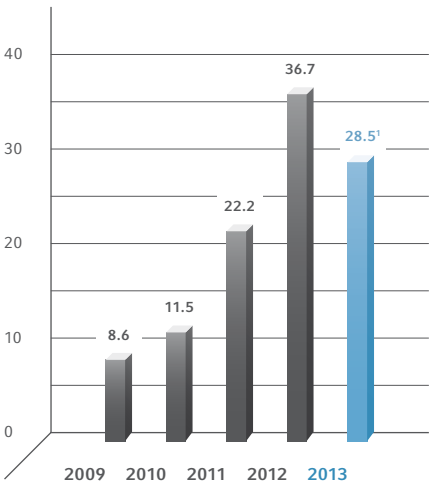
ElringKlinger AG's 107th Annual General Meeting was held on May 16, 2012. Speaking to an audience of around 750 shareholders and guests at Stuttgart's Liederhalle Culture and Conference Center, CEO Dr. Stefan Wolf reported on a successful fiscal year 2011.

The shareholders voted by a majority of 99.97% to pay a total dividend of EUR 0.58 per share comprising a regular dividend of EUR 0.40 and an extra dividend of EUR 0.18 from the proceeds of sale of the Ludwigsburg industrial park. At EUR 36.7 (22.2) million, the total sum distributed established a new record for the company.

The fundamental objective of ElringKlinger AG's dividend policy is to offer shareholders an appropriate and sustainable return on their investment that reflects the company's success by distributing between 40% and 60% of its annual net income. The Management Board and Supervisory Board intend to propose a dividend of EUR 0.45 per share to the 2013 Annual General Meeting for fiscal year 2012.

The 2012 Annual General Meeting also appointed Prof. Hans-Ulrich Sachs a new member of the Supervisory Board. Prof. Sachs is the Managing Partner of BeTec GmbH in Adelmannsfelden, Germany. He succeeds Dr. Helmut Lerchner, who stepped down on account of his age at the end of the AGM. At its constitutive meeting after the Annual General Meeting, the Supervisory Board elected Walter H. Lechler as its new Chairman. Walter H. Lechler had previously held the post of Deputy Chairman of the Supervisory Board from 2000 to 2010.

TOTAL DIVIDEND PAYMENTS
in EUR million



[1] Proposal to the 2013 AGM

Shareholder structure – ElringKlinger expands international investor base

As of December 31, 2012, the free float of ElringKlinger AG was unchanged at 48.0%. Most of the company's shares (52.0%) remained in the possession of the family of Walter H. Lechler and the estate of Klaus Lechler.

Within the free float, institutional investors (e.g. banks, insurers and pension funds) account for the largest shareholdings. As of December 31, 2012, they held 38.4% (35.2%) of the company's capital stock.

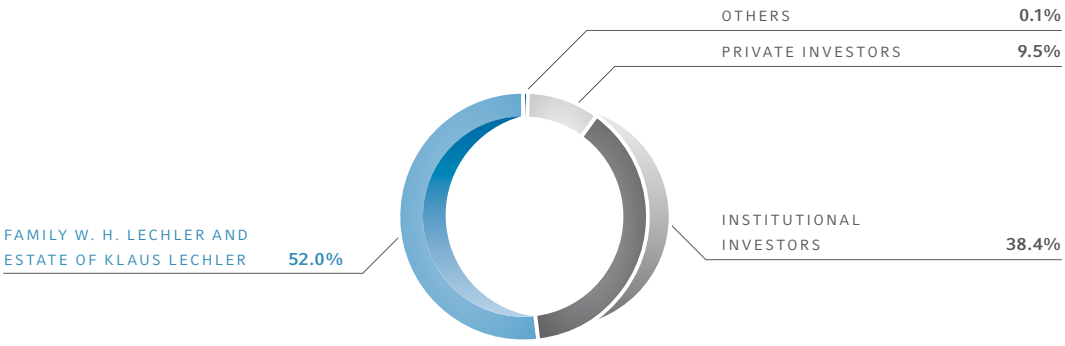
There was a small decline in the number of private investors in 2012, although the average holding increased. The number of private investors holding shares in ElringKlinger AG as of December 31, 2012, stood at 7,778 (10,517). Overall, this group held 9.5% (12.2%) of the shares outstanding.

2012 also saw a further increase in the representation of international shareholders, with investors predominantly based in the United States, Canada and Scandinavia either buying into the company for the first time or increasing their holdings. North America accounts for the largest regional share of the free float and is followed by the United Kingdom.

Additionally, ElringKlinger attracted investment from further sustainability funds. The sustainable investment segment as a whole is growing rapidly. Over the last few years it has seen above-average inflows of capital. ElringKlinger was the first automotive supplier to respond to this trend by joining the Carbon Disclosure Project as early as 2007. The company is assessed on a regular basis by the sustainability rating agencies Oekom, EIRIS and Sustainalytics. Since 2010, ElringKlinger has also been listed in the "DAXglobal® Sarasin Sustainability Germany Index"; the company also received a sustainability mark of approval from DZ Bank. For more details on ElringKlinger's commitment in this area, please see the section entitled **"Sustainability."***

* CF. PAGE 86

SHAREHOLDER STRUCTURE*



* Based on information available to the company as of the end of January 2013

Outlook 2013

ElringKlinger plans to adopt an even more international focus to its investor relations work in 2013.

Given the company's wide-ranging portfolio of products centered around the key issues of CO_2 reduction, exhaust gas purification and alternative drive technologies, the "sustainable investment" segment will be of increasing importance.

In view of the positive response we had in 2011, ElringKlinger will again hold an event for investors and analysts at the IAA Motor Show in September 2013. This will be an opportunity for the company to inform visitors about the latest technological developments and the prospects for our product pipeline.

In collaboration with the BWSC (Baden-Wuerttemberg Small Caps) initiative, ElringKlinger plans to hold further regional events for private investors in 2013. Please refer to our website or call our hotline for more details.

Corporate Governance Report

The joint report issued by the Management Board and the Supervisory Board of ElringKlinger AG with regard to corporate governance, including the Declaration of Conformity passed on December 4, 2012, in respect of the Code, has been published online at **www.ElringKlinger.de/en/company/corporate-governance*** in accordance with Section 3.10 of the German Corporate Governance Code in connection with the Corporate Governance Statement.

*INTERNETLINK

ElringKlinger AG Group Management Report for the Financial Year 2012

CONTENTS

Overview of ElringKlinger's Activities and Structure

Profile

ElringKlinger is an independent automotive supplier with a global profile and a formidable corporate heritage that spans more than 130 years. Around 90% of the Group's revenue is generated from sales to the vehicle industry and from the independent aftermarket sector. As a development partner and original equipment manufacturer, ElringKlinger supplies almost all the world's vehicle and engine manufacturers with automotive products: cylinder-head and specialty gaskets, plastic housing modules, shielding parts for engine, transmission and exhaust tract applications, exhaust gas purification systems and components for **lithium-ion batteries*** and **fuel cells***. This portfolio is complemented by products made of the high-performance plastic **PTFE*** supplied by ElringKlinger Kunststofftechnik GmbH. These are marketed to a wide range of industries, including those operating beyond the vehicle manufacturing sector. The Group's customer base now also includes numerous automotive suppliers, particularly in the area of turbochargers, exhaust technology and transmission engineering. Additionally, the ElringKlinger Group supplies the independent aftermarket, the main focus being on flat metal-based gaskets and complete gasket sets. ElringKlinger employs more than 6,200 people at 41 sites all over the world (**Employees***).

* CF. GLOSSARY
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* CF. PAGE 81

Business model and core competencies

ElringKlinger's product range is geared towards the key issues facing today's automotive industry: reducing fuel consumption and emissions and the development of alternative drive technologies. Today, it is one of the few companies worldwide to have positioned itself as a supplier of high-tech components for every possible type of drive system – from the traditional combustion engine to electric applications.

ElringKlinger's core competencies lie in the combination of high-precision metal processing (stamping, coining and forming processes) with coating technologies as well as in plastics engineering. Drawing on specialized knowledge of materials acquired over a period spanning several decades and its highly efficient production processes, the Group has established a significant competitive advantage. Additionally, ElringKlinger's core competencies include tooling technology for metal forming, stamping and coining processes as well as for complex plastic injection-molding procedures. The company's in-house tooling unit designs and produces nearly all the tools used for manufacturing purposes.

ElringKlinger combines technology leadership at market level with cost leadership in production. The company's aim is to supply components of a consistently high quality on a large scale using fully automated manufacturing facilities.

ElringKlinger is the global market leader in the field of cylinder-head gaskets. The Group is also ranked among the top three suppliers worldwide in the respective fields of Specialty Gaskets, Shielding Technology and Plastic Housing Modules/Elastomer Technology.

In order to maintain its competitive position, ElringKlinger invests in research and development (R&D) at a rate that is above the industry average. The company has always been known for its strong culture of innovation and develops both new applications for existing technologies and entirely new product solutions. In doing so, ElringKlinger makes a point of developing products for technologically sophisticated niche markets, e.g. in the field of turbochargers.

Group structure and organization

Headquartered in Dettingen/Erms, Germany, ElringKlinger AG as the parent company handles all the fundamental management tasks and assumes responsibility for Group-wide functions, e.g. in the areas of purchasing, IT, communications, legal affairs and human resources. As of December 31, 2012, in addition to the parent company, the ElringKlinger Group included 30 fully consolidated subsidiaries, two joint ventures with a total of five companies and one investee (**Schedule of Shareholdings***, Notes).

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Global footprint – locations and markets

The ElringKlinger Group has established a global presence. As of December 31, 2012, it operated 41 sites in 20 countries. Of these sites, 29 are production facilities, eight are sales offices and two are companies operating mainly within the aftermarket sector. The other locations belong to the Services and Industrial Parks segments.

The following table lists all the Group's operating companies together with their respective worldwide locations. The sites of the ten largest plants (on the basis of revenue) are printed in bold.

ELRINGKLINGER INTERNATIONAL LOCATIONS

Company	Location
Germany	
ElringKlinger AG	■ **Dettingen/Erms** ■ Geretsried-Gelting ■ **Langenzenn** ■ **Runkel** ■ Thale ■ Idstein
ElringKlinger Kunststofftechnik GmbH	■ **Bietigheim-Bissingen** ■ Heidenheim
Elring Klinger Motortechnik GmbH	■ Idstein ■ Bietigheim-Bissingen
ElringKlinger Logistic Service GmbH	■ Rottenburg/Neckar
Hummel-Formen GmbH	■ Lenningen
Hug Engineering GmbH	■ Magdeburg
Rest of Europe	
Elring Klinger (Great Britain) Ltd.	■ Redcar (United Kingdom)
Elring Parts Ltd.*	■ Gateshead (United Kingdom)
ElringKlinger Meillor SAS	■ Nantiat (France) ■ Chamborêt (France) ■ Poissy (France)
Elring Klinger, S.A.U.	■ Reus (Spain)
ElringKlinger Abschirmtechnik (Schweiz) AG	■ **Sevelen (Switzerland)**
Hug Engineering AG	■ Elsau (Switzerland)
ElringKlinger Italia Srl	■ Settimo Torinese (Italy)
Hug Engineering S.p.A.	■ Mailand (Italy)
Technik-Park Heliport Kft.	■ Kecskemét-Kádafalva (Hungary)
HURO Supermold S.R.L.	■ Timisoara (Romania)
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	■ Bursa (Turkey)
Codinox Beheer B.V.	■ Enschede (Netherlands)
North America	
ElringKlinger Canada, Inc.	■ **Leamington (Canada)**
ElringKlinger North America, Inc.	■ Plymouth/Michigan (USA)
ElringKlinger USA, Inc.	■ **Buford/Georgia (USA)**
Hug Engineering Inc.	■ Austin/Texas (USA)
Elring Klinger México, S.A. de C.V.	■ **Toluca (Mexico)**
South America	
Elring Klinger do Brasil Ltda.	■ **Piracicaba (Brazil)**
Asia	
ElringKlinger Automotive Components (India) Pvt. Ltd.	■ Ranjangaon (India)
Changchun ElringKlinger Ltd.	■ **Changchun (China)**
ElringKlinger China, Ltd.	■ Suzhou (China)
ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd.	■ Qingdao (China)
ElringKlinger Korea Co., Ltd. (Joint Venture)**	■ Changwon (South Korea) ■ Gwangmyeong (South Korea)
ElringKlinger Marusan Corporation (Joint Venture)	■ Tokyo (Japan) ■ Saitama (Japan)
PT. ElringKlinger Indonesia	■ Karawang (Indonesia)
Africa	
ElringKlinger South Africa (Pty) Ltd.*	■ Johannesburg (South Africa)

* Aftermarket sales
** As of February 1, 2013, wholly-owned subsidiary

■ production company ■ distribution/sales ■ services/industrial park

The sites of the ten plants generating the highest revenue are printed in bold.

In addition to the traditional automobile markets of Europe, North America and Japan, ElringKlinger serves the fast-growing emerging markets of Asia and South America, where the Group has its own production facilities. In 2012, the Japanese joint venture ElringKlinger Marusan Corporation formed a subsidiary in Indonesia to provide a local source of production. Based in the Greater Jakarta area, it will supply the ASEAN region. Cylinder-head and specialty gaskets are set to roll off the production lines from 2013 (**Group Companies***).

* CF. PAGE 80

The ElringKlinger Group's global manufacturing network provides the basis for locating production as close as possible to its customers. In this context, Group companies compete with each other for individual projects. When decisions are taken on where to produce, the key criteria are customer proximity, cost structures, internal value chains and the reduction of exchange rate and other risks.

In 2012, ElringKlinger generated around 70% of total Group revenue from its international markets. Details of sales by region can be found in the section **"Sales and Earnings Performance"*** .

* CF. PAGE 64

Segments and divisions

The Group's operating business is divided into five segments: Original Equipment, Aftermarket, Engineered Plastics, Services and Industrial Parks. These constitute the reportable segments under **IFRS***.

* CF. GLOSSARY

ELRINGKLINGER GROUP SEGMENTS

Segment	Proportion of revenue*	Main customer groups
Original Equipment	80.4%	Car, truck and engine manufacturers, automotive suppliers
Aftermarket	10.5%	Independent aftermarket business
Engineered Plastics	8.1%	Vehicle industry, mechanical engineering, medical technology, aerospace industry
Services	0.6%	Vehicle manufacturers and suppliers
Industrial Parks	0.4%	Unspecified industries

* adjusted for effects of consolidation

The **Original Equipment** segment develops, produces and sells parts and assemblies for vehicle engines, transmission units and exhaust systems as well as battery and fuel cell components. The segment's client base includes nearly all the world's vehicle and engine manufacturers. The company's product portfolio is supplemented by complete exhaust gas purification systems made by its Swiss subsidiary Hug Engineering AG. The mold and tool maker Hummel-Formen Group is also included within the Original Equipment segment.

In the **Aftermarket** segment, ElringKlinger supplies a range of spare parts consisting mainly of cylinder-head and specialty gaskets as well as complete gasket sets and service parts. These are marketed under the "Elring – Das Original" brand. Supplied in OEM quality, the parts are used primarily for repairs to engines, gearboxes and exhaust systems. The Group's Aftermarket products are mostly sold in Western and Eastern Europe, the Middle East and North Africa. ElringKlinger is currently expanding its operations in the American market. Besides independent wholesalers, the company's customer base includes all the major group purchasing organizations.

* CF. GLOSSARY

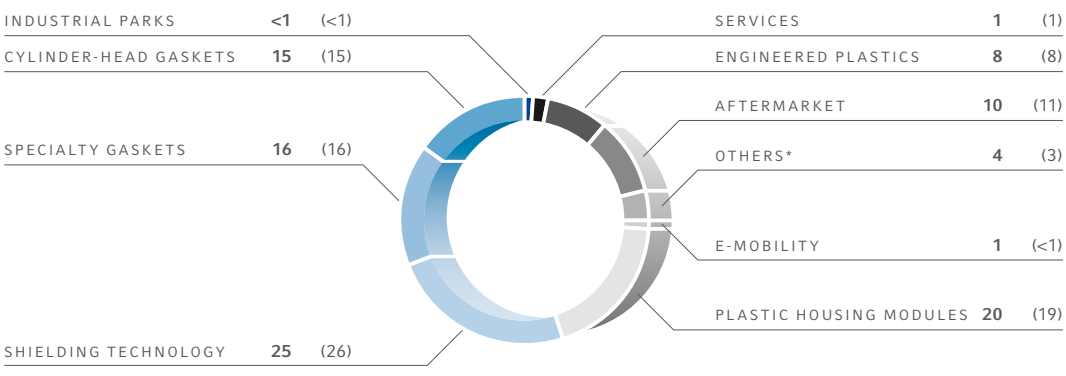
The **Engineered Plastics** segment comprises ElringKlinger Kunststofftechnik GmbH, which develops, manufactures and sells products made of the high-performance plastic **PTFE***. Around two-thirds of the revenue from this segment is generated outside the automotive industry. Within Europe, the company has already emerged as one of the three largest suppliers of products for PTFE applications. Having successfully established its own production line at ElringKlinger's factory in Suzhou (China), ElringKlinger Kunststofftechnik GmbH is now making preparations for market entry in the US.

The **Services** segment is made up of Elring Klinger Motortechnik GmbH and ElringKlinger Logistic Service GmbH. Elring Klinger Motortechnik GmbH provides development services for engines, transmissions and the exhaust tract using cutting-edge testing and measurement stations. The segment's customer base includes both vehicle manufacturers and automotive suppliers. ElringKlinger has thus established close ties with its customers' development units. ElringKlinger Logistic Service GmbH provides logistics services, both within the Group and to outside customers.

The industrial parks in Idstein (near Frankfurt, Germany) and Kecskemét (Hungary) make up the Group's **Industrial Parks** segment. The purpose of the business encompasses the lease and administration of land and buildings.

The Group is also divided into ten divisions:

SALES REVENUE BY DIVISION IN 2012 (prior year) in %



* Revenues attributable to Thale site as well as Hummel-Formen and Hug Group

ElringKlinger is the global market leader in the field of **Cylinder-head Gaskets**. The main competition within a largely oligopolistic market comes from the gaskets/sealing divisions of two US conglomerates. Some of the local markets include smaller, regional competitors.

The **Specialty Gaskets** division focuses on metal flat gaskets for high-temperature applications relating to engines, turbochargers, transmissions and exhaust systems. The competitive situation is very similar to that found within the area of cylinder-head gaskets. ElringKlinger is ranked as one of the three largest suppliers worldwide in the field of metal specialty gaskets. The division has benefited from increasingly tough requirements in the area of sealing technology and from a growing number of potential applications.

In the **Shielding Technology** division, which generates the highest revenue within the Group, ElringKlinger is one of the few suppliers in the world that manufactures combined thermal and acoustic shielding solutions for the engine and underbody. Overall, the market is more differentiated than in the area of gaskets/seals. Here, too, ElringKlinger is one of the world's top three suppliers. The number of shielding components required in vehicles will continue to increase in the coming years, providing the division with opportunities for structural growth.

In the **Plastic Housing Modules/Elastomer Technology** division, ElringKlinger develops and produces lightweight modules made of polyamide plastics, e.g. cam covers, oil pans and charge air ducts. Two key factors are stimulating growth within this area of business. First, the number of potential applications for plastics within the automotive industry is increasing. Secondly, heavy metal components are gradually being replaced also by truck manufacturers. At present, the market environment is slightly more fragmented than that of the other divisions. Other key products for this division include high-performance metal-elastomer gaskets for the commercial vehicle sector.

The **E-Mobility** division was set up in 2010 and has since expanded rapidly. Its main focus is on **cell contact systems*** for the lithium-ion batteries found in both pure electric and hybrid vehicles (**Research and Development***). ElringKlinger began series production of cell contact systems in 2011. As this is a completely new product, the market in this area is still highly fragmented.

* CF. GLOSSARY
* CF. PAGE 101

Tooling Technology was established as a separate division in 2011 to underline its importance as one of the company's core areas of expertise. It comprises internal tool manufacturing at the site in Dettingen/Erms and the mold-production activities of Hummel-Formen GmbH, which was acquired by ElringKlinger in 2011.

The **Engineered Plastics, Aftermarket, Services and Industrial Parks** divisions correspond to the respective segments outlined above.

In general, new activities are transferred to dedicated divisions as soon as they generate their first contribution to revenue at series production level. Until then, they are pooled within the **New Business Areas** division, which at present mainly includes ongoing projects relating to fuel cell technology (**Research and Development***).

* CF. PAGE 102 ET SEQQ.

Legal structure

As the parent company of the Group, ElringKlinger AG is entered in the Commercial Register of the Stuttgart District Court under HRB 361242. The registered address is ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany. The company trades as ElringKlinger AG. As defined in the Commercial Register, the purpose of ElringKlinger AG and its subsidiaries is to develop, manufacture and market technical and chemical products, particularly gaskets, gasket materials, plastic products and components for the automotive and other general industries. In addition, the company offers services associated with the technology that forms the basis of its product range. The administration, lease and sale of real estate together constitute a further object of the company. The applicable Articles of Association are those dated June 13, 2012. They can be accessed on the company's website at **www.ElringKlinger.com***.

* INTERNETLINK

Internal Control Criteria

For the purpose of governing the ElringKlinger Group, the Management Board primarily refers to financial control criteria as a basis of its decision-making processes. These indicators are to be seen as an important foundation for the overall assessment of all issues and developments that need to be evaluated within the Group. The Management Board also makes use of non-financial performance indicators and company-specific early indicators.

Financial control criteria

The financial control criteria are primarily based on the sales and earnings performance of ElringKlinger AG and its subsidiaries. Aside from revenue, the principal indicators used are earnings before interest and taxes (**EBIT***) and earnings before taxes (EBT). All internal control criteria are planned, calculated and continually monitored for the five segments as well as for individual business divisions.

* CF. GLOSSARY

Additionally, the return on capital employed (ROCE) is also adopted as a key indicator; it measures and evaluates the success of the entire ElringKlinger Group, individual business divisions and Group entities. At ElringKlinger, capital employed includes shareholders' equity, financial liabilities, provisions for pensions and non-current provisions such as anniversary and partial-retirement provisions.

All operational units within the Group are tasked with achieving a return on capital employed of at least 20% in the medium to long term. Variable remuneration for the managerial level directly below the Management Board is generally linked to the level of ROCE achieved.

Since the level of tied-up capital plays a critical role in investment decisions, a balanced and practicable approach to long-term investment spending must be ensured at divisional and Group company levels. This is achieved by assuming only 50% of purchase values in internal computations of financial indicators and the degree of target attainment, regardless of the age of machines and systems.

The management information and control system at ElringKlinger also encompasses all significant financial management indicators. In particular, these include:

- Liquidity
- Capital structure (the target is an equity ratio of at least 40%)
- Potential market price risks from foreign exchange movements, interest rate changes and increases in material costs
- Credit risks

A detailed explanation of the various elements of the financial management system, and the associated risks, is contained in the **"Report on Opportunities and Risks"***.

* CF. PAGE 113 ET SEQQ.

KEY FINANCIAL CONTROL CRITERIA OF THE ELRINGKLINGER GROUP

		Target 2012	Actual 2012	2011	2010	2009	2008	2007	2006
EBIT	(in € million)	145 to 150	136.0	126.0*	106.7	63.3	71.5	121.0	93.3
Earnings before taxes	(in € million)	–	123.8	113.9*	94.0	49.4	60.0	114.9	87.6
Return on Capital Employed (ROCE)		20%	13.3%	14.2%*	15.2%	8.8%	13.6%	30.3%	26.7%
Net cash from operating activities	(in € million)	positive	112.3	74.5	126.2	148.8	98.2	99.3	89.9
Equity ratio		>40%	50.5%	50.1%	52.7%	41.2%	37.7%	49.1%	48.5%

* Adjusted for one-time income of EUR 22.7 million from sale of Ludwigsburg industrial park

Non-financial control criteria

ElringKlinger attaches great importance to the sustainable development of the company. To assist the Management Board in its decision-making, the following staff-related, environmental and quality indicators are regularly monitored:

- Number of employees and change in headcount
- Average number of staff on sick leave
- Staff turnover rate
- Industrial accidents
- Energy consumption levels and emissions (especially CO_2)
- Quality indicators/assessments and reject rates

More information on non-financial performance indicators can be found in the sections on "Sustainability," "Research and Development" and "Employees" as well as the "Report on Opportunities and Risks."

Company-specific early indicators

Order intake and order backlog are considered fundamental as early indicators specific to the company. These factors, which are regularly monitored, provide reliable indications of likely capacity utilization and revenue performance for the months ahead.

The management also tracks statistics and forecasts on global vehicle demand and production as well as the general economic outlook on a regular basis. The Group's budget is based on planned quantities requested by customers as part of their scheduling and respective agreed product prices, less a safety margin. Nonetheless, the aforementioned early indicators provide important pointers as regards the feasibility of planning; in this way, any necessity for adjustments can be identified at an early stage and suitable measures can be implemented in good time.

Key objective: sustained profitable growth

ElringKlinger conducts benchmark analyses on a regular basis, whereby all key indicators are compared to other (mostly listed) companies in the automobile and automotive supply sectors and subsequently evaluated.

The ElringKlinger Group's use of off-balance-sheet financing arrangements is negligible and restricted to leasing (in connection with company cars and office equipment, for example).

Similarly, financial instruments are only used within the normal scope of business and are monitored both centrally and by the various specialist areas. The principles governing the use of derivative financial instruments are described in the Report on Opportunities and Risks under the heading **"Use of derivative instruments."*** The nature and scope of derivative instruments held as of December 31, 2012, are set out in the notes to the consolidated financial statements under **"Hedging policy and financial instruments."***

* CF. PAGE 113

* CF. PAGE 185

The key objectives of the ElringKlinger Group are the profitable organic growth of the company over the long term, coupled with profitability above the average for the automotive supply industry, calculated on the basis of the EBIT margin.

Macroeconomic Conditions and Business Environment

Debt crisis weighs heavily on economic activity

The sovereign debt crisis remained the primary concern throughout 2012 – not only in the crisis-hit countries of the eurozone but also in the US. The markets were initially reassured at the beginning of 2012 by the European Central Bank's interventions to inject liquidity; however, the mood in Europe then became more pessimistic during the remainder of the year. Unemployment rose steadily, particularly in Southern Europe, as the eurozone slid into recession.

Despite the situation in Europe, strong growth from the emerging economies and the recovery in the US saw global output grow by a total of 3.2% in 2012. Having said that, the world economy had managed to expand by 3.9% a year earlier.

High unemployment, falling average incomes and restrictions on lending resulted in a significant fall in consumer spending across Europe. Countries such as Greece and Spain, in particular, saw their economies contract, as did Italy. As a result, European GDP fell by 0.4% in 2012. Even Germany's strong export base could not completely insulate it from Europe's disappointing economic performance, as its domestic economy weakened in the course of 2012. Across the whole year, Germany achieved growth of 0.9%.

Despite its own ongoing debt issues, the US economy continued to expand in 2012. GDP increased by 2.3%, thanks, among other factors, to the Federal Reserve's substantial easing of monetary policy. Brazil's economic upswing was pegged back during 2012, as the GDP of South America's most important economy increased by only 1.0%.

Momentum in the Chinese economy has slowed recently. Even so, China's growth was considerably stronger in 2012 than that of western industrialized nations. The largest economy in Asia saw GDP growth of 7.8% in the period under review.

India recorded a year-on-year increase in economic output of 4.5%.

The ASEAN bloc, where ElringKlinger has now established a presence with its first plant in Indonesia, also weighed in with solid economic growth of 5.7% among its members.

Japan spent 2012 recovering from the natural disaster in 2011 and therefore benefited to a large extent from a "catch-up effect." Against this backdrop, economic output in Japan rose by 2.0%.

Further rise in global vehicle demand in 2012

Demand for vehicles differed quite considerably across the individual markets around the globe in 2012. While economic conditions prompted a dramatic slump in passenger car sales in some areas, principally in the Southern European markets, demand rose sharply in Asia and the US. South America also saw an increase in new vehicle registrations in 2012. Overall, growth in these regions more than made up for the decline recorded in Europe. Aggregate worldwide car sales rose by 4.9% to 77.4 (73.8) million units. Similarly, global production of passenger cars and light trucks increased, rising by 5.3% to 78.8 (74.8) million vehicles. It should be noted that market activity in the second half of the year was less dynamic than in the first six months of 2012.

Car sales in Western Europe at a 20-year low

In a recessionary environment plagued by uncertainty, sales of automobiles in Western Europe collapsed still further, even on the back of 2011, which was itself an extremely weak year. Of the five largest European automotive markets, only the United Kingdom showed any signs of growth, while France, Italy and Spain all sustained double-digit losses in percentage terms.

The number of newly licensed vehicles in Western Europe fell by 8.1% to 11.8 (12.8) million units, representing the lowest level since 1995. December 2012 was the weakest month of the year, with a drop of 15.8% in new registrations.

This overall downturn in sales was also reflected in the production figures. European plants responded by manufacturing 8.5% fewer passenger cars and light commercial vehicles than in the previous year; as a result, vehicle production in Western Europe amounted to only 12.4 (13.6) million units.

German automotive market also shows signs of slowing

Compared to the rest of Europe, German consumers remained slightly more upbeat when it came to purchasing new cars. New passenger car registrations fell by a moderate 2.9% to 3.1 (3.2) million units. Domestic vehicle production continued to benefit from buoyant demand from the Asian and US export markets. Despite this, production failed to reach the record figures of the previous year, with output totaling 5.4 (5.6) million units. In 2012, German manufacturers produced 3.6% fewer cars than in the previous year, and more than 75% of those vehicles were destined for the export market.

Boom in Russia

In Eastern Europe (excluding Russia), the effects of the eurozone crisis were still noticeable, although less pronounced. In 2012, 0.8 (0.8) million new cars were registered in the region, representing a drop of 2.8%. Bucking this European trend was Russia: with an increase of 10.6%, its car sales climbed to 2.9 (2.7) million units. These figures indicate that the Russian automotive market could soon be as large as that of Germany.

US automotive market shows dynamic growth

The US automotive sector performed surprisingly well in 2012, driven by a dynamic recovery in the market for passenger cars. The year began with predictions of single-digit percentage growth, but dealerships achieved an increase of 13.4% in sales of cars and light commercial vehicles. As a result, the overall number of vehicles sold in the United States rose to 14.5 (12.8) million units. Despite this,

the US remains a long way short of record sales figures, which reached close to 17 million units at their height. The current average vehicle age of ten years is significantly higher than the long-term average. Car production figures also rose significantly, reaching 9.9 (8.5) million units.

In Brazil, government-led incentive programs boosted demand for vehicles in the second half of 2012. This helped sales to rise by 6.1% to 3.6 (3.4) million cars and light commercial vehicles. At the same time, the largest South American automotive market saw the production of 2.5% more vehicles, reaching 3.2 (3.1) million units.

Sustained growth in Asia

China extended its lead in 2012 as the world's most important country in terms of car sales. Building even further on the impressive growth seen in recent years, the Chinese vehicle market saw new registrations expand by another 6.8% to 17.3 (16.2) million passenger cars. Even so, individual car ownership in China remains significantly below the 5% mark in relation to total population. Chinese vehicle production increased by 6.6% in 2012, broadly in line with the growth in sales.

In India, sales of passenger cars climbed to 2.8 (2.5) million units in 2012 – an increase of 10.3%. Vehicle production showed more modest growth, with a rise of 5.1%.

At 3.1 (2.6) million units, the increasingly important ASEAN states saw sales of cars and light trucks move beyond the figure recorded in India in 2012. New vehicle registrations in the ASEAN region rose by 15.7%.

In Japan, the "catch-up effect" after the devastating natural disaster in 2011 led to a jump in passenger car sales in 2012, which reached 4.6 (3.5) million units. This corresponds to growth of 29.7%. Japanese vehicle manufacturing also gained momentum. Compared with the previous year, 2012 saw a 20.1% increase in the number of passenger cars rolling off the production lines.

Commercial vehicle markets under severe pressure

General economic uncertainty led to reluctance on the part of delivery and fleet companies to make purchases in 2012. It was one of the weakest years of the past decades, seeing a severe plunge in worldwide sales figures of 17.0% to only 1.5 (1.8) million heavy trucks. With around 13% of sales within the Original Equipment segment coming from business within the truck industry, the ElringKlinger Group was also affected by this market weakness. However, the dramatic market contraction seen in this segment was offset to some extent by several new product launches within the area of plastic housing modules.

In Western Europe, new registrations of mid-sized and heavy trucks totaled just 441,496 (486,209), a year-on-year drop of 9.2%. These figures represent almost a return to the dire situation seen at the height of the financial crisis in 2009 (370,389 vehicles). Apart from the United Kingdom, which saw slight growth of 1.9%, all major commercial vehicle markets in Europe showed signs of decline. Even Germany experienced difficulties in the face of the euro crisis, seeing a fall in new truck registrations of 9.7% to 141,381 (156,571) units.

The US truck market struck a more positive note, as the economic recovery prompted more buoyant demand for commercial vehicles. Sales figures for heavy trucks (Class 8) rose by 13.8% to 195,023 (171,425) units.

The Brazilian commercial vehicle market was in a much poorer shape during 2012. Sales of heavy trucks fell by 20.0% to 87,355 (109,194) units. It should, however, be borne in mind that the introduction of the Euro V standard had prompted some advance purchases in the previous year.

China, the largest truck market in the world, recorded an out-and-out collapse in truck sales in 2012. A mere 622,195 (882,253) vehicles were delivered to customers, a year-on-year drop of 29.5%. By contrast, the Japanese commercial vehicle market, which was adversely affected by the impact of the tsunami disaster in 2011, recorded impressive growth figures of 25% in 2012.

Overall assessment of economic and industry-specific situation

Drawing on its global presence, the ElringKlinger Group benefited from sustained growth in the global economy as well as from the concomitant rise in vehicle demand and higher production figures.

By recording structural growth in many of its divisions, together with a significant number of new products and product variants, ElringKlinger once again managed to exceed market growth by nearly 5 percentage points.

ElringKlinger is well represented in the fast-growing emerging economies and is thus profiting from rising demand in these markets. This is true for both the sales revenue generated by the subsidiaries in these regions and the rising exports of ElringKlinger AG to these markets.

* CF. PAGE 64

A detailed breakdown of Group sales per region for the 2012 financial year can be found in the section entitled **"Sales and Earnings Performance"***.

Thanks to its broad customer base across the globe and the market rollout of many new solutions and product refinements, ElringKlinger more than made up for the adverse effects of an extremely weak Western European market. Demand for premium cars from German manufacturers remained relatively high, which also had a positive impact on business. In 2012, ElringKlinger generated almost a quarter of its revenue from Original Equipment sales to domestic premium-brand producers. In contrast, less than 10% of revenue came from French and Italian manufacturers.

In 2012, ElringKlinger brought into service a new, fully automated plant for plastic housing modules in Dettingen/Erms. This has substantially expanded production capacity and widened the truck product portfolio. Within the Original Equipment segment, the percentage of revenue attributable to components for commercial vehicles amounted to around 13% (9%). This highlights the increasing importance of the overall performance of global truck markets for ElringKlinger. Against this backdrop, the Group may benefit greatly from an increase in demand for trucks.

Significant Events

At the beginning of 2012, ElringKlinger acquired metal-housing producer ThaWa GmbH Thaler Warenautomaten, based in Thale, Saxony-Anhalt, Germany, as well as its associated company AGD Group Entwicklungs- und Vertriebs GmbH, Gütersloh, Germany. The two entities were merged into ElringKlinger AG in 2012. Since then, the Thale site has been managed as a plant operated by ElringKlinger AG.

In making this acquisition, ElringKlinger has strengthened its activities in the field of exhaust gas purification technology. The former entity ThaWa GmbH primarily operated as a supplier and manufacturing partner to the ElringKlinger subsidiary Hug Engineering AG. The Thale site was expanded in 2012 for the automated production of larger volumes. In the future, the focus will be on the manufacture of housings as well as the so-called canning of diesel particulate filters and catalytic converters. Services previously outsourced to Swiss suppliers operating within this area are to be performed within the Group at the more cost-efficient site in Thale.

The transfer of production volumes from Switzerland to the eurozone facilitates more cost-effective production, thus resulting in a significant improvement in the operating margin of Hug Engineering AG. In addition, there is less dependency on EUR/CHF exchange rates.

Based in Elsau, Switzerland, Hug Engineering AG is being further developed into a center of excellence for system engineering and a production site for filter substrates, coating technology and systems within the ElringKlinger Group.

At the date of acquisition, former ThaWa GmbH together with AGD Group Entwicklungs- und Vertriebs GmbH employed 53 people in total. In the financial year 2012, they contributed EUR 3.4 million to sales revenue within the ElringKlinger Group. The purchase consideration was EUR 1.4 million (after financial liabilities).

Sales and Earnings Performance

Revenue target for 2012 met; earnings before interest and taxes below target

The Group exceeded its 2012 target for consolidated sales, i.e. organic growth of 5% to 7% and a further contribution to sales from the consolidation of newly acquired companies. Revenue grew by 9.1%, faster than expected, to reach EUR 1,127.2 (1,032.8) million.

Over the course of the year, the ElringKlinger Group publishes quarterly reports that are not subject to an auditor's review. Therefore, all details relating to quarterly figures are unaudited.

The Group had originally predicted that, adjusted for non-recurring items, earnings before interest and taxes (EBIT) would rise at a faster rate than sales. In the event, however, the increase in EBIT for 2012 (after adjustments) was slightly less pronounced at 7.9%.

As a result, the target of boosting adjusted EBIT into a range between EUR 145 million and EUR 150 million compared to EUR 126.0 million in 2011 was not achieved. This was mainly due to the Group's fourth-quarter results.

In the fourth quarter, EBIT was adversely affected by the significantly lower revenue and earnings contribution made by the Aftermarket and Engineered Plastics segments. Additionally, exceptional and non-recurring items exerted downward pressure on EBIT.

At EUR 277.6 (269.6) million, the fourth quarter was slightly above target in terms of sales revenue, almost matching the figure recorded for the preceding quarter (EUR 279.8 million). However, both the Aftermarket and the Engineered Plastics segment had to contend with particularly weak sales. Consequently, the pro-rata contribution made to Group earnings by these more profitable segments was extremely unfavorable in the fourth quarter. At the same time, compared to the third quarter of 2012, sales included a large proportion of lower-margin tooling revenue for serial production projects commencing in 2013.

New products and structural growth help to set new sales record

Despite collapsing demand for cars in Europe, the ElringKlinger Group recorded a solid 9.1% increase in sales for 2012. Revenue climbed to EUR 1,127.2 (1,032.8) million. Measured against car production figures, the Group again succeeded in outpacing growth within the global vehicle markets. This is a particularly impressive achievement, given that the global truck market, which accounts for around 13% of sales in the Original Equipment segment, contracted by nearly 20% in 2012.

The boost in organic sales was driven to a large extent by structural growth in product areas such as turbocharger and exhaust gaskets, thermal shielding parts and lightweight plastic housing modules. This was complemented by a number of new product ramp-ups in the company's core line of business as well as larger revenue contributions from the E-Mobility division with the start of serial production for cell contact systems used in lithium-ion batteries.

Although the rate of sales growth slowed over the year, the Group was still able to report a year-on-year increase in sales of 3.0% to EUR 277.6 (269.6) million for the fourth quarter.

First-time consolidation of acquisitions adds total of EUR 19.3 million to sales in 2012

The consolidation of those acquired companies that had not been included in the Group financial statements in 2011, or that had only been accounted for on a pro-rata basis, contributed an incremental EUR 19.3 million to Group sales in 2012.

The Swiss exhaust gas purification specialist Hug Engineering AG was included in the scope of consolidation of the ElringKlinger Group as of May 1, 2011, and the Hummel-Formen Group as of October 1, 2011. ThaWa GmbH Thaler Warenautomaten and AGD Group Entwicklungs- und Vertriebs GmbH were acquired with effect from January 1, 2012, and subsequently merged into ElringKlinger AG.

Adjusted for the additional revenue contributions from first-time consolidation of these entities, Group sales rose organically by a solid 7.3% to EUR 1,107.9 million in 2012.

Overall, the incremental contribution made to Group earnings before taxes by these entities on first-time consolidation was in negative territory in 2012 – primarily due to the negative earnings performance of the Hug Group. In total, the adverse effect on Group earnings before taxes was minus EUR 3.8 million (before consolidation).

Losses at Hug Group scaled back over the year

Revenue generated by the Swiss-based Hug Group totaled EUR 36.6 million in 2012. The figure for the fourth quarter was EUR 14.1 million. Reflecting weakness in both the European and Swiss markets, revenue was below the Group's original expectations.

Earnings before taxes stood at minus EUR 3.5 million (before consolidation). Within this context, EUR 1.9 million of the total loss was attributable to the purchase price allocation.

The cost saving and process optimization measures initiated at Hug with a view to improving its unsatisfactory earnings situation gradually produced results as the year progressed. Hug's pre-tax earnings rose from minus EUR 2.0 million in the first quarter to minus EUR 0.9 million and minus EUR 0.7 million in the second and third quarters respectively. In the fourth quarter, at EUR 0.1 million, earnings before taxes were just within positive territory (in each case before consolidation).

At the operational level, business at Hug Engineering AG continued to be impacted by the strength of the Swiss franc and associated foreign exchange losses. Although a large proportion of Hug's revenue is denominated in euros, its main costs are payable in Swiss francs.

In order to limit this exposure to currency risks and reduce manufacturing costs, ElringKlinger AG built a new factory in Thale, Germany, within the eurozone on the site of ThaWa GmbH, the Hug supplier acquired by the Group at the beginning of the year. The new facility will have space for the large-scale serial canning of diesel particulate filters and for the production of housings for complete exhaust gas purification systems. Production will commence at the new factory in the second quarter of 2013 once some of the activities from the Swiss site have been relocated.

Hug achieved a major breakthrough in the US market. In 2012, Hug's "mobiclean R™" diesel particulate filter system received the approval from the California Air Resources Board **(CARB)*** for use with on-road vehicles weighing over 6.34 metric tons. On the back of this, the company managed to win a number of large contracts to retrofit trucks and other heavy commercial vehicles.

* CF. GLOSSARY

In light of the increasing focus on emissions within the shipping industry, Hug also sees considerable potential to expand into exhaust gas purification systems for the diesel engines used in marine vessels. In 2012, the company received several orders to equip ship engines with complete exhaust gas purification systems. Furthermore, Hug is to develop and manufacture exhaust aftertreatment technology for a fleet of six river cruise ships. Hug's exhaust gas purification systems include a catalytic diesel particulate trap filter as well as oxidation catalysts to reduce hydrocarbon and carbon monoxide emissions. Hug is currently in negotiations over the fitting of its technology in a number of large ships.

In North America, meanwhile, the company is supplying the end-to-end exhaust gas purification technology for a gas- and light-oil-fired power plant with a generating capacity of 170 MW.

Former ThaWa GmbH accounted for EUR 3.4 million of Group sales in 2012. Its earnings before taxes were slightly in negative territory.

Hummel-Formen Group adds to expertise in lightweight design

Specializing in mold and tool production, the Hummel-Formen Group has been a member of the ElringKlinger Group since October 1, 2011. In acquiring the company, ElringKlinger has been able to cement its expertise in the area of lightweight construction using plastics. A significant proportion of the output of the Hummel-Formen Group was supplied to ElringKlinger AG's Plastic Housing Modules/ Elastomer Technology division.

Additionally, the Hummel-Formen Group has developed its first forming dies for the production of shielding parts by ElringKlinger Abschirmtechnik (Schweiz) AG. In the past, these tools had been sourced from external suppliers. The intention is for Hummel-Formen to play an even greater role in this area of the value chain. Tool development and design, including associated services for external customers, are a valuable addition to the Group's portfolio.

In 2012, Hummel-Formen contributed EUR 8.2 million to Group sales.

Earnings before taxes stood at minus EUR 0.4 million (before consolidation). This figure includes a charge of EUR 0.4 million in respect of the purchase price allocation. Fourth-quarter sales to non-Group customers were EUR 2.5 million. Earnings before taxes were in positive territory over the same period and amounted to EUR 0.4 million.

Earnings rise at former Freudenberg companies despite market weakness

The earnings performance of the metallic flat gaskets business, which was acquired from the Freudenberg Group as of January 1, 2011, gradually improved over the course of 2012.

In this context, automated production and state-of-the-art manufacturing technology helped to provide a solid foundation. Cost structures were also streamlined.

The Gelting site in Germany was incorporated into ElringKlinger AG as an operational unit as early as 2011. Production was optimized and directed towards the specialized mica and graphite seals used in turbocharger and exhaust applications. In percentage terms, the EBIT margin for 2012 was already in the low double-figure region.

The Group's Settimo Torinese site in Italy achieved an EBIT margin in the mid-single figure area despite a particularly weak domestic market.

By contrast, the French site in Nantiat fell short of breaking even in 2012. Sales performance at this site was impacted in particular by the anemic state of the Western European car market and consequently by the much lower volume of just-in-time deliveries requested by customers in this region. However, the effects of this downturn were offset to some extent by new product ramp-ups and solid demand for specific components. Further improvements in the earnings situation are being targeted by means of additional cost-saving measures and leaner production processes. The Group's French subsidiary also aims to generate sales and earnings with a new small-scale series production facility to serve the spare parts market.

Overall, the former Freudenberg sites generated sales revenue of EUR 49.8 million in 2012 and contributed EUR 0.1 million (before consolidation) to the Group's pre-tax earnings.

European market characterized by increasing weakness – domestic sales growth driven by exports

In 2012, the ElringKlinger Group boosted its sales revenue in every single region apart from the extremely weak Western European market. The Group's strong positioning within the emerging economies of Asia and in the NAFTA region, complemented by its broad customer base, helped to cushion the impact of contracting vehicle markets in Western Europe.

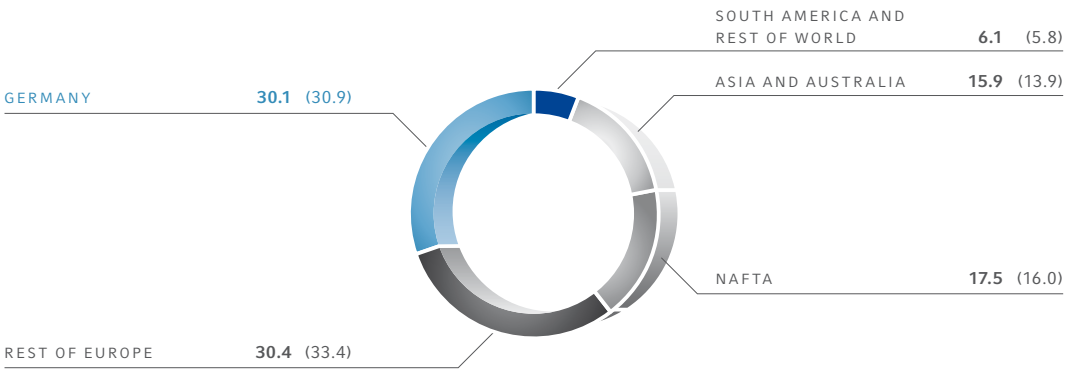
Towards the year-end, however, there was also clear evidence of a decline in demand for passenger cars in Germany. Over the year as a whole, domestic sales revenue nevertheless grew by 6.1% to reach EUR 338.9 (319.3) million.

This relatively large increase in the Group's home market was due to the launch of several new products and a greater volume of business with German premium-range car makers.

In this high-end market, in particular, domestic automobile production benefited from consistently buoyant demand throughout Asia and North America. Almost three-quarters of all the cars that rolled off German production lines in 2012 were subsequently exported. ElringKlinger also benefited indirectly from this solid international demand.

In addition, sales were boosted by contributions from former ThaWa GmbH and the Hummel-Formen Group, which were included in the consolidated results for the first time. Most of their sales revenues were attributable to the region of Germany.

GROUP SALES BY REGION IN 2012 (prior year) in %



Overall, the domestic share of total Group sales declined slightly to 30.1% (30.9%). Even so, Germany remained the ElringKlinger Group's single biggest market.

There was nothing short of a collapse in passenger car sales for 2012 in Western European markets. By contrast, there was only a moderate decline in Group sales for the "Rest of Europe" (excluding Germany) region. For 2012 as a whole, sales revenue in this region was 0.8% down on the previous year at EUR 342.7 (345.4) million. In the fourth quarter, however, revenue from sales in this region fell significantly to end the period 10% down on the previous year.

The surprisingly buoyant performance of the US car market in terms of overall light vehicle sales is also reflected in the business performance of the ElringKlinger Group. Sales revenue in the NAFTA region grew by 19.9% to reach EUR 197.8 (165.0) million. Thanks to several new product ramp-ups at the Buford plant, sales revenue in this region also expanded at a faster rate than car production.

The picture in "South America and the Rest of the World" was similarly positive. In this region, the Group recorded a 15.0% increase in revenue, with sales of EUR 68.9 (59.9) million.

In Asia, meanwhile, sales generated by the ElringKlinger Group totaled EUR 178.9 (143.2) million. This represents an increase of 24.9% on the previous year, making Asia the fastest-growing region in the Group. Results here were largely driven by rapid growth at ElringKlinger's Chinese subsidiaries, but also by an encouraging performance at ElringKlinger Marusan Corporation in Japan. The share of total Group sales generated by the Asia region rose to 15.9% (13.9%).

However, the significance of the Asian markets with regard to the overall sales performance of the ElringKlinger Group is in fact much greater than this figure suggests. It is important to note that a large proportion of the cars, transmissions and engines that are made in Germany and for which ElringKlinger supplies parts are subsequently exported to Asia. Equally, much of the production output from the Eastern European sites operated by many vehicle manufacturers is destined for end markets in Asia and the US. If these exports are taken into account, the proportion of ElringKlinger sales in the Original Equipment segment attributable to the Asian markets would in fact now be around 24%.

As a result of these developments, the level of foreign sales as a percentage of total Group revenue rose to 69.9% (69.1%).

Original Equipment grows by 9.6%

The Original Equipment segment delivered the biggest increase in Group sales. After a record year in 2011, the segment boosted its revenue by a further 9.6% to EUR 906.9 (827.2) million.

The Group's new acquisitions contributed EUR 19.3 million to total consolidated sales. All this amount was attributed to the Original Equipment segment. Excluding the contribution made by new acquisitions, segment revenue rose by 7.3% to EUR 887.6 million.

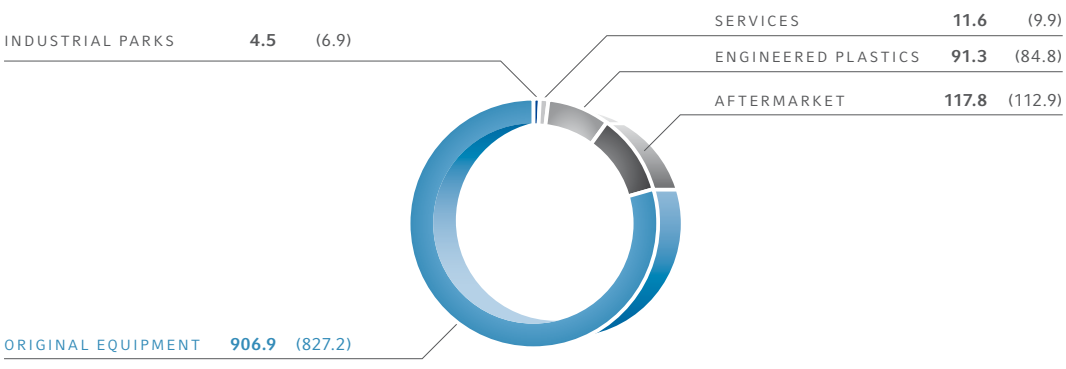
Thus, the ElringKlinger Group's Original Equipment segment grew at a faster rate than the international vehicle markets in 2012.

This relatively substantial rise in 2012 is all the more impressive given a nosedive in the European passenger car market and a 17.0% decline in global truck sales over the same period. ElringKlinger generated around 13% of its segment revenue from component sales to truck manufacturers.

In addition, results were buoyed up by growth in passenger car markets in Asia and in North and South America, regions in which the Group is well positioned. ElringKlinger's strong position in fast-growing structural niche markets and an above-average number of new product ramp-ups – in excess of a hundred – also helped to boost revenue.

ElringKlinger benefits considerably from the prevailing trend towards compact, downsized engines. It develops, produces and sells metal flat gaskets and thermal shielding components engineered specifically to meet the extreme pressure and temperature requirements associated with these systems.

SALES REVENUE BY SEGMENT IN 2012 (prior year) in EUR million
(before consolidation)



All of the Group's divisions reported an increase in sales in 2012. ElringKlinger has already established a market-leading position with its Cylinder-head Gaskets division, which percentage wise generated the strongest sales growth in 2012. In this context, the Group managed to propel sales in emerging countries such as China in particular. This was primarily achieved on the back of newly developed solutions for downsized, direct-injection petrol engines.

Starting from a high base, the Specialty Gaskets division also maintained its forward momentum. Growth in this area was again driven by rising customer demand for highly heat-resistant gaskets for turbocharger and exhaust system applications. Reflecting the fact that the proportion and number of turbochargers fitted to vehicles have continued to increase, the Specialty Gaskets division is benefiting from an expanding market for turbocharger gaskets, in particular high-temperature V-rings for turbochargers. Demand was again up for the control plates used in automatic transmissions and for high-alloy gaskets in the exhaust system.

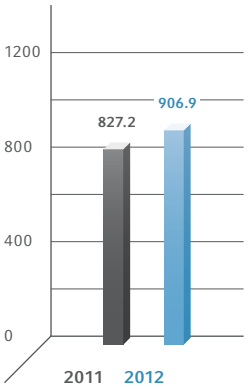
The Shielding Technology division also found itself in a strong position in 2012 thanks to the growing focus on thermal management in different areas of the engine and exhaust system. Although demand in Western Europe was significantly weaker, affecting particularly ElringKlinger AG's Langenzenn site, the Shielding Technology division recorded higher sales revenue in the period under review. ElringKlinger is one of only a small number of providers to supply complete thermal-acoustic shielding packages for the engine, vehicle underbody and exhaust system.

In 2012, an above-average increase in sales again came from the Plastic Housing Modules/Elastomer Technology division, which supplies various lightweight plastic components for the engine and the transmission. The polyamide modules produced by the division help car makers to reduce overall vehicle weight by a considerable margin and thus scale back CO_2 emissions. There was particularly strong customer demand for cam covers made of the ultra-light material MuCell. Despite the general malaise in the truck market, following the commencement of production at the company's new plastic housing modules plant in Dettingen/Erms, which primarily makes cam covers and oil pan modules for trucks, these parts contributed additional revenue. During the year under review, ElringKlinger AG also developed several new applications, e.g. charge air ducts and oil suction pipe modules, to series production level.

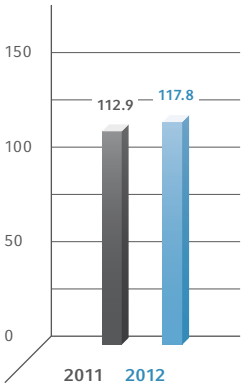
The new E-Mobility division was still gearing up for full-scale operation in 2012. With series production having commenced at the Dettingen/Erms site in the second half of 2011, in 2012 the division generated total sales revenue of EUR 6.6 (4.5) million from its cell contact systems for lithium-ion batteries.

The as yet negative overall contribution to earnings of the Group's new acquisitions, as outlined above, had a dampening effect on the segment's profit margin. Furthermore, all the costs attributable to start-up activities in the E-Mobility division were allocated to the Original Equipment segment. In total, earnings before taxes increased at a more pronounced rate than sales, rising by 12.3% to EUR 82.8 (73.7) million.

SALES IN THE ORIGINAL EQUIPMENT SEGMENT
in EUR million



SALES IN THE AFTERMARKET SEGMENT
in EUR million



Aftermarket business expands

The Aftermarket segment recorded revenue growth of 4.3% in 2012, with sales climbing to EUR 117.8 (112.9) million.

Additional market share captured in the important domestic aftermarket sector provided a further boost to revenues. In September 2012, ElringKlinger AG's contribution as an exhibitor at the Automechanika trade show in Frankfurt met with a very positive response from customers. It is here that the company unveiled its new and extended service concept marketed as "Elring plus."

The spare parts markets in Western Europe showed signs of weakness in 2012. However, in acquiring the metallic flat gaskets unit from the Freudenberg Group, ElringKlinger is now in a position to expand its portfolio of cylinder-head and specialty gaskets for the French and Italian aftermarket. Having been under-represented as a supplier within these markets, ElringKlinger's Aftermarket segment is currently expanding its product range and sales channels in these countries. These markets are considered to have significant growth potential in the coming years.

In the Eastern European market, meanwhile, ElringKlinger was able to reap the rewards of consistently buoyant demand, while also benefiting from the strength of its "Elring – das Original" brand. In this region, aftermarket business produced double-digit growth.

Despite the political volatility seen in some countries in North Africa and the Middle East, together with visible hesitancy on the part of many aftermarket wholesalers, the Group managed to increase revenue from sales in this key region, too. This was driven to a large extent by dynamic business in the truck market.

Earnings before taxes for the Aftermarket segment outpaced the previous year's figure by 8.9% and rose to EUR 23.2 (21.3) million.

Further upturn in Engineered Plastics segment

The Engineered Plastics segment produced further revenue growth over the course of 2012. Despite the noticeable loss in forward momentum towards the end of the year, strong demand from the automotive, mechanical engineering and medical devices industry prompted a boost in sales revenue by 7.7% to EUR 91.3 (84.8) million. Revenue growth was driven by the introduction of a number of new products in 2012, such as sealing rings for brake systems made of the injection-moldable high-performance plastic Moldflon™. Towards the end of the year, however, some of the industries targeted by this segment showed visible signs of waning demand, albeit from a high base.

More encouragingly, efforts aimed at international expansion of activities previously restricted to the German-speaking region had a positive impact. Following the successful launch of a sales company in Qingdao, China, the first production line was put into operation at the Suzhou plant in 2012. In 2012, the ElringKlinger Group also made preparations for its entry into the important US market.

Due to relatively high start-up costs associated with new products, earnings before taxes fell by 4.3% – down from a high base in the previous year – to EUR 15.4 (16.1) million.

Revenue contribution of industrial parks shrinks after divestment in 2011

In the Industrial Parks segment operated by the ElringKlinger Group, the sale of the Ludwigsburg industrial park in 2011 had a major impact on revenues and earnings. ElringKlinger had recorded a non-recurring gain on disposal of EUR 22.7 million from this transaction in 2011. Rental income had been included in segment revenue up to and including July 2011.

Consequently, rental income for the Industrial Parks segment in 2012 was considerably lower than in the previous year, falling to EUR 4.5 (6.9) million in the period under review. Earnings before taxes dropped to EUR 0.2 (23.8) million

Demand for engineering services fueled by emissions legislation

The Services segment, an area in which ElringKlinger mainly provides engineering and testing services for car and truck manufacturers as well as other automotive suppliers, saw its revenue increase by 17.2% to EUR 11.6 (9.9) million in 2012.

Services within the area of exhaust gas technology, with a particular focus on SCR technology aimed at reducing nitrogen oxides, were in particularly high demand among customers in response to more stringent emissions legislation. This segment expanded its capacity levels and range of services in 2012.

Segment earnings before taxes rose at a more pronounced rate relative to sales, taking the figure to EUR 2.2 (1.7) million. This was attributable primarily to the high level of capacity utilization.

Gross profit margin remains largely unchanged

The overall financial performance of the ElringKlinger Group remained solid despite higher costs for some of the materials required and substantial up-front investments in the E-Mobility division. However, revenue growth and ongoing efficiency improvements were offset to some extent by substantial increases in costs attributable to personnel and an upturn in market prices associated with some of the commodity groups, particularly in the second half of the year.

In 2012, the Group's gross profit margin stood at 27.7% (27.9%), i.e. largely unchanged on the previous year's figure. The as yet lower gross profit margins reported by the acquired companies had a dilutive effect on the Group's overall margin.

Prices for high-grade steel, C-steel and aluminum – key commodities required by ElringKlinger – remained stable in 2012 or receded from the price peaks seen in 2011. By contrast, prices for polymer granules, which are now used more widely within the Group, trended upwards. From the middle of the year onwards, material prices began to edge up again with a particular impact on alloy surcharges for nickel, chromium and molybdenum.

For the purpose of counteracting the rise in raw material costs, ElringKlinger agrees supply contracts that are as long term as possible, optimizes its product designs on a continual basis and develops more cost-effective materials.

The Group's gross profit margin was adversely affected by the collective pay rise by 4.3% at sites in Germany, which came into effect on May 1, 2012. Given the fact that almost half of the workforce within the ElringKlinger Group is employed at domestic sites, the wage increase had a sizeable impact. The detrimental effects of pay rises were only partially offset by automation in manufacturing and the introduction of leaner production processes.

At the same time, however, at 3.1% staffing levels rose at a slower rate compared to the increase in output and sales revenue, despite the takeover of former ThaWa GmbH.

The staff profit-sharing bonus of EUR 1,150 (1,000) per employee for members of the ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH and Elring Klinger Motortechnik GmbH workforce, as agreed in early 2012 for the financial year 2011, resulted in additional staff costs of EUR 3.3 (2.5) million in total.

The Group's gross profit margin was significantly impacted by the as yet substantially weaker gross profit margins associated with the acquisitions transacted in 2011 and 2012. Overall, the earnings contributions made by the Hug Group, the Hummel-Formen Group, the former company ThaWa GmbH and the metallic flat gaskets business acquired from the Freudenberg Group had a quite substantial dilutive effect on the gross profit margin, equivalent to 0.5 percentage points.

In total, the cost of sales rose at a more pronounced rate than sales, up 9.5% to EUR 814.8 (744.2) million.

Higher R&D expense

The ElringKlinger Group further expanded its research and development budget in 2012, raising its expenditure by EUR 7.4 million compared to the previous year. Efforts within the field of R&D were stepped up both in the Group's core business and in the New Business Areas and E-Mobility divisions (**Research and Development***). In total, research and development costs thus rose to EUR 57.3 (49.9) million.

* CF. PAGE 92

The share of R&D expenses in Group sales increased to 5.1% (4.8%). The Group received a total of EUR 4.0 (4.1) million in government grants over the course of 2012. In parallel, ElringKlinger recorded expenses at a comparable level for development work and prototyping.

While the E-Mobility division incurred considerable start-up costs, in line with expectations, it has yet to generate corresponding sales revenues. As soon as the volumes requested by customers expand within the context of ongoing projects as well as newly initiated serial production contracts, ElringKlinger anticipates that it will be in a position to reach the profit threshold in this line of business within the next two years. In 2012, ElringKlinger was able to secure two further serial production contracts for cell contact systems to be used in a hybrid vehicle produced by a German car maker and in an all-electric vehicle built by another European manufacturer.

In the period under review, the Group capitalized development costs totaling EUR 8.4 (6.7) million. At the same time, systematic depreciation and amortization of R&D activities capitalized by the Group totaled EUR 5.6 (4.9) million in 2012. The positive effect on earnings attributable to this item was equivalent to EUR 2.8 million.

Selling expenses rose at a more pronounced rate than revenue, up 15.7% to EUR 78.0 (67.4) million. The disproportionately large increase in selling expenses relative to sales revenue was attributable partly to the first-time inclusion of acquisitions. Additionally, ElringKlinger's response to significant growth was to expand staffing levels within its sales unit.

General and administrative expenses rose at a slower rate than sales revenue, increasing by just 5.5% to EUR 45.8 (43.4) million.

In 2011, other operating income had included one-time income of EUR 22.7 million from the sale of the Ludwigsburg industrial park. This was a key factor in the marked decline in other operating income for 2012, down from EUR 34.7 million to EUR 15.4 million.

Other operating expenses fell to EUR 7.8 (11.6) million.

Slight contraction in EBITDA before exceptional items

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 12.3% compared to the previous year, which had been buoyed by the sale of the industrial park. Thus, EBITDA totaled EUR 215.4 (245.5) million in the period under review. On a like-for-like basis – following adjustments for the above-mentioned one-time gain recorded in the previous year – EBITDA was down by only 3.3%.

In total, depreciation, amortization and write-downs dropped to EUR 79.4 (96.8) million in 2012. It should be noted, however, that the reduction in depreciation, amortization and write-downs was attributable partly to lower contributions made by tools within this area. Additionally, a substantial proportion of capital expenditure was attributable to land and buildings, which are depreciated over a longer period of time.

The purchase price allocations relating to recent acquisitions produced a charge of EUR 2.3 million in total.

Adjusted operating result up 8.2%

The Group's operating result contracted by 8.1% to EUR 138.9 (151.1) million in 2012. However, this was attributable entirely to the one-time gain recorded on the disposal of the industrial park in 2011. Adjusted for this non-recurring item, the ElringKlinger Group managed to increase its operating result by 8.2%. As yet, the contribution made by the aforementioned acquisitions, including the former Freudenberg companies, diluted the Group's operating result by minus EUR 2.5 million in 2012 and by minus EUR 0.3 million in the fourth quarter. Excluding the purchase price allocation, the Group's operating result stood at EUR 141.2 million. Having eliminated non-recurring items, the operating margin for 2012 remained virtually unchanged year on year at 12.3% (12.4%).

EBIT adjusted for non-recurring items up 7.9%

In contrast to the operating result, earnings before interest and taxes (EBIT) include foreign exchange gains and losses. Overall, foreign exchange translation produced a net dilutive effect of EUR 3.4 million, as a result of which EBIT was weaker than the Group's operating result. In 2012, EBIT thus stood at EUR 136.0 (148.7) million. Compared to EBIT for the previous year (EUR 126.0 million), adjusted for the one-time gain on disposal of the industrial park, this corresponds to an increase of 7.9%.

Adjusted EBIT before purchase price allocation amounted to EUR 138.3 million. Therefore, the EBIT margin, adjusted for non-recurring items, was slightly lower than in the previous year: at 12.1% (12.2%) and at 12.3% before purchase price allocation.

Excluding the dilution of earnings attributable to the acquisition of the Hug Group, the Hummel-Formen Group and former ThaWa GmbH – the latter having already been integrated into ElringKlinger AG – as well as to the Freudenberg companies, which as yet generate lower margins in Group comparison, the ElringKlinger Group recorded an EBIT margin of 13.5% in its core business in 2012, before purchase price allocation.

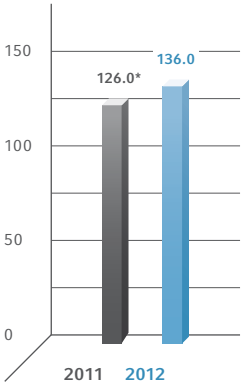
Net finance costs up due to foreign exchange effects

At EUR 15.1 million, the Group's net finance costs were up on the figure of EUR 14.5 million posted in the previous year. This was attributable largely to foreign exchange effects.

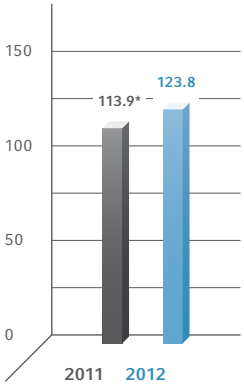
Finance costs fell by EUR 8.4 million in 2012. As a result of more extensive borrowings, interest expenses rose by EUR 0.4 million. By contrast, expenses relating to exchange differences were down by EUR 8.8 million. With the Swiss franc appreciating against the euro in 2012, the Group was again forced to increase the carrying amount of liabilities recognized in connection with a loan used to finance the acquisition of the Swiss SEVEX Group in 2008. At the time, ElringKlinger AG had financed the transaction in Swiss francs. As of December 31, 2012, the associated expenses amounted to EUR 0.4 (1.4) million.

In 2012, finance income fell by EUR 8.9 million year on year to EUR 6.9 (15.8) million. This was attributable primarily to a decline in income from foreign exchange differences by EUR 9.7 million. By contrast, interest income rose by EUR 0.3 million.

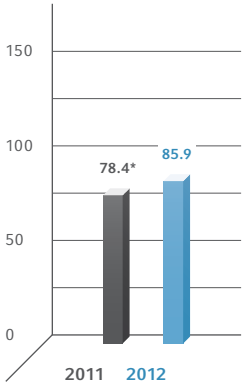
EBIT
in EUR million



EARNINGS BEFORE TAXES
in EUR million



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF ELRINGKLINGER AG
in EUR million



* Adjusted for the one-time gain from the sale of the Ludwigsburg industrial park (EUR 22.7 million before taxes, EUR 16.5 million after taxes)

Adjusted earnings before taxes grow faster than operating result

Group earnings before taxes amounted to EUR 123.8 (136.6) million. Excluding the above-mentioned exceptional income recorded in the previous year, the ElringKlinger Group managed to increase its earnings before taxes by 8.7%.

Adjusted net income after non-controlling interests up 9.6% on previous year

Tax expenses decreased to EUR 34.4 (39.0) million in the period under review. Compared to the previous year, the tax rate fell to 27.8% (28.6%).

On this basis, the ElringKlinger Group recorded net income of EUR 89.4 (97.6) million in 2012. Adjusted for the one-time gain of EUR 16.5 million (after taxes) in the previous year, the Group saw net income rose by 10.2%.

Including the one-time gain recorded in the previous year, net income after non-controlling interests stood at EUR 85.9 (94.9) million. Eliminating this one-time gain, profit attributable to shareholders of ElringKlinger AG amounted to EUR 78.4 million in 2011. On this basis, adjusted net income after non-controlling interests grew by 9.6%.

As a result, earnings per share stood at EUR 1.36 (1.50). As of December 31, 2012, the number of ElringKlinger AG shares outstanding that were entitled to a dividend remained unchanged year on year at 63,359,990.

Regular dividend to rise by 12.5%

ElringKlinger AG is committed to a consistent dividend policy that reflects the current earnings performance and allows shareholders to participate in the company's success in an appropriate manner.

In view of this, the Management Board and Supervisory Board will propose to the Annual General Meeting resolving on the 2012 financial year a dividend of EUR 0.45 (0.58) per share.

Compared to the regular dividend paid out for the previous year (EUR 0.40 per share), the proposal represents an increase of 12.5%. Last year, shareholders received an extra dividend of EUR 0.18 per share as a result of the non-recurring income generated by the disposal of the Ludwigsburg industrial park.

Financial Position

With an equity ratio of 50.5% and positive net cash from operating activities, the ElringKlinger Group remained solid in terms of its financial position and cash flows as of December 31, 2012.

Growth increases total assets to EUR 1,269 million

The level of growth generated by the ElringKlinger Group is reflected in total assets, which stood at EUR 1,268.6 (1,217.6) million as of December 31, 2012, up EUR 51.0 million on the figure reported as of December 31, 2011. This was attributable primarily to an investment-induced increase in property, plant and equipment as well as higher working capital.

The inclusion of former ThaWa GmbH and its associated company AGD Group Entwicklungs- und Vertriebs GmbH within the ElringKlinger Group had no significant impact on the balance sheet. The effects of this acquisition on the assets and liabilities of the ElringKlinger Group at the date of acquisition are discussed in detail in the notes (**Notes***).

* CF. PAGE 151

The rise in property, plant and equipment was driven by substantial investments – well in excess of depreciation and amortization – in new operational facilities as well as production systems and machinery. Property, plant and equipment totaled EUR 565.0 (537.5) million as of December 31, 2012.

Higher working capital

Inventories increased by EUR 13.1 million or 6.1% year on year and amounted to EUR 229.6 (216.5) million as of December 31, 2012. Thus, they expanded at a slower rate relative to revenue growth, which stood at 9.1%. The increase in inventories was attributable mainly to a rise in tool-related stocks, up by EUR 15.0 million, recognized in this item. Without this effect, inventories would have been lower.

Compared to September 30, 2012 (EUR 241.0 million), the Group managed to reduce inventories by EUR 11.4 million by the end of 2012 as part of improvements implemented in the area of working capital management.

As of December 31, 2012, the share of inventories in total assets rose to 18.1% (17.8%).

Trade receivables were scaled back slightly at the end of 2012, despite growth in revenue. At EUR 185.9 (187.3) million, they were down EUR 1.4 million on the figure posted at the end of the previous financial year. Compared to September 30, 2012 (EUR 204.1 million), trade receivables fell by EUR 18.2 million.

Other current assets increased by EUR 11.7 million to EUR 45.4 (33.7) million as of December 31, 2012, primarily as a result of receivables from an insurer in connection with warranty incidents.

In total, current assets amounted to EUR 517.3 (504.1) million.

ElringKlinger is planning to build a new state-of-the-art production facility at the future site in Gumi, South Korea, as part of the takeover of the remaining 50% ownership interest in the South Korean joint venture ElringKlinger Korea Co., Ltd. In view of this, ElringKlinger intends to sell the existing premises in 2013. Correspondingly, these assets were reclassified in the Group statement of financial position and recognized as "non-current assets held for sale and discontinued operations."

Equity ratio solid at over 50%

More substantial allocations were made to revenue reserves from net income. As of December 31, 2012, they amounted to EUR 424.6 (376.8) million.

By contrast, other reserves were down by EUR 19.2 million to EUR 3.0 (22.2) million at the end of the 2012 financial year. This was mainly due to the fact that increases in pension provisions were recognized directly in equity.

Group equity rose to EUR 640.3 (610.1) million in total. The equity ratio remained high at 50.5% (50.1%).

Low interest rates prompt increase in pension provisions

Totaling EUR 79.1 million at the end of the previous financial year, pension provisions had to be increased by EUR 22.5 million as of December 31, 2012, in response to the considerable decline in interest rates. Thus, pension provisions amounted to EUR 101.6 million at the end of the reporting period. The so-called actuarial losses, which led to an increase in pension provisions, are recognized directly in equity and therefore have no influence on profit or loss.

Current and non-current provisions rose by EUR 6.6 million to EUR 29.5 (22.9) million. In this context, higher staff-related provisions, e.g. for partial retirement arrangements and anniversary benefits, were a key factor.

Rise in net debt

Bank borrowings were expanded in particular for the purpose of financing investments made during 2012 as well as the dividend payout. Additionally, ElringKlinger AG took out a loan with ElringKlinger Marusan Corporation as well as with Lechler GmbH. Thus, current and non-current financial liabilities rose by EUR 27.2 million to EUR 314.7 (287.5) million as of December 31, 2012. More specifically, non-current financial liabilities amounted to EUR 131.0 (161.4) million, while current financial liabilities totaled EUR 183.7 (126.1) million.

Correspondingly, the Group saw net debt (current and non-current financial liabilities less cash) rise to EUR 260.4 (222.3) million as of December 31, 2012. Compared to September 30, 2012 (EUR 274.1 million), however, net debt was scaled back slightly.

Despite more expansive production volumes, trade payables fell by EUR 6.9 million to EUR 58.1 (65.0) million as of December 31, 2012.

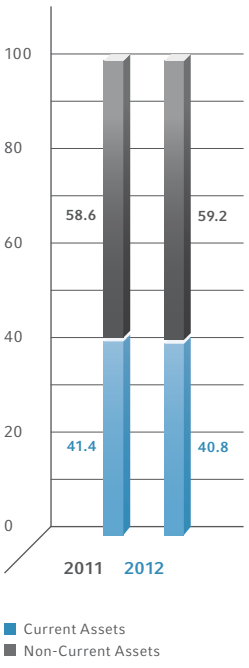
Other current and non-current liabilities were also down at the end of the 2012 financial year, amounting to EUR 66.2 (89.5) million. This was attributable mainly to reduced deferrals associated with tooling revenue, which contributed to a drop in other liabilities by EUR 12.0 million. The extinguishment of a customer claim of EUR 6.0 million against ElringKlinger AG in connection with a warranty incident also contributed to the year-on-year decline (**Notes***).

* CF. PAGE 177

Overall, liabilities amounted to EUR 628.3 (607.5) million, which corresponds to 49.5% (49.9%) of total equity and liabilities.

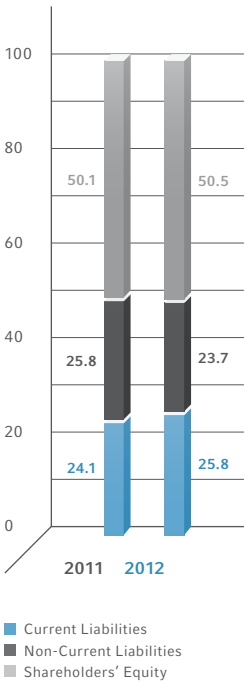
BALANCE SHEET STRUCTURE ELRINGKLINGER GROUP

ASSETS
in % of Balance Sheet Total



Current Assets
Non-Current Assets

LIABILITIES AND SHAREHOLDERS' EQUITY
in % of Balance Sheet Total



Current Liabilities
Non-Current Liabilities
Shareholders' Equity

Cash Flows

Cash flow from operating activities up 51% on previous year

ElringKlinger achieved a steady quarter-on-quarter improvement in its cash flow from operating activities over the course of the 2012 financial year. This was attributable primarily to optimizations in the area of working capital management, particularly in the fourth quarter. In total, the ElringKlinger Group recorded positive net cash from operating activities of EUR 112.3 (74.5) million in the 2012 financial year.

At EUR 123.8 million, earnings before taxes for 2012 were down EUR 12.8 million on the figure posted in 2011 (EUR 136.6 million), thus making a smaller contribution to operating cash flow. In the previous year, earnings before taxes had been propelled upwards by one-time income from the sale of the Ludwigsburg industrial park, as discussed earlier. Compared to fiscal 2011, the reduction in depreciation, amortization and write-downs of non-current assets (less write-ups) by EUR 17.4 million had an adverse effect.

In 2011, a total of EUR 17.5 million in net gains and losses from the disposal of non-current assets was deducted for the purpose of determining cash flow from operating activities. This was attributable primarily to one-time income from the sale of the Ludwigsburg industrial park. In 2012, by contrast, the adjustment relating to net gains and losses from the disposal of non-current assets amounted to just EUR 2.8 million.

During the 2012 financial year, the ElringKlinger Group increased provisions by EUR 4.5 million, having previously reduced provisions by EUR 8.1 million in 2011.

Inventories (excluding tools) were scaled back in 2012 with the support of optimized inventory management. Having said that, higher tool-related stocks recognized in inventories had a contrary effect. They rose by EUR 15.0 million. At the same time, the level of capital tied up in trade receivables was reined back in 2012, despite the significant increase in sales revenue. By contrast, receivables from an insurer in connection with warranty incidents increased in the period under review.

In total, inventories, trade receivables and other assets not attributable to investing or financing activities rose by EUR 22.4 million in the 2012 financial year. In the previous year, they had increased by a more substantial EUR 95.9 million. Alongside the increase in inventories and higher tool-related stock levels, a claim of EUR 14.4 million against an insurer (**Notes***) had been a key contributor in 2011.

* CF. PAGE 177

The much smaller increase recorded in 2012 was also attributable in particular to a focused reduction in working capital over the course of the fourth quarter. In the fourth quarter alone, the ElringKlinger Group scaled back inventories, trade receivables as well as other assets not attributable to investing or financing activities by EUR 20.8 million. The benefits to operating cash flow were significant.

In 2012, lower deferrals associated with tooling revenue saw other liabilities decline by EUR 12.0 million. The extinguishment of a customer claim of EUR 6.0 million against ElringKlinger AG in connection with a warranty incident also contributed to the reduction in other liabilities (Notes*).

* CF. PAGE 177

Despite more expansive production volumes, trade payables were reined back by EUR 7.4 million in 2012. In total, trade payables and other liabilities not attributable to investing or financing activities fell by EUR 35.0 million. In 2011, by contrast, the Group had scaled these items back by just EUR 17.3 million. The figure posted in 2011 included a in the previous year outstanding liability of EUR 7.0 million relating to a warranty incident.

Overall, ElringKlinger saw its fiscal 2012 cash flow from operating activities rise by EUR 37.8 million compared to the previous year.

Outflow for investments lower in 2012

In 2011, cash flow from investing activities had been dominated by the sale of the Ludwigsburg industrial park. This transaction alone had resulted in proceeds of EUR 34.0 million. By contrast, 2012 saw a cash inflow of just EUR 9.0 (36.5) million from the disposal of property, plant and equipment, intangible assets and investment property.

Cash outflows relating to property, plant and equipment as well as investment property and intangible assets fell to EUR 114.3 (121.6) million in total in 2012. As a result, the investment ratio (investments in relation to sales revenue) for the ElringKlinger Group dropped to 10.1% (11.8%).

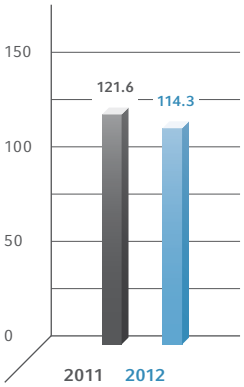
Among the principal investments made in 2012 was the extension of the new plant for plastic housing modules at the site in Dettingen/Erms. The facility was equipped with state-of-the-art manufacturing systems. Since 2012, the range of items rolling off the production line at this plant has included new lightweight cam covers, oil pans and charge air ducts.

In parallel, investments were directed at the expansion of the Thale production site. Starting in the spring of 2013, this plant will be responsible for performing the precision-welding and canning of particulate filters and complete exhaust gas purification systems.

In preparation for further serial production orders and for the purpose of raising the overall level of automation, ElringKlinger made additional investments in machinery within the E-Mobility division for the production of cell contact systems used in lithium-ion batteries.

On the back of significant payments of EUR 62.4 million for the three acquisitions transacted in the previous year, ElringKlinger recorded an outflow of only EUR 4.1 million for the purchase of subsidiaries in 2012. This figure included the takeover of former ThaWa GmbH and the associated entity AGD Group Entwicklungs- und Vertriebs GmbH.

PAYMENTS FOR INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS
in EUR million



In total, net cash used in investing activities in 2012 amounted to EUR 108.2 (147.4) million. The ElringKlinger Group had a positive operating free cash flow (cash flow from operating activities less cash flow from investing activities, adjusted for payments in respect of acquisitions) of EUR 8.2 (-10.5) million.

Lower financing requirements: reduction in cash flow from financing activities

In 2012, payouts to shareholders and non-controlling interests of ElringKlinger AG were increased by EUR 14.9 million to EUR 37.9 (23.0) million.

Also for the purpose of taking advantage of lower interest rates at the short end of the interest rate spectrum, the ElringKlinger Group expanded its financial liabilities by EUR 68.7 (84.5) million. In parallel, loan repayments of EUR 43.7 (31.1) million were made in the period under review. In net terms, therefore, financial liabilities increased by EUR 25.0 (53.4) million.

Net cash used in financing activities thus amounted to EUR 13.3 million in 2012, in contrast to net cash used in financing activities of EUR 35.4 million in 2011.

Cash held by the ElringKlinger Group fell to EUR 54.3 (65.2) million.

Group Companies

Integration of acquired companies

One of the key items on the agenda over the course of 2012 was the integration of the three entities acquired in 2011, together with the former ThaWa GmbH as well as AGD Group Entwicklungs- und Vertriebs GmbH, which had been purchased at the beginning of 2012. In this context, a number of measures were introduced and implemented for the purpose of further improving the profitability of these companies. For further details of these measures as well as information on the performance of the acquired companies, please refer to the chapter entitled **"Sales and Earnings Performance"*** . A detailed overview of the ElringKlinger Group structure and organization can be found in the chapter entitled **"Overview of ElringKlinger's Activities and Structure"*** .

* CF. PAGE 61 ET SEQQ.

* CF. PAGE 47 ET SEQQ.

ThaWa GmbH merged into ElringKlinger AG

Effective from January 1, 2012, ElringKlinger AG acquired metal-housing producer ThaWa GmbH Thaler Warenautomaten, based in Thale, Saxony-Anhalt, Germany, as well as its associated company AGD Group Entwicklungs- und Vertriebs GmbH, Gütersloh, Germany. The two entities were merged into ElringKlinger AG in 2012. Since then, the Thale site has been managed as a plant operated by ElringKlinger AG. The chapter entitled **"Significant Events"*** provides further information about these activities.

* CF. PAGE 59

Full incorporation of tool manufacturer Hummel-Formen Group

In November 2012, ElringKlinger AG acquired the remaining 10% ownership interest in the Hummel-Formen Group held by the original founding family. In completing this transaction, ElringKlinger AG became the sole owner of the Hummel-Formen Group. ElringKlinger AG had previously acquired a majority interest in the manufacturer of tools for plastic injection-molding processes in October 2011. Due to the legal form and characteristics of this transaction, the interests were allocated to ElringKlinger AG in full already effective from the date of acquisition.

In order to streamline and harmonize the existing structures in accordance with the organizational standards applied to the ElringKlinger Group, Hummel-Formen Kunststofftechnik GmbH was merged into Hummel-Formen GmbH. Preparations are also being made for the amalgamation of the two Romanian companies (HURO Supermold S.R.L. and HURO Invest S.R.L. in Timisoara, Romania), the aim being to further optimize corporate structures. Additionally, it's planned to merge Hummel-Formen GmbH into ElringKlinger AG. As a center of excellence for injection-molding tools used in plastics engineering, Hummel-Formen will then complement the existing toolmaking operations of the ElringKlinger Group.

Further reduction in non-controlling interests within the Group

In the context of the Group's equity investment strategy, ElringKlinger AG has a fundamental interest in scaling back the shareholdings of non-controlling interests in the Group.

Against this backdrop, the non-controlling interests held in HURO Supermold S.R.L., Romania, and in Hug Engineering S.p.A., Italy, were acquired in full during 2012. In addition, a further 2% of the interests in Hug Engineering AG, Switzerland, were purchased by the company. The interest held

by ElringKlinger AG in the Swiss exhaust treatment specialist thus stood at 68.67% at the end of the financial year.

As already discussed, the remaining interests in the Hummel-Formen Group were also acquired in their entirety.

The US-based company Elring of North America Inc., Branchburg, USA, was closed in 2012. The activities of this company, which had been operating in the aftermarket business, are now being managed centrally by ElringKlinger AG.

Growth increasingly driven by international Group companies

In 2012, the majority of ElringKlinger's international subsidiaries benefited from global vehicle demand and production output that remained on the whole stable. The anemic European vehicle market proved detrimental to the parent company, but in particular to the subsidiaries located in the Western European region.

With a few exceptions, the Group companies saw their sales revenue rise during the period under review. The companies in the growth markets in China, India, the United States and Turkey recorded above-average growth rates.

Due to the increasingly global nature of the ElringKlinger Group and the much more dynamic direction taken by overseas car markets, the proportion of Group revenue attributable to the subsidiaries increased yet again in 2012, thus maintaining the forward momentum seen in previous years. With sales amounting to EUR 700.8 (636.7) million, the subsidiaries generated substantially more revenue in total than the parent company, which recorded sales of EUR 426.4 (396.1) million.

Compared to the previous year, the subsidiaries and joint ventures achieved revenue growth of 10.1%, while ElringKlinger AG saw its revenue increase by 7.6%. Against this background, the overall relevance of the subsidiaries operating within the ElringKlinger Group continued to grow. The share of investees in total Group revenue rose to 62.2% (61.6%).

The foreign Group companies gained forward momentum, with their aggregate share in Group revenue again amounting to a substantial 52.6% (53.0%).

The overall earnings performance of Group companies was also positive. They posted earnings before taxes of EUR 74.7 (69.5) million in 2012. Despite the negative aggregate earnings contribution by the companies acquired in 2011 and 2012, year-on-year growth still amounted to 7.5%.

Investment focus on Asia and North America

In 2012, the Japanese joint venture ElringKlinger Marusan Corporation established a subsidiary in Indonesia, trading as PT. ElringKlinger Indonesia. Operating with its own production facilities in Greater Jakarta, the ElringKlinger Group has thus created its first stepping stone for business within the burgeoning ASEAN 10 region. Alongside China, the ASEAN bloc is one of the most promising automotive markets worldwide. From 2013 onwards, cylinder-head and specialty gaskets as well as heat shields will be rolling off the production line at the local plant, primarily for Japanese car and truck manufacturers.

In addition, ElringKlinger AG acquired the full ownership interest in the Korean joint venture ElringKlinger Korea Co., Ltd. effective from February 1, 2013. In doing so, the company has further strengthened its market position in Asia (**Events after the Reporting Period***).

* CF. PAGE 131

In 2012, 49.9% (42.5%) of capital expenditure directed at investments in property, plant and equipment, investment property and intangible assets was attributable to the subsidiaries. At 8.1% (8.1%), the investment ratio at the subsidiaries remained unchanged year on year.

A substantial share of the investments made by the Group was used for the purpose of expanding production capacity for new product ramp-ups in Asia and North America. The emphasis of procurement efforts was on new production systems for the sites in Buford, USA, and Toluca, Mexico, as well as for the Chinese plants operated by the ElringKlinger Group in Changchun and Suzhou.

The Group also added to its overall production capacity at the Sevelen site operated by ElringKlinger Abschirmtechnik (Schweiz) AG and at the rapidly expanding Turkish subsidiary in Bursa.

Employees

Group headcount up 3%

Production volumes continued to expand over the course of 2012. Due to the significant number of newly initiated projects, the company had to extend its capacity levels during the reporting period. Thus, the headcount in areas associated with manufacturing operations was higher in the period under review, despite improvements in the company's productivity. The E-Mobility division also saw a further expansion in staffing levels. In response to the company's strong growth, additional members of staff were also recruited in Sales and in the central functions of Finance and Marketing. By contrast, the overall headcount at some of the entities acquired in 2011 was scaled down as part of ongoing integration measures and more extensive automation with regard to production processes.

As of December 31, 2012, the ElringKlinger Group employed 6,263 (6,075*) people worldwide. The overall increase in the Group's headcount by 188 people or 3.1% was less pronounced than the level of revenue growth generated by the Group (9.1%).

It should be taken into account that the higher headcount includes employees taken on from former ThaWa GmbH, an enterprise acquired at the beginning of 2012. At the end of 2012, 54 people were employed at the Thale site. Excluding this acquisition, the overall number of employees would have increased by only 2.2% year on year.

In 2012, the annual average number of employees within the Group totaled 6,314 (5,729*) worldwide.

* Adjustments to some prior-year figures, cf. Notes page 200

Domestic staffing levels remain high

Almost half of the people working for the ElringKlinger Group over the course of 2012 were still employed in Germany. The higher domestic headcount was attributable in part to the acquisition of former ThaWa GmbH in Saxony-Anhalt. In total, 2,918 (2,813*) people were employed at sites in Germany as of December 31, 2012. Thus, the proportion of staff members employed at domestic facilities was 46.6% (46.3%). By contrast, the share of sales revenue generated by ElringKlinger in Germany stood at a mere 30.1%.

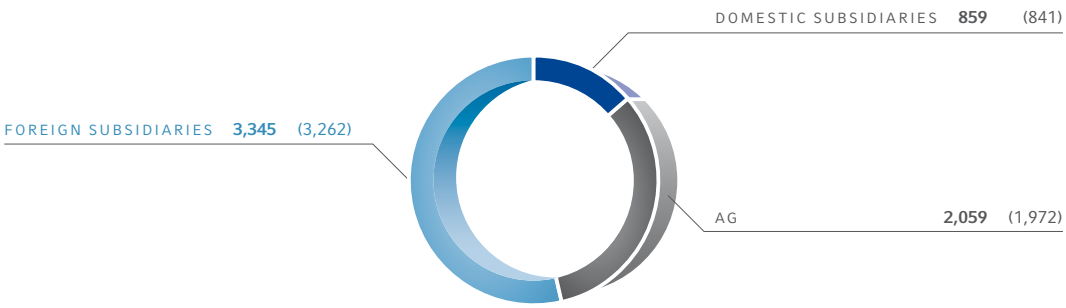
In total, the sites operated by the parent company ElringKlinger AG (Dettingen/Erms, Gelting, Runkel, Langenzenn, Thale) provided employment for 2,059 (1,972) people at the end of 2012. The largest domestic subsidiary, ElringKlinger Kunststofftechnik GmbH, had a total headcount of 592 (577) as of December 31, 2012.

Headcount up slightly in foreign markets

The Group's growth within the global business arena is also reflected in higher staffing levels at its international sites. As of December 31, 2012, the number of people employed abroad rose to 3,345 (3,262*). Thus, the share of employees based at non-domestic sites was 53.4% (53.7%).

ElringKlinger continued its recruitment drive at the company's Chinese plants as part of its efforts to expand production capacity. At the end of 2012, the factories in Changchun and Suzhou employed 518 (489*) people in total. In the United States, too, buoyant demand and the introduction of new products had an impact on the company's headcount. The US site in Buford saw its personnel base expand by 37 in the year under review. Elsewhere, the Brazilian production plant in Piracicaba recorded a 13.2% increase in staff numbers in response to more expansive revenue flows, taking the headcount to 437 (386).

ELRINGKLINGER GROUP EMPLOYEES WORLDWIDE December 31, 2012 (prior year)



* Adjustments to some prior-year figures, cf. Notes page 200

In contrast to the above-mentioned expansion in staffing levels at some of the subsidiaries, some of the companies acquired in 2011 saw a reduction in personnel as a result of measures aimed at corporate integration as well as due to sluggish demand throughout Western Europe. Committed to strengthening its competitiveness, ElringKlinger significantly expanded the overall level of automation at the French sites operated by the former Freudenberg companies as well as at the Swiss Hug Group. Cost structures were adjusted to reflect demand levels that failed to meet expectations. Against this backdrop, job cuts at the above-mentioned sites were unavoidable over the course of 2012.

For further information on staff development and HR policies within the ElringKlinger Group, as well as associated indicators, please refer to the chapter entitled **"Sustainability"***.

* CF. PAGE 90 ET SEQ.

Procurement

Material costs are one of the three main expense items for the ElringKlinger Group. Therefore, procurement plays a key role regarding the company's earnings performance.

Purchasing is primarily responsible for procuring the raw materials and other commodities needed for the manufacturing process with due regard for production deadlines and cost considerations. These mainly include alloyed high-grade steels (primarily nickel alloys), aluminum, **C-steel***, polymer granules, rubber and polytetrafluoroethylene **(PTFE*)**. In 2012, ElringKlinger AG's central purchasing department at its headquarters in Dettingen/Erms again performed most of the procurement activities on behalf of the Group's German and international subsidiaries.

* CF. GLOSSARY
* CF. GLOSSARY

The previous year had been marked by a series of shortages as a result of temporary demand spikes and disruptions to supplies following the earthquake and tsunami in Japan. By contrast, ElringKlinger had no difficulty in obtaining the key commodities it required in 2012.

For the most part, the price level of raw materials was relatively stable over the course of 2012. For some categories of material such as polyamide granules and elastomers, however, prices did rise over the year. The ElringKlinger Group's actual procurement requirements were largely in line with the quantities originally planned for 2012. Any additional requirements were procured at short notice.

Purchasing volume up 8%

The renewed strong growth in sales generated by the ElringKlinger Group in 2012 was reflected in an increase in purchasing volume. Compared to the previous year, it rose by 8.0% to EUR 707.0 (654.6) million. The figure relating to the total purchasing volume encompasses externally sourced raw materials, consumables and supplies as well as merchandise for the company's independent aftermarket business and investments in land, property, plant and equipment, and real estate. The pure cost of materials in 2012 stood at EUR 506.1 (423.7) million. The year-on-year increase in the total cost of materials is largely due to a rise in procurement volumes.

Commodity prices in 2012: stable to rising

Fiscal 2012 began with significant price increases for most of the input materials that are of relevance to ElringKlinger. Nickel, for instance, which is used in high-grade steel alloys, rose by over 15% to nearly USD 22,000 per ton in the first weeks of 2012.

As the year progressed, the global economy was held back by the recessionary impact of the crisis affecting the southern eurozone states and concern over levels of sovereign debt. This triggered a decline in many commodity prices, which remained fairly subdued compared to the peaks of 2011. Overall, material prices and alloy surcharges were also much less volatile than in the previous year.

However, it generally takes three to four months before the downward price adjustments relating to alloy surcharges have an effect on ElringKlinger's purchasing costs. By contrast, the company's proceeds from the sale of scrap dropped immediately in response to the lower market prices. ElringKlinger took advantage of this pricing trend by employing derivative instruments on a rolling basis to hedge some of its requirements of alloyed high-grade steels.

Market prices for the polymer granules used increasingly by the company to make lightweight components moved in the opposite direction. They remained relatively high throughout the year and in some cases even moved further upwards.

ElringKlinger normally concludes supplier agreements covering a period of one year or longer in order to limit the risk presented by rising commodity prices and guarantee the volumes required for production. In the case of plastics, there is a trend towards shorter contracts in response to more pronounced price fluctuations. The company also aims to reduce its material-specific costs by identifying new sources and approving new suppliers. Its efforts in this area include regular testing of alternative, less expensive materials.

RAW MATERIAL CHARGE WITHIN ELRINGKLINGER GROUP 2012 (prior year) in %

ElringKlinger secures energy supply through long-term contracts and its own CHP units

The increase in production output across the entire Group led to higher energy consumption in 2012. Energy consumption rose to 226,700 (199,800*) MWh (absolute energy consumption: electricity, gas and other energy sources). Adjusted for the former company ThaWa GmbH as well as the Hummel-Formen Group, neither of which was included in the 2011 figures, the increase in energy consumption was 10.8% – in line with revenue growth generated by the Group.

Higher energy consumption and price hikes relating to electricity and gas resulted in an increase in energy costs. In total, energy costs rose by 15.0% to EUR 18.4 (16.0) million. The ratio of energy costs to the Group's overall cost of sales rose again in 2012 to reach 2.6% (2.1%).

In order to protect its energy supply and guard to some extent against rising prices, ElringKlinger has concluded long-term supply contracts for a large share of its electricity and gas requirements. In 2012, the company already negotiated a new electricity supply contract for the period up to and including 2015.

Two own combined heat and power (CHP) plants at the headquarters in Dettingen/Erms also contribute to an overall reduction in energy costs and provide a better basis for long-term planning. The company plans to install a further two CHP plants in 2013, one in Dettingen/Erms and another at ElringKlinger Kunststofftechnik GmbH in Bietigheim-Bissingen. During the summer months, an absorption cooling unit will help to generate cool air for the air conditioning systems from the CHP plant's residual heat. This will replace the previous energy-intensive cooling units in use at these sites (**Sustainability***).

* CF. PAGE 88

Globalization of supplier structure

At ElringKlinger, supplier management involves an ongoing process of supplier development and the identification and approval of new supply-side partners. In 2012, as part of the Group's measures to expand capacity in the fast-growing emerging markets and above all in China, the company again assessed and approved a significant number of international suppliers. By way of example, part of the Group's aluminum requirements were sourced in China in 2012. Out of the total purchasing volume, the proportion obtained from Asia is gradually increasing. By sourcing a larger volume of materials from local markets, the company is able to reduce its logistics costs and limit its exposure to currency risks.

The central purchasing department conducts regular Group-wide quality and cost analyses to provide all Group companies with the most appropriate sources of materials and optimize purchasing costs.

As a rule, all new suppliers are evaluated and certified on the basis of international ISO standards. They are also expected to comply with the exacting quality and environmental guidelines defined by the ElringKlinger Group. ElringKlinger makes every effort to achieve a balanced supplier structure and minimize its dependency on individual suppliers. In 2012, the Group's top 30 suppliers accounted for approximately 20% of its total volume of purchases.

* Adjustments to some prior-year figures

Already in 2011, ElringKlinger launched a project to optimize supplier management across all the Group's divisions. The main objective of this project is to establish even closer links between the purchasing and quality management teams. When selecting new suppliers, the quality management department is now involved in the assessment and decision-making process at a much earlier stage. The new concept was successfully implemented throughout the Group in 2012. This has made it possible to improve the quality of the Group's supplier base even further on the basis of objective measurements. The result has been a significant drop in the number of complaints made by ElringKlinger.

Every year, ElringKlinger presents an award to one of its suppliers. The aim is to promote long-standing supplier relationships and recognize excellent performance. The criteria on which the award is based cover product quality, reliability and quality management systems, along with customer-oriented service and communication. ElringKlinger's 2012 award went to Hydro Aluminium Rolled Products GmbH.

The main task facing ElringKlinger's purchasing department in 2013 is that of further expanding the Group's global procurement network. In China, there are plans to strengthen the local supplier base by setting up a strategic purchasing team to operate alongside the local subsidiaries' existing purchasing structures. The objective of this process is to achieve a further reduction in purchasing costs.

Sustainability

Sustainability has always been a key factor in the success of ElringKlinger AG. Environmental efficiency is at the heart of all the Group's business activities, from product development through to production processes. ElringKlinger is also very aware of its responsibilities towards its staff and society as a whole.

In 2012, ElringKlinger published its first separate Sustainability Report under the heading "Sustainably mobile." The report explains how the Group implements its sustainability policy and emphasizes how important this is to the company. For details, please refer to **www.ElringKlinger.de/sustainability***.

*INTERNETLINK

Greater attention is now being paid to sustainable business models and non-financial indicators, even on the capital markets. Since 2010, ElringKlinger has been one of only a small number of automotive suppliers to be listed in the "DAXglobal® Sarasin Sustainability Germany Index." In 2007, it was the first automotive supplier to sign up for the Carbon Disclosure Project, which is supported by 772 investors with total assets of around USD 87 trillion. ElringKlinger is regularly assessed by the sustainability rating agencies Oekom, EIRIS and Sustainalytics; it has also been awarded the quality mark for sustainability by DZ Bank.

Product portfolio for green mobility

The ElringKlinger Group believes its main focus should be on reducing emissions by developing a wide range of product solutions for the engine, transmission and exhaust tract and in the field of electromobility. Almost the entire ElringKlinger product range has been designed with this goal in mind and as such helps to protect the environment both directly and indirectly. At the same time, the Group's products respond to the key issues facing the automotive industry in the areas of engine downsizing, lightweight construction, exhaust gas purification systems and alternative drive technologies.

The 2012 Raw Materials Efficiency Award bestowed on ElringKlinger by the German Federal Ministry of Economics and Technology in recognition of its CleanCoat™ technology, illustrates the superior eco-friendly characteristics of ElringKlinger's products. The awards went to a research institute and four companies (including ElringKlinger AG as consortium partner to NANO-X GmbH) for the jointly developed CleanCoat™ soot catalyst, which is free of heavy and precious metals. Not only is the technology environmentally friendly, it also reduces fuel consumption and therefore makes a measurably contribution in the area of CO_2 reduction. At present, the catalyst is already in use in commercial vehicles, buses, construction machines and locomotives. Other possible applications include ships, stationary engines and power plants.

Detailed information on ElringKlinger's products and their contribution to sustainable mobility can be found in the **"Research and Development"*** section and on the corporate website at **www.ElringKlinger.com*** under the heading "Products."

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* INTERNETLINK

In order to optimize the use of resources in its production processes, ElringKlinger's central Environmental Management unit compiles a series of key indicators that track the use of materials, energy consumption, emissions and waste at all the company's sites worldwide on a regular basis. Following analysis of these indicators, appropriate optimization measures are implemented as required. In many cases, these measures also help to reduce costs in the long term.

Strict quality standards also help to ensure that business operations are as sustainable as possible. With the exception of the new plant in Indonesia, all the ElringKlinger Group's production locations are certified in ccordance with the automotive industry standard TS 16949 and/or ISO 9001. Certification of the Indonesian plant is scheduled for 2014. Furthermore, with the exception of the plant in Thale, all production plants operate an environmental management system according to ISO 14001. The Thale site is scheduled for ISO 14001 certification in 2013.

Indirect CO_2 emissions rise following change in method of calculation

Effective from 2012, ElringKlinger AG discloses its CO_2 emissions separately according to direct and indirect CO_2 emissions. The direct CO_2 emissions include those emissions that are attributable primarily to the procurement or consumption of gas and heating oil as well as – since 2012 – ElringKlinger AG's own vehicle fleet. The indirect CO_2 emissions encompass those emissions produced by electricity consumption as well as air travel.

The ElringKlinger Group's direct CO_2 emissions for 2012 stood at 22,780 (20,000) metric tons, an increase of 13.9% on the previous year.

By contrast, the indirect CO_2 emissions rose at a much more pronounced rate in 2012, taking the figure to 59,400 (48,000) metric tons. One of the key criteria used in calculating ElringKlinger's CO_2 emissions is the underlying emissions factor of the electricity mix. In 2012, the Group created a more stable basis for calculating its global CO_2 emissions by using the individual mix of each country. This led to a net increase in the emissions factor.

The total direct and indirect CO_2 emissions amounted to 82,180 (68,000) metric tons, with the result that in 2012, for the first time ever, the Group was unable to meet its self-imposed target of reducing its relative CO_2 output by 3% per annum. However, this target should again be achievable from 2013 onwards.

Whenever it acquires a new company car, ElringKlinger ensures that the vehicle's CO_2 emissions are as low as possible. In 2012, for example, the fleet in Dettingen/Erms was equipped with its first-ever hybrid. ElringKlinger AG's average vehicle fleet emissions of CO_2 fell to 157 (159) g/km in the year under review.

Furthermore, this year's annual report has been printed with an entirely neutral impact on the climate for the first time – just another way in which ElringKlinger is helping to protect the environment. This means that the CO_2 emissions generated in producing the report have been offset through accredited climate projects.

ElringKlinger also places great emphasis on energy-saving solutions when it acquires new machinery or builds new premises. In 2012, for instance, a photovoltaic system with an output of around 450 kW was installed on approximately 3,000 m² of roof space at the newly completed factory for plastic housing modules in Dettingen/Erms. Between September and December 2012, the system generated around 83,000 kWh of green electricity.

Other measures taken in 2012 included improvements to the roof insulation (e.g. using double insulated skylights) as part of a refurbishment program at one of the production buildings in Runkel. Following the installation of a new thermostat to optimize the temperature balance in the building, energy consumption at the new factory has improved considerably. Measures to reduce energy consumption also played an important part in expansion work at the Group's Suzhou factory in China, where production commenced in 2012. Thanks to a new heating system and better insulation, the amount of energy lost has been cut significantly.

To save even more energy, ElringKlinger is planning to build two further combined heat and power (CHP) units, one in Dettingen/Erms and the other in Bietigheim-Bissingen. The two company-owned CHP units in Dettingen/Erms have already helped to reduce the energy required at the site by a considerable margin in the previous year. The waste heat from electricity generation is used for production processes and in winter to heat the offices. In order to make greater use of this waste heat in the summer months, too, a complementary absorption cooling system will be installed in Dettingen/Erms in 2013. This will make it possible to recycle the waste heat generated by the CHP plant for the cooling processes involved in production and provide air conditioning. At the same time, the site's old cooling systems can be decommissioned, thus saving a considerable amount of energy.

The consumption of water and solvents in 2012 rose at a lower rate than sales, and the amount of waste increased proportionately less than the volume of goods produced. Around 84% of the total waste figure is accounted for by metal residues, mainly from stamping processes during production. ElringKlinger collects and sells this metal waste, which can then be reused for other purposes. The overall recycling rate for all waste produced at the Group's German sites is 96%. All waste is removed by accredited companies for recycling or disposal.

In order to provide even greater transparency, for the first time ElringKlinger will be reporting its nitrogen oxide (NO_X) emissions effective from 2012. The main sources of NO_X at ElringKlinger are gas and oil heating as well as the engine testing stations. At present, the figures compiled by ElringKlinger only cover the site in Dettingen/Erms. In the medium term, data on NO_X emissions shall be published for the Group as a whole.

THE ELRINGKLINGER GROUP – KEY ENVIRONMENTAL INDICATORS

	2012 incl. acquisitions	2012 excl. acquisitions[1]	2011[2]
Total direct and indirect CO_2 emissions in metric tons	82,180	80,100	68,000
CO_2 emissions in metric tons per EUR 1 million in sales	72.9	71.1	65.8
Total direct CO_2 emissions in metric tons	22,780	22,400	20,000
Of which direct CO_2 emissions from gas, oil, engine testing stations, etc. in metric tons	22,200	21,800	19,400
Of which CO_2 emissions for vehicle fleet[3] in metric tons	580	570	600
Total indirect CO_2 emissions in metric tons	59,400	57,700	48,000
Of which indirect CO_2 emissions from electricity in metric tons	56,900	55,200	46,000
Of which indirect CO_2 emissions from air travel[4] in metric tons	2,500		2,000
NO_X emissions[5] in metric tons	26		22
Absolute energy consumption (electricity, gas and other energy sources) in MWh	226,700	221,400	199,800
Absolute energy consumption in MWh per EUR 1 million in sales	201.1	196.4	193.5
Of which electricity consumption in MWh	136,100	132,700	119,500
Electricity consumption in MWh per EUR 1 million in sales	120.7	117.7	115.7
Water consumption in m³	168,100	165,200	162,200
Solvents in metric tons	950	940	930
Total waste in metric tons	43,100	42,800	42,600
Of which metal waste in metric tons	36,100	35,800	35,700

[1] Excluding former ThaWa GmbH acquired 2012 and the Hummel-Formen Group, neither of which was included in the 2011 figures.
[2] Due to the retrospective inclusion of CO_2 emissions attributable to the vehicle fleet of ElringKlinger AG and air travel, data relating to total and relative CO_2 emissions has changed; prior-year figure relating to absolute energy consumption adjusted
[3] Vehicle fleet of ElringKlinger AG sites Dettingen/Erms, Gelting, Langenzenn, Runkel, Thale, disclosure of CO_2 emissions since 2012
[4] Air travel attributable to sites in Germany, Switzerland and France as well as centrally recorded flights relating to sites in England and US
[5] Only covers Dettingen/Erms site

Employee satisfaction delivers long-term business success

Reflecting its commitment to sustainable business, ElringKlinger provides its staff with a highly motivating and socially balanced working environment in order to facilitate top performance. A Group-wide Corporate Code of Conduct lays down binding rules regarding diversity in the workplace, staff development, remuneration and working hours, along with health and safety regulations. The Code of Conduct can be accessed online at **www.ElringKlinger.com***.

*INTERNETLINK

Seasoned employees are an important source of expertise. ElringKlinger makes every effort to generate long-term loyalty to the company. In 2012, the company's sickness rate remained at the same level as the previous year. The staff turnover rate increased to 6.7% (5.8%) as a result of an expanding workforce in countries such as China and Brazil, where higher staff turnover is relatively common.

ElringKlinger strives to promote measures that reconcile the demands of family and career and allow its employees to strike the right balance between their private and working lives. In 2012, the company established a new partnership with a local nursery in Dettingen/Erms, which is not only the Group's headquarters, but also the single largest site in terms of employee numbers. ElringKlinger has an allocated number of childcare places for children above and below the age of three. These places are supported financially by ElringKlinger and available to the children of employees. There are further plans for childcare provision during the 2013 summer holidays.

In 2012, as a means of addressing the much debated issue of "Reconciling Care with Career," ElringKlinger paid the fees of employees wishing to attend a seminar on the subject.

A major element of the ElringKlinger Group's HR work involves recruiting talented young people and providing employee training. For several decades, the Group has offered vocational training programs for both commercial and technical professions, and complements these with degree courses at cooperative state universities. It also provides opportunities for pupils and students to undertake internships and complete diploma, bachelor's and master's theses with the company. In 2012, it supported approximately 70 (117) students in this way.

At ElringKlinger, all employees are offered individual training opportunities to help them develop personal and job-specific skills. In addition to training in fields relating to specific functions, the courses available include every aspect of areas such as project management, team seminars, wide-ranging software skills and foreign languages. During the year under review, the Group spent EUR 1.0 (0.8) million on training and professional development.

Since 2008, ElringKlinger has been running a special program to help prepare young employees with the potential to take on leadership roles in technical and managerial areas. In 2012, seventeen young professionals completed the two-year course. The program has now been refined and condensed and from 2013 will run over just one year.

ElringKlinger ensures that its staff is given an appropriate share in the company's success. In 2012, employees at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH and Elring Klinger Motortechnik GmbH received a bonus of EUR 1,150 each in respect of the previous financial year.

The figures given below reflect the long-term approach pursued by ElringKlinger with regard to its HR policies.

THE ELRINGKLINGER GROUP - KEY HR INDICATORS

	as at Dec. 31, 2012	as at Dec. 31, 2011[1]
Absolute number of employees	6,263	6,075
Of which men	69.7%	69.4%
Of which women	30.3%	30.6%
Average number of employees	6,314	5,729
Breakdown by age group		
Less than 30 years old	24.3%	25.6%
30 to 50 years old	56.8%	55.7%
Over 50 years old	18.9%	18.7%
Percentage of vocational trainees/apprentices	2.5%	2.4%
Interns and thesis students	67	117
Staff turnover rate	6.7%	5.8%
Average number of sick days per employee	9.4	8.6
Employees covered by collective agreements	4,554	3,927
Number of qualification interviews conducted	4,844	4,616
Percentage of part-time employees	4.6%	4.6%
Employees on permanent contracts	5,433	5,413
Number of employees with severe disabilities	189	178
Number of employees in management positions[2]	449	260
Of which women	55	32
Of which local nationals	420	178
Work-related accidents leading to more than 3 days off work	236	178
Work-related fatalities	0	0
Absolute number of employees		
In partial retirement	86	78
On maternity leave	46	25
On parental leave	46	45
Number of improvement suggestions submitted	916	1,150
Improvement suggestions successfully implemented	344	490
Improvement suggestions rejected	389	166

[1] Adjustments to some prior-year figures, cf. Notes page 200
[2] Comparability with previous year limited, as additional hierarchy level included (team leaders) since 2012

ElringKlinger expands its social commitment

ElringKlinger has been working with the Bruderhaus Diakonie foundation and the associated disabled persons' workshops in Dettingen/Erms for over ten years. The workshops independently handle

complete processes for ElringKlinger's Aftermarket division, including tasks such as the finishing and packing of gasket sets. 2012 saw a further significant expansion of the volume and range of jobs performed by the workshops. By way of example, they have now taken on the sorting of returns. ElringKlinger also launched a digital archiving project in collaboration with Bruderhaus Diakonie.

In the United States, ElringKlinger recently established a partnership with "Rehabilitation Industries of Northeast Georgia" (RING). The organization supports people with disabilities, e.g. for the purpose of job reintegration. Since mid-2012, ElringKlinger's Buford site has employed nine people with physical disabilities through RING. They carry out simple assembly work, sorting and packing tasks, and visual inspections, etc. The initial results have been very positive, and there are plans to expand the collaboration.

As another expression of its social commitment, ElringKlinger donated around EUR 70,000 (45,000) to charitable organizations in 2012, including the Dettingen/Erms local community foundation. This non-profit organization promotes social, cultural and other charitable causes. Its aim is to act as a platform for allowing local people to share responsibility for the future development of the community.

Further cuts in CO_2 emissions targeted for 2013

The ElringKlinger Group remains committed to a sustainable future. As in previous years, in 2013 it once again intends to meet its self-imposed target of cutting relative CO_2 emissions by 3%. It will also continue to support the wider effort to protect our environment through its green product solutions.

Research and Development

Embracing innovation in traditional fields while developing new business areas

In 2012, the ElringKlinger Group continued its focus on developing new products and applications in traditional product groups – metal gaskets, heat shields and plastic housing modules – while also pursuing entirely new product concepts, ready for full market rollout, in the new fields of exhaust gas purification technology and e-mobility.

The foundation for all new product developments is the company's existing know-how in metal stamping and embossing technology, coating methods and plastics engineering. Its specialist expertise in materials for high-temperature applications and in the area of lightweight construction is virtually unique in the sector in which it operates.

With this combination, the ElringKlinger Group boasts a repertoire that very few automotive suppliers in the world can match at this level. The techniques developed here and in the field of process engineering have allowed the ElringKlinger Group to hone key competitive advantages.

One of the most important core competences is centered around the development of tools for stamping and embossing as well as tools that are manufactured for the growing number of parts produced using plastic injection-molding techniques. The Group gained important know-how in this area by acquiring the Hummel-Formen Group. In 2012, almost all tools that the company needed were developed and built in-house.

The Group has focused its research and development activities entirely on optimizing combustion engines, enhancing emissions reduction technology and developing new products in the field of e-mobility.

The company pursues the basic philosophy of classifying new developments as established products as soon as they are launched on the market. At this point, work already begins on the next generation of these concepts. In taking this route, the ElringKlinger Group once again succeeded in increasing its competitive edge on its competitors in 2012 with regard to innovation.

In the past years, substantial up-front investments were made in the New Business Areas and E-Mobility divisions. This means that ElringKlinger is already in a position to manufacture and supply products aimed at optimizing conventional combustion engines as well as components for electromobility.

Ever-greater demands made on development expertise

Particularly when it comes to drive technology, the automotive sector is currently undergoing radical change. There is significant pressure to drive innovation forward in order to make vehicles more fuel-efficient and meet the demanding requirements of CO_2 legislation in Europe, the USA and numerous Asian markets. The main focus is on developing sustainable solutions that car buyers can still afford.

In addition to optimizing combustion engines by downsizing, one of the top priorities for automotive customers is hybridization, i.e. combining a combustion engine with an electric drive. At the same time, work is continuing on refining battery-based all-electric drives and on improving fuel-cell technology.

For the suppliers of technology to original equipment manufacturers (OEMs) in the automotive industry, this means assuming more and more responsibility for research and development. This is only possible for companies that have the necessary development and manufacturing expertise, in addition to the extensive financial resources needed to back this up. Indeed, over 75% of automotive value creation can now be attributed to suppliers. OEMs have a great need for suppliers whose expertise spans all categories of drive technology and who are capable of providing car makers with the specialized solutions and components that they require.

ElringKlinger was quick to position itself in response to these market requirements. In 2012, the company expanded its development and production capacity extensively in the field of battery technology. At the same time, the predominantly long-term fuel-cell technology projects are drawing closer to market maturity.

In the case of many customers, there is currently a strong orientation towards hybrid solutions. The number of hybrid models available on the market – at least as an option – is set to increase significantly in 2013, a trend from which ElringKlinger will benefit. Having previously provided its customers with components for combustion engines, the company is now also in a position to supply them with new products from the field of battery technology. The level of sales revenue per vehicle that ElringKlinger can generate increases substantially with hybrid models.

High R&D ratio secures long-term competitive advantages

ElringKlinger increased its research and development expenditure once again in 2012. In the Group as a whole, this figure grew by EUR 7.4 million to EUR 57.3 (49.9) million. In 2012, as in previous years, much of this can be attributed to R&D activities in its traditional core business areas. The Group stepped up its capital expenditure in the new field of electromobility as well as in exhaust technology. As of December 31, 2012, the ElringKlinger Group employed a total of 410 (416) people in R&D-related departments.

Under IFRS, R&D expenditure accounted for 5.1% (4.8%) of Group sales in 2012 – noticeably more than in the previous year. The percentage increase in R&D expenditure in relation to Group sales revenue reflects the trend for suppliers to assume more and more development work on behalf of their vehicle manufacturer customers.

If this figure had also taken into account costs relating to applications technology and the development of variants for existing products, research and development expenditure would have constituted a significantly higher proportion of Group sales.

The bulk of investments and new jobs created in R&D-related areas was at the company's Dettingen/Erms site in Germany.

Strong patent pool safeguards technology know-how

ElringKlinger has its own patent department that specializes in all issues relating to the protection of the company's technological expertise and intellectual property rights. A total of 78 (45) patents and industrial property rights were registered in the course of 2012.

In order to safeguard its competitive edge and key process-related advantages, the Group's research and development capacities are mainly concentrated in technology centers of excellence at ElringKlinger AG's locations in Germany as well as at ElringKlinger Abschirmtechnik (Schweiz) AG and at Hug Engineering AG.

In 2012, these technology-specific centers of excellence were responsible for the vast majority of the Group's development activities. In light of the marked increase in sales revenue in North America, China and Japan, and in response to the substantial number of new orders from these regions, the Group is expanding development capacity at its local subsidiaries to complement its existing applications technology activities.

Focus on optimizing combustion engines

Even though alternative drive technologies will continue to grow in importance in the future, the traditional combustion engine will still remain the dominant type of drive unit for the next twenty years. In this context, rising fuel prices and increasingly stringent global emissions regulations are both factors that will drive the further development of engine technology.

Almost all automotive manufacturers are gearing their development activities towards reducing fuel consumption levels – and, in turn, greenhouse gas emissions – by means of engine downsizing concepts. The new generation of compact downsized engines with turbocharging are capable of further reducing fuel consumption by between 20% and 25%. The superior efficiency of this engine technology coincides with considerably higher injection pressures. At the same time, peak temperatures in the combustion chamber and ultimately in the entire engine compartment are significantly higher. This means that the performance expected of the new generation of cylinder-head and specialty gaskets is increasing noticeably.

Furthermore, increasingly complex exhaust-cleaning technology is being deployed to reduce the harmful nitrogen oxides, hydrocarbons and soot particles produced by vehicle engines. The Euro 6 standard, which will come into force in 2014, will raise the bar even further in this regard. Particulate filters could also become an issue for petrol engines in the future.

ElringKlinger had precisely these issues in mind when it developed its product range within its core business areas. Today, the company is benefiting greatly from the demanding technological specifications required for engine and exhaust components and from the rising proportion of vehicles being fitted with turbochargers and thermal heat shields. Tasks relating to optimizing combustion engines accounted for a sizeable part of the development contracts received from customers in 2012.

New and increasingly demanding applications for metal gaskets

The clear trend towards engine downsizing calls for more sophisticated cylinder-head gasket designs for the purpose of sealing units with higher power density.

Development activities in 2012 included a greater number of projects for compact turbocharged petrol engines with direct injection. Higher combustion pressures and temperatures are also playing an increasingly important role for petrol engines. ElringKlinger's track record of excellence in the area of cylinder-head gaskets for diesel engines spans many years.

In the period under review, R&D activities were centered around new tool and material concepts designed to increase durability, particularly in the case of engines with high combustion pressures and low bolt forces. ElringKlinger is currently working on new embossed topographical structures for pre-stressing components with a view to improving durability and prolonging service life.

In 2012, the number of serial development projects in the Cylinder-head Gaskets division increased to 274 (221). While the volume of development projects commissioned by European automotive

manufacturers remained at a high level, the number of new product developments, primarily for Asian manufacturers, increased significantly. The company also succeeded in gaining a stronger foothold among Japanese manufacturers in 2012.

In North America, the technical requirements placed on engines have also increased noticeably. As a result, ElringKlinger also recorded further growth in development projects among US manufacturers. The development pipeline currently also includes several cylinder-head gaskets for diesel engines.

The main focus of development activities in the Specialty Gaskets division in 2012 was on issues relating to higher turbocharging requirements, increasingly complex exhaust technology and the growing popularity of multi-stage automatic transmissions.

The fitting rates and number of turbochargers per vehicle continued to increase in 2012, especially in European markets and North America. Temperatures are extremely high in the turbocharger compartment. With its expertise in "super alloys" – exceptionally temperature-resistant alloy materials – ElringKlinger has assumed a promising position in the market and supplies complete gasket systems for turbochargers. The company's customer base now includes all major turbocharger manufacturers around the globe. In 2012, the Specialty Gaskets division developed numerous applications for sophisticated V-ring gaskets, which are key components for turbochargers. Demand for these products was driven in no small part by the introduction of the Euro 6 emissions standard. At the same time, manufacturing methods were optimized and further automated over the course of 2012. A number of patents were registered in this area.

The growing complexity of the exhaust system and the increasingly widespread usage of turbocharging and exhaust recirculation in new engine concepts are placing ever-higher demands on sealing technology in the exhaust tract as a whole. Additional points need to be sealed under high-temperature conditions. In 2012, the Specialty Gaskets division developed a variety of new seals and gaskets for this area of application, with new, extra-tough elastomer coatings also playing a key role.

Another focal point of the Specialty Gaskets division's development work in the period under review was new, high-performance control plates for automatic and dual-clutch transmissions. The patented ElringKlinger gasket design contributes to higher efficiency levels in that it brings about a noticeable reduction in leakage currents in the transmission. A substantial number of new development orders were placed in 2012, mainly by US and Asian customers.

In total, the Specialty Gaskets division further increased its development capacity in 2012. In view of the growing proportion of Asian customers, the division set up a development and application center at its site in Changchun, China.

Trend towards thermal management and acoustic shielding

For the Shielding Technology division, too, 2012 brought new development work in response to engine downsizing and increasingly complex exhaust aftertreatment systems. Ambient temperatures are particularly high as a result of limited installation space in the new generation of compact engines,

together with the use of turbochargers and catalytic converters. Sensors, electrical elements and hose lines need to be protected from these influences with the aid of thermal shielding technology. This increases the number of heat shields required in the vehicle.

ElringKlinger is one of the few manufacturers in the world that has the all-round expertise required to develop complete shielding packages for vehicles – from the engine and the underbody to the exhaust system.

Fundamentally, shielding parts are increasingly being refined to take on the role of insulation components in thermal management applications. One of the focal points was that of direct shielding, aimed at either preventing radiation losses or achieving faster heat-up times and higher operating temperatures in catalytic converters.

Many new applications developed in 2012 involved heat shields for turbochargers and exhaust systems. In this area, the company also expanded its cooperation with **Tier 1 suppliers***, for instance manufacturers of complete exhaust systems.

* CF. GLOSSARY

Several premium manufacturers based in Germany placed major projects for the development of underbody heat shields in 2012.

Combining thermal and acoustic protection is becoming increasingly important in the development of new solution concepts. With this in mind, ElringKlinger developed special thermal/acoustic multilayer composite materials.

Lightweight construction was an important factor in manufacturing thermal and acoustic shielding components, particularly for vehicle underbodies. To reduce weight – and, in turn, fuel consumption – the parts used need to be as light as possible. To this end, ElringKlinger developed a new kind of **organo sheet*** that contains special heat-resistant fibers – not only glass and silicate fibers but also natural fibers. The lightweight components also take on acoustic shielding functions and minimize noise generation in the vehicle interior. The required production processes and technologies have already been finalized and new machinery acquired for manufacturing these parts.

* CF. GLOSSARY

The number of projects relating to trucks increased noticeably in 2012. The company's shielding technology engineers worked primarily on tube housings and combined thermal/acoustic shielding components.

In 2012, ElringKlinger Abschirmtechnik (Schweiz) AG joined forces with Hug Engineering AG to develop several heat shields to be used for thermal shielding in the housings of Hug exhaust gas purification systems.

The Shielding Technology division conceived thermal management concepts and developed associated product designs for e-mobility applications. In this context, solutions developed especially for hybrid vehicles were brought onto the market, with a complete package shielding the combined drivetrains both thermally and acoustically.

What is more, demand for heat shielding extends well beyond motor vehicles. For instance, the first applications that ElringKlinger developed outside the automotive sector were housing parts, made from recycled aluminum, for coffee machines as well as microwave shielding components.

Applying expertise in lightweight design to trucks

Lightweight construction was the main focus of development work performed by the Plastic Housing Modules/Elastomer Technology division in the period under review. With the aid of state-of-the-art plastic injection-molding technology, heavy and expensive metal parts are replaced by lightweight parts made of **polyamide*** and new fiber-reinforced organo-materials. This results in a considerable weight reduction and, in turn, a noticeable decrease in fuel consumption.

* CF. GLOSSARY

With the acquisition of the Hummel-Formen Group in October 2011, the ElringKlinger Group is now home to one of the leading manufacturers of plastic injection-molding tools, complemented by many years of expertise in product development as well.

The main focus of development activities in the field of plastic housing modules was on new applications for trucks. In addition to designing further applications for highly resistant oil pan modules and cam covers, the engineers working in this area came up with new weight-reduced applications for oil circuits and charge air ducts.

For instance, charge air ducts for high-temperature applications relating to truck intake systems – capable of operating at charge air pressures of up to 3 bar – were developed to serial production readiness. Other innovations included intake modules made of polyamide plastic for both petrol and diesel engines.

The product portfolio was also expanded by adding high-strength polyamide components for oil circuit applications. In 2012, newly developed parts included oil suction pipe modules and complete oil tank modules.

Hummel-Formen developed an ultra-precise manufacturing method for complex product geometries. This involves using hot-gas welding directly in the injection mold to join together plastic parts to form an exceptionally strong and distortion-free component.

New cam cover applications for passenger cars – with fully integrated functions such as oil separation system, pressure control valve, vacuum accumulator, thermal shielding, gasket and decoupling elements – were designed and launched onto the market.

In response to the significant number of development projects managed by this division on behalf of Asian vehicle manufacturers in 2012, a development center is currently being built in Suzhou, China. It will oversee local projects in future.

In 2012, ElringKlinger's plastic specialists launched an extremely interesting development project with great market potential. Applying an involute design, the aim is to develop a significantly more effective oil separator for truck engines. As part of the innovative disk-shaped design, the oil particles are moved outwards by the centrifugal forces; the oil is separated along walls with a channel-like structure. The project qualified for a grant from the German Environment Ministry's energy efficiency program.

Exhaust gas purification technology with high potential

In acquiring the Hug Group in May 2011, ElringKlinger extended its product portfolio to include components and end-to-end systems dedicated to exhaust gas purification. The Swiss company is one of the leading engineering specialists in the field of exhaust aftertreatment systems for stationary and off-road applications. Hug Engineering develops and produces all key components in-house, such as the ceramic substrates for catalytic converters and **diesel particulate filters***, catalytic coatings, SCR systems and housings. As part of the ElringKlinger Group, Hug is now gearing its business more towards larger serial applications for commercial vehicles.

* CF. GLOSSARY

The diesel particulate filters use a ceramic honeycomb structure. Exhaust gases are passed through the porous honeycomb walls. The exceptional texture of Hug-developed ceramics means that over 99% of all particulate sizes – including "ultra-fine particles" (PM10) – are filtered out. This is even more important given that the focus of emissions legislation is increasingly shifting to ultra-fine particles. The filters are catalytically coated with a view to improving soot burn-off. In addition, Hug develops and produces ceramic catalytic converters for the **catalytic oxidation of hydrocarbons and carbon monoxide*** as well as **SCR catalysts***.

* CF. GLOSSARY
* CF. GLOSSARY

Hug's particulate filter substrate is already used in many applications in conjunction with ElringKlinger's **CleanCoat™ material***, which is free of precious and heavy metals and thus much more eco-friendly than other coatings. Based on silicate technology, this coating helps to burn off soot particles catalytically. CleanCoat™ yielded impressive results in field tests conducted in trucks and buses and in subsequent long-term testing. The catalytic regeneration of the filter is capable of taking place at low temperatures. The post-injection of fuel – and, in turn, the level of CO_2 emissions – is significantly reduced as a result of the shortened regeneration cycles. ElringKlinger developed and licensed the coating material for applications in diesel particulate filters in close cooperation with a partner company. The environmentally friendly soot catalyst earned the company the German Materials Efficiency Award from the Federal Ministry of Economics and Technology in 2012. ElringKlinger has already secured its first major serial production order for a system coated with CleanCoat™, placed by an international construction machine manufacturer.

* CF. GLOSSARY

The main focus of development activities in 2012 was on applications for marine engines, construction machines, diesel locomotives and commercial vehicles.

Hug also constructed systems for stationary engines and large-scale engines used for supplying electricity in power stations. In the coming years, international demand for exhaust gas purification systems in these niche markets will be driven by the introduction of relevant emissions directives.

Recuperation catalytic converter for natural gas engines

Hug technicians developed a recuperation catalytic converter for large-scale natural gas engines which, as lean engine, are used primarily for generating electricity. This recuperation catalytic converter breaks up the resulting methane, thus significantly improving the CO_2 balance. Having achieved very promising results in laboratory tests, the new catalytic converter is scheduled to enter its test phase in 2013.

Applications for commercial vehicles

In 2012, ElringKlinger also presented Hug exhaust technology to OEM customers in the commercial vehicle sector and delivered its first sample parts. Further demand will be generated, particularly in this area, when Euro VI legislation for truck emissions enters into force in 2014. In addition to complete exhaust gas purification systems, ElringKlinger also markets individual components such as particulate filters and coating material.

In 2012, the focus of development work was also on evaluating new, more high-performance and cost-effective substrate materials for oxidation and SCR catalysts as well as for diesel particulate filters. To this end, Hug engineers performed numerous tests and trial runs and are currently conducting a test phase with a mullite-based substrate.

CARB accreditation for Hug filter systems in the USA

In many cases, the increasingly strict limits for soot particle emissions worldwide are also being applied to existing vehicles. This points to great potential for retrofit solutions.

* CF. GLOSSARY

The newly developed Hug filter system "mobiclean R™" received the much sought-after accreditation from the California Air Resources Board **(CARB)*** in 2012. This now applies to both engines with exhaust recirculation and units without it. The Hug retrofit system consists of an oxidation catalytic converter and diesel particulate filter with a CleanCoat™ coating that is free of precious metals. In the case of the combined Hug CleanCoat™ technology, CARB measurements indicated exceptionally low regeneration temperatures compared to conventional technical solutions.

For ElringKlinger exhaust technology, CARB accreditation represents a gateway to the important US retrofit market. This is because buses and trucks with a gross vehicle weight rating of over 6.34 metric tons have to be retrofitted in accordance with state emission regulations in order to be driven on Californian roads. In 2012, 1,500 of these retrofit systems were already ordered by US customers. The Hug systems are distributed nationwide through the dealer network of a US truck manufacturer.

Low emissions on the high seas

In 2012, Hug – a specialist in retrofitting sea-going yachts – designed special exhaust-cleaning systems that can be fitted modularly in the very confined engine compartments of sea-going vessels. It is expected that there will be considerable demand for systems to be deployed in ships in coming years. This is due to forthcoming legislative measures and increased awareness among environmental organizations. Marine diesel engines, which run on heavy fuel oil, currently account for much of the emissions produced worldwide, particularly soot particles and nitrogen oxides. In October 2012, the EU Commission announced a system for observing and gaging emissions with a view to bringing about a noticeable reduction in shipping-related pollutants. In 2012, Hug had already secured several orders for retrofitting river cruise ships with exhaust-cleaning systems, which will be delivered to customers and fitted from 2013 onwards.

E-Mobility: battery technology for hybrids and pure electric vehicles

Over the course of 2012, ElringKlinger further expanded its E-Mobility division, which was set up in 2010. 65 people are now employed in the area of battery technology, chiefly in research and development and in prototype production. In entering the field of battery technology, the company has tapped into additional growth potential with regard to hybrids and pure electric vehicles.

Within a very short period of time, ElringKlinger has succeeded in developing and launching a stable, high-performance solution for connecting lithium-ion cells and modules for high-energy batteries. The new cell contact systems are used above all in full and plug-in hybrids, but also in pure electric vehicles. The embossed cell connection elements are mechanically and thermally resilient to a high degree. With the aid of a patented design, they are capable of equalizing relative movements between the lithium-ion cells caused by temperature fluctuations in the battery. When developing this entirely new product line, ElringKlinger's battery technology specialists were able to build on the existing material know-how and process technology for producing high-grade metal and plastic components.

By mid-2011, the systems had been developed to serial production readiness and launched on the market. In 2012, ElringKlinger expanded its customer base and received further serial production orders. Capacity in development and prototype construction was utilized in full thanks to a variety of development and prototyping orders.

The overall success of production start-up was also heavily dependent on equipment technology and manufacturing processes. ElringKlinger put its first serial production line for cell contact systems into operation as early as mid-2011. In the course of 2012, the production processes were further automated and the production line was also modified to accommodate the manufacture of prismatic systems.

Further development projects for battery cell connectors

In over a dozen projects, ElringKlinger's development teams worked on particularly durable, high-performance concepts for cell contact systems in the course of 2012. This involved not only the market launch of solutions for cylindrical cell structures in high-voltage energy storage units, but also for exceptionally compact prismatic cell structures. The sensor system for gaging and monitoring voltage and temperature has already been fully integrated in a control interface.

At present, work had already commenced on second-generation systems. The main objectives are to further improve the performance of connection technologies and reduce costs. In this regard, the use of new materials and cell connector geometries is growing in importance. In 2012, pioneering new concepts were tested with regard to signaling in the contact system and the integration of sensors.

On board the SafeBatt research consortium

ElringKlinger AG is also one of the development partners in the SafeBatt research consortium that was initiated in 2012. SafeBatt is committed to implementing active and passive measures to further improve the safety of lithium-ion batteries. The main concern of the joint initiative – which consists of 15 partners from the car manufacturing industry, the automotive supply sector and the field of science and research – is to bring about a significant improvement in the reliability and intrinsic safety of lithium-ion batteries used in hybrid and pure electric vehicles.

Scheduled to run until mid-2015, the SafeBatt research program has been selected by the German government as one of the National Electric Mobility Platform's nine "lighthouse projects." The German Ministry of Education and Research supports this research project. First and foremost, ElringKlinger will be contributing its expertise in the field of cell contact systems, with a particular focus on evaluating and integrating sensor technology. The partners contributing to the project are BASF SE, BMW AG, Daimler AG, Deutsche ACCUmotive GmbH & Co. KG, ElringKlinger AG, Evonik Litarion GmbH, Infineon Technologies AG, Li-Tec Battery GmbH, SGS Germany GmbH, Volkswagen AG, Wacker Chemie AG, the Fraunhofer Institute for Chemical Technology, the Technical University of Braunschweig (iPAT – Institute for Particle Technology), the Technical University of Munich (Department for Electrical Energy Storage Technology) and the University of Münster (MEET battery research center).

Besides working on new, high-performance cell and module connectors, the focus of development was on cell housings and covers, battery housing seals and pressure equalization elements. The technology for this is based on ElringKlinger Kunststofftechnik GmbH's expertise in the field of membranes.

Over the course of 2012, the successfully completed development projects and the start-up of serial production helped ElringKlinger's Battery Technology division to establish a leading position in the market for lithium-ion battery components and other high-performance energy storage concepts. In the coming years, the company will benefit from advances in hybridization and electrification, while launching further production innovations in this area.

Fuel cell technology: commercialization imminent

In the field of fuel cell technology, meanwhile, ElringKlinger has been mainly engaged in continuing work on long-term projects. In recent years, the company has registered a number of important patents relating to fuel cell technology. Development work in 2012 focused on using the technological know-how that the company has accumulated over more than ten years together with its process engineering knowledge to develop existing laboratory solutions and prototypes into marketable product solutions.

In 2012, ElringKlinger once again made substantial investments in this promising line of business. ElringKlinger's fuel cell technology work qualified for several key projects that are backed by public-sector funding and geared towards alternative drive technologies and energy efficiency. The company was able to use these funds to cover some of the cost of these R&D-intensive activities.

Bipolar plates for fuel cell stacks

Among the most important product developments are stamped metal bipolar plates for **PEM (Proton Exchange Membrane) fuel cells***. Significant unit volumes of these are required as key components in fuel cell stacks. Combined with an electric motor, these fuel cell stacks are expected to replace traditional combustion engines as the preferred type of drive used in vehicles. ElringKlinger works in very close cooperation with its customers in this area. At this stage, the company is using near-series production equipment to produce bipolar plates for the demonstration fleet of an international car manufacturer. In 2012, ElringKlinger developers optimized the plate design, pushing down costs through the use of new materials. To do so, the company used ultra-precise stamping and punching procedures, laser-welding techniques and progressive tooling technology.

* CF. GLOSSARY

SOFC stacks for mobile use in trucks

In 2012, ElringKlinger, together with two cooperation partners, pressed ahead with a project involving fuel cell units for mobile use in commercial vehicles.

With the recent introduction of the anti-idling law, US legislation has created an interesting market within this area. In most US states, it is now illegal to leave a truck's engine running in order to provide on-board electrical power and stationary air conditioning. This calls for alternative auxiliary systems that can perform these functions when the engine is turned off.

ElringKlinger's solution involves using an **SOFC high-temperature fuel cell*** combined with a reformer and heat exchanger to convert energy carriers such as diesel or natural gas into electrical energy. This is achieved with a high level of energy conversion efficiency. The efficient and environmentally friendly fuel cells are to replace the diesel retrofit units which are frequently installed at present and whose comparatively high noise and emissions levels can be seen as a disadvantage.

* CF. GLOSSARY

In 2012, sustainable output values were achieved in the required range of between 3 and 4 kW thanks to a new stack design. The overall system is shielded against heat emission with the aid of a complete thermal encapsulation designed by the Shielding Technology division. Once produced, the prototypes were subjected to extensive testing to simulate the high service life required. For 2013, one of the key items on the agenda will be to produce demonstration systems for the purpose of customer presentations.

2012 not only saw important advances in product development but also in the development of process technology that is suitable for serial production. ElringKlinger further optimized the pilot production facility for SOFC (Solid Oxide Fuel Cell) stacks that had already gone into operation in 2011. This means that the production facility can now be used to produce units with an output of 3 to 4 kW by means of an extremely stable process.

Fuel cells for decentralized energy supply

A concept involving the stationary use of lightweight SOFC stacks in family homes and residential apartment blocks is currently in an advanced stage of development. The **stack*** is designed for decentralized applications in energy supply using a number of different energy carriers, preferably gas.

* CF. GLOSSARY

In accordance with the principle of combined power/heat generation, the unit then supplies the households with electricity and heat. The sharp rise in the price of electricity will render this technology more and more competitive in the future.

Progress in fleet applications

In 2012, ElringKlinger made significant technical advances in the development of a complete PEM low-temperature fuel cell stack. The stack now has an output of around 5 kW and, in combination with a lithium-ion battery, forms a powerful energy cell. The system was designed for use in forklifts and similar vehicles and is ideal for logistics centers with a suitable hydrogen infrastructure. As part of this fleet project, ElringKlinger is working in close cooperation with a company specializing in power electronics and system integration as well as with a leading manufacturer of forklift trucks and a global logistics group.

The extensive testing processes have been completed; several prototypes were successfully tested and passed on to the cooperation partners. From a technological perspective, the systems are almost ready to be launched on the market. Further improvements are geared chiefly towards producing more cost-effective solutions.

Strong product pipeline ensures above-average sales growth

Thanks to its high level of investment in new products in the field of electromobility and to its ongoing development of additional applications for existing product concepts and processes, the ElringKlinger Group is well positioned to continue outpacing market growth in the coming years. New developments in exhaust gas purification technology offer additional interesting opportunities for growth, including outside the automotive sector.

Compensation Report

Compensation structure for members of the Management Board

Contracts for members of the Management Board are drawn up by the Personnel Committee, negotiated with the respective members of the Management Board and concluded following approval by the entire Supervisory Board. The Personnel Committee reviews the level of compensation at predefined intervals and advises the Supervisory Board on appropriate adjustments. These recommendations are decided upon by the full Supervisory Board.

Management Board compensation is made up of fixed and variable, i.e. performance-based, elements. The variable components are made up of a short-term component, which relates to Group earnings before taxes, and a long-term component that is measured on the basis of share performance.

Short-term variable compensation is calculated as a percentage of the average earnings before taxes of the last three years at Group level. It is paid annually. Short-term variable compensation is restricted to two annual fixed salaries.

As a component of long-term variable compensation, members of the Management Board are granted stock appreciation rights. Holders of stock appreciation rights are entitled to a cash-settled payment. Stock appreciation rights are not furnished with any entitlements to shares in ElringKlinger AG. For two members of the Management Board, allocation occurs in five tranches, commencing as of February 1, 2008, up to February 1, 2012. For one member of the Management Board, allocation also occurs in five tranches but beginning as of January 1, 2009, up to January 1, 2013. The grant price is the average share price of the last sixty stock exchange trading days prior to the grant date. The number of stock appreciation rights is determined on the basis of fixed remuneration payable to the individual Management Board member as well as the level of the grant price (fixed compensation in relation to grant price = number of shares allocated). The amount to be remunerated is calculated on the basis of the difference between the redemption price, which is also calculated as an average of the last sixty stock exchange trading days, and the grant price. A payment is made only when the share price of ElringKlinger AG has increased more than the index in which ElringKlinger is listed, but at least by 25%. A provision is recognized in consideration of expected future obligations. Remuneration per tranche is limited to the amount of annual fixed salary payable. The vesting period for the tranches allocated on February 1, 2008, and February 1, 2009, as well as January 1, 2009, was three years; for all other tranches it was four years.

Management Board members are entitled to a company car, which may also be used privately.

Members of the Management Board have the right to a pension, provided that their contract has expired, they have reached 65 years of age and started to receive a statutory pension, or in the event of occupational disability. This pension entitlement amounts to 2% of the last monthly fixed salary prior to leaving the company for each completed year of service, not to exceed 45%.

Members of the Management Board do not receive compensation for their activity as members on the supervisory bodies of subsidiaries and investees.

In the meantime, the Management Board contracts have been extended by a further term of office and adjusted accordingly. As a result, the following changes to the structure of compensation shall apply effective from February 1, 2013. Short-term variable compensation will be restricted to a maximum of three annual fixed salaries. In the future, the stock appreciation bonus as a form of long-term variable compensation will involve, in each case, the allocation of 30,000 stock appreciation rights as of February 1 of each year. The grant price is computed as the arithmetic mean of the market price of ElringKlinger shares in the last sixty stock exchange trading days prior to the grant date. An essential precondition for the allocation of stock appreciation rights is the personal investment by the Management Board members of one-tenth of the overall number of stock appreciation rights in shares of ElringKlinger AG. The vesting period of the stock appreciation rights is four years. On completion of the vesting period, the Management Board member is entitled to request redemption of the stock appreciation rights within another two years. The redemption price is determined on the basis of the average market price of ElringKlinger AG shares over the last sixty stock exchange trading days prior to the request for redemption. Redemption of the stock appreciation rights can only be requested if the redemption price is 25% higher than the grant price. The redemption price as a whole is limited per tranche to two fixed annual salaries. The retirement pension entitlement is to be increased to 3.0% or 3.2% of the last monthly fixed salary prior to leaving the company in respect of each full year of service. Thus, the cap remains unchanged at 45%.

Compensation structure for members of the Supervisory Board

The compensation structure for Supervisory Board members remained unchanged compared with last year. The level of compensation is determined by the Annual General Meeting. Within this context, the most recent resolution was passed on May 31, 2011.

Compensation is comprised of a fixed component and a variable component, the latter being calculated on the basis of Group earnings before taxes in the financial year ended.

The role of the Supervisory Board Chairman and that of his Deputy are taken into consideration when determining the level of compensation. The Chairman of the Supervisory Board receives two times and the Deputy Chairman one-and-a-half times the compensation paid to other Supervisory Board members. Expenses incurred by the Supervisory Board members are reimbursed to an appropriate extent.

Details according to Section 315 (4) of the German Commercial Code (HGB), particularly with regard to share capital and disclosure of potential takeover obstacles

As of December 31, 2012, the nominal capital of ElringKlinger AG was EUR 63,359,990, divided into 63,359,990 registered shares, each furnished with one vote. The notional interest in the company's nominal capital is EUR 1.00 per registered share. Profits are distributed in accordance with Section 60 of the German Stock Corporation Act (Aktiengesetz – AktG) in conjunction with Section 23 no. 1 of the Articles of Association.

The Management Board is not aware of any restrictions or agreements between shareholders concerning voting rights or the transfer of shares.

The persons or entities with a direct interest in capital who, according to the details of the Stock Register, held voting rights in excess of 10% as of December 31, 2012, are as follows:

Walter H. Lechler, Stuttgart	Total of 22.0273% (of which 9.93% is attributable to him under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

No shareholder is equipped with special rights constituting controlling powers.

ElringKlinger does not operate any employee profit-sharing schemes.

The number of Management Board members is determined by the Supervisory Board (Section 7 of the Articles of Association). The appointment and removal of Management Board members is performed in accordance with Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG). The Articles of Association contain no regulations that could be considered non-compliant with the provisions set out by law as regards the conditions applicable to the appointment or removal of Management Board members.

As stipulated by Section 179 of the German Stock Corporation Act in conjunction with Section 20 of the Articles of Association, all amendments to the Articles of Association require a resolution of the Annual General Meeting with a three-quarter majority.

The Management Board is authorized to buy back company shares up to a total amount of 10% of share capital existing on the date on which this resolution was passed (May 21, 2010). This authorization remains valid until May 21, 2015.

Details relating to authorized capital and the utilization of authorized capital are included in the **Notes***. * CF. PAGE 178

ElringKlinger has not entered into any agreements containing a change of control provision that would apply in the event of a takeover bid.

There are no compensation agreements with members of the Management Board or employees in the event of a takeover bid.

Report on Opportunities and Risks

Risk management system

ElringKlinger has established an extensive risk management system for the purpose of identifying risk at an early stage. By monitoring markets, customers and suppliers on a continual basis and maintaining detailed internal reporting and controlling processes, the company is able to gauge risk in a timely manner and seize market opportunities as they arise. The efficiency and suitability of the risk management system itself is continually adapted and optimized in accordance with new requirements as they arise.

The risk management system is made up of various tools and control systems. Among the key components are strategic corporate planning and internal reporting. Planning enables potential risks to be identified and taken into account when making critical and far-reaching decisions. All key areas within the company are involved in strategic Group planning. Within this context, information is retrieved, collated and evaluated in a standardized process. The Management Board bears full responsibility. Internal reporting is used to monitor and control business performance. A key component of the risk management system is regular reporting by the management of the respective domestic and foreign Group companies as well as the divisions, which is performed on a quarterly basis. It covers

developments in all fields relevant to the company that can affect business activity and, in particular, the continuation of the ElringKlinger Group as a going concern. The focus is primarily on changes to the economic or political situation, new regulatory require ments, technological developments, commodities markets and internal risks. This reporting system involves identifying and evaluating all risks and subsequently drafting recommendations on how to prepare for and protect against them. The head of the Group legal department oversees coordination.

The Management Board assesses the aggregate risk and submits regular and comprehensive reports on its findings to the Supervisory Board. Another important aspect of the centralized risk and quality management system deployed at the ElringKlinger Group is that of tracking the implementation of defined measures. The company considers risk management to be an all-embracing activity that encompasses not only the identification and assessment of risk, as outlined above, but also a system of preventive measures and contingency planning that has proven to be very effective.

Alongside regular reporting, internal audits are an important control mechanism and thus an essential element of the risk management system. Audits are carried out in the business and service divisions of ElringKlinger AG as well as at the Group companies. These audits are conducted by accountancy firms and/or suitably qualified companies commissioned by ElringKlinger AG. The rationale behind the appointment of external specialists is to ensure that risks are identified, statutory requirements are met, internal processes are reviewed and potential for improvement is recognized. The findings of such audits are compiled in reports, which are directed in particular at the Management Board and the Chairperson of the Audit Committee within the Supervisory Board. The reports are evaluated, whereupon necessary measures are initiated. Execution of these measures is controlled by the Management Board member whose remit covers this area. All relevant findings are discussed with the areas concerned in order to bring about improvements or rectify any weaknesses. In the 2012 financial year, amongst others, audits were conducted at Elring Klinger do Brasil Ltda., Hug Engineering AG in Switzerland and ElringKlinger Canada, Inc. as well as at the subsidiaries of Hummel-Formen GmbH, which was acquired in 2011. All internal audits showed that both statutory regulations and internal requirements had been consistently met. The recommendations submitted with regard to potential for optimization have been put in place or are currently being implemented.

Additionally, a specialized auditing and consulting firm was commissioned to prepare a compliance risk profile for ElringKlinger, on the basis of which suitable measures were to be defined with regard to the compliance system. The analysis revealed in particular that ElringKlinger presents no specific risk potential. The conclusions and recommendations derived from the analysis are to be implemented through appropriate measures over the course of the financial year 2013.

In order to reduce the liability risk from potential damage cases and any associated losses, the company has taken out appropriate insurance policies. The suitability of these policies, which also cover the Group companies, is subjected to regular review with regard to the actual risks covered and the level of cover provided. Where necessary, the policies are then amended.

Control and risk management system with regard to accounting

With regard to accounting and external financial reporting within the Group, the internal control and risk management system may be described with reference to the following basic characteristics: The system is geared toward the identification, analysis, valuation, risk control and monitoring of these activities. The structuring of the system in line with the specific requirements of the company is the responsibility of the Management Board and Supervisory Board. In accordance with the distribution of responsibilities within the company, the Finance department, which is in charge of accounting, comes under the remit of the Chairman of the Management Board. This department, which also includes Corporate Investment Management, controls accounting within the Group and compiles the information required for the preparation of the consolidated financial statements. Corporate Investment Management is responsible, in particular, for monitoring and supporting the accounting processes of the Group companies. The Group companies report to the Head of Finance, who in turn reports to the Chairman of the Management Board.

The principal risks associated with the accounting process derive from the need to provide accurate and complete information within the specified time frame. This presupposes that the requirements have been clearly communicated and the departments responsible are in a position to meet these requirements.

ElringKlinger has compiled an accounting manual on the basis of International Financial Reporting Standards. All Group companies are required to apply the standards outlined in this manual as a basis of the financial reporting process. All the principal valuation standards such as those covering inventories, tools and receivables under IFRS are specified in mandatory form within the manual. Mandatory accounting standards are also in use across the Group as a way of ensuring uniform treatment of the same issues.

All Group companies are obliged to comply with a pre-defined schedule for preparation of the Group financial statements. Each Group company is responsible for drawing up its own separate financial statements in accordance with local accounting rules and IFRS, with the exception of the German Group companies, whose financial statements are prepared by the Accounts department at ElringKlinger AG. A reconciliation of balances is conducted in respect of internal Group clearing accounts. The financial reports of Group companies are stored in a separate database containing not only financial data but also information that is of importance to the notes to the consolidated financial statements and the Group management report. The data and information are checked prior to release and consolidation in the respective centralized departments.

SAP is used by the German as well as some of the foreign subsidiaries within the ElringKlinger Group. As for the other companies, various IT systems are currently in use. SAP is to be introduced at other key companies within the Group. All implemented systems feature hierarchical access systems; all clearances are documented in the system. For companies that use SAP, access rights are managed centrally according to established rules. Access decisions are made by the Head of Finance. Local management makes decisions on access in those companies that use other systems. Effective from the annual financial statements for 2012, a new software application was used for the first time, on

the basis of which IFRS data are collected and consolidated within the Group. This system will be used to prepare the monthly, quarterly and annual financial statements in the future. Access to the system is restricted by authorization privileges.

As a rule, no external service providers are used in the accounting process. As described above, it is carried out by the staff of the respective specialist departments.

Among the risks that may affect the accounting process are, for instance, those associated with delays or errors in the entry of transactions or failure to observe the accounting manual and account allocation rules. In order to avoid mistakes, the accounting process is based on the separation of responsibilities and competencies, the automation of procedures and plausibility checks for reporting purposes. Calculations are subject to continuous monitoring. Comprehensive and detailed checklists have to be worked through before the established reporting deadline. The accounting process is also incorporated into the ElringKlinger's Group risk management system as a way of identifying accounting-related risks at an early stage, allowing the company to take prompt action to anticipate and address potential risks.

As is the case with the other areas and functions of the company, accounting is also subject to the investigations conducted as part of internal auditing; these are performed by two accountancy firms. Accounting processes and procedures at ElringKlinger AG and its Group companies are reviewed in the course of regular internal audits. The findings are then used to make further developments and improvements. For more information, please see the description of the risk management system.

Risks

General economic risks

The forecasts issued by major banks and economic research institutes point to significant regional variations among the individual economic blocs in 2013. Compared to the previous year, however, the individual forecasts show far less divergence when it comes to the range of projections.

The continued spike in sovereign debt in conjunction with high unemployment and uncertainty among consumers harbors quite considerable risk potential as regards the future economic direction that the eurozone will take as a whole. With national budgets in desperate need of consolidation, the eurozone may again find itself stuck in a quagmire of recession during 2013.

In the more severely affected Southern European states, in particular, this poses the risk of a progressive downturn in car sales beyond the twenty-year low already recorded within this area. Demand patterns in the truck sector, above all, are heavily dependent on the prevailing economic climate.

The consequence may be a decline in demand for ElringKlinger components among the vehicle manufacturers most directly affected.

The current view is that recovery in the United States and forward momentum generated in the emerging markets will more than offset the malaise of the European and Japanese economies in 2013. The global economy as a whole is expected to grow by 3.5% in 2013.

There could be a direct impact on global vehicle demand if the pace of growth in these emerging markets were to slacken unexpectedly. This, in turn, would have a noticeably adverse effect on the sales and earnings performance of the ElringKlinger Group.

On the other hand, ElringKlinger would stand to benefit indirectly if the global economy were to expand at a faster rate than originally anticipated. Experience has shown that more dynamic economic growth tends to trigger an upturn in demand for new cars and an improvement within the truck markets, which are currently languishing in the doldrums. In turn, this would translate into more buoyant demand for ElringKlinger products.

ElringKlinger makes every effort to factor in economic risks at the forward planning stage. The Group's forecasting processes are based on a prudent assessment of the likely macroeconomic situation (**Report on Expected Developments***).

* CF. PAGE 121 ET SEQQ.

Given its broad international base at Group level, the ElringKlinger Group is able to mitigate the impact of any economic collapse within a specific region to at least some extent.

The Group also has the flexibility to respond promptly and adjust its cost structures in accordance with market conditions if more widespread economic turbulence were to affect the automotive industry.

Industry risks

Any sudden and substantial downturn in vehicle and engine production within one or more of the sales regions that are of importance to the Group could trigger a significant reduction in the volume of parts requested by customers under just-in-time supply agreements or result in cancellations of orders. In the short term, this would lead to a significant decline in the utilization of production capacity, with a consequent reduction in contribution margins and downward pressure on the company's operating margin. The company would require a certain time to prepare before it could make the necessary adjustments to cost structures and capacity levels in response to an unexpectedly severe downturn in the industry; this may have a noticeable impact on profitability, particularly in the short term.

Based on the current assessment of market conditions, risk will emanate in particular from the protracted weakness in car sales in the countries of Southern and Western Europe in 2013.

Any further deterioration in the sovereign debt crisis would have a detrimental impact on consumer behavior. One of the dangers would be another significant downturn in car sales in the countries on the periphery of Europe, in particular, where unemployment is rampant.

A further decline in vehicle demand in the mid-single percentage range cannot be ruled out in Western Europe. However, this should be offset at a global level by growth in Asia and North America.

Overall, a comprehensive slump in global vehicle production would seem unlikely in 2013, despite the extremely weak state of the European automotive market. At present, there is no evidence to suggest the emergence of a crisis scenario similar to that seen in 2008/9.

Customer risks

As a result of the pronounced upturn in global vehicle production in 2010 and 2011, the majority of customers served by the ElringKlinger Group saw a considerable improvement in sales volumes and earnings at the time. This applied in particular to manufacturers operating in the premium segment of the market.

In the wake of the debt crisis – as discussed earlier – customers with a strong focus on the Southern and Western European vehicle markets were faced with a severe downturn in sales volumes in 2012 and a concomitant deterioration in their earnings performance. Despite this situation, the risk of customers defaulting on payments remains manageable and can be considered relatively low.

In the unlikely event of the insolvency of one of the five biggest customers, the default risk in respect of accounts receivable by ElringKlinger would have amounted to between EUR 8.2 and 19.5 million as of December 31, 2012.

ElringKlinger has made targeted efforts in recent years to minimize the risks potentially associated with dependency on a single customer. In this context, the customer base has gradually been extended. Particularly Asian manufacturers and other automotive supply companies feature prominently on the list of new customers. ElringKlinger has a particularly broad and regionally diverse customer structure, also in comparison with other international automotive suppliers. In 2012, the Group's top three customers together accounted for around 33% of total sales revenue.

Price risks

The ElringKlinger Group is also exposed to the risk of higher prices for its input materials. Ranking even higher than staff costs, cost of materials constitutes the largest expense item for the Group.

The materials used comprise in particular alloyed high-grade steels, C-steel, aluminum and, to an increasing extent, polymer granules. Volatility is particularly high in the case of alloy surcharges (nickel, chromium, molybdenum), which are added to the price of high-grade steel as a surcharge.

From 2009 onwards up to the middle of 2011, there was a continuous rise in the alloy surcharges that form an essential part of material prices. From mid-2011, these surcharges fell by more than a third. However, alloy surcharges have again been increasing markedly since the middle of 2012. Irrespective of this situation, supply-side availability remains solid and global stock levels are high, as a result of which the likelihood of extreme price hikes such as those recorded in 2007 is currently considered remote.

Contracts with suppliers for consignments of aluminum and C-steel required in 2013 were agreed primarily on the basis of prices applicable in 2012.

With regard to raw material costs, the overall risk of extreme price increases will thus remain manageable in 2013. Additionally, the ElringKlinger Group is making strong efforts to counter the above-mentioned price trends with the help of continuous improvements to manufacturing processes, optimized product designs and a wider pool of approved suppliers.

In some cases, the company is able to negotiate cost escalation clauses with its customers. Where this is not feasible, price increases must be passed on to customers as and when they exceed the levels estimated as part of original costings. This creates a risk that the company may not be able to pass on the full increase in procurement-related costs or that it may only be able to do so after a certain period of time has elapsed.

Due to the income it generates from the sale of scrap metal associated with stamping processes, ElringKlinger is able to offset, at least in part, the above-mentioned cost increases.

On balance, it is impossible to rule out the risk of more pronounced price rises for raw materials over the course of 2013. This may have an adverse effect on gross profit margins. Having said that, there are currently no signs of a return to the extremely dynamic commodity price trends faced in 2010 and 2011.

As part of its risk assessment, ElringKlinger also monitors not only price movements but also the availability of the commodity groups it requires for production.

ElringKlinger makes a point of planning its requirements well in advance. The associated risks are mitigated among other things by the company's well-established links to suppliers, most of which go back many years. In this context, the company follows a strategy of diversified procurement. Alternatives are developed for commodities and materials that are either in short supply or subject to significant price-related risks.

Use of derivative instruments

The ElringKlinger Group only uses derivative financial instruments in specific instances. Their purpose is to protect the company against fluctuations in the price of high-grade steel alloys such as nickel. They also serve to limit the company's exposure to interest rate risks. Whenever hedging contracts are used as a risk management tool to protect against material price volatility, they are always based on the actual quantity of physical materials required by the company.

In the course of 2012, the company took advantage in the decline in nickel prices was used to hedge some of the company's high-grade steel alloy requirements. As of December 31, 2012, the volume actually hedged was close to 10% of the total estimated purchase quantities. Hedging was performed by means of nickel hedging transactions. The hedging contracts run for a period of between three and six months.

In order to limit the risk of interest rate movements, ElringKlinger AG entered into futures contracts for the purpose of securing its existing terms and conditions. This has the effect of converting variable interest rates into predictable fixed rates. (Notes, **"Derivative financial Instruments,"***).

* CF. PAGE 194

Currency risks

The repercussions of the sovereign debt crisis and the looser monetary policy adopted by some states have led to greater exchange rate volatility. This applies above all to the euro's relationship to other currencies.

The transactional risks to which the ElringKlinger Group is exposed in connection with exchange rate movements are limited. In almost all the company's sales regions, both costs on the one hand and revenues on the other are denominated in the same currency.

The Thale site, located in the eurozone, is being expanded. This also addresses the issue of as yet significant foreign exchange losses incurred at Swiss-based Hug Engineering AG in 2012 as a result of movements in the EUR/CHF exchange rate. In the future, therefore, a sizeable proportion of costs will be incurred in the eurozone, i.e. in the same currency in which the majority of sales revenues are recognized.

The direction taken by the CHF/EUR exchange rate is also of particular importance to the Group's net finance result. In 2008, ElringKlinger AG financed its acquisition of the Swiss SEVEX Group by means of a loan in Swiss francs.

As of December 31, 2012, the company's accounts still contained EUR 79.6 (47.7) million in financial liabilities denominated in Swiss francs. An appreciation in the Swiss franc with respect to the euro increases the size of liabilities expressed in euros, thus adversely affecting the net finance result of the Group. Looking ahead, this risk potential has been restricted following the decision of Switzerland's National Bank to keep a lower exchange rate limit of EUR 1.20/CHF.

EFFECTS OF FOREIGN EXCHANGE MOVEMENTS ON THE GROUP'S NET INCOME

in EUR million	Renminbi	Swiss franc	Mexican Peso	Brazilian Real	US Dollar	Others	Total
Local currency +10%	-1.5	-1.3	0.6	-0.3	-0.2	0.1	-2.7
Local currency -10%	1.5	1.3	-0.6	0.3	0.2	-0.1	2.7

Financing risks

The industry as a whole faces financing risks attributable to the more restrictive lending practices adopted by banks in some areas.

There is also a risk that rating agencies may make changes to their assessment of the industry's credit risk profile. This could increase the risk premiums payable on new borrowings and subject the industry as a whole to less favorable credit terms, which may ultimately also affect ElringKlinger as a company.

Given the present situation on the credit markets, the overall financing risk for the automotive supplies industry is still quite considerable. In view of the fact that financing requirements, e.g.

for the development of new drive technologies, are increasing, the risk of insolvencies within the automotive industry has far from subsided.

The overall volume of capital required has risen in response to the substantial increase in production output in recent years. Having said that, the Group will be able to cover its financing requirements for investments and for its more expansive working capital to a large extent through internal financing.

Thanks to a level of debt that is significantly lower than that of other market players in this industry, the financing situation of the ElringKlinger Group is very stable. The company generates substantial cash flow from operating activities. As a result, the debt ratio – calculated on the basis of the net debt of the Group relative to earnings before interest, taxes, depreciation and amortization (EBITDA) – stood at a moderate level of 1.2 as of December 31, 2012. Agreed but currently unused credit lines available to the Group amount to approx. EUR 115 million.

Most of the Group's financing as of December 31, 2012, was based on medium- to long-term structures (**Notes***). Any rapid increase in the currently low interest rates would feed into variable rate loans. This, in turn, would place a greater interest burden on the ElringKlinger Group and have an adverse effect on the Group's net finance result. Against this backdrop of the sovereign debt crisis, the likelihood of a significant rise in interest rates is considered remote in the near future.

* CF. PAGE 184

There are currently no identifiable risks that might jeopardize the financing of major projects or prevent the company from meeting its payment deadlines. Equally, there are no identifiable financing risks that might jeopardize the company's existence as a going concern.

In summary, it can be said that the ElringKlinger Group has ample scope when it comes to financing its planned expansion. Additionally, adequate financial resources are available for early investment in new technologies.

Wage cost risks

Alongside materials, wages represent the largest expense item at the ElringKlinger Group. Almost half of the Group's workforce is employed at sites in Germany. On the back of relatively substantial collective agreements negotiated in 2012, an upward wage spiral in the domestic market would have a burdening effect on the company's earnings situation. This would also severely undermine ElringKlinger AG's position relative to its international competitors.

In Germany, the IG Metall union is demanding a 5.5% increase in wages for metal industry workers covered by collective pay agreements. Given these demands, there is a risk that wage cost increases in Germany will move well above the average level of previous years, as seen in 2012. This would be burdening to Germany as a business location and have an impact on the overall earnings performance of the ElringKlinger Group.

This contrasts with China, Brazil and India, where revenues and staffing levels are expanding at a much faster rate. Wage levels in these countries are below the Group average.

There is also a fundamental risk that substantial wage increases or any sudden collapse in demand and production volume could cause a significant jump in the staff cost ratio. This, in turn, would have a negative impact on the Group's earnings performance and cash flow. The company has established a range of labor flexibility measures that would allow it to respond quickly to any unexpected and severe drop in demand. These measures include working time accounts, shift models and adjustments to temporary staffing capacity. The proportion of employees with temporary contracts is around 13% within the ElringKlinger Group, the rationale being to provide ample flexibility in terms of capacity.

All in all, wage cost inflation constitutes one of the most significant risks to the Group's earnings and net cash. In order to remain competitive at an international level while also retaining jobs in the domestic market, higher wage costs have to be offset by improved efficiency and streamlining in production.

Technology risks

The ElringKlinger Group's business model is based predominantly on its ability to develop technologically cutting-edge products and achieve above-average long-term growth through superior innovation and productivity. Profit margins are safeguarded through technology-driven unique selling propositions.

Depending on the direction taken with regard to innovation leadership, there is a risk that major technological developments are not identified and applied accordingly. If ElringKlinger were to lose its position as a pacesetter, this would jeopardize the company's standing as a preferred development partner in the medium term at the very latest. This, in turn, would lead to a decline in sales and earnings over the medium to long term. Any failure to maintain a portfolio of market-leading products would put considerable downward pressure on prices.

Alongside the continued improvement of the combustion engine, R&D efforts within the wider automotive industry are currently dominated by considerable expansion within the field of alternative drive technologies.

Looking beyond its solutions that focus on optimized combustion engines, ElringKlinger was quick to pursue a future-proof position by also embracing new product technology tailored to the requirements of electromobility and exhaust gas purification. It is currently making a committed effort to further cement its position within this area. Its R&D ratio, which is above the industry average, bears testimony to the company's ardent support of this line of business. What is more, from 2005 to 2012, the Group spent between 9 and 21% of sales per annum on investments that have been instrumental in extending its technology portfolio.

In this context, ElringKlinger's main focus lies on the application of existing material and process know-how. In taking this route, it avoids the risk of straying from its core competencies and wasting efforts on areas of technology with fewer market prospects. Trends in the market are kept under constant review by each of the company's divisions. They analyze the latest technological developments at product group level and work at pace to identify viable solutions for the customer.

Overall, it can be inferred that the opportunities presented by new technology trends in the area of vehicle drive systems outweigh the risks for ElringKlinger.

External growth/Acquisitions

Ongoing consolidation in the automotive supply industry is being driven by the current situation in the car industry as a whole, as outlined above. In the case of acquisitions, there is always a risk, despite careful planning and analysis, that the newly acquired companies will not achieve the expected targets or not do so within the expected time frame.

External circumstances may cause delays with regard to measures implemented for the purpose of corporate integration. It is impossible to entirely rule out the necessity of restructuring measures that may initially have an adverse effect on the Group's earnings. This would exert pressure on the Group profit margin, at least on a temporary basis. Additionally, larger investments may be required, leading to more extensive financing requirements than originally planned.

The Group is invariably exposed to the risk of goodwill impairment losses as part of the impairment tests to be conducted at the end of the year under the provisions of IFRS.

In the case of technologies purchased by the company, there is a possibility that their performance will fail to meet the company's expectations in full. There is also a risk that a new technology may not find acceptance among customers.

To limit the above-mentioned risks, ElringKlinger's internal team of experts always subjects projects to an extensive due diligence review before the acquisition of a company or new technology. Each review examines and analyzes in detail the plausibility of all financial plans and technological data.

Acquisitions are only transacted if there is a good prospect that the acquired entities can achieve the Group profit margin in the medium term. At the same time, the company follows a strict policy of ensuring that the overall potential risk in financial terms – even in the worst-case scenario – will not impair ElringKlinger AG's long-term ability to pay a dividend.

Legal risks/Warranty risks

As a manufacturer and supplier to the automotive industry, ElringKlinger may be exposed to warranty and liability risks with respect to revenue and earnings. The supply of non-compliant components may necessitate an exchange or recall of such parts. The associated cost and claims for damages may be significant. Appropriate quality assurance systems are in place to prevent and mitigate such risks. Furthermore, risks in this area are covered to a large extent by insurance policies, which are an element of the risk management system. Finally, ElringKlinger addresses its exposure to legal risks by recognizing appropriate provisions in its annual accounts. Compared with the previous year, there were no other significant risks in the period under review.

IT risks

Any disruption to the IT systems and application software can lead to delays in the processing of orders and the supply chain. This may damage the company on both the cost and revenue side.

One of the Group's two data centers has now been moved to a new site at Vogelsang (Dettingen/Erms), thus improving the level of protection against hardware malfunction and software problems. The risk of a system crash and loss of data has therefore been reduced as far as possible.

Redundant data storage methods and double systems are in place to back up the IT systems used in production areas. Potential risks are mitigated by advance planning and through the implementation of transitional solutions and additional back-up systems, e.g. in connection with the rollout of new systems at the subsidiaries.

In 2012, an additional level of protection was established through the centralized back-up of all data inventories of the international sites.

Staff access to sensitive data is controlled by means of a graded system of authorization. Up-to-date security software is used to provide the greatest possible protection against unauthorized access from outside the company.

Opportunities

Market prospects: potential in emerging markets

Global vehicle production is likely to stagnate in 2013 or, at the very best, see percentage growth in the low single figures. In the coming years, demand for cars and commercial vehicles will increasingly shift from the established markets of Europe, the US and Japan towards the BRIC (Brazil, Russia, India, China) and SMIT regions (South Korea, Mexico, Indonesia, Turkey).

In view of the protracted economic and financial crisis in Europe, many companies have prioritized the need to unlock new growth opportunities beyond their established core markets. Against the backdrop of continued contraction in the Western European markets, the focus has turned to Eastern Europe and South America as well as, in particular, the emerging economies of Asia. Alongside China, the ASEAN states are playing an increasingly important role for the automotive industry. With a growing desire for mobility and greater importance attached to cars as a status symbol, the demand for vehicles in these regions has increased noticeably.

ElringKlinger has been quick off the mark when it comes to cementing its position in Asia – with two major production facilities in China, its joint venture ElringKlinger Marusan Corporation in Japan as well as a plant in India. In the ASEAN region, meanwhile, the Group's first production site in Jakarta, Indonesia, is currently progressing through the start-up stage – in cooperation with a Japanese partner. Including exports, almost a quarter of the Group's sales revenue generated in 2012 was already attributable to the Asian markets.

ElringKlinger is benefiting considerably from the fact that the majority of the BRIC states and the ASEAN 10 region are adopting far-reaching emissions legislation – similar to the Euro 4 or Euro 5 standards in Europe. As a result, these markets will see growing demand for engine and exhaust components that help manufacturers to comply with the above-mentioned performance standards.

Benefiting from a suitably structured product portfolio and the necessary local production capacities, ElringKlinger is well positioned to exploit the substantial growth rates in car sales within the emerging markets. The Group has thus established a solid base from which to seize the opportunities for sales and earnings in these regions.

Growth drivers: climate change and new emissions rules

With public debate over the impact of climate change becoming increasingly heated around the globe and legislation taking a tough stance on emission levels, CO_2 reduction has emerged as one of the top priorities for the automotive industry.

ElringKlinger's portfolio and development work are strategically focused on addressing the issues of reducing fuel consumption, scaling back emissions and introducing alternative drive technologies.

The statutory limits for greenhouse gas emissions will be reduced dramatically in the next few years – worldwide. By 2020, CO_2 emissions for new vehicles in the EU will need to be lowered by another 20% to 95 g/km. Regulations have also been introduced in the US obliging manufacturers to reduce fleet emissions to 162 g/km by 2016. A further cut of nearly 50% will be required by 2025.

At the same time, emission standards covering carbon monoxide, hydrocarbon compounds, nitrogen oxide and particulates are being tightened up considerably. A case in point: the demanding Euro emission standards. Regulations similar to these are also being adopted by many emerging countries.

For ElringKlinger, the trend among the majority of manufacturers towards downsizing of combustion engines (**Research and Development***) creates new fields of application for highly heat-resistant specialty gaskets and shielding components, e.g. in the turbocharger area. At the same time, exhaust systems are becoming increasingly complex. This has resulted in stronger demand for high-quality specialty gaskets and thermal shielding components for catalytic converters and particulate filters.

* CF. PAGE 95 ET SEQQ.

Many vehicle manufacturers are opting for hybrid powertrains as the best way to reduce CO_2 emissions. In the future, vehicle platforms will in many cases come with a choice between an optimized combustion engine or, alternatively, a hybrid version combined with an electric drive. Industry analysts predict that by 2025 around 20% of new vehicles will be sold as rechargeable plug-in hybrids.

Plug-in hybrids* in particular offer an opportunity for ElringKlinger to supply not only components tailored to the requirements of combustion engines but also cell contact systems and pressure equalization modules for lithium-ion batteries. This will open up the opportunity to increase its average per-vehicle revenue quite significantly.

* CF. GLOSSARY

The product portfolio offered by Hug Engineering AG – from diesel particular filters to complete exhaust gas purification systems – provides a suitable launch pad for sales in a wide range of markets, particularly when one considers the challenges posed by climate change. Over the coming years, emission standards introduced by the majority of industrialized and emerging countries will necessitate the use of exhaust gas purification systems in many engine applications. This applies not only to the mobile segment but also to stationary units or applications in construction machines, agricultural vehicles as well as diesel locomotives and ships.

Opportunities arising from industry consolidation

Many companies within the automotive supply industry are still feeling the aftermath of the crisis that buffeted the sector in 2008/9, as well as having to contend with substantial financing requirements. The number of insolvencies remained high in 2012. In many cases, equity ratios are low and companies are unable to tap the capital markets for additional funds, a situation that poses considerable risk in the event of a more pronounced downturn in the market. As a result of new rules stipulating that the banks themselves have to meet higher capitalization requirements, there is also a risk that it will become harder to obtain external financing and that the cost of capital may rise.

Suppliers depending primarily on the ailing car markets of Western Europe are under particular pressure, with plants operating below capacity.

Given the need to expand production capacity in response to rapid growth in the emerging countries, companies will have to seek additional financial resources. They will also need to invest heavily in the development of new products. At the same time, the situation regarding competition and price will remain challenging in the foreseeable future.

Against this backdrop, industry experts such as the Center of Automotive at the Bergisch-Gladbach University of Applied Sciences predict more intense consolidation within the sector in the coming years. This will primarily affect small- and medium-sized suppliers whose operations are not global in scope. Today, car and truck makers alike mainly develop so-called global engines, which are used worldwide in various vehicle series. This approach means that suppliers must operate an international production network, complemented by the capacity to supply at a global level.

Benefiting from a strong financial base, ElringKlinger can use this situation to its advantage by reinforcing its own technology portfolio with the help of targeted acquisitions or profiting from the market exit of competitors. ElringKlinger monitors the market on a continual basis, with the express purpose of identifying and assessing key opportunities for takeovers.

Overall assessment of risks and opportunities

In recent years, the systems established by the ElringKlinger Group to identify and manage risks and opportunities have proven to be very effective.

This is clear from the company's successful management of the severe crisis that engulfed the automotive market in 2008/9 and the speed with which ElringKlinger moved into new areas such as electromobility/hybrid technology and exhaust gas purification technology.

Benefiting from a solid balance sheet underpinned by an equity ratio of 50.5%, in conjunction with the Group's considerable financial strength, ElringKlinger has the ability to weather even more protracted crises.

This stability is also an advantage to the Group when it comes to securing customer contracts. After the experience of the crisis years of 2008 and 2009, customers now often consider the financial stability of suppliers as a selection criterion when negotiating long-term contracts and choosing development partners.

After weighing up all the opportunities and risks, it can be said that the overall macroeconomic uncertainties have hardly diminished when compared to the previous year. The risk factors affecting the company are predominantly exogenous in nature. On account of its early warning systems and flexible organizational structure, the ElringKlinger Group is well equipped to respond promptly and comprehensively as events require.

There are currently no identifiable risks or combinations of risk that might jeopardize the future existence of the Group as a going concern.

The ElringKlinger Group has made considerable up-front investments in recent years, the focus being on product development and the expansion of its technology pipeline. The company has established a strategic position that allows it to exploit opportunities for growth in the new areas of alternative drives and exhaust gas purification as well as in the market for conventional products. It is also well positioned to seize opportunities for acquisitions that may arise as a result of the trend towards industry consolidation. Overall, the Group is in an ideal position to outpace the automotive market as a whole in the years ahead in terms of percentage growth, while maintaining a manageable risk profile.

Report on Expected Developments

Outlook – Market and Sector

Sovereign debt crisis continues to loom over global economy in 2013

The international debt crisis is likely to remain a dominant theme overshadowing global economic performance in 2013. Against this backdrop, the world economy will continue to walk the line between hope and fear in the months ahead. Despite this uncertainty, the International Monetary Fund (IMF) has forecast growth of 3.5% for the global economy, although the risk of a downward slide cannot be ruled out entirely. By contrast, the world economy as a whole is expected to gain forward momentum in the following year, with global growth projected to reach 4.1% in 2014.

The eurozone continues to grapple with problems. It is due to the decisive action of the European Central Bank, however, that the monetary union remains intact. While economic output in the eurozone as a whole is again expected to drop slightly in 2013, the downward spiral is likely to

come to a halt over the course of the year. Looking further ahead, the European economy should be able to return to more tangible growth in 2014.

The German economy is again expected to fare better than its European counterparts. On the back of an unexpected rise in the Ifo Business Climate Index towards the end of 2012, the ZEW Barometer (Center for European Economic Research), too, surged ahead in January 2013 by an impressive 24.6 points to 31.5 points in total. The German economy is expected to grow by 0.6% in 2013. With a projected growth rate of 1.4%, it is likely to move forward again at a slightly faster pace in 2014.

In the United States, meanwhile, the government managed to circumvent the impending fiscal cliff, thereby avoiding the dramatic tax increases and spending cuts that would have automatically followed. The US economy will benefit, among other factors, from low interest rates, lower levels of unemployment and an upturn in real estate prices. The IMF has forecast GDP growth of 2.0% for 2013 and 3.0% for the following year. Brazil, the largest economy in South America, is expected to see GDP grow by a respectable 3.5%, followed by 4.0% in 2014.

In stark contrast to a shrinking eurozone, Asia can look forward to growth stabilizing at a high level in the near future. The newly appointed Chinese government has already signaled its commitment to annual growth of 7% per annum in the coming years. This, it is said, would be sufficient for the purpose of creating a "prosperous society" by 2020. The Chinese economy is forecast to grow by 8.2% in 2013, while 2014 is expected to see economic expansion of 8.5%. Elsewhere, India's GDP growth has been estimated at 5.9% in 2013 and 6.4% in the following year. The ASEAN region can also look forward to significant growth in both economic output and demand in 2013 and 2014.

Japan's new government is looking to boost the local economy with the help of far-reaching stimulus packages and an expansive monetary policy. Despite these efforts, economists have forecast modest GDP growth of 1.2% for 2013. In 2014, Japan is likely to see its economy expand by 0.7%.

Wide divergence across global car markets

With numerous factors contributing to uncertainty at present, the global demand for vehicles is likely to grow at a moderate rate in 2013. Significant regional differences in the development of automotive markets, which were already visible in 2012, are largely expected to continue.

Yet again, the Asian countries are likely to be the key growth drivers in 2013 and 2014. Alongside China, rapidly growing ASEAN nations such as Indonesia, Malaysia, Thailand and Vietnam are playing an increasingly significant role. Meanwhile, sales figures in Western Europe have reached their lowest level in almost 20 years. What is more, the region as a whole may be plunged even deeper into the mire. Due to ongoing macroeconomic risks, forecasts for the automotive markets in 2013 are on the whole clouded by quite significant levels of uncertainty.

The road map set out by the ElringKlinger Group for 2013 is guided by the notion that car production figures will stagnate or, at the very best, expand slightly at a global level. This is based on the assumption that more expansive output in North America, Asia and Russia will offset the further contraction seen throughout the car markets of Western Europe.

The ongoing debt crisis and high levels of unemployment are dampening consumer spirits in Western Europe. Almost all forecasts predict a further decrease in passenger car sales in 2013. At minus 2% to minus 4%, market contraction is expected to be less pronounced than in 2012. However, 2013 will probably represent a new low in the number of cars sold.

According to forecasts, the first six months will be weaker than the second half of the year. Given the extremely low level of sales recorded in this sector and an average vehicle age of more than eight years, the vehicle markets should pick up pace in the second half of 2013.

Vehicle production in Western Europe in 2013 will either remain largely unchanged or recede to a level slightly below that of 2012. The reduction in stock levels seen by many manufacturers throughout the industry may even prompt a slight rise in unit production figures in the second half of the year.

Having enjoyed a sustained period of stability, the German automotive market will also have to contend with a more severe headwind. Germany's automotive industry association VDA is expecting approximately 3 million newly registered cars within the domestic market in 2013. This figure is comparable to that recorded in the previous year. By contrast, domestic car production, which benefits considerably from demand in Asia and North America, will contract slightly – down to approximately 5.4 million units. Exports account for more than three-quarters of this figure.

Although the US automotive market is set to grow in 2013, partly thanks to an elevated average vehicle age of more than ten years, it will do so at a reduced speed. The percentage increase in unit sales relating to cars and light trucks is expected to be in the medium single-digit range. The number of newly registered vehicles may therefore move beyond the 15 million mark once again in 2013. Having said that, the US market still has a long way to go before reaching previous highs, when unit sales were well in excess of 17 million vehicles per annum. An increase in the medium single-digit percentage range is also expected for US car production in 2013.

In 2012, South America's biggest vehicle market, Brazil, reaped the rewards of government incentive schemes such as tax reductions for car buyers. Given the number of purchases brought forward as a result of these incentives, it seems unlikely that great strides will be made in 2013. Vehicle sales forecasts are inconsistent and vary between a slight contraction and moderate growth.

China, with its low vehicle density of just 37 passenger cars per 1,000 inhabitants, continues to offer considerable potential for long-term growth. This will again be reflected in a substantial increase in car sales over the course of 2013. Sales in what is now the world's largest vehicle market are set to increase by a further 7% to 20.7 million passenger cars and light commercial vehicles, according to the Chinese industry association CAAM. China is also expected to overtake Europe in terms of car production for the first time in 2013, with year-on-year growth estimated at 8.9%. The sale of cars and light trucks in India will also increase by approximately 7%, thus touching the 3.5 million mark.

Japan, however, is expected to see vehicle sales decline by a percentage rate towards the lower end of the double-digit range in 2013. In 2012, the Japanese market was still benefiting from catch-up effects as it emerged from the natural disaster in 2011.

Commercial vehicle market set for slight recovery

ElringKlinger currently generates around 13% of its Group revenue from Original Equipment sales to the commercial vehicle industry. Due to the significant number of product innovations within this area, the commercial vehicle business is expected to become increasingly important for ElringKlinger.

The commercial vehicle market tends to directly reflect the situation in the wider economy and is generally considered more cyclical than the passenger vehicle sector. With the European economy languishing in the doldrums, demand for heavy goods vehicles has also taken a nosedive. On the back of a sharp decline in 2012, the best that can be expected for 2013 is a moderate recovery in sales volumes.

The Euro VI standard may have a positive impact on truck sales in Europe in the second half of the year. It will come into force at the beginning of 2014. Low-emission engines are more expensive, which may prompt advance purchases in 2013. In spite of these factors, forecasts for the commercial vehicle market in Europe vary significantly between minus 5% and plus 5%.

After buoyant demand for trucks in North America in 2012, Class 8 truck sales are expected to edge up slightly in 2013 as the economy continues to recover. The number of heavy trucks purchased in the US over the course of 2013 is expected to be 2% up on the figure recorded in 2012.

Truck sales are also likely to increase in Brazil. Given the low sales figures in 2012, increases of up to 10% seem possible in 2013. The government had announced in December 2012 that it would extend its sales incentives until the end of 2013.

Having seen its truck market slump by almost a third in 2012, China – the world's biggest heavy goods vehicle market in terms of numbers – is expected to witness a surge in demand by around 10% in 2013.

On the whole, global demand for trucks should pick up slightly over the course of 2013 after considerable decreases in 2012. According to most forecasts, the global market for heavy goods vehicles will grow by 5% calculated on the basis of new registrations.

Outlook – Company

Competitive climate remains challenging

The market environment for many of the product groups supplied by ElringKlinger continues to be governed by intense competition. With customers in the vehicle industry demanding lower prices, automotive suppliers are having to focus increasingly on improving their efficiency levels in production, particularly in view of rising costs.

ElringKlinger remains fully committed to honing its unique selling propositions with regard to processes and product development.

Given the significant technological barriers and highly specialized process engineering expertise associated with this line of business, the likelihood of new competitors entering this market is relatively low. Many of the processes, machinery and materials used in this area are based on proprietary development work as well as protected methods. The majority of the tooling technology deployed by ElringKlinger in this field remains in-house.

Suppliers are now responsible for an increasingly large proportion of value creation relating to new vehicle production. In response to the latest trends in drive technology, companies are having to invest substantial funds in research and development.

This, coupled with the increasingly international nature of business, as evidenced by expansion within the ASEAN region for example, calls for strong financing capabilities. Exposed to these multifaceted challenges, the automotive supply industry is likely to see further, progressively dynamic consolidation.

The as yet unresolved risks associated with the international debt crisis continue to be a source of uncertainty – particularly in Europe – as to the future performance of the vehicle market as a whole and, in turn, the volumes requested by customers as part of their production scheduling.

Against the backdrop of this challenging environment, it is imperative that the company assumes a highly flexible position with regard to expense items and organizational structures in 2013.

Order intake in positive territory for annual period

As of December 31, 2012, the substantial levels of order intake within the ElringKlinger Group continued to point upwards. In 2012, order intake rose by 4.2% to EUR 1,134.8 (1,089.0) million.

At EUR 260.8 (272.6) million, order intake in the fourth quarter of 2012 was down 4.3% on the figure recorded in the same quarter of the previous year.

The ElringKlinger Group is supported by a solid order backlog when it comes to achieving sales growth targeted for 2013. As of December 31, 2012, it was up 1.7% on the previous year's figure and stood at 456.0 (448.4) million in total.

Acquired entities with improved financial performance

The dilutive effects on the Group's profit margin as a result of the consolidation of entities acquired in 2011 and 2012 – with a negative aggregate contribution to earnings before taxes in 2012 – will be scaled back further in fiscal 2013.

In particular, exhaust gas specialist Hug Engineering AG, which severely impacted Group earnings before taxes by contributing a loss of EUR 3.5 million in 2012, is expected to see a turnaround in profitability in 2013. ElringKlinger is looking to gradually improve the company's earnings situation. For 2013 as a whole, the EBIT margin is to be guided towards the middle of the single-digit percentage range. Adjusted for the ongoing purchase price allocation estimated at approx. EUR 2 million, the EBIT margin is expected to be close to the double-digit percentage range.

Huge potential for Hug in North America following CARB accreditation

Retrofit business centered around mobiclean R™ diesel particulate filters, in particular, has been gaining momentum recently in the North American market, as a result of which revenue contributions are expected to increase (**"Sales and Earnings Performance"***). In addition, the potential for end-to-end nauticlean™ exhaust gas purification systems used in the maritime industry is considered to be very interesting. The issue of retrofitting engines generally powered by heavy fuel oil with exhaust-cleaning systems is becoming increasingly important. These developments are being driven to a certain extent by legislation, for example by the EU Commission for the purpose of reducing CO_2 levels and other harmful emissions. Besides, Hug has been meeting with customers to present prototypes tailored to applications in the commercial vehicle and construction machinery sector.

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By utilizing the low-cost facility in Thale, Saxony-Anhalt, as an extended workbench of Hug Engineering AG, the adverse effects that a strong Swiss franc has on Hug's operating margin will be reduced over the course of 2013. State-of-the-art manufacturing technology deployed in the production of housings and systems will help to scale back costs.

The former companies of the Freudenberg Group are also committed to further improving their earnings performance. In 2013, ElringKlinger will be implementing additional measures aimed at streamlining costs and raising efficiency levels at the site in Nantiat/Chamborêt, France, operated by ElringKlinger Meillor SAS. Costs are to be reined back with the help of extensive automation and an alignment of production processes and product designs. At the same time, the parent company will assume responsibility for central functions. Given the dire situation of the French car market, however, earnings performance for the Nantiat site is only expected to improve gradually and at a modest pace over the course of 2013. This will be underpinned by the introduction of small-batch production for the aftermarket business.

Cost streamlining remains focus throughout the Group

In keeping with its streamlining efforts, ElringKlinger will again be looking to optimize the Group's production processes during 2013. The Group intends to cut its costs by introducing more extensive automation and implementing intelligent process technology. The aim is to improve efficiency by at least 3%. Within this context, the emphasis of streamlining programs will be on the subsidiaries and investees.

In 2012, prices for some of the key commodities of relevance to ElringKlinger's operations, particularly alloy surcharges for high-grade steel, retreated from their peaks in 2011. By contrast, revenue generated by the company from scrap materials fell markedly. ElringKlinger AG took advantage of the more favorable price climate and entered into hedging agreements for alloy surcharges (nickel) relating to part of the overall volume of high-grade steel required by the company. The second half of 2012 saw a gradual rise in commodity prices.

Based on the supply agreements concluded within this area, ElringKlinger anticipates that the overall price situation will remain relatively stable in 2013, depending on the respective types of material required. By contrast, the market prices of specific raw materials are expected to rise, e.g. in the case

of polymer granules. Requiring more extensive volumes of this raw material, the company is likely to be faced with higher unit prices in this area. Having said that, there is currently no evidence to suggest that commodity prices will advance strongly at a rate similar to that seen in 2010 and 2011.

Depending on the future direction taken by the global economy and the associated levels of demand for commodities, a more pronounced increase in material prices cannot be ruled out entirely in 2013.

As the ElringKlinger Group continues to employ almost half of its workforce at sites in Germany, the direction taken by staff costs within the Group is heavily dependent on the collective bargaining agreement associated with the domestic metal-working industry. Wages and salaries are expected to rise yet again in 2013 with regard to those members of the workforce employed at the German sites of the ElringKlinger Group and covered by the aforementioned collective agreement. The collective pay increase is currently being negotiated between the IG Metall trade union and employer federations.

Given the sustained pricing pressure, wage rises will have to be offset by appropriate streamlining measures and cost reductions. In view of the revenue gains targeted for 2013, staffing levels are expected to rise. However, any increase in the overall headcount will be less pronounced relative to revenue growth. ElringKlinger has set itself a clearly defined target of keeping any percentage increase in total staff costs below the growth rate for sales revenue.

Following an above-average rise in administrative expenses in 2012, this expense item is to increase at a less pronounced rate relative to revenue growth targeted by the Group in 2013. This is to be achieved by means of further centralization of administrative functions at the parent company.

Increase in revenue and earnings targeted for 2013

On the basis of the economic projections outlined above, the ElringKlinger Group is targeting organic revenue growth of 5 to 7% in 2013. Should global car production only stagnate in 2013, revenue growth is more likely to be positioned at the lower end of this range.

The operating margin attributable to ElringKlinger's core business will be adversely affected in 2013 as a result of the below-average aggregated profit margins of the acquired entities and the associated purchase price allocations. However, thanks to the measures outlined earlier, the level of dilution will be lower in 2013. Additionally, the substantial up-front costs incurred in the E-Mobility division, which will be working on several projects as they progress through the start-up phase in 2013, also have to be taken into account.

Despite these adverse effects, ElringKlinger is confident that earnings before interest and taxes (EBIT), adjusted for one-time effects, will increase at a more pronounced rate than sales revenue. Against this backdrop, adjusted EBIT is expected to range from EUR 150 to 155 million in 2013 (EUR 136.0 million in 2012).

Outlook for segments

Given the level of structural growth achieved in product groups such as turbocharger gaskets, shielding components and control plates for automatic transmissions, together with scheduled ramp-ups, the Original Equipment segment is expected to generate further growth in revenues and earnings in 2013.

Around 80% of Group revenue and 67% of earnings before taxes were attributable to Original Equipment in 2012. Against this background, this segment is again likely to contribute the largest proportion of revenue and earnings growth within the Group in 2013.

Buoyed by rising demand for PTFE components from a number of industries and the progressive market penetration in China, India and North America, the Engineered Plastics segment is also expected to generate forward momentum in both revenues and earnings in 2013. Within this context, the start of production for a new generation of gaskets used in injection systems, compressor pistons made of the injection-moldable material Moldflon™ as well as Moldflon™ sealing rings for controllable cooling circuits will provide significant impetus.

In addition to expanding its product range in 2013, the Aftermarket segment is planning to step up its sales activities in Western Europe in particular over the coming months. Furthermore, ElringKlinger Meillor SAS intends to introduce small-batch production for spare parts at the former Freudenberg site in Nantiat, France.

After the introduction of car scrappage incentives by many countries throughout Europe in 2009, the average vehicle age has fallen markedly in the small vehicle segment. At the same time, blustery economic conditions in Europe have meant that many vehicle owners are postponing servicing and repair work. This will have a temporary impact on the general sales opportunities within the Aftermarket segment.

From today's perspective, however, these adverse effects will be more than offset by additional market share and growth within the international business arena. Whereas the political risks emanating from some of the North African markets remain opaque, ElringKlinger's Aftermarket business will benefit primarily from forward momentum generated in Eastern Europe and the Middle East.

In total, the Aftermarket segment is thus expected to produce further revenue growth in 2013. Earnings before taxes are to increase at a similar rate in percentage terms.

The ElringKlinger Group is also in a strong position for 2014 and beyond, having occupied technology niches that are undergoing structural growth and benefiting from the introduction of many new products. Additionally, it has established a promising vantage point in the emerging markets. Against this background, the Group anticipates that it will be in a position to increase sales revenue by 5 to 7% annually, assuming that global vehicle production continues to expand at a moderate rate. At the same time, earnings before interest and taxes are to grow at a more pronounced rate relative to sales. This will to a large extent be depending on the future performance of the acquired companies and the ramp-up of new products in the E-Mobility division.

Investment ratio returns to more normal levels

The past years have been dominated by significant investments in new production plants as well as the funding of large-scale projects such as the new logistics center in Dettingen/Erms, Germany. The investment ratio at Group level, i.e. investments in relation to Group sales, rose to levels of close to 17% in the last three years, which is well above average.

By contrast, expenditure on investments attributable to property, plant and equipment will return to more normal levels again in 2013 and 2014. The investment ratio will be scaled back in the coming years and is likely to account for between 8 to 10% of sales revenue.

After a moderate figure of EUR 103.1 million in 2012, the ElringKlinger Group has earmarked around EUR 100.0 million in 2013 for investments in property, plant and equipment as well as investment property. These investments will be directed primarily at new production buildings, machinery and operating systems required for scheduled production ramp-ups as well as streamlining projects.

Growth within the automotive industry will be driven primarily by Asia in the coming years. With this in mind, business expansion in Asia will be one of the focal points of investment spending in 2013. In 2013, ElringKlinger plans to commence construction work on a new state-of-art plant at the future site in Gumi, South Korea, which will be capable of manufacturing all product groups. Total investments for the building and production machinery will amount to approx. EUR 10 million. ElringKlinger will thus further cement its business relationship with Korean vehicle manufacturers and prime itself for growth in the years ahead. The new plant in Indonesia is to be equipped with additional production machinery. Furthermore, a development center is to be built at the site in Suzhou, China, as well as an additional building for production purposes.

In total, approx. EUR 6 million will be invested in the newly constructed production premises at the site in Thale, Germany. State-of-the-art machinery for precision welding and canning of particulate filters as well as complete exhaust gas purification systems will lead to tangible cost reductions in the field of exhaust technology. Operating as an "extended workbench" for Hug Engineering AG, the plant is now perfectly positioned for the production of larger series. A significant proportion of expenditure associated with this investment will take place in 2013.

In preparation for dynamic growth from new projects relating to the PTFE material Moldflon™, in particular, a new extension is to be added to the facility operated by ElringKlinger Kunststofftechnik GmbH in Bietigheim-Bissingen, Germany. Including the newly purchased machinery, investments within this area are estimated at EUR 10 million.

The 2013 budget also includes investments of around EUR 8 million relating to the construction of a new center for the assembly and packing of spare part sets at the site in Rottenburg/Neckar, Germany.

Sufficient scope for financing organic growth and acquisitions

The cash flow expected from operating activities in 2013 and 2014 respectively is likely to exceed payments currently planned for investments in property, plant and equipment. Thus, future funding of organic growth within the Group, with a focus on Asia, as well as continued expansion in the areas of electromobility and exhaust gas purification technology have been safeguarded. The Group's overal financing requirements for 2013 and 2014, as anticipated at present, will be covered to a large extent by the existing inflow of funds attributable to internal financing.

In addition, the ElringKlinger Group has the option of accessing outside capital in the form of lines of credit provided by several banks, amounting to approx. EUR 115 million in total.

If favorable opportunities for external growth were to arise in the short term as a result of ongoing consolidation within the industry, ElringKlinger would have sufficient room for maneuver when it comes to financing viable acquisitions.

Scaling back net debt

Having risen to EUR 416.3 (366.6) million as a result of the acquisitions transacted in 2011 and 2012, the construction of new plants and financing implemented in support of buoyant growth, debt (financial liabilities including pension obligations) is to be scaled back gradually from the second half of 2013 onwards with the help of cash flows from operating activities. The first half of the year is generally dominated by disproportionately large payments as a result of the distribution of dividends.

Therefore, the Group's net financial debt (financial liabilities less cash) will be lower at the year-end 2013 than it was on December 31, 2012. The ElringKlinger Group will also be looking to further reduce its net financial liabilities in the subsequent financial year 2014.

Based on its current financial performance, financial position and cash flows, the ElringKlinger Group can consider itself well positioned to achieve the corporate targets it has set for itself.

Events after the Reporting Period

After the reporting period, ElringKlinger AG transacted the full acquisition of the South Korean joint venture ElringKlinger Korea Co., Ltd. in Changwon.

In 2012, the Korean company generated sales revenue of EUR 12.2 million. ElringKlinger AG acquired the remaining 50% interest in ElringKlinger Korea Co., Ltd. from the co-owner family, thereby becoming the sole owner of the enterprise. The purchase consideration for the 50% interest amounted to EUR 4.3 million. Having previously been included in the Group's accounts on a proportionate basis, the enterprise is to be fully consolidated as of February 1, 2013.

The joint venture produces cylinder-head and specialty gaskets, heat shields and plastic housing modules. The acquisition will allow ElringKlinger to cement its position in the Asian market and further expand its business relations with Korean vehicle manufacturers.

Additionally, ElringKlinger AG acquired the remaining 49% ownership interest in the South African company Elring Gaskets (Pty) Ltd. effective from January 1, 2013. In this context, the name of the company was changed to ElringKlinger South Africa (Pty) Ltd.

ElringKlinger South Africa (Pty) Ltd. generated sales of EUR 0.8 million in 2012. The purchase consideration for the remaining ownership interests amounted to EUR 0.6 million.

Having previously focused on the aftermarket business, the company is to be expanded in 2013 for the purpose of manufacturing shielding components within the context of projects already acquired in this area. Among others, this includes a major serial production contract from one of Germany's premium car makers, the focus being on supplying engine and underbody shielding packages for an entire series.

Beyond this, no other significant events requiring disclosure occurred after the reporting period.

Dettingen/Erms, March 13, 2013
The Management Board

Dr. Stefan Wolf Theo Becker Karl Schmauder

Consolidated Financial Statements of ElringKlinger AG for the 2012 Financial Year

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Group Income Statement

of ElringKlinger AG, January 1 to December 31, 2012

	Note	2012 EUR k	2011 EUR k
Sales revenue	**(1)**	**1,127,182**	**1,032,820**
Cost of sales	(2)	-814,778	-744,166
Gross profit		**312,404**	**288,654**
Selling expenses	(3)	-78,046	-67,440
General and administrative expenses	(4)	-45,775	-43,365
Research and development costs	(5)	-57,304	-49,916
Other operating income	(6)	15,400	34,737
Other operating expenses	(7)	-7,816	-11,550
Operating result		**138,863**	**151,120**
Finance income		6,858	15,834
Finance costs		-21,910	-30,322
Net finance costs	**(8)**	**-15,052**	**-14,488**
Earnings before taxes		**123,811**	**136,632**
Income tax expense	(9)	-34,409	-39,040
Net income		**89,402**	**97,592**
of which: attributable to non-controlling interests	(21)	3,492	2,717
of which: attributable to shareholders of ElringKlinger AG	**(21)**	**85,910**	**94,875**
Basic and diluted earnings per share in EUR	**(10)**	**1.36**	**1.50**

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to December 31, 2012

	Anhang	2012 EUR k	2011 EUR k
Net income		**89,402**	**97,592**
Currency translation difference		-4,658	6,538
Actuarial losses from pension commitments, net after tax		-15,904	-4,208
Currency translation of a net investment in a foreign operation		166	0
Changes recognized directly in equity		**-20,396**	**2,330**
Total comprehensive income		**69,006**	**99,922**
of which: attributable to non-controlling interests		2,907	3,505
of which: attributable to shareholders of ElringKlinger AG		**66,099**	**96,417**

Group Statement of Financial Position

of ElringKlinger AG, as at December 31, 2012

	Note	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
ASSETS			
Intangible assets	(11)	135,989	134,133
Property, plant and equipment	(12)	565,000	537,545
Investment property	(13)	13,329	13,071
Financial assets	(14)	1,637	2,621
Non-current income tax assets	(15)	2,830	3,355
Other non-current assets	(15)	2,737	1,730
Deferred tax assets	(9)	29,552	20,991
Non-current assets		**751,074**	**713,446**
Inventories	(16)	229,586	216,467
Trade receivables	(17)	185,850	187,279
Current income tax assets	(17)	2,208	1,539
Other current assets	(17)	45,351	33,706
Cash	(18)	54,273	65,153
Current assets		**517,268**	**504,144**
Non-current assets held for sale and discontinued operations	**(19)**	**249**	**0**
		1,268,591	1,217,590

	Note	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
LIABILITIES AND EQUITY			
Share capital		63,360	63,360
Capital reserve		118,238	118,238
Revenue reserves		424,631	376,847
Other reserves		3,048	22,208
Equity attributable to the shareholders of ElringKlinger AG	**(20)**	**609,277**	**580,653**
Non-controlling interest in equity	(21)	30,978	29,458
Equity		**640,255**	**610,111**
Provisions for pensions	(22)	101,559	79,132
Non-current provisions	(23)	11,121	7,402
Non-current financial liabilities	(24)	130,993	161,348
Deferred tax liabilities	(9)	46,781	44,900
Other non-current liabilities	(25)	10,149	21,069
Non-current liabilities		**300,603**	**313,851**
Current provisions	(23)	18,409	15,499
Trade payables	(25)	58,065	65,019
Current financial liabilities	(24)	183,716	126,145
Tax payable	(9)	11,513	18,546
Other current liabilities	(25)	56,030	68,419
Current liabilities		**327,733**	**293,628**
		1,268,591	1,217,590

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to December 31, 2012

	Share capital EUR k	Capital-reserves EUR k	Revenue reserves EUR k	
Note	(20)	(31)	(31)	
Balance as of Jan. 1, 2011	**63,360**	**118,238**	**304,148**	
Capital increase				
Dividend distribution			-22,176	
Change in scope of consolidated financial statement				
Purchase of shares from controlling interests				
Total comprehensive income			94,875	
Net income Changes recognized directly in equity			94,875	
Balance as of Dec. 31, 2011/Balance as of Jan. 1, 2012	**63,360**	**118,238**	**376,847**	
Capital increase				
Dividend distribution			-36,749	
Change in scope of consolidated financial statements			-1,377	
Purchase of shares from controlling interests				
Total comprehensive income			85,910	
Net income Changes recognized directly in equity			85,910	
Balance as of Dec. 31, 2012	**63,360**	**118,238**	**424,631**	

	Other reserves						
	Revenue reserve from SoRIE/OCI EUR k	Equity impact of controlling interests EUR k	Currency translation differences EUR k	IAS 8 adjustment EUR k	Equity attributable to the shareholders of ElringKlinger AG EUR k	Non-controlling interests in equity EUR k	Group equity EUR k
			(31)			(21)	
	-4,255	**-946**	**16,448**	**9,957**	**506,950**	**15,340**	**522,290**
					0	5,548	5,548
					-22,176	-834	-23,010
					0	5,915	5,915
		-538			-538	-16	-554
	-4,032		15,531	-9,957	96,417	3,505	99,922
					94,875	2,717	97,592
	-4,032		15,531	-9,957	1,542	788	2,330
	-8,287	**-1,484**	**31,979**	**0**	**580,653**	**29,458**	**610,111**
					0	365	365
					-36,749	-1,184	-37,933
		791			-586	0	-586
		-140			-140	-568	-708
	-15,414		-4,397		66,099	2,907	69,006
					85,910	3,492	89,402
	-15,414		-4,397		-19,811	-585	-20,396
	-23,701	**-833**	**27,582**	**0**	**609,277**	**30,978**	**640,255**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to December 31, 2012

	Note	2012 EUR k	2011 EUR k
Earnings before taxes		123,811	136,632
Depreciation/amortization (less write-ups) of non-current assets	(11) - (14)	79,380	96,790
Net interest	(8)	12,201	12,069
Change in provisions		4,508	-8,145
Gains/losses on disposal of non-current assets		-2,768	-17,519
Change in inventories, trade receivables and other assets not resulting from financing and investing activities		-22,448	-95,888
Change in trade payables and other liabilities not resulting from financing and investing activities		-34,972	-17,281
Income taxes paid	(9)	-40,879	-28,041
Interest paid		-8,737	-8,306
Interest received		426	67
Other non-cash expenses		1,733	4,090
Net cash from operating activities		**112,255**	**74,468**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property		8,974	36,501
Proceeds from disposals of financial assets		1,687	788
Payments for investments in intangible assets	(11)	-11,293	-8,956
Payments for investments in property, plant and equipment and investment property	(12), (13)	-103,056	-112,653
Payments for investments in financial assets	(14)	-412	-728
Payments for the acquisition of subsidiaries, less cash		-4,081	-62,385
Net cash from investing activities		**-108,181**	**-147,433**
Contributions from capital increases from minority shareholders		365	5,548
Payments to minorities for the purchase of shares		-658	-554
Dividends paid to shareholders and minorities		-37,933	-23,010
Proceeds from the addition of financial liabilities	(24)	68,692	84,525*
Payments from the repayment of financial liabilities	(24)	-43,736	-31,099*
Net cash from financing activities*		**-13,270**	**35,410**
Changes in cash		-9,196	-37,555
Effects of currency exchange rates on cash		-1,684	1,518
Cash at beginning of period	(18)	65,153	101,190
Cash at end of period	**(18)**	**54,273**	**65,153**

* A different presentation was selected for net cash from financing activities. Prior-year figures have been adjusted for comparability.

Notes to the Consolidated Financial Statements for the 2012 Financial Year

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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 May 16, 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, 2012, have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 § 315 a (1) HGB. All IFRSs and IFRICs mandatory for the financial year 2012 have been observed.

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 became mandatory for the 2012 financial year for the first time, but did not impact the Group's assets, liabilities, financial position and profit or loss in 2012:

IFRS 7 Financial instruments: disclosures – Transfers of financial assets

The amendment to IFRS 7 expands the disclosure requirements when transferring financial assets. This affects, for example, the sale of trade receivables (factoring) or asset backed securities transactions. The application of this Standard is mandatory for financial years beginning on or after July 1, 2011.

The following Standards, which have been approved but are not yet mandatory for the 2012 financial year, have not yet been applied by ElringKlinger:

IFRS 1 Severe hyperinflation and removal of fixed dates for first-time adopters

On the one hand, the amendment to IFRS 1 replaces the reference to a fixed transition date of "1 January 2004" with "the date of transition to IFRSs". On the other hand, the amendment provides guidance on how an entity should resume presenting financial statements in accordance with

IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The application of this revised Standard is mandatory for financial years beginning on or after July 1, 2011. The Standard has yet to be endorsed by the EU.

IFRS 1 First-time adoption of International Financial Reporting Standards: Government loans

The amendment introduced a new exception to reflect that a first-time adopter would generally restate past transactions retrospectively. Under the amendment, IAS 20.10A – which states that a government loan at a below-market rate of interest shall be recognized and measured in accordance with IAS 39 (and in the future IFRS 9 Financial Instruments) and thus measured at fair value – shall be applied prospectively to government loans at below-market rates of interest granted on or after the date of transition. The application of this amendment is mandatory for financial years beginning on or after January 1, 2013. The Standard has yet to be endorsed by the EU.

IFRS 9 Financial instruments

IFRS 9 Financial instruments sets out the requirements for classifying, recognizing and measuring financial assets and financial liabilities. The Standard replaces those chapters of IAS 39 "Financial instruments: recognition and measurement" which relate to the classification and measurement of financial instruments. In accordance with IFRS 9, financial assets are classified into two measurement categories: those measured at fair value and those measured at amortized cost. Assets are categorized upon initial recognition. The measurement category to which they are allocated depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Most of the provisions of IAS 39 have been retained for financial liabilities. The primary change is that in cases where an entity opts to designate a financial liability at fair value through profit or loss, changes in the fair value of the financial liability that are attributable to changes in the entity's own credit risk are recognized in other comprehensive income rather than in profit or loss, unless doing so would result in the financial liabilities not being faithfully represented. 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. IFRS 9 becomes mandatory for financial years beginning on or after January 1, 2015. The Standard has yet to be endorsed by the EU.

IFRS 10 Consolidated financial statements

IFRSs 10, 11, and 12 set new standards for consolidated financial statements. As per the IASB, the new standards become mandatory for financial years beginning on or after January 1, 2014; IAS 27 "Consolidated and separate financial statements" must be applied for earlier reporting years. 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 abolishes the previous option to use proportionate consolidation for joint ventures.

IFRS 12 Disclosure of interests in other entities

IFRS 12 is a summary of all disclosures which consolidated entities, equity interests, joint arrangements, associates, joint ventures, and non-consolidated structured entities must make in the notes. The new Standard has extensive disclosure requirements for non-consolidated structured entities in particular.

For the Group, these new Standards result in changes in the previous method of accounting for the companies of the ElringKlinger Group, resulting in a change in the statement of financial position.

IFRS 10, IFRS 11 and IFRS 12 Transitional provisions

The amendments clarify that the "date of initial application" of IFRS 10 is the beginning of the reporting period in which the Standard is applied for the first time. The consequence of this is that decisions as to whether or not investments are to be consolidated in accordance with IFRS 10 must be made at the beginning of this period. Moreover, it establishes that upon first-time application of the new consolidation principles, comparative figures for the mandatory disclosure requirements of IFRS 12 relating to subsidiaries, associates and joint arrangements are mandatory only for immediately preceding comparative periods. Unconsolidated structured entities are even fully exempted from the obligation to disclose comparative figures. According to the IASB, the amendments to the transitional provisions are applicable to financial years beginning on or after January 1, 2013.

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 Group has yet to ascertain the full implications of this amendment. The application of this Standard is mandatory for financial years beginning on or after January 1, 2013.

IAS 12 Deferred taxes: Recovering 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 the fair value. The application of this Standard is mandatory for financial years beginning on or after January 1, 2013.

IAS 19 Employee benefits

On June 16, 2011, the IASB issued a revised version of IAS 19, which was published in the Official Journal of the EU on June 6, 2012. The amendments to IAS 19 become mandatory for financial years beginning on or after January 1, 2013.

The amendments to IAS 19 and their impact on ElringKlinger AG's consolidated financial statements are summarized briefly below:

Going forward, new actuarial gains and losses must be recognized directly in equity when they occur. Since ElringKlinger AG already employed this method in the past, the new amendment will not have any effect. Past service costs must be recognized in full in the income statement in the year in which they are incurred. This amendment would not result in any impact on the consolidated financial statements. The extent to which these amendments will have an impact in 2013 depends on future changes to plan assets. Furthermore, the net interest approach was introduced, and expected return on plan assets was eliminated. The introduction of the net interest approach will affect the Group's

net interest income. In addition, new disclosure requirements were introduced. The notes must provide users with a clear presentation of the risks for pension plans and the impacts on the entity's cash flows.

In addition, the definition of termination benefits was revised. Under the amended definition, benefit increases for partial retirement plans are no longer classified as termination benefits but rather as other long-term employee benefits. Thus, in the future the expense must no longer be recognized in full, but instead is allocated over a period of time. The change in the accounting for benefit increases will result in a decrease in the ElringKlinger Group's provisions. Due to the brief period since the publication of the GASB's final application guidance, it was not possible to conclusively calculate the quantitative impacts of these changes on these financial statements prior to their publication.

IAS 27 Separate financial statements

IAS 27 was amended to "Separate financial statements" and now applies only to individual financial statements. The provisions regarding the definition of control previously contained in IAS 27 are now contained in IFRS 10 "Consolidated financial statements." As per the IASB, the revised version of IAS 27 becomes mandatory for financial years beginning on or after January 1, 2014.

IAS 28 Investments in associates and joint ventures

IAS 28 "Investments in associates and joint ventures" replaces the previous version "Investments in associates." The adoption of IFRS 11 and IFRS 12 expanded the scope of IAS 28 to include, in addition to associates, the users of the equity method in joint ventures. As per the IASB, IAS 28 becomes mandatory for financial years beginning on or after January 1, 2014.

IAS 1 Presentation of financial statements

IAS 1 has led to a change in how items are grouped in other comprehensive income. Thus, the items that could later be reclassified into the net income must be recorded separately from the items that are not reclassified. This provides the readers of the financial statements with an improved understanding of the effects of the individual items of the other comprehensive income on future net income. This amendment will result in a change in presentation for all companies. The application of this Standard is mandatory for financial years beginning on or after July 1, 2012.

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. This Standard is mandatory for financial years beginning on or after January 1, 2013.

IAS 32 Financial instruments: Offsetting financial assets and financial liabilities and IFRS 7 disclosures

The amendments to IFRS 7 and IAS 32 were issued in December 2011 and become mandatory for the first time for in the financial year beginning on or after January 1, 2013 and January 1, 2014, respectively. The amendments are intended to address existing inconsistencies by providing supplemental guidance. However, the current underlying provisions for offsetting assets and financial liabilities will remain in force. The amendment also defines supplementary disclosures. The

amendments will not affect the accounting policies applied by the Group, but will lead to additional disclosures. The Standard has yet to be endorsed by the EU.

IFRS 7 and IFRS 9 Mandatory effective date and transition disclosures

The IASB has published the amendment "Mandatory effective date and transition disclosures", which changes the effective date of IFRS 9 for financial years beginning on or after January 1, 2015. The requirements simplifying comparative figures and the associated disclosures in IFRS 7 were also amended. The amendment "Mandatory effective date and transition disclosures" for IFRS 9 and IFRS 7 applies to financial years beginning on or after January 1, 2015 – the EU has yet to endorse the amendment.

Improvements to International Financial Reporting Standards

As part of its process of making minor improvements to Standards and Interpretations, the IASB has published another amendment Standard. The following Standards are affected: IFRS 1 First-time adoption of IFRSs, IAS 1 Presentation of financial statements, IAS 16 Property, plant and equipment, IAS 32 Financial instruments: Presentation, and IAS 34 Interim financial reporting. The amendments are mandatory for financial years beginning on or after January 1, 2013 – the EU has yet to endorse the amendments.

Scope of consolidated financial statements

The consolidated financial statements of ElringKlinger AG as of December 31, 2012, include the annual financial statements of six (2011: 7) domestic and 25 (2011: 26) 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 exists and ends when control is deemed to no longer exist. With effect from January 1, 2012, Hummel-Formen Kunststofftechnik GmbH was merged with Hummel-Formen GmbH. The name of Elring Gaskets (Pty) Ltd. was changed to ElringKlinger South Africa (Pty) Ltd. in 2012. Pursuant to the shareholder resolution dated October 11, 2012, Elring of North America, Inc. was liquidated and thus deconsolidated.

Two joint ventures – ElringKlinger Korea Co., Ltd., Changwon, South Korea, and ElringKlinger Marusan Corporation, Tokyo, Japan – and their subsidiaries, were proportionately consolidated in accordance with IAS 31. PT. ElringKlinger Indonesia was formed in the second quarter of 2012, although it did not commence operations until the end of 2012. Under proportionate consolidation, all assets and liabilities, expenses and income of the joint venture are included in the consolidated financial statements in proportion to the shares held in the venture (50%).

The business activity of ElringKlinger Korea Co. Ltd. is the production and distribution of cylinder head gaskets, specialized gaskets and cam covers. ElringKlinger Marusan Corporation is engaged in the production and distribution of cam covers and cylinder head gaskets.

On the basis of the proportion held in joint ventures, the following amounts are attributable to the Group:

	2012 EUR k	2011 EUR k
Non-current assets	10,357	12,299
Current assets	20,982	27,466
Non-current assets held for sale	249	0
Non-current liabilities	1,372	1,457
Current liabilities	6,112	8,954
Income	35,176	33,157
Expenses	32,941	31,670

An overview of the 31 entities included and the five joint ventures is provided on the following page.

Schedule of Shareholdings and Scope of Consolidation

as of December 31, 2012

Name of company	Domicile	Capital share in %
Parent company		
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	68.67
Hummel-Formen GmbH	Lenningen	100.00
Foreign		
ElringKlinger Abschirmtechnik (Schweiz) AG	Sevelen (Switzerland)	100.00
Hug Engineering AG	Elsau (Switzerland)	68.67
Elring Klinger (Great Britain) Ltd.	Redcar (United Kingdom)	100.00
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00
Hug Engineering S.p.A.[2]	Milan (Italy)	68.67
Technik-Park Heliport Kft.	Kecskemét-Kádafalva (Hungary)	100.00
Elring Parts Ltd.	Gateshead (United Kingdom)	90.00
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
Codinox Beheer B.V.[2]	Enschede (Netherlands)	6.87
HURO Supermold S.R.L.[3]	Timisoara (Rumania)	100.00
HURO Invest S.R.L.[3]	Timisoara (Rumania)	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)	68.67
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)	51.00
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00
Changchun ElringKlinger Ltd.	Changchun (China)	88.00
ElringKlinger China, Ltd.	Suzhou (China)	100.00
ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd.[4]	Qingdao (China)	74.50
Shares in joint ventures (included in the financial statements using proportionate consolidation)		
Foreign		
ElringKlinger Korea Co., Ltd.	Changwon (South Korea)	50.00
ElringKlinger Marusan Corporation	Tokyo (Japan)	50.00
Taiyo Jushi Kakoh Co., Ltd.[5]	Tokyo (Japan)	50.00
Marusan Kogyo Co., Ltd.[5]	Tokyo (Japan)	23.45
PT. ElringKlinger Indonesia[5]	Karawang (Indonesia)	50.00

[1] ElringKlinger AG prepares the consolidated financial statements for the largest and smallest group of consolidated subsidiaries
[2] Subsidiary of HUG Engineering AG
[3] Subsidiary of Hummel-Formen GmbH
[4] Subsidiary of ElringKlinger Kunststofftechnik GmbH
[5] Subsidiary of ElringKlinger Marusan Corporation

Acquisitions of companies

ThaWa und AGD

With effect from January 1, 2012, ElringKlinger AG acquired the metal housings manufacturer ThaWa GmbH Thaler Warenautomaten, Thale, Germany, and the AGD Group Entwicklungs- und Vertriebs GmbH, Gütersloh. By acquiring the company, ElringKlinger strengthened its activities in the field of exhaust gas purification technology. ThaWa operates primarily as a supplier and production partner to Hug Engineering AG, a Swiss exhaust treatment specialist acquired by ElringKlinger in May 2011. Both companies were merged with ElringKlinger AG with retroactive effect from January 1, 2012. The negotiated purchase price for the acquisition was EUR 1,449 k, of which EUR 993 k was allocated to ThaWa GmbH Thaler Warenautomaten and EUR 456 k to AGD Group Entwicklungs- und Vetriebs GmbH. The incidental costs of acquiring the company amounted to EUR 10 k and were recognized in administrative costs (EUR 7 k allocated to ThaWa GmbH Thaler Warenautomaten, EUR 3 k to AGD Group Entwicklungs- und Vetriebs GmbH).

The acquisition of the two entities contributed EUR 3,389 k to the revenue of the ElringKlinger Group in 2012 and reduced earnings before taxes by EUR -392 k.

As of the acquisition date, the acquisition had the following impact on the assets and liabilities of the Group:

	Fair value EUR k
Intangible assets	18
Property, plant and equipment	2,953
Inventories	526
Trade receivables	236
Current income tax benefits	10
Other assets	47
Cash	134
Provisions	-17
Financial liabilities	-782
Deferred tax liabilities	-417
Liabilities	-1,169
Net assets	**1,539**
Negative consolidation differences recognized in income	90
Purchase price	**1,449**

The EUR 90 k negative consolidation differences arising from the acquisition were reported as profit or loss in the income statement, under other operating income. ElringKlinger's negotiating advantage made it possible to keep the purchase price low.

No contingent liabilities were identified in the course of the acquisition. No allowances were recognized in respect of trade receivables.

Acquisition of non-controlling interests

With effect from January 1, 2012, ElringKlinger AG acquired the 2% interest previously held by non-controlling interests in the subsidiary Hug Engineering AG, with its registered office in Elsau, Switzerland. The EUR 329 k purchase price was recognized directly in equity. ElringKlinger AG now holds a 68.67% interest in the company.

With effect from August 1, 2012, Hummel-Formen GmbH acquired the 15% interest previously held by non-controlling interests in the subsidiary HURO Supermold S.R.L, with its registered office in Timisoara, Romania. The EUR 75 k purchase price was recognized directly in equity. Hummel-Formen GmbH now holds a 100% interest in the company.

With effect from July 11, 2012, Hug Engineering AG acquired the 49.87% interest previously held by non-controlling interests in the subsidiary Hug Engineering S.p.A, with its registered office in Milan, Italy. The EUR 300 k purchase price was recognized directly in equity. Hug Engineering AG now holds a 100% interest in the company.

Pursuant to notarized agreement dated November 27, 2012, ElringKlinger AG acquired the remaining non-controlling interests (10%) in Hummel-Formen GmbH, Lenningen, and is thus now the sole shareholder. ElringKlinger acquired legal ownership of 90% of the shares in 2011; from an economic perspective, 100% of the shares were attributable to ElringKlinger AG at the date of acquisition, based on the contractual arrangement (option). A liability for the acquisition of the remaining non-controlling shares was recognized in 2011; this liability was settled upon the acquisition of the remaining 10% interest in 2012. ElringKlinger AG was able to offset EUR 500 k in prepayments to acquire two of the four potential patents originally acquired from Hummel-Formen GmbH against the purchase price payment for the remaining non-controlling shares because the activities associated with filing these two patents were abandoned. In addition, the EUR 600 k liability recognized in the previous year was derecognized. The resulting gain of EUR 1,100 k was recorded under other operating income.

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, realized hidden reserves and built-in losses 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 in equity.

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

Results 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 for that of the Indian subsidiary, 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 of inventories 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 in equity with no effect on net income. In the event of a disposal of a consolidated entity, accumulated currency differences are recorded as part of the sales profit or loss.

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

Currency	Abbr.	Closing rate Dec. 31, 2012	Closing rate Dec. 31, 2011	Average rate 2012	Average rate 2011
US dollar (USA)	USD	1.31940	1.29320	1.29284	1.39887
Pound (United Kingdom)	GBP	0.81610	0.83670	0.81163	0.87124
Franc (Switzerland)	CHF	1.20720	1.21650	1.20428	1.23198
Canadian dollar (Canada)	CAD	1.31370	1.31920	1.29058	1.38082
Real (Brazil)	BRL	2.70360	2.41370	2.53343	2.33703
Peso (Mexico)	MXN	17.18450	18.07250	16.94385	17.43407
RMB (China)	CNY	8.22070	8.14350	8.14721	9.02397
WON (South Korea)	KRW	1,406.23000	1,499.59000	1,447.12500	1,542.59167
Rand (South Africa)	ZAR	11.17270	10.47630	10.57579	10.15627
Yen (Japan)	JPY	113.61000	100.07000	103.49667	111.32833
Forint (Hungary)	HUF	292.30000	312.82000	288.18167	280.84250
Turkish lira	TRY	2.35510	2.44600	2.31404	2.35696
Leu (Romania)	RON	4.44450	4.33090	4.45736	4.23938
Indian rupee	INR	72.56000	68.58550	69.00309	65.47647
Indonesian rupiah	IDR	12,713.97000	11,730.60000	12,123.76333	12,244.57500

Adjustment of prior-year figures

The “Change in current financial liabilities”, “Additions to non-current financial liabilities” and “Repayment of non-current financial liabilities” items reported in the statement of cash flows previous year were adjusted accordingly in these consolidated financial statements as “Proceeds from the addition of financial liabilities” and “Payments from the repayment of financial liabilities”.

Accounting policies

Goodwill

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

	2012 EUR k	2011 EUR k
Original Equipment	99,291	98,841
Engineered Plastics	4,816	4,816
Aftermarket	1,658	1,658
Total	**105,765**	**105,315**

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 prior 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 2013 to 2017.

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.

The discount factor applied as of December 31, 2012 was the weighted average cost of capital (WACC) before taxes of 9.54% (2011: 10.58%). The WACC is determined on the basis of the basic interest rate for risk-free bonds (15-year industrial bonds), 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, 2012 did not result in the impairment of goodwill.

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 made on the divestment.

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 scheduled 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	5 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 evidence of impairment exists. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized against the recoverable amount. The recoverable amount is the larger of the following two amounts: 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.

Original financial instruments

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 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, all significant 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 includes cash in hand, bank deposits and short-term deposits with an original term of less than three months. This item is 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. Within the ElringKlinger Group, an allowance for trade receivables is recognized for individual risks identified. Impairments of trade receivables are initially recognized in an adjustments account. The impaired receivable is retired when it is considered unrecoverable.

Financial instruments are recorded in the category **"financial investments held to maturity"** when the Group has the intent and the legal ability to hold them until maturity.

The **assets categorized as available for sale** relate to securities which 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 retired 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, independent 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 forward exchange, interest and price hedge transactions. The purpose of derivative financial instruments is to reduce the negative effects of currency, interest and price risks on the assets, liabilities, financial position and profit or loss of the Group. There were two financial derivatives (interest rate swaps) and four nickel hedging contracts as of the end of the reporting period.

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 adjusted 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 distribution cost 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 completion as well as the cost of marketing, sale 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

Cash 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. 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 changes to accounting assumptions, are recognized in full in the period in which they occur. Recognition of these actuarial gains and losses is not on the income statement but rather under comprehensive income or loss on the statement of group equity.

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 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.

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 on 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.

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 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, taking into account the outstanding loan amount and the applicable interest rate. The applicable interest rate is specified in the loan agreement and discounts the estimated future inflows of funds over the term of the financial asset to the net carrying amount.

Income from services is recognized as soon as the services are 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 on the basis of a direct relationship between costs incurred and the corresponding income 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. Development costs are also recognized at the time they are incurred unless they meet the criteria for capitalization as internally generated intangible assets under IAS 38.57.

- It must be possible to reliably determine development costs.
- Technical and economic feasibility have been achieved, as well as commercial viability.
- There must be sufficient probability that development activities will provide a future economic benefit to the company.

Capitalized costs are included under intangible assets. Other development costs are recognized as an expense when incurred.

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 expense or income 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 2012 financial year amounted to 3.6% (2011: 4.25%).

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 net income for the year 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 debts 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 debts resulting from occurrences that do not affect the taxable income or the net income for the year. 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 at 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 directly to items recognized under equity with no effect on income; in that case, deferred taxes are also reported under equity with no effect on income.

Contingent liabilities and contingent assets

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 assets 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 on the statement of financial position, the nature and the scope of contingent debts 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 specification of useful lives, the recoverability of receivables, the recoverability of inventories, the recognition and measurement or provisions, 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 are 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 affects in particular to the matters: Impairments of goodwill, impairments of property, plant and equipment, impairment of receivables and the valuation of pension provisions.

Risks and uncertainties

A sudden and severe slump in vehicle and engine production in one or several of the Group's key sales regions could result in a significant decrease in, or cancellations of, customer orders. This would lead to a significant drop in capacity utilization in the short term, which in turn would result in lower gross margins and a corresponding decrease in the operating margin. The Company would need time to react to a sudden and severe sector downturn to adapt its cost structures and capacities, which could trigger a noticeable decrease in profitability, particularly in the short term.

According to current assessments of the market situation, the risks for 2013 stem from the persistently weak development of automotive sales in southern and western Europe.

If the sovereign debt crisis were to flare up again, this would have a negative effect on consumer behavior. There would be the risk that automotive sales would continue to decrease significantly, particularly in the peripheral European states suffering from high unemployment.

However, although it is not currently possible to rule out a further mid-single-digit percentage decline in demand for vehicles in western Europe, growth in Asia and North America should be able to compensate for this at the global level.

All in all, a complete collapse in global vehicle production is rather unlikely in 2013, despite the extremely weak condition of the European automotive market. At present, there is no crisis looming that would compare to the 2008/2009 crisis.

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 94,362 k in comparison with 2011 to reach EUR 1,127,182 k.

Sales revenues of the Group are made up as follows:

	2012 EUR k	2011 EUR k
Sale of goods	1,115,693	1,020,613
Proceeds from the rendering of services	7,254	5,586
Income from rental and leasehold	4,235	6,621
Total	**1,127,182**	**1,032,820**

Breakdown by geographical markets:

	2012 EUR k	2011 EUR k
Domestic	338,882	319,298
Foreign	788,300	713,522
Total	**1,127,182**	**1,032,820**

Cost of sales

2

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

Cost of sales includes:

	2012 EUR k	2011 EUR k
Cost of materials	506,118	423,655
Personnel expenses	191,787	173,011
Depreciation and amortization	58,463	74,422
Other expenses	58,410	73,078
Total	**814,778**	**744,166**

3 Selling expenses

Selling expenses increased by EUR 10,606 k compared to 2011 to reach EUR 78,046 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 2,410 k compared to 2011 to reach EUR 45,775 k.

5 Research and development costs

Research and development costs include the personnel expenses, depreciation and amortization attributable to these activities, as well as the cost of experimental materials and tools, unless these development costs are required to be capitalized under the conditions set forth in IAS 38.57. Development costs in the amount of EUR 8,394 k were capitalized in the 2012 financial year. Amortization of capitalized development costs included in this line item of the income statement amounted to EUR 5,624 k in 2012.

6 Other operating income

	2012 EUR k	2011 EUR k
Government grants	4,019	4,069
Income from disposals of non-current assets	3,663	23,811
Reimbursements from third parties	1,614	2,018
Reversal of provisions/deferred liabilities	901	2,149
Allowances for receivables	871	95
Insurance reimbursements	720	238
License fees	125	233
Income from the disposal of machinery	68	5
Income from claims reimbursements	30	25
Other	3,389	2,094
Total	**15,400**	**34,737**

Other operating income includes out-of-period income from the reversal of provisions and deferred income (EUR 901 k; 2011: EUR 2,149 k). The sale of the land and buildings of the Ludwigsburg industrial park led to other operating income of EUR 22,673 k in the previous year.

Other operating expenses

7

	2012 EUR k	2011 EUR k
Other taxes (excl. income taxes)	1,287	972
Defaults on receivables	1,089	297
Losses on disposal of fixed assets	894	3,384
Recognition of provisions/deferred liabilities	763	1,381
Other fees	612	560
Allowances for receivables	495	779
Expenditures for claims	409	103
Selling costs for machinery	108	327
Impairment of property, plant and equipment and intangible assets	0	1,755
Other	2,159	1,992
Total	**7,816**	**11,550**

Net finance costs

8

	2012 EUR k	2011 EUR k
Finance income		
Income from currency differences	5,105	14,824
Interest income	1,240	984
Other	513	26
Finance income, total	**6,858**	**15,834**
Finance costs		
Expenses from currency differences	-8,467	-17,234
Interest expense	-13,441	-13,053
– thereof from derivative financial instruments	-132	-193
Other	-2	-35
Finance costs, total	**-21,910**	**-30,322**
Net finance costs	**-15,052**	**-14,488**

Of the interest expenses, EUR 3,905 k (2011: EUR 3,778 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 452 k were capitalized in the reporting year (2011: EUR 813 k); this represents a corresponding improvement in the result.

9 Income tax expense

The income tax expense is composed as follows:

	2012 EUR k	2011 EUR k
Current tax expense	35,739	32,046
Deferred taxes	-1,330	6,994
Tax expense reported	**34,409**	**39,040**

The income tax expenses are 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 companies is 27.6% (2011: 27.5%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 10.0% and 40.0% (2011: between 16.0% and 42.0%). The average foreign tax rate is 26.0% (2011: 26.7%).

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 27.6% (2011: 27.5%) and the income tax expense actually reported.

	2012 EUR k	2011 EUR k
Earnings before taxes	123,811	136,632
Expected tax rate	**27.6%**	**27.5%**
Expected tax expense	**34,160**	**37,606**
Change in the expected tax expense due to:		
– Lump-sum tax on dividend	302	317
– Permanent differences	1,224	1,881
– Difference in basis of assessment of local taxes	312	420
– Use or lapse of non-capitalized tax loss carryforwards	2,629	1,148
– Recognized capitalized tax loss carryforwards	-433	-4,027
– Prior-period taxes	441	-118
– Deviations due to changes in tax rate	-4,255	1,111
– Other effects	29	701
Actual tax expense	**34,409**	**39,040**
Actual tax rate	**27.8%**	**28.6%**

Retained earnings of EUR 21,951 k at German and non-German subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense in relation to distributions in Germany amounted to EUR 286 k (2011: EUR 342 k) and was recorded as a deferred tax liability. Further retained earnings of German and non-German subsidiaries are intended to be permanently reinvested in those operations.

In financial year 2012, deferred tax assets on actuarial losses amounted to EUR 5,486 k (2011: EUR 1,473 k).

Deferred tax assets on tax loss carryforwards have been recognized in the amount of EUR 3,893 k. No deferred tax assets were recognized in respect of tax loss carryforwards amounting to EUR 2,629 k, since it was not expected that the deferred tax assets would be utilized in the foreseeable future. The tax loss carryforwards amounted to EUR 31,571 k, of which EUR 20,952 k will be realized within the next five years. Additional adjustments on deferred tax assets are not necessary.

Tax deferrals relate to the following line items:

	Deferred tax assets		Deferred tax liabilities	
Items of the statement of financial position	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
Intangible assets	69	63	6,688	6,353
Property, plant and equipment	1,427	932	35,379	27,228
Investment property	0	0	553	438
Financial assets	16	8	7	28
Other non-current assets	320	182	66	0
Inventories	2,304	2,163	994	1,466
Trade receivables	428	272	709	346
Other current assets	0	64	1,998	829
Cash and cash equivalents	0	0	0	0
Provisions for pensions	13,671	8,522	-856	0
Non-current provisions	1,156	1,165	0	37
Non-current financial liabilities	15	62	0	15
Other non-current liabilities	202	728	0	0
Current provisions	3,169	1,606	-71	35
Trade payables	198	33	4	11
Current financial liabilities	46	94	0	7
Other current liabilities	2,638	1,484	1,024	7,765
Deferred taxes associated with investments in subsidiaries	0	0	286	342
Tax loss carryforwards	3,893	3,613	0	0
Shown in the statement of financial position	**29,552**	**20,991**	**46,781**	**44,900**

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:

	2012	2011
Profit attributable to shareholders of ElringKlinger AG in EUR k	85,910	94,875
Average number of shares	63,359,990	63,359,990
Earnings per share in EUR	**1.36**	**1.50**

Individual disclosures on the Group Statement of Financial Position

Intangible assets

11

	Development costs (internally generated) EUR k	Goodwill (purchased) EUR k	Patents, licenses, software (purchased) EUR k	Intangible assets under construction (purchased) EUR k	Total EUR k
Cost Balance as of Jan. 1, 2012	**28,112**	**118,530**	**38,562**	**137**	**185,341**
Currency changes	44	452	-95	0	401
Change 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
Balance as of Dec. 31, 2012	**33,487**	**118,982**	**41,484**	**0**	**193,953**
Depreciation and amortization Balance as of Jan. 1, 2012	**15,584**	**13,215**	**22,409**	**0**	**51,208**
Currency changes	30	2	-78	0	-46
Change consolidated group	0	0	18	0	18
Additions	5,624	0	4,257	0	9,881
Disposals	3,051	0	46	0	3,097
Balance 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**
Cost Balance as of Jan. 1, 2011	**23,083**	**98,141**	**24,638**	**205**	**146,067**
Currency changes	150	1,797	621	0	2,568
Change consolidated group	17	18,818	11,599	0	30,434
Additions	6,725	0	2,038	134	8,897
Reclassifications	0	0	261	-202	59
Disposals	1,863	226	595	0	2,684
Balance as of Dec. 31, 2011	**28,112**	**118,530**	**38,562**	**137**	**185,341**
Depreciation and amortization Balance as of Jan. 1, 2011	**12,429**	**13,210**	**19,011**	**0**	**44,650**
Currency changes	109	5	160	0	274
Change consolidated group	3	0	297	0	300
Additions	4,906	0	3,482	0	8,388
Disposals	1,863	0	541	0	2,404
Balance as of Dec. 31, 2011	**15,584**	**13,215**	**22,409**	**0**	**51,208**
Net carrying amount as of Dec. 31, 2011	**12,528**	**105,315**	**16,153**	**137**	**134,133**

Purchase commitments to acquire intangible assets amounted to EUR 69 k as of December 31, 2012 (December 31, 2011: EUR 0 k).

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

	2012 EUR k	2011 EUR k
Cost of sales	779	878
Selling expenses	1,291	950
General and administrative expenses	1,310	986
Research and development costs	6,144	5,540
Total	**9,524**	**8,354**

Property, plant and equipment

12

	Property and buildings EUR k	Plant and machinery EUR k	Other plant, office equipment EUR k	PPE under construction EUR k	Total
Cost Balance 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 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
Balance as of Dec. 31, 2012	**291,965**	**736,752**	**132,211**	**47,272**	**1,208,200**
Depreciation and amortization Balance as of Jan. 1, 2012	**55,922**	**435,991**	**91,760**	**0**	**583,673**
Currency changes	-360	-2,312	-207	0	-2,879
Change 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
Balance 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**
Cost Balance as of Jan. 1, 2011	**196,381**	**576,118**	**113,492**	**62,511**	**948,502**
Currency changes	3,077	2,123	-13	-112	5,075
Change consolidated group	34,877	44,846	5,371	1,100	86,194
Additions	9,824	24,530	12,682	65,268	112,304
Reclassifications	11,226	39,160	1,238	-51,683	-59
Disposals	6,083	13,683	8,576	2,456	30,798
Balance as of Dec. 31, 2011	**249,302**	**673,094**	**124,194**	**74,628**	**1,121,218**
Depreciation and amortization Balance as of Jan. 1, 2011	**52,300**	**354,518**	**92,190**	**0**	**499,008**
Currency changes	655	1,501	46	0	2,202
Change consolidated group	174	15,599	2,403	0	18,176
Additions	5,590	74,859	5,241	0	85,690
Impairments	1,610	335	0	0	1,945
Reclassifications	61	-61	0	0	0
Disposals	4,468	10,760	8,120	0	23,348
Balance as of Dec. 31, 2011	**55,922**	**435,991**	**91,760**	**0**	**583,673**
Net carrying amount as of Dec. 31, 2011	**193,380**	**237,103**	**32,434**	**74,628**	**537,545**

Property, plant and equipment contains technical equipment capitalized by the Group as beneficial owner under finance lease arrangements in the amount of EUR 1,064 k (2011: EUR 813 k). In the financial year, amortization of leased assets amounted to EUR 154 k (2011: EUR 276 k).

In 2011, impairment charges on land and buildings and technical equipment amounted to EUR 1,945 k. No impairment losses were recognized during the current financial year.

Purchase commitments to acquire property, plant and equipment amounted to EUR 36,996 k as of December 31, 2012 (December 31, 2011: EUR 38,077 k).

13 Investment property

	Investment propety EUR k	Investment property under construction EUR k	Total EUR k
Cost Balance 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
Balance as of Dec. 31, 2012	**23,652**	**104**	**23,756**
Depreciation and amortization Balance as of Jan. 1, 2012	**9,688**	**0**	**9,688**
Currency changes	250	0	250
Additions	489	0	489
Balance as of Dec. 31, 2012	**10,427**	**0**	**10,427**
Net carrying amount as of Dec. 31, 2012	**13,225**	**104**	**13,329**
Cost Balance as of Jan. 1, 2011	**51,958**	**93**	**52,051**
Currency changes	-1,560	-11	-1,571
Additions	188	220	408
Disposals	27,923	206	28,129
Balance as of Dec. 31, 2011	**22,663**	**96**	**22,759**
Depreciation and amortization Balance as of Jan. 1, 2011	**25,957**	**0**	**25,957**
Currency changes	-415	0	-415
Additions	742	0	742
Disposals	16,596	0	16,596
Balance as of Dec. 31, 2011	**9,688**	**0**	**9,688**
Net carrying amount as of Dec. 31, 2011	**12,975**	**96**	**13,071**

Investment property includes the Idstein and Kecskemét-Kádafalva (Hungary) industrial parks. The fair value determined using the discounted cash flow method and general approximations is EUR 16,899 k (2011: EUR 15,427 k). 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 9.92% (2011: 10.13%). Measurement of the fair values was not carried out by an independent expert.

All investment property is rented out under operating leases. The resulting rental income came to EUR 4,235 k (2011: EUR 6,621 k). Expenses directly connected with this financial investment amounted to EUR 4,251 k (2011: EUR 5,718 k). Material contractual commitments to acquire or maintain investment property did not exist as of the end of the reporting period.

Financial assets

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	Non-current securities EUR k	Other financial assets EUR k	Total EUR k
Acquisition cost Balance 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
Balance as of Dec. 31, 2012	**1,532**	**125**	**1,657**
Depreciation and amortization Balance as of Jan. 1, 2012	**25**	**0**	**25**
Currency changes	2	0	2
Revaluations	6	0	6
Disposals	1	0	1
Balance 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	
Acquisition cost Balance as of Jan. 1, 2011	**1,511**	**38**	**1,549**
Currency changes	2	13	15
Change consolidated group	0	1,141	1,141
Additions	642	86	728
Disposals	631	156	787
Balance as of Dec. 31, 2011	**1,524**	**1,122**	**2,646**
Depreciation and amortization Balance as of Jan. 1, 2011	**2**	**0**	**2**
Impairments	25	0	25
Disposals	2	0	2
Balance as of Dec. 31, 2011	**25**	**0**	**25**
Net carrying amount as of Dec. 31, 2011	**1,499**	**1,122**	**2,621**
Fair value Dec. 31, 2011	1,540	1,122	

Of the long-term securities, EUR 1,512 k (2011: EUR 1,384 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 2,688 k (2011: EUR 3,355 k). The corporation tax credit will be 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 861 k (2011: EUR 581 k). In addition, EUR 237 k (2011: EUR 118 k) in claims to payments from the reinsurance policy for pensions were capitalized.

16 Inventories

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
Raw materials, consumables and supplies	66,705	64,438
Work in progress	29,983	32,988
Finished goods and merchandise	127,330	113,642
Advance payments	5,568	5,399
Total	**229,586**	**216,467**

Under inventories, markdowns of EUR 14,788 k (2011: EUR 13,890 k) have been made to account for marketability risks.

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

For trade receivables and other current assets, impairments of EUR 3,706 k (2011: EUR 4,485 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 has developed as follows:

	2012 EUR k	2011 EUR k
Balance as of Jan. 1	**4,485**	**2,858**
Additions	1,427	2,636*
Reversals/utilizations	-2,049	-739
Exchange rate effects	-157	-270
Balance as of Dec. 31	**3,706**	**4,485***

*Prior-year figures adjusted

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:

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
Neither overdue nor impaired:	**150,835**	**147,196**
Overdue, not impaired:		
– less than 30 days	19,728	23,619
– from 31 to 60 days	5,874	5,349
– from 61 to 90 days	2,529	3,105
– from 91 to 180 days	470	251
– more than 180 days	516	346
Total:	**29,117**	**32,670**
Impaired	**5,898**	**7,414**
Carrying amount	**185,850**	**187,279**

Receivables overdue by between 91 and 180 days were impaired to EUR 2,514 k and receivables overdue by more than 180 days were impaired to EUR 3,061 k during the 2012 financial year.

Neither with regard to the overdue receivables nor to the impaired receivables has anything been identified that indicated the debtors will not meet their payment obligations.

The other current assets include VAT receivables and other taxes amounting to EUR 9,615 k (2011: EUR 8,828 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 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. A further partial payment totaling EUR 5.0 million was paid in the first quarter of 2012, followed by an additional payment of EUR 1.0 million in the second quarter of 2012. The remaining EUR 1.0 million will fall due in 2013. This payment is offset by receivables in the same amount from our direct and/or excess loss insurer, of which EUR 10.0 million had already been settled in July 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.

Cash

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

The carrying amount of these assets corresponds to their fair value.

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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 is slated for sale in financial year 2013.

The expected sale value is EUR 498 k, which corresponds to the carrying amount for the building. Due to proportionate consolidation, the building is carried at EUR 249 k. The expense for the write-down to the lower disposal value was EUR 275 k (consolidated: EUR 136 k), and was recognized as an impairment; the expense is allocated to the OEM segment.

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Equity

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

* CF. PAGE 138 ET SEQ.

The share capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2012 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.

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 2012, ElringKlinger AG distributed to its shareholders a dividend of EUR 36,749 k (EUR 0.58 per share) from the retained earnings for 2011. In the financial year 2011, the distribution was EUR 22,176 k (EUR 0.35 per share) from the retained earnings for 2010.

The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 16, 2013, a distribution from net retained earnings amounting to EUR 28,512 k of a dividend of EUR 0.45 per share carrying dividend rights.

Non-controlling interests in equity and net income

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ElringKlinger AG holds less than 100% 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 profit and in total comprehensive income are reported separately in the group income statement and in the reconciliation to total comprehensive income.

Provisions for pensions

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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. Contribution payments for the current year are reported under personnel expenses in the relevant year; in the current year, the Group's contribution payments totaled EUR 15,987 k (2011: EUR 14,602 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 invalidity. In addition, survivors also receive benefits. The amount of the benefit is determined by the length of service with the Company and the employee's ending 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 final 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 reinsured provident fund, 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 assets of the provident fund do not meet the criteria for classification as plan assets and are treated as reimbursement rights.

The 2005 G mortality tables of Prof. Klaus Heubeck were used to measure the obligations for the German companies as of December 31, 2012 and standard national mortality tables and the following assumptions were used as a basis for measuring the obligations of the foreign companies:

Measurement as of	Dec. 31, 2012	Dec. 31, 2011
Discount rate	2.71%	3.78%
Expected return on plan assets	2.47%	3.50%
Expected return on reimbursement rights	2.91%	4.10%
Expected salary increases (in %)	2.5%	2.00%
Future pension increases	2.3%	2.00%

In Germany, the expected return on plan assets and reimbursement rights was derived from the long-term return expected by the pension fund and the reinsurer of the claims against the provident fund. For foreign funds, the expected return was based on the expectations of the pension fund.

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

	2012 EUR k	2011 EUR k
Present value of pension benefits as of Jan. 1,	**105,338**	**77,935**
Change consolidated group	0	17,068
Current service cost	3,912	2,887
Interest expense	3,905	3,778
Disbursements/utilization	-6,893	-5,216
Actuarial gains/losses	21,762	5,681
Past service costs	24	1,227
Currency differences	90	542
Other changes	0	1,436
Present value of pension benefits as of Dec. 31,	**128,138**	**105,338**
of which (partially covered by plan assets)	36,752	33,626
of which not covered	91,386	71,712

The change to the consolidated group in the previous year contained additions of the pension plan assets of Hug Engineering AG in the amount of EUR 16,400 k and Oigra Meillor s.r.l. totaling EUR 668 k.

The other changes in the previous year related primarily to the acquisition of the pension benefits of Burgmann Automotive GmbH.

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

	2012 EUR k	2011 EUR k
Market value as of Jan. 1	26,206	11,290
Change consolidated group	0	12,795
Expected return on plan assets	866	708
Employer contributions	2,729	1,749
Plan participant contributions	2,699	1,960
Service cost	-5,739	-3,562
Actuarial gains/losses	-372	-277
Other	0	1,211
Currency effects	190	332
Market value as of Dec. 31	**26,579**	**26,206**

The change to the consolidated group in the previous year contained additions of the pension plan assets of Hug Engineering AG in the amount of EUR 12,795 k.

Plan assets of EUR 26,579 k (2011: EUR 26,206 k) do not include any equities, debt capital or real property, and are allocated in their entirety to the "Other" category.

The assets of the reinsured provident fund relate to the reinsurance life policies entered into by the beneficiaries. The actual return on plan assets amounted to EUR 525 k (2011: EUR 401 k) and on reimbursement rights EUR 0 k (2011: EUR 4 k).

In 2013, liquidity is likely to be reduced due to contributions to plan assets and the reimbursement rights and by direct Group benefit payouts, which are likely to amount to EUR 6,697 k (previous year: EUR 6,508 k). The prior-year figure was adjusted.

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

	2012 EUR k	2011 EUR k
Current service cost	3,912	2,887
Interest expense	3,905	3,778
Past service costs	0	1,227
Expected return on plan assets	-867	-699
Expected gains from reimbursement rights	-21	0
Total pension expense	**6,929**	**7,193**

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:

	2012 EUR k	2011 EUR k
Newly recognized actuarial gains and losses	21,390	5,681
Cumulative total of all actuarial gains and losses taken directly to equity	31,446	11,563

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

	2012 EUR k	2011 EUR k
Present value of pension obligation (incl. fair value of reimbursement rights)	128,138	105,338
Fair value of plan assets	26,579	26,206
Reported pension provision	101,559	79,132
Fair value of reimbursement rights	237	118

The table below provides an overview of the obligation, fair value of plan assets and experience-based adjustments resulting from differences between actual and assumed developments:

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k	Dec. 31, 2009 EUR k	Dec. 31, 2008 EUR k
Present value of pension obligations	**128,138**	**105,338**	**77,935**	**72,534**	**65,764**
Fair value of plan assets	-26,579	-26,206	-11,290	-10,697	-10,750
Funded/unfunded status	101,559	79,132	66,645	61,837	55,014

23 Current and non-current provisions

Current and non-current provisions can be broken down as follows:

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
Current provisions	18,409	15,499
Non-current provisions	11,121	7,402
Total	**29,530**	**22,901**

Current provisions:

	Personnel obligations EUR k	Warranty obligations EUR k	Expected losses from cusomer transactions EUR k	Litigation costs EUR k	Other risks EUR k	Total EUR k
Balance as of Jan. 1, 2012	**1,986**	**5,301**	**4,666**	**773**	**2,773**	**15,499**
Exchange rate difference	-48	0	3	-4	-25	-74
Utilization	2,770	1,881	2,676	106	1,735	9,168
Reversal	118	1,788	1,226	131	210	3,473
Unwinding of discount	36	0	0	0	-14	22
Addition	3,398	6,509	2,761	69	3,306	16,043
Reclassifications	539	206	0	-349	-836	-440
Balance as of Dec. 31, 2012	**3,023**	**8,347**	**3,528**	**252**	**3,259**	**18,409**

Non-current provisions:

	Personnel obligations EUR k	Warranty obligations EUR k	Expected losses from cusomer transactions EUR k	Litigation costs EUR k	Other risks EUR k	Total EUR k
Balance as of Jan. 1, 2012	**6,584**	**309**	**0**	**0**	**509**	**7,402**
Exchange rate difference	-5	0	0	0	1	-4
Utilizations	582	0	0	0	125	707
Reversals	163	0	0	0	0	163
Unwinding of discount/discount	141	-9	0	-36	-11	85
Additions	2,825	25	0	216	1,002	4,068
Reclassifications	-54	90	0	349	55	440
Balance as of Dec. 31, 2012	**8,746**	**415**	**0**	**529**	**1,431**	**11,121**

Personnel provisions are recognized for the pre-retirement part-time scheme, long-service anniversary 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.

24 Current and non-current financial liabilities

	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2012 EUR k	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2011 EUR k
Overdrafts	87,255	4,785	92,040	60,649	7,750	68,399
Financial liabilities with residual terms of less than one year	58,710	32,966	91,676	24,515	33,231	57,746
Current financial liabilities	**145,965**	**37,751**	**183,716**	**85,164**	**40,981**	**126,145**
Financial liabilities with residual terms of more than one year	98,724	32,269	130,993	119,003	42,345	161,348
Total	**244,689**	**70,020**	**314,709**	**204,167**	**83,326**	**287,493**

Includes liabilities from finance leases in the amount of EUR 567 k (2011: EUR 530 k) with a nominal volume of EUR 651 k (2011: 593 k).

The financial liabilities (excluding overdrafts) have the following terms:

	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2012 EUR k	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2011 EUR k
Payable on demand or less than one year	58,710	32,966	91,676	24,515	33,231	57,746
Between one and five years	80,620	32,269	112,889	107,299	42,345	149,644
More than five years	18,104	0	18,104	11,704	0	11,704
Total	**157,434**	**65,235**	**222,669**	**143,518**	**75,576**	**219,094**

The average interest rates were:

	Dec. 31, 2012 %	Dec. 31, 2011 %
Overdrafts:		
Domestic	1.00	2.07
Foreign	5.02	6.57
Financial liabilities:		
Domestic: less than one year	3.75	4.11
Domestic: between one and five years	3.35	4.13
Domestic: more than five years	1.81	3.68
Foreign: less than one year	3.23	2.98
Foreign: between one and five years	3.43	3.59
Foreign: more than five years	–	–

Fixed interest rates have been agreed for financial liabilities amounting to EUR 284,048 k (2011: EUR 252,922 k).

In addition, interest swaps are in place for EUR 6,400 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 90,763 k (2011: EUR 78,618 k), collateral on inventory with a carrying amount of EUR 2,351 k (2011: EUR 2,425 k), receivables with a carrying amount of EUR 7,873 k (2011: EUR 6,684 k), and collateral on pledged buildings of EUR 0 k (2011: EUR 400 k) have been pledged as collateral. The secured liabilities amounted to EUR 37,479 k (2011: EUR 39,070 k) as of December 31, 2012.

As of December 31, 2012, the Group had unused lines of credit amounting to EUR 113,616 k (2011: EUR 88,321 k).

Trade payables and other current and non-current liabilities

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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.

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

Hedging policy and financial instruments

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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. ElringKlinger processes a significant volume of high-grade steel. This includes alloy surcharges, in particular for nickel, which is a listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in internal part price calculations. A price corridor surrounding the average 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 make a compensatory payment. The existing nickel hedges expire in financial year 2013 and the latest expiration date is on November 30, 2013.

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 earned 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 limit currency risk, current receivables, liabilities and debts denominated in foreign currencies are hedged with forward currency transactions.

Subsidiaries are not permitted to take up 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.

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.

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

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

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

Interest rate risk

Interest rate risk arises primarily from financial liabilities. 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, 2012, earnings would have been EUR 212 k greater. A 1% reduction in the market interest rate would have resulted in 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 four 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 listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in internal part price calculations. A price corridor surrounding the average 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 make a compensatory payment. The existing nickel hedges expire in financial year 2013 and the latest expiration date is on November 30, 2013.

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.

Credit risk

Credit risk is 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 used for investment. 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 major 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 a 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.

In 2012, the two largest customers accounted for 12.1% and 11.6% of sales, respectively.

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.

	Trade payables EUR k	Financial liabilities EUR k	Finance leases EUR k	Derivatives EUR k	Total EUR k
Balance 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

	Trade payables EUR k	Financial liabilities EUR k	Finance leases EUR k	Derivatives EUR k	Total EUR k
Balance as of Dec. 31, 2011					
Carrying amount	**65,019**	**286,963**	**530**	**393**	**352,905**
Outflows					
Expected outflows:	**65,019**	**310,777**	**593**	**414**	**376,803**
– less than one month	42,345	22,916	23	30	65,314
– between one and three months	22,089	30,233	45	40	52,407
– between three months and one year	578	80,038	270	176	81,062
– between one and five years	7	168,928	252	168	169,355
– more than five years	0	8,662	3	0	8,665

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

* CF. PAGE 184 ET SEQ.

27 Additional information on financial instruments

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.

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

	Trade receivables/Cash		Derivatives		Other financial instruments		Total
	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k
as of Dec. 31, 2012							
Cash	54,273	54,273	0	0	0	0	54,273
Loans and receivables	185,850	185,850	0	0	4,621	4,621	190,471
held to maturity	0	0	0	0	1,386	1,423	1,386
held for trading	0	0	25	25	0	0	25
available for sale	0	0	0	0	508	508	508
Total	**240,123**	**240,123**	**25**	**25**	**6,515**	**6,552**	**246,663**
Balance as of Dec. 31, 2011							
Cash	65,137	65,137	0	0	0	0	65,137
Loans and receivables	187,279	187,279	0	0	182	182	187,461
held to maturity	0	0	0	0	1,384	1,424	1,384
held for trading	0	0	64	64	0	0	64
available for sale	0	0	0	0	1,170	1,170	1,170
Total	**252,416**	**252,416**	**64**	**64**	**2,736**	**2,776**	**255,216**

The fair value of cash and loans and receivables corresponds to the carrying amount. The reason for this is the short maturity of such instruments. ElringKlinger measures the fair value of held-to-maturity investments at the market rate observed in an active market. Available-for-sale assets are marked to market.

In financial assets, the Group has time deposits amounting to EUR 321 k.

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

	Trade payables		Liabilities from finance leases		Other financial liabilities		Total
	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k
as of Dec. 31, 2012							
Trade payables	58,065	58,065	0	0	0	0	58,065
Financial liabilities	0	0	567	567	314,142	320,287	314,709
Financial liabilities measured at acquisition cost	**58,065**	**58,065**	**567**	**567**	**314,142**	**320,287**	**372,774**
held for trading*	0	0	0	0	227	227	227
Financial liabilities measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**227**	**227**	**227**
Balance as of Dec. 31, 2011							
Trade payables	65,019	65,019	0	0	0	0	65,019
Financial liabilities			530	530	286,963	299,077	287,493
Financial liabilities measured at acquisition cost	**65,019**	**65,019**	**530**	**530**	**286,963**	**299,077**	**352,512**
held for trading*	0	0	0	0	393	393	393
Financial liabilities measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**393**	**393**	**393**

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

The fair value of trade payables and other current financial liabilities corresponds to the carrying amount. 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.

Financial assets and liabilities measured at fair value are classified into the following 3-level fair value hierarchy:

	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
available for sale	508	0	0
held for trading*	0	25	0
Total	**508**	**25**	**0**
Financial liabilities			
available for sale	0	0	0
held for trading*	0	227	0
Total	**0**	**227**	**0**

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

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

- Level 1: Measurement based on quoted prices
- Level 2: Measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Measurement based on inputs for assets and liabilities not representing observable market data

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. As of December 31, 2012, future minimum lease payments under finance leases amounted to EUR 651 k (2011: EUR 593 k). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities as of December 31, 2012 is as follows:

	Minimum lease payments Dec. 31, 2012 EUR k	Interest included in minimum lease payments Dec. 31, 2012 EUR k	Liabilities from finance leases Dec. 31, 2012 EUR k
Term			
Less than one year	319	44	275
Between one and five years	268	32	236
More than five years	64	8	56
Total	**651**	**84**	**567**

Net gains/losses on financial instruments:

	2012 EUR k	2011 EUR k
Held-for-trading financial instruments*	-202	44
Available-for-sale assets	158	44
Held-to-maturity financial investments	-2	0
Loans and receivables	539	66
Financial liabilities measured at acquisition cost	-2,399	-3,825

* 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 from the disposal of available for sale assets include income from long-term equity investments.

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:

	2012 EUR k	2011 EUR k
Total interest income	558	764
Total interest expense	-9,718	-9,398

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

Derivative financial instruments

As of the reporting period date, December 31, 2012, there were the following financial derivatives:

	Fair value EUR k	Carrying amount EUR k	Statement of financial position item
Commodities derivatives			
Nickel hedge	25	25	Other current assets
Nickel hedge	-3	-3	Current provisions
Interest rate derivatives			
Interest rate swap	-224	-224	Current provisions
Total	**-202**	**-202**	

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).

28 Capital management

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 accretive 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 nominal 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.

For three loans, 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:

Covenant	Max./Min. threshold	Balance as of Dec. 31, 2012
Group equity ratio	25%	41.5%
Net debt to EBITDA	3.0	1.37
Financial liabilities to EBITDA	2.8:1	1.44
EBIT to interest expense	3.5:1	13.77

Disclosures based on lender calculations.

The following table presents changes in equity and total assets as of December 31, 2012 as compared to December 31, 2011.

	2012 EUR million	2011 EUR million
Equity	**640.3**	**610.1**
as % of total capital	50.5%	50.1%
Non-current liabilities	300.6	313.9
Current liabilities	327.7	293.6
External finance	**628.3**	**607.5**
as % of total capital	49.5%	49.9%
Total capital	**1,268.6**	**1,217.6**

The change in equity from December 31, 2011 to December 31, 2012 was due primarily to an increase in revenue reserves and a decrease in other reserves. Debt was increased year-on-year by 3.4%.

The equity ratios of the AG (54.2%) and the Group (50.5%) exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

All external minimum capital covenants were satisfied during the period under review.

Notes to the Statement of Cash Flows

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The group statement of cash flows shows how the liquidity of the ElringKlinger Group has changed as a result of 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 on 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 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.

A different presentation was selected for cash flows from financing activities. Prior-year figures have been adjusted for comparability.

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 industrial sector.

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 Original Equipment segment generated more than 10% of the Group's consolidated revenues from two customers (EUR 136,464 k and EUR 130,606 k).

Segment reporting

Segment	Original Equipment		Aftermarket		Engineered Plastics		Industrial Parks	
	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k
Segment revenue	**929,309**	**849,260**	**117,815**	**112,929**	**91,349**	**84,821**	**4,475**	**6,875**
- Intersegment revenue	-22,361	-22,038	0	0	0	0	0	0
Sales revenue	**906,948**	**827,222**	**117,815**	**112,929**	**91,349**	**84,821**	**4,475**	**6,875**
EBIT[2]	**93,296**	**84,082**	**24,422**	**22,150**	**15,662**	**16,498**	**384**	**24,261**
+ Interest income	1,190	660	44	193	415	364	6	109
- Interest expense	-11,708	-11,026	-1,305	-1,042	-658	-749	-166	-540
Earnings before taxes	**82,777**	**73,716**	**23,161**	**21,301**	**15,419**	**16,113**	**224**	**23,830**
Depreciation and amortization[4]	73,294	90,748	1,256	1,310	3,368	2,991	402	655
Capital expenditures[3]	103,887	105,896	1,657	10,906	5,736	3,649	274	426
Segment assets	1,085,957	1,043,758	71,500	68,385	86,495	83,038	15,681	15,459
Segment liabilities	338,253	350,923	23,255	24,365	18,986	17,463	4,229	4,786

Segment	Services		Other		Consolidation[1]		Group	
	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k	2012 EUR k	2011 EUR k
Segment revenue	**11,573**	**9,872**	**0**	**0**	**-4,978**	**-8,899**	**1,149,543**	**1,054,858**
- Intersegment revenue	0	0	0	0	0	0	-22,361	-22,038
Sales revenue	**11,573**	**9,872**	**0**	**0**	**-4,978**	**-8,899**	**1,127,182**	**1,032,820**
EBIT[2]	**2,247**	**1,710**	**0**	**0**	**0**	**0**	**136,011**	**148,701**
+ Interest income	14	12	0	0	-427	-354	1,240	984
- Interest expense	-31	-50	0	0	427	354	-13,441	-13,053
Earnings before taxes	**2,230**	**1,672**	**0**	**0**	**0**	**0**	**123,811**	**136,632**
Depreciation and amortization[4]	1,067	1,086	0	0	0	0	79,387	96,790
Capital expenditures[3]	2,342	732	0	0	0	0	113,896	121,609
Segment assets	11,441	9,060	0	0	-2,483	-2,110	1,268,591	1,217,590
Segment liabilities	3,814	2,764	242,282	209,288	-2,483	-2,110	628,336	607,479

[1] See notes on page 196
[2] Earnings before interest and taxes
[3] Investments in intangible assets, property, plant and equipment and investment property
[4] Depreciation and amortization, incl. write-downs and impairment

Segment reporting by region

Region		Sales revenue EUR k	Non-current Assets EUR k	Investments EUR k
Germany	2012	338,882	377,690	66,142
	2011	319,298	356,966	74,230
Rest of Europe	2012	342,702	205,192	19,404
	2011	345,397	202,365	17,517
NAFTA	2012	197,798	43,868	8,497
	2011	165,028	41,487	4,483
Asia and Australia	2012	178,915	66,223	17,405
	2011	143,179	60,537	16,679
South America and other	2012	68,885	22,982	2,448
	2011	59,918	26,015	8,700
Group	**2012**	**1,127,182**	**715,955**	**113,896**
	2011	**1,032,820**	**687,370**	**121,609**

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Group statement of changes in equity

In addition to the components discussed in **notes (20) and (21)***, the group statement of changes in equity includes capital reserves, revenue reserves from the first-time adoption of IFRS and retained earnings. Capital reserves correspond to the capital reserve reported in the statement of financial position of the parent company ElringKlinger AG.

Revenue reserves from the first-time adoption of IFRS were taken from the opening IFRS statement of financial position as of January 1, 2004 and subsequent acquisitions of interests.

Retained earnings includes earnings generated but not yet distributed.

* CF. PAGE 178 ET SEQ.

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.

Operating leases

The expense includes payments from operating leases of EUR 6,197 k (2011: EUR 5,058 k).

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

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
less than one year	3,566	3,114
between one and five years	6,197	5,592
more than five years	4,274	412
Total	**14,037**	**9,118**

Of that amount, EUR 9,314 k (2011: EUR 4,626 k) related to outstanding obligations from binding operating leases for commercial premises, EUR 2,562 k (2011: EUR 2,341 k) to office equipment, and EUR 2,161 k (2011: EUR 2,151 k) to other lease arrangements.

Other financial commitments

Energy purchase commitments

	Dec. 31, 2012 EUR k	Dec. 31, 2011 EUR k
less than one year	7,371	5,388
between one and five years	14,739	9,825
more than five years	0	0
Total	**22,110**	**15,213**

The purchase of a plot of land resulted in an obligation to pay the purchase price of EUR 1,500 k. The plot will be transferred in 2013.

Proceeds from lease agreements

The future lease payments due to ElringKlinger in relation to binding operating leases fall due as follows:

	DEC. 31, 2012 EUR k	DEC. 31, 2011 EUR k
less than one year	1,722	1,540
between one and five years	1,804	1,313
more than five years	387	0
Total	**3,913**	**2,853**

Number of employees

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

	2012	2011
Employees	6,158	5,593
Trainees	156	136
Total	**6,314**	**5,729**

The leased employees from two foreign subsidiaries in the previous year were excluded and the prior-year figures have been adjusted.

In 2012, an average of 238 people were employed at proportionately consolidated joint ventures (2011: 234 employees).

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 282,448 k (2011: EUR 256,857 k). The prior-year figure was adjusted. Of that amount, 7.2% (2011: 7.2%) related to contributions to the statutory pension scheme.

Events after the end of the reporting period

ElringKlinger AG acquired the remaining 50% interest in the South Korean joint venture ElringKlinger Korea Co., Ltd. in Changwon as of January 31, 2013. The purchase price for the 50% share was EUR 4,266 k. The company, which had previously been included in the consolidated financial statements by proportionate consolidation, was fully consolidated with effect from February 1, 2013. The South Korean Company contributed EUR 6,075 k to consolidated revenue in 2012. Earnings before tax amounted to EUR 34 k. The joint venture manufactures cylinder-head gaskets, special gaskets, heat shields and plastic housing modules. The purchase price has not yet been conclusively allocated since not all documentation is available yet.

In addition, ElringKlinger AG acquired with effect from January 1, 2013 the remaining 49% interest in the South African company, ElringKlinger South Africa (Pty) Ltd. In 2012, the company generated EUR 799 k in revenue and EUR 159 k in earnings before tax. The purchase price for the remaining shares was EUR 589 k.

On March 13, 2012, the Management Board of ElringKlinger submitted for approval the consolidated financial statements to the Supervisory Board, which will meet on March 22, 2013.

Related-party disclosures

Transactions between the parent company and its subsidiaries and long-term equity interests 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 persons:

1. Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen, concerning traineeships. Mr. Walter H. Lechler is the Chairman of the Supervisory Board of ElringKlinger AG and holds a significant interest in Lechler GmbH. ElringKlinger earned EUR 94 k during the reporting year (2011: EUR 117 k). The outstanding balance at the end of the reporting period was EUR 0 k (2011: EUR 0 k).
2. 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 (2011: EUR 197 k). As in the previous year, this did not result in any receivables as of the end of the reporting period.
3. 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 515 k in sales revenues during the reporting year (2011: EUR 477 k). As of the end of the reporting period, December 31, 2012, there was one outstanding receivable of EUR 29 k (2011: EUR 31 k).
4. 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 in ElringKlinger AG and has a significant interest in Rich. Klinger Dichtungstechnik GmbH & Co. KG. ElringKlinger AG procured EUR 1,803 k worth of materials under this agreement in 2012 (2011: EUR 2,025 k). The outstanding balance as of the end of the reporting period amounted to EUR 107 k (2011: EUR 218 k).
5. Master supply agreement between ElringKlinger AG and Klinger AG Egliswil, Switzerland, regarding the procurement of materials. Mr. Klinger-Lohr is a shareholder in ElringKlinger AG and member of the administrative board of Klinger AG Egliswil. ElringKlinger AG procured EUR 63 k worth of materials under this agreement in 2012 (2011: EUR 77 k). As in the previous year, this did not result in any liabilities as of the end of the reporting period.

6. The joint venture ElringKlinger Korea Co., Ltd. (EKKO), which is included in the consolidated financial statements by proportionate consolidation, procured raw materials and merchandise for a price of EUR 437 k (2011: EUR 374 k) from ElringKlinger's joint venture partner Jeil E&S Co., Ltd. in the year under review. As of the end of the reporting period, EKKO still had liabilities in the amount of EUR 24 k (2011: EUR 13 k). Furthermore, there is a lease agreement between EKKO and Jeil E&S Co., Ltd. EKKO's rent expenses in the reporting year amounted to EUR 166 k (2011: EUR 101 k). As of the end of the reporting period, there was EUR 28 k in outstanding liabilities (2011: EUR 0 k).
7. Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd. (CEK), and CHYAP, the company controlled by Ms. Liu, who is a joint partner in CEK. CEK procured EUR 101 k worth of services under these business relations in 2012 (2011: EUR 128 k). As of December 31, 2012, there was EUR 2 k in liabilities (2011: EUR 0 k). Furthermore, CEK sold EUR 35 k worth of goods and raw materials to CHYAP (2011: EUR 49 k). The outstanding balance of trade receivables as of the end of the reporting period amounted to EUR 2 k (2011: EUR 16 k).
8. Loan agreement between Lechler GmbH and ElringKlinger AG dated August 13, 2012. Lechler GmbH granted ElringKlinger AG a loan in the amount of EUR 4,000 k. The loan carries an interest rate of 1.56% p.a. and has a term until August 15, 2013.
9. Loan agreement between ElringKlinger Marusan Co., Ltd. (EKMA) – the joint venture included in the consolidated financial statements by proportionate consolidation – and ElringKlinger AG. EKMA granted ElringKlinger AG a loan in the amount of EUR 8,802 k. As of the end of the reporting period this resulted in EUR 4 k in liabilities (interest). The loan carries an interest rate of TIBOR plus 0.75% and has a term until March 31, 2013. This loan was reported as a non-current financial liability since no repayment is foreseen for the time being. The loan renews automatically.
10. 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 (since May 16, 2012)	Managing Partner of Lechler GmbH, Metzingen **Governance roles:** b) Lechler Inc., St. Charles, USA Lechler Ltd., Sheffield, United Kingdom Lechler India Pvt. Ltd., Thane, India ELEX India Pvt. Ltd., Thane, India
Dr. Helmut Lerchner, Aichtal, Chairman (through May 16, 2012)	Corporate advisor **Governance roles:** a) DEUTZ AG, Cologne
Markus Siegers*, Altbach, Deputy chairman	Chairman of the Works Council of ElringKlinger AG
Gert Bauer*, Reutlingen	First General Representative and collector of IG Metall 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
Pasquale Formisano*, Vaihingen an der Enz	Set-up engineer Employee representative of ElringKlinger Kunststoff-technik 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 (since February 16, 2012)
Karl Uwe van Husen, Waiblingen	Managing Partner of the Lechler companies

Dr. Thomas Klinger-Lohr, Egliswil, Switzerland	Chairman of the board of Betal Netherland Holding B. V., Rotterdam, Netherlands **Governance roles:** b) Klinger Ltd., Perth, Australia (until January 17, 2012), Klinger S.p.A., Mazzo di Rho (MI), Italy (until January 17, 2012) Saidi S.A., Madrid, Spain (until January 17, 2012) Klinger AG Egliswil, Egliswil, Switzerland Uni Klinger Ltd., Mumbai, India (until November 7, 2012)
Paula Monteiro-Munz*, Grabenstetten	Deputy chairwoman of the Works Council of ElringKlinger AG
Prof. Hans-Ulrich Sachs, Bremen, (since May 16, 2012)	Managing Partner of BeTec GmbH Umform- und Schweißtechnik, Adelmannsfelden
Manfred Strauß, Stuttgart	Managing shareholder of M&S Messebau und Service GmbH, Neuhausen a.d.F. **Governance roles:** 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 a) Stihl AG, Waiblingen (since July 31, 2012)

*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 within the meaning of § 125 AktG

Remuneration of the supervisory board

Total remuneration of the Supervisory Board of ElringKlinger AG amounted to EUR 579 k (2011: EUR 619 k) in the reporting period. In addition, travel expenses in the amount of EUR 1 k (2011: 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	
	2012 EUR	2011 EUR	2012 EUR	2011 EUR	2012 EUR	2011 EUR
Walter Herwarth Lechler	37,250	28,000	40,624	27,000	**77,874**	**55,000**
Dr. Helmut Lerchner	17,000	48,000	19,242	54,000	**36,242**	**102,000**
Markus Siegers	25,000	25,000	37,633	42,105	**62,633**	**67,105**
Gert Bauer	17,000	18,000	25,088	27,000	**42,088**	**45,000**
Armin Diez	18,000	18,000	25,088	27,000	**43,088**	**45,000**
Pasquale Formisano	14,000	14,000	25,088	27,000	**39,088**	**41,000**
Dr. Margarete Haase	14,000	8,833	25,034	15,750	**39,034**	**24,583**
Dr. Rainer Hahn	0	4,167	55	11,250	**55**	**15,417**
Karl Uwe van Husen	26,000	26,000	25,088	27,000	**51,088**	**53,000**
Dr. Thomas Klinger-Lohr	17,000	18,000	25,088	27,000	**42,088**	**45,000**
Paula Monteiro-Munz	18,000	18,000	25,088	27,000	**43,088**	**45,000**
Prof. Hans-Ulrich Sachs	9,250	0	15,536	0	**24,786**	**0**
Manfred Strauß	14,000	14,000	25,088	27,000	**39,088**	**41,000**
Gerhard Wick	14,000	13,000	25,088	27,000	**39,088**	**40,000**
Total amount	**240,500**	**253,000**	**338,828**	**366,105**	**579,328**	**619,105**

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 for 2012. The remuneration of the employee representatives in the Supervisory Board amounted to EUR 440 k in 2012 (2011: EUR 417 k).

The difference between the provision for variable remuneration for the financial year 2011 and the actual amounts paid out was EUR 22,596. 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, Leinfelden-Echterdingen, Chairman	Responsible for Group companies, the corporate functions Finance, Controlling, Legal Affairs, Human Resources, IT, Investor Relations and Corporate Communication, 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 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, Zürich, 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

Total remuneration of the Management Board in financial year 2012 amounted to EUR 2,638 k (2011: EUR 2,263 k). This is composed of a fixed component of EUR 889 k (2011: EUR 865 k) and a variable component of EUR 1,749 k (2011: EUR 1,398 k). The variable component is made up of short-term performance-related remuneration amounting to EUR 1,600 k (2011: EUR 1,289 k) and EUR 149 k (2011: EUR 109 k) of performance-related remuneration with long-term incentive effects. The long-term performance-related remuneration relates to stock appreciation rights.

Total remuneration of the Management Board is distributed among the individual Management Board members as follows:

	Short-term fixed remuneration (prior year) EUR	Short-term performance-based remuneration (prior year) EUR	Long-term performance-based remuneration (prior year) EUR	Total amount (prior year) EUR
Dr. Stefan Wolf	354,009 (355,744)	651,266 (552,070)	62,066 (39,658)	1,067,341 (947,472)
Theo Becker	273,096 (251,535)	474,728 (368,046)	39,388 (39,483)	787,212 (659,064)
Karl Schmauder	261,963 (257,816)	474,728 (368,047)	47,125 (30,110)	783,816 (655,973)
Total	**889,068** **(865,095)**	**1,600,722** **(1,288,163)**	**148,579** **(109,251)**	**2,638,369** **(2,262,509)**

Short-term variable remuneration reflects expenses for which provisions have been recognized, calculated as a percentage of the average consolidated income before taxes over the last three years. In addition, the differences between provisions recognized as of December 31, 2011 and the amounts actually paid in 2012 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 shares of ElringKlinger AG. The currently outstanding stock appreciation rights are granted in five annual tranches, beginning on February 1, 2008 and January 1, 2009, respectively. Beginning in 2010, the maturity of the tranches extends from three to 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 respective 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 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's shares 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%. In total, the redemption price per tranche is limited to the fixed salary amount for two years.

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 using current market parameters. The risk-free interest rate used was 1.45%. The volatility of the share price (37.7%), the MDAX index (22.0%), and a correlation of 62.77% were determined over a three-year period. The expected dividend was EUR 0.45 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 2012, the following data arose:

Date tranches were issued	2009	2010	2011	2012
Number of stock appreciation rights exercised	108,754			
Value of stock appreciation rights exercised (EUR k)	824			
Number of outstanding stock appreciation rights (not yet exercisable)		49,090	32,501	42,406
Average strike price (EUR)	6.95	15.68	24.83	19.43
Average remaining time to maturity in years		1.04	2.04	3.04
Value of stock appreciation rights held by members of the Management Board				
December 31, 2012 (EUR k)	0	194	42	44
December 31, 2011 (EUR k)	771	103	21	0
December 31, 2010 (EUR k)	412	75	0	0
December 31, 2009 (EUR k)	74	0	0	0

Additions to pension provisions for members of the Management Board amounted to EUR 2,983 k (2011: EUR 2,577 k) and are related to Dr. Stefan Wolf in the amount of EUR 1,040 k (2011: EUR 768 k), Theo Becker in the amount of EUR 817 k (2011: EUR 719 k) and Karl Schmauder in the amount of EUR 1,126 k (2011: EUR 1,090 k).

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

Provisions of EUR 13,260 k (2011: EUR 11,952 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 894 k (2011: EUR 868 k) during the 2012 financial year.

The **auditor fees** amounted to:

	2012 EUR k	2011 EUR k
Audit of the annual financial statements	558	686
Other auditing services	0	0
Tax advisory	0	0
Other services	0	0
Total	**558**	**686**

Information pursuant to § 160 (1) no. 8 AktG

As of the end of the reporting period 2012, the following long-term equity investments existed and were announced pursuant to § 21 (1) German Securities Trading Act (Wertpapierhandelsgesetz, "**WpHG**")*.

* CF. GLOSSARY

1. Voting rights notification

Voting rights notification pursuant to § 26 (1) WpHG
Lechler GmbH, Metzingen, Germany, notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company exceeded the threshold of 10% on December 28, 2012 and amounted to 10.0127% (6,344,046 voting rights) on that day.

2. Voting rights notification

Voting rights notification pursuant to § 26 (1) WpHG

1. FIL Holdings Limited, Hildenborough, Kent, England, United Kingdom, notified us pursuant to § 21 (1) WpHG about the following:
On 9 October 2012 FIL Holdings Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Holdings Limited held 2.83% of the voting rights in ElringKlinger AG arising from 1,791,706 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Holdings Limited pursuant to section 22 (1) sent. 1 no. 6 WpHG in connection with sent. 2 WpHG.

2. FIL Limited, Hamilton HMCX, Bermuda, notified us pursuant to § 21 (1) WpHG about the following:
On 9 October 2012 FIL Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Limited held 2.83% of the voting rights in ElringKlinger AG arising from 1,791,706 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Limited pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG.

3. FIL Investments International Hildenborough, Kent, England, United Kingdom, notified us pursuant to § 21 (1) WpHG about the following:

On 9 October 2012 FIL Investments International fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Investments International held 2.83% of the voting rights in ElringKlinger AG arising from 1,791,706 voting rights.

All voting rights in ElringKlinger AG were attributed to FIL Investments International pursuant to section 22 (1) sent. 1 no. 6 WpHG.

3. Voting rights notification

Voting rights notification pursuant to § 26 (1) WpHG

FMR LLC, Boston, Massachusetts 02109, U.S.A., notified us pursuant to § 21 (1) WpHG about the following:

On 08 June 2012 the voting rights held by FMR LLC crossed above the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FMR LLC held 3.17% of the voting rights in ElringKlinger AG arising from 2,008,733 voting rights.

All voting rights in ElringKlinger AG were attributed to FMR LLC pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sent. 2 WpHG.

4. Voting rights notification

BlackRock, Inc., New York, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.

Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.

BlackRock Financial Management, Inc., New York, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.

Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.

BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.

Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.

5. Voting rights notification

On 11/2/2010, ElringKlinger AG received the following notification

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, Kent, England, UK, we hereby notify you pursuant to section 21 (1) WpHG of the following:

On 25 October 2010 FIL Investment Management Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Investment Management Limited held 2.98% of the voting rights in ElringKlinger AG arising from 1,887,166 voting rights.

All voting rights in ElringKlinger AG were attributed to FIL Investment Management Limited pursuant to section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

6. Voting rights notification

ElringKlinger received the following notification from Klaus Lechler Beteiligungs-GmbH on October 13, 2010:

Voting rights notifications pursuant to § 21 (1) WpHG

Notifying parties:

1. Eroca AG, Basel, Switzerland
2. Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany
3. KWL Beteiligungs-GmbH, Ludwigsburg, Germany
4. PAUL LECHLER STIFTUNG gGmbH, Ludwigsburg, Germany
5. Elrena GmbH, Basel, Switzerland
6. Stiftung Klaus Lechler, Basel, Switzerland

We, Klaus Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG in our own name and in the name and on behalf of the following companies as follows:

1. Eroca AG

The percentage of voting rights of Eroca AG in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.20% (5,832,136 voting rights) on this day.

2. Klaus Lechler Beteiligungs-GmbH

The percentage of voting rights of Klaus Lechler Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.22% (5,838,736 voting rights) on this day. Of these voting rights, 9.20% (5,832,136 voting rights) are attributed to Klaus Lechler Beteiligungs-GmbH in accordance with § 22 (1) sentence 1 no. 1 of the WpHG.

The voting rights attributable to Klaus Lechler Beteiligungs-GmbH are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:

- Eroca AG.

3. KWL Beteiligungs-GmbH

The percentage of voting rights of KWL Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day. Of these voting rights, 9.22% (5,838,736 voting rights) are attributed to KWL Beteiligungs-GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.18% (5,815,944 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.

The voting rights attributable to KWL Beteiligungs-GmbH are held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:

- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH

The voting rights attributable to KWL Beteiligungs-GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:

- Elrena GmbH.

4. PAUL LECHLER STIFTUNG GmbH

a) The percentage of voting rights of PAUL LECHLER STIFTUNG gGmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 19.58% (12,406,060 voting rights) on this day.

Of these voting rights, 9.22% (5,838,736 voting rights) were attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.18% (5,815,944 voting rights) were attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH were held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH,
- KWL Beteiligungs-GmbH.

The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH were held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Elrena GmbH.

b) The percentage of voting rights of PAUL LECHLER STIFTUNG gGmbH in ElringKlinger AG exceeded the threshold of 20% on October 11, 2010 and amounted to 20.72% (13,126,990 voting rights) on this day.
Of these voting rights, 9.77% (6,187,573 voting rights) are attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.77% (6,188,037 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH are held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH,
- KWL Beteiligungs-GmbH.

The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Elrena GmbH.

5. Elrena GmbH

The percentage of voting rights of Elrena GmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day.
Of these voting rights, 0.02% (14,000 voting rights) are attributed to Elrena GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.22% (5,838,736 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to Elrena GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Eroca AG.

6. Stiftung Klaus Lechler

The percentage of voting rights of Stiftung Klaus Lechler in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day.
Of these voting rights, 9.18% (5,815,944 voting rights) are attributed to Stiftung Klaus Lechler in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.22% (5,838,736 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.

The voting rights attributable to Stiftung Klaus Lechler are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:
- Elrena GmbH.
The voting rights attributable to Elrena GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Eroca AG.

7. Voting rights notification

ElringKlinger received the following notification from Lechler Beteiligungs-GmbH on October 13, 2010:
Voting rights notifications pursuant to § 21 (1) WpHG
Notifying parties:
1. Lechler Beteiligungs-GmbH, Stuttgart, Germany
2. INLOVO GmbH, Ludwigsburg, Germany
We, Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG in our own name and in the name of and on behalf of INLOVO GmbH as follows:

1. Lechler Beteiligungs-GmbH
The percentage of voting rights of Lechler Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.23% (5,848,644 voting rights) on this day.

2. INLOVO GmbH
The percentage of voting rights of INLOVO GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.23% (5,848,644 voting rights) on this day.
Of these voting rights, 9.23% (5,848,644 voting rights) are attributable to INLOVO GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG.
The voting rights attributable to INLOVO GmbH are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:
- Lechler Beteiligungs-GmbH.

8. Voting rights notification

ElringKlinger received the following notification from Deutsche Bank AG on October 12, 2010:
Voting rights notification pursuant to § 21 (1) WpHG
Dear Sir or Madam:
We hereby notify you pursuant to § 21 (1) WpHG that the percentage of voting rights in ElringKlinger AG, Max-Eyth-Str. 2, 72581 Dettingen/Erms, Germany, exceeded the thresholds of 3%, 5% and 10% on October 7, 2010 and amounted to 11.11% on this day. This corresponds to 7,037,037 no-par value registered shares (bearer shares).
The notification requirement pursuant to § 21 (1) WpHG is attributed to our joint lead management within the scope of the ElringKlinger AG capital increase entered in the commercial register on October 7, 2010.
We hereby also notify you pursuant to § 21 (1) WpHG that our share of voting rights in ElringKlinger AG fell below the thresholds of 10%, 5% and 3% on October 11, 2010 and now represents a percentage of voting rights of 0.12%. This corresponds to 74,118 no-par value registered shares (bearer shares).

9. Voting rights notification

Voting rights notification pursuant to § 21 (1) WpHG
ElringKlinger received the following notification from Walter Herwarth Lechler on May 14, 2010:
"I hereby notify you pursuant to § 21 (1) WpHG that my percentage of voting rights in ElringKlinger AG fell below the threshold of 25% on May 11, 2010 and amounted to 23.697% (13,649,420 voting rights) on this day.
Of these voting rights, 10.394% (5,987,000 voting rights) are attributed to me in accordance with § 22 (1) sentence 1 no. 1 WpHG.
The voting rights attributable to me are held by the following companies that are controlled by me and each hold at least 3% or more of voting rights in ElringKlinger AG: Lechler GmbH, Metzingen."

10. Voting rights notification

In the name of and on behalf of Fidelity Funds SICAV, Luxembourg, we hereby notify you pursuant to § 21 (1) WpHG of the following:
On 06 November 2009 Fidelity Funds SICAV fell below the threshold of 3% of voting rights in ElringKlinger AG, Max-Eyth-Strasse 2, 72581 Dettingen/Erms, Germany. On that date, Fidelity Funds SICAV held 2.96% of the voting rights in ElringKlinger AG arising from 1,704,729 voting rights.

11. Voting rights notification

On December 16, 2008, ElringKlinger AG received the following notification
"Notification of voting rights pursuant to sec. 21 para 1 WpHG
Pursuant to section 21 (1), 24 WpHG ("German Securities Trading Act) in conjunction with section 32 (2) InvG ("German Investment Act"), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment GmbH, Frankfurt, Germany, in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, fell below the threshold of 3% on 12 December 2008 and amounts to 2.63% (1,516,262 voting rights) as per this date."

12. Voting rights notification

ElringKlinger AG has received the following notification:
"Notification of Voting Rights pursuant to sec. 21, 22 WpHG
1 October 2008
On behalf of Columbia Wanger Asset Management, L.P., 227 W. Monroe Street, Suite 3000, Chicago, IL, USA, we hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 29 September 2008 the voting interest of Columbia Wanger Asset Management, L.P., in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/ Erms, Germany, fell below the threshold of 3% and amounted to 2,99% of the voting rights [i.e., 1,727,000 shares with voting rights, out of 57,600,000 shares with voting rights outstanding (based on Bloomberg)] on this day.
2,99% (all) of the voting rights (1,727,000 voting rights) are attributed to us in accordance with sec. 22 para. 1 sent. 1 no. 6."

13. Voting rights notification

We received the following notification on March 27, 2008:
Voting rights notification pursuant to § 21 (1) WpHG

We, Klaus Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG on behalf of Ms. Lieselotte Lechler as follows:
The percentage of voting rights of Ms. Lieselotte Lechler in ElringKlinger AG fell below the thresholds of 10%, 5% and 3% on March 20, 2008 and amounted to 0% (0 voting rights) on this day.

14. Voting rights notification

We received the following notification from New Star Asset Management, Great Britain, on February 19, 2008:
Notification pursuant to sec. 21 para. 1 WpHG
We hereby give notice, pursuant to sec. 21 para 1 of the WpHG, that on 18th February 2008 our voting interest in ElringKlinger AG fell below the threshold of 3% and amounts to 2.97% (569,624 voting rights) on this day.
2.97% of the voting rights (569,624 voting rights) are attributable to us in accordance with sec. 22 para. 1 sent. 1 no. 6 of the WpHG.

15. Voting rights notification

As executor of the estate of Mr. Klaus Lechler, Mr. Gottfried Wunsch, notified us pursuant to § 21 (1) WpHG on behalf of Ms. Lieselotte Lechler as follows:
Mr. Klaus Lechler died on April 1, 2007. As of this date, the voting interest of Mr. Klaus Lechler in ElringKlinger AG therefore fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0% on this day (0 voting rights).

16. Voting rights notification

ElringKlinger has received the following notification:
"Notification pursuant to § 21 para. 1 WpHG
The following notification is made in the names of Threadneedle Asset Management Limited and Threadneedle Asset Management Holdings Limited, both with registered seat in London, United Kingdom and in the name of Ameriprise Financial, Inc., USA.
Ameriprise Financial Inc. is the parent company of Threadneedle Asset Management Holdings Limited, which is the parent company of Threadneedle Asset Management Limited.
Please be advised that on 08 October 2007 the share of voting stocks of the above mentioned companies in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Asset Management Limited in ElringKlinger AG at 08 October 2007 amounted to 2.603% (499,795 shares). These voting rights are in their entirety attributable to Threadneedle Asset Management Limited pursuant to § 22 para. 1 sent. 1 No. 6 WpHG.
The percentage of voting rights of Threadneedle Asset Management Holdings Limited in ElringKlinger AG at 08 October 2007 amounted to 2.603% (499,795 shares). These voting rights are in their entirety attributable to Threadneedle Asset Management Holdings Limited pursuant to § 22 para. 1 sent. 1 No. 6, sent. 2 and sent. 3 WpHG.
The percentage of voting rights of Ameriprise Financial, Inc. in ElringKlinger AG at 08 October 2007 amounted to 2,718% (521,799 shares). These voting rights are in their entirety attributable to Ameriprise Financial, Inc. pursuant to § 22 para. 1 sent. 1 No. 6, sent. 2 and sent. 3 WpHG.

17. Voting rights notification

"Notification pursuant to § 21 para. 1 WpHG
The following notification is made in the name of Threadneedle Investment Services Limited, registered in London, United Kingdom.
Please be advised that on 02 October 2007 the share of voting stocks of the Threadneedle Investment Services Limited in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Investment Services Limited in ElringKlinger AG at 02 October 2007 amounted to 2,992% (574,392 shares). These voting rights are in their entirety attributable to Threadneedle Investment Services Limited pursuant to § 22 para. 1 sent. 1 No. 6 WpHG.
The following notification is made in the name of Threadneedle Investment Funds ICVC, registered in London, United Kingdom.
Please be advised that on 02 October 2007 the share of the voting stocks of the Threadneedle Investment Funds ICVC in ElringKlinger AG went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Investment Funds ICVC in ElringKlinger AG at 02 October 2007 amounted to 2.992% (574,392 shares). These voting rights are held by subfunds of Threadneedle Investment Funds ICVC.

18. Voting rights notification

ElringKlinger received the following voting rights notification:
Notification of voting rights (Stimmrechtsmitteilungen) pursuant to §§ 21, 22 WpHG
We, Prudential plc., London, United Kingdom, would like to make the following notification regarding the holding of voting rights held in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany according to § 21, 22 WpHG.
Notification of voting rights in our own name
Prudential plc. has fallen below the 3% threshold of § 21 para. 1 WpHG on 04 September 2007 and now holds 2,94% (564,824 shares held with voting rights) of the voting rights in ElringKlinger AG.
It was attributed these 2,94% (564,824 shares held with voting rights) of the voting rights in ElringKlinger AG pursuant to § 22 para. 1 sent. 1 no. 6 in connection with § 22 para. 1 sent. 2 WpHG.

19. Voting rights notification

ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, received the following notification pursuant to § 41 (2) and § 21 (1) WpHG from Elrena GmbH, Basel, Switzerland:
We, Elrena GmbH, Basel, Switzerland, notify you pursuant to § 41 (2) and § 21 (1) WpHG (as amended) in our own name and in the name of and on the behalf of Mr. Karl Uwe van Husen for the purpose of correction and supplement to notifications made in the past by the notifying parties as follows:

Karl Uwe van Husen, Germany:

a) The percentage of voting rights of Mr. Karl Uwe van Husen in ElringKlinger AG (formerly ZWL Grundbesitz- und Beteiligungs-AG) fell below the thresholds of 10% and 5% on September 4, 1997 and amounted to 0.025% (900 voting rights).
b) Today, at May 3, 2007, the percentage of voting rights of Mr. van Husen in ElringKlinger AG amounts to 0.016% (3,000 voting rights).

20. Voting rights notification

ElringKlinger AG, Dettingen/Erms, WKN 785602
Sale of shares
Reaching the 5% threshold
Dear Sir or Madam:
We hereby inform you that we sold a total of 224,410 ElringKlinger shares in the period between February 11, 2004 through January 14, 2005, thereby falling below the 5% threshold. Betal Netherland Holding B.V. now holds 479,990 ElringKlinger shares.
This notification is made pursuant to § 21 WpHG.

21. Voting rights notification

ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, received the following notification pursuant to § 41 (2) and § 21 (1) WpHG from Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany:
"We, Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany, notify you pursuant to § 41 (2) and § 21 (1) WpHG (as amended) in our own name and in the name of and on behalf of the following companies and Ms. Lieselotte Lechler for the purpose of correction and supplement to notifications made in the past by the parties on which notification is incumbent as follows:

Paul Lechler Gesellschaft bürgerlichen Rechts, Ludwigsburg, Germany:

a) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG exceeded the thresholds of 5% and 10% on November 30, 2001 and amounts to 12.13% (582.012 voting rights) on this day. Of these voting rights, 12.13% (582,012 voting rights) were attributed to Paul Lechler Gesellschaft bürgerlichen Rechts in accordance with § 22 (1) sentence 1 no. 1 WpHG (essentially corresponding with § 22 (1) no. 2 WpHG as amended on November 30, 2001).
   The voting rights attributable to Paul Lechler Gesellschaft bürgerlichen Rechts were held by the following company that was controlled by it and holds 3% or more of the voting rights in ElringKlinger AG:
   - Lechler Beteiligungs-GmbH

b) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG amounted to 12.13% (582,012 voting rights) on April 1, 2002. Of these voting rights, 12.13% (582,012 voting rights) were attributable to Paul Lechler Gesellschaft bürgerlichen Rechts pursuant to § 22 (1) sentence 1 no. 1 WpHG.
   The voting rights attributable to Paul Lechler Gesellschaft bürgerlichen Rechts were held by the following company that was controlled by it and holds at least 3% of voting rights in ElringKlinger AG:
   - Lechler Beteiligungs-GmbH

c) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG fell below the thresholds of 10% and 5% on December 4, 2003 and has amounted to 0.00% (0 voting rights) since then."

Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance on December 4, 2012 pursuant to § 161 AktG on the German Corporate Governance code and published it on the ElringKlinger AG website on December 4, 2012. This declaration of compliance will be available on the ElringKlinger AG website and therewith made permanently available to shareholders

Dettingen/Erms, March 13, 2013
Management Board

Dr. Stefan Wolf | Theo Becker | Karl Schmauder

Auditor's Report

We have audited the consolidated financial statements prepared by ElringKlinger AG, Dettingen/Erms, comprising the Group Income Statement and Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of parent Company's Board of Managing Directors. 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 § 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, 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 the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 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 13, 2013
PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Marcus Nickel	ppa. Renate Berghoff
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(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 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 13, 2013
Management Board

Dr. Stefan Wolf | Theo Becker | Karl Schmauder

Glossary

Financials

A Authorized capital

Capital up to the level of which the management board of a German stock corporation has been authorized, on the basis of a 3/4-majority resolution by the General Meeting of Shareholders, to increase the company's capital up to a given date (which shall be no more than five years in the future) with the prior approval of the supervisory board. It may be exercised in part and, correspondingly, on several occasions (Sections 202-206 AktG).

C Cash flow

Figure used to determine a company's financial strength. It describes the excess of the cash received over the cash expended as a result of the company's activities or the amount of cash generated by the company itself. For the purpose of determining cash flow, an entity's profit for the annual period is adjusted for items that do not produce an inflow or outflow of cash, such as depreciation or changes in provisions. Net cash from operating activities is the surplus of cash generated by operating activities.

Corporate Governance

Stands for corporate management and supervision that should be as responsible as possible and focused on sustainability and value generation over the long term.

E Earnings per share

Earnings per share (abbreviated: EPS) is used for the purpose of analyzing profitability and – at a cross-sector level – evaluating a company. EPS is calculated by dividing profit attributable to shareholders by the number of shares outstanding.

EBIT/Operating result

EBIT is the abbreviation for: Earnings before Interest and Taxes. It corresponds to the operating result before net finance costs. At the international level, this figure is commonly used to compare companies' earnings power. As regards ElringKlinger, EBIT differs from the operating result in that EBIT includes factors relating to foreign exchange movements.

EBIT margin

The percentage figure of EBIT divided by sales revenue. The EBIT margin shows a company's profitability over a specific period of time.

F Free cash flow

Free cash flow represents the funds freely available to the company for distribution. It is calculated by subtracting investments from net cash from operating activities.

Free float

Free float refers to a company's shares which are freely traded on the exchange and which are not firmly held by certain groups of investors. According to the definition of Deutsche Börse AG, share packages under 5% belong to the free float.

H HGB

Abbreviation for Handelsgesetzbuch (German Commercial Code). The financial statements of the parent company, ElringKlinger AG, are prepared in accordance with HGB.

I IFRS

IFRS stands for "International Financial Reporting Standards," formerly "International Accounting Standards" (IAS). They comprise the accounting provisions for exchange-listed entities. The application of IFRS has been mandatory in the EU since January 2005. The transition to IFRS as regards ElringKlinger's consolidated financial reporting was made in 2004.

M MDAX

The Mid Cap Dax (MDAX) is a German stock market index introduced in 1996. It encompasses the stocks of 50 corporations that are positioned directly below Germany's DAX-listed companies in terms of market capitalization and trading volume.

N Net debt

Figure that describes the level of indebtedness of a company if all liabilities were repaid by means of current assets. Net debt is calculated on the basis of interest-bearing liabilities (primarily bank borrowings) less cash and cash equivalents. Alternatively, it can be calculated on the basis of the entire liabilities recognized less cash and cash equivalents less pension provisions.

Net finance income/cost

Profit or loss arising from financial transactions, e.g. interest income and expenses, income and expenses attributable to investments or income and expenses attributable to exchange differences. Net finance income or cost is a component of pre-tax earnings presented in the income statement.

P Purchase price allocation

Purchase price allocation (abbreviated: PPA) refers to the allocation of the price paid in the purchase of a company or an interest in a company to the individual identifiable assets acquired as part of this transaction. These also include intangible assets such as an existing customer base or order backlog. The allocation is performed on the basis of the relative fair values at the date of purchase. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

S Statement of cash flows

The statement of cash flows shows the calculation for the flow of funds generated or used by a company from operating, investing and financing activities during the financial year. In addition, cash and cash equivalents at the beginning of the financial year are reconciled with the amount at year-end. The statement of cash flows helps determine the company's ability to generate cash and cash equivalents.

W WpHG

Abbreviation for Wertpapierhandelsgesetz (Securities Trading Act).

Technology

A APU (Auxiliary Power Unit)

An energy generation system that operates without an external power source and is used primarily for the purpose of mobile on-board power supply (vehicles, ships, aircraft). Fuel-cell-powered stationary air conditioning in trucks, which functions independently of the vehicle's engine, is one of the fields of application that ElringKlinger addresses. In this case, the available fuel is used to generate hydrogen gas via a reformer, which in turn supplies the fuel cell stack very effectively.

B Bipolar plates

Bipolar plates are core components in fuel cell stacks (see "Stack"). Their functions are to create an electrical interconnection between two cells respectively to transmit the energy generated, to supply the cells with hydrogen and oxygen and to distribute the coolant. ElringKlinger develops and manufactures metal bipolar plates. Among the technical requirements for these components are high-precision metal-forming within the contact area (in the micrometer range) and accurate, low-distortion laser welding of the cathode and anode plates.

C C-steel

Types of steel with a carbon content of at least 0.25%. The "C" stands for the chemical symbol for carbon. ElringKlinger requires C-steel for manufacturing gaskets and heat shields.

CAFE regulations

The Corporate Average Fuel Economy (CAFE) regulations in the United States are similar to European legislation that govern CO_2 emissions and set limits for the average fuel consumption of a manufacturer's fleet of vehicles. Failure to comply with CAFE regulations can result in significant fines.

CARB (California Air Resources Board)

Californian environmental protection agency that defines and monitors standards for maintaining and improving air quality. CARB certification provides access to the U.S. market. In 2012, ElringKlinger obtained CARB approval for the Hug mobiclean R™ filter system, which is used for on-road diesel vehicles weighing in excess of 6.3 metric tons.

Catalytic oxidation of carbon monoxide (CO) and hydrocarbon (HC)

Method used for the purpose of reducing carbon monoxide and unburnt hydrocarbon in exhaust gas. Carbon monoxide is produced amongst other things by the incomplete burning of fossil fuels. It is a colorless, odorless but poisonous gas. When the hazardous exhaust gases pass through a catalytic converter (usually made of a ceramic material) and come into contact with its active surface featuring a precious-metal coating, a chemical reaction takes place and the gases are converted into non-toxic components (carbon dioxide and water).

Cell connector/Cell contact system

The cell contact system developed by ElringKlinger for lithium-ion batteries

consists of cell connectors and a cell carrier in which the connectors are integrated as a robust laser-welded construction. Via the cell connectors, the individual battery cells are connected both in a row and parallel to one another. They perform a conductive function, absorb cell energy and contain sensor elements. The cell contact consists of a control interface with thermal and electric monitoring.

CleanCoat™

See DPF coating

Combined power/heat generation

Combined power/heat generation involves actively using the waste heat produced during electricity generation, leading to a particularly high degree of overall efficiency. At present, ElringKlinger is developing fuel cell stacks for fuel-cell-powered micro-cogeneration units designed to supply houses and apartment buildings with electricity and heat.

F Fuel cell

A fuel cell converts fuel energy into electricity by means of a chemical reaction. In order for this reaction to be able to take place, the cell needs oxygen and hydrogen – either directly or derived from fuel. In the latter case, a reformer provides the cell with hydrogen gas derived from diesel or natural gas, for example. Unlike batteries, fuel cells do not store energy, but rather convert it. A fuel cell consists of two different electrodes (anode and cathode) with an electrolyte (ionic conductor) located between them. There are different types of fuel cell technologies that offer specific advantages depending on their application. To date, ElringKlinger has developed components for the SOFC high-temperature fuel cell, the PEM low-temperature fuel cell and the DMFC direct methanol fuel cell.

D DMFC (Direct Methanol Fuel Cell)

With "alcohol" as a fuel, DMFC offers good storage capabilities and is a cost-effective energy carrier. As the cells are not (yet) as efficient as, for instance, related PEM cells, their use is restricted to applications with low energy requirements. ElringKlinger develops and produces elastomer-coated sealing frames for DMFC fuel cells.

DPF (Diesel Particulate Filter)

The diesel particulate filter – also known as a soot particulate filter – is a component of the exhaust tract in diesel-powered vehicles that is responsible for filtering harmful soot particles from the exhaust. Among the numerous concepts developed for this purpose, wall flow filters made of ceramic – such as silicon carbide, aluminum titanate or cordierite – have established themselves as the standard choice, with high filtration efficiency of approximately 95%. The geometries vary, ranging from honeycomb structures to even, perforated surfaces. The European emission standards contain specific particulate limits. Today, virtually all new passenger cars and commercial vehicles in the EU are fitted with a DPF.

DPF coating

The soot particles deposited in the diesel particulate filter (DPF) must be burned off in order to regenerate the filter. Filters are generally catalytically coated with a view to accelerating the reaction and reducing the required combustion temperature. The catalytic coating material is mostly based on precious metals (platinum, rhodium, palladium). The catalytic effect generates the high temperature required to burn off the soot particles and oxidate any remaining hydrocarbons or carbon monoxide into CO_2 and water. Depending on the vehicle usage profile, regeneration can be passive or active. Passive regeneration, for example when driving on the motorway, occurs through the permanent conversion of soot between the temperatures of 350 °C and 500 °C (CRT = Continuous Regeneration Trap). Active regeneration, for example when driving in city traffic, increases the temperature to over 500 °C by means of engine-controlled post-injection. Under the brandname CleanCoat™, ElringKlinger has developed a coating material for ceramic diesel particulate filter bodies that is based on an alkali silicate substance. CleanCoat™ is free from heavy and precious metals and is highly active at low temperatures. It is used at a series production level in the diesel particulate filter system mobiclean R™ supplied by ElringKlinger subsidiary Hug.

E Elastomer

Plastics/polymers can be divided into three main categories depending on their processing properties: thermoplasts, duroplasts and elastomers. The distinctive feature of elastomers is that their shape can be changed temporarily through the application of pressure or stretching before they return to their original form ("rubber").

They are manufactured from natural or synthetic rubber, which retains the desired properties owing to "interlinking" (also vulcanization). The final material varies depending on the raw materials, manufacturing process and additives involved. When working with elastomers in the field of sealing technology, ElringKlinger utilizes proprietary applications which are optimized to meet special customer requirements.

European emission standards

The emission standards prescribed by the European Parliament specify the emission limit values for HC, CO, NOx and particles that must be complied with by newly registered automobiles in Europe. Different limits apply for diesel and petrol engines. The Euro 5 standard came into force on September 1, 2009, prescribing – among other things – an 80% reduction in the particulate matter limit for diesel engines. The Euro 6 standard, which is to be introduced in 2014, will further reduce the nitrogen oxide values permitted for diesel vehicles.

H Hybrid engine

In the automotive industry, the term "hybrid engine" refers to the combination of various drive systems or different energy sources; this includes, for instance, the combination of a combustion engine with an electric motor.

L Lithium-ion battery

Lithium-based batteries are rechargeable, durable high-energy batteries with a high energy density. They are used in electric and hybrid vehicles. ElringKlinger develops and produces, among other things, modular cell contact systems for such batteries.

M Meander, honeycomb and segment stoppers

Stoppers are structural features contained in the spring steel layers of cylinder-head gaskets that help to seal engine combustion chambers. Coined meander, honeycomb and segment stopper geometries have taken over from folded and laser-welded stoppers as the state of the art when it comes to making optimum use of the geometric space available. New embossing/coining technologies provide engineers with a variety of possibilities for influencing the distribution of pressure in the sealing gap.

Metal-elastomer gaskets

Gaskets made from a metal core with vulcanized elastomer profiles for sealing power-transmitting connections, for example oil pump gaskets and timing case gaskets.

Metaloflex™

Under the Metaloflex™ brand name, ElringKlinger produces metal layer cylinder-head gaskets made from beaded, elastomer-coated spring steel layers – single-layer or multilayer, depending on the application.

Metaloseal™

The specialty and exhaust gaskets marketed under the brand name Metaloseal™ are based on the functional principle of linear sealing using a bead. The versatile sealing system consists of both pure metal and elastomer-coated metal gaskets that cover virtually all applications in engines, transmissions, exhaust systems and engine accessories.

Moldflon™

See PTFE

MuCell

An ultralight polyamide plastic material which, thanks to its innovative pore structure, allows for additional weight savings in the production of technical plastic housing modules such as cam covers and oil pans.

N Nitrogen oxides (NOx)

A generic term for nitrogen and oxygen compounds, also known internationally by the abbreviation NOx. These gases, which form in the exhausts of combustion engines, are harmful to humans and the environment. Emission standards are becoming increasingly stringent worldwide, prescribing strict limits with regard to NOx emissions. Nitrogen oxides can be neutralized with the help of SCR technology (see SCR).

NOx

See nitrogen oxides

O Organo sheet method

Innovative method of lightweight construction as part of which so-called organo sheets – particularly light yet extremely sturdy thermoplastic structural components with embedded fiber-reinforced composites – are processed and plastic elements for additional component functions are

injection-molded in the tool itself. ElringKlinger subsidiary Hummel-Formen has filed a patent application for this method.

P
PEM fuel cell

PEM stands for "Proton Exchange Membrane." PEM fuel cells work at low temperatures of around 90 °C and have a polymer membrane as their central element. In the synthetic reaction known as "cold combustion," oxygen and hydrogen react with one another aided by a catalyst, thereby releasing electricity that causes water to form. For PEM fuel cells used in passenger cars, ElringKlinger has developed metal bipolar plates, of which several hundred are required in a single cell stack.

Plug-in hybrid

This concept is the next step for hybrid technology, with on-board energy storage systems that are no longer capable of only being recharged by the vehicle's combustion engine but also via an external electric power source. At present, however, this technology still entails very high production costs.

Polyamide

Polyamides are polymers and usually refer to synthetic thermoplastics. ElringKlinger uses polyamide in the production of lightweight plastic housing modules (refer to MuCell™).

PTFE (polytetrafluoroethylene)

The thermoplastic high-performance plastic PTFE – commonly known by the trade name Teflon® – has a very low coefficient of friction and is particularly resistant to most aggressive chemicals and external influences such as moisture and UV radiation. PTFE is resistant to temperatures as low as -200°C and only melts at over 320°C. With its modified material Moldflon™, which is registered as a trademark, ElringKlinger Kunststofftechnik GmbH has the first ever injection-moldable PTFE high-performance material with a wide range of potential applications, for instance in the field of medical technology.

S
Selective catalytic reduction (SCR)

Technology for the reduction of toxic nitrogen oxides (NOx). In this case, a urea solution (usually referred to as "AdBlue" in the automotive industry) is added to the exhaust gas. When this mixture passes through the catalytic converter, the nitrogen oxides react with the urea solution at the active surface of the catalytic converter and are subsequently converted into nitrogen and water. Incorporating SCR technology, exhaust gas purification systems developed by ElringKlinger subsidiary Hug are able to reduce NOx levels by up to 99%.

Solid Oxide Fuel Cell (SOFC)

Solid oxide fuel cells are also known as "high-temperature fuel cells" owing to their high operating temperatures (approx. 800°C). This type of fuel cell can be operated with a wide range of fuels. The hydrogen gas required for the cell is derived from diesel, biogas, ethanol, etc., using a reformer. Based on this technology, ElringKlinger is currently developing the stack module (including thermal protection box) for a fuel cell solution, produced together with cooperation partners, which is designed to provide on-board power supply in trucks.

Stack

In a fuel cell context, the term "stack" refers to a complete stack of individual fuel cells including bipolar plates and retaining and connecting devices. To boost performance, the individual fuel cells are connected in series. The number of combined cells in the stacks produced by ElringKlinger currently ranges from between 40 and approximately 500.

T
Tier 1/Tier 2

Automotive companies that supply vehicle manufacturers (OEMs) directly are known as Tier 1 suppliers. Any sub-contractors they work with are then referred to as Tier 2, Tier 3 suppliers and so on, reflecting their position in the supply chain. Most of ElringKlinger's products go directly to OEMs, making it a Tier 1 supplier. It is also a Tier 2 supplier of exhaust technology and transmission components.

Turbocharger

By compressing the air that is necessary for combustion, turbochargers increase the air flow rate in engines. The turbocharger is one of the key components of engine downsizing that delivers the same level of performance with a reduced engine capacity. This, in turn, creates significant potential for reducing fuel consumption.

Imprint

ElringKlinger AG
Max-Eyth-Straße 2
D-72581 Dettingen/Erms
Phone +49 (0) 71 23/724-0
Fax +49 (0) 71 23/724-90 06
www.ElringKlinger.com

IR Contact
Stephan Haas
Phone +49 (0) 71 23/724-137
Fax +49 (0) 71 23/724-85 137
stephan.haas@ElringKlinger.com

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Stephanie Trenz

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If you would like to receive our interim reports by e-mail, please send your details to: stephan.haas@ElringKlinger.com or give us a call at Phone +49 (0) 71 23/724-137

Further information is available at www.ElringKlinger.com

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Disclaimer – Forward-looking Statements and Forecasts
This report contains forward-looking statements. These statements are based on expectations, market evaluations and forecasts by the Management Board and on information currently available to them. In particular, the forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialize. Whilst the Management Board is confident that the statements as well as the opinions and expectations on which they are based are realistic, the afore-mentioned statements rely on assumptions that may conceivably prove to be incorrect. Future results and circumstances depend on a multitude of factors, risks and imponderables that can alter the expectations and judgments that have been expressed. These factors include, for example, changes to the general economic and business situation, variations of exchange rates and interest rates, poor acceptance of new products and services, and changes to business strategy.

This report was published on March 28, 2013, and is available in German and English. Only the German version shall be legally binding.

ElringKlinger worldwide

ELRINGKLINGER WORLDWIDE

GERMANY

ElringKlinger AG
Dettingen/Erms, Langenzenn, Runkel, Geretsried-Gelting, Thale

ElringKlinger Kunststofftechnik GmbH
Bietigheim-Bissingen, Heidenheim

Elring Klinger Motortechnik GmbH
Idstein, Bietigheim-Bissingen

NORTH AMERICA

ElringKlinger Canada, Inc.
Leamington/Canada

ElringKlinger North America, Inc.
Plymouth, Michigan/USA

ElringKlinger USA, Inc.
Buford, Georgia/USA

Hug Engineering Inc.
Austin, Texas/USA

Elring Klinger México, S.A. de C.V.
Toluca/Mexico

SOUTH AMERICA

Elring Klinger do Brasil Ltda.
Piracicaba/Brazil

As at December 31, 2012

ElringKlinger Logistic Service GmbH
Rottenburg/Neckar

Hug Engineering GmbH
Magdeburg

Hummel-Formen GmbH
Lenningen

EUROPE

Elring Klinger (Great Britain) Ltd.
Redcar/Great Britain

Elring Parts Ltd.
Gateshead/Great Britain

ElringKlinger Meillor SAS
Nantiat/France
Chamborêt/France
Poissy/France

Elring Klinger, S.A.U.
Reus/Spain

ElringKlinger Abschirmtechnik (Schweiz) AG
Sevelen/Switzerland

Hug Engineering AG
Elsau/Switzerland

ElringKlinger Italia Srl
Settimo Torinese/Italy

Hug Engineering S.p.A.
Mailand/Italy

Technik-Park Heliport Kft.
Kecskemét-Kádafalva/
Hungary

HURO Supermold S.R.L.
Timisoara/Romania

ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.
Bursa/Turkey

Codinox Beheer B.V.
Enschede/Netherlands

AFRICA

ElringKlinger South Africa (Pty) Ltd.
Johannesburg/South Africa

ASIA

ElringKlinger Automotive Components (India) Pvt. Ltd.
Ranjangaon/India

Changchun ElringKlinger Ltd.
Changchun/China

ElringKlinger China, Ltd.
Suzhou/China

ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd.
Qingdao/China

ElringKlinger Marusan Corporation
Tokyo/Japan,
Saitama/Japan

ElringKlinger Korea Co., Ltd.
Changwon/South Korea
Gwangmyeong/South Korea

PT. ElringKlinger Indonesia
Karawang/Indonesia

Financial Calendar 2013

MARCH 28, 2013
Annual Press Conference, Stuttgart
Analysts' Meeting, Frankfurt/Main

MAY 8, 2013
Interim Report on the 1st Quarter of 2013

MAY 16, 2013
108th Annual General Shareholders' Meeting, Stuttgart
Cultural and Congress Centre Liederhalle, 10:00 a.m. CEST

MAY 17, 2013
Dividend Payment

AUGUST 9, 2013
Interim Report on the 2nd Quarter and 1st Half of 2013

NOVEMBER 6, 2013
Interim Report on the 3rd Quarter and First Nine months of 2013

MAY 16, 2014
109th Annual General Shareholders' Meeting, Stuttgart

Calendar Trade Fairs 2013

APRIL 21 – 29, 2013
Auto Shanghai, Shanghai

JUNE 18 – 19, 2013
VDI Knowledge Forum: Drivetrain for vehicles, Friedrichshafen

SEPTEMBER 12 – 22, 2013
65th IAA International Motor Show, Frankfurt/Main

SEPTEMBER 30 – OCTOBER 2, 2013
BATTERY+STORAGE
International trade fair for battery and energy storage technologies, Stuttgart

OCTOBER 7 – 9, 2013
22nd Aachen Colloquium Automobile and Engine Technology, Aachen

OCTOBER 16 – 20, 2013
Equip Auto, Paris

DECEMBER 3 – 4, 2013
12th International CTI Symposium and Exhibition
Innovative Automotive Transmissions, Hybrid & Electric Drives, Berlin

DECEMBER 3 – 6, 2013
EuroMold, World Fair for Moldmaking and Tooling, Design and Application Development, Frankfurt/Main

elringklinger

ElringKlinger AG
Max-Eyth-Straße 2
72581 Dettingen/Erms
(Germany)