

# Notes to the Consolidated Financial Statements

## *of ElringKlinger AG for the 2014 Financial Year*

### General information

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

The financial year is the calendar year.

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

### Accounting principles

The consolidated financial statements of ElringKlinger AG as of December 31, 2014, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary commercial law regulations pursuant to § 315a (1) HGB. All IASs, IFRSs and IFRICs mandatory for the financial year 2014 have been observed.

On March 23, 2015, the Management Board of ElringKlinger AG submitted the consolidated financial statements to the Supervisory Board, which will meet on March 25, 2015, for approval.

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 consolidated statement of financial position and in the consolidated income statement have been combined.

The following regulations and amendments to existing regulations were applied for the financial year 2014 for the first time:

#### IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation principles in IAS 27 and SIC-12; the provisions applicable to separate financial statements remain in IAS 27. 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 Interests 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 brings together the revised disclosure requirements for an entity's investments in subsidiaries, joint arrangements and associated companies in one standard.

#### IAS 28 Investments in Associates and Joint Ventures

IAS 28 Investments in Associates and Joint Ventures replaces the previous version Investments in Associates. The amended standard prescribes the financial reporting for investments in associates and the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 10, 11, 12 and the subsequent amendments to IAS 27 and IAS 28 did not have any significant effects at the ElringKlinger Group in the financial year 2014, as the entities that have been included by proportionate consolidation since the end of the financial year 2013 are included in the consolidated financial statements in the course of full consolidation. However, the retroactive application of the amended standards made it necessary to disclose the restated comparative figures from the prior period.

The entity ElringKlinger Marusan Corporation, Tokyo, Japan, which was included in the consolidated financial statements by proportionate consolidation in 2013, was fully consolidated for the first time as of December 31, 2013 due to an amended contractual arrangement on the assumption of control. However, the retroactive application of IFRS 11 will make it necessary to disclose the restated comparative figures from the prior period. Prior to December 31, 2013, the joint venture was therefore disclosed under invest-

ments accounted for using the equity method. The effects of the transition to IFRS 11 are presented in the section “Restatement of the previous year’s figures”.

#### IFRS 10, IFRS 12 and IAS 27 Investment Entities

This amendment exempts entities that satisfy the definition criteria of an investment entity pursuant to IFRS 10 from the consolidation duty. Investment entities must instead measure the shares in their subsidiaries at fair value through profit and loss. This amendment is not relevant for the Group as ElringKlinger AG does not satisfy the definition criteria of an investment entity pursuant to IFRS 10.

#### IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities

The amendments are intended to address existing inconsistencies by providing supplemental guidance. However, the current underlying provisions for offsetting financial instruments will remain in force. The amendments did not affect the accounting policies applied by the Group.

#### IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendment to IAS 39 permits under certain circumstances the continuation of hedge accounting when derivatives designated as hedging instruments are transferred to a central clearing agency as a consequence of laws or regulations (novation). Since no hedge accounting is applied in the ElringKlinger Group, the amendment does not affect the consolidated financial statements.

#### IFRIC 21 Levies

IFRIC 21 deals with the issue of accounting for public levies which do not represent income taxes within the meaning of IAS 12 and clarifies in particular when obligations to pay such levies are recognized as liabilities in the financial statements. The adoption of this interpretation did not have any significant effects on the consolidated financial statements of the ElringKlinger Group.

The following standards, which have already been adopted by the EU, are not yet mandatory for the financial year 2014 and have not yet been applied by the ElringKlinger Group:

#### IAS 19 Employee Benefits – Employee Contributions

The amendment allows contributions made by employees or third parties to defined benefit plans to be recorded as a reduction of current service cost in the period in which the related service is rendered by the employee provided the contributions are independent of the employee’s length of service. If, by contrast, an employee’s contribution depends on the number of years of service, the projected unit credit method must be used. The amendments are effective

for financial years beginning on or after July 1, 2014. Earlier voluntary adoption is permitted. This did not result in any changes for the ElringKlinger-Group.

#### Annual Improvements to IFRSs (2010 to 2012)

The pronouncement relates to smaller amendments to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. They are mandatory for the first time in the financial year beginning on or after July 1, 2014. No significant impact is expected.

#### Annual Improvements to IFRSs (2011 to 2013)

The pronouncement relates to smaller amendments to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. They are mandatory for the first time in the financial year beginning on or after July 1, 2014. No significant effects are expected on the net assets and financial position.

The following standards, which have already been adopted by the EU but are not yet mandatory for the financial year 2014, have not yet been applied by the ElringKlinger Group:

#### IFRS 9 Financial Instruments

The IASB completed its project to replace IAS 39 Financial Instruments: Recognition and Measurement in July 2014 by publishing the final version of IFRS 9 Financial Instruments. In the final version of IFRS 9, accounting for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting in particular were revised completely. IFRS 9 is to be applied for the first time for financial years beginning on or after January 1, 2018. The first-time application is to be performed retrospectively, although there are various simplification options available. Earlier voluntary adoption of the standard is permitted. The full effects of the new standard on the ElringKlinger Group are still currently being analyzed.

#### IFRS 10, IFRS 12 and IAS 28 Investment Entities – Application of the Consolidation Exception

In December 2014, the IASB published an amendment in order to clarify questions in relation to investment entities applying the consolidation exception. The standard is applicable from January 1, 2016; earlier voluntary adoption is permitted. These amendments are not relevant for the Group as ElringKlinger AG does not satisfy the definition criteria of an investment entity pursuant to IFRS 10.

#### IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 and IAS 28 which address a known inconsistency between the two standards with regard to the accounting for the sale or contribution of assets from an investor to its associate or its joint venture. If

the transaction pertains to a business as defined in IFRS 3, the resulting gains or losses are recognized in full in the investor's financial statements. However, if the transaction pertains to the disposal of assets that do not constitute a business, the resulting gains or losses are recognized in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for reporting periods beginning on or after January 1, 2016. Early adoption is permitted. The amendments are not expected to have any effect on the consolidated financial statements of ElringKlinger AG.

**IFRS 11: Joint Arrangements – Acquisition of Shares in a Joint Operation**

The amendment to IFRS 11 clarifies that acquisitions of or increases in interests in joint operations in which the activity constitutes a business as defined by IFRS 3, require the acquirer to apply all of the principles on business combinations accounting in IFRS 3 and other applicable IFRSs except for those principles that conflict with the guidance in IFRS 11. The amendments do not apply if the reporting company and the parties to the joint arrangement are under common control of the same ultimate controlling entity. The new regulations apply prospectively to acquisitions of interests performed in reporting periods beginning on or after January 1, 2016. Earlier voluntary adoption is permitted. ElringKlinger does not currently hold any interests in joint operations.

**IFRS 15 Revenue from Contracts with Customers**

The new standard was published by the IASB in May 2014 and aims to bring together the large number of revenue recognition requirements previously contained in a variety of standards and to define uniform basic principles that are applicable to all industries and for all categories of revenue transaction. IFRS 15 specifies when and in what amount revenue is recognized. As a basic principle, revenue is recognized to depict the transfer of goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 includes extended guidelines on multi-element transactions as well as new provisions for the treatment of service contracts and amendments to contracts. In addition, the new standard encourages entities to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11 and IAS 18 as well as the associated interpretations. The new regulations are effective for

the first time for financial years beginning on or after January 1, 2017. Earlier voluntary adoption is permitted. When transitioning to the new standard, entities can choose between a totally retrospective approach (with optional practical expedients) and a modified retrospective approach. The latter permits initial application of the standard from the current reporting period onward without adjusting the comparative periods but requires additional disclosures. The full effects of the new standard on the ElringKlinger Group's accounting are still currently being analyzed.

**IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization**

In these amendments, the IASB provides additional guidance on acceptable methods of depreciation and amortization. According to the amendments, a depreciation method of property, plant and equipment that is based on revenue is not appropriate. An amortization method of intangible assets that is based on revenue is only appropriate in limited circumstances. The amendments are effective for financial years beginning on or after January 1, 2016. Earlier voluntary adoption of the amendments is permitted. The full effects of the new guidelines on the accounting methods applied by ElringKlinger Group are still currently being analyzed.

**Annual improvements to IFRSs (2012 to 2014)**

The pronouncement relates to smaller amendments to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. They are mandatory for the first time in the financial year beginning on or after January 1, 2016. The full effects of the changes on the ElringKlinger Group's accounting are still currently being analyzed.

ElringKlinger will apply these standards as of the date for mandatory first-time application and after they have been adopted by the EU. Earlier voluntary adoption is not currently planned.

### **Scope of consolidated financial statements**

The consolidated financial statements of ElringKlinger AG as of December 31, 2014, include the annual financial statements of eight (2013: six) domestic and 30 (2013: 30) 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. Inclusion begins at the time the control relationship comes into being and ends when control is deemed to no longer exist.

An overview of the 38 entities included is provided on the following page.

## Schedule of Shareholdings and Scope of Consolidation

as of December 31, 2014

Name of company	Domicile	Capital share in %
<b>Parent</b>		
ElringKlinger AG <sup>1</sup>	Dettingen/Erms	
<b>Shares in affiliated companies (fully consolidated in the consolidated financial statements)</b>		
<b>Domestic</b>		
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
Polytetra GmbH/DE <sup>3</sup>	Mönchengladbach	74.50
Hug Engineering GmbH <sup>2</sup>	Magdeburg	93.67
new enerday GmbH/DE	Neubrandenburg	75.00
KOCHWERK Catering GmbH	Dettingen/Erms	100.00
<b>Foreign</b>		
ElringKlinger Abschirmtechnik (Schweiz) AG	Sevelen (Switzerland)	100.00
Hug Engineering AG	Elsau (Switzerland)	93.67
Elring Klinger (Great Britain) Ltd.	Redcar (UK)	100.00
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00
Hug Engineering S.p.A. <sup>2</sup>	Mailand (Italy)	93.67
Technik-Park Heliport Kft.	Kecskemét-Kádafalva (Hungary)	100.00
Elring Parts Ltd.	Gateshead (UK)	100.00
Elring Klinger, S.A.U.	Reus (Spain)	100.00
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00
ElringKlinger Meillor SAS	Nantiat (France)	100.00
HURO Supermold S.R.L.	Timisoara (Romania)	100.00
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00
ElringKlinger North America, Inc.	Plymouth/Michigan (USA)	100.00
ElringKlinger USA, Inc.	Buford (USA)	100.00
Hug Engineering Inc. <sup>2</sup>	Austin (USA)	93.67
Elring Klinger México, S.A. de C.V.	Toluca (Mexico)	100.00
EKASER, S.A. de C.V.	Toluca (Mexico)	100.00
Elring Klinger do Brasil Ltda.	Piracicaba (Brazil)	100.00
ElringKlinger South Africa (Pty) Ltd.	Johannesburg (South Africa)	100.00
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00
Changchun ElringKlinger Ltd.	Changchun (China)	88.00
ElringKlinger Korea Co., Ltd.	Changwon (South Korea)	100.00
ElringKlinger China, Ltd.	Suzhou (China)	100.00
ElringKlinger Engineered Plastics North America, Inc. <sup>3</sup>	Buford (USA)	74.50
ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd. <sup>3</sup>	Qingdao (China)	74.50
ElringKlinger Marusan Corporation <sup>4</sup>	Tokyo (Japan)	50.00
Taiyo Jushi Kakoh Co., Ltd. <sup>5</sup>	Tokyo (Japan)	50.00
Marusan Kogyo Co., Ltd. <sup>6</sup>	Tokyo (Japan)	23.45
PT. ElringKlinger Indonesia <sup>5</sup>	Karawang (Indonesia)	50.00
ElringKlinger (Thailand) Co., Ltd <sup>5</sup>	Bangkok (Thailand)	50.00

<sup>1</sup> ElringKlinger AG prepares the consolidated financial statements for the largest and smallest group of consolidated subsidiaries

<sup>2</sup> Wholly owned subsidiary of HUG Engineering AG

<sup>3</sup> Wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH

<sup>4</sup> Consolidated due to contractual possibility of exercising control

<sup>5</sup> Wholly owned subsidiary of ElringKlinger Marusan Corporation

<sup>6</sup> 46.9% subsidiary of ElringKlinger Marusan Corporation, consolidated due to majority of voting rights

### Notes on non-controlling interests in subsidiaries

ElringKlinger AG holds controlling interests of 74.5% in ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen (Germany), with its three subsidiaries (EKT subgroup)

- Polytetra GmbH, Mönchengladbach, Germany
- ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd., China
- ElringKlinger Engineered Plastics North America, Inc., Buford, USA.

The non-controlling interests amount to 25.5%.

The share in the profit of this subgroup attributable to non-controlling interests for the financial year 2014 is EUR 2,835 k (2013: EUR 2,904 k).

A dividend of EUR 1,020 k was distributed to the non-controlling interests in the financial year 2014. The remaining EUR 2,980 k was distributed to the parent company ElringKlinger AG.

Cash flow of the subgroup:  
in EUR k

	2014
Operating activities	10,765
Investing activities	-14,843
Financing activities	4,985
<b>Changes in cash</b>	<b>907</b>
<b>Effects of currency exchange rates on cash</b>	<b>179</b>

Summarized key financial information of the subgroup  
in EUR k

	2014	2013
Non-current assets	53,250	42,646
Current assets	40,488	43,819
Non-current liabilities	16,851	15,333
Current liabilities	8,412	8,339
Sales revenue	93,386	92,676
Earnings before taxes (EBT)	15,308	15,908
<b>Net income</b>	<b>10,965</b>	<b>11,564</b>
<b>Total comprehensive income</b>	<b>9,682</b>	<b>12,222</b>

Further detailed information  
in EUR k

	2014	2013
Cash and cash equivalents	3,312	2,226
Cash in hand	11	8
Bank deposits	3,301	2,218
Non-current financial liabilities	3,596	4,000
to banks	3,096	4,000
to affiliated companies	500	0
Current financial liabilities	1,190	1,000
to banks from loans	1,125	1,000
to banks from current accounts	65	0
Interest income	448	431
Interest expense	488	569
Amortization and depreciation	4,009	3,488

### Restatement of the previous year's figures

In connection with a warranty claim, ElringKlinger AG and the customers concerned agreed to a payment totaling EUR 24.4 million in a settlement agreement in 2011. The warranty claim related to gaskets delivered in early 2008. The settlement has since then been paid in full. This payment is offset by receivables in the same amount from our primary insurer and excess loss insurer, of which EUR 10.0 million had already been settled in 2011. The final amount of the remaining receivable had not yet been settled at that time. The primary insurer rejected the claim for excess coverage beyond the EUR 10.0 million that had already been paid. ElringKlinger AG therefore brought legal action for payment of EUR 14.4 million from the primary insurer. The suit was dismissed in a first court hearing in April 2014. In view of the ruling in the court

hearing, ElringKlinger decided to correct the EUR 4.4 million part of the claim not covered by the excess loss insurer retrospectively to January 1, 2013 without an effect on profit or loss pursuant to IAS 8, as there was insufficient certainty to recognize the receivable. In the meantime, the dispute has been finally settled. The insurers included in the settlement have agreed to pay additional indemnification of EUR 8.5 million, which means that ElringKlinger has a residual loss of EUR 1.5 million. This amount was posted through profit and loss in 2014. The insurers made the payments in 2014.

The effects on the comparative figures reported in the prior year of the restatement of the insurance claim and of the first-time application of IFRS 11 described in the section on accounting principles are presented below:

Effects on the income statement 2013:

<i>in EUR k</i>	Amount published 2013	Amendment IFRS 11	Restated amount 2013
Sales revenue	1,175,231	-25,148	1,150,083
Cost of sales	-846,158	21,685	-824,473
Selling expenses	-82,343	873	-81,470
General and administrative expenses	-47,617	1,619	-45,998
Research and development costs	-57,136	428	-56,708
Other operating income	33,232	-239	32,993
Other operating expenses	-10,277	6	-10,271
Finance income	9,340	18	9,358
Finance expenses	-25,056	442	-24,614
Income tax expense	-38,013	316	-37,697
<b>Net income</b>	<b>111,203</b>	<b>0</b>	<b>111,203</b>

The change had no effect on net income or the Group's basic or diluted earnings per share.

## Impact on the statement of financial position as of January 1, 2013:

Assets <i>in EUR k</i>	Published amount as of Jan. 1, 2013	Amendment IFRS 11	Amendment IAS 8	Restated amount as of Jan. 1, 2013
Intangible assets	135,989	-2,928	–	133,061
Property, plant and equipment	565,000	-7,734	–	557,266
Investment property	13,329	–	–	13,329
Financial assets	1,637	-22	–	1,615
Investment accounted for using the equity method	0	25,951	–	25,951
Non-current income tax assets	2,830	–	–	2,830
Other non-current assets	2,737	-118	–	2,619
Deferred tax assets	29,552	-851	1,231	29,932
<b>Non-current assets</b>	<b>751,074</b>	<b>14,298</b>	<b>1,231</b>	<b>766,603</b>
Inventories	229,586	-2,273	–	227,313
Trade receivables	185,850	-4,519	–	181,331
Current income tax assets	2,208	–	–	2,208
Other current assets	45,351	-1,829	-4,440	39,082
Cash and cash equivalents	54,273	-7,798	–	46,475
<b>Current assets</b>	<b>517,268</b>	<b>-16,419</b>	<b>-4,440</b>	<b>496,409</b>
Non-current assets held for sale	249	–	–	249
<b>Total assets</b>	<b>1,268,591</b>	<b>-2,121</b>	<b>-3,209</b>	<b>1,263,261</b>
Liabilities and equity <i>in EUR k</i>	Published amount as of Jan. 1, 2013	Amendment IFRS 11	Amendment IAS 8	Restated amount as of Jan. 1, 2013
Share capital	63,360	–	–	63,360
Capital reserves	118,238	–	–	118,238
Revenue reserves	424,440	–	-3,209	421,231
Other reserves	4,911	–	–	4,911
Non-controlling interest in equity	31,268	-1,443	–	29,825
<b>Equity</b>	<b>642,217</b>	<b>-1,443</b>	<b>-3,209</b>	<b>637,565</b>
Provisions for pensions	99,597	-1,066	–	98,531
Non-current provisions	11,121	-55	–	11,066
Non-current financial liabilities	130,993	4,377	–	135,370
Deferred tax liabilities	46,781	-143	–	46,638
Other non-current liabilities	10,149	-4	–	10,145
<b>Non-current liabilities</b>	<b>298,641</b>	<b>3,109</b>	<b>–</b>	<b>301,750</b>
Current provisions	18,409	-350	–	18,059
Trade payables	58,065	-1,178	–	56,887
Current financial liabilities	183,716	-1,229	–	182,487
Taxes payable	11,513	-397	–	11,116
Other current liabilities	56,030	-633	–	55,397
<b>Current liabilities</b>	<b>327,733</b>	<b>-3,787</b>	<b>–</b>	<b>323,946</b>
<b>Total liabilities</b>	<b>1,268,591</b>	<b>-2,121</b>	<b>-3,209</b>	<b>1,263,261</b>

## Effects on the statement of cash flows 2013:

<i>in EUR k</i>	Amount published 2013	Change	Restated amount 2013
Earnings before taxes	149,216	-316	148,900
Net cash from operating activities	119,977	-946	119,031
Net cash from investing activities	-128,010	1,631	-126,379
Net cash from financing activities	14,640	71	14,711
Changes in cash	6,607	756	7,363
Effects of currency exchange rates on cash	-3,271	1,703	-1,568
Cash inflow from business combinations	5,340	5,339	10,679
Cash at beginning of period	54,273	-7,798	46,475
<b>Cash at end of period</b>	<b>62,949</b>	<b>0</b>	<b>62,949</b>

All the following prior-year figures in the notes to the consolidated financial statements were restated accordingly.

From 2014, the indicator EBIT corresponds to the operating result. Exchange gains and losses are no longer included in the financial result. The adjustments to segment reporting are shown in the following table:

<i>EBIT in EUR k</i>	Amount published 2013	Amendment EBIT definition	Amendment to IFRS 11	Restated amount 2013
Original Equipment	119,571	4,417	-776	123,212
Aftermarket	22,305	149	–	22,454
Engineered Plastics	16,046	24	–	16,070
Industrial Parks	125	-11	–	114
Services	2,306	–	–	2,306
<b>Total</b>	<b>160,353</b>	<b>4,579</b>	<b>-776</b>	<b>164,156</b>

**Business combinations**

With effect as of July 1, 2014, ElringKlinger AG acquired a 75% interest in new enerday GmbH, with its registered office in Neubrandenburg, Germany.

With the fuel-cell specialist, ElringKlinger AG has strengthened its activities relating to the SOFC (solid oxide fuel cell) high-temperature fuel cell. A purchase price of EUR 1,962 k was agreed for the acquisition of the company. The transaction-related costs of EUR 15 k to date were recognized in general and administrative expenses.

The assets and liabilities of the acquired shares were measured at fair value as of the acquisition date. The difference of EUR 1,896 k remaining after taking

into account deferred tax liabilities (EUR 81 k) on the hidden reserves identified (EUR 286 k) was recognized as goodwill. This was paid primarily for the positive forecasts as well as the expected synergies and allocated to the Original Equipment segment. Goodwill is not tax deductible.

The first-time full consolidation of the company increased the Group's revenue by EUR 199 k as of December 31, 2014 and earnings before taxes were reduced by EUR 91 k. Had the acquisition been completed as of January 1, 2014, new enerday GmbH would have contributed EUR 305 k to group revenue and burdened earnings before taxes with EUR 458 k.



The following table contains the final allocation of the purchase price to the assets and liabilities:

<i>in EUR k</i>	IFRS carrying amount at the time of acquisition	Purchase price allocation	Acquisition date fair value
Intangible assets	5	286	291
Property, plant and equipment	221	–	221
Inventories	244	–	244
Other current assets	179	–	179
Cash and cash equivalents	4	–	4
<b>Total assets</b>	<b>653</b>	<b>286</b>	<b>939</b>
Deferred tax liabilities	0	81	81
Non-current liabilities	59	–	59
Current trade payables	72	–	72
Tax payable	77	–	77
Other current liabilities	630	–	630
<b>Total liabilities</b>	<b>838</b>	<b>81</b>	<b>919</b>
<b>Net assets</b>	<b>-185</b>	<b>205</b>	<b>20</b>
Non-controlling interests in net assets			46
Goodwill			1,896
<b>Purchase price</b>			<b>1,962</b>

No contingent liabilities were identified in the course of the acquisition.

With effect as of October 1, 2014, ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen, a subsidiary in which ElringKlinger AG holds a 74.5% interest, acquired a 100% interest in Polytetra GmbH, with registered office in Mönchengladbach, Germany.

In acquiring the company, ElringKlinger Kunststofftechnik GmbH has further strengthened its position in the industrial plastics technology sector, as well as securing additional growth opportunities in the production of modules and systems.

A purchase price of EUR 4,000 k was agreed for the acquisition of the company. The transaction-related costs of EUR 14 k to date were recognized in administrative costs.

The assets and liabilities of the acquired shares were measured at fair value as of the acquisition date. The difference of EUR 1,496 k remaining after taking into account deferred tax liabilities (EUR 424 k) on the hidden reserves identified (EUR 1,306 k) was recognized as goodwill. This was paid primarily for the positive forecasts as well as the expected synergies and allocated to the Engineered Plastics segment. Goodwill is not tax deductible.

The first-time full consolidation of the company increased the Group's revenue by EUR 1,122 k as of December 31, 2014 and earnings before taxes by EUR 370 k. Had the acquisition been completed as of January 1, 2014, Polytetra GmbH would have contributed EUR 5,073 k to group revenue and burdened earnings before taxes by EUR 826 k.

The following table contains the final allocation of the purchase price to the assets and liabilities:

<i>in EUR k</i>	IFRS carrying amount at the time of acquisition	Purchase price allocation	Acquisition date fair value
Intangible assets	16	1,306	1,322
Property, plant and equipment	1,456	–	1,456
Inventories	1,273	–	1,273
Trade receivables	493	–	493
Other current assets	32	–	32
Cash and cash equivalents	250	–	250
<b>Total assets</b>	<b>3,520</b>	<b>1,306</b>	<b>4,826</b>
Provisions for pensions	231	–	231
Non-current provisions	2	–	2
Non-current financial liabilities	127	–	127
Deferred tax liabilities	190	424	614
Current provisions	206	–	206
Trade payables	313	–	313
Current financial liabilities	412	–	412
Tax payable	217	–	217
Other current liabilities	200	–	200
<b>Total liabilities</b>	<b>1,898</b>	<b>424</b>	<b>2,322</b>
<b>Net assets</b>	<b>1,622</b>	<b>882</b>	<b>2,504</b>
Goodwill			1,496
<b>Purchase price</b>			<b>4,000</b>

No contingent liabilities were identified in the course of the acquisition.

#### Acquisition of non-controlling interests in 2013

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

On August 1, 2013, ElringKlinger AG acquired the 10% interest previously held by non-controlling interests in the subsidiary Elring Parts Ltd., with its registered office in Gateshead, UK. The purchase price

amounted to EUR 701 k, with the resulting difference to the non-controlling interests previously recorded recognized directly in equity in 2013. ElringKlinger AG now holds a 100% interest in the company.

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

### Business combination in stages in 2013

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

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

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

Goodwill is not tax deductible. The first-time full consolidation of the company increased the Group's revenue by EUR 4,678 k as of December 31, 2013 and earnings before taxes were reduced by EUR 415 k.

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

The following table contains the final allocation of the purchase price to the assets and liabilities:

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

<i>in EUR k</i>	Feb. 1, 2013
Purchase price of the shares 50%	4,266
Fair value of the old shares 50%	4,266
<b>Measurement basis for goodwill</b>	<b>8,532</b>
<b>Goodwill</b>	<b>4,915</b>

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

The shares in ElringKlinger Korea Co., Ltd. accounted for as of the acquisition date were remeasured upon acquiring the outstanding shares at a fair value of EUR 4,266 k. The transition to full consolidation resulted in non-cash income of EUR 1,386 k from the remeasurement of the shares held to date, which was recognized as other operating income in 2013.

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

#### Full consolidation of ElringKlinger Marusan in 2013

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

Under this agreement, a put and call option was agreed with the non-controlling interests on their shares. The obligation resulting from this agreement was recognized in 2013 as a financial liability and

recorded at cost, equal to a fair value of EUR 37,054 k. Changes to the fair value are recognized in the income statement in subsequent periods.

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

The shares in ElringKlinger Marusan accounted for using the equity method were remeasured at their fair value of EUR 37,054 k. In 2013 the transition to full consolidation resulted in non-cash income of EUR 17,556 k from the remeasurement of the shares held to date, which was recognized as other operating income in 2013.

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

Had the change in the organization of the company taken place as of January 1, 2013, the contribution made by the Marusan Group to ElringKlinger's group revenue in 2013 would have amounted to EUR 46,846 k and earnings before tax to EUR 1,118 k.

The following table contains the allocation of the value of the company to the assets and liabilities:

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

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

base, which is amortized over a useful life of five years using the straight-line method, a fair value of EUR 7,064 k was calculated in 2013. The corresponding deferred tax effect was also recognized at the respective asset values.

As part of the allocation, no contingent liabilities and receivables were identified. No impairment losses were recognized in respect of trade receivables. In 2013, their fair value corresponded to the gross value of EUR 12,418 k.

#### 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.

Any hidden reserves and liabilities that have been uncovered are rolled forward, depreciated, or released together with the corresponding assets or liabilities. Goodwill is not amortized, but is subject to annual impairment testing in accordance with IFRS 3.

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

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

Net income for the year for subsidiaries acquired or sold in the course of the year are included in the

group income statement from the effective time of acquisition or until the effective time of divestment.

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

All receivables, liabilities, sales revenue, other income and expenses within the scope of consolidation are eliminated. Accumulated gains and losses from intercompany supplies are eliminated from inventories or non-current assets.

#### Currency translation

The reporting currency of the ElringKlinger Group is the euro.

Foreign currency transactions are translated in the annual 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 posted through profit or loss.

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

The financial statements of the foreign companies are translated into euros since this is the functional currency of the parent company. Since the subsidiaries 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 in other comprehensive income and as a separate item in equity.

In the event of a disposal of a consolidated entity, accumulated currency differences are recorded as part of the gain or -loss on sale.

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

Currency	Abbr.	Closing rate Dec. 31, 2014	Closing rate Dec. 31, 2013	Average rate 2014	Average rate 2013
US dollar (USA)	USD	1.21410	1.37910	1.32108	1.33083
Pound (UK)	GBP	0.77890	0.83370	0.80310	0.85008
Franc (Switzerland)	CHF	1.20240	1.22760	1.21274	1.22906
Canadian dollar (Canada)	CAD	1.40630	1.46710	1.46358	1.37711
Real (Brazil)	BRL	3.22070	3.25760	3.10933	2.89373
Peso (Mexico)	MXN	17.86790	18.07310	17.64530	17.12746
RMB (China)	CNY	7.53580	8.34910	8.15428	8.17328
WON (South Korea)	KRW	1,324.80000	1,450.93000	1,392.14250	1,456.23833
Rand (South Africa)	ZAR	14.03530	14.56600	14.34063	13.01281
Yen (Japan)	JPY	145.23000	144.72000	140.50250	130.18167
Forint (Hungary)	HUF	315.54000	297.04000	309.98250	297.93333
Turkish lira (Turkey)	TRY	2.83200	2.96050	2.89420	2.56752
Leu (Romania)	RON	4.48280	4.47100	4.43848	4.41495
Indian rupee (India)	INR	76.71900	85.36600	80.70096	78.47108
Indonesian rupiah (Indonesia)	IDR	15,076.10000	16,764.78000	15,681.55750	14,067.13083
Bath (Thailand)	THB	39.91000	45.17800	42.98783	41.08033

## Accounting policies

### Goodwill

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

<i>in EUR k</i>	2014	2013
Original Equipment	134,015	130,793
Engineered Plastics	6,313	4,816
Aftermarket	1,658	1,658
<b>Total</b>	<b>141,986</b>	<b>137,267</b>

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

ElringKlinger conducts an impairment test of goodwill at least once annually. 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. Recoverable amount is measured at value in use.

The value in use of the cash-generating units is 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 2015 to 2019.

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

Sales revenue planning at the ElringKlinger Group is performed at an individual component level. A variety of different information is used for the sales revenue planning. With regard to short-term planning, the current order backlog, information on the respective manufacturer and information from independent sources, such as advisory firms or automobile associa-

tions, is used. In the medium term, ElringKlinger, in performing its sales revenue planning, expects the global automotive markets to sustain a slight growth of around 2%.

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

The discount factor applied as of December 31, 2014 was the weighted average cost of capital (WACC) before taxes of 10.63% (2013: 10.70%). The WACC is determined on the basis of the risk-free rate according to the method of the IDW [“Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf“: Institute of Public Auditors in Germany, Düsseldorf], 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, which expresses the 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, 2014 did not result in the impairment of goodwill. Even changes in key parameters, which management deemed to be possible would not result in impairment.

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

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

The useful lives and the depreciation methods and residual carrying amounts are reviewed regularly in order to ensure that the depreciation method and peri-

### 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 attributable overheads. The revaluation method, which is also permitted, is not applied.

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

### Property, plant and equipment

Tangible assets used in business operations for a period longer than one year are measured as property, plant and equipment at cost less straight-line depreciation in accordance with their useful life 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 attributable overheads. The revaluation method, which is also permitted, is not applied.

od are consistent with the expected consumption of the economic benefit.



### 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 or if there is evidence of impairment. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized to the recoverable amount. The recoverable amount is the higher of the following two amounts: the net realizable value less anticipated costs to sell or the value in use. If the recoverable amount for an individual asset cannot be determined, an estimate of the recoverable amount is made at the next higher level cash-generating unit.

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

Impairments and reversals are recorded through profit and loss.

### Financial instruments

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

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

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

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

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

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

### Financial assets

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

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

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

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

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

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

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

Financial assets resulting from money transfer, the rendering of services or the procurement of merchandise involving third parties are classified as **loans and receivables**. Current assets and liabilities classified in

this category are measured at acquisition cost, whereas the non-current financial assets and liabilities are measured at amortized cost in accordance with the effective interest method.

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

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

The financial instruments allocated to the category “**held to maturity investments**” are recorded at amortized cost using the effective interest method when the Group has the intent and the legal ability to hold them until maturity.

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

### Financial liabilities

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

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

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

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

**Financial liabilities measured at fair value through profit or loss** comprise the financial liabilities held for trading purposes, in this case, derivatives, including any embedded derivatives that have been separated from the host contract, if applicable, since these do not

qualify for hedge accounting as a hedging instrument. Gains or losses are recognized in the income statement.

### Derivative financial instruments and hedge accounting

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

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

### Inventories

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

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

### Cash and cash equivalents

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

### Non-current assets held for sale

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

### Provisions for pensions

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

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

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

### Provisions

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

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

### Leases

In lease relationships in which the Group is the lessee, beneficial ownership of the leased items is attributed to the lessee in accordance with IAS 17 to the extent that the lessee bears all risks and rewards associated with ownership of the leased item (finance leases). The depreciation methods and useful lives correspond to those of comparable purchased assets. The leased object is capitalized at the time the contract is concluded at its fair value or, if lower, at the present net value of

the future minimum lease payments. Initial direct costs are accounted for as part of the asset. The lease obligations which correspond to the carrying amount of the leased object are shown under financial liabilities.

If beneficial ownership under a lease rests with the lessor (operating leases), the lessor recognizes the leased object in its statement of financial position. The lease expenditures incurred are then recorded as expenses over the term of the lease using the straight-line method.

Lease relationships in which the ElringKlinger Group is the lessor, and for which the lessee does not for the most part bear all risks and rewards associated with ownership, are classified as operating leases. Income from operating lease relationships of the industrial park is recognized as sales revenues.

### Recognition of income and expense

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

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

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

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

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

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

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

### Research and development costs

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

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

Capitalized costs are included under intangible assets. Other development costs are recognized as an

expense when incurred. Capitalized development costs are amortized over five years.

#### Government grants

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

#### Borrowing costs

Borrowing costs directly associated with the acquisition, construction, or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Interest not capitalized pursuant to IAS 23 is recognized on an accrual basis as an expense using the effective interest method. The actual borrowing costs are capitalized if a financing loan can be definitively assigned to a specific investment. Unless a direct relationship can be established, the Group's average interest rate for borrowed capital for the current period is used. The Group's average interest rate for borrowed capital for the financial year 2014 amounted to 2.24% (2013: 2.66%). In the financial year 2014 borrowing costs of EUR 340 k (2013: EUR 274 k) were recognized.

#### Income taxes and deferred taxes

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

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

Deferred taxes are the expected tax charges and benefits from the differences in the carrying amounts of assets and liabilities in the tax base of the individual companies compared with the valuations in the consolidated financial statements under IFRS. The balance sheet liability method is applied. Such assets and liabilities are not recognized if the temporary difference is the result of (i) the first-time recognition of goodwill or (ii) the first-time recognition of other assets and liabilities resulting from occurrences that do not affect taxable income or earnings before taxes according to the income statement. Deferred taxes are

recorded on all taxable temporary differences when it is probable that taxable profits will be available against which the deductible temporary differences can be offset. Otherwise, deferred tax assets are recognized on loss carryforwards to the extent that their future use may be anticipated.

The carrying amount of deferred tax assets is reviewed every reporting date.

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

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

#### Contingent liabilities and contingent receivables

Contingent liabilities are not recognized. They are disclosed in the notes, unless the possibility of an outflow of resources with economic benefit is remote. Contingent receivables are not recognized in the financial statements. If the inflow of economic benefits is probable, they are disclosed in the notes.

#### Use of estimates

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

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

The use of estimates for other items in the group statement of financial position and the group income statement are described in the accounting principles for the respective items. This pertains in particular to: useful lives of depreciable assets, impairments of goodwill, impairments of receivables, impairments of inventories, and the valuation of pension provisions.

### Risks and uncertainties

As a rule, the global automotive markets develop similarly to the economy generally. This applies even more to the truck than to the passenger vehicle segment. If economic development cools down considerably, this represents a risk for passenger vehicle demand and ultimately also for vehicle production. This could result in lower demand for ElringKlinger components.

According to current assessments, there continue to be risks regarding economic development in some southern and western European markets as well as in the not insignificant vehicle markets in Brazil and Russia.

However, the International Monetary Fund anticipates 3.5% growth in the global economy for 2015.

With regard to the automotive industry, the solid customer demand in North American and Asian markets is expected to fuel further growth in global passenger vehicle production.

From today's perspective, the risk of a dramatic collapse in vehicle production – similar to the

2008/2009 crisis – can be ruled out in any case. ElringKlinger expects global vehicle production in 2015 to increase by around 2%.

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

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

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

## Individual disclosures on the Group Income Statement

### 1 Sales revenues

Sales revenues increased by EUR 175,751 k in comparison with 2013 to reach EUR 1,325,834 k.

Sales revenues of the Group are made up as follows:

<i>in EUR k</i>	2014	2013
Sale of goods	1,313,314	1,137,720
Proceeds from the rendering of services	8,069	8,105
Income from rental and leasehold	4,451	4,258
<b>Total</b>	<b>1,325,834</b>	<b>1,150,083</b>

Breakdown by geographical markets:

<i>in EUR k</i>	2014	2013
Germany	388,116	360,796
Foreign	937,718	789,287
<b>Total</b>	<b>1,325,834</b>	<b>1,150,083</b>

The location of the customer is used to determine allocation of sales revenues. The division of group revenues by segment and region is presented in note (32) Segment reporting.

## 2 Cost of sales

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

Cost of sales includes:

<i>in EUR k</i>	2014	2013
Cost of materials	580,569	506,309
Personnel expenses	226,247	200,876
Depreciation and amortization	60,668	58,904
Other expenses	99,868	58,384
<b>Total</b>	<b>967,352</b>	<b>824,473</b>

## 3 Selling expenses

Selling expenses increased by EUR 11,948 k compared to 2013 to reach EUR 93,418 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 primarily 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 15,451 k compared to 2013 to reach EUR 61,449 k.

## 5 Research and development costs

Research and development costs include the personnel expenses and the cost of experimental materials and tools attributable to these activities, unless these are development costs that are required to be capitalized under the conditions set forth in IAS 38.57. Research and development costs increased by EUR 545 k compared to 2013 to reach EUR 57,253 k. Development costs of EUR 9,179 k (2013: EUR 8,985 k) were capitalized in the financial year 2014.

## 6 Other operating income

<i>in EUR k</i>	2014	2013
Government grants	7,433	7,261
Insurance reimbursements/claims reimbursements	3,272	565
Reimbursements from third parties	1,814	1,731
Reversal of provisions/deferred liabilities	1,450	482
Write-up of impaired receivables	327	279
Income from disposals of non-current assets	320	1,124
License fees	31	235
Other	4,080	21,316
<b>Total</b>	<b>18,727</b>	<b>32,993</b>

In connection with the transition to the full consolidation of ElringKlinger Marusan Corporation and ElringKlinger Korea Co., Ltd., other comprehensive income in 2013 contains income from the remeasurement of the shares held to date totaling EUR 18,942 k.

## 7 Other operating expenses

<i>in EUR k</i>	2014	2013
Other taxes (excl. income tax)	2,385	2,676
Impairment of receivables	1,260	1,170
Defaults on receivables	3,079	906
Expenditures for claims	802	772
Recognition of provisions / deferred liabilities	488	729
Losses on disposal of non-current assets	779	678
Other fees	593	249
Selling costs for machinery	275	20
Other	1,425	3,071
<b>Total</b>	<b>11,086</b>	<b>10,271</b>

## 8 Net finance costs

<i>in EUR k</i>	2014	2013
<b>Finance income</b>		
Income from currency differences	17,491	8,358
Interest income	879	704
Other	122	296
<b>Finance income, total</b>	<b>18,492</b>	<b>9,358</b>
<b>Finance costs</b>		
Expenses from currency difference	-7,541	-12,730
Interest expense	-11,816	-11,871
– thereof from derivative financial instruments	-63	-132
Other	-44	-13
<b>Finance costs, total</b>	<b>-19,401</b>	<b>-24,614</b>
<b>Net finance costs</b>	<b>-909</b>	<b>-15,256</b>

Of the interest expenses, EUR 3,679 k (2013: EUR 3,274 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 340 k were capitalized in the reporting year (2013: EUR 274 k); this represents a corresponding improvement in the result. Interest expenses for finance leases are immaterial.

## 9 Income taxes

Income taxes are composed as follows:

<i>in EUR k</i>	2014	2013
Current tax expense	41,869	37,505
Deferred taxes	626	192
<b>Tax expense reported</b>	<b>42,495</b>	<b>37,697</b>

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

The income tax rate calculated for the German companies is 28.9% (2013: 27.7%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 10.0% and 38.9% (2013: between 10.0% and 38.9%). The average foreign tax rate is 27.6% (2013: 27.2%).

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 27.9% (2013: 27.7%) and the income tax expense actually reported.

<i>in EUR k</i>	2014	2013
Earnings before taxes	153,094	148,900
<b>Expected tax rate</b>	<b>27.9 %</b>	<b>27.7 %</b>
<b>Expected tax expenses</b>	<b>42,719</b>	<b>41,245</b>
Change in the expected tax rate due to:		
– Permanent differences	1,170	-4,027
– Difference in basis of assessment of local taxes	78	139
– Utilization of non-current tax loss carryforwards	-1,317	0
– Write-up of non-current and write-down of current tax loss carryforwards (from other periods)	1,008	4,101
– Addition to non-current tax loss carryforwards (relating to the period)	1,239	1,544
– Taxes relating to other periods	1,320	172
– Deviations due to changes in tax rate	-3,388	-4,579
– Other effects	-334	-898
<b>Current tax expense</b>	<b>42,495</b>	<b>37,697</b>
<b>Actual tax rate</b>	<b>27.8 %</b>	<b>25.3 %</b>

Retained earnings of EUR 19,581 k (2013: EUR 13,897 k) at domestic and foreign subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense on distributions in Germany amounts to EUR 274 k (2013: EUR 193 k) and was recorded as a deferred tax liability. Further retained earnings of domestic and foreign subsidiaries of EUR 316,801 k (2013: EUR 264,948 k) are intended to be permanently reinvested in those operations on the basis of current planning.

Deferred tax assets on tax loss carryforwards have been recognized in the amount of EUR 296 k (2013: EUR 1,171 k). No deferred tax assets were recognized in respect of tax loss carryforwards amounting to EUR 37,801 k (2013: EUR 32,302 k), since it was not expected that the deferred tax assets would be utilized in the foreseeable future.

Unused income tax loss carryforwards primarily relate to foreign subsidiaries. The expiration of carryforwards not recognized for tax purposes is as follows:

<i>Expiration of loss carryforwards within in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
One year	0	0
Two years	0	519
Three years	46	1,453
Four years	1,170	1,632
Five years	2,895	2,740
More than five years	21,240	17,902
Non-forfeitable	12,450	8,056
<b>Total</b>	<b>37,801</b>	<b>32,302</b>



Tax deferrals relate to the following line items:

Line items in EUR k	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Intangible assets	347	334	9,370	9,517
Property, plant and equipment	2,686	1,898	31,502	31,799
Investment property	0	0	1,824	1,795
Financial assets	112	14	20	51
Other non-current assets	0	142	18	18
Inventories	2,781	2,945	2,060	1,604
Trade receivables	510	569	548	151
Other current assets	0	1,134	1,306	787
Cash and cash equivalents	1	1	0	0
Provisions for pensions	19,772	10,933	37	-734
Non-current provisions	2,673	1,207	24	0
Non-current financial liabilities	64	17	409	390
Other non-current liabilities	275	84	0	0
Current provisions	1,121	1,785	29	-72
Trade payables	41	45	36	23
Current financial liabilities	79	19	2	1
Other current liabilities	1,795	1,600	242	152
Deferred taxes associated with investments in subsidiaries	0	0	274	193
Tax loss carryforwards	296	1,171	0	0
<b>Total</b>	<b>32,553</b>	<b>23,898</b>	<b>47,701</b>	<b>45,675</b>
Offsetting of deferred tax assets against deferred tax liabilities	-23,771	-13,147	-23,771	-13,147
<b>Shown in the statement of financial position</b>	<b>8,782</b>	<b>10,751</b>	<b>23,930</b>	<b>32,528</b>

#### 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:

	2014	2013
Profit/loss attributable to the shareholders of EtringKlinger AG (EUR k)	105,748	105,418
Average number of shares	63,359,990	63,359,990
<b>Earnings per share in EUR</b>	<b>1.67</b>	<b>1.66</b>

## Disclosures on the Group Statement of Financial Position

## 11 Intangible assets

<i>in EUR k</i>	Development costs (internally generated)	Goodwill (purchased)	Patents, licenses, software (purchased)	Intangible assets under construction (purchased)	Total
<b>Cost as of Jan. 1, 2014</b>	<b>37,326</b>	<b>150,340</b>	<b>52,969</b>	<b>85</b>	<b>240,720</b>
Currency changes	302	1,654	415	0	2,371
Change in consolidated group	0	3,392	1,683	0	5,075
Additions	9,179	0	6,905	30	16,114
Reclassifications	406	0	175	-69	512
Disposals	3,102	0	163	0	3,265
<b>As of Dec. 31, 2014</b>	<b>44,111</b>	<b>155,386</b>	<b>61,984</b>	<b>46</b>	<b>261,527</b>
<b>Depreciation and amortization as of Jan. 1, 2014</b>	<b>20,576</b>	<b>13,073</b>	<b>30,361</b>	<b>0</b>	<b>64,010</b>
Currency changes	164	327	294	0	785
Change in consolidated group	0	0	69	0	69
Additions	7,589	0	6,988	0	14,577
Disposals	3,102	0	155	0	3,257
<b>As of Dec. 31, 2014</b>	<b>25,227</b>	<b>13,400</b>	<b>37,557</b>	<b>0</b>	<b>76,184</b>
<b>Net carrying amount as of Dec. 31, 2014</b>	<b>18,884</b>	<b>141,986</b>	<b>24,427</b>	<b>46</b>	<b>185,343</b>
<b>Cost as of Jan. 1, 2013</b>	<b>33,487</b>	<b>116,287</b>	<b>41,104</b>	<b>0</b>	<b>190,878</b>
Currency changes	-166	-1,689	-350	0	-2,205
Change in consolidated group	0	35,742	9,604	0	45,346
Additions	8,985	0	2,556	85	11,626
Reclassifications	0	0	132	0	132
Disposals	4,980	0	77	0	5,057
<b>As of Dec. 31, 2013</b>	<b>37,326</b>	<b>150,340</b>	<b>52,969</b>	<b>85</b>	<b>240,720</b>
<b>Depreciation and amortization as of Jan. 1, 2013</b>	<b>18,187</b>	<b>13,217</b>	<b>26,413</b>	<b>0</b>	<b>57,817</b>
Currency changes	-102	-144	-205	0	-451
Additions	6,328	0	4,230	0	10,558
Disposals	3,837	0	77	0	3,914
<b>As of Dec. 31, 2013</b>	<b>20,576</b>	<b>13,073</b>	<b>30,361</b>	<b>0</b>	<b>64,010</b>
<b>Net carrying amount as of Dec. 31, 2013</b>	<b>16,750</b>	<b>137,267</b>	<b>22,608</b>	<b>85</b>	<b>176,710</b>

Purchase commitments to acquire intangible assets amounted to EUR 115 k as of December 31, 2014 (December 31, 2013: EUR 12 k).

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

<i>in EUR k</i>	2014	2013
Cost of sales	11,528	7,506
Selling expenses	915	1,018
General and administrative expenses	1,415	1,405
Research and development costs	719	629
<b>Total</b>	<b>14,577</b>	<b>10,558</b>

## 12 Property, plant and equipment

<i>in EUR k</i>	Land and buildings	Technical equipment and machinery	Other equipment furniture and fixtures	Property, plant and equipment under construction	Total
<b>Cost as of Jan. 1, 2014</b>	<b>312,000</b>	<b>776,890</b>	<b>137,745</b>	<b>52,308</b>	<b>1,278,943</b>
Currency changes	4,383	14,938	1,207	2,654	23,182
Change in consolidated group	1,603	1,181	439	0	3,223
Additions	25,795	47,717	11,692	61,776	146,980
Reclassifications	12,689	29,459	3,065	-45,724	-511
Disposals	83	5,168	3,414	0	8,665
<b>As of Dec. 31, 2014</b>	<b>356,387</b>	<b>865,017</b>	<b>150,734</b>	<b>71,014</b>	<b>1,443,152</b>
<b>Depreciation and amortization as of Jan. 1, 2014</b>	<b>64,113</b>	<b>506,087</b>	<b>96,635</b>	<b>0</b>	<b>666,835</b>
Currency changes	826	8,898	635	0	10,359
Change in consolidated group	773	535	239	0	1,547
Additions	7,966	47,612	8,822	0	64,400
Reclassifications	0	-50	50	0	0
Revaluations	0	208	0	0	208
Disposals	66	4,562	3,133	0	7,761
<b>As of Dec. 31, 2014</b>	<b>73,612</b>	<b>558,312</b>	<b>103,248</b>	<b>0</b>	<b>735,172</b>
<b>Net carrying amount as of Dec. 31, 2014</b>	<b>282,775</b>	<b>306,705</b>	<b>47,486</b>	<b>71,014</b>	<b>707,980</b>
<b>Cost as of Jan. 1, 2013</b>	<b>283,836</b>	<b>716,769</b>	<b>131,197</b>	<b>46,795</b>	<b>1,178,597</b>
Currency changes	-3,657	-12,917	-997	-1,672	-19,243
Change in consolidated group	7,047	10,058	395	659	18,159
Additions	19,720	38,143	10,527	45,553	113,943
Reclassifications	5,464	31,110	2,322	-39,027	-131
Disposals	410	6,273	5,699	0	12,382
<b>As of Dec. 31, 2013</b>	<b>312,000</b>	<b>776,890</b>	<b>137,745</b>	<b>52,308</b>	<b>1,278,943</b>
<b>Depreciation and amortization as of Jan. 1, 2013</b>	<b>58,076</b>	<b>468,086</b>	<b>95,169</b>	<b>0</b>	<b>621,331</b>
Currency changes	-773	-8,731	-626	0	-10,130
Change in consolidated group	41	3,453	196	0	3,690
Additions	7,019	48,841	7,463	0	63,323
Reclassifications	0	-1	1	0	0
Disposals	250	5,561	5,568	0	11,379
<b>As of Dec. 31, 2013</b>	<b>64,113</b>	<b>506,087</b>	<b>96,635</b>	<b>0</b>	<b>666,835</b>
<b>Net carrying amount as of Dec. 31, 2013</b>	<b>247,887</b>	<b>270,803</b>	<b>41,110</b>	<b>52,308</b>	<b>612,108</b>

Property, plant and equipment contains technical equipment capitalized by the Group as the beneficial owner under lease arrangements in the amount of EUR 1,091 k (2013: EUR 778 k). In the financial year, amortization of leased assets amounted to EUR 289 k (2013: EUR 286 k).

In the financial year 2014, no impairments were recognized on property, plant and equipment. In the prior year, impairments, based on the fair value less costs to sell, of EUR 525 k were recognized on land and buildings in the Original Equipment segment.

Purchase commitments to acquire property, plant and equipment amounted to EUR 54,517 k as of December 31, 2014 (December 31, 2013: EUR 30,237 k).

### 13 Investment property

<i>in EUR k</i>	Investment property	Investment property under construction	Total
<b>Acquisition cost as of Jan. 1, 2014</b>	<b>23,512</b>	<b>96</b>	<b>23,608</b>
Currency changes	-787	-5	-792
Additions	38	0	38
Disposals	1,416	0	1,416
<b>As of Dec. 31, 2014</b>	<b>21,347</b>	<b>91</b>	<b>21,438</b>
<b>Depreciation and amortization as of Jan. 1, 2014</b>	<b>10,861</b>	<b>0</b>	<b>10,861</b>
Currency changes	-272	0	-272
Additions	463	0	463
Disposals	1,326	0	1,326
<b>As of Dec. 31, 2014</b>	<b>9,726</b>	<b>0</b>	<b>9,726</b>
<b>Net carrying amount as of Dec. 31, 2014</b>	<b>11,621</b>	<b>91</b>	<b>11,712</b>
<b>Acquisition cost as of Jan. 1, 2013</b>	<b>23,652</b>	<b>104</b>	<b>23,756</b>
Currency changes	-217	-2	-219
Additions	77	0	77
Reclassifications	6	-6	0
Disposals	6	0	6
<b>As of Dec. 31, 2013</b>	<b>23,512</b>	<b>96</b>	<b>23,608</b>
<b>Depreciation and amortization as of Jan. 1, 2013</b>	<b>10,427</b>	<b>0</b>	<b>10,427</b>
Currency changes	-67	0	-67
Additions	501	0	501
<b>As of Dec. 31, 2013</b>	<b>10,861</b>	<b>0</b>	<b>10,861</b>
<b>Net carrying amount as of Dec. 31, 2013</b>	<b>12,651</b>	<b>96</b>	<b>12,747</b>

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

Investment property has a fair value of EUR 17,695 k as of the reporting date (2013: EUR 17,460 k). The input data used to determine the fair value correspond to stage 3 of the fair value hierarchy. The fair value is determined using the discounted cash flow method and official valuations. Under the discounted cash flow method, the surplus of expected future rental payments (lease agreements) over the expected cash expenses is discounted to the valuation date. The discount rate used in the calculation was 8.58% (2013:

8.69%). Measurement of the fair values was not performed by an independent expert.

All investment property is rented out under operating leases. The resulting rental income came to EUR 4,451 k (2013: EUR 4,258 k). Expenses directly connected with these financial investments amounted to EUR 4,192 k (2013: EUR 4,462 k). Material contractual commitments to acquire or maintain investment property did not exist as of the end of the reporting period. Furthermore, there were no limitations regarding the saleability of investment property.

## 14 Financial assets

<i>in EUR k</i>	Investments accounted for using the equity method	Non-current securities	Other financial assets	Total
<b>Acquisition cost as of Jan. 1, 2014</b>	0	1,940	101	2,041
Currency changes	0	43	1	44
Additions	0	497	1	498
Revaluations	0	16	0	16
Disposals	0	803	13	816
<b>As of Dec. 31, 2014</b>	<b>0</b>	<b>1,693</b>	<b>90</b>	<b>1,783</b>
<b>Depreciation and amortization as of Jan. 1, 2014</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>61</b>
Currency changes	0	5	0	5
Revaluations	0	5	0	5
Disposals	0	6	0	6
<b>As of Dec. 31, 2014</b>	<b>0</b>	<b>55</b>	<b>0</b>	<b>55</b>
<b>Net carrying amount as of Dec. 31, 2014</b>	<b>0</b>	<b>1,638</b>	<b>90</b>	<b>1,728</b>
Fair value Dec. 31, 2014	0	1,646	90	
<b>Acquisition cost as of Jan. 1, 2013</b>	<b>25,951</b>	<b>1,516</b>	<b>125</b>	<b>27,592</b>
Currency changes	-4,726	-3	-1	-4,730
Change in consolidated group	-21,454	175	0	-21,279
Additions	0	966	5	971
Revaluations	229	20	0	249
Disposals	0	734	28	762
<b>As of Dec. 31, 2013</b>	<b>0</b>	<b>1,940</b>	<b>101</b>	<b>2,041</b>
<b>Depreciation and amortization as of Jan. 1, 2013</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>26</b>
Currency changes	0	-1	0	-1
Change in consolidated group	0	25	0	25
Additions	0	11	0	11
<b>As of Dec. 31, 2013</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>61</b>
<b>Net carrying amount as of Dec. 31, 2013</b>	<b>0</b>	<b>1,879</b>	<b>101</b>	<b>1,980</b>
Fair value Dec. 31, 2013	0	1,880	101	

Of the non-current securities, EUR 1,365 k (2013: EUR 1,433 k) is pledged in full to secure pension claims.

## 15 Investment accounted for using the equity method

As of January 1, 2013, the then joint venture ElringKlinger Marusan Corporation, Tokyo, Japan, was disclosed as a financial asset using the equity method. In 2013, the ElringKlinger Group received dividends from joint ventures of EUR 40 k. The financial result includes an investment result of EUR 269 k from joint ventures. The entity has been fully consolidated since December 31, 2013.

## 16 Non-current income tax assets and other non-current assets

Non-current income tax assets contain mainly the corporate income tax credits of ElringKlinger AG capitalized at present value in the amount of EUR 1,341 k (2013: EUR 1,988 k). The corporate income tax credits are being disbursed to ElringKlinger AG in ten equal annual installments from 2008 until 2017.

Other non-current assets include an advance payment on future licensing expenses amounting to EUR 585 k (2013: EUR 645 k) as well as insurance receivables in the context of warranty claims of EUR 3,190 k (2013: EUR 0 k).

## 17 Inventories

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
Raw materials, consumables and supplies	86,208	74,759
Work in progress	54,364	47,436
Finished goods and merchandise	145,568	132,446
Advance payments	3,958	2,746
<b>Total</b>	<b>290,098</b>	<b>257,387</b>

Under inventories, mark-downs of EUR 17,881 k (2013: EUR 16,319 k) have been made to account for market-ability risks. No write-ups were performed. Impairments are recognized in cost of sales.

## 18 Trade receivables, current income tax assets and other current assets

For trade receivables and other current assets, impairments of EUR 5,690 k (2013: EUR 4,698 k) were recognized for specific identifiable risks and likely use of discounts.

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

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

The adjustment account for trade receivables developed as follows:

<i>in EUR k</i>	2014	2013
<b>As of Jan. 1</b>	<b>4,698</b>	<b>3,706</b>
Additions	1,649	2,226
Reversals/utilizations	-537	-925
Exchange rate effects	-120	-364
Change in consolidated group	0	55
<b>As of Dec. 31</b>	<b>5,690</b>	<b>4,698</b>

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

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

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
<b>Neither overdue nor impaired</b>	<b>201,349</b>	<b>170,351</b>
<b>Overdue, not impaired</b>		
– less than 30 days	22,261	17,504
– from 31 to 60 days	10,119	7,110
– from 61 to 90 days	2,345	3,985
– from 91 to 180 days	2,665	2,260
– more than 180 days	3,098	2,610
<b>Total</b>	<b>40,488</b>	<b>33,469</b>
<b>Discounts</b>	<b>-246</b>	<b>-273</b>
<b>Impaired</b>	<b>3,493</b>	<b>3,906</b>
<b>Carrying amount</b>	<b>245,084</b>	<b>207,453</b>

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

For the portfolio of receivables neither overdue nor impaired, there are no indications as of the reporting date that would indicate that the debtors will not meet their payment obligations.

The other current assets include receivables relating to VAT and other taxes amounting to EUR 13,410 k (2013: EUR 14,787 k), as well as insurance receivables in the context of warranty claims.

### 19 Cash and cash equivalents

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

The carrying amount of these assets corresponds to their fair value.

### 20 Non-current assets held for sale

The property held for sale as of January 1, 2013 is a building held by ElringKlinger Korea Co., Ltd., Gumi, Korea, which was sold in the financial year 2013. This did not have any effect on earnings in 2013.

### 21 Equity

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

The share capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2014 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 classified as fixed financial assets or other assets in connection with an intended acquisition or within the framework of business combinations;
- if the new shares are issued against cash contributions and if the issue price per new share does not fall significantly below the quoted price of shares already listed, and the shares issued without subscription rights pursuant to § 186 (3) sentence 4 AktG, do not represent more than 10% of the share capital, either on the date on which this authorization takes effect or on the date on which it is exercised. The upper limit of 10% of share capital includes any shares issued or sold during the term of this authorization in exclusion of shareholders' subscription rights in direct or indirect application of § 186 (3) sentence 4 AktG.

The Management Board has not exercised the authorization to date.

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

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

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

Under the German Stock Corporation Act (AktG), the distributable dividend is measured by the sum of retained earnings and the profit or loss for the year, as 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 2014, ElringKlinger AG distributed to its shareholders a dividend of EUR 31,680 k (EUR 0.50 per share) from the distributable dividend for 2013. In the financial year 2013, the distribution was EUR 28,512 k (EUR 0.45 per share) from the distributable dividend for 2012.

The Management Board and the Supervisory Board will propose to the Annual General Meeting held to ratify the 2014 financial statements on 13 May 2015, a distribution from distributable dividend amounting to EUR 34,848 k, a dividend of EUR 0.55 per share carrying dividend rights.

## 22 Non-controlling interests in equity and net income

ElringKlinger AG holds less than 100% of the shares in some of the companies that have been included in the consolidated financial statements. In accordance with IFRS 10, the relevant non-controlling interests are reported under equity in the group statement of financial position, separately from the equity attributable to the shareholders of the parent company. Similarly, non-controlling interests in the net income and in total comprehensive income are reported separately in the group income statement and in the consolidated statement of comprehensive income.

## 23 Provisions for pensions

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

Under the **defined contribution plans** the company pays contributions to state or private pension schemes on the basis of statutory or contractual obligations or on a voluntary basis. Once the contributions are paid, the company has no further obligations, such as follow-up contribution payments. Current contribution payments are reported under personnel expenses in the reporting year; in the reporting year, the Group's contribution payments totaled EUR 19,004 k (2013: EUR 16,511 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. Under the defined benefit plans, the employees receive life-long pension payments once they have reached a certain age or suffered disability. In addition, surviving dependents also receive benefits. The amount of the benefit is determined by the length of service with the company and the employee's terminal salary. For employees subject to collective bargaining, the eligible service period is limited to 30 years. For executive employees, the benefit is limited to 35% or 45% of the terminal salary, whereby in certain cases the benefits from prior commitments do not count towards this limit.

In 2011, the ElringKlinger AG's pension system was partially modified. In order to secure pension payments going forward, the obligations to certain executive employees were transferred to Allianz Pensionsfonds AG and a provident fund covered by plan assets, Allianz Pensions-Management e.V. This does not affect the amount of benefits. The assets received by the pension fund constitute plan assets within the meaning of IAS 19.8 and are therefore netted against the obligation to the plan beneficiaries.

The pension plans of the Swiss companies insure employees against the economic consequences of old age, disability and death. Assets are fully covered by pension insurance policy. No shortfall can arise from an agreement at a fully insured pension fund.

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

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

Measurement as of	Dec. 31, 2014	Dec. 31, 2013
Discount rate (vesting period)	1.84 %	3.22 %
Discount rate (pension period)	1.55 %	2.94 %
Expected salary increases (in %)	2.53 %	2.53 %
Future pension increases	1.75 %	1.75 %



The changes in the present value of the defined benefit obligation are as follows:

<i>in EUR k</i>	2014	2013
<b>Present value of pension benefits as of Jan. 1</b>	<b>119,670</b>	<b>125,070</b>
Current service cost	4,260	4,245
Past service cost	-22	-191
Plan participant contributions	2,817	2,525
Interest expense	3,679	3,274
Disbursements/utilization	-5,449	-4,759
Actuarial gains/losses	29,658	-8,959
Currency differences	777	-551
Other changes	47	-2,918
Change in consolidated group	571	1,935
<b>Present value of pension benefits as of Dec. 31</b>	<b>156,008</b>	<b>119,670</b>
of which (partially) covered by plan assets	40,411	32,036
of which not covered	115,597	87,634

The average weighted term of the defined benefit obligation amounts to 18 years (2013: 16 years).

Actuarial gains and losses arise from the following effects:

<i>in EUR k</i>	2014	2013
Effects from changes in the interest rate	26,499	-9,276
Effects from changes in demographic assumptions	47	20
Effects from other experience-based adjustments	3,112	297
<b>Actuarial gains/losses</b>	<b>29,658</b>	<b>-8,959</b>

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

<i>in EUR k</i>	2014	2013
Market value as of Jan. 1	27,347	26,579
Change in consolidated group	346	108
Interest income	654	586
Employer contributions	2,460	1,957
Plan participant contributions	2,817	2,410
Service costs	-2,100	-1,525
Actuarial gains/losses	-166	29
Other	0	-2,388
Currency effects	560	-409
<b>Market value as of Dec. 31</b>	<b>31,918</b>	<b>27,347</b>

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

<i>in EUR k</i>	2014	2013
Present value of pension benefits as of Dec. 31		
Germany	111,608	84,047
Switzerland	40,411	32,038
Other	3,989	3,585
<b>Present value of pension benefits as of Dec. 31</b>	<b>156,008</b>	<b>119,670</b>
Market value of plan assets as of Dec. 31		
Germany	2,778	2,368
Switzerland	29,083	24,848
Other	57	131
<b>Market value of plan assets as of Dec. 31</b>	<b>31,918</b>	<b>27,347</b>

The actual return on plan assets amounted to EUR 799 k (2013: EUR 638 k).

In 2015, liquidity is likely to be reduced due to contributions to plan assets and the reimbursement rights and by direct Group benefit payouts, which are expected to amount to EUR 8,548 k (2013: EUR 7,739 k). The future payments from pension obligations are as follows:

<i>in EUR k</i>	2014	2013
For the next 12 months	8,548	7,739
Between one and five years	15,910	15,062
More than five years	220,148	227,017

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

<i>in EUR k</i>	2014	2013
Current service cost	4,260	4,245
Net interest expenses	3,025	2,688
Past service cost	-6	-190
<b>Total pension expense</b>	<b>7,279</b>	<b>6,743</b>

Net interest expenses comprise interest expenses of EUR 3,679 k (2013: EUR 3,274 k) as well as interest income from plan assets of EUR 654 k (2013: EUR 586 k).

The current 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:

<i>in EUR k</i>	2014	2013
Actuarial gains (-) and (+) losses recognized in other comprehensive income	29,816	-9,079
Deferred taxes on actuarial gains (-) and losses (+) recognized under other comprehensive income	-7,964	3,088

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

<i>in EUR k</i>	2014	2013
Present value of pension obligation	156,008	119,670
Fair value of plan assets	31,918	27,347
Reported pension provision	124,090	92,323

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

A 1% increase/decrease in the discount rate would lead to a decrease/increase in the DBO of EUR 86,700 k/EUR 143,225 k.

A 0.5% increase/decrease in future salary increases would lead to an increase/decrease in the DBO of EUR 113,775 k/EUR 108,953 k.

A change in future pension developments of +0.25%/-0.25% would lead to an increase/decrease in the DBO of EUR 115,182 k/EUR 106,399 k.

#### 24 Other provisions

Other provisions can be broken down as follows:

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
Current provisions	16,469	19,472
Non-current provisions	16,638	10,345
<b>Total</b>	<b>33,107</b>	<b>29,817</b>

#### Current provisions:

<i>in EUR k</i>	Personnel obligations	Warranty obligations	Expected losses from customer contracts	Litigation costs	Other risks	Total
<b>As of Dec. 31, 2013</b>	<b>2,164</b>	<b>5,474</b>	<b>3,384</b>	<b>164</b>	<b>8,286</b>	<b>19,472</b>
Exchange rate differences	0	59	10	1	91	161
Change in consolidated group	0	50	0	156	0	206
Utilization	2,379	1,881	3,394	76	7,005	14,735
Reversal	408	1,251	0	233	1,098	2,990
Addition	2,907	1,251	3,390	205	6,585	14,338
Reclassifications	0	-4	0	0	21	17
<b>As of Dec. 31, 2014</b>	<b>2,284</b>	<b>3,698</b>	<b>3,390</b>	<b>217</b>	<b>6,880</b>	<b>16,469</b>

**Non-current provisions:**

<i>in EUR k</i>	Personnel obligations	Warranty obligations	Expected losses from customer contracts	Litigation costs	Other risks	Total
<b>As of Dec. 31, 2013</b>	<b>8,387</b>	<b>1,036</b>	<b>0</b>	<b>193</b>	<b>729</b>	<b>10,345</b>
Exchange rate differences	56	9	0	3	3	71
Change in consolidated group	0	0	0	0	2	2
Utilization	1,218	239	0	68	271	1,796
Reversal	472	52	0	25	63	612
Unwinding of discount/discounting	96	-82	0	0	4	18
Addition	3,161	5,008	0	222	236	8,627
Reclassifications	71	4	0	0	-92	-17
<b>As of Dec. 31, 2014</b>	<b>10,081</b>	<b>5,684</b>	<b>0</b>	<b>325</b>	<b>548</b>	<b>16,638</b>

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

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

The provisions for warranties are counterbalanced by reimbursement rights against third-party insurance providers of EUR 5,492 k, of which EUR 3,190 k is disclosed under other non-current assets. EUR 2,302 k is disclosed under other current assets.

The other risks relate to a variety of identifiable individual risks and uncertain obligations, which have been recognized as they are more likely than not to lead to an outflow of resources.

**25 Non-current and current financial liabilities**

<i>in EUR k</i>	Domestic	Foreign	Total Dec. 31, 2014	Domestic	Foreign	Total Dec. 31, 2013
Overdrafts	114,213	149	114,362	52,582	2,884	55,466
Financial liabilities with a residual term of less than one year	14,199	19,971	34,170	26,450	38,967	65,417
<b>Current financial liabilities</b>	<b>128,412</b>	<b>20,120</b>	<b>148,532</b>	<b>79,032</b>	<b>41,851</b>	<b>120,883</b>
Financial liabilities with a residual term of between one and five years	161,227	93,643	254,870	165,357	53,536	218,893
Financial liabilities with a residual term of more than five years	13,638	0	13,638	18,453	0	18,453
<b>Non-current financial liabilities</b>	<b>174,865</b>	<b>93,643</b>	<b>268,508</b>	<b>183,810</b>	<b>53,536</b>	<b>237,346</b>
<b>Total</b>	<b>303,277</b>	<b>113,763</b>	<b>417,040</b>	<b>262,842</b>	<b>95,387</b>	<b>358,229</b>

This includes liabilities from finance leases in the amount of EUR 455 k (2013: EUR 608 k) with a nominal volume of EUR 473 k (2013: EUR 622 k).

The average interest rates were:

<i>in %</i>	Dec. 31, 2014	Dec. 31, 2013
<b>Overdrafts:</b>		
Domestic	0.88	0.91
Foreign	3.50	6.20
<b>Financial liabilities:</b>		
Domestic: less than one year	2.86	3.81
Domestic: between one and five years	2.30	2.19
Domestic: more than five years	1.84	1.79
Foreign: less than one year	2.28	2.81
Foreign: between one and five years	2.37	1.93
Foreign: more than five years	–	–

Fixed interest rates have been agreed for financial liabilities amounting to EUR 287,442 k (2013: EUR 291,745 k).

Land charges on company land with a carrying amount of EUR 117,863 k (2013: EUR 108,107 k), collateral on inventory with a carrying amount of EUR 6,759 k (2013: EUR 3,782 k) and collateral on receivables of EUR 6,017 k (2013: EUR 2,643 k) have been pledged as collateral. The secured liabilities amounted to EUR 47,385 k (2013: EUR 48,483 k) as of December 31, 2014.

As of December 31, 2014, the Group had unused lines of credit amounting to EUR 87,683 k (2013: EUR 117,140 k).

## 26 Trade payables and other current and non-current liabilities

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

The carrying amounts of trade payables approximate their fair value.

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

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

## 27 Hedging policy and financial instruments

### Risks and hedging policy

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

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

### Currency risk

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

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

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

Subsidiaries are not permitted to take out financing in foreign currency or to invest it for speculative reasons. Intercompany 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 closing rates and changes in the closing rates compared to the average rates and historical rates can give rise to currency translation effects that are reflected in the equity of the Group under other comprehensive income.

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

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

Dec. 31, 2014 in EUR k	CHF	CNY	EUR	KRW	INR	Other	Total
<b>Local currency – 10%</b>							
Consolidated net income	2,259	-2,127	1,527	-1,064	-838	-762	-1,005
<b>Local currency + 10%</b>							
Consolidated net income	-2,259	2,127	-1,527	1,064	838	762	1,005
<b>Dec. 31, 2013 in EUR k</b>							
	CHF	CNY	EUR	INR	KRW	Other	Total
<b>Local currency – 10%</b>							
Consolidated net income	2,138	-1,739	1,404	-932	-436	-541	-106
<b>Local currency + 10%</b>							
Consolidated net income	-2,138	1,739	-1,404	932	436	541	106

### Interest rate risk

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

Fixed interest rates have been agreed mainly for the financing liabilities of the ElringKlinger Group. As a result, the risk arising from interest rate fluctuations is only slight.

Had market interest rates been 100 basis points higher on December 31, 2014, earnings would have been EUR 205 k (2013: EUR 446 k) greater. Had market interest rates been 100 basis points lower, earnings would have been EUR 24 k higher (2013: EUR 446 k lower).

### 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 secure 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 cost calculations. A price corridor surrounding the average calculation cost is hedged. If the quoted exchange price of nickel exceeds the upper range of the corridor, ElringKlinger receives a compensatory payment. If the quoted exchange price of nickel falls below the lower range of the corridor, ElringKlinger has to pay a surcharge. The existing nickel hedges expire in the financial year 2015 and the latest expiration date is on December 31, 2015.

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

Had the market value of nickel been 10% higher on December 31, 2014, earnings would have been EUR 1 k (2013: EUR 48 k) greater. A 10% reduction would have resulted in EUR 282 k (2013: EUR 111 k) less in earnings.

### Credit risk

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

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

### Liquid funds

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

### Trade receivables

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

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

In its export business, ElringKlinger also assesses the credit standing of its counterparties by submitting inquiries to credit information services and on the basis of the specific country risk. In addition, credit insurance policies are taken out or letters of credit are required in certain cases. Trade receivables of EUR 10,490 k are secured by credit insurance policies.

Allowances are also recognized in respect of identifiable individual risks. 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 18.

In 2014, the two largest customers accounted for 10.4% and 8.1% of sales, respectively (2013: 12.0% and 9.3%).

### Liquidity risk

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

### Expected cash outflows

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

<i>in EUR k</i>	Trade payables	Financial liabilities	Finance leases	Derivatives	Total
<b>As of Dec. 31, 2014</b>					
<b>Carrying amount</b>	<b>68,753</b>	<b>416,585</b>	<b>455</b>	<b>140</b>	<b>485,933</b>
Outflows					
<b>Expected outflows:</b>	<b>68,753</b>	<b>435,654</b>	<b>473</b>	<b>140</b>	<b>505,020</b>
– less than one month	41,341	52,573	17	12	93,943
– between one and three months	22,988	7,184	32	23	30,227
– between three months and one year	2,265	95,014	167	105	97,551
– between one and five years	2,078	266,924	257	0	269,259
– more than five years	81	13,959	0	0	14,040
<b>As of Dec. 31, 2013</b>					
<b>Carrying amount</b>	<b>68,574</b>	<b>357,621</b>	<b>608</b>	<b>220</b>	<b>427,023</b>
Outflows					
<b>Expected outflows:</b>	<b>68,574</b>	<b>376,988</b>	<b>622</b>	<b>220</b>	<b>446,404</b>
– less than one month	42,602	45,494	40	110	88,246
– between one and three months	22,374	9,420	77	73	31,944
– between three months and one year	3,598	63,673	340	37	67,648
– between one and five years	0	239,172	165	0	239,337
– more than five years	0	19,229	0	0	19,229

Further disclosures on financial liabilities are provided under note (25).

## 28 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. No recognized financial instruments were offset.

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

<i>in EUR k</i>	Cash and cash equivalents	Trade receivables	Other current assets	Derivatives	Non-current securities	Other financial assets	Total		
	CA	CA	CA	CA	CA	FV	CA	FV	CA
<b>As of Dec. 31, 2014</b>									
Loans and receivables	68,733	245,084	945	0	0	0	76	76	314,838
Held to maturity	0	0	0	0	1,444	1,448	0	0	1,444
Held for trading	0	0	0	29	0	0	0	0	29
Available for sale	0	0	0	0	194	194	14	14	208
<b>Total</b>	<b>68,733</b>	<b>245,084</b>	<b>945</b>	<b>29</b>	<b>1,638</b>	<b>1,642</b>	<b>90</b>	<b>90</b>	<b>316,519</b>
<b>As of Dec. 31, 2013</b>									
Loans and receivables	62,949	207,453	1,228	0	0	0	74	74	271,704
Held to maturity	0	0	0	0	1,433	1,431	0	0	1,433
Held for trading	0	0	0	87	0	0	0	0	87
Available for sale	0	0	0	0	446	446	27	27	473
<b>Total</b>	<b>62,949</b>	<b>207,453</b>	<b>1,228</b>	<b>87</b>	<b>1,879</b>	<b>1,877</b>	<b>101</b>	<b>101</b>	<b>273,697</b>



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

in EUR k	Other current liabilities	Current financial liabilities	Trade payables	Derivatives		Non-current financial liabilities		Finance leases		Total
	CA	CA	CA	CA	FV	CA	FV	CA	FV	CA
<b>As of Dec. 31, 2014</b>										
Financial liabilities measured at acquisition cost	47,989	148,532	68,753	0	0	268,263	266,098	245	257	533,782
Financial liabilities measured at fair value through profit or loss	0	0	0	140	140	0	0	0	0	140
<b>As of Dec. 31, 2013</b>										
Financial liabilities measured at acquisition cost	49,040	120,883	68,574	0	0	237,184	239,273	162	165	475,843
Financial liabilities measured at fair value through profit or loss	0	0	0	220	220	0	0	0	0	220

Other current liabilities contain a purchase price liability of EUR 36,987 k (2013: EUR 37,054 k) from a written put option which is measured at amortized cost.

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

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

ElringKlinger determines the market value of non-current fixed-interest liabilities to banks, finance

lease liabilities and derivatives by discounting expected future cash flows with the current prevailing interest rates for similar financial liabilities with comparable residual terms and the company-specific risk rate.

The fair value of the put option of non-controlling interests of ElringKlinger Marusan Corporation on their shares contained in other current liabilities is based on forecasts of its business value. For the measurement of this put option of non-controlling interests, estimates are made when forecasting business development as well as when selecting the interest rate used regarding the liability recognized. A 10% change in the business value causes the put option to increase/decrease by EUR 3,699 k.

Financial assets and liabilities measured at fair value are classified into the following 3-level fair value hierarchy as of the valuation date December 31, 2014:

<i>in EUR k</i>	Level 1	Level 2	Level 3
<b>Dec. 31, 2014</b>			
Financial assets			
Non-current securities	194	0	0
Other financial assets	14	0	0
Derivatives*	0	29	0
<b>Total</b>	<b>208</b>	<b>29</b>	<b>0</b>
Financial liabilities			
Derivatives*	0	140	0
<b>Total</b>	<b>0</b>	<b>140</b>	<b>0</b>
<b>Dec. 31, 2013</b>			
Financial assets			
Non-current securities	446	0	0
Other financial assets	27	0	0
Derivatives*	0	87	0
<b>Total</b>	<b>473</b>	<b>87</b>	<b>0</b>
Financial liabilities			
Derivatives*	0	220	0
<b>Total</b>	<b>0</b>	<b>220</b>	<b>0</b>

\* These are derivatives which do not meet the prerequisites for hedge accounting.

The following table shows the allocation of financial assets and liabilities that are not measured at fair value, but for which a fair value was disclosed, at the three levels of the fair value hierarchy as of the valuation date December 31, 2014:

<i>in EUR k</i>	Level 1	Level 2	Level 3
<b>Dec. 31, 2014</b>			
Financial assets			
Non-current securities	1,448	0	0
Other financial assets	0	0	76
<b>Total</b>	<b>1,448</b>	<b>0</b>	<b>76</b>
Financial liabilities			
Non-current liabilities from finance leases	0	0	257
Non-current financial liabilities	0	266,098	0
Purchase price liability from written put option	0	0	36,987
<b>Total</b>	<b>0</b>	<b>266,098</b>	<b>37,244</b>
<b>Dec. 31, 2013</b>			
Financial assets			
Non-current securities	1,431	0	0
Other financial assets	0	0	74
<b>Total</b>	<b>1,431</b>	<b>0</b>	<b>74</b>
Financial liabilities			
Non-current liabilities from finance leases	0	0	165
Non-current financial liabilities	0	239,273	0
Purchase price liability from written put option	0	0	37,054
<b>Total</b>	<b>0</b>	<b>239,273</b>	<b>37,219</b>

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

Level 1: Measurement based on market prices

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

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

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

#### Net gains/losses on financial instruments

<i>in EUR k</i>	2014	2013
Held-for-trading financial instruments*	114	-121
Available-for-sale assets	0	20
Held-to-maturity investments	-4	-1
Loans and receivables	-2,132	-1,874
Financial liabilities measured at acquisition cost	4,370	-3,305

\* These are derivatives which do not meet the prerequisites for hedge accounting.

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

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

Net gains and losses on held-to-maturity investments 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:

<i>in EUR k</i>	2014	2013
Total interest income	431	350
Total interest expense	-8,326	-8,162

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

### Derivative financial instruments

As of the end of the reporting period, December 31, 2014, there were the following financial derivatives:

<i>in EUR k</i>	Fairvalue	Carrying amount	Line item
<b>Commodities derivatives</b>			
Nickel hedge	29	29	Other current assets
Nickel hedge	-140	-140	Current provisions
<b>Interest rate derivatives</b>			
Interest rate swap	0	0	
<b>Total</b>	<b>-111</b>	<b>-111</b>	

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).

### 29 Finance leases

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards of beneficial ownership to the Group as lessee. As of December 31, 2014, future minimum lease payments under finance

leases amounted to EUR 473 k (2013: EUR 622 k). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities as of December 31, 2014 is as follows:

<i>in EUR k</i>	Minimum lease payments Dec. 31, 2014	Interest included in minimum lease payments Dec. 31, 2014	Liabilities from finance leases Dec. 31, 2014
Term			
Less than one year	216	6	210
Between one and five years	257	12	245
More than five years	0	0	0
<b>Total</b>	<b>473</b>	<b>18</b>	<b>455</b>

### 30 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 external growth.

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

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

The following table presents changes in equity and total assets as of December 31, 2014 as compared to December 31, 2013.

<i>in EUR million</i>	2014	2013
<b>Equity</b>	<b>775.2</b>	<b>701.4</b>
as % of total capital	49.7 %	50.4 %
Non-current liabilities	439.4	379.0
Current liabilities	344.2	311.7
<b>Debt</b>	<b>783.6</b>	<b>690.7</b>
as % of total capital	50.3 %	49.6 %
<b>Total capital</b>	<b>1,558.8</b>	<b>1,392.1</b>

The change in equity from December 31, 2013 to December 31, 2014 was due primarily to an increase in revenue reserves and, on the other hand, to a decrease in other reserves. Debt was increased year-on-year by 13.5%.

The equity ratio of the Group (49.7%) exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

All covenants were satisfied during the reporting period.

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

Dec. 31, 2014 Covenant	Upper/lower limit	Value as of Dec. 31, 2014
Equity ratio within the Group	25%	41.1% <sup>1</sup>
Ratio of financial liabilities to EBITDA	2.8:1	1.75
Ratio of EBIT to interest expenses	3.5:1	19.09

<sup>1</sup> The equity ratio within the Group is calculated on the basis of the equity capital and the balance sheet total, both adjusted for items that reduce equity, in accordance with the specifications of the lender.

## 31 Notes to the Statement of Cash Flows

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

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

Cash flows from investing and financing activities are determined by reference to payments. By contrast,

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

## 32 Segment reporting

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

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

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

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

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

The "Consolidation" column in the "Segment reporting" table below provides an overview of consolidation entries between the segments. The "Other" column merely contains financial liabilities not directly attributable to the individual segments. Internal control and reporting are based on IFRSs. The Group measures the performance of its segments based on earnings before taxes in accordance with IFRSs. With the exception of the Original Equipment segment's provision of supplies to the Aftermarket segment, the

extent of trade between the individual segments is insignificant. The exchange of goods and/or services between the segments takes place at arm's-length prices.

The segment results do not contain an impairment loss.

The Original Equipment segment generated more than 10% of the Group's consolidated sales revenues from one customer (EUR 138.4 k).

## Segment reporting

Segment <i>in EUR k</i>	Original Equipment		Aftermarket		Engineered Plastics		Industrial Parks	
	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>
<b>External revenue</b>	<b>1,089,736</b>	<b>925,883</b>	<b>130,710</b>	<b>119,266</b>	<b>92,868</b>	<b>92,571</b>	<b>4,451</b>	<b>4,258</b>
Intersegment revenue	24,698	18,499	0	0	542	156	234	302
<b>Segment revenue<sup>1</sup></b>	<b>1,114,434</b>	<b>944,382</b>	<b>130,710</b>	<b>119,266</b>	<b>93,410</b>	<b>92,727</b>	<b>4,685</b>	<b>4,560</b>
<b>EBIT<sup>2</sup></b>	<b>111,151</b>	<b>123,212</b>	<b>25,129</b>	<b>22,454</b>	<b>15,438</b>	<b>16,070</b>	<b>408</b>	<b>114</b>
+ Interest income	851	688	81	35	448	431	19	12
- Interest expense	-10,552	-10,573	-1,230	-1,135	-485	-569	-53	-39
<b>Earnings before taxes</b>	<b>111,436</b>	<b>109,400</b>	<b>23,856</b>	<b>21,205</b>	<b>15,448</b>	<b>15,908</b>	<b>493</b>	<b>98</b>
Depreciation and amortization <sup>3</sup>	71,880	67,928	1,715	1,165	4,230	3,698	414	436
Capital expenditures <sup>4</sup>	145,144	114,176	2,807	2,044	11,522	5,195	85	217
Segment assets	1,366,294	1,224,842	75,637	67,044	99,181	90,950	14,663	15,729
Segment liabilities	433,648	394,242	20,884	22,756	25,194	22,490	1,271	1,342

Segment <i>in EUR k</i>	Services		Other		Consolidation <sup>1</sup>		Group	
	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>	2014	2013 <sup>5</sup>
<b>External revenue</b>	<b>8,069</b>	<b>8,105</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,325,834</b>	<b>1,150,083</b>
Intersegment revenue	5,238	4,225	0	0	-30,712	-23,182	0	0
<b>Segment revenue<sup>1</sup></b>	<b>13,307</b>	<b>12,330</b>	<b>0</b>	<b>0</b>	<b>-30,712</b>	<b>-23,182</b>	<b>1,325,834</b>	<b>1,150,083</b>
<b>EBIT<sup>2</sup></b>	<b>1,877</b>	<b>2,306</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154,003</b>	<b>164,156</b>
+ Interest income	30	20	0	0	-550	-481	879	705
- Interest expense	-46	-37	0	0	550	481	-11,816	-11,872
<b>Earnings before taxes</b>	<b>1,861</b>	<b>2,289</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>153,094</b>	<b>148,900</b>
Depreciation and amortization <sup>3</sup>	1,202	1,167	0	0	0	0	79,441	74,394
Capital expenditures <sup>4</sup>	3,574	4,015	0	0	0	0	163,132	125,647
Segment assets	13,382	13,049	0	0	-10,338	-19,533	1,558,819	1,392,081
Segment liabilities	4,259	4,568	308,707	264,871	-10,338	-19,533	783,625	690,736

<sup>1</sup> See comments on page 176

<sup>2</sup> Earnings before interest and taxes

<sup>3</sup> Depreciation and amortization including impairments

<sup>4</sup> Investments in intangible assets and property, plant and equipment and investment property

<sup>5</sup> Prior-year figures restated, see comments in section Restatement of previous year's figures

## Segment reporting by region

Region <i>in EUR k</i>		Sales revenues <sup>1</sup>	Non-current assets	Investments
Germany	2014	388,116	421,025	72,293
	2013	360,796	385,784	52,791
Rest of Europe	2014	433,815	232,329	29,747
	2013	358,731	215,079	28,099
NAFTA	2014	220,415	73,055	21,544
	2013	200,302	53,920	19,416
Asia-Pacific	2014	225,634	153,613	35,668
	2013	164,585	124,194	17,884
South America and rest of the world	2014	57,854	26,741	3,880
	2013	65,669	24,568	7,457
<b>Group</b>	<b>2014</b>	<b>1,325,834</b>	<b>906,763</b>	<b>163,132</b>
	<b>2013</b>	<b>1,150,083</b>	<b>803,545</b>	<b>125,647</b>

<sup>1</sup> The location of the customer is used to allocate sales revenues to the region

## Other disclosures

### Contingent liabilities

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

### Contingent liabilities

For one group company, it was determined that formal requirements in approval and information processes for public authorities were not fully complied with. National legislation provide for corresponding fines in such a case. The authorities have not yet begun formal proceedings. We currently see it as not improbable that the

authorities will do so. A potential cash outflow is expected to come to a mid seven-digit figure in euro. A potential refund of these possible cash outflows is not evident.

### Operating leases

Expenses include payments from operating leases of EUR 6,769 k (2013: EUR 6,570 k).

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

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
less than one year	3,548	3,359
between one and five years	8,768	7,763
more than five years	2,535	4,009
<b>Total</b>	<b>14,851</b>	<b>15,131</b>

Of the total, EUR 8,683 k (2013: EUR 9,072 k) is related to outstanding obligations from binding operating leases for commercial premises, EUR 3,531 k (2013: EUR 2,749 k) to office equipment, and EUR 2,637 k (2013: EUR 3,310 k) to other lease arrangements.

### Finance leases

Information on the finance lease can be found in note (29).

## Other financial commitments

### Energy purchase commitments

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
less than one year	3,384	9,477
between one and five years	11,480	18,683
<b>Total</b>	<b>14,864</b>	<b>28,160</b>

## Proceeds from lease agreements

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

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
less than one year	1,414	1,412
between one and five years	2,056	2,414
more than five years	877	1,052
<b>Total</b>	<b>4,347</b>	<b>4,878</b>

## Number of employees

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

	2014	2013
Employees	6,793	6,373
Trainees	288	170
<b>Total</b>	<b>7,081</b>	<b>6,543</b>

## Personnel expenses

Personnel expenses in the reporting year amounted to EUR 371,132 k (2013: EUR 325,439 k). Of that amount, 6.9% (2013: 6.8%) related to contributions to the statutory pension scheme.

## Events after the end of the reporting period

After the end of the reporting period, ElringKlinger AG acquired all interests in US company M&W Manufacturing Co., with registered office in Warren, Michigan, USA from the former owner family. The purchase was completed with effect as of February 12. As a result, M&W's revenue and earnings in the financial year 2015 will contribute to the revenue and earnings of the ElringKlinger Group for 11 months. The preliminary purchase price was EUR 24,276 k. To date, the ancillary costs of the purchase of interests come to EUR 192 k and were recognized in administrative costs. The latest acquisition will allow the Specialty Gaskets division to underpin its regional presence in North America and its production activities in the

US market. Together with US market leader M&W, ElringKlinger has advanced to become the premier supplier of transmission spacer plates. In addition to supplying the North American market, M&W has started to increasingly serve the Chinese market from its US production site. No measurements were yet available for calculating the further disclosures pursuant to IFRS 3 paragraph B64.

On March 23, 2015, the Management Board of ElringKlinger AG submitted for approval the consolidated financial statements to the Supervisory Board, which will meet on March 25, 2015.

## Related-party disclosures

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



Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen, concerning traineeships. Mr. Walter Herwarth Lechler is the Chairman of the Supervisory Board of ElringKlinger AG and holds a significant interest in Lechler GmbH. ElringKlinger AG earned EUR 34 k during the reporting year (2013: EUR 80 k). As of the end of the reporting period, December 31, 2014, there was one outstanding receivable of EUR 10 k (2013: EUR 19 k).

Lease agreement between Technik-Park Heliport Kft., Kecskemét-Kádafalva, Hungary (TPH), and the Lechler GmbH subsidiary, Lechler Kft., Kecskemét-Kádafalva, Hungary. TPH earned EUR 200 k in rental income based on this lease during the reporting year (2013: EUR 200 k). As in the previous year, there were no open receivables as of the end of the reporting period.

Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen, and Lechler GmbH, Metzingen, regarding assembly activities and the storage of components. This agreement gave rise to EUR 532 k in sales revenues during the reporting year (2013: EUR 521 k). As of the end of the reporting period, December 31, 2014, there was one outstanding receivable of EUR 36 k (2013: EUR 38 k).

Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd., China, (CEK), and CHYAP, the company controlled by Ms. Liu, who is a joint partner in CEK. CEK procured EUR 212 k worth of services under these business relations in 2014 (2013: EUR 99 k). As of December 31, 2014, there is EUR 50 k in liabilities (2013: EUR 8 k). Furthermore, CEK sold EUR 37 k worth of goods and raw materials to CHYAP (2013: EUR 17 k). As in the prior year, there were no trade receivables at the end of the reporting period.

Loan agreement between Lechler GmbH and ElringKlinger AG. Lechler GmbH granted ElringKlinger

AG loans totaling EUR 12,000 k. A loan of EUR 7,000 k carries an interest rate of 1.6% p.a. and has a term until August 17, 2018. An additional loan of EUR 5,000 k carries an interest rate of 1.52% p.a. and has a term until June 19, 2017.

Supply agreement between Lechler GmbH and KOCHWERK Catering GmbH, a wholly owned subsidiary of ElringKlinger AG. KOCHWERK Catering GmbH supplies Lechler GmbH, Metzingen, Germany, with canteen food. This agreement gave rise to EUR 153 k in sales revenues during the reporting year (2013: EUR 69 k). As of the end of the reporting period there was one outstanding receivable of EUR 11 k (2013: EUR 10 k).

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

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

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

## Corporate bodies

### Supervisory board

Walter Herwarth Lechler, Stuttgart,  
Chairman

Managing Partner of Lechler GmbH, Metzingen

**Governance roles:**

- a) n.a.
- b) Lechler Ltd., Sheffield/United Kingdom

Markus Siegers\*, Altbach,  
Deputy Chairman

Chairman of the Works Council of ElringKlinger AG

Gert Bauer\*, Reutlingen

First General Representative and Treasurer of IG Metall trade union, Reutlingen/Tübingen

**Governance roles:**

- a) Hugo Boss AG, Metzingen
- b) BIKOM GmbH, Reutlingen

Armin Diez\*, Lenningen

Divisional Director of Cylinder-head Gaskets and Battery Technology/E-Mobility at ElringKlinger AG

Klaus Eberhardt, Lindau

Former CEO of Rheinmetall AG, Düsseldorf

**Governance roles:**

- a) KSPG AG, Neckarsulm (until December 31, 2014)  
MTU Aero Engines AG, Munich  
Dürr AG, Stuttgart
- b) n.a.

Pasquale Formisano\*,  
Vaihingen an der Enz

Chairman of the Works Council of ElringKlinger Kunststofftechnik GmbH

Dr. Margarete Haase, Cologne

Member of the Executive Board of DEUTZ AG, Cologne

**Governance roles:**

- a) Fraport AG, Frankfurt am Main  
ZF Friedrichshafen AG, Friedrichshafen
- b) DEUTZ (Dalian) Engine Co. Ltd., Dalian/China  
Deutz Engines (Shandong) Co. Ltd., Changlin/China  
Deutz Engine (China) Ltd. Co, Linyi/China

Gabriele Sons, Ratingen  
(since May 16, 2014)

Member of the Management Board of ThyssenKrupp Elevator AG

Paula Monteiro-Munz\*  
Grabenstetten

Deputy chairwoman of the Works Council of ElringKlinger AG

Prof. Hans-Ulrich Sachs, Bremen

Managing shareholder of betec Umformtechnik GmbH, Adelmansfelden

Manfred Strauß, Stuttgart	Managing shareholder of M&S messebau und service GmbH, Neuhausen a. d. F. <b>Governance roles:</b> a) n.a. b) Pro Stuttgart Verwaltungs GmbH, Stuttgart Pro Stuttgart Verkehrsverein, Stuttgart Eroca AG, Basel
Gerhard Wick*, Geislingen a. d. Steige	First General Representative of IG Metall, Administration Office, Esslingen <b>Governance roles:</b> a) Stihl AG, Waiblingen WMF AG, Geislingen an der Steige WRS – Wirtschaftsförderung Region Stuttgart GmbH (since July 1, 2014) b) n.a.

\* Employee representative

a) Membership in supervisory boards to be established by law within the meaning of Sec. 125 AktG

b) Membership in comparable domestic and foreign supervisory bodies within the meaning of Sec. 125 AktG

### Remuneration of the Supervisory Board

Total remuneration of the Supervisory Board of ElringKlinger AG amounted to EUR 608 k (2013: EUR 619 k) in the reporting period. In addition, travel expenses in the amount of EUR 2 k (2013: EUR 2 k) were reimbursed. The remuneration of the employee representatives in the Supervisory Board amounted to EUR 528 k in 2014 (2013: EUR 442 k) for their activities as employees.

### Management Board

Dr. Stefan Wolf, Sindelfingen, Chairman	Responsible for all Group companies and the corporate functions of Finance, Controlling, Legal Affairs, Personnel, IT, Investor Relations, and Corporate Communications, as well as the Aftermarket and Industrial Parks divisions
Theo Becker, Metzingen	Responsible for the Cylinder-head Gaskets, Specialty Gaskets, Housing Modules/Elastomer Technology, Shielding Technology, E-Mobility, Exhaust Gas Purification Technology and Tooling Technology divisions, as well as the corporate functions Quality and Environment, Materials Management and ElringKlinger AG Plants
Karl Schmauder, Hülben	Responsible for Original Equipment Sales and New Business Areas

### Governance roles in supervisory boards and other supervisory bodies

Dr. Stefan Wolf, Sindelfingen, Chairman	Member of the Supervisory Board of Fielman AG, Hamburg, and Chairman of the Supervisory Board of Norma Group AG, Maintal, member of the Supervisory Board of ALLGAIER Werke GmbH, Uhingen (since November 6, 2014) member of the Board of Directors of Micronas Semiconductor Holding AG, Zurich (probably until March 27, 2015)
Theo Becker, Metzingen	Member of the Supervisory Board of E.G.O. Blanc und Fischer & Co. GmbH, Oberderdingen (from November 24, 2014)
Karl Schmauder, Hülben	Chairman of the Advisory Board of e-mobil BW GmbH, Stuttgart, and Advisory Board member of Steiff Beteiligungs-GmbH, Giengen

## Remuneration of the Management Board

The remuneration of the Management Board amounted to:

<i>in EUR k</i>	Dec. 31, 2014	Dec. 31, 2013
Short-term fixed remuneration	1,308	1,265
Short-term variable performance-based remuneration	3,117	2,311
Long-term variable performance-based remuneration	2,916	0
Long-term variable share-based remuneration	61	-57
Expenses from post-employment benefits	521	392
<b>Total</b>	<b>7,923</b>	<b>3,911</b>

In the financial year, total management board remuneration pursuant to Sec. 314 (1) No. 6a Sentence 1 to 4 HGB came to EUR 5,892 k (2013: EUR 4,020 k): The present value (DBO) of the pension provisions amounted to EUR 11,394 k (2013: EUR 7,335 k). The following stock appreciation rights stem from long-term performance-related remuneration:

As part of the long-term variable remuneration, the members of the Management Board were granted stock appreciation rights until the financial year 2013. Stock appreciation rights refer to a right to a cash settlement, not, however, for shares of ElringKlinger AG. It was planned that 30,000 stock appreciation rights would be granted to each member of the Management Board on February 1 of each year beginning in 2013. 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 of the stock appreciation rights is subject to an investment by the Management Board members of one-tenth of the number of granted stock appreciation rights in shares of ElringKlinger AG. The holding period of the stock appreciation rights is four years. Within a period of two additional years after the holding period expires, a Management Board member may demand redemption of the stock appreciation rights. The redemption price is calculated using the average market price of ElringKlinger's shares of the last 60 trading days prior to redemption. Redemption of the stock appreciation rights may be demanded only if the redemption price exceeds the strike price by 25%. The total redemption price per tranche is limited to two fixed annual salaries at the time of redemption. Provisions are recognized in order to cover the estimated future obligation.

Prior to February 1, 2013, the stock appreciation rights were planned to be granted in five/four tranches. Two members of the Management Board were granted rights for the period from February 1, 2008 to February 1, 2012 and one member of the Management Board for the period from January 1, 2009 to January 1, 2012. 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 number of stock appreciation rights was calculated based on the fixed remuneration of the respective board member and the strike price (fixed remuneration in relation to strike price = number of shares granted). The cash payment to be granted is calculated based on the difference between the redemption price, which is also calculated as an average of the stock price over the last 60 trading days, and the strike price. A payment is made only in the event that the share price of ElringKlinger AG increases more than the index in which ElringKlinger is listed (MDAX), but at least by 25%. The payment per tranche is limited to the fixed salary amount for the year. The waiting period is four years.

Provisions are recognized in order to cover the estimated future payments. The fair value of the obligation is determined based on the Cox-Ross-Rubinstein model and the Black-Scholes model using current market parameters. A risk-free interest rate ranging between 0.17% and 0.49% was used depending on the term. The volatility of the share price (29.12%), the MDAX index (13.48%), and a correlation of 58.11% were determined over a four-year period. The expected dividend was EUR 0.55 per share.

The previous model was terminated with the introduction of the new remuneration system for members of the Management Board. Tranches that are not yet exercisable remain unchanged.

For the financial year 2014, the following data arose:

Date tranche was issued	2011	2012	2013
Number of stock appreciation rights exercised			
Value of stock appreciation rights exercised (EUR k)			
Number of stock appreciation rights (not yet exercisable)	32,501	42,406	90,000
Average strike price (EUR)	24.83	19.43	24.54
Average remaining term to maturity in years	0.04	1.04	2.08
<b>Value of stock appreciation rights held by members of the Management Board</b>			
December 31, 2014 (EUR k)	0	48	236
December 31, 2013 (EUR k)	24	69	129
December 31, 2012 (EUR k)	42	44	0
December 31, 2011 (EUR k)	21	0	0

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

Provisions of EUR 12,939 k (2013: EUR 11,592 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 826 k (2013: EUR 823 k) during the financial year 2014.

The auditor fees amounted to:

<i>in EUR k</i>	2014	2013
Audit of the annual financial statements	404	379
Other assurance services	22	9
Tax advisory	0	0
Other services	15	12
<b>Total</b>	<b>441</b>	<b>400</b>

#### Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance on December 4, 2014 pursuant to § 161 AktG on the German Corporate Governance Code and published it on the ElringKlinger AG website on December 4, 2014. This declaration of compliance will be available on the ElringKlinger AG website and there-with made permanently available to shareholders.

Dettingen/Erms, 23 March 2015  
Management Board



Dr. Stefan Wolf  
Chairman/CEO



Theo Becker



Karl Schmauder