Report on the 3rd Quarter and 1st Nine Months 2018

Key figures

ElringKlinger Group

		3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017
Order Situation						
Order intake	€ million	411.8	458.6	474.2	443.4	381.0
Order backlog	€ million	1,027.2	1,038.2	1,027.2	1,000.6	976.5
Sales/Earnings						
Sales revenue	€ million	405.8	430.8	430.7	419.3	403.6
Cost of sales	€ million	312.8	331.1	335.3	332.8	299.9
Gross profit margin		22.9%	23.1%	22.1%	20.6%	25.7%
EBITDA	€ million	48.4	49.3	61.1	55.9	59.4
EBIT/Operating result	€ million	22.9	25.3	37.4[3]	29.7	33.9
EBIT margin		5.6%	5.9%	8.7%[3]	7.1%	8.4%
EBIT pre ppa[1]	€ million	23.8	26.3	38.4[3]	30.7	34.8
EBIT margin pre ppa		5.9%	6.1%	8.9%[3]	7.3%	8.6%
Earnings before taxes	€ million	21.8	20.3	32.1[3]	21.6	25.9
Net income	€ million	12.3	9.4	26.4[3]	11.3	17.2
Net income attributable to shareholders of ElringKlinger AG	€ million	10.8	8.5	25.7[3]	10.3	16.1
Cash flow						
Net cash from operating activities	€ million	12.8	20.7	7.0	31.9	13.0
Net cash from investing activities	€ million	-57.8	-40.0	22.1	-45.5	-44.5
Net cash from financing activities	€ million	38.3	22.3	-26.2	18.7	22.3
Operating free cash flow[2]	€ million	-46.5	-19.0	-23.3	-13.3	-31.5
Balance Sheet						
Balance sheet total	€ million	2,087.1	2,046.7	2,008.0	2,022.4	2,006.0
Equity	€ million	879.0	876.8	901.9	889.7	884.1
Equity ratio		42.1 %	42.8%	44.9%	44.0%	44.1%
Human Resources						
Employees (as at end of quarter)		10,231	9,954	9,618	9,611	9,376
Stock						
Earnings per share	€	0.17	0.13	0.41	0.16	0.25

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

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

[3] Incl. gain from sale of Hug subgroup (EUR 21.2 million before taxes)

»Our expertise in lightweighting and our know-how in the field of e-mobility will play a pivotal role when it comes to the future performance of the Group.«

Dr. Stefan Wolf,
Chief Executive Officer of ElringKlinger AG

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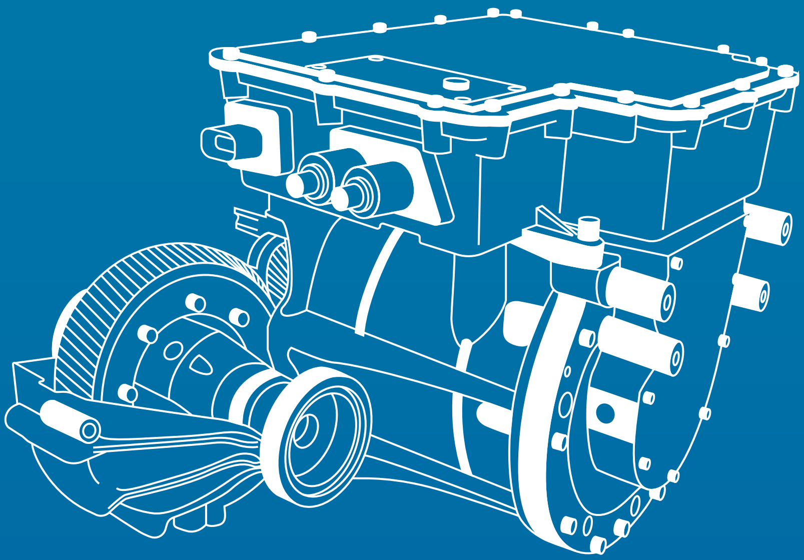


ElringKlinger and hofer have joined forces to evolve electric drive technology. Read more about this electrifying partnership of the ElringKlinger AG "pulse" magazine or get there by the internet link https://www.elringklinger.de/en/company/insights/production-ready.

First nine months of 2018 in brief

- Strong **organic revenue growth** in first nine months (7.4%) and third quarter (5.3%) of 2018; Group revenue increases to EUR 1,267.2 million and EUR 405.8 million respectively; substantial gains since beginning of year in regions covering NAFTA, Rest of Europe, and South America
- **EBIT margin** before purchase price allocation at 7.0% (prev. year: 8.9%) in first nine months of 2018 and 5.9% (prev. year: 8.6%) in third quarter of 2018
- High capacity utilization in Original Equipment segment; EBIT impacted by follow-on costs from consistently high volumes ordered by customers in the NAFTA region and hike in commodity prices
- **Capex ratio** at 9.6% after first nine months as planned; increasing share of investment projects centered around E-Mobility and New Business Areas; capital expenditure on property, plant, and equipment at EUR 121.2 million
- **Sale of subsidiaries** (Hug and new enerday) closed in first quarter and third quarter respectively; divestment hones focus on promising fields for the future
- Despite more pronounced external downside factors, **orders remain solid:** order backlog at EUR 1,027.2 (prev. year: 976.5) million as of September 30, 2018; order intake (adjusted for currency effects) up by 11.5% in third quarter

Macroeconomic Conditions and Business Environment

World economy loses momentum

The global economy decelerated in the year to date and showed signs of increasing divergence within the various markets and regions. Among the key influencing factors were a hike in oil prices, the gradual tightening of monetary policy in the United States, and the trade disputes triggered by the US administration.

The eurozone economy as a whole benefited from the highly expansive monetary policy that continues to be in place in this region. At the same time, however, the first signs of an economic downturn were detected. With Europe's industrial sector being driven heavily by exports, the appreciation of the euro and a slight dip in global demand exerted downside pressure. These factors also translated into a slight loss of momentum for Germany's economy. The latter, however, continues to be propped up by private consumption and ongoing favorable borrowing terms.

The US economy enjoyed sustained growth in the first nine months of 2018, with the rate of unemployment falling below the threshold of 4%. This was fueled by robust domestic demand in the United States, coupled with a boost from government tax reforms enacted at the beginning of the year. China, meanwhile, saw a slight downturn in growth during the first three quarters of 2018, albeit from a strong base. In addition to being impacted by private and corporate debt, the Chinese economy was faced with customs tariffs as a result of its trade disputes with the United States.

GDP growth rates

Year-on-year change in %	1st Quarter 2018	2nd Quarter 2018	3rd Quarter 2018
Germany	2.0	1.9	1.8
Eurozone	2.4	2.1	1.9
USA	2.6	2.9	3.2
Brazil	1.2	1.0	2.4
China	6.8	6.7	6.6
India	7.7	8.2	7.6
Japan	1.0	1.3	0.7

Source: HSBC (October 2018)

Greater turbulence for international car markets

Vehicle markets around the globe were faced with an increasingly bumpy ride in the third quarter. Viewed over the first nine months of 2018 as a whole, however, they remained in positive territory. New registrations in the key sales markets of China, the United States, and Europe, expanded by 1.1%, 0.3%, and 2.3% respectively in the year to date, according to data presented by the German automotive industry association (VDA). In the same period, Germany recorded a year-on-year increase of 2.4% in the number of new cars registered. In Brazil and Russia, meanwhile, markets continued to generate double-digit growth of 13.1% and 14.9% respectively. The world's third-largest individual market, Japan, recorded a slight decline of 1.3%.

There were signs of turbulence within the European car market in the second and third quarters of 2018 due to the introduction of the WLTP-based test cycle (Worldwide Harmonized Light-Duty Vehicles Test Procedure) effective from September 1, 2018. While there was evidence to suggest that the anticipatory effects of this changeover had some impact on production output as early as the second quarter, the level of new registrations was surprisingly high within the European Union in July and, even more so, in August. As a result of this, both production output and sales volumes trended weaker in September.

Vehicle sales in China were less buoyant in the third quarter. However, this was not yet reflected in production output. Demand remained strong for Germany's premium car brands.

In total, global production of passenger cars and light commercial vehicles continued to grow in the first nine months of 2018, up by 2.8%. However, the individual markets and regions developed along different lines during this period.

Production Light Vehicles

Year-on-year change (in %)	3rd Quarter 2018	9 months 2018
European Union	**-0.9**	**2.2**
Germany	-13.3	-1.3
Eastern Europe[1]	**-5.2**	**3.8**
Russia	-0.6	10.3
North America	**1.6**	**-0.7**
USA	0.4	-2.5
South America	**10.2**	**12.4**
Brazil	10.0	11.4
Asia-Pacific	**6.1**	**2.9**
China	10.7	5.2
Japan	-5.2	-8.7
India	9.0	13.4
Middle East & Africa	**6.9**	**15.7**
World	**3.8**	**2.8**

[1] Incl. Russia
Source: PwC Autofacts (October 2018)

German car makers have taken a global approach to manufacturing, the significance of which is reflected in the growing share of overseas production as well as a downturn in domestic production and exports. In the first three quarters of 2018 German OEMs saw the number of vehicles manufactured worldwide increase by 3%, whereas domestic production output fell by 8% and exports by 7%.

Commercial vehicle markets in good shape

Benefiting from solid economic conditions, commercial vehicle markets fared well in the period under review. In the first nine months of 2018 demand for mid-sized and heavy trucks (>3.5 tons) rose by 4.3% in the European Union, taking the figure to around 285,000 units. September saw a decline in new registrations in some markets. The major players, however, displayed growth that was significant in some cases, led by Italy (10.2%), France (8.7%), and Spain (3.4%). Growth was marginal in Germany (1.5%), whereas new registrations in the United Kingdom were down by 5.7%.

Expansion in the US truck sector was particularly strong, and this forward momentum remained unbroken in the third quarter. In the first nine months of 2018 buoyant demand for Class 4-8 trucks saw new registrations surge by 19.1%. In the Class 8 truck segment sales expanded by as much as 34.3%.

Significant Events

Merger of subsidiary

Effective from January 1, 2018, Taiyo Jushi Kakoh Co., Ltd., based in Tokyo, Japan, a wholly-owned subsidiary of ElringKlinger Marusan Corporation, also based in Tokyo, Japan, was merged into ElringKlinger Marusan Corporation.

New company established in United States

ElringKlinger Manufacturing Indiana, Inc., based in Fort Wayne, USA, was established effective from February 28, 2018. The parent company ElringKlinger AG holds 100.0% of the interests in this new subsidiary.

Closing of Hug transaction

The contract signed in December 2017 between ElringKlinger and a French automotive supplier, covering the sale of the Hug Group, based in Elsau, Switzerland, was closed effective from March 1, 2018. The 93.67% interest held by ElringKlinger in Hug Engineering AG, Elsau, Switzerland, passed entirely to the contracting party upon closing of the transaction.

The sale of the Hug Group is to be seen against the background of industry transition and increasing globalization, which would have necessitated further substantial investments by ElringKlinger in order to remain competitive within the exhaust gas purification market in the long term. ElringKlinger's strategic focus is mainly centered on the promising fields of lightweighting and e-mobility with the three supportive pillars of battery technology, fuel cell technology, and electric drive systems.

Dedicated Management Board role created for e-mobility – Reiner Drews appointed new COO

At its meeting on March 23, 2018, the Supervisory Board of ElringKlinger AG passed a resolution for the introduction of a new area of Management Board responsibility covering e-mobility. It is headed by Theo Becker. Having previously held the position of COO within the ElringKlinger Group, Theo Becker will in future focus on battery and fuel cell technology as well as on the integration of the Group's hofer investee. In creating a fourth area of Management Board responsibility, the company has further reinforced the significance of e-mobility to ElringKlinger's future operations.

Reiner Drews, who had previously headed the Cylinder-head Gaskets and Specialty Gaskets divisions at ElringKlinger, was appointed to the Management Board effective from April 1, 2018, and named as successor to Theo Becker and thus as the Group's new COO. Reiner Drews has taken over Management Board responsibility from Theo Becker for manufacturing operations, the German plants, and the area of quality assurance.

Extension of Management Board contract of Chief Financial Officer Thomas Jessulat

The Supervisory Board of ElringKlinger AG extended the contract of Chief Financial Officer Thomas Jessulat by five years as from January 1, 2019, i.e., until December 31, 2023. Thomas Jessulat was appointed to the Management Board of ElringKlinger AG effective from January 1, 2016. In accordance with the German Corporate Governance Code, the term of the contract had initially been set at three years.

Passing of Professor Walter H. Lechler

The Honorary Chairman of the Supervisory Board of ElringKlinger AG, Professor Walter H. Lechler, passed away on May 17, 2018, at the age of 75. Holding senior roles, Professor Lechler shaped the business activities of ElringKlinger AG and its predecessor companies over a period of four decades. From 2012 and 2017, he served ElringKlinger AG as Chairman of the Supervisory Board. Having retired from the Supervisory Board in May 2017 for reasons of age, Professor Lechler was elected Honorary Chairman of the Supervisory Board. Additionally, he held the position of managing partner of Lechler GmbH, Metzingen, from 1976 onward.

The Lechler family holds – either directly or indirectly – around 52% of the interests in ElringKlinger AG.

ElringKlinger sells interest in new enerday

ElringKlinger has divested itself of its business activities centered around high-temperature SOFC (Solid Oxide Fuel Cell) technology. In this context, the ownership interest held by ElringKlinger AG in new enerday GmbH, Neubrandenburg, Germany, was transferred to sunfire GmbH, Dresden, Germany. The purchase agreement was signed on September 19, 2018, and the transaction was closed as of September 30, 2018. In taking this strategic decision, ElringKlinger is honing its focus within the area of fuel cell technology and will in future be concentrating entirely on PEMFC (Proton Exchange Membrane Fuel Cell) technology, which is of key relevance to mobile applications.

ElringKlinger stock affected by index adjustments at German exchanges

Effective from September 24, 2018, Deutsche Börse implemented a fundamental reform of the German stock exchange indices DAX, MDAX, SDAX, and TecDAX. As a result of the changes to the composition of these indices, shares issued by ElringKlinger AG were removed from the SDAX, the index for small caps. For shares to be included and to remain in the indices, the following two key criteria are of significance: market capitalization of free float and average trading volume of the shares in question. ElringKlinger's inclusion in the Prime Standard, as part of which exchange-listed companies are required to meet higher standards of transparency, remains unaffected by the aforementioned adjustments.

Sales and Earnings Performance

Strong organic growth continues in Q3 with +5%

ElringKlinger is currently experiencing a period of considerable growth that continued in the third quarter of 2018. In the nine months from January to September 2018, the Group recorded revenue growth of 1.8%, taking the total to EUR 1,267.2 (1,244.7) million. In the third quarter, revenue was up by 0.5% at EUR 405.8 (403.6) million. Over the course of this period, M&A activities (sale of the Hug subgroup in the first quarter of 2018 and the hofer takeover in the previous year) resulted in a negative revenue contribution of EUR 27.2 million in the first nine months and EUR 12.1 million in the third quarter. Additionally, revenue was diluted by negative currency effects due to the persistently strong euro, particularly relative to the Turkish lira, Brazilian real, and Mexican peso in the third quarter. The negative currency effects of currency translation were EUR 42.3 million in the period from January to September 2018 and EUR 7.1 million in the third quarter. Eliminating M&A activities and currency effects, ElringKlinger managed to expand revenue by 5.3% in organic terms in the period from July to September. In the first nine months, organic revenue growth was as high as 7.4%, thereby exceeding growth in global vehicle production (2.8%) substantially by around 5 percentage points.

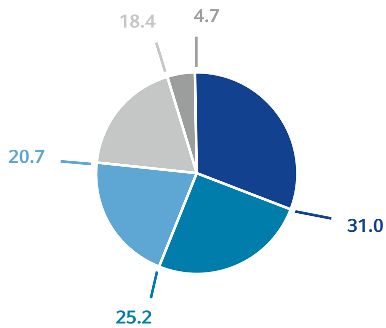
Sustained buoyancy in North America – Europe impacted by WLTP

Demand for ElringKlinger products remains strong and the Group again benefited from several new product roll-outs during the third quarter of 2018. The North American market, in particular, saw sustained buoyancy in demand. Revenue from sales in the NAFTA region increased by 14.5% to EUR 92.3 (80.6) million. In the first nine months of 2018, revenue generated in the NAFTA region surged to EUR 261.8 (247.1) million. Adjusted for currency effects, this corresponds to a gain of 11.6%, whereas vehicle production was down by 0.7% in the same period.

Factors influencing group revenue

€ million	3rd Quarter 2018	3rd Quarter 2017	Change in EUR m	in %	9 months 2018	9 months 2017	Change in EUR m	in %
Group revenue	**405.8**	**403.6**	**+2.2**	**+0.5**	**1,267.2**	**1,244.7**	**+22.5**	**+1.8**
of which FX effects			-7.1	-1.8			-42.3	-3.4
of which M&A activities			-12.1	-3.0			-27.2	-2.2
of which organic			+21.4	+5.3			+92.0	+7.4

Group sales by region Jan.–Sep. 2018
(prior year) in %



Rest of Europe	**31.0**	(31.1)
Germany	**25.2**	(25.4)
NAFTA	**20.7**	(19.9)
Asia-Pacific	**18.4**	(19.0)
South America and Rest of World	**4.7**	(4.6)

In Germany and the Rest of Europe revenue amounted to EUR 103.0 (105.4) million and EUR 114.8 (118.2) million respectively in the third quarter of 2018. Alongside the disposal of the Hug subgroup, which resulted in lower revenues, the new WLTP-based test cycle had an impact on business in Europe. Its introduction as of September 1, 2018, had already produced anticipatory effects in the second quarter. Consequently, production figures were weaker in the third quarter. In the period from January to September 2018, revenue generated by ElringKlinger in Germany rose by 1.2% in total to EUR 320.2 (316.3) million. In the Rest of Europe it expanded by 1.3% to EUR 392.7 (387.6) million.

At EUR 76.7 (79.5) million, the region encompassing Asia-Pacific saw revenues fall slightly year on year in the period from July to September. In the first nine months, revenues declined by 1.4% to EUR 232.9 (236.3) million. Several projects are still in the start-up phase in Asia and revenues are generally lower during such periods. In addition, currency effects exerted downward pressure on revenue. Adjusted for currency effects, revenue growth amounted to 1.5% in Asia in the first three quarters of 2018 as a whole.

Benefiting from the favorable direction taken by markets and strong Aftermarket sales, ElringKlinger expanded its business further in the region of South America and Rest of the World. Revenues amounted to EUR 18.9 (20.0) million in the third quarter and EUR 59.6 (57.3) million in the first nine months. If foreign exchange rates had remained unchanged, revenue growth would have been as much as 17.3% in the period from January to September 2018.

The share of foreign sales in total revenue generated by the Group remained largely unchanged year on year at 74.7% (74.6%) after the first nine months of 2018. Thus, the percentage share of domestic sales was stable at 25.3% (25.4%).

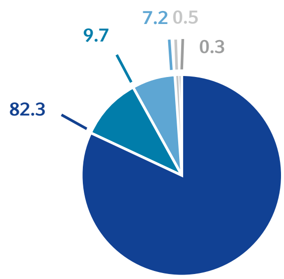
Capacity utilization levels remain high in Original Equipment segment – Improvement measures taking effect

The ElringKlinger Group continues to experience strong demand for its range of traditional products. This is reflected in the performance of the Original Equipment segment, which saw revenue increase by 1.4% to EUR 1,043.3 (1,028.9) million in the first nine months of 2018. Of this total, EUR 334.6 (331.1) million was attributable to the period from July to September.

In the third quarter, the Lightweighting/Elastomer Technology and Specialty Gaskets divisions achieved the highest growth rates within the traditional product portfolio. The Cylinder-head Gaskets and Shielding Technology divisions, by contrast, fell short of the prior-year revenue figures, which was in part due to currency effects.

ElringKlinger continues to operate at its upper capacity limit in the NAFTA region, which translates into disproportionately large increases in costs as well as exceptional expenses, such as higher staff and freight costs. This again had an impact on earnings in the third quarter of 2018, particularly with regard to the classic lines of business (Cylinder-head Gaskets and Specialty Gaskets, Lightweighting/Elastomer Technology, and Shielding Technology divisions). Management initiated extensive measures at an early stage for the

Sales revenue by segment Jan.–Sep. 2018
(prior year) in %



Original Equipment	**82.3**	(82.7)
– Cylinder-head Gaskets		
– Specialty Gaskets		
– Lightweighting/Elastomer Technology		
– Shielding Technology		
– E-Mobility		
– Exhaust Gas Purification		
Aftermarket	**9.7**	(9.7)
Engineered Plastics	**7.2**	(6.8)
Services	**0.5**	(0.5)
Industrial Parks	**0.3**	(0.3)

purpose of addressing the situation in the NAFTA region, the focus being on stabilizing processes and expanding capacity levels. The company is thoroughly committed to driving forward the effective execution of this action plan.

Measures directed at the Swiss production site of the Shielding Technology division are progressing well. As planned, the migration of production volumes has almost been completed. ElringKlinger is confident that the determined execution of streamlining measures will see this site return to more normal levels of fixed operating costs by the end of 2019.

In recent years, ElringKlinger has successfully positioned itself to serve the markets of the future with its E-Mobility division, the focus being on components for battery and fuel cell systems. This is complemented by its investment in hofer for electric drive technology. In doing so, the Group has continued to expand its revenue from this line of business. Indeed, in the third quarter alone, this division saw revenue surge by 40%. In the first nine months of 2018 as a whole revenue totaled EUR 13.5 (12.3) million. This division is currently establishing further production capacity in the United Kingdom and Germany for the manufacture of electric drive systems. For this reason – alongside the fact that the market share of alternative drive technologies remains low – earnings before interest and taxes (EBIT) were down year on year within the E-Mobility division.

The Exhaust Gas Purification division saw revenues fall to EUR 16.1 (35.4) million in the period from January to September 2018. This was due to the sale of the Hug subgroup (EUR 28.1 million) which accounted for the largest proportion of revenue flow within this area in the previous year. Without this contribution the Exhaust Gas Purification division would also have recorded revenue growth in the 2018 financial year to date. The divestment produced a gain on disposal of EUR 21.2 million, which was attributable to the first quarter of 2018.

Overall, the aforementioned exceptional operating costs and elevated commodity prices (primarily steel, aluminum, plastic granules) exerted downward pressure on earnings within the Original Equipment segment. Segment earnings before interest and taxes fell short of the prior-year figure, despite the gain on disposal of the Hug subgroup. Segment EBIT totaled EUR 48.5 (68.3) million in the first nine months of 2018. The third quarter accounted for EUR 10.3 (19.9) million. Therefore, the EBIT margin for this segment declined to 4.6% (6.6%) in the period from January to September 2018.

Expansion of Aftermarket business in the United States

Despite widespread geopolitical uncertainty in many of the relevant sales regions, ElringKlinger had managed to expand its Aftermarket revenue significantly in the first half of 2018. Some of this forward momentum was lost during the third quarter, partially due to the economic downturn in Turkey. Business performance in Eastern Europe remained positive. Efforts to penetrate the US market also translated into higher revenues. In total, revenues generated in the third quarter amounted to EUR 37.6 (40.2) million. In the first nine months as a whole, revenues were up by 1.9% at EUR 122.8 (120.5) million.

ElringKlinger has implemented key strategic measures in the Aftermarket segment in the year to date: In the first half, for example, they included efforts to further improve the availability of materials. In addition, there is an active commitment on the part of the Group to accelerate market penetration in China. At the end of the third quarter, a new spare parts warehouse commenced operations at the site in Fremont, USA, as part of the Group's market cultivation strategy for the United States. In total, this resulted in a temporary increase in costs that impacted on segment earnings before interest and taxes. Segment EBIT amounted to EUR 5.9 (8.1) million in the third quarter of 2018 and EUR 20.7 (24.6) million in the first nine months. The EBIT margin fell to 15.7% (20.1%) in the third quarter and to 16.9% (20.4%) in the first nine months.

Further earnings growth for Engineered Plastics

Within the Engineered Plastics segment the company develops and produces applications from the high-performance plastic PTFE (polytetrafluoroethylene) for various industries. Alongside its business dealings with the automotive industry, this segment also supplies customers operating within the area of mechanical engineering, medical devices, and chemical and plant technology.

Due to persistently strong demand from core markets such as the vehicle industry and mechanical engineering, revenue generated by the Engineered Plastics segment was again up on the prior-year figure in the third quarter of 2018. Sales revenue increased by 4.5% to EUR 30.2 (28.9) million in this period. In the first nine months, revenue amounted to EUR 90.8 (84.7) million, which corresponds to growth of 7.2%. Supported by optimization measures in production and the continued commitment to stringent cost management, segment earnings before interest and taxes grew at a faster rate than revenue growth, taking the figure to EUR 15.9 (13.8) million in the first nine months. Of this total, EUR 6.6 (5.7) million was attributable to the third quarter. Starting from a strong base, the EBIT margin increased further to 17.5% (16.3%) in the period from January to September 2018.

Stable revenue contribution from Industrial Parks and Services

Rental income from premises at the Group's industrial parks in Idstein, Germany, and Kecskemét, Hungary, was stable at EUR 3.2 (3.2) million in the period from January to September 2018. Segment earnings before interest and taxes amounted to EUR 0.1 (-0.2) million.

The Services segment consists of Elring Klinger Motortechnik GmbH, Idstein, Germany, KOCHWERK Catering GmbH, Dettingen/Erms, Germany, and ElringKlinger Logistic Service GmbH, Dettingen/Erms, Germany. It generated revenue of EUR 7.1 (7.5) million in the first nine months of 2018. Segment earnings before interest and taxes amounted to EUR 0.4 (1.1) million.

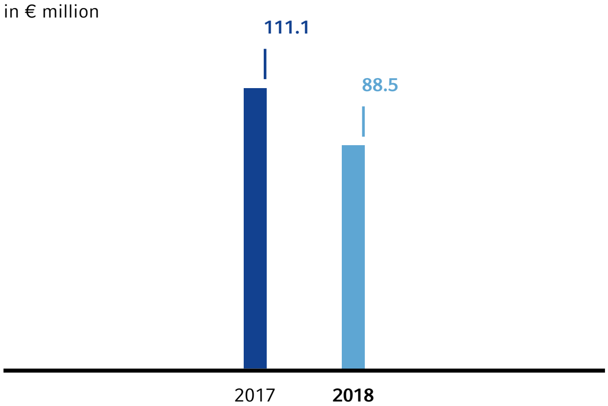
Further expansion in workforce in North America

In the first nine months of 2018, the headcount of people employed by the ElringKlinger Group worldwide rose by 620 or 6.5% to 10,231 (Dec. 31, 2017: 9,611). In the third quarter of 2018, 71 new jobs were created in the NAFTA region in order to meet persistently strong demand. Thus, the headcount in this region has risen by 213 in the year to date. Recruitment efforts at the German sites were focused mainly on skilled personnel for the new battery and fuel cell business lines. At the end of the period under review the headcount was up by 344 on the figure reported at the end of previous financial year. The number of staff employed at domestic sites rose to 4,221 as of September 30, 2018 (Dec. 31, 2017: 3,877). The share of staff employed in Germany was 41.3% (Dec. 31, 2017: 40.3%). The proportion of people employed abroad fell slightly to 58.7% (Dec. 31, 2017: 59.7%), primarily due to the disposal of the Hug subgroup.

Gross profit margin impacted by higher commodity prices

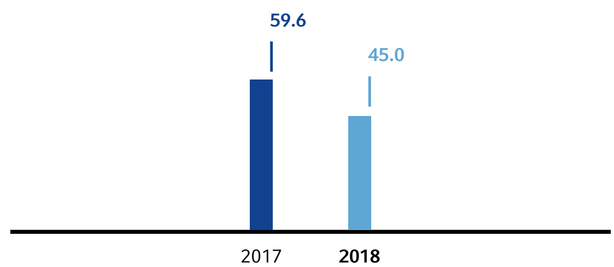
In the first nine months, the cost of sales rose visibly by 6.1% to EUR 979.2 (922.8) million. The third quarter accounted for EUR 312.8 (299.9) million. The cost base was inflated in particular by a strong surge in commodity prices in the first half of 2018. This applied above all to the price of steel, aluminum, and polymer granules, which are essential to the production of gaskets, shielding systems, and lightweight plastic components. In the third quarter, prices for steel and aluminum remained at an elevated level, while the price of polymer granules trended slightly higher. Overall, material-related expenses edged up during the third quarter of 2018, but to a lesser extent than in the second quarter. At 43.4% (41.2%), the cost-of-materials ratio (materials expense as a proportion of sales) in the period from January to September 2018 was noticeably higher than a year earlier. Pursuing a consistent policy with regard to supplier selection and operating with a balanced structure of contractual terms of supply agreements the Group has already been counteracting commodity price development for the purpose of mitigating associated risk. However, these measures require a certain lead time before they can take full effect. Impacted by high commodity prices, the gross profit margin fell to 22.9% (25.7%) in the third quarter. It stood at 22.7% (25.9%) in the period from January to September 2018.

EBIT * Jan. – Sep.
in € million



* Pre purchase price allocation

Profit attributable to shareholders of ElringKlinger AG Jan. – Sep.
in € million



Additionally, staff costs rose by 8.5% to EUR 395.9 (364.9) million in the first nine months of 2018. Of this total, EUR 128.7 (115.1) million was attributable to the third quarter. This year-on-year rise in staff costs was attributable primarily to growth-induced upsizing of the workforce, the collective wage increase applying to domestic companies as of April 1, 2018, and the staff profit-sharing bonus paid in the second quarter in respect of employees at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH, and Elring Klinger Motortechnik GmbH totaling EUR 5.7 (5.2) million. The personnel expense ratio was also up significantly at 31.2% (29.3%).

In the third quarter of 2018, selling expenses amounted to EUR 34.8 (34.4) million. In the first nine months as a whole, they increased by 2.8% to EUR 106.3 (103.5) million. This was driven yet again by large-volume orders placed by NAFTA-based customers as part of their scheduling arrangements, which resulted in higher follow-on costs.

At EUR 4.9 (3.4) million, other operating income recorded in the third quarter of 2018 was up on last year's figure. This figure includes a gain on disposal of EUR 1.0 million from the sale of new enerday GmbH (cf. Significant Events, page 8). In the period from January to September 2018, other operating income totaled EUR 35.6 (12.4) million. This figure also includes the gain on disposal relating to the sale of the Hug subgroup.

Target met for research and development ratio

Focusing on innovative solutions and products for alternative drive technologies, ElringKlinger continued to take a sustainable and targeted approach to investment spending within the area of research and development (R&D). Furthermore, staffing levels were steadily expanded in the new fields of business. R&D expenses rose by 10.3% to EUR 58.9 (53.4) million in the first nine months of 2018. The third quarter accounted for EUR 17.9 (15.9) million. Additionally, research and development costs of EUR 5.7 (2.8) million were capitalized over the course of the nine-month period. Taking into account R&D costs capitalized by the Group, the R&D ratio, i.e., R&D costs relative to Group revenue, was 5.1% (4.5%) in the period from January to September 2018; this was within the long-term target of between 5 and 6%.

ElringKlinger receives government grants for its ongoing research and development projects. In parallel, the company incurs project-related expenses at a comparable level for development work and prototyping. In the first nine months, the Group recorded government grants of EUR 3.6 (5.2) million.

EBIT margin at 7%

Depreciation and amortization fell slightly in the first nine months of 2018, taking the figure to EUR 73.2 (74.9) million (cf. Financial Position and Cash Flows, page 16). The substantial follow-on costs associated with high capacity utilization in the NAFTA region as well as the rise in commodity prices had a contrary effect on earnings indicators.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) fell to EUR 48.4 (59.4) million in the third quarter of 2018. In the first nine months as a whole, EBITDA was down by 13.0% at EUR 158.8 (182.5) million.

Earnings before interest and taxes (EBIT) fell to EUR 85.6 (107.7) million in the same period. In the third quarter, EBIT was down at EUR 22.9 (33.9) million. Including depreciation/

amortization relating to purchase price allocation, EBIT before purchase price allocation was EUR 88.5 (111.1) million. Correspondingly, the EBIT margin for the first nine months of 2018 stood at 7.0% (8.9%). In the third quarter, EBIT before purchase price allocation amounted to EUR 23.8 (34.8) million and the EBIT margin was 5.9% (8.6%).

Net finance result benefits from foreign exchange gains

Foreign exchange gains rose year on year in the third quarter and the nine-month period of 2018. At the same time, foreign exchange losses were in each case lower than in the same period a year ago. Overall, the net result of foreign currency translation improved to EUR 2.0 (-8.6) million in the first nine months of 2018 and to EUR 3.4 (-4.2) million in the third quarter. With interest income and expenses remaining largely unchanged year on year, the net interest result was in negative territory at EUR -10.4 (-9.7) million in the first nine months. The third quarter accounted for EUR -4.0 (-3.5) million. In total, net finance costs, which primarily consist of the net result of currency translation and the net interest result, totaled EUR 11.4 (19.2) million in the first nine months and EUR 1.0 (8.0) million in the three months from July to September.

Earnings before taxes stood at EUR 74.2 (88.4) million in the first nine months and at EUR 21.8 (25.9) million in the third quarter.

Net income impacted by higher tax rate

Income tax expenses increased to EUR 9.5 (8.7) million in the third quarter and were also higher in the period from January to September at EUR 26.2 (25.9) million. The tax rate rose to 35.3% (29.3%) as of September 30, 2018. This was attributable on the one hand to higher tax rates for more profitable subsidiaries and on the other hand to losses by production companies for which no deferred taxes were recognizable.

Net income thus stood at EUR 48.0 (62.5) million. Net income attributable to the shareholders of ElringKlinger AG amounted to EUR 45.0 (59.6) million in the first nine months and EUR 10.8 (16.1) million in the third quarter. Earnings per share were also down on the prior-year figure at EUR 0.17 (0.25) in the third quarter and EUR 0.71 (0.94) in the first nine months.

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained solid as of September 30, 2018, underpinned by an equity ratio of 42.1% and operating cash flow of EUR 40.6 million. Scheduled, growth-induced investments in property, plant, and equipment (EUR 121.6 million) resulted in negative operating free cash flow[1] of EUR -88.8 (-53.3) million in the first nine months and were financed in part by short-term loan arrangements.

Total assets up 3%

Compared with the figure posted at the end of fiscal 2017 (EUR 2,022.4 million), total assets as of September 30, 2018, were up by 3.2% or EUR 64.7 million at EUR 2,087.1 million. This was attributable primarily to the expansion of property, plant, and equipment by EUR 50.9 million to EUR 980.5 million as well as an increase by EUR 67.3 million in the level of working capital (inventories and trade receivables).

Higher working capital, which totaled EUR 739.5 million as of September 30, 2018, was due mainly to the Group's solid order book and the associated increase in production volumes and inputs. Despite strong revenue growth, trade receivables were scaled back in the second, and even more so, in the third quarter by pursuing a policy of stringent receivables management. As of September 30, 2018, they totaled EUR 328.3 million, i.e., still up EUR 25.7 million on the figure posted at the end of fiscal 2017.

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

Current and non-current assets

EUR million	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017
Intangible assets	187.2	183.9	190.5
Property, plant, and equipment	980.5	952.1	929.6
Other	69.7	69.6	67.7
Non-current assets	**1,237.4**	**1,205.6**	**1,187.8**
Inventories	411.1	390.2	369.5
Trade receivables	328.3	339.2	302.6
Other	110.4	111.7	100.7
Current assets	**849.8**	**841.1**	**772.8**
Assets held for sale	0	0	61.8
Total assets	**2,087.1**	**2,046.7**	**2,022.4**

Inventories, which exceeded the 2017 year-end figure by EUR 41.6 million as of September 30, 2018, reflect organic growth in the coming quarters, as the tool inventories accounted for at the end of the period under review – they are held in stock temporarily in preparation for serial production ramp-ups, i.e., until they are sold on to the customers – are higher than in the previous quarters. Inventory volumes of semi-finished and finished goods were also above average at the end of the third quarter of 2018 due to imminent dispatches. Other factors driving inventory carrying amounts higher included the year-on-year rise in commodity prices as well as more expansive stockpiling at facilities being set up at sites such as Fort Wayne, USA, or Warwick, United Kingdom.

Sale of Hug and new enerday accounted for in financial position

The disposal of the Hug subgroup led to a reduction in assets and liabilities by the preliminary book value of EUR 40.4 million as of the date of deconsolidation on March 1, 2018. The items in question had already been reclassified according to IFRS 5 in the Group statement of financial position as of December 31, 2017, and had been presented as assets held for sale (EUR 61.8 million) and as liabilities (EUR 23.7 million). Within equity, reclassification adjustments for currency translation, which are included in other reserves, and non-controlling interests decreased as of the date of deconsolidation. By contrast, the gain on disposal of EUR 21.2 million resulted in higher net income for the period and therefore also higher revenue reserves.

The deconsolidation of new enerday GmbH, Germany, which was sold as of September 30, 2018, led to an overall reduction in the balance sheet total by EUR 2.5 million.

Further details relating to the divestment of the Hug Group and new enerday GmbH are presented in the Notes, page 35 et seqq.

Fist-time application of IFRS 15 effective from January 1

The impact of IFRS 15 "Revenue from Contracts with Customers," which has to be applied since January 1, 2018, was accounted for as follows as of the date of transition on January 1, 2018: Revenue reserves fell by EUR 4.0 million. In terms of assets, intangible assets were down by EUR 4.1 million, property, plant, and equipment by EUR 2.2 million, and inventories by EUR 7.4 million. At the same time, current and non-current "contract assets" of EUR 7.3 million were recognized by the Group as well as "contract performance costs" totaling EUR 0.8 million and deferred taxes of EUR 1.6 million. For further details on the first-time application of this standard and the associated effects within the first nine months of 2018, please refer to the Notes on page 34.

Equity ratio at 42%

As of September 30, 2018, equity accounted for by the ElringKlinger Group totaled EUR 879.0 (Dec. 31, 2017: 889.7) million. The positive effect from net income of EUR 48.0 million in the first nine months of 2018 was reduced primarily by the dividend payment of EUR 31.7 (31.7) million in the second quarter to shareholders of ElringKlinger AG as well as foreign currency translation differences of EUR -11.9 (-33.8) million. Additionally, the change in the scope of consolidation and the transition on applying IFRS 15 for the first time had a dilutive effect on equity.

Current and non-current liabilities

EUR million	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017
Equity	**879.0**	**876.8**	**889.7**
Provisions for pensions	127.3	127.5	126.0
Non-current financial liabilities	535.4	478.9	478.8
Other	28.7	29.0	30.0
Non-current liabilities	**691.4**	**635.4**	**634.8**
Trade payables	121.5	123.5	118.8
Current financial liabilities	235.8	254.4	221.9
Other	159.4	156.6	133.5
Current liabilities	**516.7**	**534.5**	**474.2**
Liabilities relating to assets held for sale	0	0	23.7

As of September 30, 2018, the equity ratio was 42.1% (Dec. 31, 2017: 44.0%) and thus still within the target corridor of 40 to 50% defined for the Group.

Overall, there was no significant change to current and non-current provisions or pension provisions compared with the figures reported at the end of fiscal 2017.

Net debt higher as part of investing activities

Net debt (current and non-current financial liabilities less cash) stood at EUR 728.5 million as of September 30, 2018, an increase of EUR 73.2 million compared to the figure reported at the end of fiscal 2017 (EUR 655.3 million). While ElringKlinger managed to reduce net debt in the first quarter, partly as a result of cash inflow from the sale of Hug Group (EUR 52.5 million), it saw an expansion in its debt ratio due to scheduled investing activities and the dividend payment as well as, above all, strong growth in business. The overall funds required were higher as a result of several product roll-outs and scheduled capital expenditure.

Cash flow from operating activities at EUR 41 million

In the first nine months of 2018, the ElringKlinger Group generated net cash from operating activities of EUR 40.6 (63.6) million. In the third quarter, net cash from operating activities was comparable to the prior-year figure at EUR 12.8 (13.0) million.

The Group saw a year-on-year improvement in its cash outflow connected with more expansive net working capital (inventories and trade receivables less trade payables), both cumulatively for the first nine months and in the third quarter itself. Cash required for the changes to net working capital[1] had a less dilutive effect on operating cash flow than in the same periods a year ago – EUR 56.3 (78.5) million in the first nine months and EUR 10.6 (28.6) million in the third quarter.

The reduction in depreciation and amortization (less write-ups) of non-current assets, which totaled EUR 73.2 (74.9) million in the first nine months of 2018 and EUR 25.6 (25.5) million in the third quarter, was attributable largely to the smaller scope of consolidation as well as the effects of the transition to IFRS 15.

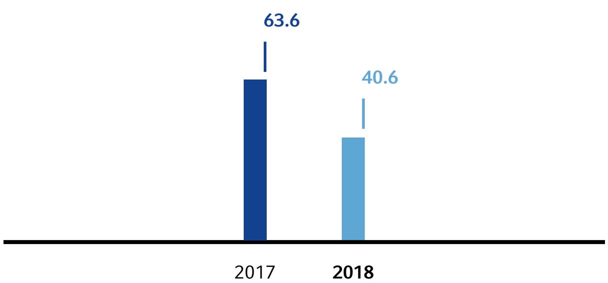
"Other non-cash expenses and income," amounting to EUR -29.0 (+12.9) million, includes currency effects. Additionally, gains from the above-mentioned disposal of entities were eliminated from this item.

Investments in E-Mobility up in third quarter

Payments made in connection with investments in property, plant, and equipment as well as investment property totaled EUR 121.6 (114.1) million in the first nine months and EUR 53.9 (42.1) million in the third quarter. Thus, the capex ratio (capital expenditure on property, plant, and equipment and on investment property relative to Group sales revenue) for the first three quarters of 2018 was 9.6% (9.2%), which is within the range of around 9 to 10% (relative to Group sales revenue) targeted by the Group. For the third quarter of 2018, the ratio was temporarily higher at 13.3% (10.4%).

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

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



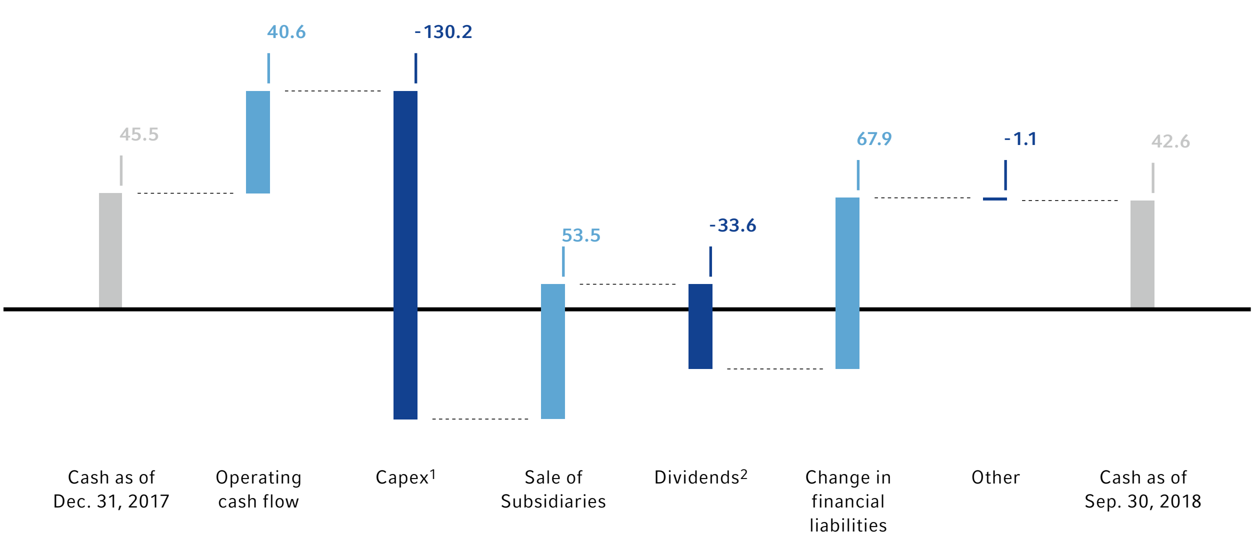
Investment spending was directed at almost all of the Group's production sites, the focus being on expansion measures to raise capacity levels as well as the installation of production machinery for new ramp-ups. The third quarter, in particular, saw sizeable investments at the Group's headquarters in Dettingen/Erms with regard to the commencement of construction work on a new technology center for e-mobility. In addition, a highly automated assembly line for battery modules is also being installed at a site in Germany, prompting capital expenditure in the third quarter.

The Group is also investing in its other European plants, for example, with regard to the new facility at the Hungarian site in Kecskemét and production machinery in Redcar, United Kingdom. At the three major North American production sites in Leamington, Canada, Buford, USA, and Toluca, Mexico, investments were centered around expansion and streamlining measures. In Fort Wayne, USA, machinery is being installed for the production of thermal and acoustic shielding systems. The Brazilian site in Piracicaba has been undergoing expansion since 2018, which includes a larger building to accommodate Lightweighting/Elastomer Technology and Aftermarket operations. Further investment measures were also required during the first three quarters of 2018 for local production at the Group's Chinese plants. The Group made preparations for the commencement of production of door module carriers in Chongqing, which was established in 2017 as the fourth plant in China.

Investment spending on intangible assets amounted to EUR 8.6 (6.1) million in the period from January to September 2018, with the third quarter accounting for EUR 5.8 (2.4) million.

The disposal of the Hug Group in the first quarter and new enerday GmbH in the third quarter produced an inflow of EUR 52.5 million and EUR 1.0 million respectively for the Group. Payments accounted for in the same quarter a year ago for the acquisition of associates (EUR 28.9 million) related to the purchase on interests in hofer AG.

Changes in cash Jan.–Sep.
in € million



[1] Investments in property, plant, and equipment, investment property, and intangible assets
[2] Dividends paid to shareholders and non-controlling interests

In total, net cash used in investing activities amounted to EUR 75.7 (147.7) million in the first nine months and EUR 57.8 (44.5) million in the third quarter of 2018.

Expansion in short-term loans for financing activities

The Group generated net cash from financing activities of EUR 34.3 (90.6) million in the first nine months of 2018. Cash inflow amounted to EUR 38.3 (22.3) million in the third quarter, mainly from the expansion of short-term loans.

As investment spending exceeded the Group's cash inflow from operating activities, operating free cash flow was in negative territory in the first nine months of 2018, at EUR -88.8 (-53.3) million. In the third quarter, operating free cash flow was also negative at EUR -46.5 (-31.5) million due to sustained growth. It is calculated as cash flow from operating activities plus cash flow from investing activities, adjusted for payments in respect of acquisitions and financial assets as well as proceeds from divestments.

Opportunities and Risks

Economic growth in China has gradually decelerated over the course of the year to date, with GDP growth falling from 6.8% and 6.7% respectively in the first two quarters to 6.6% in the last three months. This downturn is attributed to the trade war with the United States and the sizeable amount of sovereign debt amassed by China. Having said that, the country's recent economic growth is still on a comparatively high level. However, should the prospects for growth in China – as the world's most important automobile market – deteriorate any further and possibly result in lower demand for cars, sales relating to ElringKlinger products may also be adversely affected.

Furthermore, the automotive industry continues to face sector-specific uncertainties. They include the introduction of WLTP as an emissions testing method as of September 1, 2018, which has led to delays in the new registration of vehicles. Against the backdrop of this exceptional factor, the European car market saw a double-digit percentage decline in sales volumes in September. With the United States and China, as the two largest individual car markets in the world, also recording substantial declines in September, there is growing evidence to suggest a general slowdown within this industry. The extent of these factors of uncertainty and the possible effects on the ElringKlinger Group cannot be fully gauged at this moment in time.

Beyond these aspects, as regards the assessment of opportunities and risks for the ElringKlinger Group in respect of the third quarter and the first nine months of 2018, there were no significant changes to the details discussed in the ElringKlinger Group's 2017 Annual Report (page 53 et seqq.) or in its interim report on the second quarter and the first half of 2018 (page 18).

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 2017 Annual Report can also be accessed on the website of ElringKlinger at www.elringklinger.de/ar2017/report-on-opportunities-and-risks.

Report on Expected Developments

Outlook – Market and Sector

Sustained global upturn accompanied by risks

The global upturn is likely to continue during the fourth quarter of 2018. At the same time, however, the challenges facing the world economy have become more pronounced according to the International Monetary Fund (IMF). Among the downside risks are trade disputes initiated by the United States and an associated hike in prices as well as disruptions to global supply chains.

In its most recent World Economic Outlook published in October 2018, the IMF predicts that global GDP growth will remain unchanged year on year at 3.7%. In view of sluggish exports, the eurozone is likely to experience a further slowdown. Despite the gradual rise in interest rates, the US economy should continue – for the time being – to benefit from lower tax rates and more expansive government spending. Economists are less encouraged by conditions in the emerging countries. While a hike in the price of crude oil provided a boost to the economies of oil-exporting nations, higher interest rates, more restrictive lending terms, and geopolitical conflicts are having a dampening effect on expansion.

GDP growth projections

Year-on-year change in %	2017	Projections 2018	Projections 2019
World	**3.7**	**3.7**	**3.7**
Industrialized countries	2.3	2.4	2.1
Emerging and developing countries	4.7	4.7	4.7
Germany	2.5	1.9	1.9
Eurozone	2.4	2.0	1.9
USA	2.2	2.9	2.5
Brazil	1.0	1.4	2.4
China	6.9	6.6	6.2
India	6.7	7.3	7.4
Japan	1.7	1.1	0.9

Source: International Monetary Fund (October 2018)

Slowdown in rate of growth for global vehicle markets

After signs of a slowdown in growth in the third quarter of 2018 industry experts have issued a weaker outlook for 2018 compared to the annual forecast presented at the beginning of the year. With this in mind, ElringKlinger has revised its own assessment and is now working on the assumption that global car production will expand by 1 to 2% in 2018 (previous projection: 2 to 3%).

Thus, the global vehicle market as a whole is on a low trajectory of growth at present, supported mainly by some forward momentum in Europe, India, and China as well as Brazil. The US market for light vehicles is likely to stagnate at a high level.

Dampened expectations concerning future growth are driven by various factors within the individual regions. In the European Union, for instance, the introduction of the new

Light vehicle production forecast for 2018

	Million units	Year-on-year change
European Union	**19.4**	**3.0 %**
Germany	5.9	0.8 %
Eastern Europe[1]	**3.4**	**1.2 %**
Russia	1.6	7.8 %
North America	**17.0**	**-0.1 %**
USA	11.0	-1.4 %
South America	**3.5**	**10.0 %**
Brazil	2.8	8.8 %
Asia-Pacific	**49.8**	**1.4 %**
China	27.7	1.3 %
Japan	8.3	-6.1 %
India	5.0	14.4 %
Middle East & Africa	**2.9**	**12.7 %**
World	**96.0**	**2.0 %**

[1] Incl. Russia
Source: PwC Autofacts (October 2018)

WLTP-based test cycle on September 1, 2018, proved more detrimental to sales markets than originally anticipated. The situation within Europe is bifurcated: while Germany has been influenced to a larger extent by WLTP as an exceptional factor and is likely to be only just within positive territory at the end of the year, Spain and France are expected to lead the group of Europe's top five markets with solid growth rates. By contrast, Italy and the United Kingdom are in an entirely different category, as both countries face a production downturn in the mid-single-digit percentage range.

The industry outlook has also become slightly bleaker for the world's largest individual markets, China and the United States. Among the downside factors are more intense trade disputes and tariff conflicts at an international level. The US market is likely to trend sideways in 2018 as a whole, with production output of light vehicles remaining at 17.0 million units. In China, meanwhile, the fourth quarter is expected to see a decline in vehicle production on the back of sluggish vehicle sales in the preceding quarter.

Outlook for commercial vehicle markets

On the back of a favorable performance in the first nine months of 2018, the outlook for commercial vehicle markets remains positive for the annual period as a whole. This applies to both Western Europe and the United States, although the individual markets are likely to develop along different lines. The UK market, for example, is expected to plunge quite severely, while France, Spain, and Poland should record further growth. The US truck market is expected to remain very dynamic in 2018, reflected in double-digit growth rates for the mid-sized and heavy trucks category.

Outlook – Company

Challenging business climate

The global automotive industry continues to operate against an intense competitive backdrop as well as having to contend with equally challenging macroeconomic conditions. Uncertainty caused by the ongoing diesel debate, including accusations of fraud and the prospect of driving bans, and concerns surrounding tariffs and trade disputes, persistently high commodity prices, and the malaise afflicting key markets such as Europe and China are likely to affect the automobile sector in the coming months and quarters.

Future revenue growth underpinned by solid order book

Despite the situation outlined above, demand for ElringKlinger products remains as strong as ever, as reflected in its solid order book. In the third quarter of 2018, order intake rose by EUR 30.8 million or 8.1% compared to the same period a year ago and totaled EUR 411.8 (381.0) million. Adjusted for currency effects, order intake increased by as much as EUR 43.8 million or 11.5%. As a result, order backlog remained high at EUR 1,027.2 (976.5) million as of September 30, 2018. Adjusted for currency effects, order backlog actually amounted to EUR 1,041.4 million, which corresponds to a gain of EUR 64.9 million or 6.6%. This provides a solid foundation for sustained organic revenue growth in the coming months and quarters.

Revenue and earnings targets for 2018 confirmed

Considering the impact of WLTP and the downturn seen within China's market, ElringKlinger now anticipates that global automobile production will grow by 1 to 2% (previous projection: 2 to 3%). However, with organic revenue growth standing at 7.4% after the first nine months and orders remaining strong, the Group remains confident that it can outpace market expansion by 2 to 4 percentage points on the basis of organic revenue growth.

After the first nine months, the Group remains on track with regard to its earnings target as revised in June 2018, the objective being to achieve an EBIT margin before purchase price allocation of around 7% in the annual period as a whole. At the same time, however, market uncertainty and elevated commodity prices, together with the costs associated with consistently strong demand in the NAFTA region, are likely to affect earnings in the fourth quarter too. Although the Group's earnings target continues to be ambitious, ElringKlinger, having considered the influencing factors outlined above – together with anticipated operational improvements –, remains confident that it can achieve the earnings margin it has set itself as a target, despite unfavorable business conditions.

Other control criteria and indicators

The Group's expectations with regard to other performance indicators for fiscal 2018 also remain unchanged. Given the slight dip in earnings, the return on capital employed (ROCE) will be slightly down on the prior-year figure. The same applies to operating free cash flow targeted by the Group. In view of strong growth, net working capital will increase slightly, as expected, relative to sales revenue. Due to the establishment of new sites, the Group anticipates that its investment ratio in respect of property, plant, and equipment as well as investment property will continue to lie within a range of around 9 to 10%, calculated relative to Group sales revenue. The other indicators also remain unchanged.

Mid-term outlook

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

Dettingen/Erms, November 6, 2018
The Management Board

Dr. Stefan Wolf
Chairman/CEO

Theo Becker

Thomas Jessulat

Reiner Drews

ElringKlinger on the Capital Market

Diverging performance across global stock markets

Global equity markets developed along very different lines during the third quarter of 2018. In the United States, stocks scaled new heights on the back of positive labor market data, strong company performances, and the conclusion of new trade deals with Mexico and Canada. Japan's benchmark index, the Nikkei, benefited from the faltering yen and also recorded considerable gains.

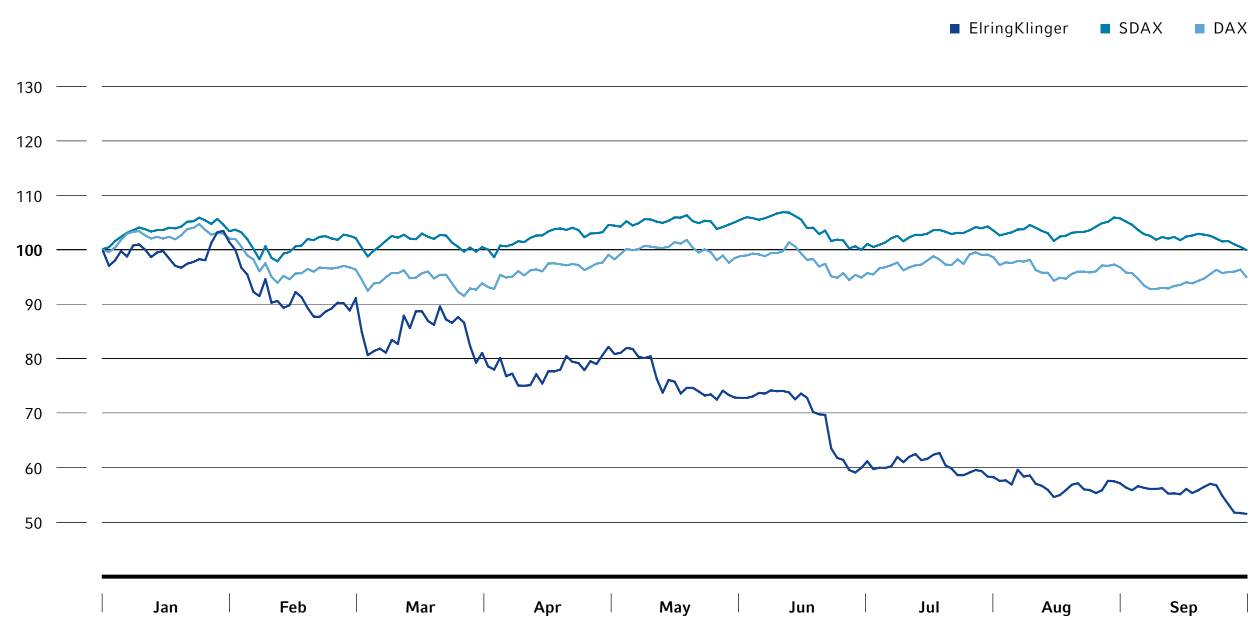
By contrast, the Chinese stock market languished as it continued to be buffeted by the smoldering trade dispute with the United States. To a large extent, markets in Germany and Europe also put in a below-average performance. Uncertainty over the outcome of Brexit negotiations, an unexpectedly high budget deficit target set by Italy, and growing concern over the rate of inflation in Turkey exerted downward pressure. Against this backdrop of polarized forces, Germany's blue chip index, the DAX, fell by 0.5% in the period between July and September and was down by 5.2% on the figure recorded at the beginning of the year.

ElringKlinger stock closes at EUR 9.56 after third quarter

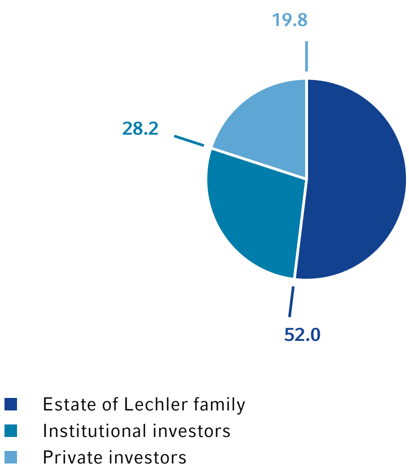
Having completed the first six months of 2018 at a level of EUR 10.99, ElringKlinger's share price trended sideways for much of July in line with common seasonal patterns. The financial results presented at the beginning of August with regard to the first half of 2018 provided a favorable trading environment for ElringKlinger's stock; the company's shares made a gain of around 5% on the day of publication.

Subsequently, however, the company's stock came under more pronounced pressure amidst analyst studies that included revised assessments and price targets. This coincided with a downturn in market sentiment, which again impacted automotive industry stock to a much larger extent than other sectors. Among the key factors exerting downward pressure were a steady stream of headlines highlighting the issue of diesel-powered vehicles, debate concerning car retrofits, and the prospect of driving bans in major German cities. At the end of the third quarter of 2018 ElringKlinger's share price stood at EUR 9.56.

ElringKlinger's share price performance (XETRA) since January 1, 2018 (indexed, Dec. 29, 2017 = 100%)
compared with DAX and SDAX



Shareholder structure[1]
in %



[1] As of September 30, 2018

Trading volume down on previous year

Trading volume for ElringKlinger stock was down on the previous year's figure in the first nine months of 2018. However, with 141,300 (180,000) units being traded on average per day, the overall volume remained at a level that was of relevance to the index. The average daily value of ElringKlinger shares traded on German stock exchanges was EUR 1,964,600 (3,021,900).

Capital market communication at home and abroad

ElringKlinger continued to take an active approach to communicating with key players within capital markets over the course of the third quarter of 2018. 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 institutional investors. By the end of the first nine months of 2018, the company had completed four road shows and taken part in eleven capital market conferences. The focus of ElringKlinger's investor relations activities in Europe was on the financial hubs of London and Frankfurt/Main, among others. In addition, it arranged meetings with existing and potential investors in the United States, Australia, and Singapore.

Multiple awards for annual report

ElringKlinger AG's 2017 annual report won several awards as part of major communication and design competitions. At the LACP (League of American Communications Professionals) Vision Awards the company managed to outpace other entrants from around the globe; the panel of judges awarded it a gold medal in the "Automobiles & Components" category. ElringKlinger's annual report also impressed at the ARC (Annual Report Competition) Awards and won a silver medal in the "Automotive Parts" category. Additionally, the report was again among the winners of the Automotive Brand Contest within the category of "Corporate Publishing."

ElringKlinger stock (ISIN DE 0007856023)

	Jan.–Sep. 2018	Jan.–Sep. 2017
Number of shares outstanding	63,359,990	63,359,990
Share price (daily closing price in EUR)[1]		
High	19.37	20.14
Low	9.56	14.10
Closing price[2]	9.56	15.77
Average daily trading volume (German stock exchanges; no. of shares traded)	141,300	180,000
Average daily trading value (German stock exchanges; in EUR)	1,964,600	3,021,900
Market capitalization (EUR millions)[1,2]	605.7	999.2

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

Group income statement

of ElringKlinger AG, January 1 to September 30, 2018

EUR k	3rd Quarter 2018	3rd Quarter 2017	9 months 2018	9 months 2017
Sales revenue	**405,791**	**403,594**	**1,267,246**	**1,244,728**
Cost of sales	-312,776	-299,871	-979,201	-922,819
Gross profit	**93,015**	**103,723**	**288,045**	**321,909**
Selling expenses	-34,796	-34,374	-106,337	-103,477
General and administrative expenses	-20,511	-19,997	-63,121	-61,348
Research and development costs	-17,881	-15,889	-58,941	-53,387
Other operating income	4,855	3,357	35,579	12,429
Other operating expenses	-1,824	-2,899	-9,630	-8,475
Operating result/EBIT	**22,858**	**33,921**	**85,595**	**107,651**
Finance income	6,648	5,890	22,345	15,833
Finance costs	-7,283	-13,521	-30,712	-34,176
Share of result of associates	-408	-387	-3,018	-879
Net finance costs	**-1,043**	**-8,018**	**-11,385**	**-19,222**
Earnings before taxes	**21,815**	**25,903**	**74,210**	**88,429**
Income tax expense	-9,506	-8,733	-26,168	-25,904
Net income	**12,309**	**17,170**	**48,042**	**62,525**
of which: attributable to non-controlling interests	1,510	1,108	3,046	2,937
of which: attributable to shareholders of ElringKlinger AG	**10,799**	**16,062**	**44,996**	**59,588**
Basic and diluted earnings per share in EUR	0.17	0.25	0.71	0.94

Group statement of comprehensive income

of ElringKlinger AG, January 1 to September 30, 2018

EUR k	3rd Quarter 2018	3rd Quarter 2017	9 months 2018	9 months 2017
Net income	**12,309**	**17,170**	**48,042**	**62,525**
Currency translation difference	-8,237	-14,342	-11,926	-33,847
Share of other comprehensive income of associates	-4	0	-3	0
Gains and losses that can be reclassified to the income statement in future periods	**-8,241**	**-14,342**	**-11,929**	**-33,847**
Remeasurement of defined benefit plans, net	-7	0	-7	1,058
Gains and losses that cannot be reclassified to the income statement in future periods	**-7**	**0**	**-7**	**1,058**
Other comprehensive income after taxes	**-8,248**	**-14,342**	**-11,936**	**-32,789**
Total comprehensive income	**4,061**	**2,828**	**36,106**	**29,736**
of which: attributable to non-controlling interests	1,316	927	2,871	1,926
of which: attributable to shareholders of ElringKlinger AG	**2,745**	**1,901**	**33,235**	**27,810**

Group statement of financial position

of ElringKlinger AG, as at September 30, 2018

EUR k	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
ASSETS			
Intangible assets	187,171	190,540	202,437
Property, plant and equipment	980,458	929,570	935,472
Investment property	16,538	17,030	16,738
Financial assets	2,714	1,036	1,022
Shares in associates	25,542	28,563	28,061
Non-current income tax assets	87	99	95
Other non-current assets	3,539	3,984	3,924
Deferred tax assets	18,041	16,986	18,954
Contract performance costs	2,704	0	0
Non-current contract assets	558	0	0
Non-current assets	**1,237,352**	**1,187,808**	**1,206,703**
Inventories	411,116	369,547	374,804
Current contract assets	5,432	0	0
Trade receivables	328,346	302,621	332,975
Current income tax assets	8,109	7,041	7,668
Other current assets	54,136	48,093	40,710
Cash and cash equivalents	42,615	45,498	43,093
Current assets	**849,754**	**772,800**	**799,250**
Assets held for sale	0	61,772	0
	2,087,106	**2,022,380**	**2,005,953**

EUR k	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	720,222	710,885	700,543
Other reserves	-58,603	-40,184	-34,607
Equity attributable to shareholders of ElringKlinger AG	**843,217**	**852,299**	**847,534**
Non-controlling interest in equity	35,815	37,368	36,564
Equity	**879,032**	**889,667**	**884,098**
Provisions for pensions	127,333	125,999	135,343
Non-current provisions	12,452	12,319	13,561
Non-current financial liabilities	535,377	478,811	488,365
Deferred tax liabilities	12,895	14,075	14,624
Other non-current liabilities	3,358	3,551	3,743
Non-current liabilities	**691,415**	**634,755**	**655,636**
Current provisions	23,578	23,005	16,427
Trade payables	121,513	118,846	112,073
Current financial liabilities	235,761	221,944	199,149
Tax payable	16,420	14,881	20,948
Other current liabilities	119,387	95,535	117,622
Current liabilities	**516,659**	**474,211**	**466,219**
Liabilities relating to assets held for sale	0	23,747	0
	2,087,106	**2,022,380**	**2,005,953**

Group statement of changes in equity

of ElringKlinger AG, January 1 to September 30, 2018

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2016/Balance as of Jan. 01, 2017	**63,360**	**118,238**	**672,635**
Dividend distribution			-31,680
Change in scope of consolidated financial statements			
Total comprehensive income			59,588
Net income			59,588
Other comprehensive income			
Balance as of Sep. 30, 2017	**63,360**	**118,238**	**700,543**
Balance as of Dec. 31, 2017	**63,360**	**118,238**	**710,885**
Application of new standards[1]			**-4,062**
Balance as of Jan. 01, 2018	**63,360**	**118,238**	**706,823**
Dividend distribution			-31,680
Purchase of shares from 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**

[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 shareholders of ElringKlinger AG	Non-controlling interests in equity	Group equity
-43,616	**-212**	**40,999**	**851,404**	**34,963**	**886,367**
			-31,680	-2,561	-34,241
				2,236	2,236
1,058		-32,836	27,810	1,926	29,736
			59,588	2,937	62,525
1,058		-32,836	-31,778	-1,011	-32,789
-42,558	**-212**	**8,163**	**847,534**	**36,564**	**884,098**
-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**

Group statement of cash flows

of ElringKlinger AG, January 1 to September 30, 2018

EUR k	3rd Quarter 2018	3rd Quarter 2017	9 months 2018	9 months 2017
Earnings before taxes	21,815	25,903	74,210	88,429
Depreciation/amortization (less write-ups) of non-current assets	25,566	25,497	73,240	74,883
Net interest	3,998	3,465	10,362	9,696
Change in provisions	-4,609	-959	609	-712
Gains/losses on disposal of non-current assets	-149	892	-130	1,225
Share of result of associates	408	387	3,018	879
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	-17,950	-34,804	-88,105	-112,154
Change in trade payables and other liabilities not resulting from financing and investing activities	7,394	6,163	31,839	33,665
Income taxes paid	-8,938	-16,630	-25,632	-38,064
Interest paid	-5,654	-2,025	-10,246	-7,343
Interest received	95	63	413	159
Other non-cash expenses and income	-9,155	5,034	-28,971	12,940
Net cash from operating activities	**12,821**	**12,986**	**40,607**	**63,603**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	368	0	831	324
Proceeds from disposals of financial assets	2,827	0	2,827	2,940
Payments received for the disposal of subsidiaries	1,000	0	53,455	0
Payments for investments in intangible assets	-5,844	-2,373	-8,607	-6,103
Payments for investments in property, plant and equipment and investment property	-53,873	-42,085	-121,603	-114,066
Payments for investments in financial assets	-2,272	0	-2,580	-3,134
Payments for the acquisition of associates	0	0	0	-28,940
Payments made/received for the acquisition of subsidiaries and other entities, less cash	0	0	0	1,321
Net cash from investing activities	**-57,794**	**-44,458**	**-75,677**	**-147,658**
Dividends paid to shareholders and to non-controlling interests	-1,879	-2,303	-33,578	-34,241
Proceeds from the addition of non-current financial liabilities	69,027	200,644	73,735	233,081
Payments for the repayment of non-current financial liabilities	-56,236	-3,757	-65,494	-25,965
Change in current loans	27,372	-172,243	59,652	-82,243
Net cash from financing activities	**38,284**	**22,341**	**34,315**	**90,632**
Changes in cash	-6,689	-9,131	-755	6,577
Effects of currency exchange rates on cash	-1,395	-961	-2,128	-2,891
Cash at beginning of period	50,699	53,185	45,498	39,407
Cash at end of period	42,615	43,093	42,615	43,093
Cash at end of period as per statement of financial position	**42,615**	**43,093**	**42,615**	**43,093**

Group sales by region

of ElringKlinger AG, January 1 to September 30, 2018

EUR k	3rd Quarter 2018	3rd Quarter 2017	9 months 2018	9 months 2017
Germany	103,046	105,356	320,190	316,330
Rest of Europe	114,787	118,180	392,723	387,614
NAFTA	92,291	80,567	261,818	247,120
Asia-Pacific	76,725	79,452	232,940	236,343
South America and rest of the world	18,942	20,039	59,575	57,321
Group	**405,791**	**403,594**	**1,267,246**	**1,244,728**

Segment reporting

of ElringKlinger AG, July 1 to September 30, 2018

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	3rd Quarter 2018	3rd Quarter 2017	3rd Quarter 2018	3rd Quarter 2017	3rd Quarter 2018	3rd Quarter 2017
External revenue	334,639	331,120	37,623	40,153	30,239	28,889
Intersegment revenue	6,589	5,495	0	0	2	5
Segment revenue	341,228	336,615	37,623	40,153	30,241	28,894
EBIT[1]/Operating result	10,337	19,948	5,856	8,058	6,615	5,696
Depreciation and amortization	-22,475	-22,651	-793	-614	-1,553	-1,512
Capital expenditures[2]	54,686	41,983	2,688	112	1,656	1,092

January 1 to September 30, 2018

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	9 months 2018	9 months 2017	9 months 2018	9 months 2017	9 months 2018	9 months 2017
External revenue	1,043,260	1,028,905	122,848	120,480	90,836	84,714
Intersegment revenue	16,421	16,626	0	0	27	12
Segment revenue	1,059,681	1,045,531	122,848	120,480	90,863	84,726
EBIT[1]/Operating result	48,507	68,261	20,726	24,624	15,873	13,793
Depreciation and amortization	-64,137	-66,451	-2,247	-1,747	-4,626	-4,502
Capital expenditures[2]	120,325	115,119	4,266	815	3,108	2,408

[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 2018	3rd Quarter 2017	3rd Quarter 2018	3rd Quarter 2017	3rd Quarter 2018	3rd Quarter 2017	3rd Quarter 2018	3rd Quarter 2017
1,040	**1,048**	**2,250**	**2,384**	**0**	**0**	**405,791**	**403,594**
27	72	1,823	1,796	-8,441	-7,368	0	0
1,067	**1,120**	**4,073**	**4,180**	**-8,441**	**-7,368**	**405,791**	**403,594**
90	**-44**	**-40**	**263**	**0**	**0**	**22,858**	**33,921**
-263	-247	-482	-473	0	0	-25,566	-25,497
27	1,155	660	116	0	0	59,717	44,458

Industrial Parks		Services		Consolidation		Group	
9 months 2018	9 months 2017	9 months 2018	9 months 2017	9 months 2018	9 months 2017	9 months 2018	9 months 2017
3,178	**3,162**	**7,124**	**7,467**	**0**	**0**	**1,267,246**	**1,244,728**
81	126	5,403	4,980	-21,932	-21,744	0	0
3,259	**3,288**	**12,527**	**12,447**	**-21,932**	**-21,744**	**1,267,246**	**1,244,728**
68	**-169**	**421**	**1,142**	**0**	**0**	**85,595**	**107,651**
-793	-759	-1,437	-1,424	0	0	-73,240	-74,883
516	1,391	1,995	436	0	0	130,210	120,169

Notes to the Third Quarter and First Nine Months of 2018

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, 2018, 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, 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, 2018, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of September 30, 2018, 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, 2018.

Basis of reporting

Reporting

IFRS 9 Financial Instruments

The Group has applied the new Standard since January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

The Group has applied the new Standard IFRS 15 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.

The changes to items in the statement of financial position and the income statement, as of September 30, 2018, as a result of applying IFRS 15 in contrast to previous accounting on the basis of IAS 11 Construction Contracts and IAS 18 Revenue are presented below.

In the first three quarters of 2018, the positive effect on earnings from the application of IFRS 15 is EUR 4,273k.

The effects on the statement of financial position are an increase in costs to fulfill contracts and an increase in contract assets as well as a decrease in inventories, intangible assets, and property, plant, and equipment.

In the case of tools that are used in the production of components and whose legal and economic ownership passes to customers, the preconditions under IFRS 15 for revenue recognition at the point of transfer of control are met, irrespective of whether amortization occurs through the component price or through a direct purchase price payment. Correspondingly, revenue recognition regularly occurs at the point of ownership transfer, at which time profit or loss is accounted for in its entirety. By applying IFRS 15 as a basis of accounting, non-current assets are presented in an amount that is EUR 3,033k lower, inventories in an amount that is EUR 4,090k lower, and contract assets in an amount that is EUR 1,713k higher.

As regards the delivery of components, ElringKlinger is of the opinion in respect of certain customers and certain business models that revenue from these contracts is to be recognized on a periodic basis, as the units sold cannot be utilized by the Group for alternative purposes and the Group has a right to payment for performance completed to date. As regards components that are held as consignment stock until the minimum inventory volume has been reached, ElringKlinger is also of the opinion that the Group already has a right to payment in this respect. Compared to previous accounting, the amount in respect of contract assets is EUR 4,278k higher and the amount in respect of inventories is EUR 3,462k lower when applying IFRS 15.

The recognition as assets of costs incurred in fulfilling a contract with customers, as prescribed by IFRS 15 under certain circumstances, resulted in an increase in non-current assets by EUR 2,704k.

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of September 30, 2018, include the financial statements of seven domestic and 31 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 ("Control"). Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

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

Compared to the consolidated financial statements as of December 31, 2017, there were no other changes in the scope of consolidation, with the exception of the sale of the Hug Group, based in Elsau, Switzerland, the sale of new enerday GmbH, based in Neubrandenburg, Germany, the establishment of ElringKlinger Manufacturing Indiana, Inc., USA, and the merger of Taiyo Jushi Kakoh Co., Ltd., based in Tokyo, Japan, into ElringKlinger Marusan Corporation, Tokyo, Japan. The Hug Group included the entities Hug Engineering AG, Switzerland, Hug Engineering GmbH, Germany, Hug Engineering Inc., USA, Hug Engineering Italia S.r.l., Italy, and Hug Engineering B.V., Nether-lands.

Newly established company

ElringKlinger Manufacturing Indiana, Inc., based in Fort Wayne, USA, was established effective from February 28, 2018. ElringKlinger AG holds 100% of the ownership interests.

Merger

Effective from January 1, 2018, Taiyo Jushi Kakoh Co., Ltd, based in Tokyo, Japan, a wholly-owned subsidiary of ElringKlinger Marusan Corporation, also based in Tokyo, Japan, was merged into ElringKlinger Marusan Corporation.

Divestments

The Group's strategic focus is mainly centered on the promising fields of lightweighting and e-mobility as well as electric drive systems. Against this background, in December 2017 the Group reached an agreement with a French automotive supplier for the sale of the Hug Group, based in Elsau, Switzerland. The purchase agreement was signed on December 21, 2017. The transaction was closed on February 28, 2018, with effect of March 1, 2018. The preliminary sale price is EUR 52,455k. The 93.67% interest held by ElringKlinger in Hug Engineering AG prior to the sale passed entirely to the contracting party.

The result on disposal of EUR 21,186k is accounted for in other operating income. As part of the sale of the Hug Group, ancillary costs of EUR 937k were incurred. They are accounted for as general and administrative expenses.

As part of the strategic orientation of its E-Mobility division, ElringKlinger AG took the decision to focus on PEMFC (Proton Exchange Membrane Fuel Cell) technology in future; it is of key relevance to mobile applications. Against this backdrop, ElringKlinger sold its existing business centered around high-temperature SOFC (Solid Oxide Fuel Cell) technology, which included its ownership interest in new enerday GmbH, Neubrandenburg, Germany.

Effective from September 30, 2018, ElringKlinger AG acquired a 20% interest in new enerday GmbH. The ownership interest of 100% thus held by ElringKlinger in the aforementioned entity passed entirely to the contracting party as of the same date.

The purchase agreement was signed on September 19, 2018, and the transaction was closed on September 30, 2018. The contractual sale price is EUR 1,288k. In total, EUR 1,000k of the purchase price was paid at the date of acquisition; the other components of the sale price are long term in nature.

The result on disposal of EUR 975k is accounted for in other operating income.

Exchange rates

Exchange rates developed as follows:

		Closing rate		Average rate	
Currency	**Abbr.**	**Sep. 30, 2018**	**Dec. 31, 2017**	**Jan.–Sep. 2018**	**Jan.–Dec. 2017**
US dollar (USA)	USD	1.15760	1.19930	1.19323	1.13703
Pound (United Kingdom)	GBP	0.88730	0.88723	0.88417	0.87572
Swiss franc (Switzerland)	CHF	1.13160	1.17020	1.15758	1.11628
Canadian dollar (Canada)	CAD	1.50640	1.50390	1.53743	1.47253
Real (Brazil)	BRL	4.65350	3.97290	4.32554	3.64344
Mexican peso (Mexico)	MXN	21.78000	23.66120	22.59390	21.42845
RMB (China)	CNY	7.96620	7.80440	7.79213	7.65567
WON (South Korea)	KRW	1,285.75000	1,279.61000	1,300.95889	1,275.34917
Rand (South Africa)	ZAR	16.44470	14.80540	15.39104	15.06342
Yen (Japan)	JPY	131.23000	135.01000	130.78667	127.30417
Forint (Hungary)	HUF	324.37000	310.33000	318.88556	309.31000
Turkish lira (Turkey)	TRY	6.96500	4.54640	5.56026	4.14289
Leu (Romania)	RON	4.66380	4.65850	4.65359	4.57379
Indian rupee (India)	INR	83.9160	76.60550	80.55194	73.78786
Indonesian rupiah (Indonesia)	IDR	17,249.98000	16,239.12000	16,834.75222	15,233.45750
Bath (Thailand)	THB	37.44800	39.12100	38.29833	38.35650

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, 2018									
Financial assets measured at amortized cost	42,615	328,346	12,209	0	568	566	2,008	2,008	385,746
Financial assets at fair value through profit or loss	0	0	0	105	0	0	0	0	105
Financial assets measured at fair value through other comprehensive income	0	0	0	0	131	131	8	8	139
Total	**42,615**	**328,346**	**12,209**	**105**	**699**	**697**	**2,016**	**2,016**	**385,990**
as of Dec. 31, 2017									
Loans and receivables	45,498	302,621	7,465	0	0	0	8	8	355,592
held to maturity	0	0	0	0	829	840	0	0	829
held for trading	0	0	0	176	0	0	0	0	176
available for sale	0	0	0	0	192	192	7	7	199
Total	**45,498**	**302,621**	**7,465**	**176**	**1,021**	**1,032**	**15**	**15**	**356,796**

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

	Other current liabilities	Current financial liabilities	Finance leases		Trade payables
EUR k	CA	CA	CA	FV	CA
as of Sep. 30, 2018					
Financial liabilities measured at acquisition cost	50,841	235,521	0	0	121,513
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	240	247	0
as of Dec. 31, 2017					
Financial liabilities measured at acquisition cost	47,467	221,666	0	0	118,846
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IAS 39	0	0	278	295	0

	Derivatives		Non-current financial liabilities		Finance leases		Total
EUR k	CA	FV	CA	FV	CA	FV	CA
as of Sep. 30, 2018							
Financial liabilities measured at acquisition cost	0	0	535,253	529,436	0	0	943,128
Financial liabilities measured at fair value through profit or loss	106	106	0	0	0	0	106
No measurement category under IFRS 9	0	0	0	0	124	125	364
as of Dec. 31, 2017							
Financial liabilities measured at acquisition cost	0	0	478,593	468,251	0	0	866,572
Financial liabilities measured at fair value through profit or loss	11	11	0	0	0	0	11
No measurement category under IAS 39	0	0	0	0	218	226	496

The other current liabilities include a purchase price liability of EUR 34,782k (2017: EUR 34,782k) in respect of a written put option, which has been measured at amortized cost.

The Group's management has ascertained that the carrying amounts of cash, trade receivables, other receivables, 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.

The fair values of non-current securities measured at amortized cost are based on prices in an active market as of the end of the reporting period. 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 3,478k.

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, 2018:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2018			
Financial assets			
Non-current securities	131	0	0
Other financial investments	8	0	0
Derivatives*	0	105	0
Total	**139**	**105**	**0**
Financial liabilities			
Derivatives*	0	106	0
Total	**0**	**106**	**0**
Dec. 31, 2017			
Financial assets			
Non-current securities	192	0	0
Other financial investments	7	0	0
Derivatives*	0	176	0
Total	**199**	**176**	**0**
Financial liabilities			
Derivatives*	0	11	0
Total	**0**	**11**	**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, 2018:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2018			
Financial assets			
Non-current securities	566	0	0
Other financial investments	0	0	2,008
Total	**566**	**0**	**2,008**
Financial liabilities			
Non-current liabilities from finance leases	0	0	125
Non-current financial liabilities	0	529,436	0
Purchase price liability from written put option	0	0	34,782
Total	**0**	**529,436**	**34,907**
Dec. 31, 2017			
Financial assets			
Non-current securities	829	0	0
Other financial investments	0	0	8
Total	**829**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	266
Non-current financial liabilities	0	468,251	0
Purchase price liability from written put option	0	0	34,782
Total	**0**	**468,251**	**35,008**

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.

Contingencies and related-party disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2017 were not subject to significant changes in the first nine months of 2018.

Government grants

Other operating income in the first nine months of 2018 includes government grants totaling EUR 3,593k. These grants were attributable primarily to development projects.

Events after the reporting period

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

Responsibility statement

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

Dettingen/Erms, November 6, 2018

The Management Board

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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.

This report was published on November 6, 2018, and is available in German and English. Only the German version shall be legally binding.

Financial calendar

MARCH 2019

27

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

MAY 2019

16

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

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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