REPORT ON THE 2ND QUARTER AND 1ST HALF 2021

elringklinger

Key figures

ElringKlinger Group

		2nd quarter 2021	1st quarter 2021	4th quarter 2020	3rd quarter 2020	2nd quarter 2020
Order Situation						
Order intake	€ million	429.5	576.6	512.0	423.6	192.6
Order backlog	€ million	1,221.6	1,185.6	1,033.1	971.8	929.4
Sales/Earnings						
Sales revenue	€ million	393.6	424.1	450.9	381.2	252.2
Cost of sales	€ million	302.8	314.8	361.1	296.3	229.7
Gross profit margin		23.1 %	25.8 %	19.9 %	22.3 %	8.9 %
EBITDA	€ million	50.4	77.2	87.6	49.0	-0.9
EBIT/Operating result	€ million	23.0	48.4	25.2	18.9	-32.4
EBIT margin		5.9 %	11.4 %	5.6 %	5.0 %	-12.8 %
Earnings before taxes	€ million	18.5	49.4	9.8	9.2	-38.7
Net income	€ million	6.5	38.5	-8.9	2.9	-35.5
Net income attributable to shareholders of ElringKlinger AG	€ million	7.9	37.9	-10.7	3.4	-35.5
Cash flow						
Net cash from operating activities	€ million	50.5	42.0	87.0	78.4	39.6
Net cash from investing activities	€ million	-15.4	-0.8	-30.3	0.4	-14.3
Net cash from financing activities	€ million	-37.1	-7.5	-71.1	-81.1	22.9
Operating free cash flow[1]	€ million	37.0	28.6	62.5	78.6	25.8
Balance Sheet						
Balance sheet total	€ million	2,092.3	2,109.9	1,963.1	2,014.6	2,050.4
Equity	€ million	963.4	949.9	812.9	825.7	830.8
Equity ratio		46.0 %	45.0 %	41.4 %	41.0 %	40.5 %
Net debt[2]	€ million	363.3	400.2	458.8	512.4	579.9
Human Resources						
Employees (as at end of quarter)		9,608	9,597	9,724	9,770	9,991
Stock						
Earnings per share	€	0.13	0.6	-0.17	0.05	-0.56

[1] Net cash from operating activities minus net cash from investing activities (excluding M&A activities and excluding investments in financial assets)

[2] Current and non-current financial liabilities less cash and cash equivalents as well as short-term securities

Summary of H1 2021

- ElringKlinger Group posts **solid first-half figures across the board**; dynamic recovery in revenue compared to prior-year periods which were impacted by the coronavirus pandemic.

- **Group revenue** up by impressive 56.1 % to EUR 393.6 million in second quarter of 2021 and by 26.1 % to EUR 817.6 million in first half. Organic growth of 58.0 % (excluding currency effects) in second quarter outpaces expansion in global vehicle production (48.6 %).

- **Group EBIT** rises significantly to EUR 23.0 million with a margin of 5.9 % in the second quarter of 2021 and to EUR 71.4 million with a margin of 8.7 % in the first half; growth fueled by continuation of efficiency enhancement program, good levels of capacity utilization on back of buoyant demand, and earnings contributions from Aftermarket and Engineered Plastics segments. The Group also benefits from a gain of EUR 10.9 million from the sale of the Austrian subsidiary in the first quarter.

- **Financial strength further cemented: operating free cash flow** reaches EUR 37.0 million in the second quarter and EUR 65.6 million in the first half of the year thanks to continued optimization in net working capital and a disciplined investment approach.

- **Net debt ratio** (net debt in relation to EBITDA) scaled back to 1.4 as of June 30, 2021, down from 3.8 a year earlier; net financial liabilities reduced by more than EUR 200 million to EUR 363.3 million over twelve-month period.

- **Significant events** in the first half of 2021: commencement of business by EKPO Fuel Cell Systems GmbH ("EKPO" for short) based in Dettingen/Erms, Germany, as of March 1, 2021, and establishment of German site in Neuffen for E-Mobility business activities. EKPO, an entity in which both ElringKlinger (60 %) and French automotive supplier Plastic Omnium (40 %) hold interests, is set to become a major driver of fuel cell technology in the future.

»Our results for the first half confirm that ElringKlinger is fully on track. The Group's global efficiency enhancement program continues to take effect, on the back of which key financial indicators have again improved. From a financial perspective, this puts us in an even more robust position than before – in support of the ongoing transformation process and our future endeavors.«

Dr. Stefan Wolf, CEO of ElringKlinger AG

Contents

FACTOR 5

ElringKlinger entered into a strategic partnership with Plastic Omnium in 2020 with the aim of dominating the promising fuel cell market. The new company EKPO Fuel Cell Technologies GmbH started business at ElringKlinger's Group headquarters in Dettingen/Erms on March 1, 2021, and has already received its first series production orders. The CEOs of ElringKlinger and Plastic Omnium, Dr. Stefan Wolf and Laurent Favre, spoke about their conviction in hydrogen technology and their vision for the mobility of the future. Find out more in the »Factor 5« interview in our magazine »pulse«, issue 2021.

Macroeconomic Conditions and Business Environment

Despite the persistently adverse effects of the coronavirus pandemic, the global economy continued to recover over the course of the first half of 2021. Industries and service enterprises received support in the form of financial aid provided by many countries as part of their response to the pandemic. The generous monetary policy embraced by central banks also provided a positive impetus. On a less favorable note, the strong global recovery was also reflected in higher prices for raw materials, intermediate goods, and transport services, alongside supply-side bottlenecks such as those seen in the semiconductor industry. As a result, consumer prices also trended upwards.

In Europe, a third wave of infection and accompanying protective measures had led to a recession in the winter half-year. Against the backdrop of the rapid successes of vaccination programs and benefiting from the tailwind of global demand, however, the European economy is now in a strong recovery mode. The United States, which saw a change of government in the first quarter and a significant improvement in labor market figures, has recorded a sustained upturn. Growth in the Chinese economy, on the other hand, has decelerated, partly because the momentum of its recovery is now returning to more normal levels in the wake of the pandemic-induced slump.

GDP growth projections

Year-on-year change in %	2020	1st quarter 2021	2nd quarter 2021[1]	3rd quarter 2021[1]	4th quarter 2021[1]
Germany	-5.1	-3.1	9.4	3.7	4.1
Eurozone	-6.7	-1.3	12.9	2.7	4.3
USA	-3.5	0.4	12.7	6.6	6.9
Brazil	-4.1	1.0	12.0	3.5	2.4
China	2.3	18.3	7.2	5.9	5.4
India	-7.0	1.6	18.6	6.0	5.0
Japan	-4.7	-1.6	7.6	3.3	1.4

[1] Estimate/Forecast
Source: HSBC (June 2021)

Significant expansion in global vehicle production

Having been hit by dramatic slumps in the first half of the previous year as a result of the coronavirus pandemic, global automotive markets saw a significant increase in vehicle production and sales in the first half of 2021. Global production of light vehicles (passenger cars and light commercial vehicles) increased by 29.2 % to 39.4 million units. However, the majority of regions have not yet regained the pre-crisis levels seen in 2019, when 45.1 million vehicles were produced worldwide in the same period. In the previous year, vehicle markets had contracted to different degrees in different regions and at different times. Thus, 2021 has seen considerable distortions compared to the prior-year quarters.

During the first quarter of 2021, the European vehicle market was buffeted by the pandemic-related restrictions brought about by the third wave of coronavirus infection. It then expanded strongly after the easing of these restrictions in the second quarter of 2021. Despite the high rate of growth of 28.4 % in total, vehicle production in the first half of 2021 is still around 20 % below the level seen in 2019. Faster market recovery has also been prevented recently by bottlenecks in the semiconductor market. Car sales in the European countries developed favorably across the board. The five largest individual markets, Germany (+14.9 %), France (+28.9 %), the United Kingdom (+39.2 %), Italy (+51.4 %), and Spain (+34.4 %), recovered noticeably.

Production Light Vehicles

	Vehicles millions		Year-on-year-change in %	
Region	2nd quarter 2021	1st half 2021	2nd quarter 2021	1st half 2021
Europe[1]	4.2	8.9	86 %	28 %
China	5.9	11.7	-4 %	25 %
Japan/Korea	2.7	5.8	36 %	14 %
Middle East/Africa	0.5	1.0	63 %	29 %
North America	3.2	6.8	132 %	32 %
South America	0.6	1.3	301 %	61 %
South Asia	1.7	3.8	265 %	62 %
World	**18.8**	**39.4**	**49 %**	**29 %**

Source: IHS July 2021
[1] incl. Russia

North America also recorded significant growth compared to the sluggish prior-year period. In the first half of the year, production of passenger cars and light commercial vehicles grew by about one third. The Chinese vehicle market slowed down in the second quarter of 2021, due in part to material-related bottlenecks.

Significant Events

EKPO Fuel Cell Technologies commences business activities

EKPO Fuel Cell Technologies GmbH ("EKPO" for short), the new entity in which both ElringKlinger (60 %) and Plastic Omnium 40 % hold interests, commenced operations on March 1, 2021. EKPO offers state-of-the-art, competitively priced fuel cell stacks and components for a broad range of applications, initially with a focus on commercial vehicles and buses but in future also passenger cars. Specialist vehicles, trains, and ships are among the other suitable fields of application with growth potential.

The contractual agreements reached with the French automotive supplier based in Levallois, France, in October 2020 had been implemented by the closing date of March 1, 2021, and the requisite antitrust approvals were granted accordingly. ElringKlinger contributed its fuel cell technology unit to the entity, while Plastic Omnium committed itself to a contribution of EUR 100 million. The entity is fully consolidated within the ElringKlinger Group.

As part of the agreement, ElringKlinger also sold its subsidiary ElringKlinger Fuelcell Systems Austria GmbH, which specializes in the integration of hydrogen systems and is based in Wels, Austria, to Plastic Omnium with effect from March 1, 2021.

E-Mobility unit based at new Neuffen location

At the beginning of 2021, ElringKlinger established a new site in Neuffen, located around 10 km from its Group headquarters in Dettingen/Erms. In future, the battery-related activities of the E-Mobility business unit – alongside parts of the business centered around electric drive units – will be brought together at this site.

Major order for cell contact systems from global battery manufacturer

In March 2021, ElringKlinger AG secured a high-volume contract for cell contact systems from a global battery manufacturer. The battery systems are intended for the series platform developed by one of Germany's premium car makers. The contract encompasses a total volume in the mid-triple-digit million euro range and will span a contractual period of around nine years. The start of production at the Neuffen plant is scheduled for the first half of 2022.

EKPO secures high-volume series production contract for fuel cell stacks

In May 2021, the new Group subsidiary EKPO (see above) received a high-volume series production order for the supply of fuel cell stacks. The contract awarded by Aachen-based mobility company AE Driven Solutions GmbH covers a total volume in the high double-digit million euro range over a period of several years. The fuel cell stacks of the type NM5-evo ordered by the company will be used in delivery vehicles, the aim being to offer environmentally friendly drive technology in urban areas. Series production is scheduled to commence in the first half of 2022.

Sales and Earnings Performance

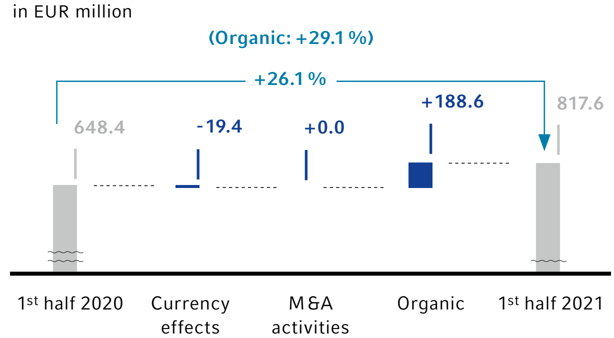
Significant year-on-year recovery

In the second quarter of 2021, the ElringKlinger Group generated sales revenue of EUR 393.6 million, a sharp increase on the same quarter last year. Revenue was EUR 141.4 million or 56.1 % higher than in the second quarter of 2020 (Q2 2020: EUR 252.2 million), which had been impacted by the fallout from the coronavirus pandemic, particularly in Europe and North America. Accumulated revenue in the first half of 2021 improved by EUR 169.2 million or 26.1 % compared to the same period of the previous year, up from EUR 648.4 million to EUR 817.6 million.

In the first half of the year, revenue was diluted by EUR 19.4 million or 3.0 % as a result of currency effects. This was primarily due to the direction taken by the US dollar, but also exchange rate changes relating to the Brazilian real, the Turkish lira, and the Japanese yen. Excluding these foreign exchange movements, revenue growth was EUR 188.6 million or 29.1 % in the first half of 2021 and EUR 146.3 million or 58.0 % in the second quarter of 2021. There was no impact from M&A activities in the second quarter or the first half of 2021.

Global vehicle production grew by 29.2 % in the first half of 2021 compared to the same period last year[1] and by 48.6 % in the second quarter. ElringKlinger's Group revenue thus outperformed the market in terms of organic growth by almost ten percentage points in the second quarter of 2021; in the first half of the year, the change (excluding M&A and currency effects) was almost on a par with the market as a whole.

Factors influencing Group revenue
in EUR million



[1] Source: IHS (July 2021)

Growth in all regions compared to prior-year periods affected by lockdowns

After a sharp drop in revenue in the previous year, there are now signs of recovery in all regions – at a pronounced level in some cases. In Germany and the Rest of Europe the second quarter of 2020 in particular had been affected by the impact of pandemic-induced restrictions. Compared to the same period last year, revenue in the second quarter of 2021 thus surged by EUR 23.8 million or 37.4 % to EUR 87.6 million (Q2 2020: EUR 63.7 million). In the region encompassing the Rest of Europe, the Group saw revenue increase by EUR 59.4 million or 91.7 % year on year, taking the figure to EUR 124.2 million (Q2 2020: EUR 64.8 million). In the first half of the year, revenue attributable to Germany rose by EUR 25.5 million or 16.4 %, while the Rest of Europe saw growth of EUR 68.1 million or 36.3 %. The Group generated revenues of EUR 181.1 million in Germany (H1 2020: EUR 155.6 million) and EUR 255.4 million in the Rest of Europe (H1 2020: EUR 187.3 million).

A similar pattern – strong growth in the second quarter, modest growth in the first half as a whole – can be seen in North America, where revenue increased significantly in the period under review, up EUR 35.6 million or 66.8 % to EUR 89.0 million (Q2 2020: EUR 53.4 million). Group revenue in this region also expanded markedly in the first half of 2021, rising by EUR 30.0 million or 18.8 % to EUR 189.2 million (H1 2020: EUR 159.2 million). Adjusted for currency effects, growth amounted to as much as EUR 38.2 million or 24.0 %.

The Asia-Pacific region recorded strong revenue growth in the second quarter of 2021, up EUR 12.8 million or 20.3 % to EUR 75.5 million (Q2 2020: EUR 62.7 million), particularly as China, unlike other regions, had already returned to the path of recovery as early as the second quarter of 2020. Accordingly, the Group recorded growth of EUR 35.6 million or 29.3 %, taking the figure to EUR 157.3 million in the first half of 2021 (H1 2020: EUR 121.6 million). Revenue was diluted by exchange rate effects. Adjusted for currency effects, it increased by EUR 39.6 million or 32.5 %.

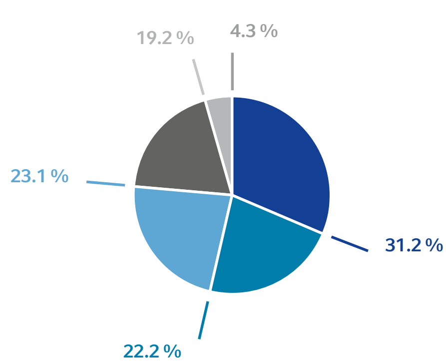
In South America and the Rest of the World revenue increased by EUR 9.7 million or 128.5 % to EUR 17.3 million in the second quarter. In the first half, the Group saw revenue expand by EUR 10.1 million or 40.7 % to EUR 34.7 million (H1 2020: EUR 24.7 million). Adjusted for currency effects, this increase was even more pronounced at EUR 13.1 million or 53.3 %.

The foreign share of Group revenue corresponded to 77.8 % in the second quarter of 2021 as well as in the first half of the year (Q2 2020: 74.7 %, H1 2020: 76.0 %), and to 78.3 % in the first half of the year after adjustments for currency effects (H1 2020: 76.0 %).

Original Equipment segment back on track after pandemic

At 78.5 %, the Original Equipment segment continued to represent the largest share of Group revenue in the first half of 2021. After the pandemic-induced malaise seen in the

Group sales by region 1st half 2021



	in EUR million	(previous year)
Rest of Europe	**255.4**	(187.3)
Germany	**181.1**	(155.6)
North America	**189.2**	(159.2)
Asia-Pacific	**157.3**	(121.6)
South America and Rest of the World	**34.7**	(24.7)
Group sales	**817.6**	(648.4)

previous year, revenues in the first half of 2021 recovered in all regions, with the Rest of Europe and North America in particular recording growth of 27.5 % and 27.6 % respectively. Compared to this performance, the increases in Asia-Pacific (+19.3 %) and Germany (+22.5 %) were relatively modest. Overall, the segment grew by EUR 140.3 million or 28.0 %. Looking at the second quarter of 2021, the segment posted year-on-year growth of EUR 119.1 million or 63.2 %, taking the figure to EUR 307.5 million (Q2 2020: EUR 188.4 million).

The individual business units also grew significantly in terms of revenue during the quarter under review. In the E-Mobility unit, market recovery and more buoyant demand for electric vehicles in general are also reflected in new series ramp-ups. Ultimately, revenue almost tripled compared to the same period of the previous year. Revenue amounted to EUR 16.5 million in the second quarter of 2021 (Q2 2020: EUR 5.8 million). At EUR 23.8 million, revenue for the first half of 2021 almost doubled compared to the previous year (H1 2020: EUR 12.1 million). Among the long-standing business units, Metal Sealing Systems & Drivetrain Components achieved particularly strong growth in the second quarter of 2021 (+84.5 %). After the Lightweighting/Elastomer Technology unit had proved robust in the second quarter of 2020, due in part to business centered around lightweight structural components, demand increased significantly again in the quarter under review – up by 55.2 %. The Shielding Technology unit also recorded strong growth of 34.5 %.

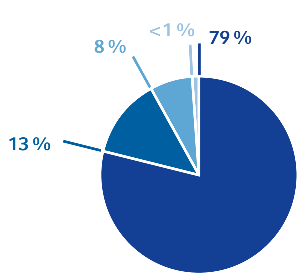
After the pandemic-induced losses recorded in the second quarter of 2020, the segment as a whole returned to profitability in the reporting quarter with earnings before interest and taxes (EBIT) of EUR 7.3 million (Q2 2020: EUR -40.5 million). The first half of the current financial year also showed a significant improvement compared to the same period last year, with EBIT rising to EUR 36.6 million (H1 2020: EUR -40.8 million). The visible recovery in revenues also prompted a significant improvement in the earnings performance of all three major units operating within the long-standing areas of business. The future-oriented E-Mobility unit, which in addition to the fuel cell business also includes battery technology and electric drive units, posted negative EBIT in the quarter under review as well as in the first half of 2021. This was mainly due to new series ramp-ups and pre-series production.

In total, the segment achieved an EBIT margin of 2.4 % in the second quarter (Q2 2020: -21.5 %) and 5.7 % in the first half of the year (H1 2020: -8.1 %).

Aftermarket business remains buoyant

The Aftermarket segment contributed EUR 53.3 million to Group revenue in the quarter under review. At EUR 14.3 million or 36.6 %, year-on-year growth within this area was significant (Q2 2020: EUR 39.0 million). The segment managed to increase revenues by EUR 17.4 million or 19.0 % to EUR 108.6 million in the first half of 2021 (H1 2020: EUR 91.3 million). The expansion in revenue was mainly attributable to Eastern Europe, but growth was also recorded in Western Europe, Africa, and South America. In this context, the visible expansion in revenues generated from sales in the North American market was particularly encouraging; the Group has been cultivating this region extensively for some time now.

Group sales by by segment and business unit 1st half 2021



	in EUR million	(previous year)
Original Equipment	**641.9**	(501.6)
Lightweighting/Elastomer Technology	**244.7**	(183.9)
Metal Sealing Systems & Drivetrain Components	**232.0**	(173.0)
Shielding Technology	**139.1**	(128.8)
E-Mobility	**23.8**	(12.1)
Exhaust Gas Purification	**2.2**	(3.7)
Aftermarket	**108.6**	(91.3)
Engineered Plastics	**64.9**	(52.7)
Other	**2.1**	(2.8)
Group sales	**817.6**	(648.4)

The more pronounced upturn in business after the easing of pandemic-related restrictions coincided with higher costs for freight and logistics within the Aftermarket segment too. Nevertheless, the bottom-line result remained at a high level, which was due in part to sustained cost discipline. Thus, the segment saw earnings grow by EUR 2.3 million in the second quarter, taking EBIT to EUR 10.0 million (Q2 2020: EUR 7.7 million). This corresponds to an EBIT margin of 18.8 % (Q2 2020: 19.6 %). In the first half, segment EBIT stood at EUR 21.9 million (H1 2020: EUR 20.5 million), while the EBIT margin amounted to 20.2 % (H1 2020: 22.4 %).

Engineered Plastics segment exceptionally strong

With revenues totaling EUR 31.8 million in the second quarter of 2021 – on the back of EUR 33.1 million in the first quarter – the Engineered Plastics segment was again able to emulate its pre-pandemic performance. Revenues generated from sales in the automotive and chemical sectors in particular proved strong in the period under review. From a regional perspective, Asia recorded particularly solid growth. Overall, segment revenue in the quarter under review was EUR 8.0 million or 33.8 % higher than that posted for the same period last year (Q2 2020: EUR 23.8 million). In the first half of the year, revenue was up EUR 12.2 million or 23.1 % compared to the first half of 2020 (H1 2020: EUR 52.7 million).

While revenue increased significantly, costs did not follow suit to the same extent. This was attributable in part to the policy of strict cost discipline adopted by the Group. In total, the Engineered Plastics segment achieved earnings before interest and taxes of EUR 6.0 million in the second quarter of 2021 (Q2 2020: EUR 1.3 million), which corresponds to an EBIT margin of 19.0 %. In the first half of 2021, EBIT attributable to the Engineered Plastics segment stood at EUR 13.3 million (H1 2020: EUR 4.7 million), resulting in a very solid EBIT margin of 20.4 % (H1 2020: 9.0 %).

"Others" segment

Revenues generated in the "Others" segment relate to the business activities of Elring Klinger Motortechnik GmbH, ElringKlinger Logistic Service GmbH, Kochwerk Catering GmbH, and an industrial park located in Germany. At EUR 1.0 million, revenue remained stable in the quarter under review compared to the second quarter of 2020 (Q2 2020: EUR 1.0 million). By contrast, revenue for the first half of 2021 was down on the prior-year figure, at EUR 2.1 million (H1 2020: EUR 2.8 million).

Headcount largely unchanged in the year to date

The ElringKlinger Group employed 9,608 people as of June 30, 2021. This means that 383 fewer people were employed within the Group than at the same time last year (Jun. 30, 2020: 9,991 employees). Compared to the previous quarter (Mar. 31, 2021: 9,592), however, the headcount remained largely unchanged. The Group had implemented an efficiency enhancement program even before the coronavirus pandemic. This also affected HR management throughout the Group, including the optimization of global personnel structures. While the headcount declined in Europe (-4.3 %) and North America (-7.2 %), the Group expanded its workforce in the regions covering Asia-Pacific (+1.7 %) and South America and Rest of the World (+18.2 %).

The headcount abroad rose marginally to 58.2 % as of June 30, 2021 (Jun. 30, 2020: 57.7 %). Thus, the proportion of staff members employed at domestic facilities was 41.8 % (Jun. 30, 2020: 42.3 %).

Gross profit margin recovers

While revenue was up markedly in the quarter under review, the cost of sales also trended higher compared to the same period last year. This item totaled EUR 302.8 million in the second quarter of 2021, as opposed to EUR 229.7 million in the same period of the previous financial year. As a result, gross profit stood at EUR 90.7 million for the quarter under review (Q2 2020: EUR 22.5 million) and EUR 200.0 million for the first half of 2021 (H1 2020: EUR 110.3 million). This translates into gross profit margins of 23.1 % (Q2 2020: 8.9 %) and 24.5 % (H1 2020: 17.0 %) respectively.

Having expanded to EUR 174.9 million in the first quarter of 2021 (Q1 2020: EUR 159.4 million) in response to the upturn in the business, the cost of materials fell to EUR 165.6 million in the second quarter of 2021 (Q2 2020: EUR 115.5 million). The cost-of-materials ratio (cost of materials in relation to Group revenue) was 42.1 % in the quarter under review (Q2 2020: 45.8 %). The year-on-year optimization of this ratio was attributable to active management by the purchasing department. At 41.6 % (H1 2020: 42.4 %), the figure also improved in the first six months of 2021. Having said that, the situation within the commodity markets remains tense. Prices for polyamides (plastic granules, also known as pellets) and steel, but also for aluminum, remain high. What is more, the availability of such materials cannot always be guaranteed throughout, which is due partly to the fact that bottlenecks are generally exacerbated by overbooking within the supply chain.

Coinciding with revenue growth, staff costs rose from EUR 101.3 million in the second quarter of 2020 to EUR 129.2 million in the period from April to June 2021. They totaled EUR 264.9 million in the first six months (H1 2020: EUR 241.1 million). Staff costs in relation to Group revenue decreased to 32.8 % in the second quarter (Q2 2020: 40.2 %) and to 32.4 % from January to June 2021 (H1 2020: 37.2 %).

Selling expenses fell to EUR 29.1 million in the second quarter of 2021, down from EUR 23.8 million in the same period of the previous year. Alongside higher staff costs, this was attributable to expenses for freight as well as exhibitions, which are gradually reopening. The Group as a whole is also benefiting from the success of ElringKlinger's efficiency enhancement program. Selling expenses for special freight movements or sorting were only incurred to a small extent. In the first half, selling expenses rose by a modest EUR 4.7 million or 8.6 % to EUR 59.9 million (H1 2020: EUR 55.2 million).

General and administrative expenses also trended higher as business picked up. In the second quarter of 2021, they amounted to EUR 21.1 million, up EUR 4.9 million on the figure posted for the same quarter of the previous year (Q2 2020: EUR 16.2 million). In the first half of 2021, they rose by EUR 5.6 million or 14.8 % year on year (H1 2020: EUR 37.8 million). This increase was also attributable to higher non-personnel costs as well as an increase in staff costs.

Research and development costs within the target range of 5 to 6 %

As regards its R&D activities, the Group focuses primarily on the development of products and solutions for alternative drive technologies. After comparatively low expenses of EUR 13.9 million in the second quarter of 2020, R&D expenses in the quarter under review were back at a normal level of EUR 18.5 million. In addition, development costs amounting to EUR 3.4 million (Q2 2020: EUR 3.0 million) were capitalized. Between January and June, R&D expenses totaled EUR 37.0 million (H1 2020: EUR 32.3 million). In addition, a sum of EUR 5.7 million (H1 2020: EUR 5.2 million) was capitalized. Thus, the capitalization ratio stood at 15.5 % (Q2 2020: 17.6 %) and 13.3 % (H1 2020: 13.7 %) respectively.

As a result, the R&D ratio (R&D expenses, incl. capitalization, in relation to Group revenue) increased to 5.6 % in the second quarter (Q2 2020: 6.7 %) and 5.2 % in the first half (H1 2020: 5.8 %), despite strong growth in revenue. This was within the range of around 5 to 6 % set for the short and medium term.

In the second quarter of 2021, ElringKlinger again received government grants that were directed primarily at research projects in the field of battery and fuel cell technology. They amounted to EUR 0.6 million (Q2 2020: EUR 1.1 million). In the first six months of 2021, this figure totaled EUR 1.3 million (H1 2020: EUR 2.0 million).

Other operating income improved slightly year on year in the second quarter of 2021 to EUR 3.9 million (Q2 2020: EUR 2.3 million) and noticeably year on year in the first half of 2021 to EUR 17.9 million (H1 2020: EUR 4.3 million). This significant increase is attributable mainly to proceeds of EUR 10.9 million from the sale of the Austrian subsidiary to Plastic Omnium, which was part of the agreement concluded in October 2020 in respect of collaborative efforts in the field of fuel cell technology. This agreement had been implemented effective from March 1, 2021, in the first quarter of 2021.

Other operating expenses hardly changed in both the second quarter of 2021 and the first half of 2021 compared to the same periods of the previous year, at EUR +0.3 million and EUR -0.3 million respectively.

EBIT margin trends higher

Following the slump in revenue last year and the successful continuation of the efficiency enhancement program, the Group was able to improve its earnings performance noticeably in the period under review. At EUR 50.4 million (Q2 2020: EUR -0.9 million), earnings before interest, taxes, depreciation, and amortization (EBITDA) were up markedly on the figure posted for the same period a year ago. This also applies to the first six months of 2021, during which the Group increased EBITDA from EUR 44.9 million to EUR 127.6 million. Amortization of intangible assets and depreciation of property, plant, and equipment totaled EUR 27.4 million in the period from April to June 2021 (Q2 2020: EUR 31.5 million) and EUR 56.2 million in the first half of the year (H1 2020: EUR 61.3 million).

Thus, the Group recorded earnings before interest and taxes (EBIT) of EUR 23.0 million in the second quarter of 2021 (Q2 2020: EUR -32.4 million). At 5.9 %, the EBIT margin in the second quarter of 2021 (Q2 2020: -12.8 %) was within the target range of around 5 to 6 % for the full annual period of 2021. Including the strong first quarter of 2021, the EBIT margin for the first half of 2021 was 8.7 % (H1 2020: -2.5 %).

Net finance costs down

Net finance costs were lower in the period under review, down by EUR 1.7 million to EUR -4.6 million (Q2 2020: EUR -6.3 million). This was attributable mainly to lower interest expenses, as a consequence of which the net interest result improved from EUR -3.7 million in the period from April to June 2020 to EUR -2.0 million in the quarter under review. Slight changes in the net result from currency translation of EUR 0.5 million were offset by corresponding changes in the share of the net result of associates.

Looking at the first half of 2021, net finance costs fell by as much as EUR 12.6 million year on year to EUR -3.5 million (H1 2020: EUR -16.1 million). In addition to a reduction in interest expenses by EUR 3.5 million, currency changes played a greater role in this context. While the Group posted a net foreign exchange loss of EUR -5.0 million in the first six months of 2020, it saw an improvement by EUR 7.9 million in the first half under review, thus recording a net foreign exchange gain of EUR 2.9 million in this period. In addition, the loss from the share of the net result of associates, which relates to the investment in hofer AG, decreased by EUR 1.2 million.

As a result, the Group saw its result before income taxes move into positive territory again in the second quarter of 2021 at EUR 18.5 million (Q2 2020: EUR -38.7 million). Pretax profit for the first half of 2021 amounted to EUR 67.9 million (H1 2020: EUR -32.5 million).

Net income for the period at EUR 45.0 million after six months

Income tax expenses amounted to EUR 12.0 million in the second quarter (Q2 2020: EUR -3.1 million) and EUR 22.9 million in the first half of the year (H1 2020: EUR 1.4 million). On this basis, the effective tax rate stood at 33.7 % after the first six months (H1 2020: -4.3 %). As in the prior periods, it was not possible to recognize deferred tax assets on losses incurred by some of the foreign companies.

The ElringKlinger Group thus recoded net income of EUR 6.5 million in the second quarter of 2021 (Q2 2020: EUR -35.5 million) and EUR 45.0 million in the first half of 2021 (H1 2020: EUR -33.9 million). After non-controlling interests, net income attributable to the shareholders of ElringKlinger AG was EUR 7.9 million in the second quarter of 2021 (Q2 2020: EUR -35.5 million) and EUR 45.8 million in the first six months (H1 2020: EUR -33.5 million).

As of June 30, 2021, the number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990. On this basis, earnings per share attributable to the shareholders of ElringKlinger AG amounted to EUR 0.13 in the second quarter (Q2 2020: EUR -0.56) and EUR 0.72 in the first six months (H1 2020: EUR -0.53).

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group continued to be solid at the end of the first half of 2021. The approach taken for a good two years in pursuit of improved key financial indicators was successfully maintained over the course of the first half of 2021. Benefiting from its financial situation, the Group was able to reduce its net debt once again – from EUR 458.8 million at the end of 2020 to EUR 363.3 million as of June 30, 2021, and by as much as EUR 216.6 million within a twelve-month period, down from EUR 579.9 million. As a result, the debt ratio improved from 2.5 to 1.4 in the first six months of 2021. ElringKlinger generated net cash of EUR 92.5 million from operating activities in the first half of 2021, compared to EUR 52.4 million in the same period last year.

Key figures Financial Position and Cash Flows

in EUR million	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Jun. 30, 2020
Total equity and liabilities	**2,092.3**	**2,109.9**	**1,963.1**	**2,050.4**
Equity ratio	46.0 %	45.0 %	41.4 %	40.5 %
Net Working Capital[1]	413.0	430.4	402.8	417.4
Net Working Capital in relation to sales	25.0 %	28.5 %	27.2 %	27.8 %
Net Debt[2]	363.3	400.2	458.8	579.9
Net Debt/EBITDA	1.4	1.9	2.5	3.8
ROCE	8.5 %	11.3 %	1.7 %	- 1.9 %

	2nd quarter 2021	1st quarter 2021	1st half 2021	1st half 2021
Investments in property, plant, and equipment[3]	10.9	11.6	22.5	22.7
Operating free cash flow[4]	37.0	28.6	65.6	23.6

[1] Inventories and trade receivables less trade payables
[2] Non-current and current financial liabilities less cash and cash equivalents and securities
[3] Payments for investments in property, plant, and equipment and investment property
[4] Net cash from operating activities minus net cash from investing activities (excluding acquisitions/divestments and investments in financial assets)

Assets up due to EKPO Fuel Cell Technologies

At the end of the first half of 2021, total assets attributable to the ElringKlinger Group amounted to EUR 2,092.3 million (Dec. 31, 2020: EUR 1,963.1 million). On the one hand, the increase compared to year-end 2020 reflects changes due to the ordinary course of business and currency effects. On the other hand, it is to be seen in the context of the new Group company EKPO Fuel Cell Technologies GmbH (in short: EKPO). The latter commenced operations on March 1, 2021. ElringKlinger AG holds a 60 % interest in the entity, while French automotive supplier Plastic Omnium, Levallois, has a stake of 40 %. The entity is fully consolidated within the ElringKlinger Group. As planned, a contribution of around EUR 100 million from the French partner was accounted for in the first quarter of 2021. It was divided into an initial installment of EUR 30.0 million and a non-current and current receivable for the remaining amount, each of which was recognized in other assets. On the liabilities side, equity increased accordingly. In addition, ElringKlinger sold its Austrian subsidiary ElringKlinger Fuelcell Systems Austria GmbH, Wels, to Plastic Omnium as part of the agreement. The assets and liabilities disposed of as of March 1, 2021, had already been recognized in the year-end 2020 consolidated statement of financial position as held for sale at their carrying amounts of EUR 5.2 million and EUR 1.9 million respectively (cf. Significant Events).

Robust asset structure

The ratio of non-current to current assets remained robust at around 60:40 percent in each case. Non-current assets stood at EUR 1,244.2 million as of June 30, 2021, up EUR 32.0 million on the carrying amount at the end of 2020 (EUR 1,212.2 million). The increase essentially reflects the additions relating to EKPO described above.

Intangible assets, which primarily include acquired goodwill, had a carrying amount of EUR 202.1 million as of June 30, 2021, similar to the carrying amount at the end of 2020 (EUR 201.1 million). Property, plant, and equipment decreased by EUR 9.4 million to EUR 930.6 million compared to December 31, 2020. This decline reflects the Group's focused investment policy. In the first half of 2021, additions to property, plant, and equipment and intangible assets (incl. additions from leases) of EUR 41.4 million (H1 2020: EUR 40.4 million) were recognized in the consolidated statement of financial position. Depreciation and amortization for the period stood at EUR 56.2 million (H1 2020: EUR 61.3 million). Compared to the end of the first half of the previous year (Jun. 30, 2020: EUR 998.9 million), property, plant, and equipment decreased in total, also due to impairment losses recognized at the end of 2020 at some Group companies following impairment tests.

Inventories up due to more expansive business

Although the positive direction taken by business in the first half of 2021 necessitated an expansion of inventories, the increase in stock levels was much less pronounced when seen in relation to incoming orders and revenue. Compared to the level recorded at the end of 2020 (EUR 300.5 million), they were up by 14.2 % to EUR 343.3 million. Without the effects of exchange rates, the overall increase would have been 1.5 % lower. In contrast, trade receivables were scaled back to EUR 225.8 million at the end of the first half, down from EUR 251.4 million at the end of the first quarter, which was similar to the volume recorded at the end of 2020 (EUR 231.2 million). Both balance sheet items together make up working capital, which amounted to EUR 569.1 million at the end of the first half of 2021, compared to EUR 531.8 million at the end of the 2020 financial year.

Seen within the context of 26.1 % growth in revenue, the increase in working capital was moderate at 6.3 % compared to the previous year (Jun. 30, 2020: EUR 535.3 million). This encouraging trend was driven by targeted management measures undertaken as part of the efficiency enhancement program pursued since 2019. The key elements include optimization efforts with regard to stockpiling, receivables management, and trade payables.

Cash and cash equivalents held by the ElringKlinger Group amounted to EUR 162.5 million at the end of the first half of 2021 (Dec. 31, 2020: EUR 127.9 million).

The total carrying amount of current assets was EUR 848.1 million as of June 30, 2021 (Dec. 31, 2020: EUR 745.7 million). Their share of total assets was 40.5 %. Correspondingly, non-current assets accounted for 59.5 %.

Equity ratio rises to 46 percent

Equity held by the ElringKlinger Group rose to EUR 963.4 million as of June 30, 2021, up from EUR 812.9 million at the end of the 2020 financial year. Its share of total assets increased from 41.4 % as of December 31, 2020, to 46.0 % (Jun. 30, 2020: 40.5 %). The equity ratio thus still lies within the management's target range of 40 to 50 %.

The increase in equity in the year to date is attributable to a number of factors. The most significant of these items were the positive bottom-line result for the first half of 2021 in the amount of EUR 45.0 million and Plastic Omnium's investment in the new Group company EKPO Fuel Cell Technologies GmbH, which was reflected in Group equity in the amount of EUR 99.2 million. Other influencing factors included foreign exchange translation differences (EUR 7.9 million) and distributions to shareholders with non-controlling interests (EUR - 1.6 million).

At EUR 156.4 million, provisions for pensions changed only marginally compared to the figure posted at the end of the 2020 financial year (EUR 156.9 million). Compared to June 30, 2020, pension provisions increased by EUR 7.4 million.

Non-current and current provisions amounted to EUR 48.9 million as of June 30, 2021 (Dec. 31, 2020: EUR 46.7 million). The year-on-year increase by EUR 15.0 million (Jun. 30, 2020: EUR 33.8 million) is attributable primarily to allocations during the fourth quarter of 2020. They related to increased obligations with regard to personnel as well as warranty obligations, potential losses from customer contracts, and other risks.

Net debt down by around EUR 100 million in the first half of the year

Due to the considerable free cash flow from operating activities, ElringKlinger was able to further reduce its financial liabilities in the period under review. Net debt (non-current and current financial liabilities less cash and cash equivalents and securities) fell by EUR 95.5 million to EUR 363.3 million as of June 30, 2021, when compared to the level at the end of 2020 (EUR 458.8 million). In the twelve-months period, ElringKlinger reduced net debt by EUR 216.6 million (June 30, 2020: EUR 579.9 million).

Debt ratio improved to 1.4

Against the backdrop of a solid earnings performance and the reduction in debt, the Group saw a significant improvement in its debt ratio at the end of the first half. The ratio of net debt to EBITDA was 1.4 at the end of the reporting period, compared to 2.5 at the end of 2020 and 3.8 a year earlier.

Year-on-year reduction in net working capital

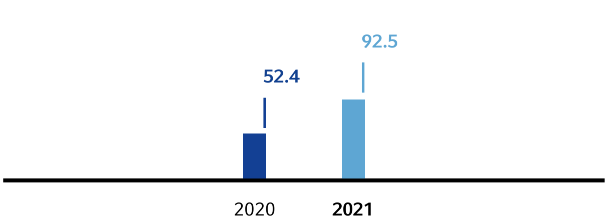
Due to the growth in business, trade payables also trended higher in the period under review. At EUR 156.1 million as of the end of the first half of 2021, trade payables were up EUR 27.2 million on the level recorded at the end of 2020 (EUR 128.9 million). A year ago, they had totaled EUR 117.9 million.

Substantial operating cash flow of EUR 93 million

Supported by the Group's solid earnings performance, cash flow has developed very favorably in the year to date. ElringKlinger generated net cash from operating activities of EUR 92.5 million in the first half of 2021 (H1 2020: EUR 52.4 million). The second quarter accounted for a share of EUR 50.5 million (Q2 2020: EUR 39.6 million).

In addition to benefiting from the direction taken by earnings, cash flow was favorably influenced by the change in net working capital. The latter encompasses inventories as well as trade receivables less trade payables. In this context, changes in inventories have a direct impact on cash flows relating to operating activities. Including other assets and liabilities not attributable to financing activities, the changes in net working capital in the first half of 2021 resulted in a cash inflow of EUR 6.7 million (H1 2020: EUR 16.3 million), with the second quarter more than offsetting the contrary effect of the first quarter with an inflow of EUR 24.6 million (Q2 2020: EUR 47.7 million).

Cash flow from operating activities 1st half
in EUR million



Income tax payments amounted to EUR 28.9 million (H1 2020: EUR 13.0 million) in the first six months. Of this total, EUR 21.2 million (Q2 2020: EUR 6.3 million) was attributable to the second quarter. As these tax payments are directly related to the bottom-line results of the individual entities and their national regulations, the total tax rate computed within the Group may fluctuate quite significantly from period to period.

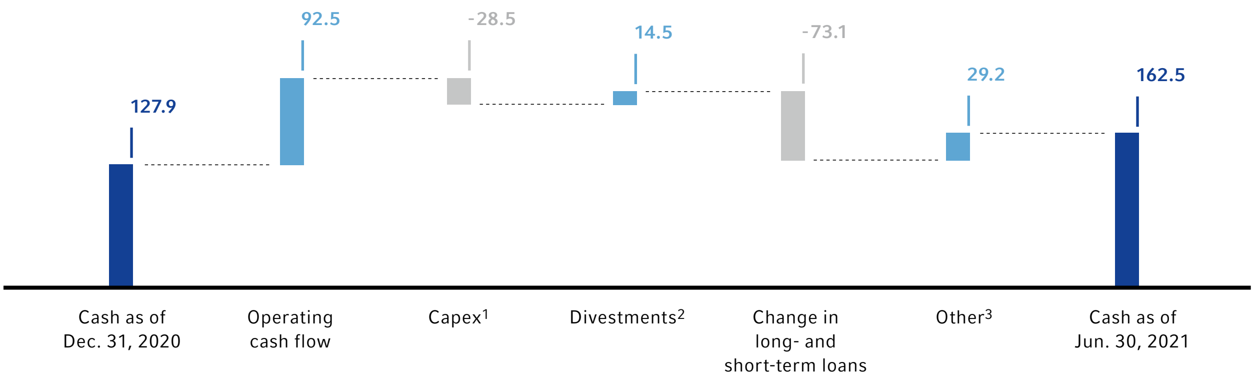
For the purpose of providing a complete picture, it should be noted that the exceptional income of EUR 10.9 million generated in the first quarter of 2021 from the sale of the Austrian subsidiary was not included in operating cash flow. This item, together with currency effects, was adjusted in the line "Other non-cash expenses and income" in the statement of cash flows.

Investments in property, plant, and equipment remain low

In line with its plans, the ElringKlinger Group is pursuing a disciplined investment policy in the 2021 financial year. New purchases are targeted in particular at the strategic fields of the future. Payments for property, plant, and equipment amounted to EUR 22.5 million in the first half (H1 2020: EUR 22.7 million). The second quarter of 2021 accounted for payments of EUR 10.9 million (Q2 2020: EUR 10.4 million). They related to production activities worldwide and also included expansion investments for new ramp-ups.

The investment ratio (payments for investments in property, plant, and equipment and investment property relative to Group sales revenue) fell to 2.8 % in the first half of 2021, down from 3.5 % in the same period a year ago. Additions from leases are not included in the calculation of this ratio. They amounted to EUR 12.9 million in the first half of 2021 and include, among other items, assets in connection with the establishment of the site in Neuffen, Germany, which took place at the beginning of the year.

Changes in cash 1st half 2021
in EUR million



1 Payments for investments in property, plant and equipment, investment property and intangible assets
2 Sale of ElringKlinger Fuelcell Systems Austria GmbH, Wels, Austria
3 Incl. partial payment of EUR 30.0 million from Plastic Omnium for the investment in EKPO

Payments for intangible assets, which also include capitalized development costs, amounted to EUR 6.0 million in the period under review (H1 2020: EUR 6.1 million).

ElringKlinger recorded proceeds of EUR 14.5 million in the first quarter of 2021 from the sale of its Austrian subsidiary.

Overall, the Group recorded a cash outflow of EUR 16.2 million for investing activities in the first half of 2021 (H1 2020: EUR 30.7 million). In the second quarter of 2021, the Group spent a net amount of EUR 15.4 million (Q2 2020: EUR 14.3 million) on investing activities.

Operating free cash flow at EUR 66 million

The ElringKlinger Group generated operating free cash flow of EUR 65.6 million in the first half of 2021 (H1 2020: EUR 23.6 million). Mathematically, it corresponds to the operating cash flow plus cash flow from investing activities adjusted for M&A activities and cash flows for financial assets. This does not include exceptional items such as the initial installment paid by Plastic Omnium for its interest in EKPO or proceeds from the sale of the Austrian subsidiary. This operational performance illustrates that the chosen path has also proved successful in the year to date and that the Group remains on track.

Operating free cash flow in the second quarter reached EUR 37.0 million (Q2 2020: EUR 25.8 million).

Repayment of EUR 92 million relating to non-current loans

Based on the substantial cash inflow in the first half of the year, the Group was in a position to further reduce bank borrowings. In the first six months of 2021, ElringKlinger repaid a total of EUR 91.6 million (H1 2020: EUR 35.5 million) with regard to non-current loans (net of inflows). Due to the change in current loans, the Group recorded proceeds of EUR 18.5 million (H1 2020: EUR 32.9 million). In the second quarter, non-current and current loans were reduced by a total of EUR 35.6 million (Q2 2020: expansion of EUR 23.9 million).

Taking into account the first partial payment by Plastic Omnium for the investment in EKPO Fuel Cell Technologies GmbH in the amount of EUR 30.0 million, cash flow used in financing activities in the first six months of 2021 was EUR -44.6 million (H1 2020: EUR -3.6 million). In the second quarter of 2021 it amounted to EUR -37.1 million (Q2 2020: inflow of EUR 22.9 million).

As of June 30, 2021, the ElringKlinger Group had cash and cash equivalents of EUR 162.5 million (Jun. 30, 2020: EUR 147.8 million) and open, unused credit lines of EUR 228.5 million. Thus, the Group is comfortably positioned for further business development, especially with regard to the far-reaching transformation of the mobility market. The increase and extension of the existing syndicated loan on July 12, 2021 (see Notes – Events after the reporting period) will further strengthen the Group's solid financial position.

Opportunities and Risks

The economic repercussions of the covid-19 pandemic continue to shape developments within the automotive markets in 2021, albeit to a much lesser extent than in the previous year. The more widespread availability of vaccines worldwide may help to suppress the pandemic. Having said that, developments within the individual regions are difficult to predict as a whole. At present, the United States, Brazil, Indonesia, the United Kingdom, Spain, France, and Russia, among others, are recording high levels of new infections with a seven-day incidence of over 100. The measures aimed at containment are very different – and estimates of the economic impact are therefore still subject to a high degree of uncertainty.

Commodity prices also remain at a persistently high level as of June 30, 2021, i.e., at the end of the reporting period. In addition, supply chains are not consistently robust, which may have an impact on raw material availability as a whole as well as price trends. The impact of the storms that led to severe flooding in parts of Germany in July 2021 and consequently to interruptions in production, especially for raw material producers, may have similar effects.

Supply-side bottlenecks with regard to semiconductors have already affected vehicle production in the first six months of 2021. Based on information currently available, these shortages are likely to continue in the second half of 2021. Fundamentally, therefore, it is impossible to rule out effects relating to revenues and earnings.

An assessment of other opportunities and risks for the ElringKlinger Group in respect of the first half of 2021 shows that there were no significant changes to the 2020 annual report of the ElringKlinger Group.

The report on opportunities and risks from the 2020 annual report can also be accessed on the website of ElringKlinger at www.elringklinger.de/ar2020/report-on-opportunities-and-risks.

Report on Expected Developments

Outlook – Market and Sector

Global economy looks set to catch up in 2021

Since last year's economic slump in the wake of the coronavirus pandemic, the global economy has gained noticeable momentum again. Given the expansive monetary and fiscal policies adopted by the central banks of industrialized countries, this upward trend is likely to continue. Benefiting from supportive measures taken by many governments in response to the coronavirus pandemic, economies are seeing the emergence of a "post-covid-19 boom" as markets look to make up lost ground. At the same time, however, variants of the coronavirus still harbor a significant degree of uncertainty as to the future course of the pandemic. In addition, supply-side issues centered around the availability of raw and input materials needed within the industrial sector as well as the slowdown of the Chinese economy may exert downward pressure on global economic growth. What is more, inflation and consumer prices are expected to rise.

In its latest economic outlook published in July 2021, the International Monetary Fund (IMF) forecasts global growth of 6.0 % for 2021 as a whole. Growth will continue to gain momentum in the industrialized countries, while the outlook for emerging and developing countries is less favorable due to their limited financial scope and the lower availability of coronavirus vaccines. According to the IMF, the United States are likely to be the key driving force in 2021. The outlook for the euro area economy is also positive. In contrast, the Chinese economy is expected to move at a slower pace, due in part to less extensive state support. Overall, as the IMF points out, this outlook depends heavily on the future direction taken by the pandemic, as a result of which it is subject to considerable uncertainty.

GDP growth projections

Year-on-year change in %	2020	Projections 2021	Projections 2022
World	**-3.2**	**6**	**4.9**
Advanced economies	-4.6	5.6	4.4
Emerging and developing countries	-2.1	6.3	5.2
Germany	-4.8	3.6	4.1
Eurozone	-6.5	4.6	4.3
USA	-3.5	7	4.9
Brazil	-4.1	5.3	1.9
China	2.3	8.1	5.7
India	-7.3	9.5	8.5
Japan	-4.7	2.8	3.0

Source: IWF (July 2021)

Outlook for global vehicle markets in 2021

The automotive markets as a whole are expected to see significant growth in all regions over the course of 2021. Based on its latest projections, the industry institute IHS expects an increase of 10.0 %, taking the figure of newly produced passenger cars and light commercial vehicles to around 82 million. However, this still falls short of the pre-crisis level of around 89 million cars produced in 2019.

The volume recorded in the second half of 2021 is expected to be higher than in the first half of the current year. Nevertheless, due to the distortions seen in the 2020 year of the coronavirus and the catch-up effects in the second half of 2020, the third and fourth quarters of 2021 are expected to show a slight year-on-year decline of -3 % and -4 % respectively. This assessment takes into account that the shortage of semiconductors currently observed within the market will intensify and that there will be further interruptions to production at manufacturing plants.

Closer analysis of the individual regions shows a mixed picture, albeit of a favorable nature overall. Of the three largest car markets, North America is expected to record the strongest growth in absolute and relative terms, followed by the European market and China.

Mirroring the state of the economy as a whole, the industry outlook continues to be affected by heightened uncertainty in the wake of the coronavirus pandemic.

Projections Light vehicle production

Vehicles (millions)	2021	2021 Change in %
Region		
Europe[1]	18.0	9 %
China	25.0	6 %
Japan/Korea	11.8	5 %
Middle East/Africa	2.1	18 %
North America	14.6	12 %
South America	2.8	23 %
South Asia	7.7	24 %
World	82.0	10 %

Source: IHS July 2021
[1] Incl. Russia

Outlook – Company

Despite the persistently high risk of infection associated with the coronavirus pandemic, global economic activity has been recovering visibly. Fundamentally, this also applies to the automotive industry, although the global markets are subject to significant uncertainty. In this context, bottlenecks in the supply of semiconductors play just as much a role as the tense situation seen within the commodity markets. In addition, there are concerns over the possibility of new waves of covid infections later in the year, which could again have an impact on economic activity.

Brimming order books

The global recovery is also reflected in ElringKlinger's order books: in the first quarter of 2021, the Group had already recorded an extremely strong order intake of EUR 576.6 million. This trend continued in the second quarter with EUR 429.5 million. Adjusted for currency effects, the volume would even have been slightly higher at EUR 436.8 million. This represents a significant increase compared to the same period last year, when the Group recorded incoming orders worth EUR 192.6 million against the backdrop of lockdown measures.

On the back of solid order intake, the Group's order backlog also increased. After EUR 1,185.6 million as of March 31, 2021, the order book was expanded once again in the period under review, taking the figure to EUR 1,221.6 million at the end of the first half. Movements in foreign exchange rates played only a minor role; adjusted for currency effects, the Group's order backlog amounted to EUR 1,222.9 million. A year earlier, under the impact of the pandemic, the figure had stood at EUR 929.4 million, which represents an overall increase of 31.4 % (31.6 % adjusted for currency effects).

Outlook 2021: revenue movement at market level; EBIT margin of around 5 to 6 %

Regardless of the signs of recovery, the uncertainties for the remainder of the year are still considerable. The situation within commodity markets is tense, and bottlenecks in the semiconductor industry may have a regional or global impact on vehicle production output. Against this backdrop, ElringKlinger continues to anticipate a level of organic revenue growth that is likely to roughly match the rate of expansion in global automobile production.

In terms of consolidated earnings, ElringKlinger anticipates an EBIT margin of around 5 to 6 % calculated in relation to Group revenue.

In addition, the Group continues to assume that the return on capital employed (ROCE) will improve visibly compared to the previous year.

Cash flow situation remains positive

Based on the results of the current financial year to date and the impact of the efficiency enhancement program, the Group continues to expect a further improvement in its key performance indicators. ElringKlinger remains committed to a disciplined investment approach, as a result of which the investment ratio (capital expenditure on property, plant, and equipment and investment property in relation to Group revenue) is expected to be around 6 %. Net working capital will improve slightly (relative to Group revenue) compared to the previous year's figure of 27.2 %. As a result, the Group also expects operating free cash flow to be in the positive mid-double-digit million euro range. On this basis, the Group anticipates that the net debt ratio (net financial liabilities in relation to EBITDA) will improve in the current financial year compared to the prior-year figure of 2.5. With regard to the equity ratio, the Group expects to remain within the long-term target range of 40 to 50 % of total capital. The Group anticipates that research and development costs, including capitalization, will account for around 5 to 6 % of consolidated revenue.

Mid-term outlook

Despite the challenging factors currently driving the business environment in which ElringKlinger operates, the company considers itself to be well positioned in the medium to long term. ElringKlinger was quick off the mark in its efforts to embrace the transition towards e-mobility with components engineered specifically for battery and fuel cell systems. Additionally, the Group has a strong market position centered around its long-standing Lightweighting/Elastomer Technology, Shielding Systems, and Metal Sealing Systems & Drivetrain Components business units. Provided the coronavirus pandemic does not take an abrupt and unforeseen route, ElringKlinger essentially continues to take the view that it will outpace global vehicle production growth at an organic level. With regard to the earnings situation, the Group has again set itself the goal of gradually improving its EBIT margin in the medium term. The Group can also confirm its other medium-term targets.

Dettingen/Erms, August 5, 2021
The Management Board

Dr. Stefan Wolf Chairman/CEO	Theo Becker	Thomas Jessulat	Reiner Drews

ElringKlinger and the Capital Markets

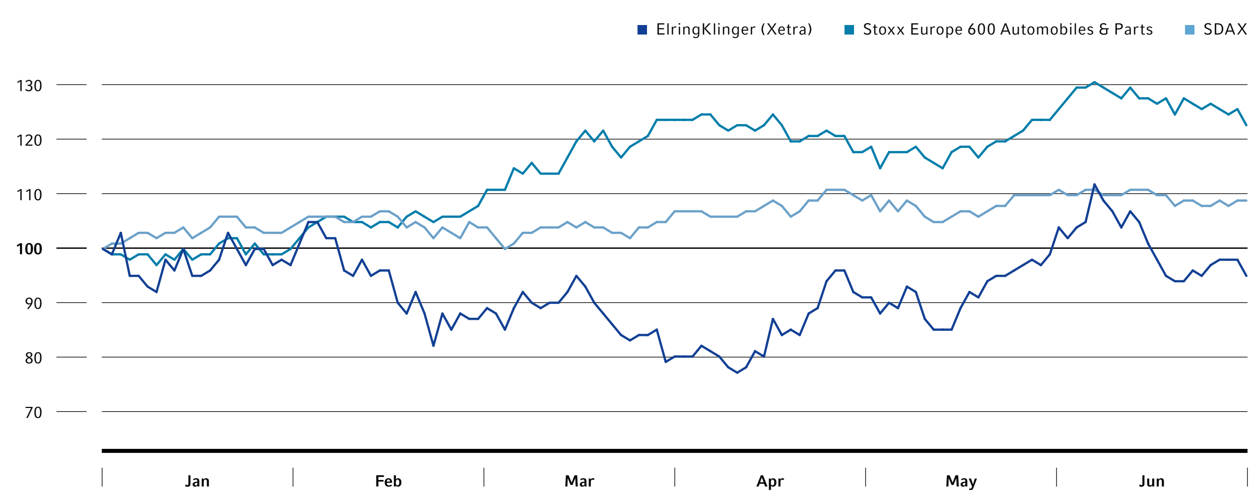
Equity markets unfazed by factors of uncertainty

Despite many uncertainties, the second quarter of 2021 saw another upward trend within the stock markets. A further recovery in the Ifo index, strong US labor market and robust economic data, a swift increase in the number of vaccinations, and a solid start to the Q1 earnings season drove equity markets to new all-time highs. The "American Jobs Plan", a USD 2,250 billion infrastructure program launched by US President Biden, also provided impetus within the capital markets. The tense situation within the commodity markets, which was reflected not only in higher prices but also in significant supply-side difficulties and delays, had no impact on the bull market over the course of the second quarter. In May, equity markets were underpinned by the dovish stance again taken by the ECB and US Federal Reserve. Various economic institutes revised upwards their inflation forecasts, while signs of higher inflation became more pronounced. Against this backdrop, however, central banks continued to push ahead with bond purchases. US consumer price inflation reached its highest level since 2008. At 5.0 %, it is still below the 6.6 % increase in US producer prices. Even the slowdown in China's economy, as evidenced by various indices and growth rates towards the end of June, failed to plunge stock markets into a phase of consolidation. In the second quarter, the DAX reached an all-time high of 15,730 points on June 15 and ended the three-month period at 15,531, up 3.5 % on the figure posted in the first quarter. The S&P 500 Index also reached a new all-time high of 4,298 points in the second quarter on June 30, thus gaining a further 8.2 %.

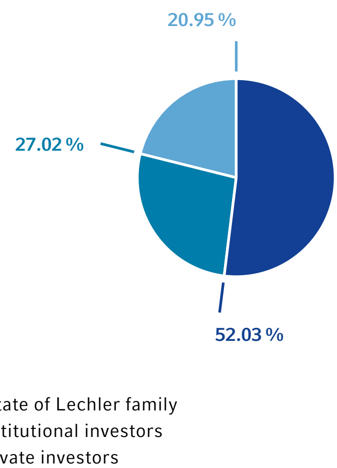
ElringKlinger shares regain momentum after previous consolidation

After a weak start to 2021, ElringKlinger shares initially performed in line with the market in April. In mid-April, preliminary results for the first quarter prompted a surge in the company's share price – contrary to the sideways-moving stock market. At the end of April, the share price reached a plateau at EUR 15.15, which was followed by a period of consolidation. In an environment dominated by persistent uncertainty, ElringKlinger's share price picked up again in mid-May, reaching a new annual high of EUR 17.72 within a mixed market. Amid another period of consolidation, the company's share price subsequently fell

ElringKlinger's share price performance from January 1 to June 30, 2021 (indexed)
in %



Shareholder structure as of Jun. 30, 2021



by 15 %. At the end of the quarter, ElringKlinger's share price stood at EUR 15.01.

Trading volume up significantly year on year

After a strong start to the second quarter, the 16th of April marked the strongest trading day of the quarter with a volume of 644,461 shares. In the first half of 2021, the volume traded was significantly higher than in the same period last year (H1 2020: 174,800 shares), with 250,115 shares traded on average per stock exchange day. Despite ongoing supply-side problems within the semiconductor market, a general upward trend in the stock market combined with a greater interest in the automotive sector ensured higher volumes. ElringKlinger's stock generated a significantly higher daily value on German stock exchanges, reaching an average of EUR 3.7 million per day in the first half of the year, a much higher figure than in the previous year (H1 2020: EUR 980 thousand). Liquidity was sufficiently high at all times during the quarter under review, thus providing the basis for large share transactions

Engaged in dialogue with the capital markets

ElringKlinger took part in two capital market conferences during the second quarter of 2021. Such conferences provide ElringKlinger AG with a suitable platform to present the company to international investors and other capital market players. In addition to the publication of the Group's results for the first quarter of 2021, at which the Management Board presented the figures for the past quarter and the outlook for the rest of the year to a number of journalists and analysts, the Annual General Meeting on May 18 was also held in a virtual format in the quarter under review. At this meeting, all proposed resolutions were adopted by a clear majority in each case. A total of 63.2 % of the voting share capital was represented at the Annual General Meeting, which can be considered a very high turnout. 2,364 shareholders had registered for the Annual General Meeting in due time.

ElringKlinger stock (ISIN DE 0007856023)

	1st half 2021	1st half 2020
Number of shares outstanding	63,359,990	63,359,990
Share price (daily closing price in EUR)[1]		
High	17.72	8.29
Low	12.24	3.57
Closing price[2]	15.01	5.29
Average daily trading volume (German stock exchanges; no. of shares traded)	250,115	174,800
Average daily trading value (German stock exchanges; in EUR)	3,669,187	980,300
Market capitalization (EUR millions)[1,2]	951.0	335.2

[1] Xetra trading
[2] As of June 30

Group Income Statement

of ElringKlinger AG, January 1 to June 30, 2021

EUR k	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Sales revenue	**393,558**	**252,180**	**817,623**	**648,419**
Cost of sales	-302,822	-229,684	-617,656	-538,092
Gross profit	**90,736**	**22,496**	**199,967**	**110,327**
Selling expenses	-29,055	-23,836	-59,925	-55,197
General and administrative expenses	-21,119	-16,238	-43,425	-37,823
Research and development costs	-18,534	-13,914	-37,045	-32,332
Other operating income	3,897	2,286	17,854	4,262
Other operating expenses	-2,882	-3,192	-5,979	-5,635
Operating result/EBIT	**23,043**	**-32,398**	**71,447**	**-16,398**
Finance income	2,414	-886	8,550	19,638
Finance costs	-6,187	-4,056	-9,713	-32,195
Share of result of associates	-786	-1,350	-2,358	-3,556
Net finance costs	**-4,559**	**-6,292**	**-3,521**	**-16,113**
Earnings before taxes	**18,484**	**-38,690**	**67,926**	**-32,511**
Income tax expense	-11,978	3,149	-22,883	-1,398
Net income	**6,506**	**-35,541**	**45,043**	**-33,909**
of which: attributable to non-controlling interests	-1,441	-66	-799	-405
of which: attributable to shareholders of ElringKlinger AG	**7,947**	**-35,475**	**45,842**	**-33,504**
Basic and diluted earnings per share in EUR	0.13	-0.56	0.72	-0.53

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to June 30, 2021

EUR k	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Net income	**6,506**	**-35,541**	**45,043**	**-33,909**
Currency translation difference	5,964	-5,327	8,141	-25,844
Share of other comprehensive income of associates	34	120	-244	255
Gains and losses that can be reclassified to the income statement in future periods	**5,998**	**-5,207**	**7,897**	**-25,589**
Remeasurement of defined benefit plans, net	0	0	0	0
Gains and losses that cannot be reclassified to the income statement in future periods	**0**	**0**	**0**	**0**
Other comprehensive income after taxes	**5,998**	**-5,207**	**7,897**	**-25,589**
Total comprehensive income	**12,504**	**-40,748**	**52,940**	**-59,498**
of which: attributable to non-controlling interests	-1,441	-241	-528	-324
of which: attributable to shareholders of ElringKlinger AG	**13,945**	**-40,507**	**53,468**	**-59,174**

Group Statement of Financial Position

of ElringKlinger AG, as at June 30, 2021

EUR k	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2020
ASSETS			
Intangible assets	202,083	201,071	210,806
Property, plant and equipment	930,579	939,953	998,948
Investment property	0	0	3,425
Financial assets	15,049	15,088	3,551
Shares in associates	14,577	17,179	20,406
Non-current income tax assets	688	335	301
Other non-current assets	42,703	4,320	4,420
Deferred tax assets	29,382	23,763	17,899
Contract performance costs	8,696	9,784	9,635
Non-current contract assets	437	717	854
Non-current assets	**1,244,194**	**1,212,210**	**1,270,245**
Inventories	343,277	300,503	338,829
Current contract assets	10,486	9,725	9,305
Trade receivables	225,798	231,249	196,450
Current income tax assets	4,218	4,889	9,873
Other current assets	101,819	71,436	77,841
Cash and cash equivalents	162,535	127,852	147,831
Current assets	**848,133**	**745,654**	**780,129**
Assets held for sale	**0**	**5,249**	**0**
	2,092,327	**1,963,113**	**2,050,374**

EUR k	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2020
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	730,167	684,325	691,624
Other reserves	-32,313	-88,653	-78,156
Equity attributable to the shareholders of ElringKlinger AG	**879,452**	**777,270**	**795,066**
Non-controlling interest in equity	83,986	35,617	35,693
Equity	**963,438**	**812,887**	**830,759**
Provisions for pensions	156,428	156,935	149,010
Non-current provisions	20,709	19,793	17,921
Non-current financial liabilities	380,878	391,920	578,870
Non-current contract liabilities	6,687	7,609	10,241
Deferred tax liabilities	14,447	13,692	13,322
Other non-current liabilities	7,401	7,346	8,044
Non-current liabilities	**586,550**	**597,295**	**777,408**
Current provisions	28,159	26,905	15,917
Trade payables	156,115	128,920	117,903
Current financial liabilities	159,067	205,257	159,551
Current contract liabilities	30,857	31,159	26,383
Tax payable	31,918	33,278	17,110
Other current liabilities	136,223	125,493	105,343
Current liabilities	**542,339**	**551,012**	**442,207**
Liabilities relating to assets held for sale	0	1,919	0
	2,092,327	**1,963,113**	**2,050,374**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to June 30, 2021

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2019	**63,360**	**118,238**	**725,128**
Dividend distribution			
Total comprehensive income			**-33,504**
Net income			-33,504
Other comprehensive income			
Balance as of Jun. 30, 2020	**63,360**	**118,238**	**691,624**
Balance as of Dec. 31, 2020	**63,360**	**118,238**	**684,325**
Dividend distribution			
Shares of non-controlling interests*			
Total comprehensive income			**45,842**
Net income			45,842
Other comprehensive income			
Balance as of Jun. 30, 2021	**63,360**	**118,238**	**730,167**

* Share of Plastic Omnium in EKPO Fuel Cell Technologies

Other reserves					
Remeasurement of defined benefit plans	**Equity impact of controlling interests**	**Currency translation differences**	**Equity attributable to the shareholders of ElringKlinger AG**	**Non-controlling interests in equity**	**Group equity**
-52,909	**-422**	**845**	**854,240**	**36,980**	**891,220**
			0	-963	-963
		-25,670	**-59,174**	**-324**	**-59,498**
			-33,504	-405	-33,909
		-25,670	-25,670	81	-25,589
-52,909	**-422**	**-24,825**	**795,066**	**35,693**	**830,759**
-60,132	**-422**	**-28,099**	**777,270**	**35,617**	**812,887**
			0	-1,552	-1,552
	48,714		48,714	50,449	99,163
		7,626	**53,468**	**-528**	**52,940**
			45,842	-799	45,043
		7,626	7,626	271	7,897
-60,132	**48,292**	**-20,473**	**879,452**	**83,986**	**963,438**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to June 30, 2021

EUR k	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Earnings before taxes	18,484	-38,690	67,926	-32,511
Depreciation/amortization (less write-ups) of non-current assets	27,374	31,463	56,165	61,276
Net interest	1,983	3,652	4,073	7,606
Change in provisions	-567	-423	1,237	-1,650
Gains/losses on disposal of non-current assets	81	204	180	436
Share of result of associates	786	1,350	2,358	3,556
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	9,380	63,055	-25,690	50,131
Change in trade payables and other liabilities not resulting from financing and investing activities	15,264	-15,373	32,347	-33,851
Income taxes paid	-21,211	-6,339	-28,894	-13,031
Interest paid	-1,790	-3,683	-3,920	-6,796
Interest received	283	191	565	502
Other non-cash expenses and income	403	4,177	-13,832	16,691
Net cash from operating activities	**50,470**	**39,584**	**92,515**	**52,359**
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	1,006	82	1,622	107
Proceeds from disposals of financial assets	1,789	164	2,726	1,045
Proceeds from the disposal of subsidiaries	0	0	14,450	0
Payments for investments in intangible assets	-3,660	-3,430	-6,039	-6,089
Payments for investments in property, plant and equipment and investment property	-10,852	-10,391	-22,496	-22,729
Payments for investments in financial assets	-3,643	-761	-6,464	-3,062
Net cash from investing activities	**-15,360**	**-14,336**	**-16,201**	**-30,728**
Payments received from non-controlling interests for the acquisition of shares	0	0	30,040	0
Dividends paid to shareholders and to non-controlling interests	-1,532	-942	-1,552	-963
Proceeds from the addition of long-term loans	29,415	15,368	29,513	28,746
Payments for the repayment of long-term loans	-63,337	-8,240	-121,094	-64,275
Change in current loans	-1,665	16,738	18,481	32,927
Net cash from financing activities	**-37,119**	**22,924**	**-44,612**	**-3,565**
Changes in cash	-2,009	48,172	31,702	18,066
Effects of currency exchange rates on cash	-282	-1,357	2,981	-5,685
Cash at beginning of period	164,826	101,016	127,852	135,450
Cash at end of period	**162,535**	**147,831**	**162,535**	**147,831**

Group Sales Revenue

of ElringKlinger AG, January 1 to June 30, 2021

Sales revenue by regions

EUR k	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Germany	87,593	63,745	181,085	155,600
Rest of Europe	124,191	64,780	255,355	187,285
North America	89,034	53,389	189,207	159,234
Asia-Pacific	75,463	62,707	157,261	121,635
South America and rest of the world	17,276	7,559	34,715	24,665
Group	**393,558**	**252,180**	**817,623**	**648,419**

Sales revenue by segments

EUR k	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Lightweighting/Elastomer Technology	117,642	75,793	244,740	183,939
Metal Sealing Systems & Drivetrain Components	111,539	60,455	231,996	172,980
Shielding Technology	60,604	45,056	139,127	128,836
E-Mobility	16,547	5,777	23,831	12,132
Exhaust Gas Purification	1,195	1,328	2,211	3,700
Others	-1	5	22	40
Segment Original Equipment	**307,526**	**188,415**	**641,927**	**501,628**
Segment Original Equipment	307,526	188,415	641,927	501,628
Segment Aftermarket	53,286	38,998	108,649	91,291
Segment Engineered Plastics	31,794	23,759	64,912	52,691
Sale of goods	**392,606**	**251,172**	**815,488**	**645,610**
Sales of goods	392,606	251,172	815,488	645,610
Proceeds from licensing	0	0	0	0
Proceeds from the rendering of services	947	1,008	2,126	2,809
Revenue from contracts with customers	**393,553**	**252,180**	**817,614**	**648,419**
Income from rental and leasehold	5	0	9	0
Group	**393,558**	**252,180**	**817,623**	**648,419**

Segment Reporting

of ElringKlinger AG, April 1 to June 30, 2021

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020
External revenue	**307,526**	**188,415**	**53,286**	**38,998**	**31,794**	**23,759**
Intersegment revenue	6,121	5,948	0	0	26	3
Segment revenue	**313,647**	**194,363**	**53,286**	**38,998**	**31,820**	**23,762**
EBIT[1]/Operating result	**7,266**	**-40,515**	**9,997**	**7,663**	**6,047**	**1,253**
Depreciation and amortization	24,461	28,323	779	937	1,659	1,702
Capital expenditures[2]	12,948	16,072	803	466	1,430	1,275

January 1 to June 30, 2021

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020
External revenue	**641,927**	**501,628**	**108,649**	**91,291**	**64,912**	**52,691**
Intersegment revenue	14,080	12,104	0	0	64	6
Segment revenue	**656,007**	**513,732**	**108,649**	**91,291**	**64,976**	**52,697**
EBIT[1]/Operating result	**36,607**	**-40,805**	**21,901**	**20,461**	**13,262**	**4,748**
Depreciation and amortization	49,983	55,009	1,669	1,894	3,320	3,357
Capital expenditures[2]	35,645	37,233	2,014	1,075	3,431	1,703

[1] Earnings before interest and taxes
[2] Investments in intangible assets and property, plant and equipment and investment property

Other		Consolidation		Group	
2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020	2nd quarter 2021	2nd quarter 2020
952	**1,008**	**0**	**0**	**393,558**	**252,180**
2,386	1,629	-8,533	-7,580	0	0
3,338	**2,637**	**-8,533**	**-7,580**	**393,558**	**252,180**
-267	**-799**			**23,043**	**-32,398**
475	501			27,374	31,463
141	165			15,322	17,978

Other		Consolidation		Group	
1st half 2021	1st half 2020	1st half 2021	1st half 2020	1st half 2021	1st half 2020
2,135	**2,809**	**0**	**0**	**817,623**	**648,419**
4,898	3,761	-19,042	-15,871	0	0
7,033	**6,570**	**-19,042**	**-15,871**	**817,623**	**648,419**
-323	**-802**			**71,447**	**-16,398**
1,193	1,016			56,165	61,276
336	351			41,426	40,362

Notes to the first Half of 2021

General Information

ElringKlinger AG is an exchange-listed stock corporation headquartered in Dettingen/Erms, Germany.

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of June 30, 2021, have been prepared on the basis of IAS 34 (Interim Financial Reporting). The interim financial statements conform with the International Financial Reporting Standards (IFRS), including the Interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

As the consolidated interim financial statements are presented in a condensed format, the financial statements as of June 30, 2021, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of June 30, 2021, have been neither audited nor reviewed in any way by an independent auditor.

They were authorized for issue based on a resolution passed by the Management Board on August 5, 2021.

Basis of reporting

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of June 30, 2021, include the financial statements of seven domestic and 30 foreign entities in which ElringKlinger AG holds more than 50 % of the interests, either directly or indirectly, or over which, for other reasons, it has the power to govern the financial and operating policies. Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

The interests held in hofer AG, Nürtingen, Germany, totaling 24.71 % have been accounted for as an associate in non-current Group assets, as ElringKlinger has significant influence over the entity's operating and financial policies. A significant influence over an associate is presumed to exist if an entity holds 20 % to 50 % of the voting power of the investee.

Following a resolution by the shareholders' meeting on March 1, 2021, EK Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany, was renamed EKPO Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany. Furthermore, the interests held by ElringKlinger AG in the entity were reduced from 100 % to 60 %. At the same time, French automotive supplier Plastic Omnium, based in Levallois, France, took a 40 % stake in the share capital.

Compared to the consolidated financial statements as of December 31, 2020, there were no other changes in the scope of consolidation with the exception of the sale of ElringKlinger Fuelcell Systems Austria, based in Wels, Austria.

Milestone for fuel cell business

On October 28, 2020, ElringKlinger reached an agreement with French automotive supplier Plastic Omnium, based in Levallois, France, to drive forward the development, production, and marketing of fuel cell stacks as part of a joint entity. As agreed, EK Fuel Cell Technologies GmbH, a wholly owned subsidiary of ElringKlinger AG, was initially established on December 15, 2020.

Subsequent to the closing of the agreement, which came into effect on March 1, 2021, EK Fuel Cell Technologies GmbH changed its name to EKPO Fuel Cell Technologies GmbH and commenced its business activities. At the same time, the company's share capital was increased by EUR 75k to EUR 100k. The ownership structure in the company was changed at the date of closing to the extent that ElringKlinger holds 60 % and Plastic Omnium 40 %. In addition, ElringKlinger incorporated the area of fuel cell technology into the company as part of a non-cash contribution. The contribution was made at book value. In parallel, Plastic Omnium committed itself to a contribution of EUR 100,000k to the company, of which EUR 30,000k was paid in at closing; the outstanding contribution was recognized at present value as other assets.

Under the terms of the agreement, Plastic Omnium also acquired ElringKlinger Fuelcell Systems Austria GmbH, Wels, Austria, an ElringKlinger Group company specializing in fuel cell system solutions, effective from March 1, 2021, for a purchase price of EUR 13,449k. The result on disposal of EUR 10,907k has been included in other operating income.

Exchange rates

Exchange rates developed as follows:

		Closing rate		Average rate	
Currency	**Abbr.**	**Jun. 30, 2021**	**Dec. 31, 2020**	**Jan. – Jun. 2021**	**Jan. – Dec. 2020**
US dollar (USA)	USD	1.18840	1.22710	1.20248	1.14700
Pound (United Kingdom)	GBP	0.85805	0.89903	0.86554	0.88935
Swiss franc (Switzerland)	CHF	1.09800	1.08020	1.09690	1.07090
Canadian dollar (Canada)	CAD	1.47220	1.56330	1.49860	1.53802
Real (Brazil)	BRL	5.90500	6.37350	6.46893	5.99878
Mexican peso (Mexico)	MXN	23.57840	24.41600	24.33437	24.73002
RMB (China)	CNY	7.67420	8.02250	7.76403	7.89749
WON (South Korea)	KRW	1,341.41000	1,336.00000	1,347.66000	1,350.23750
Rand (South Africa)	ZAR	17.01140	18.02190	17.49217	18.91385
Yen (Japan)	JPY	131.43000	126.49000	130.43833	121.88417
Forint (Hungary)	HUF	351.68000	363.89000	357.04000	354.05167
Turkish lira (Turkey)	TRY	10.32100	9.11310	9.71508	8.15792
Leu (Romania)	RON	4.92800	4.86830	4.90805	4.84251
Indian rupee (India)	INR	88.32400	89.66050	88.36108	84.94442
Indonesian rupiah (Indonesia)	IDR	17,280.30000	17,240.76000	17,247.62167	16,743.66083
Bath (Thailand)	THB	38.11800	36.72700	37.26283	35.90242
Swedish krona (Sweden)	SEK	10.11100	10.03430	10.14735	10.48153

Significant events and business transactions

Estimates and decisions made on the basis of judgment may have an impact on the amount of assets and liabilities recognized. Due to the currently unforeseeable global consequences of the coronavirus pandemic, these are subject to heightened uncertainty. When updating the estimates and judgment-based decisions, information available in respect of expected economic trends and country-specific measures with regard to the coronavirus pandemic were taken into account. This information was applied in the context of impairment considerations as part of quarterly reporting and did not result in any impairment losses with regard to assets. ElringKlinger currently anticipates that this event will be of a temporary nature. Due to the volatile market environment, regular scenario analyses are being conducted.

For further information on the impact of the coronavirus pandemic on business performance and our estimates in the context of our guidance, please refer to our comments in the interim management report.

On October 28, 2020, ElringKlinger reached an agreement with French automotive supplier Plastic Omnium, based in Levallois, France, to drive forward the development, production, and marketing of fuel cell stacks as part of a joint entity. The closing of the transaction took place on March 1, 2021. Further details are provided in the section "Milestone for fuel cell business."

Disclosures relating to financial instruments

This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments. There was no offsetting of financial instruments recognized by the company.

The following table shows the carrying amounts (CA) and fair values (FV) of financial assets:

	Cash	Trade receivables	Other current assets	Derivatives	Non-current securities		Other financial investments		Total
EUR k	CA	CA	CA	CA	CA	FV	CA	FV	CA
as of Jun. 30, 2021									
Financial assets measured at amortized cost	162,535	225,798	17,547	0	1,191	1,206	2,008	2,008	409,079
Financial assets measured at fair value through profit or loss	0	0	29,955	8,667	0	0	11,767	11,767	50,389
Financial assets measured at fair value through other comprehensive income	0	0	0	0	76	76	8	8	84
Total	**162,535**	**225,798**	**47,502**	**8,667**	**1,267**	**1,282**	**13,783**	**13,783**	**459,552**
as of Dec. 31, 2020									
Financial assets measured at amortized cost	127,852	231,249	14,639	0	1,438	1,451	2,008	2,008	377,186
Financial assets measured at fair value through profit or loss	0	0	0	8,607	0	0	11,561	11,561	20,168
Financial assets measured at fair value through other comprehensive income	0	0	0	0	73	73	8	8	81
Total	**127,852**	**231,249**	**14,639**	**8,607**	**1,511**	**1,524**	**13,577**	**13,577**	**397,435**

The following table shows the carrying amounts (CA) and fair values (FV) of financial liabilities:

	Other current liabilities	Current financial liabilities	Current lease liabilities IFRS 16	Trade payables
EUR k	CA	CA	CA	CA
as of Jun. 30, 2021				
Financial liabilities measured at amortized cost	53,773	143,269	15,798	156,115
Financial liabilities measured at fair value through profit or loss	0	0	0	0
as of Dec. 31, 2020				
Financial liabilities measured at amortized cost	55,508	192,633	12,624	128,920
Financial liabilities measured at fair value through profit or loss	0	0	0	0

	Derivatives		Non-current financial liabilities		Non-current lease liabilities IFRS16	Total
EUR k	CA	FV	CA	FV	CA	CA
as of Jun. 30, 2021						
Financial liabilities measured at amortized cost	0	0	328,170	291,885	52,708	749,833
Financial liabilities measured at fair value through profit or loss	116	116	0	0	0	116
as of Dec. 31, 2020						
Financial liabilities measured at amortized cost	0	0	340,434	329,093	51,486	781,605
Financial liabilities measured at fair value through profit or loss	26	26	0	0	0	26

The management has ascertained that the carrying amounts of cash, trade receivables, other current assets, trade payables, other current financial liabilities, and other current liabilities largely correspond to their fair values, primarily as a result of the short maturities of these instruments.

Other current assets also include time deposits and securities of EUR 14,081k (Dec. 31, 2020: EUR 10,522k) and the current portion of Plastic Omnium's outstanding contribution of EUR 29,955k measured at present value.

ElringKlinger determines the market value of non-current fixed-interest liabilities to banks and derivatives by discounting expected future cash flows with the current prevailing interest rates for similar financial liabilities with comparable residual terms and the company-specific interest rate.

Other current liabilities include a liability of EUR 36,913k (Dec. 31, 2020: EUR 36,913k) that is attributable to a written put option with the non-controlling shareholders of ElringKlinger Marusan Corporation, a company with its registered office in Tokyo, Japan. The obligation arising from this agreement is measured at cost in the amount of the fair value. The fair value is determined on the basis of internal estimates relating to the forecast of the company's performance and the choice of the interest rate used with regard to the liability recognized. A change in the enterprise value by 10 % would result in an increase/decrease in the put option by approx. EUR 3,691k (Dec. 31, 2020: EUR 3,691k).

Financial assets and liabilities measured at fair value are classified into the following three-level fair value hierarchy as of the end of the reporting period of June 30, 2021:

EUR k	Level 1	Level 2	Level 3
Jun. 30, 2021			
Financial assets			
Non-current securities	76	0	0
Other financial investments	8	0	11,767
Derivatives*	0	8,667	0
Total	**84**	**8,667**	**11,767**
Financial liabilities			
Derivatives*	0	116	0
Total	**0**	**116**	**0**
Dec. 31, 2020			
Financial assets			
Non-current securities	73	0	0
Other financial investments	8	0	11,561
Derivatives*	0	8,607	0
Total	**81**	**8,607**	**11,561**
Financial liabilities			
Derivatives*	0	26	0
Total	**0**	**26**	**0**

* These are derivatives that do not qualify for hedge accounting.

The following table provides details of the classification of financial assets and liabilities that are not measured at fair value but for which a fair value has been presented, according to the three-level fair value hierarchy as of the end of the reporting period of June 30, 2021:

EUR k	Level 1	Level 2	Level 3
Jun. 30, 2021			
Financial assets			
Non-current securities	1,206	0	0
Other financial investments	0	0	2,008
Total	**1,206**	**0**	**2,008**
Financial liabilities			
Non-current financial liabilities	0	291,885	0
Purchase price liability from written put option	0	0	36,913
Total	**0**	**291,885**	**36,913**
Dec. 31, 2020			
Financial assets			
Non-current securities	1,451	0	0
Other financial investments	0	0	2,008
Total	**1,451**	**0**	**2,008**
Financial liabilities			
Non-current financial liabilities	0	329,093	0
Purchase price liability from written put option	0	0	36,913
Total	**0**	**329,093**	**36,913**

The levels of the fair value hierarchy are defined as follows:

Level 1: Measurement based on quoted prices

Level 2: Measurement based on inputs for the asset or liability that are observable in active markets either directly or indirectly

Level 3: Measurement based on inputs for assets and liabilities not representing observable market data

The assessment as to whether a transfer has occurred between the levels of the fair-value hierarchy with regard to the assets and liabilities carried at fair value is conducted in each case at the end of the reporting period. No transfers occurred in the reporting period under review.

Contingencies and related-party disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2020 were not subject to significant changes in the first half of 2021.

Government grants

Other operating income in the first half of 2021 includes government grants totaling EUR 1,250k (Jun. 30, 2020: EUR 2,048k). These grants were attributable primarily to development projects.

Events after the reporting period

On July 12, 2021, the existing syndicated loan of EUR 350,000k was increased to EUR 450,000k and the term was exended until February 15, 2026.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Dettingen/Erms, August 5, 2021

The Management Board

Dr. Stefan Wolf
Chairman/CEO

Theo Becker

Thomas Jessulat

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Imprint

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ElringKlinger AG assumes no responsibility for data and statistics originating from third-party publications.

Further information is available at www.elringklinger.com

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

Supplementary Notes
Due to rounding, some of the numbers and percentage figures specified in this document may differ from the actual values, particularly in the case of summation and percentage calculations. Unless otherwise stated, figures in parantheses refer to the comparative prior-year period. For the purpose of readability, we have not used both forms of grammatical gender (masculine and feminine) simultaneously when referring to specific terms. General designations referring to people relate to all people irrespective of gender.

This report was published on August 5, 2021, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar

NOVEMBER

04 Interim Report on the 3rd Quarter and 1st Nine Months of 2021

MAY 2022

19 117th Annual General Shareholders' Meeting

Changes to the above dates cannot be ruled out.
We therefore recommend visiting our website to check specific financial dates at **www.elringklinger.de/en/investor-relations/financial-calendar**.

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