

PRESS RELEASE

ElringKlinger records strong operating free cash flow in FY 2019

- **Revenue up by 1.6% to EUR 1,727 million in 2019 contrary to market trend**
- **EBIT before purchase price allocation at EUR 63.2 million; steady improvement over course of the year**
- **Measures aimed at raising efficiency levels lead to marked improvement in operating free cash flow; net debt scaled back**
- **Dividend suspended to strengthen internal financing**
- **Group refrains from giving outlook at present for the current year due to the strong dynamics of the coronavirus pandemic**

Dettingen/Erms (Germany), March 30, 2020 +++ Market conditions within the automotive industry were far from favorable even before the coronavirus pandemic. Global automobile production contracted by 5.6% in the 2019 financial year. Operating against this challenging backdrop, the ElringKlinger Group managed to expand its revenue by 1.6% to EUR 1,727 million in total (2018: EUR 1,699 million). Without the effects of currencies and acquisitions, revenue was up by 0.5%. Thus, the Group clearly achieved its goal of outperforming the market by 2 to 4 percentage points in terms of organic growth. This was driven primarily by the region comprising North America, which saw revenue expand by 25.1%. Revenue generated from sales in the Asia-Pacific region, by contrast, was down just slightly year on year at -1.4%. However, this market as a whole was significantly weaker at -8.2%. In Germany and the Rest of Europe revenue was also lower at -7.8% and -4.2% respectively.

As Dr. Stefan Wolf, CEO of ElringKlinger AG, points out, "Market conditions as a whole were not favorable in 2019, but we continued to grow with the help of our innovative products. At the same time, we implemented a package of measures to raise efficiency levels, which led to a noticeable improvement in our key financial indicators. Thanks in particular to the substantial increase in cash flow, we were able to significantly reduce net financial debt and strengthen the Group for the future.

Implementation of measures to raise efficiency levels

In addition to a disciplined approach to capital expenditure, the package of measures primarily included improvements in net working capital. Receivables were scaled back, payment terms for liabilities extended, and inventories optimized. The Group made targeted investments in property, plant, and equipment and investment property, as a result of which the ratio of 5.3% of revenue was significantly lower than the prior-year figure of 9.6%. Investments included the new technology center for battery and fuel cell technology in Dettingen/Erms and the establishment of series production for complete

battery systems at the site in Thale, Saxony-Anhalt. The success of these comprehensive measures was illustrated by the particularly favorable direction taken by operating free cash flow in 2019, which improved by EUR 262 million to EUR 176 million (2018: EUR -86 million).

The program aimed at delivering efficiency gains also began to show its first positive effects with regard to earnings. Additional charges attributable to elevated commodity prices, US anti-dumping and countervailing duties, and higher staff costs were counteracted by the Group with the help of cost savings made from the beginning of 2019 onward. In addition to reductions in non-personnel costs, management focused on optimization at the sites in North America, which had recorded particularly high levels of capacity utilization. As a result, earnings margins were gradually increased over the course of the year from 1.6% in the first quarter to 5.9% in the fourth quarter of 2019. This includes the sale of an industrial park in Hungary, which resulted in other operating income of EUR 8.6 million in the fourth quarter.

In total, EBIT before purchase price allocation amounted to EUR 63.2 million (2018: EUR 100.2 million), while the margin stood at 3.7% (2018: 5.9%), which was at the lower end of the target range of around 4 to 5%. In this context, however, the prior-year figure had included proceeds from the sale of two subsidiaries. Due to the reduction in the net finance result by EUR 5 million, earnings before taxes fell to EUR 41.7 million (2018: EUR 81.4 million). In conjunction with slightly higher taxes on income, net income declined to EUR 5.0 million (2018: EUR 47.9 million). Net income attributable to shareholders amounted to EUR 4.1 million in total (2018: EUR 43.8 million). Correspondingly, earnings per share were down sharply year on year at EUR 0.06 (2018: EUR 0.69).

Suspension of dividend

Against the background of the Group's earnings performance in 2019 and the economic impact of the coronavirus crisis, the dividend has been suspended for the 2019 financial year. In taking this approach, the Group is also looking to strengthen its internal financing for the ongoing transformation process.

Robust financial position

The optimization measures aimed at improving operating free cash flow had a positive impact on the financial position as a whole. In the fourth quarter, the Group was able to reduce net debt for the third time in succession to EUR 595 million (2018: EUR 724 million). At the end of the first quarter, net debt had stood at EUR 796 million. The equity ratio of 42% (2018: 43%) also reflects the robust condition of the balance sheet and is within the long-term target range of 40 to 50%.

Outlook for 2020

Even without current developments relating to the coronavirus pandemic, 2020 had been expected to be a challenging year due to the general slowdown in the economy. The situation has deteriorated as a result of the far-reaching measures taken by governments around the world to contain and slow down the spread of the virus, and the pandemic will have a significant economic impact, particularly in the automotive industry.

As Dr. Wolf explains: "The coronavirus has Germany, Europe, and the world fully in its grip and continues to spread dramatically. The protection of our employees and their families is our top priority. We drew up comprehensive preventive measures at an early stage. Employee protection also includes job security. With customers closing many of their plants around the globe, we have been forced to take the same approach and adapt our production in line with demand. Our goal remains to cushion the economic impact as far as possible."

The duration of plant closures by automobile manufacturers cannot be predicted at present. The same applies to potentially more extensive measures in the ensuing weeks – also from a political perspective. In view of these considerable uncertainties and significant dynamics, the economic effects on ElringKlinger cannot currently be determined with sufficient reliability and accuracy. Therefore, the Group is temporarily refraining from issuing specific revenue and earnings guidance for the 2020 financial year.

Unlocking potential for the future

Regardless of the current crisis surrounding the coronavirus, ElringKlinger is continuing to drive forward its development efforts within the area of new drive technologies in order to help shape the process of transformation with innovative products and ideas. Given the results of ElringKlinger's development work and the orders already received in the areas of battery and fuel cell technology and the electric drivetrain, there is an opportunity for the Group to exploit the tremendous potential of new drive technologies.

Key financials for FY 2019 and Q4 2019

EUR million	FY 2019	FY 2018	Δ abs.	Δ rel.	Q4 2019	Q4 2018	Δ abs.	Δ rel.
Order intake	1,737.2	1,735.3	+1.9	+0.1%	381.5	390.7	-9.2	-2.4%
Order backlog	1,030.3	1,020.1	+10.2	+1.0%	1,030.3	1,020.1	+10.2	+1.0%
Revenue	1,727.0	1,699.0	+28.0	+1.6%	419.9	431.8	-11.9	-2.8%
of which FX effects			+25.1	+1.5%			+5.3	+1.2%
of which M&A			-6.2	-0.4%			±0.0	±0.0%
of which organic			+9.1	+0.5%			-17.2	-4.0%
EBITDA	181.0	196.6	-15.6	-7.9%	57.4	37.8	+19.6	+51.9%
EBIT before PPA	63.2	100.2	-37.0	-36.9%	24.8	11.8	+13.0	>+100%
EBIT margin before PPA (in %)	3.7	5.9	-2.2PP		5.9	2.7	+3.2PP	
PPA	1.9	4.0	-2.1	-52.5%	0.4	1.2	-0.8	-66.7%
EBIT	61.2	96.2	-35.0	-36.4%	24.3	10.6	+13.7	>+100%
Net finance cost	-19.6	-14.7	-4.9	-33.3%	-4.9	-3.3	-1.6	-48.5%
EBT	41.7	81.4	-39.7	-48.8%	19.5	7.2	+12.3	>+100%
Income taxes	36.6	33.5	+3.1	+9.3%	11.8	7.4	+4.4	+59.5%
Effective tax rate (in %)	88.0	41.2	+46.8PP		60.7	>100		
Net income (after non-controlling interests)	4.1	43.8	-39.7	-90.6%	7.5	-1.2	+8.7	>+100%
Earnings per share (in EUR)	0.06	0.69	-0.63	-91.3%	0.12	-0.02	+0.14	>+100%
Investments (in property, plant, and equipment & investment property)	92.2	163.5	-71.3	-43.6%	17.4	41.9	-24.5	-58.5%
Operating free cash flow	175.8	-86.2	+262.0	<-100%	65.7	2.6	+63.1	>+100%
Dividend per share (in EUR)	0.00	0.00	-0.00	±0.0%				
ROCE (in %)	3.4	5.5	-2.1PP					
Net working capital	423.5	568.0	-144.5	-25.4%				
Equity ratio (in %)	41.5	42.8	-1.3PP					
Net financial liabilities	595.3	723.5	-128.2	-17.7%				
Employees (as of Dec. 31)	10,393	10,429	-36	-0.3%				

The annual report for 2019 is available online at:

<https://www.elringklinger.de/investor/2019-gb-en.pdf>

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About ElringKlinger AG

As an independent and globally positioned supplier, ElringKlinger is a powerful and reliable partner to the automotive industry. Be it passenger car or commercial vehicle, equipped with an optimized combustion engine, with hybrid technology, or with an all-electric motor – we offer innovative solutions for all types of drive system. In doing so, we are making a committed contribution to sustainable mobility. Our lightweighting concepts help to reduce the overall weight of vehicles. As a result, vehicles powered by combustion engines consume less fuel and emit less CO₂, while those equipped with alternative propulsion systems benefit from an extended range. Developing cutting-edge battery and fuel cell technology as well as electric drive units, we were among the frontrunners when it came to positioning ourselves as a specialist in the field of e-mobility. At the same time, we are committed to evolving our sealing technology for a wide range of applications. Our shielding systems are designed to ensure high-end temperature and acoustics management throughout the vehicle. Dynamic precision parts developed by ElringKlinger can be used in all types of drive system. Additionally, the Group's portfolio includes engineering services, tooling technology, and products made of high-performance plastics, which are also marketed to industries beyond the automotive sector. These efforts are supported by a dedicated workforce of more than 10,000 people at 45 ElringKlinger Group locations around the globe.

Disclaimer

This release contains forward-looking statements. These statements are based on expectations, market evaluations and forecasts by the Management Board and on information currently available to them. In particular, the forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialize. Whilst the Management Board is confident that the statements as well as the opinions and expectations on which they are based are realistic, the aforementioned statements rely on assumptions that may conceivably prove to be incorrect. Future results and circumstances depend on a multitude of factors, risks and imponderables that can alter the expectations and judgments that have been expressed. These factors include, for example, changes to the general economic and business situation, variations of exchange rates and interest rates, poor acceptance of new products and services, and changes to business strategy.