



The Management Board of ElringKlinger AG

THEO BECKER

Corporate units

Purchasing
Real Estate & Facility
Management
Tool Shop/Technology

Business units

Battery Technology
Fuel Cell Technology
Drive Train

DR. STEFAN WOLF (Chairman)

Corporate units

Legal & Compliance
Human Resources
Strategic Communications
Marketing & Communications
Business Development
Original Equipment Sales

Business units

Aftermarket

Group companies

THOMAS JESSULAT

Corporate units

Finance
Operational IT
Strategic IT
Logistics

Business units

Industrial Parks

REINER DREWS

Corporate units

Production
Quality & Environmental
Management

Business units

Cylinder-head Gaskets
Specialty Gaskets
Lightweighting/Elastomer
Technology
Shielding Technology

Domestic plants

of the Original Equipment
segment



Dr. Stefan Wolf, CEO/Chairman



Reiner Drews, COO and Theo Becker, CTO



Thomas Jessulat, CFO

Letter to Shareholders

Dear Shareholder,
Ladies and gentlemen,

The world of today holds many challenges in store, particularly for the automotive industry. The transformation within our sector is far-reaching, and we are currently experiencing a period of significant change. Besides autonomous driving and connectivity, the focus is firmly on drive systems.

It was important that we at ElringKlinger took an early lead in preparing for this transition. We embraced new technologies long before the issue of transformation had even surfaced in the public domain. Indeed, we have been involved in fuel cell development for some 20 years now and have been mass-producing battery components for nearly a decade. In doing so, we have established ourselves as a supplier in the field of e-mobility and have carved out many opportunities. In Asia, for instance, we are currently contributing to more than 20 development projects in the area of fuel cell technology. Elsewhere, we have already secured two major orders for battery systems, the first of which will be ramped up at the end of this year. The current year will also see the launch of initial series production in the field of electric powertrains. What is more, we are committed to further exploiting this potential in the area of alternative drive technology.

At the same time, we have developed innovative solutions for new types of drive systems in our long-standing areas of business. In this context, we were able to successfully contribute our expertise and know-how in combustion engine technology to such projects. Our Specialty Gaskets division, for instance, supplies disk carriers for an electric vehicle developed by a German sports car manufacturer. Elsewhere, our Lightweighting/Elastomer Technology division mass-produces battery seals for one of Germany's premium carmakers. Examples such as these illustrate that we are not only supplementing our range with innovative products in the field of alternative drive systems, but also continuing to advance in our traditional areas of application in support of next-generation mobility.

We have made substantial investments in recent years in an effort to position ElringKlinger as a global player. Today, we operate with the requisite capacity levels in all of the major automotive markets around the world. This expansion was essential in order to ensure that the Group can remain successful in a globalized world of manufacturing. This is demonstrated not least by the contracts we have been able to secure for structural lightweight components. At the same time, we have invested in modern machinery in order to implement technological advances in the fields of development and production. At the height of this spending program, capital expenditure on property, plant, and equipment and investment property amounted to more than 10% of Group revenue.

Today, we are reaping the rewards of these measures. In view of the fact that ElringKlinger combines the benefits of globalization and state-of-the-art operations, we are able to manage growth in our classic fields of business in such a way as to unlock potential in the area of alternative technologies. For this reason, too, the investment ratio in the financial year under review amounted to 5.3%. It was due to this spending discipline and the efficient management of working capital management that operating free cash flow increased significantly in the period under review. While the figure had still been in negative territory in 2018, it improved by more than EUR 260 million to EUR 176 million in the reporting period. As a result, we reduced our net financial liabilities substantially in order to continue to guide the Group safely and purposefully through the process of transformation. In the coming years, we will continue to pursue this objective in a determined manner as we move forward.

Group revenue rose by 1.6% in 2019, taking the total to EUR 1,727 million, while global automobile production shrank by 5.6%. This disproportionately large increase in revenue illustrates that our choice of product portfolio is a wise one. Having initiated rapid countermeasures in response to persistently strong demand in North America, we recorded positive effects on earnings as our action plan proved successful in 2019.

The route charted for the future includes the goal of a sustained improvement in our earnings performance. Although we achieved an acceptable result with an EBIT margin before purchase price allocation of 3.7% in a difficult market environment – prime examples include economic weakening within our industry, more pronounced trade conflicts, elevated commodity prices, and protracted negotiations over Brexit – we are far from satisfied with this performance. After all, our ambition is to translate our high-tech product solutions and process expertise into solid profits. With this in mind, we will continue to pursue measures aimed at raising efficiency levels in 2020.

In the financial year just ended, we divested ourselves of our industrial park in Hungary. The disposal was a logical step forward in the context of focusing on our core business. In doing so, we reached another milestone in the strategic orientation of our business towards promising fields of the future.

ElringKlinger's success is heavily dependent on the people who make this performance possible. We would not be in a position to tackle the challenges and tasks in such an accomplished manner and steadily evolve ElringKlinger as a Group were it not for the expertise, dedication, and courage of our employees. Allow me to express my sincere thanks to our entire team, also on behalf of my fellow Board members. My gratitude also goes to you, our valued shareholders, for the trust you have placed in the ElringKlinger Group.

We will continue to experience challenges within the market over the course of this financial year. It will not be an easy year. The global spread of the coronavirus pandemic will leave noticeable traces in respect of economic performance. Many vehicle manufacturers in Europe and North America have now announced or already implemented plant closures, as a result of which we have also had to adjust our production in line with demand during the second half of March. At present, it is impossible to predict the duration of plant closures by manufacturers. The same applies to potentially more extensive measures in the ensuing weeks – also from a political perspective. ElringKlinger has taken appropriate measures to mitigate the risks to the largest extent possible.

ElringKlinger is very well positioned when it comes to the future of mobility. The transformation within this industry offers tremendous opportunities in the field of new drive technology – especially for those who have prepared themselves for it. We at ElringKlinger are primed and ready. I invite you to explore this for yourself in our annual report and the accompanying magazine, which I hope you will enjoy reading.

Dettingen/Erms, March 2020
Yours sincerely,



Dr. Stefan Wolf
Chairman of the Management Board

Report by the Supervisory Board 2019

The financial year just ended again proved to be a challenging period not only for ElringKlinger but for the automotive industry as a whole. Key markets such as China saw a downturn in demand. Trade disputes and geopolitical risks led to uncertainty and higher costs, e.g., due to the introduction of new tariffs. ElringKlinger, too, was not immune to these developments. In order to meet the challenges, business processes were optimized and costs were scaled back comprehensively. The main topics in 2019 included the sustained improvement of cash flow, the focus on innovative products, and continuous improvement in all areas.

The Supervisory Board of ElringKlinger AG discharged the full range of duties incumbent on it according to the law, the Articles of Association, the rules of procedure, and the German Corporate Governance Code. It monitored and advised the Management Board in its governance of the company. Furthermore, the Management Board briefed the Supervisory Board in an appropriate manner on key performance indicators, occurrences, and circumstances as part of monthly written reports. In addition to the monthly written reports and the 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. Thus, the Supervisory Board was always informed about intended business policies, corporate planning, profitability, and the situation of the company and the Group. The Supervisory Board was involved at an early stage in all decision-making processes deemed to be of fundamental importance to the company. These decisions were the subject of thorough and in-depth discussion with the Management Board. To the extent that decisions or measures taken by the management required the approval of the Supervisory Board, such approval was obtained accordingly.

The Supervisory Board convened for five meetings in the reporting period. At the meetings, the Management Board provided a detailed overview of business developments, particularly as regards the direction taken by revenue and earnings as well as the cash flows and financial performance of the Group, 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, significant legal disputes, and other matters of critical importance. Last but not least, reporting encompassed strategic projects. The issues were presented and discussed during the sessions of the full Supervisory Board. A particular focus of the Supervisory Board's activities in the past financial year was the improvement of profitability and optimization programs at individual Group companies.

In the year under review, the Supervisory Board dealt with the following topics at its meetings, alongside the recurring agenda items already mentioned:

- On March 22, 2019, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2018, the 2018 annual report, including the Supervisory Board report, the corporate governance report, the compensation report, the combined non-financial statement, and the auditor's report compiled by 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 non-financial statement. It approved the items on the agenda for the Annual General Meeting.
- At the Supervisory Board meeting held on May 16, 2019, which took place immediately upon conclusion of the Annual General Meeting, Messrs. Klaus Eberhardt and Markus Siegers were elected Chairman and Deputy Chairman of the Supervisory Board respectively. The course of the Annual General Meeting was also discussed.
- At the extraordinary meeting convened on July 24, 2019, the Management Board explained the cost-cutting program and the effects of US customs policy on the US-based group companies. Detailed reports were given on the major projects currently under way in the field of new drive technologies.



Klaus Eberhardt
Chairman of the Supervisory Board

- At its meeting on September 20, 2019, the Supervisory Board also received reports on the status of the cost reduction program and the new ElringKlinger Operating System (EKOS). It also dealt with the draft of the revised German Corporate Governance Code.
- As scheduled, the agenda for the meeting on November 27, 2019, included the 2020 budget and medium-term business planning. The Supervisory Board also dealt with matters relating to the audit and compliance report. The Supervisory Board decided to commission Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to assist it in reviewing the combined non-financial statement. In addition, the full Supervisory Board was informed about the Audit Committee's deliberations with regard to the forthcoming audit of the annual financial statements.

All members of the Supervisory Board usually attended the meetings, unless individual members were prevented from attending for good cause. In this context, each one

Supervisory Board member was unable to attend the meetings on July 24, 2019, and September 20, 2019, and two Supervisory Board members were unable to attend the meeting on November 27, 2019.

The Audit Committee convened on two occasions during the year under review. The meeting in March 2019 was devoted to in-depth discussion relating to the auditor's report on the 2018 annual financial statements. The agenda of the November 2019 meeting convened by the Audit Committee included the task of defining the focal points of the audit for the financial year 2019 as well as the supervision of the financial reporting process and the internal control and compliance system. Both meetings were attended by the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft who were responsible for the audit. In particular, the Audit Committee also monitored the independence and efficiency of the auditor. Additionally, as in previous years, the CEO reported regularly to the Chairman of the Audit Committee on the results of internal audits.

The Personnel Committee met on two occasions: September 20, 2019, and November 27, 2019. Topics included the review of the compensation system for the Management Board and Supervisory Board, taking into account the comprehensive new provisions of the German Corporate Governance Code and the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II). A specialized consulting firm was commissioned to prepare an expert opinion. The Mediation Committee did not have to be convened during the fiscal year just ended.

There were no conflicts of interest during financial year 2019 between Supervisory Board members and the company.

The provisions of the Corporate Governance Code, and in particular the scheduled amendment of the Code in 2019, were discussed as described in plenary sessions. At the Supervisory Board meeting in November, the declaration of compliance with the German Corporate Governance Code was approved after extensive discussion. The declaration was then made available to shareholders on the company's website on November 29, 2019.

In December 2019, the Supervisory Board, as stipulated by the provisions set out in the German Corporate Governance Code, conducted an efficiency review in respect of its activities on the basis of a questionnaire issued to all members. In this context, there was no need for action.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for financial year 2019, as presented by the Management Board, were audited by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board in accordance with the appointment of the auditor by the Annual General Meeting on May 16, 2019. In accordance with Section 315e 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 2019. The Supervisory Board was in possession of the documents relating to the financial and consolidated financial statements 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 the presence of and in consultation with the responsible auditors. The Supervisory Board concurred with the outcome of the audit. No objections were raised. At its meeting on March 26, 2020, the Supervisory Board adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements together with the combined management report. Additionally, the Supervisory Board approved the combined non-financial statement.

The Supervisory Board would like to thank the Management Board and all members of staff at ElringKlinger AG and its subsidiaries in Germany and abroad for their active contribution and solid, constructive cooperation.

Dettingen/Erms, March 26, 2020

On behalf of the Supervisory Board



Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

Despite a number of political and economic uncertainties, global stock markets managed to advance significantly year on year in 2019. This upward trend was reflected to a slightly lesser extent by cyclical equities such as those associated with the automotive industry. Over the course of fiscal year 2019, ElringKlinger again gave a full and transparent account of the Group's business performance and its prospects for the future. The company engaged in regular dialogue with capital market players as part of investment conferences and road shows.

Stock markets buoyed by expansive central bank approach and trade deal in 2019

Stock markets rallied quite significantly as early as the first quarter, fueled by the prospect of an expansive monetary policy adopted by central banks as well as the de-escalation of the international trade conflict between the United States and China. This positive trend continued in the second quarter. Equity markets were impacted only temporarily by negative factors such as disappointing economic data from China in combination with persistently weak production output within the automobile sector as well as a delay to the decision on Brexit. In the third quarter, negative influencing factors were largely outweighed by positive effects. On the upside, two reductions in benchmark interest rates by the US Federal Reserve, the resumption of the ECB's bond-buying program, robust US labor market data, and China's interest rate reform helped to ease concerns among investors. On a less positive note, the situation deteriorated in August with the introduction of punitive tariffs in China and the United States. The fourth quarter saw substantial gains on the back of an initial partial agreement between the United States and China, the passing of the Brexit deal by the House of Commons in the United Kingdom, and a third reduction in benchmark interest rates in the United States.

Against this backdrop, Germany's stock market recorded significant gains in 2019. Its blue chip index, the DAX, rose by 25.5% within a twelve-month period to reach a two-year high. Representing the market's mid- and small-caps, the MDAX (31.2%) and the SDAX (31.6%) recorded even larger gains. By contrast, the Prime Automobile Performance Index, which covers the most important equities within the German automobile and automotive supply industry, rose by only 15.5%. This was the result of divergent trends within the

vehicle industry as a whole. Analyzing market data in more detail, the share prices of automobile manufacturers continued to rise, in some cases significantly, whereas stocks of some of the automotive suppliers trended downward, as in the previous year.

ElringKlinger share gains 20% during trading year

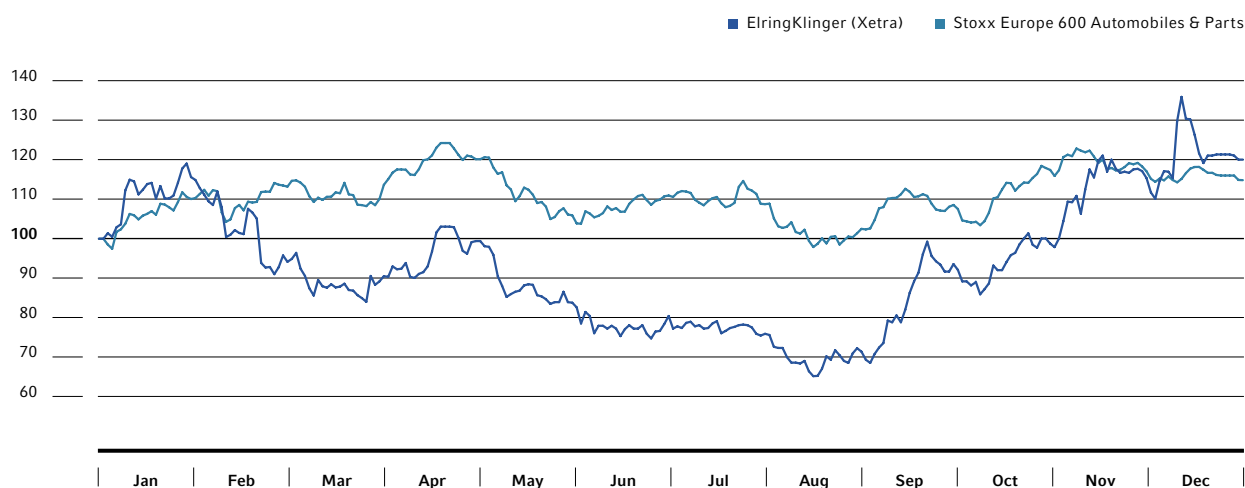
In line with the general market trend, ElringKlinger's share gained some forward momentum at the beginning of the year. News of the successful conclusion of a syndicated loan agreement was well received by the markets in February. Subsequently, however, the company's shares came under pressure following the announcement of ElringKlinger's preliminary annual results. The publication of the Group's results for fiscal year 2018 and the outlook for 2019 prompted a recovery in its share price, taking ElringKlinger's stock to EUR 6.06 at the end of the first quarter.

Signs pointing to a global slowdown in the automobile sector became more noticeable over the course of the second quarter. The resulting uncertainty among investors prompted a sustained dip in demand for shares issued by vehicle manufacturers and suppliers. This coincided with the publication of ElringKlinger's annual results at the beginning of May. At the end of the first half of 2019, the company's share price gained some ground again and closed at EUR 5.32.

In the run-up to the publication of the results for the first half of the financial year, scheduled for early August, ElringKlinger's shares then fell below the supporting level of EUR 5.00, thus generating more pronounced sell-side pressure. In mid-August, the share recorded its annual low of EUR 4.42. Having bottomed out, the share price recovered

ElringKlinger's share price performance (XETRA) from January 1 to December 31, 2019 (indexed)

in %



steadily and returned to a level of between EUR 6.00 and EUR 7.00 at the end of the quarter.

The fourth quarter saw a more or less sustained upturn in the company's share price. Against the backdrop of a favorable trading environment, it climbed to an annual high of EUR 9.25 in mid-December, supported to some extent by a

new assessment by analysts as well as press releases published in November with regard to a further high-volume lightweighting contract and an award in recognition of the company's fuel cell system. Overall, shares issued by ElringKlinger AG made a gain of 20.0% over the course of the 2019 trading year, rising from EUR 6.80 to EUR 8.16.

Key Indicators for ElringKlinger's Stock

	2019	2018
Earnings per share* IFRS* (after non-controlling interests, in EUR)	0.06	0.69
Shareholder's equity per share as of Dec. 31 (in EUR)	13.48	13.46
High (in EUR) ¹	9.25	19.37
Low (in EUR) ¹	4.42	6.76
Closing price as of Dec. 31 (in EUR) ¹	8.16	6.80
Price-earnings ratio as of Dec. 31	136.0	9.86
Dividend per share (in EUR)	0.00 ²	0.00
Average daily trading volume (German stock exchanges; volume of shares traded)	104,900	152,800
Average daily trading value (German stock exchanges; in EUR)	662,400	1,894,700
Market capitalization as of Dec. 31 (EUR millions) ¹	517.0	430.8

¹ Xetra trading

² In view of the net loss reported by ElringKlinger AG for the annual period, the dividend for the 2019 financial year will be suspended.

Trading volume in 2019 down on previous year

The trading volume of the ElringKlinger share fell short of the prior-year level in fiscal year 2019. The average daily volume of ElringKlinger shares traded was 104,900 (152,800) units. Correspondingly, the average daily value of ElringKlinger shares traded on German stock exchanges was approx. EUR 0.7 (1.9) million, i. e., lower than in the previous year. Despite the lower trading volume compared to the previous year, ElringKlinger's share again offered sufficiently high levels of liquidity for institutional investors to conduct larger share transactions.

Big response to 2019 AGM

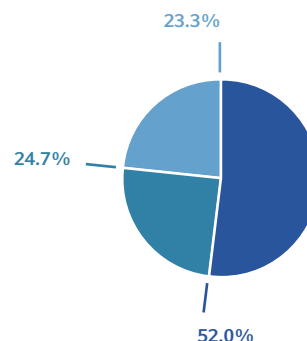
In his speech at the Annual General Meeting of ElringKlinger AG, which was held on May 16, 2019, CEO Dr. Stefan Wolf looked back on a fiscal year that was dominated by challenging conditions – both for the automobile industry and for ElringKlinger. In view of the earnings performance in fiscal year 2018, the Management Board and the Supervisory Board jointly decided to depart from the established dividend policy and suspend the dividend for fiscal year 2018. This was aimed at strengthening the Group's internal financing for its transformation process. The shareholders of ElringKlinger AG voted by a large majority in favor of the proposed resolutions on the approval of the actions of the Management Board and Supervisory Board. In addition, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as the auditor for fiscal year 2019.

Based on the earnings situation in the 2019 financial year, the Management Board and Supervisory Board have jointly decided to depart from the Group's previous dividend policy and to suspend the dividend for the 2019 financial year.

Shareholder structure: more private investors than in the previous year

There was no change in the ratio of shares in free float to those in family ownership. At the end of the year, the ownership interest held by the Lechler families amounted to 52.0% of the 63,359,990 no-par-value shares issued in total. Within the free float (48.0%), the company saw a shift in the overall structure towards private investors. They held 23.3% (21.8%) of shares at the end of the year, while institutional investors accounted for 24.7% (26.2%) of the ownership interests.

Shareholder Structure as of December 31, 2019



- Estate of Lechler families
- Institutional investors
- Private investors

Engaged in dialogue with the capital markets

ElringKlinger continued to take an active approach to communicating with key players within the capital markets over the course of fiscal year 2019. The company is committed to reporting on current and future company and market developments regularly, extensively, and in a timely and transparent manner. The company takes a multichannel approach when it comes to market communication. For example, it presented itself at national and international capital market conferences and road shows in Europe and North America during the period under review.

ElringKlinger also regularly participates in events held at local Sparkasse and Volksbank financial institutions in order to establish direct contact with private investors and regional asset managers. In February 2019, the company took part in an event in Metzingen, Germany, organized by Schutzgemeinschaft der Kapitalanleger e. V. (SdK) that attracted an audience of around 120 interested guests. After the presentation, attendees were given the opportunity to discuss specific matters with company representatives.

As part of the International Motor Show (IAA) held in Frankfurt/Main in September 2019, 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. At the heart of the company's trade show efforts were fuel cell systems, products for electric drivetrains as well as systems and components in the area of battery technology.

* Cf. glossary

As part of its presentation of quarterly results, ElringKlinger regularly organized conference calls for institutional investors and analysts, which included live online coverage. The audio recording of the analysts' conference and the presentation were made available online on the ElringKlinger website after the respective events. ElringKlinger also holds a conference for journalists and a separate event for analysts in order to present its annual financial results. At the end of the conference, the Management Board of ElringKlinger AG engages in dialogue with those in attendance.

ElringKlinger traditionally also offers institutional investors and financial analysts the chance to meet with the company on ElringKlinger's premises in order to familiarize them first-hand with ElringKlinger's latest technologies and production processes.

Multiple awards for the ElringKlinger annual report

ElringKlinger AG's 2018 annual report won several awards as part of major communication and design competitions. It gained a gold medal in the Automotive category of the Fox Finance Award. In addition, ElringKlinger was honored with the Good Design Award in the Graphic Design category. As part of the Automotive Brand Contest, ElringKlinger was again among the winners in the Corporate Publishing category. The company also received a gold medal for its annual report in the Automobiles & Components category of the LACP (League of American Communications Professionals) Vision Award.

Growing importance of sustainability in capital markets

Issues relating to the environment, climate, and sustainability have recently become increasingly important. Sustainability has also become an integral part of investment efforts in the financial sector. Alongside financial criteria, both environmental and social aspects are also of relevance to a growing number of institutional and private 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 (GCGC).

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, the ElringKlinger Group consistently operates in line with applicable quality and environmental standards as well as the latest GCGC requirements. At the same time, the Group's pioneering portfolio of products targeted at the key issue of alternative drive technology is making a sizeable contribution when it comes to cutting greenhouse gases and other pollutants.

In April 2019, ElringKlinger took part in the German CSR Forum in Stuttgart as a guest speaker, the theme of which was The Economics of Climate Change and Sustainable Financial System. Following a brief presentation, company representatives were on hand to answer questions from interested members of the audience.

ElringKlinger's current sustainability report, which is available on the Group's website, provides a detailed account of its commitment to sustainability. The impacts of the company's operations on environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters are discussed separately in the non-financial statement issued by the ElringKlinger Group (available online at www.elringklinger.com/2019-nfb-en).

Key Indicators for ElringKlinger's Stock

International Security Identification Number	DE0007856023
German Securities Identification Code	785602
Exchange symbol	ZIL2
Ticker symbol Bloomberg	ZIL2
Ticker symbol Reuters	ZILGn.DE
Share capital	EUR 63,359,990
Number of shares outstanding	63,359,990
Stock exchanges	Xetra and all German exchanges
Market segment	Regulated Market
Transparency level	Prime Standard

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 November 29, 2019, in respect of the Code, has

been published online at www.elringklinger.com/en/company/corporate-governance in accordance with Section 3.10 of the German Corporate Governance Code in connection with the Corporate Governance Statement.

Sustainability report

Detailed information and key indicators relating to human resources, social commitment, the environment, and quality can be found in ElringKlinger's annual sustainability report.

It is likely to be published in mid-2020 on the Group's website at www.elringklinger.com (Sustainability section).

* Cf. glossary