At a glance

In 2017, the consolidated revenue of Eberspächer Group once again increased following a year of consolidation. This development is primarily due to a rise in customer calls for commercial vehicle exhaust technologies and growth in the Chinese automotive market. However, the positive consolidated result was impacted by an increase in personnel expenses, amortization and depreciation. Based on the positive order situation, the pooling of our innovative strength and consistent measures for further increasing efficiency, we expect revenue at a high level and an increase in result in 2018.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,480.9</td>
<td>3.6</td>
<td>4,323.6</td>
<td>4,370.8</td>
<td>3,598.5</td>
<td>2,916.4</td>
</tr>
<tr>
<td>Revenue generated abroad as a % of total revenue</td>
<td>69.8</td>
<td></td>
<td>67.0</td>
<td>67.4</td>
<td>62.4</td>
<td>60.0</td>
</tr>
<tr>
<td>Cash flow from operating activities*</td>
<td>149.5</td>
<td>9.1</td>
<td>137.0</td>
<td>66.5</td>
<td>21.3</td>
<td>96.5</td>
</tr>
<tr>
<td>Ratio of equity to total assets as a %</td>
<td>21.0</td>
<td></td>
<td>20.1</td>
<td>16.0</td>
<td>20.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Equity ratio as a %**</td>
<td>22.9</td>
<td></td>
<td>21.9</td>
<td>17.8</td>
<td>22.0</td>
<td>25.2</td>
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<tr>
<td>Capital expenditure***</td>
<td>103.2</td>
<td>–21.5</td>
<td>131.4</td>
<td>123.2</td>
<td>142.5</td>
<td>134.9</td>
</tr>
<tr>
<td>Amortization, depreciation, and write-downs</td>
<td>100.6</td>
<td>9.7</td>
<td>91.7</td>
<td>84.7</td>
<td>72.7</td>
<td>64.3</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>156.5</td>
<td>6.2</td>
<td>147.3</td>
<td>149.6</td>
<td>138.2</td>
<td>138.0</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>514.8</td>
<td>1.6</td>
<td>506.5</td>
<td>480.3</td>
<td>441.7</td>
<td>416.4</td>
</tr>
<tr>
<td>Net income/net loss for the year</td>
<td>52.5</td>
<td></td>
<td>61.0</td>
<td>–29.2</td>
<td>3.6</td>
<td>19.5</td>
</tr>
<tr>
<td>EBIT****</td>
<td>119.0</td>
<td>–6.8</td>
<td>127.7</td>
<td>126.4</td>
<td>57.7</td>
<td>52.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>219.6</td>
<td>0.1</td>
<td>219.4</td>
<td>211.1</td>
<td>130.3</td>
<td>117.2</td>
</tr>
<tr>
<td>Return on sales as a % (after taxes)</td>
<td>1.2</td>
<td></td>
<td>1.4</td>
<td>–0.7</td>
<td>0.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Number of employees</td>
<td>9,489</td>
<td>4.7</td>
<td>9,063</td>
<td>8,611</td>
<td>8,385</td>
<td>7,888</td>
</tr>
</tbody>
</table>

* Since fiscal year 2014, prepared in accordance with DRS 21 (German Accounting Standard No. 21)
** Including loan liabilities to partners
*** Without changes in the consolidated group
**** Earnings before tax, investment, and financial result
The Group

Corporate boards of the Group as of December 31, 2017

Advisory Board
Mario Trunzer
Chairman
Franziska Beckmann
Christian Fürst
Klemens Schmiederer
Bernhard Wolf

Management Board
Heinrich Baumann
COO / Managing Partner
Martin Peters
CFO / Managing Partner
Dr. Thomas Waldhier
COO
Exhaust Technology
Dr. Jörg Schemikau
COO
Climate Control Systems / Automotive Controls

Divisions

Exhaust Technology
Revenue 2017: EUR 3,931.0 Mio. (up 4.0 %)
For environmentally compatible mobility: exhaust-gas aftertreatment, noise reduction, and sound design for passenger and commercial vehicles.

Climate Control Systems
Revenue 2017: EUR 495.3 Mio. (minus 0.7 %)
For comfortable thermal management: pre-heaters and auxiliary heaters for all types of vehicles, air conditioning for buses, and special-purpose vehicles.

Automotive Controls
Revenue 2017: EUR 54.6 Mio. (up 17.1 %)
For innovative electronics: vehicle power and performance management, battery management systems, and control units for mobile, medical, and industrial applications.
Following a year of consolidation, Eberspächer Group’s consolidated revenue increased by 3.6% to EUR 4,480.9 million in fiscal year 2017. This increase was primarily due to the rise in customer calls in the European commercial vehicle business and the growth in the Chinese and French automotive markets.

Consolidated net income for 2017 amounted to EUR 52.5 million, thus considerably down year-on-year. This was primarily caused by an increase in personnel expenses and amortization, depreciation as well as other operating expenses, including, for example, negative currency effects and administrative expenses. In 2018, we expect revenue to be on par with the prior year and a positive development of the consolidated result.

The new Business Innovation unit supports and pools the innovative strength of Eberspächer Group. The aim is to develop a product portfolio for an environmentally friendly future and to tap new market opportunities based on automotive megatrends. We invest in existing products and the development of future business in all Divisions.

We aim to sustainably secure the success of the Group by consistently implementing measures for increasing efficiency. By developing locations in close proximity to customers, Eberspächer is meeting the ever-increasing requirements of global automobile manufacturers.
Fundamentals of the Group

Business model of the Group

Eberspächer Group is a leading global system developer and supplier in the automotive industry. With its three Divisions Exhaust Technology, Climate Control Systems, and Automotive Controls, the Company is a valued innovation partner and trendsetter for global automobile manufacturers. As a system supplier, we develop, design, and produce components and complete systems for automobile manufacturers and automotive suppliers. Eberspächer delivers them as part of series production for OEMs and also supplies the aftermarket with spare parts and exactly fitting retrofit solutions. Eberspächer is an automotive supplier and as such is subject to economic developments in the passenger and commercial vehicle market.

Throughout our 150-year company history, we have been successfully operating as an independent owner-managed family company. Eberspächer is represented in all key automotive markets and operates from around 80 locations in 29 countries around the world. For a successful future, Eberspächer is consistently moving forwards. Our company strategy focuses on supporting our employees to create a highly effective global organization and providing high quality products for an environmentally friendly mobility. To this end, we are continually working towards innovations and invest in the development of existing products.

Eberspächer Group is divided into three Divisions: Exhaust Technology, Climate Control Systems, and Automotive Controls. The Corporate Center supports these Divisions with central services.

Exhaust Technology Division

The Exhaust Technology Division specializes in developing and manufacturing exhaust systems for passenger and commercial vehicles. Eberspächer is the third-largest global supplier of exhaust technology. Our exhaust systems significantly contribute to meeting the emission standards and are designed to further reduce fuel consumption and CO₂ emissions.

Climate Control Systems Division

Eberspächer’s Climate Control Systems Division provides products and solutions for the complete thermal management in vehicles, including pre-heaters for passenger, commercial and non-road vehicles, and air-conditioning systems for buses and special-purpose vehicles. Eberspächer electrical heaters for passenger vehicles rank first in the world. This product area already provides innovative solutions for future vehicle generations with hybrid, electric or fuel cell drives today.

Automotive Controls Division

The Automotive Controls Division specializes in standardized and customer-specific electronics solutions. The vehicle electronics applications comprise vehicle electric system and energy management, engine and drive train management, as well as control units and electronics modules for vehicle air-conditioning systems and extended vehicle functions. Battery management systems and energy storage systems in special-purpose vehicles, medical technology, and industrial applications complete the portfolio.

On June 1, 2017, Dr. Jörg Schernikau became a member of the Management Board of Eberspächer Group and assumed the management of the Climate Control Systems and Automotive Controls Divisions. Engaging just one manager for both Divisions makes it easier to exploit existing strengths. Dr. Dirk Walliser, former member of the Management Board responsible for Automotive Controls, assumed the Group-wide management of the new Business Innovation unit. The aim of this new unit is to tap new strategic market and product opportunities for Eberspächer and thus actively shape the Group’s future.

Research and development

Increased R&D investments

In fiscal year 2017, research and development expenses amounted to EUR 156.5 million. They are therefore moderately up year-on-year (EUR 147.3 million). This amount includes internal expenses plus all external services purchased for design, computer aided engineering, testing and prototypes.

Basic development (research) continues to be one of the focal points for investments so as to further develop standards, processes and methods, and to create the conditions for new series solutions. We continue to expect expenses for direct product development to remain high. These costs are necessary due to the increasing number of series applications to ensure that the global revenue targets will be met.

Exhaust Technology Division

The main development activities in the Exhaust Technology Division take place at the three locations in Esslingen, Germany, Novi, USA, and Shanghai, China.

In 2017, we focused our research and development activities on modern exhaust-emission control systems for passenger and commercial vehicles. In particular, we continued to develop products and solutions for the Euro 6c emission standard, which became compulsory in September 2017, namely gasoline particulate filter systems (GPF systems) for gasoline engines and near-engine DPF / SCR systems for Diesel engines. Many of these systems will go into series production in 2018. Developments further focused on modular exhaust valves which are almost ready for series production at various customers. The exhaust valves are used for improving sound absorbing and exhaust emission control (low pressure EGR system). Close cooperation with process development forms the basis for optimal product design.
Modern China 6 exhaust-gas aftertreatment systems were developed particularly for the Chinese commercial vehicle market where they will become compulsory in 2020.

Development also focuses on exhaust system acoustics. Exhaust noises can be actively muffled and deliberately shaped with the ActiveSilence® technology. Prototype vehicles were successfully fitted with this technology for various customers and the products were developed further towards series production.

Various basic and series developments were also implemented in the lightweight construction sector. The use of lightweight construction technologies makes it possible to significantly reduce the weight of an exhaust system, which has a positive effect on the vehicle’s gas consumption and CO₂ emissions. The respective competences were developed further at the Schwäbisch Gmünd location.

**Climate Control Systems Division**

In the Climate Control Systems Division, research and development activities are carried out at the respective German main locations of the individual product groups: in Esslingen for Fuel Operated Heaters, in Herxheim and Hermsdorf for Electrical Heaters, and in Renningen for Bus & Coach.

In 2017, we consistently continued the new and further development of fuel operated heating systems. The optimization and completion of the product portfolio as well as reducing emissions were important factors. A further focal point was the development of the new Airtronic heater generation. The launch of the new air heaters for passenger and light commercial vehicles is planned for mid-2018. The consistent application of computer simulations made it possible to optimize the fan and reduce power consumption. Improved durability further increases customer use. A control unit developed entirely in-house is used for the electronics. The hardware and software development is performed jointly between the Climate Control Systems and Automotive Controls Divisions and makes use of the resulting synergies. By replacing metal with plastic brackets, the weight of the water heater was reduced, thus contributing to a reduction in CO₂. Further activities in 2017 focused on exhaust-gas aftertreatment. The aim is to further reduce the exhaust emissions of fuel operated heaters, which already fall significantly below all applicable legal emission standards. These technologies will be successively integrated in the various products in the coming years.

The development of a new generation of high-voltage heaters was successfully completed in the Electrical Heaters Business Unit. Development activities for the next generation have already started. In this respect, the cooperation with the Automotive Controls Division regarding electronics development for hardware and software was further intensified. The development of PTC ceramics and heating elements for high- and low-voltage products commenced in 2017. These ceramic elements are part of intrinsically save PTC heating systems for automotive applications, which quickly provide warm air in the passenger compartment. By integrating the PTC development in Hermisdorf, Eberspächer is currently the only manufacturer of electrical heaters with the ability to internally develop and produce heaters, heating elements and related electronics. This measure has strengthened our position in the market and enabled us to provide our customers with innovative, safe, and cost-optimized solutions for electrical heaters. Additionally, the electric vehicle market offers the product group opportunities for innovation and growth.

In the Bus & Coach Business Unit, the development activities for a new generation of roof-mounted air-conditioning systems were successfully completed and pilot production prepared accordingly in 2017. As the use of alternative drive systems in the bus segment is becoming increasingly important, numerous development projects for electrical air-conditioning systems and heat pumps were implemented in the past year. The new bus thermal management system, which uses a heat pump for heating and cooling, serves as technology carrier for the introduction of CO₂ as an alternative refrigerant.

**Automotive Controls Division**

The Automotive Controls Division invested heavily in research and development, and therefore in the further development of competences, in 2017. The respective activities are performed at the German locations in Landau and Esslingen and in Concord, Canada.

The development of vehicle electric system stabilization solutions and fast power storage systems in the vehicle electronics sector was driven further. Due to the regulation regarding the reduction of CO₂, more and more mechanical systems are being electrified in the automotive industry. Early developments in this sector therefore provide future potential.

In 2017, the development of electronic systems for special-purpose and non-road vehicles as well as trucks and buses again reinforced its focus on electronics development for the Climate Control Systems and Exhaust Technology Divisions.

One year after Eberspächer acquired the majority share in Vecture Inc., the Company continues to increase its expertise in the field of industrial applications. In 2017, activities focused on developing various systems, subsystems, and components that are used in battery management systems. Due to the significant interest in powerful battery management systems, the development team was increased to be able to complete new developments in the coming year.
Business report

Economic environment

Overall economic development

After a slow start, the global economy gained considerable momentum during the course of 2017. The total global gross domestic product in 2017 increased by 3.6 % (prior year: 3.2 %). The global economy therefore experienced a significant upturn. Together with the increase in raw materials prices, the economic upswing of the major economies increased the economic activity in the emerging markets. The Chinese economy stabilized thanks to government support and the Chinese gross domestic product was slightly up year-on-year. Economic growth in the USA was considerably up year-on-year, primarily due to high private consumer spending. The growth rate in the eurozone also increased and is significantly up on the prior year. This economic development is the result of a continuously expansive fiscal policy and the related high domestic consumption as well as an increased demand for exports. In Germany, growth amounted to 2.2 % (prior year: 1.9 %), due to high domestic demand and positive external trade.

Sector environment

Increasing demand for passenger vehicles

Global demand for passenger vehicles increased by 2 % year-on-year in 2017. China, the largest automotive market in the world, continues to grow slightly. The passenger vehicle business in the USA was slightly down on the prior year for the first time in seven years, whereas in Europe, it was slightly up year-on-year. According to the German Association of the Automotive Industry (Verband der Automobilindustrie; VDA), the number of new passenger vehicles registered in Germany increased by around 3 %. The domestic order intake of German OEMs and importers increased moderately during the course of the year. The positive order situation is reflected in the significant increase in order backlog. In contrast, the export of German vehicles and the production volume of 5.6 million passenger vehicles in Germany were slightly down on the prior year due to the move of production abroad within the scope of the model change. The weak British pound / euro exchange rate resulting from Brexit also had a negative effect on demand in the United Kingdom.

Slightly increasing commercial vehicle market

The US commercial vehicle market, which had decreased considerably in 2016, stabilized. The number of new heavy truck registrations was slightly up year-on-year. The commercial vehicle market in China grew moderately. In Western Europe, the number of newly registered commercial vehicles increased marginally. In Germany, the number of newly registered commercial vehicles increased by 3 % year-on-year.

Diverse bus market

In 2017, the demand in the global bus market remained stable. The European market was slightly down on the prior year and experienced significant fluctuations in individual regions to some extent. Contrary to the development in the prior year, the Russian bus market experienced strong growth in 2017. The technological trend in the bus segment toward more fuel-efficient vehicle concepts such as hybrid and electric buses continues. However, these vehicle concepts will remain relatively costly for the foreseeable future compared with conventional Diesel buses and are heavily funded with public money.

Outlook for 2018

The global economic upturn is expected to continue in 2018 with a slightly increasing global economic growth rate. Growth in the established industrialized countries is expected to be less than in 2017, whereas growth in the emerging and developing markets is expected to show moderate momentum. The global gross domestic product is forecast to grow by 3.7 % overall. This results from the capital inflow from a continuously expansive fiscal policy as well as the recovery of the raw materials prices. This development is offset by risks, including the uncertain global political situation, problems relating to the increase in interest rates, the implementation of protectionist measures by the USA, and the expected return of the acquired bonds in the eurozone, which may lead to turbulences in the financial markets. The forecasts for German economic growth differ. A slight increase is generally expected. The main drivers are the positive export business and the continuously strong domestic economy, which is based on high employment and stable wage developments. The results of the collective bargaining round 2018 for the metal and electronics industry led to a deterioration of the framework conditions in Germany. The resulting increase in unit labor costs generally weakens the position when negotiating with global OEMs. Marginal growth is expected for the global automotive industry year-on-year. The markets in the USA and Western Europe are expected to be marginally down on the prior year. In China, growth is expected to increase slightly.

Business trend

Development of revenue and orders

Consolidated revenue increased slightly

In 2017, the consolidated revenue of Eberspächer Group amounted to EUR 4,480.9 million (prior year: EUR 4,323.6 million), corresponding to an increase of 3.6 %. In the 2016 management report, we already expected slight revenue growth in 2017. Net revenue (adjusted for transitory items such
as monoliths and third-party parts) increased by 3.1 % in 2017. The Exhaust Technology Division was the main contributor to this development. At year-end 2017, the Group’s order backlog was on par with the prior year.

Exhaust Technology Division
In the Exhaust Technology Division, revenue increased by 4.0 % to EUR 3,931.0 million (prior year: EUR 3,778.2 million). This increase in revenue primarily resulted from a greater number of customer calls in the European commercial vehicle business and growth in the Chinese and French automotive markets.

Revenue in the Exhaust Technology Division contains a large proportion of transitory items. These are mainly coated monoliths and components made by other market participants that Eberspächer installs. In 2017, this share amounted to 56.5 % (prior year: 56.4 %). Net revenue, adjusted for these transitory items, amounted to EUR 1,709.6 million (prior year: EUR 1,647.1 million), an increase of 3.8 % year-on-year. The Division’s net revenue therefore increased by roughly the same amount as gross revenue.

Order backlog at the end of the year was slightly down on the figures in 2016, primarily due to decreased order backlog in Europe compared with the prior year.

International revenue development
Our international sales markets developed differently in 2017. Revenue in the European key market increased slightly. This positive development resulted from an increase in demand among our commercial vehicle customers as well as an increase in series calls at our new plant in Romania and an increase in volume in France. A revenue decrease at the Neunkirchen plant in Germany had an offsetting effect. Revenue in China once again increased significantly due to newly acquired customer projects and an overall increase in demand among the automobile manufacturers supplied by the Group. On the other hand, revenue in North America decreased moderately, primarily due to a decrease in customer calls for exhaust systems installed passenger vehicles.

We expect revenue in the Exhaust Technology Division to be on par with the prior year for the next two years. In the medium term, we count on further growth based on the increased complexity of emission control systems in volume markets, new customer acquisitions, and the launch of innovative products.

Market leader in truck exhaust technology
Eberspächer leads the market in the implementation of the current EPA 2010 emission standards for commercial vehicles in the USA and Euro 6 in Europe. After the significant revenue increase of the European commercial vehicle business in the past two years, we expect a moderate decrease in revenue for both of our European commercial vehicle plants in 2018. Revenue in the USA will increase again to a higher level in the coming years. Due to the gradually launch of the Euro 6 emission standard we will expand our market share in the emerging markets in the Commercial Vehicle Business Unit.

New technologies generate growth
We forecast growth potential in the passenger vehicle market in the coming years due to the launch of new solutions as new emission standards around the world require ever more complex emission control systems. For this reason, we will continue to optimize our products and align them with market requirements. For Diesel vehicles, which must meet the Euro 6c emission standard since September 2017, we supply exhaust systems with close-coupled emission control, including compact DPF / SCR systems. By launching gasoline particulate filters we aim to tap future market volumes for gasoline vehicles.

Sales revenue of the Eberspächer Group in EUR million

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,916</td>
</tr>
<tr>
<td>2014</td>
<td>3,599</td>
</tr>
<tr>
<td>2015</td>
<td>4,371</td>
</tr>
<tr>
<td>2016</td>
<td>4,324</td>
</tr>
<tr>
<td>2017</td>
<td>4,481</td>
</tr>
</tbody>
</table>

Climate Control Systems Division
In the Climate Control Systems Division, revenue in 2017 amounted to EUR 495.3 million (prior year: EUR 498.7 million) and was on par with the prior year. Order backlog at the end of 2017 was significantly up on the figures in 2016.

Fuel operated heaters up year-on-year
In the Fuel Operated Heater and Special Markets Business Units, revenue from fuel operated heaters increased slightly year-on-year.

Revenue in the passenger vehicle OEM business was slightly up year-on-year.
Successful marketing campaigns, an increase in the number of fitted vehicles, and the ramp-up of the Hydronic 3 heater generation were the main drivers behind the increased call rate. The commercial vehicle OEM business developed stably over the course of the entire year and was on par with the prior year’s figures. Another end-of-production postponement and related extended contracts for one of our commercial vehicle customers contributed to this development.

Revenue in the Special Markets Business Unit, which pools our activities with subsidiaries and sales representations in Germany and abroad as well as smaller OEM and OES customers, was slightly up year-on-year. However, the various customer groups developed differently compared with the prior year. Trade with subsidiaries varied in the biggest markets, North America, Russia, United Kingdom, and the DACH region. Whereas revenue of our North America subsidiary was considerably down year-on-year in 2016, fiscal year 2017 saw a positive upswing of the new truck registration and aftermarket business. Business in Russia continued its positive trend from 2016 and further increased year-on-year due to an increase in the willingness to invest by private consumers and companies. In the United Kingdom, on the other hand, business stagnated due to the uncertainties related to the Brexit decision and was moderately down year-on-year. The sale of vehicle heaters and air-conditioning solutions in Germany, Austria and Switzerland, which was pooled in the DACH region in 2016, had a positive effect on standardized customer care and service. However, product availability bottlenecks prevent growth in this region. In the foreign trade, our largest general agencies in Finland, the Benelux countries, Turkey and Korea were unable to realize their full market potential due to limited product availability. Revenue was therefore moderately down year-on-year. Due to a strong OES aftermarket business and the positive new registration rates for motor caravans, business with small OEM and OES customers was positive.

**Sales revenue of the Eberspächer Group by region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Europe excl. Germany</td>
<td>42%</td>
</tr>
<tr>
<td>The Americas</td>
<td>20%</td>
</tr>
<tr>
<td>Africa, Asia, Australia</td>
<td>8%</td>
</tr>
<tr>
<td>Germany</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Electrical Heaters down year-on-year**

In 2017, revenue in the Electrical Heaters Business Unit was moderately down year-on-year due to a decrease in income from series production. In contrast, other income, such as from the sale of prototypes and development services, increased.

**Plus in Bus & Coach**

Revenue in the Bus & Coach Business Unit increased slightly year-on-year in 2017. Whereas the original system business developed positively, revenue from service and spare parts decreased.

**Automotive Controls Division**

In the Automotive Controls Division, revenue increased year-on-year by 17.1 % to EUR 54.6 million (prior year: EUR 46.6 million). Eberspächer Vecture Inc. has contributed significantly to the growth of the Division due to its initial consolidation. The unit numbers for the first generation of switches and energy storage systems continued to decrease in 2017 and could not yet be replaced to the same extent by later generations. Some of these products are still in the ramp-up phase.

**Production, logistics, and procurement**

**Exhaust Technology Division**

The production volume of the Exhaust Technology Division increased slightly year-on-year. The considerable increase in demand for commercial vehicle exhaust systems in Europe and passenger vehicle exhaust systems in China resulted in a significant increase in production volume, which overcompensated the decreases in the European passenger vehicle market. In 2017, additional locations were added to the global production network to ensure that supply meets customer demand.

**Continued process optimization**

Within the Exhaust Technology Division, the location in Neunkirchen, Germany, and its related assembly plants forms the largest production unit for passenger vehicle exhaust systems. The continuous improvement process was intensified further at this location in 2017 to improve the cost, process, and organizational structures in the long term. The largest step of the one plant strategy, the integration of tube manufacturing in the main plant, was implemented in 2017. The reconciliation of interests and the social compensation plan in this respect were implemented in the past year. In addition to merging the plants, numerous ramp-ups also had to be industrialized in Neunkirchen at the same time. These new projects are of great importance to the future of the plant. However, they are a big challenge for production and supporting segments such as Planning, Quality, Logistics, and Maintenance. The cost structure has to be optimized further to improve the earnings situation and strengthen the competitiveness of the location.

**Expansion of European production**

Since production of passenger vehicle exhaust systems commenced at the newly constructed plant in Oradea, Romania, in October 2016, various production programs have been
successfully ramped up at this location. The European exhaust technology production group was consistently expanded. At the end of September 2017, the new exhaust technology plant in Tondela, Portugal, opened after a construction period of less than ten months. The new location supplies plants owned by European automobile manufacturers in Spain, Portugal, and North Morocco with hot-end and cold-end exhaust-emission control components for Diesel and gasoline vehicles, including whole exhaust systems and individual components such as gasoline particulate filters and catalytic converters.

Eberspächer is going to open another just-in-sequence plant in Nitra, Slovakia, in the coming year. The production plant is located in direct proximity to an automobile manufacturer. The final assembly of hot- and cold-end exhaust-emission control components is scheduled to start there in the fall of 2018.

The series production of Euro 6 exhaust systems for the European commercial vehicle market takes place at the locations in Wilsdruff, Germany, and Nyköping, Sweden. Due to the positive market development in West and Central Europe, the capacities at both locations were expanded in 2017. Various ramp-ups and facelifts were also successfully realized. The consequent continuation of the measures for improving efficiency and productivity had positive effects and will be continued.

**Production in the USA and China**

Exhaust systems for the passenger and commercial vehicle market in the NAFTA region are manufactured in our US production group. Our location in Wixom, Michigan, USA, specializes particularly in the production of passenger vehicle exhaust systems that comply with the EPA Tier 2 standard. Our location in Brighton, Michigan, USA, specializes in the production of commercial vehicle exhaust systems that comply with the EPA 2010 standard. Eberspächer successfully acquired a contract from a major commercial vehicle customer for supplying the next generation of exhaust-gas aftertreatment systems. This project represents a crucial contract renewal for our US commercial vehicle business and will start production in 2020.

Eberspächer has continued to expand its presence in the Asian market, particularly in China, as the market continues to provide significant growth potential. The production volume in China is growing continuously. Newly acquired customer projects and cooperations with various OEMs form the basis for our further growth in the Chinese market.

**Optimized supply chain management**

Suppliers to the automotive industry are faced with the challenge of efficiently and effectively reacting to increasingly short product lifecycles of the individual vehicle models and simultaneously increasing number of different models. An optimized supply chain management is crucial in this respect. Due to increasing overland transport costs, the consolidation of consignments and the optimal utilization of freight space are becoming increasingly important. In 2017, the majority of the data required for optimizing the logistics network in 2018 and continuously adjusting it to the changing general conditions was determined. Great priority is also placed on reducing inventories. The supply chain visibility has to be increased to achieve further improvements and prevent negative effects on safety stocks. This is particularly important with regard to the increased procurement in Asia. Risks in the supply chain can thus be recognized and inventories minimized. Eberspächer consistently applies new methods and technologies to ensure that the efficiency of production and logistics processes can be increased further.

In 2017, the purchasing pooling potentials of the Exhaust Technology Division were exploited further by consolidating the purchasing volume. The percentage of purchases from best cost countries was also expanded whilst taking into consideration existing and expected trade barriers. The quality capability of our supplier base was improved by performing potential analyses and process audits and through sustainable and systematic supplier development. By continuously monitoring the development in the international raw materials markets and economic development, we are able to react as quickly as possible to critical situations in the strategic procurement markets and initiate measures to prevent developing risks.

**Climate Control Systems Division**

In the Climate Control Systems Division, the production volume decreased slightly in the reporting year, primarily due to production bottlenecks in the Fuel Operated Heaters and Special Markets Business Units. The electrical heaters volume also decreased. On the other hand, the production volume of the Bus & Coach Business Unit increased year-on-year.

**Fuel operated heaters production**

At the production plant for fuel operated heaters in Esslingen, the transfer of the two Hydronic 1 and 2 water heaters to the production site in Olawa, Poland, was successfully completed in 2017. A reconciliation of interests and social compensation plan were implemented for the production and logistics units in Esslingen. Further customer projects were launched successfully within the scope of series production of the Hydronic 3 water heater during the course of 2017. At the end of 2017, several workshops commenced for defining areas of activity for optimizing the outputs and processes of the production volumes located in Esslingen. The Polish location focuses on the further development of its production and logistics processes.

**Expansion of electrical heaters**

The low-voltage production lines of the electrical heaters product group were transferred from the plant in Herxheim, Germany, to the Polish plant in Olawa in mid-2016. The production volume of the Herxheim plant was therefore considerably
The new location houses the series production of the third generation of high-voltage heaters started at this location.

Eberspächer is expanding its production and development capacities at the Hermsdorf location to meet the increasing demand for PTC ceramics for electrical heaters. The Group acquired a parcel of land in the local industrial estate for constructing the new production plant. Product-related development can also be intensified and series-related tests of new generations performed in the planned administration and technology building. Around 80 employees currently work at the Hermsdorf location. They are expected to start up the new plant in the fall of 2018. In the long term, plans are to create another 150 jobs. Due to the increasing number of vehicles with alternative drives, the requirement for high-voltage electrical heaters will increase significantly in the coming years.

The production capacities in China have to be expanded to account for newly acquired contracts in this country, particularly for electrical heaters. Eberspächer therefore moved to a larger plant in Tianjin, China, around 100 kilometers south-east of Beijing. The new location houses the series production of high-voltage water heaters and low-voltage air heaters.

**Internationalization of Bus & Coach**

As part of the increased globalization and industrialization strategy, the focus of the Bus & Coach product group remained on the further development of the production plants. Eberspächer founded a new plant in Monterrey, Mexico, to further improve its supplies to the strategically important Mexican market for buses. The production of bus air-conditioning systems started at this location at the end of August 2017. Customers in Mexico, Central America, and the north of South America benefit from shorter delivery times and increased flexibility thanks to the new plant. This considerably strengthens our competitive position in this region. The existing location in Mexico City now focuses on application and product development as well as sales and trading activities. In 2017, the majority of the air-conditioning systems production volume was transferred from Renningen to the new plant of the Climate Control Systems Division in Poland. To ensure global customer supplies, the Renningen location had to pre-produce regular series products as well as inventories for the gradual transfer of the production lines to Poland and the establishment of the plant in Mexico.

**Managing global procurement markets**

In 2018, we will start to pool the European distribution activities for the Special Markets and Bus & Coach Business Units in one location. Relevant heaters, merchandise and spare parts are to be stored, picked and dispatched there in a central warehouse in the future. The International Procurement Office in Shanghai, which was established to consistently work the Asian procurement market, developed a local Asian supplier base for the production of electrical heaters. The respective projects are in the industrialization phase at Eberspächer and the suppliers. The increased global demand for semiconductor products is resulting in a serious shortage of semiconductors and therefore longer delivery times for control units. Previously confirmed delivery dates are being canceled for individual products. We are responding to this issue with comprehensive bottleneck management.

**Automotive Controls Division**

The vehicle electronics production volume in the Automotive Controls Division decreased marginally year-on-year. The free capacities were utilized for further optimizing production processes and initiating measures for increasing the overall equipment effectiveness. A performance indicator system was introduced in this context which can be used for monitoring and improving the effectiveness of a production plant. The production site in Concord, Canada, produces battery management systems for medical, military and increasingly also industrial applications.

**Quality and environmental management**

Our quality management systems are certified pursuant to the applicable automobile standards and therefore meet our customers' requirements. This is regularly confirmed by independent recertification and monitoring audits as well as various customer audits.

**Consistent quality management**

The Exhaust Technology Division further developed and optimized the global standards and processes in 2017. The implemented fundamental processes include global audit and document management. Solutions for the management of suspected and actually faulty production parts were also developed and a central quality data recording system was set up at the production sites.

The newly aligned global quality organization of the Climate Control Systems Division showed its effect in 2017. The launch of a Group-wide early alert system promotes fast communication and optimizes risk management through the use of structured methods. A reconciled roadmap for the CAQ (computer-aided quality) systems was prepared and the first Group-wide projects initiated in this respect. Performance indicator reporting was also expanded, optimized and consistently tracked.

**Certified environmental management**

The environmental management systems at our largest locations are certified pursuant to the requirements of the DIN EN ISO 14001 standard. This was reconfirmed in reporting year 2017 by independent external auditors. In 2018, these locations will adjust their environmental management systems to the new standard ISO 14001:2015 and will have to be recertified accordingly. In the Exhaust Technology Division, all locations with a valid ISO 14001 certificate were compiled in a centrally managed, standardized environmental management system as part of a matrix certification. New locations will gradually be added to this and changed to ISO 14001:2015 in 2018.
To increase energy efficiency, the energy management system at the Neunkirchen location, which is certified in accordance with ISO 50001, has been consistently developed in recent years. Energy audits were also performed by independent auditors at all other locations in Europe which must comply with legal requirements. This made it possible to embed energy efficiency in all relevant activities of the Company.

Employees

**Number of employees grows**

Our Company’s success is primarily based on the willingness to perform and innovative strength of our qualified and committed employees. Our employees’ professional, personal and social competences are key to our global growth strategy. In fiscal year 2017, an average of 9,489 persons (including trainees) were employed, of which 4,547 in Germany, and 4,942 abroad. Compared with the prior year (9,063 employees), 426 new jobs were created (4.7%).

A system of values that has developed from the 150-year tradition of a family-owned company is the bedrock of our personnel policy. Fair cooperation, loyalty, respect, and mutual trust are key values of our Company that are also embedded in our guiding philosophy. We have made it our aim to live this philosophy and continuously develop it.

Eberspächer creates the organizational framework conditions and provides comprehensive social benefits that are required for retaining employees and simplifying the integration of new employees. At Eberspächer, this includes measures such as providing occupational health management and a company-owned day care facility for children at the location in Esslingen.

**Continuous Human Resources development**

In the past reporting period, Eberspächer once again invested in the professional training of its employees. The focus was on implementing specific development programs to develop and expand the professional, method, and process competences as well as the personal development of employees. The Eberspächer Skill profile (ESP), which was developed in cooperation with the executive management and launched in 2016, was a focal point. It comprises 16 skills that may be crucial for the success of our Company. The ESP continues to be imparted consistently in intensive training sessions within a short period of time. The Group-wide, three-year development program for university graduates and young professionals has become another important HR development tool. We further invest in executive training with programs such as “Coach don’t tell”, ‘License to lead’, and the ‘Development Center’, which had an international focus for the first time in 2017. Additionally, a global employee survey was performed for the first time in all Divisions of the Group in 2017. The excellent participation rate of 78% reflects the interest and willingness of employees to actively contribute to the further development of the Company. Based on the results, throughout 2018 areas of activity will be defined for continuously improving various focal points. In fall of 2018, a follow-up survey will be held with the aim to embed employee feedback as a permanent controlling and evaluation tool for the Company’s future alignment.

Eberspächer has always placed great importance on training young people. The Company provides industrial and business training as well as dual studies with a technical and business management focus. In 2017, an average of 264 trainees worked for the Company in Germany and abroad (prior year: 256).

**Financial performance indicators**

Revenue is a key financial benchmark. Especially the Exhaust Technology Division, and therefore the Group, distinguishes between gross and net revenue. Net revenue is the difference between gross revenue and transitory items that do not create added value, such as coated monoliths and components made by other market participants that are installed by Eberspächer. In the forecast for fiscal year 2017, we expected net revenue to be on par with the prior year. However, the net revenue of Eberspächer Group was slightly up year-on-year in 2017. The main reason for this development was the increase in revenue in the Exhaust Technology Division. Particularly the high volume of customer calls in the European commercial vehicle business and the growth in the Chinese market, due to an overall increase in demand of existing and the acquisition of new customers, were reasons for the increase in revenue.

The consolidated net income was another financial performance indicator.

Based on the description of our performance indicators, we examine the Group’s net assets, financial position and results of operations below.

**Net assets, financial position, and results of operations**

**Net assets**

In 2017, total assets increased by EUR 42.8 million (+2.6 %) to EUR 1,718.4 million. Current assets increased by EUR 45.9 million and fixed assets decreased by EUR 7.5 million.

**High investment volume**

In fixed assets, financial assets decreased by EUR 13.3 million, in particular. This development is primarily due to the initial consolidation of three companies. Investments in property, plant, and equipment totaled EUR 99.2 million. Of this amount,
EUR 72.4 million was reported in the Exhaust Technology Division. This development is primarily due to the expansion of production capacities at various locations. EUR 24.0 million was invested in the Climate Control Systems Division, primarily in the expansion of production capacities, and the new production site in Hermsdorf. The majority of investments in the Automotive Controls Division, EUR 2.8 million, was used to add further production capacities at the Landau location.

Investments in intangible assets and property, plant and equipment totaled EUR 109.3 million (prior year: EUR 133.0 million). This figure is higher than depreciation and amortization (adjusted for amortization of goodwill), which amounts to EUR 95.7 million (prior year: EUR 87.8 million). Amortization of goodwill amounted to EUR 4.9 million (prior year: EUR 3.9 million).

Current assets include trade receivables, which mainly increased by EUR 31.1 million to EUR 558.8 million. This increase resulted from effects on the reporting date and, primarily, from an increase in revenue at various companies of the Exhaust Technology Division, particularly in China. Receivables from affiliates primarily included the financing of non-consolidated companies in Portugal, Russia, and Brazil. They decreased by EUR 10.7 million, primarily due to the initial consolidation of the Romanian exhaust technology company.

On the liabilities side, trade payables increased, in particular, by EUR 41.8 million and provisions decreased by 2.9 million compared with the reference date value of the prior year. The increase in liabilities primarily pertained to the Exhaust Technology Division. This development was primarily caused by the increased business volume and initial consolidation of the Romanian company.

Equity increased by EUR 25.3 million to EUR 361.4 million. The equity ratio increased from 20.1 % as at the prior year’s reporting date to 21.0 %. Consoliated net income for the year in the amount of EUR 52.5 million had a positive effect on equity. Currency translation effects decreased equity by EUR 22.1 million. The equity ratio (including liabilities to partners) amounts to 22.9 % (prior year: 21.9 %).

**Financial position**

Net financial debt decreased by EUR 44.8 million to EUR 373.9 million (prior year: EUR 418.8 million). This was primarily due to the cash inflow from operating activities in the amount of EUR 149.5 million, which was EUR 54.6 million higher than the cash flow from investing activities of EUR –94.9 million. Due to the scheduled repayment of loans, interest paid, and subsidies received, total cash flow from financing activities was negative at EUR –49.6 million.

Revolving receivables are sold monthly and weekly for financing purposes as part of factoring agreements. As at the reporting date, these transactions in the amount of EUR 44.5 million (prior year: EUR 44.6 million) led to a balance sheet contraction.

**Results of operations**

Consolidated revenue in 2017 amounted to EUR 4,480.9 million (prior year: EUR 4,323.6 million), an increase of EUR 157.3 million, or 3.6 %, year-on-year. Particularly the Exhaust Technology Division recorded an increase in revenue, primarily due to the significant increase in the volume of passenger vehicle customers at the locations in China and France and commercial vehicle customers in Sweden and Wilsdruff, Germany. The initial consolidation of the passenger vehicle business of the Romanian company also contributed to this increase. On the other hand, revenue from passenger vehicle customers in the USA decreased considerably due to the weaker market development in North America and in Neunkirchen, Germany.

![Capital expenditures and depreciation in EUR million](chart)

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*Note: The chart illustrates the capital expenditures and depreciation for the years 2013 to 2017.*
Decrease in the consolidated result

The consolidated result amounted to EUR 52.5 million in the reporting year, thus considerably down on the prior year’s figure of EUR 61.0 million. In 2017, the consolidated result decreased year-on-year due to an increase in personnel expenses, amortization, depreciation, and, primarily, other operating expenses.

Other operating income increased by EUR 10.0 million to EUR 83.8 million. The decrease in income from the reversal of provisions was overcompensated by an increase in income from currency translation, income from warranties and income from other periods.

Personnel expenses increased by EUR 8.2 million (+1.6 %). The increase resulted from the average 4.7 % increase in the number of employees (including the three initial consolidations). In fiscal year 2017, an average of 9,489 (prior year: 9,063) persons were employed by the Group. In the prior year, personnel expenses were negatively affected by expenses for restructuring measures.

Other operating expenses increased by EUR 26.0 million to EUR 333.0 million. The increase resulted from an increase in losses from currency translation, an increase in expenses for consulting fees and administration, and an increase in expenses from other periods. Depreciation and amortization increased by EUR 8.8 million year-on-year, and totaled EUR 100.6 million.

EBIT decreased by EUR 8.7 million year-on-year.

The financial result increased marginally year-on-year by EUR 0.7 million to EUR –32.0 million. This resulted from an increase in interest income and an impairment of the book value of equity investments in non-consolidated companies. The decrease in investment income in the amount of EUR 12.9 million (prior year: EUR 15.8 million) had an offsetting effect on the financial result.

Despite earnings before taxes decreasing significantly year-on-year, income taxes decreased only marginally by EUR 0.4 million to EUR 29.3 million. The decrease primarily pertains to additions to tax provisions for prior years in connection with concluded antitrust proceedings and a decrease in tax losses carried forward.

A summary of 2017

In summary, operating net income slightly exceeded expectations. Due to the repeated significant impact on income caused by write-downs on financial assets, consolidated net income was considerably down year-on-year and below the forecast for 2017.
Opportunities and risk report

Eberspächer is a globally active company and as such subject to numerous risks that are intrinsically linked with our business activities. However, these risks also go hand in hand with various opportunities, which could have a positive impact on business developments.

Our Group-wide risk management aims to minimize the probability of occurrence of risks and related damages. It therefore helps to secure the Company's future success and sustainably increases Company value.

Risks within the Group are identified at Division level and assessed on the basis of the probability of occurrence and financial impact within the scope of risk management. All material risks are included. Risk management, which is based on these analyses, selects and implements risk reduction measures to prevent risks, including risks that would endanger the Company as a going concern. In addition, potential damages (damages that have not yet occurred, but for whose potential occurrence in the near future there are sufficient indications) in excess of EUR 250,000 are defined on a monthly basis, recorded, and monitored. Risk reporting is a part of monthly reporting to the Company's management.

The following risks are presented prior to the implementation of risk-limiting measures. We are aware of the risks and attempt to manage them actively with the following measures.

Our activities are linked with the following key risks and opportunities:

**Procurement market risks and opportunities**

We are a manufacturer and as such subject to the high risk that primary and intermediate products for our production may be unavailable. This risk is of particular importance in view of the current dynamics of the global markets, which can result in supply bottlenecks as demand is increasing. We aim to prevent this risk through intensive planning, forward-looking reconciliation between customers and suppliers, and by using our opportunities of insourcing process steps to counteract impending capacity bottlenecks among our suppliers.

To safeguard against price risks for our products, the procurement markets are continuously monitored and the supplier portfolio is planned in the long term as far as possible. We also conclude long-term procurement agreements with currency and materials escalation clauses. These measures are required as we consider the probability of occurrence of this risk to be high. The OEMs’ continuing niche policy will continue to increase the range of vehicle models, which reduces synergy potential and increases unit costs. However, the targeted management of the depth of added value also enables us to develop our own market position, ensure our performance, and increase our profitability.

**Price risks and opportunities**

Multi-year price development agreements are usually concluded immediately when appointing a supplier. The risk of sudden price drops is therefore rather low. Customers nevertheless attempt to achieve additional price reductions by negotiating with us. However, the multi-year price development agreements can also present us with opportunities.

In the competition for shares in the automotive market, manufacturers rely heavily on broadly diversified model portfolios with a simultaneous decrease in the number of units per model. This increases unit costs. As the manufacturers attempt to compensate these cost increases with a reduction in component prices, suppliers find it difficult to pass on the increased development and production costs to the manufacturers. As a rule it can be said that even the premium manufacturers are tending toward shifting the weighting away from technical content to component costs.

In addition to continuing price pressure from the automobile manufacturers, an increasing volume of development activities and services are outsourced to the suppliers, meaning they are faced with continuously increasing investing and financing requirements.

However, the outsourcing of development activities and services to the suppliers also provides the opportunity of further developing know-how and strengthening suppliers’ own technology portfolios. The high degree of competence along the entire value added chain can create savings potentials through cost optimizations and strengthen the competitive position.

**Key market risks and opportunities**

We have been able to broaden our customer basis in recent years, thus reducing our dependence on individual customers. In view of long-term supply agreements over the entire lifecycle of the various model series, the risk of business relationships with large customers being terminated at short notice is rather low. We are also tapping new market potential through our activities in growth markets.

Future mobility is creating new challenges for the entire automotive industry: traditional engines are being optimized further and new engine concepts such as hybrid and electric drives developed as part of this technological change. We believe we are extremely well positioned for the future as we develop innovative products, some of them in cooperation with individual automobile manufacturers. Increasing globalization as well as technological and social changes provide additional growth opportunities.
Financial risks and opportunities

For Eberspächer, compliance with the law and order forms the basis for all business activities. Eberspächer has set out the material standards for all employees in a code of conduct and internally assesses compliance with competition and antitrust laws.

In 2014, several antitrust authorities initiated investigations against manufacturers of exhaust systems for the automotive industry on the grounds of potential agreements that violate antitrust laws. Investigations have also been initiated against Eberspächer Gruppe GmbH & Co. KG and its subsidiaries. At the end of April 2017, the European Union informed us that the antitrust proceedings in the exhaust system sector have been concluded. This decision made by Brussels closes the proceedings brought by the Commission without finding any violations of competition law and without imposing any fines. We do not expect the authorities in other non-EU countries to carry out any further examinations. However, there remains the risk of third parties potentially filing claims for damages. Corresponding provisions were set aside to cover potential follow-up claims.

Eberspächer is subject to currency and interest rate risks as part of its ordinary activities. In cases where we intend to secure these risks, we use derivative financial instruments if they are backed by positions, cash investments, and financing from operating activities. We therefore regard the probability of occurrence of these risks as moderate. However, positive currency and interest rate changes also provide financial opportunities for the Eberspächer Group.

We believe existing default risks to be moderate overall on the basis of our customer portfolio, meaning that above-average bad debts are not expected. We have nevertheless intensified our regular customer credit checks. The Group's financing requirements are secured with a long-term syndicated loan and further bilateral agreements. This forms a sound basis for successfully implementing the growth strategy, which brings with it extensive investments, in the coming years.

Warranty risks

Due to the increasing complexity of our products and the OEMs' and end customers' rising quality requirements, the probability of occurrence of warranty risks is to be regarded as high. As has been the norm in the automotive industry for some time, the OEMs transfer the majority of these risks, especially those relating to product development, to the suppliers, the so-called ‘system developers’. Eberspächer therefore already exercises great care during the product development process so as to recognize and prevent potential warranty risks. In cooperation with the OEMs, early failures during series launch are also analyzed and the sources of these failures rectified immediately. Individual customers' demands for extended warranty periods may increase warranty costs.

Particularly in the US market, quality risks are higher due to legislation in this country. We counteract these increased risks by continuously developing our quality management and increasing our legal audits of potential contracts already during the offer preparation phase. The tapping of new markets furthermore requires us to intensively deal with the respective applicable warranty legislation.

In order to reduce expenses for warranty obligations along the supply chain, the provisions of warranty agreements with suppliers are synchronized as much as possible with those of the OEMs. We continue to aim to prevent faulty primary products by optimizing our supplier management, thus reducing expenses for warranty obligations.

In cooperation with our suppliers, we also implement quality assurance measures. High quality standards make us a reliable partner in the market and enable us to develop long-term customer relationships.

We measured the risk positions arising from warranties and recognized corresponding provisions and took out appropriate insurance cover.

IT risks and opportunities

Complex IT systems are essential for managing a globally active company. The permanent ability to deliver, particularly to the automotive industry that often demands just-in-time or just-in-sequence deliveries, depends on the permanent uptime of IT systems and data.

Serious faults, such as system breakdowns, but also external attacks may endanger Eberspächer's ability to deliver, temporarily impair customers' production, and trigger far-reaching claims for damages. We regard the probability of occurrence of these risks as high. We therefore continuously, and sometimes with the assistance of external experts, work on optimizing the IT environment.

Eberspächer successively integrates further companies of the Divisions in the IT network as part of roll-out projects in our ERP system SAP ERP 6.0. We promptly inform newly established companies and companies newly integrated in our Group by way of acquisition about our security policy and integrate them in the IT infrastructure. We regularly improve the technical specifications of our existing security system and contingency plan and adjust them to meet current requirements.

All relevant data from the key systems are mirrored asynchronously from the central computer center in Esslingen to our backup computer center in Neunkirchen.
The introduction and use of modern IT systems enables the Company to record business processes within the organization even more efficiently and effectively.

In order to optimize our management system regarding IT security and consistently implement our own IT security standards and those of our customers, we were successfully tested and certified for ISO 27001 by the TÜV at the end of 2017.

Overall risk and opportunity position

From today’s point of view, the risks described above can be easily managed and do not endanger the Company as a going concern. However, these are not the only risks that Eberspächer is exposed to. Risks that Eberspächer has not yet realized or risks that are still regarded as less significant may also have a negative impact on the Company. The opportunities described above may also create risks of opposing effects. These opportunities also offer many different possibilities to strengthen Eberspächer’s position.

Forecast

The following outlook contains forward-looking statements. These are based on current plans, estimates, and expectations regarding future developments in our key markets and Eberspächer Group. They are subject to uncertainties that may harbor both risks and opportunities. We nevertheless expect that our following outlook will prove to be correct.

We expect Eberspächer Group’s gross revenue in 2018 to be on par with the prior year (revenue in 2017: EUR 4,480.9 million). We expect net revenue to increase slightly year-on-year as the share in revenue of transitory items will decrease. For the fiscal year 2018, we expect the consolidated result to be moderately up year-on-year (net income in 2017: EUR 52.5 million). The planned investment volume will probably be higher than in 2017 (investments in 2017: EUR 109.3 million) as the new production site for PTC elements in Hermsdorf is being constructed.

The further development of our technological competence and our product portfolio are important building blocks for the implementation of our medium-term growth strategy. Focal points include the expansion of our global presence and the continuous optimization of the operational efficiency and effectiveness. To continue to increase our competitiveness in the future, we also have to adjust our structures and processes to continuously meet the current international requirements.

Exhaust Technology Division

Important future markets for the Exhaust Technology Division include the passenger vehicle market as well as the commercial vehicle market with its increasingly complex exhaust systems. The newly acquired customer contracts will have a positive effect on revenue development. We therefore expanded the production capacities in Europe in the past two years with new plants in Romania and Portugal in direct proximity to our customers. The capacities in these locations will be ramped up to the planned level, thus completing the global production footprint in the European passenger vehicle market. Production at the Slovakian plant, which is currently still under construction, is expected to start in the fall of 2018. New production programs in China and the USA are also some of the main reasons for the high revenue level. Eberspächer furthermore acquired an important contract from a commercial vehicle manufacturer in the USA for the next generation of exhaust-gas aftertreatment systems. This project represents a crucial contract renewal for our US commercial vehicle business as of 2020. This is offset by a decrease in revenue from commercial vehicle exhaust systems compliant with the Euro 6 emission standard in Europe, which will nevertheless remain at a high level.

We continue to see numerous growth opportunities in the further development of exhaust-emission control technologies. The complexity and value of passenger
and commercial vehicle exhaust systems continues to increase due to the introduction of increasingly strict emission standards. The trend toward reduced emissions for traditional drives continues to provide great growth potential and interesting perspectives in the global markets. We invest particularly in Asia and Europe for this purpose. The newly constructed Asia Tech Center in Shanghai pools the future sample construction activities and the entire test competences for passenger and commercial vehicles for Asian customers. By developing our activities in these markets, we will be able to acquire new local and international customers which will contribute to the global growth of the Group.

**Climate Control Systems Division**

We also aim to further develop our market position and growth in the newly tapped markets in the Climate Control Systems Division. The consistent development of the portfolio in the Fuel Operated Heaters, Special Markets, Electrical Heaters, and Bus & Coach Business Units forms the basis for these activities. Particularly in the electrical heaters market, we see major potential in new heating concepts for vehicles with hybrid and electric drives. We will continue to strengthen our market leadership for this product group with the construction of the new plant for PTC elements in Hermsdorf in 2018. We expect a continuous increase in sales over the coming years in this market segment. Due to the transfer of production lines for fuel operated heaters from Esslingen and air-conditioning systems from Renningen to the new production site in Poland in 2017 in addition to its existing production lines for electrical heaters, three product groups are being successfully produced at this location in the meantime. The optimization of the production group makes it possible to increasingly realize local cost potentials and improve our competitiveness in the three product groups. The further increase in efficiency of our production plants is necessary for adjusting to the continuously growing requirements of our customers and generating the planned profitable growth.

**Automotive Controls Division**

The Automotive Controls Division provides customer-focused solutions for current requirements in the market for more comfort and additional assistance systems with a simultaneous reduction of pollution. The Division profits from the trend toward the continuously increasing electrification of vehicles. We expect further growth based on the increasing use of hybrid and electric vehicles as our products are of major importance for these new drive technologies. With efficient vehicle electric systems management, Eberspächer supports highly or fully automated vehicle systems, modern drive assistants and environmentally friendly engine specifications such as the start-stop function.

The new Business Innovation unit aims to specifically support and pool the innovative strength in the future markets of electric mobility, autonomous driving, and connectivity. The objective is to tap new opportunities in the market for products and services and therefore sustainably contribute to the Group’s growth.

Based on the revenue forecast, we expect the Group’s business in 2018 to develop positively year-on-year. In the medium and long term, we expect profitable growth and believe that we are well positioned to achieve this with our innovative and market-compliant product portfolio and consistent focus on environmentally friendly technologies.

Our aim is to create progress in the automotive industry: increased environmental protection, increased safety, and greater comfort – our products are an active contribution to this vision. By tapping new markets and product areas we consistently develop our innovative strength and maintain our family-owned company. We invest specifically in all three Divisions to ensure sustainable growth.

Esslingen am Neckar, March 28, 2018
Eberspächer Gruppe GmbH & Co. KG
– Management –

[Signatures]

Heinrich Baumann

Martin Peters
### Consolidated balance sheet as of December 31, 2017 in EUR k

Abbreviated summary of the statutory consolidated financial statements

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
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<td>Intangible assets</td>
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<td>Other assets</td>
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<td>Cash and cash equivalents</td>
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<td><strong>Equity and liabilities</strong></td>
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<td>Special item for investment subsidies</td>
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<td>Pension provisions and similar obligations</td>
<td>104,648</td>
<td>99,665</td>
</tr>
<tr>
<td>Sundry provisions</td>
<td>201,456</td>
<td>209,363</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities to banks</td>
<td>415,777</td>
<td>435,920</td>
</tr>
<tr>
<td>Trade payables</td>
<td>524,613</td>
<td>482,846</td>
</tr>
<tr>
<td>Liabilities to affiliates</td>
<td>2,011</td>
<td>3,185</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>69,487</td>
<td>67,446</td>
</tr>
<tr>
<td><strong>Deferred income</strong></td>
<td>775</td>
<td>758</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>0</td>
<td>2,244</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,718,378</td>
<td>1,675,603</td>
</tr>
</tbody>
</table>
## Consolidated income statement for fiscal year 2017 in EUR k

Abbreviated summary of the statutory consolidated financial statements

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4,480,868</td>
<td>4,323,572</td>
</tr>
<tr>
<td>Changes in inventories</td>
<td>6,389</td>
<td>−5,212</td>
</tr>
<tr>
<td>Other own work capitalized</td>
<td>8,726</td>
<td>10,921</td>
</tr>
<tr>
<td><strong>Total operating performance</strong></td>
<td>4,495,983</td>
<td>4,329,281</td>
</tr>
<tr>
<td>Other operating income</td>
<td>83,850</td>
<td>73,876</td>
</tr>
<tr>
<td>Cost of materials</td>
<td>−3,512,523</td>
<td>−3,370,232</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>−514,768</td>
<td>−506,532</td>
</tr>
<tr>
<td>Amortization, depreciation and write-downs</td>
<td>−100,568</td>
<td>−91,719</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>−332,964</td>
<td>−306,972</td>
</tr>
<tr>
<td><strong>Earnings before interest and tax (EBIT)</strong></td>
<td><strong>119,010</strong></td>
<td><strong>127,702</strong></td>
</tr>
<tr>
<td>Investment and financial result</td>
<td>−32,016</td>
<td>−32,752</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>−29,298</td>
<td>−29,689</td>
</tr>
<tr>
<td><strong>Income after income taxes</strong></td>
<td><strong>57,696</strong></td>
<td><strong>65,261</strong></td>
</tr>
<tr>
<td>Other taxes</td>
<td>−5,232</td>
<td>−4,299</td>
</tr>
<tr>
<td><strong>Consolidated net income for the year</strong>*</td>
<td><strong>52,464</strong></td>
<td><strong>60,962</strong></td>
</tr>
</tbody>
</table>

* Thereof net income attributable to minority interests: EUR 1,788 k (2016: EUR 1,503 k).
## Composition of assets, equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>as of December 31, 2017</th>
<th></th>
<th>as of December 31, 2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in EUR k</td>
<td>%</td>
<td>in EUR k</td>
<td>%</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>625,102</td>
<td>36.4</td>
<td>632,570</td>
<td>37.8</td>
</tr>
<tr>
<td>Inventories</td>
<td>349,250</td>
<td>20.3</td>
<td>350,906</td>
<td>20.9</td>
</tr>
<tr>
<td>Other current assets</td>
<td>744,026</td>
<td>43.3</td>
<td>692,127</td>
<td>41.3</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,718,378</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,675,603</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own funds</td>
<td>393,747</td>
<td>22.9</td>
<td>367,114</td>
<td>21.9</td>
</tr>
<tr>
<td>Special item for investment subsidies</td>
<td>5,865</td>
<td>0.3</td>
<td>7,062</td>
<td>0.4</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>465,357</td>
<td>27.1</td>
<td>498,409</td>
<td>29.8</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>852,633</td>
<td>49.7</td>
<td>802,260</td>
<td>47.9</td>
</tr>
<tr>
<td>Deferred income</td>
<td>776</td>
<td>0.0</td>
<td>758</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,718,378</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,675,603</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements 2017
Abbreviated summary of the statutory consolidated financial statements for the fiscal year 2017

General information
The consolidated financial statements of Eberspächer Gruppe GmbH & Co. KG and the financial statements of the German and foreign subsidiaries have been prepared in accordance with uniform accounting and valuation principles.

Purchased intangible assets are recognized at acquisition cost and, if they have a limited life, are amortized over their useful lives (regularly over three to six years).

Goodwill created during the initial consolidation of companies is amortized in a straight line over its anticipated useful life. The useful life of individual goodwill reflects the period during which the acquired transactions are expected to generate profit. It has been set at five years.

Tangible fixed assets are stated at cost of acquisition and are depreciated in a straight line, if they are subject to wear and tear, over their expected useful lives (regularly three to 33 years). The production costs for systems produced by the Company contain proportionate overhead costs as well as recognized depreciation. In accordance with Section 255 (2) Sentence 3 HGB, general administrative expenses were not capitalized.

In all cases, valuation was at net realizable value, i.e., the cost to complete was deducted from the expected sales prices.

Adequate allowances provide for all identifiable inventory valuation risks resulting from slow-moving stock, reduced usability and lower replacement costs. There are additional markdowns for discounts and bonuses.

Merchandise is recognized at the lower of cost or market.

Adequate provisions have been recognized for losses resulting from supply obligations.

Apart from normal retentions of title, no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value less allowances for specific risks and for the general credit risk.

Provisions for pensions and similar obligations were determined in accordance with the projected unit credit method using the “2005 G mortality tables”. Pension provisions were discounted at the average market rate calculated over the past ten reporting periods on the basis of an assumed general remaining term of 15 years (3.68 %). The difference between the discount rate and the average market rate resulting from the past seven reporting periods (2.80 %) is EUR 13,877 k. Expected salary increases were accounted for at 2.0 % and expected pension increases at 1.0 %.

An employee fluctuation rate of 0.99 % and 1.02 % was applied, depending on each company.

Consolidated group
The consolidated financial statements of Eberspächer Gruppe GmbH & Co. KG include, in addition to the parent company, 33 German and 26 foreign subsidiaries. The name and registered offices and the share of capital of the subsidiaries can be found in the list of shareholdings.

Eberspächer Exhaust Technology Romania S.R.L., Oradea, Eberspächer Venture Inc., Concord, and Eberspächer Controls North America Inc., Novi were consolidated for the first time.

For the subsidiaries not included pursuant to Section 296 (2) HGB, we refer to the list of shareholdings.

Accounting and valuation principles
The following accounting and valuation methods, which have essentially remained unchanged in comparison to the prior year, have been used to prepare the consolidated financial statements.

The financial statements of Eberspächer Gruppe GmbH & Co. KG and the financial statements of the German and foreign subsidiaries have been prepared in accordance with uniform accounting and valuation principles.

Purchased intangible assets are recognized at acquisition cost and, if they have a limited life, are amortized over their useful lives (regularly over three to six years).

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An employee fluctuation rate of 0.99 % and 1.02 % was applied, depending on each company.
As in the prior year and in accordance with Section 277 (5) HGB, the interest portion from the change in provisions is disclosed under financial income.

The securities, which serve exclusively to fulfill the pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Section 246 (2) Sentence 2 HGB), were offset at their fair value (market value) against the provisions.

Sundry provisions include tax provisions and other provisions that account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment. Provisions with a residual term of more than one year are discounted on the basis of the interest rate announced by Deutsche Bundesbank on the reporting date. The interest rate is the average market rate for matching average maturities over the past seven fiscal years.

Liabilities were recorded at the settlement value.

To determine deferred taxes arising due to temporary or almost permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences are reversed; these amounts are not discounted. Differences due to consolidation procedures in accordance with Sections 300 to 307 HGB are taken into account. Differences from the initial recognition of goodwill and/or negative differences from acquisition accounting are not reported.

The resulting deferred tax assets and liabilities are offset.

The option to recognize deferred tax assets arising from differences in the separate financial statements of the consolidated companies was not exercised.

Where hedge accountings are generated in accordance with Section 254 HGB, the following accounting and valuation principles apply:

Economic hedging relationships are accounted for by generating hedge accountings. When it is possible to apply either the ‘frozen-value method’, under which offsetting changes in value attributable to the hedged risk are not accounted for, or the ‘fair value through net income method’, where offsetting changes in value attributable to the hedged item and the hedging instrument are accounted for, the ‘frozen-value method’ is applied. Offsetting positive and negative changes in value are not recognized in the income statement.

Assets and liabilities denominated in foreign currency were always translated using the mean spot rate on the reporting date. If they had residual terms of more than one year, the realization principle (Section 298 (1) in conjunction with Section 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Section 298 (1) in conjunction with Section 253 (1) Sentence 1 HGB) were applied.

With the exception of equity, which was translated at historical rates at the reporting date, all balance sheet items in the consolidated financial statements of the group companies not reporting in euros were translated into euros at the mean closing rate on the reporting date. Differences arising from the translation of balance sheet items resulting from fluctuations in the closing rates are transferred to the reserve without affecting income.

The items of the income statement are translated into euros at the average exchange rate. The resulting translation difference is recognized in consolidated equity below the reserves in the ‘Equity difference from currency translation’ item.

As part of the elimination of intercompany balances, receivables and liabilities between affiliates are valued at the historical rate if the receivables and liabilities relate to long-term loans between affiliates. Any resulting currency differences are added to the reserves without affecting income. In contrast, short-term receivables and liabilities between affiliates are valued at the closing rate. Any resulting exchange gains and losses are recorded with an effect on income.
**Consolidation principles**

Companies which were consolidated for the first time due to an acquisition (or additional share purchase) were accounted for using the purchase method as of the date on which the company became a subsidiary.

The carrying amount of the shares belonging to the parent company is offset against the equity of the subsidiary attributable to those shares. Equity is stated at the fair value of the assets, liabilities, prepaid expenses, deferred income and special items to be included in the consolidated financial statements at the time of consolidation. Any asset difference remaining after offsetting is disclosed as goodwill; any difference on the liabilities side is disclosed below equity as difference from capital consolidation.

The authoritative date for acquisition accounting and for determining the fair value of the assets, liabilities, prepaid expenses, deferred income and special items to be included in the consolidated financial statements is the date on which the company became a subsidiary.

For subsidiaries, which had previously not been consolidated in accordance with Section 296 HGB, the relevant date is the date on which the subsidiary was included in the consolidated financial statements.

Pursuant to Section 309 (1) HGB, goodwill recognized during acquisition accounting is amortized over its expected useful life.

Receivables, provisions and liabilities, revenue, income and expenses and any intercompany profits and losses were eliminated.
## Notes to the consolidated balance sheet

### Assets

#### Fixed assets

<table>
<thead>
<tr>
<th>Additions in the fiscal year relate to in EUR k</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>10,068</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>99,187</td>
</tr>
<tr>
<td>Financial assets</td>
<td>30,229</td>
</tr>
<tr>
<td></td>
<td><strong>139,484</strong></td>
</tr>
</tbody>
</table>

#### Current assets

<table>
<thead>
<tr>
<th>Inventories in EUR k</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials, consumables and supplies</td>
<td>122,828</td>
</tr>
<tr>
<td>Work in process</td>
<td>139,040</td>
</tr>
<tr>
<td>Finished goods and merchandise</td>
<td>106,774</td>
</tr>
<tr>
<td>Prepayments</td>
<td>942</td>
</tr>
<tr>
<td>Prepayments received on account of orders</td>
<td>-20,334</td>
</tr>
<tr>
<td></td>
<td><strong>349,250</strong></td>
</tr>
</tbody>
</table>
Assets

Receivables and other assets

The item receivables and other assets includes receivables of EUR 135 k due in more than one year.

Receivables from affiliates

Of the stated EUR 76,167 k (prior year: EUR 86,918 k), EUR 22,728 k (prior year: EUR 22,176 k) pertains to trade receivables.

Prepaid expenses

Among other things, this item includes loan procurement costs from the syndicated loan agreement concluded in 2015 and rent and leasing fees paid in advance.

Equity and liabilities

Own funds

Own funds can be broken down into capital shares, reserves, equity difference from currency translation and minority interests. The limited partners’ shares remain unchanged at EUR 90 million.

In order to facilitate comparison to groups in which the parent company is a corporation, the item ‘own funds’ essentially comprises the material long-term partners’ loans, in addition to equity.

Special item for investment subsidies

Subsidies were granted for investments in buildings and machinery in the Exhaust Technology Division. The special item recognized for this purpose is reversed in accordance with the depreciation of the subsidized assets.

Sundry provisions

Sundry provisions were primarily formed for taxes, matters relating to personnel (accrued vacation, long-service awards, flextime, obligations related to the German phased retirement scheme (‘Altersteilzeit’) and early retirement commitments), production (warranty obligations), sales (revenue adjustments) and for litigation risks.

Liabilities

EUR 348,192 k of the liabilities (including partner loans) is due in between one and five years and EUR 18,161 k in more than five years.

Deferred income

Deferred income primarily resulted from a non-recurring payment for future services with a specific time reference.

Deferred taxes

After netting with the deferred tax liabilities, deferred tax assets totaling EUR 1,584 k (prior year: deferred tax liabilities of EUR 2,244 k) are disclosed in the reporting year.

Deferred tax assets were calculated based on the individually applicable tax rate.

Contingent liabilities, off-balance sheet transactions, and other financial obligations

The level of uncertain liabilities is within the scope of ordinary business transactions.

Off-balance-sheet transactions of EUR 123,216 k relate to lease agreements as well as factoring. The sundry other financial commitments are all within the scope of ordinary business.
Notes to the consolidated income statements

### Revenue

<table>
<thead>
<tr>
<th>Division</th>
<th>2017 in EUR k</th>
<th>2016 in EUR k</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhaust Technology</td>
<td>3,931,040</td>
<td>3,778,232</td>
<td>87.7</td>
<td>87.4</td>
</tr>
<tr>
<td>Climate Control Systems</td>
<td>495,278</td>
<td>498,746</td>
<td>11.1</td>
<td>11.5</td>
</tr>
<tr>
<td>Automotive Controls</td>
<td>54,550</td>
<td>46,594</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,480,868</strong></td>
<td><strong>4,323,572</strong></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### by region

<table>
<thead>
<tr>
<th>Region</th>
<th>2017 in EUR k</th>
<th>2016 in EUR k</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1,352,021</td>
<td>1,425,705</td>
<td>30.2</td>
<td>32.9</td>
</tr>
<tr>
<td>European Union excl. Germany</td>
<td>1,811,151</td>
<td>1,647,459</td>
<td>40.4</td>
<td>38.1</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>49,092</td>
<td>38,957</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td>The Americas</td>
<td>889,235</td>
<td>945,683</td>
<td>19.8</td>
<td>21.9</td>
</tr>
<tr>
<td>Africa, Asia, Australia</td>
<td>379,369</td>
<td>265,768</td>
<td>8.5</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,480,868</strong></td>
<td><strong>4,323,572</strong></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Other operating income and expenses

Other operating income mainly comprises exchange gains, the income from the disposal of fixed assets as well as investment subsidies/grants.

Other operating expenses essentially comprise operating costs and administrative, selling and lease expenses as well as exchange losses.

### Investment and financial result

The investment and financial result is the balance of interest and similar income and investment income against interest and similar expenses and write-downs on financial assets.

### Income taxes

The item income taxes reports corporate income tax and trade tax on income in Germany and comparable foreign income taxes and deferred taxes.
Consolidated cash flow statement for fiscal year 2017 in EUR k

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>149,490</td>
<td>137,048</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-94,897</td>
<td>-138,879</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-49,604</td>
<td>-50,144</td>
</tr>
<tr>
<td>Cash and cash equivalents* at the end of the period</td>
<td>8,335</td>
<td>373</td>
</tr>
</tbody>
</table>

* Cash and cash equivalents in the fiscal year comprise cash of EUR 41,828 k (2016: EUR 17,142 k) and current account liabilities to banks of EUR 33,492 k (2016: EUR 16,769 k).

The cash and cash equivalents disclosed in the cash flow statement comprise all cash on hand, credit balances, and short-term liabilities to banks with a term of up to three months that are recognized in the consolidated balance sheet.
Group shareholdings as of December 31, 2017

<table>
<thead>
<tr>
<th>Germany</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>catem Holding GmbH &amp; Co. KG</td>
<td>Henxheim</td>
</tr>
<tr>
<td>Eberspächer Beteiligungs-GmbH</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer catem GmbH &amp; Co. KG</td>
<td>Henxheim</td>
</tr>
<tr>
<td>Eberspächer catem Verwaltungs-GmbH</td>
<td>Henxheim</td>
</tr>
<tr>
<td>Eberspächer CC RUS Beteiligungs-GmbH</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer Climate Control Systems GmbH &amp; Co. KG</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer Climate Control Systems International Beteiligungs-GmbH</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer Controls Esslingen GmbH &amp; Co. KG</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer Controls International GmbH</td>
<td>Esslingen</td>
</tr>
<tr>
<td>Eberspächer Controls Landau GmbH &amp; Co. KG</td>
<td>Landau</td>
</tr>
<tr>
<td>Eberspächer Controls Landau Verwaltungs-GmbH</td>
<td>Neunkirchen</td>
</tr>
<tr>
<td>Eberspächer Exhaust Aftermarket GmbH &amp; Co. KG</td>
<td>Neunkirchen</td>
</tr>
<tr>
<td>Eberspächer Exhaust Aftermarket Verwaltungs-GmbH</td>
<td>Neunkirchen</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology GmbH &amp; Co. KG</td>
<td>Eslingen</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology International GmbH</td>
<td>Wilddruff</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology Wilddruff GmbH</td>
<td>Wilddruff</td>
</tr>
<tr>
<td>Eberspächer Financial Services GmbH</td>
<td>Eslingen</td>
</tr>
<tr>
<td>Eberspächer Heizung Vertrieb-GmbH &amp; Co. KG</td>
<td>Torgelow</td>
</tr>
<tr>
<td>Eberspächer Heizung Vertrieb-Verwaltungs-GmbH</td>
<td>Torgelow</td>
</tr>
<tr>
<td>Eberspächer Insurance Services GmbH</td>
<td>Eslingen</td>
</tr>
<tr>
<td>Eberspächer International GmbH</td>
<td>Rennlingen</td>
</tr>
<tr>
<td>Eberspächer Prototechnik GmbH</td>
<td>Rennlingen</td>
</tr>
<tr>
<td>Eberspächer Sütrak GmbH &amp; Co. KG</td>
<td>Torgelow</td>
</tr>
<tr>
<td>Eberspächer Sütrak Verwaltungs-GmbH</td>
<td>Torgelow</td>
</tr>
<tr>
<td>Eberspächer Torgelow GmbH &amp; Co. KG</td>
<td>Torgelow</td>
</tr>
<tr>
<td>Eberspächer Torgelow Verwaltungs-GmbH</td>
<td>Eslingen</td>
</tr>
<tr>
<td>Eberspächer Vermögensverwaltung GmbH</td>
<td>Eslingen</td>
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<tr>
<td>Eberspächer Verwaltungs-GmbH</td>
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<tr>
<td>EM Emissions Technology GmbH</td>
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<td>Menesa Verwaltungs-GmbH</td>
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<tr>
<td>Montagewerk Abgastechnik Emden GmbH</td>
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<tr>
<td>Prototechnik Verwaltungs-GmbH</td>
<td>Schwäbisch Gmünd</td>
</tr>
<tr>
<td>Eberspächer AB</td>
<td>Trollhättan / Sweden</td>
</tr>
<tr>
<td>Eberspächer AG i.L.</td>
<td>Affoltern a. A. / Switzerland</td>
</tr>
<tr>
<td>Eberspächer Artovazagregat Exhaust Systems LLC</td>
<td>Tolyatti / Russia</td>
</tr>
<tr>
<td>Eberspächer Climate Control Systems Benelux B. V.</td>
<td>Dronten / Netherlands</td>
</tr>
<tr>
<td>Eberspächer Climate Control Systems Sp., z.o.o.</td>
<td>Oława / Poland</td>
</tr>
<tr>
<td>Eberspächer Danmark ApS</td>
<td>Copenhagen / Denmark</td>
</tr>
<tr>
<td>Eberspächer Exhaust Systems RUS OOU</td>
<td>Moscow / Russia</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology Portugal, Unipessnal, LDA</td>
<td>Lisbon / Portugal</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology Romania S.R.L.</td>
<td>Oradea / Romania</td>
</tr>
<tr>
<td>Eberspächer Exhaust Technology Slovakia, s.r.o.</td>
<td>Bratislava / Slovak Republic</td>
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<tr>
<td>Eberspächer Exhaust Technology Sweden AB</td>
<td>Nyköping / Sweden</td>
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<tr>
<td>Eberspächer Exhaust Technology UK Ltd.</td>
<td>Ringwood / UK</td>
</tr>
<tr>
<td>Eberspächer GmbH</td>
<td>Wiener Neudorf / Austria</td>
</tr>
<tr>
<td>Eberspächer Italia S.p.A.</td>
<td>Castellalto / Italy</td>
</tr>
<tr>
<td>Company Name</td>
<td>Location</td>
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<td>--------------------------------------------------</td>
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<tr>
<td>Eberspächer Praha s r.o.</td>
<td>Prague / Czech Republic</td>
</tr>
<tr>
<td>Eberspächer S.A.S.</td>
<td>Elancourt / France</td>
</tr>
<tr>
<td>Eberspächer S.r.l.</td>
<td>Borgosatollo / Italy</td>
</tr>
<tr>
<td>Eberspächer Sp. z o.o.</td>
<td>Wysiożtowo / Poland 100 %</td>
</tr>
<tr>
<td>Eberspächer spol. s r.o.</td>
<td>Rakovník / Czech Republic</td>
</tr>
<tr>
<td>Eberspächer Sutrak S.A.</td>
<td>Madrid / Spain</td>
</tr>
<tr>
<td>Eberspächer Systemes d’Echappement S.A.S.</td>
<td>St. Michel / France 100 %</td>
</tr>
<tr>
<td>Eberspächer Turkey Egzoz Teknolojisi Sanayi Ve Ticaret Limited Şirketi</td>
<td>Bursa / Turkey</td>
</tr>
<tr>
<td>Eberspächer Ukraine 000</td>
<td>Kiev / Ukraine</td>
</tr>
<tr>
<td>Eberspächer (UK) Holdings Ltd.</td>
<td>Ringwood / UK</td>
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<td>Eberspächer (UK) Ltd.</td>
<td>Ringwood / UK</td>
</tr>
<tr>
<td>Joint-Stock Company Eberspächer Climate Control Systems RUS</td>
<td>Moscow / Russia</td>
</tr>
<tr>
<td>S.C. Eberspæcher RO SRL</td>
<td>Florești / Romania</td>
</tr>
</tbody>
</table>

**South Africa**

- Eberspächer Exhaust Systems (Pty.) Ltd. | East London / South Africa | 100 %
- Eberspächer Properties (Pty.) Ltd. | Pretoria / South Africa | 100 %
- Eberspächer Rosalyn (Pty.) Ltd. | Port Elizabeth / South Africa | 100 %
- Eberspächer South Africa (Pty.) Ltd. | Port Elizabeth / South Africa | 100 %

**The Americas**

- Calsonic-Eberspächer Exhaust Systems Inc. | Shelbyville / USA | 50 %  2) |
- Eberspächer Climate Control Systems Ltd. | Sorocaba / Brazil | 100 %  2) |
- Eberspächer Climate Control Systems S.A. de C.V. | Mexico City / Mexico | 100 %  2) |
- Eberspächer Controls North America Inc. | Novi / USA | 100 %
- Eberspächer Exhaust Systems Canada Inc. | Brampton / Canada | 100 %
- Eberspächer Exhaust Technology Mexico S.A. de C.V. | Monterrey / Mexico | 100 %
- Eberspächer North America Inc. | Novi / USA | 100 %
- Eberspächer Tecnologia de Exaustão Ltda. | Sorocaba / Brazil | 100 %  2) |
- Eberspæcher Vecture Inc. | Concord / Canada | 80 %
- Espar Inc. | Novi / USA | 100 %
- Espar Products Inc. | Mississauga / USA | 100 %

**Asia**

- Eberspächer Automotive Technology (Beijing) Co. Ltd. | Beijing / China | 100 %  2) |
- Eberspächer catecm Japan Ltd. | Nagoya / Japan | 100 %  2) |
- Eberspächer Climate Control Systems South East Asia Pte. Ltd. | Singapore | 100 %  2) |
- Eberspächer Climate Control Systems Korea Ltd. | Seoul / Korea | 100 %  2) |
- Eberspächer Exhaust Technology (Chongqing) Co. Ltd. | Chongqing / China | 100 %  2) |
- Eberspächer Exhaust Technology (Shanghai) Co., Ltd. | Shanghai / China | 100 %
- Eberspächer Exhaust Technology (Taizhou) Co., Ltd. | Taizhou / China | 100 %  2) |
- Eberspächer Exhaust Technology (Xi'An) Co., Ltd. | Xi'An / China | 49 %  2) |
- Eberspächer Exhaust Technology (Zhangjiakou) Co. Ltd. | Zhangjiakou / China | 100 %  2) |
- Eberspächer Exhaust Technology Japan K.K. | Yokohama / Japan | 100 %  2) |
- Eberspächer Mikuni Climate Control Systems Corporation | Osaka / Japan | 66 %  2) |
- Eberspæcher Sutrak Bus Climate Control Systems India Private Limited | Bangalore / India | 100 %  2) |
- Tenneco-Eberspächer (Dalian) Exhaust System Co. Ltd. | Dalian / China | 45 %  2) |

1) Including the shares of the partners in the Eberspächer Group
2) Non-consolidated
3) 50 % consolidation
Eberspächer worldwide*

**THE AMERICAS**

- **Brazil**
  - Resende
  - Sorocaba

- **Canada**
  - Concord / Toronto
  - Mississauga / Toronto

- **Mexico**
  - Mexico City
  - Monterrey

- **USA**
  - Brighton, MI
  - Northport / Tuscaloosa, AL
  - Novi, MI
  - Spartanburg, SC
  - Wixom, MI

**AFRICA**

- **South Africa**
  - Port Elizabeth
  - Rosslyn / Pretoria
EUROPE

Austria

- Graz
- Wiener Neudorf

Czech Republic

- Prag
- Rakovník

Denmark

- Copenhagen

France

- Elancourt / Paris
- Maubeuge
- St. Michel

Germany

- Emden
- Esslingen
- Hermsdorf
- Herxheim
- Homburg
- Landau
- Munich
- Neunkirchen
- Renningen
- Schwäbisch Gmünd
- Torgelow
- Wilsdruff / Dresden

Italy

- Borgosatollo
- Castellalto
- Turin

Netherlands

- Dronten
- Sittard

Norway

- Trollåsen / Oslo

Poland

- Olsawa
- Wysogotowo / Poznań

Portugal

- Tondela

Romania

- Cluj
- Oradea

Russia

- Krasnoyarsk
- Moscow
- Nizhniy Novgorod
- Novosibirsk
- St. Petersburg
- Surgut
- Tolyatti
- Yekaterinburg

Slovak Republic

- Nitra

Slovenia

- Ljubljana

Spain

- Madrid

Sweden

- Nacka Strand / Stockholm
- Nyköping
- Trollhättan

Turkey

- Nilüfer / Bursa

Ukraine

- Kiev

United Kingdom

- Cowley / Oxford
- Ringwood

ASIA

China

- Beijing
- Changchun
- Chongqing
- Dalian
- Foshan
- Shanghai
- Taizhou
- Tianjin
- Xi’an
- Zhangjiakou

India

- Bangalore

Japan

- Nagoya
- Odawara
- Yokohama

Republic of Korea

- Seoul

Singapore

- Singapore

- Exhaust Technology

- Climate Control Systems

* Excluding sales representations (Version May 2018)