Report on the 1st Quarter 2019

GLOBAL DIMEN_SIONS

elringklinger

Key figures

ElringKlinger Group

		1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018
Order Situation						
Order intake	€ million	498.3	390.7	411.8	458.6	474.2
Order backlog	€ million	1,077.3	1,020.1	1,027.2	1,038.2	1,027.2
Sales/Earnings						
Sales revenue	€ million	441.1	431.8	405.8	430.8	430.7
Cost of sales	€ million	355.5	349.7	312.8	331.1	335.3
Gross profit margin		19.4 %	19.0 %	22.9 %	23.1 %	22.1 %
EBITDA	€ million	34.8	37.8	48.4	49.3	61.1
EBIT/Operating result	€ million	6.4	10.6	22.9	25.3	37.4[3]
EBIT margin		1.5 %	2.5 %	5.6 %	5.9 %	8.7 %[3]
EBIT pre ppa[1]	€ million	6.9	11.8	23.8	26.3	38.4[3]
EBIT margin pre ppa		1.6 %	2.7 %	5.9 %	6.1 %	8.9 %[3]
Earnings before taxes	€ million	5.4	7.2	21.8	20.3	32.1[3]
Net income	€ million	-1.1	-0.1	12.3	9.4	26.4[3]
Net income attributable to shareholders of ElringKlinger AG	€ million	-1.5	-1.2	10.8	8.5	25.7[3]
Cash flow						
Net cash from operating activities	€ million	11.7	50.9	12.8	20.7	7.0
Net cash from investing activities	€ million	-32.2	-45.1	-57.8	-40.0	22.1
Net cash from financing activities	€ million	37.6	-4.3	38.3	22.3	-26.2
Operating free cash flow[2]	€ million	-19.3	2.6	-46.5	-19.0	-23.3
Balance Sheet						
Balance sheet total	€ million	2,207.1	2,079.7	2,087.1	2,046.7	2,008.0
Equity	€ million	902.0	890.1	879.0	876.8	901.9
Equity ratio		40.9 %	42.8 %	42.1 %	42.8 %	44.9 %
Net debt	€ million	795.5	723.5	728.5	682.6	625.1
Human Resources						
Employees (as at end of quarter)		10,485	10,429	10,231	9,954	9,618
Stock						
Earnings per share	€	-0.02	-0.02	0.17	0.13	0.41

[1] EBIT adjusted for amortization resulting from purchase price allocation

[2] Net cash from operating activities plus net cash from investing activities (excluding M & A activities and excluding investments in financial assets)

[3] Incl. gain from sale of Hug subgroup (EUR 21.1 million before taxes)

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– Bietigheim-Bissingen, Germany

At ElringKlinger, innovation begins with the input material. Products engineered from high-performance plastics are indispensable for many sectors. Explore the world of ElringKlinger Kunststofftechnik on page 36 ff. of »pulse« magazine.

Q1 2019 in brief

- ElringKlinger expands **Group revenue** by 2.4% to EUR 441.1 million in first quarter of 2019, despite downturn in global vehicle production; growth fueled primarily by sustained buoyancy in demand within North American market; forward momentum also from Lightweighting and E-Mobility as key strategic fields of the future
- **EBIT** at EUR 6.4 million in first quarter of 2019; Original Equipment segment adversely affected by tariffs and follow-on costs of persistently strong demand in North America as well as high commodity prices; earnings performance stable in other segments
- **Syndicated loan** agreement for EUR 350 million concluded in February 2019; proceeds to be used for corporate funding in general and improvement in maturity structure of existing financial liabilities
- **Net cash from operating activities** increases to EUR 11.7 million (Q1 2018: EUR 7.0 million)
- **Order intake** robust; order backlog up 2.6% year on year (adjusted for currency effects)

Macroeconomic Conditions and Business Environment

Global economy continues to lose momentum

After a slowdown in growth towards the end of 2018, the global economy continued to lose momentum in the first quarter of 2019. The United States and China moved a little closer in negotiations to try and overcome their differences on trade. A US proposal to levy a 25% import duty on imported cars from the European Union is still under discussion. On the political front, events in Europe were dominated by negotiations surrounding Brexit. In the first quarter of 2019, the associated uncertainty helped to push the euro down against many other currencies. The single currency ended the period 2.1% lower against the US dollar.

Western Europe showed signs of further economic cooling. The main factors here were the weakness of the automotive sector and the general downturn in global demand. Ongoing Brexit negotiations and the street protests in France also contributed to the prevailing uncertainty. Against this difficult background, the European Central Bank's (ECB) continuing commitment to an expansive monetary policy provided crucial support for domestic demand, consumer spending, and investment. Germany also recorded slower growth in the first three months of 2019, primarily as a result of weaker industrial production.

The US economy recorded further solid growth, and consumer spending was supported by the country's buoyant labor market. The Chinese economy performed surprisingly well in the first quarter, and GDP ended the period more than 6% higher. Thanks also to government intervention designed to stimulate the market, such as improvements to borrowing terms and agreed tax cuts, this pointed to a certain degree of stabilization in Asia's biggest economy.

Major automotive markets record first-quarter downturn

The first three months of 2019 offered little cause for celebration in the world's major automotive markets. In most regions, both new vehicle sales and production figures were down on the same period in 2018.

Demand for new cars was lower in almost all the EU's larger markets. The biggest downturns were in Spain (-6.9%), Italy (-6.5%), the UK (-2.4%), France (-0.6%), and Germany (+0.2%). Apart from the impact of switching to the new WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure), market experts attribute these declines to general economic weakness. In the USA, first-quarter sales of light vehicles fell by 2% year on year. While sales of passenger cars contracted by 7%, the corresponding figure for light trucks rose by 1%. In China, the world's biggest single market, sales of newly registered cars dropped by 14% to 5.2 million units. One reason for this lack of demand was the decision by Chinese customers to delay purchases until the planned reduction in value-added tax on April 1, 2019. Sales in India and Japan were down by 2.0% and 2.1% respectively on the same period in 2018.

In the majority of cases, the direction taken by vehicle production was also negative in the respective regional markets:

Production Light Vehicles

Year-on-year change (in %)	1st Quarter 2019
European Union	**-2.0**
Germany	1.4
Eastern Europe [1]	**-4.8**
Russia	3.0
North America	**-2.4**
USA	**-1.1**
South America	**0.1**
Brazil	-1.3
Asia-Pacific	**-4.2**
China	-5.1
Japan	-6.4
India	-1.5
Middle East & Africa	**-19.2**
World	**-3.7**

[1] Incl. Russia
Source: PwC Autofacts (April 2019)

Commercial vehicle markets

In Europe, demand for new mid-sized and heavy trucks (> 3.5 t) continued to rise in the first three months of 2019. Sales in the European Union were up 5.7% year on year, taking the total market volume to 100,708 vehicles. In Germany, the corresponding increase was 16.2%, equivalent to around 25,000 more newly registered trucks than in the first quarter of 2018.

During the period under review, the North American commercial vehicle market again benefited from high freight volumes due to strong growth, as a result of which the market as a whole remained buoyant. Demand was particularly strong in the Class 8 heavy truck segment with first-quarter sales up by 22%.

Significant Events

Syndicated loan agreement covering EUR 350 million

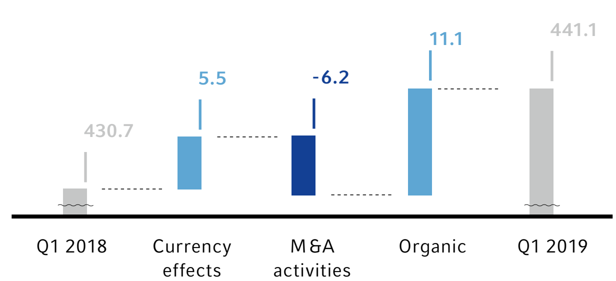
On February 15, 2019, ElringKlinger AG concluded a syndicated loan agreement with a syndicate consisting of six domestic and international banks. Funding was jointly arranged by a syndicate that includes Commerzbank, Landesbank Baden-Württemberg, and Deutsche Bank. Additionally, DZ Bank, HSBC, and Banque Européenne du Crédit Mutuel are involved in the transaction. The agreement covers a total volume of EUR 350 million over a minimum term of five years. Specific financial covenants that are customary in the banking sector were agreed between the parties. The proceeds from the loan are to be used for the purpose of general Group funding and the refinancing of existing bilateral lines of credit.

Sales and Earnings Performance

Revenue growth despite challenging market conditions

ElringKlinger managed to expand Group revenue during the first quarter of 2019, despite more testing market conditions following the decline in global vehicle production. Sales were fueled yet again by strong demand in North America, driving revenue up by 2.4% to EUR 441.1 million (Q1 2018: EUR 430.7 million). This forward momentum was also supported by positive currency effects, primarily due to the translation of the US dollar into the euro as the Group currency. In total, they accounted for 1.3 percentage points of revenue growth in the period under review. The sale of the Hug subgroup and new enerday GmbH in the preceding year had a contrary effect, causing a contraction in revenue by 1.4 percentage points. Eliminating currency effects and M&A activities, ElringKlinger recorded organic revenue growth of 2.6%. Thus, the Group's organic expansion exceeded development in global vehicle production output (-3.7%) by 6.3 percentage points.

Factors influencing Group revenue
in EUR million



North America only region with revenue growth

The downturn in global vehicle production during the first quarter of 2019 was reflected in declining sales revenue within the majority of regions covered by ElringKlinger. The region encompassing North America, by contrast, saw sustained buoyancy in demand and further product roll-outs. As a result, revenue from sales in North America rose by 26.5% to EUR 101.6 million in the first three months of 2019 (Q1 2018: EUR 80.3 million). This was driven in part by the strength of the US dollar. Adjusted for the effects of currency translation, growth still stood at a significant 19.9%. During the same period, vehicle production output in the North American market fell by 2.4%. The share of total Group revenue attributable to the North American region grew markedly from 18.6% to 23.0%, which was close to the proportion of revenue generated within the home market of Germany.

In Germany and the Rest of Europe the sale of the Hug subgroup in 2018 prompted a year-on-year decline in revenue in the period under review. Additionally, the trajectory of growth was lower as a result of increasing sluggishness within the market as a whole. In total, ElringKlinger generated revenue of EUR 106.6 million in Germany in the period under review (Q1 2018: EUR 109.0 million), which corresponds to a downturn of 2.1%. The Rest of Europe saw a decline in revenue by 3.3% to EUR 137.8 million in the first quarter of 2019 (Q1 2018: EUR 142.5 million).

In the Asia-Pacific region the world's largest automobile market, China, has been showing signs of considerable weakness since the fourth quarter of 2018. ElringKlinger saw revenue from sales in this region fall by 3.6% year on year during the first quarter of 2019, taking the figure to EUR 75.2 million (Q1 2018: EUR 78.0 million).

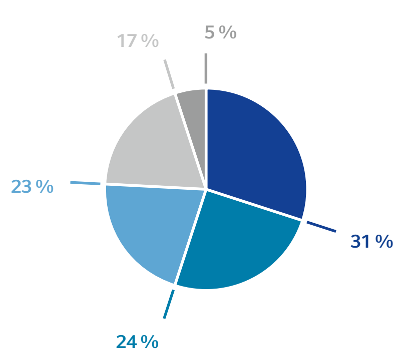
In South America and the Rest of the World revenue amounted to EUR 19.8 million, a decline of 5.1% compared with the same quarter a year ago (EUR 20.9 million).

In total, the share of revenue generated abroad increased by 1.1 percentage points to 75.8% in the period under review (Q1 2018: 74.7%).

Sluggish start to year for Original Equipment as expected

Against the backdrop of a general downturn within the market, revenue generated in the Original Equipment segment rose by 2.0% to EUR 360.7 million in the first quarter of 2019 (Q1 2018: EUR 353.7 million). This growth was driven first and foremost by Lightweighting and E-Mobility, two fields of business considered to be of particular importance to the future in strategic terms. In fact, both areas saw their revenues expand by more than 50% year on year. This illustrates the growing level of customer demand for innovative lightweight modules as well as components for alternative drive concepts developed by ElringKlinger. The area centered around Plastic Housing Modules also recorded double-digit growth. By contrast, the other long-standing divisions focusing on Shielding Technology, Cylinder-head Gaskets, and Specialty Gaskets saw a decline in revenue compared with the first quarter of 2018. The Exhaust Gas Purification division also recorded lower revenue in the period under review. This was attributable to the sale of the Hug subgroup, which constituted the largest part of this division.

Group sales by region 1st quarter 2019



	in EUR million (previous year)	
Rest of Europe	**137.8**	(142.5)
Germany	**106.6**	(109.0)
North America	**101.6**	(80.3)
Asia-Pacific	**75.2**	(78.0)
South America and Rest of the World	**19.8**	(20.9)
Group sales	**441.1**	(430.7)

Segment earnings were severely impacted by new tariffs on raw materials. In the first quarter of 2019 the US administration introduced so-called antidumping and countervailing duties targeting aluminum imported from China. These tariffs were also imposed not only in the first quarter of 2019 but also retroactively for specific periods in 2018. ElringKlinger was quick to transfer its US requirements for aluminum to suppliers based outside China. As from the second half of 2019, the Group does not anticipate any further charges relating to antidumping and countervailing duties.

In addition, persistently high commodity prices for steel and aluminum as well as the sustained rise in prices relating to polymer granules had an adverse effect on segment earnings. Polymer granules are required for manufacturing purposes within the rapidly growing product areas of Plastic Housing Modules and Lightweighting.

In North America, meanwhile, ElringKlinger continues to operate at the top end of its capabilities in terms of capacity. This led to a disproportionately large increase in costs in the period under review, e.g., for additional shifts, overnight freight forwarding, and external inspections. The Management Board initiated extensive measures for the purpose of addressing the situation, the focus being on expanding capacity levels and optimizing processes. The company remains committed to driving forward the effective execution of this action plan. While initial improvement measures began to take effect and costs relating to exceptional freight forwarding, for example, were stabilized in the first quarter of 2019, the Group also saw staff costs rise during this period. In order to meet such strong demand, around 300 new employees have been taken on by the company in North America in the last twelve months, which includes induction programs and extensive training.

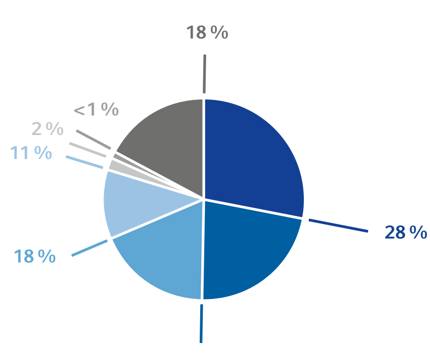
In 2019, the focus at the Swiss production site of the Shielding Technology division is on further cost streamlining. These measures are expected to be completed by the end of the year.

Against this background, segment earnings before interest and taxes failed to match the figure posted in the same quarter a year ago; the quarterly result was in negative territory at EUR -5.3 million. In the same period a year ago, segment earnings before interest and taxes had been positive at EUR 25.5 million. However, this figure had included a one-time gain on disposal of EUR 21.1 million relating to the sale of the Hug subgroup.

Stable earnings contribution by Aftermarket segment

The geopolitical tensions experienced in a number of sales markets of relevance to ElringKlinger's Aftermarket business, such as those seen in the Middle East or North Africa, were again present in the first three months of 2019. Despite these issues, the Group managed to expand its revenue from sales in the Aftermarket segment – up by 4.2% to EUR 44.7 million (Q1 2018: EUR 42.9 million). Within the German market there was visible hesitancy among vehicle owners when it came to pending repairs. This was due in part to ongoing uncertainty regarding new drive concepts and bans imposed on diesel-powered vehicles. As a result, ElringKlinger recorded a decline in revenues in this specific region. By contrast, revenue from sales in the other key

Group sales by division 1st quarter 2019



Divisions Original Equipment:	in EUR million	(previous year)
Lightweighting/Elastomer Technology	**124.9**	(102.8)
Shielding Technology	**99.1**	(106.7)
Specialty Gaskets	**80.5**	(81.7)
Cylinder-head Gaskets	**47.0**	(50.1)
E-Mobility[1]	**6.4**	(4.0)
Exhaust Gas Purification	**2.5**	(7.8)
Segment Original Equipment	**360.7**	(353.7)
Other segments	**80.4**	(77.0)
Group sales	**441.1**	(430.7)

[1] incl. Drivetrain

markets (Eastern and Western Europe, Middle East, Africa) trended higher. The Group also saw the continuation of its encouraging business performance in South America.

The sales offensive in North America and Asia, two new regions for ElringKlinger in terms of aftermarket business, remained on track. The company recorded substantial double-digit growth in both regions, albeit from a low base. Since the end of 2018, customers in North America have been served from a new warehouse in the US city of Fremont, California. Segment earnings before interest and taxes were marginally impacted by efforts relating to market penetration. In the first quarter of 2019 segment earnings before interest and taxes totaled EUR 7.3 million, which is comparable to the prior-year figure (EUR 7.5 million). The segment EBIT margin was 16.3% (Q1 2018: 17.5%).

Revenues expanded in Engineered Plastics segment

The Engineered Plastics segment encompasses products manufactured from various high-performance plastics, such as polytetrafluorethylene (PTFE). As it also serves industries such as those centered around medical technology, mechanical engineering, and chemical and plant engineering, this area of the business is less dependent on the automotive sector. Due, in particular, to the larger proportion of non-automotive markets served by this segment, revenues in this area expanded by 5.2% to EUR 32.2 million in the first quarter of 2019 (Q1 2018: EUR 30.6 million).

Commodity prices for fluoropolymers continued to edge up at the beginning of 2019, albeit at a slower pace than in the previous year. These increases were largely offset by continued strict cost management and improvement measures in production. At EUR 4.1 million, segment earnings before interest and taxes were identical to the prior-year result. The EBIT margin in this segment stood at 12.7% (Q1 2018: 13.4%).

Stable performance by Services and Industrial Parks segments

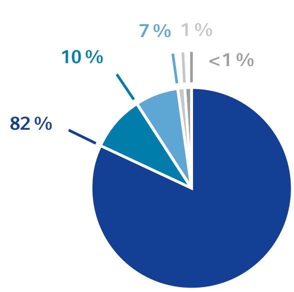
Neither the Industrial Parks segment nor the Services segment belongs to the core business of the ElringKlinger Group. The Services segment mainly consists of Elring Klinger Motortechnik GmbH in Idstein, Germany, and ElringKlinger Logistic Service GmbH in Rottenburg/Neckar, Germany; as in the same quarter a year ago, it generated revenues of EUR 2.4 million. Segment earnings before interest and taxes amounted to EUR 0.3 million (Q1 2018: EUR 0.4 million).

The Industrial Parks segment recorded rental income of EUR 1.1 million, while segment earnings before interest and taxes totaled EUR 0 million. Both figures were comparable to those reported in the same period last year.

Marked reduction in new hires during Q1 2019

ElringKlinger expanded its staffing levels significantly during the previous quarters. New jobs were created at the corporate headquarters in Dettingen/Erms for the purpose of expanding the company's new fields of business. At the same time, the headcount was increased in North America, in particular, in order to meet buoyant demand in that region. Compared to the end of the first quarter of 2018 (9,618 employees), the ElringKlinger Group's headcount as of

Group sales by segment 1st quarter 2019



	in EUR million	(previous year)
Original Equipment	**360.7**	(353.7)
Aftermarket	**44.7**	(42.9)
Engineered Plastics	**32.2**	(30.6)
Services	**2.4**	(2.4)
Industrial Parks	**1.1**	(1.1)
Group sales	**441.1**	(430.7)

March 31, 2019, was up by 867 – a 9.0% increase. This took the total figure to 10,485 for the Group as a whole. Following the essential expansion of HR levels, the scale of new hires was reduced significantly in the first quarter of 2019. Compared with December 31, 2018 (10,429 employees), ElringKlinger's headcount was up by just 56 at the end of the period under review. This corresponds to an increase of 0.5%, which is well below the figure of organic revenue growth for this period. During the first quarter of 2019, new personnel were hired primarily in North America. In total, 47 new jobs were created in this region. By contrast, the number of employees at the Swiss site was again adjusted step by step, in line with lower production volumes. The headcount abroad grew to 58.7% (Q1 2018: 58.8%) as of March 31, 2019. Thus, the proportion of staff members employed at domestic facilities was 41.3% (Q1 2018: 41.2%).

Gross profit margin adversely affected by tariffs and commodity prices

The cost of sales rose by 6.0% to EUR 355.5 million in the period from January to March 2019 (Q1 2018: EUR 335.3 million). In this context, the anti-dumping and countervailing duties in the United States, as outlined above, proved particularly detrimental. This impacted primarily on earnings at the US-based companies. Additionally, higher commodity prices for polyamides (plastic granules) used in the production of plastic housing modules had an adverse effect. Prices for steel and aluminum, which ElringKlinger uses as part of the production of gaskets and shielding components, also trended slightly higher, albeit at a much slower rate than in the previous year. In total, material-related expenses rose by 8.5% to EUR 204.2 million (Q1 2018: EUR 188.2 million). The cost-of-materials ratio (cost of materials in relation to revenue) was 46.3%, which was considerably higher than the figure of 43.7% recorded in the same quarter a year ago. In order to avoid anti-dumping and countervailing duties, ElringKlinger has transferred its US requirements for aluminum to suppliers based outside China. The company is countering higher commodity prices with the gradual introduction of price escalation clauses and a broader supply base. However, these measures can only take full effect gradually and with a certain delay. The Group anticipates a positive effect on earnings in the medium term. The ElringKlinger Group's gross profit margin fell to 19.4% in the first quarter of 2019 (Q1 2018: 22.1%) due to the factors outlined above.

Staff costs for the ElringKlinger Group as a whole also rose disproportionately in the first quarter of 2019, up by 6.7% to EUR 146.5 million (Q1 2018: EUR 137.3 million). This was attributable primarily to the increase in staffing levels required in North America as well as for the expansion of the new fields of business in Germany during the last twelve months. The collective wage increase as of April 1, 2018, with regard to employees at some of the domestic entities also contributed to higher staff costs. The suspension of the earnings-dependent employee profit-share bonus, which had amounted to EUR 5.7 million in the same quarter a year ago, had a contrary effect. In total, staff costs in relation to revenue increased to 33.2% (Q1 2018: 31.9%).

Selling expenses fell slightly to EUR 35.9 million in the period from January to March 2019, down from 36.5 million in the same quarter a year ago. This reflects, among other things, the reduction in exceptional freight movements in North America. General and administrative expenses, by contrast, rose by 6.8% to EUR 23.5 million (Q1 2018: EUR 22.0 million). This was attributable mainly to higher staff costs and consulting fees. Other operating income fell significantly by 90.2% to EUR 2.7 million in the first three months of 2019. In the same quarter last year (EUR 27.5 million) this item had included a gain on disposal of EUR 21.1 million from the sale of the Hug subgroup.

R&D ratio within target range

ElringKlinger continued to invest in innovative solutions and products for alternative drive technologies over the course of the first quarter of 2019. As in the previous year, expenses relating to research and development (R&D) amounted to EUR 22.1 million, of which EUR 2.4 million was capitalized (Q1 2018: EUR 0.5 million). Therefore, the R&D ratio (incl. capitalized R&D expenses) stood at 5.0% (Q1 2018: 5.1%), which was within the short- to medium-term range of 5 to 6%.

EBIT margin impacted by external and internal factors

Due to the effects outlined above, such as anti-dumping and countervailing duties as well as general increases in commodity prices and straff cots, earnings before interest, taxes, depreciation, and amortization (EBITDA) fell short of the prior-year figure and decreased to EUR 34.8 million (Q1 2018: EUR 61.1 million). Depreciation and amortization increased by 19.9% to EUR 28.3 million in the first quarter of 2019 (Q1 2018: EUR 23.6 million). This was attributable to the initial application of the new International Financial Reporting Standard (IFRS) 16 (Leases, cf. Notes, page 31). As a result, ElringKlinger recorded earnings before interest and taxes (EBIT) of EUR 6.4 million, compared with EUR 37.4 million in the same quarter last year (incl. gain on disposal of Hug subgroup). EBIT before purchase price allocation amounted to EUR 6.9 million (Q1 2018: EUR 38.4 million); the EBIT margin before purchase price allocation therefore fell to 1.6% (Q1 2018: 8.9%).

Net finance costs down

Foreign exchange gains improved substantially in the first quarter of 2019, while foreign exchange losses were down. Interest income and expenses deteriorated slightly on a net basis, but this was more than offset by a higher net foreign exchange gain. In total, net finance costs, which mainly consist of the net result of currency translation and the net interest result, were down substantially in the period under revenue and stood at EUR -1.0 million (Q1 2018: EUR -5.3 million).

Earnings before taxes for the reporting period thus fell from EUR 32.1 million to EUR 5.4 million.

Higher effective tax rate

At EUR 6.5 million, income tax expenses in the first quarter of 2019 were up on the comparative prior-year figure of EUR 5.7 million. The effective tax rate therefore stood at over 100%. In the first quarter of the previous year the tax rate had been 17.9%. In this context, however, it should be noted that only part of the gain on disposal of the Hug subgroup had been taxable. Additionally, the higher tax rate in the first quarter of 2019 was attributable to losses incurred by subsidiaries for which no deferred taxes were recognizable.

Having deducted income taxes, net income for the period from January to March 2019 stood at EUR -1.1 million (Q1 2018: EUR 26.4 million). Net income attributable to non-controlling interests amounted to EUR 0.4 million (Q1 2018: EUR 0.6 million). Eliminating these interests, net income attributable to the shareholders of ElringKlinger AG totaled EUR -1.5 million. In the same quarter last year it had amounted to EUR 25.7 million. The number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990. Earnings per share amounted to EUR -0.02 (Q1 2018: EUR 0.41).

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained solid as of March 31, 2019. The equity ratio of 40.9% was within the target range defined for the Group, i.e. between 40 and 50% of the balance sheet total. ElringKlinger generated net cash from operating activities of EUR 11.7 million.

Increase in total assets due in part to external factors

As of March 31, 2019, total assets were up by EUR 127.4 million, or 6.1%, on the figure posted at the end of 2018. They stood at EUR 2,207.1 million (Dec. 31, 2018: EUR 2,079.7 million). Around half of this increase was attributable to external factors. Due to the weaker exchange rate of the euro against the local currencies of many Group companies as of the reporting date of March 31, 2019, the translation of the individual financial statements into the Group currency, the euro, resulted in a slight increase in the balance sheet total. Additionally, the initial application of IFRS 16 "Leases" added around EUR 45 million to the balance sheet total.

Effects from first-time application of IFRS 16

ElringKlinger chose the modified retrospective method with regard to IFRS 16 "Leases" to be applied since January 1, 2019. As a result of this approach, the comparative prior-year figures are not restated. According to the provision of this Standard, rights to use the leased item are recognized at the amount of the lease liability and the lease liability is recognized at the present value of the remaining lease payments. As of March 31, 2019, rights of use amounted to

EUR 45.7 million; they were accounted for in property, plant, and equipment. At the same time, lease liabilities totaled EUR 45.8 million and were recognized in current and non-current financial liabilities. For further information about the initial application of IFRS 16, please refer to the Notes.

Other changes in financial position

With the exception of the effects outlined above, the changes to current and non-current assets were in line with operating activities. Property, plant, and equipment, which represents the largest item under non-current assets, amounted to EUR 1,059.3 million at the end of the reporting period. Compared with the figure at March 31, 2018, (EUR 931.3 million), this item expanded by EUR 82.3 million – adjusted for the transitional effects of the initial application of IFRS 16 – due to investments made by the Group.

Working capital (inventories and trade receivables, including current contract assets), which is a component of current assets, amounted to EUR 755.5 million as of March 31, 2019. This was EUR 41.5 million, or 5.8%, higher than at the end of 2018. Eliminating currency effects (accretive effect of EUR 12.1 million), the increase was considerably lower at EUR 29.4 million or 4.1%. Compared with March 31, 2018, trade receivables fell slightly from EUR 341.1 million to EUR 332.0 million, whereas inventories rose mainly due to higher measurement levels as a result of commodity price trends – despite stringent inventory management. Inventories rose from EUR 367.2 million at the end of the prior-year quarter to EUR 414.8 million as of March 31, 2019.

Net working capital (working capital less trade payables and less current contract liabilities) amounted to EUR 606.4 million. Adjusted for currency effects, it increased by EUR 28.1 million or 4.9% compared to the 2018 year-end figure (EUR 568.0 million).

Equity ratio at 41%

Compared to the end of 2018 (EUR 890.1 million), the Group's equity ratio rose to EUR 902.0 million as of March 31, 2019. The allocation of slightly negative net income for the first quarter of 2019 reduced revenue reserves by EUR 1.5 million. At the same time, however, the negative foreign exchange translation differences included in other reserves decreased by EUR 12.4 million. Due to the disproportionately small increase in relation to Group liabilities, the equity ratio fell to 40.9% (Mar. 31, 2018: 44.9%) from 42.8% as of December 31, 2018.

There were no significant changes to provisions, including pension provisions, in the first three months of 2019. Compared with the end of March 2018, non-current and current provisions decreased by a total of EUR 6.5 million due to utilizations in respect of various business transactions. The items include personnel-related obligations, warranty obligations, and other minor items. In the 2018 financial year, a reclassification was made from the current to the non-current section.

Maturity structure improved by funds from syndicated loan

In the first quarter of 2019, the Group used the first part of the syndicated loan concluded in February 2019 (EUR 350 in total, cf. "Significant Events") for corporate financing and to improve the maturity structure of existing financial liabilities. Mainly as a result of these measures, non-current financial liabilities rose to EUR 653.2 million (Dec. 31, 2018: EUR 472.0 million), while current financial liabilities decreased to EUR 205.5 million (Dec. 31, 2018: EUR 296.8 million). Additionally, the initial application of IFRS 16, as outlined above, had an accretive effect of EUR 45.8 million.

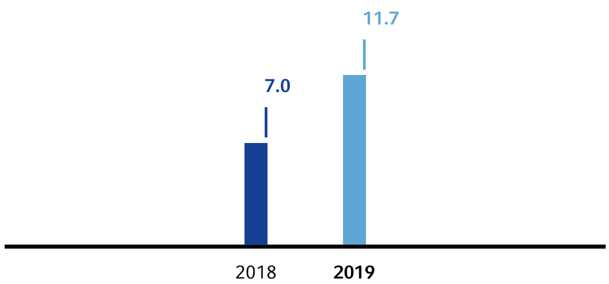
As of March 31, 2019, net debt (current and non-current financial liabilities less cash) stood at EUR 795.6 million (Dec. 31, 2018: EUR 723.5 million). Correspondingly, the net debt/EBITDA ratio was 4.7 (Mar. 31, 2018: 2.6). Adjusted for the effects of applying IFRS 16, the net debt/EBITDA ratio was 4.5.

Cash flow reflects improvement in net working capital

Despite the year-on-year reduction in net income, ElringKlinger managed to increase cash flow from operating activities to EUR 11.7 million (Q1 2018: EUR 7.0 million). This was due mainly to the direction taken by net working capital[1], which is of particular relevance to operating cash flow. On a net basis, this resulted in a cash outflow of EUR 8.7 million in the first quarter of 2019, after EUR 26.0

[1] Including other assets and liabilities not attributable to financing activities

Cash flow from operating activities 1st Quarter
in EUR million



erty, plant, and equipment and on investment property relative to Group sales revenue) fell to 6.5% (Q1 2018: 6.8%).

As regards investment activities, the emphasis is increasingly on measures aimed at focusing the Group on fields of future strategic importance. In the first three months, for example, cash outflows were again directed at the technology center for e-mobility that is being built at the corporate headquarters in Dettingen/Erms. It will focus mainly on future research and development activities in the field of battery and fuel cell technology. Completion is scheduled for 2020.

million in the same period a year ago. The first-time application of IFRS 16 also had an accretive effect, but to a lesser extent. As a result of this Standard, expenses from operating leases are no longer allocated to cash flow from operating activities but to cash flow from financing activities. The cash outflows relating to the first quarter of 2019 amounted to EUR 2.8 million.

"Other non-cash expenses and income," presented in the statement of cash flows at an amount of EUR -7.8 million (Q1 2018: EUR -18.8 million), include currency effects. Additionally, the prior-year figure includes, as an adjustment item, the gain on disposal of Hug Group that was deconsolidated in the same quarter a year ago.

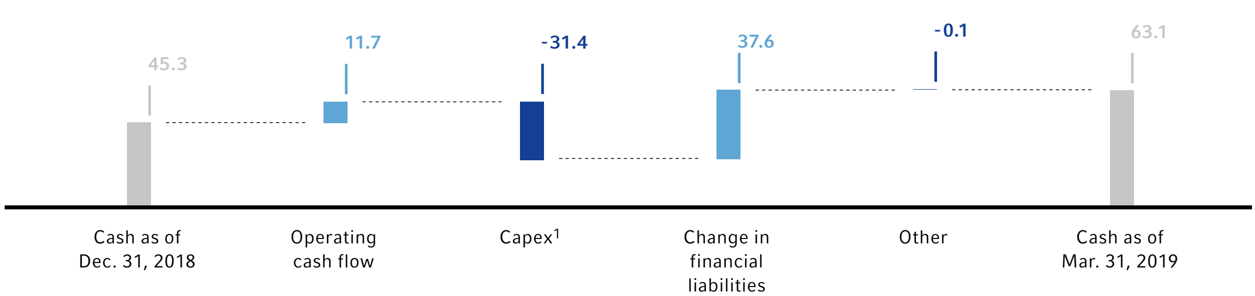
Investments in property, plant, and equipment at prior-year level

In the first quarter of 2019 investments in property, plant, and equipment as well as investment property were slightly down year on year at EUR 28.8 million (Q1 2018: EUR 29.4 million). The investment ratio (capital expenditure on prop-

Another major project in the E-Mobility division focused on plant modifications and preparations at another ElringKlinger AG site for future serial production of complete battery systems; they are scheduled for delivery from 2020 onward. Within the production units at the Group headquarters in Dettingen/Erms investments were also made in a battery module assembly line – for small-batch series – and a fuel cell test bench.

Alongside the German sites, capital expenditure was directed mainly at expansion measures relating to the three North American plants in Leamington, Canada, as well as Buford, USA, and Toluca, Mexico. In Fort Wayne, USA, machinery was installed for the production of thermal and acoustic shielding systems. The Brazilian site in Piracicaba has been undergoing expansion since 2018, which includes a larger building to accommodate Lightweighting/Elastomer Technology and Aftermarket operations. Investment spending at the Chinese plants was centered mainly on streamlining measures relating to the production of gaskets and lightweight components.

Changes in cash 1st quarter 2019
in EUR million



[1] Investments in property, plant and equipment, investment property and intangible assets

Cash outflow relating to intangible assets amounted to EUR 2.6 million in the first quarter of 2019 (Q1 2018: EUR 1.2 million).

Overall, the net outflow of cash for investing activities totaled EUR -32.2 (Q1 2018: EUR 22.1 million). The prior-year figure included a payment of EUR 52.5 million received in the first quarter of 2018 for the sale of the Hug Group.

Cash inflow through financing activities

In the first quarter of 2019 the Group recorded a cash inflow from financing activities of EUR 37.6 million (Q1 2018: outflow of EUR 26.2 million). These proceeds were attributable primarily to the syndicated loan agreement concluded in February 2019 and were used for the purpose of financing operating and investing activities.

As net cash from operating activities was not sufficiently high to finance investment outflows in their entirety, operating free cash flow in the first quarter of 2019 stood at EUR -19.3 million (Q1 2018: EUR -23.3 million). Operating free cash flow is calculated as cash flow from operating activities less cash flow from investing activities, adjusted for cash flows in respect of M&A activities and financial assets.

Opportunities and Risks

An assessment of opportunities and risks for the ElringKlinger Group in respect of the first quarter of 2019 shows that there were no significant changes to the details discussed in the 2018 Annual Report of the ElringKlinger Group (page 52 ff.).

There are currently no identifiable risks that might jeopardize the future existence of the Group as a going concern, either in isolation or in conjunction with other risk factors.

The report on opportunities and risks from the 2018 Annual Report can also be accessed on the website of ElringKlinger at www.elringklinger.de/ar2018/report-on-opportunities-and-risks.

Report on Expected Developments

Outlook – Market and Sector

In its latest world economic outlook of April 2019, the International Monetary Fund (IMF) anticipates a temporary slowdown in the global economy. It now expects growth in 2019 as a whole to reach 3.3%, compared with 3.6% in the previous year. In the view of the IMF, global economic growth will pick up again in the second half of 2019 and in the following year. Various factors continue to act as a drag on growth. These include trade conflicts, political turmoil, uncertainty over the impact of Brexit, and high levels of debt in some sectors and countries. The IMF is cautiously optimistic on account of government economic stimulus programs in China and the more buoyant mood within the financial markets. For 2019, the IMF predicts weaker growth in Europe and above all in Germany, where the new WLTP emissions standard continued to exert downward pressure on sales in the vehicle industry, especially at the beginning of the year. Based on IMF estimates, the labor market situation will deteriorate slightly in the eurozone. The Federal Reserve has made clear that it is ready to suspend further interest rate interventions in order to mitigate the US slowdown. In China, the world's second-biggest economy, the prospects have improved after a robust set of first-quarter figures. The IMF now expects Chinese economic growth to stabilize at over 6%.

GDP growth projections

Year-on-year change in %	2018	Projections 2019	Projections 2020
World	**3.6**	**3.3**	**3.6**
Advanced economies	2.2	1.8	1.7
Emerging and developing countries	4.5	4.4	4.8
Germany	1.5	0.8	1.4
Eurozone	1.8	1.3	1.5
USA	2.9	2.3	1.9
Brazil	1.1	2.1	2.5
China	6.6	6.3	6.1
India	7.1	7.3	7.5
Japan	0.8	1.0	0.5

Source: International Monetary Fund (April 2019)

Outlook for global vehicle markets in 2019

After a weak start to the year for the world's automotive markets, experts believe a further downturn is likely in the second quarter of 2019 compared to the same period a year ago. The industry's performance over 2019 as a whole will therefore depend on the scale of the recovery in the second half of the year. Most markets are expected to see a return to modest growth.

Based on the volume of new registrations, Germany's automotive industry association (VDA) expects a 1% decrease to 15.5 million new car registrations for Europe. The corresponding figure for China is forecast to remain unchanged at 23.3 million, while new registrations in the USA are set to fall by 2% to 16.9 million light vehicles. According to the VDA, the Russian market will put on 5% to reach 1.9 million cars.

Market estimates for the change in global vehicle production vary between -1.0% and +1.7%. This figure has a significant impact on revenue at ElringKlinger. In its own assumptions for 2019, the company anticipates market growth (i.e., the global increase in vehicle production) of between 0% and 1%, provided the expected recovery materializes in the second half of 2019.

Some recent studies have further downgraded expectations for the European vehicle market even in the second half of the year in response to uncertainty over the impact of Brexit and potential upheaval following the introduction of the new RDE (Real Driving Emissions) tests in September. Despite this, markets are still expected to show some growth in the second half of 2019 compared with the relatively poor figures achieved in 2018.

Turning to the Chinese automotive market, forecasts for growth over the year as a whole range widely from around 0% to 5%. Again, the premium segment – in which German OEMs have built up a strong position – shall be least affected by market weakness. Thanks to government stimulus packages, the Chinese vehicle market is again likely to expand in the second half of 2019.

Light vehicle production

Vehicles (millions)	2018	Projections 2019	Change in %
European Union	**18.9**	**19.1**	**1.3**
Germany	5.4	5.6	2.1
Eastern Europe[1]	**3.6**	**3.5**	**-1.3**
Russia	1.7	1.7	0.4
North America	**16.9**	**16.8**	**-0.7**
USA	11.0	11.1	1.1
South America	**3.4**	**3.5**	**2.2**
Brazil	2.8	2.8	0.8
Asia-Pacific	**47.9**	**49.5**	**3.3**
China	25.6	26.9	4.8
Japan	9.0	8.6	-4.3
India	4.7	5.2	10.3
Middle East & Africa	**2.5**	**2.4**	**-5.0**
World	**93.2**	**94.8**	**1.7**

[1] Including Russia
Source: PwC Autofacts (April 2019)

Outlook for commercial vehicle markets

Commercial vehicle markets are expected to remain healthy in 2019. Demand in Europe is still robust and is roughly expected to match the level of the previous year. This reflects the high volume of goods transported by road, partly driven by the growing trend towards online shopping. In North America, the market continues to benefit from a positive economic environment. Demand for heavy Class 8 trucks is particularly strong. With many new orders in the pipeline, however, North American truck manufacturers have already reached maximum capacity for 2019, and any further market growth is therefore likely to be moderate at best.

Outlook – Company

Order intake up slightly

Despite a sluggish start to the year, as anticipated, incoming orders proved robust in the first three months of 2019. From the Group's perspective, therefore, markets are still expected to trend upward over the course of the remaining year. Based on past experience, the recovery will be seen primarily in the second half of the year. Order intake improved – supported to some extent by currency effects – by 5.1% or EUR 24.1 million to EUR 498.3 million (Q1 2018: EUR 474.2 million). Adjusted for currency effects, order intake increased by 0.5%, despite the challenging business climate.

Order backlog rose by EUR 50.1 million, or 4.9%, year on year to EUR 1,077.3 million (Mar. 31, 2018: EUR 1,027.2 million). If foreign exchange rates had remained unchanged, order backlog would be up by EUR 26.9 million or 2.6%.

Business climate remains challenging

Against this backdrop, ElringKlinger remains confident that it can outpace the expansion in global automobile production by 2 to 4 percentage points in terms of organic Group revenue growth in the 2019 financial year as a whole, regardless of the anticipated sluggish first quarter. The coming quarters are expected to see an improvement in earnings, as planned, meaning that the EBIT margin range of around 4 to 5% before purchase price allocation, as targeted by the Group, will be achieved. Among the elements in support of this are Group-wide cost streamlining, the stabilization of commodity prices, including tariffs, and positive effects from optimization measures. However, if this earnings performance is to be achieved, it is essential that no additional external effects in the form of significant downside factors occur and that markets recover noticeably in the second half of the year as expected.

Mid-term outlook

Despite the challenging factors currently driving the business environment in which ElringKlinger operates, the company considers itself to be well positioned in the medium to long term. ElringKlinger was quick off the mark in its efforts to embrace the transition towards e-mobility with components engineered specifically for battery and fuel cell systems. Additionally, the Group has a strong market position centered around its long-standing Lightweighting/Elastomer Technology, Shielding Systems, and Gaskets divisions. Against this backdrop, ElringKlinger remains confident that it can continue to outpace global vehicle production growth at an organic level. Turning to earnings performance, as in the past the Group anticipates that it can gradually improve its EBIT margin before purchase price allocation. The Group can also confirm its other medium-term targets.

Dettingen/Erms, May 7, 2019
The Management Board

Dr. Stefan Wolf Chairman/CEO	Theo Becker	Thomas Jessulat	Reiner Drews

ElringKlinger on the Capital Market

Stock markets recover markedly in first quarter of 2019

The first quarter of 2019 saw a strong recovery in global stock markets. This was fueled primarily by the gradual de-escalation of the international trade conflict following negotiations between the United States and China. Equity markets were also buoyed by the prospect of a more expansive monetary policy adopted by central banks in Europe and China. By contrast, the adverse effects of persistent uncertainty surrounding Brexit, a general downturn in the economy, and the sustained weakness of China's vehicle market in terms of automobile sales were only temporary in nature. The German stock market also showed clear signs of recovery over the course of the first three months: alongside the DAX (+9.2%), as the country's blue chip index, the MDAX (+14.5%), SDAX (+15.0%), and TecDAX (+9.0%), representing mid- and small-caps, also recorded significant quarterly gains.

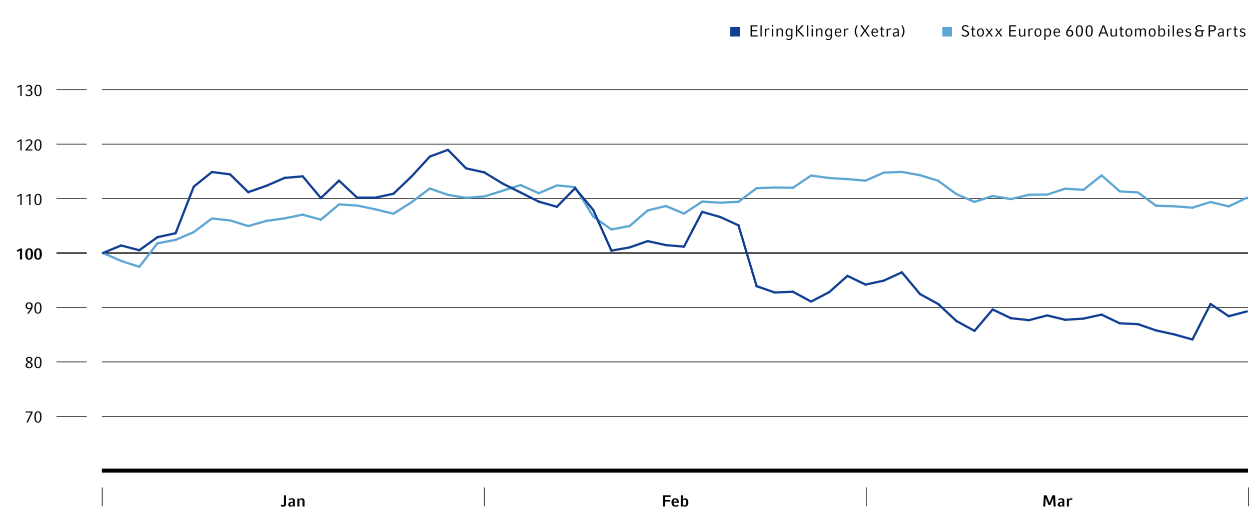
ElringKlinger stock closes at EUR 6.06 after first quarter

In line with the general market trend, ElringKlinger's stock gained some momentum at the beginning of 2019. Moving from its base of EUR 6.80 at the end of 2018, it recorded a quarterly high of EUR 8.11 at the end of January, before subsequently entering a period of consolidation. Supported by the successful conclusion of a syndicated loan agreement, ElringKlinger saw its shares gain fresh impetus in mid-February. The publication of the Group's preliminary results for fiscal 2018, however, exerted downward pressure on its share price – driving it back to a level of around six euros in the subsequent period. On March 27, 2019, the publication date of the Group's definitive annual results for fiscal 2018, ElringKlinger's stock gained around 8% on the previous day's quarterly low of EUR 5.71. At the end of the first quarter of 2019 the company's share price stood at EUR 6.06.

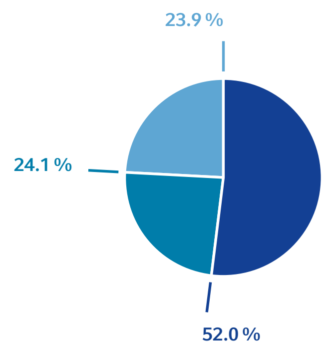
Trading volume down year on year in first quarter of 2019

The average daily volume of ElringKlinger shares traded was 123,100 units in the first quarter of 2019, i.e., lower than in the same period a year ago (Q1 2018: 169,900 units). The average daily trading value of ElringKlinger shares on German stock exchanges amounted to EUR 0.8 million (Q1 2018: EUR 2.9 million). The year-on-year decline is due to the lower average price of ElringKlinger shares in the

ElringKlinger's share price performance from January 1 to March 31, 2019 (indexed)
in %



Shareholder structure as of March 31, 2019



current reporting period. Despite this, ElringKlinger's stock offered sufficiently high levels of liquidity to conduct larger share transactions.

Engaged in dialogue with the capital markets

ElringKlinger continued to take a proactive approach to communicating with key players within the capital markets over the course of the first quarter of 2019. During the first three months the company took part in two capital market conferences attended primarily by an international audience. Additionally, ElringKlinger issued an invitation to its financial statements press conference and analysts' meeting on March 27, 2019, for the purpose of presenting its 2018 financial report. The Management Board of ElringKlinger AG outlined the Group's results for the annual period just ended and provided an outlook for the current financial year. Analysts and journalists attending the two events showed a keen interest in the company's presentations.

Dividend payment suspended for fiscal 2018

The 114th Annual General Meeting of ElringKlinger AG is scheduled to take place in Stuttgart on May 16, 2019. In view of the Group's earnings performance in fiscal 2018, the Management Board and the Supervisory Board have jointly decided to depart from the Group's established dividend policy and suspend the dividend for the 2018 financial year. This is aimed at further strengthening internal financing in support of the company's transformation process. Fundamentally, the established dividend policy stipulates a payment equivalent to between 30 and 40% of Group net income after non-controlling interests for the purpose of ensuring that shareholders receive an appropriate return on their investment.

ElringKlinger stock (ISIN DE 0007856023)

	1st Quarter 2019	1st Quarter 2018
Number of shares outstanding	63,359,990	63,359,990
Share price (daily closing price in EUR)[1]		
High	8.11	19.37
Low	5.71	14.80
Closing price[2]	6.06	15.14
Average daily trading volume (German stock exchanges; no. of shares traded)	123,100	169,900
Average daily trading value (German stock exchanges; in EUR)	842,100	2,917,300
Market capitalization (EUR millions)[1,2]	384.0	959.3

[1] Xetra trading
[2] As of March 31

Group Income Statement

of ElringKlinger AG, January 1 to March 31, 2019

EUR k	1st Quarter 2019	1st Quarter 2018
Sales revenue	**441,086**	**430,683**
Cost of sales	-355,487	-335,337
Gross profit	**85,599**	**95,346**
Selling expenses	-35,942	-36,506
General and administrative expenses	-23,544	-21,984
Research and development costs	-19,696	-21,543
Other operating income	2,740	27,509
Other operating expenses	-2,754	-5,385
Operating result/EBIT	**6,403**	**37,437**
Finance income	9,116	6,970
Finance costs	-9,433	-11,227
Share of result of associates	-703	-1,081
Net finance costs	**-1,020**	**-5,338**
Earnings before taxes	**5,383**	**32,099**
Income tax expense	-6,510	-5,745
Net income	**-1,127**	**26,354**
of which: attributable to non-controlling interests	399	624
of which: attributable to shareholders of ElringKlinger AG	**-1,526**	**25,730**
Basic and diluted earnings per share in EUR	-0.02	0.41

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to March 31, 2019

EUR k	1st Quarter 2019	1st Quarter 2018
Net income	**-1,127**	**26,354**
Currency translation difference	13,062	-916
Share of other comprehensive income of associates	-42	0
Gains and losses that can be reclassified to the income statement in future periods	**13,020**	**-916**
Other comprehensive income after taxes	**13,020**	**-916**
Total comprehensive income	**11,893**	**25,438**
of which: attributable to non-controlling interests	992	789
of which: attributable to shareholders of ElringKlinger AG	**10,901**	**24,649**

Group Statement of Financial Position

of ElringKlinger AG, as at March 31, 2019

EUR k	March 31, 2019	Dec. 31, 2018	March 31, 2018
ASSETS			
Intangible assets	192,747	190,307	184,232
Property, plant and equipment	1,059,294	997,843	931,276
Investment property	16,436	16,567	17,305
Financial assets	3,555	2,663	1,036
Shares in associates	22,529	23,274	27,471
Non-current income tax assets	65	98	95
Other non-current assets	8,081	8,116	3,699
Deferred tax assets	12,111	11,805	20,619
Contract performance costs	6,795	5,427	843
Non-current contract assets	921	1,319	1,058
Non-current assets	**1,322,534**	**1,257,419**	**1,187,634**
Inventories	414,786	401,391	367,248
Current contract assets	8,709	6,297	5,861
Trade receivables	331,995	306,351	341,056
Current income tax assets	7,879	8,531	7,077
Other current assets	52,151	48,432	51,039
Cash and cash equivalents	63,108	45,314	48,110
Current assets	**878,628**	**816,316**	**820,391**
Assets held for sale	**5,966**	**5,966**	**0**
	2,207,128	**2,079,701**	**2,008,025**

EUR k	March 31, 2019	Dec. 31, 2018	March 31, 2018
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	719,534	721,060	732,634
Other reserves	-37,135	-49,562	-47,711
Equity attributable to the shareholders of ElringKlinger AG	**863,997**	**853,096**	**866,521**
Non-controlling interest in equity	37,986	37,014	35,401
Equity	**901,983**	**890,110**	**901,922**
Provisions for pensions	124,855	124,401	126,437
Non-current provisions	19,625	19,603	12,351
Non-current financial liabilities	653,184	472,005	477,870
Non-current contract liabilities	5,253	2,614	0
Deferred tax liabilities	15,260	14,949	13,242
Other non-current liabilities	9,250	8,915	3,245
Non-current liabilities	**827,427**	**642,487**	**633,145**
Current provisions	10,225	10,769	23,975
Trade payables	139,687	135,560	124,921
Current financial liabilities	205,455	296,786	195,324
Current contract liabilities	9,450	10,469	5,953
Tax payable	13,155	12,470	16,945
Other current liabilities	99,746	81,050	105,840
Current liabilities	**477,718**	**547,104**	**472,958**
	2,207,128	**2,079,701**	**2,008,025**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to March 31, 2019

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2017	**63,360**	**118,238**	**710,885**
Application of new standards[1]			**-4,062**
Balance as of Jan. 1, 2018	**63,360**	**118,238**	**706,823**
Dividend distribution			
Change in scope of consolidated financial statements			81
Total comprehensive income			**25,730**
Net income			25,730
Other comprehensive income			
Balance as of Mar. 31, 2018	**63,360**	**118,238**	**732,634**
Balance as of Dec. 31, 2018	**63,360**	**118,238**	**721,060**
Dividend distribution			
Total comprehensive income			**-1,526**
Net income			-1,526
Other comprehensive income			
Balance as of Mar. 31, 2019	**63,360**	**118,238**	**719,534**

[1] See comments concerning IFRS 15 in the notes to the interim consolidated financial statements

Other reserves					
Remeasurement of defined benefit plans	Equity impact of controlling interests	Currency translation differences	Equity attributable to the shareholders of ElringKlinger AG	Non-controlling interests in equity	Group equity
-39,512	**-212**	**-460**	**852,299**	**37,368**	**889,667**
			-4,062	**19**	**-4,043**
-39,512	**-212**	**-460**	**848,237**	**37,387**	**885,624**
			0	-20	-20
-81		-6,365	-6,365	-2,755	-9,120
		-1,081	**24,649**	**789**	**25,438**
			25,730	624	26,354
		-1,081	-1,081	165	-916
-39,593	**-212**	**-7,906**	**866,521**	**35,401**	**901,922**
-37,316	**-422**	**-11,824**	**853,096**	**37,014**	**890,110**
			0	-20	-20
		12,427	**10,901**	**992**	**11,893**
			-1,526	399	-1,127
		12,427	12,427	593	13,020
-37,316	**-422**	**603**	**863,997**	**37,986**	**901,983**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to March 31, 2019

EUR k	1st Quarter 2019	1st Quarter 2018
Earnings before taxes	5,383	32,099
Depreciation/amortization (less write-ups) of non-current assets	28,348	23,629
Net interest	4,383	3,399
Change in provisions	-648	1,078
Gains/losses on disposal of non-current assets	194	-36
Share of result of associates	703	1,081
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	-32,758	-49,332
Change in trade payables and other liabilities not resulting from financing and investing activities	24,066	23,284
Income taxes paid	-7,081	-7,768
Interest paid	-3,139	-1,799
Interest received	84	210
Other non-cash expenses and income	-7,842	-18,808
Net cash from operating activities	**11,693**	**7,037**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	399	290
Proceeds from disposals of financial assets	1,603	0
Proceeds from the disposal of subsidiaries	0	52,455
Payments for investments in intangible assets	-2,568	-1,212
Payments for investments in property, plant and equipment and investment property	-28,848	-29,370
Payments for investments in financial assets	-2,807	-87
Net cash from investing activities	**-32,221**	**22,076**
Dividends paid to shareholders and to non-controlling interests	-20	0
Proceeds from the addition of long-term loans	162,045	1,278
Payments for the repayment of long-term loans	-6,654	-1,581
Change in current loans	-117,819	-25,926
Net cash from financing activities	**37,552**	**-26,229**
Changes in cash	17,024	2,884
Effects of currency exchange rates on cash	770	-272
Cash at beginning of period	45,314	45,498
Cash at end of period	**63,108**	**48,110**

Group Sales Revenue

of ElringKlinger AG, January 1 to March 31, 2019

Sales revenue by regions

EUR k	1st Quarter 2019	1st Quarter 2018
Germany	106,640	108,964
Rest of Europe	137,756	142,494
North America	101,618	80,309
Asia-Pacific	75,238	78,020
South America and rest of the world	19,834	20,896
Group	**441,086**	**430,683**

Sales revenue by segments

EUR k	1st Quarter 2019	1st Quarter 2018
Lightweighting/Elastomer Technology	124,926	102,846
Shielding Technology	99,147	106,693
Specialty Gaskets	80,474	81,692
Cylinder-head Gaskets	46,952	50,076
E-Mobility	6,407	3,951
Exhaust Gas Purification	2,461	7,793
Other	302	667
Segment Original Equipment	**360,669**	**353,718**
Segment Aftermarket	**44,724**	**42,896**
Segment Engineered Plastics	**32,166**	**30,555**
Sale of goods	**437,559**	**427,169**
Income from the rendering of services	**2,430**	**2,409**
Revenue from contracts with customers	**439,989**	**429,578**
Income from rental and leasehold	**1,097**	**1,105**
Group	**441,086**	**430,683**

Breakdown by geographical markets:

EUR k	1st Quarter 2019	1st Quarter 2018
Revenue from contracts with customers	106,635	108,922
Income from rental and leasehold	5	42
Total Germany	**106,640**	**108,964**
Revenue from contracts with customers	333,354	320,656
Income from rental and leasehold	1,092	1,063
Total other countries	**334,446**	**321,719**
Group	**441,086**	**430,683**

Segment Reporting

of ElringKlinger AG, January 1 to March 31, 2019

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	1st Quarter 2019	1st Quarter 2018	1st Quarter 2019	1st Quarter 2018	1st Quarter 2019	1st Quarter 2018
External revenue	**360,669**	**353,718**	**44,724**	**42,896**	**32,166**	**30,555**
Intersegment revenue	5,487	5,116	0	0	8	5
Segment revenue	**366,156**	**358,834**	**44,724**	**42,896**	**32,174**	**30,560**
EBIT[1]/Operating result	**-5,290**	**25,495**	**7,292**	**7,494**	**4,053**	**4,112**
Depreciation and amortization	-25,392	-20,644	-737	-708	-1,578	-1,536
Capital expenditures[2]	30,295	28,521	564	637	2,152	693

[1] Earnings before interest and taxes
[2] Investments in intangible assets and property, plant and equipment and investment property

Industrial Parks		Services		Consolidation		Group	
1st Quarter 2019	1st Quarter 2018	1st Quarter 2019	1st Quarter 2018	1st Quarter 2019	1st Quarter 2018	1st Quarter 2019	1st Quarter 2018
1,097	**1,105**	**2,430**	**2,409**	**0**	**0**	**441,086**	**430,683**
27	27	1,802	1,805	-7,324	-6,953	0	0
1,124	**1,132**	**4,232**	**4,214**	**-7,324**	**-6,953**	**441,086**	**430,683**
18	**-44**	**330**	**380**	**0**	**0**	**6,403**	**37,437**
-141	-265	-500	-476	0	0	-28,348	-23,629
6	485	379	246	0	0	33,396	30,582

Notes to the first three months of 2019

General Information

ElringKlinger AG is an exchange-listed stock corporation headquartered in Dettingen/Erms, Germany.

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of March 31, 2019, have been prepared on the basis of IAS 34 (Interim Financial Reporting). The interim financial statements conform with the International Financial Reporting Standards (IFRS), including the Interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

As the consolidated interim financial statements are presented in a condensed format, the financial statements as of March 31, 2019, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of March 31, 2019, have been neither audited nor reviewed in any way by an independent auditor.

They were authorized for issue based on a resolution passed by the Management Board on May 7, 2019.

Basis of reporting

Reporting

IFRS 15 Revenue from Contracts with Customers

The Group has applied the new Standard since January 1, 2018. It has chosen the modified retrospective approach, as part of which the comparative period is not restated and the cumulative effect of transition is recognized in revenue reserves. IFRS 15 defines when revenues should be recognized and in what amount. The core principle of the Standard is that entities shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when a customer obtains control of the goods or services.

As of March 31, 2018, a total of EUR 5,953k in current contract liabilities pursuant to IFRS 15 were presented in other current liabilities as prepayments received by the entity. In the quarterly financial statements as of March 31, 2019, the prior-year figures were reclassified to the statement of financial position item referred to as current contract liabilities.

IFRS 16 Leases

The Group has applied the new Standard since January 1, 2019. The modified retrospective approach was chosen, as part of which the comparative period was not restated.

IFRS 16 replaces the existing provisions and interpretations governing leases, in particular IAS 17 Leases. The right of use in respect of the asset that is the subject of a lease is recognized at the amount of the lease liability, divided into non-current and current. In contrast to the previous accounting treatment, in the case of leases that were previously classified as "operating leases" in accordance with IAS 17 the lease liability is recognized in the statement of financial position at the present value of the remaining lease payments and discounted at the corresponding incremental borrowing rate as of the date of initial application. As a result, EUR 45,407k was included in plant, property and equipment of the statement of financial position as of January 1, 2019, as a right of use for leases and in the same amount as a lease liability in non-current and current financial liabilities. After depreciation in respect of the right of use as well as additions and disposals of lease-related items, the right of use as of March 31, 2019, was EUR 45,653k. By contrast, lease liabilities amounted to EUR 45,761k.

In contrast to the previous disclosure of expenses from operating leases, in future depreciation on rights of use and interest expenses from the compounding of the lease liability will be recognized. Depreciation in the first quarter of 2019 amounted to EUR 2,769k, while the interest component totaled EUR 413k. As a result of the changes described above, the cash inflow from operating activities increases by the previous operating lease payments.

Due to the initial application of IFRS 16, Group EBIT increases by the amount of the interest component, i. e., by EUR 413k.

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of March 31, 2019, include the financial statements of six domestic and 32 foreign entities in which ElringKlinger AG holds 50% of the interests, either directly or indirectly, or over which, for other reasons, it has the power to govern the financial and operating policies. Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

The interests held in hofer AG, Nürtingen, totaling 28.89% have been accounted for as an associate in non-current Group assets, as ElringKlinger has significant influence over the entity's operating and financial policies. A significant influence over an associate is presumed to exist if an entity holds 20% to 50% of the voting power of the investee.

Except from the merger of Polytetra GmbH into ElringKlinger Kunststofftechnik GmbH there were no changes in the scope of consolidation compared with the consolidated financial statements as of December 31, 2018.

Merger

With effect from January 1, 2019, Polytetra GmbH situated in Mönchengladbach, Germany, a fully owned subsidiary of ElringKlinger Kunststofftechnik GmbH, headquartered in Bietigheim-Bissingen, Germany, was merged into ElringKlinger Kunststofftechnik GmbH.

Exchange rates

Exchange rates developed as follows:

		Closing rate		Average rate	
Currency	Abbr.	Mar. 31, 2019	Dec. 31, 2018	Jan. – Mar. 2019	Jan. – Dec. 2018
US dollar (USA)	USD	1.12350	1.14500	1.13797	1.17932
Pound (United Kingdom)	GBP	0.85830	0.89453	0.86414	0.88595
Swiss franc (Switzerland)	CHF	1.11810	1.12690	1.13083	1.15158
Canadian dollar (Canada)	CAD	1.50000	1.56050	1.50503	1.53288
Real (Brazil)	BRL	4.38650	4.44400	4.28647	4.32938
Mexican peso (Mexico)	MXN	21.69100	22.49210	21.83273	22.65259
RMB (China)	CNY	7.53970	7.87510	7.62387	7.81563
WON (South Korea)	KRW	1,276.46000	1,277.93000	1,278.37000	1,295.97500
Rand (South Africa)	ZAR	16.26420	16.45940	15.81803	15.61657
Yen (Japan)	JPY	124.45000	125.85000	125.23333	130.00583
Forint (Hungary)	HUF	321.05000	320.98000	317.63000	319.97250
Turkish lira (Turkey)	TRY	6.34460	6.05880	6.12713	5.68349
Leu (Romania)	RON	4.76080	4.66350	4.74377	4.65583
Indian rupee (India)	INR	77.71900	79.72980	80.09883	80.62578
Indonesian rupiah (Indonesia)	IDR	15,998.64000	16,500.00000	16,016.25000	16,788.76417
Bath (Thailand)	THB	35.63200	37.05200	35.83267	38.05167

Disclosures relating to financial instruments

This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments. There was no offsetting of financial instruments recognized by the company.

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

	Cash	Trade receivables	Other current assets	Derivatives	Non-current securities		Other financial investments		Total
EUR k	CA	CA	CA	CA	CA	FV	CA	FV	CA
as of Mar. 31, 2019									
Financial assets measured at amortized cost	63,108	331,995	14,731	0	1,441	1,435	2,008	2,008	413,283
Financial assets measured at fair value through profit or loss	0	0	0	25	0	0	0	0	25
Financial assets measured at fair value through other comprehensive income	0	0	0	0	98	98	8	8	106
Total	**63,108**	**331,995**	**14,731**	**25**	**1,539**	**1,533**	**2,016**	**2,016**	**413,414**
as of Dec. 31, 2018									
Financial assets measured at amortized cost	45,314	306,351	11,490	0	549	438	2,008	2,008	365,712
Financial assets measured at fair value through profit or loss	0	0	0	12	0	0	0	0	12
Financial assets measured at fair value through other comprehensive income	0	0	0	0	98	98	8	8	106
Total	**45,314**	**306,351**	**11,490**	**12**	**647**	**536**	**2,016**	**2,016**	**365,830**

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

	Other current liabilities	Current financial liabilities	Current finance leases		Trade payables
EUR k	CA	CA	CA	FV	CA
as of Mar. 31, 2019					
Financial liabilities measured at amortized cost	41,749	205,279	0	0	141,814
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	176	181	0
as of Dec. 31, 2018					
Financial liabilities measured at amortized cost	43,275	296,584	0	0	135,560
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	202	209	0

	Derivatives		Non-current financial liabilities		Non-current finance leases		Total
EUR k	CA	FV	CA	FV	CA	FV	CA
as of Mar. 31, 2019							
Financial liabilities measured at amortized cost	0	0	653,107	579,137	0	0	1,041,949
Financial liabilities measured at fair value through profit or loss	23	23	0	0	0	0	23
No measurement category under IFRS 9	0	0	0	0	77	79	253
as of Dec. 31, 2018							
Financial liabilities measured at amortized cost	0	0	471,898	430,639	0	0	947,317
Financial liabilities measured at fair value through profit or loss	165	165	0	0	0	0	165
No measurement category under IFRS 9	0	0	0	0	107	109	309

The other current liabilities include a purchase price liability of EUR 29,921k (2018: EUR 29,921k) in respect of a written put option, which has been measured at amortized cost.

The management has ascertained that the carrying amounts of cash, trade receivables, other current assets, trade payables, other current financial liabilities, and other current liabilities largely correspond to their fair values, primarily as a result of the short maturities of these instruments.

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

The fair value of the put option, included in other current liabilities, of non-controlling interests in ElringKlinger Marusan Corporation, Tokyo, Japan, in respect of their interests is based on internal projections of the enterprise value. As regards the valuation of this put option of non-controlling interests, estimates are made with regard to the forecast of business performance as well as with regard to the choice of the interest rate to be applied in respect of the liability to be recognized. A change in the enterprise value by 10% would result in an increase/decrease in the put option by approx. EUR 2,992k.

Financial assets and liabilities measured at fair value are classified into the following three-level fair value hierarchy as of the end of the reporting period of March 31, 2019:

EUR k	Level 1	Level 2	Level 3
Mar. 31, 2019			
Financial assets			
Non-current securities	98	0	0
Other financial investments	8	2,000	0
Derivatives*	0	25	0
Total	**106**	**2,025**	**0**
Financial liabilities			
Derivatives*	0	23	0
Total	**0**	**23**	**0**
Dec. 31, 2018			
Financial assets			
Non-current securities	98	0	0
Other financial investments	8	2,000	0
Derivatives*	0	12	0
Total	**106**	**2,012**	**0**
Financial liabilities			
Derivatives*	0	165	0
Total	**0**	**165**	**0**

*These are derivatives that do not qualify for hedge accounting.

The following table provides details of the classification of financial assets and liabilities that are not measured at fair value but for which a fair value has been presented, according to the three-level fair value hierarchy as of the end of the reporting period of March 31, 2019:

EUR k	Level 1	Level 2	Level 3
Mar. 31, 2019			
Financial assets			
Non-current securities	1,435	0	0
Other financial investments	0	0	8
Total	**1,435**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	79
Non-current financial liabilities	0	579,137	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**579,137**	**30,000**
Dec. 31, 2018			
Financial assets			
Non-current securities	549	0	0
Other financial investments	0	0	8
Total	**549**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	109
Non-current financial liabilities	0	456,640	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**456,640**	**30,030**

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

Level 1: Measurement based on quoted prices

Level 2: Measurement based on inputs for the asset or liability that are observable in active markets either directly or indirectly

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

The assessment as to whether a transfer has occurred between the levels of the fair-value hierarchy with regard to the assets and liabilities carried at fair value is conducted in each case at the end of the reporting period. No transfers occurred in the reporting period under review.

Significant events and business transactions

On February 15, 2019, a syndicated loan agreement was concluded with six domestic and international banks, covering a sum of EUR 350,000k over a term of at least five years. Specific financial covenants that are customary in the banking sector were agreed between the parties.

Contingencies and related-party disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2018 were not subject to significant changes in the first three months of 2019.

Government grants

Other operating income in the first three months includes government grants totaling EUR 1,218k. These grants were attributable primarily to development projects.

Events after the reporting period

There were no further significant events after the end of the interim reporting period that would necessitate additional explanatory disclosure.

Responsibility statement

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

Dettingen/Erms, May 7, 2019

The Management Board

Dr. Stefan Wolf
Chairman/CEO

Theo Becker

Thomas Jessulat

Reiner Drews

Imprint

ElringKlinger AG
Max-Eyth-Straße 2
72581 Dettingen/Erms
Germany
Phone +49 (0) 71 23/724-0
Fax +49 (0) 71 23/724-90 06
www.elringklinger.com

IR Contact
Dr. Jens Winter
Phone +49 (0) 71 23/724-88 335
Fax +49 (0) 71 23/724-85 8335
jens.winter@elringklinger.com

ElringKlinger AG assumes no responsibility for data and statistics originating from third-party publications.

Further information is available at www.elringklinger.com

Disclaimer – Forward-looking Statements and Forecasts
This report contains forward-looking statements. These statements are based on expectations, market evaluations and forecasts by the Management Board and on information currently available to them. In particular, the forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialize. Whilst the Management Board is confident that the statements as well as the opinions and expectations on which they are based are realistic, the aforementioned statements rely on assumptions that may conceivably prove to be incorrect. Future results and circumstances depend on a multitude of factors, risks and imponderables that can alter the expectations and judgments that have been expressed. These factors include, for example, changes to the general economic and business situation, variations of exchange rates and interest rates, poor acceptance of new products and services, and changes to business strategy.

Supplementary Notes
Due to rounding, some of the numbers and percentage figures specified in this document may differ from the actual values, particularly in the case of summation and percentage calculations. Unless otherwise stated, figures in parantheses refer to the comparative prior-year period. For the purpose of readability, we have not used both forms of grammatical gender (masculine and feminine) simultaneously when referring to specific terms. General designations referring to people relate to all people irrespective of gender.

This report was published on May 7, 2019, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar 2019

MAY

16

114th Annual General Shareholders' Meeting, Stuttgart, Cultural and Congress Center Liederhalle, 10:00 a.m. CEST

AUGUST

08

Interim Report on the 2nd Quarter and 1st Half of 2019

NOVEMBER

06

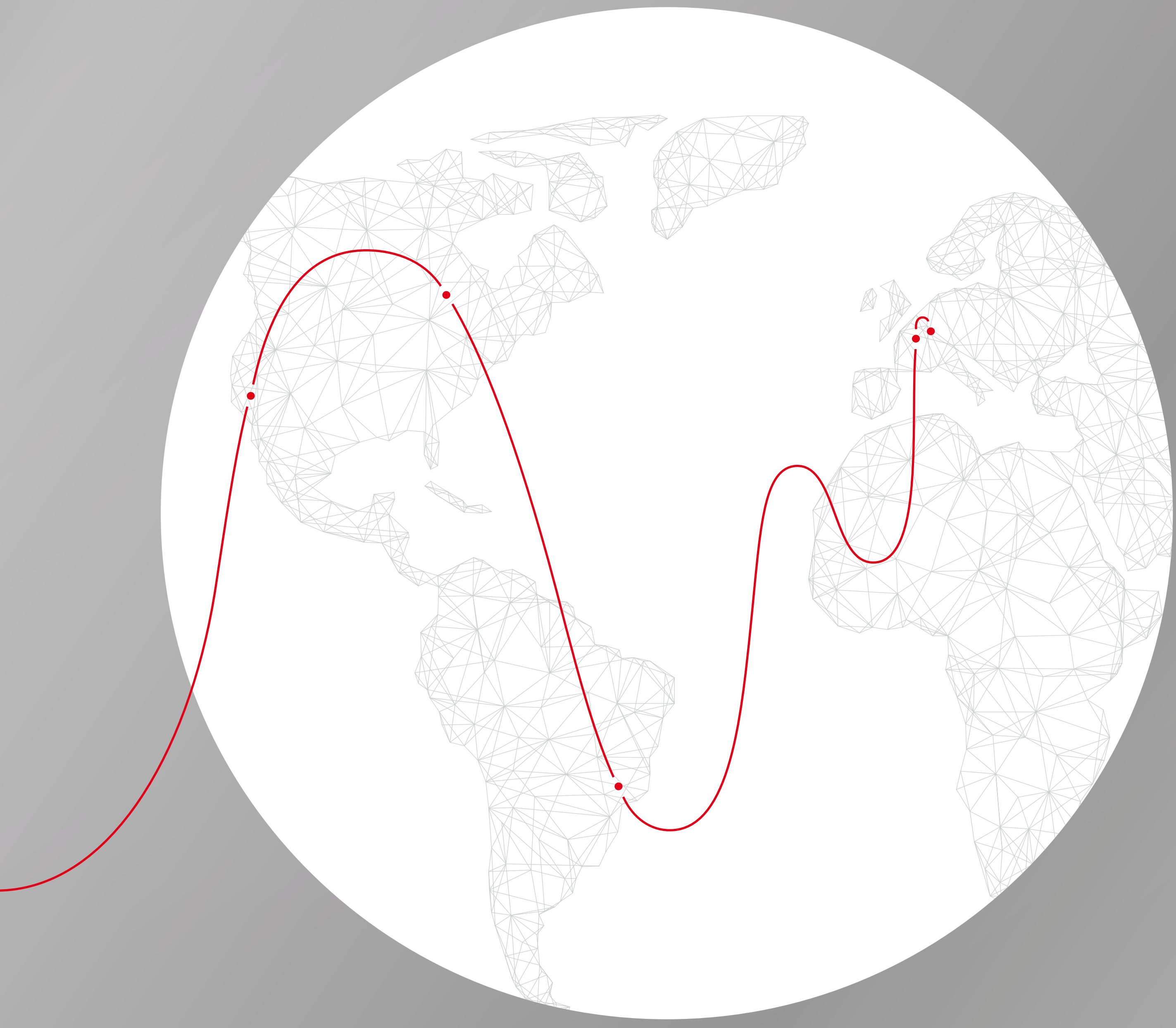
Interim Report on the 3rd Quarter and 1st Nine Months of 2019

MAY 2020

19

115th Annual General Shareholders' Meeting, International Congress Center Stuttgart

Changes to the above dates cannot be ruled out.
We therefore recommend visiting our website to check specific financial dates at **www.elringklinger.de/en/investor-relations/financial-calendar**



ElringKlinger AG
Max-Eyth-Straße 2
D-72581 Dettingen/Erms
(Germany)