Consolidated Financial Statements of ElringKlinger AG for the 2011 Financial Year

Contents

Group Income Statement

of ElringKlinger AG, January 1 to December 31, 2011

	Note	2011 EUR k	2010 EUR k
Sales revenue	**(1)**	**1,032,820**	**795,657**
Cost of sales	(2)	-744,166	-557,016*
Gross profit		**288,654**	**238,641***
Selling expenses	(3)	-67,440	-54,292
General and administrative expenses	(4)	-43,365	-33,660*
Research and development costs	(5)	-49,916	-40,598*
Other operating income	(6)	34,737	11,578
Other operating expenses	(7)	-11,550	-5,635
Operating result		**151,120**	**116,034**
Finance income		15,834	14,716
Finance costs		-30,322	-36,780
Net finance costs	**(8)**	**-14,488**	**-22,064**
Earnings before taxes		**136,632**	**93,970**
Income tax expense	(9)	-39,040	-25,359
Net income		**97,592**	**68,611**
of which: attributable to non-controlling interests	(20)	2,717	2,994
of which: attributable to shareholders of ElringKlinger AG	**(20)**	**94,875**	**65,617**
Basic and diluted earnings per share in EUR	**(10)**	**1.50**	**1.11**

* Prior-period figures adjusted; see disclosure in the consolidated notes

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to December 31, 2011

	Note	2011 EUR k	2010 EUR k
Net income		**97,592**	**68,611**
Currency translation difference		6,538	30,845*
Actuarial losses from pension commitments, net after tax		-4,208	-2,902
Changes recognized directly in equity		**2,330**	**27,943**
Total comprehensive income		**99,922**	**96,554**
of which: attributable to non-controlling interests		3,505	3,533
of which: attributable to shareholders of ElringKlinger AG		**96,417**	**93,021**

* Prior-period figures adjusted; see disclosure in the consolidated notes

Group Statement of Financial Position

of ElringKlinger AG, as at December 31, 2011

	Note	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k	Jan. 1, 2010 EUR k
ASSETS				
Intangible assets	(11)	134,133	101,417*	91,419*
Property, plant and equipment	(12)	537,545	449,494	386,178
Investment property	(13)	13,071	26,094	27,400
Financial assets	(14)	2,621	1,547	1,610
Non-current income tax assets	(15)	3,355	3,409	4,323
Other non-current assets	(15)	1,730	1,758	782
Deferred tax assets	(9)	20,991	18,749	15,164
Non-current assets		**713,446**	**602,468***	**526,876***
Inventories	(16)	216,467	138,649	101,468
Trade receivables	(17)	187,279	138,195	106,761
Current income tax assets	(17)	1,539	1,658	2,387
Other current assets	(17)	33,706	9,175	9,264
Cash	(18)	65,153	101,190	25,580
Current assets		**504,144**	**388,867**	**245,460**
		1,217,590	991,335*	772,336*

* Prior-period figures adjusted; see disclosure in the consolidated notes

	Note	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k	Jan. 1, 2010 EUR k
LIABILITIES AND EQUITY				
Share capital		63,360	63,360	57,600
Capital reserves		118,238	118,238	2,747
Revenue reserves		376,847	304,148	250,051
Other reserves		22,208	21,204*	-5,254*
Equity attributable to the shareholders of ElringKlinger AG	**(19)**	**580,653**	**506,950***	**305,144***
Non-controlling interest in equity	(20)	29,458	15,340	13,166
Equity		**610,111**	**522,290***	**318,310***
Provisions for pensions	(21)	79,132	66,645	61,837
Non-current provisions	(22)	7,402	10,378	6,015
Non-current financial liabilities	(23)	161,348	122,359	164,269
Deferred tax liabilities	(9)	44,900	34,686	31,633
Other non-current liabilities	(24)	21,069	34,313	37,356
Non-current liabilities		**313,851**	**268,381**	**301,110**
Current provisions	(22)	15,499	10,721	10,651
Trade payables	(24)	65,019	46,405	35,712
Current financial liabilities	(23)	126,145	76,876	56,234
Tax payable	(9)	18,546	10,440	9,051
Other current liabilities	(24)	68,419	56,222	41,268
Current liabilities		**293,628**	**200,664**	**152,916**
		1,217,590	991,335*	772,336*

* Prior-period figures adjusted; see disclosure in the consolidated notes

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to December 31, 2011

	Share Capital EUR k	Capital-reserve EUR k	Revenue reserves EUR k
Note	(19)	(30)	(30)
Balance as of Dec. 31, 2009/ Balance as of Jan. 1, 2010	**57,600**	**2,747**	**250,051**
Capital increase	5,760	115,491	
Dividend distribution			-11,520
Purchase of shares in controlled entities			
Total comprehensive income			65,617
Net income			65,617
Changes recognized directly in equity			
Balance as of Dec. 31, 2010/ Balance as of Jan. 1, 2011	**63,360**	**118,238**	**304,148**
Capital increase			
Dividend distribution			-22,176
Changes in scope of consolidated financial statements			
Purchase of shares in controlled entities			
Total comprehensive income			94,875
Net income			94,875
Changes recognized directly in equity			
Balance as of Dec. 31, 2011	**63,360**	**118,238**	**376,847**

Other reserves

Revenue reserves from SoRIE/OCI EUR k	Equity impact of controlling interests EUR k	Currency translation differences EUR k	IAS 8 adjustment EUR k	Equity attributable to the shareholders of ElringKlinger AG EUR k	Non-controlling interests in equity EUR k	Group equity EUR k
		(19)			(20)	
-1,410	**0**	**-6,079**	**2,235**	**305,144**	**13,166**	**318,310**
				121,251	27	121,278
				-11,520	-719	-12,239
	-946			-946	-667	-1,613
-2,845		22,527	7,722	93,021	3,533	96,554
				65,617	2,994	68,611
-2,845		22,527	7,722	27,404	539	27,943
-4,255	**-946**	**16,448**	**9,957**	**506,950**	**15,340**	**522,290**
				0	5,548	5,548
				-22,176	-834	-23,010
				0	5,915	5,915
	-538			-538	-16	-554
-4,032		15,531	-9,957	96,417	3,505	99,922
				94,875	2,717	97,592
-4,032		15,531	-9,957	1,542	788	2,330
-8,287	**-1,484**	**31,979**	**0**	**580,653**	**29,458**	**610,111**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to December 31, 2011

	Note	2011 EUR k	2010 EUR k
Earnings before taxes		136,632	93,970
Depreciation/Amortization (less write-ups) of non-current assets	(11) - (14)	96,790	82,213
Net interest	(8)	12,069	12,746
Changes in provisions		-8,145	2,059
Gains/losses on disposal of non-current assets		-17,519	1,576
Change in inventories, trade receivables and other assets not resulting from financing and investing activities		-95,888	-71,627*
Change in trade payables and other liabilities not resulting from financing and investing activities		-17,281	26,183*
Income taxes paid	(9)	-28,041	-22,751
Interest paid		-8,306	-9,482
Interest received		67	259
Other non-cash expenses		4,090	11,020*
Net cash from operating activities		**74,468**	**126,166**
Proceeds from disposals of intangible assets and of property, plant and equipment and investment properties		36,501	6,088
Proceeds from disposals of financial assets		788	565
Payments for investments in intangible assets	(11)	-8,956	-6,987
Payments for investments in property, plant and equipment and investment properties	(12), (13)	-112,653	-127,339
Payments for investments in financial assets	(14)	-728	-470
Payments for the acquisition of subsidiaries, less cash		-62,385	0
Net cash from investing activities		**-147,433**	**-128,143**
Proceeds from the issue of shares		0	121,278
Contributions from capital increases from minority shareholders		5,548	0
Payments to minorities for the purchase of shares		-554	-1,613
Dividends paid to shareholders and minorities		-23,010	-12,239
Change in current financial liabilities	(23)	51,684	-11,693*
Additions to non-current financial liabilities	(23)	41,128	2,188
Repayment of non-current financial liabilities	(23)	-39,386	-23,950
Net cash from financing activities		**35,410**	**73,971**
Changes in cash		-37,555	71,994
Effects of currency exchange rates on cash		1,518	3,616
Cash at beginning of period	(18)	101,190	25,580
Cash at end of period	(18)	65,153	101,190

* Prior-period figures adjusted; see disclosure in the consolidated notes

Notes to the Consolidated Financial Statements for the 2011 Financial Year

Contents

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 October 6, 2010. 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, 2011, have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the supplementary commercial law regulations pursuant to § 315 a (1) HGB. All IFRSs and IFRICs mandatory for the financial year 2011 have been observed.

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

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

The following regulations and amendments to existing regulations became mandatory for the 2011 financial year for the first time, but did not impact the Group’s assets, liabilities, financial position and profit or loss in 2011:

IAS 32 Financial Instruments: Presentation – Classification of rights issues

The revised version of IAS 32 clarifies that rights issues, options or warrants in a fixed number of treasury shares in a currency other than their functional currency must be recorded as equity so long as these are issued pro rata to all existing shareholders in the same class. The Amendment becomes mandatory for financial years beginning on or after February 1, 2010.

IFRS 1 First-time adoption of IFRS

The Amendments to IFRS 1 gives first-time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers. The Amendments take effect for financial years beginning on or after July 1, 2010.

IAS 24 Related party disclosures

The revised version of IAS 24 clarified the definitions of a related company and/or person and expanded the scope of reportable related-party transactions to include onerous transactions. Moreover, a provision simplifying disclosure requirements was introduced for entities controlled, jointly controlled or significantly influenced by the state. The revised Standard is effective for annual reporting periods beginning on or after January 1, 2011.

IFRIC 14 Prepayments of minimum funding requirements

The Amendment of IFRIC 14 is relevant in rare cases where an entity is subject to a minimum funding requirement and makes contribution prepayments in order to comply with the minimum funding requirements. The Amendment allows the entity to recognize the benefit from such a prepayment as an asset in these cases. The Amendment "Prepayments of minimum funding requirements" becomes mandatory on January 1, 2011.

IFRIC 19 Extinguishing financial liabilities with equity instruments

IFRIC 19 provides guidance for recognizing equity instruments that a debtor issues to extinguish all or part of a financial liability after renegotiating the conditions of that financial liability. The Interpretation takes effect for financial years beginning on or after July 1, 2010.

The following Standards, which have been approved but are not yet mandatory for the 2011 financial year, have not yet been applied by ElringKlinger:

IFRS 9 Financial instruments

The intent of IFRS 9 is to reduce the complexity of the present IAS 39, thus simplifying and rendering more transparent the recognition of financial instruments. For example, IFRS 9 will divide all financial assets into two recognition and measurement categories in the future: those measured at amortized costs and those measured at fair value. IFRS 9 becomes mandatory for financial years beginning on or after January 1, 2015.

IAS 27 Separate financial statements

IAS 27 was amended to "Separate financial statements" and now applies only to individual financial statements. The provisions regarding the definition of control previously contained in IAS 27 are now contained in IFRS 10 "Consolidated financial statements." As per the IASB, the revised version of IAS 27 becomes mandatory for financial years beginning on or after January 1, 2013.

IAS 28 Investments in associates and joint ventures

IAS 28 "Investments in associates and joint ventures" replaces the previous version "Investments in associates." The adoption of IFRS 11 and IFRS 12 expanded the scope of IAS 28 to include, in addition to associates, the users of the equity method in joint ventures. As per the IASB, IAS 28 becomes mandatory for financial years beginning on or after January 1, 2013.

IFRS 10 Consolidated financial statements

IFRSs 10, 11, and 12 set new standards for consolidated financial statements. As per the IASB, the new standards become mandatory for financial years beginning on or after January 1, 2013; IAS 27 "Consolidated and separate financial statements" must be applied for earlier reporting years. The objective of IFRS 10 is to define the term "control" for all entities uniformly. The Standard provides application guidance for this purpose.

IFRS 11 Joint arrangements

The Standard supersedes IAS 31 "Investments in joint ventures." IFRS 11 abolishes the previous option to use proportionate consolidation for joint ventures.

IFRS 12 Disclosure of interests in other entities

IFRS 12 is a summary of all disclosures which consolidated entities, equity interests, joint arrangements, associates, joint ventures, and non-consolidated structured entities must make in the notes. The new Standard has extensive disclosure requirements for non-consolidated structured entities in particular.

IFRS 13 Fair value measurement

IFRS 13 uniformly governs the fair value measurement for all IFRSs. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. The application of this Standard is mandatory for financial years beginning on or after January 1, 2013.

IAS 19 Employee benefits

The Amendments to IAS 19 implemented new requirements for the accounting of employee benefits. The scope of the adjustments made spans from fundamental changes, such as the elimination of the corridor method, which served the purpose of smoothing volatilities from pension obligations over time, the definition and recognition of "termination benefits," and the calculation of expected income from plan assets to general clarifications and reformulations. The application of this Standard is mandatory for financial years beginning on or after January 1, 2013.

The following Standards, which have been approved but are not yet mandatory for the 2011 financial year, are not expected to have an impact on ElringKlinger:

IFRS 7 Financial instruments: disclosures

The Amendment to IFRS 7 expands the disclosure requirements when transferring financial assets. This affects, for example, the sale of trade receivables or asset backed securities transactions. The application of this Standard is mandatory for financial years beginning on or after July 1, 2011.

IFRS 1 Severe hyperinflation and removal of fixed dates for first-time adopters

On the one hand, the Amendment to the IFRS replaces the reference to a fixed transition date of '1 January 2004' with 'the date of transition to IFRSs'. On the other hand, the Amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity is unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The application of this Standard is mandatory for financial years beginning on or after July 1, 2011.

IAS 12 Deferred taxes: Recovering of underlying assets

The Amendment of IAS 12 implements a requirement simplifying the treatment of temporary tax differences associated with applying the fair value model from IAS 40. Accordingly, unless proven otherwise, it is assumed that, in principle, realizing the carrying amount through the sale is decisive for measuring the deferred taxes for investment property valued at the fair value. The application of this Standard is mandatory for financial years beginning on or after January 1, 2012.

IAS 1 Presentation of financial statements

IAS 1 has led to a change in how items are grouped in other comprehensive income. Thus, the items that could later be reclassified into the net income must be recorded separately from the items that are not reclassified. This provides the readers of the financial statements with an improved understanding of the effects of the individual items of the other comprehensive income on future net income. The application of this Standard is mandatory for financial years beginning on or after July 1, 2012.

IFRIC 20 Stripping costs in the production phase of a surface mine

IFRIC 20 governs the treatment of the costs that are incurred from the removal of overburden during the stripping operations of a surface mine.

IAS 32 Financial instruments: Offsetting financial assets and financial liabilities and IFRS 7 disclosures

The Amendments to IFRS 7 and IAS 32 were issued in December 2011 and become mandatory for the first time for the financial year beginning on or after January 1, 2013, and January 1, 2014, respectively. The Amendments are intended to address existing inconsistencies by providing supplemental guidance. However, the current underlying provisions for offsetting assets and financial liabilities will remain in force. The Amendment also defines supplementary disclosures. The Amendments will not affect the accounting policies applied by the Group, but will lead to additional disclosures.

IFRS 7 and IFRS 9 Mandatory effective date and transition disclosures

The IASB has published the amendment “Mandatory effective date and transition disclosures,” which changes the effective date of IFRS 9 for financial years beginning on or after January 1, 2015. The requirements simplifying comparative figures and the associated disclosures in IFRS 7 were also amended. The amendments to IFRS 9 and IFRS 7 apply to financial years beginning on or after January 1, 2015 (subject to EU endorsement).

Scope of consolidated financial statements

The consolidated financial statements of ElringKlinger AG as of December 31, 2011, include the annual financial statements of seven (2010: 4) domestic and 26 (2010: 20) foreign subsidiaries in which ElringKlinger AG holds, either directly or indirectly, more than 50% of the shares or is able to control the entity’s financial and business policy for other reasons (control relationship). Inclusion begins at the time the control relationship exists and ends when control is deemed to no longer exist.

The consolidated financial statements include two joint ventures, ElringKlinger Korea Co., Ltd., Changwon, South Korea, and ElringKlinger Marusan Corporation, Tokyo, Japan, and their two subsidiaries were proportionately consolidated in accordance with IAS 31. Under proportionate consolidation, all assets and liabilities, expenses and income of the joint venture are included in the consolidated financial statements in proportion to the shares held in the venture (50%).

The business activity of ElringKlinger Korea Co. Ltd. is the production and distribution of cylinder head gaskets, specialized gaskets and cam covers. ElringKlinger Marusan Corporation is engaged in the production and distribution of cam covers and cylinder head gaskets.

On the basis of the proportion held in joint ventures, the following amounts are attributable to the Group:

	2011 EUR k	2010 EUR k
Non-current assets	12,299	12,412
Current assets	27,466	23,954
Non-current liabilities	1,457	1,681
Current liabilities	8,954	8,599
Income	33,157	30,765
Expenses	31,670	29,257

An overview of the 33 entities included and the four joint ventures is provided on the following page.

Schedule of Shareholdings and Scope of Consolidation

as at December 31, 2011

Name of company	Domicile	Capital share in %
Parent company		
ElringKlinger AG[1]	Dettingen/Erms	
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Domestic		
Gedächtnisstiftung KARL MÜLLER BELEGSCHAFTSHILFE GmbH	Dettingen/Erms	100.00
Elring Klinger Motortechnik GmbH	Idstein	92.86
ElringKlinger Logistic Service GmbH	Rottenburg /Neckar	96.00
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen	74.50
Hug Engineering GmbH[2]	Magdeburg	66.67
Hummel-Formen GmbH	Lenningen	90.00
Hummel-Formen Kunststofftechnik GmbH[3]	Lenningen	90.00
Foreign		
ElringKlinger Abschirmtechnik (Schweiz) AG	Sevelen (Switzerland)	100.00
Hug Engineering AG	Elsau (Switzerland)	66.67
Elring Klinger (Great Britain) Ltd.	Redcar (United Kingdom)	100.00
Oigra Meillor s.r.l.	Settimo Torinese (Italy)	100.00
Hug Engineering S.p.A.[2]	Milan (Italy)	33.42
Technik-Park Heliport Kft.	Kecskemét-Kádafalva (Hungary)	100.00
Elring Parts Ltd.	Gateshead (United Kingdom)	90.00
Elring Klinger, S.A.U.	Reus (Spain)	100.00
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00
ElringKlinger Meillor SAS	Nantiat (France)	100.00
Codinox Beheer B.V.[2]	Enschede (Netherlands)	6.67
HURO Supermold S.R.L.[3]	Timisoara (Rumania)	76.50
HURO Invest S.R.L.[3]	Timisoara (Rumania)	90.00
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00
ElringKlinger North America, Inc.	Plymouth, Michigan (USA)	100.00
Elring of North America, Inc.	Branchburg, New Jersey (USA)	100.00
ElringKlinger USA, Inc.	Buford (USA)	100.00
Hug Engineering Inc.[2]	Austin (USA)	66.67
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
Elring Gaskets (Pty) Ltd.	Johannesburg (South Africa)	51.00
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00
Changchun ElringKlinger Ltd.	Changchun (China)	88.00
ElringKlinger China, Ltd.	Suzhou (China)	100.00
ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd.[4]	Qingdao (China)	74.50
Shares in joint ventures (included in the financial statements using proportionate consolidation)		
Foreign		
ElringKlinger Korea Co., Ltd.	Changwon (South Korea)	50.00
ElringKlinger Marusan Corporation	Tokyo (Japan)	50.00
Taiyo Jushi Kakoh Co., Ltd.[5]	Tokyo (Japan)	50.00
Marusan Kogyo Co., Ltd.[5]	Tokyo (Japan)	23.45

[1] ElringKlinger AG prepares the consolidated financial statements for the largest and smallest group of consolidated subsidiaries
[2] Subsidiary of HUG Engineering AG
[3] Subsidiary of Hummel-Formen GmbH
[4] Subsidiary of ElringKlinger Kunststofftechnik GmbH
[5] Subsidiary of ElringKlinger Marusan Corporation

Acquisition of non-controlling interests

On October 17, 2011, ElringKlinger AG acquired a 10% interest in ElringKlinger TR Otomotiv Sanayi ve Ticaret A.S., previously held by minority shareholders, increasing ElringKlinger's interest to 100%. The acquisition price amounted to EUR 400 k. The incidental costs totaled EUR 38 k; these were included in administrative expenses. Following the release of outstanding deposits, the remaining amount of EUR 319 k was recognized directly in equity.

Acquisitions of companies

Freudenberg

With effect from January 1, 2011, ElringKlinger AG completed its acquisition of the static flat seals business line from Freudenberg & Co. KG, Weinheim, Germany. The acquisition included 100% of shares in Burgmann Automotive GmbH, Eurasburg, Germany, and Oigra Meillor s.r.l., Turin, Italy, and the unit of static flat seals of Freudenberg-Meillor S.A.S., Nantiat, France, which were consolidated under the newly formed Metallic Gastkets Nantiat S.A.S., Nantiat, France. The company was renamed ElringKlinger Meillor S.A.S. in 2011. In the course of the acquisition, Burgmann Automotive GmbH was merged with ElringKlinger AG with retroactive effect from January 1, 2011. A parcel of land and multiple patents were acquired in addition to the three companies.

A purchase price of EUR 34,488 k was agreed for the acquisition of the company. The incidental costs of acquiring the company amounted to EUR 435 k as of the end of the reporting period; these were recognized as administrative expenses.

The goodwill (EUR 5,152 k) resulting from the acquisition was paid primarily for the positive earnings prospects and the anticipated synergies from the integration into the ElringKlinger Group.

The acquisition of the three entities contributed EUR 52,967 k to the revenue of the ElringKlinger Group in 2011 and reduced earnings before taxes by EUR 2,468 k.

It is not anticipated that a portion of the recognized goodwill will be deductible for income tax purposes.

As of the acquisition date, the acquisition had the following impact on the assets and liabilities of the Group:

	Fair value EUR k
Intangible assets	2,227
Property, plant and equipment	26,505
Deferred tax assets	2,329
Inventories	8,022
Trade receivables	10,936
Other assets	1,515
Cash	51
Provisions	-7,291
Deferred tax liabilities	-817
Other liabilities	-14,141
Net assets	**29,336**
Goodwill	5,152
Purchase price	**34,488**

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

Valuation allowances of EUR 6 k were taken for trade receivables.

Hug Group

With effect from May 1, 2011, ElringKlinger AG acquired 66.67% of the shares in Hug Holding AG, Elsau, Switzerland. This company was renamed Hug Engineering AG in 2011. Hug's core business is developing, engineering, and producing exhaust abatement systems for catalytic exhaust after treatment and diesel particulate filters for stationary and mobile applications.

A purchase price of CHF 21,667 k (EUR 16,835 k) was agreed for the acquisition of the company. The incidental costs of acquiring the company amounted to EUR 154 k as of the end of the reporting period; these were recognized as administrative expenses. Furthermore, in the context of the purchase agreement, a capital increase of CHF 20,000 k (EUR 15,540 k) had been agreed, and ElringKlinger AG had assumed CHF 13,333 k (EUR 10,360 k) of that amount. There was a liability of EUR 1,817 k stemming from the acquisition price as of December 31, 2011.

The goodwill (EUR 5,398 k) resulting from the acquisition was paid primarily for the positive earnings prospects.

The acquisition contributed EUR 29,053 k to the revenue of the ElringKlinger Group in 2011 and reduced the earnings before taxes by EUR 2,404 k.

Had the acquisition already been completed as of January 1, 2011, the management estimates that the consolidated revenue would be EUR 40,000 k and that the consolidated earnings before taxes would be EUR -3,500 k.

It is not anticipated that a portion of the recognized goodwill will be deductible for income tax purposes.

As of the acquisition date, the acquisition had the following impact on the assets and liabilities of the Group:

	Fair value EUR k
Intangible assets	7,578
Property, plant and equipment	25,788
Financial assets	214
Deferred tax assets	1,933
Inventories	16,041
Trade receivables	7,347
Other assets	2,742
Cash	2,116
Provisions	-3,571
Deferred tax liabilities	-3,690
Liabilities	-39,074
Net assets	**17,424**
Non-controlling interests	-5,987
Goodwill	5,398
Purchase price	**16,835**

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

The fair value of trade receivables amounted to EUR 7,347 k. The gross amount of the trade receivables due amounted to EUR 7,759 k, of which it is anticipated that EUR 412 k will not be collected.

Hummel-Formen

With effect from October 1, 2011, ElringKlinger AG assumed legal ownership of 90% of the shares in the Hummel-Formen Group, which is domiciled in Lenningen, Germany. Due to contractual arrangements, 100% of the shares were already attributable to ElringKlinger AG. A liability with a fair value of EUR 1,576 k was recognized on October 1, 2011 for the acquisition of the remaining 10%. The liability is measured at amortized cost using the effective interest method, and amounted to EUR 1,580 k as of December 31, 2011. In addition to Hummel-Formen GmbH and Hummel-Formen Kunststofftechnik GmbH, two subsidiaries in Romania also belong to the Hummel-Formen Group. The acquisition enabled ElringKlinger to bolster its expertise with regard to tooling technology and expand its know-how in the field of lightweight engineering, particularly with respect to processing fiber-reinforced composites.

A purchase price of EUR 17,720 k was agreed for the acquisition of the company (100%). The incidental costs of acquiring the company amounted to EUR 143 k as of the end of the reporting period; these were recognized as administrative expenses.

The acquisition contributed EUR 1,582 k to the revenue of the ElringKlinger Group in 2011 and reduced the earnings before taxes by EUR 122 k.

Had the acquisition already been completed as of January 1, 2011, the management estimates that the consolidated revenue would be EUR 13,500 k and that the consolidated earnings before taxes would be EUR 550 k.

Valuation allowances of EUR 23 k were taken for trade receivables.

It is not anticipated that a portion of the recognized goodwill will be deductible for income tax purposes.

As of the transaction date, the acquisition had the following effects on the assets and liabilities of the Group:

	Fair value EUR k
Intangible assets	1,503
Property, plant and equipment	15,455
Financial assets	928
Deferred tax assets	106
Inventories	3,907
Trade receivables	2,010
Other assets	1,947
Cash	140
Provisions	-1,778
Deferred tax liabilities	-2,066
Liabilities	-12,771
Net assets	**9,381**
Non-controlling interests	71
Goodwill	8,268
Purchase price	**17,720**

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

Disposals

With effect from September 30, 2011, ElringKlinger AG sold the land and buildings of the Ludwigsburg industrial park for EUR 34.0 million. The carrying amount at the date of the sale amounted to EUR 11.3 million. The realized earnings before taxes of EUR 22.7 million are recognized in the group income statement under other operating income and are allocated to the Industrial Parks segment. ElringKlinger AG sold the industrial park in order to sharpen its focus on its core business.

Adjustment of accounting policies and changes in estimates

After reviewing how expenses are allocated to the function costs, ElringKlinger adjusted the previous year's cost of sales, development costs and administrative costs in the income statement. The proper allocation of expenses increased the cost of sales by EUR 890 k and administrative costs by EUR 2,218 k, and reduced development costs accordingly. The adjustment did not affect any other figures, in particular net income.

In previous years, the goodwill of three foreign subsidiaries was erroneously not translated at the closing rate as pursuant to IAS 21.47. The foreign currency translation was conducted as of December 31, 2011 in accordance with IAS 8.41 and retroactively adjusted. This led to an increase in goodwill, equity, and comprehensive income. The adjustment is recorded as a separate line item in the statement of changes in equity as of January 1, 2010. This resulted in an adjustment of the following items in the statement of financial position:

	Dec. 31, 2010 EUR k	Jan. 1, 2010 EUR k
Goodwill	9,957	2,235
Other reserves	9,957	2,235
Equity attributable to the shareholders of ElringKlinger AG	9,957	2,235

No other disclosures were affected by the adjustment to the statement of financial position.

The adjustment of the measurement did not affect the basic and diluted earnings per share.

In accordance with IAS 7.20(b), unrealized currency effects erroneously recognized as from financing activities in the group statement of cash flows are now recognized as from operating activities. This resulted in a EUR 10,011 k increase in cash flows from operating activities in 2010. Prior-year figures have been adjusted for improved comparability.

In the previous year, the provisions for onerous contracts were determined on the basis of the three year plan. For financial year 2011 and in future, the order backlog at the end of the year will continue to be used as a basis for determining the need for provisions for onerous contracts. Basing the calculation on the three-year plan would result in an additional notional obligation of EUR 6,048 k.

In the majority of cases, customers acquire the beneficial ownership of tools on account of the changed interpretation of supply agreements. This means that the requirement that the tools concerned are capitalized in long-term assets no longer applies. The tools are recognized under inventories until the transfer of beneficial ownership.

Summary of the principal accounting and measurement methods

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

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

Consolidation methods

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

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

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

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

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

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

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

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

Currency translation

The reporting currency of the ElringKlinger Group is the euro.

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

The financial statements of the foreign companies are translated into euros since this is the functional currency of the parent company. Since subsidiaries and joint ventures operate their businesses independently in financial, economic and organizational respects, the functional currency is identical to the relevant national currency of the company. For reasons of simplification, the expenses and income from financial statements of entities included in the consolidated financial statements which were originally prepared in foreign currencies are translated at the average rate for the year. The average rate for the year is calculated on the basis of daily rates. Assets and liabilities are translated at the closing rate. Currency differences are reported as separate items in equity with no effect on net income. In the event of a disposal of a consolidated entity, accumulated currency differences are recorded as part of the sales profit or loss.

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

Currency	Abbr.	Closing rate Dec. 31, 2011	Closing rate Dec. 31, 2010	Average exchange rate 2011	Average exchange rate 2010
US dollar (USA)	USD	1.29320	1.33800	1.39887	1.32091
Pound (United Kingdom)	GBP	0.83670	0.86250	0.87124	0.85601
Franc (Switzerland)	CHF	1.21650	1.25250	1.23198	1.36998
Canadian dollar (Canada)	CAD	1.31920	1.33700	1.38082	1.36522
Real (Brazil)	BRL	2.41370	2.22110	2.33703	2.32703
Peso (Mexico)	MXN	18.07250	16.59260	17.43407	16.69878
RMB (China)	CNY	8.14350	8.82050	9.02397	8.92888
WON (South Korea)	KRW	1,499.59000	1,500.89000	1,542.59167	1,528.50083
Rand (South Africa)	ZAR	10.47630	8.88490	10.15627	9.65535
Yen (Japan)	JPY	100.07000	108.80000	111.32833	115.29333
Forint (Hungary)	HUF	312.82000	277.84000	280.84250	276.38500
Turkish lira	TRY	2.44600	2.06610	2.35696	1.99815
Leu (Romania)	RON	4.33090	4.28370	4.23938	4.21751
Indian rupee	INR	68.58550	59.82760	65.47647	60.23459

Accounting policies

Goodwill

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

	2011 EUR k	2010 EUR k
Original Equipment	98,841	78,511*
Engineered Plastics	4,816	4,816
Aftermarket	1,658	1,604
Total	**105,315**	**84,931**

*Prior-year figures adjusted.

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

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

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

A detailed plan of the cash flows for the cash generating units is established over the forecast period of five years. Subsequent periods are accounted for by a perpetual annuity determined on the basis of the average for the years 2012 to 2016.

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

The discount factor applied as of December 31, 2011 was the weighted average cost of capital (WACC) before taxes of 10.58% (2010: 11.06%). The WACC is determined on the basis of the basic interest rate for risk-free bonds (20-year industrial bonds), the market risk premium and the beta factor. Beta represents the individual risk of a share as compared to a market index. It is calculated as the average value for the peer group. The credit spread as a premium over the risk-free rate was derived from a rating of a peer group.

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

The impairment test performed as of December 31, 2011 did not result in the impairment of goodwill. If a capital cost rate is assumed to be 1% higher or lower, this does not result in a goodwill impairment.

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

Intangible assets

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

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

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

Property, plant and equipment

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

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

Category of property, plant and equipment	Years
Buildings	15 to 40
Plant and machinery	12 to 15
Special tooling	3
Operating and office equipment	5 to 15

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

Investment property

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

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

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

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

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

Impairments and reversals are recorded in income.

Financial instruments

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

Original financial instruments

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

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

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

Impairments on doubtful receivables involve to a considerable extent estimates and judgments of the individual receivables based on the creditworthiness of the customer concerned. Within the ElringKlinger Group, an allowance for trade receivables is recognized for individual risks identified. Impairments of trade receivables are initially recognized in an adjustments account. The impaired receivable is retired when it is considered unrecoverable.

Financial instruments are recorded in the category **"financial investments held to maturity"** when the Group has the intent and the legal ability to hold them until maturity.

The assets categorized as **available for sale** relate to securities measured at fair values.

Financial liabilities

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

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

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

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

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

Derivative financial instruments and treatment of hedges

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

Derivative financial instruments used in the ElringKlinger Group are forward exchange, interest and price hedge transactions. The purpose of derivative financial instruments is to reduce the negative effects of currency, interest and price risks on the assets, liabilities, financial position and profit or loss of the Group. There were two interest rate swaps and two nickel hedging contracts as of the end of the reporting period.

Inventories

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

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

Cash

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

Provisions for pensions

Provisions for pensions are calculated on the basis of the projected unit credit method in accordance with IAS 19. When measuring pension provisions, in addition to the pensions and vested benefits known at the end of the reporting period, expected future increases in pensions and salaries are taken into account with a prudent estimate of the relevant variables 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. Recognition of these actuarial gains and losses is not on the income statement but rather under comprehensive income or loss on the statement of group equity.

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

Provisions

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

The measurement of these provisions is at the present best estimate of the expenses necessary to fulfill the obligation. If appropriate, the amount of the provision corresponds to the present value of the expenditures expected to be necessary to meet the obligations. Refund claims are capitalized separately, if applicable.

Leases

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

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

Recognition of income and expense

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

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

Interest income is recognized on an accrual basis, taking into account the outstanding loan amount and the applicable interest rate. The applicable interest rate is specified in the loan agreement and discounts the estimated future inflows of funds over the term of the financial asset to the net carrying amount.

Income from services is recognized as soon as the services are rendered.

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

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

Operating expenses are recorded in the income statement on the basis of a direct relationship between costs incurred and the corresponding income at the time the of performance or at the time of origination.

Research and development costs

Research costs are expensed at the time they are incurred. Development costs are also recognized at the time they are incurred unless they meet the criteria for capitalization as internally generated intangible assets under IAS 38.57.

- It must be possible to reliably determine development costs.
- Technical and economical feasibility have been achieved, as well as commercial viability.
- There must be sufficient probability that development activities will provide a future economic benefit to the company.

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

Government grants

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

Borrowing costs

Borrowing costs directly associated with the acquisition, construction, or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Interest not capitalized pursuant to IAS 23 is recognized on an accrual basis as expense or income using the effective interest method. The actual borrowing costs are capitalized if a financing loan can be definitively assigned to a specific investment. Unless a direct relationship can be established, the Group's average interest rate for borrowed capital for the current period is used. The Group's average interest rate for borrowed capital for the 2011 financial year amounted to 4.25% (2010: 4.98%).

Income taxes and deferred taxes

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

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

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

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

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

Changes in deferred tax assets are recognized in the income statement as tax income or expense unless they relate directly to items recognized under equity with no effect on income; in that case, deferred taxes are also reported under equity with no effect on income.

Contingent liabilities and contingent assets

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

Use of estimates

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

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

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

Risks and uncertainties

According to current estimates, the risks for 2012 stem primarily from the development of automotive sales in western Europe. Consumer behavior would also be negatively impacted if the sovereign debt crisis were to flare up again. In particular in the European periphery states there exists the risk that automotive sales would decrease significantly in short order. However, the potential high, single-digit decline in the demand for vehicles in western Europe should be offset globally by increasing demand in North America and Asia.

Nevertheless, on the whole, a strong decline in the worldwide production of vehicles is currently not foreseeable. A scenario comparable with the situation in 2008/2009 can be considered unlikely.

The dynamic recovery in the worldwide production of vehicles in 2010 and 2011 translated to a significant improvement in the earnings situation for nearly all customers of the ElringKlinger Group. In this respect, the risk of bad debt losses has further decreased on the side of customers.

The price trend for materials and the availability of materials could negatively affect the Group's earnings in 2012. This general risk could not be accounted for in the consolidated financial statements as it is neither quantifiable nor appreciable at the moment.

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

Individual disclosures on the Group Income Statement

Sales revenues

1

Sales revenues increased by EUR 237,163 k in comparison with 2010 to reach EUR 1,032,820 k. Sales revenues of the Group are made up as follows:

	2011 EUR k	2010 EUR k
Sale of goods	1,020,613	783,527
Proceeds from the rendering of services	5,586	4,324
Income from rental and leasehold	6,621	7,806
Total	**1,032,820**	**795,657**

Breakdown by geographical markets:

	2011 EUR k	2010 EUR k
Domestic	319,298	245,620
Foreign	713,522	550,037
Total	**1,032,820**	**795,657**

Cost of sales

2

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

	2011 EUR k	2010 EUR k
Cost of materials	423,655	307,968*
Personnel expenses	173,011	132,767
Depreciation and amortization	74,422	63,401
Other expenses	73,078	52,880
Total	**744,166**	**557,016**

*Prior-year figures adjusted

3 Selling expenses

Selling expenses increased by EUR 13,148 k compared to 2010 to reach EUR 67,440 k. Selling expenses mainly include personnel expenses, material and marketing costs, as well as amortization and depreciation related to sales activities.

4 General and administrative expenses

General and administrative expenses include personnel expenses and material costs as well as the amortization and depreciation related to the administrative area. General and administrative expenses rose by EUR 9,705 k compared to 2010 to reach EUR 43,365 k.

5 Research and development expenses

Research and development expenses include the personnel expenses, depreciation and amortization attributable to these activities, as well as the cost of experimental materials and tools, unless these development costs are required to be capitalized under the conditions set forth in IAS 38.57. Development costs in the amount of EUR 6,725 k were capitalized in the 2011 financial year. Amortization of capitalized development costs included in this line item of the income statement amounted to EUR 4,906 k in 2011.

6 Other operating income

	2011 EUR k	2010 EUR k
Income from disposals of non-current assets	23,811	700
Government grants	4,069	3,288
Release of provisions/deferred income	2,149	1,786
Reimbursements from third parties	2,018	2,423
Insurance reimbursements	238	1,921
Fair value changes of derivative instruments	0	669
Other	2,452	791
Total	**34,737**	**11,578**

Other operating income includes out-of-period income from the reversal of provisions and deferred income (EUR 2,149 k; 2010: EUR 1,786 k). The sale of the land and buildings of the Ludwigsburg industrial park led to other operating income of EUR 22,673 k.

Other operating expenses

7

	2011 EUR k	2010 EUR k
Losses on disposal of fixed assets	3,384	2,272
Allowances for receivables	779	582
Other	7,387	2,781
Total	**11,550**	**5,635**

Other expenses includes impairment charges on property, plant and equipment (EUR 1,755 k) resulting from a physical inventory and expenses for recognizing provisions and deferred income (EUR 1,381 k).

Net finance costs

8

	2011 EUR k	2010 EUR k
Finance income		
Income from currency differences	14,824	13,874
Interest income	984	842
Other	26	0
Finance income, total	**15,834**	**14,716**
Finance costs		
Expenses from currency differences	-17,234	-23,190
Interest expense	-13,053	-13,588
- thereof from derivative financial instruments	-193	-285
Other	-35	-2
Finance costs, total	**-30,322**	**-36,780**
Net finance costs	**-14,488**	**-22,064**

Of the interest expenses, EUR 3,778 k (2010: EUR 3,353 k) are related to interest portions of pension plans and the remainder to bank interest and interest expense from the discounting of long-term provisions.

Borrowing costs for qualifying assets in the amount of EUR 813 k were capitalized in the reporting year; this represents a corresponding improvement in the result.

9 Expenses for taxes on income

The income tax expense is composed as follows:

	2011 EUR k	2010 EUR k
Current tax expense	32,046	25,074
Deferred taxes	6,994	285
Tax expense reported	**39,040**	**25,359**

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

The income tax rate calculated for the companies in Germany is 27.5% (2010: 27.5%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 16.0% and 42.0% (2010: between 16.9% and 42.0%). The average foreign tax rate is 26.7% (2010: 23.9%).

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 27.5% (2010: 27.5%) and the income tax expense actually reported.

	2011 EUR k	2010 EUR k
Earnings before taxes	136,632	93,970
Expected tax rate	**27.5%**	**27.5%**
Expected tax expense	**37,606**	**25,842**
Change in the expected tax expense due to:		
- Lump-sum tax on dividend	317	346
- Permanent differences	1,881	366
- Difference in basis of assessment of local taxes	420	0
- Use or lapse of non-capitalized tax loss carryforwards	1,148	10
- Recognized capitalized tax loss carryforwards	-4,027	0
- Prior-period taxes	-118	122
- Deviations due to changes in tax rate	1,111	-1,685
- Other effects	701	358
Actual tax expense	**39,040**	**25,359**
Actual tax rate	**28.6%**	**27.0%**

Retained earnings of EUR 24,885 k at German and non-German subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense in relation to distributions in Germany amounted to EUR 342 k (2010: EUR 295 k) and was recorded as a deferred tax liability. Further retained earnings of German and non-German subsidiaries are intended to be permanently reinvested in those operations.

In financial year 2011, deferred tax assets on actuarial losses amounted to EUR 1,473 k (2010: EUR 970 k).

Deferred tax assets on tax loss carryforwards have been recognized in the amount of EUR 3,613 k. No deferred tax assets were recognized in respect of tax loss carryforwards amounting to EUR 2,745 k, since it was not expected that the deferred tax assets would be utilized in the foreseeable future. The tax loss carryforwards amounted to EUR 20,630 k, of which EUR 19,153 k will be realized within the next five years. Additional adjustments on deferred tax assets are not necessary.

Tax deferrals relate to the following line items:

	Deferred tax assets		Deferred tax liabilities	
Balance sheet items	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
Intangible assets	63	88	6,353	3,568
Property, plant and equipment	932	61	27,228	26,869
Investment property	0	0	438	1,772
Financial assets	8	6	28	132
Other non-current assets	182	62	0	0
Inventories	2,163	1,732	1,466	890
Trade receivables	272	322	346	193
Other current assets	64	0	829	118
Cash and cash equivalents	0	0	0	692
Provisions for pensions	8,522	6,414	0	0
Non-current provisions	1,165	1,658	37	0
Non-current financial liabilities	62	67	15	8
Other non-current liabilities	728	2,631	0	0
Current provisions	1,606	1,644	35	18
Trade payables	33	0	11	33
Current financial liabilities	94	700	7	93
Other current liabilities	1,484	3,135	7,765	5
Deferred taxes associated with investments in subsidiaries	0	0	342	295
Tax loss carryforwards	3,613	229	0	0
Shown in the statement of financial position	**20,991**	**18,749**	**44,900**	**34,686**

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:

	2011	2010
Profit attributable to shareholders of ElringKlinger AG in EUR k	94,875	65,617
Average number of shares	63,359,990	58,945,053
Earnings per share in EUR	**1.50**	**1.11**

Individual disclosures on the Group Statement of Financial Position

Intangible assets

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	Development costs (internally generated) EUR k	Goodwill (purchased) EUR k	Patents, licenses, software (purchased) EUR k	Intangible assets under construction (purchased) EUR k	Total EUR k
Acquisition/manufacturing costs					
Balance as of Jan. 1, 2011	**23,083**	**98,141**	**24,638**	**205**	**146,067**
Currency changes	150	1,797	621	0	2,568
Change consolidated group	17	18,818	11,599	0	30,434
Additions	6,725	0	2,038	134	8,897
Reclassifications	0	0	261	-202	59
Disposals	1,863	226	595	0	2,684
Balance as of Dec. 31, 2011	**28,112**	**118,530**	**38,562**	**137**	**185,341**
Depreciation and amortization					
Balance as of Jan. 1, 2011	**12,429**	**13,210**	**19,011**	**0**	**44,650**
Currency changes	109	5	160	0	274
Change consolidated group	3	0	297	0	300
Additions	4,906	0	3,482	0	8,388
Disposals	1,863	0	541	0	2,404
Balance as of Dec. 31, 2011	**15,584**	**13,215**	**22,409**	**0**	**51,208**
Net carrying amount as of Dec. 31, 2011	**12,528**	**105,315**	**16,153**	**137**	**134,133**
Acquisition/manufacturing costs					
Balance as of Jan. 1, 2010	**17,298**	**90,052***	**29,749**	**34**	**137,133**
Currency changes	686	8,314*	291	0	9,291
Additions	6,098	0	684	205	6,987
Reclassifications	0	0	29	-34	-5
Disposals	999	225	6,115	0	7,339
Balance as of Dec. 31, 2010	**23,083**	**98,141***	**24,638**	**205**	**146,067**
Depreciation and amortization					
Balance as of Jan. 1, 2010	**8,996**	**13,168**	**23,550**	**0**	**45,714**
Currency changes	475	42	202	0	719
Additions	3,957	0	1,345	0	5,302
Disposals	999	0	6,086	0	7,085
Balance as of Dec. 31, 2010	**12,429**	**13,210**	**19,011**	**0**	**44,650**
Net carrying amount as of Dec. 31, 2010	**10,654**	**84,931**	**5,627**	**205**	**101,417**

*Prior-year figures adjusted

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

	2011 EUR k	2010 EUR k
Cost of sales	878	503
Selling expenses	950	98
General and administrative expenses	986	589
Research and development costs	5,540	4,054
Total	**8,354**	**5,244**

Property, plant and equipment

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	Land and buildings EUR k	Technical plant and machinery EUR k	Other plant, office equipment EUR k	PPE under construction EUR k	Total
Acquisition/manufacturing cost					
Balance as of Jan. 1, 2011	**196,381**	**576,118**	**113,492**	**62,511**	**948,502**
Currency changes	3,077	2,123	-13	-112	5,075
Change consolidated group	34,877	44,846	5,371	1,100	86,194
Additions	9,824	24,530	12,682	65,268	112,304
Reclassifications	11,226	39,160	1,238	-51,683	-59
Disposals	6,083	13,683	8,576	2,456	30,798
Balance as of Dec. 31, 2011	**249,302**	**673,094**	**124,194**	**74,628**	**1,121,218**
Depreciation and amortization					
Balance as of Jan. 1, 2011	**52,300**	**354,518**	**92,190**	**0**	**499,008**
Currency changes	655	1,501	46	0	2,202
Change consolidated group	174	15,599	2,403	0	18,176
Additions	5,590	74,859	5,241	0	85,690
Impairments	1,610	335	0	0	1,945
Reclassifications	61	-61	0	0	0
Disposals	4,468	10,760	8,120	0	23,348
Balance as of Dec. 31, 2011	**55,922**	**435,991**	**91,760**	**0**	**583,673**
Net carrying amount as of Dec. 31, 2011	**193,380**	**237,103**	**32,434**	**74,628**	**537,545**
Acquisition/manufacturing cost					
Balance as of Jan. 1, 2010	**160,010**	**507,274**	**118,358**	**35,139**	**820,781**
Currency changes	8,192	23,779	1,254	1,597	34,822
Additions	17,173	44,989	5,336	59,658	127,156
Reclassifications	11,039	19,233	1	-30,268	5
Disposals	33	19,157	11,457	3,615	34,262
Balance as of Dec. 31, 2010	**196,381**	**576,118**	**113,492**	**62,511**	**948,502**
Depreciation and amortization					
Balance as of Jan. 1, 2010	**45,144**	**290,674**	**98,785**	**0**	**434,603**
Currency changes	2,658	12,128	750	0	15,536
Additions	4,355	67,389	3,985	0	75,729
Reclassifications	0	161	-161	0	0
Disposals	-143	15,834	11,169	0	26,860
Balance as of Dec. 31, 2010	**52,300**	**354,518**	**92,190**	**0**	**499,008**
Net carrying amount as of Dec. 31, 2010	**144,081**	**221,600**	**21,302**	**62,511**	**449,494**

Property, plant and equipment contains technical equipment capitalized by the Group as beneficial owner under finance lease arrangements in the amount of EUR 813 k (2010: EUR 434 k). In 2011, depreciation expense on assets under finance lease arrangements amounted to EUR 276 k (2010: EUR 52 k).

In 2011, impairment charges on land and buildings and technical equipment amounted to EUR 1,945 k. No impairments were recognized in the previous year.

Purchase commitments to acquire property, plant and equipment amounted to EUR 38,077 k as of December 31, 2011 (December 31, 2010: EUR 32,319 k).

13 Investment property

	Investment propety EUR k	Investment property under construction EUR k	Total EUR k
Acquisition/manufacturing cost Balance as of Jan. 1, 2011	**51,958**	**93**	**52,051**
Currency changes	-1,560	-11	-1,571
Additions	188	220	408
Disposals	27,923	206	28,129
Balance as of Dec. 31, 2011	**22,663**	**96**	**22,759**
Depreciation and amortization Balance as of Jan. 1, 2011	**25,957**	**0**	**25,957**
Currency changes	-415	0	-415
Additions	742	0	742
Disposals	16,596	0	16,596
Balance as of Dec. 31, 2011	**9,688**	**0**	**9,688**
Net carrying amount as of Dec. 31, 2011	12,975	96	13,071
Acquisition/manufacturing cost Balance as of Jan. 1, 2010	**52,325**	**89**	**52,414**
Currency changes	-395	-2	-397
Additions	169	14	183
Disposals	141	8	149
Balance as of Dec. 31, 2010	**51,958**	**93**	**52,051**
Depreciation and amortization Balance as of Jan. 1, 2010	**25,014**	**0**	**25,014**
Currency changes	-96	0	-96
Additions	1,180	0	1,180
Disposals	141	0	141
Balance as of Dec. 31, 2010	**25,957**	**0**	**25,957**
Net carrying amount as of Dec. 31, 2010	26,001	93	26,094

Investment property includes the Idstein and Kecskemét-Kádafalva (Hungary) industrial parks. The Ludwigsburg industrial park was sold with effect from September 30, 2011. The fair value determined using the discounted cash flow method is EUR 15,427 k (2010: EUR 33,785 k). This was determined by discounting the surplus of expected future rental payments (lease agreements) over the expected cash expenses to the valuation date. The capitalization factor applied was an interest rate of 10.13% (2010: 10.00%). Measurement of the fair values was not carried out by an independent expert.

All investment property is rented out under operating leases. The resulting rental income came to EUR 6,621 k (2010: EUR 7,806 k). Expenses directly connected with this financial investment amounted to EUR 5,718 k (2010: EUR 5,216 k). Material contractual commitments to acquire or maintain investment property did not exist as of the end of the reporting period.

Financial assets

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	Non-current securities EUR k	Other financial assets EUR k	Total EUR k
Acquisition cost Balance as of Jan. 1, 2011	**1,511**	**38**	**1,549**
Currency changes	2	13	15
Change consolidated group	0	1,141	1,141
Additions	642	86	728
Disposals	631	156	787
Balance as of Dec. 31, 2011	**1,524**	**1,122**	**2,646**
Depreciation and amortization Balance as of Jan. 1, 2011	**2**	**0**	**2**
Impairments	25	0	25
Disposals	2	0	2
Balance as of Dec. 31, 2011	**25**	**0**	**25**
Net carrying amount as of Dec. 31, 2011	1,499	1,122	2,621
Fair value Dec. 31, 2011	1,540	1,122	
Acquisition cost Balance as of Jan. 1, 2010	**1,569**	**41**	**1,610**
Currency changes	34	0	34
Additions	470	0	470
Disposals	562	3	565
Balance as of Dec. 31, 2010	**1,511**	**38**	**1,549**
Depreciation and amortization Balance as of Jan. 1, 2010	**0**	**0**	**0**
Additions	2	0	2
Revaluations	0	0	0
Balance as of Dec. 31, 2010	**2**	**0**	**2**
Net carrying amount as of Dec. 31, 2010	1,509	38	1,547
Fair value Dec. 31, 2010	1,547	38	

Of the long-term securities, EUR 1,384 k (2010: EUR 1,376 k) is pledged in full to secure pension claims.

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

Non-current income tax benefits contain mainly the corporate tax credit of ElringKlinger AG capitalized at present value in the amount of EUR 3,355 k (2010: EUR 3,409 k). The corporation tax credit will be disbursed to ElringKlinger AG in ten equal annual installments from 2008 until 2017.

Other non-current assets include an advance payment on future licensing expenses amounting to EUR 581 k (2010: EUR 632 k).

16 Inventories

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
Raw materials, consumables and supplies	64,438	48,642
Work in progress	32,988	15,589
Finished goods and merchandise	113,642	71,978
Advance payments	5,399	2,440
Total	**216,467**	**138,649**

Under inventories, markdowns of EUR 13,890 k (2010: EUR 9,961 k) have been made to account for marketability risks.

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

For trade receivables and other current assets, impairments of EUR 3,790 k (2010: EUR 2,858 k) were recognized for specific identifiable risks and likely use of discounts.

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

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

The adjustment account for trade receivables has developed as follows:

	2011 EUR k	2010 EUR k
Balance as of Jan. 1	**2,858**	**3,749**
Addition	1,941	1,107
Reversal/utilization	-739	-2,206
Exchange rate effects	-270	208
Balance as of Dec. 31	**3,790**	**2,858**

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

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

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
Neither overdue nor impaired:	**147,196**	**102,746**
Overdue, not impaired:		
– less than 30 days	23,619	22,319
– from 31 to 60 days	5,349	5,127
– from 61 to 90 days	3,105	3,061
– from 91 to 180 days	251	434
– more than 180 days	346	131
Total:	32,670	31,072
Impaired	**7,414**	**4,377**
Carrying amount	**187,279**	**138,195**

Receivables overdue by between 91 and 180 days were impaired by EUR 3,992 k and receivables overdue by more than 180 days were impaired by EUR 3,284 k during the 2011 financial year. Other impairments on receivables were recognized in the amount of EUR 138 k.

Neither with regard to the overdue receivables nor to the impaired receivables has anything been identified that indicated the debtors will not meet their payment obligations.

The other current assets include receivables in relation to VAT and other taxes (EUR 8,828 k; 2010: EUR 4,994 k).

In connection with a warranty claim, ElringKlinger AG and the customers concerned agreed to the payment of EUR 24.4 million in a compensation agreement. The warranty claim related to gaskets delivered in early 2008. A portion totaling EUR 17.4 million had already been paid in 2011. The remaining amount is spread across the years 2012 and 2013. This payment is offset by receivables in the same amount from our insurer, of which EUR 10.0 million had already been settled in July 2011. Settlement of the remaining amount claimed has not yet occurred. ElringKlinger has filed suit. ElringKlinger assumes that the receivable will be paid in full.

Cash 18

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

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

19 Equity

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

* CF. PAGE 128 ET SEQQ.

The nominal capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2011 and is divided into 63,359,990 registered shares, each entitled to a single vote. Each registered share represents a theoretical interest of EUR 1.00 of the nominal capital. Profit is distributed in accordance with § 60 AktG in connection 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 nominal capital by issuing new shares for cash contributions on one or more occasions up to a total of EUR 23,040,010.00 by May 25, 2015. The conditions of the capital increase are determined by the Management Board with the approval of the Supervisory Board (§ 4 no. 3 of the Articles of Association). Shareholder subscription rights may be excluded in order to remove fractional amounts from the subscription right; if new shares are issued at a price not 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 nominal capital, either on the date on which this authorization takes effect or on the date on which it is exercised. The Management Board already exercised the latter option in full in 2010 to authorize a capital increase under the exclusion of subscription rights with the approval of the Supervisory Board.

Under the German Stock Corporation Act (AktG), the distributable dividend is measured by the retained earnings, which are shown in the annual financial statements of ElringKlinger AG that have been drawn up according to the provisions of the German Commercial Code (HGB). In the financial year 2011, ElringKlinger AG distributed to its shareholders a dividend of EUR 22,176 k (EUR 0.35 per share) from the retained earnings for 2010. In the financial year 2010, the distribution was EUR 11,520 k (EUR 0.20 per share) from the retained earnings for 2009.

The Management Board and Supervisory Board will propose to the shareholders' meeting to appropriate the retained earnings as of December 31, 2011 amounting to EUR 37,146 k as follows:

a) Distribution of a dividend of EUR 0.40 per share with dividend entitlement, plus a special dividend of EUR 0.18 as appropriate participation of the shareholders in the proceeds from the disposal of the Ludwigsburg industrial park in 2011

b) Transfer of EUR 397 k to other revenue reserves

20 Non-controlling interests in equity and net income

ElringKlinger AG holds less than 100% in some of the companies that have been included in the consolidated financial statements. In accordance with IAS 27, the relevant minority 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, minority interests in the net profit and in total comprehensive income are reported separately in the group income statement and in the reconciliation to total comprehensive income.

Provisions for pensions

21

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

Under the **defined contribution plans** the company pays contributions to state or private pension schemes on the basis of statutory or contractual obligations or on a voluntary basis. Once the contributions are paid, the Company has no further obligations, such as follow-up contribution payments. Contribution payments for the current year are reported under personnel expenses in the relevant year; in the current year, the Group's contribution payments totaled EUR 14,602 k (2010: EUR 11,983 k) and are allocated to the relevant function costs.

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

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

In 2011, the Company's pension system in Germany was partially modified. In order to secure pension payments going forward, the obligations to certain executive employees in Germany were transferred to a pension fund and a reinsured provident fund. This does not affect the amount of benefits. The assets received by the pension fund constitute plan assets within the meaning of IAS 19.7 and are therefore netted against the obligation to the plan beneficiaries. The assets of the provident fund do not meet the criteria for classification as plan assets and are treated as reimbursement rights.

The assets were measured as of December 31, 2011 in Germany using the 2005 G mortality tables of Prof. Klaus Heubeck and abroad on the basis of standard national mortality tables and the following assumptions:

Measurement as of	Dec. 31, 2011	Dec. 31, 2010
Discount rate	1.80 – 6.10%	1.60 – 7.00%
Expected return on plan assets	3.50%	3.50%
Expected return on reimbursement rights	4.10%	-
Expected salary increases (in %)	2.00%	2.00%
Future pension increases	2.00%	2.00%

In Germany, the expected return on plan assets and reimbursement rights was derived from the long-term return expected by the pension fund and the reinsurer of the claims against the provident fund. For foreign funds, the expected return was based on the expectations of the pension fund.

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

	2011 EUR k	2010 EUR k
Present value of pension benefits as of Jan. 1,	**77,935**	**72,534**
Change consolidated group	17,068	0
Current service cost	2,887	1,741
Interest expense	3,778	3,398
Disbursements/utilization	-5,216	-4,608
Actuarial gains/losses	5,681	3,815
Past service costs	1,227	0
Currency differences	542	3,908
Other changes	1,436	-2,853
Present value of pension benefits as of Dec. 31,	**105,338**	**77,935**

The change to the consolidated group contains additions of the pension plan assets of the Hug Engineering AG in the amount of EUR 16,400 k and Oigra Meillor s.r.l. totaling EUR 668 k.

The other changes relate primarily to the acquisition of the pension benefits of Burgmann Automotive GmbH.

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

	2011 EUR k	2010 EUR k
Market value as of Jan. 1	11,290	10,697
Change consolidated group	12,795	0
Expected return on plan assets	708	434
Employer contributions	1,749	1,054
Plan participant contributions	1,960	1,685
Service costs	-3,562	-3,226
Actuarial gains/losses	-277	-185
Other	1,211	-1,138
Currency effects	332	1,969
Market value as of Dec. 31	**26,206**	**11,290**

The increase in plan assets was due to the transfer of vested benefits of certain beneficiaries to the pension fund and to the changes in the group of consolidated companies. The change to the consolidated group contains additions of the pension plan assets of the Hug Engineering AG in the amount of EUR 12,795 k.

The assets of the reinsured provident fund relate to the reinsurance life policies entered into by the beneficiaries. The actual return on plan assets amounted to EUR 401 k (2010: EUR 248 k) and on reimbursement rights EUR 4 k (2010: EUR 0 k).

In 2012 liquidity is likely to be reduced due to contributions to plan assets and the reimbursement rights and by direct Group benefit payouts, which are likely to amount to EUR 2,084 k (p.y.: EUR 3,674 k).

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

	2011 EUR k	2010 EUR k
Current service cost	2,887	1,741
Interest expense	3,778	3,398
Past service costs	1,227	0
Expected return on plan assets	-699	-397
Total pension expense	**7,193**	**4,742**

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

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

	2011 EUR k	2010 EUR k
Newly recognized actuarial gains and losses	5,681	3,815
Cumulative total of all actuarial gains and losses taken directly to equity	11,563	5,882

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

	2011 EUR k	2010 EUR k
Present value of pension obligations	105,338	77,935
Fair value of plan assets	26,206	11,290
Reported pension provision	79,132	66,645
Fair value of reimbursement rights	118	0

The table below provides an overview of the obligation, fair value of plan assets and experience-based adjustments resulting from differences between actual and assumed developments:

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k	Dec. 31, 2009 EUR k	Dec. 31, 2008 EUR k	Dec. 31, 2007 EUR k
Present value of pension obligations	**105,338**	**77,935**	**72,534**	**65,764**	**52,239**
Fair value of plan assets	-26,206	-11,290	-10,697	-10,750	-175
Funded/unfunded status	79,132	66,645	61,837	55,014	52,064

22 Current and non-current provisions

Current and non-current provisions can be broken down as follows:

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
Current provisions	15,499	10,721
Non-current provisions	7,402	10,378
Total	**22,901**	**21,099**

The provisions relate to:

	Personnel obligations EUR k	Warranty obligations EUR k	Expected losses in orders on hand EUR k	Litigation costs EUR k	Other risks EUR k	Total EUR k
Balance as of Jan. 1, 2011	**11,014**	**1,683**	**6,534**	**885**	**983**	**21,099**
Exchange rate difference	60	0	42	17	-2	117
Utilization	799	1,232	3,363	0	138	5,532
Utilization	3,318	68	5,965	392	426	10,169
Reversal	2,866	867	4,096	137	116	8,082
Unwinding of discount	427	-4	121	0	11	555
Addition	2,454	3,634	4,667	400	2,694	13,849
Balance as of Dec. 31, 2011	**8,570**	**5,610**	**4,666**	**773**	**3,282**	**22,901**

Personnel provisions are recognized for the pre-retirement part-time scheme, long-service anniversary benefits and similar obligations.

The provision for warranties represents the best estimate of the management and was recognized on the basis of past experience and the industry average for defective products with regard to the Group's liability for a warranty of twelve months.

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

Current and non-current financial liabilities

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	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2011 EUR k	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2010 EUR k
Overdrafts	60,649	7,750	68,399	231	13,200	13,431
Financial liabilities with residual terms of less than one year	24,515	33,231	57,746	42,503	20,943	63,446
Current financial liabilities	**85,164**	**40,981**	**126,145**	**42,734**	**34,143**	**76,877**
Financial liabilities with residual terms of more than one year	119,003	42,345	161,348	120,027	2,331	122,358
Total	204,167	83,326	287,493	162,761	36,474	199,235

Includes liabilities from finance leases in the amount of EUR 530 k (2010: EUR 224 k) with a nominal volume of EUR 593 k (2010: 236 k).

The financial liabilities (excluding overdrafts) have the following terms:

	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2011 EUR k	Domestic EUR k	Foreign EUR k	Total Dec. 31, 2010 EUR k
Payable on demand or less than one year	24,515	33,231	57,746	42,503	20,943	63,446
Between one and five years	107,299	42,345	149,644	100,019	2,331	102,350
More than five years	11,704	0	11,704	20,008	0	20,008
Total	143,518	75,576	219,094	162,530	23,274	185,804

The average interest rates were:

	Dec. 31, 2011 %	Dec. 31, 2010 %
Overdrafts:		
Domestic	2.07	2.50
Foreign	6.57	9.76
Financial liabilities:		
Domestic: less than one year	4.11	4.24
Domestic: between one and five years	4.13	4.06
Domestic: more than five years	3.68	4.45
Foreign: less than one year	2.98	2.09
Foreign: between one and five years	3.59	4.23
Foreign: more than five years	-	-

Fixed interest rates have been agreed for financial liabilities amounting to EUR 252,922 k (2010: EUR 154,530 k). In addition, interest swaps are in place for EUR 7,800 k in loans. Under these swaps, variable interest payments are exchanged for fixed amounts.

Land charges on company land with a carrying amount of EUR 78,618 k (2010: EUR 85,601 k), collateral on inventory with a carrying amount of EUR 2,425 k (2010: EUR 3,454 k), receivables with a carrying amount of EUR 6,684 k (2010: EUR 6,716 k), and collateral on pledged buildings of EUR 400 k (2010: EUR 0 k) have been pledged as collateral. The secured liabilities amounted to EUR 39,070 k (2010: EUR 32,324 k) as of December 31, 2011.

As of December 31, 2011, the Group had unused lines of credit amounting to EUR 88,321 k (2010: EUR 155,230 k).

24 Trade payables and other current and non-current liabilities

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

The carrying amounts of trade payables approximate their fair value.

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

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

25 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. ElringKlinger processes a significant volume of high-grade steel. This includes alloy surcharges, in particular for nickel, which is a listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in internal part price calculations. A price corridor surrounding the average cost is hedged. If the stock exchange quotation of nickel exceeds the upper range of the corridor, ElringKlinger receives a compensatory payment. If the stock exchange quotation of nickel falls below the lower range of the corridor, ElringKlinger has to make a compensatory payment. The existing nickel hedges had remaining terms until October 31, 2012 and December 31, 2012.

Hedge accounting in accordance with IAS 39 was not applied.

Currency risk

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

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

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

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

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

Due to the inclusion of subsidiaries, the group also recognizes assets and liabilities relating to these subsidiaries outside of the eurozone 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.

As of December 31, 2011, ElringKlinger has significant financial liabilities in the form of CHF-denominated loans (CHF 58,000 k). Depending on cash flows generated in CHF, exchange rate fluctuations can have a significant impact on net income.

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

Local currency + 10 %	CHF Dec. 31, 2011 EUR k	EUR Dec. 31, 2011 EUR k	USD Dec. 31, 2011 EUR k	Other Dec. 31, 2011 EUR k	Total Dec. 31, 2011 EUR k
Consolidated net income	3,090	1,792	-1,360	-192	3,330
Group equity	3,090	1,792	-1,360	-192	3,330

Local currency - 10 %	CHF Dec. 31, 2011 EUR k	EUR Dec. 31, 2011 EUR k	USD Dec. 31, 2011 EUR k	Other Dec. 31, 2011 EUR k	Total Dec. 31, 2011 EUR k
Consolidated net income	-3,090	-1,792	1,360	192	-3,330
Group equity	-3,090	-1,792	1,360	192	-3,330

Interest rate risk

Interest rate risk arises primarily from financial liabilities. The Group manages interest rate risk with the objective of optimizing its interest income and expense.

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

Had market interest rates been 1% higher on December 31, 2011, earnings would have been EUR 475 k greater. A 1% reduction in the market interest rate would have resulted in EUR 479 k less in earnings.

Risk arising from prices for raw materials

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

ElringKlinger processes a significant volume of high-grade steel. This includes alloy surcharges, in particular for nickel, which is a listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in internal part price calculations. A price corridor surrounding the average cost is hedged. If the stock exchange quotation of nickel exceeds the upper range of the corridor, ElringKlinger receives a compensatory payment. If the stock exchange quotation of nickel falls below the lower range of the corridor, ElringKlinger has to make a compensatory payment. Existing nickel hedges had remaining terms until October 31, 2012 and December 31, 2012.

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

Credit risk

Credit risk is the risk of economic loss arising from 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 used for investment. The maximum risk exposure corresponds to the carrying amount of the liquid funds at the end of the reporting period.

Trade receivables

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

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

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

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

In 2011, the two largest customers accounted for 12.0% and 10.6% of sales. The strong recovery in the international vehicle business has led to a considerable improvement in the earnings situation of nearly all of the ElringKlinger Group's customers. Default risk has thus declined further.

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

	Trade liabilities EUR k	Financial liabilities EUR k	Finance leases EUR k	Derivatives EUR k	Total EUR k
Balance as of Dec. 31, 2011					
Carrying amount	**65,019**	**286,963**	**530**	**393**	**352,905**
Outflows					
Expected outflows:	**65,019**	**310,777**	**593**	**414**	**376,803**
– less than one month	42,345	22,916	23	30	65,314
– between one and three months	22,089	30,233	45	40	52,407
– between three months and one year	578	80,038	270	176	81,062
– between one and five years	7	168,928	252	168	169,355
– more than five years	0	8,662	3	0	8,665

	Trade liabilities EUR k	Financial liabilities EUR k	Finance leases EUR k	Derivatives EUR k	Total EUR k
Balance as of Dec. 31, 2010					
Carrying amount	**46,405**	**199,011**	**224**	**370**	**246,010**
Outflows					
Expected outflows:	**46,405**	**217,308**	**236**	**403**	**264,352**
– less than one month	27,791	689	5	23	28,508
– between one and three months	17,573	20,972	13	36	38,594
– between three months and one year	1,038	61,973	59	130	63,200
– between one and five years	3	117,248	159	214	117,624
– more than five years	0	16,426	0	0	16,426

* CF. PAGE 175 ET SEQQ.

Further disclosures on financial liabilities are provided under note 23*.

Additional information on financial instruments

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This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments.

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

	Trade receivables/Cash		Derivatives		Other financial instruments		Total
	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k
Balance as of Dec. 31, 2011							
Cash	65,137	65,137	0	0	0	0	65,137
Loans and receivables	187,279	187,279	0	0	182	182	187,461
held to maturity	0	0	0	0	1,384	1,424	1,384
held for trading	0	0	64	64	0	0	64
available for sale	0	0	0	0	1,170	1,170	1,170
Total	252,416	252,416	64	64	2,736	2,776	255,216
Balance as of Dec, 31, 2010							
Cash	101,176	101,176	0	0	0	0	101,176
Loans and receivables	138,195	138,195	0	0	30	30	138,225
held to maturity	0	0	0	0	1,376	1,421	1,376
held for trading	0	0	0	0	0	0	0
available for sale	0	0	0	0	175	175	175
Total	239,371	239,371	0	0	1,581	1,626	240,952

The fair value of cash and loans and receivables corresponds to the carrying amount. The reason for this is the short maturity of such instruments. ElringKlinger measures the fair value of held-to-maturity investments at the market rate observed in an active market. Available-for-sale assets are marked to market.

In financial assets, the Group has time deposits amounting to EUR 16 k.

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

	Trade payables		Liabilities from finance leases		Other financial liabilities		Total
	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k	FV EUR k	CA EUR k
Balance as of Dec. 31, 2011							
Trade payables	65,019	65,019					65,019
Financial liabilities			530	530	286,963	299,077	287,493
Financial liabilities measured at cost	**65,019**	**65,019**	**530**	**530**	**286,963**	**299,077**	**352,512**
held for trading*)	0	0	0	0	393	393	393
Financial liabilities measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**393**	**393**	**393**
Balance as of Dec. 31, 2010							
Trade payables	46,405	46,405					46,405
Financial liabilities			224	224	199,011	201,814	199,235
Financial liabilities measured at cost	**46,405**	**46,405**	**224**	**224**	**199,011**	**201,814**	**245,640**
held for trading*)	0	0	0	0	370	370	370
Financial liabilities measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**370**	**370**	**370**

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

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

Financial assets and liabilities measured at fair value are classified into the following 3 level fair value hierarchy:

	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k
Financial assets			
available for sale	1,170	0	0
held for trading*	0	64	0
Total	**1,170**	**64**	**0**
Financial liabilities			
available for sale	0	0	0
held for trading*	0	393	0
Total	**0**	**393**	**0**

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

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

- Level 1: Measurement based on quoted prices
- Level 2: Measurement based on inputs for the asset or liability that are observable on active markets either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Measurement based on inputs for assets and liabilities not representing observable market data

Liabilities from finance leases relate to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. As of December 31, 2011, future minimum lease payments under finance leases amounted to EUR 593 k (2010: EUR 236 k). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities as of December 31, 2011 is as follows:

	Minimum lease payments Dec. 31, 2011 EUR k	Interest included in minimum lease payments Dec. 31, 2011 EUR k	Liabilities from finance leases Dec. 31, 2011 EUR k
Term			
Less than one year	338	32	306
Between one and five years	252	31	221
More than five years	3	0	3
Total	**593**	**63**	**530**

Net gains and losses on financial instruments:

	2011 EUR k	2010 EUR k
Held-for-trading financial instruments*)	44	523
Available-for-sale assets	44	0
Held-to-maturity financial investments	0	-2
Loans and receivables	66	1,497
Financial liabilities measured at acquisition cost	-3,825	-9,068

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

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

Net gains from the disposal of available for sale assets include income from long-term equity investments.

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

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

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

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

	2011 EUR k	2010 EUR k
Total interest income	764	805
Total interest expense	-9,398	-10,439

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

Derivative financial instruments

As of the reporting period date, December 31, 2011, there were the following financial derivatives:

	Fair value EUR k	Carrying amount EUR k	Balance sheet item
Commodities derivatives			
Nickel hedge	64	64	Other current assets
Nickel hedge	-92	-92	Current provisions
Interest rate derivatives			
Interest rate swap	-301	-301	Current provisions
Total	-329	-329	

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

Capital management

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

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

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

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

Covenant	Max./ Min. limit	Balance as of Dec. 31, 2011
Group equity ratio	25%	40.8%
Net debt to EBITDA	3.0	0.90
Financial liabilities to EBITDA	2.8:1	1.28
EBIT to interest expense	3.5:1	13.90

Disclosures based on lender calculations.

The following table presents changes in equity and total assets as of December 31, 2011 as compared to December 31, 2010.

	2011 EUR million	2010* EUR million
Equity	**610.1**	**522.2**
as % of total capital	50.1 %	52.7 %
Non-current liabilities	313.9	268.4
Current liabilities	293.6	200.7
External finance	**607.5**	**469.1**
as % of total capital	49.9 %	47.3 %
Total capital	1,217.6	991.3

*) Prior-year figures adjusted

The increase in equity from December 31, 2010 to December 31, 2011 was primarily due to an increase in revenue reserves and non-controlling interests in equity. Debt was increased year-on-year by 29.5%.

The equity ratios of the AG (54.2%) and the Group (50.1%) exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

All external minimum capital covenants were satisfied during the period under review.

28 Notes to the Group Statement of Cash Flows

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

* CF. GLOSSARY

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

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

The disbursement to minorities for the acquisition of shares contains the full purchase price paid in cash for the acquisitions of a 10% interest in EKTR.

Segment reporting

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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. The acquisition of the Swiss Hug Group resulted in the addition of exhaust gas purification technology to the portfolio, and the acquisition of the Hummel-Formen Group resulted in the addition of tooling technology to the portfolio. These segments also render services in connection with these activities.

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

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

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

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

The earnings for the “OEM” segment include a EUR 1,161 k impairment charge and the “Aftermarket” segment‘s earnings include an impairment charge of EUR 800 k.

The Original Equipment segment generated more than 10% of the Group‘s consolidated revenues from two customers (EUR 109,049 k and EUR 123,851 k).

Segment reporting

Segment	Original Equipment 2011 EUR k	Original Equipment 2010 EUR k	Aftermarket 2011 EUR k	Aftermarket 2010 EUR k	Engineered Plastics 2011 EUR k	Engineered Plastics 2010 EUR k	Industrial Parks 2011 EUR k	Industrial Parks 2010 EUR k
Segment revenue	**849,260**	**625,658**	**112,929**	**107,057**	**84,821**	**71,476**	**6,875**	**8,060**
– Intersegment revenue	-22,038	-18,774	0	0	0	0	0	0
Sales revenue	**827,222**	**606,884**	**112,929**	**107,057**	**84,821**	**71,476**	**6,875**	**8,060**
EBIT[2]	**84,082**	**68,256**	**22,150**	**22,181**	**16,498**	**11,533**	**24,261**	**3,660**
+ Interest income	660	616	193	176	364	320	109	57
– Interest expense	-11,026	-11,355	-1,042	-896	-749	-751	-540	-873
Earnings before taxes	**73,716**	**57,517**	**21,301**	**21,461**	**16,113**	**11,102**	**23,830**	**2,844**
Depreciation and amortization[4]	90,748	76,511	1,310	795	2,991	2,673	655	1,097
Capital expenditures[3]	105,896	123,488	10,906	4,123	3,649	5,951	426	327
Segment assets	1,043,758	826,061	68,385	58,191	83,038	72,177	15,459	28,689
Segment liabilities	350,923	244,078	24,365	20,974	17,463	25,834	4,786	5,121

Segment	Services 2011 EUR k	Services 2010 EUR k	Other 2011 EUR k	Other 2010 EUR k	Consolidation[1] 2011 EUR k	Consolidation[1] 2010 EUR k	Group 2011 EUR k	Group 2010 EUR k
Segment revenue	**9,872**	**8,446**	**0**	**0**	**-8,899**	**-6,266**	**1,054,858**	**814,431**
– Intersegment revenue	0	0	0	0	0	0	-22,038	-18,774
Sales revenue	**9,872**	**8,446**	**0**	**0**	**-8,899**	**-6,266**	**1,032,820**	**795,657**
EBIT[2]	**1,710**	**1,086**	**0**	**0**			**148,701**	**106,716**
+ Interest income	12	16	0	0	-354	-343	984	842
– Interest expense	-50	-56	0	0	354	343	-13,053	-13,588
Earnings before taxes	**1,672**	**1,046**	**0**	**0**			**136,632**	**93,970**
Depreciation and amortization[4]	1,086	1,137	0	0			96,790	82,213
Capital expenditures[3]	732	437	0	0			121,609	134,326
Segment assets	9,060	10,131	0	0	-2,110	-3,914	1,217,590	991,335
Segment liabilities	2,764	3,957	209,288	168,475	-2,110	-3,914	607,479	464,525

[1] See disclosure in note (29) of these Notes to the Consolidated Financial Statements
[2] Earnings before interest and taxes
[3] Investments in intangible assets and property, plant and equipment and investment property
[4] Depreciation and amortization including impairments

Segment reporting by region

Region		Sales revenue EUR k	Non-current Assets EUR k	Capital expenditures EUR k
Germany	2011	319,298	356,966	74,230
	2010	245,620	309,098	66,224
Rest of Europe	2011	345,397	202,365	17,517
	2010	238,739	137,258	31,149
NAFTA	2011	165,028	41,487	4,483
	2010	141,977	51,253	12,749
Asia and Australia	2011	143,179	60,537	16,679
	2010	118,106	49,501	16,848
South America and other	2011	59,918	26,015	8,700
	2010	51,215	21,500	7,356
Group	**2011**	**1,032,820**	**687,370**	**121,609**
	2010	**795,657**	**568,610**	**134,326**

Group statement of changes in equity

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In addition to the components discussed in **notes (19) and (20)***, the group statement of changes in equity includes capital reserves, revenue reserves from the first-time adoption of IFRS and retained earnings. Capital reserves correspond to the capital reserve reported in the statement of financial position of the parent company ElringKlinger AG.

* CF. PAGE 170 ET SEQQ.

Revenue reserves from the first-time adoption of IFRS were taken from the opening IFRS statement of financial position as of January 1, 2004 and subsequent acquisitions of interests.

Retained earnings includes earnings generated but not yet distributed.

Other disclosures

Contingent liabilities

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

Operating leases

The expense includes payments from operating leases of EUR 5,058 k (2010: EUR 4,703 k).

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

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
less than one year	3,114	2,569
between one and five years	5,592	4,920
more than five years	412	1,075
Total	9,118	8,564

Of that amount, EUR 4,626 k related to outstanding obligations from binding operating leases for commercial premises, EUR 2,341 k to office equipment, and EUR 2,151 k to other lease arrangements.

In addition, there were financial liabilities from energy procurement obligations amounting to EUR 15,213 k (terms: EUR 5,388 k up to one year, EUR 9,825 k between one and five years) and payment obligations relating to the acquisition of a licensed PTFE processing method amounting to EUR 800 k.

As of the end of the reporting period, there existed an obligation to pay a preliminary purchase price of EUR 1,200 k, taking into account the transfer of liabilities (EUR 1,800 k), resulting from the acquisition of ThaWa GmbH Thaler Warenautomaten, Thale, and AGD Group Entwicklungs- und Vertriebs GmbH, Gütersloh.

Proceeds from lease agreements

The future lease payments due to ElringKlinger in relation to binding operating leases fall due as follows:

	Dec. 31, 2011 EUR k	Dec. 31, 2010 EUR k
less than one year	1,540	5,507
between one and five years	1,313	1,829
more than five years	0	31
Total	2,853	7,367

Number of employees

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

	2011	2010
Employees	5,643	4,331
Trainees	136	122
Total	**5,779**	**4,453**

In 2011, an average of 234 employees were employed at proportionately consolidated joint ventures.

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 226,094 k (2010: EUR 198,870 k). Of that amount, 7.2% (2010: 7.2%) related to contributions to the statutory pension scheme.

Events after the end of the reporting period

ElringKlinger AG acquired the metal housings manufacturer ThaWa GmbH Thaler Warenautomaten, Thale, Germany, and the AGD Group Entwicklungs- und Vetriebs GmbH, Gütersloh, after the end of the reporting period. The purchase was completed with effect from January 1, 2012. The provisional purchase price amounted to EUR 3,000 k. The final purchase price is determined based on the corresponding statements of financial position as of December 31, 2011 and will be reduced by the liabilities acquired (expected to amount to EUR 1,800 k).

In acquiring the company, ElringKlinger is looking to strengthen its activities in the field of exhaust gas purification technology. Thawa operates primarily as a supplier and production partner to Hug Engineering AG, a Swiss exhaust treatment specialist acquired by ElringKlinger in May 2011.

On March 15, 2012, the Management Board of ElringKlinger AG submitted for approval the consolidated financial statements to the Supervisory Board, which will meet on March 23, 2012.

Related party disclosures

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

1. Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen, concerning traineeships. Mr. Walter Herwarth Lechler is a shareholder in ElringKlinger AG and holds a significant interest in Lechler GmbH. ElringKlinger earned EUR 117 k during the reporting year (2010: EUR 164 k). The outstanding balance at the end of the reporting period was EUR 0 k (2010: EUR 0 k).
2. Lease agreement between Technik-Park Heliport Kft., Kecskemét-Kádafalva, Hungary (TPH), and the Lechler GmbH subsidiary, Lechler Kft., Kecskemét-Kádafalva, Hungary. TPH earned EUR 197 k in rental income based on this lease during the reporting year (2010: EUR 197 k). As in the prior year, there was no outstanding balance as of the end of the reporting period.
3. Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen, and Lechler GmbH, Metzingen, regarding assembly activities and the storage of components. This agreement gave rise to EUR 477 k in sales revenues during the reporting year (2010: EUR 354 k). As of the end of the reporting period, December 31, 2011, there was one outstanding receivable of EUR 31 k (2010: EUR 38 k).
4. Master supply agreement between Rich. Klinger Dichtungstechnik GmbH & CO. KG, Gumpoldskirchen, Austria, and companies of the ElringKlinger Group concerning the procurement of materials. Mr. Klinger-Lohr is a shareholder in ElringKlinger AG and has a significant interest in Rich. Klinger Dichtungstechnik GmbH & Co. KG. ElringKlinger AG procured EUR 2,410 k worth of materials under this agreement in 2011 (2010: EUR 2.088 k). The outstanding balance as of the end of the reporting period amounted to EUR 218 k (2010: EUR 191 k).
5. Master supply agreement between ElringKlinger AG and Klinger AG Egliswil, Switzerland, regarding the procurement of materials. Mr. Klinger-Lohr is a shareholder in ElringKlinger AG and member of the administrative board of Klinger AG Egliswil. ElringKlinger AG procured EUR 77 k worth of materials under this agreement in 2011 (2010: EUR 106 k). As of the end of the reporting period, there are no liabilities (2010: EUR 15 k).
6. The joint venture ElringKlinger Korea Co., Ltd. (EKKO), which is included in the consolidated financial statements by proportional consolidation, procured raw materials and merchandise for a price of EUR 374 k (2010: EUR 491 k) from ElringKlinger's joint venture partner Jeil E&S Co., Ltd. in the year under review. As of the end of the reporting period, EKKO still had liabilities in the amount of EUR 13 k (2010: EUR 28 k). Furthermore, there is a lease agreement between EKKO and Jeil E&S Co., Ltd. EKKO's rent expenses in the reporting year amounted to EUR 101 k. As of the end of the reporting period, there were no outstanding liabilities.
7. Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd. (CEK), and CHYAP, the company controlled by Ms. Liu, who is a joint partner in CEK. CEK procured EUR 128 k worth of services under these business relations in 2011. There were no more liabilities as of December 31, 2011. Furthermore, CEK sold EUR 49 k worth goods and raw materials to CHYAP. The outstanding balance as of the end of the reporting period amounted to EUR 16 k.

Corporate bodies

Supervisory board

Dr. Helmut Lerchner, Aichtal, Chairman	Corporate advisor **Governance roles:** a) DEUTZ AG, Cologne
Markus Siegers*, Altbach, Deputy chairman	Chairman of the Works Council of ElringKlinger AG
Gert Bauer*, Reutlingen	First General Representative and collector of IG Metall Reutlingen/Tübingen **Governance roles:** a) Hugo Boss AG, Metzingen b) BIKOM GmbH, Reutlingen
Armin Diez*, Lenningen	Divisional Director of the Cylinder-head Gaskets and E-Mobility at ElringKlinger AG
Pasquale Formisano*, Vaihingen an der Enz	Set-up engineer Chairman of the Works Council of ElringKlinger Kunststofftechnik GmbH
Dr. Margarete Haase, Cologne (since May 31, 2011)	Member of the executive board of DEUTZ AG, Cologne **Governance roles:** a) Fraport AG, Frankfurt am Main, ZF Friedrichshafen AG, Friedrichshafen (since January 1, 2012) b) DEUTZ (Dalian) Engine Co. Ltd., Dalian, China
Dr. Rainer Hahn, Stuttgart (until May 31, 2011)	Former member of the management board of Robert Bosch GmbH, Stuttgart **Governance roles:** a) Robert Bosch GmbH, Stuttgart Bosch Rexroth AG, Stuttgart b) TÜV SÜD Gesellschafterausschuss GbR, Munich TÜV SÜD e.V., Mannheim
Karl Uwe van Husen, Waiblingen	Managing Director **Governance roles:** a) Schaltbau Holding AG, Munich (until June 9, 2011)

Dr. Thomas Klinger-Lohr, Egliswil/Switzerland	Chairman of the board of Betal Netherland Holding B. V., Rotterdam, Netherlands **Governance roles:** b) Klinger Ltd., Perth, Australia (until January 17, 2012) Klinger S.p.A., Mazzo di Rho (MI), Italy (until January 17, 2012) Saidi S.A., Madrid, Spain (until January 17, 2012) Klinger AG Egliswil, Egliswil, Switzerland Uni Klinger Ltd., Mumbai, India
Walter Herwarth Lechler, Stuttgart	Managing Partner of Lechler GmbH, Metzingen **Governance roles:** b) Lechler Inc., St. Charles, USA Lechler Ltd., Sheffield, United Kingdom Lechler India Pvt. Ltd., Thane, India Lechler Kft, Kecskemét, Hungary (until May 10, 2011) Lechler France S.A., Montreuil, France (until April 29, 2011) Lechler AB, Hagfors, Sweden (until Feburary 25, 2011) Lechler SA, Wavre, Belgium (until March 11, 2011) Lechler S.A., Madrid, Spain (until May 5, 2011) ELEX India Pct. Ltd., Thane, India
Paula Monteiro-Munz*, Grabenstetten	Deputy chairwoman of the Works Council of ElringKlinger AG
Manfred Strauß, Stuttgart	Managing Partner of M&S messebau und service GmbH, Neuhausen a.d.F. **Governance roles:** b) Pro Stuttgart Verwaltungs GmbH, Stuttgart, Pro Stuttgart Verkehrsverein, Stuttgart
Gerhard Wick*, Geislingen a.d. Steige	Union secretary for IG Metall, Baden-Württemberg district

* Employee representative
a) membership in supervisory boards to be established by law within the meaning of § 125 AktG
b) membership in analogous domestic and foreign supervisory boards within the meaning of § 125 AktG

Remuneration of the supervisory board

Total remuneration of the Supervisory Board of ElringKlinger AG amounted to EUR 619 k (2010: EUR 501 k) in the reporting period. In addition, travel expenses in the amount of EUR 1 k (p.y. EUR 0 k) were reimbursed.

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

	Fixed remuneration		Variable remuneration		Total remuneration	
	2011 EUR	2010 EUR	2011 EUR	2010 EUR	2011 EUR	2010 EUR
Dr. Helmut Lerchner	48,000	50,000	54,000	39,003	**102,000**	**89,003**
Markus Siegers	25,000	25,500	42,105	23,196	**67,105**	**48,696**
Walter Herwarth Lechler	28,000	30,000	27,000	25,558	**55,000**	**55,558**
Gert Bauer	18,000	19,000	27,000	19,502	**45,000**	**38,502**
Armin Diez	18,000	16,333	27,000	11,874	**45,000**	**28,207**
Pasquale Formisano	14,000	12,333	27,000	11,874	**41,000**	**24,207**
Dr. Margarete Haase	8,833	0	15,750	0	**24,583**	**0**
Dr. Rainer Hahn	4,167	15,000	11,250	19,502	**15,417**	**34,502**
Karl Uwe van Husen	26,000	27,000	27,000	19,502	**53,000**	**46,502**
Dr. Thomas Klinger-Lohr	18,000	18,000	27,000	19,502	**45,000**	**37,502**
Paula Monteiro-Munz	18,000	16,333	27,000	11,874	**45,000**	**28,207**
Manfred Rupp	0	3,500	0	7,628	**0**	**11,128**
Manfred Strauß	14,000	15,000	27,000	19,502	**41,000**	**34,502**
Gerhard Wick	13,000	12,333	27,000	11,874	**40,000**	**24,207**
Total amount	**253,000**	**260,332**	**366,105**	**240,391**	**619,105**	**500,723**

Variable remuneration shown reflects the expense for which provisions have been recognized, based on the provisional consolidated income before taxes prepared in accordance with IFRS for 2011. The remuneration of the employee representatives in the Supervisory Board amounted to EUR 417 k in 2011 (2010: EUR 282 k).

The difference between the provision for variable remuneration for the financial year 2010 and the actual amounts paid out was EUR 5,932. This amount was paid out to the members of the Supervisory Board on a pro rata basis and is included under variable remuneration.

Management board

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

Remuneration of the Management Board

Total remuneration of the Management Board in financial year 2011 amounted to EUR 2,263 k (2010: EUR 1,921 k). This is composed of a fixed component of EUR 865 k (2010: EUR 823 k) and a variable component of EUR 1,398 k (2010: EUR 1,098 k). The variable component is made up of short-term performance-related remuneration amounting to EUR 1,289 k (2010: EUR 966 k) and EUR 109 k (2010: EUR 132 k) of performance-related remuneration with long-term incentive effects. The long-term performance-related remuneration relates to stock appreciation rights.

Total remuneration of the Management Board is distributed among the individual Management Board members as follows:

	Fixed remuneration (prior year) EUR	Short-term performance-based remuneration (prior year) EUR	Long-term performance-based remuneration (prior year) EUR	Total amount (prior year) EUR
Dr. Stefan Wolf	355,744 (330,106)	552,070 (413,806)	39,658 (52,812)	947,472 (796,724)
Theo Becker	251,535 (251,341)	368,046 (275,871)	39,483 (39,369)	659,064 (566,581)
Karl Schmauder	257,816 (241,975)	368,047 (275,871)	30,110 (40,054)	655,973 (557,900)
Total	**865,095** **(823,422)**	**1,288,163** **(965,548)**	**109,251** **(132,235)**	**2,262,509** **(1,921,205)**

Short-term variable remuneration reflects expenses for which provisions have been recognized, calculated as a percentage of the average consolidated income before taxes over the last three years. In addition, the differences between provisions recognized as of December 31, 2010 and the amounts actually paid in 2011 are included. For the stock appreciation rights, the fair value as of the grant date is used.

Stock appreciation rights refer to a right to a cash settlement, not, however, for shares of ElringKlinger AG. The currently outstanding stock appreciation rights are granted in five annual tranches, beginning on February 1, 2008 and January 1, 2009, respectively. Beginning in 2010, the maturity of the tranches extends from three to four years. The strike price is the average stock price of the last 60 trading days prior to the grant date. The number of stock appreciation rights is calculated based on the fixed remuneration of the respective board member and the strike price. The cash payment to be granted is calculated based on the difference between the exercise price, which is also calculated as an average of the stock price over the last 60 trading days, and the strike price. A payment occurs only in the event that the share price of ElringKlinger AG increases more than the smoothed index in which the stock is listed, but at least by 25%. The payment per tranche is limited to the fixed salary amount for the year.

Provisions are recognized in order to cover the estimated future obligation. The fair value of the obligation is determined based on the Cox-Ross-Rubinstein model using current market parameters. The risk-free interest rate used was 1.9%. The volatility of the share price (47.5%), the MDAX index

(27.8%), and a correlation of 60.2% were determined over a three-year period. The expected dividend was EUR 0.35 per share.

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

For financial year 2011, the following data arose:

Tranches	Tranche 2008	Tranche 2009	Tranche 2010	Tranche 2011
Date of issue	2008	2009	2010	2011
Number of outstanding stock appreciation rights (not yet exercisable)	0	108,754	49,090	32,501
Number of lapsed stock appreciation rights	20,341	0	0	0
Average strike price (EUR)	24.63	6.95	15.68	24.83
Average remaining time to maturity in years	0	0.06	2.04	3.04
Value of stock appreciation rights held by members of the Management Board				
December 31, 2011 (EUR k)	0	771	103	21
December 31, 2010 (EUR k)	32	412	75	0
December 31, 2009 (EUR k)	28	74	0	0
December 31, 2008 (EUR k)	1	0	0	0

Additions to pension provisions for members of the Management Board amounted to EUR 2,577 k (2010: EUR 317 k) and are related to Dr. Stefan Wolf in the amount of EUR 768 k (2010: EUR 111 k), Theo Becker in the amount of EUR 719 k (2010: EUR 112 k) and Karl Schmauder in the amount of EUR 1,090 k (2010: EUR 94 k).

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

Provisions of EUR 11,952 k (2010: EUR 11,638 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 868 k (2010: EUR 868 k) during the 2011 financial year.

The **auditor fees** amounted to:

	2011 EUR k	2010 EUR k
Audit of the annual financial statements	686	380
Other auditing services	0	0
Tax advisory	0	0
Other services	0	55
Total	**686**	**435**

Information pursuant to § 160 (1) no. 8 AktG

As of the end of the reporting period 2011, the following long-term equity investments existed and were announced pursuant to § 21 (1) German Securities Trading Act **(WpHG)***.

* CF. GLOSSARY

1. Voting rights notification

BlackRock, Inc., New York, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.
Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.
BlackRock Financial Management, Inc., New York, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.
Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.
BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A., notified us pursuant to § 21 (1) WpHG that the percentage of voting rights in our company fell below the threshold of 3% on September 7, 2011 and amounted to 2.97% (1,881,443 voting rights) on that day.
Of those voting rights, 2.97% (1,881,443 voting rights) are attributed to it pursuant to § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG.

2. Voting rights notification

ElringKlinger received the following notification on November 2, 2010:
In the name of and on behalf of FIL Investments International, Hildenborough, Kent, England, UK, we hereby notify you pursuant to section 21 (1) WpHG of the following:
On 25 October 2010 FIL Investments International fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Investments International held 2.98% of the voting rights in ElringKlinger AG arising from 1,887,166 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Investments International pursuant to section 22 (1) sent. 1 no. 6 WpHG.

3. Voting rights notification

ElringKlinger received the following notification on November 2, 2010:
In the name of and on behalf of FIL Limited, Hamilton HMCX, Bermuda we hereby notify you pursuant to section 21 (1) WpHG of the following:
On 25 October 2010 FIL Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Limited held 2.98% of the voting rights in ElringKlinger AG arising from 1,887,166 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Limited pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG.

4. Voting rights notification

ElringKlinger received the following notification on November 2, 2010:
In the name of and on behalf of FIL Investment Management Limited, Hildenborough, Kent, England, UK, we hereby notify you pursuant to section 21 (1) WpHG of the following:
On 25 October 2010 FIL Investment Management Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Investment Management Limited held 2.98% of the voting rights in ElringKlinger AG arising from 1,887,166 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Investment Management Limited pursuant to section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

5. Voting rights notification

ElringKlinger received the following notification on October 28, 2010:
In the name of and on behalf of FIL Holdings Limited, Hildenborough, Kent, England, UK, we hereby notify you pursuant to section 21 (1) WpHG of the following:
On 25 October 2010 FIL Holdings Limited fell below the threshold of 3% of the voting rights in ElringKlinger AG, Max Eyth Strasse 2, 72581 Dettingen/Erms, Germany. On that date, FIL Holdings Limited held 2.98% of the voting rights in ElringKlinger AG arising from 1,887,166 voting rights.
All voting rights in ElringKlinger AG were attributed to FIL Holdings Limited pursuant to section 22 (1) sent. 1 no. 6 WpHG in connection with sent. 2 WpHG.

6. Voting rights notification

Correction of our announcement on October 12, 2010
ElringKlinger received the following notification from Lechler GmbH on October 13, 2010:
Notification pursuant to § 21 WpHG - correction
We hereby notify you pursuant to § 21 (1) WpHG that the percentage of voting rights in ElringKlinger AG, Dettingen/Erms, fell below the threshold of 10% on October 7, 2010 and amounted to 9.449% (5,987,000 voting rights) on this day.
Of these voting rights, 0.358% (227,000 voting rights) are attributed to us in accordance with § 22 (1) sentence 1 no. 1 WpHG.

7. Voting rights notification

ElringKlinger received the following notification from Klaus Lechler Beteiligungs-GmbH on October 13, 2010:
Voting rights notifications pursuant to § 21 (1) WpHG
Notifying parties:
1. Eroca AG, Basel, Switzerland
2. Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany
3. KWL Beteiligungs-GmbH, Ludwigsburg, Germany
4. PAUL LECHLER STIFTUNG gGmbH, Ludwigsburg, Germany
5. Elrena GmbH, Basel, Switzerland
6. Stiftung Klaus Lechler, Basel, Switzerland

We, Klaus Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG in our own name and in the name and on behalf of the following companies as follows:

1. Eroca AG
The percentage of voting rights of Eroca AG in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.20% (5,832,136 voting rights) on this day.

2. Klaus Lechler Beteiligungs-GmbH
The percentage of voting rights of Klaus Lechler Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.22% (5,838,736 voting rights) on this day. Of these voting rights, 9.20% (5,832,136 voting rights) are attributed to Klaus Lechler Beteiligungs-GmbH in accordance with § 22 (1) sentence 1 no. 1 of the WpHG.
The voting rights attributable to Klaus Lechler Beteiligungs-GmbH are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG.

3. KWL Beteiligungs-GmbH
The percentage of voting rights of KWL Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day. Of these voting rights, 9.22% (5,838,736 voting rights) are attributed to KWL Beteiligungs-GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.18% (5,815,944 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to KWL Beteiligungs-GmbH are held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH
The voting rights attributable to KWL Beteiligungs-GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Elrena GmbH.

4. PAUL LECHLER STIFTUNG gGmbH
a) The percentage of voting rights of PAUL LECHLER STIFTUNG gGmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 19.58% (12,406,060 voting rights) on this day.
Of these voting rights, 9.22% (5,838,736 voting rights) were attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.18% (5,815,944 voting rights) were attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH were held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH,
- KWL Beteiligungs-GmbH.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH were held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Elrena GmbH.

b) The percentage of voting rights of PAUL LECHLER STIFTUNG gGmbH in ElringKlinger AG exceeded the threshold of 20% on October 11, 2010 and amounted to 20.72% (13,126,990 voting rights) on this day.
Of these voting rights, 9.77% (6,187,573 voting rights) are attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.77% (6,188,037 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH are held by the following companies that are controlled by it and each hold at least 3% or more of voting rights in ElringKlinger AG:
- Eroca AG,
- Klaus Lechler Beteiligungs-GmbH,
- KWL Beteiligungs-GmbH.
The voting rights attributable to PAUL LECHLER STIFTUNG gGmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Elrena GmbH.

5. Elrena GmbH
The percentage of voting rights of Elrena GmbH in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day.
Of these voting rights, 0.02% (14,000 voting rights) are attributed to Elrena GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.22% (5,838,736 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to Elrena GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Eroca AG.

6. Stiftung Klaus Lechler
The percentage of voting rights of Stiftung Klaus Lechler in ElringKlinger AG fell below the threshold of 20% on October 7, 2010 and amounted to 18.39% (11,654,680 voting rights) on this day.
Of these voting rights, 9.18% (5,815,944 voting rights) are attributed to Stiftung Klaus Lechler in accordance with § 22 (1) sentence 1 no. 1 WpHG and an additional 9.22% (5,838,736 voting rights) are attributed in accordance with § 22 (2) sentence 1 WpHG.
The voting rights attributable to Stiftung Klaus Lechler are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:
- Elrena GmbH.
The voting rights attributable to Elrena GmbH are held by the following shareholder that holds 3% or more of the voting rights in ElringKlinger AG:
- Eroca AG.

8. Voting rights notification

ElringKlinger received the following notification from Lechler Beteiligungs-GmbH on October 13, 2010:
Voting rights notifications pursuant to § 21 (1) WpHG
Notifying parties:

1. Lechler Beteiligungs-GmbH, Stuttgart, Germany
2. INLOVO GmbH, Ludwigsburg, Germany
We, Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG in our own name and in the name of and on behalf of INLOVO GmbH as follows:

1. Lechler Beteiligungs-GmbH
   The percentage of voting rights of Lechler Beteiligungs-GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.23% (5,848,644 voting rights) on this day.

2. INLOVO GmbH
   The percentage of voting rights of INLOVO GmbH in ElringKlinger AG fell below the threshold of 10% on October 7, 2010 and amounted to 9.23% (5,848,644 voting rights) on this day.
   Of these voting rights, 9.23% (5,848,644 voting rights) are attributable to INLOVO GmbH in accordance with § 22 (1) sentence 1 no. 1 WpHG.
   The voting rights attributable to INLOVO GmbH are held by the following company that is controlled by it and holds at least 3% or more of voting rights in ElringKlinger AG:
   - Lechler Beteiligungs-GmbH.

9. Voting rights notification

ElringKlinger received the following notification from Deutsche Bank AG on October 12, 2010:
Voting rights notification pursuant to § 21 (1) WpHG
Dear Sir or Madam:
We hereby notify you pursuant to § 21 (1) WpHG that the percentage of voting rights in ElringKlinger AG, Max-Eyth-Str. 2, 72581 Dettingen/Erms, Germany, exceeded the thresholds of 3%, 5% and 10% on October 7, 2010 and amounted to 11.11% on this day. This corresponds to 7,037,037 no-par value registered shares (bearer shares).
The notification requirement pursuant to § 21 (1) WpHG is attributed to our joint lead management within the scope of the ElringKlinger AG capital increase entered in the commercial register on October 7, 2010.
We hereby also notify you pursuant to § 21 (1) WpHG that our share of voting rights in ElringKlinger AG fell below the thresholds of 10%, 5% and 3% on October 11, 2010 and now represents a percentage of voting rights of 0.12%. This corresponds to 74,118 no-par value registered shares (bearer shares).

10. Voting rights notification

Voting rights notification pursuant to § 21 (1) WpHG
ElringKlinger received the following notification from Walter Herwarth Lechler on May 14, 2010:
"I hereby notify you pursuant to § 21 (1) WpHG that my percentage of voting rights in ElringKlinger AG fell below the threshold of 25% on May 11, 2010 and amounted to 23.697% (13,649,420 voting rights) on this day.
Of these voting rights, 10.394% (5,987,000 voting rights) are attributed to me in accordance with § 22 (1) sentence 1 no. 1 WpHG.
The voting rights attributable to me are held by the following companies that are controlled by me and each hold at least 3% or more of voting rights in ElringKlinger AG: Lechler GmbH, Metzingen."

11. Voting rights notification

In the name of and on behalf of Fidelity Funds SICAV, Luxembourg, we hereby notify you pursuant to § 21 (1) WpHG of the following:
On 06 November 2009 Fidelity Funds SICAV fell below the threshold of 3% of voting rights in ElringKlinger AG, Max-Eyth-Strasse 2, 72581 Dettingen/Erms, Germany. On that date, Fidelity Funds SICAV held 2.96% of the voting rights in ElringKlinger AG arising from 1,704,729 voting rights.

12. Voting rights notification

On December 16, 2008, ElringKlinger AG received the following notification
"Notification of voting rights pursuant to sec. 21 para 1 WpHG
Pursuant to section 21 (1), 24 WpHG ("German Securities Trading Act) in conjunction with section 32 (2) InvG ("German Investment Act"), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment GmbH, Frankfurt, Germany, in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, fell below the threshold of 3% on 12 December 2008 and amounts to 2.63% (1,516,262 voting rights) as per this date."

13. Voting rights notification

ElringKlinger AG has received the following notification:
"Notification of Voting Rights pursuant to sec. 21, 22 WpHG
1 October 2008
On behalf of Columbia Wanger Asset Management, L.P., 227 W. Monroe Street, Suite 3000, Chicago, IL, USA, we hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 29 September 2008 the voting interest of Columbia Wanger Asset Management, L.P., in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/ Erms, Germany, fell below the threshold of 3% and amounted to 2,99% of the voting rights [i.e., 1,727,000 shares with voting rights, out of 57,600,000 shares with voting rights outstanding (based on Bloomberg)] on this day.
2,99% (all) of the voting rights (1,727,000 voting rights) are attributed to us in accordance with sec. 22 para. 1 sent. 1 no. 6."

14. Voting rights notification

We received the following notification on March 27, 2008:
Voting rights notification pursuant to § 21 (1) WpHG
We, Klaus Lechler Beteiligungs-GmbH, hereby notify you pursuant to § 21 (1) WpHG on behalf of Ms. Lieselotte Lechler as follows:
The percentage of voting rights of Ms. Lieselotte Lechler in ElringKlinger AG fell below the thresholds of 10%, 5% and 3% on March 20, 2008 and amounted to 0% (0 voting rights) on this day.

15. Voting rights notification

We received the following notification from New Star Asset Management, Great Britain, on February 19, 2008:
Notification pursuant to se. 21 para. 1 WpHG
We hereby give notice, pursuant to sec. 21 para 1 of the WpHG, that on 18th February 2008 our voting interest in ElringKlinger AG fell below the threshold of 3% and amounts to 2.97% (569,624 voting rights) on this day.

2.97% of the voting rights (569,624 voting rights) are attributable to us in accordance with sec. 22 para. 1 sent. 1 no. 6 of the WpHG.

16. Voting rights notification

As executor of the estate of Mr. Klaus Lechler, Mr. Gottfried Wunsch, notified us pursuant to § 21 (1) WpHG on behalf of Ms. Lieselotte Lechler as follows:
Mr. Klaus Lechler died on April 1, 2007. As of this date, the voting interest of Mr. Klaus Lechler in ElringKlinger AG therefore fell below the thresholds of 20%, 15%, 10%, 5% and 3% and amounts to 0% on this day (0 voting rights).

17. Voting rights notification

ElringKlinger has received the following notification:
"Notification pursuant to § 21 para. 1 WpHG
The following notification is made in the names of Threadneedle Asset Management Limited and Threadneedle Asset Management Holdings Limited, both with registered seat in London, United Kingdom and in the name of Ameriprise Financial, Inc., USA.
Ameriprise Financial Inc. is the parent company of Threadneedle Asset Management Holdings Limited, which is the parent company of Threadneedle Asset Management Limited.
Please be advised that on 08 October 2007 the share of voting stocks of the above mentioned companies in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Asset Management Limited in ElringKlinger AG at 08 October 2007 amounted to 2.603% (499,795 shares). These voting rights are in their entirety attributable to Threadneedle Asset Management Limited pursuant to § 22 para. 1 sent. 1 No. 6 WpHG.
The percentage of voting rights of Threadneedle Asset Management Holdings Limited in ElringKlinger AG at 08 October 2007 amounted to 2.603% (499,795 shares). These voting rights are in their entirety attributable to Threadneedle Asset Management Holdings Limited pursuant to § 22 para. 1 sent. 1 No. 6, sent. 2 and sent. 3 WpHG.
The percentage of voting rights of Ameriprise Financial, Inc. in ElringKlinger AG at 08 October 2007 amounted to 2,718% (521,799 shares). These voting rights are in their entirety attributable to Ameripirse Financial, Inc. pursuant to § 22 para. 1 sent. 1 No. 6, sent. 2 and sent. 3 WpHG.

18. Voting rights notification

"Notification pursuant to § 21 para. 1 WpHG
The following notification is made in the name of Threadneedle Investment Services Limited, registered in London, United Kingdom.
Please be advised that on 02 October 2007 the share of voting stocks of the Threadneedle Investment Services Limited in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Investment Services Limited in ElringKlinger AG at 02 October 2007 amounted to 2,992% (574,392 shares). These voting rights are in their entirety attributable to Threadneedle Investment Services Limited pursuant to § 22 para. 1 sent. 1 No. 6 WpHG.
The following notification is made in the name of Threadneedle Investment Funds ICVC, registered in London, United Kingdom.

Please be advised that on 02 October 2007 the share of the voting stocks of the Threadneedle Investment Funds ICVC in ElringKlinger AG went below the threshold of 3% of the total voting stocks of the company.
The percentage of voting rights of Threadneedle Investment Funds ICVC in ElringKlinger AG at 02 October 2007 amounted to 2.992% (574,392 shares). These voting rights are held by subfunds of Threadneedle Investment Funds ICVC.

19. Voting rights notification

ElringKlinger received the following voting rights notification:
Notification of voting rights (Stimmrechtsmitteilungen) pursuant to §§ 21, 22 WpHG
We, Prudential plc., London, United Kingdom, would like to make the following notification regarding the holding of voting rights held in ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany according to § 21, 22 WpHG.
Notification of voting rights in our own name
Prudential plc. has fallen below the 3% threshold of § 21 para. 1 WpHG on 04 September 2007 and now holds 2,94 % (564,824 shares held with voting rights) of the voting rights in ElringKlinger AG. It was attributed these 2,94% (564,824 shares held with voting rights) of the voting rights in ElringKlinger AG pursuant to § 22 para. 1 sent. 1 no. 6 in connection with § 22 para. 1 sent. 2 WpHG.

20. Voting rights notification

ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, received the following notification pursuant to § 41 (2) and § 21 (1) WpHG from Elrena GmbH, Basel, Switzerland:
We, Elrena GmbH, Basel, Switzerland, notify you pursuant to § 41 (2) and § 21 (1) WpHG (as amended) in our own name and in the name of and on the behalf of Mr. Karl Uwe van Husen for the purpose of correction and supplement to notifications made in the past by the notifying parties as follows:

Karl Uwe van Husen, Germany:
a) The percentage of voting rights of Mr. Karl Uwe van Husen in ElringKlinger AG (formerly ZWL Grundbesitz- und Beteiligungs-AG) fell below the thresholds of 10% and 5% on September 4, 1997 and amounted to 0.025% (900 voting rights).
b) Today, at May 3, 2007, the percentage of voting rights of Mr. van Husen in ElringKlinger AG amounts to 0.016% (3,000 voting rights).

21. Voting rights notification

ElringKlinger AG, Dettingen/Erms, WKN 785602
Sale of shares
Reaching the 5% threshold
Dear Sir or Madam:
We hereby inform you that we sold a total of 224,410 ElringKlinger shares in the period between February 11, 2004 through January 14, 2005, thereby falling below the 5% threshold. Betal Netherland Holding B.V. now holds 479,990 ElringKlinger shares.
This notification is made pursuant to § 21 WpHG.

22. Voting rights notification

ElringKlinger AG, Max-Eyth-Straße 2, 72581 Dettingen/Erms, Germany, received the following notification pursuant to § 41 (2) and § 21 (1) WpHG from Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany:

“We, Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany, notify you pursuant to § 41 (2) and § 21 (1) WpHG (as amended) in our own name and in the name of and on behalf of the following companies and Ms. Lieselotte Lechler for the purpose of correction and supplement to notifications made in the past by the parties on which notification is incumbent as follows:

Paul Lechler Gesellschaft bürgerlichen Rechts, Ludwigsburg, Germany:

a) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG exceeded the thresholds of 5% and 10% on November 30, 2001 and amounts to 12.13% (582.012 voting rights) on this day. Of these voting rights, 12.13% (582,012 voting rights) were attributed to Paul Lechler Gesellschaft bürgerlichen Rechts in accordance with § 22 (1) sentence 1 no. 1 WpHG (essentially corresponding with § 22 (1) no. 2 WpHG as amended on November 30, 2001).
The voting rights attributable to Paul Lechler Gesellschaft bürgerlichen Rechts were held by the following company that was controlled by it and holds 3% or more of the voting rights in ElringKlinger AG:
- Lechler Beteiligungs-GmbH
b) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG amounted to 12.13% (582,012 voting rights) on April 1, 2002. Of these voting rights, 12.13% (582,012 voting rights) were attributable to Paul Lechler Gesellschaft bürgerlichen Rechts pursuant to § 22 (1) sentence 1 no. 1 WpHG.
The voting rights attributable to Paul Lechler Gesellschaft bürgerlichen Rechts were held by the following company that was controlled by it and holds at least 3% of voting rights in ElringKlinger AG:
- Lechler Beteiligungs-GmbH
c) The percentage of voting rights of Paul Lechler Gesellschaft bürgerlichen Rechts in ElringKlinger AG fell below the thresholds of 10% and 5% on December 4, 2003 and has amounted to 0.00% (0 voting rights) since then.”

Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance on December 4, 2011 pursuant to § 161 AktG on the German Corporate Governance code and published it on the ElringKlinger AG website on December 4, 2011. This declaration of compliance will be available on the ElringKlinger AG website and therewith made permanently available to shareholders. It will be published in the annual report as part of the corporate governance report.

Dettingen/Erms, March 15, 2012
Management Board

Dr. Stefan Wolf Theo Becker Karl Schmauder

Auditor˘s Report

We have audited the consolidated financial statements prepared by ElringKlinger AG, Dettingen/Erms, comprising the Group Income Statement and Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, March 15, 2012
PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Marcus Nickel	ppa. Renate Berghoff
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

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

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

Dettingen/Erms, March 15, 2012

Dr. Stefan Wolf | Theo Becker | Karl Schmauder