

Annual Report 2018

At a glance

2018 was a successful year for Eberspächer Group in terms of operations during which the Group's revenues increased once again. This development was primarily due to increased sales in the North American and Chinese automobile and commercial vehicle markets. The consolidated result was negatively affected by expenses for restructuring measures, which will trigger positive income development in the medium term.

A sideward trend is expected for 2019 in view of uncertainties regarding overall economic developments. Based on the targeted optimization and further development of our customer and product portfolio as well as our efficiency, we expect revenue and income to increase continuously in the coming years.

Performance Indicators in EUR million	2018	Change on 2017 in %	2017	2016	2015	2014
Revenue	4,610.4	2.9	4,480.9	4,323.6	4,370.8	3,598.5
Revenue generated abroad as a % of total revenue	71.8		69.8	67.0	67.4	62.4
Cash flow from operating activities	135.7	-9.2	149.5	137.0	66.5	21.3
Ratio of equity to total assets as a %	22.4		21.0	20.1	16.0	20.0
Equity ratio as a %*	24.0		22.9	21.9	17.8	22.0
Capital expenditure**	86.8	-15.9	103.2	131.4	123.2	142.5
Amortization, depreciation, and write-downs	102.6	2.0	100.6	91.7	84.7	72.7
Research and development expenses	162.4	3.8	156.5	147.3	149.6	138.2
Personnel expenses	541.5	5.2	514.8	506.5	480.3	441.7
Net income / net loss for the year	53.4	1.8	52.5	61.0	-29.2	3.6
EBIT***	101.5	-14.7	119.0	127.7	126.4	57.7
EBITDA	204.1	-7.0	219.6	219.4	211.1	130.3
Return on sales as a % (after taxes)	1.2		1.2	1.4	-0.7	0.1
Number of employees (average number of employees including trainees)	9,862	3.9	9,489	9,063	8,611	8,385

* 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 Dezember 31, 2018

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 Schernikau
COO
Climate Control Systems / Automotive Controls

The Group Divisions

as of Dezember 31, 2018



Exhaust Technology

Revenue 2018

EUR **4,064.3** million

For environmentally compatible mobility: exhaust-gas aftertreatment, noise reduction, and sound design for passenger and commercial vehicles.



Climate Control Systems

Revenue 2018

EUR **491.9** million

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 2018

EUR **54.1** million

For safe electronics: vehicle power and performance management, battery management systems, and control units for mobile, medical, and industrial applications.



Group Management Report

In fiscal year 2018, Eberspächer Group's consolidated revenue increased by 2.9% to EUR 4,610.4 million. The increased sales volumes in the North American and Chinese automobile and commercial vehicle market primarily contributed to this development. Consolidated net income of EUR 53.4 million is slightly up year-on-year. 2018 was therefore an operationally successful year for Eberspächer which was characterized by numerous investments in new plants and products. The result of the largest Division, Exhaust Technology, was negatively impacted by expenses for restructuring measures in the amount of EUR 36.1 million. In 2019, we expect revenue to be slightly above that in 2018 and a further increase in the Group's consolidated result for the year.

Eberspächer's products and services contribute to environmental protection, safety, and comfort in vehicles. We tap new market potentials by further developing the product and customer portfolio. Eberspächer drives its innovations with a specific focus on automotive megatrends. We further secure the success of our Company by consistently optimizing the existing processes and structures in the medium and long term. Eberspächer is committed to supporting its employees with all of its actions. After all, their professional, personal, and social competences are a key requirement for realizing the global growth strategy and a crucial factor for the Company's success.

Fundamentals of the Group

Business model of the Group

With around 10,000 employees in 80 sites, Eberspächer Group is one of the leading global system developers and suppliers for the automotive industry. The Company, founded in 1865 in Esslingen, Germany, develops and produces series of components and complete systems for automobile manufacturers and also supplies the aftermarket with exactly fitting retrofit solutions. The Group is split into three Divisions, Exhaust Technology, Climate Control Systems, and Automotive Controls, which in turn are supported by the Corporate Center.

Shaping the mobility of the future – this is the claim of our family-owned Company. To do so, Eberspächer consistently drives innovation and develops its market position through investments, partnerships, and acquisitions. The Business Innovation unit, which was established in 2017, specifically promotes innovative power in order to tap new market opportunities and product options. The Company will continue to grow in the future in line with its MOVE strategy. Clean Mobility, Smart Solutions, Dedicated People – we are shaping the Clean Mobility of the future and are inspiring our customers with Smart Solutions both developed and produced by Dedicated People.

EXHAUST TECHNOLOGY

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 and noise standards and are designed to further reduce fuel consumption and CO₂ emissions.

CLIMATE CONTROL SYSTEMS

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

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.

Research and development

In fiscal year 2018, research and development expenses amounted to EUR 162.4 million. They are therefore slightly up year-on-year (EUR 156.5 million). This amount includes internal expenses plus all external services purchased for design, computer aided engineering, testing and prototypes.

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. We also invest in basic development (research) and advance standards, processes, and methods.

EXHAUST TECHNOLOGY

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

In 2018, we continued to focus our research and development activities on modern emission control systems for passenger and commercial vehicles. In the passenger car segment, gasoline particulate filter systems (GPF systems) for gasoline engines and near-engine DPF/SCR systems for Diesel engines were developed further. These are primarily used for the Euro 6d-TEMP and Euro 6d emission standards. Developments further focused on modular exhaust valves which were launched as series productions for various customers. The valves are used for improving muffling and exhaust-emission conversion (low pressure EGR system). Close cooperation with process development forms the basis for optimal product design. In the commercial vehicle segment, modern exhaust-gas aftertreatment systems were developed, particularly for the Chinese and Indian markets, to meet the new China National 6 and Bharat Stage VI standards which will become compulsory in these countries in 2020.

CLIMATE CONTROL SYSTEMS

In the Climate Control Systems Division, research and development activities are primarily carried out at the respective main sites of the individual product groups in Germany: for the two Business Units, Fuel Operated Heaters and Special Markets in Esslingen, for Electrical Heaters in Herxheim and Hermsdorf, and for Bus & Coach in Renningen.

To complete the product portfolio, the new and further product developments for fuel operated heating systems were consistently driven further in 2018. In mid-2018, as planned, the Airtronic 2 went into series for the passenger and light commercial vehicles market as the first product of the modular concept. The hardware and software development is performed jointly between the Climate Control Systems and Automotive Controls Divisions and makes use of the resulting synergies. The small water heater product family was also expanded in this context. The new heaters for light commercial vehicles and passenger cars were launched just in time for winter. The acquisition of a large contract for the supply of water heaters with integrated catalytic converter was a major success. The Hydronic S3 InCat reduces almost all carbon monoxide and HC emissions without requiring any additional installation space. The compact vehicle heater by Eberspächer therefore contributes significantly to the low-emission and effective heating for all types of vehicles.

The Special Markets Business Unit focused on implementing heating and cooling system solutions for customers. This includes the development of applications with vehicle-specific installation proposals and kits, operating elements, accessories, and diagnostics tools. A new team responsible for the development of the group-wide digital connectivity platform and services is being set up in 2019. The platform interlinks components in special-purpose vehicles, such as additional batteries or vehicle heaters, and provides fleet managers and drivers with numerous other functions, from central component management to digital logbooks. Thanks to Eberspächer's investment in the start-up company PACE Telematics GmbH in July 2018, Eberspächer components can be interlinked with one another as well as other functions in the vehicle. The company, which was founded in 2015 with registered office in Karlsruhe, Germany, develops cloud-based mobility services which contribute to the smart and comfortable mobility of the future.

In the Electrical Heaters Business Unit, the focus was on development activities for the high-voltage coolant heaters. Further series and/or additional volumes were contracted for the third generation of this product in China, Europe, and the NAFTA region and the application development required for this purpose was initiated. An application team was set up at the Tianjin site to support and expand the business in the Chinese market. The development of the fourth generation high-voltage coolant heaters advanced considerably in 2018. The development of PTC ceramics for high- and low-voltage products also continued. These ceramic elements are part of intrinsically safe PTC heating systems for automotive applications, which quickly provide hot air in the passenger compartment. A particular highlight is the successful completion of the development of the PTC element for the third generation high-voltage coolant heater. This has considerably reduced our dependence on our external suppliers.

In the Bus & Coach Business Unit, another product platform for roof-mounted air-conditioning systems is in the first phase of new development. The final design of the new model series is going to consolidate the international product portfolio, some of which currently has a multitude of variants, and increase its

competitiveness. 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

The Automotive Controls Division invested heavily in research and development, and therefore in the further development of competences, in 2018. The respective activities are performed at the German locations in Landau and Esslingen and in Concord, Canada.

In vehicle electronics, the main focus was on developing products for electric mobility, autonomous driving, and CO₂ reduction. The further development of highly secure switches for autonomous vehicles that do not require a driver (level 5) was completed. Professional competences, particularly in terms of functional safety, had to be developed for this development, which primarily focused on safety aspects. Together with the Climate Control Systems Division, the Company invested in pioneering additional high-voltage PTC heaters and developed further resources for electric and hybrid vehicles. The two development sites in Landau and Esslingen further focused on a new electronic platform development for future air and water heaters with the aim to shorten product launch times.

The focus of the development activities in Concord, Canada, was still on developing products for industrial mobile energy supplies, such as for transport vehicles in production, and providing a wide range of variants for these applications. Eberspächer Vecture Inc. optimized and expanded the existing hardware solutions. One focal point was on developing software for these battery solutions. The Company developed its own basic technology for this purpose. It makes it possible to react to customer requirements in a more flexible and much more cost-effective manner. Products can thus be launched even more quickly.

Business report

The global economy remained at a high level in 2018. The global gross domestic product in 2018 increased by 3.7 % (prior year: 3.6 %). The differences between the dynamic economic developments of the various countries increased again since the beginning of the year. The currencies of numerous emerging countries devalued due to the withdrawal of financial investments by international investors. The trade dispute between the USA and China resulted in uncertainties amongst Chinese consumers and Chinese economic growth decreased year-on-year as a result. The positive impulses from the US tax reform once more increased the US growth rate considerably. Following a strong expansion in the prior year, the economy in the eurozone lost momentum in 2018. The main reason for this development was the decrease in exports within the eurozone. Germany generated growth of 1.5 % (prior year: 2.2 %), primarily due to the continuously high domestic demand. However, exports grew less than in the prior year.

Sector environment

Demand for passenger cars on par with the prior year

In 2018, global demand for passenger cars was on par with the prior year. The passenger vehicle business in China decreased slightly year-on-year as a result of the trade dispute. On the other hand, new passenger car registrations in the automotive markets in the USA and Europe were on par with the prior year. The markets in France and Spain grew, whereas the automotive market, particularly in the United Kingdom, receded due to the Brexit negotiations. The number of new passenger cars registered in Germany was on par with the prior year according to the information provided by the German Association of the Automotive Industry (Verband der Automobilindustrie; VDA). The domestic order intake of German OEMs and importers and order backlog decreased slightly year-on-year. Both German vehicle exports and the German production volume of 5.1 million passenger cars decreased moderately. The German automotive industry had problems with the certification of new vehicles in accordance with the WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure). This had a negative effect on sales figures.

Commercial vehicle market grows overall

The number of new commercial vehicle registrations increased significantly in the USA. Growth in Western Europe was slightly up and new commercial vehicle registrations in Germany increased by 5 %. The number of new vehicle registrations was down year-on-year in China.

New technologies in the bus market

In 2018, the sales of buses with a gross vehicle weight of 3.5 tons in Europe were slightly down year-on-year. The technological trend in the bus segment toward more fuel-efficient vehicle concepts such as hybrid and electric buses continues. The percentage of fully electric city buses in Europe is estimated to increase to between 45 % and 60 % by 2030. These vehicle concepts will remain relatively costly for the foreseeable future compared with conventional Diesel buses, but are heavily funded with public money. China is the largest global sales market for electrically operated omnibuses. Around 50 % of the total annual production of omnibuses with a gross vehicle weight of 6 tons is sold in this market.

Outlook for 2019

The International Monetary Fund forecasts a slight decrease in the 2019 growth rate to 3.5%. Some risks, which may impair the global economy, have once more been substantiated compared with the prior year. These include the expansion of the international trade barriers, the exit of the United Kingdom from the EU, the increasing risk of a debt crisis in Italy, and the high volatility of the capital markets. However, a strong domestic economy continues to contribute to strong growth momentum. The growth rate of the emerging and developing countries will remain on par with the prior year. The established industrialized countries are expected to recede slightly year-on-year. This development will be influenced by the increasing supply bottlenecks, reduced industrial

activities in Europe, as well as the restrictive fiscal policies and end of positive impulses from the US tax reform. The Chinese economy will expand further, with decreasing but still considerable growth rates. The growth rate of the German gross domestic product is expected to decrease to 1.3% due to a decrease in the foreign sales markets and increasingly exhausted domestic acquisition potential. The global automotive industry is expected to grow slightly. Whilst the European market will remain at the prior year's high level, a marginal decrease is expected in the USA. The Chinese automotive market will remain volatile. Growth is expected to increase slightly.

Business trend

Development of revenue and orders

In 2018, the consolidated revenue of Eberspächer Group amounted to EUR 4,610.4 million (prior year: EUR 4,480.9 million), corresponding to an increase of 2.9%. In the 2017 management report, we forecast revenue to be on par with the prior year. Net revenue (adjusted for transitory items such as monoliths and third-party parts) increased by 7.1% in 2018. The Exhaust Technology Division contributed to this development. At year-end 2018, the Group's order backlog was on par with the prior year.

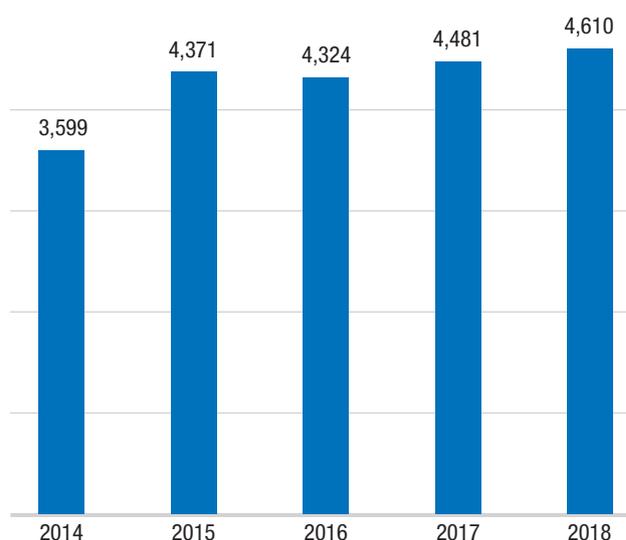
EXHAUST TECHNOLOGY

In the Exhaust Technology Division, revenue increased by 3.4% to EUR 4,064.3 million (prior year: EUR 3,931.0 million). This increase in revenue primarily resulted from increased sales volumes in the North American and Chinese 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 2018, this share amounted to 53.9% (prior year: 56.5%). Net revenue, adjusted for these transitory items, amounted to EUR 1,874.7 million (prior year: EUR 1,709.6 million), an increase of 9.7% year-on-year. The Division's net revenue therefore increased more steeply than gross revenue due to the low proportion of transitory items.

In the Exhaust Technology Division, order backlog at the end of the year was slightly up on the figures in 2017. Whereas order backlog in China was considerably up year-on-year, order backlog in Germany was lower.

Revenue of the Eberspächer Group in EUR million



International sales markets

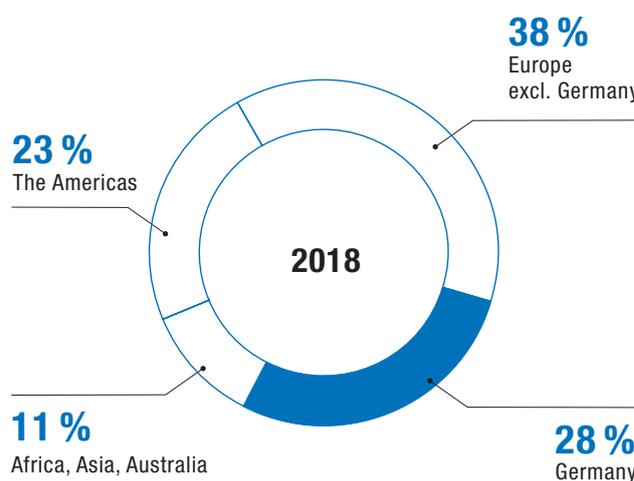
Our international sales markets developed differently in 2018. Revenue in the core sales territory, Europe, decreased in the passenger car as well as commercial vehicle segments. In Europe, the call numbers decreased, particularly at our French site and at our plant in Neunkirchen, Germany. Eberspächer continued to generate a high revenue volume from commercial vehicle customers in Europe. However, this figure was down year-on-year. Developments in the markets in the USA and China were positive compared to the prior year. Due to newly started production programs and overall great demand, revenue increased significantly in North America. Revenue also increased significantly once again in China.

In Europe and North America, Eberspächer is a leading provider of exhaust-emission conversion technologies for commercial vehicles which comply with the current emission standards, EPA 2010 in the USA and Euro 6 in Europe. We aim to also achieve this position in Asia in the long term. By gradually introducing the emission standards China National 6 in China and Bharat Stage VI in India, we aim to expand our market share in the commercial vehicle segment. Following relatively stable revenue in the European commercial vehicle business in the past year, we expect a considerable decrease in revenue for both our commercial vehicle plants in Europe in 2019. A decrease in the number of calls from individual customers indicates that the market is slowing down. In addition, some European programs will be expiring in 2019. In the USA, we expect a decrease in revenue due to a slow-down in the market in the second half of 2019.

Technologies for Diesel and gasoline engines

Contrary to the original expectations, the sales of products for Diesel vehicles decreased less strongly than feared. There is nevertheless great uncertainty in the market and reluctance amongst end customers. We expect a decrease in sales over the coming years in this segment. Compliance with the latest emission standards for combustion engines with updated test cycles and measurement during real operation prove to be great challenges for vehicle manufacturers, especially in Europe. In order to improve compliance with ambitious CO₂ limits for the fleet average for the current products, Eberspächer is in demand as a system partner for exhaust technologies. We work together with our customers on the further optimization of the modern Diesel technology, as this drive type accounts for a major part of the medium-term sales forecasts of our customers, despite the current discussions. In the past year, Eberspächer managed

Revenue of the Eberspächer Group by region



to acquire a significant number of new business in the gasoline engine segment in Europe. They ensure that there is compensation for the decrease in Diesel sales in the coming years.

We expect next year's revenue in the Exhaust Technology Division to be on par with the prior year. Positive revenue developments in the Asian market and at our technology plants in the passenger car segment in Portugal and Romania will compensate negative effects. In the medium term, we base this continuing growth on the increased complexity of emission control systems in volume markets, new customer acquisitions, and the launch of innovative products.

CLIMATE CONTROL SYSTEMS

In the Climate Control Systems Division, revenue in 2018 amounted to EUR 491.9 million (prior year: EUR 495.3 million), roughly on par with the prior year. Order backlog at the end of 2018 was significantly down on the figures in 2017.

Fuel Operated Heaters revenue decreases

In the Fuel Operated Heaters Business Unit, revenue from fuel operated heaters decreased significantly year-on-year. Revenue in the passenger and commercial vehicle OEM business was significantly down year-on-year. This resulted from a decrease in order volume due to certification problems caused by the new WLTP at our customers as well as uncertainties caused by the Diesel issue and Brexit negotiations. A production program, which ended earlier than expected, also contributed to this negative development. Revenue in the USA increased as the economic trend for heavy commercial vehicles in this country was positive.

Special Markets revenue increases

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 significantly up year-on-year. Some customer segments once again showed a very positive trend. Revenue growth in the construction machinery and RV segments was particularly positive in 2018. Trade with subsidiaries varied in the biggest markets, North America, Russia, United Kingdom, and the DACH region. In 2018, the revenue of our North American subsidiary increased considerably, triggered by a good year in the truck segment in the new registrations and aftermarket business. Business in Russia continued its positive trend and continued to increase year-on-year due to an increase in the willingness to invest by private consumers and companies. However, the effects of the poor exchange rate development started to have a significant impact. Despite the Brexit decision, we recorded significant year-on-year growth in the United Kingdom. The product supply bottlenecks in the DACH region, namely Germany, Austria, and Switzerland, improved considerably compared to

the prior year. In the foreign trade, our largest general agencies in Finland, the Benelux countries, and Korea realized their full market potential. Revenue in Finland was slightly up year-on-year, whereas the general agencies in the other two countries recorded significant year-on-year revenue growth. Only the business with our Turkish representation collapsed due to exchange rate fluctuations and an unstable political and economic situation during the course of the year.

Electrical Heaters revenue decreases moderately

In 2018, revenue in the Electrical Heaters Business Unit was moderately down year-on-year. The main reasons for this poor development include low series revenue in the low-voltage segment caused by the decrease in the number of customer calls in the Diesel key market. The revenue generated from electronically controlled high-voltage coolant heaters for hybrid and electric vehicles also fell short of expectations, but were slightly up on the 2017 figures.

Bus & Coach revenue increases slightly

Revenue in the Bus & Coach Business Unit increased slightly year-on-year in 2018. Due to negative exchange rate effects and a delayed start-up business with new North American customers, on the other hand, the significantly higher budgeted revenue could not be realized.

AUTOMOTIVE CONTROLS

In the Automotive Controls Division, revenue amounted to EUR 54.1 million (prior year: EUR 54.6 million), almost on par with the prior year. However, series revenue fell short of expectations. The cause of this trend was the postponement of two series start-ups for a major customer planned for 2018 to the year 2019 as well as general revenue decreases amongst our OEM customers. Slow market developments in the Automotive Battery Management Business Unit also resulted in a shortfall of budgeted revenue.

Production, logistics, and procurement

In 2018, the Eberspächer production network was developed further on a global basis. Production facilities newly constructed in the prior year started up production, and new companies and joint ventures were established in 2018. Production started in the new just-in-sequence plant in Nitra, Slovak Republic. Contracts for the two joint ventures with China Yuchai, China, and Sharda Motor, India, were signed and initiated respectively in the Exhaust Technology Division to account for the increase in demand. The Climate Control Systems and Automotive Controls Divisions reached further important milestones, like the acquisition of the French climate control specialist, Kalori SAS.

EXHAUST TECHNOLOGY

The production volume of the Exhaust Technology Division increased moderately year-on-year. This increase primarily resulted from the significant increase in production volumes in the USA and China.

Production in Europe

Within the Exhaust Technology Division, the site in Neunkirchen, Germany, and its related assembly plants forms the largest production unit for passenger vehicle exhaust systems. The Neunkirchen production plant is facing huge challenges in the coming years in view of the decreasing sales figures in the Diesel segment and impending economic downturn. The measures implemented at the plant up to now are not enough to guarantee the site's ability to continue its operations in the future. As part of a comprehensive analysis of the product portfolio located in Neunkirchen and the plant's local structures during the course of 2018, a future concept was developed which should ensure that the production plant remains competitive in the coming years. Eberspächer will be focusing on systems and core components for complex exhaust systems at the Neunkirchen site in the future. The working council and partners to the collective labor agreement actively participate in improving the site. Around 200 employees will be affected by job cuts under social agreements. This measure will be implemented in several phases until the end of 2020. A further 80 employees will be released from their employment contracts as part of the previously implemented voluntary program and natural fluctuation, e.g. old age pension and early retirement regulations.

The two new technology plants in the passenger car segment, Tondela, Portugal, and Oradea, Romania, significantly increased their production volumes in 2018. The Oradea plant will primarily produce pipes for the European passenger car market in the future. At the end of 2017, the Tondela plant joined the production group in the passenger car segment. The products produced at this plant are supplied to the plants of European automobile manufacturers in Spain, Portugal, and Northern Morocco. The portfolio comprises hot-end and cold-end exhaust-emission control components for Diesel and gasoline vehicles, including complete exhaust systems, but also individual components such as gasoline particulate filter and catalytic converters.

In the fall of 2018, the latest member of the passenger car production network started production. At the just-in-sequence plant in Nitra, Slovak Republic, the final assembly of exhaust systems for an automobile manufacturer nearby takes place. This includes hot-end and cold-end exhaust-emission control components and systems.

The series production of Euro 6 exhaust systems for the European commercial vehicle market takes place at the sites in Wilsdruff, Germany, and Nyköping, Sweden. As one major customer decided to engage another supplier with the production of the next generation of exhaust systems, the organization in Nyköping is being adjusted accordingly. In 2019, programs will also end at the Wilsdruff location. At both sites, plans are to consistently implement the measures for adjusting production to the order situation and improving efficiency and productivity.

Production in China and the USA

Exhaust systems for the passenger car and commercial vehicle market in the NAFTA region are manufactured in our US production network. Our site in Wixom, Michigan, USA, primarily specializes in the production of passenger car exhaust systems that comply with the EPA Tier 3 emission standard. Despite delays in various customer projects, the site recorded significant growth in the passenger car and light commercial vehicle segments. Our site in Brighton, Michigan, USA, specializes in the production of commercial vehicle exhaust systems that comply with the EPA 2010 standard.

The Chinese market provides significant growth potential for Eberspächer. Eberspächer therefore further developed its presence in the Asian market, particularly in China. Eberspächer and China Yuchai International Limited founded a joint venture. China Yuchai is one of the biggest Diesel engine manufacturers in China and a strong partner which enables Eberspächer to also lay the foundations for a leading position in the commercial vehicle exhaust-emission conversion segment in Asia. The joint venture will produce and sell emission control systems for Chinese commercial vehicles to comply with the highest emission standard, China National 6. The systems are used in trucks and buses as well as off-road applications such as tractors or construction machinery by Asian manufacturers. A new production plant is being constructed for this purpose in Yulin, near the existing production facilities of China Yuchai. The first exhaust systems are scheduled for production there as from the end of 2019.

In order to tap the Indian market, Eberspächer and Sharda Motor signed a memorandum of understanding (MOU) on the establishment of a joint venture for supplying exhaust-gas aftertreatment systems for compliance with the Bharat Stage VI standard for commercial vehicles in the Indian market in March 2018. The guideline will become effective in 2020 and corresponds to the Euro 6 standard in Europe. Sharda Motor is a leading local exhaust system manufacturer in India.

Supply chain management

The discussion on emission standards and impending Diesel vehicle driving prohibitions in Germany posed a major challenge for suppliers to the automotive industry in the past year. This was reflected in the call behavior of our end customers and required our increased attention with regard to data analysis and bottleneck management across all plants by the supply chain management. Thanks to a competent team and corresponding professional knowledge at the plants, we are improving all the time when it comes to flexibly and promptly responding to changed market requirements. This enables us to meet the tougher requirements. Training services and an adjusted organization enable us to efficiently respond to individual customer requirements and ensure a high degree of customer satisfaction.

The purchasing activities of the Exhaust Technology Division were expanded to include the procurement of components, particularly from Asian and Eastern European markets. This improved the quality and costs of the supplier base. 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. Trade barriers with the USA could affect supplies at our US plants. We were able to secure the most considerable part of our requirements in the USA thanks to contractual relationships with regional suppliers in 2019.

CLIMATE CONTROL SYSTEMS

The production volume of the Climate Control Systems Division was roughly on par with the prior year. Whilst the Special Markets Business Unit recorded a significant increase, the production volume in the Fuel Operated Heaters and Electrical Heaters Business Units decreased. The Bus & Coach Business Unit was on par with the prior year.

Fuel Operated Heaters Production

At the production plant for fuel operated heaters in Esslingen, numerous improvement measures were defined and implemented in production and logistics. A new layout according to the one-piece-flow and lean principles was planned for the manufacturing. These will be implemented in 2019. Two different models of the new Airtronic air heater generation started up on two production lines in 2018. The focus of the Polish site in Oława was on optimizing the internal logistics processes and material flow. Thanks to improved production planning and management as well as the launch of shopfloor management, the efficiency of the fuel operated heater manufacturing was increased.

Acquisition of Kalori

Eberspächer reached an important milestone on its path toward becoming a leading global supplier of thermal management solutions in special-purpose vehicles. In November 2018, Eberspächer signed a contract for the acquisition of all the shares in the French company Kalori SAS. The climate control specialist with head office in Lyon, France, has been successfully developing and producing air-conditioning and ventilation systems for commercial and special-purpose vehicles for more than 25 years. The other production site in Zhongshan, China, enables Eberspächer to expand production and sell products on a global scale through its sales and service network. Customers, suppliers, and partners profit from the expanded future product portfolio which will be available under the brand name 'Eberspächer Kalori'.

Electrical Heaters Production

The manufacturing of the Electrical Heaters Business Unit is located at the German site in Herxheim and the Polish plant in Oława. Whilst Herxheim produced all three generations of electrical high-voltage heaters as well as low-voltage heaters, Oława primarily focused on low-voltage products. In the fall of 2018, the manufacturing of third generation high-voltage PTC stones successfully started up in Hermsdorf. The move to the new plant in Hermsdorf is planned for May 2019. The new production plant in Tianjin, China, started producing third generation electrical high-voltage heaters at the end of 2018. Manufacturing started earlier than planned at this location due to increasing demand.

Bus & Coach Production

As part of the continuous globalization and industrialization of the Bus & Coach product group, the focus for production, logistics, and procurement in 2018 was on further developing as well as transferring assembly and knowledge to new and existing production facilities. In the meantime, the Renningen site acts as the competence center and manages the global assembly processes of the Bus & Coach Business Unit. The global presence in all strategically important omnibus markets was strengthened further during the course of 2018. In view of this, numerous assemblies were transferred from Renningen to Poland, India, and the USA. In addition, new production lines were developed at various sites of the Business Unit.

Logistics and procurement

In 2019, European distribution activities for the Special Markets and Bus & Coach Business Units will be pooled in the Polish site. Relevant heaters, merchandise, and spare parts will be stored, picked and packed, 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, further developed a local Asian supplier base for the manufacturing of electrical and fuel operated 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 shortage of semiconductors in the medium term and therefore longer delivery times for control units. Previously confirmed delivery dates are being canceled for individual products. We are also countering this issue in the Automotive Controls Division with a complex bottleneck management.

AUTOMOTIVE CONTROLS

The Automotive Controls Division produces vehicle electronics at the site in Landau, Germany. The capacity utilization of the machines for the manufacturing of vehicle electronics increased slightly year-on-year due to sales activities. In order to increase the capacities of these production lines, a four-shift system was employed at some of the bottleneck lines at the beginning of 2018. The production site in Concord, Canada, produces battery management systems for medical, military and increasingly also industrial applications.

Quality and environmental management

Eberspächer Group sets itself high standards, including in the areas of quality and environment. Eberspächer ensures that the environment is protected and resources used responsibly, from the earliest development of new technologies, across the entire production process, to the product deliveries to its customers. Consistent quality management emphasizes the reliability of our work. Our quality and environmental management systems are certified pursuant to the applicable automobile standards and meet our customers' requirements. This is regularly confirmed by independent recertification and monitoring audits as well as various customer audits.

Quality

The Exhaust Technology Division further developed and optimized the global standards and processes in 2018. This particularly includes the launch of standard SAP quality management processes at all plants, such as for the handling of faulty parts in manufacturing. A Q-University was launched in the Climate Control Systems Division to promote individual quality awareness and its integration in daily operations. As a result, quality management training modules are available on a global basis. To further standardize the processes, the central Eberspächer Business Operating System (EBOS) was advanced in a targeted manner in the Climate Control Systems Division.

Environment

The environmental management systems at our largest sites are certified pursuant to the requirements of the DIN EN ISO 14001 standard. This was confirmed in the 2018 reporting year by independent external auditors. In 2018, these environmental management systems were adjusted to the new standard ISO 14001:2015 and recertified accordingly. In the Exhaust Technology Division, all sites with a valid ISO 14001 certificate were compiled in a centrally managed, standardized environmental management system as part of a matrix certification in 2017. New sites were gradually added to this and changed to ISO 14001:2015 in 2018.

To increase energy efficiency, the energy management system at the Neunkirchen site, 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 sites in Europe which must comply with legal requirements. This made it possible to embed energy efficiency in all relevant activities of the Company.

Employees

Management approach and HR policy

The biggest technological innovations are always developed by people who show the greatest commitment, intelligence, and passion for their tasks and think outside the box. This is why Eberspächer gives its employees the leeway and opportunities for exploiting their creativity and potential. As a family-owned company, Eberspächer places great importance on trust, long-term thinking, and an established value culture. In a culture based on respect, the Company ensures that fairness is employed at all levels. Eberspächer does not tolerate any discrimination and instead promotes diversity and equal opportunities. Compliance with labor laws and adequate pay are regarded as natural. Eberspächer respects the legitimate representation of its employees interests and entirely rejects corruption and any form of forced and child labor. As a global player, Eberspächer is committed to upholding human rights and fair working conditions around the world. This is embedded in the Code of Conduct. 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.

Number of employees

The international focus and global growth of Eberspächer is reflected in the number of its employees. In fiscal year 2018, an average of 9,862 persons (including trainees) were employed, of which 4,505 in Germany, and 5,357 abroad. Compared with the prior year (9,489 employees), 373 new jobs were created (3.9%). 7,123 employees worked in the Exhaust Technology Division, 2,336 in the Climate Controls Systems Division, 328 in the Automotive Controls Division, and 75 in the Corporate Center. Women account for a quarter of our global group of permanent employees. As a liberal company, Eberspächer employs people from 52 nationalities in Germany alone.

Vocational and further training

Life-long learning and continuous development form the basis for the Company's success. As part of its HR and talent development activities, Eberspächer conducts regular feedback talks and development planning. The focus is on implementing specific programs to develop and expand the professional, method, and process competences as well as the personal development of employees. In 2018, one of the main focal points was the impartation of the Eberspächer skills profile. It is based on the corporate values and constitutes the competence model. The cross-site, three-year development program for university graduates and young professionals has become another important HR development tool. 132 persons availed themselves this offer in 2018. Eberspächer further invested in its executive training with programs such as 'Coach, don't tell', 'Career Path', and the internationally aligned 'Development Centers'. The latter assist executives with determining their personal position on the career ladder and their further development. The 'International Experience Program' launched for the first time in the past year. It provides employees with the opportunity to gather international work experience. The Onboarding Days, a two-day introductory and training program, were also successfully held in 2018. This program is important for introducing new employees to the Company in Germany. The newly launched 'JAKOB University' digital learning management system was another success story. The system provides direct access to training opportunities, gives employees a transparent overview of the training offers, and promotes the development of their knowledge. 'JAKOB University' is available at almost all German and US sites at present.

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 2018, an average of 355 trainees worked for the Company in Germany and abroad.

Occupational health and safety management

The superior aim of Eberspächer's occupational health and safety activities is to prevent accidents and industrial diseases. The Company implements a Group-wide occupational Health, Safety and Environment management system for this purpose. Plans are to certify the occupational health and safety management system in accordance with ISO 451001 in 2019. The system will be launched in Neunkirchen and successively rolled out to other sites.

Eberspächer has experts at all plants who assist the local management with creating safe working conditions and minimizing the effects of the activities on the environment. A globally aligned occupational Health, Safety and Environment function coordinates the global activities to promote networking between experts, learning from one another, and developing global standards based on best practices. Eberspächer lives by the principle: 'Safety first, Quality always'. A key benchmark for the success of this guiding principle and preventive occupational health and safety activities is the trend of absenteeism and accidents. The accident frequency rate and severity decreased considerably in recent years (2013 to 2018) due to active occupational Health, Safety and Environment measures.

The Company's health management was further developed, particularly in Germany. It comprises numerous preventive offers and health-promoting measures: from healthcare training to company sports groups, eye test, ergonomics and nutrition workshops and company reintegration management. At Eberspächer, responsible doing is also reflected in the range of social consulting services on offer. For the first time in several years, a health week was held again at the Esslingen site in 2018, which gave employees the opportunity to participate in workshops, consulting services and topical talks.

Employee dialog

It is important for Eberspächer to engage in an open dialog with its employees. In 2017, a global employee survey was therefore conducted for the first time in all of the Group's Divisions. Based on the results, measures were defined in 2018 for continuously improving various focal points. The first successes were validated in a follow-up survey in the fall of 2018. The increased participation rate of 79% reflects the interest and willingness of employees to actively contribute to the further development of the Company. Follow-up surveys will also be held with the aim to embed employee feedback as a permanent controlling and evaluation instrument for the Company's future alignment.

The Team E Employee Magazine is also an important part of internal communications. The quarterly publication provides information on the Company's activities in four languages. It provides employees with the opportunity to get to know backgrounds, developments, and colleagues outside their own working environment. The first ever COO/CFD Talks were also held in 2018. This event provided employees with the opportunity to provide the members of the Management Board with feedback, share ideas, or ask questions relating to decisions and developments at Eberspächer during a personal talk. In addition, the members of the Management Board discussed hot topics which had been submitted by employees. This initiative is another step toward Eberspächer's continuous development of the dialog with employees.

A thank you to our employees

We would like to thank all of our employees for their loyalty, great commitment, and reliability. Thanks to your dedicated work, we are able to drive the Company in an extraordinarily dynamic environment in line with our MOVE strategy.

Corporate Social Responsibility

As a global player, Eberspächer is committed to fulfilling its social responsibility. As part of our sustainability strategy, we are engaged in social projects as well as in the science and education, culture, and sport sectors. For Eberspächer, it is important that employees support social commitment. We therefore support our

employees with their efforts to give back to their global community. As we feel committed to improving the living conditions of people in our sites around the world, we place particular importance on local relationships in our social responsibility activities. Our social commitment initiatives are based on three pillars:



Assuming responsibility together

Our Company employs around 10,000 people. Together, we stand by our global responsibility. We support and enable our employees to act in the interest of the Company and the greater good.



For our sites

We feel particularly committed to improve the living conditions of people at our sites. We therefore place particular importance on local social commitment.



Global

A global presence comes with global responsibility. We contribute to promoting social and environmental progress to the best of our ability.

Commitments are reviewed on the basis of a Group-wide Corporate Citizenship concept and a mandatory Company-wide donation and sponsoring guideline.

'Helping Hands' Corporate Citizenship

Eberspächer supports the voluntary positions of its employees with the 'Helping Hands' initiative. In 2018, a pilot project started in Esslingen, which provided employees with the opportunity to request financial aid for their social projects. The financial aid was awarded to the voluntary position of an employee who teaches children and adolescents lifeguard skills – an important task which can save the lives of swimmers. Eberspächer's donation was used to finance a vehicle to drive the team to their lifeguard positions on the coast and other rescue missions. Plans are to roll out this initiative on a global basis in 2019. By supporting voluntary positions, Eberspächer strengthens the corporate and social commitment of its employees.

Donations and sponsoring

Eberspächer supports social projects with donations and sponsoring activities. Our activities are based on a global guideline which stipulates the criteria and related internal processes. We support social and humanitarian projects as well as activities in the science, education, sport, art, and culture sectors. To meet the specific requirements in each region, the individual locations coordinate and implement the activities in their local areas.

The support for the Lamani elementary school in South Africa by the Eberspächer site in Port Elizabeth is an excellent example of local social commitment. The South African Eberspächer site came to the rescue when the school was about to close down in 2013 due to a lack of financial resources. We are supporting the school to this day. Up to now, classrooms have been renovated and a fully equipped library and computer center have been installed. In 2018, the roof and facade of the school building were repaired. In addition to the renovation of the building, Eberspächer supported the purchasing of school clothes and further developed the library and e-learning portfolio. Eberspächer provided grain each month to ensure that the children had a daily school meal. Academic performance is also rewarded with annual awards for outstanding academic performance. In 2018, the students had the opportunity to found their first 'March & Drill Band'. With the support from Eberspächer, their band was registered and participated in a national competition. The students won the 'best dressed award' for their sponsored uniforms.

This project is just one of many which the Eberspächer sites initiate around the world. Eberspächer is convinced that Corporate Citizenship initiatives such as this create an important link between the Company and society.

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 2018, we expected net revenue to be slightly up on the prior year. The net revenue of Eberspächer Group was moderately up year-on-year in 2018. The increase in revenue in the Exhaust Technology Division in North America and China was key to this development.

Earnings before interest and taxes (EBIT) are also referred to as a key financial performance indicator. The EBIT results from the operating profit or loss before financial result and taxes. We forecast a positive business trend in last year's management report. In 2018, the Group's EBIT amounted to EUR 101.5 million, a significant decrease year-on-year (prior year: EUR 119.0 million). This primarily resulted from the expenses for restructuring measures of the Exhaust Technology Division. Adjusted for the effects from the restructuring measures, the EBIT is significantly up year-on-year. This development primarily resulted from a low cost of materials ratio and an increase in revenue.

Net financial debt was another financial benchmark. It is calculated from the liabilities to banks less cash and cash equivalents. The Group's net financial debt amounted to EUR 376.9 million (prior year: EUR 373.9 million). Due to the high investment and acquisition volume, this performance indicator increased slightly year-on-year.

The consolidated net income is another financial benchmark. It amounted to EUR 53.4 million in 2018, slightly up on the prior year. In the 2018 forecast we anticipated development to be moderately up year-on-year.

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

As at December 31, 2018, total assets increased by EUR 133.7 million (+7.8 %) to EUR 1,852.1 million year-on-year. Current assets increased by EUR 98.9 million and fixed assets increased by EUR 36.3 million.

In fixed assets, financial assets increased by EUR 55.3 million. This was primarily caused by the acquisition of Eberspächer Kalori SAS, Lyon, France, and a capital increase of the Portuguese subsidiary. Investments in property, plant, and equipment totaled EUR 84.7 million. Of this amount, EUR 54.7 million was reported in the Exhaust Technology Division. This development is primarily due to the expansion of production capacities at various sites. The Climate Control Systems Division invested EUR 27.5 million, primarily in the expansion of production capacities, and the new production site in Hermsdorf. The other investments were made by the Automotive Controls Division (EUR 2.1 million) and central service units of Eberspächer Group.

Investments in intangible assets and property, plant and equipment totaled EUR 88.4 million (prior year: EUR 109.3 million). These are offset by depreciation and amortization in the amount of EUR 99.3 million (prior year: EUR 95.7 million) when adjusted for amortization of goodwill. Amortization of goodwill amounted to EUR 3.2 million (prior year: EUR 4.9 million).

Current assets include trade receivables, which mainly increased by EUR 49.9 million to EUR 608.7 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 the USA. The increase in receivables from affiliates primarily included the financing of the non-consolidated companies in Portugal, the Slovak Republic, China, and Brazil.

On the liabilities side, trade payables increased, in particular, by EUR 47.3 million and provisions by EUR 33.4 million compared to the prior year's figure. The increase in liabilities primarily affects the Exhaust Technology Division and is mainly caused by the increase in business volume and effects on the reporting date. The increase in provisions primarily pertains to liabilities from social compensation measures.

Equity increased by EUR 53.0 million to EUR 414.4 million. The equity ratio increased from 21.0 % as at the prior year's reporting date to 22.4 %. Consolidated net income for the year in the amount of EUR 53.4 million had a positive effect on equity. The equity ratio (including liabilities to partners) amounts to 24.0 % (prior year: 22.9 %).

Financial position

Net financial debt increased slightly by EUR 2.9 million to EUR 376.9 million (prior year: EUR 373.9 million). Cash inflow from operating activities in the amount of EUR 135.7 million was EUR 11.2 million up on the cash flow from investment activities of EUR -124.5 million. Due to the scheduled repayment of loans, interest paid, and subsidies received, total cash flow from financing activities was negative at EUR -14.0 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 66.7 million (prior year: EUR 44.5 million) led to a balance sheet contraction. The Group's liquidity is secured with unused credit facilities under a syndicated loan agreement.

Results of operations

Consolidated revenue in 2018 amounted to EUR 4,610.4 million (prior year: EUR 4,480.9 million), an increase of EUR 129.6 million, or 2.9%, year-on-year. Particularly the Exhaust Technology Division recorded an increase in revenue, especially in the USA. The sites in China and Romania stated significant revenue increases. Revenue in France decreased significantly, on the other hand.

The consolidated result amounted to EUR 53.4 million in the reporting year, thus slightly up on the prior year's figure of EUR 52.5 million.

Other operating income decreased by EUR 19.5 million to EUR 64.3 million. This development was due to decreasing income from the reversal of provisions and a decrease in other operating income.

Personnel expenses increased by EUR 26.7 million (+5.2%). The increase resulted from the average 3.9% increase in the number of employees. In fiscal year 2018, an average of 9,862 (prior year: 9,489) persons were employed by Eberspächer.

Other operating expenses increased by EUR 35.8 million to EUR 368.8 million. This increase mainly resulted from expenses for restructuring measures, advisory services, and agency workers as well as impairments of receivables from a non-consolidated company.

Depreciation and amortization increased by EUR 2.0 million year-on-year, and totaled EUR 102.6 million.

EBIT decreased only slightly by EUR 17.5 million to EUR 101.5 million, despite restructuring measures in the amount of EUR 36.1 million.

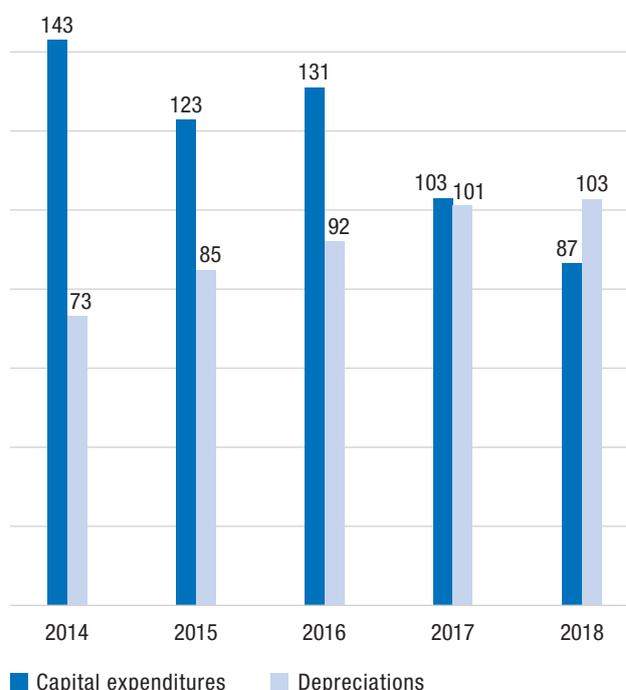
The financial result increased significantly year-on-year by EUR 18.0 million after higher write-downs on financial assets in the amount of EUR 21.9 million had been required in the prior year.

Earnings before taxes increased by EUR 0.5 million year-on-year. Taxes on income decreased slightly by EUR 0.5 million.

In summary, operating earnings exceeded expectations.

Following high write-downs on financial assets in the prior year, expenses for restructuring measures reduced the consolidated result considerably in fiscal year 2018. However, the consolidated net income for the year was nevertheless slightly up year-on-year overall due to the improved operating business trend.

Capital expenditures and depreciation in EUR million



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, intensive bottleneck management, and by using our opportunities of the increased dual sourcing of process steps and components 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 and corresponding goods group strategies are 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 globalization of the sourcing and goods group strategies and continuous optimization of the efficiency of the value-added chain enable us to develop our own market position, secure our performance, and increase our profitability.

The topic of the financial power of our suppliers and relates risk management is currently becoming more important again.

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. The proceedings have been terminated in the meantime where jurisdictions in the core markets, Europe, America, and Asia, were concerned without any violations of antitrust law being found and without any penalties being imposed. Only one antitrust authority is still reviewing its further course of action. There nevertheless remains the risk of third parties potentially filing claims for damages. Corresponding provisions were set aside for 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 longterm 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. In 2018, the TÜV reconfirmed the certification.

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 2019 to be slightly up on the prior year (revenue in 2018: EUR 4,610.4 million). Net revenue is forecast to develop marginally above the prior year's figure. We anticipate EBIT and the consolidated result for fiscal year 2019 to be considerably up year-on-year (net income in 2018: EUR 53.4 million) and for net financial debt to decrease significantly (net financial debt in 2018: EUR 376.9 million). The planned investment volume will increase compared to 2018 (investments in 2018: EUR 88.4 million) as new production facilities are being constructed in China.

We continuously develop our technological competence and product portfolio in order to optimally implement our medium-term growth strategy. Our growth is in line with our Corporate Strategy. For Eberspächer, MOVE means shaping the Clean Mobility of the future as well as inspiring our customers with Smart Solutions both developed and produced by Dedicated People. One focal point in 2019 is on integrating new start-ups and joint ventures. The development of our global presence and continuous optimization of the operating effectiveness and efficiency are also of great importance in the current reporting period. We will continue to continuously and actively adjust our structures and processes to meet international requirements so as to further increase our competitiveness.

EXHAUST TECHNOLOGY

Important future markets for the Exhaust Technology Division include the passenger car market as well as the commercial vehicle market with its increasingly complex exhaust systems. Eberspächer expanded its global production capacities in recent years due to newly acquired contracts and its global presence near the customer. Particularly the Asian market provides great growth potential. As a result, new production plants are being constructed in China and India in 2019 as part of joint venture agreements with local market partners. For Eberspächer, these cooperations are major steps toward the consistent implementation of the growth strategy. The aim is to also have a leading position in the Asian commercial vehicle exhaust technology markets. The introduction of the emission standards China National 6 and Bharat Stage VI in China and India represent a great techno-

logical leap and require increasingly complex exhaust-emission conversion solutions. This will result in a positive revenue trend in the coming years. The new Asia Test Center in Shanghai provides comprehensive local expertise for the development and testing of the new systems. This is offset by decreasing revenue from commercial vehicle exhaust systems with the Euro 6 emission standard in Europe. Due to the realignment of the European production facilities, we expect revenue in the passenger car business to increase at our Portuguese and Romanian technology plants in 2019. Both sites profited from the start-up of new production programs and the moves outside the production network. In contrast, we expect a significant decrease in the North American passenger car segment as the production program of a major customer ends in 2019.

CLIMATE CONTROL SYSTEMS

The aim of the Climate Control Systems Division is to consistently develop our product portfolio and develop our market position. We invest specifically in the four Business Units of the Division in order to achieve our ambitious growth targets. We develop new electric mobility, mobile comfort, autonomous driving, and connectivity products to profit from the market trends in these segments. In the coming years, we expect particularly the market for vehicles with hybrid and electric drives to generate continuous sales growth for innovative heating concepts. In 2019, Eberspächer completed a new plant for PTC elements in Hermsdorf so as to develop its leading position in the market for electrical heaters. The successful completion of the development of the PTC elements for the third generation high-voltage coolant heaters made it possible to considerably reduce the Company's dependence on one external supplier. Eberspächer is also further developing its competence as a thermal management system provider after acquiring the French climate control specialist, Kalori SAS. The plan is to tap new markets and intensify the large customer business. We aim to become a leading global supplier of thermal management solutions for special-purpose vehicles in the future. Eberspächer also started the development of a digital connectivity platform which interlinks various components in special-purpose vehicles. Energy storage systems will also be developed in cooperation with the Automotive Controls Division in the future.

AUTOMOTIVE CONTROLS

The core competences of the Automotive Controls Division are powerful and reliable switches, performance electronics, control units, and battery management systems. This forms the basis for the development of customer-focused, value-increasing products for sustainable mobility. 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 Automotive Controls Division profits from the trend toward a growing proportion of electronics in a vehicle. We therefore expect significant growth in the coming years.

Outlook

At Eberspächer, we realize that the trends in the automotive industry require new methods for recognizing and pursuing innovation. The Business Innovation unit therefore specifically promotes and pools the innovative power in the future segments of electric mobility, autonomous driving, connectivity, and emission reduction. In addition to our core business and further development of the existing Divisions, Eberspächer searches for innovations, develops new products and services, creates partnerships, and invests in start-ups with new automotive technologies and business models.

Based on the revenue forecast, we expect the Group's business in 2019 to develop positively year-on-year. We are positioning ourselves with an innovative and market-specific product portfolio and consistently align our activities with green technologies to generate profitable growth in the medium and long term.

We are moving Eberspächer toward a successful future and are continuously increasing the value of our Company. As a family-owned company, we base our business on trust and our strengths: long-term thinking and an established value culture. We face the global competition and changes in market conditions since 1865 with confidence and resolution, today and in the future.

Esslingen am Neckar, March 29, 2019

Eberspächer Gruppe GmbH & Co. KG
– Management –


Heinrich Baumann


Martin Peters

Consolidated balance sheet

Abbreviated summary as of December 31, 2018

Assets	2018 in EUR k	2017 in EUR k
Fixed assets		
Intangible assets	24,053	31,972
Property, plant and equipment	544,689	555,822
Financial assets	92,638	37,308
Current assets		
Inventories	329,214	349,250
Trade receivables	608,719	558,804
Receivables from affiliates	123,663	76,167
Receivables from other equity investments	14,886	11,449
Other assets	40,855	43,373
Cash and cash equivalents	62,406	41,828
Prepaid expenses	9,467	10,821
Deferred tax assets	1,467	1,584
	1,852,057	1,718,378

Equity and liabilities	2018 in EUR k	2017 in EUR k
Own funds		
Equity	414,381	361,429
Partner loans	30,955	32,317
Special items		
Special item for investment subsidies	4,331	5,865
Provisions		
Pension provisions and similar obligations	112,766	104,648
Sundry provisions	226,755	201,456
Liabilities		
Liabilities to banks	439,262	415,777
Trade payables	571,902	524,613
Liabilities to affiliates	1,742	2,011
Other liabilities	49,258	69,487
Deferred income	705	775
	1,852,057	1,718,378

Consolidated income statement

Abbreviated summary for fiscal year 2018

	2018 in EUR k	2017 in EUR k
Revenue	4,610,422	4,480,868
Changes in inventories	-25,031	6,389
Other own work capitalized	6,369	8,726
Total operating performance	4,591,760	4,495,983
Other operating income	64,340	83,850
Cost of materials	-3,541,765	-3,512,523
Personnel costs	-541,457	-514,768
Amortization, depreciation and write-downs	-102,556	-100,568
Other operating expenses	-368,796	-332,964
Earnings before interest and tax (EBIT)	101,526	119,010
Investment and financial result	-14,042	-32,016
Taxes on income	-28,787	-29,298
Income after income taxes	58,697	57,696
Other taxes	-5,264	-5,232
Consolidated net income for the year*	53,433	52,464

* Thereof net income attributable to minority interests: EUR 1,259 k (2017: EUR 1,788 k).

Composition of assets, equity and liabilities

	as of December 31, 2018		as of December 31, 2017	
	in EUR k	%	in EUR k	%
Assets				
Fixed assets	661,380	35.7	625,102	36.4
Inventories	329,214	17.8	349,250	20.3
Other current assets	861,463	46.5	744,026	43.3
Total assets	1,852,057	100.0	1,718,378	100.0
Equity and liabilities				
Own funds	445,336	24.0	393,747	22.9
Special item for investment subsidies	4,331	0.2	5,865	0.3
Non-current liabilities	457,663	24.7	465,357	27.1
Current liabilities	944,022	51.1	852,633	49.7
Deferred income	705	0.0	776	0.0
Total assets	1,852,057	100.0	1,718,378	100.0

Notes to the consolidated financial statements

Abbreviated summary for fiscal year 2018

General information

The consolidated financial statements of Eberspächer Gruppe GmbH & Co. KG have been prepared in accordance with Sections 290 et seqq. of the German Commercial Code (Handelsgesetzbuch; HGB) in the version of the German Accounting Directives Implementation Act (Bilanzrichtlinien-Umsetzungsgesetz; BilRUG). The consolidated income statement has been prepared using the cost-summary method.

The full version of the consolidated financial statements and group management report audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, are published in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

Consolidated group

The consolidated financial statements of Eberspächer Gruppe GmbH & Co. KG include, in addition to the parent company, 34 German and 25 foreign subsidiaries. The name and registered offices and the share of capital of the subsidiaries can be found in the list of shareholdings.

The group of consolidated companies changed compared with the previous year. In the Climate Control Systems Division, the newly founded Eberspächer catem Hermsdorf GmbH & Co. KG (hereinafter referred to as CCHD-DEU) was consolidated for the first time as at January 1, 2018. As at the acquisition date on March 1, 2018, the partner Eberspächer catem GmbH & Co. KG (hereinafter referred to as ECAT-DEU) contributed the existing operating unit for the manufacture of ceramic components (hereinafter referred to as Hermsdorf operating unit) to CCHD-DEU. The assets and liabilities as well as expenses and income of CCHD-DEU were therefore already included in the consolidated financial statements through ECAT-DEU in the previous year. The South African company Eberspächer Exhaust Systems (Pty.) Ltd. (hereinafter referred to as EEXS-ZAF) was deconsolidated as at December 31, 2018. EEXS-ZAF did not engage in any operating activities in the fiscal year and was discontinued following liquidation.

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).

Goodwill created during the initial con-solidation 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 depreciation caused by production.

With regard to the financial assets, shares in affiliates, equity investments, and securities are recognized at the lower of cost or net realizable value.

Inventories are recognized at the lower of cost or market.

Inventories of raw materials, consumables, and supplies are valued at the lower of average cost or market on the reporting date.

Finished goods and work in process are valued at production cost on the basis of individual product costings derived from the cost accounting. In addition to the direct cost of materials, direct labor, and other special direct costs, production costs include production and materials overheads 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 "2018 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 (3.21 %). The difference between the discount rate and the average market rate resulting from the past seven reporting periods (2.32 %) is EUR 15,955 k. Expected salary increases were accounted for at 2.0 % and expected pension increases at 1.0 %. An employee fluctuation rate of 0.90 % and 0.91 % 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 result.

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 risk of both 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.

The 'of which' notes on currency translation in the income statement contain both realized and unrealized currency differences.

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

Abbreviated summary as of December 31, 2018

Assets

Fixed assets

Additions in the fiscal year relate to	2018 in EUR k
Intangible assets	3,686
Property, plant and equipment	84,673
Financial assets	56,762
	145,121

Current assets

Inventories	2018 in EUR k
Raw materials, consumables and supplies	120,079
Work in process	114,280
Finished goods and merchandise	105,772
Prepayments	1,902
Prepayments received on account of orders	-12,819
	329,214

Assets

Receivables and other assets

The item receivables and other assets includes receivables of EUR 193 k due in more than one year.

Receivables from affiliates

Of the stated EUR 123,663 k (prior year: EUR 76,167 k), EUR 39,116 k (prior year: EUR 22,728 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 333,701 k of the liabilities (including partner loans) is due in between one and five years and EUR 15,716 k in more than five years.

Deferred taxes

After netting with the deferred tax liabilities, deferred tax assets totaling EUR 1,467 k (prior year: EUR 1,584 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 108,920 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

Abbreviated summary for fiscal year 2018

Revenue	2018		2017	
	in EUR k	%	in EUR k	%
by Division				
Exhaust Technology	4,064,333	88.1	3,931,040	87.7
Climate Control Systems	491,949	10.7	495,278	11.1
Automotive Controls	54,140	1.2	54,550	1.2
	4,610,422	100.0	4,480,868	100.0
by region				
Germany	1,300,174	28.2	1,352,021	30.2
European Union excl. Germany	1,686,689	36.6	1,811,151	40.4
Rest of Europe	93,734	2.0	49,092	1.1
The Americas	1,043,239	22.6	889,235	19.8
Africa, Asia, Australia	486,586	10.6	379,369	8.5
	4,610,422	100.0	4,480,868	100.0

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

Abbreviated summary for fiscal year 2018

	2018 in EUR k	2017 in EUR k
Cash flow from operating activities	135,729	149,490
Cash flow from investing activities	-124,485	-94,897
Cash flow from financing activities	-14,002	-49,604
Cash and cash equivalents* at the end of the period (including changes in cash and cash equivalents due to changes in exchange rates, the consolidated group and valuation)	4,213	8,335

* Cash and cash equivalents in the fiscal year comprise cash of EUR 62,406 k (2017: EUR 41,828 k) and current account liabilities to banks of EUR 58,194 k (2017: EUR 33,492 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, 2018

Germany		Shareholding ¹⁾
catem Holding GmbH & Co. KG	Herxheim	100 %
Eberspächer Beteiligungs-GmbH	Esslingen	100 %
Eberspächer catem GmbH & Co. KG	Herxheim	100 %
Eberspächer catem Hermsdorf GmbH & Co. KG	Hermsdorf	100 %
Eberspächer catem Verwaltungs-GmbH	Herxheim	100 %
Eberspächer CC RUS Beteiligungs-GmbH	Esslingen	100 %
Eberspächer Climate Control Systems GmbH & Co. KG	Esslingen	100 %
Eberspächer Climate Control Systems International Beteiligungs-GmbH	Esslingen	100 %
Eberspächer Controls Esslingen GmbH & Co. KG	Esslingen	100 %
Eberspächer Controls Esslingen Verwaltungs-GmbH	Esslingen	100 %
Eberspächer Controls International GmbH	Esslingen	100 %
Eberspächer Controls Landau GmbH & Co. KG	Landau	100 %
Eberspächer Controls Landau Verwaltungs-GmbH	Landau	100 %
Eberspächer Exhaust Aftermarket GmbH & Co. KG	Neunkirchen	100 %
Eberspächer Exhaust Aftermarket Verwaltungs-GmbH	Neunkirchen	100 %
Eberspächer Exhaust Technology GmbH & Co. KG	Neunkirchen	100 %
Eberspächer Exhaust Technology International GmbH	Esslingen	100 %
Eberspächer Exhaust Technology Wilsdruff GmbH	Wilsdruff	100 %
Eberspächer Exhaust Technology Wilsdruff Verwaltungs-GmbH	Wilsdruff	100 %
Eberspächer Financial Services GmbH	Esslingen	100 %
Eberspächer Heizung Vertriebs-GmbH & Co. KG	Torgelow	90 %
Eberspächer Heizung Vertriebs-Verwaltungs-GmbH	Torgelow	90 %
Eberspächer Insurance Services GmbH	Esslingen	100 %
Eberspächer International GmbH	Esslingen	100 %
Eberspächer Prototechnik GmbH	Schwäbisch Gmünd	100 %
Eberspächer Sütrak GmbH & Co. KG	Renningen	100 %
Eberspächer Sütrak Verwaltungs-GmbH	Renningen	100 %
Eberspächer Torgelow GmbH & Co. KG	Torgelow	60 %
Eberspächer Torgelow Verwaltungs-GmbH	Torgelow	60 %
Eberspächer Vermögensverwaltung GmbH	Esslingen	100 %
Eberspächer Verwaltungs-GmbH	Esslingen	100 %
EM Emissions Technology GmbH	Esslingen	100 % ²⁾
Menesa Verwaltungs-GmbH	Neunkirchen	100 %
Montagewerk Abgastechnik Emden GmbH	Emden	50 % ³⁾
Prototechnik Verwaltungs-GmbH	Schwäbisch Gmünd	100 %
Europe		
Eberspächer AB	Trollhättan / Sweden	100 %
Eberspächer AG i.L.	Affoltern a.A. / Switzerland	100 % ²⁾
Eberspächer Avtovazagregat Exhaust Systems LLC	Tolyatti / Russia	100 % ²⁾
Eberspächer Climate Control Systems Benelux B.V.	Dronen / Netherlands	100 % ²⁾
Eberspächer Climate Control Systems Sp. z o.o.	Oława / Poland	100 %
Eberspächer Danmark ApS	Copenhagen / Denmark	100 %
Eberspaecher Exhaust Systems RUS OOO	Moscow / Russia	100 % ²⁾
Eberspächer Exhaust Technology Portugal, Unipessoal, LDA	Lisbon / Portugal	100 % ²⁾
Eberspaecher Exhaust Technology Romania S.R.L.	Oradea / Romania	100 %
Eberspächer Exhaust Technology Slovakia, s.r.o.	Bratislava / Slovak Republic	100 % ²⁾
Eberspächer Exhaust Technology Sweden AB	Nyköping / Sweden	100 %
Eberspacher Exhaust Technology UK Ltd.	Ringwood / UK	100 % ²⁾

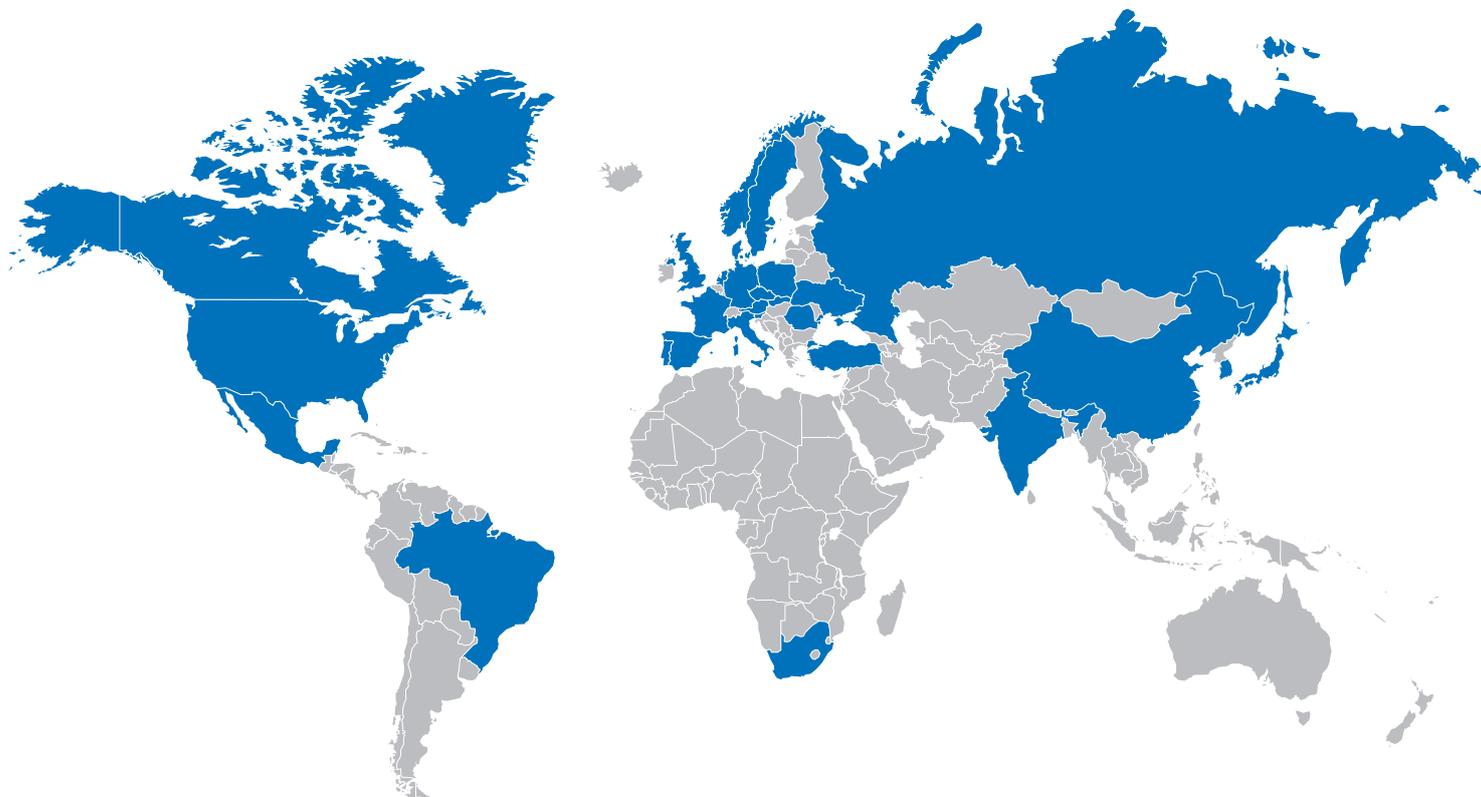
Eberspächer GmbH	Wiener Neudorf / Austria	100 %
Eberspaecher Italia S.p.A.	Castellalto / Italy	100 %
Eberspächer Kalori SAS	Pusignan / France	100 % 2)
Eberspächer Praha s r.o.	Prague / Czech Republic	100 %
Eberspaecher RO SRL	Florești / Romania	100 % 2)
Eberspaecher S.A.S.	Elancourt / France	100 %
Eberspaecher S.r.l.	Borgosatollo / Italy	100 % 2)
Eberspaecher Sp. z o.o.	Wysogotowo / Poland	100 %
Eberspächer spol. s r.o.	Rakovník / Czech Republic	100 %
Eberspächer Sutrak S.A.	Madrid / Spain	100 % 2)
Eberspaecher Systèmes d'Echappement S.A.S.	St. Michel / France	100 %
Eberspaecher Turkey Egzoz Teknolojisi Sanayi Ve Ticaret Limited Şirketi	Bursa / Turkey	100 % 2)
Eberspaecher Ukraine OOO	Kiev / Ukraine	100 % 2)
Eberspaecher (UK) Holdings Ltd.	Ringwood / UK	100 %
Eberspaecher (UK) Ltd.	Ringwood / UK	100 %
Joint-Stock Company Eberspaecher Climate Control Systems RUS	Moscow / Russia	100 %
South Africa		
Eberspächer Properties (Pty.) Ltd.	Port Elizabeth / South Africa	100 %
Eberspaecher Rosslyn (Pty.) Ltd.	Pretoria / South Africa	100 %
Eberspächer South Africa (Pty.) Ltd.	Port Elizabeth / South Africa	100 %
The Americas		
Calsonic-Eberspächer Exhaust Systems Inc.	Shelbyville / USA	50 % 2)
Eberspaecher Climate Control Systems Canada Inc. (former Espar Products Inc.)	Mississauga / Canada	100 %
Eberspaecher Climate Control Systems Ltda.	Sorocaba / Brazil	100 % 2)
Eberspächer Climate Control Systems S.A. de C.V.	Mexico City / Mexico	100 % 2)
Eberspaecher Climate Control Systems USA Inc. (former Espar Inc.)	Novi / USA	100 %
Eberspaecher Controls North America Inc.	Novi / USA	100 %
Eberspaecher Exhaust Systems Canada Inc.	Brampton / Canada	100 %
Eberspaecher Exhaust Technology Mexico S.A. de C.V.	Monterrey / Mexico	100 %
Eberspaecher North America Inc.	Novi / USA	100 %
Eberspaecher Tecnologia de Exaustão Ltda.	Sorocaba / Brazil	100 % 2)
Eberspaecher Vecture Inc.	Concord / Canada	80 %
Asia		
Eberspaecher Automotive Technology (Beijing) Co. Ltd.	Beijing / China	100 % 2)
Eberspaecher catem Japan Ltd.	Nagoya / Japan	100 % 2)
Eberspaecher Climate Control Systems South East Asia Pte. Ltd.	Singapore	100 % 2)
Eberspaecher Exhaust Systems Korea, Ltd.	Seoul / Korea	100 % 2)
Eberspaecher Exhaust Technology (Chongqing) Co. Ltd.	Chongqing / China	100 % 2)
Eberspaecher Exhaust Technology (Shanghai) Co., Ltd.	Shanghai / China	100 %
Eberspaecher Exhaust Technology (Taizhou) Co., Ltd.	Taizhou / China	100 % 2)
Eberspaecher Exhaust Technology (Xi'an) Co., Ltd.	Xi'an / China	49 % 2)
Eberspaecher Exhaust Technology (Zhangjiakou) Co. Ltd.	Zhangjiakou / China	100 % 2)
Eberspaecher Exhaust Technology Japan K.K.	Yokohama / Japan	100 % 2)
Eberspaecher Mikuni Climate Control Systems Corporation	Odawara-City / Japan	66 % 2)
Eberspaecher Suetrak Bus Climate Control Systems India Private Limited	Bangalore / India	100 % 2)
Eberspächer Yuchai Exhaust Technology Co., Ltd.	Yulin / China	51 % 2)
Tenneco-Eberspaecher (Dalian) Exhaust System Co. Ltd.	Dalian / China	45 % 2)
Zhongshan Eberspächer Kalori Air Conditioning Industry Co., Ltd.	Zhongshan / China	100 % 2)

1) Including the shares of the partners in the Eberspächer Group (excluding the Eberspächer Vermögensverwaltung GmbH)

2) Non-consolidated

3) 50 % consolidation

Eberspächer worldwide



EUROPE

Austria

- Graz
- Wiener Neudorf

Czech Republic

- Prague
- Rakovník

Denmark

- Copenhagen

France

- ● Elancourt / Paris
- Maubeuge
- Pusignan / Lyon
- St. Michel

Germany

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

Italy

- Borgosatollo
- Castellalto
- Turin

Netherlands

- Sittard

Norway

- Trollåsen / Oslo

Poland

- Oława
- Wysogotowo / Poznań

Portugal

- Tondela

Romania

- Cluj
- Oradea

Russia

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

Slovak Republic

- Nitra

Slovenia

- Ljubljana

Spain

- Getafe / Madrid

Sweden

- Nacka Strand / Stockholm
- Nyköping
- Trollhättan

Turkey

- Nilüfer / Bursa

Ukraine

- Kiev

United Kingdom

- Cowley / Oxford
- Ringwood

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

ASIA*China*

- Beijing
- Changchun
- Chongqing
- Dalian
- Foshan
- Shanghai
- Taizhou
- Tianjin
- Xi'an
- Yulin
- Zhangjiakou
- Zhongshan

India

- Bangalore
- Pune

Japan

- Nagoya
- Odawara
- Yokohama

Republic of Korea

- Seoul

Singapore

- Singapore

- Exhaust Technology
- Climate Control Systems
- ▲ Automotive Controls

Excluding sales representations (Version May 2019)

Eberspächer Gruppe GmbH & Co. KG
Eberspächerstrasse 24
73730 Esslingen
GERMANY
Phone: +49 711 939-00
Fax: +49 711 939-0634
info@eberspaecher.com
www.eberspaecher.com

