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

GLOBAL DIMEN_SIONS

elringklinger

Key figures

ElringKlinger Group

		3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018
Order Situation						
Order intake	€ million	437.6	419.8	498.3	390.7	411.8
Order backlog	€ million	1,068.7	1,063.0	1,077.3	1,020.1	1,027.2
Sales / Earnings						
Sales revenue	€ million	431.9	434.1	441.1	431.8	405.8
Cost of sales	€ million	340.1	348.0	355.5	349.7	312.8
Gross profit margin		21.3%	19.8%	19.4%	19.0%	22.9%
EBITDA	€ million	49.8	39.0	34.8	37.8	48.4
EBIT / Operating result	€ million	20.3	10.2	6.4	10.6	22.9
EBIT margin		4.7%	2.3%	1.5%	2.5%	5.6%
EBIT pre ppa[1]	€ million	20.8	10.7	6.9	11.8	23.8
EBIT margin pre ppa		4.8%	2.5%	1.6%	2.7%	5.9%
Earnings before taxes	€ million	15.3	1.5	5.4	7.2	21.8
Net income	€ million	7.2	-8.7	-1.1	-0.1	12.3
Net income attributable to shareholders of ElringKlinger AG	€ million	6.7	-8.6	-1.5	-1.2	10.8
Cash flow						
Net cash from operating activities	€ million	58.8	119.4	11.7	50.9	12.8
Net cash from investing activities	€ million	-28.5	-22.0	-32.2	-45.1	-57.8
Net cash from financing activities	€ million	-12.5	-72.1	37.6	-4.3	38.3
Operating free cash flow[2]	€ million	30.8	98.6	-19.3	2.6	-46.5
Balance Sheet						
Balance sheet total	€ million	2,199.3	2,174.1	2,207.1	2,079.7	2,087.1
Equity	€ million	895.5	885.2	902.0	890.1	879.0
Equity ratio		40.7%	40.7%	40.9%	42.8%	42.1%
Net debt	€ million	681.5	699.9	795.5	723.5	728.5
Human Resources						
Employees (as at end of quarter)		10,492	10,411	10,485	10,429	10,231
Stock						
Earnings per share	€	0.11	-0.14	-0.02	-0.02	0.17

[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)

Third quarter and first nine months of 2019 in brief

- **Group revenue** up despite decline in global vehicle production
  – in third quarter (Q3) by 6.4% to EUR 431.9 million (organically 4.0%)
  – in first nine months by 3.1% to EUR 1,307.1 million (organically 2.0%)

- Substantial revenue growth in North America of 25% in Q3 and 28% in first nine months; other regions record growth (except Germany) in Q3, but are down slightly year on year in first nine months; strong Aftermarket business in Q3; Original Equipment segment with largest increases in Lightweighting/Elastomer Technology and E-Mobility divisions in first nine months

- **Group EBIT** before purchase price allocation at EUR 20.8 million in Q3 and EUR 38.4 million in first nine months; EBIT margin before purchase price allocation gradually improves from 1.6% in Q1 and 2.5% in Q2 to 4.8% in Q3; positive effect from internal cost-reduction program; commodity prices remain high

- Cash flow optimization program on track: **operating free cash flow** improves significantly to EUR 30.8 million in Q3 and EUR 110.1 million in the first nine months; disciplined approach to investment spending continues; net working capital scaled back markedly

- **Net debt** reduced by EUR 114.0 million since Q1, down to EUR 681.5 million as of Sep. 30, 2019

- **Order books** robust: order backlog as of Sep. 30, 2019, up by 4.0% year on year

Contents

01 INTERIM GROUP MANAGEMENT REPORT

22 ELRINGKLINGER ON THE CAPITAL MARKET

24 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

– Fremont, USA

Those eager to find out about next-generation mobility should visit the stomping ground of industry visionaries and creative masterminds. ElringKlinger is one of these shakers and movers. Take a visual tour of Silicon Valley on page 26 ff. of »pulse« magazine.

Macroeconomic Conditions and Business Environment

Global economy loses significant momentum

The global economy has cooled markedly in the course of the year so far. In the wake of trade disputes between the USA and China, the world's economic superpowers, each side imposed or announced its intention to impose import tariffs. The resulting downturn in world trade has acted as a drag on global economic growth. Fears of a disorderly, no-deal Brexit have created further uncertainty. The international central banks have sought to counteract the slowdown through stabilization measures and other forms of monetary easing.

In the eurozone, waning external demand weighed heavily on the industrial sector, although the services sector proved more robust. A modest downturn in the euro meant that exports were more competitive, but this provided only minimal relief. The German economy in particular was hit by the decline in exports, with the result that its growth lagged behind that of the eurozone average.

The US economy slowed in the wake of the international trade war but remained strong overall. The labor market is still buoyant, underpinning consumption and the domestic economy as a whole. China's economy is suffering not only from the trade war but also from structural problems. The government has introduced a package of measures, including tax breaks, to stimulate growth. So far, however, these have had only a limited impact.

GDP growth projections

Year-on-year change in %	1st quarter 2019	2nd quarter 2019	3rd quarter 2019
Germany	0.9	0.4	0.4
Eurozone	1.3	1.2	0.9
USA	2.7	2.3	2.1
Brazil	0.5	1.0	1.1
China	6.4	6.2	6.1
India	5.8	5.0	5.5
Japan	1.0	1.0	1.7

Source: HSBC (Sep. 2019)

Global vehicle market on downward trend

For global vehicle production, there was no escape from negative economic developments over the first nine months of 2019. The biggest hit came from weakness in the Asian car market – especially in China, which accounts for more than a quarter of world production – although declines were also recorded in every other region. Trade restrictions and rising tariffs weighed on the sector, as did consumer uncertainty about which type of vehicle drive technology would retain its value while providing environmental benefits.

Light vehicle production

Year-on-year change in %	3rd quarter 2019	9 months 2019
European Union	**2.2**	**-4.1**
Germany	-0.8	-10.0
Eastern Europe[1]	**-1.4**	**-3.7**
Russia	-6.0	-1.2
North America	**-3.8**	**-2.8**
USA	-3.6	-2.6
South America	**-2.9**	**-5.1**
Brazil	1.4	-0.6
Asia-Pacific	**-6.0**	**-8.3**
China	-9.9	-14.0
Japan	2.8	-0.5
India	-16.2	-9.8
Middle East & Africa	**-0.3**	**-10.4**
World	**-3.6**	**-6.2**

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

International sales markets – measured by the number of newly registered passenger cars respectively light vehicles (cars and light commercial vehicles) – also declined in the first nine months of 2019. Brazil proved able to buck this trend with an 8.8% increase year on year, also Japan and the new EU countries recorded modest gains.

Despite strong growth in September, sales in Europe (excluding Russia) fell by 1.6% to 12.1 million new vehicles. Out of the five major national markets in Europe, only Germany was able to report any growth at the end of the nine-month period. By contrast, the UK, France, Italy, and Spain saw declines of between -1.3% and -7.4%. The substantial year-on-year increase seen in September within the region of Europe was mainly due to exceptional circumstances in the preceding year; the introduction of the WLTP emissions standard on September 1, 2018 had led to supply constraints, resulting in a low basis for comparison.

Sales of new cars in China fell by 11.6% to 15.0 million units from January to September 2019. India's passenger car market contracted by 16.4% to 2.2 million units. The main factor here was the crisis in the shadow banking sector, which finances a large proportion of new vehicles.

In the US, sales of light vehicles (passenger cars and light commercial vehicles) were down by 1.1% in the first nine months compared with the previous year.

Gains recorded in most commercial vehicle markets

Overall, figures for new commercial vehicle registrations in the first nine months of 2019 were positive. However, there was evidence of a slowdown in order intake, particularly on the North American market but also in Europe. Over the first three quarters, 5.7% more medium and heavy trucks (>3.5 metric tons) were registered in the European Union than in the previous year. This upturn was particularly strong in the first half of 2019 as buyers brought forward purchases ahead of the new generation of digital tachographs that became mandatory for new vehicles in June. The North American truck market continued to expand on the basis of full order books, with heavy Class 8 trucks delivering another year-on-year increase.

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.

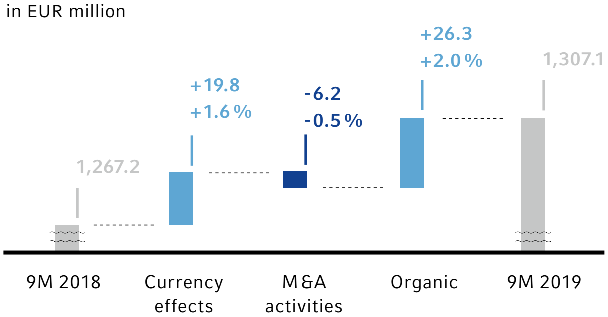
Sales and Earnings Performance

Strong revenue growth amid persistent market weakness

ElringKlinger expanded its Group revenue by 6.4% to EUR 431.9 (Q3 2018: 405.8) million in the third quarter of 2019. This was driven primarily by a sustained surge in growth in North America as well as several new projects that also generated tool-related revenue following the start of production. Overall, the Group moved forward at a much faster pace than the vehicle industry as a whole when expressed in terms of production output. In fact, the automotive sector trended lower across all regions in the same period and saw output decline by 3.6% in total in the quarter under review.

In the first nine months Group revenue rose by 3.1% to EUR 1,307.1 (9M 2018: 1,267.2) million. Excluding currency effects and M&A activities, ElringKlinger managed to lift Group revenue by 2.0% between January and September 2019 and by as much as 4.0% in the period from July to September. To some extent revenue growth was attributable to the translation of US dollars into euros, the Group currency. The sale of the Hug subgroup and new enerday GmbH in the preceding year had a contrary effect in the first nine months, causing a dilution of revenue by 0.5 percentage points.

Factors influencing Group revenue
in EUR million



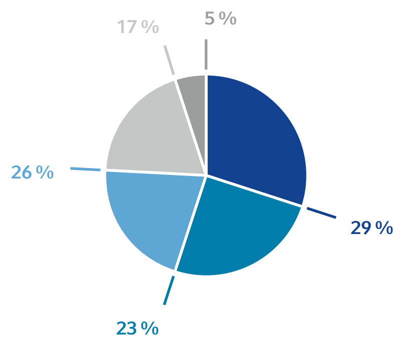
North America remains revenue driver

Having already increased Group revenue by almost 30% in the first half of the year, ElringKlinger again recorded strong growth in the third quarter, which saw revenue from this region expand by 25.0% year on year to EUR 115.4 (Q3 2018: 92.3) million. Between January and September revenues were up by 27.6% to EUR 334.0 (9M 2018: 261.8) million. This was driven by the supply of components used in vehicles for which demand in the American market was more buoyant than originally planned. Additionally, the start-up of the new production plant in Fort Wayne, USA, provided the basis for a number of new product roll-outs that automatically generated higher tool-related revenues. The associated tools were billed accordingly at the start of production. Adjusted for currencies, growth stood at 20.3% in the third quarter and 22.0% in the first nine months. In the financial year to date ElringKlinger has generated 25.6% of its Group revenue in this region, i.e., more than in its home market of Germany (23.0%).

The signs of recovery originally anticipated for the Asia-Pacific region in the second half of the year have as yet failed to materialize. Despite this, ElringKlinger succeeded in expanding revenue by 4.7% – and by 1.0% after adjusting for currency effects – in a market that remains challenging. Overall, the Group generated revenue of EUR 227.9 (9M 2018: 232.9) million in the first nine months, which corresponds to a decline of 2.1%. The Rest of Europe, which is ElringKlinger's largest sales market, also saw revenue expand, up by 4.3% to EUR 119.7 (Q3 2018: 114.8) million in the third quarter. Growth in this region was attributable largely to the Group's successful aftermarket business in Eastern Europe. In the first nine months of 2019, revenue generated in the Rest of Europe fell by 2.0% to EUR 384.8 (9M 2018: 392.7) million. As was the case in the previous quarter, ElringKlinger recorded the most pronounced downturn in revenue in absolute terms within its home market of Germany. Here, sales revenue amounted to EUR 96.5 million, which was 6.3% less than in the same period a year ago (Q3 2018: EUR 103.0 million). This was due mainly to the weaker performance of the automotive industry as a whole in Germany.

The region encompassing South America and Rest of the World saw revenue increase by EUR 1.1 million to EUR 20.0 (Q3 2018: 18.9) million in the quarter under review. At EUR 59.5 (9M 2018: 59.6) million, revenue generated within this region in the first nine months was close to that recorded in the same period a year ago. Adjusted for the effects of currencies, revenue was actually up EUR 0.5 million on the prior-year figure.

Group sales by region Jan.–Sep. 2019



	in EUR million (previous year)	
Rest of Europe	**384.8**	(392.7)
Germany	**301.0**	(320.2)
North America	**334.0**	(261.8)
Asia-Pacific	**227.9**	(232.9)
South America and Rest of the World	**59.5**	(59.6)
Group sales	**1,307.1**	(1,267.2)

Due to the less favorable direction taken by the company's home market, the share of revenue generated abroad rose to 77.7% (Q3 2018: 74.6%) in the third quarter and to 77.0% (9M 2018: 74.7%) in the first nine months of 2019.

Mixed performance in Original Equipment segment

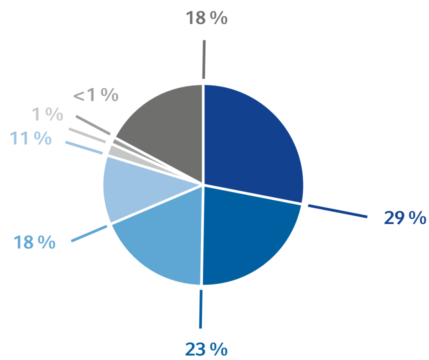
Within the Original Equipment segment, ElringKlinger managed to expand its revenue by 5.5% to EUR 353.0 (Q3 2018: 334.6) million in the third quarter and by 3.0% to EUR 1,075.0 (9M 2018: 1,043.3) million in the period from January to September 2019. The individual fields of business, however, developed along divergent lines. While ElringKlinger was faced with a downturn in revenue that was at times significant in the long-standing divisions of Cylinder-head Gaskets and Specialty Gaskets, demand for products within the area of Lightweighting/Elastomer Technology in particular rose substantially. Here, the Group expanded revenue by 13.9% to EUR 125.3 (Q3 2018: 110.0) million in the quarter under review and by 16.1% to EUR 375.9 (9M 2018: 323.9) million in the first nine months of 2019.

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

ElringKlinger has established a broad technological base within its E-Mobility division, with the portfolio ranging from battery and fuel cell systems to an investment in hofer powertrain. Between January and September the division managed to increase its sales revenue by more than 40% to EUR 19.4 (9M 2018: 13.5) million, with the third quarter of 2019 accounting for EUR 4.6 (Q3 2018: 5.5) million. The Group also established additional production capacity in the United Kingdom and Germany. The Group now has its own site in Austria, responsible for supporting the HQ's research activities in the area of fuel cell technology. The low production volumes and investments in the expansion of future production capacities led to negative earnings before interest and taxes in the E-Mobility division in both the third quarter and the first nine months of 2019.

Despite the positive direction taken by revenues, earnings before interest and taxes in the Original Equipment segment were adversely affected by persistently high capacity utilization in North America and high commodity prices. As a result, earnings before interest and taxes amounted to EUR 6.4 (Q3 2018: 10.3) million in the third quarter and EUR 3.2 (9M 2018: 48.5) million in the first nine months of 2019. It should be noted that the first quarter of 2018 had included a one-time gain of EUR 21.1 million on the disposal of the Hug subgroup.

Group sales by division Jan. – Sep. 2019



	in EUR million	(previous year)
Lightweighting/Elastomer Technology	**375.9**	(323.9)
Shielding Technology	**299.7**	(302.5)
Specialty Gaskets	**232.9**	(238.5)
Cylinder-head Gaskets	**138.4**	(147.6)
E-Mobility[1]	**19.4**	(13.5)
Exhaust Gas Purification	**7.8**	(16.1)
Other	**0.9**	(1.2)
Segment Original Equipment	**1,075.0**	(1,043.3)
Other segments	**232.1**	(223.9)
Group sales	**1,307.1**	(1,267.2)

[1] incl. Drivetrain

Strong Aftermarket business in Middle East and Eastern Europe

Having recorded a temporary slowdown in the first half as a result of sluggish European markets and ongoing geopolitical tensions, the Aftermarket segment was much more robust in the third quarter. ElringKlinger managed to expand its sales revenue in almost all the regions served by the Group. The largest growth rates in absolute terms were attributable to Eastern Europe and the Middle East. The third quarter of 2019 saw revenue within the Aftermarket segment rise by a significant 20.2% to EUR 45.2 (Q3 2018: 37.6) million. In the first nine months it contributed EUR 130.9 (9M 2018: 122.8) million to Group revenues.

In the quarter under review, ElringKlinger continued to cultivate the Chinese and US markets, focusing in particular on optimizing the availability of materials. Having been impacted temporarily by the start-up of the spare parts warehouse in Fremont, USA, in the same quarter a year ago, segment earnings amounted to EUR 8.5 million (Q3 2018: EUR 5.9 million) in the reporting quarter and EUR 22.5 million (9M 2018: EUR 20.7 million) in the first nine months of 2019. The EBIT margin in the third quarter rose to 18.8% (Q3 2018: 15.7%) and to 17.2% in the first nine months (9M 2018: 16.9%).

Engineered Plastics segment feels market downturn across all industries

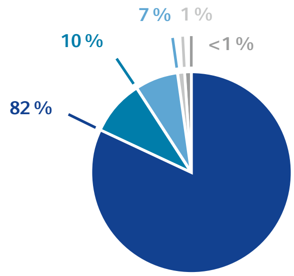
After a significant downturn in demand recorded in the second quarter of 2019, the Engineered Plastics segment was again affected by sluggish markets in the three-month period under review. This applies to almost all of the industries served by the segment. The most severe declines were seen in the area of mechanical engineering and in the automotive category. Despite this, segment revenue in the third quarter amounted to EUR 30.1 (Q3 2018: 30.2) million, which was close to the prior-year level. The first nine months produced marginal growth of 0.2%, taking the figure to EUR 91.0 (9M 2018: 90.8) million.

Segment earnings were again impacted by the latest dip in demand, persistently high fluoropolymer prices, and more pronounced staff costs. However, thanks to restrictive cost management and a number of optimization measures, the decline in segment earnings before interest and taxes in the quarter under review, down to EUR 4.9 (Q3 2018: 6.6) million, was not as severe as in the second quarter of 2019. The EBIT margin recovered to 16.3% (Q3 2018: 21.9%), after 5.9% in the period from April to June 2019. In the first nine months of 2019 segment earnings amounted to EUR 10.7 (9M 2018: 15.9) million, i.e., significantly down on the prior-year figure. Correspondingly, the EBIT margin in this segment fell to 11.8% (9M 2018: 17.5%).

Quarterly revenue and earnings up for Services and Industrial Parks segments

The Services segment, which consists among other things of Elring Klinger Motortechnik GmbH in Idstein, Germany, and ElringKlinger Logistic Service GmbH in Rottenburg/Neckar, Germany, managed to increase its revenue to EUR 2.4 (Q3 2018: 2.3) million and segment earnings before interest and taxes to EUR 0.3 (Q3 2018: 0) million in the quarter under review. As regards the period from January to September 2019, revenues totaled EUR 6.9 (9M 2018: 7.1) million and segment earnings before interest and taxes stood at EUR 0.2 (9M 2018: 0.4) million.

Group sales by segment Jan. – Sep. 2019



		in EUR million	(previous year)
■	Original Equipment	**1,075.0**	(1,043.3)
■	Aftermarket	**130.9**	(122.8)
■	Engineered Plastics	**91.0**	(90.8)
■	Services	**6.9**	(7.1)
■	Industrial Parks	**3.4**	(3.2)
	Group sales	**1,307.1**	(1,267.2)

Rental income within the Industrial Parks segment rose to EUR 1.2 (Q3 2018: 1.0) million in the third quarter and to EUR 3.4 (9M 2018: 3.2) million in the first nine months. As parts of the Industrial Parks segment were reclassified to "Assets held for sale" and depreciation/amortization relating to the industrial park in Idstein, Germany, expired in the period under review, segment earnings before interest and taxes rose slightly to EUR 0.2 (Q3 2018: 0.1) million in the third quarter and to EUR 0.4 (9M 2018: 0.1) million in the first nine months of 2019.

Conservative HR policy, new vocational trainees

The strict program aimed at cost streamlining also had an impact on the ElringKlinger Group's HR policy. Staffing levels remained largely unchanged at many of the sites compared to the second quarter of 2019; as planned, the Group downsized its workforce in the United Kingdom and Switzerland. Only North America saw relatively pronounced recruitment activity, prompted by sustained buoyancy in demand and several new product roll-outs. Additionally, 47 new employees took up their vocational training at ElringKlinger in September 2019, with a strong focus on Germany. For these reasons, the headcount within the ElringKlinger Group as of September 30, 2019, changed only marginally by 0.8% and 0.6%, respectively, to 10,492 employees compared with both June 30, 2019 (10,411 employees), and December 31, 2018 (10,429 employees).

The headcount abroad remained unchanged at 58.5% (Dec. 31, 2018: 58.5%) as of September 30, 2019. Thus, the proportion of staff members employed at domestic facilities was the same at 41.5% (Dec. 31, 2018: 41.5%).

Operating profit benefits from cost-reduction measures

ElringKlinger has been making a committed effort to streamline its costs within the Group since as early as the first quarter of 2019. The positive effects of these measures were reflected in cost of sales, selling expenses, general and administrative expenses, and research and development (R&D) costs in the third quarter, which were scaled back significantly in some cases compared to the first quarter of 2019. Additionally, the plants in North America and Switzerland continued to optimize their cost structures. However, the improvement in earnings achieved from quarter to quarter in 2019 continues to be obscured by the current market downturn. This is not conducive to creating the conditions needed to achieve a sustained improvement in the Group's earnings situation.

Gross profit margin impacted by commodity prices

The cost of sales rose to EUR 340.1 (Q3 2018: 312.8) million in the third quarter of 2019 and to EUR 1,043.6 (9M 2018: 979.2) million in the first nine months. Correspondingly, the gross profit margin fell to 21.3% (Q3 2018: 22.9%) in the third quarter and to 20.2% (9M 2018: 22.7%) in the first nine months. In this context, persistently high commodity prices for alloyed high-grade steels (especially chromium-nickel alloys), aluminum, polyamide-based polymer granules exerted downward pressure on the gross profit margin. The third quarter of 2019 saw, in particular, a significant rise in the price of nickel, a raw material that is traded exclusively on the stock exchange and therefore cannot be fixed by master agreements. The price of aluminum, which had reached an all-time high in the third quarter of 2018, edged back slightly in the quarter under review. In addition, some of the anti-dumping and countervailing duties paid in the first half of 2019 were reimbursed to the Group in the quarter under review, which had a corresponding effect on revenue. The aforementioned duties had been imposed in respect of aluminum imported into the United States from China. Additionally, sustained buoyancy in global demand for plastic granules, which are used by ElringKlinger in the manufacture of lightweight products, meant that prices remained high in the third quarter. Together with a high proportion of tools, the cost of materials rose by 14.6% in the third quarter of 2019 compared with the same quarter of the previous year and by 9.6% in a nine-month comparison. ElringKlinger is countering higher commodity prices with a broader supply base and the step-by-step execution of price escalation clauses. However, these measures can only take full effect gradually. On this basis, the Group anticipates that the measures will have a positive impact on earnings in the medium term.

Staff costs rose at a slower rate relative to revenue growth, up by 4.7% to EUR 134.7 (Q3 2018: 128.7) million in the third quarter of 2019. This reflects the Group's current HR policy, with a cost-cutting program stipulating that new hires should be limited to exceptional cases that are justifiable, such as the necessary expansion of the personnel base in North America. In total, staff costs in relation to revenue fell to 31.2% (Q3 2018: 31.7%) in the quarter under review. In the first nine months of 2019 staff costs increased by 6.0% to EUR 419.8 (9M 2018: 395.9) million and staff costs in relation to revenue rose to 32.1% (9M 2018: 31.2%).

Persistently strong revenue growth in North America and the associated operational challenges at the respective production companies based in this region have propelled selling expenses upward in recent quarters. In order to address the issue of capacity constraints, ElringKlinger has already implemented a number of expansion, automation and efficiency improvement measures. The first positive effects of these measures were felt in the third quarter of 2019, when selling expenses were scaled back by EUR 2.2 million to EUR 32.6 million (Q3 2018: EUR 34.8 million). In the nine-month period from January to September 2019 they were down EUR 3.4 million on the prior-year figure and totaled 102.9 (9M 2018: 106.3) million.

General and administrative costs were up primarily as a result of the direction taken by staff costs, as discussed earlier, rising to EUR 21.3 (Q3 2018: 20.5) million in the third quarter and to EUR 66.2 (9M 2018: 63.1) million in the first nine months of 2019. Other operating income fell by EUR 2.8 million to EUR 2.1 (Q3 2018: 4.9) million in the quarter under review. Between January and September 2019, they declined to EUR 7.6 (9M 2018: 35.6) million. In this context, the figure for 2018 included a gain of EUR 21.1 million from the disposal of the Hug subgroup.

Research and development ratio at close to 5%

ElringKlinger made the decision at an early stage to channel almost all its research and development efforts into new technologies centered around electromobility. Thus, the quarter under review saw a strong focus on E-Mobility, New Business Areas, and Lightweighting/Elastomer Technology. In the first nine months, research and development expenses amounted to EUR 55.9 (9M 2018: 58.9) million, of which EUR 7.8 (9M 2018: 5.7) million were capitalized. The capitalization ratio was 12.2% (9M 2018: 8.8%). The third quarter, which saw EUR 2.6 (Q3 2018: 4.6) million in development costs capitalized, accounted for EUR 16.1 (Q3 2018: 17.9) million. The capitalization ratio thus stood at 13.9%, which was visibly lower than in the same quarter a year ago (Q3 2018: 20.4%).

Between January and September 2019, the Group expended 4.9% (9M 2018: 5.1%) of revenue on research and development (incl. capitalized R&D expenses); 4.3% (Q3 2018: 5.5%) of revenue was attributable to the quarter just ended.

Gradual improvement in EBIT margin during financial year

In the third quarter, earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled EUR 49.8 (Q3 2018: 48.4) million, which was comparable to the prior-year figure – proving that the effects of the optimization measures initiated are having a positive impact on the Group's financial performance. Looking at the first nine months of 2019, however, the Group still fell well short of the previous year's figure, with EBITDA amounting to EUR 123.6 (9M 2018: 158.8) million.

Earnings before interest and taxes (EBIT) fell to EUR 36.9 (9M 2018: 85.6) million in the first three quarters of 2019, with the third quarter accounting for EUR 20.3 (Q3 2018: 22.9) million of this total. Eliminating depreciation/amortization relating to purchase price allocation, Group EBIT before purchase price allocation totaled EUR 38.4 million in the period from January to September 2019, compared to EUR 88.5 million (including gain on disposal of the Hug subgroup) in the first three quarters of 2019. The third quarter of 2019 accounted for EUR 20.8 (Q3 2018: 23.8) million. After an EBIT margin of 1.5% in the first quarter and 2.3% in the second quarter, ElringKlinger increased this figure to 4.7% (Q3 2018: 5.9%) in the quarter under review.

Net result from currency translation up slightly

In the first three quarters, the net foreign exchange gain was up by EUR 0.3 million at EUR 2.3 (9M 2018: 2.0) million, particularly as foreign exchange losses were lower than in the same period a year ago. By contrast, the net interest result fell by EUR 3.9 million to EUR - 14.2 (9M 2018: - 10.4) million. In the quarter just ended, higher foreign exchange losses and interest expenses, in particular, as well as the negative earnings contribution made by associates led to net finance costs of EUR - 5.0 (Q3 2018: - 1.0) million.

Effective tax rate at a high level

At EUR 24.8 (9M 2018: 26.2) million, income tax expenses in the first nine months were down slightly on the prior-year figure. The high tax rate in the first nine months was attributable primarily to losses incurred by subsidiaries for which no deferred taxes were recognizable.

After deducting income taxes, net income in the third quarter stood at EUR 7.2 (Q3 2018: 12.3) million. In the first three quarters, net income amounted to EUR - 2.6 million, compared with EUR 48.0 million in the same period a year ago. Net income attributable to the shareholders of ElringKlinger AG stood at EUR - 3.4 (9M 2018: 45.0) million. Of this total, an amount of EUR 6.7 (Q3 2018: 10.8) million was attributable to the reporting quarter. The number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990. Calculated on this basis, earnings per share stood at EUR 0.05 (9M 2018: 0.71) in the first nine months of 2019 and EUR 0.11 (Q3 2018: 0.17) in the third quarter of 2019.

Financial Position and Cash Flows

With an equity ratio of 40.7% and net cash from operating activities of EUR 189.9 million in the first nine months of 2019, the financial position and cash flows of the ElringKlinger Group remain solid. After extensive investment spending in recent years, partly in support of growth and partly in timely technological preparation for the ongoing transformation process, the company has been pursuing a disciplined approach since the beginning of the current financial year. In combination with targeted measures aimed at reducing capital tied up in net working capital[1], this resulted in operating free cash flow[2] of EUR 110.1 million in the period from January to September 2019. Consequently, net debt (current and non-current financial liabilities less cash) was also scaled back gradually.

Financial key figures

EUR million	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018
Net Working Capital	**478.3**	**498.9**	**568.0**
Net working capital in relation to sales	27.5%	29.1%	33.4%
Net Debt [1]	**681.5**	**699.9**	**723.5**
Net debt/EBITDA [1]	4.2	4.4	3.7
Equity ratio	**40.7%**	**40.7%**	**42.8%**
	3rd Quarter 2019	**2nd Quarter 2019**	**4th Quarter 2018**
Investments in property, plant, and equipment	25.4	20.7	41.9
Operating free cash flow	30.8	98.6	2.6

[1] Prior year comparison diluted by first time adoption IFRS 16

Total assets up due to effects of IFRS 16

The ElringKlinger Group's total assets amounted to EUR 2,199.3 million as of September 30, 2019, (Sep. 30, 2018: EUR 2,087.1 million), up EUR 119.6 million on the figure recorded at the end of 2018 (EUR 2,079.7 million). This increase is attributable largely to effects associated with the initial application of International Financial Reporting Standard (IFRS) 16 "Leases" – applicable since January 1, 2019. As ElringKlinger chose the modified retrospective method, the prior-year figures have not been restated. The standard requires the rights of use to the leased asset to be recognized as an asset and the lease liability to be carried as a liability at the present value of the remaining lease payments. The rights of use amounted to EUR 49.5 million as of September 30, 2019, and were accounted for in property, plant, and equipment. Lease liabilities totaled EUR 50.3 million and have been recognized in current and non-current financial liabilities. For further information about the initial application of IFRS 16, please refer to the Notes.

The increase in total assets was also influenced, to less extent, by the translation of the separate financial statements into the Group currency, the euro, as of September 30.

Share of non-current assets stable at 60%

Non-current assets totaled EUR 1,314.4 (Sep. 30, 2018: 1,237.4) million as of September 30, 2019, representing a stable proportion of around 60% of total assets. At EUR 1,059.9 million, property, plant, and equipment constituted the largest item with the category of assets. Excluding the effects of IFRS 16 outlined above, property, plant, and equipment have risen only slightly since the end of 2018 (EUR 997.8 million), up by EUR 12.6 million or 1.3%. Adjusted for currencies, additions to this item during the reporting period corresponded roughly to depreciation and amortization.

In the second quarter of 2019 real estate and land attributable to the Industrial Parks segment were reclassified from the

[1] Inventories as well as trade receivables and current contract assets less trade payables and less current contract liabilities
[2] Cash flow from operating activities less cash flow from investing activities, adjusted for cash flows in respect of M&A activities and financial assets

Current and non-current assets

EUR million	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018
Intangible assets	196.1	194.0	190.3
Property, plant, and equipment	1,059.9	1,045.6	997.8
Other items of non-current assets	58.4	58.8	69.3
Non-current assets	**1,314.4**	**1,298.4**	**1,257.4**
Inventories and current contract assets	395.1	402.7	407.7
Trade receivables	266.0	277.4	306.4
Other items of current assets	204.7	176.7	102.2
Current assets	**865.8**	**856.8**	**816.3**
Assets held for sale	19.0	18.9	6.0
Total assets	**2,199.3**	**2,174.1**	**2,079.7**

item referred to as “Investment property” to the line item entitled “Assets held for sale.” After the reporting period a contractual agreement was signed with a buyer covering the sale of the aforementioned industrial park (cf. Notes, page 40).

Optimization of net working capital takes effect

The extensive measures initiated by the Management Board for the purpose of fine-tuning net working capital[1] gradually took effect over the course of the first three quarters. Capital tied up in procurement, production, and distribution processes was scaled back, while the inflow of cash from operating activities was higher.

Capital employed within the area of inventories and trade receivables, in particular, was reduced considerably with the help of various instruments. Together with current contract assets, it makes up working capital. Compared with the figure reported at the end of 2018 (EUR 714.0 million), the latter fell by EUR 52.9 million (by EUR 65.6 million once adjusted for currency effects) and amounted to EUR 661.2 (Sep. 30, 2018: 744.9) million. This was attributable primarily to lower trade receivables and, within inventories, the reduction in tool-related items, which are generally accounted for here until the start of series production.

At the same time, payment terms were exhausted or extended on the supplier side. Compared with the figure reported at the end of 2018, trade payables rose by EUR 29.9 million to EUR 165.5 (Sep. 30, 2018: 121.5) million as of September 30, 2019.

As a result of these targeted measures, net working capital fell markedly to EUR 478.3 (Sep. 30, 2018: 613.8) million, down from EUR 568.0 million as of December 31, 2018.

Other current assets amounted to EUR 89.6 (Sep. 30, 2018: 54.1) million as of September 30, 2019. The increase is attributable to collateral, advance payments to suppliers, and tax receivables.

Incoming payments from customer receivables led to a short-term increase in cash at the end of the reporting period, taking the figure to EUR 106.8 (Sept 30, 2018: 42.6) million.

High equity ratio of 40% of balance sheet total

Equity increased by EUR 5.4 million in the first nine months of 2019, rising from EUR 890.1 million at the end of 2018 to EUR 895.5 million. The change includes the allocation of net income for the period of EUR - 2.6 million as well as foreign exchange translation differences, which are recognized in other reserves with regard to the consolidation of Group subsidiaries outside the eurozone.

Overall, the equity ratio of 40.7% (Sep. 30, 2018: 42.1%) remains within the solid range of 40 to 50% targeted by management.

Current and non-current provisions totaled EUR 33.0 (Sep. 30, 2019: 36.0) million at the end of the third quarter of 2019, compared to EUR 30.4 million at the end of 2018. In the third quarter of 2019, non-current provisions relating to anniversaries increased slightly; the carrying amount of this item was adjusted mathematically primarily due to changes in market interest rates.

Current and non-current liabilities

EUR million	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018
Equity	**895.5**	**885.2**	**890.1**
Provisions for pensions	126.2	125.4	124.4
Non-current financial liabilities	560.2	591.4	472.0
Other items of non-current liabilities	60.8	53.0	46.1
Non-current liabilities	**747.2**	**769.8**	**642.5**
Trade payables incl. current contract liabilities	182.9	181.2	146.0
Current financial liabilities	228.2	196.6	296.8
Other items of current liabilities	145.4	141.2	104.3
Current liabilities	**556.5**	**519.0**	**547.1**

Improved maturity structure through syndicated loan

The syndicated loan concluded in February 2019, totaling EUR 350 million (cf. "Significant Events") helped to improve the maturity structure of existing financial liabilities. The Group has utilized part of the loan for the purpose of corporate financing over the course of the year to date.

Net debt pared back significantly

In the second and third quarters of 2019 ElringKlinger managed to scale back net debt (current and non-current financial liabilities less cash) by EUR 114.0 million. This positive development is attributable primarily to the improvement in net working capital described above as well as the disciplined approach to capital expenditure. When comparing the figures with those at the end of 2018 (EUR 723.5 million), it should be noted that the first-time application of IFRS 16 resulted in an increase of EUR 50.3 million.

The net debt/EBITDA ratio has improved gradually during 2019 from 4.7 in the first quarter to 4.2 at the end of the third quarter (Sep. 30, 2018: 3.4). Here, too, year-on-year comparisons are diluted by the application of IFRS 16. Excluding this effect, the net debt/EBITDA ratio was 4.1 as of September 30, 2019.

The total carrying amount of other current liabilities was EUR 113.9 (Sep. 30, 2018: 109.9) million; this item mainly includes accruals and deferrals relating to personnel as well as for services outstanding and other future expenses.

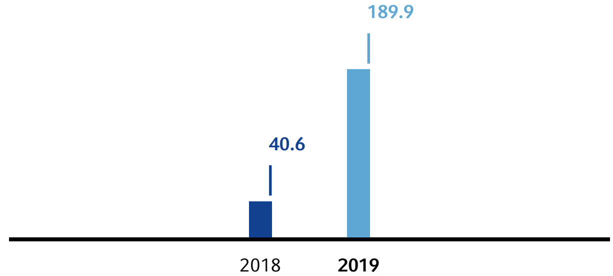
Substantial operating cash flow of EUR 190 million

In the first nine months of 2019, the ElringKlinger Group generated net cash from operating activities of EUR 189.9 million. Of this total, EUR 11.7 million was attributable to the first, EUR 119.4 million to the second, and EUR 58.8 million to the third quarter. Compared to the inflow of cash in the first nine months a year ago, which saw a total of EUR 40.6 million generated from operating activities, this represents a significant improvement.

This performance is attributable mainly to the above-mentioned measures aimed at optimizing net working capital. The change in net working capital and other assets and liabilities not attributable to financing activities resulted in a cash inflow of EUR 23.4 million in the third quarter of 2019 and EUR 104.2 million in the first nine months, whereas the same periods a year ago had seen outflows of EUR 10.6 million and EUR 56.3 million respectively.

Due to the provisions set out in IFRS 16, the cash outflow for operating lease payments has no longer been included in cash flow from operating activities since 2019. Instead, payments from leasing transactions are accounted for by means of the repayment of financial liabilities and thus included in cash flow from financing activities. Regarding the statement of operating cash flow, this fact is reflected in higher depre-

Cash flow from operating activities Jan.–Sep.
in EUR million



ciation and amortization compared with the previous year, which is eliminated in the presentation of operating cash flow. In the first nine months of 2019, depreciation and amortization (less write-ups) of non-current assets amounted to EUR 86.7 (9M 2018: 73.2) million. This includes the depreciation/amortization component of EUR 9.2 million from the initial application of IFRS 16.

The item classified as "other non-cash expenses and income" mainly includes eliminations relating to currency translation. The prior-year figure also includes the gain on disposal of the Hug Group that was deconsolidated in 2018.

Investments in property, plant, and equipment down sharply

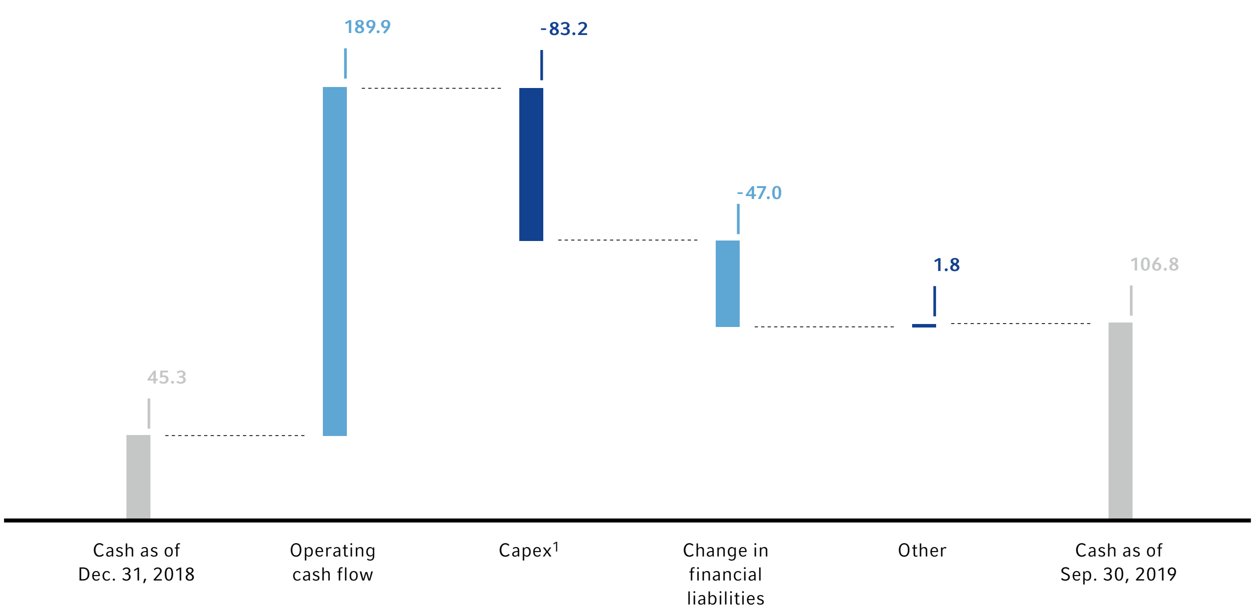
Having invested in capacity expansions and modernization measures at its production sites worldwide in recent years and thus created a very good basis for further business development, the Group has now been able to reduce investments to a significantly lower level, as planned, since the current financial year. Compared to the same period a year ago, payments for investments in property, plant, and equipment fell by almost 40% to EUR 74.9 (9M 2018: 121.6) million in the first nine months. In the third quarter, they declined by more than half to EUR 25.4 (Q3 2018: 53.9) million.

Accordingly, the investment ratio (capital expenditure on property, plant, and equipment and investment property in relation to Group revenue) fell sharply to 5.9% (Q3 2018: 13.3%) in the third quarter and to 5.7% (9M 2018: 9.6%) in the period from January to September 2019.

The largest investment within the Group relates to the technology center for e-mobility currently being built at the main site in Dettingen/Erms, Germany. Its focus will be on future research and development activities in the field of battery and fuel cell technology. Completion is scheduled for 2020. Another focus of investment spending was on the North American plants, where measures were required for capacity adjustments, automation, and product ramp-ups. The new plant built in Fort Wayne, USA, in 2018 has seen the ramp-up of serial production of thermal and acoustic shielding systems in recent months.

At one German site, efforts to establish series production capabilities for complete battery systems continued. Beyond this, investment spending on property, plant, and equipment was mainly directed at production machinery related directly to series ramp-ups or the improvement of efficiency and operational performance.

Changes in cash Jan.–Sep. 2019
in EUR million



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

Payments for intangible assets, which also include capitalized development costs, amounted to EUR 8.4 (9M 2018: 8.6) million in the first nine months of 2019.

Overall, net cash used in investing activities totaled EUR -28.5 (Q3 2018: -57.8) million in the third quarter and EUR -82.8 (9M 2018: -75.7) million in the first nine months of 2019. The prior-year figure included a payment of EUR 53.5 million received for the sale of the Hug Group.

Operating free cash flow at EUR 110 million

Due to the substantial inflow of cash from operating activities, which by far exceeded investment spending, the ElringKlinger Group saw operating free cash flow move well into positive territory both in the third quarter of 2019 and the first nine months (cash flow from operating activities less cash flow from investing activities[1]). Compared to the equivalent prior-year figures, which were negative and resulted in cash outflows, this is a positive trend. Operating free cash flow amounted to EUR 30.8 (Q3 2018: -46.5) million in the third quarter and EUR 110.1 (9M 2018: -88.8) million in the first nine months.

Cash flow from financing activities dominated by loan repayments

Net cash used in financing activities, amounting to EUR 47.0 (9M 2018: net inflow of 34.3) million during the first nine months of 2019, was attributable mainly to the repayment of long- and short-term loans (netted against borrowings). In the third quarter of 2019 a net amount of EUR 12.5 million was used in financing activities, while the same quarter a year ago had seen a net total of EUR 38.3 million taken on by the Group.

Alongside the financial accomplishments at an operating level, the decision taken by the Management Board and Supervisory Board in March 2019 to suspend the dividend payment for the previous financial year in 2019 also strengthened internal financing. In the first nine months of 2018, the Group paid EUR 33.6 million to shareholders and non-controlling interests in respect of the dividend distribution in the previous year.

With a cash position of EUR 106.8 million and undrawn credit lines of around EUR 130 million, the Group had sufficient financial leeway as of September 30, 2019.

Opportunities and Risks

The automobile industry remains in the grip of an economic downturn. The world's three key markets – China, North America, and Europe – in particular have been showing signs of a slowdown since the beginning of the year, in some cases severe (cf. "Macroeconomic Conditions and Business Environment"). Projections issued by banks, industry associations, and information services have gradually been revised downward for 2019. On the basis of these figures, ElringKlinger now anticipates that global vehicle production will fall by -6% to -4%, although it remains difficult to be precise about the extent of the contraction given the numerous political and economic uncertainties and the volatile and strained environment.

Nevertheless, the ElringKlinger Group continues to maintain its revenue target of growing organically by 2 to 4 percentage points above the rate of growth in the global market.

As regards the further assessment of opportunities and risks for the ElringKlinger Group in the third quarter and first nine months of 2019, there were no material changes compared with the corresponding statements made 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-opprtunities-and-risks.

[1] Adjusted for cash flows in respect of acquisitions and divestments as well as outflows/inflows for financial assets

Report on Expected Developments

Outlook – Market and Sector

Global economic growth slows sharply

Following the slowdown in growth over the course of the year so far, the rate of global economic expansion in 2019 as a whole will also be noticeably lower than in 2018. According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2019, global GDP will increase by 3.0%, compared with 3.6% the year before. The expansion is being held in check primarily by simmering trade conflicts, higher tariffs, and – as a consequence – businesses' waning appetite for investment. The effects are being felt in the industrial sector in particular. Geopolitical tensions and the still-unclear outcome of Brexit negotiations are a further source of uncertainty. In addition, economies such as Germany, where the automotive industry has a heavy sector weighting, are suffering the effects of the softening in vehicle markets. Against this strained backdrop, international central banks are trying to limit the economic slowdown through globally loose monetary policy.

GDP growth projections

Year-on-year change in %	2018	Projections 2019	Projections 2020
World	**3.6**	**3.0**	**3.4**
Advanced economies	2.3	1.7	1.7
Emerging and developing countries	4.5	3.9	4.6
Germany	1.5	0.5	1.2
Eurozone	1.9	1.2	1.4
USA	2.9	2.4	2.1
Brazil	1.1	0.9	2.0
China	6.6	6.1	5.8
India	6.8	6.1	7.0
Japan	0.8	0.9	0.5

Source: International Monetary Fund (Oct. 2019)

Global vehicle markets on a downward trend in 2019

At the beginning of the year, the trend in global vehicle production in 2019 as a whole looked set to be quite different from what has actually occurred so far: a weak first half of the year – driven mainly by China, the most important market worldwide – was expected to be followed by a sharp recovery in the second half of the year. Month after month, industry experts' forecasts have been revised down: a downward trend is now expected in all regions in 2019.

The declines are especially severe in Asia and, within this region, in China in particular, which is forecast to see a double-digit percentage fall in 2019, by far the biggest contraction. Besides the aforementioned issue of tariffs, weaker economic growth, stricter environmental protection regulations, and expiring subsidies are further reasons for the softening. The Indian market is also regarded as weak.

In North America, light vehicle production in Mexico and Canada is faltering to a greater extent than in the USA. Forecasts for the fourth quarter in this region have been revised down again just recently. The same downward trend is anticipated in the South American market, although Brazil will likely be able to counter it.

Industry experts believe that the decline in European vehicle production will likewise be unstoppable in the remaining quarter of 2019. Production figures in Germany are likely to remain below-average.

Overall, estimates by automotive industry analysts at leading banks, research houses, and industry associations vary considerably. While associations anticipate a decline of 4%, data and information services are more pessimistic, expecting a year-on-year contraction of over 5%. Forecasts for

2019 have gradually been reduced, from slight growth initially to a noticeable decline. Based on these figures, global vehicle production is expected to fall by -6% to -4% in 2019, although it remains difficult to be precise about the extent of the contraction given the numerous political and economic uncertainties and the volatile and strained environment.

Sales markets go into reverse

According to automotive industry associations, global automotive sales will also fail to match up to the previous year in 2019. For full-year new vehicle registrations, Germany's VDA foresees a stagnation on the level of 15.6 million passenger cars in Europe (EU28 and EFTA), a fall of 2% to 16.9 million light vehicles in the USA, and a fall of 10% to 20.9 million passenger cars in China.

Outlook for commercial vehicle markets

Activity in European and US commercial vehicle markets remains at a high level in 2019. Reflecting the wider economic slowdown, however, the market in Europe is showing signs of slight cooling. Overall, however, the industry is benefiting from the increasing trend towards online retailing and the associated growth in transport volumes. Although new orders in the United States have fallen sharply so far in 2019, it is likely that production this year has not yet been affected.

Light vehicle production

Vehicles (millions)	2018	Projections 2019	Change in %
European Union	**18.8**	**18.3**	**-2.5**
Germany	5.4	5.0	-6.1
Eastern Europe[1]	**3.5**	**3.4**	**-2.8**
Russia	1.7	1.6	-1.3
North America	**16.9**	**16.3**	**-3.5**
USA	11.0	10.7	-2.8
South America	**3.4**	**3.3**	**-2.7**
Brazil	2.8	2.9	2.4
Asia-Pacific	**48.0**	**44.2**	**-7.9**
China	25.9	22.2	-14.3
Japan	9.0	8.9	-1.1
India	4.7	4.5	-5.3
Middle East & Africa	**2.6**	**2.5**	**-6.2**
World	**93.3**	**88.1**	**-5.6**

[1] Including Russia

Source: PwC Autofacts (Sep. 2019)

Outlook – Company

Order intake up by 6%

Despite the general market malaise, ElringKlinger's order books remain very robust. In the third quarter of 2019, order intake amounted to EUR 437.6 million, which represents a year-on-year increase of EUR 25.8 million or 6.3%. Adjusted for currency effects, this figure was up by EUR 3.2 million or 0.8%. As the global market outlook for the three-month period is poor, it would appear likely on this basis that ElringKlinger will perform better than the market as a whole not only in the fourth quarter but also in the current financial year.

The situation is similar with regard to order backlog, which totaled EUR 1,068.7 million as of September 30, 2019. This was EUR 41.5 million or 4.0% above the figure recorded after the first nine months of the previous year. If exchange rates had remained unchanged, the figure would still have been up by EUR 19.8 million or 1.9%.

Challenging business climate

The market environment is exposed to a number of political and economic uncertainties. Influencing factors such as trade disputes, various Brexit scenarios, and geopolitical conflicts in the Middle East can have an impact on the economy as a whole. This is compounded by the economic downturn currently seen within the global automotive industry. The key markets around the globe – China, North America, and Europe – in particular are showing signs of an annual slowdown, in some cases severe. Despite this situation, based also on its robust order books, ElringKlinger is still of the opinion that its performance in terms of revenue will be better than that seen within the market as a whole. Against this background, the Group remains confident that it can outpace the expansion in global automobile production by 2 to 4 percentage points in terms of organic revenue growth. Depending on the general development of demand and new product ramp-ups, revenue growth may also be slightly higher.

Earnings influenced by start-up costs, cost streamlining program, and sale of real estate

In the third quarter of 2019, sales increases in North America could not make a noticeable contribution to earnings, which is primarily reasoned by the persistently strong demand as well as start-up costs at the new plant in Fort Wayne, USA. Raw material prices remained at a fundamentally high level. In addition to trade tariffs, these effects will also have an impact on earnings in 2019 as a whole.

The Group took countermeasures at an early stage during the current financial year and initiated a cost-cutting program that will continue to have a favorable impact. ElringKlinger is also set to generate income in the high single-digit million-euro range from a real estate sale. Taking into account these factors and challenging market conditions, the Group continues to expect to achieve its annual target of an EBIT margin before purchase price allocation of around 4 to 5%. This assumes that no further significant externalities emerge as a drag on earnings and that markets do not weaken any further than already anticipated.

Continuation of cash flow optimization

The improvement in key financial indicators continued in the third quarter of 2019. As a result, the Group expects to achieve positive operating free cash flow in the current financial year as targeted. This is based on a consistently disciplined investment approach of less than 9% of revenue and an improvement in the net working capital ratio – compared to the figure reported at the end of 2018 – of 33.4% of total revenue. With a figure of 27.5%, the Group was well on track as of September 30, 2019. Thanks to the positive direction taken by cash flow, the Group was able to reduce its net debt. Overall, the Group remains confident that it can improve its net debt ratio (net debt/EBITDA), taking into account the effects of IFRS 16, by the end of the financial year when compared to the figure posted at the end of 2018.

The return on capital employed (ROCE) is expected to be lower than in the previous year due to the earnings trend in the current financial year. The Group also continues to anticipate that R&D costs will lie within a range of 5 to 6% of Group revenue, while the equity ratio is expected to be within the long-term corridor of 40% to 50% of the balance sheet total.

Mid-term outlook

The challenges seen at an operational level have no bearing on the Group's mid-term projections: as an early mover in the field of alternative drive technology, ElringKlinger has established an excellent vantage point from which to engage in the process of transition within the automotive industry. At the same time, the company's strong market position with regard to long-standing products provides a very solid foundation. Therefore, the Group remains confident that it can continue to exceed the expansion rate of global car production in terms of organic revenue growth. Turning to earnings performance, as in the past the Group anticipates that it can gradually improve profitability calculated on the basis of its EBIT margin before purchase price allocation. Based on the expected improvements in earnings and working capital, the Group anticipates an increase in its return on capital employed (ROCE).

Dettingen/Erms, November 6, 2019
The Management Board

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

ElringKlinger on the Capital Market

Stock markets impacted by setbacks surrounding trade dispute

Stock markets were again kept in suspense during the third quarter of 2019 amid concerns over the open trade conflict between the United States and China. After the two countries had agreed at the G20 summit held towards the end of June to resume trade negotiations, the situation deteriorated again in August with the introduction of new punitive tariffs by both parties. Alongside this latest escalation, less favorable projections for the world economy also caused anxiety among investors. By contrast, monetary policy measures, in particular, were among the key factors behind the sustained buoyancy of equity markets. The European Central Bank resumed its bond-buying program, the US Federal Reserve lowered its benchmark interest rates twice in succession, and China loosened its monetary policy by means of an interest rate reform. During the third quarter of 2019, markets also received further support from robust economic data in the United States as well as the reduced likelihood of a hard Brexit.

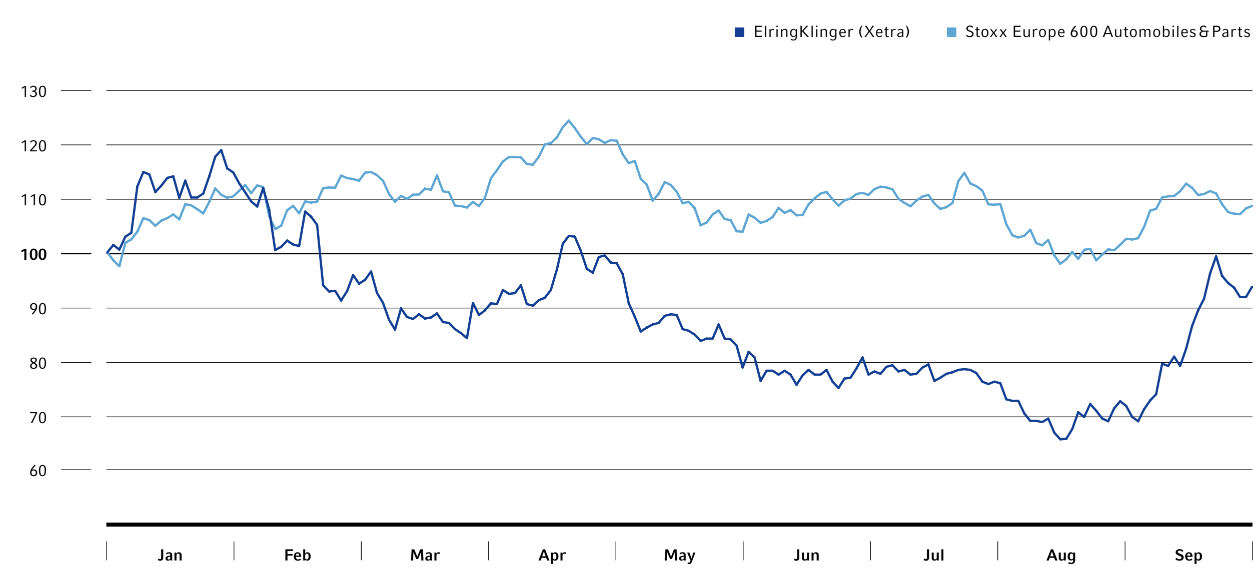
ElringKlinger stock recovers toward end of quarter

Having completed the first six months of 2019 at a level of EUR 5.32, ElringKlinger's share price initially trended sideways for much of July due to seasonal factors. In the run-up to the publication of the report for the first half of the financial year, scheduled for early August, however, the company's shares then fell below the supporting level of five euros, thus generating more pronounced sell-side pressure. Despite the announcement that cash flow had moved well into positive territory over the course of the first six months of 2019, the company's share price showed no signs of an immediate upturn. In mid-August, ElringKlinger's stock fell to an annual low of EUR 4.42. Having bottomed out, the company's share price gradually recovered and returned to a level of between six and seven euros. As of September 30, 2019, ElringKlinger's share price stood at EUR 6.36.

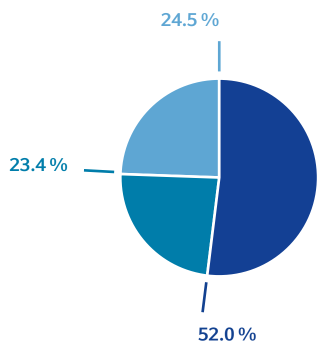
Trading volume in first nine months of 2019

The trading volume of ElringKlinger stock fell short of the prior-year level in the first nine months of 2019. With an average of 96,800 (9M 2018: 141,300) shares traded per stock exchange day, however, the overall volume remained

ElringKlinger's share price performance from January 1 to September 30, 2019 (indexed)
in %



Shareholder structure as of September 30, 2019



solid. The average daily value of ElringKlinger shares traded on German stock exchanges was around EUR 0.6 million (9M 2018: around EUR 2.0 million). Therefore, a consistently high level of liquidity was available for institutional investors to also conduct larger share transactions.

Capital market communications driven by IAA

ElringKlinger maintained its dialogue with target groups across the capital markets during the third quarter of 2019. In the period from July to September the company attended three capital market conferences in Germany, presenting its business to an audience primarily made up of international investors. Its Investor Relations activities also included a road show in the financial hub of London.

As part of the International Motor Show (IAA) in September 2019, ElringKlinger's Investor Relations team organized a number of meetings with investors, financial analysts, and representatives of the business press, in addition to conducting guided tours of the exhibition stand. They were able to gain first-hand insights into the Group's technological expertise by visiting the trade show booth of ElringKlinger.

Under the heading of "your e-xpress lane" ElringKlinger showcased innovative components and system solutions for alternative drive technology at the IAA exhibition. Committed to driving change in the automotive industry toward e-mobility, the Group has been pursuing a multifaceted approach with regard to the technology involved. With this in mind, ElringKlinger presented not only its PEM fuel cell stack with exceptional performance capabilities but also products for electric drivetrains as well as systems and components within the area of battery technology.

Award for ElringKlinger annual report

The annual report of ElringKlinger AG for the 2018 financial year received several rewards as part of highly acknowledged communication and design competitions. The panel of judges of the League of American Communications Professionals (LACP) presented ElringKlinger with an LACP Vision Awards gold medal within the category of Automobiles & Components. Thus, ElringKlinger again made it onto the winners' podium of this competition. As part of the Automotive Brand Contest, an international design competition for automotive brands, ElringKlinger was also among the winners in the Corporate Publishing category, as in the previous year.

ElringKlinger stock (ISIN DE 0007856023)

	Jan.–Sep. 2019	Jan.–Sep. 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	4.42	9.56
Closing price[2]	6.36	9.56
Average daily trading volume (German stock exchanges; no. of shares traded)	96,800	141,300
Average daily trading value (German stock exchanges; in EUR)	578,200	1,964,600
Market capitalization (EUR millions)[1,2]	403.0	605.7

[1] Xetra trading
[2] As of September 30

Group Income Statement

of ElringKlinger AG, January 1 to September 30, 2019

EUR k	3rd Quarter 2019	3rd Quarter 2018	9 months 2019	9 months 2018
Sales revenue	**431,909**	**405,791**	**1,307,117**	**1,267,246**
Cost of sales	-340,129	-312,776	-1,043,602	-979,201
Gross profit	**91,780**	**93,015**	**263,515**	**288,045**
Selling expenses	-32,610	-34,796	-102,923	-106,337
General and administrative expenses	-21,272	-20,511	-66,233	-63,121
Research and development costs	-16,148	-17,881	-55,880	-58,941
Other operating income	2,067	4,855	7,623	35,579
Other operating expenses	-3,483	-1,824	-9,197	-9,630
Operating result/EBIT	**20,334**	**22,858**	**36,905**	**85,595**
Finance income	12,235	6,648	22,214	22,345
Finance costs	-15,270	-7,283	-34,142	-30,712
Share of result of associates	-1,964	-408	-2,769	-3,018
Net finance costs	**-4,999**	**-1,043**	**-14,697**	**-11,385**
Earnings before taxes	**15,335**	**21,815**	**22,208**	**74,210**
Income tax expense	-8,155	-9,506	-24,841	-26,168
Net income	**7,180**	**12,309**	**-2,633**	**48,042**
of which: attributable to non-controlling interests	463	1,510	752	3,046
of which: attributable to shareholders of ElringKlinger AG	**6,717**	**10,799**	**-3,385**	**44,996**
Basic and diluted earnings per share in EUR	0.11	0.17	-0.05	0.71

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to September 30, 2019

EUR k	3rd Quarter 2019	3rd Quarter 2018	9 months 2019	9 months 2018
Net income	**7,180**	**12,309**	**-2,633**	**48,042**
Currency translation difference	3,131	-8,237	8,093	-11,926
Share of other comprehensive income of associates	-27	-4	-37	-3
Gains and losses that can be reclassified to the income statement in future periods	**3,104**	**-8,241**	**8,056**	**-11,929**
Remeasurement of defined benefit plans, net	**0**	**-7**	**0**	**-7**
Gains and losses that cannot be reclassified to the income statement in future periods	0	-7	0	-7
Other comprehensive income after taxes	**3,104**	**-8,248**	**8,056**	**-11,936**
Total comprehensive income	**10,284**	**4,061**	**5,423**	**36,106**
of which: attributable to non-controlling interests	638	1,316	1,117	2,871
of which: attributable to shareholders of ElringKlinger AG	**9,646**	**2,745**	**4,306**	**33,235**

Group Statement of Financial Position

of ElringKlinger AG, as at September 30, 2019

EUR k	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
ASSETS			
Intangible assets	196,131	190,307	187,171
Property, plant and equipment	1,059,882	997,843	980,458
Investment property	3,486	16,567	16,538
Financial assets	3,557	2,663	2,714
Shares in associates	20,468	23,274	25,542
Non-current income tax assets	147	98	87
Other non-current assets	8,197	8,116	3,539
Deferred tax assets	12,718	11,805	18,041
Contract performance costs	9,301	5,427	2,704
Non-current contract assets	526	1,319	558
Non-current assets	**1,314,413**	**1,257,419**	**1,237,352**
Inventories	386,508	401,391	411,116
Current contract assets	8,622	6,297	5,432
Trade receivables	266,043	306,351	328,346
Current income tax assets	8,224	8,531	8,109
Other current assets	89,590	48,432	54,136
Cash and cash equivalents	106,827	45,314	42,615
Current assets	**865,814**	**816,316**	**849,754**
Assets held for sale	**19,024**	**5,966**	**0**
	2,199,251	**2,079,701**	**2,087,106**

EUR k	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	717,675	721,060	720,222
Other reserves	-41,871	-49,562	-58,603
Equity attributable to the shareholders of ElringKlinger AG	**857,402**	**853,096**	**843,217**
Non-controlling interest in equity	38,111	37,014	35,815
Equity	**895,513**	**890,110**	**879,032**
Provisions for pensions	126,248	124,401	127,333
Non-current provisions	21,087	19,603	12,452
Non-current financial liabilities	560,193	472,005	535,377
Non-current contract liabilities	13,502	2,614	0
Deferred tax liabilities	17,796	14,949	12,895
Other non-current liabilities	8,371	8,915	3,358
Non-current liabilities	**747,197**	**642,487**	**691,415**
Current provisions	11,873	10,769	23,578
Trade payables	165,509	135,560	121,513
Current financial liabilities	228,178	296,786	235,761
Current contract liabilities	17,342	10,469	9,537
Tax payable	19,745	12,470	16,420
Other current liabilities	113,894	81,050	109,850
Current liabilities	**556,541**	**547,104**	**516,659**
	2,199,251	**2,079,701**	**2,087,106**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to September 30, 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			-31,680
Purchase of shares from non-controlling interests			
Change in scope of consolidated financial statements			83
Total comprehensive income			**44,996**
Net income			44,996
Other comprehensive income			
Balance as of Sep. 30, 2018	**63,360**	**118,238**	**720,222**
Balance as of Dec. 31, 2018/Balance as of Jan. 1, 2019	**63,360**	**118,238**	**721,060**
Dividend distribution			
Total comprehensive income			**-3,385**
Net income			-3,385
Other comprehensive income			
Balance as of Sep. 30, 2019	**63,360**	**118,238**	**717,675**

[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**
			-31,680	-1,898	-33,578
	-210		-210	210	0
-83		-6,365	-6,365	-2,755	-9,120
-7		**-11,754**	**33,235**	**2,871**	**36,106**
			44,996	3,046	48,042
-7		-11,754	-11,761	-175	-11,936
-39,602	**-422**	**-18,579**	**843,217**	**35,815**	**879,032**
-37,316	**-422**	**-11,824**	**853,096**	**37,014**	**890,110**
			0	-20	-20
		7,691	**4,306**	**1,117**	**5,423**
			-3,385	752	-2,633
		7,691	7,691	365	8,056
-37,316	**-422**	**-4,133**	**857,402**	**38,111**	**895,513**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to September 30, 2019

EUR k	3rd Quarter 2019	3rd Quarter 2018	9 months 2019	9 months 2018
Earnings before taxes	15,335	21,815	22,208	74,210
Depreciation/amortization (less write-ups) of non-current assets	29,506	25,566	86,693	73,240
Net interest	5,063	3,998	14,222	10,362
Change in provisions	2,436	-4,609	2,717	609
Gains/losses on disposal of non-current assets	131	-149	651	-130
Share of result of associates	1,964	408	2,769	3,018
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	19,502	-17,950	24,485	-88,105
Change in trade payables and other liabilities not resulting from financing and investing activities	3,924	7,394	79,712	31,839
Income taxes paid	-5,798	-8,938	-19,394	-25,632
Interest paid	-6,129	-5,654	-13,116	-10,246
Interest received	310	95	536	413
Other non-cash expenses and income	-7,413	-9,155	-11,564	-28,971
Net cash from operating activities	**58,831**	**12,821**	**189,919**	**40,607**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	135	368	3,416	831
Proceeds from disposals of financial assets	1,011	2,827	3,614	2,827
Payments received for the disposal of subsidiaries	0	1,000	0	53,455
Payments for investments in intangible assets	-2,781	-5,844	-8,356	-8,607
Payments for investments in property, plant and equipment and investment property	-25,370	-53,873	-74,868	-121,603
Payments for investments in financial assets	-1,524	-2,272	-6,591	-2,580
Net cash from investing activities	**-28,529**	**-57,794**	**-82,785**	**-75,677**
Dividends paid to shareholders and to non-controlling interests	0	-1,879	-20	-33,578
Proceeds from the addition of long-term loans	2,935	69,027	170,148	73,735
Payments for the repayment of long-term loans	-18,118	-56,236	-86,094	-65,494
Change in current loans	2,733	27,372	-131,072	59,652
Net cash from financing activities	**-12,450**	**38,284**	**-47,038**	**34,315**
Changes in cash	17,852	-6,689	60,096	-755
Effects of currency exchange rates on cash	880	-1,395	1,417	-2,128
Cash at beginning of period	88,095	50,699	45,314	45,498
Cash at end of period as per statement of financial position	**106,827**	**42,615**	**106,827**	**42,615**

Group Sales Revenue

of ElringKlinger AG, January 1 to September 30, 2019

Sales revenue by regions

EUR k	3rd Quarter 2019	3rd Quarter 2018	9 months 2019	9 months 2018
Germany	96,531	103,046	300,960	320,190
Rest of Europe	119,672	114,787	384,827	392,723
North America	115,422	92,291	333,959	261,818
Asia-Pacific	80,270	76,725	227,875	232,940
South America and rest of the world	20,014	18,942	59,496	59,575
Group	**431,909**	**405,791**	**1,307,117**	**1,267,246**

Sales revenue by segments

EUR k	3rd Quarter 2019	3rd Quarter 2019	9 months 2019	9 months 2018
Lightweighting/Elastomer Technology	125,321	110,013	375,899	323,872
Shielding Technology	101,190	91,197	299,729	302,487
Specialty Gaskets	75,288	76,170	232,896	238,483
Cylinder-head Gaskets	43,502	47,104	138,350	147,581
E-Mobility	4,580	5,555	19,390	13,545
Exhaust Gas Purification	2,594	4,179	7,760	16,111
Other	502	421	948	1,181
Segment Original Equipment	**352,977**	**334,639**	**1,074,972**	**1,043,260**
Segment Aftermarket	**45,247**	**37,623**	**130,865**	**122,848**
Segment Engineered Plastics	**30,144**	**30,239**	**91,025**	**90,836**
Sale of goods	**428,368**	**402,501**	**1,296,862**	**1,256,944**
Income from the rendering of services	**2,378**	**2,250**	**6,850**	**7,124**
Revenue from contracts with customers	**430,746**	**404,751**	**1,303,712**	**1,264,068**
Income from rental and leasehold	**1,163**	**1,040**	**3,405**	**3,178**
Group	**431,909**	**405,791**	**1,307,117**	**1,267,246**

Breakdown by geographical markets:

EUR k	3rd Quarter 2019	3rd Quarter 2019	9 months 2019	9 months 2019
Revenue from contracts with customers	96,527	102,997	300,946	320,049
Income from rental and leasehold	4	49	14	141
Total Germany	**96,531**	**103,046**	**300,960**	**320,190**
Revenue from contracts with customers	334,219	301,754	1,002,766	944,019
Income from rental and leasehold	1,159	991	3,391	3,037
Total other countries	**335,378**	**302,745**	**1,006,157**	**947,056**
Group	**431,909**	**405,791**	**1,307,117**	**1,267,246**

Segment Reporting

of ElringKlinger AG, July 1 to September 30, 2019

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	3rd Quarter 2019	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2018
External revenue	**352,977**	**334,639**	**45,247**	**37,623**	**30,144**	**30,239**
Intersegment revenue	6,623	6,589	0	0	26	2
Segment revenue	**359,600**	**341,228**	**45,247**	**37,623**	**30,170**	**30,241**
EBIT[1]/Operating result	**6,411**	**10,337**	**8,491**	**5,856**	**4,934**	**6,615**
Depreciation and amortization	-26,195	-22,475	-1,102	-793	-1,676	-1,553
Capital expenditures[2]	32,981	54,686	1,348	2,688	1,045	1,656

January 1 to September 30, 2019

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	9 months 2019	9 months 2018	9 months 2019	9 months 2018	9 months 2019	9 months 2018
External revenue	**1,074,972**	**1,043,260**	**130,865**	**122,848**	**91,025**	**90,836**
Intersegment revenue	16,574	16,421	0	0	56	27
Segment revenue	**1,091,546**	**1,059,681**	**130,865**	**122,848**	**91,081**	**90,863**
EBIT[1]/Operating result	**3,163**	**48,507**	**22,495**	**20,726**	**10,693**	**15,873**
Depreciation and amortization	-77,331	-64,137	-2,604	-2,247	-4,917	-4,626
Capital expenditures[2]	86,737	120,325	2,949	4,266	4,937	3,108

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

Industrial Parks		Services		Consolidation		Group	
3rd Quarter 2019	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2018
1,163	**1,040**	**2,378**	**2,250**	**0**	**0**	**431,909**	**405,791**
27	27	1,976	1,823	-8,652	-8,441	0	0
1,190	**1,067**	**4,354**	**4,073**	**-8,652**	**-8,441**	**431,909**	**405,791**
247	**90**	**251**	**-40**	**0**	**0**	**20,334**	**22,858**
-16	-263	-517	-482	0	0	-29,506	-25,566
64	27	697	660	0	0	36,135	59,717

Industrial Parks		Services		Consolidation		Group	
9 months 2019	9 months 2018	9 months 2019	9 months 2018	9 months 2019	9 months 2018	9 months 2019	9 months 2018
3,405	**3,178**	**6,850**	**7,124**	**0**	**0**	**1,307,117**	**1,267,246**
81	81	5,522	5,403	-22,233	-21,932	0	0
3,486	**3,259**	**12,372**	**12,527**	**-22,233**	**-21,932**	**1,307,117**	**1,267,246**
379	**68**	**175**	**421**	**0**	**0**	**36,905**	**85,595**
-296	-793	-1,545	-1,437	0	0	-86,693	-73,240
297	516	1,244	1,995	0	0	96,164	130,210

Notes to the Third Quarter and First Nine 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 September 30, 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 September 30, 2019, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of September 30, 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 November 6, 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 September 30, 2019, a total of EUR 9,537k in current contract liabilities pursuant to IFRS 15 was presented in other current liabilities as prepayments received by the entity. In the quarterly financial statements as of September 30, 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. Pursuant to IFRS 16, lessees are obliged to recognize an asset for the right of use as well as a lease liability for outstanding lease payments with regard to all lease agreements. 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 of January 1, 2019, EUR 45,407k was included in the statement of financial position as a right of use for leases – as an asset under property, plant, and equipment – and in the same amount as a lease liability under current and non-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 September 30, 2019, was EUR 49,511k. By contrast, lease liabilities amounted to EUR 50,284k.

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 nine months of 2019 amounted to EUR 9,154k, while the interest component totaled EUR 1,301k. As a result of the changes described above, the cash inflow from operating activities increases by the previous operating lease payments.

As a result of the initial application of IFRS 16, lease expenses are divided into an interest portion and a principal portion. Group EBIT thus increased by EUR 1,301k in the first nine months of 2019.

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of September 30, 2019, include the financial statements of six domestic and 33 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.

Compared to December 31, 2018, the ownership interest held in hofer AG, Nürtingen, Germany, declined from 28.89% to 24.71% due to a capital increase at hofer AG. The interests held in hofer AG 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.

Compared to the consolidated financial statements as of December 31, 2018, there were no changes to the scope of consolidation with the exception of the merger of Polytetra GmbH into ElringKlinger Kunststofftechnik GmbH and the establishment of TPH Asset Management Kft.

Newly established entity

Effective from August 10, 2019, TPH Asset Management Kft., with its registered office in Kecskemét, Hungary, was established as a wholly owned subsidiary of Technik-Park Heliport Kft., with its registered office in Kecskemét, Hungary.

Merger

Effective from January 1, 2019, Polytetra GmbH, with its registered office in Mönchengladbach, Germany, a wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH, with its registered office in Bietigheim-Bissingen, Germany, was merged into ElringKlinger Kunststofftechnik GmbH.

Exchange rates

Exchange rates developed as follows:

		Closing rate		Average rate	
Currency	Abbr.	Sep. 30, 2019	Dec. 31, 2018	Jan. – Sep. 2019	Jan. – Dec. 2018
US dollar (USA)	USD	1.08890	1.14500	1.12182	1.17932
Pound (United Kingdom)	GBP	0.88573	0.89453	0.88289	0.88595
Swiss franc (Switzerland)	CHF	1.08470	1.12690	1.11642	1.15158
Canadian dollar (Canada)	CAD	1.44260	1.56050	1.48867	1.53288
Real (Brazil)	BRL	4.52880	4.44400	4.37738	4.32938
Mexican peso (Mexico)	MXN	21.45220	22.49210	21.70031	22.65259
RMB (China)	CNY	7.77840	7.87510	7.69913	7.81563
WON (South Korea)	KRW	1,304.83000	1,277.93000	1,304.78556	1,295.97500
Rand (South Africa)	ZAR	16.55760	16.45940	16.13696	15.61657
Yen (Japan)	JPY	117.59000	125.85000	122.26778	130.00583
Forint (Hungary)	HUF	334.83000	320.98000	323.99667	319.97250
Turkish lira (Turkey)	TRY	6.14910	6.05880	6.32412	5.68349
Leu (Romania)	RON	4.74960	4.66350	4.74222	4.65583
Indian rupee (India)	INR	77.16150	79.72980	78.59083	80.62578
Indonesian rupiah (Indonesia)	IDR	15,456.94000	16,500.00000	15,868.75111	16,788.76417
Bath (Thailand)	THB	33.31500	37.05200	34.98011	38.05167
Swedish krona (Sweden)	SEK	10.69580	10.25480	10.58806	10.29367

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 Sep. 30, 2019									
Financial assets measured at amortized cost	106,827	266,043	15,690	0	1,441	1,459	2,008	2,008	392,009
Financial assets at fair value through profit or loss	0	0	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	0	0	0	101	101	8	8	109
Total	**106,827**	**266,043**	**15,690**	**0**	**1,542**	**1,560**	**2,016**	**2,016**	**392,118**

	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 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 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 Sep. 30, 2019					
Financial liabilities measured at amortized cost	46,149	228,071	0	0	165,509
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	107	110	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 Sep. 30, 2019							
Financial liabilities measured at amortized cost	0	0	560,165	516,655	0	0	999,894
Financial liabilities measured at fair value through profit or loss	1,546	1,546	0	0	0	0	1,546
No measurement category under IFRS 9	0	0	0	0	28	28	135
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 (Dec. 31, 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 (Dec. 31, 2018: 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 September 30, 2019:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2019			
Financial assets			
Non-current securities	101	0	0
Other financial investments	8	2,008	0
Derivatives*	0	0	0
Total	**109**	**2,008**	**0**
Financial liabilities			
Derivatives*	0	1,546	0
Total	**0**	**1,546**	**0**
Dec. 31, 2018			
Financial assets			
Non-current securities	98	0	0
Other financial investments	8	2,008	0
Derivatives*	0	12	0
Total	**106**	**2,020**	**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 September 30, 2019:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2019			
Financial assets			
Non-current securities	1,459	0	0
Other financial investments	0	0	8
Total	**1,459**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	28
Non-current financial liabilities	0	516,655	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**516,655**	**29,949**
Dec. 31, 2018			
Financial assets			
Non-current securities	438	0	0
Other financial investments	0	0	8
Total	**438**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	109
Non-current financial liabilities	0	430,639	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**430,639**	**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.

The Group makes limited use of common capital market and financing instruments for the purpose of hedging and optimizing items within the statement of financial position.

As of September 30, 2019, the item designated as "assets held for sale" includes investment property from the Industrial Parks segment.

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 nine months of 2019.

Government grants

Other operating income in the first nine months of 2019 includes government grants totaling EUR 2,546k (Sep. 30, 2018: EUR 3,593k). These grants were attributable primarily to development projects.

Events after the reporting period

In October 2019, the Group reached an agreement with two Hungarian companies regarding the sale of TPH Asset Management Kft., with its registered office in Kecskemét, Hungary, a wholly owned subsidiary of Technik-Park Heliport Kft., with its registered office in Kecskemét, Hungary. The purchase agreement was signed on October 14, 2019, while the transaction is expected to be closed in the coming three months. It has not yet been possible to make an estimate of the financial effects.

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, November 6, 2019

The Management Board

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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 November 6, 2019, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar

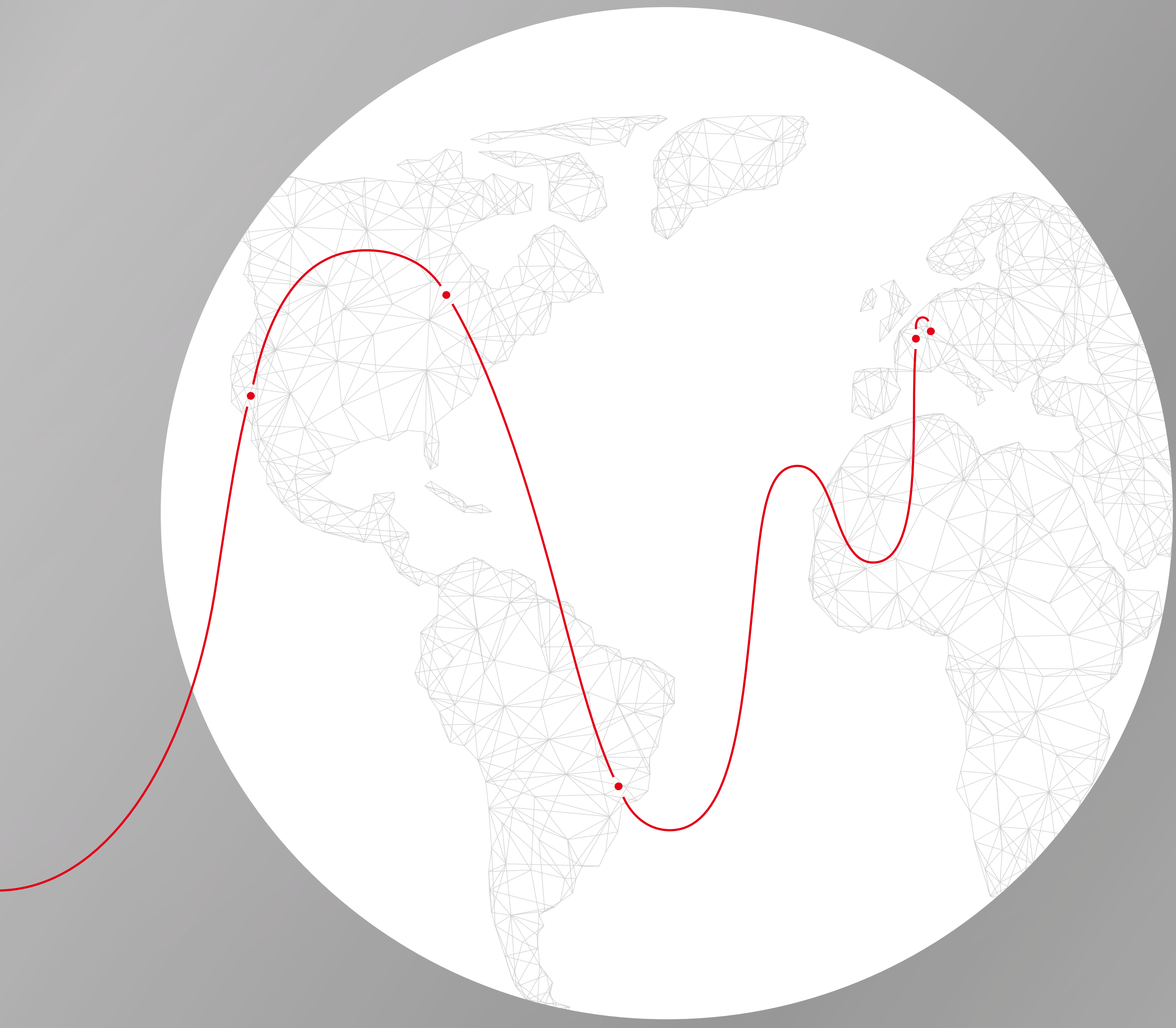
MARCH 2020

30 Annual Press Conference, Stuttgart
Analysts' Meeting, Frankfurt/Main

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**



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