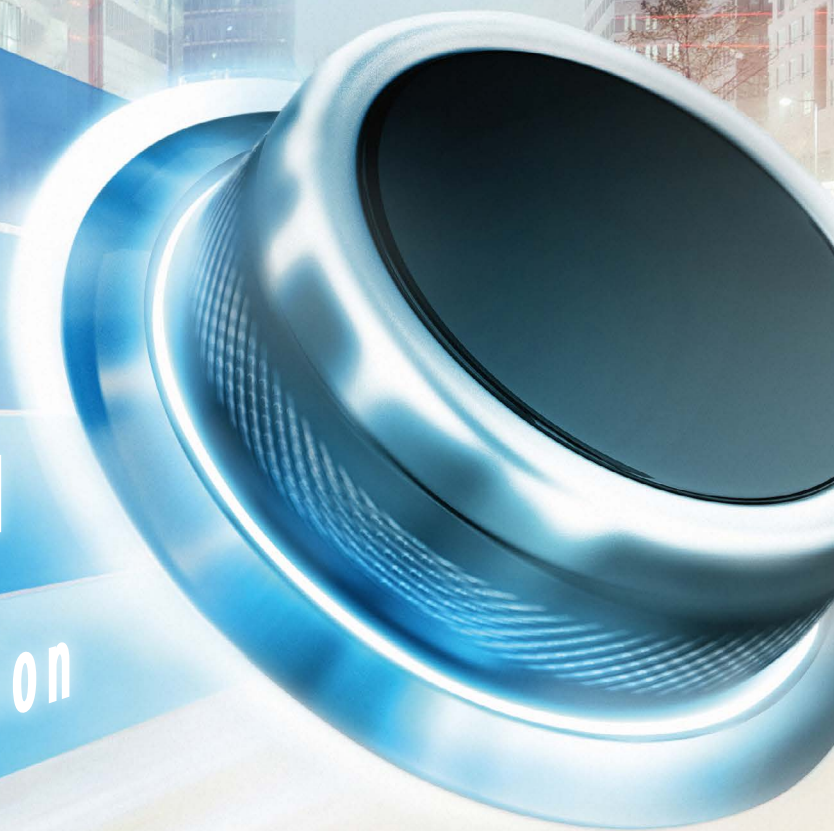


Fuel cell

Battery

Hybrid

Combustion



Non-financial Group reporting has been combined with the non-financial reporting of the exchange-listed parent company ElringKlinger AG and refers to the 2017 financial year. Unless otherwise stated, the content refers to the entire ElringKlinger Group. The acquisition of hofer powertrain products GmbH in 2017 does not constitute part of this report.

Business model of the ElringKlinger Group

The ElringKlinger Group is an independent, globally positioned development partner and original equipment manufacturer. The Group offers cutting-edge solutions for all types of drive system – whether optimized combustion engines, high-performance hybrids, or environmentally-friendly battery and fuel cell technology. Alongside cylinder-head and specialty gaskets, ElringKlinger's product range includes lightweight plastic components and housing modules for the powertrain and the vehicle body. This is complemented by thermal and acoustic shielding components for the engine, transmission, and exhaust tract as well as components used in environmentally-friendly battery and fuel cell technology. Beyond the automotive industry, the Group offers cross-industry products made of the high-performance plastic Polytetrafluorethylene as well as those engineered from thermoplastic materials.

As a global automotive supplier, the Group is represented worldwide and is well-positioned with production facilities in every significant vehicle market. ElringKlinger is active in a total of 21 countries and predominantly serves the three major markets of Europe, NAFTA, and Asia-Pacific with innovative products. As of December 31, 2017, ElringKlinger had 38 production facilities, nine sales offices, one logistics center, and one company operating solely within the area of aftermarket sales. At the end of the reporting period, the consolidated Group comprised 45 entities in total. Within the value chain, ElringKlinger maintains a direct customer relationship with almost all notable vehicle and engine manufacturers. In order to actively cap-

italize on the numerous advantages of a globally-connected world, ElringKlinger sources raw materials from 41 different countries and to this end has built up an extensive supplier network which now encompassed around 1,400 approved suppliers. ElringKlinger sources almost two-thirds of goods from Germany, China, and the United States.

The Group's operating business is divided into five segments: Original Equipment, Aftermarket, Engineered Plastics, Services, and Industrial Parks. Additionally, the segments outlined above are subdivided into eleven divisions.

ElringKlinger is convinced that growth in every division can be combined with commercial success and environmentally sound production processes. Being a sustainable company at Group level therefore means ensuring long-term, profitable growth, while maintaining an equilibrium between people, the environment, and earnings. Sustainable trading is an enterprise-wide undertaking that constitutes an integral part of the corporate strategy, which is focused on long-term value enhancement. The significance which ElringKlinger attaches to sustainability is therefore reflected in the guidelines within the Group.

Identification of material topics

In order to identify material topics and fulfill legal obligations with regard to environmental, employee-related, and social matters, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) of the German Commercial Code [Handelsgesetzbuch – HGB]), ElringKlinger has carried out an in-depth review of the legal requirements and their implications for the ElringKlinger Group. Aspects were evaluated and prioritized on the basis of their business relevance and impact on business operations in expert discussions with the Personnel, Legal Affairs, Quality, Purchasing, and Strategic Communications departments, which are in daily contact with relevant stakeholders. The main focus was, above all, on issues that are significantly influenced by the business model and the value chain. Five key subject areas emerged as a result. Among these subject areas, there is a particularly high relevance in relation to the business operations of the ElringKlinger Group; these business operations, in turn, have an especially strong impact on the reportable matters:

- The fight against corruption and bribery
- Responsibility in the supply chain
- Environmentally-friendly mobility
- Protection of the environment in production
- Targeted recruitment and development of employees

Due to the legally-restricted publication period, this combined non-financial statement was compiled in accordance with the requirements of Sections 315b and c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB) and is not consistent with any international framework. Ernst & Young GmbH was commissioned to perform a limited assurance engagement of the combined non-financial statement of ElringKlinger AG for the period from January 1, 2017, to December 31, 2017. Only information for the reporting year 2017 was examined. Information relating to the previous year was not subject to examination. In addition, the Group is planning to publish a comprehensive sustainability report during the course of 2018.

Risk assessment

With regard to the sphere of activity of the business operations covered in the non-financial statement of ElringKlinger Group, no significant risks were identified in accordance with Section 289c(3) of the German Commercial Code (HGB) that are associated with its own business operations and in which the business operations either have or are very likely to have a severe negative impact on the reportable aspects according to Section 289c(2) of the German Commercial Code (HGB). The risk assessment applies both to the Group's business operations and its business relations as well as the products and services of the ElringKlinger Group.

Risk management is seen as an all-embracing function within the company. As such, new risks that may potentially arise are incorporated into the existing risk management system. Relevant risk assessments have been performed by teams of experts for all significant issues in this non-financial statement. In the future these will be regularly reviewed and updated.

The fight against corruption and bribery

ElringKlinger expects all employees to fulfill their duties in accordance with the applicable laws, regulations, and fundamental values at all times. For this purpose, Group-wide guidelines have been drawn up that are applicable to all employees.

The Compliance Organization within the ElringKlinger Group is responsible for actively investigating all indications of compliance offenses in order to clarify the circumstances as quickly as possible and to initiate the necessary next steps. If corresponding evidence exists, the Management Board is notified immediately. Hence, the sphere of Compliance is directly accountable to the Chief Executive Officer. The Chief Compliance Officer, who develops and refines the Compliance Management System, reports to him. Additional Compliance Officers have been appointed for the regions in which ElringKlinger is active; they report to the Chief Compliance Officer. Information can be communicated to the Chief Compliance Officer and/or the Regional Compliance Officers via the existing reporting system (telephone number and e-mail) or during a personal discussion.

The global business activities of the ElringKlinger Group are subject to numerous national legal systems and different political, social, and cultural framework conditions. Compliance with the relevant legal regulations and operational guidelines is a basic prerequisite of day-to-day work in the view of ElringKlinger. An essential component of this in the ElringKlinger Group is the Code of Conduct, which is binding for all employees. As an important cornerstone of the Compliance System, it includes, among other things, a guideline regarding the Group's handling of corruption. Unlawful and corrupt behavior is categorically not tolerated in the ElringKlinger Group. In particular, this refers to monetary and non-monetary gifts from business partners.

All employees in the Group are requested, in line with the Corporate Code of Ethics, not to accept or give any gifts that could lead to a conflict of interests. Furthermore, neither bribes nor other unlawful payments shall be made or offered to government officials or other people. ElringKlinger fulfills its social responsibility in line with the Corporate

Code of Ethics. In this context, the Management Board bears responsibility for the implementation of the principles stipulated therein.

In order to support compliance with the applicable laws, regulations, and fundamental values, all employees receive a copy of both the Code of Conduct and the Corporate Code of Ethics when they start working at the company. Furthermore, the Group carries out selective training sessions to raise awareness of the issues, particularly in those areas that have regular contact with stakeholders. In this respect, the Compliance Officer advised all participants during the course of the Global Purchasing meeting in 2017 on the issues of corruption and bribery, among other matters. In the course of ElringKlinger's management program, selected management members were also given training during 2017 in compliance issues and at the same time also in how to handle corruption and bribery. The provision of training courses fundamentally serves to prevent future potential risks from compliance issues.

Corruption- and bribery-related risks can arise both at the parent company and also at the company's subsidiaries through unlawful activity. In view of the tools with which the Compliance System is equipped, e.g., the existing reporting system, and the ElringKlinger corporate culture embraced by staff members, the likelihood of significant violations occurring can be classified as low. However, it cannot be excluded completely.

The informational measures undertaken in 2017 with regard to compliance were also a reason why there were no significant violations in respect of the issues of corruption and bribery in the year under review either at the parent company or at its subsidiaries.

ElringKlinger is committed to expanding its Compliance Management System further. This will involve, for example, the introduction of a Group-wide anonymous digital notification system to further aid the detection of potential instances of abuse in the 2018 financial year. In addition, the

Group is, via the introduction of a Supplier Code that will incorporate compliance issues, also increasing its efforts to ensure that suppliers operate in accordance with applicable laws, regulations, and fundamental values.

Responsibility in the supply chain

ElringKlinger has set itself the clear objective of exclusively collaborating with suppliers who fully comply with the relevant labor, social, and environmental standards.

The selection and certification of suppliers in the ElringKlinger Group follows strict criteria that are governed by central Supply Chain Management. They include factors that are crucial in the handling of supplier risks. They are comprised of financial stability, quality, and availability in conjunction with sustainability criteria, particularly with regard to compliance with relevant labor, social, and environmental standards. The management of ElringKlinger attaches great importance to the compliant behavior of its suppliers. This is because it forms the foundation upon which the business operations of the ElringKlinger Group are based globally. The Code of Conduct and Corporate Code of Ethics described in the previous section entitled “The fight against corruption and bribery” are important corporate guidelines for this purpose.

The Quality and Environmental Management Policy is issued to all new suppliers and is applicable to all existing suppliers. In it, the Group actively calls on suppliers to introduce occupational health and safety management systems that comply with the content of the internationally recognized OHSAS 18001 standard. The key areas of this are the protection of people, safety in the workplace, and preventative health protection in order to reduce the risk of accidents or illness in the workplace by means of preventative measures. Furthermore, all areas of activity are required to comply with the internationally recognized ISO 26000 guidelines. The

guidelines regulate, amongst other things, the observation of human rights and demand fair labor, operational, and business practices. The management of ElringKlinger attaches great importance to environmentally conscious business management and the application of an environmental management system that regulates responsibilities, practices, processes, and specifications for the implementation of the company’s environmental policy. In 2017, a good two-thirds of ElringKlinger Group’s approved suppliers had signed up to the Quality and Environmental Management Policy. In addition, in the 2017 reporting year around 90% of suppliers were certified according to ISO 9001 and around 40% according to ISO 14001 and TS 16949.

The management of ElringKlinger oversees the achievement of objectives through active Supply Chain Management and the IMDS (International Material Data System).

The disclosure of information by all automotive suppliers regarding the material and chemical composition of semi-finished products and components to ElringKlinger and to customers is implemented in the form of the standardized material database IMDS in order to prevent potential environmental hazards due to incorrect disposal of the end product. Likewise, via IMDS ElringKlinger can identify more quickly which raw materials from which countries were utilized by

previous suppliers. Irregularities in specific purchased products can then be immediately examined through Supply Chain Management. This is because within the automotive industry, a primary focus when assessing responsible trading is on the use of conflict minerals such as tantalum, tin, tungsten, and gold, since their extraction is, in many cases, not environmentally-friendly or socially acceptable and is carried out in breach of human rights. The conflict raw materials are predominantly mined in the Democratic Republic of the Congo or the neighboring countries of Angola, Burundi, the Republic of the Congo, Rwanda, Zambia, South Sudan, Tanzania, Uganda, and the Central African Republic. ElringKlinger wishes, through its purchase behavior, to have an influence on the environment and on safety, health, and human rights. As such, the Group avoids importing the raw materials listed above from the aforementioned producer countries. An analysis of the raw materials purchased by ElringKlinger in 2017 revealed that none of ElringKlinger's approved suppliers were based in these countries. In addition, the raw materials, semi-finished products, and finished products sourced in 2017 did not contain any conflict materials.

In order to review compliance with labor, social, and environmental standards, the ElringKlinger Group carried out a total of 61 supplier audits in 2017 in accordance with the VDA 6.3 standard of the German Association of the Automotive Industry (VDA), which has been extended to include social issues. In the case of non-compliance with the previ-

ously described Group standards, which are regulated in the Quality and Environmental Management Policy, remedial action is agreed with the suppliers – to be implemented within a given time frame. ElringKlinger's Supply Chain Management is responsible for these matters. In instances of frequent or considerable non-compliance, business relations are terminated. In 2017, the Group-wide Supply Chain Management did not identify any breaches of applicable labor, social, and environmental standards by suppliers.

The Management Board is informed periodically about current developments in the field of supplier development in the context of management reporting.

The Group is planning to introduce a Code of Conduct for suppliers and business partners in 2018. The Code of Conduct will be based, inter alia, on the principles of the International Labour Organization (ILO) as well as ElringKlinger's existing Quality and Environmental Management Policy. The code will be part of the supplier certification process and brings into focus the issues of corporate integrity, social and working conditions, and compliance. The aim of this code is to ensure that suppliers have or create lawful and safe working conditions, that employees are paid in accordance with regulations, and that suppliers respect the environment in accordance with company standards. Furthermore, ElringKlinger is seeking to encourage its suppliers to draw up and implement their own guidelines and principles on the issues described.

Environmentally-friendly mobility

Emission-neutral mobility is the objective and the clear strategic corporate focus that motivates ElringKlinger to make new advances on a daily basis. This is because by manufacturing products that reduce emissions in vehicles or even make emission-free driving a reality, ElringKlinger is able to make a contribution to the protection of the environment. The management of ElringKlinger is therefore striving for up to 25% of its revenue to be generated in the medium to long term by products in the forward-looking strategic business areas of battery and fuel cell technology, electric drive systems, and lightweight structural components.

Passenger and freight transportation makes a significant contribution to the production of CO₂. Automotive manufacturers and suppliers are therefore working intensively on solutions that ensure a high level of driving comfort alongside as low a level of emissions as possible through an efficient drive system. Only then can the environmental impact be reduced. The conversion to emission-free vehicles in the automotive industry is being accelerated by strict legal emission limits. At the end of 2017, the European Commission submitted a proposal regarding new limits for CO₂ emissions for newly registered vehicles in the years 2025 and 2030. Following the application of a CO₂ limit of 95g/km as of 2021, CO₂ emissions are to be reduced by a further 15% in 2025 and by 30% by 2030 compared with the 2021 values. Europe thus remains the region with the strictest CO₂ limits in the world.

Part of ElringKlinger's corporate philosophy is being prepared in advance for the industry's technological challenges and playing an innovative role in helping to shape trends. This also involves driving forward innovations together with customers in line with market demand. On this basis, the management of ElringKlinger is directing the product portfolio in a targeted manner and has prepared the Group ahead of time for the transition toward lower-emission vehicles. Modern lightweight design concepts, rightsized or downsized combustion engines, and alternative drive technologies are major industry trends, as they contribute to the reduction of emissions such as carbon dioxide, nitrogen oxides, or hydrocarbons. To complement this, ElringKlinger also has at its disposal products that already enable emission-neutral mobility. In this context, the management has, in recent years, broadly positioned the Group in strategic terms and is currently developing its business in three key areas: battery technology, fuel cell technology, and the production of electric drivetrains. In the field of battery modules, the Group is already supplying the first components for lithium-ion batteries as part of its serial production capabilities; these components are used in electric and hybrid vehicles. In 2017, ElringKlinger agreed a strategic partnership with a Chinese cell manufacturer, outlining cooperation arrangements for new orders. By acquiring a stake in hofer AG, Nürtingen, Germany, ElringKlinger has extended

its range of services to include electric drive systems. The third key area comprises advances in the field of fuel cells. This incorporates, among other things, low-temperature fuel cells (PEMFC), which can also be used as range extenders for battery-powered electric cars. ElringKlinger's next generation of PEMFCs will offer an increase in performance from 80 kW to 100 to 150 kW.

In addition to the three key areas, the Lightweighting/Elastomer Technology division is also seen as a major growth driver. Reductions in weight can be achieved by substituting heavy steels with alternative materials such as high-performance plastics or organo sheets. When used in vehicles with combustion engines, they help to reduce fuel consumption; as a consequence, CO₂ emissions are also scaled back. In all-electric vehicles a lower vehicle weight consistently increases the vehicle range. The number of development projects in the field of lightweighting has risen disproportionately in recent years due to the potential of emissions reduction. As a result, this division's portfolio is currently comprised of approximately 20 product lines and is continually being extended to include new products.

The revenue share of these forward-looking business areas, which are particularly promising from a strategic perspective, was around 3% in 2017. In the medium to long term, the ElringKlinger Group is aiming for a revenue share of up to 25%.

In 2017, the Group marketed its highly diversified product portfolio on an international scale. In this context, sales representatives actively approached customers in order to support them in the transition to zero-emissions mobility. The Group wishes to play its part in the protection of the environment by reducing or even preventing vehicle emissions through the use of ElringKlinger products. To this end, the entire Research and Development unit with its 597 (570) employees is working on innovations on a daily basis. In 2017, the Management Board decided specifically to further strengthen the development areas of electromobility and fuel cells in terms of personnel in order to play a role in the rapid conversion to alternative drive systems through further innovative product developments.

Protection of the environment in production

ElringKlinger has set itself the objective of utilizing around 1% of the Group's total investments* annually for measures that serve to reduce emissions.

Another important tool in the fight against climate change, as outlined above, is the decarbonization of industrial companies on a global scale. ElringKlinger is facing up to its responsibility regarding the environment and climate change. The Group has clearly set out its intentions in its Quality and Environmental Management Policy, which is also applicable to suppliers.

Environmental management at all the companies included in environmental reporting is certified in accordance with the internationally recognized standard ISO 14001, with the exception of PT. ElringKlinger Indonesia, Karawang, Indonesia. Environmental management is comprised of the responsibilities and processes of corporate environmental protection in order to comply with legal specifications, as well as to support the sustainable environmental compatibility of corporate processes and products in conjunction

with a responsible approach on the part of employees with regard to available resources. The management assesses the environmental impact prior to every investment decision. The key figures listed in the following sections are calculated, analyzed, and presented to the Management Board on an annual basis for further strategic decisions. In total, 32 companies were included in the report. Alongside 31 production companies, ElringKlinger Logistic Service GmbH in Rottenburg/Ergenzingen is also included.

ElringKlinger separates the emissions figures into direct and indirect emissions. Emissions resulting from gas, fuel oil, and engine test stands as well as Group-owned vehicle fleets count towards the emissions arising directly from the company, the so-called scope 1 emissions. The indirect emissions (scope 2) include all emissions that arose from electricity consumption and air travel in the year under review.

	2017 ³	2016
Total direct and indirect CO₂ emissions in metric tons	111,800	104,200
CO₂ emissions per EUR 1 million revenue in metric tons	67.1	66.9
Total direct CO₂ emissions in metric tons	24,800	26,700
of which direct CO ₂ emissions from, inter alia, gas, oil, engine test stands in metric tons ¹	23,500	25,700
of which direct CO ₂ emissions from the vehicle fleet in metric tons ²	1,300	1,000

¹ The following production sites are not included in the figures: new enerday GmbH, Neubrandenburg, Germany; hofer powertrain products GmbH, Nürtingen, Germany; ElringKlinger Silicon Valley, Inc., Fremont, USA; ElringKlinger Chongqing Ltd., Chongqing, China; ElringKlinger South Africa (Pty) Ltd. Johannesburg, South Africa; HURO Supermold S.R.L., Timisoara, Romania; ElringKlinger AG, Bissingen/Teck, Germany.

² Emissions calculated by multiplying the annual mileage of the vehicles by the CO₂ emissions declared by the respective car manufacturer.

³ At the parent company ElringKlinger AG 12,700 metric tons of direct CO₂ emissions arose from, inter alia, gas, oil, engine test stands. Direct CO₂ emissions arising from the vehicle fleet amounted to 1,200 metric tons.

* The investments carried out in order to achieve this objective (in particular additional investments in energy-saving measures) relate to some of the investments in land and buildings, technical facilities and machinery, as well as other fixed assets (operating and business equipment).

Total direct and indirect CO₂ emissions rose in 2017 to 111,800 (104,200) metric tons. CO₂ emissions per EUR 1 million of the total Group revenue were 67.1 (66.9) metric tons and therefore approximately on a level with the previous year.

Of the total direct CO₂ emissions in metric tons, 23,500 (25,700) metric tons relate to scope 1 emissions, i.e., gas and fuel oil consumption as well as engine test stands. In spite of company growth, these are below the level of the

previous year because heating costs were reduced in particular at the Swiss production facility in Sevelen due to a comparatively warm winter. The average CO₂ emissions per vehicle in the company vehicle fleet and from hired vehicles rose to 143 (134) g/km. Direct CO₂ emissions arising from the vehicle fleet and hire vehicles rose to 1,300 (1,000) metric tons. The increase, however, was attributable essentially to a greater number of kilometers driven – covered by 259 (210) company vehicles. The company vehicle fleet comprises all vehicles at ElringKlinger locations in Germany.

	2017 ²	2016
Total indirect CO₂ emissions in metric tons	87,000	77,500
of which indirect CO ₂ emissions from electricity in metric tons	80,600	72,400
of which indirect CO ₂ emissions from flights in metric tons ¹	6,400	5,100

¹ Flights from locations in Germany, Switzerland, France, and Hungary as well as centrally recorded flights from the UK and the United States.

² At the parent company ElringKlinger AG 27,300 metric tons of indirect CO₂ emissions arose from electricity. Flights that exclusively relate to ElringKlinger AG will be calculated separately from 2018.

In 2017, the total indirect CO₂ emissions also increased by around 12%. They rose to 87,000 (77,500) metric tons. The expansion of the global production network led to an increase in the annual electricity demand in the year under review; specifically relative to Group revenue, electricity consumption remained static at the level of the 2016 reporting year. The newly built logistics center in Dettingen/Erms is to be highlighted, which commenced operations in 2017 and was included in the figures for the first time. The energy consumption associated with the operation of this new building was 30% below the requirements of German energy-saving regulations. The additional costs arising from this are attributable to the fiscal 2017 investment measures for projects aimed at reducing emissions.

Furthermore, the French plant has expanded production relating to Shielding Technology in a newly leased factory, which resulted in the on-site electricity consumption increasing by around 24%. When acquiring machinery, the Group takes into consideration energy efficiency as a matter of principle and, in addition, regularly modernizes existing systems. The expansion and construction of new production facilities in the 2017 reporting year necessitated a higher level of travel activity in the Group in comparison with the previous year, which was reflected in an increase in indirect CO₂ emissions from flights of 6,400 (5,100) metric tons.

The management of ElringKlinger attaches great importance to an economical and responsible approach when dealing with scarce resources. This is reflected in a variety of different measures such as the use of electric vehicles in the vehicle fleet, ongoing process optimization, and also building maintenance measures that result in the conservation of raw materials. Along with corporate growth, step increases in direct and indirect CO₂ emissions can arise, which are, for example, attributable to the acquisition of new facilities, the operation of additional production plants, or perhaps the product mix. This can therefore result in the volatile development of CO₂ emissions within the Group. These trends are monitored and closely analyzed at all times.

Alongside CO₂ emissions, ElringKlinger attaches great importance to a responsible approach with regard to the energy required in product manufacturing. As a first step, ElringKlinger has set itself the objective of closely analyzing energy consumption at the point of origin in order to make energy flows within the Group more transparent. In this way, discrepancies and negative developments relating to energy consumption of energy-intensive machinery can be identified, and targeted improvement measures can then be introduced that lead to sustainable energy savings. With its matrix certification ISO 50001, at the end of 2016 ElringKlinger intensified its integrated approach to energy flows and

established a comprehensive metering infrastructure at individual production facilities. This has enabled it to begin to detect the first small instances of energy wastage. The results of these analyses were presented to the management responsible. Individual measures derived from this were gradually implemented by the Group in 2017. This included, for example, the conversion of the compressed air system at the main plant in Dettingen/Erms. From now on, waste heat from the compressors here will be fed into the heating network. Furthermore, ventilation systems at the plant have been replaced and the high-bay warehouse has been completely renovated, including the installation of roof insulation. The Group has converted the factory lighting at a plant in Lenningen to LED light sources and has invested in the installation of speed-regulated compressors that also facilitate heat recovery. In addition to this, the company has converted the oil-fired heating system at the Lenningen site to modern gas condensing technology.

As a manufacturing company with a total of 38 production sites worldwide, ElringKlinger is reliant on the adequate supply of energy and seeks, at all times, to make use of this in a needs-oriented and economical manner. ElringKlinger has also installed wind turbines, solar power systems, and

cogeneration units at several sites. The advantage of a cogeneration unit is the simultaneous generation of electricity and heat as well as partial independence from electricity suppliers. In 2017, energy consumption (electricity, gas, fuel oil, and fuel for engine test stands) was a good 5% above the previous year's value at 313,100 (298,100) MWh. Of this, 121,900 MWh is attributable to the parent company ElringKlinger AG. The increase can be partially attributed to the first-time inclusion of the production facility in Southfield and the product mix. Overall, energy consumption increased at a disproportionately lower rate compared with the increase in Group revenue.

In 2017, ElringKlinger achieved its objective of utilizing around 1% of total investments for measures that facilitated reductions in emissions. As already stated in the report, the major measures implemented in 2017 included the replacement of ventilation systems, substantial refurbishment and conversion of a high-bay warehouse, the energy-efficient construction of a new logistics center, compressed air optimization measures, the improvement of heating technology in Lenningen, and the conversion at an existing facility of the factory lighting system to LED technology.

Targeted recruitment and development of employees

In order to prevent a skills shortage and to prepare the workforce for the changing world of work, ElringKlinger has set itself the goal of stepping up its recruitment of skilled workers and promoting the ongoing development of employees via training measures.

Global trends such as alternative drive systems, autonomous driving, and connected cars are going to radically change the product range and, consequently, the working environment in the automotive industry. In order to manage the change, it is therefore very important to the Management Board that ElringKlinger establishes personnel capacities in strategically

expedient positions ahead of time in order to prevent a skills shortage. As a technology company, ElringKlinger primarily carries out research into key issues for the future, including battery and fuel cell technology and in the field of lightweighting/elastomer technology. It is in these specific areas that the Group is continually seeking and recruiting skilled workers.

The increasing skills shortage is already becoming noticeable in certain parts of the ElringKlinger Group. The general trend is that it is becoming more difficult to recruit qualified specialist personnel specifically at the sites of the parent company ElringKlinger AG. In order to confront this trend in a proactive manner, ElringKlinger AG carries out systematic university marketing to recruit employees, presents itself at career fairs as an attractive employer for graduates, and reaches out to university and technical college students through the allocation of internships and theses. ElringKlinger also meets part of its future skilled worker requirements through internal training.

As such, the training of employees is a central component of human resource management in order to ensure the long-term provision of expertise and know-how at the company. Vocational training, which is predominantly carried out at the German sites, represents the first stage of this. Alongside the slight increase in the total number of apprentices and student interns at the major German production facilities, the number of these at the production site in India decreased compared with the high prior-year figure. The vocational training rate within the ElringKlinger Group therefore fell to 4.1% (4.7%) in 2017; at the parent company ElringKlinger AG it remained constant at 4.5% (4.5%). In 2017, the management took the strategic decision to introduce a global training concept within the ElringKlinger Group. In this context, a standardized training concept is currently being developed. A standardization level of around 80% should ensure that a consistent Group-wide level of specialist knowledge can be established within the relevant skilled occupations. The project team is allowing for around 20% flexibility in relation to modifications that are required on a regional level. The production site in Buford, USA, will train the first apprentices in accordance with the new concept as part of a pilot project in mid-2018. The training will be accompanied by an educational course at a nearby technical college. Each apprentice will complete the training with an in-house examination. The new training concept is expected to be rolled out to all major production facilities in the medium term. Employee recruitment was further stepped up in 2017 as a result of the previously described measures.

Furthermore, the Group attaches great importance to the ongoing development of employees in a targeted manner based on their knowledge and skills by way of comprehensive training opportunities. An extensive training program is

available for the companies of ElringKlinger AG for this purpose. It comprises a large number of training courses that are specifically tailored to management, new employees, and the active workforce. The training program ranges from IT courses to language courses and communication and intercultural training. The training courses are run by both in-house and external instructors. Advanced training is, essentially, an extremely important foundation on which qualifications can be refined, strengths can be developed, and potential for improvement can be exploited. In order to analyze individual requirements, ElringKlinger conducted performance reviews in 2017. The rate of performance reviews carried out within the Group stood at 77.0% and at the parent company ElringKlinger AG the rate was 73.0%. During the reviews, the employees' performance is assessed. At the same time, the line managers consider the advanced training opportunities for each employee in order to support them individually. As a consequence, ElringKlinger was able to support the ongoing development of employees through targeted training measures in the year under review.

In the long term, the challenge is to continue to develop the skills of the existing workforce, particularly in production and production-related divisions, in a timely manner in order to be able to play a flexible role in shaping the transformation of the automotive industry. To this end, ElringKlinger plans to discuss in depth both the process of transition and its impact on the Group and the individual sites within the framework of management training in 2018. Based on this, a strategy paper relating to the development of human resources within the ElringKlinger Group is being drawn up and will be implemented in the near future. In addition, ElringKlinger is working towards the global alignment of training measures and programs. It is expected that this will lead to the expansion of opportunities on a global level in the future.

Dettingen/Erms, March 22, 2018

The Management Board



Dr. Stefan Wolf
Chairman/CEO



Theo Becker



Thomas Jessulat

Audit report

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the combined non-financial statement 2017 of ElringKlinger AG. The following text is a translation of the original German Independent Assurance Report.

To ElringKlinger AG, Dettingen/Erms

We have performed a limited assurance engagement on the group non-financial statement of ElringKlinger AG according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB and which disclosures are made in the combined non-financial report 2017 for the reporting period from 1 January 2017 to 31 December 2017. Our engagement did not include any disclosures for prior years.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the combined non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the combined non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2017 and March 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the combined non-financial statement, the risk assessment and the concepts of ElringKlinger AG for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the combined non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the combined non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment and employees in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Analytical procedures at group level regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the combined non-financial statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of ElringKlinger AG for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with ElringKlinger AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (see attachment). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, March 22, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Jan Kaiser
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