

CSR-REPORT 2011

SUSTAINABLY MOBILE



elringklinger

ElringKlinger AG: About us

ElringKlinger is a global automotive supplier based in Dettingen/Erms (Germany). The company is listed in Germany's MDAX and supplies nearly all the world's vehicle and engine manufacturers with cylinder-head and specialty gaskets, plastic housing modules, shielding components for the engine, transmission and exhaust system, exhaust gas purification technology as well as battery and fuel cell components. To round off our portfolio, ElringKlinger Kunststofftechnik (Engineered Plastics) supplies products made of high-performance PTFE plastics also to manufacturers outside the automotive industry. In May 2012, the Group employed approximately 6,200 people at 41 sites around the globe. In the fiscal year 2011, ElringKlinger generated sales of EUR 1,032.8 million. 52 % of the shares in ElringKlinger AG are held by the family of Walter Herwarth Lechler and the estate of Klaus Lechler.

Sustainably mobile – about this report

This Corporate Social Responsibility (CSR) report is the first produced by ElringKlinger separately from the annual report. Unless stated otherwise, the information it contains relates to the entire ElringKlinger Group and the fiscal year 2011. The report was published in August 2012. In future, ElringKlinger will issue a sustainability report each year.

For more information, please see www.elringklinger.de/sustainability

We believe sustainability is about protecting our future

Dear Ladies and gentlemen,

At ElringKlinger, we see sustainability as fundamental to our long-term success as a business. From product development to production processes, we are committed to ensuring that all our activities are as ecologically efficient as possible. The solutions we provide to the automotive industry help to reduce both emissions and consumption. At the same time, we are committed to meeting our social responsibilities towards our employees and society in general.

The purpose of this report is to explain how we translate this philosophy into action and to highlight our ongoing commitment.

In 2011, ElringKlinger reached an important milestone when we commenced series production of our new cell connectors for lithium-ion batteries (used in both pure electric and hybrid vehicles) at our headquarters in Dettingen/Erms in Germany. That makes us one of only a small number of suppliers anywhere in the world with the capacity to make technologically advanced components for all forms of vehicle drive systems – part of our major contribution towards 'green mobility'.



I personally believe that sustainability is a key strategic factor in successful business management. Naturally, as CEO, I use all the means at my disposal to put sustainability at the heart of everything we do, in order to keep ElringKlinger on the path to further success in the years ahead.

We hope you enjoy the report!

Best regards,

A handwritten signature in blue ink that reads "Stefan Wolf". The signature is stylized and fluid, with a long horizontal stroke at the end.

Dr. Stefan Wolf

Product portfolio for sustainable mobility

The conventional combustion engine is set to remain the dominant form of vehicle drive in the near future. With this in mind and in order to meet strict vehicle emissions limits, the automotive industry is working

on new solutions to make the combustion engine even more efficient and minimize its environmental impact. At the same time, alternative vehicle drive technologies are being developed.

1

Downsizing

The trend in the automotive industry is towards smaller, turbocharged engines that use much less fuel and produce fewer emissions while still delivering comparable performance. The resulting increase in injection pressures and more widespread use of turbochargers demand high-performance sealing technology solutions both in the engine and the turbocharger. In addition, because

of the higher temperatures, there has been an increase in the number of heat-sensitive parts (e.g. in the engine, the transmission, the underbody and the exhaust) that need to be shielded. Another important development in the move towards lower fuel consumption is the replacement of heavy metallic components throughout the vehicle by much lighter plastic ones.

EiringKlinger products

- **Gaskets:**
 - Cylinder-head gaskets
 - Specialty gaskets
- **Plastic housing modules:**
 - Plastic rims
 - Oil pans, oil suction pipe modules
 - Cam covers
- **Thermal and acoustic shielding components:**
 - Underbody shielding components
 - Engine shielding components



ElringKlinger's main focus is on product solutions both for the engine, transmission and exhaust tract and in the area of e-mobility that reduce CO₂

emissions and therefore help to protect the environment. This is the focus of almost the entire product range. Our products aim to deliver climate-friendly and sustainable mobility.

2

EXHAUST GAS PURIFICATION TECHNOLOGY

In response to increasingly strict emissions legislation, we need cutting-edge technology to clean and treat exhaust gases – not only for mobile systems such as trucks and cars but also for stationary engines in power plants and standby systems.

ElringKlinger products

- **Exhaust gas purification systems:** oxidation catalysts, diesel particulate filters and SCR systems to reduce emissions of nitrogen oxides



3

E-MOBILITY

Looking further ahead, we need new drive technologies. The automotive industry is driving progress in electromobility. A number of approaches are under development, with a focus on electric drives using batteries or fuel cells. There is a clear trend towards hybridization – a combination of the conventional combustion engine and an electric drive.

ElringKlinger products

- **Components for lithium-ion batteries**
- **Bipolar plates for fuel cells**

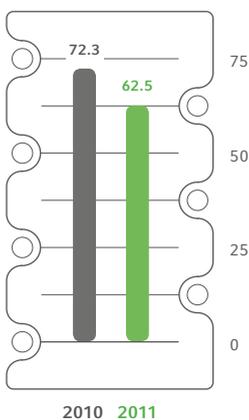


Resource-efficient production

Environmental considerations are prioritized in our production processes as well as in product development. On a relative basis, we aim to achieve an ongoing reduction in our use of resources. One of our targets is to cut our relative emissions of CO₂ by 3 % every year. We did so once again in 2011 and in fact exceeded our target. We kept the rate of increase in both our energy consumption and CO₂ emissions below the increase in sales. We ensure a balance in our sourcing of energy, with around 30 % of our requirements in Germany already coming from renewable forms of power generation. This is well above the average. As a result of our commitment to sustainability, ElringKlinger emerged from 2011 with a clean record of compliance in the area of environmental law.

The table below contains a five-year overview of the ElringKlinger Group's main environmental indicators. On a regular basis, the central Environmental Management unit compiles a series of key indicators that track the use of resources, energy consumption, emissions and waste at all the company's production locations worldwide. The company takes remedial action whenever required, often leading to a reduction in costs.

CO₂ EMISSIONS IN METRIC TONS per EUR 1 million in sales



Besides, company-specific data on the use of solvents and on the volume of waste metal produced are covered. Solvents are required in the production of gaskets. In 2011, despite an increase in production, the volume of solvents we used remained unchanged on the previous year (excluding acquisitions) thanks to a gradual shift from full-surface coating to partial coating. Metal waste is produced during the stamping process as part of our manufacturing activities. All metal waste generated across the Group is collected centrally, sold for scrap and thus recycled.



The new plastic housing module factory in Dettingen/Erms was designed to be as energy-efficient as possible. The production area covers nearly 20,000 m². A 450 kW photovoltaic system was installed over approximately 3,000 m² of the roof space. Heat from the machinery and equipment is used to warm the factory space and offices, thus saving around 1,300 MWh of primary energy per year.

THE ELRINGKLINGER GROUP – KEY ENVIRONMENTAL INDICATORS

	2011 incl. acquisitions*	2011 excl. acquisitions	2010	2009	2008**	2007
Absolute energy consumption (electricity, gas and other energy sources) in MWh	196,000	181,800	168,100	125,300	141,000	131,000
Absolute energy consumption in MWh per EUR 1 million in sales	189.8	191.5	211.3	216.1	214.4	215.5
Of which electricity consumption in MWh	119,500	110,600	98,700	72,900	79,300	71,600
Electricity consumption in MWh per EUR 1 million in sales	115.7	116.5	124.0	125.7	120.5	117.8
Of which gas consumption in MWh	72,000	69,200	67,000	50,600	60,000	57,400
Gas consumption in MWh per EUR 1 million in sales	69.7	72.9	84.2	87.3	91.2	94.4
CO ₂ emissions in metric tons from electricity, gas, heating and oil	64,600	62,400	57,500	50,400	49,600	40,300
CO ₂ emissions in metric tons per EUR 1 million in sales	62.5	65.7	72.3	86.9	75.4	66.3
CO ₂ emissions from company vehicle fleet in metric tons	–	685	659	–	–	–
Indirect CO ₂ emissions in metric tons (flights)	1,956	–	1,871	–	–	–
Water consumption in m ³	162,200	156,900	129,200	87,200	92,500	76,400
Solvents in metric tons	930	850	850	600	840	945
Total waste in metric tons	42,600	39,900	34,500	23,200	29,700	26,900
Of which metal waste in metric tons	35,700	33,700	28,500	18,800	23,700	20,500

* Incl. the former Freudenberg companies integrated in 2011 and the majority takeover of the Hug Group; the Hummel-Formen Group, which was also acquired in 2011, has not yet been included.

** Only a limited comparison with the preceding year is possible because of acquisitions in 2008.

Ensuring top quality through high standards

The very highest levels of quality are essential for running a sustainable and environmentally-friendly business operation. High levels of quality provide the basis for a long service life and a lower number of rejects during the production process.

All ElringKlinger facilities are certified in accordance with the standard applicable within the automotive industry TS 16949 or ISO 9001:2000. A certified environmental management system (DIN EN ISO 14001) is in place at all the Group's production sites.

Our suppliers are obliged to comply with environmental regulations and legislation in every area and every process. They are also expected to comply with our Code of Conduct and our strict internal directives on quality and the environment. Suppliers are integrated into our Quality Management system through a system of audits and clearly defined infor-

mation processes. In 2011, all our business partners had achieved ISO 9001 certification.

Training and familiarization courses are held regularly to ensure that working conditions are as safe as possible. All employees are bound to comply with the company's Quality and Environmental Policy, Code of Conduct and Occupational Health & Safety Policy.

People – driving force

To ensure that we remain successful over the long term, we offer our employees a motivating and socially balanced working environment. This is reflected in our low staff turnover and sickness rates and in the very low proportion of temporary workers (December 2011: <1 %). Since 2007, our Code of Conduct has laid down binding principles throughout the Group on the prevention of discrimination at the workplace, staff development, pay, working hours, health and safety.

We want the jobs we provide to be free of discrimination and harassment based on gender, race, skin color, religion, age, national origin, disability or sexual orientation. Furthermore, we are committed to respecting international human rights to the extent that we have any influence in this area.

ElringKlinger allows its staff to participate appropriately in the company's success. In 2012, the employees of ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH and ElringKlinger Motortechnik GmbH will each receive a bonus of EUR 1,150 for the previous fiscal year.



274 apprentices,
interns and
thesis students

ElringKlinger has been training up the next generation of technical and commercial employees for decades. In addition, we offer degree courses at cooperative state universities and support numerous diploma, bachelor's and master's theses as well as pupil and student interns. In September 2011, 23 new apprentices started out in their chosen careers with ElringKlinger.

ElringKlinger believes it is important to have a diverse workforce. One of its clear objectives is to maintain a healthy mix of different ages and nationalities and enforce the principles relating to diversity as set out in the Corporate Governance Code. Following the ap-

pointment of Dr. Margarete Haase in 2011, there are now two female members on the Supervisory Board.

The figures given below reflect the long-term approach pursued by ElringKlinger with regard to its HR policies.

THE ELRINGKLINGER GROUP – KEY HR INDICATORS

As at
Dec. 31, 2011

As at
Dec. 31, 2010

	As at Dec. 31, 2011	As at Dec. 31, 2010
Absolute number of employees	6,193	4,676
Of which men	69.5 %	68.7 %
Of which women	30.5 %	31.3 %
Average number of employees	5,779	4,453
Breakdown of age groups		
Less than 30 years old	26.8 %	26.6 %
30 to 50 years	54.8 %	55.0 %
Over 50 years old	18.4 %	18.4 %
Percentage of vocational trainees/apprentices	2.3 %	2.7 %
Interns and thesis students	117	84
Staff turnover rate	5.7 %	3.3 %
Average number of sick days per employee	8.5	8.2
Employees covered by collective agreements	3,927	3,521
Number of qualification interviews conducted	5,091	2,259
Share of part-time employees	4.5 %	4.7 %
Employees on permanent contracts	5,530	3,940
Number of employees with severe disabilities	178	122
Number of employees in management positions*	260	-
Of which women*	32	-
Of which local nationals*	178	-
Work-related accidents leading to more than 3 days off work	178**	196
Work-related fatalities*	0	-
Absolute number of employees		
In partial retirement*	78	-
On maternity leave*	25	-
On parental leave*	45	-
Number of improvement suggestions submitted	1,150	823
Number successfully implemented	490	308
Number rejected*	166	-

* Published for the first time in 2011, therefore no prior-year figures available

** Limited comparability with previous year due to changes in the assessment method according to international standards

ElringKlinger takes its social responsibilities very seriously



In recognition of a solid performance: ElringKlinger presents 100 Polo shirts to workshop staff at Bruderhaus Diakonie

ElringKlinger has been working with the Bruderhaus Diakonie foundation and the associated disabled persons' workshops in Dettingen/Erms for ten years. The workshops independently handle complete processes for ElringKlinger's Aftermarket division, including tasks such as the sorting, finishing and packing of gasket sets. In 2011, 'standard production' was introduced into the workshops in order to handle spikes in demand. This means that certain processes are always carried out at certain times, which guarantees the best possible utilization of available capacity, regardless of demand. This harmonization also benefits disabled people, as it allows them to have a more regular working day.

One of the indirect channels through which ElringKlinger AG meets its social commitments is the Paul Lechler Foundation. The foundation was set up in 1875 by Paul Lechler, who also is one of the founders of ElringKlinger AG and whose descendants are now the company's main shareholders. Every year, part of the company's profits are distributed to the Paul Lechler Foundation, which in turn donates around EUR 1 million every year for social projects. In 2011, for example, the foundation sponsored a school support center for children with behavioral difficulties, the aim being to integrate them back into mainstream education after a certain time.

The Paul Lechler Prize is awarded each year to the organizers of innovative projects and schemes that aim to integrate those in need of help into society.

Donations reach EUR
45,000

ElringKlinger makes regular donations to social projects. In 2011, more than EUR 45,000 (previous year: 42,000) was set aside for non-profit purposes. As a member of the Stifterverband für die Deutsche Wissenschaft, ElringKlinger makes a significant contribution to improving science and its teaching in Germany. In 2011, no donations were made to political parties or foreign governments.

Sustainable investment

ElringKlinger is one of only a small number of automotive industry suppliers to have been actively involved since 2007 in the Carbon Disclosure Project. The company has been awarded Investment Status Prime (C+) by Oekom Research. In mid-2011, it was assessed for the first time by Sustainalytics, a highly

regarded and independent sustainability ratings agency. The company achieved sixth place out of 33 in the Automotive Components segment. Since 2010, it is also the only automotive supplier to be included in the DAXglobal® Sarasin Sustainability Germany Index.

Context: the impact of climate change on the automotive industry

In response to growing concern about the potential impact of climate change, CO₂ reduction is one of the automotive industry's main objectives.

The statutory limits for greenhouse gas emissions will be reduced dramatically in the next few years. By 2020, CO₂ emissions for new vehicles in the EU will have to fall by more than 20 % to 95 g/km. Regulations have also been introduced in the US obliging manufacturers to reduce emissions down to approximately 162 g/km by 2016. A further significant cut of nearly 50 % will be required by 2025.

At the same time, emissions standards covering carbon monoxide, hydrocarbon compounds, nitrogen oxide and particulates are also being tightened up considerably. The main focus in this area is on the strict new Euro standards, which are being adopted in similar form by many developing countries.

More and more vehicle manufacturers are opting for hybrid powertrains as the best way to reduce CO₂ emissions. In future, many vehicle platforms will come with a choice between an optimized combustion engine and a hybrid version with a combined electric drive. This should be viewed in the context of the new standards that oblige manufacturers to meet strict CO₂ limits for the vehicle fleets they produce. According to industry analysts, by 2025 it is likely that over 50 % of all new vehicles will be supplied as hybrids.

IMPRINT

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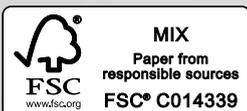
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