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ANNUAL REPORT | 2012

ATB Austria Antriebstechnik AG

Technology in Motion

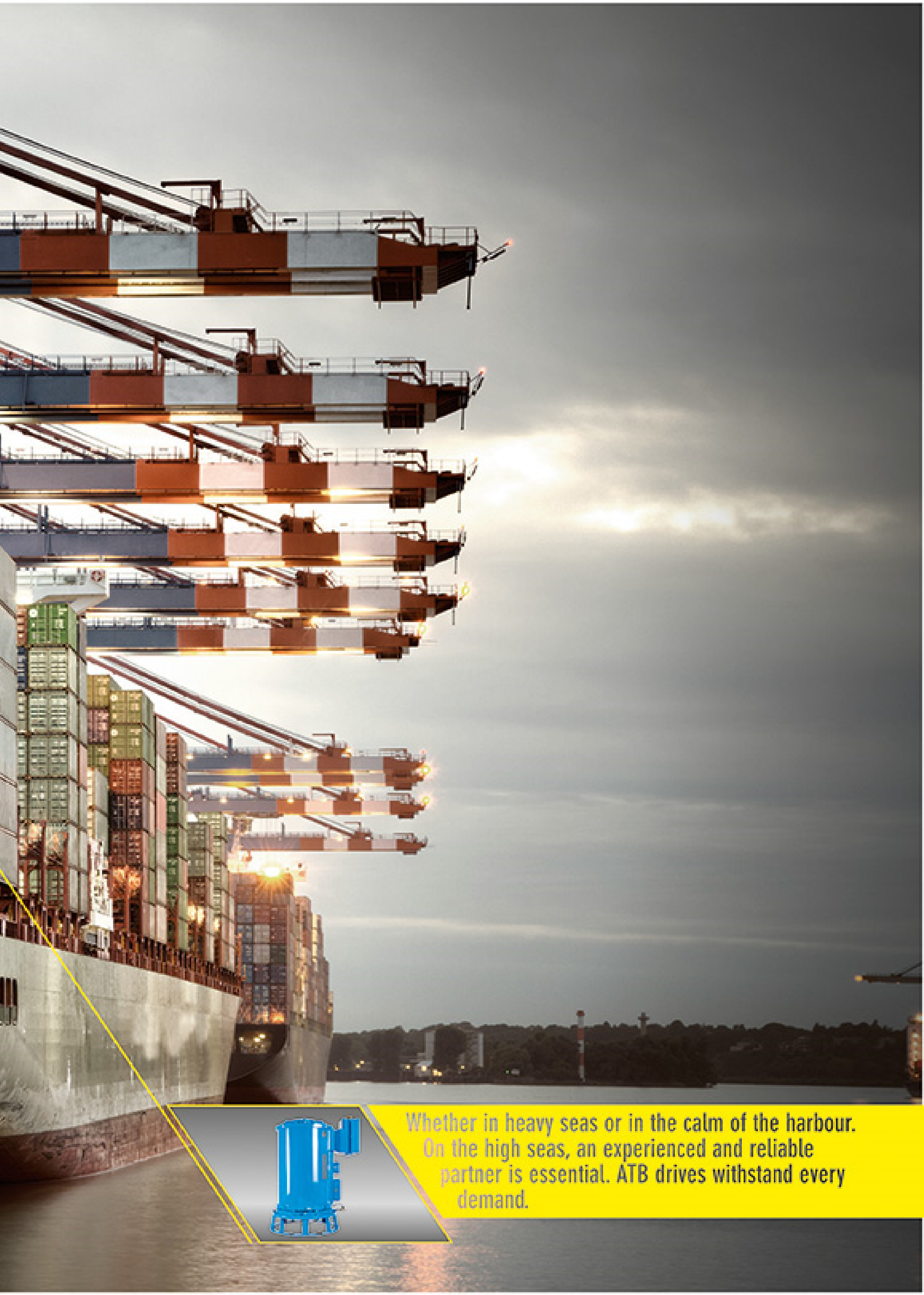
Key figures

Year-on-year comparison

TEUR	2012	2011 restated	2010
Share capital	26,657	26,657	26,657
Number of shares	11,000,000	11,000,000	11,000,000
Share price			
High	5.77	5.80	8.00
Low	0.17	1.85	2.30
Year-end	4.49	5.70	2.58
Sales revenues	336,018	337,448	307,507
Order backlog	116,515	131,556	129,640
EBITDA	26,784	21,253	13,296
Impairments	–2,098	–2,478	–88,479
Reversed impairments	351	29,820	0
Operating result (EBIT)	16,263	41,895	–88,199
Earnings before taxes (EBT)	10,309	36,602	–100,700
Result for the period	17,338	31,833	–106,352
Cash flow from operating activities	14,971	6,564	3,316
EBT in % of sales revenues	3.1%	10.8%	–32.7%
Investment			
in intangible assets and property, plant and equipment	15,745	9,662	9,504
Employees (including apprentices)	3,509	3,554	4,066
Total assets	288,880	307,135	241,059
Equity	97,482	76,527	39,204
in % of total assets	33.7%	24.9%	16.3%

Contents

We draw attention to the fact that the English translation of this long-form audit report according to section 273 of the Austrian Business Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.



Whether in heavy seas or in the calm of the harbour. On the high seas, an experienced and reliable partner is essential. ATB drives withstand every demand.

Letter from the Managing Board

Ladies and gentlemen,

The 2012 financial year was marked by economically difficult market conditions and a fundamental change in the composition of the Managing Board team. Following an eventful year in 2011, the ATB Group was nonetheless able to stabilise and even significantly improve its performance in 2012. The new owner, WOLONG, once again showed itself to be a reliable partner with distinct ambitions for the growth of the motor group.

Former Chairman of the Managing Board Christian Schmidt ended his term of office on the Managing Board on 30 June 2012, ahead of schedule, to take on a new business challenge. Soon thereafter, Christian Schmidt joined the Supervisory Board of the Group in order to be able to keep supporting the successful implementation of the growth strategy in an advisory capacity. The Supervisory Board appointed Andreas Schindler, a member of the ATB Group's management team, as the new CEO of ATB Austria Antriebstechnik AG effective 1 July 2012. Additionally, Ian Lomax has since 17 February 2012 enhanced the leadership team as Chief Operations Officer. He transferred to Group headquarters from the management of the ATB Morley site. The new Managing Board team's most pressing task was to work out a medium-term strategy for all key business areas while also continuing the further development of the Group.

Earnings figures for 2012 show a level of sales revenue (EUR 336.0 million) that is roughly similar to the 2011 level (EUR 337.4 million). EBITDA, however, rose by a considerable 26% to EUR 26.8 million in 2012 (compared to EUR 21.3 million in 2011). This improvement in operative performance was achieved through production optimisation, improved processes in all divisions, workforce reduction at some individual sites and adjustment of trouble spots. This financial year's results once again demonstrated that suitable integration measures can create vital synergy. Together with WOLONG, the ATB Group was able to further advance our current projects while also increasingly providing internal services which were previously outsourced.

The financial restructuring of the ATB Group likewise continued to proceed successfully in 2012. As at 31 December 2012, the company showed a notable equity ratio of 33.7%. The financing structure was further improved. A long-term loan in the amount of EUR 20 million was issued to ATB Austria Antriebstechnik AG, Vienna, by the Chinese Development Bank (CDB) to strengthen ATB's business operations. The CDB has also expressed its willingness to expand this cooperation.

With its recovery strengthened by sustained positive results, investment activities resumed in 2012 after a moratorium on capital expenditure in 2010 and 2011. This meant that a sum of EUR 15.7 million was continually invested in all sites. These investments included the installation of cutting-edge test facilities, the launch of operations at multiple CNC machining centres and the construction of new production halls. Investments also focused heavily on the optimisation of logistics and manufacturing processes. The introduction of SAP to the ATB Tamel site furthermore significantly improved production planning as well as financial and controlling processes during 2012.

A major share of the capitalised own work, EUR 4.3 million, went to investments in the area of product development, primarily for projects to improve energy efficiency. The company is considered a forerunner in the development of motors in the IE3 and IE4 energy efficiency classes. A full range of IE3 products was successfully introduced in 2012. In the second half of the year, a special IE4 solution was registered for patent approval at the Spielberg site. Additional projects to further develop our product portfolio on an on-going basis were launched so that in the future we can continue to be regarded as a top supplier in the production of energy-efficient drives.

In the operating divisions, optimisation efforts focused primarily on the entire supply chain. A strong emphasis was placed on improving customer service in order to further realise our potential for increased revenue. A key issue in this area was reducing lead-time, which encompasses both delivery times and the timeframe for bidding. Above all, however, we concentrated on improving delivery reliability so that our customers can keep viewing us as a trustworthy partner that reacts quickly and flexibly to their needs. Alongside customer service, we also focused on optimising production and supplier logistics. Continual optimisation was able to significantly reduce manufacturing costs while also increasing manufacturing efficiency. Improvements in production processes were thus achieved at multiple sites. The change was most evident at our Polish site ATB Tamel, where the entire manufacturing set-up was altered and whole areas of production were reconfigured. In the area of supplier logistics, we likewise focused on tapping into internal synergies and manufacturing capacities. Already in 2012, some previously outsourced production steps could be taken care of internally. In this area, it was above all our Serbian site ATB Sever that was positioned and further developed as a component supplier. The steps to optimise operations are being continued in 2013.

As part of our efforts to focus even more on the Group's core competencies, we began to reorganise sales in 2012. In future we want to meet our customers' individual requirements even more, and orient ourselves more to the needs of specific markets and segments. This new sales strategy has created a matrix structure through which we equally take into account both various industries (oil and gas, chemical, marine etc.) and different applications. Through our increased focus on customer service and improved customer relations, we were also able to significantly improve our delivery reliability. Marketing supports sales through a range of newly implemented measures, including the ATB Group website, which was relaunched in November. The new website also supports the new sales strategy by placing a focus on our customers' needs and on our competencies in a broad range of target industries. Among all our efforts in the past year, we always maintained a focus on integrating the individual sites. Along with our parent company WOLONG, we were able to take considerable steps forward in this regard.

In the future, the ATB Group would like to keep growing and become a global player. While we have thus far strongly concentrated our presence in Europe, in 2012 we introduced the necessary measures to give the ATB Group a more global orientation. We opened a new sales branch in Shanghai to engage intensively with the Asian market. Our Lindeteves-Jacoberg organisation also built three new logistics centres in the U.S. cities of Chicago, Cleveland and Houston. Additionally, we have for many years been working with a large number of sales partners worldwide, thanks to which our products are now represented on every continent.

Following two eventful years, in 2012 we were able – together with WOLONG – to restore needed stability and continuity to our Group. We are convinced that the measures taken have laid the groundwork for us to continue growing even in an economically challenging environment.

We and our employees look forward to the tasks ahead. We would like to thank every one of our 3,509 employees for their achievements and contributions, their continued loyalty and their clear dedication. We would also like to thank our Supervisory Board for the work they have done. Finally, thank you very much to our customers, suppliers, financial partners and stockholders for the trust they have placed in our company.

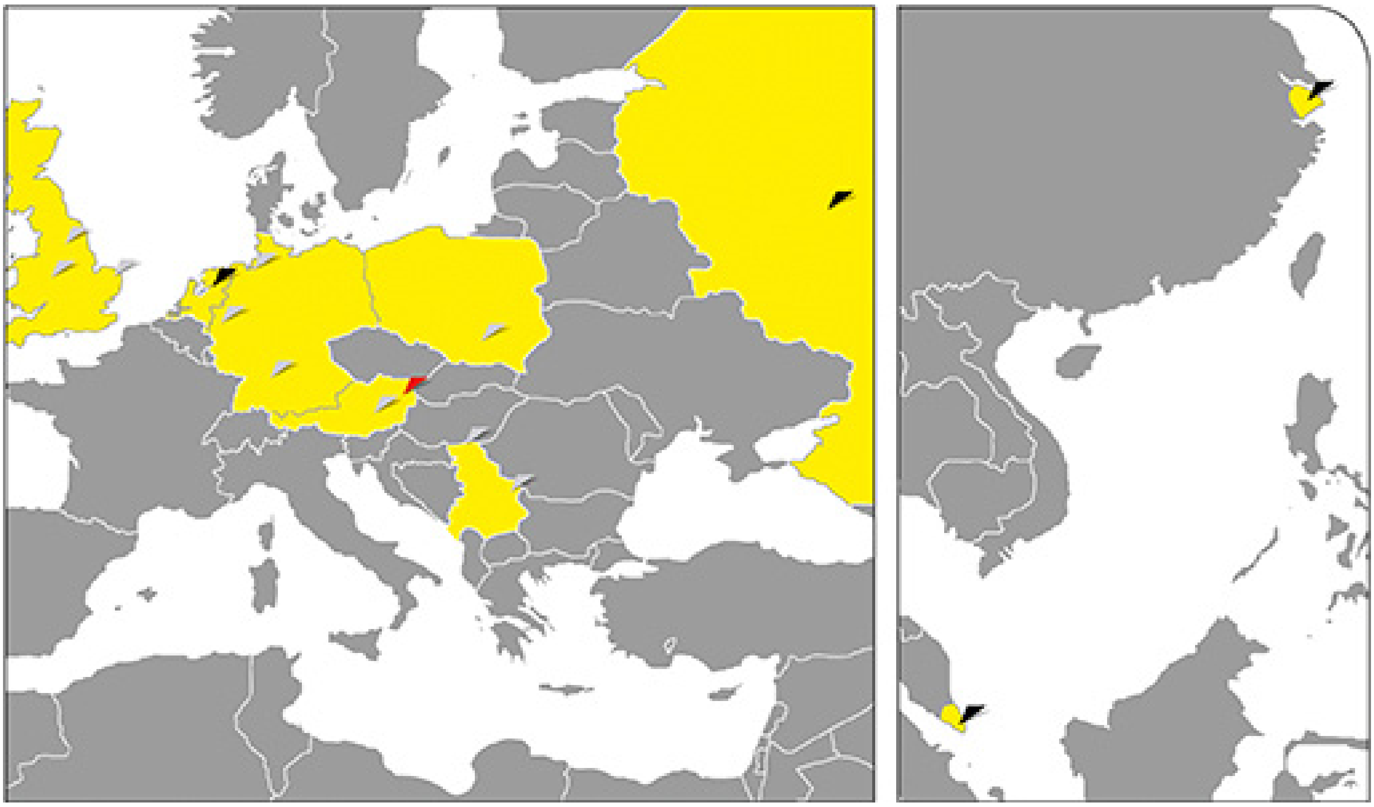
The Managing Board
Vienna, 13 March 2013

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

ATB Austria Antriebstechnik AG



Headquarters:

ATB Austria Antriebstechnik AG	Vienna	Austria

Headquarters of important subsidiaries:

Production sites

ATB Motorenwerke GmbH	Spielberg	Austria
ATB Antriebstechnik GmbH	Welzheim	Germany
ATB Schorch GmbH	Moenchengladbach	Germany
ATB Nordenham GmbH	Nordenham	Germany
ATB Morley Ltd.	Leeds	United Kingdom
ATB Laurence Scott Ltd.	Norwich	United Kingdom
ATB Special Products Ltd.	Cradley Heath	United Kingdom
Fabryka Silników Elektrycznych Tamel S.A.	Tarnów	Poland
ATB Sever d.o.o.	Subotica	Serbia
ATB Fod d.o.o.	Bor	Serbia

Sales branch

ATB Motors B.V.	IJsselmuiden	Netherlands
ATB Motors (Shanghai) Co. Ltd.	Shanghai	China
ATB Rus OOO	Moscow	Russia

Interest

Lindeteves-Jacoberg Ltd.	Singapore	Singapore

The Managing Board:

Andreas Schindler
Chairman of the Managing Board

Ian Lomax
Member of the Managing Board (from 17 February 2012)

Yingzhu Chen
Member of the Managing Board (from 7 December 2011)

The Supervisory Board:

Jiancheng Chen
Chairman of the Supervisory Board (from 19 October 2011)

Jianqiao Wang
Deputy Chairman of the Supervisory Board (from 19 October 2011)

Yanni Chen (from 19 October 2011)

Peter Wittmann (from 15 March 2012)

Christoph Matznetter (from 15 March 2012)

Christian Schmidt (from 2 August 2012)

Financial Calendar 2013

Balance sheet date:	31 December 2012
Annual financial report 2012:	30 April 2013
Annual General Meeting:	7 May 2013
Result of 1st quarter 2013:	25 April 2013
Result of 2nd quarter 2013:	15 August 2013
Result of 3rd quarter 2013:	23 October 2013


Between stone, dust and heat. In the roughest and toughest of environments, it is crucial that you can rely on your equipment.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Management Report

The business activities of ATB Austria Antriebstechnik AG encompass the sale, development, production and distribution of electric drive systems and related electronic systems. The Group aims to develop, test and produce optimal drive solutions for its customers and their individual applications and projects. In doing so, the Group draws on an array of technologies, solutions and options in a broad performance range (from 50 watts to 25 megawatts), which are manufactured at a total of ten production sites, are used at three further sales subsidiaries, and are developed further on an on-going basis.

Economic conditions

Last year the Group faced the challenge of navigating a difficult economic climate which was heavily marked by the euro crisis. In the German electrical and electronics industry, which has a 45% share of ATB Group sales and is thus one of the Group's most important markets, incoming orders decreased by 9% and revenue declined by 3%*.

Both the euro crisis and the general economic climate led many customers to postpone or delay larger projects due to insufficient financing power. Unrest in the Middle East and the trade embargo against Iran also had an impact. Resultantly, previously received orders totalling EUR 15 million could not be fulfilled due to insufficient financing.

Business development in 2012

The combination of all of these factors also led to a 6.6% decline from 2011 in the ATB Group's new orders, which totalled TEUR 329,153 in 2012. The most significant decline came in the second quarter. This trend in turn led to a revenue decline of roughly 1.5% in the third and fourth quarters.

Despite the difficult economic situation, the monetary crisis and the decline in new orders, ATB was able to keep its revenues nearly at the 2011 level. Operative performance, however, improved notably in all areas of the company, thanks to on-going improvement measures. The Group's EBITDA grew by 26% compared to the previous year, to EUR 26.8 million.

The improvement in operative performance could be attributed above all to the optimisation of material and personnel costs. Material costs were reduced chiefly through improvements in the area of procurement, but also through the adjustment of the product mix. Thus, the share of the more profitable project business in total revenues increased significantly in 2012. Wages and salaries in individual countries increased by an average of 4% on the basis of annual collective wage agreements. Through a broad range of measures, however, the ATB Group was able to limit the increase in personnel costs to 1.6%. The Group must continue to strive to compensate for annual wage increases through increases in productivity and improvements in processes.

The past year's results were also negatively impacted by currency exchange rate losses from operating activities in the amount of TEUR –1,062, whereas currency exchange gains of TEUR 397 from operating activities were posted for the entire year of 2011. Currency exchange losses in 2012 were largely attributable to non-cash conversions between the euro and other currencies.

It was first and foremost the production site in Spielberg, Austria that struggled against the sluggish economy, which was reflected in a 15% decline in new orders compared to the previous year. However, last year ATB Spielberg took important steps in the development of IE4 efficiency class drives and applied for the relevant patents, thereby positioning the company well in the area of energy efficiency.

Because of its trade in products and components from Spielberg, the ATB Welzheim site was also very strongly impacted by the level of orders at its sister company. Key improvements were implemented in production, including the overhaul of the test facility, the installation of a CNC processing machine and the acquisition of a machine for multi-step shaft machining.

At the ATB Nordenham plant in northern Germany, the ATB Group continued to focus on providing products for hazardous atmospheres to the chemical and petrochemical industries. In 2012, ATB was able to control an impressive 55% share of the market. The full product range is now in the IE3 efficiency class. Intensive work is underway to implement efficiency class IE4. Investments totalling EUR 5.3 million were devoted not only to a modern CNC shaft machining centre and a technologically cutting-edge test facility but also to new production halls. Construction was started on an assembly hall, a warehouse with an integrated paint shop and a shipping warehouse.

* See ZVEI German Electrical & Electronic Industry 2012

Due to sluggish economic growth, ATB Schorch faced fierce competition. Its main sales market, Germany, showed a 9% decline in 2012. Political unrest in the Middle East and trade embargoes also affected the site's earnings. At the same time, ATB Schorch was able to broaden its production options and shorten its delivery times. In its efforts to better harness its internal resources, ATB Schorch is cooperating very well with the ATB Sever site in Serbia. Additionally, the first implementation phase of a range of investments totalling EUR 10 million was launched, of which EUR 2.5 million took effect in 2012.

The economic slowdown also made its mark on ATB Tamel in Tarnów, Poland, although the effect there was not as pronounced as at the Spielberg site. Compared to 2011, the order level declined by 6%. The site took a major step by acquiring CC certification for the NEMA premium product, making it possible to enter the North American market (U.S. and Canada). The majority of production underwent total reorganisation, which significantly increased efficiency in many different production processes. The comprehensive introduction of SAP optimised the site's production planning and its financing and controlling activities.

The on-going restructuring process at ATB Sever moved forward in 2012 with the optimisation of product offerings, a clear focus on production, improvements in the efficiency of manufacturing and a 17% reduction in excess personnel capacities. This strategic re-orientation made it possible to further reduce costs. The product range was enhanced, particularly in the area of hydropower, which positioned the company well in this market. Through the Group-wide integration project, ATB Sever's cooperation with its sister sites on additional products was broadened and thereby intensified. As part of this collaboration, the Sever site produces components and finished products for ATB Schorch, ATB Morley and other sister companies.

The ATB Fod site receives a large share of its orders from the neighbouring RTB copper mine, which led to good returns in 2012. The delayed placement of orders for small water turbines, however, exerted a downward pull on ATB Fod too.

Starting the year at an already strong position in terms of the volume of new orders, ATB Morley was able to increase its sales revenues by 22%. The slowdown in the global economy, however, markedly reduced demand for coal and thus also reduced investment activity in this market, which caused the volume of new orders to weaken over the course of the year.

The ATB Laurence Scott plant in England continued to feel the effects of the A-TEC crisis, but was able to rekindle and further expand its old customer relations in 2012. The fact that some new orders have already been placed is evidence of this regained trust. A new test facility including noise separation was also completed. This is the largest test facility that the manufacturer has ever installed, and is one of the largest test facilities in all of Europe. It should first and foremost be underscored that the plant has achieved an extraordinary level of delivery reliability, attaining unprecedented 100% reliable delivery of high-voltage motors for the last four years in a row.

The small ATB Special Products plant in Cradley Heath, UK, which was previously part of the Brook Crompton Organisation, has now established itself as an ATB plant. This site offers innovative solutions for special applications. Following a restructuring phase and a relocation to a new site in Cradley Heath, the site achieved the largest income in its history in 2012.

Procurement

Generally subdued economic conditions resulted in a low level of volatility in raw materials costs in 2012. The price of copper, for example, fluctuated only slightly over the course of the year, and was 6% higher at the end of 2012 than it had been at the end of 2011. Steel prices remained largely stable. Due to the worldwide level of demand over the course of the year, steel prices even declined slightly. Changes in raw materials prices thus had little impact on material costs in 2012.

Our cooperation with WOLONG made it possible to start a joint project to gain a price advantage in procurement. This project was launched in 2012. The major impact of these cost optimisations is expected to take effect in the coming years. This long-term purchasing cooperation supports the further integration of ATB and WOLONG. Furthermore, increasing integration among plants means that previously outsourced services can now increasingly be provided from within the Group. These efforts are also being continued in the current year. Furthermore, the increased purchase of semi-finished products from lower-wage countries is planned in order to further reduce costs.

Revenues and earnings

The tense overall economic situation in the ATB Group's key markets impaired the company's revenues and earnings.

The ATB Group's new orders in 2012 totalled EUR 329.1 million, 6.6% below the previous year (previous year: EUR 352.5 million). Accordingly, the order backlog stood at EUR 116.5 million at the end of 2012, down 11.4% from the previous year (previous year: EUR 131.6 million).

In the Industrial Motors division, new orders fell slightly to EUR 165.4 million, a 3.8% decline from the previous year (previous year: EUR 172.0 million). The order backlog stood at EUR 24.8 million, a 9.6% decrease from the level the previous year (previous year: EUR 27.5 million).

In the Project Motors division, new orders fell 9.3% in 2012 to EUR 163.8 million (previous year: EUR 180.6 million), while the order backlog decreased by 11.9% from the previous year to EUR 91.7 million (previous year: EUR 104.1 million).

In the same period, the ATB Group was able to keep its revenues at the same level as the previous year. Revenues stood at EUR 336.0 million, only very slightly down from the previous year (previous year: EUR 337.4 million). The two business units showed very different trends: while revenues in the Industrial Motors division declined 4.5% in 2012 to EUR 164.2 million (previous year: EUR 171.6 million), revenues in the Project Motors division increased 3.1% from the previous year to EUR 175.4 million (previous year: EUR 165.9 million).

Of reversed impairments recognised in income totalling EUR 0.4 million in 2012, a sum of EUR 0.3 million was attributable to the Industrial Motors division and EUR 0.1 million to the Project Motors division. Of write-downs on intangible assets and property, plant and equipment of EUR 2.1 million (previous year: EUR 2.5 million), a sum of EUR 0.3 million (previous year: EUR 0.2 million) was attributable to the Industrial Motors division and a sum of EUR 1.8 million (previous year: EUR 2.2 million) was attributable to the Project Motors division.

In 2012, reversed impairments recognised in income totalling EUR 0.4 million for property, plant and equipment were reported. Of this total, a sum of EUR 0.3 million was attributable to technical equipment and machinery. Concessions, trademarks and similar rights and licences were responsible for roughly 50% of write-downs in 2012, which totalled EUR 2.1 million (previous year: EUR 2.5 million). The remainder of write-downs in 2012 were attributable to property, plant and equipment. In 2011, it was primarily land and buildings that were affected by write-downs. Property, plant and equipment in the amount of EUR 26.0 million was written down in 2011, while intangible assets were written down in the amount of EUR 3.8 million. EUR 14.3 million of the reversed impairments recognised in income in the category of property, plant and equipment concerned land and buildings, while EUR 11.7 million concerned machinery, fixtures and fittings, and tools and equipment.

Adjusted for one–off effects, EBIT was as follows:

Adjusted EBIT

EUR million	2012	2011 restated	2011
EBIT	16.3	41.9	45.2
Other restructuring expenses	0.9	2.1	2.1
Impairment of intangible assets	1.0	0.0	0.0
Impairment of property, plant and equipment	1.1	2.5	2.5
Reversed impairment of intangible assets	0.0	–3.8	–3.8
Reversed impairments of property, plant and equipment	–0.4	–26.0	–26.0
Adjusted EBIT	**18.9**	**16.7**	**20.0**

Adjusted for one-off effects of impairments and restructuring expenditures, the EBIT margin for 2012 was 5.6% (previous year: 4.9%). The EBIT margin including one-off effects was 4.8% (previous year: 12.4%).

The financial result declined by 12.5% to EUR –6.0 million (previous year: EUR –5.3 million).

ATB consolidated income statement

EUR million	2012	2011 restated	2011
Sales revenues	336.0	337.4	337.4
EBIT	**16.3**	**41.9**	**45.2**
Financial result	–6.0	–5.3	–5.3
Earnings before taxes	**10.3**	**36.6**	**39.9**
Income taxes	–0.3	–0.2	–1.1
Profit/loss from continued operations	**10.0**	**36.4**	**38.9**
Profit/loss from discontinued operations	**7.3**	**–4.5**	**–4.5**
Result for the period	17.3	31.8	34.3
Thereof result of non-controlling interests	4.2	–0.3	–0.3
Thereof result of the parent company's shareholders	13.1	32.1	34.6
Diluted and undiluted result of the parent company's shareholders per share in EUR	**1.19**	**2.92**	**3.15**

The result from discontinued operations totalled EUR 7.3 million (previous year: –EUR 4.5 million). This result was largely attributable to the release of a provision for liabilities to BCW Electric Motor Co. Ltd. (a former subsidiary of the Lindeteves-Jacoberg Group).

ATB consolidated balance sheet

At the balance sheet date 31 December 2012, total assets stood at EUR 288.9 million, a decline of EUR 18.3 million or 5.9% from the previous year's balance sheet date (previous year: EUR 307.1 million). Non-current assets as at 31 December 2012 totalled EUR 138.9 million, up from EUR 131.2 million.

At the balance sheet date 31 December 2012, property, plant and equipment totalled EUR 96.1 million, an increase of EUR 3.5 million from the previous year (previous year: EUR 92.6 million). Over the same period, intangible assets rose by EUR 3.2 million from EUR 34.0 million to EUR 37.2 million. The change in write-ups less write-downs in 2012 amounted to EUR –1.75 million.

Current assets sank by EUR 25.8 million over the course of 2012 from EUR 175.8 million to EUR 150.0 million at the balance sheet date 31 December 2012, with cash and cash equivalents decreasing by EUR 29.4 million. Of a total sum of EUR 22.6 million in cash and cash equivalents (previous year: EUR 52.0 million), a sum of EUR 3.7 million was restricted (previous year: EUR 4.1 million) at the balance sheet date. Inventories rose by EUR 2.6 million.

Assets from discontinued operations totalled EUR 0.0 million at the 2012 balance sheet date (previous year: EUR 0.1 million).

Equity, including non-controlling interests, rose by EUR 21.0 million to EUR 97.5 million (previous year: EUR 76.5 million).

Current and non-current financial liabilities to third parties fell by 35.0% to EUR 56.7 million (previous year: EUR 87.2 million).

Assets and liabilities and financial position

The return on equity reflects the ratio of the pre-tax result to average equity. At the 2011 balance sheet date return on equity was 63.3%, while at 31 December 2012 it was 11.8%.

The return on assets (ratio of period results before taxes and interest to average total assets) declined from 15.3% at 31 December 2011 to 5.5% at the 2012 balance sheet date.

Net financial debt (interest–bearing financial liabilities less cash and cash equivalents) increased to EUR 51.5 million (previous year: EUR 49.6 million).

Net financial debt is comprises as follows:

Net financial debt

EUR million	2012	2011 restated	2011
Non-current financial liabilities	31.6	19.1	19.1
Non-current financial liabilities to Group entities	17.4	14.4	14.4
Current financial liabilities	25.1	68.1	68.1
	74.1	**101.6**	**101.6**
Cash and cash equivalents	−22.6	−52.0	−52.0
	51.5	**49.6**	**49.6**

Gearing (net financial debt to equity) at the balance sheet date fell to 52.8% (previous year: 64.8%).

The equity ratio, which is the ratio of equity to total assets, increased to 33.7% at the 2012 balance sheet date (previous year: 24.9%).

Net working capital consists of current assets less current non-interest-bearing liabilities:

Net working capital

EUR million	2012	2011 restated	2011
Inventories	53.3	50.7	56.9
Trade and other receivables	59.4	62.7	62.7
Receivables from construction contracts	14.7	10.4	10.4
Total	**127.4**	**123.8**	**130.0**
Trade payables including customer prepayments	−34.2	−36.9	−36.9
Liabilities to Group entities	−12.0	−4.2	−4.2
Other current liabilities	−13.4	−29.0	−29.0
Current tax liabilities	−2.2	−2.1	−3.0
Total	**−61.8**	**−72.2**	**−73.1**
Net working capital	**65.6**	**51.6**	**56.9**

At 31 December 2012 the net working capital totalled EUR 65.6 million (previous year: EUR 51.6 million).

In the year under review, the ATB Group incurred capital expenditures in the amount of EUR 15.7 million (previous year: EUR 9.7 million), of which a sum of EUR 10.7 million (previous year: EUR 5.7 million) was invested in property, plant and equipment, and EUR 5.0 million (previous year: EUR 4.0 million) in intangible assets. No business takeovers were conducted in 2011 or 2012.

The cash flows listed below reflect the cash flows of continued business operations. The cash flows of discontinued business operations are shown in the notes on the consolidated financial statements in the section entitled “Discontinued operations”.

Cash flow

EUR million	2012	2011
Cash flow from operating activities	15.0	6.6
Cash flow from investing activities	– 15.0	– 7.7
Cash flow from financing activities	– 31.0	42.4
Effect of exchange rate changes	1.6	– 1.1
Change in cash and cash equivalents	– 31.0	41.3

ATB share

The share capital of ATB Austria Antriebstechnik AG, Vienna, consisted of 11 million no–par–value bearer shares as at 31 December 2012. The ATB share is listed on the Vienna Stock Exchange (Standard Market Auction) under the securities identification number AT0000617832. WOLONG INVESTMENT GmbH, Vienna, holds 98.93% of the shares. The remaining shares are free float.

The ATB share was listed on 31 December 2012 at EUR 4.489 (31 December 2011: EUR 5.7), a decline of 21.25%. Due to the small free float, even a low volume of stocks traded can cause high volatility in the share price. The trade volume in the 2012 financial year was EUR 15,898.11 and 3,547 shares (single counting). The highest closing price was EUR 5.77, while the lowest closing price was EUR 0.17.

Personnel

The average number of employees in the 2012 financial year was 3,563 (previous year: 3,688). As at 31 December 2012 the number of employees was 3,509 (previous year: 3,554).

Outlook on 2013

The effects of the financial crisis continue to hamper growth in the European Union, although a gradual return to economic growth is expected in early 2013. In the ATB Group's core market of Germany, GDP is currently projected to grow by 0.8% in 2013. In 2014, the economy is expected to pick up momentum and maintain a growth rate of 2%.* For the electrical and electronic markets in particular, 1% growth is expected for the EU as a whole, and 3% for Germany, the ATB Group's most important market.** Market sentiment in general remains cautious, with a few positive indicators. The task for the ATB Group is to continue the integration efforts that were started in 2012 while also meaningfully harnessing synergies both within the Group and with WOLONG. Growth, optimisation, globalisation, synergy and product development will be the vital core issues for the ATB Group in 2013. Globalisation efforts concern sales and production as well as procurement. Regarding sales, the ATB Group will considerably strengthen its global presence in 2013. With this in mind, the ATB Group has opened a new sales branch in Shanghai. The Group will also strengthen its regional presence in North America, the Middle East and Scandinavia. Globalisation of procurement in the coming year will above all mean optimising the supplier base and concomitantly reducing costs. In the area of product development, the following measures are planned:

- Further development of energy-efficient drives and completion of the IE4 series of motors.
- Development and successful market launch of new engine technologies.
- Realisation of product development across the Group through the implementation of a series of optimisation projects.
- Value analysis projects to further improve the product offerings.
- Completion of current certifications needed for a global presence.

The planned optimisation measures fundamentally affect all production sites. The main focus, however, must continue to be placed on the current restructuring of the ATB Sever site. This project is a top priority and will continue to be moved forward in 2013. At the same time, all of the other production sites also have potential for improvement, which should be realised in

**Source: ZVEI, German association of the electrical and electronics industry: world market forecast for 2012 and 2013
* Source: European Commission: European Economic Forecast – Autumn 2012

2013. This potential lies above all in processes and structures, both in production and in administration.

Future risks and opportunities

The business activities of the ATB Group, especially in view of the Group's broad range of activities, give rise to a number of risks that can negatively influence the Group's financial development. The ATB Group depends on multiple risk management and monitoring systems in order to identify major risks ahead of time and manage them successfully.

The areas that ATB Austria Antriebstechnik AG manages in its holding function – finance and accounting, controlling, treasury and legal matters – identify and actively control financial and legal risks, and thereby comprise a central element of the risk management system. The Managing Board receives a monthly management report, which presents all key performance indicators regarding the Group's current situation as well as all potential future risks and opportunities that can be measured quantitatively or qualitatively. The operating risks associated with business operations are reported to the Managing Board at monthly management meetings, and are handled autonomously by the respective directors of subsidiaries in coordination with the Managing Board.

Financial risks

The Group's activities expose it to a number of financial risks, including the effects of fluctuations in market prices, exchange rates and interest rates. The Group's risk management policies are focused on such unpredictable developments in financial markets, and aim to identify any potential negative impacts on the Group early and thus to minimise them.

Section I of the consolidated financial statements, which deals with financial instruments and risk management, also contains a detailed description of financial risks, especially in quantitative terms.

The financial risks that are key for the ATB Group are:

- Currency exchange risk
- Interest rate risk
- Default risk
- Pricing risk, especially procurement risk
- Liquidity and cash flow risk

In the 2012 and 2011 financial years, no derivative financial instruments were used to hedge financial or other risks, or for any other purpose.

In the 2012 and 2011 financial years, currency exchange risk and interest rate risk were not actively limited. These risks are currently being measured passively and checked regularly as to whether there is the potential or the need for hedging.

Protection against default risk has been taken in the form of a Group insurance policy for all operational entities through a credit insurance firm. Risk from payment default has thus been significantly reduced.

Material costs and raw material price trends represent an important factor in ATB's risk management. Across the entire Group, material costs made up 47.4% of revenues and were, together with personnel costs, the major factor influencing the profitability of the Group.

The key raw materials for ATB's business are electric sheeting and copper. ATB seeks to minimise risk by indexing prices, through price escalation clauses in contracts and agreements, and by closely monitoring and analysing price development. Nevertheless, a risk remains that future increases in raw material prices will have a negative effect on the Group's results. The availability of critical components such as special bearings and castings also represents a risk factor.

Essentially, the development of raw material prices is dependent on the economic development of the market, although the particular raw materials traded on the stock exchange may show a development that is influenced by speculators and that does not reflect economic trends. On the basis of the forecasted slight economic recovery, the ATB Group, however, expects that the trend in raw material prices will remain manageable.

The most significant financial risk for the ATB Group is liquidity risk, which is elaborated upon in the following.

Short-term financing within the Group is provided in part on the basis of factoring, with both genuine factoring (transfer of the default risk) and non-genuine factoring (the risk remains with the Company) being employed.

On the basis of financial support from the new owner, the Group entities were able to further expand their business operations. It was possible to secure the necessary capital for this in 2012.

Management introduced the necessary actions to ensure the supply of liquidity in 2012. Business certainty arises from the presence of adequate cash and cash equivalents, as well as the possibility of financing through sufficient credit lines. In view of the dynamic nature of the underlying businesses under the aforementioned circumstances, we sought to provide the greatest possible flexibility.

Management assumes that the new ownership structure and the focus on core tasks will provide a solid foundation for the further successful development of the Group. With support from the newly established project management office, all current projects have been prioritised with a focus on the optimisation of processes and organisation in project development. We are continuing to focus on greater flexibility and resource adjustment at bottleneck work centres. The Company's orientation is becoming sharper and more directed towards the conclusion of contracts with customers. We expect positive effects on quality and lead time, which will foster stability.

Obligations of ATB Austria Antriebstechnik AG deriving from letters of comfort were able to be limited, such that risks from remaining obligations only persist where the actual risk is assessed as very low. Furthermore, through negotiations, payments due on some bank loans were postponed to 2013.

Between 23 March and 1 April 2012, a claim made against Lindeteves-Jacoberg Ltd., which arose from the legal dispute with Brook Crompton Western Electric Motors (Dalian) Co., Ltd., Dalian (see J.16 and J.21), was assigned to WOLONG INVESTMENT GmbH, Vienna, by way of several transactions. Subsequently, on 5 April 2012 Lindeteves-Jacoberg Ltd. agreed to a payment plan with WOLONG INVESTMENT GmbH, Vienna, which stipulates payments totalling TEUR 253 in 2012 and additional payments totalling TEUR 8,213 in the years 2013 to 2016. The claim is guaranteed through a letter of comfort issued by ATB Austria Antriebstechnik AG. The initial payments are being made as scheduled.

Market and competition risks

As the ATB Group does business in numerous countries outside the traditional European markets and is thus confronted with different political, social and economic circumstances, it faces a wide range of different risks and opportunities. As described above in the section on financial risks, the comments on opportunities and risks regarding trends in the economy also apply here.

Competition is becoming more intense in all areas and markets. In the segment for motors in the low output range, the number of market players is continually rising as globalisation progresses. In particular, suppliers from low-wage countries are increasingly pushing into the market. In the area of project-based business, financing difficulties are decreasing the number of projects being realised. This shortage is also leading to more intense competition.

Continuing to succeed in this market requires innovation and strong customer service. In this regard, the ATB Group is focusing on the continuing development of energy-efficient drives by producing a complete series of motors in the IE4 efficiency class. Additionally, the Group is continuously working on the development of new technologies. Permanently examining and improving the cost-efficiency of existing solutions is necessary in order to remain competitive in the future. As mentioned above, the future course of raw materials prices is very difficult to predict and presents an additional risk, which can only be resolved through effective Group-wide coordination and the active inclusion of suppliers.

Further opportunities for the ATB Group lie in the development of the niche strategy and of the customer-specific solutions it requires. Another area of focus for the ATB Group is the further development of special market segments (oil & gas, chemicals & petrochemicals, marine, etc.).

Risks in Eastern Europe and foreign currency risks

The ATB Group is represented by subsidiaries in Serbia and Poland. Currency exchange rate fluctuations, emerging weaknesses in legal systems and discrimination against foreign market players could have a negative impact on the Group's assets and liabilities, financial position, and earnings.

Personnel-related risks

The successful on-going development of the ATB Group depends critically on the availability of adequate staff resources to handle the tasks it faces. After the initiation of the A-TEC restructuring proceedings, some employees resigned. The situation has stabilised since the takeover by WOLONG INVESTMENT GmbH, Vienna, and the attrition rate is now average.

Legal risks

There are warranty cases that are consistent with the ordinary business operations of an industrial corporation. For such cases, provisions have been set up. Beyond this, we know of no significant further risks.

Financial reporting risk management and internal monitoring system

Business operations present ATB Austria Antriebstechnik AG with risks that the Company confronts consciously. In general, risk management and internal monitoring systems also include financial reporting processes and all risks and controls relating to financial reporting. These include all parts of the risk management and internal monitoring system that could significantly impact the consolidated financial statements.

The goal of the risk management system in regard to the financial reporting process is the identification and evaluation of risks that could stand in the way of the goal of conforming the consolidated financial statements to regulations. Recognised risks are to be valued according to their impact on the consolidated financial statements, if necessary in consultation with external experts.

In this regard, the aim of the internal monitoring system is to ensure adequate security through the implementation of appropriate controls so that the consolidated financial statements are reported in accordance with regulations despite identified risks.

The risk management system and the internal control system encompass the local accounting departments of Group entities as well as central Group accounting. The processes relevant to the reporting of the financial statements are monitored and controlled by central Group accounting. The process of producing the consolidated financial statements follows a strict schedule. Deadlines are issued for the entire financial year. Additionally, Group entities receive on a quarterly basis detailed information and Group specifications for selected topics related to the reporting of the quarterly financial statements. Controls relevant to financial reporting are oriented particularly to the risks of significant misstatements in financial reporting. Assessment of significance of misstatements is contingent on the probability of occurrence as well as on the financial impact on sales, EBIT and total assets.

Clear allocation of responsibilities and controls in the creation of the financial statements is an essential element of risk management and monitoring in financial reporting. Additionally, consistent Group-wide accounting and measurement policies must be outlined in the Group handbook. IFRS amendments are monitored continuously by Group accounting. The instructions clearly regulate the responsibilities entailed in engaging outside experts. Key principles of the system of controls in financial reporting include the separation of functions and the principle by which all texts are proofread by a “second set of eyes”.

Identified control deficiencies and their interception are reported to the management and investigated to determine how significant they are. The Managing Board is informed when control deficiencies with a significant impact on financial reporting are identified. Appropriate controls are carried out and documented in an IT system in order to counter the financial reporting risks included in the central risk catalogue. This documentation is followed by an assessment of whether the described controls are adequate to deal with risks.

Environmental protection and security

The majority of the ATB Group’s products are designed and certified for safe operation in hazardous atmospheres. As a matter of course, these unusual circumstances have instilled in employees and managers a heightened awareness of health, security and environmental protection in the context of manufacturing processes. Accreditation according to ISO 14001 and ISO 18001 is underway and is scheduled for completion in 2015.

The ATB Group works constantly to minimise its own energy consumption and shorten transport distances. The Group views it as its responsibility – not only on the basis of legal obligations – to continually improve the energy efficiency of products and thereby act sustainably. In order to improve the safety of production processes, training sessions and skill enhancement are offered on an on-going basis on the topic of workplace safety.

Research and development

With 216 employees working in the area of development, the ATB Group continually invests in the optimisation and improvement of its products so that it can even better meet the individual requirements of its customers.

The vast majority of products are tailor-made solutions for the customers of the ATB Group. This marked specialisation demands continuous advancement of research and development activities. The development of customer solutions ranges from design to simulation of solutions, including the production of prototypes and their intensive and exhaustive testing in the laboratories and test facilities, to optimised production. The technical skills of ATB's design teams also enable them to analyse conceptual designs in the context of large-scale projects at the customer's location and in some cases lead to what are known as demonstration solutions. Most development projects are conducted with the highest level of confidentiality between ATB and its customers.

The ATB Group develops products that are in line with the current trends in the market or already anticipate future developments in terms of methods of use and legislative requirements. The on-going efforts to develop motors with even higher levels of efficiency demonstrate this clearly forward-looking orientation. ATB has already developed solutions for the IE3 efficiency class and is currently working on a series of concepts for the next step – efficiency class IE4.

In 2012, the Group started a long list of projects including product rationalisations, certification according to GOST, UL, CSA and other standards; and the development of sealing solutions conforming to IP67; as well as the development of synchronous motors and generators and of increasingly complex controlling and monitoring solutions. Since last year, ATB has also been working on the integration of variable speed drives, high-speed solutions and improvements for cooling devices.

The Group has also invested in insulation testing for high temperatures, nuclear certification and renewable energy solutions. Important progress was also made in the application and testing of special coatings for use in corrosive environments. Additionally, the Group has developed its own new tools for construction, analysis and testing.

New state-of-the-art testing facilities were installed and brought into operation at the ATB Laurence Scott site (UK) and the ATB Nordenham site (Germany). The testing facility at ATB Laurence Scott is designed to perform tests of up to 15 megawatts at full load, which puts it among the largest testing facilities in Europe. Other ATB production sites also saw the improvement of testing facilities. A substantial expansion of the testing facility at ATB Schorch is currently being evaluated.

The Group's programme to create synergy will also continue in 2013 in the area of research and development. The pooling of technical know-how and the further integration of the different sites are intended to yield closer cooperation and shorter development times.

Disclosures pursuant to section 243a of the Austrian Business Code (UGB)

1. The share capital of ATB Austria Antriebstechnik AG is EUR 26.7 million or 11.0 million bearer shares and has been fully paid. All shares have the same rights and duties.

2. Nothing is known about any restrictions concerning voting rights or the transfer of shares.

3. The shareholder structure of ATB Austria Antriebstechnik AG is dominated by majority shareholder WOLONG INVESTMENT GmbH, Vienna, which holds roughly 99% of share interest in the Company. About 1% of the shares are free float.

4. There are no shares with special control rights.

5. There is currently no employee stock option plan.

6. Regarding the members of the Managing Board and the Supervisory Board, there are no provisions over and above the statutory regulations. Nor are there any provisions regarding the amendment of the company bylaws other than those deriving directly from the law.

7. Thus far, the Managing Board has not made any decision on a share buyback scheme.

8. There are no compensation agreements as defined in section 243a(9) of the Austrian Business Code (UGB).

9. Some existing agreements with banks and legal entities include a right of extraordinary termination in the event of a change of control. If a change of control occurs, the consent of these financial partners is necessary in order to preserve the financing structure.

ATB Austria Antriebstechnik AG
Vienna, 13 March 2013

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

Declaration of the Managing Board pursuant to section 82 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

ATB Austria Antriebstechnik AG
Vienna, 13 March 2013

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

Corporate Governance Report

Mandatory disclosures in accordance with section 243b (1) of the Austrian Business Code (UGB)

ATB Austria Antriebstechnik AG, which is listed in the Standard Market Auction segment of the Vienna Stock Exchange, does not commit to the optional compliance with the Austrian Corporate Governance Codex, as the Company, although listed, is not publicly traded. (The shareholder structure of ATB Austria Antriebstechnik AG is dominated by the majority shareholder WOLONG INVESTMENT GmbH, Vienna, which holds roughly 98.8% of share interest in the Company. About 1.1% of the shares are free float.)

Disclosure of composition

Disclosure of the composition of the Managing Board

Name	Year of birth	Position	Date of first appointment	End of current period of appointment	Supervisory Board memberships
Christian Schmidt	1957	CEO	15/9/2009	30/6/2012	Emco Maier GmbH (Deputy Chairman of Supervisory Board)
Hailong Wang	1976	Member	7/12/2011	30/6/2012	Board Secretary of WOLONG Electric Group Co., Ltd. Director of Development and Investment Department of WOLONG Holding Group Co., Ltd.
Yingzhu Chen	1967	CFO	7/12/2011	for an indefinite period	Deputy General Manager of WOLONG Electric Group Co., Ltd.
Ian Lomax	1958	COO	17/2/2012	for an indefinite period	none
Andreas Schindler	1971	CEO	1/7/2012	for an indefinite period	none

Disclosure of the composition of the Supervisory Board

Name	Year of birth	Position	Date of first appointment	End of current period of appointment	Supervisory Board memberships
Jiancheng Chen	1959	Chairman	19/10/2011	AGM 2016	Chairman of WOLONG Holding Group Co., Ltd. Chairman of Zhejiang WOLONG Property Investment Co., Ltd. Chairman of WOLONG SHUNYU Investment Co., Ltd. Chairman of Shaoxing Oli-WOLONG Vibrator Co., Ltd. Chairman of Zhejiang WOLONG International Business Co., Ltd. Chairman of WOLONG Real Estate Group Co., Ltd.
Jianqiao Wang	1963	Deputy Chairman	19/10/2011	AGM 2016	Director of WOLONG Holding Group Co., Ltd. Chairman of WOLONG Electric Group Co., Ltd. Chairman of WOLONG Electric Wuhan Motor Co., Ltd. Director of WOLONG Electric Group Hangzhou Research Institute Co., Ltd. Chairman of WOLONG International (Hong Kong) Co., Ltd. Chairman of WOLONG Electric Group Zhejiang Transformer Co., Ltd.
Yanni Chen	1982	Member	19/10/2011	AGM 2016	Director of WOLONG Electric Group Co., Ltd. Deputy General Manager of Shanghai WOLONG International Business Co., Ltd.
Peter Wittmann	1957	Member	15/3/2012	AGM 2016	Supervisory Board membership: Erste Burgenlaendische Gemeinnuetzige Siedlungsgenossenschaft – registrierte Genossenschaft mit beschraenkter Haftung (Chairman) Suedraum Gemeinnuetzige Wohnbaugesellschaft m.b.H. (Member of the Supervisory Board) Director: DaDuc Beratungs- und Beteiligungs GmbH
Christoph Matznetter	1959	Member	15/3/2012	AGM 2016	Supervisory Board membership: Bundessporteinrichtungen GmbH
Christian Schmidt	1957	Member	2/8/2012	AGM 2016	Director: J.E. Loidold Gesellschaft mbH, Vienna A-TEC Immobilienvermietung GmbH, Vienna J.E. Thomson Advisors GmbH, Vienna KPSK GmbH, Vienna SMC Beratungs- und Beteiligungs GmbH, Vienna Managing Board: Energy Investment Kraftwerkerrichtung AG, Vienna

Audit committee

The audit committee is the only committee established by the Supervisory Board and is composed of the following members of the Supervisory Board: Jiancheng Chen, Jianqiao Wang, Yanni Chen, Peter Wittmann and Christoph Matznetter, the latter serving as the financial expert pursuant to section 92(4a) of the Austrian Stock Corporation Act (AktG).

Responsibilities of the Managing Board members

Name	Responsibilities (as of 1 July 2012)
Andreas Schindler	Investor relations and public relations Restructuring Strategy Investments Employees Marketing Sales, marketing and sales controlling M&A
Yingzhu Chen	Bookkeeping and Group accounting Risk management Controlling Law and insurance Treasury and taxes
Ian Lomax	Information technology Production process management Quality Purchasing Research and development Integration

Number of committee and Supervisory Board meetings

Four meetings of the Supervisory Board and two meetings of the audit committee were held in the 2012 financial year. In accordance with the statutes, all members personally attended more than half of the meetings. In the 2012 financial year, there were no contracts requiring approval.

Policies to encourage women in positions of leadership

It is the goal of the ATB Group to promote equally qualified women in the Managing Board, Supervisory Board and leadership positions without, however, setting quotas. On 7 December 2011, Ms Yingzhu Chen was appointed to the Managing Board; she will be responsible for financial matters. Since 19 October 2011, Ms Yanni Chen has been a member of the Supervisory Board of the Group. At present, 47% of the employees of ATB Austria Antriebstechnik AG are women; of this figure, five hold executive management positions.

Declaration of independence

The Supervisory Board has not set criteria for independence.

Compliance guidelines

Through Group-wide mandatory compliance guidelines, ATB Austria Antriebstechnik AG seeks to prevent the misuse of insider information. These insider guidelines are based on current European and Austrian legal regulations. The guidelines apply unrestrictedly to all employees of ATB Austria Antriebstechnik AG, the members of the Supervisory Board and advisors to and leaders of the respective operating units. The duties of the compliance officer include maintaining contacts with responsible parties in the divisions, sending e-mails about blocking periods and prohibitions on trading, and providing information to new employees. The aim is to inform affected parties regularly about compliance-related topics and to increase their sensitivity to the issue of compliance. When necessary, an area of confidentiality is created for persons who have project-based access to insider-relevant information.

Vienna, 13 March 2013

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

Business Development in 2012

Strong performance despite a weak economic climate

In spite of the strained situation of the European economy, the ATB Group was able to further improve its performance in 2012. The individual development of the specific sites was, however, primarily dependent on the local product portfolio and the core markets being supplied. Nonetheless, the management is confident that it will be able to further improve the Group's results in 2013. The past year was characterised by increased integration of and intensive collaboration among the sites. This process aims to continue deriving synergistic benefits for the entire Group during the current year.

The true strength of the ATB Group has increasingly come to the fore of late. This strength lies in the development and production of custom-made solutions for a broad range of applications, typically in niche markets, in which the power to innovate and the ability to engage in joint development efforts based on confidentiality are critical factors for success. The product portfolio continues to consist primarily of drive solutions in the performance range of 50 watts to 25 megawatts as well as generators. Beyond this, ATB produces speciality products such as the brakes manufactured at the ATB Special Products site and the precision clutches manufactured at ATB Laurence Scott. There is strong variation in the development of some of the individual sites.

ATB Spielberg

The production site in Spielberg, Austria, particularly struggled against the sluggish economy, which was reflected in a 15% decline in new orders compared to the previous year. However, the orders that failed to materialise have not in fact been moved to competitors; rather, because of the difficult economic situation, the customers did not place them at all. The difficult economy also required an adjustment of the cost structure to the reduced level of capacity utilisation.

In the course of the last year, the Spielberg site invested in a new and innovative asynchronous solution for efficiency class IE4. While the market currently remains focused on IE3, which from 2015 onward will represent the minimum requirement, the next step will be IE4. The company has already applied for patents for this special development and the first prototypes are currently being tested.

This site supplies motors in the performance range of 50 watts to 3 kilowatts, primarily for industrial applications, but also for the home and garden sector (approximately 10%).

ATB Welzheim

The results from the Welzheim site were very heavily linked to those of the Spielberg site, since a large part of the former's output is achieved through its trade in Spielberg products. In the past year, the German company in Welzheim worked intensively on the new IEC standard, which requires additional tests for confirming compliance with its efficiency requirements. As part of this process, the testing facility was improved and certified. The optimisation of production included further investments such as the procurement of a CNC machining centre. Furthermore, a machine for multi-step shaft processing was ordered. It will be installed in April 2013.

ATB Nordenham

The Nordenham site in Germany produces Group IIC motors for hazardous atmospheres and focuses primarily on the chemical and petrochemical industry in Germany. Group IIC relates to the safe use of the respective drive product in environments containing gas. Products in this group must comply with the strictest regulations, which include the use of hydrogen and acetylene and thus require additional tests and permit only very low machine tolerances. Such ATB products for hazardous atmospheres contribute 100% of the sales revenues in Nordenham and have a 55% market share in Germany.

Since November 2012, products from Nordenham have been sold under the brand name "Schorch" because the licensing agreement for Felten and Guilleaume (F&G) has expired.

ATB Nordenham is one of the pioneers in the chemical industry in the development of energy-efficient drives. Today IE3 products are already available for the entire IIC range, and the implementation of efficiency class IE4 is being intensively pursued. In order to continue along the successful path taken by the Nordenham plant, a sum of EUR 5.3 million has been invested in the site. In February 2012, a new CNC shaft production system entered into operation. The system is capable of efficiently producing shafts with a diameter of up to 400 cm and a length of up to 4,500 cm.

A modern electrical testing facility was also installed and started operating in the third quarter. A new assembly hall, a warehouse with an integrated paint shop and a shipping warehouse are currently being built and are scheduled for completion in July 2013.

ATB Schorch

Because of the downturn in the economy, an atmosphere of harsh competition prevailed in the markets supplied by ATB Schorch. The primary sales market for the German site is its home market, which in 2012 suffered a 9% decline. ATB Schorch's results were also affected by political unrest in the Middle East, which led to orders totalling EUR 15 million being stopped because of a trade embargo. According to current information, these orders are expected to be realised in 2014 and 2015.

During the past year, the company was able to increase its production capabilities and shorten its delivery times. A long-term project to install a product configurator is aimed at significantly speeding up the time needed to react to requests for tender. At the same time, the first phase of implementing a series of comprehensive investments totalling EUR 10 million was started, of which EUR 2.5 million came into effect in 2012. Among the things these substantial investments in the ATB Schorch site will finance is a complete renewal of the testing technology, which will take place in the coming years. The detailed planning and cost calculation phase for this project was started in 2012. R&D activities were also promoted at ATB Schorch. These included the further development of projects in the area of synchronous motors with reduced start-up current and in the IE3 and IE4 efficiency classes. The company also took part in cross-site cooperation with ATB Sever.

ATB Tamel

The business development of ATB Tamel in Poland was also affected by the global recession, although not as extensively as at the Spielberg site. There was a 6% decline in orders compared to 2011. The product portfolio is based on various special kinds of low-voltage motors up to an output of 400 kilowatts (protection ratings, for hazardous atmospheres, etc.). Receiving CC certification for NEMA premium products was an important step for the site, as it makes it possible to enter the North American market (U.S. and Canada). ATB expects this to bring potentially considerable growth for the site.

The new spatial configuration of the machines and the resultant optimisation of the production process was an important step towards improving operative performance at the Tamel site. Furthermore, a two-step reintroduction of SAP at the Tamel site includes a new SAP-supported production planning system, which was activated on 1 January 2013. Since the beginning of 2012, ATB has been working successfully with the new finance and controlling module. Its introduction made possible a series of optimisations, including the shortening of delivery times.

ATB Sever and ATB Fod

In 2012, the on-going restructuring process at the Sever site was advanced through the optimisation of the product range, a clear product focus, increased efficiency in production and a 17% reduction in surplus personnel capacities. This strategic repositioning facilitated further cost reductions.

The product range was further developed, especially in the hydropower segment. ATB Sever is thereby increasingly positioning itself as a lead contractor for small hydropower plants up to an output of 300 kilowatts. A number of important projects have been completed in this segment already. The company has installed plants in Serbia, Bosnia, Sweden and Finland. Some projects, however, have been delayed due to lack of financing commitment on the customer's side. After hydropower, the oil and gas market is the second most important pillar of the site's business. In this industry, the company was able to acquire and successfully complete 50 orders to deliver motors intended for use on oilrigs.

The Group-wide integration project saw the commencement and intensification of cooperation between ATB Sever and its sister sites. As part of this cooperation, ATB Sever produces components and finished products on behalf of ATB Schorch, ATB Morley and other sister companies. These developments were accompanied by intensive training measures and the introduction of a 5S programme at ATB Sever and the adjacent site ATB Fod. In the future, ATB Sever wants to intensify its R&D activities in the field of synchronous generators up to 50 MVA and in the field of product certification for nuclear facilities.

The ATB Fod site receives a considerable share of its orders from the neighbouring RTB copper mine, which led to good returns in the past year. The delayed placement of orders for small water turbines, however, also had a negative ripple effect on ATB Fod.

ATB Morley

2011 was a successful year for new orders at ATB Morley, which meant that the company started 2012 at a very good level of orders. From this good starting position, the site achieved an increase in sales of 22% over the course of the 2012 financial year. Approximately half of the mining motors produced at ATB Morley were delivered to the Chinese market. The site was also able to expand in the Australian market and the markets of former Soviet republics. With the global economic decline, demand for coal fell, which also substantially dragged down investment activities in this market. This resulted in a decrease in new orders over the course of the year. A diversification of the product portfolio was initiated in order to reduce dependence on coal mining. The site has already received orders for tunnel drilling motors and has further potential in the areas of submersible applications for renewable energies, reciprocating compressors and the English market for retrofitting solutions.

Due to an error, too high a figure was reported for the stock inventory at ATB Morley in the financial years prior to 2012. An announcement of a restatement in accordance with IAS 8 was published on 21 January 2013. Details can be found in the consolidated financial statement in section H.h., "Critical accounting estimates and judgements restatement".

ATB Laurence Scott

Having now overcome the A-TEC crisis, the British site ATB Laurence Scott was able to reactivate its former customer relationships and develop them further. A number of orders have already been placed, demonstrating the trust that has been regained. The company also received new orders from the Chinese industry. In the oil and gas market, however, the confirmation of some projects was very drawn-out due to customers' lack of financing. The installation of the new test facility, which includes noise separation, was completed the previous year. It is the largest test facility the manufacturer has ever installed.

ATB Laurence Scott continues to hold an important position in the market for high-quality products with low start-up current. Especially notable is the plant's extraordinary delivery reliability for high voltage motors, which it has kept at 100% for four years running.

ATB Special Products

While the small site in Cradley Heath (UK) used to be part of the Brook Crompton Organisation, it has now been established as an ATB site. In addition to products such as brakes, industrial DC motors and ventilation units that were carried over from its former portfolio, ATB Special Products today stands for innovative solutions for special applications. With this focus, it was already possible to secure a number of development projects from various industries. The site also holds unique potential in the area of axial air gap motors, for which new application possibilities are being investigated this year. Following a restructuring phase and the move to the new site in Cradley Heath, the plant achieved its highest-ever revenue in the past year.

Report of the Supervisory Board

The Supervisory Board responsible for the reporting period has complied with its duties set out by law and in the Company's statutes in four meetings in the 2012 financial year. The Managing Board reported to the Supervisory Board regularly about the development of the business and the situation of the Company and of its Group members. All issues requiring Supervisory Board approval were discussed in detail. In addition, the Supervisory Board chairman was regularly informed of any important matters relating to the Company.

In 2012, the Supervisory Board consisted of the following individuals: Mr Jiancheng Chen (Chairman), Mr Jianqiao Wang (Deputy Chairman), Ms Yanni Chen, Mr Peter Wittmann and Mr Christoph Matznetter. As of the Annual General Meeting on 2 August 2012, Mr Christian Schmidt was appointed a member of the Supervisory Board.

Through the audit committee and in accordance with section 92 of the Austrian Stock Corporation Act (AktG), the Supervisory Board of ATB Austria Antriebstechnik AG has verified the existence and efficiency of systems to oversee the financial reporting process, the internal control system, internal revision and the risk management process.

The annual financial statements of ATB Austria Antriebstechnik AG and the consolidated financial statements for the year ending 31 December 2012, as well as the corporate governance report, the management report and the consolidated management report for the financial year 2012 including the accounting methods used were audited by KPMG Austria AG Wirtschaftspruefungs- und Steuerberatungsgesellschaft, the auditing firm appointed by resolution of the Annual General Meeting, and awarded an unqualified audit certificate.

The Supervisory Board has examined the financial statements presented and the Managing Board's management report and concurs with the audit opinion.

Thus, the financial statements of the stock corporation for the year ending 31 December 2012 are hereby approved pursuant to section 125(2) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board thanks the Managing Board and the employees for the work performed and the commitment shown.

Vienna, 13 March 2013

Jiancheng Chen

Chairman of the Supervisory Board

Water is life. When it comes to water, it is so important to have an experienced partner. Whether for drinking water or drainage, ATB can be found in each step of the water supply chain.

Consolidated financial statements 2012

A. Consolidated income statement for the 2012 financial year and comparative figures for the previous year

in TEUR	Note	2012	2011 restated
Sales revenues	**J.01**	**336,018**	**337,448**
Change in inventories	J.02	862	2,771
Own work capitalised	J.02	5,922	4,700
Cost of materials and other services	J.13	– 163,062	– 173,042
Gross income		**179,740**	**171,877**
Personnel expenses	J.03	– 120,290	– 118,059
Depreciation and amortisation of fixed assets	J.09, J.10	– 8,858	– 6,700
Other operating income	J.04	4,559	5,460
Other operating expenses	J.04	– 37,225	– 38,025
Impairment of intangible assets and property, plant and equipment	J.08, J.09, J.10	– 2,014	– 2,478
Reversed impairment of intangible assets and property, plant and equipment	J.08, J.09, J.10	351	29,820
Operating result (EBIT)		**16,263**	**41,895**
Financing expenses		– 6,312	– 6,071
Financing income		358	778
Financial result	**J.05**	**– 5,954**	**– 5,293**
Earnings before taxes (EBT)		**10,309**	**36,602**
Income taxes	J.06	– 303	– 233
Profit/loss from continued operations		**10,006**	**36,369**
Profit/loss from discontinued operations	**J.16**	**7,332**	**– 4,536**
Result for the period		**17,338**	**31,833**
Thereof result of non–controlling interests		4,220	– 307
Thereof result of the parent company's shareholders		13,118	32,140
Diluted and basic earnings per share in EUR of the parent company's shareholders	**J.26**	**1.19**	**2.92**
Basic and diluted earnings per share in EUR from continued operations attributable to the parent company’s shareholders in the financial year		**0.53**	**3.33**
Basic and diluted earnings per share in EUR from discontinued operations attributable to the parent company’s shareholders in the financial year		**0.67**	**– 0.41**

B. Consolidated statement of comprehensive income for the 2012 financial year and comparative figures for the previous year

		Financial year as at 31 December	
in TEUR	Note	2012	2011 restated
Result for the period		**17,338**	**31,833**
Other comprehensive income			
Currency translation differences	J.17.5	1,648	–2,726
Changes in revaluation reserve	J.17.6	736	3,817
Other comprehensive income		**2,384**	**1,091**
Total earnings		**19,722**	**32,924**
Thereof result of non-controlling interests		3,751	223
Thereof result of the parent company’s shareholders		15,971	32,701
Comprehensive income from continued operations attributable to the parent company's shareholders in the financial year		11,130	37,424
Comprehensive income from discontinued operations attributable to the parent company's shareholders in the financial year		4,841	–4,723

C. Consolidated balance sheets as at 31 December 2011 and 2012

ASSETS

in TEUR	Note	31 December 2012	31 December 2011 restated	1 January 2011 restated
Non-current assets				
Property, plant and equipment	J.08, J.09	96,125	92,589	76,394
Intangible assets	J.08, J.10	37,220	34,034	26,817
Non-current financial assets	J.12	773	847	1,076
Deferred taxes	J.11	4,809	3,717	1,291
		138,927	131,187	105,578
Current assets				
Inventories	J.13	53,282	50,675	49,014
Trade and other receivables	J.14	59,421	62,658	58,588
Receivables from construction contracts	J.01	14,652	10,454	13,071
Other financial assets		6	0	128
Cash and cash equivalents	J.15	22,590	52,014	11,814
		149,953	175,801	132,615
Current and non-current assets held for sale	**J.16**	**0**	**147**	**136**
TOTAL ASSETS		**288,880**	**307,135**	**238,329**

EQUITY AND LIABILITIES

in TEUR	Note	31 December 2012	31 December 2011 restated	1 January 2011 restated
Equity				
Share capital		26,657	26,657	26,657
Capital reserves		241,156	150,983	143,853
Hybrid capital		0	84,684	80,518
Balancing item for currency translation		–5,410	–7,571	–4,934
Accumulated income and expenses reported directly in equity		17,577	16,886	14,855
Accumulated profit/loss		–191,019	–199,490	–228,632
Equity attributable to shareholders of the parent company		**88,961**	**72,148**	**32,318**
Non-controlling interest		8,522	4,379	4,156
Equity	**J.17**	**97,482**	**76,527**	**36,474**
Non-current liabilities				
Obligations towards employees	J.20	41,872	40,601	40,318
Liabilities to Group entities	J.19	17,404	14,413	1,806
Financial liabilities	J.18	31,552	19,109	27,344
Other provisions	J.21	1,093	2,584	3,083
Deferred taxes	J.11	9,492	9,435	7,093
		101,413	86,142	79,644
Current liabilities				
Trade payables		30,642	31,516	37,288
Liabilities from construction contracts and customer prepayments	J.23	3,518	5,392	4,326
Liabilities to Group entities	J.19	11,961	4,216	3,014
Other current liabilities	J.22	13,433	29,025	21,035
Other provisions	J.21, J.22	3,075	4,084	13,444
Current financial liabilities	J.18	25,137	68,096	40,284
Current income tax liabilities		2,219	2,127	2,811
		89,985	144,456	122,202
Liabilities in connection with current and non-current assets held for sale	**J.16**	**0**	**10**	**9**
TOTAL EQUITY AND LIABILITIES		**288,880**	**307,135**	**238,329**

D. Consolidated equity statement for the financial years 2011 and 2012

in TEUR	Share capital	Capital reserves	Hybrid capital	Currency translation	Fair value reserve for available for sale securities	Revaluation reserve	Accumulated profit/loss	Majority shareholder's interests	Non-controlling interest	Equity
As at 1 January 2011	**26,657**	**143,853**	**80,518**	**–4,853**	**45**	**14,810**	**–225,982**	**35,048**	**4,156**	**39,204**
Restatement IAS 8				–81			–2,650	–2,731	0	–2,731
As at 1 January 2011 restated	**26,657**	**143,853**	**80,518**	**–4,934**	**45**	**14,810**	**–228,632**	**32,318**	**4,156**	**36,474**
2011 annual result	**0**	**0**	**0**	**0**	**0**	**0**	**32,105**	**32,105**	**–272**	**31,833**
Currency translation differences	0	0	0	–2,638	0	0	–498	–3,136	410	–2,726
Changes in revaluation reserve	0	0	0	0	0	2,030	1,702	3,732	85	3,817
Other comprehensive income 2011	**0**	**0**	**0**	**–2,638**	**0**	**2,030**	**1,204**	**596**	**495**	**1,091**
Shareholder subsidy	0	7,130	0	0	0	0	0	7,130	0	7,130
Compensation for hybrid capital	0	0	4,166	0	0	0	–4,166	0	0	0
As at 31 December 2011	**26,657**	**150,983**	**84,684**	**–7,571**	**45**	**16,840**	**–199,490**	**72,148**	**4,379**	**76,527**
2012 annual result	**0**	**0**	**0**	**0**	**0**	**0**	**13,118**	**13,118**	**4,220**	**17,338**
Currency translation differences	0	0	0	2,161	0	0	0	2,161	–513	1,648
Changes in revaluation reserve	0	0	0	0	0	692	0	692	44	736
Other comprehensive income 2012	**0**	**0**	**0**	**2,161**	**0**	**692**	**0**	**2,8533**	**-469**	**2,384**
Profit/loss from profit and loss transfer agreement	0	0	0	0	0	0	24	24	–24	0
Compensation for hybrid capital	0	0	0	0	0	0	0	0	0	0
Hybrid capital	0	89,355	–84,684	0	0	0	–4,671		0	
Shareholder subsidy as part of a rescheduling of loans	0	818	0	0	0	0	0	818	416	1,234
As at 31 December 2012	**26,657**	**241,156**	**0**	**–5,410**	**45**	**17,532**	**–191,019**	**88,961**	**8,522**	**97,482**

See Note J.17

E. Consolidated cash flow statement for the financial years 2011 and 2012

in TEUR	Note	2012	2011 restated
Cash flow from operating activities			
Cash generated from current operations		16,605	8,350
Taxes paid		– 1,634	– 1,786
Cash flow from operating activities	**J.24**	**14,971**	**6,564**
Cash flow from investing activities			
Acquired intangible assets		– 4,690	– 4,019
Acquired property, plant and equipment		– 3,876	– 3,085
Prepayments for property, plant and equipment and intangible assets		– 6,532	– 2,244
Deconsolidation of subsidiaries		– 560	0
Proceeds from the disposal of property, plant and equipment		551	1,343
Proceeds from the sale of financial assets		73	154
Interest received		77	123
Cash flow from investing activities		**– 14,958**	**– 7,728**
Cash flow from financing activities			
Increase in capital reserve		0	7,130
Cash inflow from financial liabilities		23,184	41,980
Cash outflow for financial liabilities		– 52,016	– 11,350
Cash inflow from financial liabilities from Group entities		1,893	9,028
Change in financial lease liabilities and grants received		– 845	– 892
Interest paid		– 3,256	– 3,470
Cash flow from financing activities		**– 31,040**	**42,426**
Cash and cash equivalents at beginning of period		**52,014**	**11,814**
Decrease/increase in cash and cash equivalents		– 31,027	41,262
Foreign currency effects		1,603	– 1,062
Cash and cash equivalents at end of period	**J.15**	**22,590**	**52,014**

F. The Group

Legal name:
ATB Austria Antriebstechnik Aktiengesellschaft

Head office:
Donau City Strasse 6, A-1220 Vienna

Legal form:
Stock corporation

Company register:
Landesgericht Wien (Regional Court of Vienna)
Initial entry on 22 December 1986
FN 80022 f

The Group's principal activity is the manufacture of electrical drive systems for industrial applications and machinery. The Group primarily produces and markets industrial and project motors.

1 The WOLONG Group as new owner

As part of the A-TEC Industries sale process, 10,773,457 shares amounting to roughly 97.94% of ATB Austria Antriebstechnik AG were sold and transferred to WOLONG INVESTMENT GmbH, Vienna, a 100% subsidiary of the Chinese WOLONG Group.

During the subsequent mandatory offer including a grace period until 13 January 2012, a further 108,438 shares of ATB Austria Antriebstechnik AG were acquired. WOLONG INVESTMENT GmbH, Vienna, thus holds 10,881,895 shares totalling roughly 98.9% of ATB Austria Antriebstechnik AG.

WOLONG Holding Group Co., Ltd., China, is the ultimate parent company of ATB Austria Antriebstechnik AG.

2 Investments in fully consolidated and unconsolidated companies

Fully consolidated companies

The following list contains the fully consolidated subsidiary companies of the ATB Group as at 31 December 2012. ATB Austria Antriebstechnik AG, Vienna, directly or indirectly holds the majority of the voting rights for all of these companies. The share of capital corresponds to the ATB Group's direct and indirect share of ownership and voting rights in the subsidiary company.

			Share of capital		
Entity	Head office	Country	indirect	direct	Principal activity
ATB Austria Antriebstechnik AG	Vienna	Austria		100.00%	Holding
ATB Antriebstechnik GmbH	Welzheim	Germany		94.00%	Production
ATB Fod d.o.o.	Bor	Serbia	100.00%		Production
ATB GMZ GmbH	Vienna	Austria		100.00%	Holding
ATB Laurence Scott Ltd.	Norwich	United Kingdom	100.00%		Production
ATB Morley Ltd.	Leeds	United Kingdom		100.00%	Production
ATB Motorentechnik GmbH	Nordenham	Germany	88.36%		Production
ATB Motorenwerke GmbH	Spielberg	Austria		100.00%	Production
ATB Motors B.V.	IJsselmuiden	The Netherlands		100.00%	Sales
ATB Sever d.o.o.	Subotica	Serbia		100.00%	Production
Brook Motors Ltd.	Huddersfield	United Kingdom		100.00%	Production
Fabryka Silników Elektrycznych Tamel S.A.	Tarnów	Poland		100.00%	Production
Motorenwerke Subotica d.o.o.	Subotica	Serbia	100.00%		Production
Schorch Beteiligungs GmbH	Moenchengladbach	Germany	5.30%	94.00%	Holding
Schorch Elektrische Maschinen und Antriebe GmbH	Moenchengladbach	Germany	99.30%		Production
Lindeteves-Jacoberg Ltd.	Singapore	Singapore	20.02%	46.01%	Holding
Brook Crompton (UK) Ltd.	Huddersfield	United Kingdom	66.03%		Sales
Brook Crompton B.V.	Breda	The Netherlands	66.03%		dormant
Brook Crompton Ltd.	Toronto	Canada	66.03%		Sales
Brook Crompton Motor USA Inc.	Illinois	USA	66.03%		Sales
Brook Motors International Ltd.	Singapore	Singapore	66.03%		dormant
Linberg Sdn. Bhd.	Kuala Lumpur	Malaysia	66.03%		dormant
Lindeteves-Jacoberg Malaysia Sdn. Bhd.	Kuala Lumpur	Malaysia	66.03%		dormant
Western Electric Asia Pte. Ltd.	Singapore	Singapore	66.03%		Sales
Western Electric Motor Sdn. Bhd.	Kuala Lumpur	Malaysia	66.03%		dormant
Western Electric Pacific Ltd.	Hong Kong	Hong Kong	66.03%		dormant

31 December is the balance sheet date for all Group companies. The Group's direct and indirect share in the individual subsidiaries has not changed since 2011.

Non-consolidated companies

The following companies were not included in the Group as at 31 December 2012 due to immateriality or lack of control:

Entity	Head office	Country	Reason	Stake	Interest	Principal activity
A.D. Slobodna zona "Subotica"	Subotica	Serbia	Lack of control and immateriality	42.84%	indirect	dormant
ATB SEVER MAK dooel	Skopje	Macedonia	Immateriality	100.00%	indirect	Sales
ATB Rus OOO	Moscow	Russia	Immateriality	100.00%	direct	Sales
Brook Crompton Western Electric Motors (Dalian) Co. Ltd.	Dalian	People's Republic of China	Lack of control and immateriality	66.03%	indirect	dormant
Dabatera Sdn. Bhd.	Kuala Lumpur	Malaysia	Lack of control and immateriality	20.00%	indirect	dormant
David McClure Ltd.	Stockport	United Kingdom	Immateriality	100.00%	indirect	dormant
LJ (Singapore) Holding Ltd.	London	United Kingdom	Immateriality	100.00%	direct	Holding

3 Changes in consolidated entities

The following entities were liquidated and thus deconsolidated during the 2012 financial year: ATB Schweiz AG, Lenzburg; Western Electric New Zealand, Auckland; Lindeteves-Jacoberg Tradings Sdn. Bhd., Singapore; ATB France S.A.R.L., Gonesse, and Western Electric Australia Pte. Ltd., Sydney. An application for the liquidation of ATB Motors (Shanghai) Co. Ltd., Shanghai, was filed. This entity was presented as a discontinued operation in the previous year. The impact on income of the deconsolidation of the aforementioned entities in the 2012 financial year totals TEUR 352 and is recognised in the income statement as other operating expenses. The following entities ceased to be included in the Group in 2012:

Entity	Head office	Country	Stake	Interest
ATB France S.A.R.L.	Gonesse	France	1.00%	99.00%
ATB Motors (Shanghai) Co. Ltd.	Shanghai	People's Republic of China		100.00%
ATB Schweiz AG	Lenzburg	Switzerland		99.20%
Lindeteves-Jacoberg Tradings Sdn. Bhd.	Singapore	Singapore	66.03%	
Western Electric Australia Pte. Ltd.	Sydney	Australia	66.03%	
Western Electric New Zealand	Auckland	New Zealand	66.03%	

THIEN eDrives GmbH (former ATB Technologies GmbH), Lustenau, was sold to its previous management in the 2011 financial year. With 47 employees at the most recent count, ATB Technologies GmbH was active primarily in the area of research and development for the automotive sector and for special motors. As the automotive sector is not among the core competencies of the ATB Group and further financing for current projects could not be secured, the management of the ATB Group decided to sell its holdings in this area.

The deconsolidation of THIEN eDrives GmbH (former ATB Technologies GmbH) also meant the deconsolidation of a special-purpose entity which took into account the economic benefit and economic risks of a leased property that was used by THIEN eDrives GmbH (former ATB Technologies GmbH).

This deconsolidation was reflected in the consolidated income statement as income in the amount of TEUR 349 and is recognised in profit/loss from discontinued operations.

G. Summary of significant accounting and measurement policies

1 General information

The consolidated financial statements as at 31 December 2012 were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with section 245a of the Austrian Business Code (UGB). They give a true and fair view of the Company's assets and liabilities, financial position and profit or loss. Land and buildings are carried at fair value less cumulative depreciation for buildings. Available-for-sale securities are carried at fair value (see Note G.8).

The Group currency is the euro, which also reflects the primary economic environment in which the Group operates. All figures in the consolidated financial statements are presented in thousands of euros (TEUR, commercially rounded).

The consolidated financial statements were authorised by the Group's Managing Board for submission to the Supervisory Board on 13 March 2013. Changes to the consolidated financial statements by any other body are thus no longer possible.

New financial reporting standards with first application from 1 January 2012

Amendments to IFRS 7 – Disclosures, Transfers of Financial Assets
The amendments to IFRS 7 concern expanded obligations to disclose the transfer of financial assets. The amendments are intended to clarify the relationship between financial assets which are not to be entirely derecognised and the corresponding financial liabilities. Furthermore, the amendments are intended to make it possible to better evaluate the type and especially the risks of continuing involvement in the case of derecognised financial assets. Due to the amendments, additional disclosures are now required in the case of a disproportionately large number of transfers with continuing involvement, e.g. around the end of a reporting period. These amendments have no significant impact on the ATB consolidated financial statements.

Amendments to IAS 12 – Recovery of Underlying Assets
When real estate is held as a financial investment, it is often difficult to assess whether existing temporary tax differences will be reversed through continuing use or in the course of a sale. The amendments to IAS 12 have now made clear that deferred taxes are to be valued on the basis of the rebuttable presumption that reversal through sale will occur. These amendments have no significant impact on the ATB consolidated financial statements.

The ATB Group does not plan to make early use of the following IAS/IFRS standards/interpretations, which do not have to be applied until future financial years. Unless otherwise stated, the impact on the ATB consolidated financial statements is currently being reviewed.

The EU has already endorsed the following IAS/IFRS standards/interpretations

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
This amendment changes the presentation of other comprehensive income in the statement of comprehensive income. The items of other comprehensive income, which are later reclassified in the income statement ("recycling"), are now to be presented separately from the items of other comprehensive income which are never reclassified. If the items are shown gross, i.e. before offsetting of effects from deferred taxes, deferred taxes are not to be shown as a sum, but rather assigned to the two groups of items.

This amendment is applicable to financial years beginning on or after 1 July 2012.

IAS 19 – Employee Benefits (revised 2011)

Along with expanding disclosure obligations regarding employee benefits, the revision of the standard has specifically created the following changes:

There are currently three options for reporting unexpected fluctuations in pension obligations, known as actuarial gains and losses, in the financial statements. These can be reported (a) in income in the income statement or (b) in other comprehensive income (OCI) or (c) in a deferred manner according to what is known as the corridor method. The revised version of IAS 19 has eliminated these options in favour of a more transparent and more comparable depiction, such that in future only direct and complete reporting in other comprehensive income is permitted. Additionally, past service costs are now to be directly reported in profit or loss in the year in which they are incurred.

Additionally, at the beginning of the reporting period the expected income from plan assets is currently determined on the basis of management's expectations regarding the further development of the investment portfolio. The application of IAS 19 (revised 2011), however, only permits a standardised interest rate for plan assets in the amount of the discount rate of pension obligations at the start of the period.

To date, the expected total of administrative costs for plan assets has been reported in interest income. According to the amendments, administrative costs for plan assets are now to be reported in other comprehensive income (OCI), as a component of revaluation, while other administrative costs are to be assigned to operating profit at the time they are incurred.

With the shift from the corridor method to the new method, the income statement of the ATB Group will in future remain free of effects from actuarial gains and losses (e.g. due to interest rate fluctuations), as it will be mandatory to report these in other comprehensive income. The application of the revised version of IAS 19 at 31 December 2012 would raise provisions for pension obligations from TEUR 32,052 to TEUR 37,122 and for severance payment obligations from TEUR 6,774 to TEUR 10,933.

This amendment is applicable to financial years beginning on or after 1 January 2013.

Amendments to IAS 27 – Separate Financial Statements

As part of the approval of IFRS 10 Consolidated Financial Statements, the provisions for principles of the system of controls and requirements for the preparation of consolidated statements were removed from IAS 27 and will now be addressed in IFRS 10 (see remarks on IFRS 10). As a result of this change, IAS 27 will in future only contain provisions on accounting for subsidiaries, joint ventures and associated companies in IFRS separate financial statements.

This amendment is applicable to financial years beginning on or after 1 January 2014.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

As part of the approval of IFRS 11 Joint Arrangements, IAS 28 was also amended. IAS 28 has to date regulated the application of the equity method, and will continue to do so. However, with the approval of IFRS 11, the scope of its application has been significantly expanded, as in future not only investments in associates, but also in joint ventures (see IFRS 11), will have to be calculated using the equity method. The application of proportionate consolidation for joint ventures is thus eliminated.

In future, potential voting rights and other derivative loans and receivables are also to be taken into account in determining whether a company has significant influence.

A further change concerns accounting in accordance with IFRS 5 when only part of an interest in an associate or in a joint venture is to be sold. IFRS 5 is to be partially applied when only an interest or part of an interest in an associate (or in a joint venture) meets the criterion of "held for sale".

This amendment is applicable to financial years beginning on or after 1 January 2014. From today's vantage point, this amendment will have no impact on the consolidated financial statements.

Amendments to IAS 32 und IFRS 7 – Offsetting Financial Assets and Financial Liabilities
This addition to IAS 32 clarifies the conditions under which loans and receivables can be offset. The amendment describes the significance of the current legal right to offsetting and clarifies which processes with gross settlement can be regarded as net settlement according to the standard's definition. Along with these clarifications, the provisions regarding explanatory notes in IFRS 7 have been expanded.

The amendments to IAS 32 are applicable to financial years beginning on or after 1 January 2014.

The amendments to IFRS 7 are applicable to financial years beginning on or after 1 January 2013.

IFRS 10 – Consolidated Financial Statements
This standard comprehensively re-defines the principle of control. If a company controls another company, the parent company has to consolidate the subsidiary. According to the new concept, control exists if the potential parent company holds decision-making authority over the subsidiary through voting rights or other rights, if it has rights to positive or negative variable returns from the subsidiary and if it can influence these returns through its decision-making authority.

This new standard could have an impact on the scope of the consolidated entities, including for special-purpose entities.

The new standard is applicable to financial years beginning on or after 1 January 2014. Where IAS 27/SIC-12 and IFRS 10 diverge on the question of whether a given investment qualifies as a subsidiary, IFRS 10 is to be applied retroactively. Early application is permitted only in conjunction with IFRS 11 and IFRS 12 and with the 2011 amendments to IAS 27 and IAS 28.

IFRS 11 – Joint Arrangements
IFRS 11 contains new provisions for accounting for joint arrangements. According to the new concept it must be determined whether a joint arrangement is a joint operation or a joint venture. A joint operation exists if the joint controlling parties hold direct rights to assets and obligations for liabilities. The individual rights and obligations are accounted for proportionally in the consolidated financial statements. In a joint venture, in contrast, the joint controlling parties hold rights to the net assets surplus. This right is shown in the consolidated financial statements by applying the equity method; the right to choose the option of proportionate inclusion in the consolidated financial statements is thereby eliminated.

This new standard is applicable to financial years beginning on or after 1 January 2014. Specific transitional provisions exist for the period of transition, e.g. from proportionate consolidation to the equity method. Early application is permitted only in conjunction with IFRS 10 and IFRS 12, as well as with the 2011 amendments to IAS 27 and IAS 28.

IFRS 12 – Disclosure of Interests in Other Entities
This standard regulates mandatory disclosures relating to interests in other companies. The required disclosures are considerably more comprehensive than those previously required by IAS 27, IAS 28 and IAS 31.

This new standard is applicable to financial years beginning on or after 1 January 2014.

IFRS 13 – Fair Value Measurement
This standard provides standardised, consistent regulation of fair value measurement in IFRS statements. All fair value measurements required by other standards must now conform with the standardised provisions of IFRS 13; individual regulations will continue to apply only for IAS 17 and IFRS 2.

Fair value according to IFRS 13 is defined as "exit price", i.e. as the price which would be attained through the sale of an asset or as the price that would have to be paid to transfer a debt. A three-level hierarchical system is being introduced, as is currently familiar from the fair value measurement of financial assets; the levels of this hierarchical system correspond to dependence on observable market prices. The new fair value measurement can lead to values which diverge from those yielded under the previous provisions.

This new standard is applicable to financial years beginning on or after 1 January 2013.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
This interpretation is intended to standardise accounting for stripping costs in surface mining. If, as expected, the further use of the stripping activity asset yields revenue, stripping costs are to be accounted for as inventories in accordance with IAS 2. An intangible asset is also created, which is to be capitalised together with the surface mining asset if the stripping activity improves access to further mineral resources and if the requirements defined in the interpretation have been fulfilled. This asset is to be depreciated over expected useful life.

IFRIC 20 is applicable to financial years beginning on or after 1 January 2013.

The EU has not yet endorsed the following IAS/IFRS standards/interpretations

Improvements to IFRS 2009 – 2011
As part of the annual improvement project, amendments were made to five standards. The adjustment of formulations in individual IFRSs is intended to clarify existing regulations. Changes have also been made which impact accounting, recognition, measurement and notes on financial statements. The standards affected by these changes are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

These amendments are – pending their incorporation into EU law, which has not yet occurred – applicable to financial years beginning on or after 1 January 2013.

Amendments to IFRS 1 – Government Loans
These amendments affect accounting by first-time adopters of IFRSs for loans from governments at below-market interest rates. Government loans existing at the transition date can be measured according to previous financial reporting practices. The regulations for measurement in accordance with IAS 20.10A in conjunction with IAS 39 therefore apply only to government loans which are taken on after the transition date.

These amendments are – pending their incorporation into EU law, which has not yet occurred – applicable to financial years beginning on or after 1 January 2013.

IFRS 9 – Financial Instruments
Accounting for and measurement of financial instruments in accordance with IFRS 9 will replace IAS 39.

In future, financial assets will be classified and measured in only two groups: at amortised cost and at fair value. The group of financial assets at amortised cost is comprised of those financial assets which, firstly, give rise on specified dates to payments of principal and interest; and secondly, are held within a business model whose aim is to hold assets. All other financial assets will be part of the fair value group. Under certain conditions, the fair value option can continue to be used for assets in the first category, as is the current practice.

Changes in the value of financial assets in the fair value category are in principle to be reported in profit or loss. For certain equity instruments, however, the option of reporting changes in value in other comprehensive income can be used; dividend rights from these assets, however, are to be reported as gains or losses.

The provisions for financial liabilities have fundamentally been taken from IAS 39. The essential difference is in terms of reporting changes in the value of financial liabilities which are measured at fair value. In future, these are to be divided: the portion which is attributable to the IFRS user's own credit risk is to be reported in other comprehensive income, while the remaining portion of the change in value is to be reported in profit or loss.

IFRS 9 is – pending its incorporation into EU law, which has not yet occurred – applicable to financial years beginning on or after 1 January 2015.

Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures
These amendments make it possible not to use adjusted figures for the previous year when applying IFRS 9 for the first time. This simplification was originally possible only in the case of early application of IFRS 9 before 1 January 2012.

This simplification carries with it additional requirements for notes on the financial statements in accordance with IFRS 7 at the transition date.

These amendments are, analogously to the IFRS 9 regulations, applicable to financial years beginning on or after 1 January 2015, pending their incorporation into EU law, which has not yet occurred.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
These amendments contain a definition of the term "investment entities" and remove such entities from the scope of application of IFRS 10 Consolidated Financial Statements.

According to these amendments, investment entities do not consolidate the entities they control in their consolidated financial statements. This exception to the general principles is, however, not to be understood as an option. In lieu of full consolidation, investment entities measure the interests which are held for investment purposes at fair value and report periodic fluctuations in value in profit or loss.

These amendments have no impact on consolidated financial statements which include investment entities, unless the group parent company itself is an investment entity. These amendments are – pending their incorporation into EU law, which has not yet occurred – applicable to financial years beginning on or after 1 January 2014.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance
These amendments contain clarification and additional simplifications for the transition to IFRS 10, IFRS 11 and IFRS 12. Adjusted comparative information is required only for the previous comparison period. Beyond this, the requirement in connection with notes on non-consolidated structured entities to disclose comparative information for periods before the first-time application of IFRS 12 is eliminated.

The amendments to IFRS 10, IFRS 11 and IFRS 12 are – pending their incorporation into EU law, which has not yet occurred – applicable to financial years beginning on or after 1 January 2014.

2 Consolidation principles

Subsidiaries are all companies in which the Group has control over financial and business policies and holds more than 50% of voting rights. Subsidiaries are included in consolidation from the time of assumption of control by the parent until control ends.

Group acquisitions are accounted for in the balance sheet by the purchase method. The purchase price paid in an acquisition is the sum of the fair values, at the acquisition date, of the assets transferred (primarily cash and cash equivalents), equity instruments issued and liabilities incurred or assumed. Identifiable assets acquired, and liabilities and contingent liabilities taken over as part of a company purchase are initially recognised at fair value on the acquisition date, irrespective of the extent of any non-controlling stake. The excess of the purchase price over the fair value of the identifiable net assets acquired is recognised as goodwill. If the purchase price is lower than the fair value of the acquiree's net assets, the negative goodwill is recognised in income. The costs associated with a business combination are recognised as expenses and reported under "Other operating expenses".

A change in the equity interest in a subsidiary without loss of control is recognised in the balance sheet as an equity transaction. The difference between the fair value of the consideration received and the corresponding share of the carrying amount of equity is recorded in equity. Gains and losses from sales of minority interests are also recognised in equity.

If the parent company loses its controlling interest in a subsidiary, the following steps are taken:

- Financial assets (including goodwill) and liabilities of the subsidiary are derecognised
- The carrying amount of the non–controlling interest in the former subsidiary is derecognised
- The accumulated translation differences recognised in equity are derecognised
- The fair value of the consideration received is recognised
- The fair value of the remaining equity interest is recognised
- Net income/loss is recognised in the income statement
- The other income components accruing to the parent company are reclassified to other income on the income statement or into the revenue reserve, if this is required under IFRS.

All intra-Group transactions, outstanding items and unrealised gains on transactions between Group companies are eliminated. Unrealised losses from transactions between Group companies are eliminated unless such losses cannot be covered. Where necessary, accounting and measurement policies of subsidiaries have been adjusted in order to ensure compliance with the accounting and measurement policies of the parent company.

3 Foreign currency translation

The income statements of foreign subsidiaries are translated into the Group reporting currency at the weighted annual average exchange rate. Balance sheet items are translated at the exchange rate prevailing on the balance sheet date.

The following closing date and average exchange rates were used:

Functional currency	Singapore dollar (SGD)	US dollar (USD)	British pound (GBP)	Chinese yuan (CNY)	Serbian dinar (RSD)	Polish zloty (PLN)
Exchange rate at 31 December 2011	1.6819	1.2939	0.8353	8.1588	104.6409	4.4580
Average exchange rate 2011	1.7491	1.3917	0.8678	8.9961	101.9704	4.1187
Exchange rate at 31 December 2012	1.6111	1.3194	0.8161	8.2207	113.7183	4.0740
Average exchange rate 2012	1.6062	1.2856	0.8111	8.1094	113.0048	4.1843

Goodwill arising on the acquisition of foreign subsidiaries is stated in the currency of the respective subsidiary and is translated at the respective closing rate.

Translation differences arising on consolidation are recognised in the Group’s equity. In the event of the sale of a foreign entity, the cumulative amount of the translation differences is recognised in the income statement as a gain or loss on disposal.

Foreign currency transactions are translated at the exchange rate on the date of the transaction. Gains and losses from such transactions and translations of monetary assets and liabilities are reported in the income statement.

4 Property, plant and equipment

Land and buildings comprise mainly factories, warehouses for merchandise and offices; in accordance with the option under IAS 16, they are recognised at fair value less accumulated depreciation for buildings. Increases in fair value are recognised directly in equity in the revaluation reserve. Impairments which offset previous value gains are shown directly in equity in the revaluation reserve. All other impairments are recognised in income. Land and buildings are carried at cost and, subsequently, at fair value based on periodic valuations performed by an external independent expert, less depreciation for buildings.

Land is not depreciated. The Company applied the revaluation rule in accordance with IAS 16 for the first time as at 31 December 2006. The recognition is reviewed at regular intervals (at least every five years) and when there are indications of a decrease in fair value. The carrying amount primarily corresponds to fair value.

Any other plant, property and equipment bought or produced (e.g. plant and equipment, furniture and fixtures) is carried at historical cost less depreciation. On the basis of IAS 23, Borrowing Costs, interest paid on borrowing costs for the acquisition or production of qualifying assets has been capitalised since 2009. Before 2009, cost did not include interest paid on borrowings.

Depreciation is on a straight-line basis, whereby the acquisition cost of assets is written down to residual value over their anticipated useful lives as follows:

Buildings, including buildings on land owned by third parties	20 – 76 years
Technical equipment and machinery	3 – 34 years
Furniture and fixtures	2 – 14 years

If the carrying amount of an asset is greater than its recoverable amount, the asset is written down to the lower value.

Gains and losses on disposal are recognised as the difference between the proceeds and the residual carrying amount, and are reported in the income statement. If revalued property, plant and equipment are sold, the respective amounts are transferred from the revaluation reserve to the revenue reserve.

5 Intangible assets

Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the net assets of the acquired entity at the date of acquisition. Goodwill is recognised in the balance sheet under intangible assets.

The ATB Group tests goodwill for impairment annually. Impairment tests are also carried out during the year if there are indications that an impairment may have occurred.

To perform the impairment test, goodwill is distributed among the plants of the ATB Group, which are used as a basis for the impairment test (see Notes J.8 and J.10.1).

Negative goodwill represents the difference by which the fair value of the Group's interest in the net assets of an acquired company exceeds the acquisition cost at the time of its first recognition in the consolidated financial statements.

In accordance with IFRS 3, negative goodwill is recognised in income immediately.

Concessions, trademarks and similar rights, licenses
Customer relationships are capitalised upon acquisition and amortised on a straight-line basis over a five-year period. The amortisation of customer relationships is reported in the income statement under depreciation and amortisation of fixed assets.

Production rights, technologies and licences are capitalised at the time of acquisition and are amortised on a straight-line basis over periods of between eight and nineteen years. The amortisation of depreciable intangible assets is reported in the income statement under depreciation and amortisation of fixed assets.

Expenses relating to the development or installation of computer software (introduction of SAP R/3) is capitalised as incurred and amortised on a straight-line basis over a maximum of twelve years, as this type of expenses meets the conditions for the capitalisation of development costs.

Capitalised development costs

Costs incurred in development projects (in connection with the design and testing of new or improved products) are capitalised as intangible assets if it is considered likely that the project will be used commercially, that it will be technically feasible and that its costs can be measured reliably, and if all other requirements set out in IAS 38 are met. Other development costs that do not satisfy these criteria are expensed as incurred.

Development costs are capitalised only from the time from which a future benefit can be reliably demonstrated. Capitalised development costs having a limited useful life are amortised over the period of their anticipated usefulness using the straight-line method, as from the beginning of the commercial production of the relevant products, with the maximum possible amortisation period being fifteen years. Depreciation is reported in the income statement under depreciation and amortisation of fixed assets.

In accordance with IAS 36, development costs are subjected to an annual impairment test until the project is ready for commercial operation.

6 Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are tested for impairment when signs indicate that impairment has occurred. Intangible assets with an indefinite useful life are tested for impairment each year. If the reason for an impairment of an asset recognised in the past no longer applies, a reversal of impairment is to be carried out at amortised cost – with the exception of goodwill.

7 Inventories

Inventories are carried at the lower of acquisition or production costs and net realisable value. The acquisition cost of raw materials and goods for resale is determined by the average price method. The acquisition or production costs of finished and unfinished goods include materials, direct wage costs and other overheads directly attributable to the production process (based on normal capacity utilisation). Borrowing costs that are attributable to acquisition or production costs of qualified assets are capitalised. No borrowing costs were capitalised in 2012.

Net realisable value is the estimated selling price attainable in the ordinary course of business, less the costs of completion and sale.

8 Available-for-sale financial assets

All shares in non-consolidated subsidiaries and other entities, as well as securities are classified as available for sale. If an active market does not exist or fair values cannot be reliably determined by reasonable effort, the shares in non-consolidated subsidiaries and other entities are measured at cost. If there are indications that the fair value of an asset has changed, then the asset is carried at the changed fair value.

All purchases and sales are recognised at cost including transaction costs, if any, at the transaction date. Subsequently, assets are carried at fair value, with any changes being recognised in equity without impact on income. Impairments are charged to income.

Assets intended for sale within twelve months are included in current assets, and other assets are included in non-current assets.

9 Trade receivables

Trade receivables are recognised at the amounts invoiced less allowances for doubtful receivables. Receivables are tested for impairment on a case-by-case basis. Receivables are regarded as impaired if one or several events provide objective evidence that future receivables will not be fully collectible. Receivables that are assumed to be entirely uncollectible are written off. Bad debts are written off as soon as they are identified as such.

10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in foreign currencies, demand deposits and other current, highly liquid financial assets with original maturities of up to three months. Overdraft facilities are reported in the balance sheet as current financial liabilities.

Restricted cash and cash equivalents include deposits pledged as collateral for sureties.

11 Discontinued Operations

In accordance with IFRS 5, non-current assets held for sale and discontinued operations, assets and liabilities of discontinued operations are carried at carrying amount or the lower fair value less disposal costs. Assets that are classified as held for sale are not depreciated further but have to be shown as a separate item in the balance sheet.

12 Financial liabilities

Financial liabilities are recognised initially at fair value less transaction costs. In subsequent years, they are reported at amortised cost. The ATB Group has entered into financing agreements with factoring banks under which all material risks such as credit and default risks are assumed by the factoring banks, and has also entered into agreements under which risks are retained by the Company.

13 Leases

Lease agreements for property, plant and equipment under which the Group assumes all material risks and rewards incidental to ownership are recognised as finance leases. Such assets are recognised at the current fair values at the beginning of the lease term or at the lower present value of the minimum lease payments. Lease payments are split into finance charges and principal components in order to obtain a constant rate of interest for the remaining liability. The related leasing obligations less financing costs are recognised under “non-current liabilities under finance leases” and “current liabilities under finance leases”. Interest included in financing costs is recognised in income over the period of the lease.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of lease period or useful life.

In addition, the Group has entered into operating lease agreements for the use of furnishings, fixtures and fittings, which are recognised as expense.

14 Government grants

Government grants are recognised at fair value if it can be reliably assumed that the grant will be awarded and the Group will meet the required conditions for the award of the grant. Government grants for costs are reported over the period in which the costs for which the compensation was granted are incurred, and are recognised as other operating income (gross). Government grants for investments are deducted in arriving at the carrying amount of the asset. They are reversed on a straight-line basis over the anticipated useful life of the assets concerned and are recognised in income.

15 Deferred taxes

Deferred tax assets and liabilities are measured in respect of temporary differences between asset and liability items pursuant to IFRSs and the corresponding tax bases.

Deferred tax assets and liabilities are determined by using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent to which it is probable that taxable profits will be available in the future for offsetting against the temporary differences. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off actual entitlements to tax refunds against actual tax liabilities, and if the assets and liabilities relate to income taxes levied by the same taxation authority.

16 Long-term obligations to employees

Provisions for long-term employee benefits (retirement pensions and long-service payments) and post-employment benefits (severance payments) are calculated in accordance with IAS 19 using the projected unit credit method. The corridor method is applied to actuarial gains and losses on retirement pensions and severance payments.

16.1. Pension obligations

The Group operates long-term defined benefit pension schemes for some of its employees. Actuarial gains and losses are amortised over an average period of 13 years.

The provision for pension obligations at ATB Motorenwerke GmbH in Spielberg, Austria, covers the entitlements of all of the employees taken over from Bauknecht Austria GmbH, Spielberg. These entitlements are nominal amounts that are not subject to change.

The provision set up at ATB Antriebstechnik GmbH, Welzheim, Germany, is for pension commitments to a number of managerial employees made under individual employment contracts, as well as long-service bonuses for other employees awarded under internal regulations. The liability representing this defined benefit obligation (DBO) in the balance sheet is equal to the present value of the pension entitlements acquired by the managerial employees taking into account expected increases in remuneration until retirement and, upon retirement, indexing of current pensions to the cost of living.

At Schorch Elektrische Maschinen und Antriebe GmbH, Moenchengladbach, Germany, provisions were set up under a defined benefit arrangement for individual employees based on two pension plans dating from the years 1977 and 1988. The benefits are pension-group-specific and dependent on years of service, with claims arising when employees leave the company and at the same time have a claim to a state pension, as well as in the case of occupational invalidity. Widow’s and widower’s pensions are also provided (60% of the entitlement). Employees who joined the company after 30 September 1996 are not covered by the rules of the 1988 pension plan.

At Brook Crompton Ltd., Toronto, Canada, provisions were set aside under a defined benefit arrangement for employees based on the Brook Crompton Pension Plan for Canadian Employees, which in 1996 replaced the BTR Pension Plan for Canadian Employees and the Registered Pension Plan for the Employees of Brook Hansen (Canada) Inc. The plan's assets are invested in a mixed (equities and fixed-interest securities) fund managed by Jarislowsky Fraser (JF) Ltd. After one year of service at the company, employees are entitled to join the pension plan. After two years of participation in the plan they are entitled to draw benefits from it. The Company pension is paid out as at the first day of the month following the employee's 65th birthday. In the case of earlier retirement (at age 55 at the earliest), benefits are reduced proportionately. The maximum pension amount payable annually is limited by Canadian income tax rules.

At ATB Motorentechnik GmbH, Nordenham, Germany, provisions were set up under a defined benefit plan for employees, which is based on a company agreement dated 27 September 1996 and Attachment 3 to the company agreement dated 15 January 1986. The defined benefit plan was based on both salary and time of service. Under a partial amendment of the company agreement on pensions dated 25 March 2004, no further gains-increasing pensions are granted to employees from 2004.

The provision at ATB Morley Ltd., Leeds, United Kingdom, was set up for entitlements of all employees. The company's defined benefit pension plan provides for employees who joined the company before 6 April 1994 the option of retiring from age 60 even without the company's consent. If retirement is begun before age 65, entitlements that originated previous to 17 May 1990 are subject to reductions. Employees who joined the company after 6 April 1994 do not have the right to retire before age 65 without the company's consent. If the employee retires before age 65, deductions are applied.

16.2. Severance payment obligations

Actuarial gains and losses associated with severance payment obligations are amortised over an average period of 12 years.

Under Austrian labour law, the employer is required to make severance payments to employees upon termination of employment under certain circumstances (one of which is retirement). The level of severance payments depends on income and length of service with the employer. Severance payments are one-off payments.

At ATB Sever d.o.o., Subotica, Serbia, a provision for severance payments was formed for the first time in the acquisition balance sheet as at 1 January 2005 to meet a collective agreement obligation. The projected unit credit method was applied to determine the scope of this obligation.

Following the passage of the Austrian Act Governing Employee Retirement and Severance Pay Provision (BMVG), a changeover was made in Austria from defined benefit to defined contribution schemes, involving the transfer of entitlements to employee severance pay and pension funds. The changed legal position applies to employment contracts concluded on or after 1 January 2003 and to cases in which employees voluntarily transfer to the new system by mutual agreement with the employer. Under the new legislation, the employer must contribute 1.53% of the employee's salary to the employee severance pay and pension fund, but there is no obligation to make top-up payments.

16.3. Long-service payment obligations

Long-service payment obligations are classified as other long-term employee benefits. Provisions for long-service payment obligations are calculated using the projected unit credit method. The corridor method in accordance with IAS 19 is not applied.

Employees at the Austrian and German companies receive long-service bonuses for defined years of service under the respective collective agreements. The amounts are determined by length of service and remuneration at the time of disbursement.

17 Provisions

Provisions are set up when the Group has a present legal or de facto obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount of this outflow can be reliably estimated.

18 Revenue recognition

Revenues from the sale of goods are recognised at the time of delivery and acceptance by the customer. Revenue is recognised net of discounts and after elimination of intra-Group supplies. Goods and products which are physically located at a third party, but are legally owned by ATB, are not recognised as sales revenues.

Revenues from the sale of services are recognised based on the percentage of completion, that is, the proportion of the service rendered relative to the entire service to be rendered, in the financial year in which the service was rendered.

Revenue from construction contracts is recognised in accordance with the percentage-of-completion method provided the conditions set out in IAS 11 are met. This means that production costs incurred are recognised plus a profit margin proportionate to the stage of completion. The stage of completion is defined as the ratio of production costs incurred to aggregate costs expected. If a construction contract is expected to yield a loss, a provision in that amount is set up immediately.

Interest income is recognised pro rata temporis using the effective interest rate method.

H. Critical accounting estimates and judgements

Estimates and judgements are continually reviewed based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes forward-looking estimates and assumptions. Estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next few financial years relate to the following items:

A Estimates of impairments of goodwill and carrying amount of cash-generating units

The Group conducts an annual impairment test of goodwill in accordance with the accounting principle set forth in IAS 36. Impairment tests are also carried out during the year if there are indications that an impairment may have occurred. An impairment must be recognised if the recoverable amount is lower than the carrying amount (see Notes J.8. and J.10.1).

These calculations require the use of estimates.

Due to the annual impairment test which is carried out, there is no need for impairment of goodwill and carrying amount of cash-generating units.

B Income taxes

The Group is obligated to pay income taxes in multiple countries. For this reason, important assumptions are necessary in order to determine the Group's worldwide income tax provisions. Estimates of whether and in what amount additional income tax will be owed are necessary in order to determine the amount of the provision. If taxable profits changed by 10% during the planning period on which the carrying amount of deferred taxes is based, the net balance of deferred taxes would have to be adjusted by TEUR 368 (previous year: TEUR 215).

The recognition of active latent taxes is based on the assumption that sufficient taxable income will be generated in future to make use of deductible temporary differences and not-yet-realised tax loss carryforwards.

In Germany and England, there are significant carryforwards for which no active latent tax has been fixed because their usability does not appear certain from the present point of view.

C Actuarial assumptions of provisions for pensions and severance payments

The Company's actuarial assumptions are based on current market conditions.

In forecasting future events relating to these obligations, the Group relies on actuaries' statistical and mathematical calculations. For calculation purposes, actuarial assumptions and estimates are indispensable. These are made on the basis of current market conditions.

The assumptions used for determining net expenses (or gains) for long-term employee benefits include the discount rate. Changes in these assumptions will impact the liabilities to employees. Due to the application of the corridor method in accordance with IAS 19, interest rate changes do not, however, directly impact the recognised obligations. If, for example, the assumed interest rate were either 1% lower or higher than estimated, the present value of defined benefit obligations for the Group would be TEUR 10,392 higher (previous year: TEUR 7,895) or TEUR 7,879 (previous year: TEUR 6,411) lower, respectively.

D Trade and other receivables

Trade receivables and other receivables are carried at amortised cost. This is the amount invoiced less allowances for doubtful receivables. Allowances made for doubtful receivables reflect the Group's past experience regarding the collectability of receivables.

The management is confident that no default risk for receivables in excess of the allowances applied needs to be taken into consideration.

E Inventories

Inventories are carried at the lower of acquisition or production cost and net realisable value. Net realisable value is the estimated selling price attainable in the ordinary course of business, less the costs of completion and sale.

F Useful life

The useful lives of property, plant and equipment and intangible assets are based on past experience and assumptions made by the management.

G Provisions

Estimates of the amount and recognition of provisions are made by the management. Estimates may ultimately differ from actual amounts.

H Restatement of errors from previous periods

Amounts in Euro	31 December 2010	Restatement	1 January 2011	31 December 2011	Restatement	31 December 2011
	excl. restatement	>2011	restated		total	restated
Current assets	135,482,526	–2,730,960	132,751,566	182,142,890	–6,194,902	175,947,988
Inventories	51,745,033	–2,730,960	49,014,073	56,869,474	–6,194,902	50,674,572
Unfinished goods	16,517,794	–2,730,960	13,786,834	18,204,324	–6,194,902	12,009,422
Non-current assets	105,577,796	0	105,577,796	131,187,291	0	131,187,291
Total assets	241,060,322	–2,730,960	238,329,362	313,330,181	–6,194,902	307,135,279
Equity including minority interests	39,203,966	–2,730,960	36,473,006	81,856,752	–5,329,839	76,526,913
Balancing item for currency translation	–4,852,604	–80,901	–4,933,505	–7,393,129	–178,231	–7,571,360
Accumulated income and expenses reported directly in equity	–225,982,569	–2,650,059	–228,632,628	–194,338,627	–5,151,608	–199,490,235
Non-current and current liabilities	201,856,356	0	201,856,356	231,473,429	–865,063	230,608,366
Total equity and liabilities	241,060,322	–2,730,960	238,329,362	313,330,181	–6,194,902	307,135,279

	01–12 2011	Restatement	01–12 2011
		2011	restated
Cost of materials and other services	–169,707,299	–3,334,214	–173,041,513
Gross income	175,211,218	–3,334,214	171,877,004
Operating result (EBIT)	45,229,551	–3,334,214	41,895,337
Earnings before taxes (EBT)	39,936,846	–3,334,214	36,602,632
Income taxes	–1,065,231	832,665	–232,566
Profit/loss from continued operations	38,871,615	–2,501,549	36,370,066
Result for the period	34,335,224	–2,501,549	31,833,675
thereof result of non-controlling interests	306,813	0	306,813
thereof result of the parent company's shareholders	34,642,037	–2,501,549	32,140,488
Diluted and basic parent company stockholder earnings per share	3.15		2.92
Basic and diluted earnings per share in EUR from continued operations attributable to the parent company's shareholders in the financial year	3.56		3.33

In January 2103, a significant error in the valuation of unfinished goods at the British subsidiary ATB Morley Ltd., Leeds, was discovered. The error affected the 2009, 2010 and 2011 financial years. In the course of carrying out an inventory, it was recognised that a significant share of costs had not been transferred to the earnings statement, due to which the reported level of inventory constantly rose and the expenses reported in the income statement were too low. The correction of this valuation error in previous periods is reported in accordance with IAS 8 as a restatement of errors from previous periods.

The table above shows the impact of the corrected presentation for the respective balance sheet dates and in the relevant items of the balance sheet and the income statement. The cumulative error from reporting periods before 2011 leads to a reduction in the balance sheet item “unfinished goods” in the amount of TEUR –2,731 and is directly reported in the entity’s equity.

The correction of the error in the 2011 reporting year reduces the item “unfinished goods” by a further TEUR –3,464. This error is recognised in the income statement and leads to an increase in the item “cost of materials” in the amount of TEUR –3,334. A positive taxation effect of TEUR 833 was taken into account and was calculated from the error from the restatement of the 2011 reporting period at a recoverable tax rate of 29.3%.

I. Financial instruments and risk management

1 Additional information about financial instruments

This chapter provides additional information about balance sheet items that include financial instruments. The following table shows the carrying amounts of all categories of financial assets and liabilities:

	2012				2011			
TEUR	Loans and receivables (at amortised cost)	Available for sale (at cost)	Available for sale (at fair value)	Total	Loans and receivables (at amortised cost)	Available for sale (at cost)	Available for sale (at fair value)	Total
Non-current assets								
Other financial assets	160	169	445	773	195	207	445	847
Current assets								
Trade receivables and other assets	54,601	0	0	54,601	58,343	0	0	58,343
Cash and cash equivalents	22,590	0	0	22,590	52,014	0	0	52,014
Financial assets	**77,351**	**169**	**445**	**77,964**	**110,552**	**207**	**445**	**111,204**

The categories recognised at fair value were recognised at level 1 fair value, i.e. stock exchange prices quoted on the balance sheet date. The fair value of the remaining financial assets corresponds largely to the reported carrying amount.

	2012		2011	
TEUR	Financial liabilities (at amortised cost)	Total	Financial liabilities (at amortised cost)	Total
Non-current debt				
Liabilities to Group entities	17,404	17,404	14,413	14,413
Non-current financial liabilities	31,552	31,552	19,109	19,109
Current debt				
Trade payables	30,642	30,642	31,516	31,516
Liabilities to Group entities	11,961	11,961	4,216	4,216
Current financial liabilities	25,137	25,137	68,096	68,096
Other current liabilities	6,222	6,222	6,869	6,869
Financial liabilities	**122,918**	**122,918**	**144,219**	**144,219**

The carrying amount and fair value of the financial liabilities are as follows:

	Carrying amount		Fair value	
TEUR	2012	2011	2012	2011
Liabilities to banks	52,475	82,626	54,709	85,142
Liabilities under finance leases	2,718	2,895	3,719	3,266
Other financial liabilities	1,495	1,684	1,513	1,695
Financial liabilities	**56,688**	**87,205**	**59,941**	**90,103**

The fair value of the remaining financial liabilities corresponds largely to the carrying amount.

Financial assets found to be impaired have already been depreciated. Assets are written down when there are indications that a debtor is facing financial difficulties and may not be able to meet payment obligations in full.

The following table shows net gains and expenses on financial instruments of the various categories of financial assets and financial liabilities:

Financial income and expenses

TEUR	2012	2011
Interest and similar income from loans and receivables	63	122
Interest and similar income from securities	14	14
Net currency translation gains/losses from credits, receivables and financial liabilities	– 963	1,039
Financial income	– 886	**1,175**
Interest and similar expenses from financial liabilities to third parties at amortised cost	– 3,099	– 3,000
Interest and similar expenses from financial liabilities to Group entities at amortised cost	– 1,044	– 83
Net currency translation losses from loans, receivables and financial liabilities	– 964	– 160
Financial expenses	**– 5,107**	**– 4,243**
Income from release of bad debt allowance	51	– 557
Release of bad debt allowance	**51**	**– 557**
Financial gains/losses recognised in income	**– 5,942**	**–3,625**
Foreign currency valuation effects from the translation of finances dedicated to net investments in subsidiaries	0	– 261
Financial gains/losses recognised directly in equity	**0**	**– 261**

2 Financial risk factors

The Group's activities expose it to a number of financial risks, including the effects of fluctuations in market prices, exchange rates and interest rates. The Group's risk management policies are focused on such unpredictable developments in financial markets and aimed at minimising any potential negative impacts on the Group.

2.1. Liquidity risk

The dynamic nature of the Group's underlying business makes it necessary to hold sufficient cash and cash equivalents, as well as to maintain flexibility in funding by keeping adequate credit lines available. Current financing is provided in the Group partially on the basis of factoring, with both genuine factoring (transfer of the default risk) and non-genuine factoring (the risk remains within the Company) being employed.

The tense financial situation in the Group which was triggered by the A-TEC Industries AG reorganisation was significantly defused after 19 October 2011 (the takeover by new owner WOLONG INVESTMENT GmbH). Thanks to the financial support of the new owner, the Group companies were able to maintain the precision of their forecasts for operations, and thereby to improve delivery reliability. Furthermore, the trust of suppliers was regained, which led to new pricing and delivery conditions. Despite an increase in working capital and the associated necessary high capital commitment, the Group was able to ensure revenue stability in 2012.

Management successfully introduced the necessary measures to ensure the supply of liquidity in 2012. Business certainty arises from the presence of adequate cash and cash equivalents, as well as the possibility of financing through sufficient credit lines. In view of the dynamic nature of the Group's underlying businesses under the aforementioned circumstances, we have sought to ensure the greatest possible flexibility.

The liquidity analysis required under IFRS 7 appears as follows:

2012

TEUR	Carrying amount	Within 1 year	2 to 5 years	More than 5 years
Liabilities to banks	52,476	19,768	36,417	0
Liabilities under finance leases	2,717	971	1,858	269
Other financial liabilities	1,495	377	1,147	0
Liabilities to Group entities	29,365	5,114	28,029	369
Trade payables including construction contracts and prepayments	34,160	34,160	0	0
Total	**120,213**	**60,390**	**67,451**	**638**

2011

TEUR	Carrying amount	Within 1 year	2 to 5 years	More than 5 years
Liabilities to banks	82,626	69,549	18,523	0
Liabilities under finance leases	2,895	904	2,060	336
Other financial liabilities	1,684	989	726	0
Liabilities to Group entities	18,629	2,340	19,096	318
Trade payables including construction contracts and prepayments	36,908	36,908	0	0
Total	**142,742**	**110,690**	**40,405**	**654**

The items representing liabilities to banks, liabilities under finance leases, liabilities to Group entities and other financial liabilities compare carrying amounts with repayments including interest payments.

As at 31 December 2011, ATB Austria Antriebstechnik AG, Vienna, held a bank loan for EUR 40 million which was recognised both as cash and cash equivalents and as a current bank liability. This loan was repaid in the first quarter of 2012.

2.2. Foreign exchange risk

The Group operates internationally and is therefore increasingly exposed to foreign exchange risks, especially with regard to the US dollar, the British pound, the Serbian dinar and the Singapore dollar. All transaction, translation and economic risks are monitored continuously as protection against currency-related risks. Within the Group, the exchange rate risk associated with transactions is hedged largely by closing positions out, that is, by netting. In addition, sales in foreign currencies are recorded in foreign currency accounts, the balances of which are not converted into the Group currency wherever possible, but instead are employed to settle liabilities in the same currency.

The conversion of financial receivables and liabilities from foreign currencies into the functional currency also gives rise to risks, which are in part recognised through profit or loss on the income statement and are in part recognised without impact on profit or loss as part of a net investment in a subsidiary. An assumed conversion of 10% of the transaction currency to the functional currency of each Group entity yields the following results:

Risk arising from a 10% devaluation of the local (functional) currency against the transaction currency:

2012

TEUR	EUR	USD	GBP	SGD	TOTAL
Recognised in income	– 1,965	13	424	0	– 1,529
Not recognised in income	0	0	0	0	0
Total risk	**– 1,965**	**13**	**424**	**0**	**– 1,529**

2011

TEUR	EUR	USD	GBP	SGD	TOTAL
Recognised in income	1,225	2,149	– 608	96	2,862
Not recognised in income	0	404	0	0	404
Total risk	**1,225**	**2,553**	**– 608**	**96**	**3,266**

Risks arise furthermore from the translation of the individual statements of foreign entities into euros, the Group currency. Sales revenues, earnings and the value of balance sheet items of entities not located in the euro area therefore vary with the euro exchange rate. The impact of hypothetical exchange rate changes on earnings and equity is determined through sensitivity analyses. To determine sensitivity, it was assumed that a hypothetical unfavourable change in exchange rates of 10% would occur, with all currencies appreciating against the euro at the same time from their year-end levels. A devaluation of the euro versus the key currencies would have led to an increase in equity and the profit/loss for the period by the same nominal amount. An unfavourable change in the exchange rate by 10% would have the following impact on the profit/loss for the period and on equity:

Impact on profit/loss for the period

TEUR	2012	2011
USD	10	38
GBP	888	575
SGD	435	– 492
CSD	– 303	575
CNY	251	18
PLN	105	1,779
Other	212	23
Total	**1,597**	**2,516**

Impact on equity

TEUR	2012	2011
USD	143	3,287
GBP	5,133	4,637
SGD	– 238	– 4,361
CSD	– 376	209
CNY	0	– 282
PLN	3,012	3,037
Other	386	532
Total	**8,060**	**7,059**

2.3. Interest rate risk

The Group's consolidated earnings and cash flow from operating activities are exposed to changes in market interest rates, except in the case of non-current financial liabilities. The Group has no material interest-bearing assets. The interest rate risk derives from non-current liabilities on which interest is payable. Liabilities subject to variable interest rates expose the Group to cash flow risks related to interest rates (see Note J.18).

A sensitivity analysis carried out for variable-rate financial liabilities has shown that if the market interest rate level had been 100 basis points higher or lower on the balance sheet date, earnings and equity would have been TEUR 481 (previous year: TEUR 772) lower or higher, respectively.

2.4. Pricing risk

Highly volatile raw materials prices in the production of electric motors continue to present a significant yield risk due to high intensity of material usage (copper, steel, cast iron and aluminium), making a long-term stable calculation difficult.

In the interest of minimising these purchasing-related risks, delivery contracts increasingly include price adjustment clauses in order to pass along additional costs that may arise. Through our broad product portfolio with different project running times and an increasingly industry-targeted approach, the ATB Group is able to compensate for the current price fluctuations in some sales markets.

2.5. Default risk

There is no major concentration of customer risk. The Group assesses its exposure to default risk as very low. The Group has policies in place to ensure that products and services are sold only to customers with good credit ratings and thus limit the amount of credit exposure to any contracting party. Group insurance through PRISMA Kreditversicherungs AG, Vienna, which covers all operating units, offers protection against default risk.

The maximum credit risk associated with financial assets – not taking into account collateral or protection through credit insurance – is determined by the assets' carrying amount. These financial assets comprise the following:

TEUR	2012	2011
Customer loans and receivables	53,365	57,402
Available-for-sale financial assets	626	680
Cash and cash equivalents	22,590	52,014
Maximum default risk	**76,581**	**110,096**

3 Estimate of fair values

The fair values of securities available for sale are based on the stock exchange prices quoted on the balance sheet date.

It is assumed that the nominal values of financial assets and liabilities with maturities of less than one year, minus any estimated deductions, are roughly equal to their fair values.

The fair value of financial investments in equity instruments not quoted on active markets, as well as that of derivatives that are associated with them and must be settled by delivering such non-listed equity instruments, is deemed to be reliably determinable if the fluctuation range of the reasonable estimates of the fair value of the instrument is insignificant or the probability of the various estimates within this range can be assessed in a reasonable manner and can be employed in estimating the fair value. In determining the fair value, the following factors are among those considered: the present value of money, equity prices (shares), the risk of early redemption, the risk of surrender, and volatility.

4 Capital management

ATB Austria Antriebstechnik AG is not subject to any capital requirements based on its Articles of Association. Due to the volatility of our business and our high intensity of investment, a solid capital structure also provides the basis for financial flexibility.

The management of the ATB Group is committed to a solid asset and capital structure with a high degree of financial flexibility. The objective of capital management is, on the one hand, to ensure the going concern of all Group entities and, on the other, to maximise the shareholders' return on their investment by optimising the use of equity capital and borrowed capital. The capital structure is being monitored on an ongoing basis. This monitoring takes into account capital costs and the risks that are attached to every kind of capital. ATB is committed to optimising the capital structure through dividend distribution, new issues and repayment of existing liabilities and acquisition of new liabilities.

The management considers equity to be solely the equity shown on the consolidated balance sheet in accordance with IFRS. As at the balance sheet date, the Group equity ratio was 33.7% (previous year: 26.1%).

J. Notes on the consolidated financial statements

1 Sales revenues

Sales revenues totalled TEUR 336,018 (previous year: TEUR 337,448) and accrued entirely from the sale of goods.

Construction contracts that are accounted for in accordance with IAS 11 are comprised of the following:

	Financial year as at 31 December	
TEUR	2012	2011
Assets-side production costs of construction contracts including prorated profit/loss	19,556	15,203
Less partial settlements	4,903	4,748
Construction contracts with positive balance towards customer	14,653	10,455
Construction contracts with negative balance towards customer	– 1,253	– 3,002
Total	**13,400**	**7,453**
Sales revenue from construction contracts	**102,315**	**104,870**

2 Changes in inventories and capitalised own work

Changes in inventories reflect changes in inventories of unfinished and finished goods.

Capitalised own work includes TEUR 1,667 (previous year: TEUR 935) in buildings, plant and machinery, as well as TEUR 4,255 (previous year: TEUR 3,765) in development costs.

3 Personnel expenses

Personnel expenses comprise the following:

TEUR	2012	2011
Salaries and wages	99,454	96,855
Severance payment expenses and payments to employee retirement and severance payment provision funds	320	221
Pension expenses	2,026	1,791
Social security expenses and payroll-related taxes	17,539	16,967
Other expenses for employee benefits	65	78
Restructuring costs	886	2,148
Total	**120,290**	**118,060**

The average number of employees in the 2012 financial year was 3,563 (previous year: 3,688). The number of employees on 31 December 2012 was 3,509 (previous year: 3,554).

4 Other operating income and expenses

Other operating income and expenses comprise the following:

	Financial year as at 31 December	
TEUR	2012	2011
Income from the disposal of property, plant and equipment and intangible assets	247	882
Insurance compensation	1,122	321
Profit/loss from foreign exchange	0	397
Charge-out of various services	353	377
Other incidental income	1,775	2,748
Sundry	1,062	735
Other operating income	**4,559**	**5,460**
Transport expenses	6,443	6,585
Consultancy expenses, audit expenses, other outside services	5,218	5,848
Repair and maintenance expenses	5,410	3,987
Travel expenses	2,290	2,088
Insurance	1,483	1,374
Rents and leases	3,009	2,962
Taxes other than income taxes	1,216	1,625
Mail, telephone, postage, bank charges	1,215	1,357
IT expenses	1,431	1,248
Warranty expenses	526	857
Commission expenses	3,474	3,416
Losses from the disposal of property, plant and equipment and intangible assets	140	147
Profit/loss from foreign exchange	886	159
Sundry operating expenses	4,484	6,372
Other operating expenses	**37,225**	**38,025**

Sundry operating income includes government grants in the amount of TEUR 358 (previous year: TEUR 239).

Sundry operating expenses include write-offs and write-downs of receivables in the amount of TEUR 464 (previous year: TEUR 856). Sundry operating income includes gains from written-off receivables and the release of bad debt allowances in the amount of TEUR 515 (previous year: TEUR 297).

5 Financial result

Financing expenses comprise the following:

	Financial year as at 31 December	
TEUR	2012	2011
Financing expenses		
Bank and loan interest	–4,106	–3,895
Interest expense for long-term personnel-related provisions	–2,483	–2,514
Finance leases	–123	–152
Income from plan assets	449	527
Other financing expenses	–49	–37
	–6,312	–6,071
Financing income		
Income from securities	14	14
Interest on bank accounts	63	110
Currency translation differences from financial assets	208	642
Gains from the sale of financial instruments at fair value through profit and loss	73	12
	358	778
Financial result	**–5,954**	**–5,293**

6 Income taxes

The table below shows the reconciliation of tax expenses resulting from application of the Austrian corporate income tax rate of 25% to pre-tax earnings and actual tax expenses:

	Financial year as at 31 December	
TEUR	2012	2011
Earnings before taxes	10,309	36,601
Calculated income tax expenses	2,577	9,150
Deviating foreign tax rates	514	–1,986
Effects from non-deductible expenses	654	1,514
Effects from tax–free income	–1,325	–326
Effects from application of previously not accrued temporary differences and tax losses	–2,806	–9,121
Effects from deferred tax expenses due to change in tax rates	–130	47
Effects from non–deductible impairments	–248	–248
Effects from non–capitalised losses and temporary differences in reporting period	545	4,548
Other effects	522	–3,345
Income tax expenses	303	233

In 2012, other effects are largely attributable to the release of the main obligations in regards to Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian, and the liquidation of ATB Schweiz AG, Lenzburg, and ATB France S.A.R.L., Gonesse. Remaining income tax expenses for 2011 are largely attributable to acyclic tax revenue and to tax deductibility of the compensation for hybrid capital. Tax expenses are comprised of corporate taxes and foreign income taxes in the amount of TEUR 1,677 (previous year: TEUR 1,881) and proceeds from deferred taxes in the amount of TEUR 1,375 (previous year: TEUR 816). This results in an effective tax rate in the Group of 2.94% (previous year: 0.64%).

7 Research and development costs

Research and development costs reported as expenses amounted to TEUR 2,802 (previous year: TEUR 1,813), that is, 0.83% (previous year: 0.54%) of sales revenues.

Of these expenses, TEUR 107 (previous year: TEUR 25) are recognised under the item “Cost of materials and other services”, TEUR 2,537 (previous year: TEUR 1,598) under “Personnel expenses”, TEUR 88 (previous year: TEUR 105) under “Depreciation of fixed assets” and TEUR 70 (previous year: TEUR 85) under “Other operating income and expenses”.

8 Impairment tests and reversed impairment

Property, plant and equipment and intangible assets are tested for impairment when signs indicate that impairment has occurred. Intangible assets with an indefinite useful life are tested for impairment each year. If the reason for an impairment of an asset recognised in the past no longer applies, a reversal of impairment is to be carried out at amortised cost – with the exception of goodwill. The annual impairment test is always performed in the fourth quarter.

In order to be able to carry out the impairment tests, the ATB Group had to be divided into cash-generating units. The following individual plants were defined as cash-generating units: ATB Spielberg, ATB Welzheim, ATB Nordenham, ATB Sever, ATB Tamel, ATB Schorch, ATB Laurence Scott, ATB Morley, ATB Fod and the LJ Group as a sales unit. Of the goodwill recognised in the balance sheet in the amount of TEUR 19,545, a sum of TEUR 13,636 was contributed by Laurence Scott and TEUR 5,909 by ATB Morley. For these two cash-generating units an impairment test was carried out in 2012.

Planning for impairment tests is done for a period of four years. Perpetuity is based on the plan data of the fourth planning period. In the impairment tests carried out, an average growth in sales of 14.9% for ATB Laurence Scott and 9.0% for ATB Morley, as well as an average growth in EBITDA of 28.0% for ATB Laurence Scott and 20.0% and ATB Morley was assumed. Applied to EBITDA, an impairment results at ATB Laurence Scott after a negative deviation of 12.5% and at ATB Morley after a negative deviation of 50.5%. The discount rate before taxes was set at 12.0% (previous year: 10.4%). The growth discount for calculating the final value was set at 1.0% (previous year: 0.0%).

The most significant reversed impairments and revaluations in 2011 were spread across the following cash-generating units: ATB Welzheim TEUR 2,583, ATB Sever TEUR 11,025, ATB Tamel TEUR 17,875, ATB Schorch TEUR 6,380 and ATB Fod TEUR 678. The most significant write-downs in 2011 pertained to the cash-generating units ATB Spielberg, TEUR 4,047, and ATB Laurence Scott, TEUR 2,030. They were based primarily on external expert opinions.

The most significant write-downs in 2012 pertained to the cash-generating unit ATB Schorch in the amount of TEUR 1,752 and concerned machinery and software. Reversed impairments in 2012 in the amount of TEUR 351 pertained to ATB Tamel and ATB Sever. They were based primarily on external expert opinions.

9 Property, plant and equipment

Movements in property, plant and equipment are shown in the statement of changes in fixed assets (see Notes: Movement in intangible assets and property, plant and equipment as at 31 December 2012).

The management of the ATB Group has decided on a revaluation of land and buildings with the aim of obtaining realistic fair values for non-depreciable land and long-term depreciable building structures erected on such land for reporting under property, plant and equipment. A revaluation of the majority of land and buildings was carried out again in 2011.

The valuation of the properties was carried out by knowledgeable independent experts. The value of the properties is comprised in each case of the land value and the value of the buildings.

The comparative value method was used to determine the land value. Under this method, comparative prices were obtained for the land being valuated and used as a basis for the valuation.

Depending on the respective market conditions, the buildings were appraised by the experts using either the asset value method or the gross rental method. If applicable, the method used in each case was complemented by the liquidation value method.

To the extent that it was possible to identify an appropriate alternative use of the property to be valuated and a potential demand-driven market, the gross rental method was used. In contrast, the asset value method was used in those cases in which a possible alternative use of the property is greatly limited and demand in the market is very small. In certain cases, the asset value or gross rental method was complemented by the liquidation value method for those parts of the property to be valuated that cannot be used commercially in the future, as they are commercially obsolete.

The cost of construction is the notional cost that would be incurred in newly erecting the building structures at the valuation date. From this value, a deduction is made to allow for wear and tear. In all cases, the usual useful life and residual useful life of a property are taken into account.

In the income approach, the value of a property is determined by capitalising, at an appropriate interest rate, the net income to be expected or obtained in the time after the valuation date, on the basis of the expected useful life of the property. This is based on the income that can actually be earned from operation of the property (gross income).

Net income is calculated by deducting the actual expenses for operation, maintenance and management of the property and depreciation from gross income. Depreciation is discounted only if it was not already taken into account in the capitalisation of income. In determining net income, the risk of default and potential liquidation proceeds and costs have to be considered as well.

		31 December
TEUR	**2012**	**2011**
Carrying amount of land and buildings using the cost model	40,101	42,323
Revaluation reserve for land and buildings	19,826	20,752
Carrying amount using the revaluation model	**59,927**	**63,075**

On the basis of an external expert opinion, the carrying amount of the property at ATB Antriebstechnik GmbH, Welzheim, was increased by TEUR 1,032 in 2012. This value was recognised in the revaluation reserve without effect on income. Conversely, there is depreciation in the amount of TEUR 86, which is charged to income.

Based on an expert opinion that had been prepared as part of the purchase price allocation for the WOLONG Group, the carrying amount of the land and buildings was increased by TEUR 16,924 in 2011. A sum of TEUR 14,345 was recognised in the income statement as reversed impairments, while write-downs in the amount of TEUR 2,110 were recorded. The revaluation reserve was increased by TEUR 8,736, while reductions in the amount of TEUR –4,047 were recorded.

Other operating income in the 2012 financial year includes gains on the disposal of fixed assets in the amount of TEUR 247 (previous year: TEUR 882). Other operating expenses include losses in the amount of TEUR 140 (previous year: TEUR 147).

Capitalised assets held under finance leases are primarily land and buildings, plant and machinery, and fixtures and fittings, tools and equipment. The movements in these assets were as follows:

	31 December	
TEUR	2012	2011
Capitalisation under finance lease agreements	7,746	7,356
Accumulated depreciation and amortisation	–4,171	–3,441
Carrying amount	**3,575**	**3,915**

Borrowing costs that are attributable to the purchase or production of qualifying assets are capitalised. As was the case in 2011, no borrowing costs for the purchase or production of property, plant and equipment were capitalised in 2012.

Bank loans were secured by pledging land and buildings (see Note J.18).

10 Intangible assets

Movement in intangible assets is shown in the statement of changes in fixed assets (see Notes: Movement in intangible assets and property, plant and equipment as at 31 December 2012).

Based on an expert opinion prepared in 2011 for the WOLONG Group as part of the purchase price allocation, the carrying amount of the intangible assets was increased by TEUR 3,817 in the 2011 financial year. The primary write-ups were attributable to the cash-generating unit Schorch and totalled TEUR 3,665.

The 2012 impairment test indicated that a write-down of intangible assets in the amount of TEUR 295 (previous year: 0) was required.

Interest paid on borrowings that are attributable to the purchase or production of qualifying assets were capitalised. As was the case in 2011, no borrowing costs for the purchase or production of qualifying assets were capitalised in 2012.

10.1. Goodwill

The 2012 impairment test indicated that a value adjustment for the remaining goodwill for ATB Morley Ltd., Leeds, and ATB Laurence Scott Ltd., Norwich, was not required. The change in the carrying amount is attributable to foreign currency changes.

	31 December	
TEUR	2012	2011
Capitalised goodwill	38,310	38,010
Accumulated depreciation and amortisation	– 18,765	– 18,914
Carrying amount	**19,545**	**19,096**

10.2nd Concessions, trademarks and similar rights, licenses

Customer relations

	31 December	
TEUR	2012	2011
Capitalised customer relationships	8,588	8,391
Accumulated depreciation and amortisation	– 8,588	– 8,391
Carrying amount	**0**	**0**

Customer relationships have been completely amortised since 2007. Changes in individual items are the result of foreign currency translation.

Technology

	31 December	
TEUR	2012	2011
Capitalised technology	27,136	26,613
Accumulated depreciation and amortisation	– 26,300	– 25,651
Carrying amount	**836**	**962**

In relation to the measurement of the purchasing price allocation in 2011, a reversed impairment in the amount of TEUR 993 (2012: TEUR 0) was reported. The reversed impairment was recognised in the income statement. Capitalised technology is amortised over a maximum of 15 years.

Trademark rights

TEUR	31 December 2012	2011
Capitalised trademark rights	20,807	20,461
Accumulated depreciation and amortisation	– 16,025	– 15,473
Carrying amount	**4,782**	**4,988**

In 2011, a reversed impairment in the amount of TEUR 2,824 (2012: TEUR 0) was recorded. The reversed impairment is recognised in the income statement.

Software

TEUR	31 December 2012	2011
Capitalised software	10,975	10,708
Accumulated depreciation and amortisation	– 10,285	– 9,189
Carrying amount	**690**	**1,519**

The 2012 annual impairment test indicated that an impairment in the amount of TEUR 1,016 was required, which is recognised under impairment of intangible assets and property, plant and equipment.

10.3. Capitalised development costs

TEUR	31 December 2012	2011
Capitalised development costs	21,437	17,277
Accumulated depreciation and amortisation	– 10,661	– 10,106
Carrying amount	**10,776**	**7,171**

All capitalised development costs arise from internal development projects. The impairment test in 2012 indicated that an impairment was not necessary.

10.4. Prepayments made for intangible assets
The impairment test in 2012 indicated that an impairment was not necessary in regards to the continuation of individual projects.

11 Deferred taxes

Deferred taxes are computed on temporary differences using the liability method and applying those tax rates that are expected to be applicable in the period in which assets will be realised or debt repaid.

The movements in net deferred taxes were as follows:

	Financial year as at 31 December	
TEUR	2012	2011
As at 1 January	**– 5,718**	**– 5,802**
Currency translation	– 43	89
Impact of tax rate changes on income	130	30
Recognised in income in financial year	1,244	145
Not recognised in income in financial year	– 297	– 180
As at 31 December	**– 4,684**	**– 5,718**

Deferred tax assets are recognised for tax loss carryforwards only to the extent that it is likely that this tax loss will be offset by future taxable income. ATB has capitalised deferred taxes for loss carryforwards in the amount of TEUR 3,708 (previous year: TEUR 2,569), which can be offset against future taxable income. As a result of the integration of the ATB Group into the WOLONG Group, cooperation between ATB and its business partners has improved continuously. Consequently, it can be presumed that several of the subsidiaries will again realise profits which can then be offset by tax loss carryforwards. In the valuation process, tax loss carryforwards were reduced due to some uncertainty about whether the losses can actually be utilised. No deferred tax accruals for carryforwards of tax losses were recognised for those Group entities where it currently does not appear likely that sufficient taxable income will be available against which the carryforwards can be utilised. On balance, no deferred tax accruals were recognised for loss carryforwards in the amount of TEUR 71,863 (previous year: TEUR 98,039). Loss carryforwards in the amount of TEUR 27,939 (previous year: TEUR 31,047) will expire within the next five years; TEUR 31,162 (previous year: TEUR 30,953) will expire after 2017. The reduction in carryforwards is primarily the result of the deconsolidation of Western Electric Australia Pte. Ltd., Granville.

Movements in deferred tax assets and liabilities, without offsetting those deferred tax assets and liabilities against each other that are incurred vis–à–vis the same tax authority, were as follows:

Deferred tax assets

TEUR	Fixed assets	Loss carried forward	Non-current provisions and liabilities	Current provisions and liabilities	Receivables	Total
As at 1 January 2011	**487**	**0**	**4,555**	**192**	**0**	**5,234**
Currency translation	10	– 47	– 3	– 46	– 25	– 111
Recognised in income due to changes in tax rate	– 171	– 9	– 64	– 3	0	– 247
Recognised in income in financial year	479	2,625	831	380	276	4,591
As at 31 December 2011	**805**	**2,569**	**5,319**	**523**	**251**	**9,468**
Currency translation	6	35	9	29	15	94
Recognised in income due to changes in tax rate	0	31	– 4	– 2	0	25
Recognised in income in financial year	43	1,072	483	– 281	18	1,335
As at 31 December 2012	**854**	**3,707**	**5,807**	**269**	**284**	**10,922**

Deferred tax liabilities

TEUR	Fixed assets	Receivables	Non-current provisions and liabilities	Current provisions and liabilities	Total
As at 1 January 2011	**9,554**	**1,171**	**124**	**188**	**11,037**
Currency translation	– 207	7	0	0	– 200
Recognised in income due to changes in tax rate	– 250	– 27	0	0	– 277
Recognised in income in financial year	4,592	– 388	– 119	361	4,446
Not recognised in income in financial year	180	0	0	0	180
As at 31 December 2011	**13,869**	**763**	**5**	**549**	**15,186**
Currency translation	133	5	0	– 1	137
Recognised in income due to changes in tax rate	– 96	– 9	0	0	– 105
Recognised in income in financial year	– 302	763	2	– 372	91
Not recognised in income in financial year	297	0	0	0	297
As at 31 December 2012	**13,901**	**1,522**	**7**	**176**	**15,606**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off actual entitlements to tax refunds against actual tax liabilities, and if the assets and liabilities relate to income taxes levied by the same tax authority.

The following amounts are reported in the consolidated balance sheet:

	Financial year as at 31 December	
TEUR	2012	2011
Deferred tax liabilities	9,492	9,435
Deferred tax assets	4,809	3,717
	4,683	**5,718**

12 Non-current financial assets

	31 December	
TEUR	2012	2011
Available-for-sale financial assets (at cost)	169	207
Available-for-sale financial assets (at fair value)	445	445
Other non-current financial assets	160	195
Total	**774**	**847**

13 Inventories

Inventories comprise the following:

	31 December	
TEUR	2012	2011
Raw materials and supplies	22,010	22,594
Unfinished goods	13,448	11,245
Finished goods and merchandise	17,824	16,836
	53,282	**50,675**

The cost of materials in the amount of TEUR 129,948 (previous year: TEUR 142,356) is reported in the income statement. Movements in valuation adjustments relative to inventories during the financial year were as follows:

	31 December	
TEUR	2012	2011
Bad debt allowance as at 1 January	**5,005**	**4,965**
Change in consolidated entities	0	–275
Currency translation differences	24	–77
Addition	1,240	1,539
Use	–346	–414
Release	–1,959	–733
Bad debt allowance as at 31 December	**3,964**	**5,005**

14 Trade and other receivables

Trade receivables and other current receivables comprise the following:

	31 December	
TEUR	2012	2011
Trade receivables	55,241	59,930
Bad debt allowance	– 2,080	– 2,749
Net trade receivables	53,161	57,181
Receivables from tax authorities	1,334	1,150
Salary and travel expense advances	1,167	392
Other receivables and assets	3,759	3,935
Trade and other receivables	**59,421**	**62,658**

Write-downs reflect the Group's past experience regarding the collectability of receivables. The management is confident that the default risk of receivables is not in excess of the allowances applied.

Movements in provisions for doubtful trade and other receivables were as follows during the financial year:

	31 December	
TEUR	2012	2011
Bad debt allowance as at 1 January	**2,749**	**2,771**
Currency translation differences	– 46	– 9
Addition	51	480
Use	– 460	– 196
Release	– 200	– 297
Bad debt allowance as at 31 December	**2,080**	**2,749**

Export promotion loans extended by Raiffeisenlandesbank Oberoesterreich Aktiengesellschaft, Linz, are secured by trade receivables from ATB Motorenwerke GmbH, Spielberg (see Note J.18).

The following table shows the age composition of trade receivables that are past due but not impaired:

	31 December	
TEUR	2012	2011
0 to 30 days past due	6,714	7,035
31 to 90 days past due	2,792	3,715
91 to 180 days past due	1,272	1,635
181 to 360 days past due	675	463
More than 360 days past due	903	831
Total	**12,356**	**13,679**

The following table shows the age composition of all trade receivables and allowances for doubtful receivables:

	31 December			
TEUR	2012		2011	
	Gross	Bad debt allowance	Gross	Bad debt allowance
Not past due	39,411	– 302	39,050	– 7
0 to 30 days past due	7,961	– 94	11,549	– 54
31 to 90 days past due	3,283	– 4	3,867	– 152
91 to 180 days past due	1,319	– 47	1,831	– 197
181 to 360 days past due	676	– 1	562	– 99
More than 360 days past due	2,591	– 1,632	3,071	– 2,240
Total	**55,241**	**– 2,080**	**59,930**	**– 2,749**

15 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 December	
TEUR	2012	2011
Cash and cash in banks	18,865	47,867
Restricted cash and cash equivalents	3,726	4,146
Total	**22,591**	**52,013**

In the first quarter of 2012, ATB Austria Antriebstechnik AG, Vienna, pledged funds in the amount of TEUR 400 as collateral for a current loan of Schorch Elektrische Maschinen und Antriebe GmbH, Moenchengladbach.

16 Discontinued operations

Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian

In 2009, insolvency proceedings began for Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian. Due to an outstanding payment in the amount of CNY 131 million, Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian, again filed a suit against Lindeteves-Jacoberg Ltd., Singapore, in February 2011. In September 2011, the first instance court ruled that Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian, has a claim to payment vis-à-vis Lindeteves-Jacoberg Ltd., Singapore, in the amount of CNY 116 million.

In the 2008 financial year, a provision was set up for the claim, and in the 2011 financial year the provision was transferred to "Other liabilities". The remaining liability will be recognised in the income statement in the line "Earnings from discontinued operations" (TEUR –5,082).

An out-of-court settlement was able to reach a solution and compromise regarding the sum to be paid, and WOLONG INVESTMENT GmbH, Vienna, acquired the receivables from Lindeteves-Jacoberg Ltd., Singapore. In the contract of 5 April 2012, an instalment payment plan was agreed between Lindeteves-Jacoberg Ltd., Singapore, and WOLONG INVESTMENT GmbH, Vienna, which provides for the payment of a total of EUR 8.5 million in five instalments by the middle of 2016. The receivables are interest-free and the resultant present value benefit in the amount of TEUR 1,234 was reported directly in equity as a transaction with the owner. As part of this arrangement, all existing mutual receivables and liabilities were settled. The result from the derecognition and the no longer existing receivables and liabilities is reported as result from "Discontinued operations" in the amount of TEUR 7,332.

Earnings from discontinued operations due to Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian:

	Financial year as at 31 December	
TEUR	**2012**	**2011**
Income or expenses	7,332	– 5,082
Earnings before taxes and valuation effects	**7,332**	**– 5,082**
Income taxes	0	0
Earnings after taxes from discontinued operations	**7,332**	**– 5,082**

In the 2011 financial year, the item "Profit/loss from discontinued operations" (TEUR –4,536) was attributable to Brook Crompton Electric Motors (Dalian) Co. Ltd., Dalian (TEUR –5,082); ATB Motors (Shanghai) Co. Ltd., Shanghai (TEUR 197); and THIEN eDrives GmbH, Lustenau (TEUR 349).

17 Equity

17.1. Share capital

The share capital of ATB Austria Antriebstechnik Aktiengesellschaft is TEUR 26,657 (previous year: TEUR 26,657) and has been fully paid. Each share certificate represents an equal portion of the share capital. The shares are bearer shares. The Extraordinary General Meeting in October 2007 authorised the Managing Board to increase the Company's share capital of TEUR 21,810 by a nominal amount of up to TEUR 10,905 to TEUR 32,715, against contributions in kind or in cash, including or excluding subscription rights. By resolution of the Managing Board dated 13 November 2007, the Managing Board made partial use of the authorisation to increase the share capital and resolved to increase the share capital by EUR 4,846,600 plus a share premium of EUR 27,153,400 by issuing two million no-par-value bearer shares. The issue amount was EUR 16 per share and was payable in cash only. By resolution dated 14 December 2007, the Supervisory Board approved the Managing Board's resolution. The capital increase was entered into the company register on 19 December 2007. The share capital is now divided into 11,000,000 (previous year: 11,000,000) no-par-value shares.

17.2. Approved capital

The authorisation held by the Managing Board to increase the Company's share capital from the current EUR 26,656,600 by up to a further EUR 6,058,400 (nominal amount) to EUR 32,715,000 by issuing new no-par-value bearer shares against contributions in kind or in cash, including or excluding subscription rights, expired on 24 October 2012. In the 2012 financial year, no capital increase through the issuance of new shares was carried out.

17.3. Capital reserves

The capital reserve is comprised of the appropriated capital reserve of ATB Austria Antriebstechnik AG in the amount of TEUR 30,570 (previous year: TEUR 30,570) and of free capital reserves from shareholder subsidies in the amount of TEUR 120,413 (previous year: TEUR 120,413). Hybrid capital in the amount of TEUR 84,684 and the interest portion attributable to it for the 2012 financial year in the amount of TEUR 4,671 were added to the free capital reserves in the form of a capital injection ("great-grandparent subsidy") from the owners of WOLONG INVESTMENT GmbH, Vienna, to ATB Austria Antriebstechnik, Vienna.

Furthermore, an interest advantage of the parent company's shareholders in the amount of TEUR 818 from an interest-free non-current provision from WOLONG INVESTMENT GmbH, Vienna, to Lindeteves-Jacoberg Ltd., Singapore, is reported in the free capital reserves (see section on discontinued operations).

The minority interest from the profit and loss transfer agreement between ATB Nordenham GmbH, Nordenham, and ATB Antriebstechnik GmbH, Welzheim, totalled TEUR 24 in 2012.

The free capital reserves are comprised of shareholder subsidies. In the 2012 financial year, no shareholder subsidies were undertaken (previous year: TEUR 7,130). The free capital reserves result from the contribution of receivables to ATB Austria Antriebstechnik AG in the amount of TEUR 104,942 (previous year: TEUR 104,942) and payments in the amount of TEUR 15,471 (previous year: 15,471).

17.4. Hybrid capital

On 31 December 2010, A-TEC Industries AG and its 100% subsidiary AE&E Energy AG committed to make available receivables from ATB Austria Antriebstechnik AG from outstanding loans and interest in the total amount of TEUR 80,518, as well as accruing interest on these receivables for the indefinite future. On 19 October 2011, WOLONG INVESTMENT GmbH assumed these receivables from outstanding loans and interest in the amount of TEUR 83,652, including all rights and obligations.

In the 2012 financial year, hybrid capital in the amount of TEUR 84,684 and attributable interest for the 2012 financial year in the amount of TEUR 4,671 were injected (as a so-called "great-grandparent subsidy") into the free capital reserves of ATB Austria Antriebstechnik AG, Vienna, by its owner, the WOLONG INVESTMENT GmbH, Vienna.

17.5. Balancing item for currency translation

No foreign currency conversion effects from the translation into the respective entity's functional currency of financing activities dedicated to net investments in subsidiaries were reported in the currency translation reserve, since the underlying receivables and liabilities were repaid in 2012 (previous year: TEUR –396).

		31 December
TEUR	2012	2011
Currency translation differences	1,648	–2,726
Thereof changes in unrealised profit and loss	0	–396
Thereof realised profit and loss	1,648	–2,330

17.6th Accumulated income and expenses reported directly in equity

As at 1 January 2011, the item "Accumulated income and expenses reported directly in equity" was corrected in accordance with IAS 8 by TEUR –2,731. The correction was necessary due to reporting errors in the reporting periods prior to 2011.

The fair value reserve for the available-for-sale securities in the amount of TEUR 45 (previous year: TEUR 45) and the revaluation reserve in the amount of TEUR 17,532 (previous year: TEUR 16,840) are reported under the item "Accumulated income and expenses reported directly in equity".

	31 December	
TEUR	2012	2011
Revaluation reserve	**17,532**	**16,841**
thereof unrealised profit	22,783	21,814
thereof taxation effects	– 5,251	– 4,973
Fair value reserve for available-for-sale securities	**45**	**45**
thereof unrealised profit	53	53
thereof taxation effects	– 8	– 8
Accumulated income and expenses reported directly in equity	**17,577**	**16,886**

In 2006, land and buildings were carried at fair value in accordance with the option under IAS 16. The valuation effects were recognised in the revaluation reserve without effect on income. Deferred taxes on these valuation effects were also recognised without impact on income. As a result of the revaluation of land and buildings carried out in 2012, the revaluation reserve for land and buildings was increased in 2012 by TEUR 692 (previous year: TEUR 3,817).

	31 December	
TEUR	2012	2011
Change in equity from revaluation	736	3,817
Thereof changes in unrealised profit and loss	1,033	4,579
Thereof taxation effects	– 297	– 762

18 Financial liabilities

Financial liabilities can be broken down as follows:

	31 December	
TEUR	2012	2011
Current		
Liabilities under finance leases	802	772
Liabilities to banks	23,964	66,351
Other current financial liabilities	371	973
	25,137	68,096
Non-current		
Liabilities under finance leases	1,915	2,123
Liabilities to banks	28,512	16,275
Other current financial liabilities	1,124	711
	31,551	19,109
Total loans	**56,688**	**87,205**

18.1. Bank loans

As at 31 December 2012, the ATB Group had loans in the total amount of TEUR 70,501 at its disposal, of which TEUR 52,476 were utilised.

18.1.1. Current bank loans

The Group takes out current loans in the form of overdrafts, term loan facilities and cash on demand in a total amount of TEUR 23,964 (previous year: TEUR 66,351) at its banks for the purpose of financing current operations. Interest rates range from 1.50% to 4.50% (previous year: 0.25% to 9.88%).

The following is a list of current bank loans that have been secured:

- The current bank liabilities of ATB Motorenwerke GmbH, Spielberg, in the amount of TEUR 0 (previous year: TEUR 355) and of ATB Austria Antriebstechnik AG, Vienna, in the amount of TEUR 1,289 (previous year: TEUR 1,885) have been secured with the land of ATB Austria Antriebstechnik AG, Vienna. The land in Spielberg also serves as security for the non-current bank liabilities of ATB Motorenwerke GmbH, Spielberg, in the amount of TEUR 5,000 (previous year: TEUR 5,000). In addition, the current bank liabilities of ATB Motorenwerke GmbH, Spielberg, have been secured through a pledge of securities in the amount of TEUR 442 (previous year: TEUR 442).

- The current bank liabilities of ATB Antriebstechnik GmbH, Welzheim, in the amount of TEUR 2,599 (previous year: TEUR 2,470) are secured with the land of ATB Antriebstechnik GmbH, Welzheim; the assignation of an insurance policy; and a letter of comfort issued by ATB Austria Antriebstechnik AG, Vienna. The land and the letter of comfort also serve as security for the non-current bank liabilities of ATB Antriebstechnik GmbH, Welzheim.

- The current bank liabilities of ATB Nordenham GmbH, Nordenham, in the amount of TEUR 2,128 (previous year: TEUR 1,154) are secured with the land of ATB Nordenham GmbH, Nordenham, and a letter of comfort issued by ATB Austria Antriebstechnik AG, Vienna.

- The current bank liabilities of Fabryka Silników Elektrycznych Tamel S.A., Tarnów, in the amount of TEUR 0 (previous year: TEUR 1,192), have been secured through land and through receivables vis-à-vis Lowara Vogel Polska Sp.z.o.o., Strzelin.

- The current bank liabilities of Brook Crompton Ltd., Toronto, in the amount of TEUR 1,195 (Previous year: TEUR 637) have been secured through land and by fire insurance. There were no changes in the existing collateral compared to the past financial year.

- The current bank liabilities of ATB Morley Ltd. in the amount of TEUR 1,556 (previous year: TEUR 2,263) have been secured with a lien on properties, a pledge of shares of Morley Electric Engineering Co. Ltd. and a parent company guarantee from ATB Austria Antriebstechnik AG, Vienna.

- The current bank liabilities of ATB Schorch GmbH in the amount of TEUR 6,294 (previous year: TEUR 4,653) have been secured by a guarantee given by WOLONG Holding Group Co., Ltd., a pledge of assets and a joint guarantee from ATB Austria Antriebstechnik AG, Vienna.

- The current bank liabilities in the amount of TEUR 2,128 (previous year: 3,423) of ATB Nordenham GmbH have been secured by a joint guarantee from ATB Austria Antriebstechnik AG, Vienna and a pledge of assets.

18.1.2. Non-current bank loans

The Group takes out non-current loans to finance investments in plant and machinery. These are generally term loan facilities. Bank liabilities totalled TEUR 28,512 at the balance sheet date (previous year: TEUR 16,275). Interest rates range from 1.10% to 8.42% (previous year: between 1.95% and 9.88%).

The following is a list of non-current bank loans that have been secured:

- ATB Motorenwerke GmbH, Spielberg, has non-current export financing loans backed by federal government bill guarantees and refinancing facilities from Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, in the amount of TEUR 5,000 (previous year: TEUR 5,000). These liabilities have been secured by the assignment of receivables in the amount of TEUR 1,866 (previous year: TEUR 1,934). This concerns the assignment as security of all receivables of ATB Motorenwerke GmbH, Spielberg. Furthermore, the Spielberg property of ATB Austria Antriebstechnik AG, Vienna, is encumbered with a lien that has not been entered into the land register, but that is transferable.

- There is a letter of comfort issued by ATB Austria Antriebstechnik AG, Vienna, and a lien on the bank liabilities of ATB Laurence Scott Ltd., Norwich, in the amount of TEUR 429 (previous year: TEUR 2,374), of which TEUR 143 are non-current liabilities (previous year: TEUR 419).

- The bank liabilities of ATB Sever d.o.o., Subotica, in the amount of TEUR 7,274 (previous year: TEUR 7,274), including non-current liabilities in the amount of TEUR 0 (previous year: TEUR 7,024), have been secured through land properties. Additionally, since 2011, liabilities have been secured through a pledge of all machines and by the shares of ATB Sever d.o.o., Subotica, controlled by ATB Austria Antriebstechnik AG, Vienna, as well as through a parent company guarantee given by ATB Austria Antriebstechnik AG. Further bank liabilities of ATB Sever d.o.o., Subotica, in the amount of TEUR 2,000 (previous year: TEUR 2,000), including non-current liabilities in the amount of TEUR 1,677 (previous year: TEUR 1,931), have been secured through land.

- The non-current bank liabilities of ATB Fod d.o.o., Bor, in the amount of TEUR 419 (previous year: TEUR 500) have been secured through a surety from ATB Sever d.o.o.

- The non-current bank liabilities in the amount of TEUR 19,500 (previous year: TEUR 0) of ATB Austria Antriebstechnik AG, Vienna, have been secured through a guarantee from WOLONG Holding Group Co., Ltd.

- The non-current bank liabilities in the amount of TEUR 1,773 (previous year: 0) of ATB Antriebstechnik GmbH, Welzheim, have been secured through a lien, a letter of comfort from ATB Austria Antriebstechnik AG, Vienna, and a promissory note.

18.2. Financial liabilities to Group entities

Financial liabilities to Group entities are described in Note J.19.

18.3. Maturities

Maturities of bank liabilities:

	31 December	
TEUR	2012	2011
Up to one year	23,964	66,351
Longer than 1 and up to 5 years	28,512	16,275
More than 5 years	0	0
Total	**52,476**	**82,626**

Finance lease liabilities are recognised when leased assets are capitalised in which the Group has beneficial ownership. Finance lease liabilities are carried at the present value of minimum lease payments.

In subsequent years, lease payments will have to be made in the amount of TEUR 3,103 (previous year: TEUR 3,300). Contained therein are interest charges of TEUR 384 (previous year: TEUR 406).

	31 December	
TEUR	2012	2011
Up to one year	971	904
Longer than 1 and up to 5 years	1,858	2,060
More than 5 years	269	336
	3,098	3,300
Future financing costs under finance leases	– 380	– 405
Present value of liabilities under finance leases	**2,718**	**2,895**

Present value of liabilities under finance leases:

	31 December	
TEUR	2012	2011
Up to one year	850	772
Longer than 1 and up to 5 years	1,585	1,817
More than 5 years	283	306
Total	**2,717**	**2,895**

18.4. Interest rates

Carrying amounts of bank liabilities subject to variable and fixed interest rates:

	31 December	
TEUR	2012	2011
Variable interest rate	51,275	77,217
Fixed interest rate	1,201	5,409
Total	**52,476**	**82,626**

At the balance sheet date, the effective interest rates of bank liabilities range from 0.59% to 9.28% (previous year: 0.25% to 9.88%).

19 Liabilities to Group entities

Liabilities to Group entities are liabilities to the parent company or to affiliated companies which are not part of the ATB Group. These liabilities comprise the following:

	Financial year as at 31 December	
TEUR	2012	2011
WOLONG INVESTMENT GmbH, Vienna (Austria)	17,404	14,413
Non-current liabilities	**17,404**	**14,413**
WOLONG INVESTMENT GmbH, Vienna (Austria)	11,861	4,216
WOLONG Electric Group, China	100	0
Current liabilities	**11,961**	**4,216**
Total	**29,366**	**18,629**

The increase in non-current liabilities to WOLONG INVESTMENT GmbH is essentially attributable to the payment plan agreed on 5 April 2012 between Lindeteves-Jacoberg Ltd. And WOLONG INVESTMENT GmbH, which arranges payments in the amount of TEUR 253 in 2012 and further payments in the amount of TEUR 8,213 in the years from 2013 to 2016. On 15 December 2012, a payment of TEUR 253 was made from Lindeteves-Jacoberg Ltd. to WOLONG INVESTMENT GmbH.

20 Long-term obligations to employees

Obligations to employees comprise the following:

	31 December	
TEUR	2012	2011
Provision for pensions	32,052	31,597
Provision for severance payments	6,774	6,331
Provision for anniversary bonuses	3,047	2,673
Total	**41,873**	**40,601**

20.1. Pension obligations

The amounts reported in the balance sheet comprise the following:

					31 December
TEUR	2012	2011	2010	2009	2008
Present value of liability (with plan assets)	12,673	11,172	9,927	8,972	6,942
Fair value of plan assets	– 11,980	– 10,143	– 9,182	– 7,732	– 5,721
	693	1,029	745	1,240	1,221
Present value of liability (w/o plan assets)	37,122	30,327	29,508	27,322	24,659
Actuarial gains/losses not yet recognised	– 5,762	241	1,029	2,393	4,697
Service costs not yet recognised, to be recognised retroactively	0	0	0	0	0
Liabilities in the balance sheet	**32,052**	**31,597**	**31,282**	**30,955**	**30,577**
Adjustment of plan liabilities based on past experience	**– 389**	**– 395**	**163**	**664**	**– 270**
Adjustment of plan assets based on past experience	**1**	**– 80**	**495**	**800**	**– 182**

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

	31 December	
TEUR	2012	2011
Current service costs	506	479
Interest expense	1,927	1,963
Expected income from plan assets	– 449	– 527
Actuarial gains/losses	45	11
Curtailments and settlements	0	83
Total	**2,029**	**2,009**

Current service costs and actuarial gains are reported in the income statement under personnel expenses. The interest expense relating to pension obligations is recognised under financing expenses and income.

Movements in the provisions recognised in the balance sheet were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	31,597	31,282
Reclassification of discontinued operations	0	0
Pension expenses	2,029	2,009
Employer's contributions	– 433	– 549
Amounts disbursed	– 1,181	– 1,128
Currency translation	41	– 17
As at 31 December	**32,052**	**31,597**

Movements in defined benefit obligation in the financial year were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	41,498	39,436
Current service costs	506	479
Interest expense	1,927	1,963
Contributions by plan participants	28	23
Actuarial gains/losses	7,072	715
Amounts disbursed	– 1,469	– 1,446
Curtailments and settlements	0	83
Currency translation	232	245
As at 31 December	**49,794**	**41,498**

The movements in the plan assets shown in the balance sheet (deducted from the provisions) were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	10,143	9,182
Income from plan assets	449	527
Actuarial losses	1,025	– 80
Employer's contributions	433	549
Employees' contributions	28	23
Amounts disbursed	– 288	– 317
Currency translation	190	259
As at 31 December	**11,980**	**10,143**

Actual income from plan assets totals TEUR 1,371 (previous year: TEUR 479).

Plan assets comprise the following:

	2012		2011	
	Absolute, TEUR	As a percentage	Absolute, TEUR	As a percentage
Equity securities	5,628	46.98%	4,635	45.70%
Debt securities	5,025	41.94%	4,509	44.45%
Real estate	0	0%	0	0%
Other	1,327	11.08%	999	9.85%
As at 31 December	**11,980**	**100%**	**10,143**	**100%**

Expected income from plan assets was determined taking into account expected income from assets, with current investment policy taken as a basis. Expected yields from fixed-interest capital investments are based on the effective gross interest rate as at the balance sheet date. Expected income from equity securities reflects long-term effective yields expected in the various markets on the basis of past experience.

Key actuarial assumptions as at the balance sheet date:

	2012	2011
Discount rate	2.59% – 5.80%	4.6% – 5.75%
Future wage and salary increases	0% – 3.20%	0% – 3.0%
Employee turnover	0% – 2.98%	0% – 2.75%
Retirement age	60 – 65 years	60 – 65 years
Income from plan assets	3.20% – 6.00%	4.7% – 6.0%

20.2. Severance payments

The amounts reported in the balance sheet comprise the following:

					31 December
	2012	2011	2010	2009	2008
Present value of obligations	10,933	9,060	9,235	9,385	9,757
Actuarial losses not yet recognised	– 4,159	– 2,729	– 2,900	– 2,533	– 2,574
Liabilities in the balance sheet	**6,774**	**6,331**	**6,335**	**6,852**	**7,183**
Adjustment of plan liabilities based on past experience	**82**	**97**	**111**	**0**	**0**

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

	31 December	
TEUR	2012	2011
Current service costs	250	258
Interest expense	436	431
Net actuarial gains/losses recognised during the year	166	164
Gains/losses from the settlement of a defined benefit plan	423	539
Effect of reductions	0	0
Total	**1,275**	**1,392**

Current service costs and (net) actuarial losses recorded during the year are reported in the income statement under personnel expenses. The interest expense relating to severance payments and long-service bonuses is recognised under financing expenses and income.

Movements in the provisions recognised in the balance sheet were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	6,331	6,335
Change in consolidated entities	0	–213
Severance expenses	1,275	1,392
Amounts disbursed	–801	–1,189
Currency translation	–32	6
As at 31 December	**6,774**	**6,331**

Movements in defined benefit obligation in the financial year were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	9,061	9,236
Current service costs	250	257
Interest expense	436	430
Contributions by plan participants	1,585	–6
Actuarial gains / losses	0	–213
Amounts disbursed	–801	–1,189
Curtailments and settlements	423	539
Currency translation	–23	7
As at 31 December	**10,931**	**9,061**

Key actuarial assumptions as at the balance sheet date:

	2012	2011
Discount rate	3.2% – 12.0%	4.7% – 12.0%
Future wage and salary increases	2.2% – 3.0%	3.0% – 4.5%
Employee turnover	0% – 6.18%	0% – 6.18%
Retirement age	60 – 65 years	60 – 65 years

20.3. Anniversary bonuses

The amounts reported in the balance sheet comprise the following:

					31 December
	2012	2011	2010	2009	2008
Present value of obligations	3,047	2,673	2,701	2,626	2,925
Actuarial gains/losses not yet recognised	0	0	0	0	0
Liabilities in the balance sheet	**3,047**	**2,673**	**2,701**	**2,626**	**2,925**
Adjustment of plan liabilities based on past experience	**48**	**24**	**– 42**	**0**	**0**

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

		31 December
TEUR	2012	2011
Current service costs	122	116
Interest expense	121	120
Net actuarial gains/losses recognised during the year	350	56
Effect of reductions	0	0
Total	**593**	**292**

Current service costs and (net) actuarial losses recorded during the year are reported in the income statement under personnel expenses. The interest expense relating to anniversary bonuses is recognised under financing expenses and income.

Movements in the provisions recognised in the balance sheet were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	2,673	2,701
Reclassification of discontinued operations	0	0
Change in consolidated entities	0	– 60
Expenses for anniversary bonuses	593	292
Amounts disbursed	– 218	– 260
Currency translation	– 1	0
As at 31 December	**3,047**	**2,673**

Movements in the obligation in the financial year were as follows:

	31 December	
TEUR	2012	2011
As at 1 January	2,673	2,701
Current service costs	122	116
Interest expense	121	120
Actuarial gains / losses	350	56
Change in consolidated entities	0	– 60
Amounts disbursed	– 218	– 260
Currency translation	– 1	0
As at 31 December	**3,047**	**2,673**

Key actuarial assumptions as at the balance sheet date:

	2012	2011
Discount rate	2.31% – 12.0%	4.7% – 12.0%
Future wage and salary increases	0% – 3.0%	3.0% – 4.5%
Employee turnover	0% – 3.85%	0% – 3.95%
Retirement age	60 – 65 years	60 – 65 years

21 Provisions

The provisions shown as at 31 December 2012 (excluding employee benefit provisions) comprise the following:

TEUR	Provision for warranties	Impending loss provisions	Provision for restructuring	Provision for environ-mental costs	Provisions for follow-up costs	Other provisions	Total
As at 1 January 2011	**1,395**	**389**	**939**	**1,045**	**331**	**12,428**	**16,527**
Reclassification to sundry liabilities	0	0	0	0	0	–9,739	–9,739
Allocation	663	247	341	0	392	2,317	3,960
Use	–370	–178	–778	0	–367	–694	–2,387
Release	–238	–58	–62	–251	–210	–654	–1,473
Currency translation	–12	7	7	15	0	–237	–220
As at 31 December 2011	**1,438**	**407**	**447**	**809**	**146**	**3,421**	**6,668**
Reclassification to sundry liabilities	0	113	–113	0	0	0	0
Change in consolidated entities	0	0	–160	0	0	0	–160
Allocation	82	236	0	14	470	3,764	4,566
Use	–345	–129	–117	0	–327	–2,110	–3,028
Release	–590	–143	–60	–650	–89	–2,250	–3,782
Currency translation	7	7	4	–61	0	–51	–94
As at 31 December 2012	**592**	**491**	**1**	**112**	**200**	**2,774**	**4,170**
Thereof current	591	200	0	0	201	2,084	3,076

21.1. Warranty provisions

Warranty provisions are made for individual risks after the receipt of complaints and their investigation by quality management. These provisions are set up primarily for claims to services that will become due in the next financial year. In 2012, Welzheim was able to release warranty provisions in the amount of TEUR 448 due to rejected complaints.

21.2. Provision for contingent losses

Provisions for contingent losses are based on an assessment of customer orders received and confirmed at the balance sheet date. These provisions cover all orders for which production has not yet begun and materials have not yet been procured, but where losses may be incurred in the future. Provisions for orders on which work has begun and for which part or all of the materials have been procured are accounted for in the write-down of inventories.

21.3. Provisions for follow-up costs

Provisions for follow-up costs relate to possible reductions of proceeds and are calculated monthly on the basis of past experience. Mainly, these provisions are set up for claims to services that will become due in the next financial year.

21.4. Provision for environmental restoration

The reported environmental provisions were formed for environmental damage at the various sites of ATB Sever d.o.o., Subotica, Serbia, as well as ATB Fod d.o.o., Bor. The management of the ATB Group presumes that there will be no outflows of funds in connection with these provisions within the next two to three years.

22 Current provisions and other current liabilities

Current provisions and other current liabilities comprise the following:

	31 December	
TEUR	2012	2011
Restructuring	0	390
Follow-up costs	201	146
Provisions for contingent losses from pending transactions	200	53
Provision for warranties	591	1,438
Other provisions	2,083	2,057
Current provisions	**3,075**	**4,084**
Social security contributions and other taxes	4,222	4,433
Staff liabilities	1,248	1,002
Accrual for unconsumed vacation	1,328	1,393
Accrual for other personnel costs	923	1,172
Accrual for partial retirement	599	1,090
Accrual for cost of annual financial statements and consultancy fees	741	827
Accrual for bonuses and discounts	1,436	1,432
Other	2,936	17,676
Other current liabilities	**13,433**	**29,025**
Total	**16,508**	**33,109**

The reduction in other current liabilities is essentially attributable to the release of the liabilities which had formed in the last two financial years due to a court ruling on Brook Crompton Western Electric Motors (Dalian) Co. Ltd., Dalian, towards Lindeteves-Jacoberg Ltd., Singapore, in the amount of RMB 116 million (value as at 31 December 2011: EUR 14.0 million) (see Note J.21.6).

23 Liabilities from construction contracts and customer prepayments

Liabilities from construction contracts, including customer prepayments, comprise the following:

	31 December	
TEUR	2012	2011
Construction contract payables	1,253	3,002
Payables from received prepayments	2,263	2,390
Total	**3,516**	**5,392**

24 Cash flow from operating activities

	Financial year as at 31 December	
TEUR	2012	2011
Result for the period	17,338	34,335
Value adjustments for:		
Taxes	–1,331	–721
Interest result	1,044	83
Depreciation of property, plant and equipment and amortisation of intangible assets	8,858	6,700
Write-down of intangible assets and reversed impairment of property, plant and equipment, and intangible assets	1,663	–27,342
Depreciation of discontinued operations	0	0
Change in restructuring provisions	–177	–499
Change in non-current provisions	240	–26
Profit/loss from the disposal of fixed assets	–110	–736
Other financial result	2,589	3,237
Discontinued operations	–7,332	0
Other	1,231	4
Inventories	–2,214	–6,148
Trade receivables and other current receivables	–2,595	–1,870
Liabilities and provisions, except tax provisions	–4,234	–453
Cash flow from operating activities	**14,971**	**6,564**

In 2012, the result from discontinued operations in the amount of TEUR 7,332 was eliminated from the cash flow statement as a significant non-cash transaction. In 2011, no significant non-cash transactions were identified.

25 Segment information

The ATB Group is a leading manufacturer of electrical drive systems for industrial applications and machinery.

The Group's internal organisational and managerial structure differentiates between Industrial Motors and Project Motors. The Industrial Motors division encompasses customer-specific series motors and industrial drive systems. Customer- and project-specific low-voltage and high-voltage motors, as well as complex drive systems are assigned to the Project Motors division. The operating result of the individual divisions is monitored separately by the management in order to take decisions regarding the allocation of resources and determine the profitability of the units. The development of the segments is evaluated based on the operating result and assessed in accordance with the operating result in the consolidated financial statements.

The accounting and measurement policies of the individual divisions correspond to those of the Group (see section G). Transfer prices charged between segments are at arm's length. The column "Consolidation" consolidates the Project Motors and Industrial Motors divisions. It also includes those areas that could not be allocated to any particular division. This includes income and expenses from holding functions, as well as their assets and liabilities and effects due to companies being dormant.

2012 TEUR	Industrial Motors	Project Motors	Consolidation	ATB Group
Sales revenues incl. internal sales revenues between segments	164,174	175,419	– 3,575	336,018
Internal sales revenues	197	3,396	– 3,586	7
Sales revenues from third parties	163,977	172,023	11	336,011
Amortisation and depreciation	– 3,701	– 4,912	– 244	– 8,858
Operating result	3,342	10,637	2,284	16,263
Financial result	1,170	– 7,310	187	– 5,954
Earnings before taxes	4,511	3,327	2,471	10,309
Income taxes	71	– 877	503	– 303
Assets	120,996	177,056	– 9,171	288,880
Debt	79,673	114,741	– 3,016	191,398
Investment	6,241	9,399	105	15,745

2011 TEUR	Industrial Motors	Project Motors	Consolidation	ATB Group
Sales revenues incl. internal sales revenues between segments	171,893	170,106	– 4,551	**337,448**
Internal sales revenues	302	4,249	– 4,551	**0**
Sales revenues from third parties	171,591	165,857	0	**337,448**
Amortisation and depreciation	– 2,173	– 4,164	– 362	**– 6,700**
Operating result	26,080	15,081	733	**41,895**
Financial result	– 1,224	– 3,112	– 957	**– 5,292**
Earnings before taxes	24,856	11,970	– 223	**36,603**
Income taxes	2,383	– 2,605	– 11	**– 233**
Assets	122,726	171,246	13,164	**307,135**
Debt	77,785	111,109	41,714	**230,608**
Investment	3,313	6,228	121	**9,662**

There is no single customer responsible for generating more than 10% of the total sales revenues.

Information according to region

Sales revenues were earned in the following regions and are reported by client location. Investments and assets are reported according to the domicile of the entity to which they belong.

Sales revenues

	Financial year as at 31 December	
TEUR	2012	2011
Europe		
Germany	141,034	137,001
United Kingdom	42,602	32,093
France	6,847	4,719
Italy	6,271	7,156
Austria	14,261	15,601
Spain	590	1,129
Poland	16,644	16,445
The Netherlands	9,956	8,770
Switzerland	5,394	5,317
Denmark	4,461	7,130
Serbia	8,239	8,865
Slovenia	1,163	2,059
Other Europe	27,491	31,350
Europe, total	**284,953**	**277,635**
North America	17,635	15,425
Asia	22,220	33,703
Australia	8,939	7,472
South and Central America	616	1,585
Africa	1,655	1,628
Total	**336,018**	**337,448**

Investment

	31 December	
TEUR	2012	2011
Austria	2,841	2,041
Germany	9,833	4,544
Serbia	674	610
Poland	1,228	434
Other Europe	1,021	2,008
Asia	6	7
North America	142	18
Total	**15,745**	**9,662**

Property, plant and equipment and intangible assets

		31 December
TEUR	2012	2011
Austria	18,533	18,614
Germany	45,744	39,620
United Kingdom	35,095	34,407
Serbia	12,118	13,559
Poland	20,116	18,832
Other Europe	9	20
Asia	81	10
North America	1,649	1,561
Total	**133,345**	**126,623**

26 Earnings per share

Earnings per share are calculated according to IAS 33 by dividing profit or loss attributable to the shareholders of ATB Austria Antriebstechnik AG by the weighted average number of ordinary shares outstanding during the financial year.

	2012	2011 restated
Prorated profit/loss for the period attributable to the shareholders of ATB Austria Antriebstechnik AG (in TEUR)	13,118	32,140
Weighted average number of shares	11,000,000	11,000,000
Diluted and basic earnings per share in EUR	**1.1925**	**2.9218**

27 Related party transactions

These consolidated financial statements are sub-group consolidated financial statements within the consolidated financial statements of WOLONG Holding Group GmbH, Vienna, which holds a 98.9% (previous year: 98.8%) indirect majority interest in ATB Austria Antriebstechnik AG, Vienna. The assets and liabilities shown in the consolidated financial statements with the parent company are presented as assets and liabilities vis-à-vis the higher-level group. The ultimate parent company of ATB Austria Antriebstechnik AG is the WOLONG Holding Group Co., Ltd., China, and thus its Group entities and associated companies are also treated as related parties. Related persons are primarily the key members of the management of ATB Austria Antriebstechnik AG and members of the management of the Group's parent companies.

ATB Austria Antriebstechnik AG, Vienna; ATB Motorenwerke GmbH, Spielberg; and ATB GMZ GmbH, Vienna, are part of a tax group that was established retroactively effective 1 January 2012 and whose parent company is the WOLONG Holding Group GmbH. When a group member's earnings in a given financial year are positive (tax gain) after set-off against any losses before the group was created with legal effect or any losses generated due to takeover of a company by a group member as a result of conversion or reorganisation this group member must pay tax compensation to the parent company. The positive tax compensation corresponds to the amount that the group member would have had to pay in corporate taxes – without taking the set-off limit for losses into account – for the financial year in question if it had been assessed for taxes as a single-entity company. In the event of losses by a group member, the parent company does not need to pay negative tax compensation, but the respective group member carries the tax loss forward and sets it off against future tax gains.

Liabilities vis-à-vis the parent company, as well as vis-à-vis related companies that are not part of the ATB Group, are listed in Note J.19. The business relationships primarily comprise financing activities.

In 2012, a new financial loan in the amount of TEUR 2,200 was provided to ATB Austria Antriebstechnik AG, Vienna, by WOLONG INVESTMENT GmbH. The loan is non-current and interest-bearing.

In 2012, liabilities from the hybrid capital of ATB Austria Antriebstechnik AG, Vienna, were transferred to the indirect parent company WOLONG Hong Kong Holding Group Ltd. in the form of a debt transfer including all accrued interest.

Between 23 March and 1 April 2012, the receivable of Brook Crompton Western Electric Motors (Dalian) Co. Ltd. from Lindeteves-Jacoberg Ltd., which arose from a court ruling, was settled by a third party following an out-of-court agreement and subsequently transferred in multiple increments to WOLONG INVESTMENT GmbH. A payment plan was then arranged between Lindeteves-Jacoberg Ltd. and WOLONG INVESTMENT GmbH. According to the payment plan, Lindeteves-Jacoberg Ltd. is to pay TEUR 253 in 2012 and make further payments in the amount of TEUR 8,213 in the years 2013 to 2016. This non-current liability towards WOLONG INVESTMENT GmbH is interest-free. The resultant present value benefit has been reported directly in equity.

A total of TEUR 229 in 2012 and TEUR 274 in 2011 in pension contributions were paid to Morley Electrical Engineering Co. Ltd. Pension and Assurance Scheme, Leeds, and to Morley Electric Motors Ltd. Group Personal Pension Plan, Leeds.

28 Managing Board remuneration

Managing Board remuneration in 2012 totalled TEUR 1,417 (previous year: TEUR 402). This included fixed compensation in the amount of TEUR 948 (previous year: TEUR 288), variable compensation in the amount of TEUR 427 (previous year: TEUR 114) and pension payments in the amount of TEUR 42 (previous year: TEUR 0). Additionally, no severance payments were made in 2011 or 2012.

29 Contingent liabilities and other financial obligations

29.1. Contingent liabilities

Contingent liabilities concern potential future events whose occurrence would create an obligation. No outflow of resources is expected from the contingent liabilities as at 31 December 2012.

As at the end of the 2012 and 2011 financial years, there were no financial obligations existing at the balance sheet date that were not recognised in the balance sheet.

29.2. Other obligations

As at the balance sheet date, the following commitments existed under rental and lease arrangements not reflected in the balance sheet:

	Total	Residual term		
TEUR	31 December 2012	up to 1 year	2 to 5 years	more than 5 years
Operating rental and lease agreements	5,846	1,344	4,000	502

	Total	Residual term		
TEUR	31 December 2011	up to 1 year	2 to 5 years	more than 5 years
Operating rental and lease agreements	4,689	1,697	2,247	745

30 Auditor's remuneration

Expenses for the auditor for the financial year totalled TEUR 549 (previous year: TEUR 1,213); TEUR 537 thereof (previous year: TEUR 716) arise from the auditing of the annual financial statements, while TEUR 12 thereof arise from advisory activities (previous year: TEUR 497). The expenses for the audit of the annual financial statements include the audit of the separate financial statements pursuant to local law, the IFRS packages of the individual companies, the audit of the sub-group consolidated financial statements of Lindeteves-Jacoberg Ltd. in accordance with S-GAAP and the audit of the consolidated financial statements of ATB Austria Antriebstechnik AG, Vienna, in accordance with IFRS.

31 Events after the balance sheet date

No unscheduled, reportable transactions have occurred since the close of the 2012 financial year. Furthermore, no new information has become known about the status of pending transactions, and our estimation of the likely future development of the Company has not changed.

The Managing Board
Vienna, 13 March 2013

Andreas Schindler
Chairman of the Managing Board
(Chief Executive Officer)

Yingzhu Chen
Member of the Managing Board
(Chief Financial Officer)

Ian Lomax
Member of the Managing Board
(Chief Operations Officer)

Movement in intangible assets and property, plant and equipment as at 31 December 2012

	Change in cost of acquisition and production								
	As at 1 January 2012	Additions	Write-ups	Increase in revaluation reserve	Currency translation differences	Changes in consolidated entities	Disposals	Reclassifications	As at 31 December 2012
TEUR									
I. Intangible Assets									
1. Goodwill	38,010	0	0	0	301	0	0	0	38,311
2. Concessions, trademarks and similar rights, licenses	66,173	435	0	0	1,064	– 17	– 148	0	67,507
3. Capitalised development costs	17,277	4,255	0	0	75	0	– 171	0	21,436
4. Intangible assets from finance leases	0	0	0	0	0	0	0	0	0
5. Prepayments made for intangible assets	1,177	292	0	0	– 1	0	0	0	1,468
	122,637	**4,982**	**0**	**0**	**1,439**	**– 17**	**– 319**	**0**	**128,722**
II. Property, plant and equipment									
1. Land, real estate alike rights and buildings including buildings on non-owned land	163,591	222	83	1,032	– 310	0	– 144	174	164,648
2. Land under finance leases	0	0	0	0	0	0	0	0	0
3. Technical equipment and machinery	207,913	2,202	0	0	1,964	– 48	– 2,979	4,002	213,054
4. Technical equipment and machinery under finance leases	6,849	647	0	0	– 62	0	– 12	– 174	7,248
5. Other equipment, furniture and fixtures	29,913	1,452	0	0	– 48	– 71	– 707	221	30,760
6. Other equipment, furniture and fixtures under finance leases	507	0	0	0	– 10	0	0	0	497
7. Prepayments and construction in progress	6,448	6,240	0	0	163	0	0	– 4,223	8,628
	415,221	**10,763**	**83**	**1,032**	**1,697**	**– 119**	**– 3,842**	**0**	**424,835**
Total	**537,858**	**15,745**	**83**	**1,032**	**3,136**	**– 136**	**– 4,161**	**0**	**553,557**

	Accumulated depreciation and amortisation										Carrying amounts	
	As at 1 January 2012	**Depreciation/amortisation of current financial year**	**Depreciation on revaluation reserve**	**Write-downs**	**Reversed impairment**	**Currency translation differences**	**Changes in consolidated entities**	**Disposals**	**Reclassifications**	**As at 31 December 2012**	**31 December 2012**	**31 December 2011**
	– 18,914	0	0	0	0	149	0	0	0	– 18,765	19,546	19,096
	– 58,704	– 642	0	– 1,016	0	– 1,002	17	148	0	– 61,199	6,308	7,469
	– 10,106	– 482	0	0	0	– 73	0	0	0	– 10,661	10,775	7,171
	0	0	0	0	0	0	0	0	0	0	0	0
	– 879	0	0	0	0	2	0	0	0	– 877	591	298
	– 88,603	**– 1,124**	**0**	**– 1,016**	**0**	**– 924**	**17**	**148**	**0**	**– 91,502**	**37,220**	**34,034**
	– 100,516	– 3,786	– 373	– 590	0	524	0	21	0	– 104,720	59,928	63,075
	0	0	0	0	0	0	0	0	0	0	0	0
	– 190,524	– 2,538	0	– 375	351	– 1,395	40	2,883	– 54	– 191,612	21,442	17,389
	– 2,959	– 846	0	0	0	27	0	31	54	– 3,693	3,555	3,890
	– 27,263	– 557	0	0	0	– 61	71	649	0	– 27,161	3,599	2,650
	– 482	– 6	0	0	0	10	0	0	0	– 478	19	25
	– 888	0	0	– 117	0	– 40	0	0	0	– 1,045	7,583	5,560
	– 322,632	**– 7,733**	**– 373**	**– 1,082**	**351**	**– 935**	**111**	**3,584**	**0**	**– 328,709**	**96,126**	**92,589**
	– 411,235	**– 8,857**	**– 373**	**– 2,098**	**351**	**– 1,859**	**128**	**3,732**	**0**	**– 420,211**	**133,346**	**126,623**

Movement in intangible assets and property, plant and equipment as at 31 December 2011

	Change in cost of acquisition and production							
	As at 1 January 2011	Additions	Increase in revaluation reserve	Currency translation differences	Changes in consolidated entities	Disposals	Reclassifications	As at 31 December 2011
TEUR								
I. Intangible assets								
1. Goodwill	40,123	0	0	725	– 2,838	0	0	38,010
2. Concessions, trademarks and similar rights, licenses	66,410	254	0	219	– 642	– 77	9	66,173
3. Capitalised development costs	18,434	3,765	0	– 95	– 4,562	– 314	49	17,277
4. Prepayments made for intangible assets	1,177	0	0	0	0	0	0	1,177
	126,144	**4,019**	**0**	**849**	**– 8,042**	**– 391**	**58**	**122,637**
II. Property, plant and equipment								
1. Land, rights equivalent to real property, and buildings including buildings on non-owned land	160,717	1,318	4,645	– 2,154	– 115	– 1,665	845	163,591
2. Land under finance leases	10,284	0	0	0	– 10,284	0	0	0
3. Technical equipment and machinery	216,726	1,066	0	– 3,940	– 1,316	– 5,398	775	207,913
4. Technical equipment and machinery under finance leases	6,995	293	0	3	– 276	– 100	– 66	6,849
5. Other equipment, furniture and fixtures	30,631	701	0	– 44	– 756	– 496	– 123	29,913
6. Other equipment, furniture and fixtures under finance leases	929	25	0	1	– 448	0	0	507
7. Prepayments and construction in progress	5,918	2,240	0	19	– 10	– 230	– 1,489	6,448
	432,200	**5,643**	**4,645**	**– 6,115**	**– 13,205**	**– 7,889**	**– 58**	**415,221**
Total	**558,344**	**9,662**	**4,645**	**– 5,266**	**– 21,247**	**– 8,280**	**0**	**537,858**

	Accumulated depreciation and amortisation										Carrying amounts	
	As at 1 January 2011	**Depreciation/amortisation of current financial year**	**Depreciation on revaluation reserve**	**Reversed impairment on revaluation reserve**	**Write-downs**	**Reversed impairment**	**Currency translation differences**	**Changes in consolidated entities**	**Disposals**	**Reclassifications**	**As at 31 December 2011**	**31 December 2011**	**31 December 2010**
	−21,593	0	0	0	0	0	−159	2,838	0	0	−18,914	19,096	18,530
	−62,322	−660	0	0	0	3,817	−159	543	77	0	−58,704	7,469	4,088
	−14,532	−228	0	0	0	0	92	4,562	0	0	−10,106	7,171	3,902
	−880	0	0	0	0	0	1	0	0	0	−879	298	297
	−99,327	**−888**	**0**	**0**	**0**	**3,817**	**−225**	**7,943**	**77**	**0**	**−88,603**	**34,034**	**26,817**
	−113,461	−2,234	−4,047	4,091	−2,110	14,345	1,360	115	1,425	0	−100,516	63,075	47,256
	−1,186	0	0	0	0	0	0	1,186	0	0	0	0	9,098
	−207,727	−2,437	0	0	−12	10,323	3,179	1,009	5,398	−258	−190,524	17,389	8,999
	−3,354	−662	0	0	0	926	−19	62	48	40	−2,959	3,890	3,641
	−28,193	−465	0	0	0	52	12	635	481	215	−27,263	2,650	2,438
	−743	−14	0	0	0	0	−1	273	0	2	−482	25	187
	−1,142	0	0	0	−356	357	62	0	192	0	−888	5,560	4,775
	−355,806	**−5,812**	**−4,047**	**4,091**	**−2,478**	**26,003**	**4,593**	**3,280**	**7,544**	**−1**	**−322,632**	**92,589**	**76,394**
	−455,133	**−6,700**	**−4,047**	**4,091**	**−2,478**	**29,820**	**4,368**	**11,223**	**7,621**	**−1**	**−411,235**	**126,623**	**103,211**

Auditor’s report
Report on the Consolidated Financial Statements

We draw attention to the fact that the English translation of this auditor’s report according to section 273 of the Austrian Business Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

We have audited the accompanying consolidated financial statements of

ATB Austria Antriebstechnik Aktiengesellschaft, Vienna,

for the **financial year from 1 January to 31 December 2012**. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year that ended on 31 December 2012, as well as a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements and for the Accounting System

The Group’s management is responsible for the Group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements which present a true and fair view of the Group’s assets, financial standing and profitability, so that these statements are free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditor’s Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the laws and regulations applicable in Austria and in accordance with the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and plan and perform the audit to ascertain with reasonable certainty whether the consolidated financial statements are free of material misstatements.

An audit entails the carrying out of procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s best judgement, including the assessment of the risk of material misstatements, whether due to fraud or to error. In making those risk assessments, the auditor considers the internal control system to the extent that it is relevant to the preparation of the consolidated financial statements and the presentation of a fair and true view of the Group’s assets, financial standing and profitability. The auditor does so in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal controls. An audit also includes evaluating the appropriateness of accounting methods used and the reasonableness of the most significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonably certain basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2012 and of its financial performance and its cash flows for the financial year from 1 January 2012 to 31 December 2012 in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report are misleading with respect to the Company's position. The auditor's report also must contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures provided in accordance with section 243a of the Austrian Business Code (UGB) are appropriate.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB are appropriate.

Vienna, 13 March 2013
KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Lieve Van Utterbeeck
Auditor

Markus Kirchmayr
Auditor

The publication or circulation of the Consolidated Financial Statements bearing our Auditor's Report is only permitted using the version we have audited. This Auditor's Report pertains solely to the complete German-language version of the Consolidated Financial Statements together with the Management Report. Compliance with the regulations of Austrian Business Code (UGB) section 281 (2) is required for any alternative versions.

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