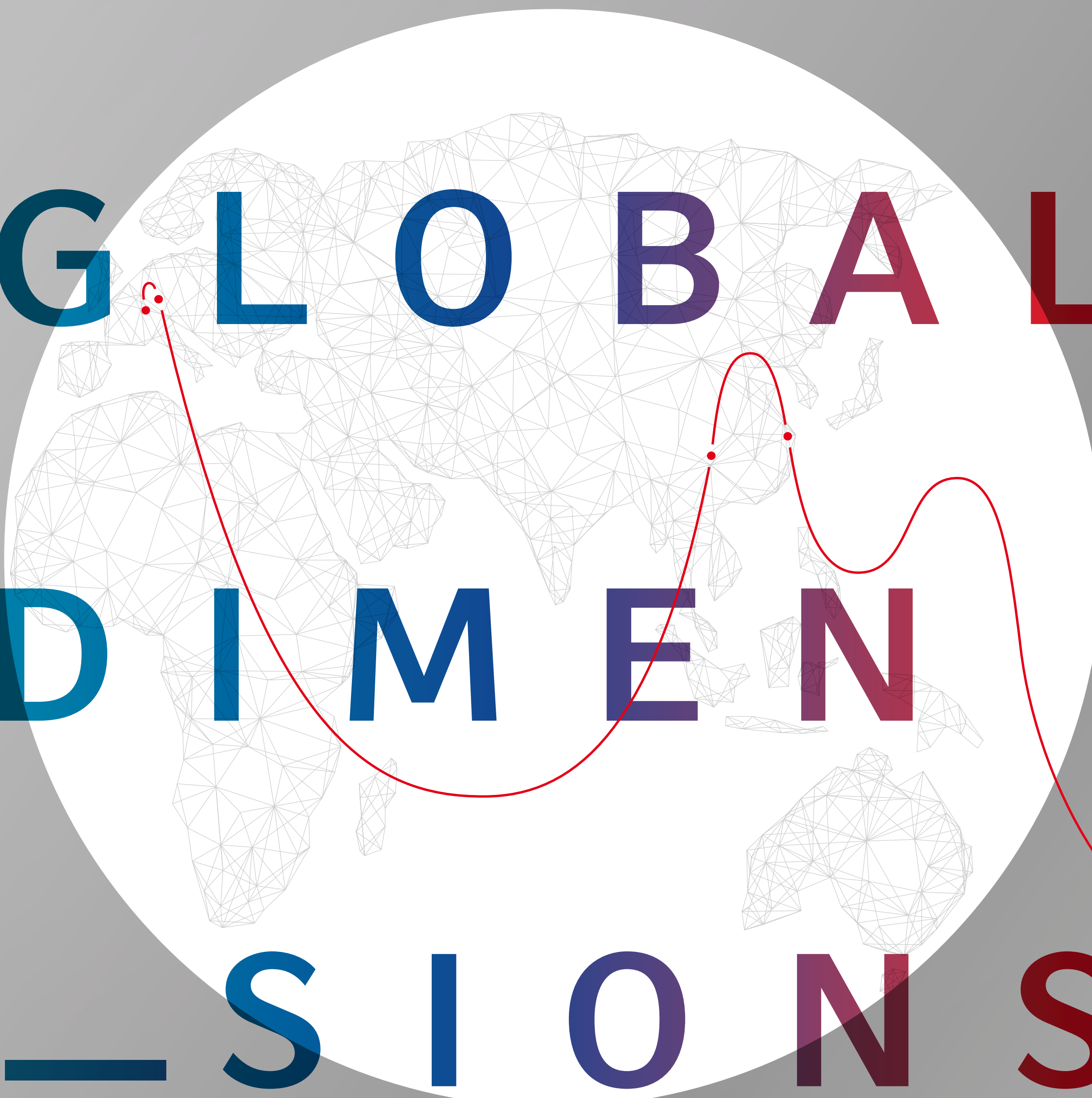
Report on the 2nd Quarter and 1st Half 2019

GLOBAL DIMEN_SIONS



elringklinger

Key figures

ElringKlinger Group

		2nd Quarter 2019	1st Quarter 2019	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018
Order Situation						
Order intake	€ million	419.8	498.3	390.7	411.8	458.6
Order backlog	€ million	1,063.0	1,077.3	1,020.1	1,027.2	1,038.2
Sales / Earnings						
Sales revenue	€ million	434.1	441.1	431.8	405.8	430.8
Cost of sales	€ million	348.0	355.5	349.7	312.8	331.1
Gross profit margin		19.8 %	19.4 %	19.0 %	22.9 %	23.1 %
EBITDA	€ million	39.0	34.8	37.8	48.4	49.3
EBIT / Operating result	€ million	10.2	6.4	10.6	22.9	25.3
EBIT margin		2.3 %	1.5 %	2.5 %	5.6 %	5.9 %
EBIT pre ppa[1]	€ million	10.7	6.9	11.8	23.8	26.3
EBIT margin pre ppa		2.5 %	1.6 %	2.7 %	5.9 %	6.1 %
Earnings before taxes	€ million	1.5	5.4	7.2	21.8	20.3
Net income	€ million	-8.7	-1.1	-0.1	12.3	9.4
Net income attributable to shareholders of ElringKlinger AG	€ million	-8.6	-1.5	-1.2	10.8	8.5
Cash flow						
Net cash from operating activities	€ million	119.4	11.7	50.9	12.8	20.7
Net cash from investing activities	€ million	-22.0	-32.2	-45.1	-57.8	-40.0
Net cash from financing activities	€ million	-72.1	37.6	-4.3	38.3	22.3
Operating free cash flow[2]	€ million	98.6	-19.3	2.6	-46.5	-19.0
Balance Sheet						
Balance sheet total	€ million	2,174.1	2,207.1	2,079.7	2,087.1	2,046.7
Equity	€ million	885.2	902.0	890.1	879.0	876.8
Equity ratio		40.7 %	40.9 %	42.8 %	42.1 %	42.8 %
Net debt	€ million	699.9	795.5	723.5	728.5	682.6
Human Resources						
Employees (as at end of quarter)		10,411	10,485	10,429	10,231	9,954
Stock						
Earnings per share	€	-0.14	-0.02	-0.02	0.17	0.13

[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)

First half of 2019 in brief

- ElringKlinger lifts **Group revenue** by 1.6% to EUR 875.2 million despite market downturn; sizeable gains in North America; revenue down in Europe and Asia-Pacific

- **EBIT before purchase price allocation** at EUR 17.6 million; EBIT margin at 2.0%; earnings in Original Equipment segment adversely affected mainly by persistently high cost of commodities as well as tariffs and follow-on costs of strong demand in North America; extensive measures initiated for the purpose of reducing costs

- Strong cash flow in second quarter of 2019 fuels substantial **operating free cash flow** of EUR 79.3 million in first half of 2019; Group-wide program to optimize cash flow takes effect

- **Syndicated loan** agreement of EUR 350 million concluded in February 2019; net debt scaled back significantly

- **Order intake** slows in second quarter and falls by 3.6% year on year to EUR 918.1 million in first half (adjusted for currencies); order backlog robust

Contents

01 INTERIM GROUP MANAGEMENT REPORT

22 ELRINGKLINGER ON THE CAPITAL MARKET

24 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

– Chongqing, China

As a lead market for e-mobility, China is working at pace to drive change toward alternative drive systems. ElringKlinger was an early market entrant in China. Find out more about the Group's activities in the People's Republic of China – on page 14 ff. of »pulse« magazine.

Macroeconomic Conditions and Business Environment

Global economic growth continues to slow

Although the global economy weakened further in the second quarter of 2019, not least as a result of tensions over global economic policy, there was at least some overall growth. The US economy benefited from a strong labor market and remained relatively robust in the first half of 2019. In China, GDP growth was still above the 6 percent mark.

The causes of global slowdown include the protectionist measures taken by the US and China, which had a direct impact on both these major economies and their demand for foreign goods. This dampened global trade and investment flows as a whole. The weaker external demand undermined growth in the eurozone – especially in Germany with its strong focus on exports. Negative effects of trade policy were also felt by the automotive sector, which generally reflects wider macroeconomic developments. In this challenging situation, the continued expansionary monetary policy of central banks in the eurozone and the US provided crucial support for national economies.

Auto markets react to economic slowdown

Global trade conflicts and the slowdown in the economy have had a palpably negative impact on automotive markets over the course of the year so far. Global production of light vehicles (passenger cars and light commercial vehicles) fell by around 6% in the first half of 2019 but remained at a high level of around 45 million.

GDP growth projections

Year-on-year change in %	4th quarter 2018	1st quarter 2019	2nd quarter 2019
Germany	0.6	0.7	0.1
Eurozone	1.2	1.2	0.9
USA	3.0	3.2	2.5
Brazil	1.1	0.5	0.9
China	6.4	6.4	6.4
India	6.6	5.8	5.8
Japan	0.2	0.9	0.4

Source: HSBC (June 2019)

As a single market, China accounts for more than a quarter of world production. Here, the decline in production of around 10% was particularly heavy. On the positive side, the premium segment, in which German manufacturers are strongly represented, was the least affected. As Europe's economy slowed, European vehicle production weakened significantly. The decline in the US market mainly affected the passenger car segment. Demand for and production of SUVs and light trucks remained stable.

Light vehicle production

Year-on-year change in %	2nd quarter 2019	1st half 2019
European Union	**-4.5**	**-3.7**
Germany	-2.9	-3.5
Eastern Europe[1]	**-5.9**	**-4.9**
Russia	-2.2	-0.5
North America	**-4.7**	**-3.6**
USA	-3.9	-3.1
South America	**-10.5**	**-9.5**
Brazil	-7.6	-6.6
Asia-Pacific	**-5.3**	**-6.2**
China	-10.1	-10.2
Japan	-4.3	-5.5
India	1.6	-0.3
Middle East & Africa	**-6.7**	**-13.9**
World	**-5.3**	**-5.5**

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

International vehicle sales also ended the first half of 2019 lower, with downturns in all three major sales regions. China recorded a decline of 14% in newly registered passenger cars, while in the US sales of light vehicles fell by 1.9%. In Europe (EU28 and EFTA), the market contracted by 3.1%.

Commercial vehicle markets

Unlike the passenger car and light-vehicle sectors, commercial vehicle markets have performed well so far this year. In the European Union, 16.5% more mid-sized and heavy trucks (> 3.5 tons) were registered than in the first half of 2018. This is equivalent to around 228,400 new trucks. In terms of absolute volume, the lion's share of this growth was attributable to Germany with around 57,300 new vehicles, an increase of 21.2%. The UK, the second largest sales market, also recorded strong growth of 26.2% to reach a total of 32,100 trucks.

Full order books in the North American truck sector resulted in an increase in the volume of newly registered heavy trucks in the NAFTA region. A decline in new orders may be a sign of market saturation.

Significant Events

Syndicated loan agreement covering EUR 350 million

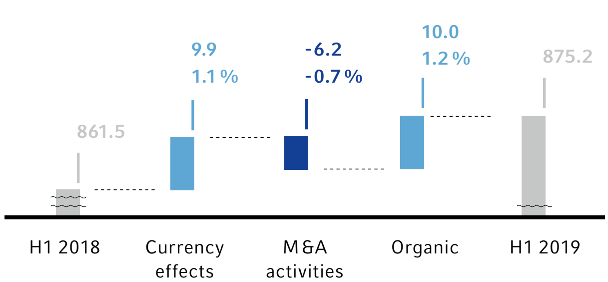
On February 15, 2019, ElringKlinger AG concluded a syndicated loan agreement with a syndicate consisting of six domestic and international banks. Funding was jointly arranged by a syndicate that includes Commerzbank, Landesbank Baden-Württemberg, and Deutsche Bank. Additionally, DZ Bank, HSBC, and Banque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

Sales and Earnings Performance

Steady organic revenue growth despite weak markets

ElringKlinger recorded slight growth in revenue in the second quarter of 2019, despite a further downturn in the market as a whole, as evidenced by a 5.3% decline in global vehicle production. As was the case in the preceding quarter, revenue growth was driven primarily by sustained buoyancy in demand within North America. Compared to the second quarter of 2018 (EUR 430.8 million), Group revenue rose by 0.8% to EUR 434.1 million. Together with sales from the first quarter of 2019, revenue increased by as much as 1.6% to EUR 875.2 (H1 2018: EUR 861.5) million. This was attributable mainly to the translation of US dollars into euros, the Group currency. The sale of the Hug subgroup and new enerday GmbH in the preceding year had a contrary effect, causing a contraction in revenue by 0.7 percentage points. Eliminating currency effects and M&A activities, Group revenue was up by 1.2% in organic terms in the period from January to June. As the second quarter of 2019 merely included minor changes to the scope of consolidation, organic revenue growth for this period – adjusted for currency effects – was -0.3%. Thus, the Group's trajectory of growth in organic terms was much more favorable than the direction taken by global vehicle production (Q2 2019: -5.3%/H1 2019: -5.5%) – 5.0 percentage points higher in the second quarter and 6.7 percentage points in the first half.

Factors influencing Group revenue
in EUR million



Strong revenue growth in North America

Contrary to market performance in general, ElringKlinger saw Group revenues increase by a substantial 31.1% to EUR 116.9 (Q2 2018: 89.2) million in North America during the second quarter and by 28.9% to EUR 218.5 (H1 2018: 169.5) million during the first half. Among the contributing factors were persistently strong demand for the company's products, higher tool-related revenue, and additional product roll-outs. Growth was also attributable to the direction taken by the US dollar. Adjusted for currencies, growth stood at 25.7% in the second quarter and 22.9% in the first half of 2019. Thus, the share of total Group revenue attributable to the region of North America increased yet again in the period under review. It stood at 26.9% in the second quarter and 25.0% in the first half of 2019, in each case higher than the revenue share recorded for the Group's home market of Germany (Q2 2019: 22.5%, H1 2019: 23.4%).

The regions covering the Rest of Europe, Asia-Pacific, and the company's home market of Germany in particular were impacted by sluggishness within the market as a whole during the second quarter. The Rest of Europe, which is ElringKlinger's largest sales market, saw revenue decline by 5.9% to EUR 127.4 (Q2 2018: 135.4) million in the second quarter. Together with sales from the first quarter, revenue fell by 4.6% to EUR 265.2 (H1 2018: EUR 277.9) million. Currencies had a dilutive effect on revenues, equivalent to one percentage point in both the second quarter and the first half. In absolute terms, ElringKlinger recorded the biggest decline in its home market of Germany. Having recorded revenue of EUR 108.2 million in the same quarter a year ago, the Group generated just EUR 97.8 million in the reporting quarter, a year-on-year decline of 9.6%. Among other things, tool-related revenue was lower in the quarter under review.

ElringKlinger saw revenue generated from sales in Asia-Pacific fall by 7.4% year on year in the second quarter of 2019, with sluggish sales in the world's largest automobile market, China, also proving detrimental to the Group's business performance. Revenues totaled EUR 72.4 (Q2 2018: 78.2) million; taking currency effects into account, revenues stood at EUR 71.8 million. Overall, ElringKlinger generated revenue of EUR 147.6 (H1 2018: 156.2) million in the first half, which corresponds to a decline of 5.5%.

In the region encompassing South America and Rest of the World revenue was down by 0.5% in the second quarter and 2.7% in the first half. Together with the second quarter, which accounted for revenue of EUR 19.6 (Q2 2018: 19.7) million, revenue for the first half as a whole stood at EUR 39.5 (H1 2018: 40.6) million. Adjusted for currency effects, revenue was actually comparable to the prior-year figure.

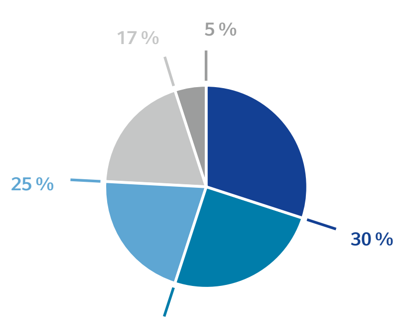
As a result of the significant growth in revenue in North America, the share of foreign sales rose to 77.5% in the second quarter and 76.6% in the first half (Q2 2018: 74.9%, H1 2018: 74.8%).

Original Equipment sees revenue grow by 2%

Within the Original Equipment segment, ElringKlinger managed to expand its revenue by 1.8% to EUR 361.3 (Q2 2018: 354.9) million in the second quarter and by 1.9% to EUR 722.0 (H1 2018: 708.6) million in the first half. Growing demand for lightweight structural components and products used in electric vehicles was reflected in substantial revenue growth of more than 50% in these fields of the future during the first half of the year. Demand for plastic housing modules was also persistently strong, an area in which ElringKlinger was able to increase its revenues by around 9%. As had been the case at the beginning of the year, weak market fundamentals again translated into lower revenue flows in the Cylinder-head Gaskets, Specialty Gaskets, and Shielding Technology divisions during the second quarter. The contraction in business within the Cylinder-head Gaskets and Shielding Technology divisions came in at a cumulative total of around 6% in the first half of 2019; within the Specialty Gaskets division the overall decline during this period was close to 3%. With first-half revenue totaling EUR 198.5 million, the Shielding Technology division also fell short of the figure recorded in the same period a year ago (EUR 211.3 million).

Segment earnings before interest and taxes amounted to EUR -3.2 (H1 2018: 38.2) million in the period from January to June, while a total of EUR 2.0 (Q2 2018: 12.7) million was attributable to the second quarter. It should be noted that the first quarter of 2018 had included a one-time gain of EUR 21.1 million on the disposal of the Hug subgroup. First-half earnings reflect, in particular, growth generated in North America, which again went hand in hand with high levels of capacity utilization. With a view to scaling back the level of costs, the Management Board implemented far-reaching measures to expand capacity and optimize processes; this action plan is being driven forward at pace. Exceptional freight movements as well as sorting costs, for example, have already been reduced. However, the period under review saw additional costs incurred by the Group in other areas, including those associated with the procurement of extra consignments of raw materials.

Group sales by region 1st Half 2019



	in EUR million	(previous year)
Rest of Europe	**265.2**	(277.9)
Germany	**204.4**	(217.1)
North America	**218.5**	(169.5)
Asia-Pacific	**147.6**	(156.2)
South America and Rest of the World	**39.5**	(40.6)
Group sales	**875.2**	(861.5)

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

Within the E-Mobility division, ElringKlinger is currently establishing production capacity in the United Kingdom and Germany. Therefore – and due to the small market share currently held by alternative drives –, this division again recorded a segment loss before interest and taxes in the second quarter of 2019.

Alongside the additional operating costs outlined above, segment earnings in the second quarter of 2019 were again adversely affected by the persistently high price of steel and aluminum, commodities used in the manufacture of gaskets and shielding parts. The Group incurred higher costs for the procurement of aluminum, in particular, during the first half of 2019, as the US government introduced so-called anti-dumping and countervailing duties on aluminum imports from China. These tariffs were also imposed retroactively for specific periods in 2018. Additionally, sustained buoyancy in global demand for plastic granules, which are used by ElringKlinger in the manufacture of lightweight products, led to further price hikes in the second quarter.

Aftermarket business influenced by geopolitical tensions

The Aftermarket segment contributed EUR 40.9 (Q2 2018: 42.3) million to Group revenue in the second quarter of 2019. In this context, geopolitical tensions in key sales markets, such as North Africa, resulted in a slight decline in segment revenue. Consumers in the home market of Germany as well as Western Europe also continued to be slightly reticent when it came to purchasing spare parts. This was attributable primarily to uncertainty over new drive concepts and bans imposed on diesel-powered vehicles. By contrast, business remained buoyant in the Middle East and South America.

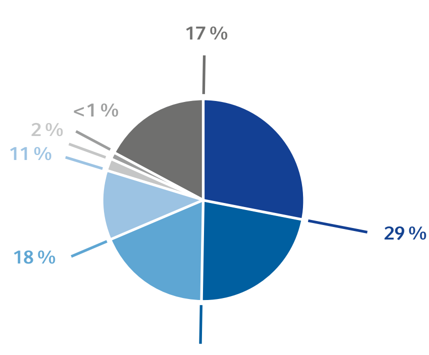
ElringKlinger made further progress in cultivating the aftermarket in Asia and North America during the quarter under review. Segment earnings before interest and taxes were marginally impacted by the sales offensives launched in these regions. In combination with lower revenue contributions, segment earnings before interest and taxes amounted to EUR 6.7 (Q2 2018: 7.4) million in the second quarter of 2019. The EBIT margin in this segment fell slightly to 16.4% (Q2 2018: 17.5%).

For essentially the same reasons, segment revenue rose by EUR 0.4 million to EUR 85.6 (H1 2018: 85.2) million in the first half of 2019, while segment earnings before interest and taxes fell to EUR 14.0 (H1 2018: 14.9) million. Thus, at 16.4%, the EBIT margin for the period under review fell short of the figure of 17.5% recorded for the same period a year ago.

Engineered Plastics segment impacted by waning demand and higher commodity prices

The Engineered Plastics segment saw revenue decrease by 4.3% to EUR 28.7 (Q2 2018: 30.0) million in the second quarter of 2019. The segment was affected by a significant decline in the mechanical engineering and vehicle industries, in particular, whereas the non-automotive market continued to generate revenue growth in the quarter under review.

Group sales by division 1st Half 2019



Divisions Original Equipment:		in EUR million (previous year)
Lightweighting/Elastomer Technology	**250.6**	(213.9)
Shielding Technology	**198.5**	(211.3)
Specialty Gaskets	**157.6**	(162.3)
Cylinder-head Gaskets	**94.8**	(100.5)
E-Mobility[1]	**14.9**	(8.0)
Exhaust Gas Purification	**5.2**	(11.9)
Other	**0.4**	(0.7)
Segment Original Equipment	**722.0**	(708.6)
Other segments	**153.2**	(152.9)
Group sales	**875.2**	(861.5)

[1] incl. Drivetrain

Despite strict cost management and numerous improvement measures in production, segment earnings before interest and taxes in the reporting quarter were impacted by lower production capacity utilization, higher personnel costs, and the persistently high price of fluoropolymers. They fell to EUR 1.7 (Q2 2018: 5.1) million. The EBIT margin in this segment stood at 5.9% (Q2 2018: 17.0%).

In the first six months segment revenue was up slightly year on year at EUR 60.9 million (EUR 60.6 million). Earnings before interest and taxes, by contrast, were impacted by the substantial cost-related pressures outlined above. They fell to EUR 5.8 (H1 2018: 9.3) million. The EBIT margin decreased to 9.5% (15.3%).

Year-on-year downturn for Services and Industrial Parks segments in first half

The Services segment, which mainly consists of Elring Klinger Motortechnik GmbH in Idstein, Germany, and ElringKlinger Logistic Service GmbH in Rottenburg/Neckar, Germany, generated revenues of EUR 2.0 (Q2 2018: 2.5) million in the second quarter of 2019. Segment earnings before interest and taxes stood at EUR -0.4 (Q2 2018: 0.1) million. As regards the first half of the year, revenues totaled EUR 4.5 (H1 2018: 4.9) million and segment earnings before interest and taxes stood at EUR -0.1 (H1 2018: 0.5) million.

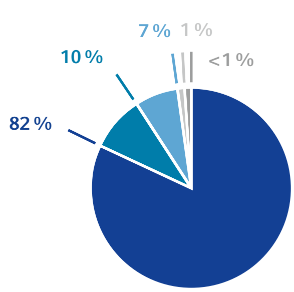
The Industrial Parks segment recorded rental income of EUR 1.1 million in the second quarter, while segment earnings before interest and taxes totaled EUR 0.1 million. Both quarterly figures were higher than in the previous year. In the first half of 2019, revenue totaled EUR 2.2 (H1 2018: 2.1) million and segment earnings before interest and taxes amounted to EUR 0.1 (H1 2018: 0.0) million.

Slight reduction in headcount in second quarter of 2019

In response to sluggish market performance, the ElringKlinger Group adjusted its headcount to 10,411 (March 31, 2019: 10,485) in the quarter under review. Compared with December 31, 2018 (10,429 employees), staff downsizing was equivalent to -0.2%, while staffing levels were scaled back by -0.7% compared with March 31, 2019. The Group cut capacity levels primarily in Switzerland, but also in Mexico, the United Kingdom, and India. The focus for new hires during the second quarter was on North America, prompted by the need to meet strong product-related demand.

Compared with the previous year's reporting date (9,954 employees), however, the increase in personnel amounted to 4.6%. This was mainly attributable to the second half of 2018, when ElringKlinger created new jobs at its headquarters in Dettingen/Erms, the focus being on the new areas of business centered around battery and fuel cell technology. During this period, the Group also increased its personnel base as part of measures aimed at expanding capacity levels in North America.

Group sales by segment 1st Half 2019



	in EUR million	(previous year)
Original Equipment	**722.0**	(708.6)
Aftermarket	**85.6**	(85.2)
Engineered Plastics	**60.9**	(60.6)
Services	**4.5**	(4.9)
Industrial Parks	**2.2**	(2.1)
Group sales	**875.2**	(861.5)

The headcount abroad fell to 58.4% (June 30, 2018: 58.7%) as of June 30, 2019. Thus, the proportion of staff members employed at domestic facilities was 41.6% (June 30, 2018: 41.3%).

Gross profit margin falls to around 20%

In view of the challenging conditions currently seen within the market as a whole, ElringKlinger has been making determined efforts to streamline costs as from the first quarter of 2019. The first positive effects on earnings were seen in the second quarter, although the Group expects the majority of these to be felt in the second half of the year.

The cost of sales amounted to EUR 703.5 (H1 2018: 666.4) million in the first six months of 2019, of which a total of EUR 348.0 (Q2 2018: EUR 331.1) million was attributable to the second quarter. Having risen by 8.5% to EUR 204.2 (Q1 2018: 188.2) million in the first quarter of 2019, material-related expenses increased by 6.1% to EUR 197.1 (Q2 2018: 185.8) million in the second quarter. The cost-of-materials ratio (cost of materials in relation to revenue) was 45.9% in the first six months, which was visibly higher than the figure of 43.4% recorded in the same period a year ago. This increase was attributable to persistently high raw material costs in the first half of the year, the above-mentioned tariffs particularly in the first quarter of 2019 and high tooling expenses in the second quarter of 2019. Fundamentally, ElringKlinger is countering higher commodity prices with a broader supply base and the step-by-step introduction of price escalation clauses. However, these measures can only take full effect gradually. On this basis, ElringKlinger anticipates that the measures will have a positive impact on earnings in the medium term.

Due to the factors outlined above, the ElringKlinger Group's gross profit margin (gross profit in relation to Group revenue) fell to 19.8% (Q2 2018: 23.1%) in the second quarter and to 19.6% (H1 2018: 22.6%) in the first half.

Staff costs within the ElringKlinger Group increased to EUR 138.6 (Q2 2018: 129.9) million in the second quarter. Compared to the prior-year quarter, this increase was mainly due to staff upsizing in North America and the steady expansion of the new fields of business in Germany. This was countered by current cost-cutting measures within the Group, such as the targeted reduction in overtime. In total, staff costs amounted to EUR 285.1 (H1 2018: 267.2) million in the first half of 2019. Staff costs in relation to revenue increased to 31.9% (Q2 2018: 30.2%) in the second quarter and to 32.6% (H1 2018: 31.0%) in the first half of 2019.

Between April and June 2019, selling expenses fell by 1.7% to EUR 34.4 (Q2 2018: 35.0) million. Yet again, large-volume orders placed by customers as part of their scheduling arrangements with production companies in North America had a visible impact, as they generally lead to exceptional costs, e.g., relating to the availability of raw materials and special freight movements. Improvements were noticeable in North America compared with the prior-year quarter. Special freight movements and sorting costs, for example, were scaled back in the period under review. In the first half, selling expenses fell by EUR 1.2 million to EUR 70.3 (H1 2018: 71.5) million.

General and administrative costs were up primarily as a result of the direction taken by staff costs, as discussed earlier, rising to EUR 21.4 (Q2 2018: 20.6) million in the second quarter and to EUR 45.0 (H1 2018: 42.6) million in the first six months of 2019. Other operating income remained largely unchanged in the second quarter. However, in the first half of 2019 as a whole it fell to EUR 5.6 (H1 2018: 30.7) million; the first quarter of 2018 had included a gain of EUR 21.1 million from the disposal of the Hug subgroup.

Research and development ratio exceeds 5%

Alongside the traditional Cylinder-head Gasket, Specialty Gasket, and Shielding Technology business, the Group's R&D expenses are directed mainly at the divisions Lightweighting/Elastomer Technology, E-Mobility, and New

Business Areas. Between January and June, R&D expenses totaled EUR 39.7 (H1 2018: 41.1) million; a sum of EUR 5.2 (H1 2018: 1.1) million was capitalized. A total of EUR 20.0 (Q2 2018: 19.5) million was attributable to the second quarter of 2019, which included EUR 2.8 (Q2 2018: 0.5) million in development costs capitalized by the Group. At 12.1%, the capitalization ratio is up on the prior-year quarter (Q2 2018: 2.7%), as expected. At 11.6%, it is also higher than in the first half of 2018 (2.5%).

Therefore, the R&D ratio (incl. capitalized R&D expenses) stood at 5.1% (H1 2018: 4.9%) in the first half of 2019 and at 5.3% (Q2 2018: 4.7%) in the second quarter of 2019, which in each case was within the short- to medium-term range of 5 to 6%.

EBIT margin affected by high cost base

At EUR 39.0 (Q2 2018: 49.3) million, earnings before interest, taxes, depreciation, and amortization (EBITDA) for the second quarter fell short of the previous year's figure. This was attributable to a high cost base driven mainly by commodity prices and strong demand in North America. In the first six months, EBITDA totaled EUR 73.8 (H1 2018: 110.4) million. Depreciation and amortization increased in both the second quarter and the first half, up by around 20% to EUR 28.8 (Q2 2018: 24.0) million and EUR 57.2 (H1 2018: 47.7) million respectively. This was attributable primarily to the application of the new International Financial Reporting Standard (IFRS) 16 (Leases, cf. Notes, page 35).

Earnings before interest and taxes (EBIT) fell to EUR 16.6 (H1 2018: 62.7) million in the first half of 2019, with the second quarter accounting for EUR 10.2 (Q2 2018: 25.3) million of this total. Including depreciation/amortization relating to purchase price allocation, Group EBIT before purchase price allocation totaled EUR 17.6 million in the period from January to June 2019, compared to EUR 64.6 million (including gain on disposal of the Hug subgroup) in the first half of 2018. The second quarter of 2019 accounted for EUR 10.7 (Q2 2018: 26.3) million. Thus, the EBIT margin before purchase price allocation was 2.0% (H1 2018: 7.5%) in the first half of 2019 and 2.5% (Q2 2018: 6.1%) in the second quarter of 2019.

Net result from currency translation down sharply

ElringKlinger recorded a net result from currency translation of EUR 0.3 (H1 2018: -1.4) million in the first half of 2019 and of EUR -3.8 (Q2 2018: -0.5) million in the second quarter of 2019. In the second quarter, currency gains of EUR 0.7 million in particular fell sharply both compared with the first quarter of 2019 (EUR 9.0 million) and with the same quarter of the previous year (EUR 8.6 million).

The syndicated loan agreement and the application of the new International Financial Reporting Standard (IFRS) 16 were the main reasons for the increase in interest expenses in the quarter under review. The net interest result fell by EUR 1.8 million to EUR -4.8 (Q2 2018: -3.0) million. In the first half, the net interest result was EUR -9.2 (Q2 2018: -6.4) million.

Thus, earnings before taxes (EBT) decreased to EUR 6.9 (H1 2018: 52.4) million in the first six months and to EUR 1.5 (Q2 2018: 20.3) million in the second quarter of 2019.

Effective tax rate up markedly

At EUR 16.7 million, income tax expenses were comparable to the previous year's figure in the first half of 2019. The higher tax rate in the reporting period was attributable primarily to losses incurred by subsidiaries for which no deferred tax assets were recognizable.

After deducting income taxes, net income generated by the ElringKlinger Group in the first half of 2019 fell short of the prior-year figure at EUR -9.8 (H1 2018: 35.7) million. Net income attributable to non-controlling interests amounted to EUR 0.3 million (H1 2018: EUR 1.5 million). Net income attributable to the shareholders of ElringKlinger AG stood at EUR -10.1 (H1 2018: 34.2) million. The second quarter accounted for EUR -8.6 (Q2 2018: 8.5) million. The number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990. Calculated on this basis, earnings per share stood at EUR -0.16 (H1 2018: 0.54) in the first half of the year and EUR -0.14 (Q2 2018: 0.13) in the second quarter of 2019.

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained solid as of June 30, 2019, underpinned by an equity ratio of 40.7% and substantial cash flow from operating activities of EUR 131.1 million in the first half. The management's targeted measures to improve the financial situation had a positive effect, particularly in the second quarter of 2019, and are reflected in the figures as of the reporting date: both net debt and net working capital were down on the figure recorded at the end of 2018. The disciplined approach to investment activities, as pursued by the company, was also consistently implemented. The Group thus generated an operating free cash flow[1] of EUR 79.3 million in the first six months of 2019.

Key figures Financial Position and Cash Flows

EUR million	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Net Working Capital (NWC)	**498.9**	**606.4**	**568.0**
NWC in relation to sales	29.1 %	35.5 %	33.4 %
Net Debt[1]	**699.9**	**795.5**	**723.5**
Net debt/EBITDA[1]	4.4	4.7	3.7
Equity ratio	**40.7 %**	**40.9 %**	**42.8 %**
	Q2 2019	**Q1 2019**	**Q4 2018**
Investments in property, plant, and equipment	20.7	28.8	41.9
Operating cash flow	119.4	11.7	50.9

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

Total assets down in Q2

Having increased at the end of the first quarter of 2019, total assets within the ElringKlinger Group declined slightly in the second quarter to EUR 2,174.1 (June 30, 2018: 2,046.7) million. As of June 30, 2019, they were up by EUR 94.4 million on the 2018 year-end figure (EUR 2,079.7 million).

Part of this increase is attributable to the initial application of International Financial Reporting Standard (IFRS) 16 "Leases" – applicable since January 1, 2019. As ElringKlinger chose the modified retrospective method, the comparative prior-year figures are not restated. The standard requires the rights of use to the leased asset to be recognized as an asset and the lease liability to be carried as a liability at the present value of the remaining lease payments. The rights of use amounted to EUR 45.1 million as of June 30, 2019, and were accounted for in property, plant, and equipment. At the same time, lease liabilities totaled EUR 45.3 million and were recognized in current and non-current financial liabilities. For further information about the initial application of IFRS 16, please refer to the Notes.

The accretive effect of the translation of individual balance sheets into the Group currency, the euro, on the statement of financial position as of the reporting date of the first quarter had decreased again by June 30, 2019, due to the direction taken by exchange rates. Thus, the effect of exchange rates on the statement of financial position was only slightly accretive and negligible in the first half as a whole.

Property, plant, and equipment stable

Capital expenditure on property, plant, and equipment was scaled back as planned in 2019 and was more or less on a par with total depreciation and write-downs. Excluding the IFRS 16 effect described above, the total volume of property, plant, and equipment – which accounts for the vast majority of non-current assets – stabilized as of June 30, 2019, at the

[1] Cash flow from operating activities less cash flow from investing activities, adjusted for cash flows in respect of M & A activities and financial assets

level comparable to that seen at the end of the fiscal 2018 reporting date.

Marked reduction in capital commitment to net working capital

Working capital accounted for in current assets (inventories and trade receivables including current contract assets) was significantly reduced both year on year and compared with the previous quarter. In this context, the extensive optimization program that includes a number of different instruments had a positive impact: as of June 30, 2019, working capital amounted to EUR 680.1 (June 30, 2018: EUR 735.8) million, compared to EUR 755.5 million at the end of the first quarter. Inventories saw a decline of tool-related stock, in particular, which is generally accounted for in this item until the commencement of series production of a specific product. This shows that numerous ramp-ups have now been put into motion, including those at the new plants in Fort Wayne, USA, and Kecskemét, Hungary. On the supplier side, payment terms were exhausted or extended, with the result that trade payables increased as of June 30, 2019, compared with both the comparative prior-year reporting date and the prior-year quarter.

In implementing these targeted measures, it was possible to significantly reduce capital tied up in net working capital (working capital less trade payables and current contract liabilities) to EUR 498.9 (June 30, 2018: 604.1) million.

Other current assets amounted to EUR 80.7 million at the end of the reporting period. The increase compared to the end of 2018 (EUR 48.4 million) is due to collaterals, advance payments to suppliers, tax receivables, and other minor items.

The assets held for sale as of June 30, 2019, relate to land and real estate, which are mainly attributable to the Industrial Parks segment and were reclassified from the balance sheet item "investment property" in the second quarter of 2019 correspondingly. The Group intends to dispose of these assets within the next twelve months.

Current and non-current assets

EUR million	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Intangible assets	194.0	192.7	190.3
Property, plant, and equipment	1,045.6	1,059.3	997.8
Other	58.8	70.5	69.3
Non-current assets	**1,298.4**	**1,322.5**	**1,257.4**
Inventories	402.7	423.5	407.7
Trade receivables	277.4	332.0	306.4
Other	176.7	123.1	102.2
Current assets	**856.8**	**878.6**	**816.3**
Assets held for sale	18.9	6.0	6.0
Total assets	**2,174.1**	**2,207.1**	**2,079.7**

Equity ratio in excess of 40 percent

Due to the net loss for the first half of 2019, equity within the ElringKlinger Group fell slightly to EUR 885.2 (Dec. 31, 2018: 890.1) million. The changes in other reserves reflect exchange rate effects resulting from the translation of balance sheets of Group subsidiaries into the Group currency, the euro. As of June 30, 2019, the equity ratio was 40.7% (Jun. 30, 2018: 42.8%) and thus still within the corridor of 40 to 50% targeted by the Group.

There were no significant changes to provisions, including pension provisions, in the first six months of 2019.

Improved maturity structure through syndicated loan

In the first half of 2019, the Group used part of the syndicated loan concluded in February 2019 (EUR 350 million in total, cf. "Significant Events") for corporate financing and to improve the maturity structure of existing financial liabilities.

Net debt pared back significantly

Net debt (current and non-current financial liabilities less cash) was down substantially compared with the previous quarter, by EUR 95.6 million, and amounted to EUR 699.9 (Jun. 30, 2018: 682.6) million as of June 30, 2019. This positive trend was attributable primarily to the generation of funds from the reduction in working capital described above. As regards year-on-year comparisons, it should be noted that the initial application of IFRS 16 alone resulted in an increase in financial liabilities by EUR 45.3 million as of the reporting date for the first half of 2019.

The net debt/EBITDA ratio improved to 4.4, compared with 4.7 at the end of the first quarter of 2019 (H1 2018: 3.0). Year-on-year comparisons are diluted by the application of IFRS 16: excluding the effects associated with IFRS 16, the debt/EBITDA ratio as of June 30, 2019, was 4.2.

Other current liabilities totaled EUR 110.2 (Jun 30. 2018: 99.6) million at the end of the first half of 2019. As a result of accruals and deferrals relating to personnel (e.g., vacation pay), they are usually higher in the course of the year than the figure posted on December 31.

Current and non-current liabilities

EUR million	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Equity	**885.2**	**902.0**	**890.1**
Provisions for pensions	125.4	124.9	124.4
Non-current financial liabilities	591.4	653.2	472.0
Other	53.0	49.3	46.1
Non-current liabilities	**769.8**	**827.4**	**642.5**
Trade payables	168.4	139.7	135.6
Current financial liabilities	196.6	205.5	296.8
Other	154.0	132.5	114.7
Current liabilities	**519.0**	**477.7**	**547.1**

Substantial cash flow from operating activities

Net cash from operating activities rose significantly in the second quarter of 2019 to EUR 119.4 (Q2 2018: 20.7) million. Therefore, the first half of 2019 as a whole produced a substantial inflow of cash from operating activities of EUR 131.1 (H1 2018: 27.8) million.

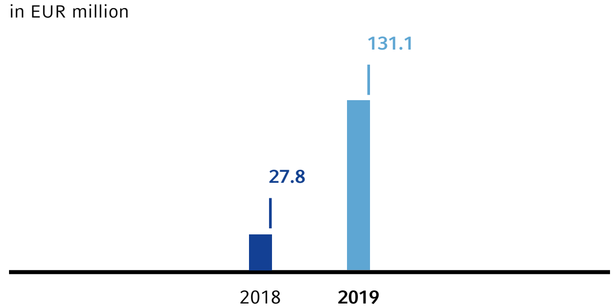
This improvement was attributable also to the above-mentioned measures aimed at optimizing net working capital. The change in net working capital and other assets and liabilities not attributable to financing activities alone resulted in a cash inflow of EUR 89.5 million in the second quarter of 2019 and EUR 80.8 million in the first six months, whereas the same periods a year ago had seen outflows of EUR 19.7 million in the second quarter and EUR 45.7 million in the first half.

Depreciation and amortization[1], which are deducted to determine operating cash flow, are higher year on year as a result of the extensive investments made in previous years and the first-time application of IFRS 16 (EUR 5.7 million in the first half of 2019). The item classified as "other non-cash expenses and income" mainly includes eliminations relating to currency translation. The prior-year figure also includes the gain on disposal of the Hug Group that was deconsolidated in 2018.

Investments in property, plant, and equipment down sharply

Investments in property, plant, and equipment decreased by almost 30% in the first half of 2019 when compared with the same period last year. They totaled EUR 20.7 (Q2 2018:

Cash flow from operating activities 1st Half
in EUR million



[1] Relating to non-current assets (less write-ups)

38.4) million in the second quarter and EUR 49.5 (H1 2018: 67.7) million in the first half. The investment ratio (capital expenditure on property, plant, and equipment and on investment property relative to Group sales revenue) was also down significantly at 4.8% (Q2 2018: 8.9%) in the second quarter and 5.7% (H1 2018: 7.9%) in the first half of 2019.

After substantial expansion investments in previous years, the Group has been pursuing a more disciplined approach, particularly as from the current financial year. In this context, no new construction projects or major plant expansions are being implemented at present, with the exception of the Technology Center for E-Mobility that is currently being built at the Group's main site in Dettingen/Erms, Germany. The new Technology Center will focus primarily on future research and development activities in the field of battery and fuel cell technology. Completion is scheduled for 2020. Final measures were implemented in the first half of 2019 at the new plant in Fort Wayne, USA, where production of thermal and acoustic shielding systems is ramping up. Furthermore, preparations for the series production of complete battery systems at a German site operated by ElringKlinger AG were largely completed during the first half.

Beyond this, investment spending on property, plant, and equipment was mainly directed at production machinery related directly to series ramp-ups or the improvement of efficiency and operational performance.

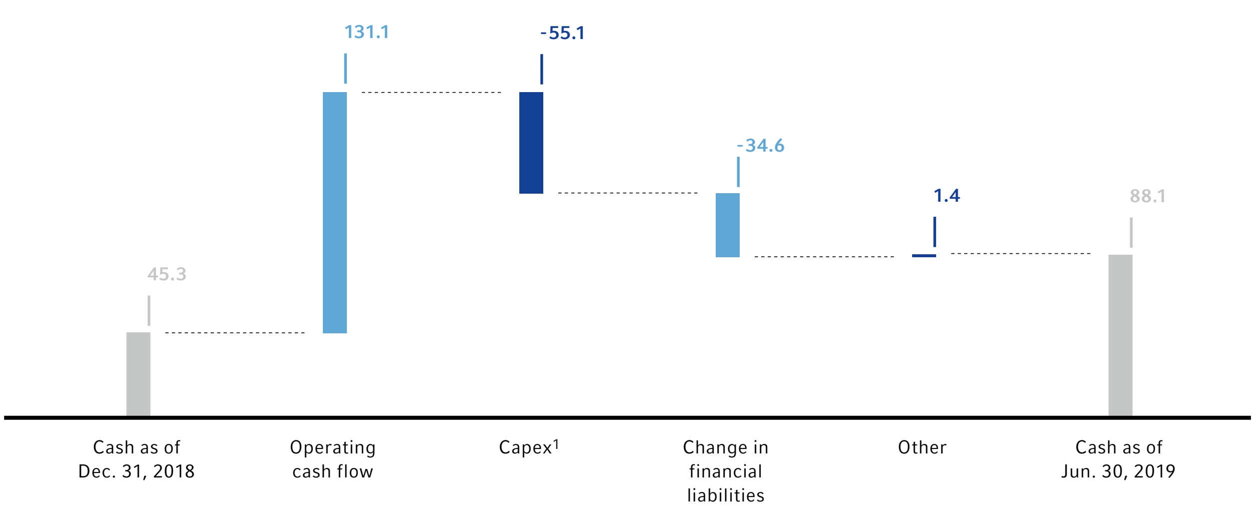
Payments for intangible assets amounted to EUR 5.6 (H1 2018: 2.8) million in the first half. Compared with the previous year, particularly capitalized development costs included in this item were higher in 2019.

Overall, net cash used in investing activities totaled EUR -22.0 (Q2 2018: -40.0) million in the second quarter and EUR -54,3 (H1 2018: -17.9) million in the first half of 2019. The prior-year figure included a payment of EUR 52.4 million received for the sale of the Hug Group.

Strong operating free cash flow – around EUR 100 million in Q2

The substantial operating cash flow generated in the second quarter of 2019 was well in excess of net cash used in investing activities. This produced strong operating free cash flow (cash flow from operating activities less cash flow from investing activities[2]). In the second quarter of 2019 it amounted to EUR 98.7 (Q2 2018: -19.0) million and in the first half of 2019 it totaled EUR 79.3 (H1 2018: -42.2) million.

Changes in cash 1st Half 2019
in EUR million



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

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

Cash flow from financing activities

Repayments of financial liabilities were made during the second quarter of 2019 with the help of positive operating free cash flow. As reflected in cash flow from financing activities, the Group was able to use funds amounting to EUR 72.2 million in the second quarter and EUR 34.6 million in the first half of 2019 to repay long-term and short-term loans (netted against borrowings). By contrast, loans had been extended by EUR 54.0 million (Q2 2018) and EUR 27.7 million (H1 2018) in the same periods last year (netted against repayments).

The decision taken in March 2019 to suspend the dividend payment for the previous financial year in 2019 also strengthened internal financing in the current financial year. In the first half of 2018 ElringKlinger's dividend payout had totaled EUR 31.7 million.

Opportunities and Risks

As the recovery of global vehicle production is likely to be less dynamic in the second half of 2019 than originally expected, based on the most recent market projections, ElringKlinger has adjusted its market expection for the annual period as a whole. ElringKlinger now anticipates a global market downturn of between 2% and 4% year on year for 2019 as a whole, rather than the modest growth rate of between 0% and 1% predicted at the beginning of the financial year. Nevertheless, the ElringKlinger Group continues to maintain its revenue target of growing organically by 2 to 4 percentage points above the rate of growth in the global market.

With regard to the Group's assessment of other opportunities and risks, there were no significant changes in the second quarter and first half of 2019 compared to the observations made in the 2018 Annual Report of the ElringKlinger Group (page 52 et seqq.).

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

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

Report on Expected Developments

Outlook – Market and Sector

According to the latest World Economic Outlook, published by the International Monetary Fund (IMF) in July 2019, the global economy is likely to cool more this year than originally expected. Nevertheless, overall, the IMF foresees solid growth of 3.2%, provided that the many downside risks, including those of a political nature, can be avoided. In June 2019, the World Bank also downgraded its forecast for global growth – now predicting a figure of 2.6%. In the view of the economists, the protectionist measures adopted by the US and China as part of their ongoing trade conflict are particularly responsible for suppressing investment and demand. In Europe, the continuation of expansionary monetary policy, as promised by the European Central Bank, is likely to be supportive. In the US, slower than expected growth in the global economy is undermining exports. The outlook for China is also subdued as a result of increases in the punitive tariffs imposed by the US on Chinese goods.

GDP growth projections

Year-on-year change in %	2018	Projections 2019	Projections 2020
World	**3.6**	**3.2**	**3.5**
Advanced economies	2.2	1.9	1.7
Emerging and developing countries	4.5	4.1	4.7
Germany	1.4	0.7	1.7
Eurozone	1.9	1.3	1.6
USA	2.9	2.6	1.9
Brazil	1.1	0.8	2.4
China	6.6	6.2	6.0
India	6.8	7.0	7.2
Japan	0.8	0.9	0.4

Source: International Monetary Fund (July 2019)

World vehicle markets set to contract in 2019

Analysts at leading banks and research houses have downgraded their initial projections for 2019 as a whole, mainly due to weak market performance in China so far this year. According to the latest forecasts, most expect world production of light vehicles to show a decline of between 2% and 4% in 2019. For the major auto markets China, North America, and Europe, this would be a modest downturn for the second year in a row, albeit at a high level.

Markets are still expected to recover gradually in the second half of 2019, but estimates are now less optimistic than they were at the beginning of the year. Experts point to the high level of economic policy uncertainties that are currently affecting the markets and making predictions increasingly difficult. As a result, forecasts differ widely, particularly with regard to the all-important Chinese market in the second half of the year. Nevertheless, there seems to be a consensus among observers that the Chinese market will begin to pick up, at least in the fourth quarter, and that production volumes will again rise. The European market is also expected to stabilize in the second half of the year despite uncertainty over the impact of an impending Brexit and the new RDE (Real Driving Emissions) tests, which become mandatory from September 2019 onward.

Light vehicle production

Vehicles (millions)	2018	Projections 2019	Change in %
European Union	**18.8**	**18.7**	**-0.7**
Germany	5.4	5.3	-0.3
Eastern Europe[1]	**3.5**	**3.5**	**-2.4**
Russia	1.7	1.7	-0.6
North America	**16.9**	**16.6**	**-1.8**
USA	11.0	10.9	-0.4
South America	**3.4**	**3.2**	**-6.4**
Brazil	2.8	2.7	-3.4
Asia-Pacific	**47.8**	**47.3**	**-1.1**
China	25.7	24.8	-3.4
Japan	9.0	8.7	-3.8
India	4.7	5.0	5.8
Middle East & Africa	**2.6**	**2.5**	**-6.3**

[1] Including Russia

Source: PwC Autofacts (July 2019)

Sales expected to fall in all key markets

Turning to the vehicle sales markets, automotive industry associations are increasingly skeptical about the prospects for 2019. In Germany, the VDA had originally forecast some growth over the year across Europe but now expects total sales to fall by 1% to just under 15 million vehicles. For China, it anticipates a decline of 4% to 22.3 million new cars over the year and a 2% decline to 16.9 million vehicles in the US light vehicle market. According to the CAR Institute in Germany, global automobile sales are set to fall by a good 5%.

Outlook for commercial vehicle markets

Commercial vehicle markets in Europe and the US are in good shape in 2019. Reflecting the wider economic slowdown, there are signs that the market in Europe may be cooling slightly, although sales are expected to remain high. Overall, however, the industry is benefiting from the increasing trend towards online retailing and the associated growth in transport volumes.

Despite a decline in the volume of new orders placed with truck manufacturers in the US, sales of heavy Class 8 trucks are expected to remain at a very high level of more than 300,000 vehicles over 2019 as a whole. This would represent another modest increase in deliveries.

Outlook – Company

Current order backlog remains solid but outlook for new orders less promising

The company's order book has proven resilient despite the challenging economic situation. With a volume of EUR 1,063.0 million, the order backlog increased by EUR 24.8 million or 2.4% compared to the same quarter of the previous year. However, EUR 9.7 million of this total is attributable to exchange rate movements. After adjusting for these, the increase is EUR 15.1 million or 1.5%. After a strong first quarter, the market downturn is now reflected in the company's order intake. While remaining high, total new orders in the second quarter were down by EUR 38.8 million, or 8.5%, compared to the same period in the previous year. After adjusting for currency effects, the decrease was EUR 35.9 million, or 7.8%.

Market environment still challenging

Conditions are likely to remain challenging for the automotive industry, with key markets in China, North America, and Europe set to contract over the full year. The ElringKlinger Group expects to maintain revenue growth above the level of world vehicle production, even if it cannot be completely detached from the wider economic slowdown. Overall, thanks in part to a strong order intake in the first quarter, the Group still expects to generate organic revenue growth at a rate of 2 to 4 percentage points above the growth in global automotive production.

EBIT margin target of around 4-5% before purchase price allocation

Earnings performance is affected by the current market downturns. At the same time, the Group's new cost-saving program has already shown signs of success in the second quarter and will continue to take effect in the second half of the year. With regard to US tariffs, the first exemption refunds are expected. The Group is also set to generate a substantial amount of income (in the high single-digit million-euro range) from a real estate sale. The Swiss plant and the NAFTA sites continue to optimize their cost structures, although some of the progress made in this area is likely to be offset by the market downturn. Overall, as a result of these various factors, the Group expects to achieve an EBIT margin of around 4% to 5% before purchase price allocation despite the more difficult conditions it currently faces. This assumes that no further significant externalities emerge as a drag on earnings and that markets do not weaken any further than already anticipated.

Cash flow improvement program on track

The Group has achieved a significant improvement in net working capital and therefore taken a big step towards its planned goal of generating a positive operating free cash flow result for the full year. As of June 30, 2019, net working capital stood at 29.1% of Group revenue, 6.8 percentage points below the previous year's figure. This suggests that the year-end figure for 2019 as a whole will also be lower compared to the figure of 33.4% as of December 31, 2018. Although the net debt ratio (net debt/EBITDA) increased in the first half of the year due to revenue growth, the Group still expects to improve this key indicator by the end of 2019 compared to the previous year (having factored in the IFRS 16 effect outlined above).

Based on its forecast earnings, the Group still expects its return on capital employed (ROCE) to fall year on year. The equity ratio is expected to be 40% to 50% of the balance sheet total, i.e., within the long-term corridor, and R&D costs should lie between approx. 5% and 6% of Group revenue. In line with expectations, the disciplined approach maintained by the Group with regard to capital expenditure (property, plant, and equipment and investment property) means that the capex ratio (capital expenditure as a percentage of Group revenue) will be under 9% at the end of the year.

Mid-term outlook

As an early mover in the field of alternative drive technology, ElringKlinger has established an excellent vantage point from which to engage in the process of transition within the automotive industry. At the same time, the company's strong market position with regard to long-standing products provides a very solid foundation. Therefore, the Group remains confident that it can continue to exceed the expansion rate of global car production in terms of organic revenue growth. Turning to earnings performance, as in the past the Group anticipates that it can gradually improve profitability calculated on the basis of its EBIT margin before purchase price allocation. Based on the expected improvements in earnings and working capital, the Group anticipates an increase in its return on capital employed (ROCE).

Dettingen/Erms, August 7, 2019
The Management Board

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

ElringKlinger on the Capital Market

Stock markets fueled by expansive central bank policy in second quarter

Having already recorded substantial growth at the beginning of the year, equity markets received a further boost from tailwind generated during the second quarter of 2019. Among the key influencing factors in the markets' sustained upturn were the prospect of monetary policy easing by the US Federal Reserve and an announcement by the European Central Bank outlining further expansive steps. Markets were also buoyed by the low level of inflation prevailing in many economies around the globe and the decision on car tariffs postponed for the time being by the US government. By contrast, the more intense trade conflict between China and the United States, both of whom imposed punitive tariffs on each other's goods and suspended negotiations for a period of time, only had a temporary impact on stock markets. The overall mood was also dampened only briefly by news of persistently weak production output within the automobile sector, particularly in the Chinese market, and an agreement to delay the decision on Brexit.

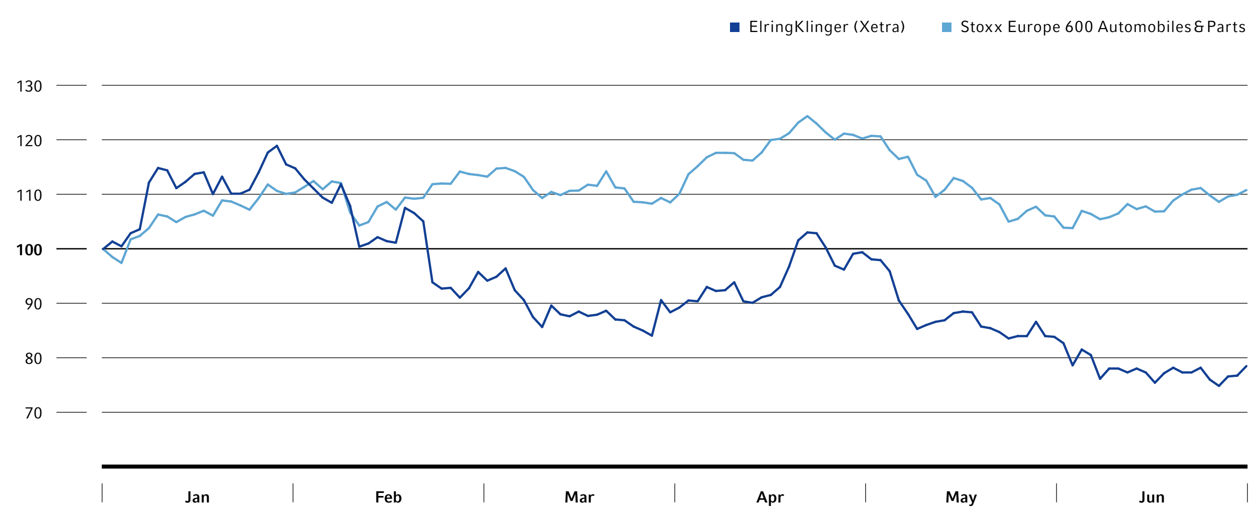
Sluggish demand for auto stocks – ElringKlinger shares at EUR 5.32 at end of quarter

Starting from a base of EUR 6.06 at the end of the first quarter of 2019, ElringKlinger's stock initially recorded a slight upturn in April that culminated in a share price of around seven euros. This helped offset the losses recorded by the stock since the beginning of the year. Following the presentation of company results for the first quarter in early May, however, ElringKlinger's share price came under pressure again. During the remainder of the second quarter, signs of a global market downturn within the automotive sector became more prominent and the resulting uncertainty among investors prompted a dip in demand for shares issued by vehicle manufacturers and suppliers. During this period, ElringKlinger's stock fell to an annual low of EUR 5.07. The company's share price then recovered slightly, closing the first half of 2019 at EUR 5.32.

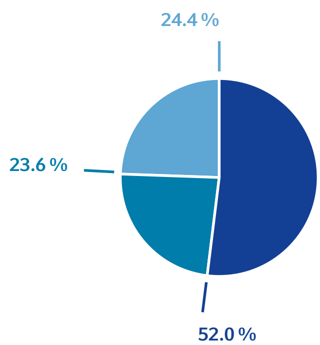
Trading volume down in first half of 2019

The trading volume of ElringKlinger stock fell short of the prior-year level in the first six months of 2019. With an average volume of 106,000 (H1 2018: 155,600) shares traded

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



Shareholder structure as of June 30, 2019



- Estate of Lechler family
- Institutional investors
- Private investors

per stock exchange day, however, it remained solid. The average daily value of ElringKlinger shares traded on German stock exchanges was around EUR 0.7 million in the period under review (H1 2018: around EUR 2.4 million). Therefore, a sufficiently high level of liquidity was available for investors to also conduct larger share transactions.

Ongoing exchange with capital markets

ElringKlinger maintained a close dialogue with capital market representatives over the course of the first half of 2019. In the first six months the company was present at a total of six capital market conferences attended primarily by an international group of investors. The focus of ElringKlinger's investor relations activities was, among other venues, on the European financial centers of Frankfurt/Main, London, and Paris. Additionally, the company took part in events in Baden-Baden and Berlin.

Big response to 2019 AGM

In his speech at the Annual General Meeting of ElringKlinger AG, which was held on May 16, 2019, at the Liederhalle Cultural and Congress Center in Stuttgart and attended by around 800 shareholders and guests, CEO Dr. Stefan Wolf reviewed a 2018 financial year that was dominated by challenging conditions – both for the automobile industry and for ElringKlinger. He also highlighted the prospect of continued market disruption in 2019.

In view of the Group's earnings performance in fiscal 2018, the Management Board and the Supervisory Board jointly decided to depart from the established dividend policy and suspend the dividend for the 2018 financial year so that the company can further strengthen its internal financing in readiness for the transformation process.

The proposed resolutions put to the vote were accepted by a majority of the shareholders of ElringKlinger AG. In each case the AGM approved the actions of the Management Board members and the actions of the Supervisory Board members in respect of fiscal 2018 with a large majority of the votes. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as the auditor for the financial year 2019. In total, 68% of the company's share capital was represented at the meeting.

ElringKlinger stock (ISIN DE 0007856023)

	1st Half 2019	1st Half 2018
Number of shares outstanding	63,359,990	63,359,990
Share price (daily closing price in EUR)[1]		
High	8.11	19.37
Low	5.07	10.99
Closing price[2]	5.32	10.99
Average daily trading volume (German stock exchanges; no. of shares traded)	106,000	155,600
Average daily trading value (German stock exchanges; in EUR)	675,300	2,423,600
Market capitalization (EUR millions)[1,2]	337.1	696.3

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

Group Income Statement

of ElringKlinger AG, January 1 to June 30, 2019

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Sales revenue	**434,122**	**430,772**	**875,208**	**861,455**
Cost of sales	-347,986	-331,088	-703,473	-666,425
Gross profit	**86,136**	**99,684**	**171,735**	**195,030**
Selling expenses	-34,371	-35,035	-70,313	-71,541
General and administrative expenses	-21,417	-20,626	-44,961	-42,610
Research and development costs	-20,036	-19,517	-39,732	-41,060
Other operating income	2,816	3,215	5,556	30,724
Other operating expenses	-2,960	-2,421	-5,714	-7,806
Operating result/EBIT	**10,168**	**25,300**	**16,571**	**62,737**
Finance income	863	8,727	9,979	15,697
Finance costs	-9,439	-12,202	-18,872	-23,429
Share of result of associates	-102	-1,529	-805	-2,610
Net finance costs	**-8,678**	**-5,004**	**-9,698**	**-10,342**
Earnings before taxes	**1,490**	**20,296**	**6,873**	**52,395**
Income tax expense	-10,176	-10,917	-16,686	-16,662
Net income	**-8,686**	**9,379**	**-9,813**	**35,733**
of which: attributable to non-controlling interests	-110	912	289	1,536
of which: attributable to shareholders of ElringKlinger AG	**-8,576**	**8,467**	**-10,102**	**34,197**
Basic and diluted earnings per share in EUR	-0.14	0.13	-0.16	0.54

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to June 30, 2019

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Net income	**-8,686**	**9,379**	**-9,813**	**35,733**
Currency translation difference	-8,100	-2,773	4,962	-3,689
Share of other comprehensive income of associates	32	1	-10	1
Gains and losses that can be reclassified to the income statement in future periods	**-8,068**	**-2,772**	**4,952**	**-3,688**
Other comprehensive income after taxes	**-8,068**	**-2,772**	**4,952**	**-3,688**
Total comprehensive income	**-16,754**	**6,607**	**-4,861**	**32,045**
of which: attributable to non-controlling interests	-513	766	479	1,555
of which: attributable to shareholders of ElringKlinger AG	**-16,241**	**5,841**	**-5,340**	**30,490**

Group Statement of Financial Position

of ElringKlinger AG, as at June 30, 2019

EUR k	June 30, 2019	Dec. 31, 2018	June 30, 2018
ASSETS			
Intangible assets	193,958	190,307	183,937
Property, plant and equipment	1,045,561	997,843	952,079
Investment property	3,498	16,567	16,427
Financial assets	3,555	2,663	1,038
Shares in associates	22,459	23,274	25,954
Non-current income tax assets	72	98	73
Other non-current assets	8,102	8,116	3,635
Deferred tax assets	12,359	11,805	20,186
Contract performance costs	8,148	5,427	1,475
Non-current contract assets	659	1,319	789
Non-current assets	**1,298,371**	**1,257,419**	**1,205,593**
Inventories	392,893	401,391	390,220
Current contract assets	9,789	6,297	6,350
Trade receivables	277,430	306,351	339,204
Current income tax assets	7,926	8,531	6,383
Other current assets	80,659	48,432	48,283
Cash and cash equivalents	88,095	45,314	50,699
Current assets	**856,792**	**816,316**	**841,139**
Assets held for sale	**18,913**	**5,966**	**0**
	2,174,076	2,079,701	2,046,732

EUR k	June 30, 2019	Dec. 31, 2018	June 30, 2018
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	710,958	721,060	709,423
Other reserves	-44,800	-49,562	-50,339
Equity attributable to the shareholders of ElringKlinger AG	**847,756**	**853,096**	**840,682**
Non-controlling interest in equity	37,473	37,014	36,167
Equity	**885,229**	**890,110**	**876,849**
Provisions for pensions	125,380	124,401	127,450
Non-current provisions	19,658	19,603	12,388
Non-current financial liabilities	591,392	472,005	478,927
Non-current contract liabilities	8,899	2,614	0
Deferred tax liabilities	15,544	14,949	13,131
Other non-current liabilities	8,951	8,915	3,461
Non-current liabilities	**769,824**	**642,487**	**635,357**
Current provisions	10,980	10,769	27,660
Trade payables	168,436	135,560	123,533
Current financial liabilities	196,602	296,786	254,375
Current contract liabilities	12,731	10,469	8,107
Tax payable	20,050	12,470	21,266
Other current liabilities	110,224	81,050	99,585
Current liabilities	**519,023**	**547,104**	**534,526**
	2,174,076	**2,079,701**	**2,046,732**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to June 30, 2019

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2017	**63,360**	**118,238**	**710,885**
Application of new standards[1]			**-4,062**
Balance as of Jan. 1, 2018	**63,360**	**118,238**	**706,823**
Dividend distribution			-31,680
Change in scope of consolidated financial statements			83
Total comprehensive income			**34,197**
Net income			34,197
Other comprehensive income			
Balance as of Jun. 30, 2018	**63,360**	**118,238**	**709,423**
Balance as of Dec. 31, 2018	**63,360**	**118,238**	**721,060**
Dividend distribution			
Total comprehensive income			**-10,102**
Net income			-10,102
Other comprehensive income			
Balance as of Jun. 30, 2019	**63,360**	**118,238**	**710,958**

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

Other reserves					
Remeasurement of defined benefit plans	Equity impact of controlling interests	Currency translation differences	Equity attributable to the shareholders of ElringKlinger AG	Non-controlling interests in equity	Group equity
-39,512	**-212**	**-460**	**852,299**	**37,368**	**889,667**
			-4,062	**19**	**-4,043**
-39,512	**-212**	**-460**	**848,237**	**37,387**	**885,624**
			-31,680	-20	-31,700
-83		-6,365	-6,365	-2,755	-9,120
		-3,707	**30,490**	**1,555**	**32,045**
			34,197	1,536	35,733
		-3,707	-3,707	19	-3,688
-39,595	**-212**	**-10,532**	**840,682**	**36,167**	**876,849**
-37,316	**-422**	**-11,824**	**853,096**	**37,014**	**890,110**
			0	-20	-20
		4,762	**-5,340**	**479**	**-4,861**
			-10,102	289	-9,813
		4,762	4,762	190	4,952
-37,316	**-422**	**-7,062**	**847,756**	**37,473**	**885,229**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to June 30, 2019

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Earnings before taxes	1,490	20,296	6,873	52,395
Depreciation/amortization (less write-ups) of non-current assets	28,839	24,045	57,187	47,674
Net interest	4,776	2,965	9,159	6,364
Change in provisions	929	4,140	281	5,218
Gains/losses on disposal of non-current assets	326	55	520	19
Share of result of associates	102	1,529	805	2,610
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	37,741	-20,823	4,983	-70,155
Change in trade payables and other liabilities not resulting from financing and investing activities	51,722	1,161	75,788	24,445
Income taxes paid	-6,515	-8,926	-13,596	-16,694
Interest paid	-3,848	-2,793	-6,987	-4,592
Interest received	142	108	226	318
Other non-cash expenses and income	3,691	-1,008	-4,151	-19,816
Net cash from operating activities	**119,395**	**20,749**	**131,088**	**27,786**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	2,882	173	3,281	463
Proceeds from disposals of financial assets	1,000	0	2,603	0
Payments received for the disposal of subsidiaries	0	0	0	52,455
Payments for investments in intangible assets	-3,007	-1,551	-5,575	-2,763
Payments for investments in property, plant and equipment and investment property	-20,650	-38,360	-49,498	-67,730
Payments for investments in financial assets	-2,260	-221	-5,067	-308
Net cash from investing activities	**-22,035**	**-39,959**	**-54,256**	**-17,883**
Dividends paid to shareholders and to non-controlling interests	0	-31,699	-20	-31,699
Proceeds from the addition of long-term loans	5,168	3,430	167,213	4,708
Payments for the repayment of long-term loans	-61,322	-7,677	-67,976	-9,258
Change in current loans	-15,986	58,206	-133,805	32,280
Net cash from financing activities	**-72,140**	**22,260**	**-34,588**	**-3,969**
Changes in cash	25,220	3,050	42,244	5,934
Effects of currency exchange rates on cash	-233	-461	537	-733
Cash at beginning of period	63,108	48,110	45,314	45,498
Cash at end of period	**88,095**	**50,699**	**88,095**	**50,699**

Group Sales Revenue

of ElringKlinger AG, January 1 to June 30, 2019

Sales revenue by regions

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Germany	97,789	108,180	204,429	217,144
Rest of Europe	127,399	135,442	265,155	277,936
North America	116,919	89,218	218,537	169,527
Asia-Pacific	72,367	78,195	147,605	156,215
South America and rest of the world	19,648	19,737	39,482	40,633
Group	**434,122**	**430,772**	**875,208**	**861,455**

Sales revenue by segments

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Lightweighting/Elastomer Technology	125,652	111,013	250,578	213,859
Shielding Technology	99,392	104,597	198,539	211,290
Specialty Gaskets	77,134	80,621	157,608	162,313
Cylinder-head Gaskets	47,896	50,401	94,848	100,477
E-Mobility	8,403	4,039	14,810	7,990
Exhaust Gas Purification	2,705	4,139	5,166	11,932
Other	144	93	446	760
Segment Original Equipment	**361,326**	**354,903**	**721,995**	**708,621**
Segment Aftermarket	**40,894**	**42,329**	**85,618**	**85,225**
Segment Engineered Plastics	**28,715**	**30,042**	**60,881**	**60,597**
Sale of goods	**430,935**	**427,274**	**868,494**	**854,443**
Income from the rendering of services	**2,042**	**2,465**	**4,472**	**4,874**
Revenue from contracts with customers	**432,977**	**429,739**	**872,966**	**859,317**
Income from rental and leasehold	**1,145**	**1,033**	**2,242**	**2,138**
Group	**434,122**	**430,772**	**875,208**	**861,455**

Breakdown by geographical markets:

EUR k	2nd Quarter 2019	2nd Quarter 2018	1st Half 2019	1st Half 2018
Revenue from contracts with customers	97,784	108,130	204,419	217,052
Income from rental and leasehold	5	50	10	92
Total Germany	**97,789**	**108,180**	**204,429**	**217,144**
Revenue from contracts with customers	335,193	321,609	668,547	642,265
Income from rental and leasehold	1,140	983	2,232	2,046
Total other countries	**336,333**	**322,592**	**670,779**	**644,311**
Group	**434,122**	**430,772**	**875,208**	**861,455**

Segment Reporting

of ElringKlinger AG, April 1 to June 30, 2019

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	2nd Quarter 2019	2nd Quarter 2018	2nd Quarter 2019	2nd Quarter 2018	2nd Quarter 2019	2nd Quarter 2018
External revenue	**361,326**	**354,903**	**40,894**	**42,329**	**28,715**	**30,042**
Intersegment revenue	4,464	4,716	0	0	22	20
Segment revenue	**365,790**	**359,619**	**40,894**	**42,329**	**28,737**	**30,062**
EBIT[1]/Operating result	**2,042**	**12,675**	**6,712**	**7,376**	**1,706**	**5,146**
Depreciation and amortization	-25,744	-21,018	-765	-746	-1,663	-1,537
Capital expenditures[2]	23,461	37,118	1,037	941	1,740	759

January 1 to June 30, 2019

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018
External revenue	**721,995**	**708,621**	**85,618**	**85,225**	**60,881**	**60,597**
Intersegment revenue	9,951	9,832	0	0	30	25
Segment revenue	**731,946**	**718,453**	**85,618**	**85,225**	**60,911**	**60,622**
EBIT[1]/Operating result	**-3,248**	**38,170**	**14,004**	**14,870**	**5,759**	**9,258**
Depreciation and amortization	-51,136	-41,662	-1,502	-1,454	-3,241	-3,073
Capital expenditures[2]	53,756	65,639	1,601	1,578	3,892	1,452

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

Industrial Parks		Services		Consolidation		Group	
2nd Quarter 2019	2nd Quarter 2018	2nd Quarter 2019	2nd Quarter 2018	2nd Quarter 2019	2nd Quarter 2018	2nd Quarter 2019	2nd Quarter 2018
1,145	**1,033**	**2,042**	**2,465**	**0**	**0**	**434,122**	**430,772**
27	27	1,744	1,775	-6,257	-6,538	0	0
1,172	**1,060**	**3,786**	**4,240**	**-6,257**	**-6,538**	**434,122**	**430,772**
114	**22**	**-406**	**81**	**0**	**0**	**10,168**	**25,300**
-139	-265	-528	-479	0	0	-28,839	-24,045
227	4	168	1,089	0	0	26,633	39,911

Industrial Parks		Services		Consolidation		Group	
1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018
2,242	**2,138**	**4,472**	**4,874**	**0**	**0**	**875,208**	**861,455**
54	54	3,546	3,580	-13,581	-13,491	0	0
2,296	**2,192**	**8,018**	**8,454**	**-13,581**	**-13,491**	**875,208**	**861,455**
132	**-22**	**-76**	**461**	**0**	**0**	**16,571**	**62,737**
-280	-530	-1,028	-955	0	0	-57,187	-47,674
233	489	547	1,335	0	0	60,029	70,493

Notes to the first Half of 2019

General Information

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

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of June 30, 2019, have been prepared on the basis of IAS 34 (Interim Financial Reporting). The interim financial statements conform with the International Financial Reporting Standards (IFRS), including the Interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

As the consolidated interim financial statements are presented in a condensed format, the financial statements as of June 30, 2019, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of June 30, 2019, have been neither audited nor reviewed in any way by an independent auditor.

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

Basis of reporting

Reporting

IFRS 15 Revenue from Contracts with Customers

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

As of June 30, 2018, a total of EUR 8,107k in current contract liabilities pursuant to IFRS 15 was presented in other current liabilities as prepayments received by the entity. In the quarterly financial statements as of June 30, 2019, the prior-year figures were reclassified to the statement of financial position item referred to as current contract liabilities.

IFRS 16 Leases

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

IFRS 16 replaces the existing provisions and interpretations governing leases, in particular IAS 17 Leases. Pursuant to IFRS 16, lessees are obliged to recognize an asset for the right of use as well as a lease liability for outstanding lease payments with regard to all lease agreements. The right of use in respect of the asset that is the subject of a lease is recognized at the amount of the lease liability, divided into non-current and current. In contrast to the previous accounting treatment, in the case of leases that were previously classified as "operating leases" in accordance with IAS 17 the lease liability is recognized in the statement of financial position at the present value of the remaining lease payments and discounted at the corresponding incremental borrowing rate as of the date of initial application. As of January 1, 2019, EUR 45,407k was included in the statement of financial position as a right of use for leases – as an asset under property, plant, and equipment – and in the same amount as a lease liability under current and non-current financial liabilities. After depreciation in respect of the right of use as well as additions and disposals of lease-related items, the right of use as of June 30, 2019, was EUR 45,070k. By contrast, lease liabilities amounted to EUR 45,281k.

In contrast to the previous disclosure of expenses from operating leases, in future depreciation on rights of use and interest expenses from the compounding of the lease liability will be recognized. Depreciation in the first half of 2019 amounted to EUR 5,723k, while the interest component totaled EUR 831k. As a result of the changes described above, the cash inflow from operating activities increases by the previous operating lease payments.

As a result of the initial application of IFRS 16, lease expenses are divided into an interest portion and a principal portion. Group EBIT has thus increased by EUR 831k.

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of June 30, 2019, include the financial statements of six domestic and 32 foreign entities in which ElringKlinger AG holds 50% of the interests, either directly or indirectly, or over which, for other reasons, it has the power to govern the financial and operating policies. Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

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

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

Merger

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

Exchange rates

Exchange rates developed as follows:

		Closing rate		Average rate	
Currency	**Abbr.**	**Jun. 30, 2019**	**Dec. 31, 2018**	**Jan. – Jun. 2019**	**Jan. – Dec. 2018**
US dollar (USA)	USD	1.13800	1.14500	1.13147	1.17932
Pound (United Kingdom)	GBP	0.89655	0.89453	0.87307	0.88595
Swiss franc (Switzerland)	CHF	1.11050	1.12690	1.12802	1.15158
Canadian dollar (Canada)	CAD	1.48930	1.56050	1.50390	1.53288
Real (Brazil)	BRL	4.35110	4.44400	4.34362	4.32938
Mexican peso (Mexico)	MXN	21.82010	22.49210	21.74890	22.65259
RMB (China)	CNY	7.81850	7.87510	7.65812	7.81563
WON (South Korea)	KRW	1,315.35000	1,277.93000	1,297.79667	1,295.97500
Rand (South Africa)	ZAR	16.12180	16.45940	15.99695	15.61657
Yen (Japan)	JPY	122.60000	125.85000	124.08333	130.00583
Forint (Hungary)	HUF	323.39000	320.98000	320.59833	319.97250
Turkish lira (Turkey)	TRY	6.56550	6.05880	6.36087	5.68349
Leu (Romania)	RON	4.73430	4.66350	4.74470	4.65583
Indian rupee (India)	INR	78.52400	79.72980	79.10383	80.62578
Indonesian rupiah (Indonesia)	IDR	16,083.35000	16,500.00000	16,011.32500	16,788.76417
Bath (Thailand)	IDR	34.89700	37.05200	35.57983	38.05167
Swedish krona (Sweden)	SEK	10.56330	10.25480	10.51545	10.29367

Disclosures relating to financial instruments

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

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

	Cash	Trade receivables	Other current assets	Derivatives	Non-current securities		Other financial investments		Total
EUR k	CA	CA	CA	CA	CA	FV	CA	FV	CA
as of Jun. 30, 2019									
Financial assets measured at amortized cost	88,095	277,430	14,700	0	1,441	1,457	2,008	2,008	383,674
Financial assets measured at fair value through profit or loss	0	0	0	5	0	0	0	0	5
Financial assets measured at fair value through other comprehensive income	0	0	0	0	98	98	8	8	106
Total	**88,095**	**277,430**	**14,700**	**5**	**1,539**	**1,555**	**2,016**	**2,016**	**383,785**
as of Dec. 31, 2018									
Financial assets measured at amortized cost	45,314	306,351	11,490	0	549	438	2,008	2,008	365,712
Financial assets measured at fair value through profit or loss	0	0	0	12	0	0	0	0	12
Financial assets measured at fair value through other comprehensive income	0	0	0	0	98	98	8	8	106
Total	**45,314**	**306,351**	**11,490**	**12**	**647**	**536**	**2,016**	**2,016**	**365,830**

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

	Other current liabilities	Current financial liabilities	Current finance leases		Trade payables
EUR k	CA	CA	CA	FV	CA
as of Jun. 30, 2019					
Financial liabilities measured at amortized cost	46,407	196,455	0	0	168,436
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	147	151	0
as of Dec. 31, 2018					
Financial liabilities measured at amortized cost	43,275	296,584	0	0	135,560
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
No measurement category under IFRS 9	0	0	202	209	0

	Derivatives		Non-current financial liabilities		Non-current finance leases		Total
EUR k	CA	FV	CA	FV	CA	FV	CA
as of Jun. 30, 2019							
Financial liabilities measured at amortized cost	0	0	591,342	574,866	0	0	1,002,640
Financial liabilities measured at fair value through profit or loss	1,218	1,218	0	0	0	0	1,218
No measurement category under IFRS 9	0	0	0	0	50	51	197
as of Dec. 31, 2018							
Financial liabilities measured at amortized cost	0	0	471,898	430,639	0	0	947,317
Financial liabilities measured at fair value through profit or loss	165	165	0	0	0	0	165
No measurement category under IFRS 9	0	0	0	0	107	109	309

The other current liabilities include a purchase price liability of EUR 29,921k (Dec. 31, 2018: EUR 29,921k) in respect of a written put option, which has been measured at amortized cost.

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

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

The fair value of the put option, included in other current liabilities, of non-controlling interests in ElringKlinger Marusan Corporation, Tokyo, Japan, in respect of their interests is based on internal projections of the enterprise value. As regards the valuation of this put option of non-controlling interests, estimates are made with regard to the forecast of business performance as well as with regard to the choice of the interest rate to be applied in respect of the liability to be recognized. A change in the enterprise value by 10% would result in an increase/decrease in the put option by approx. EUR 2,992k (Dec. 31, 2018: EUR 2,992k).

Financial assets and liabilities measured at fair value are classified into the following three-level fair value hierarchy as of the end of the reporting period of June 30, 2019:

EUR k	Level 1	Level 2	Level 3
Jun. 30, 2019			
Financial assets			
Non-current securities	98	0	0
Other financial investments	8	2,008	0
Derivatives*	0	5	0
Total	**106**	**2,013**	**0**
Financial liabilities			
Derivatives*	0	1,218	0
Total	**0**	**1,218**	**0**
Dec. 31, 2018			
Financial assets			
Non-current securities	98	0	0
Other financial investments	8	2,000	0
Derivatives*	0	12	0
Total	**106**	**2,012**	**0**
Financial liabilities			
Derivatives*	0	165	0
Total	**0**	**165**	**0**

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

The following table provides details of the classification of financial assets and liabilities that are not measured at fair value but for which a fair value has been presented, according to the three-level fair value hierarchy as of the end of the reporting period of June 30, 2019:

EUR k	Level 1	Level 2	Level 3
Jun. 30, 2019			
Financial assets			
Non-current securities	1,457	0	0
Other financial investments	0	0	8
Total	**1,457**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	51
Non-current financial liabilities	0	574,866	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**574,866**	**29,972**
Dec. 31, 2018			
Financial assets			
Non-current securities	438	0	0
Other financial investments	0	0	8
Total	**438**	**0**	**8**
Financial liabilities			
Non-current liabilities from finance leases	0	0	109
Non-current financial liabilities	0	430,639	0
Purchase price liability from written put option	0	0	29,921
Total	**0**	**430,639**	**30,030**

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

Level 1: Measurement based on quoted prices

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

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

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

Significant events and business transactions

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

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

As of June 30, 2019, the item designated as "assets held for sale" includes investment property from the Industrial Parks segment. The Group intends to dispose of these assets within the next twelve months.

Contingencies and related-party disclosures

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

Government grants

Other operating income in the first half of 2019 includes government grants totaling EUR 1,908k (Jun. 30, 2018: EUR 2,511k). 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, August 7, 2019

The Management Board

Dr. Stefan Wolf
Chairman/CEO

Theo Becker

Thomas Jessulat

Reiner Drews

Imprint

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

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

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

Further information is available at www.elringklinger.com

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

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

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

Financial Calendar 2019

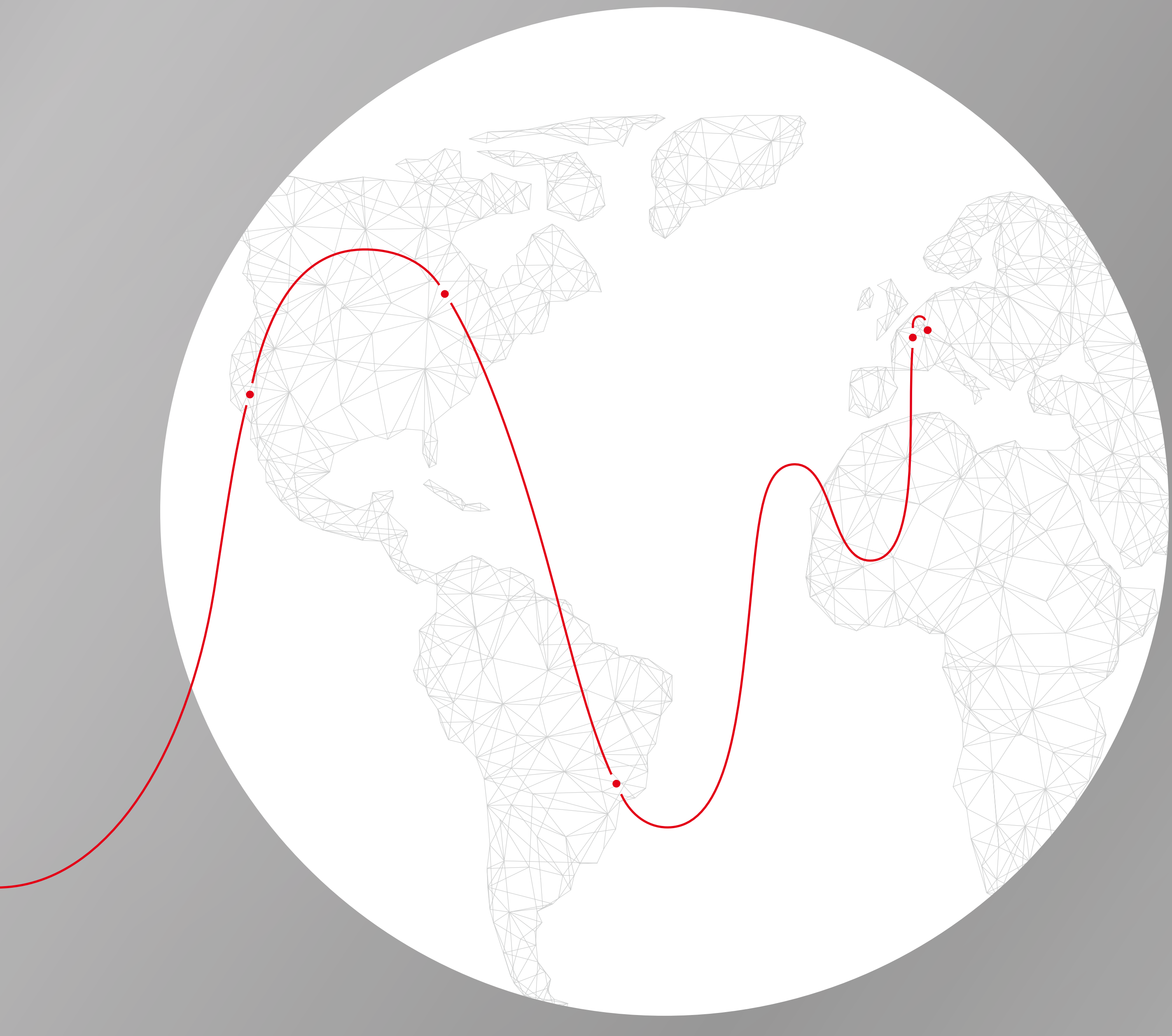
NOVEMBER

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

MAY 2020

19 115th Annual General Shareholders' Meeting, International Congress Center Stuttgart

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



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