2014

Report on the 1st Quarter

# beyond $CO_2$

elringklinger

# beyond

$CO_2$

## Solutions from ElringKlinger

ElringKlinger specializes in the development of cutting-edge green technology that helps not only to reduce $CO_2$ but also to cut emissions of nitrogen oxides, hydrocarbons and particulates, all of which can damage our health. Today, ElringKlinger is one of only a small number of automotive suppliers around the world to develop and produce technologically sophisticated components for every type of vehicle drive, from downsized and optimized versions of the traditional combustion engine through to electric vehicles powered by batteries or fuel cells. To round off our emissions-reduction portfolio, we supply particulate filters and complete exhaust gas purification systems for use in ships, buses, trucks, construction and agricultural machinery, locomotives and power stations. Additionally, ElringKlinger Kunststofftechnik supplies products made of high-performance PTFE plastics – increasingly to sectors outside the automotive industry. One of our great strengths lies in our capacity to innovate, and we harness this to achieve the company's goals of sustainable mobility and profitable growth. These efforts are supported by our committed workforce of some 7,000 people at more than 40 ElringKlinger Group locations worldwide.

# Contents

# Macroeconomic Conditions and Business Environment

### Upturn in European and US markets – Economic outlook clouded by Crimean crisis and China

The global economy varied from region to region during the first quarter of 2014. As the US economy picked up pace after a sluggish winter and the eurozone recovery gathered strength, the bigger picture was clouded by the crisis in Crimea and slackening economic growth in China.

Despite the continuing enforcement of austerity measures as well as structural reforms in the peripheral states of Europe that will only take effect in the medium term, indicators of market sentiment in the eurozone suggest that the upturn is set to continue, albeit at a moderate pace. In Europe the unemployment rate slipped back below the symbolic 12% mark, as economic output in the eurozone rose by a relatively solid 1.0% compared to the first quarter of the previous year.

The gross domestic product (GDP) in Germany grew by 2.0% in the first three months of 2014, more than expected at the start of the year; rising export levels to European countries played a big part in this development, and as a result Germany has remained the growth engine of the euro area.

As the economic recovery took hold in the United States, the US Federal Reserve gradually started to row back on its more relaxed monetary policy. Bond purchases were reduced by USD 10 billion per month in the first quarter of 2014 to stand at USD 55 billion. The persistently high liquidity supply and falling unemployment were key factors in boosting GDP in the United States by 2.7% between January and March 2014.

Meanwhile the economy of Brazil, the country setting the pace in South America, lost some of its momentum, as rising interest rates and taxes exerted downward pressure on consumption and investment levels. Despite this, the Brazilian economy still achieved marginal expansion.

GDP GROWTH RATES (Year-on-year change)

| *in %* | Year 2013 | 4th Quarter 2013 | 1st Quarter 2014 |
|---|---|---|---|
| Germany | 0.5 | 1.4 | 2.0 |
| Eurozone | -0.5 | 0.5 | 1.0 |
| United States | 1.9 | 2.5 | 2.7 |
| Brazil | 2.3 | 1.9 | 2.5 |
| China | 7.7 | 7.7 | 7.4 |
| India | 4.4 | 4.7 | 4.5 |
| Japan | 1.5 | 2.6 | 2.5 |

Source: HSBC (March 2014) and International Monetary Fund (April 2014)

The pace of economic development slowed in China during the first quarter of 2014. With growth of 7.4%, GDP for the biggest economy in Asia was short of the government's target and disappointing by Chinese standards.

Economic dynamism was also in decline on the Indian subcontinent, where GDP again failed to match expectations despite rising by 4.5%. By contrast, the ASEAN nations performed more strongly, achieving growth rates as high as 6.5% in the first quarter of 2014.

In mid-February, the Bank of Japan responded to the decline in economic growth towards the end of last year by further easing its monetary policy. Additionally, the sales tax rise announced for April prompted consumers to bring forward their consumption plans during the first quarter of 2014. As a result of this, Japan's GDP was much stronger than originally anticipated in the first three months of 2014.

### Car markets in Western Europe, the US and China make dynamic start to new year

The brightening economic picture in Western Europe is being reflected in higher demand for vehicles across the nations of Europe. Expansion also continued in China and the United States, the two single biggest markets in the world, despite the fact that the long and cold winter in the United States noticeably suppressed car sales in January and February. By contrast, the direction taken by Brazil, India and Russia – markets in which analysts had placed high hopes until recently – were disappointing, with new car sales falling short of prior-year levels.

### Vehicle market recovers in Western Europe

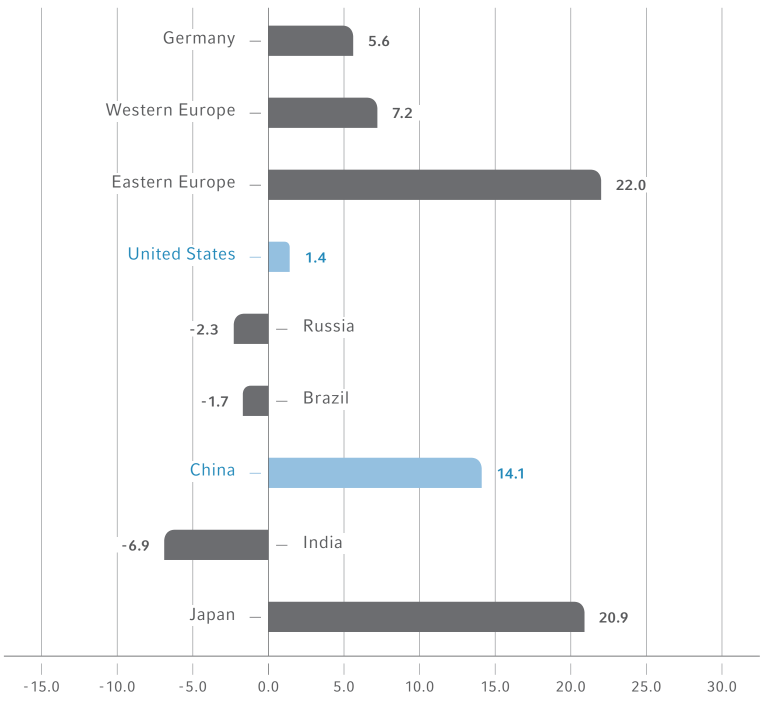
The recovery within the vehicle markets of Western Europe has gathered pace after years of stagnation; back in December 2013, vehicle registrations rose by 12.7% in a development that came as a welcome surprise. Car sales increased by 7.2% in the first quarter of 2014, with the five biggest automobile markets in Europe, without exception, reporting clear upturns. However, new vehicle registrations in March (1.4 million units) remained substantially behind the 1.8 million cars sold in both 2006 and 2007. The higher demand for automobiles led in turn to an increase in vehicle production at European factories. Between January and March 2014, the number of new cars rolling off the production line rose by 5.6% on the same period of the previous year.

New car registrations in Germany rose by 5.6% in Q1 2014. Buoyed by the economic recovery in the eurozone and the continuing strength of the export sector, driven by North America and China, German automobile exports rose by 10.0% to 1.1 (1.0) million vehicles between January and March 2014. Car production reached a record level in Germany as a result, rising by 10.8% on the previous year.

As the recovery in Western European vehicle markets accelerated, though, other key automobile markets were in reverse gear. Sales volumes for cars and light trucks in Russia again fell perceptibly during the first quarter of 2014, down by 2.3%.

Sales volumes also dropped sharply in the first three months of 2014 within the Indian vehicle market. Poor automobile sales in India during 2013 were followed by a further decline of 6.9%.

NEW CAR REGISTRATIONS 1ST QUARTER 2014
*Year-on-year change (in %)*




Source: VDA, ACEA, Automotive News Data Center (April 2014)

## US vehicle sales impacted by hard winter

Although a long and unusually cold winter in the United States served to dissuade buyers in the first two months of 2014, the upsurge in vehicle sales during March more than made up for the losses of January and February. In total, 1.4% more cars and light trucks were sold in Q1 2014 compared to the previous year.

In Brazil, however, the double-digit collapse in sales during March produced an overall drop of 1.7% in car sales for the first quarter. Moreover, the weakness of the Brazilian real adversely affected the revenue performance of subsidiary Elring Klinger do Brasil Ltda.

## Automobile demand in China still rising

The Chinese automobile market maintained its healthy pace in the first quarter of 2014. Between January and March of 2014, car sales outperformed the same period of the prior year by 14.1%, confirming China's status as the single largest vehicle market in the world – ahead of the United States.

Automobile sales in Japan expanded by an impressive 20.9% over the same period, although this dynamic market trend is not expected to continue. The increase was primarily motivated by the bringing forward of vehicle purchases before a rise in sales tax comes into effect in April.

**European commercial vehicles market remains solid despite pre-emptive effects of 2013**

Against the backdrop of a brighter economic picture in Western Europe, industrial production and the volume of freight expanded during the period under review. This, in turn, prompted forwarding agents and other fleet operators to buy new trucks.

The coming into force of the Euro VI emissions standard for trucks on January 1, 2014, had led to noticeable pre-emptive action on the part of heavy trucks buyers, especially in the final quarter of 2013, as many fleet operators opted to acquire a cheaper Euro V tractor unit.

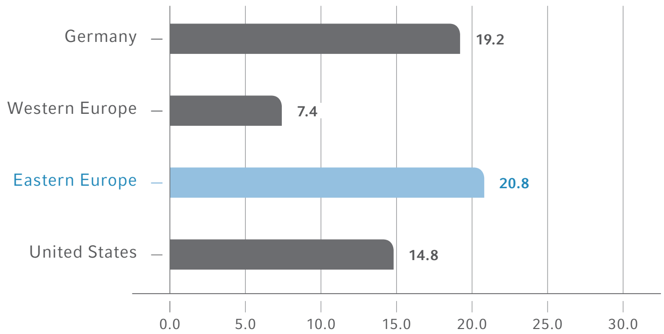
Surprisingly, though, demand remained solid in the first quarter of 2014. In Western Europe, for example, new truck registrations rose by 7.4% in the first quarter of 2014 compared to the low level of the comparative period of the previous year.

ElringKlinger generates approximately 15% of its Original Equipment revenue through truck-related parts, and the trend is rising. Driven by new products in the Plastic Housing Modules division – including engine and gearbox oil pans, oil suction pipe modules and cam covers – ElringKlinger is steadily raising its revenue per vehicle in Euro VI trucks. This is likely to have an ever more positive impact on the revenue and earnings situation for this area of business.

Sales of commercial vehicles in the United States also resumed growth in the first quarter of 2014 as the economic upturn continued across North America. Deliveries of heavy trucks (Class 8) rose by 14.8% in the United States to stand at 44,566 (38,828) units. In view of the encouraging pattern of order intake during March, it is likely that the positive trend within the commercial vehicles market will be sustained beyond the first quarter of 2014.

**NEW REGISTRATIONS OF MID-SIZED AND HEAVY TRUCKS 1ST QUARTER 2014**

*Year-on-year change (in %)*




Source: ACEA, Automotive News Data Center (April 2014)

# Sales and Earnings Performance

## Strong revenue growth despite adverse foreign exchange effects

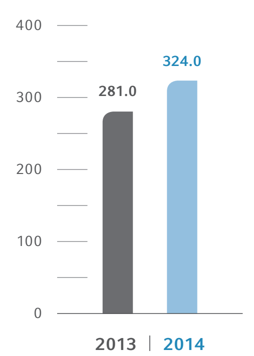
In the first three months of 2014 the ElringKlinger Group once again outperformed the global car markets in terms of revenue growth versus expansion in vehicle production. An increase in new car registrations in Western Europe and consistently solid demand in Asia and North America, combined with the introduction of new products, helped to propel Group revenue by double digits in the period under review.

Sales revenue expanded by 15.3% to EUR 324.0 (281.0) million in the first quarter of 2014. Expressed in organic terms, i.e. without the effects of consolidation and foreign exchange rates, growth amounted to 13.4%. When determining organic revenue growth, ElringKlinger Marusan Corporation, Tokyo, Japan, was accounted for as if the entity had remained subject to proportionate consolidation, as was originally the case.

The strength of the euro – particularly the movement of this currency relative to the US dollar, the Brazilian real and some of the Asian currencies – had a dilutive effect on Group sales revenue in the first quarter of 2014. ElringKlinger generates around 40% of its Group revenue outside the eurozone. The negative effect on consolidated sales of translating revenues into the Group currency – euro – was equivalent to EUR 8.6 million.

Due to the necessary retrospective application of IFRS 11 as regards the presentation of comparative prior-year figures, the joint venture ElringKlinger Marusan Corporation, Tokyo, Japan, was no longer accounted for on a proportionate basis but rather in accordance with the equity method (cf. Notes, page 37 et seqq.). As a result, the Group revenue figure originally presented for the first quarter of 2013 was reduced to EUR 281.0 million, the difference being attributable to this subsidiary's revenue contribution (EUR 5.8 million) formerly included at a proportionate rate of 50%. In the first quarter of 2014, by contrast, the entity was fully consolidated as a result of the assumption of control effective from December 31, 2013, and was accounted for with its total revenue of EUR 11.9 million. The additional revenue contribution in the first quarter of 2014 thus stood at EUR 6.0 million.

GROUP SALES 1ST QUARTER
*in € million*



### Marked increase in revenue and earnings for Exhaust Gas Purification division

Benefiting from consistently strong demand in its US retrofitting business for trucks as well as from new projects for inland waterway vessels and business centered around exhaust gas purification systems for natural gas power plants, sales at the Hug Group in the first three months of 2014 rose substantially to EUR 20.7 (11.0) million.

By using the sales channels established by the ElringKlinger Group, Hug managed to launch a number of new projects. Considerable demand for Hug-developed products translated into a further improvement in capacity utilization. Production capacity for filter ceramics is currently being expanded. Additionally, the restructuring measures implemented in 2013 and the deployment of state-of-the-art manufacturing technology had a positive impact on the company's cost base.

This led to a significant improvement in earnings performance. Earnings before taxes rose from EUR 1.0 million in the first quarter of 2013 to EUR 7.6 million in the first three months of 2014. As a result, Hug managed to exceed the Group margin in the first three months of 2014. However, given the highly project-based nature of Hug's business, there is likely to be some fluctuation in revenue and earnings contributions over the course of the financial year.

### Buoyant growth in Europe – Business in Asia impacted by foreign exchange rates

In Germany, an upturn in vehicle production output had a positive effect on ElringKlinger's sales performance. In this context, it should be noted that the company tends to benefit from the relatively high proportion of revenue generated from its sales to domestic premium-range car makers and suppliers, whose production output continued to be fueled by buoyant demand for vehicles in North America and, in particular, Asia. The ElringKlinger Group managed to expand its sales revenue in its home market of Germany by 10.2% in the first three months of 2014, taking the figure to EUR 96.9 (87.9) million. However, the percentage share of domestic sales in relation to total Group revenue declined to 29.9% (31.3%).

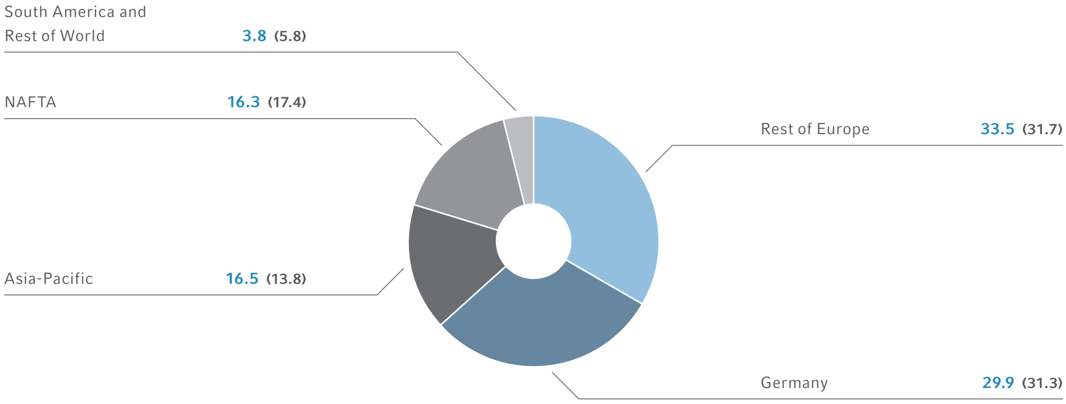
In Europe, after years of general market decline, ElringKlinger profited from an upturn in demand for new cars, as well as benefiting from new product rollouts and dynamic expansion in business relating to diesel particulate filters and complete exhaust gas purification systems. Sales revenue in the region encompassing the "Rest of Europe" (excluding Germany) rose by 21.9% to EUR 108.5 (89.0) million in the first three months of 2014, which was significantly better than the market as a whole in percentage terms. Europe continued to be the largest contributor to revenue for the ElringKlinger Group. However, it should be taken into account that a large proportion of the engines and vehicles manufactured in Europe – particularly in Germany – for which ElringKlinger supplies parts are ultimately destined for export markets in North America and Asia.

In North America, ElringKlinger generated revenue of EUR 52.7 (49.0) million in the first quarter of 2014, which represents growth of 7.6%. Stronger revenue growth in this region was hampered by a downturn in sales in Canada as a result of product mix factors as well as by the adverse effects of foreign exchange rates.

The depreciation of the Brazilian real against the euro and the lackluster state of Brazil's vehicle market acted as a drag on revenue growth for the ElringKlinger Group in South America during the first three months of 2014. Sales revenue fell by 24.5% year on year, pushing the figure down to EUR 12.3 (16.3) million.

GROUP SALES BY REGION 1ST QUARTER 2014

*(prior year) in %*




In the Asia-Pacific region, the ElringKlinger Group managed to increase its sales revenue by 37.8% to EUR 53.6 (38.9) million in the period from January to March 2014. It should be noted, however, that revenues attributable to ElringKlinger Marusan Corporation are no longer included in the prior-year figures on a proportionate basis following the retrospective application of IFRS 11, as explained above. In this context, ElringKlinger Marusan Corporation was fully consolidated in the quarter under review. Eliminating the additional revenue contribution due to changes in the consolidation of ElringKlinger Marusan Corporation, revenue growth in the Asia-Pacific region amounted to 6.5% in the first quarter of 2014. Here, too, the weakness of local currencies in relation to the euro had a decelerating effect on revenue growth.

Asia has become increasingly important for ElringKlinger as a sales region. In order to meet consistently strong demand in the booming ASEAN region, a new production facility was built at the South Korean site in Gumi. In total, the Asia-Pacific region accounted for 16.5% of Group revenue in the first three months of 2014. Factoring in exports from Europe to Asia, particularly those relating to German premium-range car makers, the share of ElringKlinger's Original Equipment revenue attributable to Asia would amount to roughly 25%.

In total, the share of foreign sales in total Group revenue thus rose to 70.1% (68.7%).

### Dynamic first quarter for Original Equipment

Revenue growth within the ElringKlinger Group was driven primarily by forward momentum in the Original Equipment segment, which accounts for the largest share of revenue. Benefiting in particular from the recovery of vehicle markets in Western Europe, gains made in North America and Asia as well as revenue growth in the Exhaust Gas Purification division, segment revenue was propelled by 17.9% to EUR 263.9 (223.9) million in the period from January to March 2014. It should be noted, however, that the aforementioned effects of retrospective at-equity consolidation of ElringKlinger Marusan Corporation meant a EUR 5.8 million reduction in segment revenue for the first quarter of the previous financial year.

If the method of proportionate consolidation relating to ElringKlinger Marusan Corporation had remained in place, segment revenue for the first quarter of 2014 would have amounted to EUR 257.9 million. Compared to the segment revenue of EUR 229.7 million for the same period a year ago – calculated on the same basis –, growth stood at 12.3%.

At a structural level, Original Equipment sales profited from growing customer demand for turbocharger gaskets, automatic transmission components, shielding parts and lightweight plastic modules. Within these product groups the number of parts fitted to vehicles has been steadily increasing.

The increase achieved in revenue was translated into fast-track earnings growth in the period under review. Segment earnings before taxes rose by 26.1% year on year in the first quarter of 2014, taking the figure to EUR 29.0 (23.0) million.

The negative earnings contribution made by the E-Mobility division acted as a drag on overall earnings performance. Due to substantial up-front expenses attributable to development activities as well as start-up costs for serial production projects recently launched in this area, E-Mobility posted a loss before taxes of EUR 2.2 million in the first three months. Although revenue contributed by this division rose to EUR 2.6 million, this figure was not sufficient for E-Mobility to reach the break-even point targeted by the company.

### Stronger growth for Aftermarket segment compared to previous quarters

The Aftermarket segment returned to a more pronounced rate of growth in the first quarter of 2014.

Economic recovery in Southern and Western Europe prompted an upturn in sales for ElringKlinger's spare parts business, particularly as vehicle owners finally went ahead with repair jobs which they had previously put on hold. Stepped up business activities in countries such as Italy, France and Spain also helped to drive revenue forward in this region. ElringKlinger also strengthened its position in Germany and generated revenue growth in its domestic market.

Despite the political crisis in Ukraine and concomitant fluctuations in foreign exchange rates, the Group again managed to achieve significant revenue growth in Eastern Europe. Here, ElringKlinger continued to benefit from an increase in the number of German-made cars owned by Eastern Europeans across these regional markets.

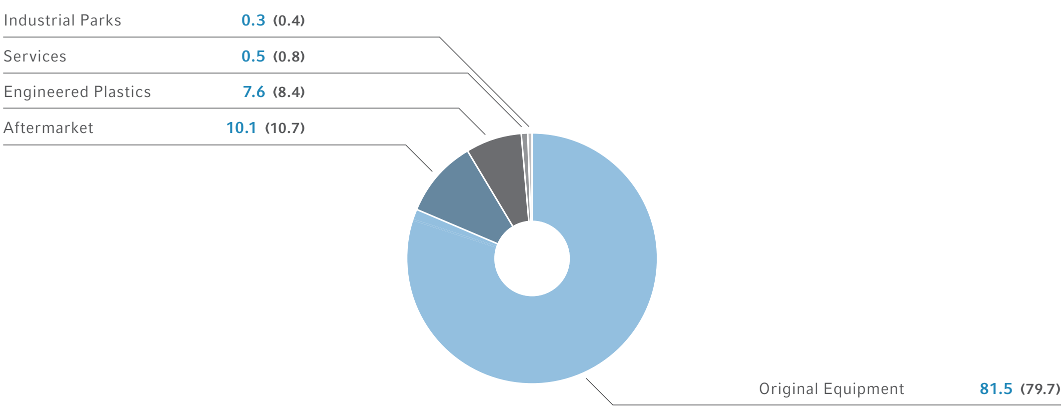
Revenue generated in the Near and Middle East as well as in Southern Asia was also comparable to the substantial levels achieved in the previous year, despite the difficult political and economic climate also seen in this region.

Operating as yet from a relatively low base, ElringKlinger's Aftermarket segment recorded its highest growth rates, in percentage terms, within the North American market.

In total, revenue growth within the Aftermarket segment gained momentum in the first quarter of 2014 when compared to the previous quarters. Sales revenue reached EUR 32.7 (30.1) million, up 8.6% on the figure posted in the same period a year ago.

In parallel with revenue growth, earnings before taxes rose by 8.2% to EUR 6.6 (6.1) million.

GROUP SALES BY SEGMENT 1ST QUARTER 2014
*(prior year) in %*




## Sales revenue up slightly in Engineered Plastics segment

Within the Engineered Plastics segment, ElringKlinger develops and manufactures products made of the high-performance plastic PTFE (polytetrafluoroethylene), which are also supplied to industries not associated with the automotive sector. Against the backdrop of gradual economic recovery in Western Europe and the associated rise in demand within the mechanical engineering and automotive industry, the Engineered Plastics segment saw its revenue expand by 3.4% to EUR 24.5 (23.7) million in the first quarter of 2014.

The Group pressed ahead with efforts to internationalize its business, which had previously been focused heavily on Central Europe. While China made a more sizeable contribution to revenue growth within the Engineered Plastics segment in the first quarter of 2014, the world's most important market for PTFE applications – the United States – is currently being targeted for business expansion by the company.

Benefiting in particular from stringent cost management, earnings before taxes within the Engineered Plastics segment rose at a slightly faster rate than sales, up by 6.7% to EUR 3.2 (3.0) million. It should be noted that the staff profit-sharing bonus agreed for the 2013 financial year resulted in additional staff costs of EUR 1.0 million in the first quarter of 2014, which had a corresponding impact on earnings.

## Slight increase in revenue contribution by Industrial Parks

In the first three months of 2014, rental income from the industrial parks in Idstein, Germany, and Kecskemét-Kádafalva, Hungary, rose to EUR 1.1 (1.0) million. Earnings before taxes fell marginally in the first quarter to EUR 0.2 (0.3) million.

## Downturn in demand for engineering services

In the Services segment, Elring Klinger Motortechnik GmbH provides engineering and testing services for vehicle manufacturers and other suppliers. ElringKlinger's highly specialized service portfolio within this area includes SCR technology (Selective Catalytic Reduction) for the purpose of nitrogen oxide reduction as well as particle counting for diesel particulate filters. Additionally, ElringKlinger Logistic Service GmbH, which also operates within the Services segment, provides internal and external logistics services within the area of sorting and packing.

Revenue generated by the Services segment fell by 14.3% to EUR 1.8 (2.1) million in the first quarter of 2014. This was attributable mainly to the fact that one of Germany's premium car manufacturers decided at short notice to use fewer engineering and testing services of Elring Klinger Motortechnik GmbH than previously scheduled.

Due to lower capacity utilization, earnings before taxes fell to EUR 0.5 (0.7) million.

### Headcount up 9%

In total, 6,888 (6,313) people were employed within the ElringKlinger Group as of March 31, 2014, i.e. 575 or 9.1% more than a year ago. As a result of changes to the method of consolidation in respect of ElringKlinger Marusan Corporation, Tokyo, Japan, the headcount rose by 98 employees.

The significant expansion in production volumes within the Group prompted an increase in staffing levels, with a particular emphasis on manufacturing operations and logistics.

Compared to December 31, 2013, the number of employees was up by 172. Staff recruitment during the first quarter of 2014 mainly occurred at the German sites of the parent company ElringKlinger AG as well as at ElringKlinger Kunststofftechnik GmbH in Bietigheim.

As of March 31, 2014, almost half (46.0%) of the ElringKlinger Group's workforce continued to be employed in Germany. The domestic sites operated by the Group had a total headcount of 3,168 (2,917) at the end of the first quarter of 2014. This corresponded to an increase of 8.6% compared with the same period a year ago.

At 9.5%, staffing levels at the international Group companies rose faster than in Germany, taking the non-domestic headcount to 3,720 (3,396).

While personnel levels were scaled back in Brazil in response to market conditions, the expansion of production capacity at the Asian subsidiaries in China, South Korea and India necessitated staff upsizing. By contrast, the headcount contracted at the French site operated by ElringKlinger Meillor SAS in Nantiat.

The international subsidiaries and investees account for an increasingly large proportion of the Group's employees, and this trend continued in the first quarter of 2014. 54.0% (53.8%) of the workforce were employed at the Group's non-domestic sites.

### Gross profit margin improves to over 28%

The Group's earnings performance remained solid in the first quarter of 2014, despite the unfavorable direction taken by foreign exchange rates and the surprisingly weak state of car markets in the BRI states.

Compared with the first quarter of 2013, the Group's gross profit margin improved to 28.1% (27.2%) in the first three months of 2014.

Prices relating to the majority of raw materials required by ElringKlinger remained largely unchanged or were slightly lower year on year. In the first quarter of 2014, alloy surcharges for high-grade steels tended to be lower than in same period a year ago. However, they increased markedly as the quarter progressed. By contrast, purchase prices for plastic granules remained at a relatively high level.

As a result of the collective pay rise by 3.4% applicable since July 1, 2013, to personnel employed in Germany, staff costs rose yet again in the first quarter of 2014 compared to the same period a year ago.

The staff profit-sharing bonus of EUR 1,450 (1,300) per employee for the workforce of the ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH and Elring Klinger Motortechnik GmbH, as agreed for the financial year 2013, was accounted for in other current liabilities in the first quarter of 2014. This resulted in additional staff costs of EUR 4.7 (3.7) million in total, which were mainly accounted for in cost of sales.

Despite this, the cost of sales rose at a slightly slower percentage rate than revenue in the period under review, up by 13.8% to EUR 232.8 (204.6) million.

### Research and development expense remains high

In the first quarter of 2014, the ElringKlinger Group spent EUR 15.5 (14.5) million on research and development. In addition, research and development costs amounting to EUR 1.7 (1.6) million were capitalized. In parallel, systematic depreciation/amortization totaled EUR 1.5 (1.3) million. Capitalization therefore had no significant effect on earnings.

The higher revenue base in the first quarter of 2014 was one of the factors that contributed to a reduction in the R&D ratio – including capitalized R&D costs – to 5.3% (5.7%).

Under IFRS, from the first quarter of 2013 onwards, scheduled amortization of capitalized R&D costs is no longer recognized in R&D expense but rather in cost of sales.

In the first quarter of 2014, ElringKlinger AG received government grants of EUR 1.1 (0.7) million for ongoing research and development projects within this area. In parallel, the company incurred expenses at a comparable level for development work and prototyping.

Alongside development work centered around new products and applications in the area of cylinder-head and specialty gaskets, the focus of research and development in the first three months of 2014 was on new lightweight components made of plastics or organo-plastics as well as concepts that combine lightweight metal parts with injection-molded components. Additionally, the company worked on innovative material concepts for thermal-acoustic shielding components as well as promising new designs in the field of exhaust gas purification. Activities in this area included preparations for testing a pioneering diesel particulate filter for large engines fitted to ocean vessels powered by bunker oil. The E-Mobility division worked on additional battery components such as cell housing covers for lithium-ion batteries.

At +15.6%, selling expenses rose slightly faster in percentage terms than revenue. By contrast, general and administrative expenses rose by just EUR 1.6 million. This corresponds to +13.6%, which was slightly less compared to revenue growth.

### EBIT rises by 28%

Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at EUR 60.8 (51.0) million. Depreciation and amortization rose to EUR 18.7 (18.2) million in the first quarter of 2014. This included a negative effect of EUR 0.9 million in total relating to the purchase price allocation for Hug Engineering AG (EUR 0.3 million) and ElringKlinger Marusan Corporation (EUR 0.6 million).

Despite expenses relating to the staff profit-sharing bonus (EUR 4.7 million) and the negative earnings contribution made by the E-Mobility division (minus EUR 2.2 million), earnings before interest and taxes (EBIT) rose to EUR 42.1 (32.8) million in the first quarter of 2014. Thus, at +28.4% EBIT expanded at a much faster rate than sales revenue. In addition to benefiting from revenue growth in all areas of the Original Equipment segment, EBIT was fueled in particular by the significant improvement in earnings contributed by the Hug Group and its activities in the field of exhaust gas purification technology. By contrast, earnings contributed by ElringKlinger Meillor SAS, France, which are now in positive territory but still well below the Group average, had a dilutive effect on the Group's margin equivalent to 0.2 percentage points. Full consolidation of ElringKlinger Marusan Corporation diluted the Group's EBIT margin by 0.3 percentage points.

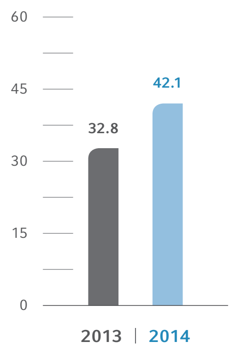
Eliminating the purchase price allocation, EBIT stood at EUR 43.0 million and the corresponding EBIT margin at 13.3%.

For the purpose of improved comparability, as from December 31, 2013, ElringKlinger no longer includes foreign exchange effects, which are mainly attributable to financing activities, in the financial indicator EBIT. Thus, as is standard, EBIT corresponds to the company's operating result as reported in the income statement. Applying the former method of calculation, EBIT – which in contrast to the operating result included foreign exchange gains and losses from financing activities – would have amounted to EUR 42.2 (35.8) million in the first quarter of 2014.

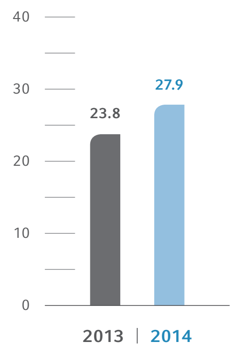
### Net finance costs up due to foreign exchange effects

Net finance costs rose by EUR 2.8 million to minus EUR 2.6 (plus 0.2) million. The figure previously reported for the first quarter of 2013 had been minus EUR 0.3 million. The difference in the figure reported now is attributable to income contributed by ElringKlinger Marusan Corporation, which until December 31, 2013, had been accounted for on the basis of proportionate consolidation and, under the provisions of IFRS 11, has now been consolidated retrospectively using the equity method. However, the significant year-on-year increase in net finance costs was mainly due to the foreign exchange gains of EUR 2.5 million recorded in the first quarter of 2013. In the first quarter of 2014, by contrast, this figure amounted to just EUR 0.1 million. Despite net debt rising by EUR 24.5 million, net interest expenses remained largely unchanged at EUR 2.7 (2.8) million.

**GROUP EBIT 1ST QUARTER**
*in € million*




**PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF ELRINGKLINGER AG 1ST QUARTER**
*in € million*




### Net income up by 19%

Earnings before taxes rose by EUR 6.5 million to EUR 39.5 (33.0) million. Due to the marked increase in earnings before taxes, the Group was also faced with higher tax expenses in the first quarter of 2014. The latter amounted to EUR 10.2 (8.4) million. The Group's tax rate increased slightly to 25.8% (25.5%).

As a result, the ElringKlinger Group managed to exceed its substantial net income for the first quarter of the previous financial year by 19.1%. Net income for the first three months of 2014 thus stood at EUR 29.3 (24.6) million.

Net income attributable to non-controlling interests rose to EUR 1.3 (0.8) million, primarily as a result of the significant improvement in earnings contributed by the Hug Group. Correspondingly, net income attributable to the shareholders of ElringKlinger AG rose to EUR 27.9 (23.8) million.

On this basis, basic and diluted earnings per share totaled EUR 0.44 (0.37) in the first quarter of 2014. As of March 31, 2014, the number of ElringKlinger AG shares outstanding remained unchanged year on year at 63,359,990.

# Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained solid as of March 31, 2014, underpinned by an equity ratio of 50.5% and positive operating cash flow of EUR 18.8 million.

### Total assets up 9%

As of March 31, 2014, total Group assets were up by 9.0% at EUR 1,447.2 (1,327.8) million. This was attributable to the usual increase in working capital at the beginning of the financial year as well as an investment-induced expansion of property, plant and equipment and intangible assets.

Investments in intangible assets and property, plant and equipment totaled EUR 29.2 (24.3) million in the first quarter of 2014 and were well in excess of associated depreciation/amortization of EUR 18.7 (18.2) million. Correspondingly, property, plant and equipment rose to EUR 623.6 million as of March 31, 2014, compared to EUR 612.1 million at the end of the 2013 financial year. As of March 31, 2013, property, plant and equipment had stood at just EUR 568.3 million in total. The share of property, plant and equipment in total assets was up slightly at 43.1% (42.8%). The year-on-year increase in intangible assets to EUR 176.4 (137.5) million, was mainly due to the assumption of control over ElringKlinger Marusan Corporation effective from December 31, 2013. Compared to the figure posted on December 31, 2013 (EUR 176.7 million), however, intangible assets remained largely unchanged.

Due to the retrospective application of IFRS 11 for the first quarter of 2013, ElringKlinger Marusan Corporation, Tokyo, Japan, which was fully consolidated for the first time in 2014, was no longer consolidated on a proportionate basis as regards the prior-year figures. Instead, this entity was accounted for using the equity method. Therefore, as of March 31, 2013, this investment is presented as "Investments accounted for using the equity method", at an amount totaling EUR 25.5 million.

### Increase in working capital

Compared to December 31, 2013, trade receivables in particular rose by EUR 33.0 million to EUR 240.5 million. This was mainly attributable to seasonal factors and is the result of a relatively low level of receivables at the end of 2013. Compared to March 31, 2013 (EUR 219.2 million), trade receivables were up by just 9.7%, which was considerably less in percentage terms than revenue growth.

Compared to the end of December 2013, inventories rose to EUR 267.1 (257.4) million. Compared to March 31, 2013 (EUR 231.9 million), inventories expanded by 15.2%. Thus, the percentage increase in inventories was almost equivalent to percentage growth in revenue.

### Stable equity ratio of over 50%

As of March 31, 2014, Group equity was up at EUR 730.4 (666.6) million. Therefore, the Group's equity ratio improved slightly to 50.5% (50.2%).

The expansion in equity is mainly a reflection of higher revenue reserves, which increased by EUR 73.9 million to EUR 526.1 (452.2) million as a result of net income generated by the Group. Compared to December 31, 2013 (EUR 701.3 million), equity rose by EUR 29.1 million.

### Growth-induced increase in net debt

Corporate growth was financed by means of operating cash flow and through financial liabilities. Current and non-current financial liabilities rose to EUR 366.5 (332.5) million in total as of March 31, 2014. As of December 31, 2013, total financial liabilities had stood at EUR 358.2 million.

The Group's net financial debt (current and non-current financial liabilities less cash) rose to EUR 306.3 (281.8) million. Compared to December 31, 2013 (EUR 295.3 million), net financial debt was up by EUR 11.0 million.

Trade payables amounted to EUR 77.1 (65.3) million as of March 31, 2014. Compared to December 31, 2013 (EUR 68.6 million), they increased by EUR 8.5 million.

The substantial increase in other current liabilities to EUR 98.5 million as of March 31, 2014, up from EUR 88.1 million as of December 31, 2013, is mainly due to a provision recognized for the profit-sharing bonus granted to staff at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH and Elring Klinger Motortechnik GmbH for an amount of EUR 4.7 million in total. The sizeable expansion in this item compared to March 31, 2013 (68.1 million), is attributable to a liability of EUR 37.1 million in connection with an obligation regarding a possible subsequent acquisition of a further 50% interest in ElringKlinger Marusan Corporation.

The other current and non-current liabilities remained largely unchanged compared to December 31, 2013.

In total, the share of liabilities in total equity and liabilities fell slightly to 49.5% (49.8%).

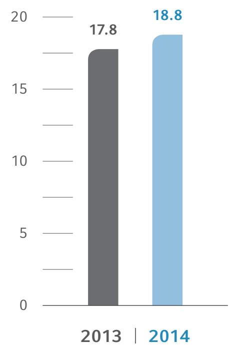
### Growth reflected in operating cash flow

As of March 31, 2014, net cash from operating activities totaled EUR 18.8 (17.8) million, up 5.6% on the previous year.

The fact that net cash from operating activities expanded at a slower rate than the Group's operating result is attributable mainly to two factors. First, the amount of capital tied up in inventories and trade receivables increased in the first quarter of 2014 as a result of business growth. This was only partially offset by the counteracting effects of a simultaneous increase in trade payables. Strong growth at the Swiss subsidiary Hug, in particular, prompted an expansion in receivables and inventories. Additionally, receivables within the Group tend to rise at a faster pace at the beginning of the year due to seasonal influences. In total, the change in inventories, trade receivables and other assets not attributable to investing or financing activities and the change in trade payables and other liabilities not attributable to investing or financing activities had a dilutive effect on cash flow equivalent to EUR 25.8 (23.4) million.

Secondly, the first three months of 2014 saw payments for income taxes of EUR 13.1 million. This was up EUR 5.1 million on last year's figure and reduced operating cash flow accordingly. In the first quarter, the Hug Group in particular made payments in respect of tax liabilities that had existed at the end of 2013.

NET CASH FROM OPERATING ACTIVITIES 1ST QUARTER
*in € million*




There was no significant impact from other items used in calculating operating cash flow. Depreciation and amortization of non-current assets amounted to EUR 18.7 (18.2) million in the first quarter, which was just slightly more than in the same period a year ago.

The income of EUR 0.5 million from investments accounted for using the equity method, as presented in the statement of cash flows for the financial year 2013, relates to the income contribution made by ElringKlinger Marusan Corporation in the first quarter of 2013. This prior-year adjustment was required under IFRS 11.

### Net cash used in investing activities influenced by investments abroad

In the first quarter of 2014, the ElringKlinger Group invested EUR 29.2 (24.3) million in intangible assets and property, plant and equipment. The investment ratio (investments in relation to Group revenue) was 9.0%, which was within the range of 8 to 10% generally targeted by the company. The focus of capital expenditure was on the foreign subsidiaries, particularly those located in Asia.

Among the investments made at the site operated by ElringKlinger AG in Dettingen/Erms were a stamping press for the Cylinder-head Gaskets division as well as an additional highly automated assembly line for lightweight plastic components.

At the rapidly growing Chinese subsidiaries, meanwhile, investments were directed at new production machinery for the purpose of expanding operations. At the site in Suzhou near Shanghai, for example, the focus was on production systems and tools in preparation for the manufacture of hybrid polymer-metal components. The South Korean subsidiary accounted for final construction costs for its new production plant in Gumi as well as adding to its machinery pool.

Investments at the US site in Buford were centered around automation of manufacturing processes. ElringKlinger USA, Inc. installed a production line, featuring a high-performance press, in preparation for the start of production of shielding components for a premium vehicle manufacturer.

The Engineered Plastics division's site in Bietigheim-Bissingen, also saw an expansion of its production capacity, with an emphasis on new projects in the areas of automotive and medical devices.

In total, net cash used in investing activities was EUR 29.1 (27.3) million.

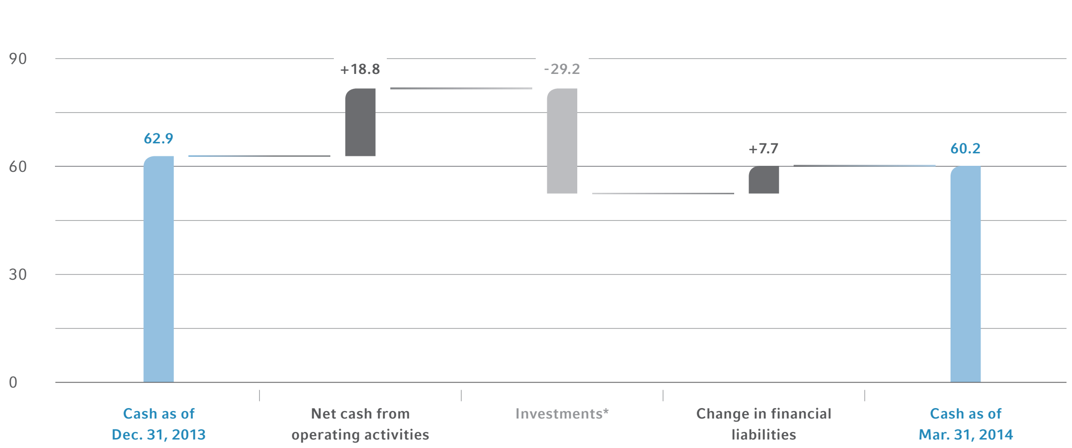
At EUR -10.3 (-6.3) million, operating free cash flow (cash flow from operating activities less cash flow from investing activities, adjusted for payments in respect of acquisitions) was marginally lower than in the same period a year ago as a result of the effects outlined earlier.

## Reduction in net cash from financing activities

For the purpose of financing its investing activities, the Group took on net financial liabilities of EUR 7.7 (13.8) million in the first quarter of 2014, which was around EUR 5 million less than in the same period a year ago. In total, net cash from financing activities amounted to EUR 7.7 (13.2) million.

At the end of the first quarter of 2014, cash held by the Group amounted to EUR 60.2 (50.7) million.

CHANGE IN CASH 1ST QUARTER 2014
*in € million*




* Investments in property, plant and equipment, investment property and intangible assets

# Opportunities and Risks

As regards the assessment of opportunities and risks for the ElringKlinger Group in respect of the first quarter of 2014, there were no significant changes to the details discussed in the 2013 Annual Report of the ElringKlinger Group (page 117 et seq.).

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.

In the first quarter of 2014, the crisis in Ukraine gave rise to political uncertainties and geopolitical risks that are beyond the company's sphere of influence. These include the risk of sanctions, more restrictive access to refinancing instruments for customers and fluctuations in foreign exchange rates, which may have an adverse effect on demand-side activities. However, these imponderables have not as yet had a visible impact on the business performance of the ElringKlinger Group.

Overall, the ElringKlinger Group generates less than 1% of its sales revenue in the states of the Russian Federation and in Ukraine. Revenue earned by the Aftermarket segment in this region totals approx. EUR 10 million, while direct revenue generated by the Original Equipment segment in this region is towards the lower end of the single-digit million range. Therefore, the potential risk to the financial position, financial performance and cash flows of the ElringKlinger Group can be categorized as being comparatively low.

The report on opportunities and risks can be accessed on the website of ElringKlinger at www.elringklinger.de/ar2013/report-on-opportunities-and-risks.

# Outlook

## Market and Sector Outlook

### Economic recovery takes hold – Europe returns to growth

In April 2014 the International Monetary Fund (IMF) revised its global economic forecast downwards, albeit only slightly. Overall, the IMF expects global GDP to put on 3.6% in 2014 compared with 3.0% in 2013. The organization's earlier forecast was for growth of 3.7% in the current year. The revised outlook was prompted by a marked slowdown in the momentum of growth in some of the emerging markets. On the other hand, there has been a further increase in the rate of growth in countries on the European periphery.

With the eurozone showing firmer signs of recovery over the first quarter of 2014, after a long period of recession the European economy is finally expected to see a much more positive performance in 2014 as a whole. Given the persistently high level of government and private debt, however, the projected upswing is likely to be modest at just 1.2%.

Germany stands to benefit considerably from the improving economic performance of the eurozone. The International Monetary Fund now expects the German economy to grow by as much as 1.7%, i.e. it has upgraded its forecast by 0.2 percentage points.

In the United States, meanwhile, the Fed's decision to maintain a loose monetary policy and the recovery in the US labor market should act as a support for sustained economic momentum. Overall, GDP is expected to grow by 2.8% in 2014, i.e. at a much faster rate than in 2013 (1.9%). By contrast, the IMF has reduced its projection of Brazilian GDP growth in 2014 from 2.3% to just 1.8%. High inflation, a fraught budget situation and high interest rates are likely to act as a drag on economic growth and will also have a negative impact on demand for new cars.

As in previous years, Asia will again be the main driver of global economic growth, although GDP in some of the rapidly growing emerging markets is likely to slacken. Reforms initiated by the Chinese state government are likely to result in a slower yet more sustainable rate of growth.

The ASEAN region remains solid and will continue to expand its economy in 2014. India is expected to overcome the dip in its economic performance and return to a more dynamic pattern of growth. By contrast, a rise in value-added tax in Japan has dampened the prospects for growth. Against this backdrop, the IMF now anticipates that Japan's economy will expand by just 1.4% in 2014.

**GDP GROWTH PROJECTIONS** (Year-on-year change)

| *in %* | 2013 | Projections 2014 | Projections 2015 |
|---|---|---|---|
| World | 3.0 | 3.6 | 3.9 |
| Germany | 0.5 | 1.7 | 1.6 |
| Eurozone | -0.5 | 1.2 | 1.5 |
| United States | 1.9 | 2.8 | 3.0 |
| Brazil | 2.3 | 1.8 | 2.7 |
| China | 7.7 | 7.5 | 7.3 |
| India | 4.4 | 5.4 | 6.4 |
| Japan | 1.5 | 1.4 | 1.0 |

Source: International Monetary Fund (April 2014)

## Positive undercurrent for car markets despite divergent regional performance

After a solid start in the first quarter, global car markets are expected to maintain their pattern of growth over the course of 2014 as a whole. Based on recent projections, global demand for passenger cars should rise by 3 to 4% in the current year. Production output is likely to expand at a similar rate.

The ElringKlinger Group itself stands by its market projection of a 2 to 3% increase in the production of cars and light trucks in 2014 as a whole. In this context, projected growth will be driven primarily by markets in North America and Asia. Europe is still expected to see a relatively modest rise in new vehicle registrations over the year as a whole. The automobile markets in Brazil, Russia and India have been sluggish recently, and against this background only India is likely to see an improvement in demand.

Western Europe is expected to continue on its path to recovery with regard to car sales. After years of contraction this upward trend has also been benefiting from catch-up effects in countries on the periphery of Europe. Having said that, the European automotive market is unlikely to be propelled forward by a dynamic pattern of growth. Nevertheless, on a positive note, March 2014 was the seventh consecutive month of growth in sales figures.

Similarly, the domestic car market, which has also fallen short of expectations in recent years, is expected to see an upswing in consumer demand in 2014, albeit from a low base. The previous year's figure of 3.0 million units sold is likely to be exceeded in 2014. German car production will again benefit in 2014 from exports to Asia and North America as well as from the recovery in Western Europe. Against this backdrop, the domestic market should establish a new record in terms of production output.

After a first quarter marked by extreme weather events, the US vehicle market looks set to achieve a better performance than originally forecast at the beginning of 2014. In March, the seasonally adjusted annual rate (SAAR) of new registrations relating to passenger cars and light vehicles was 16.4 (15.3) million units. Accordingly, the percentage increase in both sales volumes and production output of cars and light trucks is expected to come in in the mid single figures in 2014.

By contrast, there are hardly any signs at present of a rapid upturn in the Brazilian market over the rest of the year. Therefore, new vehicle registrations are expected – at best – to stagnate, while short-term risks are likely to prevail.

The world's single largest market for passenger cars, China, will maintain its buoyant level of sales in 2014 as a whole. Based on current estimates, demand for passenger cars should rise by 6.0% in China. Correspondingly, domestic production in China is also likely to increase significantly. Car ownership in China stands at less than 4% of the population. In Germany, by contrast, well over 50% of the population own a car.

Japan is expected to see a contraction in the number of passenger cars sold during 2014 as a whole. The April rise in VAT led to pre-emptive buying in the first three months of the current year. Over the rest of the year, however, the rise in VAT is likely to have a negative impact on vehicle sales.

### Commercial vehicle markets benefit from global economic recovery

With the countries on the European periphery showing signs of economic recovery, freight volumes look set to expand again. Against this backdrop, the commercial vehicle market is expected to maintain its path of recovery. The introduction of the Euro VI standard at the beginning of 2014 had increasingly prompted buyers in Europe to bring forward their purchases in the second half of 2013 in favor of less expensive Euro V models. Due to the favorable economic climate, the widely feared downturn in sales volumes did not actually materialize. However, a moderate contraction in Western European truck sales for the 2014 annual period as a whole cannot be ruled out entirely.

Despite this, ElringKlinger expects to see a more pronounced rate of growth in its truck components business compared to the market as a whole. This growth will be driven in large part by a series of new products in the field of plastic housing modules, which have the potential of generating significantly higher revenue per vehicle in Euro VI trucks.

In the United States, meanwhile, sales volumes of Class 8 trucks should continue to rise. As the US recovery takes hold, demand from freight forwarders and fleet operators for Class 8 trucks is likely to expand in 2014 as a whole, with growth expected to be at the upper end of the single-digit range.

On the whole, the upward trend in truck sales should have a favorable impact on revenue and earnings performance, as almost 15% of revenue generated by the ElringKlinger Group within the Original Equipment segment is attributable to truck business.

## Outlook – Company

### Record order backlog, order intake up slightly from high base

The Group anticipates further growth for 2014 and 2015. Order intake in the first quarter of 2014, for instance, edged up slightly by 0.6% to EUR 331.2 million, starting from a high base of EUR 329.2 million.

When it comes to achieving sales growth targeted for 2014, the ElringKlinger Group can rely on the support of a solid order backlog. As of March 31, 2014, order backlog stood at EUR 602.6 (499.1) million in total. This corresponds to a year-on-year increase of 20.7%.

### Consistently broad demand at Hug – Capacities expanded for filter ceramics

Following the successful turnaround in earnings performance in 2013, the ElringKlinger Group anticipates that exhaust gas specialist Hug will again achieve an operating margin in excess of the Group average in 2014. In 2014, revenue is to grow at a percentage rate towards the higher single-digit range.

The company's CARB retrofit activities centered around mobiclean™ diesel particulate filters in North America are again expected to produce significant revenue contributions. Hug is planning to further expand its production capacity for these retrofit systems over the course of the first half of the year. Alongside California, other US states are considering the introduction of similar regulations; this may open up opportunities for additional projects. There are also good prospects of further revenue flow for Hug from exhaust gas purification systems used in large gas-fueled engines, which are increasingly being deployed in North American power stations for the purpose of electricity generation.

In the medium term, the market offers interesting potential for exhaust gas purification systems in the shipping industry, the emphasis being on reducing particulates and nitrogen oxides emitted by marine diesel engines in freight vessels and cruise liners. Hug already equips a significant number of inland waterway vessels with complete exhaust gas purification systems.

### Potential for improved earnings in E-Mobility despite substantial up-front costs

The E-Mobility division continues to be dependent on up-front expenditure not only for the expansion of business with cell contact systems but also for the development of further battery components such as high-performance cell housing covers. By contributing higher revenue flows, the serial projects initiated towards the end of 2013 are to help improve the overall coverage of fixed costs. Provided that sales relating to series-produced vehicles for which ElringKlinger supplies components develop as planned, the E-Mobility division will have the potential for earnings improvement in 2014. Depending on demand patterns driving the business activities of end customers, earnings are to move into positive territory in 2015.

### Further revenue and earnings growth expected for 2014 as a whole

Based on the assumption that global car production will expand by 2 to 3%, the ElringKlinger Group anticipates that – on the back of revenue totaling EUR 1,175.2 million in the 2013 financial year – its revenue will grow by 5 to 7% organically, thus outpacing the car market as a whole in terms of percentage growth. In addition, the full consolidation of ElringKlinger Marusan Corporation, Japan, will contribute around EUR 25 million to Group revenue.

Full inclusion of the lower-margin subsidiary ElringKlinger Marusan Corporation within the Group's scope of consolidation will have a slightly dilutive effect on the EBIT margin of the ElringKlinger Group in 2014 (approx. minus 0.3 percentage points). At the same time, the introduction of Euro VI is likely to lead to higher capacity utilization in the truck category over the course of the year. Besides, revenue streams attributable to battery technology are expected to expand and the level of organic growth projected for Group revenue will be accompanied by earnings contributions. In total, these factors will provide for a slight increase in the Group's profit margin. On this basis, the Group's EBIT margin is expected to improve slightly when compared to 2013. Adjusted for non-recurring items, EBIT is to rise for the fifth consecutive year, reaching a level of EUR 160 to 165 million.

# Events after the Reporting Period

No significant events requiring disclosure occurred after the reporting period.

Dettingen/Erms, May 8, 2014

The Management Board

Dr. Stefan Wolf | Theo Becker | Karl Schmauder

# ElringKlinger and the Capital Markets

## Stock markets trend sideways in first quarter of 2014 – Crimean crisis takes its toll

Europe's modest economic recovery gained momentum during the first quarter of 2014, thus providing fresh impetus for European stock markets. In March, however, global stock markets saw the return to a quagmire of uncertainty in the wake of political upheaval in Ukraine and the increasingly tense situation on the Crimean peninsula. European stock markets were among those worst affected, with prices tumbling sharply, led in particular by Germany's blue chip index, the DAX. What is more, China's economic data proved to be somewhat disappointing. Overall, the Euro Stoxx 50 index recorded a modest gain of 1.7% in the first quarter of 2014.

Having closed the 2013 trading year with a strong gain of 25%, the DAX remained relatively stagnant in the first quarter of 2014 at 9,556 points. The MDAX performed slightly weaker, down by 0.7% in the same period to 16,462 points.

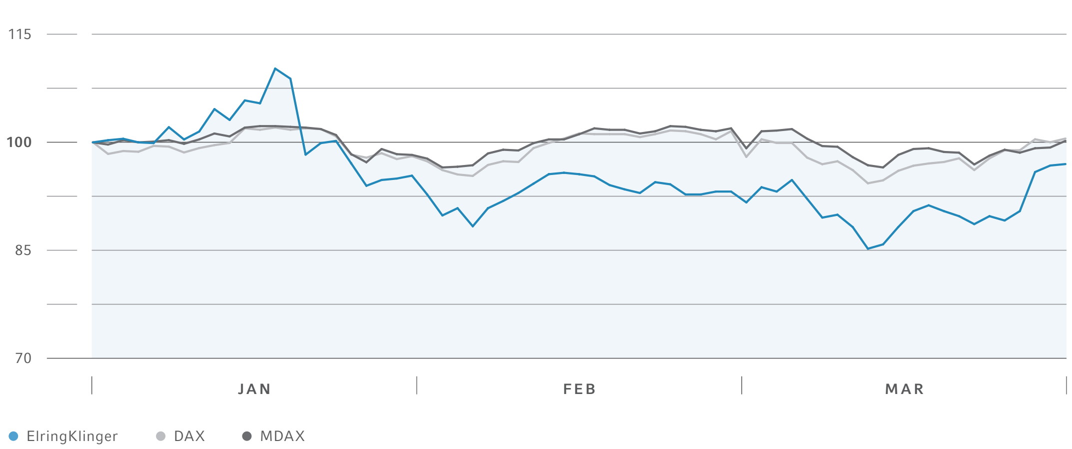
## ElringKlinger stock comes close to regaining lost ground in March

Although ElringKlinger's shares had trailed behind the DAX and MDAX in 2013, they nevertheless managed to post a solid gain of 16% by the end of the year. At the beginning of 2014 the stock initially surged by 10%. However, against the backdrop of preliminary fiscal 2013 results that fell slightly short of market expectations – having been impacted by foreign exchange losses attributable to the strong euro – the company's shares trended lower again. In line with weaker market performance as a whole, ElringKlinger's share price receded to an annual low of EUR 25.23 in mid-March.

Moving forward from the low recorded in March, the stock enjoyed a period of marked recovery starting at the end of the first quarter. ElringKlinger's share price was given a further boost by the announcement of a major contract for newly developed lightweight metal-polymer components, which heralded the company's move into lightweight engineering for vehicle body and chassis parts using new hybrid hydroforming technology. This was the single largest order in the company's history, with projected sales of EUR 120 to 130 million in total over a six-year period.

ELRINGKLINGER'S SHARE PRICE PERFORMANCE (XETRA) SINCE JAN. 1, 2014

*compared to MDAX and DAX*



Subsequent international road shows and investor events attracted keen interest, and at the end of the quarter (March 31, 2014) ElringKlinger's share price rose to EUR 28.61. Despite this recovery, the stock recorded a loss of 3.2% in the first quarter of 2014.

### Significant expansion in trading volume during first quarter

Germany's stock exchanges saw a marked upturn in trading volumes during the first three months of 2014. In March alone, trading volumes for MDAX stocks rose by almost 12% year on year. The average volume of ElringKlinger shares traded per day increased to 126,700 (109,700) units compared to the same period a year ago. Expressed in euros, the average daily trading value of ElringKlinger shares on German stock exchanges rose by just over a quarter to EUR 3,548,500 (2,822,700). Despite the much lower freefloat when compared to the MDAX average, ElringKlinger's stock thus also offered sufficiently high levels of liquidity for institutional investors to handle larger transactions.

### Key focus on capital market communication

On March 28, 2014, the company held the annual press conference in Stuttgart, followed by an analysts' and investors' meeting in Frankfurt am Main, for the purpose of presenting the annual financial statements for 2013. ElringKlinger's management outlined the results for the financial year just ended and explained its activities in the new field of lightweight technology, as part of which the method of metal hydroforming has been combined with injection-molding for the very first time to achieve significant weight savings in vehicles. Additionally, the focus was on the company's strategy for Asia and on its outlook for the current financial year. Both events attracted considerable interest.

### Annual General Meeting 2014: regular dividend to rise by 11.1%

Pursuing a consistent dividend policy that reflects current earnings performance, ElringKlinger AG will again allow shareholders to participate appropriately in the company's success with regard to the financial year 2013. The company's regular dividend is to be increased for the fifth time in succession. The Management Board and Supervisory Board of ElringKlinger AG will submit a proposal to the Annual General Meeting on May 16, 2014, for an increase in the regular dividend by 11.1% in respect of the financial year 2013. The proposed dividend payment thus totals EUR 31.7 (28.5) million, i.e. EUR 0.50 (0.45) per share.

| ELRINGKLINGER STOCK (ISIN DE 0007856023) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Number of shares outstanding | 63,359,990 | 63,359,990 |
| Share price (daily closing price in EUR)[1] | | |
| High | 32.60 | 28.45 |
| Low | 25.23 | 23.01 |
| Closing price on March 31 | 28.61 | 23.64 |
| Average daily trading volume (German stock exchanges; no. of shares traded) | 126,700 | 109,700 |
| Average daily trading value (German stock exchanges; in EUR) | 3,548,500 | 2,822,700 |
| **Market capitalization at March 31 (EUR millions)** | **1,812.7** | **1,497.8** |

[1] Xetra trading

# Group Income Statement

*of ElringKlinger AG, January 1 to March 31, 2014*

| *EUR k* | 1st Quarter 2014 | 1st Quarter 2013* |
|---|---|---|
| **Sales revenue** | **323,995** | **281,003** |
| Cost of sales | -232,784 | -204,635 |
| **Gross profit** | **91,211** | **76,368** |
| | | |
| Selling expenses | -22,231 | -19,219 |
| General and administrative expenses | -13,434 | -11,847 |
| Research and development costs | -15,501 | -14,548 |
| Other operating income | 3,408 | 3,303 |
| Other operating expenses | -1,353 | -1,276 |
| **Operating result** | **42,100** | **32,781** |
| | | |
| Finance income | 2,359 | 4,678 |
| Finance costs | -4,989 | -4,473 |
| **Net finance costs** | **-2,630** | **205** |
| | | |
| **Earnings before taxes** | **39,470** | **32,986** |
| Income tax expense | -10,198 | -8,404 |
| **Net income** | **29,272** | **24,582** |
| | | |
| of which: attributable to non-controlling interests | 1,333 | 825 |
| **of which: attributable to shareholders of ElringKlinger AG** | **27,939** | **23,757** |
| | | |
| **Basic and diluted earnings per share in EUR** | **0.44** | **0.37** |

* Prior-year figures restated according to IFRS 11, see comments in the notes to the interim consolidated financial statements

# Group Statement of Comprehensive Income

*of ElringKlinger AG, January 1 to March 31, 2014*

| EUR k | 1st Quarter 2014 | 1st Quarter 2013* |
|---|---|---|
| **Net income** | **29,272** | **24,582** |
| Currency translation difference | -234 | 4,035 |
| **Gains and losses that can be reclassified to the income statement in future periods** | **-234** | **4,035** |
| **Other comprehensive income after taxes** | **-234** | **4,035** |
| **Total comprehensive income** | **29,038** | **28,617** |
| | | |
| of which: attributable to non-controlling interests | 721 | 1,913 |
| **of which: attributable to shareholders of ElringKlinger AG** | **28,317** | **26,704** |

* Prior-year figures restated according to IFRS 11, see comments in the notes to the interim consolidated financial statements

# Group Statement of Financial Position

*of ElringKlinger AG, as at March 31, 2014*

| *EUR k* | March 31, 2014 | Dec. 31, 2013 | March 31, 2013* |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 176,358 | 176,710 | 137,511 |
| Property, plant and equipment | 623,576 | 612,108 | 568,318 |
| Investment property | 12,341 | 12,747 | 12,868 |
| Financial assets | 2,039 | 1,980 | 1,730 |
| Investments accounted for using the equity method | 0 | 0 | 25,462 |
| Non-current income tax assets | 2,196 | 2,189 | 2,841 |
| Other non-current assets | 3,280 | 3,001 | 2,721 |
| Deferred tax assets | 11,216 | 10,745** | 29,908** |
| **Non-current assets** | **831,006** | **819,480** | **781,359** |
| | | | |
| Inventories | 267,108 | 257,387 | 231,854 |
| Trade receivables | 240,489 | 207,453 | 219,194 |
| Current income tax assets | 4,454 | 3,986 | 2,430 |
| Other current assets | 43,945 | 40,820** | 42,281** |
| Cash and cash equivalents | 60,180 | 62,949 | 50,713 |
| **Current assets** | **616,176** | **572,595** | **546,472** |
| | 1,447,182 | 1,392,075 | 1,327,831 |

Prior-year figures restated in accordance with IFRS 11(*) and IAS 8 (**), see comments in the notes to the interim consolidated financial statements

| *EUR k* | March 31, 2014 | Dec. 31, 2013 | March 31, 2013* |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| Share capital | 63,360 | 63,360 | 63,360 |
| Capital reserves | 118,238 | 118,238 | 118,238 |
| Revenue reserves | 526,070 | 498,131** | 452,172** |
| Other reserves | -5,519 | -5,897 | 1,452 |
| **Equity attributable to the shareholders of ElringKlinger AG** | **702,149** | **673,832** | **635,222** |
| Non-controlling interest in equity | 28,228 | 27,507 | 31,397 |
| **Equity** | **730,377** | **701,339** | **666,619** |
| | | | |
| Provisions for pensions | 92,972 | 92,323 | 98,889 |
| Non-current provisions | 10,404 | 10,345 | 10,945 |
| Non-current financial liabilities | 233,092 | 237,346 | 115,736 |
| Deferred tax liabilities | 32,700 | 32,528 | 46,598 |
| Other non-current liabilities | 5,150 | 6,504 | 7,653 |
| **Non-current liabilities** | **374,318** | **379,046** | **279,821** |
| | | | |
| Current provisions | 18,397 | 19,472 | 17,679 |
| Trade payables | 77,070 | 68,574 | 65,310 |
| Current financial liabilities | 133,405 | 120,883 | 216,792 |
| Tax payable | 15,148 | 14,696 | 13,541 |
| Other current liabilities | 98,467 | 88,065 | 68,069 |
| **Current liabilities** | **342,487** | **311,690** | **381,391** |
| | 1,447,182 | 1,392,075 | 1,327,831 |

# Group Statement of Changes in Equity

*of ElringKlinger AG, January 1 to March 31, 2014*

| *EUR k* | Share capital | Capital reserves | Revenue reserves* |
|---|---|---|---|
| **Balance as of Dec. 31, 2012** | **63,360** | **118,238** | **424,440** |
| Adjustment for IAS 8, IFRS 11* | | | 3,518 |
| **Balance as of Jan. 1, 2013** | **63,360** | **118,238** | **427,958** |
| Change in scope of consolidated financial statement | | | 457 |
| Purchase of shares from controlling interests | | | |
| Total comprehensive income | | | 23,757 |
| Net income | | | 23,757 |
| Other comprehensive income | | | |
| **Balance as of Mar. 31, 2013** | **63,360** | **118,238** | **452,172** |
| **Balance as of Dec. 31, 2013** | **63,360** | **118,238** | **498,131** |
| Total comprehensive income | | | 27,939 |
| Net income | | | 27,939 |
| Other comprehensive income | | | |
| **Balance as of Mar. 31, 2014** | **63,360** | **118,238** | **526,070** |

* Restatement of figures as at January 1, 2013, see comments in the notes to the interim consolidated financial statements

| Other reserves | | | | | |
|---|---|---|---|---|---|
| Actuarial gains and losses from pension commitments, net | Equity impact of controlling interests | Currency translation differences* | Equity attributable to the shareholders of ElringKlinger AG* | Non-controlling interests in equity* | Group equity* |
| **-22,003** | **-833** | **27,747** | **610,949** | **31,268** | **642,217** |
| | | -6,180 | -2,662 | -1,443 | -4,105 |
| **-22,003** | **-833** | **21,567** | **608,287** | **29,825** | **638,112** |
| 22 | | | 479 | 0 | 479 |
| | -248 | | -248 | -341 | -589 |
| | | 2,947 | 26,704 | 1,913 | 28,617 |
| | | | 23,757 | 825 | 24,582 |
| | | 2,947 | 2,947 | 1,088 | 4,035 |
| **-21,981** | **-1,081** | **24,514** | **635,222** | **31,397** | **666,619** |
| **-15,989** | **2,033** | **8,059** | **673,832** | **27,507** | **701,339** |
| | | 378 | 28,317 | 721 | 29,038 |
| | | | 27,939 | 1,333 | 29,272 |
| | | 378 | 378 | -612 | -234 |
| -15,989 | 2,033 | 8,437 | 702,149 | 28,228 | 730,377 |

# Group Statement of Cash Flows

*of ElringKlinger AG, January 1 to March 31, 2014*

| *EUR k* | 1st Quarter 2014 | 1st Quarter 2013* |
|---|---|---|
| Earnings before taxes | 39,470 | 32,986 |
| Depreciation/amortization (less write-ups) of non-current assets | 18,692 | 18,234 |
| Net interest | 2,719 | 2,806 |
| Change in provisions | -1,362 | -1,101 |
| Gains/losses on disposal of non-current assets | 77 | -46 |
| Earnings from investments accounted for using the equity method | 0 | -521 |
| Change in inventories, trade receivables and other assets not resulting from financing and investing activities | -46,713 | -41,566 |
| Change in trade payables and other liabilities not resulting from financing and investing activities | 20,919 | 18,123 |
| Income taxes paid | -13,133 | -8,019 |
| Interest paid | -1,880 | -1,396 |
| Interest received | 71 | 55 |
| Other non-cash expenses/income | -69 | -1,707 |
| **Net cash from operating activities** | **18,791** | **17,848** |
| | | |
| Proceeds from disposals of property, plant and equipment, intangible assets and investment property | 143 | 127 |
| Proceeds from disposals of financial assets | 151 | 215 |
| Payments for investments in intangible assets | -2,303 | -2,330 |
| Payments for investments in property, plant and equipment and investment property | -26,879 | -21,964 |
| Payments for investments in financial assets | -213 | -222 |
| Payments for the acquisition of subsidiaries, less cash | 0 | -3,151 |
| **Net cash from investing activities** | **-29,101** | **-27,325** |
| | | |
| Payments to non-controlling interests for the purchase of shares | 0 | -589 |
| Proceeds from the addition of financial liabilities | 17,179 | 19,323 |
| Payments for the repayment of financial liabilities | -9,496 | -5,538 |
| **Net cash from financing activities** | **7,683** | **13,196** |
| | | |
| Changes in cash | -2,627 | 3,719 |
| Effects of currency exchange rates on cash | -142 | 519 |
| Cash at beginning of period | 62,949 | 46,475 |
| **Cash at end of period** | **60,180** | **50,713** |

* Prior-year figures restated according to IFRS 11, see comments in the notes to the interim consolidated financial statements

# Group Sales by Region

| *EUR k* | 1st Quarter 2014 | 1st Quarter 2013* |
|---|---|---|
| Germany | 96,901 | 87,879 |
| Rest of Europe | 108,465 | 88,960 |
| NAFTA | 52,725 | 48,954 |
| Asia-Pacific | 53,579 | 38,909 |
| South America and Other | 12,325 | 16,301 |
| **Group** | **323,995** | **281,003** |

* Prior-year figures restated, see comments in the notes to the interim consolidated financial statements

# Segment Reporting

*of ElringKlinger AG, January 1 to March 31, 2014*

| Segment | Original Equipment | | Aftermarket | | Engineered Plastics | |
|---|---|---|---|---|---|---|
| *EUR k* | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Sales revenue[1]** | **263,934** | **223,935** | **32,671** | **30,135** | **24,488** | **23,743** |
| Intersegment revenue | 6,279 | 5,061 | 65 | 0 | 26 | 232 |
| **Segment revenue** | **270,213** | **228,996** | **32,736** | **30,135** | **24,514** | **23,975** |
| **EBIT[2]** | **31,405** | **22,407** | **6,795** | **6,413** | **3,267** | **3,098** |
| + Interest income | 87 | 54 | 8 | 3 | 108 | 86 |
| - Interest expense | -2,464 | -2,441 | -303 | -342 | -145 | -160 |
| **Earnings before taxes** | **29,011** | **22,997** | **6,569** | **6,060** | **3,210** | **3,027** |
| Depreciation and amortization | -16,968 | -16,742 | -380 | -344 | -946 | -885 |
| Capital expenditures[3] | 27,060 | 20,109 | 423 | 345 | 1,573 | 1,141 |

[1] A different presentation was selected for sales revenue in prior-year
[2] Earnings before interest and taxes (operating result)
[3] Investments in intangible assets, property, plant and equipment and investment property

| Industrial Parks | | Services | | Consolidation | | Total | |
|---|---|---|---|---|---|---|---|
| 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **1,084** | **1,042** | **1,818** | **2,148** | **0** | **0** | **323,995** | **281,003** |
| 58 | 72 | 1,074 | 1,043 | -7,502 | -6,408 | 0 | 0 |
| **1,142** | **1,114** | **2,892** | **3,191** | **-7,502** | **-6,408** | **323,995** | **281,003** |
| | | | | | | | |
| **168** | **215** | **465** | **648** | | | **42,100** | **32,781** |
| | | | | | | | |
| 4 | 1 | 6 | 4 | -142 | -90 | 71 | 58 |
| -13 | -11 | -7 | 0 | 142 | 90 | -2,790 | -2,864 |
| **216** | **250** | **464** | **652** | | | **39,470** | **32,986** |
| | | | | | | | |
| -97 | -9 | -301 | -254 | | | -18,692 | -18,234 |
| 6 | 31 | 120 | 2,668 | | | 29,182 | 24,294 |

# Notes to the First Quarter of 2014

ElringKlinger AG is an exchange-listed stock corporation headquartered in Germany.

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of March 31, 2014, have been prepared on the basis of IAS 34 (Interim Financial Reporting). The interim financial statements conform with the International Financial Reporting Standards (IFRS), including the Interpretations issued by the IFRS Interpretations Committee, as adopted by the European Union.

As the consolidated interim financial statements are presented in a condensed format, the financial statements as of March 31, 2014, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements have not been audited.

They were authorized for issue based on a resolution passed by the Management Board on May 8, 2014.

## Basis of reporting

### Correction of prior-year figures

In connection with a warranty incident, ElringKlinger AG and the customers concerned concluded a settlement agreement in 2011 for the payment of an amount totaling EUR 24.4 million. The warranty case relates to gaskets supplied at the beginning of 2008. In the meantime, the amount attributable to the aggregate loss has been settled in full. In parallel, ElringKlinger AG has a claim against the primary insurer and excess carrier for the same amount, of which EUR 10.0 million was already settled in 2011. Settlement of the remaining amount claimed has not yet occurred. The primary insurer has denied compulsory insurance cover beyond the amount of EUR 10.0 million already paid. Therefore, ElringKlinger AG has filed a suit against the primary insurer in respect of payment of EUR 14.4 million. In April 2014, the court of first instance dismissed the claim put forward by ElringKlinger AG. ElringKlinger will appeal against the ruling. ElringKlinger anticipates that the court of second instance will rule in favor of the legal opinion presented by ElringKlinger and that the primary insurer will be ordered to pay the amount in question, i.e. EUR 14.4 million. In view of the ruling by the court of first instance, ElringKlinger has decided to adjust retrospectively, without affecting profit or loss, the partial amount of EUR 4.4 million in respect of the claim for compensation not covered by the excess carrier, as the degree of certainty required for recognition of this claim was insufficient. Should ElringKlinger definitively fail in its legal action, the maximum cover provided by the excess carrier would be EUR 10.0 million in respect of this loss event.

The effect on the comparative figures for the previous financial year are presented in the following tables:

| Group statement of financial position<br>EUR k | Amount published Jan. 1, 2013 | Change | Amount adjusted Jan. 1, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax assets | 29,552 | 1,225 | 30,777 |
| Other current assets | 45,351 | -4,440 | 40,911 |
| **Equity and liabilities** | | | |
| Revenue reserves | 424,440 | -3,215 | 421,225 |

| Group statement of financial position<br>EUR k | Amount published Dec. 31, 2013 | Change | Amount adjusted Dec. 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax assets | 9,520 | 1,225 | 10,745 |
| Other current assets | 45,260 | -4,440 | 40,820 |
| **Equity and liabilities** | | | |
| Revenue reserves | 501,346 | -3,215 | 498,131 |

For the purpose of improving the presentation of the Group income statement, as of the financial year 2013 amortization of internally generated capitalized development costs is recognized under cost of sales instead of under research and development costs. As of March 31, 2013, this resulted in an increase in cost of sales by EUR 1,304k and a reduction in research and development costs by the same amount.

### The following new or amended Standards and Interpretations issued by the IASB were to be applied to the consolidated interim financial statements for the first time:

IFRS 11 – Joint Arrangements – and
IAS 28 – Investments in Associates and Joint Ventures –

Having previously been accounted for in the consolidated financial statements on the basis of proportionate consolidation, the entity ElringKlinger Marusan Corporation, Tokyo, Japan, was fully consolidated as of December 31, 2013, following a contractual agreement concerning assumption of control.

Retrospective application of IFRS 11 necessitates the disclosure of adjusted comparative figures for the prior period. Correspondingly, the joint venture is deconsolidated in 2013 and presented as investments accounted for using the equity method. The effects of applying IFRS 11 are as follows:

Effect on income statement:

| EUR k | Mar. 31, 2013 |
|---|---|
| Sales revenue | -5,790 |
| Cost of sales | 4,755 |
| Selling expenses | 129 |
| General and administrative expenses | 336 |
| Research and development costs | 125 |
| Other operating income | -49 |
| Finance income | 486 |
| – of which income from investments accounted for using the equity method | 521 |
| Finance costs | 8 |
| **Net income for the period** | **0** |

The transition had no effect on net income for the period or on basic or diluted Group earnings per share.

Effects on statement of financial position:

| EUR k | Mar. 31, 2013 |
|---|---|
| Intangible assets | 251 |
| Property, plant and equipment | 7,656 |
| Other non-current assets | 318 |
| Deferred tax assets | 398 |
| Inventories | 1,934 |
| Trade receivables | 6,625 |
| Other current assets | 2,955 |
| Cash | 7,358 |
| **Total assets** | **27,495** |
| Provisions for pensions | 997 |
| Other non-current liabilities | 480 |
| Current provisions | 494 |
| Trade payables | 843 |
| Current financial liabilities | 1,145 |
| Tax liabilities | 406 |
| Other current liabilities | 2,097 |
| **Total liabilities** | **6,462** |
| **Net assets** | **21,033** |
| Proportionate goodwill | 2,695 |
| Non-controlling interests | -1,420 |
| Effect from proportionate consolidation | 4,116 |
| Income from investments accounted for using the equity method | 521 |
| Foreign exchange translation differences | -1,483 |
| **Investments accounted for using the equity method** | **25,462** |

Effects on statement of cash flows:

| *EUR k* | Mar. 31, 2013 |
|---|---|
| Operating activities | -598 |
| Investing activities | 675 |
| Financing activities | 0 |
| Net reduction in cash | -7,358 |

The cost-of-sales (also referred to as function-of-expense) method has been applied when preparing the Group income statement.

The presentation currency of the ElringKlinger Group is the euro.

## Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of March 31, 2014, include the financial statements of six domestic and 30 foreign entities in which ElringKlinger AG holds more than 50% of the interests, either directly or indirectly, or over which, for other reasons, it has the power to govern the financial and operating policies ("Control"). Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

## Exchange rates

Exchange rates developed as follows:

| Currency | Abbr. | Closing rate Mar. 31, 2014 | Closing rate Dec. 31, 2013 | Average rate Jan.–Mar. 2014 | Average rate Jan.–Dec. 2013 |
|---|---|---|---|---|---|
| US dollar (USA) | USD | 1.37880 | 1.37910 | 1.37057 | 1.33083 |
| Pound (UK) | GBP | 0.82820 | 0.83370 | 0.82527 | 0.85008 |
| Franc (Switzerland) | CHF | 1.21940 | 1.22760 | 1.21890 | 1.22906 |
| Canadian dollar (Canada) | CAD | 1.52250 | 1.46710 | 1.52377 | 1.37711 |
| Real (Brazil) | BRL | 3.12760 | 3.25760 | 3.20750 | 2.89373 |
| Peso (Mexico) | MXN | 18.01470 | 18.07310 | 18.16173 | 17.12746 |
| RMB (China) | CNY | 8.57540 | 8.34910 | 8.41863 | 8.17328 |
| WON (South Korea) | KRW | 1,465.98000 | 1,450.93000 | 1,467.82667 | 1,456.23833 |
| Rand (South Africa) | ZAR | 14.58750 | 14.56600 | 14.87650 | 13.01281 |
| Yen (Japan) | JPY | 142.42000 | 144.72000 | 140.39333 | 130.18167 |
| Forint (Hungary) | HUF | 307.18000 | 297.04000 | 310.29667 | 297.93333 |
| Turkish lira (Turkey) | TRY | 2.96930 | 2.96050 | 3.03300 | 2.56752 |
| Leu (Romania) | RON | 4.45920 | 4.47100 | 4.48510 | 4.41495 |
| Indian rupee (India) | INR | 82.57840 | 85.36600 | 84.19067 | 78.47108 |
| Indonesian rupiah (Indonesia) | IDR | 15,663.17000 | 16,764.78000 | 16,055.53333 | 14,067.13083 |
| Bath (Thailand) | THB | 44.70900 | 45.1780 | 44.79200 | 41.08033 |

## 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 and cash equivalents | Trade receivables | Other current assets | Financial assets | | Total |
|---|---|---|---|---|---|---|
| *EUR k* | CA | CA | CA | CA | FV | CA |
| **As of Mar. 31, 2014** | | | | | | |
| Loans and receivables | 60,180 | 240,489 | 4,649 | 75 | 75 | 305,393 |
| held to maturity | 0 | 0 | 0 | 1,433 | 1,436 | 1,433 |
| held for trading | 0 | 0 | 87 | 0 | 0 | 87 |
| available for sale | 0 | 0 | 0 | 531 | 531 | 531 |
| **Total** | **60,180** | **240,489** | **4,736** | **2,039** | **2,042** | **307,444** |
| **As of Dec. 31, 2013** | | | | | | |
| Loans and receivables | 62,949 | 207,453 | 1,228 | 74 | 74 | 271,704 |
| held to maturity | 0 | 0 | 0 | 1,433 | 1,431 | 1,433 |
| held for trading | 0 | 0 | 87 | 0 | 0 | 87 |
| available for sale | 0 | 0 | 0 | 473 | 473 | 473 |
| **Total** | **62,949** | **207,453** | **1,315** | **1,980** | **1,978** | **273,697** |

The other current assets include derivatives of EUR 87k (Dec. 31, 2013: EUR 87k) measured at fair value.

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

| | Other current liabilities | | Current financial liabilities | Trade payables | Derivatives | | Non-current financial liabilities | | Total |
|---|---|---|---|---|---|---|---|---|---|
| *EUR k* | CA | FV | CA | CA | CA | FV | CA | FV | CA |
| **As of Mar. 31, 2014** | | | | | | | | | |
| Financial liabilities measured at acquisition cost | 49,791 | 49,791 | 133,405 | 77,070 | 0 | 0 | 233,092 | 234,675 | 493,358 |
| Financial liabilities measured at fair value through profit or loss | 0 | 0 | 0 | 0 | 220 | 220 | 0 | 0 | 220 |
| **As of Dec. 31, 2013** | | | | | | | | | |
| Financial liabilities measured at acquisition cost | 49,040 | 49,040 | 120,883 | 68,574 | 0 | 0 | 237,346 | 239,438 | 475,843 |
| Financial liabilities measured at fair value through profit or loss | 0 | 0 | 0 | 0 | 220 | 220 | 0 | 0 | 220 |

The other current liabilities include a purchase price liability of EUR 37,054k 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 receivables, trade payables, other current financial liabilities and other current liabilities largely correspond to their fair values, primarily as a result of the short maturities of these instruments.

The fair values of other financial instruments held to maturity and other financial instruments held for trading are based on prices in an active market as of the end of the reporting period. ElringKlinger determines the market value of non-current fixed-interest liabilities to banks, finance lease liabilities and derivatives by discounting expected future cash flows with the current prevailing interest rates for similar financial liabilities with comparable residual terms and the company-specific interest rate. The fair value of the put option, included in other current liabilities, of non-controlling interests in ElringKlinger Marusan Corporation in respect of their interests is based on 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 EUR 3,705k.

Financial assets and liabilities measured at fair value are classified into the following three-level fair value hierarchy as of the end of the reporting period of March 31, 2014:

| *EUR k* | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Mar. 31, 2014** | | | |
| Financial assets | | | |
| available for sale | 531 | 0 | 0 |
| held for trading* | 0 | 87 | 0 |
| **Total** | **531** | **87** | **0** |
| Financial liabilities | | | |
| available for sale | 0 | 0 | 0 |
| held for trading* | 0 | 220 | 0 |
| **Total** | **0** | **220** | **0** |
| | | | |
| **Dec. 31, 2013** | | | |
| Financial assets | | | |
| available for sale | 473 | 0 | 0 |
| held for trading* | 0 | 87 | 0 |
| **Total** | **473** | **87** | **0** |
| Financial liabilities | | | |
| available for sale | 0 | 0 | 0 |
| held for trading* | 0 | 220 | 0 |
| **Total** | **0** | **220** | **0** |

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

The following table provides details of the classification of financial assets and liabilities that are not measured at fair value but for which a fair value has been presented, according to the three-level fair value hierarchy as of the end of the reporting period of March 31, 2014:

| EUR k | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Mar. 31, 2014** | | | |
| Financial assets | | | |
| Financial assets | 1,436 | 0 | 75 |
| **Total** | **1,436** | **0** | **75** |
| Financial liabilities | | | |
| Non-current liabilities from finance leases | 0 | 0 | 44 |
| Non-current financial liabilities | 0 | 233,048 | 0 |
| Purchase price liability from written put option | 0 | 0 | 37,054 |
| **Total** | **0** | **233,048** | **37,098** |
| | | | |
| **Dec. 31, 2013** | | | |
| Financial assets | | | |
| Financial assets | 1,431 | 0 | 95 |
| **Total** | **1,431** | **0** | **95** |
| Financial liabilities | | | |
| Non-current liabilities from finance leases | 0 | 0 | 162 |
| Non-current financial liabilities | 0 | 237,184 | 0 |
| Purchase price liability from written put option | 0 | 0 | 37,054 |
| **Total** | **0** | **237,184** | **37,216** |

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

**Level 1:** Measurement based on quoted prices

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

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

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

### Contingencies and related-party disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2013 were not subject to significant changes in the first quarter of 2014.

### Government grants

As a result of government grants received, other operating income rose by EUR 1,109k in the first quarter of 2014. These grants were attributable primarily to development projects.

### Events after the reporting period

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

# Responsibility Statement

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

Dettingen/Erms, May 8, 2014

The Management Board

Dr. Stefan Wolf | Theo Becker | Karl Schmauder

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**Disclaimer – Forward-looking Statements and Forecasts**

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

This report was published on May 8, 2014, and is available in German and English. Only the German version shall be legally binding.

# Corporate Calendar 2014

## *Financial Calendar*

| | |
|---|---|
| 05/16/2014 | 109th Annual General Shareholders' Meeting, Stuttgart, Cultural and Congress Center Liederhalle, 10:00 a.m. CEST |
| 05/19/2014 | Dividend Payment |
| 08/07/2014 | Interim Report on the 2nd Quarter and 1st Half of 2014 |
| 11/05/2014 | Interim Report on the 3rd Quarter and First Nine Months of 2014 |
| 05/13/2015 | 110th Annual General Shareholders' Meeting, Stuttgart |

## *Calendar Trade Fairs 2014*

| | |
|---|---|
| 06/03–05 | MEDTEC Europe, Trade show for medical technology, Stuttgart, Germany |
| 09/09–12 | SMM, Shipbuilding Machinery & Marine Technology, Hamburg, Germany |
| 09/16–20 | Automechanika, Frankfurt/Main, Germany |
| 09/23–26 | InnoTrans, International Trade Fair for Transport Technology, Berlin, Germany |
| 09/25–26 | MEDTEC China, Trade show for medical technology, Shanghai, China |
| 10/06–08 | BATTERY+STORAGE, International trade fair for battery and energy storage technologies, Stuttgart, Germany |
| 10/06–08 | 23rd Aachen Colloquium Automobile and Engine Technology, Aachen, Germany |
| 10/14–18 | 23rd Fakuma, International trade fair for plastic processing, Friedrichshafen, Germany |
| 10/27–30 | MDA ASIA, Motion, Drive & Automation, Shanghai, China |
| 11/13–14 | 4th Aachen Colloquium China, Automobile and Engine Technology, Beijing, China |
| 12/09–10 | 13th International CTI Symposium, Automotive Transmissions, HEV and EV Drives, Berlin, Germany |

For further events and trade fairs please visit our websites:
http://www.elringklinger.de/en/press-events
www.hug-eng.ch/en-index.html

**ElringKlinger AG**
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