annual report

Paving the way for the future
The 2013 financial year

Endress+Hauser
People for Process Automation

Financial highlights

	(EUR in thousands)			(CHF in thousands)		
	2013	**2012***	Change	**2013**	**2012***	Change
Net sales	1,814,400	1,693,790	7.1 %	2,231,531	2,040,001	9.4 %
EBIT / Operating profit	277,150	273,444	1.4 %	340,867	329,336	3.5 %
EBT / Profit before taxes	269,884	262,709	2.7 %	331,930	316,407	4.9 %
Net income	187,318	183,482	2.1 %	230,382	220,986	4.3 %
ROS / Return on sales	14.9 %	15.5 %		14.9 %	15.5 %	
Productivity	1,42	1,45		1,42	1,45	
Equity	1,310,352	1,174,456	11.6 %	1,606,492	1,418,038	13.3 %
Equity ratio	67.8 %	70.1 %		67.8 %	70.1 %	
Total capital employed	1,932,331	1,674,393	15.4 %	2,369,038	2,021,662	17.2 %
Capital expenditures	129,994	127,432	2.0 %	159,880	153,479	4.2 %
Depreciation and amortization	74,170	73,689	0.7 %	91,222	88,751	2.8 %
Cash flow	261,488	257,171	1.7 %	321,604	309,737	3.8 %
Number of employees	11,919	10,066	18.4 %			

* Restated, see note 2.1

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The year 2013

Plant in Brazil taps emerging market

Endress+Hauser invested more than eight million euros in a new plant for flow, level and pressure measurement engineering in Itatiba, Brazil. The new production facilities were inaugurated in October. More than 20 employees assemble, test and calibrate made-to-order measuring instruments for customers in Brazil who will now enjoy a faster and more flexible service. The Itatiba site – situated about one and a half hours' drive north of the business metropolis São Paulo and only half an hour from the country's biggest freight airport – was chosen for logistical reasons.

Analytik Jena opens the lab door

With an eye on establishing an additional business in the laboratory segment, Endress+Hauser acquired a stake in the German company Analytik Jena AG. The strategy allows Endress+Hauser to work closely with its customers every step of the way, from product development to production. Publicly-traded Analytik Jena produces analytical instrumentation for industrial and research laboratory applications, bioanalytical systems and solutions, as well as high-end optical products. The company has more than 1,000 employees and annual sales of around 100 million euros. Endress+Hauser took a controlling interest in Analytik Jena in September 2013 and now holds more than 50 percent of the shares. An agreement with investment company bm-t and company founder and CEO Klaus Berka gives Endress+Hauser the option to acquire an additional 27 percent of the stocks after October 2014.

Acquisition bolsters analytical business

With the acquisition of Kaiser Optical Systems in November, Endress+Hauser expanded its range of advanced analysis process technologies. Headquartered in Ann Arbor, Michigan/USA, the company is a specialist in the field of Raman spectroscopy, a technology that is based on the interaction of a laser beam with the material being analyzed. The devices, which are used in laboratory and process control applications, provide information regarding the characteristics and composition of liquids, gases and solids. Kaiser Optical Systems employs around 80 people.

Timeline

January
With the opening of a sales center in **Indonesia**, Endress+Hauser strengthens its presence in Southeast Asia. The target industries include chemical, mining, oil & gas, water & wastewater, power & energy, food & beverage and pulp & paper.

February
Group companies around the world celebrate Endress+Hauser's **60th anniversary**. The company also reaches another symbolic milestone as the number of employees tops 10,000.

March
More than 240 innovators from across the entire Group gather together in Basel, Switzerland for the 2013 **Innovators' Meeting** to present their developments, share experiences and celebrate a record 230 patent applications.

April
The competence center for sensor technology in **Waldheim** creates new production space, additional offices and modern laboratories, fueling further growth and signaling the company's clear commitment to its location in eastern Germany.

August
Endress+Hauser expands production of flow measurement technology in **Suzhou**, China – a response to the economic boom in the Far East and the corresponding growth in the water & wastewater sector.

September

Innovative Sensor Technology IST opens a new production and office building in Ebnat-Kappel, Switzerland. Part of the Endress+Hauser Group since 2005, the company develops, manufactures and markets high-end sensors for measuring temperature, humidity, thermal mass flow and conductivity.

Endress+Hauser celebrates a significant expansion of its plants for flow, level and pressure measurement engineering in **Greenwood**, Indiana/USA. The move allows Endress+Hauser to serve its customers in North and South America faster and more flexibly with products.

October
Two years after breaking ground, Endress+Hauser dedicates the opening of a new building for the South African sales center in **Johannesburg**. The new facility, which lays the foundation for further growth in the African market, also serves customers in several countries south of the equator.

Content

annual report 2013

Looking back at 2013: CEO Matthias Altendorf, Klaus Endress, President of the Supervisory Board, and COO Michael Ziesemer (from left).

Paving the way for the future

Last year was another successful year for Endress+Hauser. Net sales, net income and headcount reached new highs. But 2013 will be remembered as a difficult year, more difficult than previous years. The various countries and markets developed very differently, in some cases diametrically opposite to the year before. Volatility and uncertainty are still casting their shadows over us.

That we could pass all these challenges with flying colors is first and foremost to the credit of our people throughout the world. It is their dedication and commitment, often going well beyond the call of duty, which has made these good figures and results possible. Our sincere thanks and gratitude go to all of you!

2013 was also a successful year because we began to pave the way for our future. For a family-owned business like Endress+Hauser, the change at the top was of particular importance. The new arrangement with Matthias Altendorf as CEO and Klaus Endress as President of the Supervisory Board promises change and consistency at the same time – and both will be necessary for Endress+Hauser's continuing good development.

Another step we took in 2013 to safeguard our company's future was the interest we acquired in Analytik Jena. Traditionally, our principle is to grow organically, from the inside out. If we make any acquisitions, it is to secure technical expertise or to gain market access. In Analytik Jena, we did both. The company has profound knowledge of optical analytics, especially atomic absorption spectroscopy, and is well positioned in the market for laboratory analysis. But we also expect advanced analytical technologies to be integrated more and more into process engineering. It is against this background that the takeover of Kaiser Optical Systems is to be seen.

Analytics will definitely keep us busy in the years to come. First, we must support and promote Analytik Jena together with the company's management. Secondly, we will intensify our efforts to bring our offering of advanced analyzers to the market and to customers in the process industry. It is our family-owned business structure that gives us the confidence that we can pursue this task.

The World Bank views the prospects for economic recovery in 2014 in a positive light not seen for many years. The organization expects a global upturn but also warns of the risks, especially in the emerging countries. But there remain many economic unknowns. Have we really overcome the finance and banking crisis? Can the Eurozone recover further? Will the central banks succeed in gently dropping the low-interest policy? Add to all that the trouble spots in Northern Africa, the Middle East and most recently in Eastern Europe.

We will pursue our strategy with determination, but also with care. For us this means staying alert and keeping our eyes open. 2014 will most likely be another demanding year. But we will do everything to ensure that it will turn into another good year for Endress+Hauser. We have after all become accustomed to uncertainty and volatility in almost all walks of life.

Klaus Endress
President of the Supervisory Board

Matthias Altendorf
CEO of the Endress+Hauser Group

Statement of the Supervisory Board

With the new year, there has also been a generation change in the Endress+Hauser Group. Matthias Altendorf is the new CEO and now runs the company. After 19 years at the helm of the company I have joined the Supervisory Board, following in the footsteps of Klaus Riemenschneider. In my new capacity of President of the Supervisory Board, this puts me in the rather unusual situation of having to comment on a financial year that is still my operative responsibility.

At no point was it guaranteed that 2013 would turn out to be such a good year. Our world in 2013 was fragile and volatile, even turbulent. We have achieved good sales in places where we had difficulties in the past, and vice versa. As in previous years, we had to remain very adaptable and make the best out of situations. But the year ended on a very positive note and we managed to make 2013 a good year for Endress+Hauser (the fourth in succession), even if we didn't accomplish all our targets.

In this year with all its ups and downs, the Supervisory Board has again been a valuable and trusted partner, accompanying the acquisitions and other business activities of the Executive Board with a critical and constructive attitude. With the shareholding in Analytik Jena, Endress+Hauser has prepared the ground to develop the market for laboratory analysis to support our customers right from the start in developing and improving their products and processes.

We still have a long road ahead of us before this venture is led to a successful conclusion. But I am certain that we will succeed with the right people and the right attitude. On behalf of the shareholder family and the Supervisory Board, I wish to thank all employees of the Endress+Hauser Group for their work and their commitment. And my thanks also go to the members of the Executive Board for their achievements in the past year, wishing them and the new CEO all the very best for the future.

I would also like to take this opportunity to express my sincere thanks to Klaus Riemenschneider who has made great accomplishments in over four decades of work for Endress+Hauser, serving the last twelve years as President of the Supervisory Board established in 2002. He has carried out this role far longer than he originally wanted to, and his retirement from this post allowed me to make a seamless transfer. Mr Riemenschneider's career at Endress+Hauser has been marked throughout by unbounded loyalty to both the company and the shareholder family.

Klaus Endress
President of the Supervisory Board

The Executive Board of the Endress+Hauser Group (from left): Pieter de Koning (IT), Nikolaus Krüger (Sales and Marketing), Roland Kienzler (HR), Chief Executive Officer Matthias Altendorf, Chief Financial Officer Dr Luc Schultheiss, Dr Heiner Zehntner (Legal), Dr Gerhard Jost (Production) and Chief Operating Officer Michael Ziesemer.

The Supervisory Board of the Endress+Hauser Group (from left): Dr Hans Fünfschilling, Dr Klaus Eisele, Fernando Fuenzalida, President Klaus Endress, Prof Dr Georg Bretthauer, Vice President Dr George A Endress, Secretary Dr Heiner Zehntner and Willi Ruesch.

Endress+Hauser Group Management Report

2013 was a special year for Endress+Hauser in more ways than one. It was marked by the pending change at the top of the Group as much as by venturing into new markets – and yet again ended up a good year for Endress+Hauser.

The Endress+Hauser Group

Corporate profile The Endress+Hauser Group is among the leading international providers of measurement instruments, services and automation solutions for industrial process engineering. Our range of products includes sensors, instruments, systems and services for level, flow, pressure and temperature measurement, analytics and data acquisition. We link field devices to control systems and support our customers with automation and logistics solutions. Our products set standards, both in terms of quality and technology.

Endress+Hauser's customers come primarily from the chemical & petrochemical, food & beverage, oil & gas, water & wastewater, power & energy, life sciences, primaries & metal, pulp & paper and shipbuilding industries. With our help, customers optimize their processes in terms of reliability, safety, economic efficiency and environmental protection.

Group structure At the end of 2013, the Group comprised 107 companies in 46 countries, managed and coordinated by Endress+Hauser AG in Reinach, Switzerland. Our production centers concentrate and focus our expertise in research, development, production, product management, quality assurance and logistics, while the Endress+Hauser sales centers all over the world act as local partners for the market and customers. In collaboration with our representatives they are responsible for worldwide sales, marketing and services. Production centers and sales centers are legally independent business units, as are the support centers and holding companies that perform supporting and cross-corporate functions.

Group management lies in the hands of the Executive Board of Endress+Hauser AG, headed by the CEO. Organizational regulations define the tasks and competencies for the Executive Board and the independent Supervisory Board.

Values and strategy The Endress+Hauser Group has a clear vision statement that presents the objectives of the company's development. The mission statement constitutes a formula for action. Aligned to that, our Strategy 2015+ describes the medium and long-term targets towards which the Group's business is oriented.

Endress+Hauser is founded on a corporate culture firmly rooted in the company. The Credo clearly formulates the guiding principles of our daily business. The values and convictions important to us as a company have been recorded in the Spirit of Endress+Hauser. A supplementary Code of Conduct has been implemented across the Group.

Technology and innovation In 2013, we applied for 236 patents at patent offices around the world – 6 more than the previous year. This is clear evidence of Endress+Hauser's powers of innovation. Almost 5,700 'live' patents and patent applications protect our intellectual property. We spent 120.2 million euros, 7.5 million euros more than in 2012, on research and development. This equates to 6.6 percent of our net sales.

An increasing share relates to developments which, in the wider sense, have to do with digitization and networking in process automation. Internet technologies such as WiFi find their way into our customers' plants and systems. More and more, process automation features devices with integrated webservers, while Ethernet/IP gains in importance as a communication protocol.

Words and deeds: We support our customers all over the world with products, services and solutions.

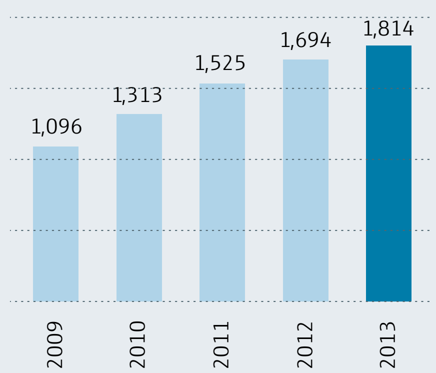
Market development

Business environment The world economy has been driven in 2013 mainly by the accelerated demands of developed countries. According to the International Monetary Fund (IMF), global economic performance increased in 2013 by 3.0 percent in real terms. While industrialized western countries grew by 1.3 percent on average, the emerging markets showed a plus of 4.7 percent.

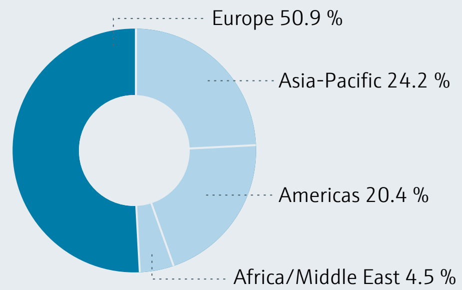
The Eurozone as a whole remained in recession (–0.4 percent), while Germany recorded – thanks to its strong export-orientated sector – a growth of 0.5 percent. Japan's economy grew by 1.7 percent, the United States' by 1.9 percent. With a plus of 7.7 percent, development in China was nearly unchanged. Economic activity in India recovered (4.4 percent), as it did in Brazil (2.3 percent), whereas growth in Russia (1.5 percent) considerably slowed.

Market trends According to the market researchers of ARC Advisory Group, automation engineering in general stagnated in 2013. The German Electrical and Electronic Manufacturers' Association (ZVEI) estimates that process

Net sales
(EUR in millions)



Net sales by region
(in %)



The human factor: 12,000 people worldwide work for the Endress+Hauser Group.

Powerful drivers: Megatrends such as energy efficiency keep our customers in process industry busy.

automation grew worldwide by between 4 and 5 percent and thus at a noticeably slower pace than last year. Special growth drivers were South America and South East Asia.

Competition Last year, the electronics group Schneider Electric took over the automation specialist Invensys, which operates in process measurement engineering with its Foxboro brand. Although the process of concentration continues, there are still many small and medium-sized businesses beside the major global players that successfully stand their ground in their market segments. At the same time, local players gain in importance in emerging markets such as China.

Endress+Hauser in the market Development was very mixed in 2013. Besides organic growth, we also saw the impact of exchange rates and acquisitions in our figures. Without company takeovers, our growth in net sales would have been 5.2 percent. This is well below our expectations, but slightly above average in our industry.

Our growth was yet again broad based across different sectors of the economy, led by the chemical industry – our top-selling sector – followed by food & beverage, power & energy, life sciences, oil & gas, water & wastewater, and primaries. Developments slowed in the pulp & paper and metal industries; both sectors are struggling with excess capacity.

Our strategy of supporting our customers beyond process engineering with automation solutions and services has proved successful. This sector has also shown above-average growth in 2013.

Corporate development

General development Despite the continuing volatile and uncertain economic climate, we have again expanded and strengthened our worldwide sales and production network in 2013. We also made an important move beyond our core business in process measurement technology, expanding into the markets of laboratory analysis and advanced analyzers. This move will give us the chance to accompany our customer at all stages, from product development via process development right through to production using process engineering.

Company foundations, acquisitions and sales
In September we acquired the majority shareholding in German company Analytik Jena AG. The company, with a headcount of over 1,070 people at the end of the year and net sales of approximately 97.7 million euros in the 2012/2013 financial year, specializes in analytical instrumentation, bioanalytical systems and high-end optical products. At the end of 2013 we held 48.5 percent of the company's shares. An option agreement with both remaining major shareholders – the investment company bm-t and the company founder and CEO Klaus Berka – will allow us to acquire another 27.6 percent of the stock after October 2014.

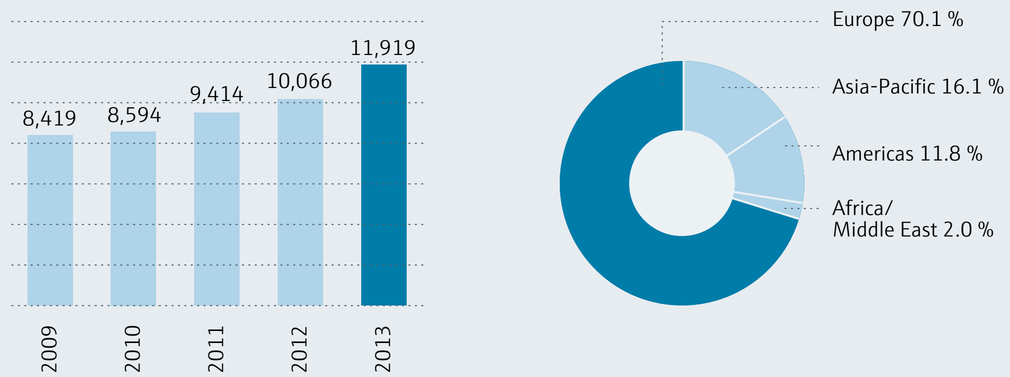
Our aim is to take over Analytik Jena completely. As the company serves highly specialized market and customer segments new to Endress+Hauser, we want to keep the company's well-established brand and its own sales and manufacturing structures. Close networking with the Endress+Hauser Group and good collaboration with other Group companies will ensure that we make the best possible use of cooperation and efficiency potentials.

In November 2013 we acquired the US-based Kaiser Optical Systems Inc. together with its European sales company Kaiser Optical Systems SARL in France from the Rockwell Collins aerospace group. The company, which employs about 80 people, is the technological leader in Raman spectroscopy and in applied holographic technology. The products are used both in the process industry and in industrial and scientific laboratories. The acquisition of Kaiser Optical Systems strengthens our business with advanced analyzers and our new laboratory analysis segment.

In early 2013 we took over both the business and the workforce of our previous representative in Indonesia and included it in the sales center established the year before. We established sales centers in the United Arab Emirates and in Algeria with the aim of serving our customers in these countries with our own sales organizations from 2014.

Economic indicators With a plus of 7.1 percent in net sales Endress+Hauser has again exceeded its strategic target of 6 percent growth in sales in 2013, but could not

Employees of the Endress+Hauser Group



follow up the strong development of the previous year. The return on sales was 14.9 percent (2012: 15.5 percent). The equity ratio at the end of the year declined to 67.8 percent (2012: 70.1 percent). Productivity – defined as net value added in proportion to personnel expenditure – reached a value of 1.42 in 2013 (2012: 1.45).

The acquisitions of the past year have had a substantial impact on our key figures and metrics. Excluding Analytik Jena, 2013 sales would have increased by 5.2 percent. The operating margin would have reached 15.2 percent, equity ratio 71.8 percent, and productivity 1.43.

New accounting standards prompted us to re-evaluate our retirement benefit obligations (see note 2.1), resulting in changes in the comparative figures of the year before for return on sales, equity ratio and productivity as mentioned in the 2012 financial report.

Social and environmental indicators We understand job creation to be part of our corporate social responsibility and see the generation of work and income as a fundamental contribution to the welfare of a society. By the end of 2013, the workforce at Endress+Hauser numbered 11,919 – 1,853 or 18.4 percent more employees than at the same time the previous year. This figure is strongly impacted by our acquisitions which added about 1,300 people to our staff. As budgeted, we created about 550 new jobs in the past year.

Our commitment to in-house vocational training was as strong as ever. We continued to sponsor talented and keen young people in their engineering and business administration studies and again sought cooperation with colleges and universities at many levels.

Endress+Hauser is keenly aware of its social responsibility. The Group companies contribute in many ways and feel committed to their respective communities. Last year, our sales center in India installed a new water supply system for a drought-stricken village in the east of the country. Our measurement engineering helps to safeguard the supply of over 4,600 villagers and to improve the equitable distribution of water.

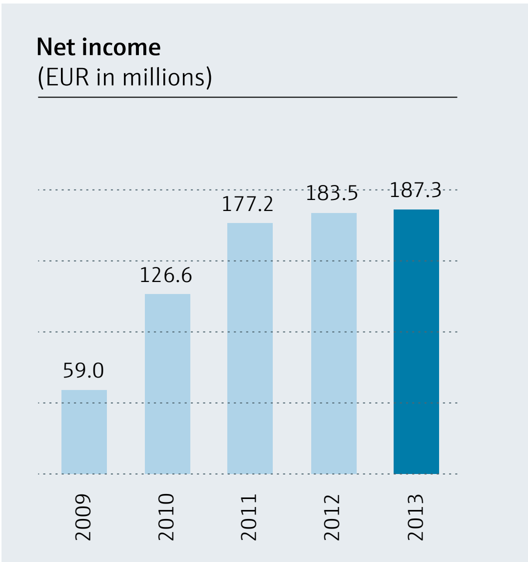
Our production only has a very slight impact on the environment. Nevertheless, we continue to look for opportunities to reduce this impact further. Important improvements resulted from the systematic monitoring and analysis of energy flows and usage in our production centers, for which we rely on our own measurement technology, systems and software solutions.

Results of operation, financial position and net assets

Sales development We increased our net sales by 7.1 percent to 1.814 billion euros. Especially in the Americas, but also in Asia, Africa and the Middle East, the good development of previous years slowed. In 2013, the dollar, pound sterling, yen and yuan all lost value in relation to a rising euro. The weakening currencies of India, Turkey and Brazil also affected our figures. This cost us over 3 percentage points in sales growth.

Our acquisitions, on the other hand, have helped us to achieve 2 percentage points extra growth. This means, without company takeovers, our growth in net sales would have been 5.2 percent. This is slightly above average in our industry, which the ZVEI association estimates to be between 4 and 5 percent. We clearly missed our target of a 10 percent growth rate. Next to currency effects, it was mainly the sluggish business in the Nafta region which thwarted these plans.

With a growth of 7.8 percent, Europe developed moderately above average last year, led by the United Kingdom, the Netherlands and Turkey. Germany, our biggest market with regards to turnover, showed a clear plus. In Switzerland, sales figures recovered. Spain and Greece experienced robust growth after the tough years of crisis, but the business situation in France and Italy gave rise to concern. Russia, unfortunately, has not managed to keep up the high growth rates of the past years.

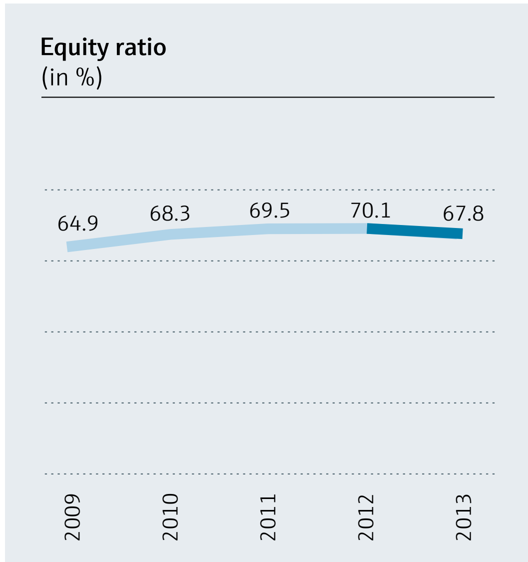


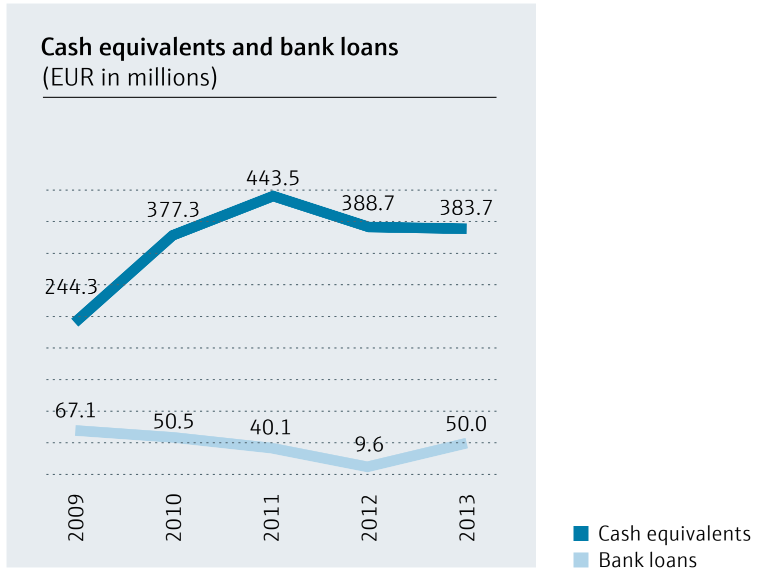
Growth market: The strong development of the chemical industry had a major impact on our business in 2013.

In Asia our sales grew by 7.5 percent, at a slower pace than in previous years. Development in Southeast Asia was dynamic, with our new sales center in Indonesia making a substantial contribution to our business right in its first year. We are pleased to say that China – one of our three biggest markets – again showed two-digit growth. Development in Korea, one of our growth drivers in the past, was more restrained. India's economy wrestled with structural problems and a backlog in reforms.

The Americas fell far behind our expectations in 2013 and made, with a plus of 3.4 percent, a below-average contribution to our growth. The USA, Canada and Mexico showed a moderate plus and stayed well below budget. Business in Brazil, on the other hand, developed very well.

With 16.1 percent, Africa and the Middle East showed the biggest growth rate. Our customers in South Africa once again struggled with the general conditions. In other





parts of the continent, the demand for our products, solutions and services livened up significantly. Business in the Middle East – above all in Saudi Arabia where we opened a new sales center in 2013 – was dynamic.

Consolidated income statement With a plus of 1.4 percent our operating profit (EBIT) couldn't keep pace with our growth in net sales and reached 277.2 million euros. This is again where currency effects and acquisitions made themselves felt. But, as we always could keep our costs under control, we managed to avert a drop in EBIT.

Our total performance, growing by 6.8 percent to 1.833 billion euros, was matched by total operating expenses up 7.8 percent to 1.556 billion euros. Our productivity slightly decreased at a very high level from 1.45 to 1.42.

Despite the increase in net sales and quantities the expenses for purchased goods and services grew by only 4.6 percent to 484.9 million euros. Personnel expenditure increased above average by 8.8 percent to 679.3 million euros. Figures for depreciation and amortization were nearly unchanged (74.2 million euros, a plus of 0.7 percent). Other operating expenses considerably increased by 12.7 percent to 317.5 million euros.

Our profit before taxes (EBT) increased – despite the slightly negative result of associated companies – by 2.7 percent to 269.9 million euros. The net financial result, negative at −3.9 million euros, had only little impact given the unfavorable foreign exchange rates. It includes net foreign exchange losses of −10.9 million euros (2012: −1.6 million euros), as well as a clearly improved result

Consolidated income statement in brief (EUR in thousands)

	2013	2012	Change	
Net sales	1,814,400	1,693,790	120,610	7.1 %
Total performance	1,832,958	1,716,346	116,612	6.8 %
Total operating expenses	−1,555,808	−1,442,902	−112,906	7.8 %
EBIT / Operating profit	**277,150**	**273,444**	**3,706**	**1.4 %**
Result from associated companies	−3,352	−9,764	6,412	−65.7 %
Net financial result	−3,914	−971	−2,943	303.1 %
EBT / Profit before taxes	**269,884**	**262,709**	**7,175**	**2.7 %**
Income taxes	−82,566	−79,227	−3,339	4.2 %
Net income	**187,318**	**183,482**	**3,836**	**2.1 %**

Balance sheet in brief (EUR in thousands)

	2013	2012	Change	
Non-current assets	782,119	662,135	119,984	18.1 %
Inventories	219,794	188,985	30,809	16.3 %
Accounts receivable	436,321	380,120	56,201	14.8 %
Short-term financial assets	110,369	54,419	55,950	102.8 %
Cash and cash equivalents	383,728	388,734	−5,006	−1.3 %
Total assets	**1,932,331**	**1,674,393**	**257,938**	**15.4 %**
Total equity	1,310,352	1,174,456	135,896	11.6 %
Retirement benefit obligations	169,123	169,774	−651	−0.4 %
Other non-current liabilities	111,176	71,535	39,641	55.4 %
Trade accounts and notes payable	78,060	72,415	5,645	7.8 %
Other current liabilities	263,620	186,213	77,407	41.6 %
Total assets	**1,932,331**	**1,674,393**	**257,938**	**15.4 %**

from financial assets of 7.6 million euros (2012: 0.9 million euros).

Our net profit improved by 2.1 percent to 187.3 million euros. The effective tax rate was, at 30.6 percent, almost unchanged (2012: 30.3 percent).

Consolidated balance sheet The Endress+Hauser Group's non-current assets went up by 18.1 percent to 782.1 million euros in 2013, driven by acquisitions and capital expenditure. Tangible fixed assets increased only by 11.4 percent to 568.2 million euros, whereas the Group's current assets grew by 13.6 percent to 1.150 billion euros. Due to a more active management of our financial assets, our short-term financial assets increased from 50.1 million to 107.3 million euros. Our cash and cash equivalents were almost unchanged at 383.7 million euros (−1.3 percent).

Inventories increased in conjunction with our acquisitions by 16.3 percent to 219.8 million euros. The trade accounts receivable increased below net sales by 5.2 percent to 339.6 million euros.

The financial strength of the Endress+Hauser Group is unbroken despite cash outflow for acquisitions and capital expenditure. Our equity increased by 11.6 percent to 1.310 billion euros. Total assets (1.932 billion euros) grew at an even faster pace by 15.4 percent, so the equity ratio decreased by 2.3 percentage points to 67.8 percent – still a rate seldom seen in our industry. Bank loans, which we had paid off almost in full last year, increased again from 9.6 to 50.0 million euros with the acquisition of Analytik Jena.

Our cash flow, defined as net income plus depreciation, grew by 1.7 percent to 261.5 million euros. Retirement benefit obligations were almost unchanged at 169.1 million euros (−0.4 percent). A re-evaluation after a change in accounting standards has resulted in a substantial rise in this sum compared with the previous years. Non-current and current provisions amounted to 89.0 million euros, 15.4 percent above last year. Our total liabilities increased sharply by 24.4 percent to 622.0 million euros. Next to Analytik Jena's bank loans, the option agreement with both remaining major stockholders of the laboratory analysis specialist also came into effect.

Investments Last year we invested 130.0 million euros in buildings, plant and machinery, software and IT: yet another record-high value. Budgeted were expenses of 160 million euros which, owing to delays in planning and execution, have in some instances been deferred beyond 2013.

We have strengthened our sales and production network throughout the world. We enlarged and extended existing production facilities in the USA, Germany, China and Switzerland. Our new plant for flow, level and pressure measurement engineering in Brazil went operational. Our US sales organization began to set up a new visitors' center.

Supplemental report

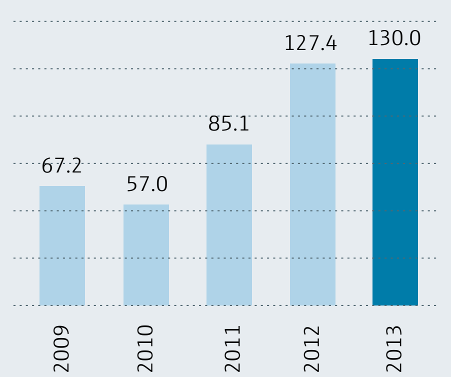
Events after the end of the financial year No events of particular significance took place after the end of the business year.

Risk report

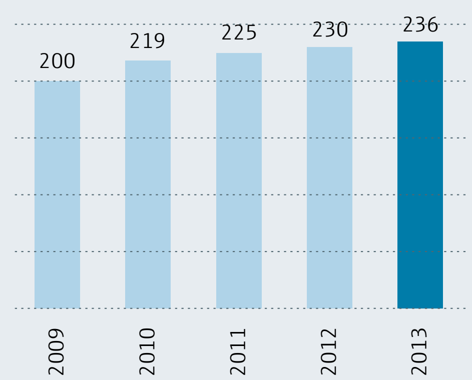
Risk management On principle, Endress+Hauser takes only calculable risks when making business decisions. According to the principles of corporate governance we introduced an Internal Control System (ICS) in 2008, designed to meet the needs of our company.

The company attempts to reduce insecurity resulting from economic and sector-related developments, fluctuations in exchange rates, political events of worldwide significance or natural disasters by means of broad-based support in the market, both in terms of industries and regions. The Supervisory Board plays an important role as a supervisory and advisory body and supports the work of the

Capital expenditures
(EUR in millions)



Patent applications of the Endress+Hauser Group



Bright prospects: Economic researchers expect a global upturn in 2014.

Executive Board critically and constructively, thus increasing the quality of all fundamental business decisions.

Risks for the company In accordance with its risk management guidelines, the Endress+Hauser Group raises awareness of business risks at all levels, and encourages all associates to avoid and minimize risk. A Group standard for Business Continuity Management has been introduced internationally. Endress+Hauser ensures appropriate cover is provided for the entire Group in terms of essential liability and claims risks. There are no significant risks resulting from court cases.

We reduce financial risks from exchange and interest rates with the aid of derivative hedging instruments. Explanations of our financial risk management can be found in our Accounting Policies. Customer-orientated production in the United States, China, India and Brazil reduces the influence of fluctuations in exchange rates. These production sites invoice almost entirely in their national currencies.

A consistent IT security concept guarantees an outstandingly high level of protection from loss of data. Environmental and security risks connected with our activities and our production sites are negligible.

Report on opportunities

Opportunity management Opportunities for the company arise from its strategic focus, the economic development, the outcomes of the research and development work and the performance and achievements of the company's employees. In all these areas Endress+Hauser pursues systematic approaches to safeguard sustained business success.

Opportunities for the company Endress+Hauser's broad-based focus allows the company to partake in the growth of varied sectors of the process industry. The worldwide presence with sales and production makes sure that we remain dynamic as a business, especially in the emerging countries. Our close cooperation with selected universities, colleges and research facilities, as well as wide-ranging activities in research and development, keep our powers of technological innovation at a high level. To make sure that enough talented and dedicated employees, apprentices and trainees find their way to us, we bundle and intensify our Group companies' activities in this field.

In the medium and long term, we see marked chances and opportunities for our Group in developing the market for laboratory analysis. The option of employing advanced methods of analysis to a greater degree in process technology applications is also promising. We expect both to open up new customer segments and intensify existing customer relations.

Report on expected developments

Economic environment The IMF believes that economic prospects have clearly improved. For the current year the experts expect a rise in global economic performance of 3.7 percent (as of January 2014), driven mainly by industrialized countries, with emerging markets and developing countries growing by 5.1 percent and developed economies by 2.2 percent.

The IMF is convinced that the Eurozone will overcome recession (1.0 percent), with stronger growth predicted for Germany (1.6 percent). For the United States (2.8 percent) the organization expects a marked recovery. Development in Japan (1.7 percent) is likely to remain robust. In China (7.5 percent) the IMF expects a moderate economic slowdown; development in India (5.4 percent) is to accelerate. In Brazil (2.3 percent) the experts predict restrained growth rates. The forecasts for Russia (2.0 percent) do not take account of the most recent events and developments. The World Bank even believes that the country might slip into recession in 2014.

Objectives of company development German organization ZVEI predicts a growth of between 4 and 5 percent for the instrumentation and automation industry in 2014. We want to increase Endress+Hauser's net sales by more than 15 percent to nearly 2.1 billion euros. Again, this figure includes effects of the acquisitions made in 2013 and planned for 2014. Earlier this year, we took over the sales activities of our representative in the United Arab Emirates. Without these influencing factors, we aim to grow by almost 10 percent.

We want to improve both operating profit and net income. Investments will reach a record high of 160 million euros, and the headcount is to rise by more than 600 to around 12,500. In terms of return on sales and productivity we expect a moderate decline, again caused by our acquisitions. The equity ratio is to be raised substantially to over 70 percent.

Our targets are based on general business development prospects. We expect that the automation industry will again benefit to an above-average degree from economic growth, and we want to keep ahead of our competitors. Owing to the delay in which cyclical fluctuations reach our sector of industry, we expect a tangible business upturn in the second half of the year.

Our start to the new year was less than energetic. We are still far away from our sales targets, and again foreign exchange effects have a negative impact. Compared with 2013, Europe shows a clear plus in local currencies, even moderately above budget. After a weak year, the Americas are beginning to catch up, unlike Asia which unexpectedly lags behind budget. There is strong growth in Africa and the Middle East, even if we are currently still missing our targets.

In view of the existing cyclical and political uncertainties, we currently exercise restraint in creating jobs. We expect that we will be able to accomplish our objectives by the end of the year, but we cannot rule out setbacks altogether.

Important projects A large share of our investments totaling 160 million euros will again go into production, with one focus being upgrading our European production centers. We are enlarging our competence center for flow measurement engineering in Reinach, Switzerland, and upgrading continues at Maulburg, Germany, in our competence center for level and pressure measurement engineering. Our sales center in the United States will open its visitors' center this year. Our sales centers in Spain, Italy and Malaysia have begun to set up their own buildings.

General statement on company development Thanks to our broad-based support throughout the world and across different industries, and also to our strategic alignment, we see ourselves well equipped for the future. Our independence as a financially strong, family-owned business allows us to pursue long-term objectives in the development of the Group and to take decisions quickly.

Unpredictable and unexpected events have characterized recent years and could also influence economic development in 2014. We meet these challenges by acting with the necessary caution and circumspection.

Consolidated balance sheet

Assets

		EUR in thousands			CHF in thousands		
Non-current assets	Notes	**Year ended 31.12.2013**	**Year ended 31.12.2012***	**As per 1.1.2012***	**Year ended 31.12.2013**	**Year ended 31.12.2012***	**As per 1.1.2012***
Tangible fixed assets	12	568,202	510,222	460,468	696,616	616,042	560,712
Intangible assets	13	139,715	78,060	22,394	171,291	94,250	27,269
Investments in associated companies	14	19,685	22,427	31,675	24,134	27,078	38,571
Long-term financial assets	15	10,536	8,738	4,150	12,917	10,550	5,053
Deferred tax assets	22	43,981	42,688	32,351	53,921	51,542	39,394
Total non-current assets		**782,119**	**662,135**	**551,038**	**958,879**	**799,462**	**670,999**
Current assets							
Inventories	16	219,794	188,985	185,944	269,467	228,180	226,424
Trade accounts receivable	17	339,566	322,722	291,158	416,308	389,655	354,543
Current income tax assets		3,080	2,193	2,650	3,776	2,647	3,227
Other accounts receivable	18	93,675	55,205	51,700	114,846	66,655	62,955
Short-term financial assets	15	110,369	54,419	2,529	135,312	65,706	3,080
Cash and cash equivalents	19	383,728	388,734	443,486	470,450	469,357	540,033
Total current assets		**1,150,212**	**1,012,258**	**977,467**	**1,410,159**	**1,222,200**	**1,190,262**
Total assets		**1,932,331**	**1,674,393**	**1,528,505**	**2,369,038**	**2,021,662**	**1,861,261**

* Restated, see note 2.1
The notes are an integral part of these consolidated financial statements.

Equity and liabilities

		EUR in thousands			CHF in thousands		
Capital and reserves	Notes	**Year ended 31.12.2013**	**Year ended 31.12.2012***	**As per 1.1.2012***	**Year ended 31.12.2013**	**Year ended 31.12.2012***	**As per 1.1.2012***
Share capital		14,842	14,842	14,842	22,000	22,000	22,000
Other reserves		27,853	56,979	84,453	34,148	68,796	102,838
Retained earnings		1,243,175	1,096,568	943,445	1,520,329	1,319,917	1,144,906
Total capital and reserves attributable to equity holders		**1,285,870**	**1,168,389**	**1,042,740**	**1,576,477**	**1,410,713**	**1,269,744**
Non-controlling interest		24,482	6,067	2,060	30,015	7,325	2,508
Total equity		**1,310,352**	**1,174,456**	**1,044,800**	**1,606,492**	**1,418,038**	**1,272,252**
Liabilities							
Long-term loans	20	43,964	13,707	29,998	53,900	16,550	36,529
Deferred tax liabilities	22	35,834	27,623	22,424	43,932	33,352	27,307
Retirement benefit obligations	23	169,123	169,774	129,441	207,345	204,985	157,620
Long-term provisions	24	27,944	26,752	23,145	34,259	32,300	28,184
Other long-term liabilities	26	3,434	3,453	4,099	4,210	4,169	4,991
Total non-current liabilities		**280,299**	**241,309**	**209,107**	**343,646**	**291,356**	**254,631**
Short-term loans	20	15,615	6,025	14,662	19,144	7,275	17,854
Trade accounts and notes payable	25	78,060	72,415	63,177	95,702	87,434	76,931
Current income tax liabilities		21,637	25,322	36,276	26,527	30,574	44,172
Short-term provisions	24	61,079	50,409	51,684	74,883	60,864	62,936
Other short-term liabilities	26	165,289	104,457	108,799	202,644	126,121	132,485
Total current liabilities		**341,680**	**258,628**	**274,598**	**418,900**	**312,268**	**334,378**
Total liabilities		**621,979**	**499,937**	**483,705**	**762,546**	**603,624**	**589,009**
Total equity and liabilities		**1,932,331**	**1,674,393**	**1,528,505**	**2,369,038**	**2,021,662**	**1,861,261**

* Restated, see note 2.1
The notes are an integral part of these consolidated financial statements.

Consolidated income statement

	Notes	EUR in thousands 2013	EUR in thousands 2012*	CHF in thousands 2013	CHF in thousands 2012*
Net sales	5	1,814,400	1,693,790	2,231,531	2,040,001
Change in inventories		478	5,744	588	6,918
Own work capitalized		8,106	7,071	9,970	8,516
Other operating revenues	6	9,974	9,741	12,267	11,732
Total performance		**1,832,958**	**1,716,346**	**2,254,356**	**2,067,167**
Purchased goods and services		−484,898	−463,386	−596,376	−558,102
Personnel expenses	7	−679,278	−624,200	−835,444	−751,786
Depreciation and amortization	8	−74,170	−73,689	−91,222	−88,751
Other operating expenses	9	−317,462	−281,627	−390,447	−339,192
Total operating expenses	10	**−1,555,808**	**−1,442,902**	**−1,913,489**	**−1,737,831**
EBIT / Operating profit		**277,150**	**273,444**	**340,867**	**329,336**
Result from associated companies	14	−3,352	−9,764	−4,123	−11,760
Net financial result	11	−3,914	−971	−4,814	−1,169
EBT / Profit before taxes		**269,884**	**262,709**	**331,930**	**316,407**
Income taxes	22	−82,566	−79,227	−101,548	−95,421
Net income		**187,318**	**183,482**	**230,382**	**220,986**
Attributable to					
Equity holders		187,160	183,241	230,188	220,696
Non-controlling interest		158	241	194	290
		187,318	**183,482**	**230,382**	**220,986**

* Restated, see note 2.1
The notes are an integral part of these consolidated financial statements.

Consolidated comprehensive income

	Notes	EUR in thousands 2013	EUR in thousands 2012*	CHF in thousands 2013	CHF in thousands 2012*
Net income		**187,318**	**183,482**	**230,382**	**220,986**
Other comprehensive income					
Actuarial gains (+) and losses (−) from defined benefit plans	23	7,805	−33,963	9,599	−40,905
Income taxes	22	−1,941	9,268	−2,387	11,162
Items that can not be reclassified to net income		**5,864**	**−24,695**	**7,212**	**−29,743**
Gains (+) or losses (-) from translating the financial statements of foreign subsidiaries	2.4	−35,983	−2,945	−44,255	−3,547
Items that can be reclassified to net income		**−35,983**	**−2,945**	**−44,255**	**−3,547**
Other comprehensive income		**−30,119**	**−27,640**	**−37,043**	**−33,290**
Comprehensive income		**157,199**	**155,842**	**193,339**	**187,696**
Attributable to					
Equity holders		157,594	155,767	193,825	187,606
Non-controlling interest		−395	75	−486	90
		157,199	**155,842**	**193,339**	**187,696**

* Restated, see note 2.1
The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

All amounts in EUR thousands	Share capital	Other reserves	Retained earnings	Capital and reserves – attributable to equity holders	Capital and reserves – attributable to non-controlling interest	Total equity
Balance at 31.12.2011	**14,842**	**98,469**	**943,445**	**1,056,756**	**2,060**	**1,058,816**
Adjustments for IAS 19 revised		−14,016		−14,016	0	−14,016
Balance at 1.1.2012	**14,842**	**84,453**	**943,445**	**1,042,740**	**2,060**	**1,044,800**
Net profit for the period			183,241	183,241	241	183,482
Change in non-controlling interest				0	4,044	4,044
Dividend payments			−30,118	−30,118	−112	−30,230
Currency translation differences		−2,779		−2,779	−166	−2,945
Actuarial gains and losses		−24,695		−24,695	0	−24,695
Balance at 31.12.2012	**14,842**	**56,979**	**1,096,568**	**1,168,389**	**6,067**	**1,174,456**
Net profit for the period			187,160	187,160	158	187,318
Change in non-controlling interest		440	−10,145	−9,705	18,889	9,184
Dividend payments			−30,408	−30,408	−79	−30,487
Currency translation differences		−35,430		−35,430	−553	−35,983
Actuarial gains and losses		5,864		5,864		5,864
Balance at 31.12.2013	**14,842**	**27,853**	**1,243,175**	**1,285,870**	**24,482**	**1,310,352**

The share capital is fully paid and composed of 2.2 million ordinary shares with a par value of CHF 10 per share.
The notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement

All amounts in EUR thousands	Notes	2013	2012*
Cash flow from operating activities			
Net income		187,318	183,482
Depreciation and amortization	8, 12, 13	74,170	73,689
Cash flow		**261,488**	**257,171**
Income tax charge	22	82,566	79,227
Result from associated companies		3,352	9,764
Net financial result net of foreign exchange gains (+) / losses (-)		−6,992	−806
Result on sale of assets and investments	6, 9	340	−28
Provisions		11,330	5,087
Other non-cash items		24,598	4,365
Inventories, trade accounts receivable and other current assets		−19,734	−50,273
Financial assets		−4,993	−253
Trade payables und other liabilities		3,332	23,330
Income taxes paid		−85,265	−85,763
Total cash flow from operating activities		**270,022**	**241,821**
Cash used in investing activities			
Purchase of fixed assets		−129,676	−127,432
Purchase of subsidiaries net of cash acquired	29	−50,264	−62,962
Investments in associated companies		−1,905	−877
Investments in financial assets		−109,396	−57,832
Disposals of fixed assets	6, 9, 12, 13	6,072	2,731
Disposals of financial assets		62,613	6,466
Interest received		1,388	1,479
Total cash used in investing activities		**−221,168**	**−238,427**
Free cash flow		**48,854**	**3,394**
Cash flow from financing activities			
Acquisition of minorities		−2,792	4,044
Dividends paid		−30,487	−30,230
Proceeds from loans		233	1,413
Repayments of loans		−8,830	−32,650
Interest paid		−1,985	−1,737
Total cash flow from financing activities		**−43,861**	**−59,160**
Effects of exchange rate changes on cash and cash equivalents		**−9,999**	**1,014**
Changes in cash and cash equivalents		**−5,006**	**−54,752**
Cash and cash equivalents at beginning of year		388,734	443,486
Cash and cash equivalents at end of year		383,728	388,734

* Restated, see note 2.1
The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

The Endress+Hauser Group (the Group) is a global leader in measurement instrumentation, services and solutions for industrial process engineering.

The parent company of the Group is Endress+Hauser AG (the company), which is a stock company and is incorporated and domiciled in Reinach, Switzerland.

2. Accounting policies

2.1 Accounting standards

The consolidated financial statements of the Endress+Hauser Group are prepared in accordance with International Financial Reporting Standards (IFRS). As the Company is not publicly listed, the Group is not required to publish segment reporting.

Adoption of IAS 19 - Restatement The Group has adopted all standards and interpretations applicable as per 31 December 2013. IAS 19 'Employee benefits' was amended in 2011. With the elimination of the corridor approach the Group has to recognise all actuarial gains and losses in other comprehensive income as of 2013. Prior periods have been restated due to the adoption of the revised IAS 19. The impacts of these changes on the relevant positions in the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement are shown below (all amounts in EUR thousands):

Income statement 2012	Adjusted	Reported	Change
Personnel expenses	–624,200	–625,021	821
Total operating expenses	**–1,442,902**	**–1,443,723**	**821**
EBIT / Operating profit	**273,444**	**272,623**	**821**
EBT / Profit before taxes	**262,709**	**261,888**	**821**
Net income	**183,482**	**182,661**	**821**
Attributable to Equity holders	183,241	182,420	821

Comprehensive income 2012	Adjusted	Reported	Change
Net income	**183,482**	**182,661**	**821**
Actuarial losses from defined benefit plans	–33,963	0	–33,963
Income taxes	9,268	0	9,268
Items that can not be reclassified to net income	**–24,695**	**0**	**–24,695**
Other comprehensive income	**–27,640**	**–2,945**	**–24,695**
Comprehensive income	**155,842**	**179,716**	**–23,874**
Attributable to Equity holders	155,767	179,641	–23,874

Balance sheet as at 1.1.2012	Adjusted	Reported	Change
Deferred tax assets	32,351	26,837	5,514
Total non-current assets	**551,038**	**545,524**	**5,514**
Total assets	**1,528,505**	**1,522,991**	**5,514**
Other reserves	84,453	98,469	–14,016
Total capital and reserves attributable to equity holders	**1,042,740**	**1,056,756**	**–14,016**
Total equity	**1,044,800**	**1,058,816**	**–14,016**
Deferred tax liabilities	22,424	22,457	–33
Retirement benefit obligations	129,441	109,878	19,563
Total non-current liabilities	**209,107**	**189,577**	**19,530**
Total liabilities	**483,705**	**464,175**	**19,530**
Total equity and liabilities	**1,528,505**	**1,522,991**	**5,514**

Balance sheet as at 31.12.2012	Adjusted	Reported	Change
Deferred tax assets	42,688	27,983	14,705
Total non-current assets	**662,135**	**647,430**	**14,705**
Total assets	**1,674,393**	**1,659,688**	**14,705**
Other reserves	56,979	95,690	–38,711
Retained earnings	1,096,568	1,095,747	821
Total capital and reserves attributable to equity holders	**1,168,389**	**1,206,279**	**–37,890**
Total equity	1,174,456	1,212,346	–37,890
Deferred tax liabilities	27,623	27,733	–110
Retirement benefit obligations	169,774	117,069	52,705
Total non-current liabilities	**241,309**	**188,714**	**52,595**
Total liabilities	**499,937**	**447,342**	**52,595**
Total equity and liabilities	**1,674,393**	**1,659,688**	**14,705**
Equity ratio	70.1 %	73.1 %	

Changes in equity 2012	Adjusted	Reported	Change
Currency differences / Other reserves	**84,453**	**98,469**	**–14,016**
Capital and reserves attributable to equity holders			
As at 1.1.2012	**1,042,740**	**1,056,756**	**–14,016**
Net profit for the period	183,241	182,420	821
Actuarial gains and losses	–24,695	0	–24,695
As at 31.12.2012	**1,168,389**	**1,206,279**	**–37,890**
Total equity	**1,174,456**	**1,212,346**	**–37,890**

Cash flow statement 2012	Adjusted	Reported	Change
Net income	183,482	182,661	821
Cash flow	**257,171**	**256,350**	**821**
Other non-cash items	4,365	5,186	–821

Other changes in accounting standards There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year 2013 that have a material impact on the net assets, financial position and earnings performance of the Group.

For 2014 no major impact is expected from application of other changed or new standards or interpretations (IFRS 3, IFRS 7, IFRS 9, IFRS 13, IAS 19, IAS 32, IAS 36) on the net assets, financial position and earnings performance or cash flow statement. The Group has not early adopted any amendment or new standard or interpretation. The amendments to IFRS 1, IFRS 2, IFRS 8, IFRS 10, IFRS 12, IAS 16, IAS 27, IAS 38, IAS 39, IAS 40, the new IFRS 14 as well as the new IFRIC 21 are not relevant for the Group.

These consolidated financial statements were approved by the Supervisory Board on 14 April 2014.

2.2 Principles and method of consolidation

Subsidiaries Subsidiaries are all companies over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases. Newly acquired companies are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured at the fair value of the assets and liabilities acquired. Acquisition-related costs are expensed as incurred. Identifiable assets, liabilities and contingent liabilities are measured inititially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

The financial statements of the companies included in the consolidation have been prepared using the historical cost convention, with the exception of financial assets and financial liabilities (including derivative instruments), and applying uniform presentation and valuation principles. The financial statements of the subsidiaries and the Company are prepared as of the same reporting date. Financial assets and financial liabilities (including derivative instruments) have been recorded at fair value through profit or loss.

Intercompany liabilities, assets, revenues and expenses within the Group and all intercompany profits are eliminated.

Non-controlling interests of third parties are shown separately in the balance sheet, income statement and statement of comprehensive income.

Associated companies Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associated companies and joint ventures are accounted for using the equity method. These investments are initially recognised at cost. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associated company.

Other investments are reported as long-term financial assets.

2.3 Revenue recognition

Revenue from the sale of goods are recognized when the significant risks and rewards of ownership of the assets are transferred to a third party. Revenue from services are recognized when the services have been rendered and acceptanced. Revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts.

Revenue arising from royalties is recognized on an accrual basis. Interest income and interest expense is recognized on a time proportion basis. Dividend income is recognized when the right to receive payment is established.

Dividend distribution to the company's shareholders are recorded in the Group's financial statement in the period in which the dividends are approved by the company's shareholders.

2.4 Foreign currency translation

Presentation currency The consolidated financial statements are presented in euros, which is not the reporting currency of the Company, but has been selected due to the fact that the majority of the Group's assets, liabilities, revenues and expenses are denominated in this currency.

For the convenience of the reader the consolidated income statement, comprehensive income and balance sheet are also presented in Swiss francs.

Transactions and balances Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

Group companies The Group subsidiaries present their financial statements in local currency. Conversion of the profit and loss accounts into the Group presentation currency is done at the average annual rates, while the balance sheet is converted at the closing rate at the date of that balance sheet.

All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholder's equity.

When a foreign entity is sold, exchange differences that were recognized in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the reporting entity and translated at the closing rate.

Consolidated comprehensive income The comprehensive income comprises results recognised directly in equity. Relevant for the Group are actuarial gains or losses from defined benefit plans and gains or losses from translating

Notes to the consolidated financial statements

the financial statements of foreign subsidiaries as in the consolidated statement of changes in equity. The translation differences result from the difference between historical and closing rates on investments and equity in foreign currencies; there are no related tax effects.

2.5 Tangible fixed assets

Property, plant and equipment is valued at historical acquisition or production costs, less accumulated depreciation calculated on a straight-line basis over the useful life of the asset. Subsequent costs are capitalized when it is probable that future economic benefits associated with the item will flow to the Group. Land is reported at cost.

The estimated useful life to determine straight-line depreciation is as follows:

Land, assets under construction	none
Buildings (light constructions)	10–20 years
Buildings (massive constructions)	25–40 years
Plant, equipment and machinery	7–10 years
Production tools and other equipment	3–7 years
Office equipment and furniture	8–10 years
IT equipment (hardware)	3–5 years
Motor vehicles	4–6 years

Gains or losses on disposals are determined by comparing proceeds with book values and are included in operating profit. Interest costs on borrowings to finance the construction of property, plant and equipment are expensed in the period in which they are incurred.

The property, plant and equipment financed by finance lease agreements are depreciated over the shorter of the duration of the lease agreement, if the transfer of property rights is uncertain, and its duration in use.

2.6 Intangible assets

Goodwill Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development costs Research expenditure is recognized as an expense as incurred. Since the extent and timing of future economic benefits of development projects is difficult to assess, development costs are recognized as expenses as incurred.

Other intangible assets Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Expenditure to acquire patents, trademarks and licences is capitalized. Intangible assets are amortized using the straight-line method over the following useful lives:

Trademarks and licences	3–15 years
Computer software	3–5 years
Other intangibles	3–10 years

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever an indication is given. Where the book value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.8 Financial assets

Financial assets are classified into the following categories: At fair value through profit or loss, held to maturity and loans and receivables.

A financial asset is classified in the category ‘at fair value through profit or loss’ if acquired principally for the purpose of selling in the short-term or if so designated by management. The category also includes derivatives. Regular purchase and sales of financial assets are recognized on the tradedate, the date on which the Group commits to purchase or sell the asset.

Profits and losses arising from changes in market value are are recorded in the net financial result.

2.9 Derivative financial instruments

Derivatives are valued at market value. Changes in the market value are taken to the income statement (see note 27). Hedge accounting is not applied.

2.10 Leasing agreements

Accounting for finance leases by lessee The group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term and short-term liabilities. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as expenses in the income statement on a straight-line basis over the period of the lease. The majority of the leasing payments is for buildings as well as factory and office equipment.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of purchased inventory is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The value adjustments are calculated on a line-by-line basis using the stock reach criterion and take also slow-moving items and specific cases into consideration.

2.12 Trade accounts receivables, income tax receivables and other receivables

Trade receivables are valuated and recognized in the balance sheet at original invoice amount, which equals their fair value. Provisions for impairment of these receivables have been made for doubtful and overdue debts. The amount of the expected loss is recognized in the income statement within other operating expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the expected future outflow of resources.

2.16 Current and deferred income tax

Provisions are made for all tax obligations at the balance sheet date, regardless of their payment date.

In addition, provisions are made for deferred taxes at the anticipated local tax rate on the difference between the values in the consolidated balance sheet and the values in the tax balance sheets of the individual companies. Deferred withholding taxes are only recognized if the retained profits are not reserved for the growth of the Group companies concerned.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Tax relevant losses carried forward and temporary differences are capitalized only to the extent that it is likely that sufficient taxable profit will be generated in the future to offset them.

2.17 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Retirement benefit obligations – Defined benefit plans
The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The pension obligation under all major defined benefit plans is determined yearly by independent qualified actuaries based on the Projected Unit Credit Method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality public bonds with a markup of 0.5 to 2 %. The public bonds are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are charged or credited to equity in other comprehensive income in the period they arise. Pension costs from defined benefit plans include service cost and interest expense of the current period and are shown separately in note 7 (personnel expenses).

The majority of the defined benefit obligation refers to the Group companies in Germany, particularly the pension scheme of 1993 and individual obligations to directors and senior staff. The pension scheme provides benefits to employees of the Group in the form of a guaranteed level of pension payable for life, depending on the final salary.

Defined contribution plans Defined contribution plans are saving plans which do not include future benefit commitments. The contributions, which the Group is called upon to pay in respect of a particular period, are recorded as personnel expenses in that period and separately shown in note 7.

The Swiss employee pension plan is based on contributions defined by law and by regulatory statutes and guarantees a minimum return. It therefore has both defined contribution and defined benefit elements. As the pension plan obligation is insured with a reputable insurance company, which has assumed all pension obligation risk in return for annually fixed premiums, it is appropriate to account for this plan as a defined contribution plan.

Termination benefits Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The

Notes to the consolidated financial statements

Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Profit-sharing and bonus plans The Group recognizes a provision for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

3. Management of financial risks

3.1 Financial and exchange risks

In view of the Group's world-wide activities and locations in a variety of countries, the local entities are actively engaged in managing exchange risks and changes in interest rates. Risk management is concentrated on monitoring and analysing exchange and interest rate risks, with the aim of limiting their effects on the Group's results. Risk management is ensured by the central treasury of the Group, which acts in accordance to the directives of the Group's corporate management. The risks are assessed mainly by the local Group companies, whereby the Group's treasury is actively supporting the units.

The Group uses derivative financial instruments like forex forward contracts, options or interest rate derivatives to hedge exchange and interest rate risks.

Financial instruments, exposed to foreign exchange risks are primarily trade accounts receivable, cash and cash equivalents, financial assets, loans and trade accounts payable. This comprises transactions with third parties and Group-internal transactions. Relevant net foreign currency exposures exist in CHF and USD. Assuming for the purpose of a sensitivity analysis a change of ±5 % of these currencies against the euro, this would result in a possible change of the net income of ±3.2 EUR millions (prior year ±2.9 EUR millions).

As the majority of the loans has fixed interest rates, changes in interest rates have only little impact on the financial result of the Group.

3.2 Credit risks

Credit risk arises from cash and cash equivalents, derivative financial instruments and financial assets, as well as receivables from customers. For banks and financial institutions, only first-class institutions are accepted.

For other business partners, the Group's policy on customer credits specifies that a periodic credit worthiness check is required and performed under the supervision of the controller of the respective Group company. The Group has no significant concentration of credit risks. The maximum exposure is the book value of the receivables.

3.3 Liquidity risks

Group companies maintain a certain amount of cash in order to secure their normal activities. The majority of the cash is controlled by the Group's treasury and invested in interest bearing fixed term and fixed term derivative deposits. Such deposits are held in CHF, EUR, USD and GBP and other highly solvent currencies. The Group maintains secured credit lines with major international banks for the short-, medium- and long-term financing of the Group and its entities.

The forecasted liquidity reserve per 31 December 2014 is according to budget as follows (EUR in millions):

Cash and cash equivalents at 31 December 2014:	371
Short-term financial assets:	126
Not used credit lines:	81
Total available liquidity reserve:	578

3.4 Capital risk management

The Group wants to stay autonomous and independent and strives for a healthy debt to equity ratio, which should exceed the industry average. The strategic objective is an equity capital ratio (equity in relation to the capital employed) of over 60 %.

3.5 Fair value estimation

The following fair value measurement hierarchy levels have been defined for financial instruments carried at fair value:

- Level 1: Quoted prices (unadjusted) in an active market for identical instruments
- Level 2: Valuation based on observable inputs (other than level 1 inputs)
- Level 3: Valuation based on unobservable inputs

For details for the Group's assets and liabilities measured at fair value please refer to notes 15 and 27.

4. Critical accounting estimates and assumptions

When the consolidated financial statements were drawn up, estimates and assumptions were made that impacted the amounts and the reporting of the assets and liabilities, the revenues and expenses and the contingent liabilities that are included in the balance sheet. The estimates and assumptions essentially relate to the uniform groupwide determination of economic useful lives, the accounting and valuation of provisions and the realizability of future tax benefits. The assumptions underlying the respective estimates are explained in the individual items in the income statement and the balance sheet. The actual values can deviate from the assumptions and estimates in individual cases. Deviations of this kind are posted to income as of the time when better knowledge becomes available.

5. Net sales by region (all amounts in EUR thousands)

	Notes	2013	2012
Europe		923,184	856,757
Asia-Pacific		438,841	408,166
Americas		371,042	358,823
Africa / Middle East		81,333	70,044
		1,814,400	**1,693,790**

6. Other operating revenues (all amounts in EUR thousands)

	Notes	2013	2012
Other operating revenues		9,686	9,278
Profit from sale of fixed assets		288	463
		9,974	**9,741**

7. Personnel expenses (all amounts in EUR thousands)

	Notes	2013	2012*
Wages and salaries		558,245	511,479
Social securities		86,247	79,844
Pension costs – defined benefit plan	23	9,704	9,249
Pension costs – defined contribution plan		16,061	15,454
Severance payments		1,001	1,382
Other employee benefit expenses		8,020	6,792
		679,278	**624,200**
Number of employees by region			
Europe		8,361	7,140
Asia-Pacific		1,917	1,592
Americas		1,403	1,118
Africa / Middle East		238	216
		11,919	**10,066**

* Restated, see note 2.1

Notes to the consolidated financial statements

8. Depreciation and amortization (all amounts in EUR thousands)

	Notes	2013	2012
Depreciation and amortization	12, 13	74,158	70,876
Impairment charge on fixed assets	12, 13	12	2,813
		74,170	**73,689**

9. Other operating expenses (all amounts in EUR thousands)

	Notes	2013	2012
Other personnel related costs		70,012	67,771
Customer related costs		71,288	66,327
IT (EDP) related costs		24,883	18,602
Building, equipment, maintenance, office		69,960	63,027
Operating lease expenses		15,838	15,294
Expenses for rights and other services		45,693	37,131
Other operating expenses		11,138	4,656
Non-income taxes		8,022	8,383
Loss from sale of fixed assets		628	436
		317,462	**281,627**

10. Research and development (all amounts in EUR thousands)

	Notes	2013	2012
Part of total operating expenses is the following expenditure for research and development		**120,175**	**112,656**
As of % of net sales		**6.6 %**	**6.7 %**

11. Net financial result (all amounts in EUR thousands)

	Notes	2013	2012
Interest expense - loans		−1,876	−1,667
Interest expense - finance lease		−111	−72
Finance costs		−1,987	−1,739
Interest income		1,384	1,478
Interest result		**−603**	**−261**
Various foreign exchange gains (+) / losses (−)		−9,840	−8,121
Foreign exchange gains (+) / losses (−) from derivative financial instruments	27	−1,066	6,541
Net foreign exchange gains / losses		**−10,906**	**−1,580**
Result from financial assets (at fair value)		7,390	1,065
Result from derivative financial instruments	27	205	−195
Result from financial assets		**7,595**	**870**
Net financial result		**−3,914**	**−971**

Notes to the consolidated financial statements

12. Tangible fixed assets 2013 (all amounts in EUR thousands)

	Notes	Land and buildings	Plant equipment and machinery	Factory and office equipment	Advance payments and assets under construction	2013 Total
Acquisition value **Value as at 1.1.2013**		**452,936**	**364,836**	**119,640**	**61,073**	**998,485**
Changes in the scope of consolidation	29	5,917	5,312	7,777	3,385	22,391
Additions		23,514	42,539	17,235	37,214	120,502
Disposals		−4,135	−7,912	−11,667	−2,836	−26,550
Transfers		41,243	6,230	2,228	−51,862	−2,161
Exchange differences		−13,167	−7,133	−3,308	−1,245	−24,853
Value as at 31.12.2013		**506,308**	**403,872**	**131,905**	**45,729**	**1,087,814**
Accumulated depreciation **Value as at 1.1.2013**		**−160,208**	**−240,808**	**−87,247**		**−488,263**
Depreciation		−15,464	−31,167	−14,863		−61,494
Impairment		0	0	−12		−12
Disposals		2,835	7,348	10,482		20,665
Transfers		1,869	−439	−669		761
Exchange differences		3,360	3,420	1,951		8,731
Value as at 31.12.2013		**−167,608**	**−261,646**	**−90,358**		**−519,612**
Net book value as at 1.1.2013		**292,728**	**124,028**	**32,393**	**61,073**	**510,222**
Net book value as at 31.12.2013		**338,700**	**142,226**	**41,547**	**45,729**	**568,202**
Net book value of finance lease as at 31.12.2013 included above		**16,536**	**0**	**575**		**17,111**

	2013
Insurance coverage for tangible fixed assets	1,108,076
Fixed assets pledged as security	67,417
Lease rentals relating to property, plant and equipment included in the income statement	15,838

12. Tangible fixed assets 2012 (all amounts in EUR thousands)

	Notes	Land and buildings	Plant equipment and machinery	Factory and office equipment	Advance payments and assets under construction	2012 Total
Acquisition value **Value as at 1.1.2012**		**430,899**	**334,060**	**110,797**	**24,232**	**899,988**
Changes in the scope of consolidation		50	372	152	154	728
Additions		20,670	31,716	14,865	52,006	119,257
Disposals		−1,554	−8,973	−8,229	−1,500	−20,256
Transfers		5,647	8,263	2,330	−13,075	3,165
Exchange differences		−2,776	−602	−275	−744	−4,397
Value as at 31.12.2012		**452,936**	**364,836**	**119,640**	**61,073**	**998,485**
Accumulated depreciation **Value as at 1.1.2012**		**−141,998**	**−217,111**	**−80,411**		**−439,520**
Depreciation		−19,800	−30,401	−12,780		−62,981
Disposals		1,444	8,170	7,951		17,565
Transfers		−548	−1,196	−2,185		−3,929
Exchange differences		694	−270	178		602
Year ended am 31.12.2012		**−160,208**	**−240,808**	**−87,247**		**−488,263**
Net book value as at 1.1.2012		**288,901**	**116,949**	**30,386**	**24,232**	**460,468**
Net book value as at 31.12.2012		**292,728**	**124,028**	**32,393**	**61,073**	**510,222**
Net book value of finance lease as at 31.12.2012 included above		**17,217**	**0**	**704**		**17,921**

	2012
Insurance coverage for tangible fixed assets	916,433
Fixed assets pledged as security	99,057
Lease rentals relating to property, plant and equipment included in the income statement	15,294

Notes to the consolidated financial statements

13. Intangible assets 2013 (all amounts in EUR thousands)

	Notes	Goodwill	Concessions, rights and licences	IT software	Other intangible assets	2013 Total
Acquisition value Value as at 1.1.2013		**42,020**	**40,137**	**53,658**	**11,421**	**147,236**
Changes in the scope of consolidation	29	36,912	2,203	9	29,519	68,643
Additions		0	227	6,728	2,537	9,492
Disposals		0	0	−1,342	−195	−1,537
Transfers		0	1,110	1,156	118	2,384
Exchange differences		−2,904	−1,093	−505	−1,169	−5,671
Value as at 31.12.2013		**76,028**	**42,584**	**59,704**	**42,231**	**220,547**
Accumulated amortization and impairment Value as at 1.1.2013		**−9,301**	**−14,660**	**−41,775**	**−3,440**	**−69,176**
Amortization		0	−3,372	−4,875	−4,417	−12,664
Impairment		0	0	0	0	0
Disposals		0	0	954	104	1,058
Transfers		0	0	−866	−118	−984
Exchange differences		0	162	416	356	934
Value as at 31.12.2013		**−9,301**	**−17,870**	**−46,146**	**−7,515**	**−80,832**
Net book value as at 1.1.2013		**32,719**	**25,477**	**11,883**	**7,981**	**78,060**
Net book value as at 31.12.2013		**66,727**	**24,714**	**13,558**	**34,716**	**139,715**

Impairment tests for goodwill Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to reporting entities. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections over a 5 year period, in average a long-term sales growth rate of 2 % for the continous period and a pre-tax discount rate of 9.2 %. The calculations do not result to any impairment charge.

13. Intangible assets 2012 (all amounts in EUR thousands)

	Notes	Goodwill	Concessions, rights and licences	IT software	Other intangible assets	2012 Total
Acquisition value Value as at 1.1.2012		**17,662**	**13,821**	**50,778**	**4,338**	**86,599**
Changes in the scope of consolidation		26,629	23,601	0	8,415	58,645
Additions		0	2,709	5,428	38	8,175
Disposals		−1,721	−316	−3,068	−498	−5,603
Transfers		0	815	607	−693	729
Exchange differences		−550	−493	−87	−179	−1,309
Value as at 31.12.2012		**42,020**	**40,137**	**53,658**	**11,421**	**147,236**
Accumulated amortization Value as at 1.1.2012		**−8,209**	**−13,244**	**−40,350**	**−2,402**	**−64,205**
Amortization		0	−1,743	−4,583	−1,569	−7,895
Impairment		−2,813	0	0	0	−2,813
Disposals		1,721	305	3,061	498	5,585
Transfers		0	0	35	0	35
Exchange differences		0	22	62	33	117
Value as at 31.12.2012		**−9,301**	**−14,660**	**−41,775**	**−3,440**	**−69,176**
Net book value as at 1.1.2012		**9,453**	**577**	**10,428**	**1,936**	**22,394**
Net book value as at 31.12.2012		**32,719**	**25,477**	**11,883**	**7,981**	**78,060**

Notes to the consolidated financial statements

14. Investments in associated companies (all amounts in EUR thousands)

	2013	2012
Value as at 1.1.	**22,427**	**31,675**
Additions / disposals	1,639	877
Group's share of profit	−3,352	−9,764
Exchange differences	−1,029	−361
Value as at 31.12.	**19,685**	**22,427**

Investments in associates are listed in the scope of consolidation (see also note 33).

	2013	2012
The Group's interest in associated companies were as follows:		
– Non-current assets	707	515
– Current assets	6,236	7,683
– Non-current liabilities	160	157
– Current liabilities	3,091	2,285
– Net sales	9,666	10,998

15. Financial assets (all amounts in EUR thousands)

	Notes	2013	2012
Long-term financial assets (at fair value)		812	776
Long-term investments in non-consolidated companies		1,345	525
Long-term loans – third		7,530	7,437
Long-term financial assets held to maturity		849	0
Total long-term financial assets		**10,536**	**8,738**
Short-term financial assets (at fair value)		101,545	48,381
Short-term financial assets (held to maturity)		5,798	1,677
Short-term loans – third		191	0
Derivative financial instruments (held for trading)	27	2,835	4,361
Total short-term financial assets		**110,369**	**54,419**
Total financial assets		**120,905**	**63,157**
The financial assets (at fair value) are included in the fair value hierarchy levels as follows:	3.5		
Level 1		102,774	53,082
Level 2		1,973	147
Level 3		445	289
Total financial assets (at fair value)		**105,192**	**53,518**

16. Inventories (all amounts in EUR thousands)

	Notes	2013	2012
Raw materials and supplies		83,096	80,439
Work in progress and semi-finished goods		66,679	53,822
Finished goods and merchandise		63,414	51,092
Advance payments for inventory		6,605	3,632
		219,794	**188,985**
Change in stock provision movement recognized as an expense (under the position purchased goods) in the period based on the stock-reach analysis		−1,823	−1,945
Amount of reversal of write-down of inventories recognized as an expense in the period due to sale of goods previously written down		1,873	1,449
Inventories have been pledged as security for borrowings as follows		3,489	2,276

17. Trade accounts receivable (all amounts in EUR thousands)

	Notes	2013	2012
Trade accounts receivable – third		356,690	336,570
Trade accounts receivable – associated companies	30	154	246
Total trade accounts receivable – gross		**356,844**	**336,816**
Bad debt valuation allowance		−17,278	−14,094
Total trade accounts receivable		**339,566**	**322,722**
Movements on the provision for impairment of trade receivables:			
Value as at 1.1.		**−14,094**	**−11,857**
Changes in the scope of consolidation		−668	−23
Provision for receivables impairment		−5,812	−3,649
Utilization of provision for receivables written off		844	114
Reversal of unused provision		1,705	1,262
Exchange differences		747	59
Value as at 31.12.		**−17,278**	**−14,094**
At reporting date provisions for doubtful and overdue debts have been made. The aging analysis of the receivables is as follows:			
Aging analysis			
Not due or overdue under 2 months		322,328	307,340
2 to 6 months overdue		17,143	15,709
6 to 12 months overdue		5,045	4,317
Over 12 months overdue		12,328	9,450
Total trade accounts receivable – gross		**356,844**	**336,816**

Notes to the consolidated financial statements

17. Trade accounts receivable (all amounts in EUR thousands)

	Notes	2013	2012
Trade accounts receivable include amounts denominated in the following major currencies:			
Own functional currency / Euro		323,047	291,284
Swiss franc		317	4,794
US dollar		15,464	15,739
Other currencies		738	10,905
Total trade accounts receivable		**339,566**	**322,722**

18. Other accounts receivable (all amounts in EUR thousands)

	Notes	2013	2012
Other tax receivables		35,979	19,014
Accounts receivable from social benefits institutions		13,197	13,391
Accounts receivable from employees		1,697	1,029
Other accounts receivable – third		8,967	6,424
Prepayments and accruals		33,835	15,347
		93,675	**55,205**

Other receivables do not contain impaired assets.

19. Cash and cash equivalents (all amounts in EUR thousands)

	Notes	2013	2012
Cash and cash deposits		337,929	377,657
Short-term interest bearing deposits		45,799	11,077
		383,728	**388,734**

20. Loans (all amounts in EUR thousands)

	Notes	2013	2012
The carrying amounts of loans are as follows:			
Long-term loans – banks		35,986	4,961
Long-term loans – third		793	733
Long-term finance lease liabilities		7,185	8,013
Total long-term loans		**43,964**	**13,707**
Short-term loans – banks		13,980	4,597
Short-term loans – third		3	117
Short-term finance lease liabilities		1,632	1,311
Total short-term loans		**15,615**	**6,025**
Total loans		**59,579**	**19,732**
Breakdown by maturity			
Under 1 year		15,615	6,025
1 to 5 years		37,584	8,640
Over 5 years		6,380	5,067
Total loans		**59,579**	**19,732**

Bank loans are mainly secured by the land and buildings of the Group (see note 12).

	Notes	2013	2012
Breakdown by currency			
Own functional currency / Euro		56,738	19,139
Japanese yen		2,841	0
Other currencies		0	593
Total loans		**59,579**	**19,732**

The fair value of the loans equal their carrying amount, as the impact of discounting is not significant.

	Notes	2013	2012
The reconciliation from gross finance lease liabilities to present values is as follows:			
Finance lease payments under 1 year		1,766	1,400
Finance lease payments 1 to 5 years		4,483	4,583
Finance lease payments over 5 years		3,041	3,848
Gross finance lease liabilities		**9,290**	**9,831**
Future interest expense – finance lease		−473	−507
Present value of finance lease liabilities		**8,817**	**9,324**
Short-term finance lease liabilities		1,632	1,311
Long-term finance lease liabilities 1 to 5 years		4,218	4,275
Long-term finance lease liabilities over 5 years		2,967	3,738
Present value of finance lease liabilities		**8,817**	**9,324**

Notes to the consolidated financial statements

21. Commitments (all amounts in EUR thousands)

	Notes	2013	2012
Capital expenditure contracted for at the balance sheet date but not recognized in the financial statements is as follows:			
Capital commitments			
Open obligations for the acquisition of tangible fixed assets and intangible assets		25,969	15,235
Leasing commitments not recognized on the balance sheet account for the following:			
Operating leasing commitments by maturity			
Under 1 year		18,961	15,017
1 to 5 years		30,079	26,298
Over 5 years		3,591	1,650
		52,631	**42,965**

22. Income taxes (all amounts in EUR thousands)

	Notes	2013	2012
Income tax expenses			
Current income tax charge		79,159	75,122
Deferred income tax charge (+) / benefit (−)		3,407	4,105
Total charge for income taxes		**82,566**	**79,227**
Analysis of tax rate			
The income tax expense on the consolidated profit before taxes differs from the expected tax rate (the weighted average of the local tax rates of the Group companies) as follows:			
Average expected tax rate		**28.0 %**	**28.0 %**
Tax effect of			
− Different tax rates in other countries		−0.8 %	−0.2 %
− Changes in tax rates		0.1 %	0.2 %
− Additional tax (+) or tax refunds (−) from previous years		0.2 %	−0.3 %
− Income not subject to tax		−0.6 %	−0.8 %
− Expenses not deductible for tax purposes or reduced rate		2.2 %	1.5 %
− Current year change in unrecognized tax losses		1.0 %	0.4 %
− Associated companies		0.5 %	1.5 %
Effective tax rate		**30.6 %**	**30.3 %**

22. Income taxes (all amounts in EUR thousands)

	Notes	2013	2012*
Changes in deferred taxes (assets and liabilities) recorded in the balance sheet:			
Balance as at 1.1.		**15,065**	**9,927**
Changes in the scope of consolidation	29	−1,822	0
Income statement charge / credit		−3,407	−4,105
Tax debited (+) / credited (−) to equity		−1,941	9,268
Exchange differences		252	−25
Net balance as at 31.12.		**8,147**	**15,065**
Tax losses on which no deferred tax was calculated			
Expiry			
Within 5 years		11,855	9,628
Within 6 to 10 years		7,703	8,203
Over 10 years		41,445	36,517
Unrecognized tax losses as at 31.12.		**61,003**	**54,348**
Source of deferred tax			
Deferred tax assets and liabilities relate to the following items on the consolidated balance sheet:			
Tangible fixed assets		−23,288	−21,187
Intangible assets		−1,054	−72
Capitalized tax losses		3,017	3,424
Inventories		8,245	8,091
Other assets		−1,948	−3,992
Employee benefit liabilities		22,964	24,752
Loans		1,772	3,295
Other liabilities		−1,561	754
Net deferred tax balance recognized as at 31.12.		**8,147**	**15,065**

* Restated, see note 2.1

Notes to the consolidated financial statements

23. Retirement benefit obligations (all amounts in EUR thousands)

	Notes	2013	2012*
Present value of funded obligations		1,847	0
Fair value of plan assets		−676	0
Deficit		**1,171**	**0**
Present value of unfunded obligations		167,952	169,774
Liability in the balance sheet		**169,123**	**169,774**
Movement in the defined benefit obligation			
Value as at 1.1.		**169,774**	**129,441**
Changes in the scope of consolidation		1,546	0
Current service cost		4,270	3,551
Interest cost		5,458	5,698
Total defined benefit plan costs, included in personnel expenses	7	**9,728**	**9,249**
Remeasurement resulting from actuarial gains (−) / losses (+) recognised in year from			
– Change in financial assumptions		−4,513	33,963
– Change in demografic assumptions		−3,292	0
Total Remeasurement, included in other comprehensive income		**−7,805**	**33,963**
Benefits paid		−3,167	−2,792
Exchange differences / Transfers		−277	−87
Value as at 31.12.		**169,799**	**169,774**
Movement in the fair value of the plan assets			
Value as at 1.1.		**0**	**0**
Changes in the scope of consolidation		391	0
Interest income		24	0
Total defined benefit plan costs, included in personnel expenses	7	**24**	**0**
Remeasurement: Return on plan assets		0	0
Total Remeasurement, included in other comprehensive income		**0**	**0**
Employer contributions		68	0
Benefits paid		−7	0
Exchange differences / Transfers		200	0
Value as at 31.12.		**676**	**0**
Plan assets contain 100 % bonds.			
The significant actuarial assumptions (weighted averages) were as follows:			
Discount rate		3.50 %	3.25 %
Future salary increase		1.75 %	1.75 %
Future pension increase		1.75 %	1.75 %

* Restated, see note 2.1

23. Retirement benefit obligations (all amounts in EUR thousands)

Sensitivity analysis: Changes in the weighted principal assumptions have the following impact on the defined benefit obligation:		**2013**	
		Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate: change in assumption by 0.5 %		−9.26 %	+8.67 %
Future salary increase: change in assumption by 0.5 %		+1.70 %	−3.25 %
Future pension increase: change in assumption by 0.5 %		+5.57 %	−6.48 %
Life expentancy: change in assumption by +1 year		+2.00 %	

The weigthed average duration of the defined benefit obligation is 17.7 years.

Notes to the consolidated financial statements

24. Provisions (all amounts in EUR thousands)

	Other employee benefit liabilities	Warranty provision	Provisions for legal claims	Other provisions	2013 Total	2012 Total
Long-term provisions Value as at 1.1.	**24,879**	**589**	**0**	**1,284**	**26,752**	**23,145**
Changes in the scope of consolidation	327	0	0	131	458	721
Additions (via income statement)	4,828	368	0	1,518	6,714	5,405
Amounts used	−2,601	−110	0	−150	−2,861	−2,798
Amounts released (via income statement)	−508	−177	0	−61	−746	−208
Transfers	−1,368	−80	0	0	−1,448	640
Exchange differences	−804	−9	0	−112	−925	−153
Value as at 31.12.	**24,753**	**581**	**0**	**2,610**	**27,944**	**26,752**
Short-term provisions Value as at 1.1.	**26,954**	**15,179**	**469**	**7,807**	**50,409**	**51,684**
Changes in the scope of consolidation	767	1,071	0	358	2,196	724
Additions (via income statement)	25,965	3,023	64	6,465	35,517	28,519
Amounts used	−19,246	−590	−18	−3,861	−23,715	−30,127
Amounts released (via income statement)	−1,456	−1,192	0	−932	−3,580	245
Transfers	1,368	80	0	0	1,448	−640
Exchange differences	−631	−273	−8	−284	−1,196	4
Value as at 31.12.	**33,721**	**17,298**	**507**	**9,553**	**61,079**	**50,409**
Total provisions Value as at 31.12.	**58,474**	**17,879**	**507**	**12,163**	**89,023**	**77,161**

Other employee benefit liabilities Other employee benefit liabilities include liabilities from contribution plans, severance payments and provisions for jubilee/anniversary benefits. Short-term employee benefit liabilities mainly refer to holiday, vacation and flexible work time balances of employees and liabilities from management bonuses.

Warranty provisions The Group offers warranties on certain products and repairs or replaces those products which do not work to satisfaction. The provision set up at the end of the year to cover future warranty costs is based on historic experience with respect to the volume of repairs and returns.

Provisions for legal claims The amounts shown include provisions for some legal proceedings instituted against the Group. It is the Supervisory Board's and Executive Board's opinion, which is backed up by the appropriate legal advice, that these proceedings will not result in any significant loss beyond the amounts set aside at year end.

Other provisions Other provisions correspond to various commitments to third parties, as entered into by the companies of the Group. These relate to commitments where the expiry date and amount are not definitively specified.

25. Trade accounts and notes payable (all amounts in EUR thousands)

	Notes	2013	2012
Trade accounts payable – third		76,821	69,950
Trade accounts payable – associated companies	30	0	106
Short-term notes payable – third		1,239	2,359
		78,060	**72,415**

26. Other liabilities (all amounts in EUR thousands)

	Notes	2013	2012
Other long-term liabilities – third		3,434	3,453
Total other long-term liabilities		**3,434**	**3,453**
Other tax liabilities		23,980	20,441
Accounts payable to social benefits institutions		9,204	8,397
Accounts payable to employees		18,926	15,903
Other accounts payable – third		45,808	6,688
Derivative financial instruments – liabilities	27	642	747
Advances received		21,555	22,781
Accruals and deferrals		45,174	29,500
Total other short-term liabilities		**165,289**	**104,457**
Total other liabilities		**168,723**	**107,910**

Notes to the consolidated financial statements

27. Derivative financial instruments (all amounts in EUR thousands)

Derivative financial instruments held at year end are used primarily to hedge currency and interest rate risks for the Group. Contracts are concluded only with first-class institutions.

	Notes	2013	2012
Trading derivatives are classified as a current asset or liability:			
Derivative financial instruments – assets	15	2,835	4,361
Derivative financial instruments – liabilities	26	–642	–747
		2,193	**3,614**
The assignment to fair value hierarchy levels of trading derivatives is as follows:	3.5		
Level 1		964	4,288
Level 2		1,229	–674
		2,193	**3,614**
Gain (or loss) recognized			
Foreign currency derivatives	11	–1,066	6,541
Interest rate derivatives	11	205	–195
		–861	**6,346**

	31.12.2013		31.12.2012	
The notional principal amounts and fair values of the foreign currency and interest rate derivatives are composed as follows:	Notional principal amount	Fair value	Notional principal amount	Fair value
Foreign currency derivatives	346,608	349,422	202,248	206,452
Interest rate derivatives	34,914	34,293	10,345	9,755
Total	**381,522**	**383,715**	**212,593**	**216,207**

28. Contingent liabilities (all amounts in EUR thousands)

	Notes	2013	2012
In the ordinary course of business the contingent liabilities of the Group arise from:			
Guarantees to third parties		53	1,413

29. Acquisitions of subsidiaries (all amounts in EUR thousands)

The sales company PT Endress+Hauser Indonesia has been founded in the second half of 2012. As per January 2013 the company has taken over employees and assets from the former representative to consolidate the market position in Indonesia.

After the clearance from the German Federal Cartel Office, the Group gained control over the German-based Analytik Jena AG as per 26 September 2013. The goal is to create a pillar for the Group in lab analysis. Analytik Jena is listed at the stock exchange and is active in classical analytical instrumentation as well as in biotechnology and molecular diagnostics. According to an option contract with company founder Klaus Berka and German investment company bm-t Endress+Hauser has the right to acquire an additional 27.56 percent of shares in Analytik Jena after 1 October 2014. These shares are accrued for as liability. On 2 October 2013, Analytic Jena AG repurchased all shares in the project company AJZ Engineering GmbH, Germany.

The Group acquired Kaiser Optical Systems, USA, and Kaiser Optical Systems SARL, France, as per 22 November 2013. Kaiser Optical Systems is a world leader in spectrographic instrumentation and applied holographic technology.

With these acquisitions the Group gains new markets and reinforces its position in the area of analytical measurements. The goodwill arising from the acquisitions is attributable to market access, acquired technological competence and expected synergies in worldwide sales and services as well as special expertise for international projects.

	Notes	2013
The purchase consideration and the fair values of the assets and liabilities arising from the acquisition are as follows:		
Purchase consideration		
Cash paid		79,816
Total purchase consideration		**79,816**
Fair value of net assets acquired (–)		–81,640
Non-controlling interest		38,736
Goodwill	13	**36,912**
Recognized amounts of assets and liabilities acquired		
Cash and cash equivalents		29,552
Tangible fixed assets	12	22,391
Intangible assets	13	31,731
Inventories		32,814
Receivables		24,349
Other assets		33,844
Payables (–)		–36,308
Retirement benefit obligations (–)	23	–1,155
Provisions (–)	24	–2,654
Loans (–)		–48,359
Net deferred tax assets	22	–1,822
Net assets		**84,383**
Acquired other reserves		–862
Acquired non-controlling interest (–)		–1,881
Fair value of net assets acquired		**81,640**
Goodwill	13	36,912
Non-controlling interest		–38,736
Total purchase consideration		**79,816**
Cash and cash equivalents acquired		–29,552
Cash outflow on acquisition		**50,264**

The acquired business contributed revenues of EUR 47,723 thousands and operating profit of EUR -2,498 thousands. If the acquisitions had occurred on 1 January 2013, the net sales of the Group would have been EUR 1,950,640 thousands and the net income would have been EUR 182,596 thousands.

Notes to the consolidated financial statements

30. Related party transactions (all amounts in EUR thousands)

Details to associates including proportion of ownership and consolidation method are given in the scope of consolidation (see note 33).

	Notes	2013	2012
Transactions			
Sales of goods and services to associated companies		1,252	1,464

As in the previous year, no major business transactions were effected with closely associated individuals.

	Notes	2013	2012
Key management compensation			
Salaries and other short-term employee benefits		5,568	5,617
Receivables or liabilities			
Loans to associated companies		726	0
Receivables from associated companies	17, 18	154	246
Liabilities to associated companies	25, 26	0	106

31. Exchange rates

The main exchange rates used are:	Average rate		Closing rate	
To EUR	**2013**	2012	**31.12.2013**	31.12.2012
100 CHF	81.3047	83.0318	81.5661	82.8226
100 CNY	12.1429	12.2714	11.8923	12.0507
1 GBP	1.1759	1.2320	1.1996	1.2249
1,000 JPY	7.6933	9.6859	6.9078	8.7991
1 USD	0.7516	0.7738	0.7256	0.7578
To CHF				
100 CNY	14.9350	14.7792	14.5800	14.5500
1 EUR	1.2299	1.2044	1.2260	1.2074
1 GBP	1.4463	1.4838	1.4707	1.4789
1,000 JPY	9.4623	11.6653	8.4690	10.6240
1 USD	0.9245	0.9320	0.8896	0.9150

32. Post balance sheet events

The management is not aware of any significant post-closing events that would justify an adjustment to the financial statements at the time of finalizing this report.

33. Endress+Hauser Group – Scope of consolidation as at 31.12.2013

	Company name, registered office	Field of activity	Share capital (local currency in thousands)	Share	Conso-lidation
Europe					
Switzerland	Endress+Hauser AG, Reinach	Holding	22,000 CHF	100 %	Full
	Endress+Hauser Consult AG, Reinach	Support	200 CHF	100 %	Full
	Endress+Hauser Finanz AG, Reinach	Finance	40,000 CHF	100 %	Full
	Endress+Hauser Flowtec AG, Reinach	Production	13,000 CHF	100 %	Full
	Endress+Hauser Instruments International AG, Reinach	Sales	16,000 CHF	100 %	Full
	Endress+Hauser (International) Holding AG, Reinach	Holding	22,000 CHF	100 %	Full
	Endress+Hauser Management AG, Reinach	Support	1,000 CHF	100 %	Full
	Endress+Hauser Metso AG, Reinach	Sales	1,000 CHF	95 %	Full
	Endress+Hauser Process Solutions AG, Reinach	Engineering/ development	4,500 CHF	100 %	Full
	Endress+Hauser Services AG, Reinach	Support	100 CHF	100 %	Full
	Endress+Hauser Sternenhof AG, Reinach	Support	500 CHF	100 %	Full
	Innovative Sensor Technology IST AG, Ebnat-Kappel	Production	4,000 CHF	100 %	Full
	Mestra AG, Reinach	Support	10,000 CHF	100 %	Full
	Metso Endress+Hauser Technology AG, Reinach	Development	500 CHF	50 %	At Equity
Austria	Endress+Hauser Ges.m.b.H., Wien	Sales	218 EUR	100 %	Full
Belgium	Endress+Hauser S.A.-N.V., Bruxelles	Sales	300 EUR	100 %	Full
Croatia	Endress+Hauser d.o.o., Zagreb	Sales	1,500 HRK	100 %	Full
Czech Republic	Endress+Hauser (Czech) s.r.o., Praha	Sales	5,000 CZK	100 %	Full
	Innovative Sensor Technology s.r.o., Roznov	Production	100 CZK	100 %	Full
Denmark	Endress+Hauser A / S, Søborg	Sales	1,000 DKK	100 %	Full
France	Endress+Hauser S.A.S., Huningue	Sales	4,800 EUR	100 %	Full
	Kaiser Optical Systems SARL, Ecully	Sales	875 EUR	100 %	Full
Germany	Endress+Hauser Conducta GmbH+Co. KG, Gerlingen	Production	28,000 EUR	100 %	Full
	Endress+Hauser Conducta Verwaltungs-GmbH, Gerlingen	Holding	98 EUR	100 %	Full
	Endress+Hauser (Deutschland) AG+Co. KG, Weil	Holding	15,000 EUR	100 %	Full
	Endress+Hauser GmbH+Co. KG, Maulburg	Production	77,000 EUR	100 %	Full
	Endress+Hauser InfoServe GmbH+Co. KG, Weil	Support	4,000 EUR	100 %	Full
	Endress+Hauser InfoServe Verwaltungs-GmbH, Weil	Holding	26 EUR	100 %	Full
	Endress+Hauser Logistik GmbH+Co. KG, Weil	Sales	1,350 EUR	100 %	Full
	Endress+Hauser Messtechnik GmbH+Co. KG, Weil	Sales	6,800 EUR	100 %	Full
	Endress+Hauser Messtechnik Verwaltungs-GmbH, Weil	Holding	52 EUR	100 %	Full
	Endress+Hauser Verwaltungs-GmbH, Maulburg	Holding	260 EUR	100 %	Full
	Endress+Hauser Wetzer GmbH+Co. KG, Nesselwang	Production	21,000 EUR	100 %	Full
	Endress+Hauser Wetzer Verwaltungs-GmbH, Nesselwang	Holding	26 EUR	100 %	Full
	Analytik Jena AG, Jena	Production	7,656 EUR	48.5 %	Full
	CodeWrights GmbH, Karlsruhe	Development	105 EUR	66.7 %	Full
	systemplan gmbh, Durmersheim	Support	30 EUR	60.0 %	Full
Greece	Endress+Hauser (Hellas) S.A., Marousi, Athens	Sales	193 EUR	100 %	Full
Hungary	Endress+Hauser (Hungary) Magyarország Kft., Budapest	Sales	14,000 HUF	100 %	Full
Ireland	Endress+Hauser (Ireland) Ltd., Clane, Dublin	Sales	0.1 EUR	100 %	Full
	CompuCal Calibration Solutions Ltd., Little Island (Cork)	Engineering/ development	1 EUR	44.9 %	At Equity

Notes to the consolidated financial statements

33. Endress+Hauser Group – Scope of consolidation as at 31.12.2013

	Company name, registered office	Field of activity	Share capital (local currency in thousands)	Share	Consolidation
Europe					
Italy	Endress+Hauser Italia S.p.a., Cernusco s / Naviglio	Sales	4,500 EUR	100 %	Full
	Endress+Hauser Sicestherm S.r.L., Pessano	Production	2,500 EUR	100 %	Full
Lithuania	Endress+Hauser (Baltic) UAB, Kaunas	Sales	1,210 LTL	100 %	Full
Netherlands	Endress+Hauser BV, Naarden	Sales	182 EUR	100 %	Full
	Endress+Hauser (Netherlands) Holding BV, Naarden	Holding	18 EUR	100 %	Full
Norway	Endress+Hauser AS, Lierskogen	Sales	4,000 NOK	100 %	Full
Poland	Endress+Hauser Polska Sp.z.o.o., Wroclaw	Sales	260 PLN	100 %	Full
Portugal	Endress+Hauser Portugal Unipessoal Lda., Lissabon	Sales	400 EUR	100 %	Full
Romania	Endress+Hauser Romania SRL, Bucharest	Sales	98 RON	100 %	Full
Russia	LLC Endress+Hauser, Moscow	Sales	10,350 RUB	100 %	Full
Slovenia	Endress+Hauser d.o.o. Slovenija, Ljubljana	Sales	98 EUR	100 %	Full
Spain	Endress+Hauser S.A., Sant Just Desvern	Sales	1,082 EUR	100 %	Full
Sweden	Endress+Hauser AB, Solna	Sales	1,000 SEK	100 %	Full
Turkey	Endress Hauser A.Ş., Istanbul	Sales	10,618 TRY	100 %	Full
United Kingdom	Endress+Hauser Investments Ltd., Manchester	Holding	33,856 GBP	100 %	Full
	Endress+Hauser Ltd., Manchester	Sales	160 GBP	100 %	Full
	MHT Technology Ltd., Melsonby	Production	1 GBP	100 %	Full
	Whessoe Ltd., Newton Aycliffe	Holding	0.001 GBP	100 %	Full
Americas					
Argentina	Endress+Hauser Argentina S.A., Buenos Aires	Sales	9,182 ARS	100 %	Full
Brazil	Endress+Hauser Controle e Automação Ltda., São Paulo	Sales	16,194 BRL	100 %	Full
	Endress+Hauser (Brasil) Instrumentação e Automação Ltda., Itatiba	Production	7,200 BRL	100 %	Full
	Endress+Hauser Flowtec (Brasil) Fluxômetros Ltda., Itatiba	Production	6,000 BRL	100 %	Full
Canada	Endress+Hauser (Canada) Ltd., Burlington	Sales	3,200 CAD	100 %	Full
Chile	Endress+Hauser (Chile) Ltda., Santiago de Chile	Sales	209,425 CLP	100 %	Full
Mexico	Endress+Hauser (México) S.A. de C.V., Naucalpan de Juárez	Sales	1,000 MXN	100 %	Full
United States	Endress+Hauser Conducta Inc., Anaheim (California)	Production	25 USD	100 %	Full
	Endress+Hauser Inc., Greenwood (Indiana)	Sales	9,000 USD	100 %	Full
	Endress+Hauser InfoServe Inc., Greenwood (Indiana)	Support	300 USD	100 %	Full
	Endress+Hauser (USA) Automation Instrumentation Inc., Greenwood (Indiana)	Production	4,000 USD	100 %	Full
	Endress+Hauser (USA) Holding Inc., Greenwood (Indiana)	Holding	8,000 USD	100 %	Full
	Endress+Hauser Wetzer (USA), Inc., Greenwood (Indiana)	Production	600 USD	100 %	Full
	Finesse Solutions Inc., Santa Clara (California)	Production	18 USD	40.9 %	At Equity
	Innovative Sensor Technology USA Division, Las Vegas (Nevada)	Sales	50 USD	100 %	Full
	Kaiser Optical Systems Inc., Ann Arbor (Michigan)	Production	1,476 USD	100 %	Full
	SpectraSensors Inc., Houston (Texas)	Production	50,000 USD	100 %	Full
Venezuela	Endress+Hauser (Venezuela) S.A., Caracas	Sales	1,280 VEF	100 %	Full

33. Endress+Hauser Group – Scope of consolidation as at 31.12.2013

	Company name, registered office	Field of activity	Share capital (local currency in thousands)	Share	Consolidation
Asia-Pacific					
Australia	Endress+Hauser (Australia) Pty. Ltd., North Ryde NSW	Sales	4,200 AUD	100 %	Full
	Open Field Communications Pty. Ltd., Bondi Junction NSW	Support	0 AUD	70 %	Full
China	Endress+Hauser Analytical Instruments (Suzhou) Co. Ltd., Suzhou	Production	2,032 CNY	100 %	Full
	Endress+Hauser Flowtec (China) Co. Ltd., Suzhou	Production	110,813 CNY	100 %	Full
	Endress+Hauser InfoServe (Shanghai) Co. Ltd., Shanghai	Support	3,500 CNY	100 %	Full
	Endress+Hauser Shanghai Automation Equipment Co. Ltd., Shanghai	Sales	69,767 CNY	100 %	Full
	Endress+Hauser Shanghai International Trading Co. Ltd., Shanghai	Sales	5,000 CNY	100 %	Full
	Endress+Hauser (Suzhou) Automation Instrumentation Co. Ltd., Suzhou	Production	40,458 CNY	100 %	Full
	Endress+Hauser Wetzer (Suzhou) Co. Ltd., Suzhou	Production	20,399 CNY	100 %	Full
Hong Kong	Endress+Hauser (HK) Ltd., Hong Kong	Sales	1,000 HKD	100 %	Full
India	Endress+Hauser Flowtec (India) Pvt. Ltd., Aurangabad	Production	202,500 INR	100 %	Full
	Endress+Hauser (India) Automation Instrumentation Pvt. Ltd., Aurangabad	Production	222,390 INR	100 %	Full
	Endress+Hauser (India) Pvt. Ltd., Mumbai	Sales	330,068 INR	100 %	Full
	Endress+Hauser Wetzer (India) Pvt. Ltd., Aurangabad	Production	70,000 INR	100 %	Full
Indonesia	PT. Endress+Hauser Indonesia, Jakarta	Sales	28,470,000 IDR	100 %	Full
Japan	Endress+Hauser Japan Co. Ltd., Tokyo	Sales	1,058,400 JPY	100 %	Full
	Endress+Hauser Yamanashi Co. Ltd., Yamanashi	Production	250,000 JPY	100 %	Full
Malaysia	Endress+Hauser (M) Sdn. Bhd., Shah Alam Selangor	Sales	3,800 MYR	100 %	Full
	Endress+Hauser (Tenaga) Sdn. Bhd., Shah Alam Selangor	Sales	200 MYR	>20 %	At Equity
Singapore	Endress+Hauser (S.E.A.) Pte. Ltd., Singapore	Sales	5,700 SGD	100 %	Full
South Korea	Endress+Hauser (Korea) Co. Ltd., Seoul	Sales	3,891,775 KRW	100 %	Full
Thailand	Endress+Hauser (Thailand) Ltd., Nonthaburi	Sales	59,000 THB	100 %	Full
Africa / Middle East					
Algeria	Endress+Hauser Algérie SARL, Algier	Sales	30,000 DZD	49 %	Full
Qatar	Endress+Hauser (Qatar) L.L.C., Doha	Sales	200 QAR	49 %	Full
Saudi Arabia	Endress and Hauser (Arabia) LLC, Al-Khobar	Sales	41,000 SAR	51 %	Full
South Africa	Endress+Hauser Investments (Pty.) Ltd., Sandton	Support	18 ZAR	100 %	Full
	Endress+Hauser (Pty.) Ltd., Sandton	Sales	150 ZAR	66.7 %	Full
	Endress+Hauser Pyrotemp Services (Pty.) Ltd., Benoni	Production	6 ZAR	100 %	Full
United Arab Emirates	Endress & Hauser Process Automation (UAE) Trading LLC, Dubai	Sales	200 AED	49 %	Full
	Endress and Hauser Emirates Trading of Control Equipment and Measurement Devices LLC, Abu Dhabi	Sales	200 AED	49 %	Full

Change in scope of consolidation The scope of consolidation includes 107 companies in total in 46 countries, 14 of them registered in Switzerland and 93 abroad.
In addition to the acquisitions mentionned in note 29, the following changes in the scope of consolidation were effective in 2013: Endress+Hauser (USA) Holding Inc., United States, Endress+Hauser InfoServe (Shanghai) Co. Ltd., China, Endress+Hauser Algérie SARL, Algeria as well as Endress & Hauser Process Automation (UAE) Trading LLC, Dubai and Endress and Hauser Emirates Trading of Control Equipment and Measurement Devices LLC, Abu Dhabi, both in United Arab Emirates, have been incorporated. Endress+Hauser Wetzer Japan Co. Ltd. has been liquidated. The remaining shares in MHT Technology Ltd., United Kingdom, have been acquired.

Report of the statutory auditor
to the General Meeting of
Endress+Hauser Ltd.
Reinach

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Endress+Hauser Ltd., which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin	Beat Haid
Audit expert	Audit expert
Auditor in charge	

Münchenstein, 14 April 2014

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