

# The Management Board of ElringKlinger AG



**Dr. Stefan Wolf**  
Chairman/CEO

responsible for Group companies, the corporate functions Legal Affairs and Compliance, Human Resources, Investor Relations and Corporate Communications, the Aftermarket division as well as Original Equipment Sales

(from left to right)

**Thomas Jessulat**

responsible for the corporate functions Finance, Controlling as well as IT and the Industrial Parks division

**Theo Becker**

responsible for the Cylinder-head Gaskets, Specialty Gaskets, Lightweighting/Elastomer Technology, Shielding Technology, E-Mobility, Exhaust Gas Purification Technology and Tooling Technology divisions, New Business Areas, the corporate functions Quality and Environment, Purchasing and Logistics as well as ElringKlinger AG plants



**Dr. Stefan Wolf**



**Theo Becker**



**Thomas Jessulat**

## Letter to Shareholders

Dear Shareholders,  
Ladies and gentlemen,

“Fortune favors the prepared mind,” said French microbiologist and chemist Louis Pasteur. We at ElringKlinger couldn’t agree more, which is why we were quick off the mark in our efforts to embrace change within the automotive industry. Even several years ago, it was relatively clear that the industry would undergo a transformation at some stage. The precise timing and dynamics of this transition, however, were impossible to predict. Today change has become reality. In fact, it has been advancing with such vigor in recent years that terms such as e-mobility, battery range, and recharging infrastructure are now commonplace, as are the words fuel cell and hydrogen service station.

We at ElringKlinger began developing fuel cell stacks as far back as 20 years ago and made a point of consistently fine-tuning, intensifying, and accelerating our activities in this field as we moved forward. Today, these efforts are bearing fruit inasmuch as we are able to offer our customers a complete high-performance fuel cell module. This applies similarly to components used in the field of battery technology: series production of our cell contact systems commenced back in 2011. This is paying dividends within an evolving market, as we have now also established ourselves as an automotive supplier within the field of e-mobility. In early 2017, we further enhanced our company’s strategic positioning by entering into a partnership with hofer powertrain, as a result of which we are now able to supply complete electric drive units on the basis of small-batch production. In summary: we are geared up for the changes sweeping through the automotive world.

In this context, our cooperation agreement with the Chinese company Sichuan Chengfei Integration Technology Co., Ltd. (CITC) was another important step in 2017. The two partners complement each other perfectly: operating through its subsidiary China Aviation Lithium Battery Co., Ltd., CITC will focus on the battery cell, while ElringKlinger will contribute all the other components of the module, such as cell contact systems and cell housings. The aim of this future joint venture is to produce and supply lithium-ion battery modules used within the global automotive market.

Toward the end of the year, we reached an agreement with a French automotive supplier covering the sale of Hug Engineering AG. This decision was driven by strategic considerations, as further significant investments would have been needed to remain competitive. Moreover, accounting for around 3% of total revenue, it does not represent a core area of our business. Against this background, the sale to a global player in the exhaust gas purification market is to be seen as a logical step. Instead of directing investments at a comparatively small line of business, ElringKlinger can concentrate on the promising fields of lightweighting and e-mobility – encompassing the three pillars of battery technology, fuel cell technology, and electric drive systems – as it pursues its strategy for the future.

As regards strategic positioning, the Group’s financial structures are considered to be of similar importance. Here, too, we set a progressive course in 2017. In July, ElringKlinger completed the successful placement of a *Schuldscheindarlehen* – a first for the company. Due to strong demand from investors, the issue volume originally planned was more than doubled to EUR 200 million. The placement was divided into three different tranches with maturities of five, seven, and ten years – and the terms of this transaction were very good.

The Group has thus laid a solid foundation for repaying existing short-term liabilities, establishing favorable maturity structures, and generally expanding its financial room for maneuver with regard to ElringKlinger's strategic development.

Buoyancy in customer demand is a tribute to ElringKlinger's highly attractive and extremely marketable product portfolio. We saw order backlog expand further in 2017, while revenue increased faster relative to the global market. In fact, demand for our products was so strong at our sites in the NAFTA region that we exceeded market growth by more than ten percentage points. On the flip side, high levels of capacity utilization translated into additional costs. Our response was to expand production capacity for the purpose of limiting the impact on earnings. We succeeded in progressing as planned at our Swiss production plant in Sevelen with regard to operational improvements. Further revenue was redirected to other sites, thus providing additional scope for cost streamlining in Sevelen. These measures will continue in 2018.

Overall, our earnings before interest, taxes, and purchase price allocation (EBIT pre ppa) grew slightly to EUR 141.8 million, although unrealized translation effects relating to amounts denominated in foreign currencies proved detrimental in terms of net finance cost. It is a well-established tradition at ElringKlinger to provide shareholders with an adequate return on their investment. In keeping with this policy, the Management Board and Supervisory Board will propose to the Annual General Meeting a dividend of EUR 0.50 per share. This corresponds to a dividend ratio of 45%.

A key moment in the recent history of ElringKlinger AG was the resignation of Prof. Walter H. Lechler at the end of last year's Annual General Meeting. He stepped down as Chairman of the Supervisory Board and also vacated his post as a member of this body. In doing so, he followed the standard practice embraced by the family of principal shareholders of the company not to occupy key positions beyond the age of 75. Klaus Eberhardt, an experienced manager and business leader, was elected as the new Chairman of the Supervisory Board at the Supervisory Board meeting convened subsequent to the AGM. Andreas W. Kraut, CEO of weighing technology specialist Bizerba SE & Co. KG, was elected as a new member of the Supervisory Board, thereby replacing Prof. Lechler.

At the heart of the company are its people, and I would like to take this opportunity to express my sincere gratitude to them – also on behalf of my two fellow board members. ElringKlinger's successful advancement would be impossible without their tremendous skills and tireless efforts. At the same time, I would like to thank our customers and you, as our shareholders, for the trust placed in our company, for your fresh ideas, for your constructive criticism, and for the patience you have had to show on some occasions.

Finally, please let me assure you: the automotive industry is evolving, and we at ElringKlinger are well positioned to take on these changes. Indeed, in the spirit of Pasteur, we consider them to hold tremendous opportunities for the future.

Dettingen/Erms, March 2018

Yours sincerely,



**Dr. Stefan Wolf**  
**Chairman of the Management Board**

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## Report by the Supervisory Board 2017

The financial year just ended was characterized by buoyant demand and, consequently, high levels of capacity utilization. At the same time, the pace of technological change within the automotive industry became increasingly dynamic. This created opportunities in the area of new drive technologies and lightweighting that were seized by ElringKlinger in the period under review. By contrast, the task of tackling the challenges arising from strong demand for ElringKlinger Group products proved more time-consuming than originally anticipated. Against this backdrop, it was impossible to offset in full the charges associated with these efforts by exploiting positive performances in other areas of the business. It should be noted, however, that the measures initiated are having a visible effect. From the Supervisory Board's viewpoint, ElringKlinger has established a very solid position for the future – with the prospect of sustained success driven by innovative products.

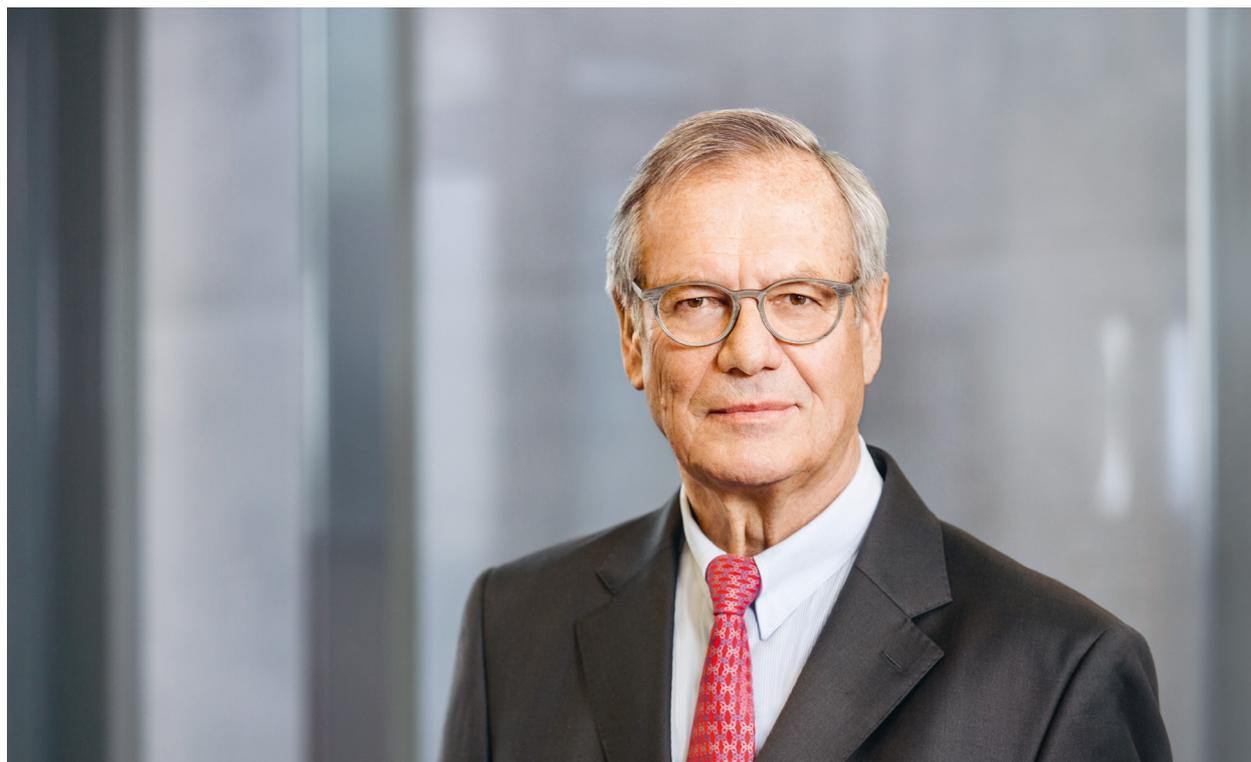
During financial year 2017, the Supervisory Board of ElringKlinger AG discharged the duties incumbent on it according to the law, the Articles of Association, the rules of procedure, and the German Corporate Governance Code. It monitored the activities of the Management Board and supported it in an advisory capacity with regard to key issues such as the strategic positioning of the Group. The Supervisory Board was involved in decision-making processes deemed to be of fundamental importance to the company. The Management Board sought the approval of the Supervisory Board in respect of transactions requiring prior authorization. Furthermore, the Management Board appropriately briefed the Supervisory Board in monthly written reports on key performance indicators, occurrences, and circumstances.

The Supervisory Board convened for four scheduled meetings over the course of the reporting period. At these meetings, the Management Board provided a detailed overview of business developments on the basis of suitable performance indicators and compared these with prior-year figures and targets for the Group and for ElringKlinger AG and its subsidiaries. The Management Board presented its latest projections together with its evaluation of the economic, market, and competitive situation. In addition, the Management Board supplied regular information on the current risk situation,

relevant compliance-related issues, the status of any significant legal disputes, and other matters of critical importance. Last but not least, case-by-case reporting encompassed strategic projects as well as acquisitions and their integration. The issues were presented and discussed during the sessions of the full Supervisory Board. The members of the Supervisory Board were always briefed extensively and in writing on the respective agenda items, this information being furnished in time to prepare for the meetings.

Aside from the aforementioned regular reports and topics, the Supervisory Board addressed the following subjects at its scheduled meetings:

- The Supervisory Board meeting on March 24, 2017, was devoted to the Management Board's explanation of the 2016 annual financial statements of ElringKlinger AG and the Group. This meeting also dealt with the report of the auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board adopted the annual financial statements of ElringKlinger AG, endorsed the consolidated financial statements together with the combined management report, and approved the Management Board's proposal for the appropriation of profit. At this meeting, it approved the items on the agenda for the Annual General Meeting.
- At the Supervisory Board meeting on May 16, 2017, which took place immediately upon conclusion of the Annual General Meeting, Messrs. Klaus Eberhardt and Markus Siegers were elected to the posts of Chairman and Deputy Chairman of the Supervisory Board respectively. Mr. Manfred Strauß was newly elected to the Audit Committee and appointed as its Chairman. Professor Lechler, who stepped down from the Supervisory Board post at the end of the Annual General Meeting on May 16, 2017, was elected Honorary Chairman of the Supervisory Board of ElringKlinger AG following a unanimous vote. We would like to take this opportunity to thank Professor Lechler once again for his pioneering and truly exceptional efforts in the interests of the ElringKlinger Group. His service to the company spanned many decades, most recently in the role of Chairman of the Supervisory Board of ElringKlinger AG.



**Klaus Eberhardt**  
**Chairman of the Supervisory Board**

- At its meeting on September 22, 2017, the Supervisory Board discussed and set target figures for the proportion of women to be appointed to the Management Board. Additionally, the Supervisory Board emphasized the importance of stepping up efforts to foster female talent so that more women can take on leadership roles at ElringKlinger in the future.
- The agenda for the meeting on December 7, 2017, included the 2018 budget and medium-term business planning. In addition, the Management Board provided a status report on measures initiated at ElringKlinger Abschirmtechnik in Switzerland. Other focal points included the report on results of internal audits conducted in 2017, the presentation of a schedule for internal audits in respect of financial year 2018, and a current risk assessment by the Management Board together with appropriate arrangements.

The scheduled meetings were attended by all of the Supervisory Board members.

The Audit Committee convened on two occasions during the year under review. The meeting in March 2017 was devoted to in-depth discussion relating to the auditor's report on the 2016 annual financial statements. The agenda of the December meeting convened by the Audit Committee included the task of defining the focal points of the audit for financial year 2017 and the supervision of financial reporting processes as well as the internal control and compliance system. As in previous years, the CEO reported regularly to the Chairman of the Audit Committee on the results of internal audits.

No meetings of the Mediation Committee were necessary in the reporting period.

There were no conflicts of interest between Supervisory Board members and the company in 2017.

The Declaration of Conformity by the Supervisory Board and the Management Board pursuant to Section 161 of the German Stock Corporation Act (AktG) and regarding the German Corporate Governance Code in the version of February 7, 2017, was approved unanimously and published on the company's website on December 4, 2017.

In addition to the monthly written reports and the four scheduled Supervisory Board meetings, as in previous years, the Chairman of the Supervisory Board remained in regular contact with the Chairman of the Management Board. These ongoing exchanges covered the current economic situation, important business developments, and other events of particular significance. The Chairman of the Supervisory Board informed his Board colleagues of significant occurrences by e-mail or by telephone.

At the end of 2017, the Supervisory Board, as stipulated by the provisions set out in the German Corporate Governance Code, again evaluated, as scheduled, the effectiveness of its work relating to the previous financial year on the basis of a questionnaire issued to all members. This covered issues such as the openness of communication at Supervisory Board meetings and the involvement of all members in discussions. This assessment produced no significant findings.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for financial year 2017, as presented by the Management Board, were audited by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate was issued by the Supervisory Board in accordance with the appointment of the auditor by the Annual General Meeting on May 16, 2017. In accordance with Section 315a of the German Commercial Code (HGB), the consolidated financial statements of ElringKlinger AG

were prepared on the basis of International Financial Reporting Standards (IFRS). The auditing firm issued unqualified audit opinions for the annual financial statements of ElringKlinger AG as well as for the consolidated financial statements, including the combined management report, for financial year 2017. The Supervisory Board was in possession of the documents relating to the financial and consolidated financial statements together with the Management Board's proposal for the appropriation of profits, as well as the two audit reports compiled by the auditor. The aforementioned documents were studied in depth by the Audit Committee and the Supervisory Board as a whole before being discussed at length and examined in consultation with the competent auditors. The Supervisory Board concurred with the outcome of the audit. No objections were raised. At its meeting on March 23, 2018, the Supervisory Board adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements together with the combined management report. At the same meeting, the Supervisory Board approved the Management Board's proposal for the appropriation of profit.

The Supervisory Board would like to thank the Management Board and all members of staff at ElringKlinger AG and its investees in Germany and abroad for their committed contribution and successful efforts.

Dettingen/Erms, March 23, 2018

On behalf of the Supervisory Board



**Klaus Eberhardt**  
**Chairman of the Supervisory Board**

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# ElringKlinger on the Capital Market

## Surging stock markets in 2017

From an investor perspective, equity markets developed very favorably in 2017. Buoyed by strong macroeconomic fundamentals, the world's key stock indices delivered an extremely solid trading-floor performance over the course of the year, in some cases even culminating in new all-time highs.

The initial trend was promising even as markets moved into 2017. Leading indicators in the eurozone, the United States, and China continued to gain momentum, while the US president pointed to the prospect of tax cuts. This, coupled with a convincing corporate reporting season by exchange-listed companies, helped to fuel the sustained upturn in stock markets that had been witnessed as early as the end of 2016. With the exception of the Nikkei, all of the major stock market indices made gains of more than 5% in the first quarter of 2017.

In the second quarter of 2017, the fourth interest rate hike by the US Federal Reserve in the space of one and a half years as well as signs from ECB president Mario Draghi of an imminent change of direction by the European Central Bank in respect of its bond-buying program led to a temporary dip in equity market momentum. However, markets

regained their footing and returned to calmer waters amid news of Emmanuel Macron's victory in the French presidential election in May, particularly in view of the pro-European stance taken by the new incumbent.

Having ebbed slightly over the summer months due to seasonal factors, global stock markets saw a return to their positive trend toward the end of the third quarter of 2017. Stock market prices were boosted further by a number of factors, including business data pointing to sustained buoyancy in the eurozone, an improvement in economic trends, and more detailed information about the US tax reform plan. The results of Germany's federal election, which ultimately saw Angela Merkel reappointed as chancellor, also met with market approval.

The fourth quarter of 2017 also provided growth impetus for equity markets. In October, for instance, the ECB extended its bond-buying program until at least September 2018, although monthly purchases were to be cut by half from 60 to 30 billion euros. In December, a far-reaching tax reform was passed in the United States, as part of which the corporate tax rate was reduced from 35% to 21%. US stock indices were the main beneficiaries, with the Dow Jones, Nasdaq, and S&P 500 recording new all-time highs.

## ElringKlinger's share price performance (XETRA) since January 1, 2017, (indexed, Dec. 30, 2016 = 100%)

compared with DAX and SDAX



The German stock market managed to complete the year of trading with substantial gains in 2017. Its performance was driven mainly by the healthy state of the economy as a whole as well as bulging order books and rising profits for companies. The country's economic fundamentals were solid enough to counteract temporary downside effects such as the protracted process of forming a new government in post-election Germany. Germany's blue chip index, the DAX, advanced to a record high of 13,526 points at the beginning of November. By the end of the year, the DAX had achieved a gain of 12.5%.

#### ElringKlinger stock in bullish mood at end of 2017

Having completed the year of trading at EUR 15.88 in 2016, ElringKlinger's stock continued to regain ground in January 2017, thus remaining on the path of recovery established as early as the end of 2016. In February, the company's share price consolidated at a level of around EUR 16. A benign trading environment and the announcement of the Group's financial results for fiscal year 2016, which were well received by the capital market, gave ElringKlinger's stock further impetus at the end of March. Toward the end of the first quarter of 2017, the company's share price stood at EUR 18.22.

At the beginning of the second quarter of 2017, the share price recorded at the end of March remained largely unchanged at around EUR 18. Following the presentation of company results for the first quarter of 2017 at the beginning of May, ElringKlinger's stock was propelled to EUR 20.14, its highest level for the year. Profit-taking over the following days then resulted in a downward correction in the share price. During the remainder of the second quarter of 2017,

wide-spread skepticism over automotive industry stocks in general, fueled to some extent by persistently negative headlines concerning diesel-powered engines, was reflected in share prices. After the first six months of 2017, ElringKlinger's share price stood at EUR 16.78.

During the third quarter of 2017, allegations emerging at the end of July against five German car manufacturers concerning their possible involvement in a cartel served to fuel the capital markets' general hesitancy toward auto industry stocks. In the ensuing days, ElringKlinger's share price trended lower amid more pronounced sell-side pressure. Following the announcement of the company's financial results for the second quarter of 2017 at the beginning of August, ElringKlinger's share price declined further and settled at around EUR 14. After a solid performance in September that saw the previous month's losses offset in their entirety, ElringKlinger shares closed the third quarter of 2017 at EUR 15.77.

Over the course of the fourth quarter of 2017, the announcement of the company's financial results for the first nine months of 2017 initially prompted a downturn in the share price, which fell to an annual low of EUR 13.59 in the subsequent days of trading. Having bottomed out at this level, ElringKlinger's stock launched a steady comeback that was sustained right up to the end of the year. This turnaround was attributable, among other factors, to news concerning a joint venture framework agreement in the area of battery technology. The upturn was also underpinned by the issuance of revised ElringKlinger stock ratings by financial analysts. ElringKlinger shares closed 2017 at EUR 18.68.

#### Key Indicators for ElringKlinger's Stock

	2017	2016
Earnings per share IFRS (after non-controlling interests, in EUR)	1.10	1.24
Shareholders' equity per share (in EUR) <sup>1</sup>	13.45	13.44
High (in EUR) <sup>2</sup>	20.14	24.09
Low (in EUR) <sup>2</sup>	13.59	12.82
Share price (in EUR) <sup>1,2</sup>	18.68	15.88
Price-earnings ratio (P/E ratio) <sup>1</sup>	16.98	12.81
Dividend per share (in EUR)	0.50 <sup>3</sup>	0.50
Average daily trading volume (German stock exchanges; no. of shares traded)	209,600	257,800
Average daily trading value (German stock exchanges; in EUR)	3,436,400	4,710,400
Market capitalization (EUR millions) <sup>1,2</sup>	1,183.6	1,006.2

<sup>1</sup> As of December 31

<sup>2</sup> Xetra trading

<sup>3</sup> Proposal to 2018 AGM

### Trading volume for 2017 down on previous year

In the annual period under review, the average daily volume of ElringKlinger shares traded was 209,600 (257,800) units. Thus, the relatively substantial trading volumes recorded in previous years returned to more normal levels. Expressed in euros, the average daily trading value of ElringKlinger shares on German stock exchanges was EUR 3.4 (4.7) million. ElringKlinger's stock thus offered sufficiently high levels of liquidity for institutional investors to conduct larger share transactions.

### 2017 Annual General Meeting approves dividend of EUR 0.50 per share – Klaus Eberhardt becomes new Chairman of the Supervisory Board

The 112th Annual General Meeting of ElringKlinger AG took place on May 16, 2017, and was attended by around 900 shareholders, shareholder representatives, and guests at the Liederhalle Culture and Congress Center in Stuttgart. In his speech, CEO Dr. Stefan Wolf presented a review of the financial year just ended and also outlined the current process of transformation in the automobile industry toward alternative drive systems, an area in which the Group is already very well positioned thanks to its diversified product portfolio.

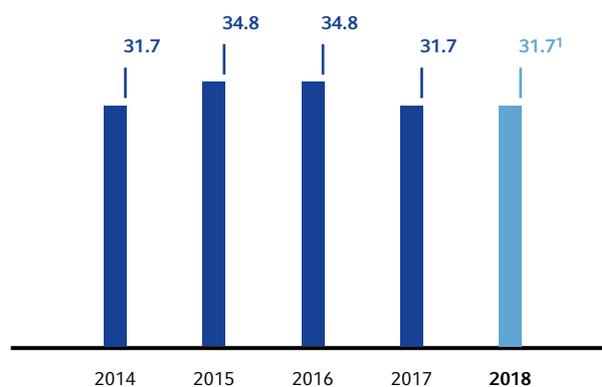
The AGM approved by a large majority the proposal put forward by the Management Board and Supervisory Board for a dividend of EUR 0.50 (0.55) per share for financial year 2016. The total dividend payment amounted to EUR 31.7 (34.8) million. On this basis, the dividend ratio rose to 40.3% (38.0%), which was at the upper range of the long-term dividend policy adopted by the company. It stipulates a dividend payment equivalent to between 30 and 40% of Group net income for the purpose of ensuring that shareholders receive an appropriate and sustainable return on their investment.

The Annual General Meeting of shareholders also elected Andreas Wilhelm Kraut, Chief Executive Officer of Bizerba SE & Co. KG, as a new member of the Supervisory Board of ElringKlinger AG. He takes the place of board member Prof. Walter H. Lechler, who stepped down as Chairman of the Supervisory Board at the end of the AGM for reasons of age and left the Supervisory Board. At the Supervisory Board meeting convened subsequent to the AGM, the members of the Supervisory Board elected Klaus Eberhardt as their new Chairman. Eberhardt has been a member of the Supervisory Board of ElringKlinger AG since May 2013. Prof. Walter H. Lechler was elected as Honorary Chairman of the Supervisory Board.

At the next Annual General Meeting due to be held on May 16, 2018, the Management Board and Supervisory Board intend to propose a dividend of EUR 0.50 per share in respect of the financial year 2017.

### Total Dividend Payments

in EUR million



<sup>1</sup> Proposal to 2018 AGM

### Shareholder structure: private investors gaining ground

As of December 31, 2017, the shareholder structure of ElringKlinger AG was as follows: the company's free float accounted for 48.0% (48.0%) of the 63,359,990 no-par-value shares issued in total. The Lechler families continue to hold 52.0% (52.0%) of the interests in ElringKlinger AG, i.e., the majority of the share capital. As such, there was no change in the ratio of shares in free float to those in family ownership.

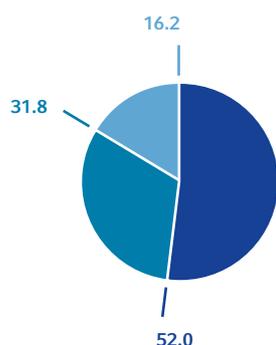
Large, primarily institutional, investors – banks, insurers, or investment companies from Germany and abroad – are by far the largest group of shareholders within the company's free float. In addition, ElringKlinger shares are held in the portfolios of many smaller and mid-size asset managers. At the end of 2017, this group of investors held 31.8% (32.7%) of ElringKlinger AG's total share capital. The percentage of free float shares held by institutional investors thus remained more or less stable year on year.

The number of private investors holding ElringKlinger shares again increased slightly. At the end of the reporting period, private investors accounted for 16.2% (15.3%) of the company's total share capital. Within a period of just three years, the percentage share of retail investors with ElringKlinger shareholdings has thus more than doubled.

This increase may be attributable partly to the fact that the shares were regarded as relatively inexpensive. It should also be noted that, during periods of historically low interest rates, there is generally a greater willingness to invest in equities. This could be another reason for the increase in the overall number of private investors.

### Shareholder Structure<sup>1</sup>

in %



- Family W. H. Lechler and estate of Klaus Lechler
- Institutional investors
- Private investors

<sup>1</sup> As of December 31, 2017

### Dialogue with the capital market

ElringKlinger continued to engage in proactive and ongoing dialogue with representatives of the capital market over the course of 2017. At the same time, the company managed to further expand the number of corporate road shows, in addition to attending more capital market conferences than in the previous year – both in Germany and abroad. In total, the company took part in 16 conferences and hosted 15 road shows.

In Germany, ElringKlinger presented its business model at several conferences held in Frankfurt/Main, the country's key financial center. This was complemented by events in Berlin, Munich, and Hamburg, the focus being on international and institutional investors. In Europe, the Investor Relations program included events in the Benelux region and the neighboring countries of Austria and Switzerland as well as the top financial centers of London and Paris. North America was another key travel destination in 2017. Attendees at conferences and road shows held on the east coast of the United States and in Canada showed strong interest in the company.

It is also customary for ElringKlinger to meet with representatives of the capital market at company sites. Institutional investors and financial analysts are given the opportunity to familiarize themselves first-hand with the company's latest technologies and production processes – an offer that continues to be well received by these groups. In 2017, ElringKlinger organized ten factory tours and technology presentations at its headquarters in Dettingen/Erms.

Alongside the analysts' conference held in Frankfurt/Main on an annual basis, the Management Board of ElringKlinger AG maintains a close dialogue with representatives of the capital markets on the occasion of the release of quarterly results or to discuss relevant occurrences such as acquisitions, incoming orders, or significant technological developments. The conference calls at these events are streamed live via the ElringKlinger website and can be accessed by the public. This approach embraces the principle of timely, simultaneous, and transparent communication for all groups of investors and others with an interest in the company.

### Investor Relations against the backdrop of the 2017 IAA

As part of the International Motor Show (IAA) held in Frankfurt/Main in September 2017, ElringKlinger's Investor Relations team engaged in extensive dialogue with investors, analysts, and representatives of the business press, in addition to conducting guided tours of the exhibition booth. Furthermore, the company presented its business model to an international audience at a capital market conference hosted by Deutsche Bank in parallel with the trade show.

Under the heading of "e-xperience mobility", ElringKlinger showcased products for all types of drive system at its exhibition booth. By offering solutions for the full range of drive systems currently available, the company focused in particular on innovative battery and fuel cell technologies, a newly developed e-axle, and lightweight plastic components for use in various fields of application. The company's presentation at the IAA also included two show cars that illustrated ElringKlinger's broad scope of knowledge in the area of lightweighting and e-mobility. One of the show cars was dedicated entirely to solutions used in electric drivetrains, an offering made possible by ElringKlinger's investment in engineering specialist hofer. Among the key areas of interest was an e-axle (electric drive unit) developed by hofer powertrain products GmbH; it combines power electronics, transmission, and an electric motor in a single unit.

### Level of interest shown by analysts remains high

During the fiscal year 2017, ElringKlinger was covered regularly by 21 financial analysts from various banks and research organizations. This figure was largely unchanged compared to the previous year and reflects continued strong interest in the company's stock. As of December 31, 2017, six analysts (28%) recommended buying the shares. Ten analysts (48%) issued "hold" recommendations for ElringKlinger stock, while five analysts (24%) recommended selling the stock, in most cases for market valuation reasons. An overview of banks and research organizations providing coverage of ElringKlinger on a regular basis, including their current recommendations in respect of the company's shares, can be found in the Investor Relations section of the company website.

### Wide range of information and communication channels for private investors

As an exchange-listed company, ElringKlinger is committed to reporting on current and future corporate and market developments regularly and in a timely and transparent manner. One of the key objectives of the Investor Relations department is to meet the information and communication requirements of all investor groups in equal measure. This also includes, in particular, private investors in the company, who currently hold around 16% of shares issued and are therefore to be seen as an important shareholder group for the company. ElringKlinger operates a comprehensive information and communication service in order to promote a direct exchange and maintain an extensive dialogue.

The official ElringKlinger website ([www.elringklinger.de](http://www.elringklinger.de)) serves as a central information hub for all the latest developments of relevance to the company. Be it stock performance, press release, financial report, or details of upcoming events – the company website offers a wealth of information relating to ElringKlinger. As the website has been programmed in a responsive design, it is also the perfect choice for access by mobile devices such as smartphones and tablets. This means that users can easily find the information they want even if they are not at home or in the office.

Investors are also able to follow ElringKlinger's activities via the latest social media channels. Facebook ([www.facebook.com/elringklinger](http://www.facebook.com/elringklinger)) and Twitter ([www.twitter.com/elringklingerAG](http://www.twitter.com/elringklingerAG)) are used regularly for the release of interesting news items about the company and its shares.

Our telephone hotline (+49 7123 724-137) provides direct access to the Investor Relations department. A member of the team is on hand as a point of contact to answer specific questions relating to the company and its shares. Alternatively, inquiries can be submitted in writing by e-mail ([investor-relations@elringklinger.com](mailto:investor-relations@elringklinger.com)).

Moreover, ElringKlinger offers a range of services for private investors and other parties interested in the company. For example, this includes a free mailing service for the latest financial reports. The company also recommends subscribing to the Investor Relations newsletter to ensure that those interested do not miss any of the financial publications and other corporate news. Financial reports can be ordered through the website or via the telephone hotline or by e-mail. The same applies to the Investor Relations newsletter.

In order to foster direct dialogue with private investors, ElringKlinger takes part in events hosted by local Sparkasse and Volksbank financial institutions. They are targeted primarily at non-institutional shareholders and regional asset managers. In the period under review, private investors interested in the company again had the chance to find out about ElringKlinger and its business model first-hand. In Eching, Bavaria, the company took part in an event organized by Schutzgemeinschaft der Kapitalanleger e.V. (SdK) that attracted an audience of around 100 interested guests. After the presentation, attendees were given the opportunity to discuss specific questions with company representatives.

### Awards galore for 2016 annual report

ElringKlinger AG's 2016 annual report won several awards in prestigious communication and design competitions.

The jury of the League of American Communications Professionals (LACP) honored ElringKlinger's annual report with a silver medal in the Automobiles & Components category of the LACP Vision Awards. With over a thousand submissions every year from all over the world, the LACP Vision Awards are considered to be among the most highly coveted prizes in the field of international financial reporting.

The company's annual report also received a gold medal in the Automotive Parts category of the ARC (Annual Report Competition) coordinated by US awards organization MerComm, Inc. Ranked as one of the top international design competitions, the ARC Awards recognize outstanding content and original design.

The report was also among the winners of the Automotive Brand Contest in the category of Corporate Publishing. The Automotive Brand Contest is an international design competition for automotive brands. The German Design Council, as initiator and organizer of this competition, acknowledges exceptional product and communication design by companies in the automotive industry.

ElringKlinger's annual report also excelled in the Fox Finance Award competition, where it gained a gold medal in the Automotive category in recognition of its efficiency in the field of communication. This contest focuses primarily on efficient corporate communication and covers all aspects of financial reporting. Among other elements, the competition also examines the consistency of communication beyond the classic annual report.

ElringKlinger's annual report also impressed the jury of the Good Design Award: it won in the Graphic Design category thanks to its exceptional design. This award is presented annually by the Chicago Athenaeum Museum of Architecture and Design and the European Centre of Architecture Art Design.

### ElringKlinger stock as a sustainable investment

Alongside financial criteria, both environmental and social aspects are also of importance to a growing number of private and institutional investors. In addition, they often tend to make their investment decisions on the basis of whether a company has embraced the recommendations set out in the German Corporate Governance Code. ElringKlinger shares have become an interesting investment proposition for these groups of investors. As a future-focused company committed to a sustainable approach to business, ElringKlinger consistently operates in line with applicable quality and environmental standards. At the same time, the company's pioneering portfolio of products targeted at the key issues of CO<sub>2</sub> reduction and alternative drive technology is making a sizeable contribution when it comes to cutting greenhouse gases and other pollutants.

For more detailed information on ElringKlinger's efforts in the area of sustainability, readers are kindly requested to access the Sustainability section on the company's website, where they will also find the company's latest sustainability report entitled "pure direction".

### ElringKlinger AG Stock Market Data

ISIN	DE 0007856023
German Securities Identification Code (WKN)	785 602
Bloomberg	ZIL2
Reuters	ZILGn.DE
Capital stock	EUR 63,359,990
Number of shares outstanding	63,359,990
Stock exchanges	Official trading: XETRA, Frankfurt/Main, Stuttgart, Munich, Düsseldorf, Hamburg, Hanover, Berlin
Market segment	Prime Standard
Index	SDAX

### Outlook for 2018

Looking ahead to 2018, the company is committed to driving forward its Investor Relations efforts at an international level by attending a range of capital market conferences and organizing various road shows. The schedule for 2018

includes events in North America, Scandinavia, Australia, and Singapore. Additionally, ElringKlinger will continue to engage in dialogue with private investors by holding regional meetings. All the key dates are listed in the Financial Calendar on ElringKlinger's website.

## Corporate Governance Report

The joint report issued by the Management Board and the Supervisory Board of ElringKlinger AG with regard to corporate governance, including the Declaration of Conformity passed on December 4, 2017, in respect of the Code, has

been published online at [www.elringklinger.de/en/company/corporate-governance](http://www.elringklinger.de/en/company/corporate-governance) in accordance with Section 3.10 of the German Corporate Governance Code in connection with the Corporate Governance Statement.