

Financial Statements

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Combined Management Report

The management report of the ElringKlinger AG has been combined with the management report of the ElringKlinger Group in accordance with the regulations of the German Commercial Code (HGB).

Aside from the section "Financial Performance, Net Assets and Cash flows of ElringKlinger AG" and unless otherwise specified, the combined management report is applicable to both the ElringKlinger AG and the ElringKlinger Group.

The Financial Statements of ElringKlinger AG are available in German and English. Only the German version shall be legally binding.

Financial Statements of ElringKlinger AG for Fiscal 2021

ElringKlinger AG, Dettingen/Erms

Balance sheet as of December 31, 2021 in EUR k

A s s e t s	Dec. 31, 2021	Dec. 31, 2020
A. Fixed assets		
I. Intangible assets		
1. Purchased industrial rights and licenses	4,749	5,642
2. Goodwill	85	104
3. Advance payments	327	516
	5,161	6,262
II. Property, plant and equipment		
1. Property and buildings	140,750	158,832
2. Technical equipment and machines	99,223	117,669
3. Other equipment, operating and office equipment	23,681	28,834
4. Advance payments and fixed assets under construction	36,388	28,985
	300,042	334,320
III. Financial assets		
1. Shares in affiliated companies	294,951	306,222
2. Loans to affiliated companies	3,049	7,373
3. Equity investments	24,799	28,899
4. Loans to other investees and investors	6,347	6,300
5. Securities classified as fixed financial assets	644	646
	329,790	349,440
	634,993	690,022
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	30,739	28,609
2. Work in progress	30,458	46,920
3. Finished goods and merchandise	93,710	65,088
4. Advance payments	1,029	535
	155,936	141,152
II. Receivables and other assets		
1. Trade receivables	56,385	64,499
2. Receivables from affiliated companies	312,014	273,799
3. Other assets	33,869	20,281
	402,268	358,579
III. Cash in hand, bank balances and checks		
	90	752
	558,294	500,483
C. Prepaid expenses	3,817	3,025
D. Excess of covering assets over pension and similar obligations	664	529
	1,197,768	1,194,059

Liabilities and shareholder's equity		Dec. 31, 2021	Dec. 31, 2020
A. Equity			
I. Share capital		63,360	63,360
II. Capital reserves		120,827	120,827
III. Revenue reserves			
1. Statutory reserve		3,013	3,013
2. Other revenue reserves		392,340	365,726
		395,353	368,739
IV. Net retained earnings/net accumulated loss		9,504	-33,969
		589,044	518,957
B. Provisions			
1. Provisions for pensions and similar obligations		90,182	84,688
2. Provisions for taxes		1,475	11,437
3. Other provisions		64,595	45,217
		156,252	141,342
C. Liabilities			
1. Liabilities due to banks		283,227	393,415
2. Payments received on account of orders		9,178	13,254
3. Trade payables		73,043	32,650
4. Liabilities to affiliated companies		52,099	58,580
5. Liabilities to other investees and investors		0	2
6. Other liabilities		34,158	35,713
- of which from taxes: EUR 2,881 k (2020: EUR 2,702 k)			
- of which relating to social security: EUR 2 k (2020: EUR 18 k)			
		451,705	533,614
D. Deferred income		767	146
		1,197,768	1,194,059

**Income statement for the period
from January 1 to December 31, 2021**

in EUR k	2021	2020
1. Sales revenue	718,108	648,609
2. Increase or decrease in finished goods and work in process	-7,293	-4,307
3. Other own work capitalized	1,529	1,344
4. Other operating income	68,005	36,874
5. Cost of materials		
a) Expenses for raw materials, supplies and merchandise	-276,390	-232,599
b) Expenses for purchased services	-27,995	-25,799
6. Personnel expenses		
a) Wages and salaries	-203,576	-179,419
b) Social security charges and expenses for pensions	-46,951	-40,120
of which for retirement pensions: EUR -11,757 k (2020: EUR -8,424 k)		
7. Amortization and depreciation		
a) of intangible assets and property, plant and equipment	-34,441	-36,153
b) of current assets in excess of write-downs which is customary for the Company	-10,661	-16,600
8. Other operating expenses	-112,817	-112,989
9. Income from equity investments	68,247	37,329
of which from affiliated companies: EUR 68,247 k (2020: EUR 37,329 k)		
10. Income from other securities and loans classified as fixed financial assets	264	460
of which from affiliated companies: EUR 231 k (2020: EUR 428 k)		
11. Interest and similar income	7,434	7,190
of which from affiliated companies: EUR 7,353 k (2020: EUR 7,135 k)		
12. Write-downs on financial assets	-43,176	-65,657
13. Interest and similar expenses	-9,592	-13,199
of which from affiliated companies: EUR -719 k (2020: EUR -805 k)		
of which expenses from discounting: EUR -2,080 k (2020: EUR -2,381 k)		
14. Taxes on income	-20,296	-16,208
15. Earnings after taxes	70,399	-11,244
16. Other taxes	-312	-322
17. Net income/net loss for the year	70,087	-11,566
18. Loss brought forward	-33,969	-22,403
19. Allocated to other revenue reserves	-26,614	0
20. Net retained earnings/net accumulated loss	9,504	-33,969

ElringKlinger AG, Dettingen/Erms

Notes to the Financial Statements for Financial Year 2021

General information

The financial statements of ElringKlinger AG, Dettingen/Erms, are prepared in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, "AktG") and the German Commercial Code (Handelsgesetzbuch, "HGB") that apply for large-sized corporations. The Articles of Association contain regulations on profit appropriation. ElringKlinger AG has its registered office in Dettingen/Erms. The Company is entered in the commercial register of the Stuttgart local court under HRB no. 361242.

The income statement was prepared in accordance with the nature of expense method.

In order to provide clarity and transparency of the presentation, the financial statements were prepared with figures shown in thousand euros (EUR k). In addition, supplementary explanations have been provided for some annotations and details on the composition of line items included in the notes.

The financial year is the calendar year.

Accounting and valuation principles

The following accounting and valuation methods, which essentially remained unchanged in comparison to the previous year, were used to prepare the financial statements.

Fixed assets

Additions to purchased intangible fixed assets, as well as property, plant and equipment and fixed financial assets are recognized at acquisition or manufacturing cost. In addition to the direct cost of materials and production, manufacturing cost also includes production overheads and indirect material cost, as well as the appropriate amortization and depreciation. Borrowing costs are not included.

The Company has not exercised the capitalization option, pursuant to Section 248 (2) HGB, for internally generated intangible assets. Therefore, research and development cost was expensed in full in the period incurred.

Assets with finite useful lives are depreciated using the straight-line method applied over their expected useful lives.

In accordance with Section 253 (3) Sentence 4 HGB, goodwill attributable to Maier Formenbau GmbH, Bissingen an der Teck, Germany, which was acquired in 2016, will be amortized over a period of ten years.

Some movable property acquired or manufactured through December 31, 2009, was initially depreciated using the declining balance method and then later using the straight-line method. Additions subsequent to January 1, 2010, are depreciated on a straight-line basis over the expected useful lives.

Acquisition or manufacturing costs of movable fixed assets with a limited useful life that can be used independently are expensed in full in the financial year they are acquired, manufactured or contributed - if the acquisition or manufacturing cost of the individual asset less any input tax included does not exceed EUR 250. Each year, a collective item is recorded for low-value assets with acquisition or manufacturing costs exceeding EUR 250 but less than EUR 1,000, less any input tax. Each annual collective item is depreciated over a period of five years. The collective item is not reduced if a low-value asset is disposed of prematurely.

Shares in affiliated companies and equity investments classified as fixed financial assets are recognized at the lower of cost or market value. Loans are recognized at their nominal value; non-interest bearing loans are recognized at present value. Impairment losses are recognized as required. For shares in affiliated companies and equity investments classified as fixed financial assets, annual impairment tests determine the appropriate amount of impairment to be recognized. For shares in affiliated companies and equity investments, these impairment tests reflect the capitalized earning value calculated on the basis of the mid-term budgets of each respective entity and under the assumption of a perpetual annuity subsequent to the last mid-term planning period. The impairment tests for loans are performed using the DCF method, also on the basis of the mid-term budgets of each respective entity. An impairment is recognized if the carrying amount exceeds the resulting capitalized earnings value.

If the reasons for impairments charged in previous periods no longer apply, these charges are reversed to a maximum amount of historical cost less accumulated depreciation.

Securities classified as fixed financial assets are recognized at the lower of cost or market value.

Current assets

Inventories are recognized at acquisition or manufacturing cost under application of simplified valuation options in accordance with the principle of lower of cost or market value. Raw materials, consumables, supplies and merchandise are measured at their average acquisition cost. In certain cases, agreed values are used.

Work in progress and finished goods are measured based on manufacturing cost. Manufacturing costs include elements from Section 255 (2) HGB which must be capitalized. Borrowing costs are not considered. These are recognized in the event of declining sales prices. Valuation allowances are made to account for impairment from obsolescence and poor quality and to account for lower net realizable values.

In the majority of cases, customers acquire legal and economic ownership of tools. The tools are recognized under inventories until the transfer of beneficial ownership.

Receivables and other assets are recognized at nominal value. Valuation allowances are recognized for individual risks identified for receivables and other assets. The general credit risk is taken into account through a lump sum valuation allowance.

Cash on hand and bank balances are measured at nominal value.

Payments made before the balance sheet date are recognized as prepaid expenses if they represent an expense for a certain time after the balance sheet date.

Existing plan assets that are exempt from attachment by all other creditors and that serve exclusively to settle liabilities from post-employment benefit obligations or similar long-term liabilities ("plan assets") are offset against the related liabilities. Accordingly, related expenses and income are offset. Existing plan assets are recognized at fair value.

Equity

Share capital is recognized at its par value.

Provisions and liabilities

Pension obligations are measured as of December 31, 2021, in accordance with actuarial principles using the projected unit credit method. The 2018 G HEUBECK MORTALITY TABLES are used as the biometrical basis for calculation. The average market interest rate of the past 10 years is applied as the actuarial interest rate assuming a remaining term of 15 years. In addition to this, salary and pension trends are applied, as are age and gender-specific staff turnover probabilities. Pension provisions are measured by applying an interest rate of 1.87% (2020: 2.30%). In addition, the calculation assumes a 1.50% income trend (2020: 3.00%), a 1.00% career trend (2020: 1.25%), a pension trend of 1.80% (2020: 1.50%) for benefit entitlements and 1.80% (2020: 1.50%) for current pensions and average staff turnover of 3.00% (2020: 2.25%).

The assets which serve exclusively to fulfill the pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Section 246 (2) Sentence 2 HGB) were measured at their fair value and offset against the corresponding provisions. Specific and pledged employer's pension liability insurance that is protected from insolvency serves as plan assets. The fair value of the employer's pension liability insurance claim is equal to the insurer's unearned premium reserve plus any credit balance from premium refunds (participation feature).

Provisions for partial retirement are measured on the basis of actuarial principles using the projected unit credit method applying an interest rate of 0.29% (2020: 0.44%), an income trend of 1.50% (2020: 3.00%) and the 2018 G HEUBECK MORTALITY TABLES. Provisions for obligations arising from partial retirement schemes are recognized according to the block model. Provisions for partial retirement were recognized for partial retirement

contracts agreed as of the balance sheet date, as well as potential future contracts. They include benefit increases and the Company's settlement obligations which have been accrued as of the reporting date.

The assets which serve exclusively to fulfill the partial retirement obligations, and which are protected against claims asserted by all other creditors (covering assets as defined by Section 246 (2) sentence 2 HGB) were measured at their fair value and offset against the corresponding provisions. Plan assets for the partial retirement obligations were identified as the specific and pledged trust agreement which is protected from insolvency covering asset transfer, reimbursement and agency between ElringKlinger AG and ElringKlinger Vermögenstreuhand e.V., Dettingen/Erms, and ElringKlinger Mitarbeiterstreuhand e.V., Dettingen/Erms, dated March 7, 2005. Fair value of the plan assets is based on the valuation of the investment at its price at the balance sheet date.

Provision for long-service awards are measured on the basis of actuarial principles using the projected unit credit method applying an interest rate of 1.35% (2020: 1.60%) and the 2018 G HEUBECK MORTALITY tables. In addition, the calculation assumed a 1.50% income trend (2020: 3.00%), a 1.00% career trend (2020: 1.25%), an inflation rate of 2.00% (2020: 1.50%), an average staff turnover of 3.00% (2020: 2.25%) as well as an increase in the income ceiling for the assessment of contributions to the statutory pension and health insurance schemes of 1.50% (2020: 2.00%).

Tax and other provisions are established for all recognizable risks for expected losses from pending transactions and uncertain liabilities and are measured at the settlement value according to prudent business judgment and taking into account price and cost increases.

Provisions due in more than one year are discounted using the average market interest rate of the past seven years corresponding to their remaining term. Pension provisions are discounted using the average market rate of the past 10 years.

Liabilities are recognized at their settlement amount.

Receipts prior to the balance sheet date are recognized as deferred income if they represent earnings for a certain time after the balance sheet date.

Foreign currency items and currency translation

Receivables and payables in foreign currency are measured at the mean spot rate at the balance sheet date. For receivables and payables due in more than one year, foreign currency is valued in accordance with the historical cost convention or the imparity principle.

Deferred taxes

Deferred taxes are recognized at a tax rate of 29.1% (2020: 28.8%) for the temporary and quasi-permanent differences arising between the carrying amounts of assets, liabilities, prepaid expenses and deferred income compared with their respective tax bases. If necessary, tax loss carryforwards are also taken into account. Deferred tax assets and liabilities are offset against each other. In accordance with the option under Section 274 (1) sentence 2 HGB, any resulting net deferred tax asset is not recognized.

Deferred taxes are calculated using an effective tax rate of 29.1% (2020: 28.8%). This rate takes into account the rates that are expected when the differences are reversed and are the sum of 15.8% (2020: 15.8%) for corporate income tax including the solidarity surcharge and trade tax of 13.3% (2020: 13.0%). The tax rate for municipal trade tax is determined on the basis of the average trade tax multiplier of 380.3% (2020: 369.5%).

Disclosures on the Group Statement of Financial Position

Fixed assets

The statement of changes in fixed assets of ElringKlinger AG and the schedule of shareholdings are attached as exhibits to these notes to the financial statements.

In addition to shares in affiliated companies and equity investments classified as fixed financial assets, fixed financial assets include loans and securities.

Shares in affiliated companies were written down by EUR 36,671 k (2020: EUR 63,157 k) due to impairments that are expected to be permanent. In addition, the change in shares in affiliated companies is due to the contribution in kind of EUR 13,699 k to the capital reserve of a subsidiary founded in 2020, while in the prior year capital of EUR 25 k was contributed to the share capital of this subsidiary. This refers largely to transfers of fixed assets, which were carried out at book value. Furthermore, economic property of EUR 14,642 k was transferred under additional agreements of this company.

ElringKlinger Holding USA, Inc. with its registered office in Buford, Georgia, USA, was formed with effect from July 1, 2021 as a wholly owned subsidiary of ElringKlinger AG with its registered office in Dettingen/Erms, Germany. All shares that ElringKlinger with its registered office in Dettingen/Erms, Germany, held in US subsidiaries were contributed to ElringKlinger Holding USA, Inc. with its registered office in Buford, Georgia, USA, by way of contribution in kind as of December 1, 2021. The contribution was made at fair value without effect on income.

Write-ups on shares in affiliated companies were reversed by EUR 11,800 k (2020: EUR 11,300 k).

Loans to affiliated companies were written down by EUR 2,400 k (2020: EUR 2,500 k) due to impairments in value that are expected to be permanent. Loans to affiliated companies were written up by EUR 0 k (2020: EUR 15,400 k).

Impairment losses of EUR 4,100 k (2020: EUR 0 k) were recorded for equity investments.

Receivables and other assets

Of the total receivables from affiliated companies an amount of EUR 251,711 k (2020: EUR 260,506 k) relates to financial transactions. Extraordinary write-downs of EUR 10,661 k were recorded on these items (2020: EUR 16,600 k). These write-downs were presented under "amortization, depreciation and write-downs of current assets to the extent they surpassed the customary write-downs recorded by the Company". Receivables from affiliated companies were written up by EUR 5,922 k (2020: EUR 0 k). The write-ups were posted to other operating income in the income statement. The remaining receivables from affiliated companies continue to result from trade. In addition, EUR 14,513 k relate to a rental matter in respect of an affiliated company. As of 31 December 2021, there were trade receivables from equity investments of EUR 0 k (2020: EUR 7,000 k).

Of the other assets, an amount of EUR 2,819 k (2020: EUR 2,738 k) has a remaining term of more than one year. As in the previous year, all other receivables and other assets are due in less than one year.

Excess of covering assets over pension and similar obligations

The excess is the result of offsetting in accordance with Section 246 (2) sentence 2 HGB pension obligations against the assets which serve exclusively to fulfill such obligations and which are protected against claims asserted by all other creditors (covering assets for the purposes of Section 246 (2) sentence 2 HGB). The Information on offsetting in accordance with Section 246 (2) HGB, which led to the disclosure of the excess of covering assets over pension and similar obligations, is shown in the notes on the obligations for partial retirement.

Equity

During the financial year 2021, equity developed as follows:

EUR k	Dec. 31, 2020	Dividend	Revenue reserves	Net income for the year	31 December 2021
Share capital	63,360	0	0	0	63,360
Capital reserves	120,827	0	0	0	120,827
Revenue reserves	368,739	0	26,614	0	395,353
Net retained earnings/net accumulated loss	- 33,969	0	-26,614	70,087	9,504
	518,957	0	0	70,087	589,044

The share capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2021 and is divided into 63,359,990 registered shares, each entitled to a single vote. The share capital is paid in full. Each registered share represents a theoretical interest of EUR 1.00 of the share capital. Profit is distributed in accordance with Section 60 German Stock Corporation Act (Aktiengesetz, AktG) in conjunction with Section 23 no. 1 of the Articles of Association.

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by issuing new shares for cash and/or in-kind contributions on one or more occasions, however by no more than EUR 31,679,995, by May 17, 2022 (Authorized Capital 2017). As a rule, the shareholders are entitled to subscription rights. The shares may also be acquired by one or more banks subject to the provision that they offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights

- in order to eliminate fractional amounts;
- if the capital increase against in-kind contributions is implemented specifically for the purpose of acquiring companies, parts of companies, equity investments classified as fixed financial assets or other assets in connection with an intended acquisition or within the framework of business combinations and the shares issued excluding the subscription rights do not exceed 10% of the capital stock, either on the date on which this authorization takes effect or on the date on which it is exercised.
- if the new shares are issued against cash contributions and if the issue price per new share does not fall significantly below the quoted price of shares already listed, and the shares issued without subscription rights pursuant to Section 186 (3) sentence 4 AktG, do not represent more than 10% of the share capital, either on the date on which this authorization takes effect or on the date on which it is exercised. The upper limit of 10% of share capital includes any shares issued or sold during the term of this authorization excluding shareholders' subscription rights in direct or indirect application of Section 186 (3) sentence 4 AktG.

Statement of changes in fixed assets in financial year 2021

Acquisition and production cost					
	Jan. 1, 2021	Additions	Reclassifications	Disposals	Dec. 31, 2021
	EUR k	EUR k	EUR k	EUR k	EUR k
I. Intangible assets					
1. Purchased industrial rights and licenses	30,794	478	344	1,092	30,524
2. Goodwill	1,990	0	0	0	1,990
3. Advance payments	516	155	-344	0	327
	<u>33,300</u>	<u>633</u>	<u>0</u>	<u>1,092</u>	<u>32,841</u>
II. Property, plant and equipment					
1. Property and buildings	244,041	234	102	14,346	230,031
2. Technical equipment and machines	466,895	9,123	1,336	20,368	456,986
3. Other equipment, operating and office equipment	134,898	3,977	251	10,075	129,051
4. Advance payments and fixed assets under construction	28,985	14,680	-1,689	5,588	36,388
	<u>874,819</u>	<u>28,014</u>	<u>0</u>	<u>50,377</u>	<u>852,456</u>
III. Financial assets					
1. Shares in affiliated companies	459,937	13,700	0	68,760	404,877
2. Loans to affiliated companies	10,473	0	0	1,924	8,549
3. Equity investments	33,225	0	0	0	33,225
4. Loans to other investees and investors	6,300	47	0	0	6,347
5. Securities classified as fixed financial assets	653	243	0	247	649
	<u>510,588</u>	<u>13,990</u>	<u>0</u>	<u>70,931</u>	<u>453,647</u>
	<u>1,418,707</u>	<u>42,637</u>	<u>0</u>	<u>122,400</u>	<u>1,338,944</u>

Accumulated amortization and depreciation					Carrying amount		
Jan. 1, 2021	Depreciation, amortization and write-downs of the financial year	Write-ups	Reclassifications	Disposals	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
25,152	1,633	0	0	1,010	25,775	4,749	5,642
1,886	19	0	0	0	1,905	85	104
0	0	0	0	0	0	327	516
27,038	1,652	0	0	1,010	27,680	5,161	6,262
85,209	5,627	0	0	1,555	89,281	140,750	158,832
349,226	20,284	0	0	11,747	357,763	99,223	117,669
106,064	6,878	0	0	7,572	105,370	23,681	28,834
0	0	0	0	0	0	36,388	28,985
540,499	32,789	0	0	20,874	552,414	300,042	334,320
153,715	36,671	11,800	0	68,660	109,926	294,951	306,222
3,100	2,400	0	0	0	5,500	3,049	7,373
4,326	4,100	0	0	0	8,426	24,799	28,899
0	0	0	0	0	0	6,347	6,300
7	5	7	0	0	5	644	646
161,148	43,176	11,807	0	68,660	123,857	329,790	349,440
728,685	77,617	11,807	0	90,544	703,951	634,993	690,022

List of shareholdings as of December 31, 2021 and scope of consolidation

Name of company	Registered office	Share of capital in %	Statutory accounts (HB II) equity in EUR k ⁵⁾	Statutory accounts (HB II) earnings in EUR k ⁶⁾
Parent company				
ElringKlinger AG	Dettingen/Erms			
Shares in affiliated companies (fully consolidated in the consolidated financial statements)				
Germany				
Gedächtnisstiftung KARL MÜLLER				
BELEGSCHAFTSHILFE GmbH	Dettingen/Erms	100.00	11	1
Elring Klinger Motortechnik GmbH	Idstein	92.86	1,661	-1,963
ElringKlinger Logistic Service GmbH	Rottenburg/Neckar	96.00	6,238	918
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen	77.50	91,746	13,290
hofer powertrain products GmbH	Nürtingen	53.00	1,067	-1,922
KOCHWERK Catering GmbH	Dettingen/Erms	100.00	-1,402	-273
EKPO Fuel Cell Technologies GmbH	Dettingen/Erms	60.00	117,783	-7,986
Foreign				
ElringKlinger Abschirmtechnik (Switzerland) AG	Sevelen (Switzerland)	100.00	-11,814	-9,942
Elring Klinger (Great Britain) Ltd.	Redcar (UK)	100.00	18,416	422
hofer powertrain products UK Ltd.	Warwick (UK)	53.00	-12,135	-3,280
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00	10,311	1,021
ElringKlinger Hungary Kft.	Kecskemét-Kádafalva (Hungary)	100.00	20,704	-5,192
Elring Parts Ltd.	Gateshead (UK)	100.00	7,563	1,345
Elring Klinger, S.A.U.	Reus (Spain)	100.00	24,571	3,435
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00	10,917	6,732
ElringKlinger Meillor SAS	Nantiat (France)	100.00	11,161	-2,382
HURO Supermold S.R.L.	Timisoara (Romania)	100.00	2,719	115
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00	28,412	406
ElringKlinger Holding USA, Inc.	Buford (USA)	100.00	63	60
ElringKlinger USA, Inc. ¹⁾	Buford (USA)	100.00	-88,863	-12,042
ElringKlinger Automotive Manufacturing, Inc. ¹⁾	Southfield (USA)	100.00	-34,505	-4,980
ElringKlinger Manufacturing Indiana, Inc. ¹⁾	Fort Wayne (USA)	100.00	-19,796	-1,936
ElringKlinger Silicon Valley, Inc. ¹⁾	Fremont (USA)	100.00	13,637	4,486
ElringKlinger Texas, LLC ¹⁾	San Antonio (USA)	100.00	-112	-192
Elring Klinger México, S.A. de C.V.	Toluca (Mexico)	100.00	37,143	1,111
Elring Klinger do Brasil Ltda.	Piracicaba (Brazil)	100.00	24,355	2,100
ElringKlinger South Africa (Pty) Ltd.	Johannesburg (South Africa)	100.00	331	-621
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00	25,015	1,093
Changchun ElringKlinger Ltd.	Changchun (China)	88.00	88,058	8,328
ElringKlinger Korea Co., Ltd.	Gumi-si (South Korea)	100.00	604	92
ElringKlinger China, Ltd.	Suzhou (China)	100.00	75,357	15,478
ElringKlinger Chongqing Ltd.	Chongqing (China)	100.00	5,804	133
ElringKlinger Engineered Plastics North America, Inc. ²⁾	Buford (USA)	77.50	957	-38
ElringKlinger Engineered Plastics (Qingdao) Co., Ltd. ²⁾	Qingdao (China)	77.50	6,704	1,059
ElringKlinger Marusan Corporation	Tokyo (Japan)	50.00	51,167	2,396
Marusan Kogyo Co., Ltd. ³⁾	Tokyo (Japan)	23.45	5,141	112
PT. ElringKlinger Indonesia ⁴⁾	Karawang (Indonesia)	50.00	2,314	547
ElringKlinger (Thailand) Co., Ltd. ⁴⁾	Bangkok (Thailand)	50.00	1,761	608
Investments (accounted for using the equity method in the consolidated financial statements)				
Germany				
hofer AG ⁷⁾	Nürtingen	24.71	41,623	-9,029

¹⁾ wholly owned subsidiary of ElringKlinger Holding USA, Inc.

²⁾ wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH

³⁾ 46.9% subsidiary of ElringKlinger Marusan Corporation

⁴⁾ wholly owned subsidiary of ElringKlinger Marusan Corporation

⁵⁾ Average rate rolled forward

⁶⁾ valued at the average rate for the period

⁷⁾ preliminary financial figures

As of December 31, 2021, revenue reserves consist of a legal reserve amounting to EUR 3,013 k (2020: EUR 3,013 k) and other revenue reserves of EUR 392,340 k (2020: EUR 365,726 k).

Provisions

Provisions for pensions

As of the balance sheet date, there are pension obligations of EUR 90,182 k (2020: EUR 84,688 k) which must be covered by provisions.

The difference between the carrying amount of the provisions for pensions when measured using the 7- and 10-year average interest rates is EUR 8,758 k (2020: EUR 11,076 k). This amount is restricted from distribution in accordance with Section 253 (6) HGB. The dividend restriction is currently not in place because there are sufficient distributable reserves.

Pension obligations of EUR 13,234 k (2020: EUR 11,669 k) were offset against the fair value of plan assets of EUR 6,149 k (2020: EUR 5,275 k) pursuant to Section 246 (2) HGB. The fair value of the covering assets exceeds their acquisition cost; this leaves an amount of EUR 250 k (2020: EUR 152 k) that is restricted from distribution in accordance with Section 268 (8) HGB. The dividend restriction is currently not in place because there are sufficient distributable reserves. The acquisition costs of the employer's pension liability insurance come to EUR 5,899 k (2020: EUR 5,123 k). Income from the adjustment of covering assets to the higher fair value totals EUR 99 k (2020: EUR 86 k). It is netted with the interest component from the expenses for pension obligations and reported under interest expenses.

Applying Article 28 Introductory Law of the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, "EGHGB"), provisions for pensions and similar obligations of EUR 2,660 k (2020: EUR 2,896 k) are not reported in the balance sheet.

Other provisions relate to:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Personnel-related obligations	35,291	20,179
Warranty obligations	8,101	3,199
Bonus credits not yet settled	6,058	4,272
Expected losses from customer transactions	5,410	3,468
Outstanding supplier invoices	4,341	6,867
Outstanding customer reimbursements	2,171	2,330
Factoring	434	512
Maintenance costs	477	1,803
Advertising subsidy	367	368
Audit fees	362	334
Retention requirements	224	224
Derivative risks	121	26
Litigation costs	30	30
Other risks	1,208	1,605
Total	64,595	45,217

Personnel-related obligations include partial retirement obligations which must be covered by provisions in the amount of EUR 5,152 k (2020: EUR 5,500 k). Deferred performance for partial retirement obligations amounting to EUR 2,174 k (2020: EUR 2,165 k) was offset against plan assets in the amount of EUR 2,838 k (2020: EUR 2,694 k) in accordance with Section 246 (2) HGB. The historical cost of the covering assets for pension obligations amounts to EUR 2,827 k (2020: EUR 2,694 k). The fair value of the covering assets exceeds their

acquisition cost; this leaves an amount of EUR 11 k (2020: EUR 0 k) that is restricted from distribution in accordance with Section 268 (8) HGB. There was no income from the covering assets in 2021 (2020: EUR 0 k) and no expenses related to writing down covering assets to the lower fair value (2020: EUR 0 k). Unwinding the discount on the partial retirement obligations is recorded in interest expenses and amounts to EUR 22 k (2020: EUR 30 k). Furthermore, in order to be able to successfully manage the transformation of mobility and the related challenges of change also in the future, provisions were recognized for the closure of production activities at a German location.

Of the provision for warranties an amount of EUR 5,964 k relates to expected utilization from warranty obligations towards customers and an amount of EUR 2,137 k relates to the compensation from a contractual obligation not relating to customers. The warranty risk to customers is determined on the basis of the circumstances from individual estimates or from past experience, and appropriate provisions are recognized.

Provisions for other risks also include non-personnel-related obligations in connection with the closure of production activities at a German location.

Liabilities

EUR k	Total		thereof due in			Total
	amount	up to	one	more than	thereof	
	as of	one	to five	five	thereof	as of
	31 December 2021	year	years	years	secured	31 December 2020
Liabilities to banks	283,227	111,433	148,359	23,435	2,531	393,415
Prepayments received on account of orders	9,178	9,178	0	0	0	13,254
Trade payables	73,043	73,043	0	0	0	32,650
Liabilities to affiliated companies	52,099	42,840	9,259	0	0	58,580
Liabilities to other investees and investors	0	0	0	0	0	2
Other liabilities	34,158	31,566	2,592	0	0	35,713
	451,705	268,060	160,210	23,435	2,531	533,614

EUR k	Total		thereof due in			Total
	amount	up to	one	more than	thereof	
	as of	one	to five	five	thereof	as of
	31 December 2020	year	years	years	secured	Dec. 31, 2019
Liabilities to banks	393,415	136,361	232,244	24,810	5,906	519,444
Prepayments received on account of orders	13,254	13,254	0	0	0	12,075
Trade payables	32,650	32,650	0	0	0	53,745
Liabilities to affiliated companies	58,580	49,321	9,259	0	0	40,427
Liabilities to other investees and investors	2	2	0	0	0	12
Other liabilities	35,713	33,121	2,592	0	0	38,670
	533,614	264,709	244,095	24,810	5,906	664,373

EUR 2,531 k (2020: EUR 5,906 k) of liabilities to banks are secured by land charges on operating property. With the exception of the customary reservation of title for trade payables, other liabilities are unsecured.

Of the total liabilities to banks an amount of EUR 171,523 k relates to a syndicated loan from a syndicate of seven national and international banks. The agreement comprises a group-wide volume totaling EUR 350,000 k. On July 12, 2021, the existing syndicated loan of EUR 350,000 k was increased to EUR 450,000 k and extended until February 15, 2026.

Liabilities to affiliated companies of EUR 51,782 k (2020: EUR 63,359 k) consist of financial transactions and of EUR 2,273 k (2020: EUR 7,419 k) of trade receivables offset against the liabilities and other offsetting. Trade payables and other offsetting due from affiliated companies amount to EUR 2,590 k (2020: EUR 2,640 k).

Deferred taxes

Offsetting the deferred tax assets against the deferred tax liabilities results in a net asset. Deferred tax assets in the amount of EUR 10,948 k (2020: EUR 9,218 k) result from the total differences arising between the carrying amounts and tax bases of fixed and current assets, including prepaid expenses and deferred income. Deferred taxes are measured using a tax rate of 29.1% (2020: 28.8%).

The Company has no tax loss carryforwards.

Differences between the carrying amounts and the tax bases resulting in deferred taxes are due to the following issues:

Deferred tax liabilities on differences in carrying amounts for:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	0	3
Property, plant and equipment	8,180	8,884
Financial assets	821	610
Receivables and other assets	945	0
Trade payables	0	5
Special items with an equity portion	395	0
Total	10,341	9,502

Deferred tax assets on differences in carrying amounts for:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Inventories	1,175	1,064
Receivables and other assets	0	2,251
Prepaid expenses	403	362
Provisions for pensions	14,613	10,928
Other provisions	5,030	3,849
Trade payables	4	0
Liabilities to affiliated companies	43	266
Deferred income	21	0
Total	21,289	18,720
Deferred tax assets, net	10,948	9,218

Deferred taxes developed as follows:

EUR k	Deferred tax assets	Deferred tax liabilities	Balance
31 December 2020	18,720	-9,502	9,218
31 December 2021	21,289	-10,341	10,948
Change	2,569	-839	1,730

Notes to the income statement

Sales revenue

Breakdown by geographical markets:

EUR k	2021	2020
Germany	243,995	233,689
Rest of Europe	303,940	277,091
North America	79,582	57,762
Asia-Pacific	60,634	54,291
Rest of the world	29,957	25,776
Total sales revenue	718,108	648,609

Broken down by division, sales revenue of EUR 520,952 k (2020: EUR 483,099 k) relates to Original Equipment, EUR 197,030 k (2020: EUR 165,384 k) to Aftermarket and EUR 126 k (2020: EUR 126 k) to revenue from rental agreements.

Other operating income

EUR k	2021	2020
Income from the disposal of fixed assets	13,591	2,354
Income from the reversal of provisions	3,391	481
Income from the reduction of valuation allowances	2,314	0
Income from government grants	3,124	2,407
Income from insurance indemnification payments	2	47
Income from exchange differences	27,347	4,408
Write-ups of financial assets and financial receivables	17,728	26,701
Other operating income	508	477
Total	68,005	36,874

Other operating expenses include out-of-period items of EUR 19,296 k (2020: EUR 2,834 k), thereof from the disposal of fixed assets of EUR 13,591 k (2020: EUR 2,354 k), reversal of provisions of EUR 3,391 k (2020: EUR 481 k) and reduction of valuations allowances of EUR 2,314 k (2020: EUR 0 k).

Other operating expenses

EUR k	2021	2020
Services	41,483	39,719
Repairs and cleaning	17,345	20,380
Special direct sales costs	15,508	12,667
Administrative and travel expenses	7,789	6,288
Rent and service charges	5,241	4,853
Other personnel expenses	1,687	1,860
Venture capital costs	7,514	6,515

Expenses from currency translation	12,904	17,239
Other expenses	3,346	3,468
Total	112,817	112,989

Other operating expenses include out-of-period items of EUR 608 k (2020: EUR 2,311 k), thereof from the disposal of fixed assets of EUR 243 k (2020: EUR 2,310 k) and defaults on receivables of EUR 365 k (2020: EUR 1 k).

Taxes on income

Taxes on income include out-of-period expenses of EUR 1,774 k (2020: EUR 1,119 k) (offset against out-of-period income).

Other taxes

Other taxes contain out-of-period tax expenses of EUR 33 k (2020: tax income of EUR 11 k).

Other disclosures

Contingent liabilities

There were contingent liabilities in connection with guarantees issued and performance bonds of EUR 165,993 k (2020: EUR 108,918 k), of which EUR 165,993 k (2020: EUR 108,918 k) related to affiliated companies.

Furthermore, ElringKlinger AG has undertaken to guarantee fulfillment of the obligations entered into by four subsidiaries (ElringKlinger Kunststofftechnik GmbH, Bietigheim/Bissingen, Deutschland, Elring Klinger Motortechnik GmbH, Idstein, Deutschland, KOCHWERK Catering GmbH, Dettingen/Erms, Deutschland and ElringKlinger Logistic Service GmbH, Rottenburg/Neckar, Deutschland) before the reporting date. Furthermore, there is an obligation arising from an existing lease agreement at ElringKlinger Logistic Service GmbH upon premature termination.

ElringKlinger AG has undertaken to furnish other subsidiaries with sufficient funds such that they will be able to maintain their operations and meet their obligations.

From the sale of an industrial park, guarantees were issued in favor of the acquirer for the fulfillment of contractual obligations by the selling subsidiary Technik-Park Heliport kft, Kecskemét-Kadafalva, Hungary.

Given the present business development of the beneficiary companies, it is not currently considered likely that these guarantees will be utilized.

Off-balance sheet transactions**Debt securitization**

To help manage and optimize working capital, ElringKlinger AG sold a portion of its trade receivables to a structured entity within the framework of an ABCP (asset-backed commercial paper) program. The receivables are sold on a revolving basis at the nominal value of the receivables less variable reserves. The sold receivables are recognized at the amount of the credit risks remaining with the Company and the associated liabilities.

EUR k	2021
Carrying amount of sold receivables as of 31 December 2021	52,864
Carrying amount of the risks remaining with the Company and the collateral associated with the sold receivables (other current assets)	12,169
Customer payments received on sold receivables that have not yet been passed on to the structured entity (other current liabilities)	18,974
EUR k	2020
Carrying amount of sold receivables as of December 31, 2020	47,534
Carrying amount of the risks remaining with the Company and the collateral associated with the sold receivables (other current assets)	11,170
Customer payments received on sold receivables that have not yet been passed on to the structured entity (other current liabilities)	16,869

The financing volume committed under the ABCP program is EUR 100,000 k.

Other financial commitments

2021 EUR k	Total	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Contracts for the supply of gas and electricity	23,530	15,344	8,186	0
Rental and lease agreements	8,241	3,149	5,042	50
	31,771	18,493	13,228	50
2020 EUR k	Total	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Contracts for the supply of gas and electricity	23,763	11,775	11,988	0
Rental and lease agreements	4,633	2,449	2,147	37
	28,396	14,224	14,135	37

In addition, there are financial commitments to subsidiaries in the amount of EUR 3,451 k (2020: EUR 1,526 k) in connection with loan agreements in place with subsidiaries.

As of the reporting date, there are contractual obligations to acquire property, plant and equipment and intangible assets amounting to EUR 12,649 k (2020: EUR 13,392 k).

A co-shareholder has a put option on all remaining shares in the joint venture entities.

Number of employees

The average number of **employees** during the year (excluding Management Board members) was as follows:

	2021	2020
Wage earners	1,237	1,329
Salaried employees	1,743	1,797
	2,980	3,126
Trainees	109	123
	3,089	3,249

Related-party disclosures

Pursuant to Section 285 no. 21 HGB, transactions with related parties must be disclosed in the notes, unless they represent transactions between companies that are direct or indirect 100% shareholdings and which are included in the Company's consolidated financial statements.

The following transactions were entered into with companies which are not wholly owned subsidiaries of the ElringKlinger Group in the financial year 2021:

EUR k	2021	2020
Sales revenue from the sale of manufactured goods and other sales revenue	2,488	2,891
License fees	2,340	2,110
Sales of tools	248	307
Services rendered and other income	6,975	4,984
Services received and other expenses	12,620	10,232
Interest income	375	392
Interest expenses	533	437
Income from equity investments	32,110	12,287
Loans granted as of the reporting date	37,017	34,901
Other receivables as of the reporting date	2,976	1,612
Loans received as of the reporting date	38,415	39,216
Other liabilities as of the reporting date	848	287

In addition, a cooperation agreement concerning traineeships is in place between ElringKlinger AG and Lechler GmbH, Metzingen. ElringKlinger AG earned EUR 29 k during the reporting year (2020: EUR 34 k). Receivables outstanding amounted to EUR 12 k (2020: EUR 15 k) as of the reporting date.

In the reporting year, the loan of EUR 5,000 k existing between Lechler GmbH and ElringKlinger AG as of December 31, 2021 was repaid as of the end of its term on January 7, 2021. The loan carried an interest rate of 1.40% p.a.

Derivative financial instruments

The bank-confirmed market values were determined using recognized mathematical methods and the market data available as of the reporting date (mark-to-market method).

To reduce the exchange rate risk, in December 2021, one cross-currency swap was concluded in CHF (nominal value EUR 37,602 k) and one in USD (nominal value EUR 106,115 k). The contracts were marked to market as of the reporting date resulting in a positive value of EUR 2 k (2020: EUR 554 k) from the cross-currency swap in CHF and a negative value of EUR 121 k from the cross-currency swap in USD (2020: positive value of EUR 7,782 k). A provision for expected losses was recognized in the amount of the negative market value.

Financial derivatives are used to reduce the risks stemming from nickel prices. As of the reporting date, there was one nickel hedging contract for a total of 30 metric tons of nickel. The nickel hedge ends on March 31, 2022. As of the reporting date, the valuation of the contracts resulted in a low negative market value. A provision for potential losses was recognized in the amount of the negative market value. In the prior year there were three nickel hedging contracts for 180 metric tons of nickel. The valuation of these contracts resulted in a positive market value of EUR 271 k and a negative market value of EUR 26 k.

Corporate Bodies

Supervisory Board

Klaus Eberhardt Lindau, Chairman	Independent consultant, Lindau Former CEO of Rheinmetall AG, Düsseldorf Governance roles: a) MTU Aero Engines AG, Munich b) n/a
Markus Siegers* Nürtingen, Deputy Chairman	Chairman of the Works Council of ElringKlinger AG Governance roles: a) n/a b) n/a
Armin Diez* Lenningen until March 1, 2021	Vice President Business Unit Fuel Cell Technology of ElringKlinger AG, Dettingen/Erms Governance roles: a) n/a b) e-mobil BW GmbH, Stuttgart
Rita Forst Dörsdorf	Independent consultant, Dörsdorf Former member of the Management Board of Adam Opel AG, Rüsselsheim Governance roles: a) NORMA Group SE, Maintal b) AerCap Holdings N.V., Dublin, Ireland Joh. Winklhofer Beteiligungs GmbH & Co. KG, Munich Westport Fuel Systems Inc., Vancouver, Canada Johnson Matthey plc, London, UK
Andreas Wilhelm Kraut Balingen	Chairman and CEO of Bizerba SE & Co. KG, Balingen Governance roles: a) n/a b) n/a
Helmut P. Merch Meerbusch	Member of the Management Board of Rheinmetall AG Governance roles: a) n.a. b) Rheinmetall Automotive AG, Neckarsulm Rheinmetall Denel Munition (PTY) Ltd., Somerset, South Africa
Gerald Müller* Reutlingen	Second Authorized Representative and Cashier of IG-Metall Reutlingen-Tübingen, Reutlingen Governance roles: a) n/a b) n/a
Paula Monteiro-Munz* Grabenstetten	Deputy Chairwoman of the Works Council of ElringKlinger AG Governance roles: a) n/a b) n/a

Barbara Resch* Stuttgart	Secretary of IG Metall Baden-Württemberg Governance roles: a) Schaeffler AG, Herzogenaurach Rheinmetall AG, Düsseldorf b) n.a.
Gabriele Sons Berlin	Lawyer, Berlin Former member of the Management Board of thyssenKrupp Elevator AG, Essen Governance roles: a) Grammer AG, Ursensollen b) Board of Directors, TÜV Rheinland Berlin Brandenburg Pfalz e.V., Cologne
Manfred Strauß Stuttgart	Managing Partner of M&S Messebau und Service GmbH, Neuhausen a.d.F. Governance roles: a) n/a b) Lechler GmbH, Metzingen Eroca AG, Basel, Switzerland
Bernd Weckenmann* Reutlingen since April 12, 2021	Vice President Procurement and Supply Chain Management of ElringKlinger AG, Dettingen/Erms Governance roles: a) n/a b) n/a
Olcay Zeybek* Bad Urach	Head of Accounting of ElringKlinger AG, Dettingen/Erms Governance roles: a) n/a b) n/a

* Employee representative

a) Membership in statutory Supervisory Boards as defined by Sec. 125 AktG

b) Membership in comparable domestic and foreign control bodies as defined by Sec. 125 AktG

Remuneration of the Supervisory Board

In the reporting period, total compensation for the Supervisory Board of ElringKlinger AG was EUR 859 k (2020: EUR 889 k). Additionally, travel expenses totaling EUR 1 k (2020: EUR 2 k) were reimbursed.

Management Board

Dr. Stefan Wolf, Bad Urach,
Chairman

Responsible for Group companies, the corporate units of Legal Affairs, Human Resources, Global Strategy M&A and Innovations, Strategic Communications, Marketing & Communications and Sales as well as the Aftermarket business unit

Theo Becker, Metzingen

until December 31, 2021:

Responsible for the business units Battery Technology & E-Mobility, Fuel Cell and Drivetrain as well as the corporate units Purchasing, Real Estate & Facility Management, Product Risk Management as well as Toolshop/Technology

from January 1, 2022:

Responsible for the business units Battery Technology & E-Mobility, Fuel Cell and Drivetrain as well as the corporate units Real Estate & Facility Management, Product Risk Management as well as Toolshop/Technology

Reiner Drews, Dettingen/Erms

Responsible for the business units Lightweighting/Elastomer Technology, Shielding Technology, Metal Sealing Systems & Drivetrain Components as well as the corporate units of Production, Quality & Environmental Management as well as the German locations ElringKlinger AG

Thomas Jessulat, Stuttgart

until December 31, 2021:

Responsible for the corporate units Finance, Controlling, IT and Supply Chain Management

from January 1, 2022:

Responsible for the corporate units Finance, Controlling, IT and Procurement & Supply Chain Management

Governance roles in Supervisory Boards and other supervisory bodies

Dr. Stefan Wolf, Bad Urach, Chairman	Member of the Supervisory Board of ALLGAIER Werke GmbH, Uhingen, and member of the Supervisory Board of Duale Hochschule Baden-Württemberg (DHBW) KÖR, Stuttgart
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Theo Becker, Metzingen	Member of the Supervisory Board of BLANC & FISCHER Familienholding GmbH, Oberderdingen
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Thomas Jessulat, Stuttgart	Chairman of the Supervisory Board of hofer AG, Nürtingen
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Remuneration of the Management Board

Total remuneration of the Management Board came to EUR 6,157 k (2020: EUR 4,047 k).

Pension provisions for members of the Management Board break down as follows:

2021 EUR k	31 December 2020	Change	31 December 2021
Dr. Stefan Wolf	4,308	657	4,965
Theo Becker	3,857	369	4,226
Thomas Jessulat	488	91	579
Reiner Drews	224	43	267
Total	8,877	1,160	10,037

2020 EUR k	Dec. 31, 2019	Change	31 December 2020
Dr. Stefan Wolf	4,741	-433	4,308
Theo Becker	3,462	395	3,857
Thomas Jessulat	614	-126	488
Reiner Drews	272	-48	224
Total	9,089	-212	8,877

Provisions for pensions and remuneration for former members of the Management Board

Provisions of EUR 14,584 k (2020: EUR 13,992 k) were recognized for pension obligations to former members of the Management Board, the management of merged companies, and their surviving dependents. The total remuneration of former members of the Management Board – including remuneration of former members of corporate bodies of merged companies – came to EUR 928 k (2020: EUR 914 k) in the financial year 2021.

The auditor fees amounted to:

	2021
Audit of the annual financial statements	705
Other assurance services	100
Tax services	9
Other services	25
	839

The audit services consist of the fees for auditing the separate financial statements and the consolidated financial statements as well as the formal audit of the remuneration report pursuant to Sec. 162 AktG. The other assurance services comprise fees for review work in connection with the non-financial statement as well as a non-cash contribution to a subsidiary and assurance services related to the syndicated loan agreement and factoring. In addition, tax services were rendered in connection with a project. Other services include the review of the internal control system taking into account the requirements of the German Act to Strengthen Financial Market Integrity (FISG).

Information pursuant to Section 160 (1) no. 8 AktG

As of the reporting date 2021, the following equity investments classified as fixed financial assets existed and were notified pursuant to Section 33 (1) German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG").

1. Voting rights notification

1. Details of issuer

ElringKlinger AG

Max-Eyth-Strasse 2

72581 Dettingen/Erms

Germany

2. Reason for notification

- Acquisition/disposal of shares with voting rights
- Acquisition/disposal of instruments
- Change of breakdown of voting rights
- Other reason: Testamentary disposition of Walter H. Lechler and execution of a gift contract upon the death of the testator.

3. Details of party subject to the notification obligation

Name: **H.K.L. Holding Stiftung**

City and country of registered office: Vaduz, Liechtenstein

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

20 July 2018

6. Total voting rights

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total Total of both (total of 7.a. + 7.b.)	Total number of voting rights of issuer
Resulting situation	5.13%	%	5.13%	63,359,990
Previous notification	4.941%	n/a %	n/a %	/

7. Notified details of the resulting situation

a. Voting rights attached to shares (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	3,250,000		5.13%	%
Total	3,250,000		5.13%	

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					0 %
			Total		%

8. Information in relation to the person subject to the notification obligation

X	Party subject to the notification obligation named in 3. is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).		
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:		
Entity	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both in (if at least held 5% or more)

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of annual general meeting:	
Holding position after annual general meeting:	% (equals voting rights)

10. Other notes:

2. Voting rights notification

1. Details of issuer

ElringKlinger AG

Max-Eyth-Strasse 2

72581 Dettingen/Erms

Germany

2. Reason for notification

- Acquisition/disposal of shares with voting rights
- Acquisition/disposal of instruments
- Change of breakdown of voting rights
- Other reason: Testamentary disposition of Walter H. Lechler and execution of a gift contract upon the death of the testator.

3. Details of party subject to the notification obligation

Name: **Lechler Stiftung**

City and country of registered office: Stuttgart, Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

KWL Beteiligungs-GmbH
 Lechler GmbH
 Klaus Lechler Beteiligungs-GmbH
 Elrena GmbH
 Lechler Beteiligungs-GmbH

5. Date on which threshold was crossed or reached:

17 May 2018

6. Total voting rights

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total Total of both (total of 7.a. + 7.b.)	Total number of voting rights of issuer
Resulting situation	52.04%	0%	52.04%	63,359,990
Previous notification	29.981%	0%	29.981%	/

7. Notified details of the resulting situation

a. Voting rights attached to shares (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	627,380	32,345,254	0.99%	51.05%

Total	32,972,634	52.04%
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b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	0	0%
		Total		%

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	n/a	0	0%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Party subject to the notification obligation named in 3. is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).		
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:		
Entity	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both in (if at least held 5% or more)
Lechler Stiftung	%	%	%
KWL Beteiligungs-GmbH	51.05%	%	51.05%
Klaus Lechler Beteiligungs-GmbH	51.05%	%	51.05%
Eroca AG	51.05%	%	51.05%
	%	%	%
Lechler Stiftung	%	%	%
KWL Beteiligungs-GmbH	51.05%	%	51.05%
Lechler GmbH	10.013%	%	10.013%

9. In case of proxy voting according to Section 34 (3) WpHG (only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of annual general meeting:	
Holding position after annual general meeting:	% (equals voting rights)

10. Other notes:

Elrena GmbH, KWL Beteiligungs-GmbH, Klaus Lechler Beteiligungs-GmbH, Eroca AG and Lechler Beteiligungs-GmbH are parties of a pooling agreement obligating them to uniformly exercise voting rights in ElringKlinger AG and based on mutual attribution of voting rights.

3. Voting rights notification

1. Details of issuer

ElringKlinger AG

Max-Eyth-Strasse 2

72581 Dettingen/Erms

Germany

2. Reason for notification

- Acquisition/disposal of shares with voting rights
- Acquisition/disposal of instruments
- Change of breakdown of voting rights
- Other reason: Testamentary disposition of Walter H. Lechler and execution of a gift contract upon the death of the testator.

3. Details of party subject to the notification obligation

Name: **Stiftung Klaus Lechler**

City and country of registered office: Basel, Switzerland

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

KWL Beteiligungs-GmbH

Lechler GmbH

Klaus Lechler Beteiligungs-GmbH

Elrena GmbH

Lechler Beteiligungs-GmbH

5. Date on which threshold was crossed or reached:

17 May 2018

6. Total voting rights

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both (7.a. + 7.b.)	Total number of voting rights of issuer
Resulting situation	51.05%	0%	51.05%	63,359,990

Previous notification	29.01%	0%	29.01%	/
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7. Notified details of the resulting situation

a. Voting rights attached to shares (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	0	32,345,254	0%	51.05%
Total		32,345,254		51.05%

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	0	0%
		Total		%

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	n/a	0	0%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Party subject to the notification obligation named in 3. is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).		
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:		
Entity	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both in (if at least held 5% or more)
Stiftung Klaus Lechler	%	%	%
Elrena GmbH	51.05%	%	51.05 %
Elrega GmbH	%	%	%

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of annual general meeting:	
Holding position after annual general meeting:	% (equals voting rights)

10. Other notes:

Elrena GmbH, KWL Beteiligungs-GmbH, Klaus Lechler Beteiligungs-GmbH, Eroca AG and Lechler Beteiligungs-GmbH are parties of a pooling agreement obligating them to uniformly exercise voting rights in ElringKlinger AG and based on mutual attribution of voting rights.

4. Voting rights notification

1. Details of issuer

ElringKlinger AG

Max-Eyth-Strasse 2

72581 Dettingen/Erms

Germany

2. Reason for notification

- Acquisition/disposal of shares with voting rights
- Acquisition/disposal of instruments
- Change of breakdown of voting rights
- Other reason: Testamentary disposition of Walter H. Lechler and execution of a gift contract upon the death of the testator.

3. Details of party subject to the notification obligation

Name: **Klaus Lechler Familienstiftung**

City and country of registered office: Neuhausen a.d. Fildern, Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

KWL Beteiligungs-GmbH

Lechler GmbH

Klaus Lechler Beteiligungs-GmbH

Elrena GmbH

Lechler Beteiligungs-GmbH

5. Date on which threshold was crossed or reached:

17 May 2018

6. Total voting rights

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	Total of both (7.a. + 7.b.)	Total number of voting rights of issuer
Resulting situation	51.05%	0%	51.05%	63,359,990

Previous notification	29.01%	0%	29.01%	/
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7. Notified details of the resulting situation

a. Voting rights attached to shares (Sections 33, 34 WpHG)

ISIN	absolute		in %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	0	32,345,254	0%	51.05%
Total	32,345,254		51.05%	

b.1. Instruments according to Section 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	0	0%
Total				%

b.2. Instruments according to Section 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
n/a	n/a	n/a	n/a	0	0%
Total					%

8. Information in relation to the person subject to the notification obligation

<input type="checkbox"/>	Party subject to the notification obligation named in 3. is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).		
<input checked="" type="checkbox"/>	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:		
Entity	% of voting rights (if 3% or more is held)	% of voting rights through instruments (if 5% or more is held)	Total of both (if 5% or more is held)
Klaus Lechler Familienstiftung	%	%	%
Inlovo GmbH	%	%	%
Lechler Beteiligungs-GmbH	51.05%	%	51.05%

9. In case of proxy voting according to Section 34 (3) WpHG

(only in case of attribution of voting rights pursuant to Section 34 (1) sentence 1 no. 6 WpHG)

Date of annual general meeting:	
Holding position after annual general meeting:	% (equals voting rights)

10. Other notes:

Elrena GmbH, KWL Beteiligungs-GmbH, Klaus Lechler Beteiligungs-GmbH, Eroca AG and Lechler Beteiligungs-GmbH are parties of a pooling agreement obligating them to uniformly exercise voting rights in ElringKlinger AG and based on mutual attribution of voting rights.

5. Voting rights notification

On August 11, 2014, Klinger B.V., Rotterdam, Netherlands, informed us pursuant to Section 21 (1) WpHG that its share in the voting rights of ElringKlinger AG, Dettingen/Erms, Germany, exceeded the 3% threshold of the voting rights on December 22, 2006 and amounted to 4.9998958% on that day (this corresponds to 959,980 voting rights).

6. Voting rights notification

Voting rights notifications pursuant to Section 21 (1) WpHG

Notifying parties:

1. Eroca AG, Basel, Switzerland
2. Klaus Lechler Beteiligungs-GmbH, Ludwigsburg, Germany
3. KWL Beteiligungs-GmbH, Ludwigsburg, Germany
4. PAUL LECHLER STIFTUNG gGmbH, Ludwigsburg, Germany

We, KWL Beteiligungs-GmbH, hereby notify you pursuant to Section 21 (1) WpHG in our own name and for and on behalf of Eroca AG, Klaus Lechler Beteiligungs-GmbH and PAUL LECHLER STIFTUNG gGmbH as follows:

1. Eroca AG

The share in the voting rights of Eroca AG in ElringKlinger AG exceeded the thresholds of 10%, 15%, 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 19.80% (12,546,652 voting rights) are attributed to Eroca AG in accordance with Section 22 (2) sentence 1 WpHG.

The voting rights attributed to Eroca AG are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Elrena GmbH
- Lechler Beteiligungs-GmbH

2. Klaus Lechler Beteiligungs-GmbH

The share in the voting rights of Klaus Lechler Beteiligungs-GmbH in ElringKlinger AG exceeded the thresholds of 10%, 15%, 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 9.20% (5,832,136 voting rights) are attributed to Klaus Lechler Beteiligungs-GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG and an additional 19.23% (12,181,215 voting rights) are attributed in accordance with Section 22 (2) sentence 1 WpHG.

The voting rights attributed to Klaus Lechler Beteiligungs-GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG are held by the following company that is controlled by it and holds 3% or more of the voting rights in ElringKlinger AG:

- Eroca AG

The voting rights attributed to Klaus Lechler Beteiligungs-GmbH are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Elrena GmbH
- Lechler Beteiligungs-GmbH

3. KWL Beteiligungs-GmbH

The share in the voting rights of KWL Beteiligungs-GmbH in ElringKlinger AG exceeded the thresholds of 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 9.78% (6,197,573 voting rights) are attributed to KWL Beteiligungs-GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG and 28.43% (18,010,351 voting rights) are attributed in accordance with Section 22 (2) sentence 1 WpHG.

Of the 28.43%, 9.20% (5,832,136 voting rights) are attributed to KWL Beteiligungs-GmbH in accordance with both Section 22 (2) sentence 1 no. 1 WpHG and Section 22 sentence 1 no. 1 WpHG.

The voting rights attributed to KWL Beteiligungs-GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG are held by the following companies that are controlled by it and each hold 3% or more of the voting rights in ElringKlinger AG:

- Eroca AG
- Klaus Lechler Beteiligungs-GmbH

The voting rights attributed to KWL Beteiligungs-GmbH are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Elrena GmbH
- Lechler Beteiligungs-GmbH

4. PAUL LECHLER STIFTUNG gGmbH

The share in the voting rights of PAUL LECHLER STIFTUNG gGmbH in ElringKlinger AG exceeded the threshold of 25% on June 13, 2014 and amounted to 29.997% (19,006,168 voting rights) on this day.

Of these voting rights, 29.01% (18,378,788 voting rights) are attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with Section 22 (2) sentence 1 no. 1 WpHG and an additional 9.79% (6,200,573 voting rights) are attributed in accordance with Section 22 (1) sentence 1 WpHG.

The voting rights attributed to PAUL LECHLER STIFTUNG gGmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG are held by the following companies that are controlled by it and each hold 3% or more of the voting rights in ElringKlinger AG:

- Klaus Lechler Beteiligungs-GmbH
- KWL Beteiligungs-GmbH

The voting rights attributed to PAUL LECHLER STIFTUNG gGmbH are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Elrena GmbH
- Lechler Beteiligungs-GmbH

7. Voting rights notification

Voting rights notifications pursuant to Section 21 (1) WpHG

Notifying parties:

1. Lechler Beteiligungs-GmbH, Stuttgart, Germany
2. INLOVO GmbH, Ludwigsburg, Germany

We, Lechler Beteiligungs-GmbH, hereby notify you pursuant to Section 21 (1) WpHG in our own name and for and on behalf of INLOVO GmbH as follows:

1. Lechler Beteiligungs-GmbH

The share in the voting rights of Lechler Beteiligungs-GmbH in ElringKlinger AG exceeded the thresholds of 10%, 15%, 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 19.55% (12,388,610 voting rights) are attributed to Lechler Beteiligungs-GmbH in accordance with Section 22 (2) sentence 1 WpHG.

The voting rights attributed to Lechler Beteiligungs-GmbH were held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Elrena GmbH

2. INLOVO GmbH

The share in the voting rights of INLOVO GmbH in ElringKlinger AG exceeded the thresholds of 10%, 15%, 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 9.45% (5,990,178 voting rights) are attributed to INLOVO GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG and an additional 19.55% (12,388,610 voting rights) are attributed in accordance with Section 22 (2) sentence 1 WpHG.

The voting rights attributed to INLOVO GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG are held by the following company that is controlled by it and holds 3% or more of voting rights in ElringKlinger AG:

The voting rights attributable to INLOVO GmbH are held by the following shareholders that holds 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Elrena GmbH

8. Voting rights notification

Voting rights notification pursuant to Section 21 (1) WpHG

Notifying parties:

1. Elrena GmbH, Basel, Switzerland
2. Stiftung Klaus Lechler, Basel, Switzerland

We, Elrena GmbH, hereby notify you pursuant to Section 21 (1) WpHG in our own name and for and on behalf of Stiftung Klaus Lechler as follows:

1. Elrena GmbH

The share in the voting rights of Elrena GmbH in ElringKlinger AG exceeded the thresholds of 20 % and 25 % on June 13, 2014 and amounted to 29.01 % (18,378,788 voting rights) on this day.

Of these voting rights, 0.02% (14,000 voting rights) are attributed to Elrena GmbH in accordance with Section 22 (1) sentence 1 no. 1 WpHG and an additional 19.24% (12,190,751 voting rights) are attributed in accordance with Section 22 (2) sentence 1 WpHG. The voting rights attributed to Elrena GmbH are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Lechler Beteiligungs-GmbH

2. Stiftung Klaus Lechler

The share in the voting rights of Stiftung Klaus Lechler in ElringKlinger AG exceeded the thresholds of 20% and 25% on June 13, 2014 and amounted to 29.01% (18,378,788 voting rights) on this day.

Of these voting rights, 9.76% (6,188,037 voting rights) are attributed to Stiftung Klaus Lechler in accordance with Section 22 (1) sentence 1 no. 1 WpHG and an additional 19.24% (12,190,751 voting rights) are attributed in accordance with Section 22 (2) sentence 1 WpHG. The voting rights attributed to Stiftung Klaus Lechler in accordance with Section 22 (1) sentence 1 no. 1 WpHG are held by the following company that is controlled by it and holds 3% or more of the voting rights in ElringKlinger AG:

- Elrena GmbH

The voting rights attributed to Stiftung Klaus Lechler are held by the following shareholders that hold 3% or more of the voting rights in ElringKlinger AG in accordance with Section 22 (2) sentence 1 WpHG:

- Eroca AG
- Lechler Beteiligungs-GmbH

9. Voting rights notification

Lechler GmbH, Metzingen, Germany, notified us pursuant to Section 21 (1) WpHG that the share in the voting rights in our company exceeded the threshold of 10% on 28 December 2012 and amounted to 10.0127% (6,344,046 voting rights) on that day.

10. Voting rights notification

ElringKlinger received the following notification from Walter Herwarth Lechler on May 14, 2010:

“I am writing to notify you in accordance with Section 21 (1) WpHG that the share of my voting rights in ElringKlinger AG fell below the threshold of 25% on May 11, 2010 and amounted to 23.697% (or 13,649,420 voting rights) on this day.

Of these voting rights, 10.394% (5,987,000 voting rights) are attributed to me pursuant to Section 22 (1) sentence 1 no. 1 WpHG.

The voting rights attributed to me are held by the following company that is controlled by me and holds 3% or more of voting rights in ElringKlinger AG: Lechler GmbH, Metzingen.”

Scope of consolidated financial statements

In its function as ultimate parent, ElringKlinger AG prepares consolidated financial statements for the largest and the smallest group of companies to be included in the consolidation.

Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance pursuant to Section 161 AktG on the German Corporate Governance Code in the version dated December 16, 2019 and published it on the ElringKlinger AG website on December 2, 2021. This declaration of compliance will be available on the ElringKlinger AG website and therewith made permanently available to shareholders.

Events after the end of the reporting period

The Russia-Ukraine conflict escalated in February and March of the current financial year and culminated in a military conflict. In the wake of this, economic and political sanctions have been adopted and implemented, resulting in a macroeconomic risk of recession and inflation. In addition, this conflict may have an indirect impact on ElringKlinger, as the value chain of the automotive sector remains partially disrupted. If this leads to longer production stops at manufacturers, this may directly and considerably affect the orders placed by the customers of the Group. Financial effects on the net assets, financial position and results of operations of ElringKlinger AG are to be expected, but their extent cannot yet be estimated at the time the annual financial statements are being prepared.

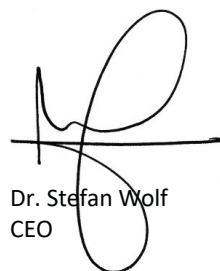
There were no further significant events after the reporting date that would require additional disclosures.

Proposal for appropriation of profits

The Management Board and the Supervisory Board will propose to the Annual General Meeting on the 2021 financial statements on May 19, 2022, to distribute a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights).

Dettingen/Erms, March 24, 2022

The Management Board



Dr. Stefan Wolf
CEO



Theo Becker



Thomas Jessulat



Reiner Drews

Overview of ElringKlinger's Activities and Structure

ElringKlinger operates as a global technology Group with an emphasis on the development, production, and distribution of components used in the automotive industry. Drawing on its innovative products, the Group is committed to playing its part in shaping the transition within the mobility sector. In this context, ElringKlinger is helping to evolve new drive technologies, while also further optimizing the efficiency of conventional mobility with the aim of contributing to global decarbonization.

Company profile

ElringKlinger is a global technology Group with a focus on the development, manufacture, and sale of systems and components for the automotive industry. Its portfolio also includes products and services for customers operating in other industries. The Group's capability as an innovator forms an integral part of ElringKlinger's corporate strategy, the aim being to support sustainable and, to the largest extent possible, climate-neutral mobility.

The Group, headquartered in Dettingen/Erms, Germany, employs around 10,000 people worldwide and operates from 45 international sites within all the key vehicle markets. In the 2021 financial year, ElringKlinger generated revenue of EUR 1.6 billion (2020: EUR 1.5 billion). The history of the Group dates back to 1879.

Business model and core competencies

The trend toward sustainable and safe mobility is reflected in the company's scope of products and services. As an automotive supplier, ElringKlinger is committed to providing product solutions aimed at reducing CO₂ emissions. Fundamentally, all newly developed products are targeted at modern, climate-friendly drive systems or relate to areas of the vehicle that are drivetrain-independent.

In strategic terms, ElringKlinger is focused on four areas: e-mobility, lightweighting, established forms of mobility, and non-automotive applications. Within the long-standing fields of business encompassing, among other things, sealing systems, plastic housing modules, and shielding systems, ElringKlinger has honed its skills as a technological

innovator and carved out a formidable market position over a period spanning several decades. These form a solid basis when it comes to aligning the Group's product portfolio more strongly with the field of electromobility. In recent years, ElringKlinger has been driving battery and fuel cell technology forward with a substantial level of innovation, while also evolving its business in the area of electric drive units. ElringKlinger is now entering the phase of industrial series production for e-mobility components and modules. Within the area of Lightweighting, ElringKlinger supplies components made from state-of-the-art materials consisting of plastic and/or metal.

ElringKlinger's core competencies comprise extensive know-how relating to materials and processes in the field of metal and plastics processing as well as expertise when it comes to engineering tools for efficient series production. This includes high-precision metal processing, encompassing stamping, embossing, and coating, as well as a proven track record in plastic injection-molding. Within the Engineered Plastics segment, ElringKlinger can draw on far-reaching materials and processing expertise relating to high-performance machinable thermoplastics and applications in a wide range of industrial sectors.

Group structure and organization

The parent company of the Group is ElringKlinger AG, which has its registered office in Dettingen/Erms, Germany. In addition to strategic management, it is responsible for the central functions of Purchasing, IT, Communication, Finance, Legal Affairs, and Human Resources. To a large extent, sales activities as well as research and development

are also concentrated within the parent company. As the parent company, ElringKlinger AG performs a financing function for the affiliated companies. At the same time, however, it also forms the largest operating Group company in respect of revenue and production volume. As of December 31, 2021, the ElringKlinger Group comprised 39 fully consolidated companies in 20 countries (cf. Notes, "Scope of Consolidation").

The Management Board of ElringKlinger AG consists of four members. The responsibilities of the Management Board are divided into the areas of accountability of the CEO, the CFO, the COO, and the CTO.

Sales markets and locations

ElringKlinger has manufacturing sites in all of the world's key vehicle markets. The Group operates at 45 locations worldwide, 39 of which are manufacturing sites. In terms of sales, Europe leads the way with a 51.4% share of Group revenue, followed by North America (24.2%) and Asia-Pacific (20.0%).

In the majority of cases ElringKlinger holds a Tier 1 supplier position within the automotive industry value chain. This means that it maintains a direct line of contact with vehicle and engine manufacturers. Within the Engineered Plastics segment, which boasts a wide range of products, ElringKlinger operates as a supplier to various sectors. In the Aftermarket segment, the customer base consists of wholesalers and group purchasing organizations.

Segments and business units

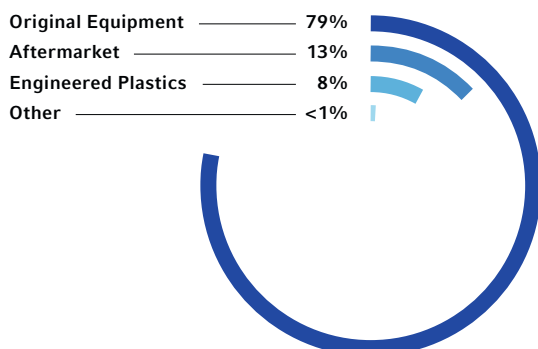
The ElringKlinger Group's operating business is divided into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The segments specified above also constitute the reportable segments under IFRS.

Within the Original Equipment segment, ElringKlinger develops, manufactures, and sells products and assemblies destined for the automotive industry. It is subdivided into the five business units Metal Sealing Systems & Drivetrain Components, Lightweighting/Elastomer Technology, Shielding Technology, E-Mobility, and Exhaust Gas Purification.

In the **Aftermarket** segment, ElringKlinger offers an extensive range of gaskets, gasket sets, and service parts for the repair of engines, transmissions, exhaust systems, and auxiliary units in cars and commercial vehicles. They are marketed under the "Elring – Das Original" brand. The Aftermarket segment supplies a global network of wholesalers and major group purchasing organizations. Among the markets with the highest revenues are Western and Eastern Europe. ElringKlinger has been expanding its sales activities in North America and China in recent years.

Within the **Engineered Plastics** segment, ElringKlinger develops, manufactures, and markets a wide range of customized products made of various plastics. Revenue is attributable primarily to sales within the mechanical engineering sector and the medical devices, chemical, and energy industries as well as the vehicle industry. ElringKlinger is pushing ahead with efforts to expand its business in this segment at an international level and also operates production sites in the United States and China.

Group revenue by segment 2021



in EUR million (previous year)

■ Original Equipment Car, truck, and engine manufacturers, automotive suppliers, non-automotive	1,280 (1,186)
■ Aftermarket Independent aftermarket business	215 (182)
■ Engineered Plastics Automotive industry, mechanical engineering, medical technology	125 (108)
■ Other Unspecified industries	4 (4)

As from the 2020 financial year, the segment referred to as **Other** comprises the activities of the former Services and Industrial Parks segments. Services directed at vehicle manufacturers and automotive suppliers include the operation of state-of-the-art engine test benches and measuring equipment for tests on engines, transmissions, and exhaust systems. It also offers logistical services for the Aftermarket business. In addition, this segment includes the Group's catering service company. Accounting for less than one percent of Group revenue, this segment is of subordinate importance.

Business units in the Original Equipment segment

ElringKlinger is a supplier of components for all types of drive system – whether combustion engine or electric mobility. The competencies of the business units are deployed across all areas as needed and synergies are utilized within the Group. In the previous year, this resulted in the establishment of the Metal Sealing Systems & Drivetrain Components business unit. Thus, Cylinder-Head Gaskets and Specialty Gaskets, which had previously operated as independent units, were brought together in a single business unit. The product portfolio includes a broad range of gaskets for various locations in the vehicle, including batteries and electric motors as well as transmission control plates and complex formed parts engineered from sheet metal.

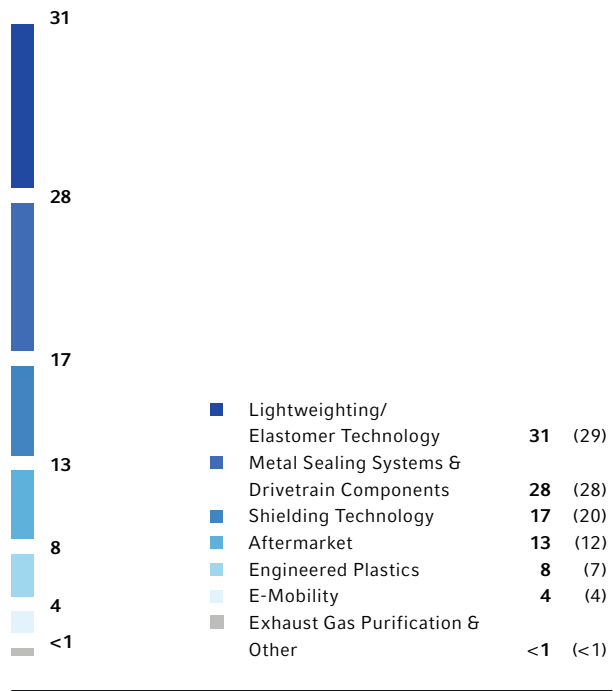
The Lightweighting/Elastomer Technology business unit develops and produces components made of thermoplastics for drivetrain, body, and underbody applications. A variety of manufacturing processes, including hybrid technology that combines metal and plastic, as well as numerous materials or material-specific innovations provide the basis for tailor-made solutions with high functional integration and/or weight savings.

Within the Shielding Technology business unit, ElringKlinger offers customized shielding packages for the entire vehicle – from the engine to underbody and exhaust tract. The shielding systems include thermal, acoustic, and/or aerodynamic functionality for a wide range of tasks relating to temperature and acoustic management or the vehicle underbody.

The E-Mobility business unit, featuring fuel cell and battery technology as well as electric drive units, brings together all technologies currently of relevance to the electrification of vehicle propulsion.

ElringKlinger can draw on many years of development expertise and has positioned itself for industrial-scale series

Group revenue by business unit¹ 2021
 (previous year) in %



¹ Presentation supplemented by the segments Aftermarket, Engineered Plastics, and Other.

production in this field. The Group has placed a strong focus on this line of business in recent years, as evidenced by substantial investments. In 2019, ElringKlinger established a technology center for e-mobility at its Dettingen/Erms site. ElringKlinger has been operating its own battery technology site in Neuffen, Germany, since 2021. The subsidiary EKPO Fuel Cell Technologies, Dettingen/Erms, Germany, in which ElringKlinger holds a 60% stake and automotive supplier Plastic Omnium, Levallois, France, a 40% interest, has been operating since 2021 and plays a significant role in future marketing and industrialization efforts relating to fuel cell systems. In 2021, ElringKlinger recorded high-volume orders within the area of E-mobility (cf. "Significant Events"). Finally, the E-mobility portfolio includes complete electric drive units, supplied as part of the company's collaboration with hofer AG, Nürtingen, Germany, and the joint production companies ("hofer powertrain products").

Group activities within the Exhaust Gas Purification business unit are mainly restricted to the production of components on the basis of contract manufacturing.

Economic and legal factors

Generating the largest proportion of revenue, ElringKlinger's Original Equipment segment mainly supplies vehicle manufacturers. Demand for products is closely linked to global vehicle production trends, which in turn are influenced by the sales markets and the economy as a whole. Primary drivers include, for example, the employment situation and purchasing power in the various regions, consumer behavior, fuel prices, and government funding.

Regulations governing climate protection are considered to be a key influencing factor in terms of legislation. Due to the ever stricter directives regarding emission levels, vehicle concepts are having to become increasingly climate-friendly. International trading conditions and the customs policies of individual countries can also have an impact on business development.

Internal Control Criteria

For the purposes of corporate management, the Group management refers to meaningful key figures and other indicators that are regularly available. The planning and control process at ElringKlinger is based on financial indicators and non-financial performance indicators as well as economic and sector-specific leading indicators.

The management uses a wide range of key figures, leading indicators, and market observations as the basis for strategic considerations, planning, and ongoing decision-making. To this end, the management of ElringKlinger makes recourse to a regular reporting system with key internal control criteria.

To support the Group's efficiency stimulus program pursued over the past three years, the Group management has continued to enhance its company-specific system of indicators. This incorporates targets that span business units and is monitored by the Management Board and Vice Presidents (i. e., the first line of management below the Board) on a monthly basis. The dependencies between individual indicators in operational business areas and between operational progress and financial effects are shown in transparent reporting and are regularly communicated. The internal system of indicators helps the management achieve corporate goals and pursue company strategy by making developments quantifiable and visible, and thus easier to control.

Key financial control criteria

Among the financial indicators, the internal control criteria of revenue, earnings before interest and taxes (EBIT), operating free cash flow, and return on capital employed (ROCE) are of major importance to the management of the ElringKlinger Group and the parent company ElringKlinger AG. Given its integration into the Group, the parent company is also measured by IFRS-based indicators. Sales revenue and EBIT are budgeted, calculated, and continually monitored for the Group and the individual Group companies as well as for the four reportable segments and the respective business units.

As regards the compensation system applicable to the Management Board, year-on-year changes in EBIT and operating free cash flow constitute parameters for variable compensation.

Key financial control criteria of the ElringKlinger Group

	Guidance 2021 ¹		2021	2020	2019	2018	2017
Revenue	Organic approximately roughly at global market level ²	(in EUR million)	1,624.4 ³	1,480.4	1,727.0	1,699.0	1,664.0
EBIT⁴	Margin of around 4 to 5%	(in EUR million)	102.0	27.7	63.2	100.2	141.8
ROCE	Margin:	Visible year-on-year improvement	6.3%	1.9%	3.7%	5.9%	8.5%
Operating free cash flow	Visible year-on-year improvement		6.4%	1.7%	3.4%	5.5%	8.2%
Equity ratio	Positive in double-digit million euro range	(in EUR million)	72.0	164.7	175.8	-86.2	-66.6
Net debt/EBITDA	40 to 50% of total assets		47.0%	41.4%	41.5%	42.8%	44.0%
	Year-on-year improvement		1.7	2.5	3.3	3.7	2.7

¹ Original guidance as per 2020 annual report; adjustments made during the 2021 financial year – if any – are not presented.

² Organic sales revenue is adjusted for currency and M&A effects.

³ Revenue reported; revenue adjusted for currency and M&A effects (organic): EUR 1,630.6 million (+10.1%/market growth: 3.4%)

⁴ EBIT up to 2019 adjusted for depreciation/amortization relating to purchase price allocation (2019: EUR 1.9 million, 2018: EUR 4.0 million)

As an indicator, ROCE refers to the return on capital employed. This illustrates the level of the return on capital employed, and is calculated by putting EBIT in relation to capital employed. In this context, ElringKlinger uses average capital employed as a basis of calculation. This includes shareholders' equity, financial liabilities, and provisions for pensions. In the 2021 financial year, ElringKlinger met its forecast by achieving ROCE of 6.4%, a clear improvement on the 2020 value of 1.7%.

Operating free cash flow is an indicator expressing internal financing capability and capital inflow from the operational activity of the company. It comprises cash flow from operating activities and investment activities. In this context, non-operational capital flows from acquisitions, disinvestments,

and from financial assets are not included in the operating free cash flow.

The equity ratio and the debt ratio as a ratio of net debt to EBITDA are also important indicators in respect of corporate management.

The table shows the four most important (and other) financial control criteria for the ElringKlinger Group.

Non-financial and other internal control criteria

ElringKlinger also uses non-financial indicators for corporate management purposes. These include personnel, quality, and environmental indicators, such as CO₂ emissions and energy consumption.

Further information on non-financial indicators can be found in the combined non-financial report, which has been published in the 2021 Annual Report under the heading "To Our Shareholders" in the separate section "Combined Non-Financial Report." The 2021 Annual Report will be published on March 29, 2022, on ElringKlinger's website at www.elringklinger.com/en/investor-relations/publications/financial-reports.

Calculating ROCE for the Group

in EUR million

EBIT	102.0	
	Dec. 31, 2021	Dec. 31, 2020
Equity	982.3	812.9
Financial liabilities	492.6	597.2
Provisions for pensions	140.7	156.9
Total	1,615.6	1,567.0
Average capital employed	1,591.3	
ROCE¹	6.4%	

¹ EBIT/average capital employed

Company- and market-specific leading indicators

ElringKlinger uses economic and sector-specific leading indicators (such as forecast growth rates in gross domestic product and forecasts concerning the development of global vehicle markets) to appraise the future development of revenue and business. Order intake and order backlog are key company-specific leading indicators. Revenue budgeting and forecasting are based on planned quantities requested

by customers as part of their scheduling less a safety margin and agreed product prices. Leading indicators specific to the market, sector, and the company are continually monitored, forming the basis for reviews of the forecast for the remainder of the respective year and the annually compiled business plan, which includes mid-term planning with a timescale of five years.

Research and Development

Emissions regulations are not the only reason why ElringKlinger is targeting sustainable mobility – it also wants to make an active contribution to protecting the climate. The ElringKlinger Group has been conducting research into alternative drive types for many years now and, both under its own steam and in partnership with customers, is developing products that help shrink the environmental footprint. Battery and fuel cell technology remained the focus of these research and development activities in the 2021 financial year.

Research and development ratio at 5.0%

In the 2021 financial year, modifications and new developments were introduced both in the traditional areas of Metal Sealing Systems & Drivetrain Components, Shielding Technology, and Lightweighting/Elastomer Technology and in the E-Mobility business unit. As a technology-driven company and a strong innovator, ElringKlinger mainly focuses on transferring its own existing expertise to new applications. The Group's research and development (R&D) activities are largely centralized and concentrate primarily on reducing emissions, be this through battery-electric or hydrogen-based drive concepts, structural lightweighting, or other products. This prevents a "brain drain." Development activities are concentrated at the German sites for the Original Equipment and Engineered Plastics segments and at the US site in Southfield, Michigan. Additional expertise was built up in battery and fuel cell technology in particular

during the year under review, resulting in 591 (2020: 623) staff being employed in R&D as of December 31, 2021. The year-on-year decline is mainly due to a number of employees switching from ElringKlinger AG's research and development team to Aerostack GmbH, Dettingen/Erms, Germany, in which ElringKlinger AG holds a 10% stake.

R&D costs (including capitalized development costs) amounted to EUR 82.1 million in the 2021 financial year (2020: EUR 76.1 million). This equates to an R&D ratio of 5.1% (2020: 5.1%), which is thus within the target range of around 5–6% (including capitalized development costs). Out of this total, the amount capitalized was EUR 17.2 million (2020: EUR 12.4 million), giving a capitalization ratio of 21.0% (2020: 16.2%). Amortization and impairment losses of capitalized development costs amounted to EUR 4.2 million in the year under review (2020: EUR 12.8 million).

Key R&D figures

in EUR million	2021	2020
Research and development spending	82.1	76.1
Capitalized development costs	17.2	12.4
Capitalization ratio ¹	21.0%	16.2%
Research and development costs	64.9	63.8
Amortization/impairment of capitalized development costs	4.2	12.8
Research and development costs recognized through profit or loss	69.1	76.6
Research and development ratio²	5.1%	5.1%

¹ Capitalized development costs as a proportion of total R&D costs, including capitalized development costs

² R&D costs, including capitalized development costs, in relation to sales

ElringKlinger always seeks legal protection for new developments on both a product and a process level. The centralized patent department is tasked with protecting the company's technological expertise and intellectual property rights. In 2021, it applied for a total of 105 (2020: 86) new patents, particularly in the strategic fields of the future.

Traditional know-how meets fields of the future

ElringKlinger has set itself the objective of supporting and supplying its customers in line with their needs and following a technology-agnostic approach. Economic experts expect the market for conventional combustion engines to shrink only gradually and demand for alternative drive systems to increase considerably at the same time. It is precisely this market demand that ElringKlinger is meeting. Optimizing and increasing the efficiency of modern combustion engines is thus still an important factor for ElringKlinger's engineers. The other main focus of its development activities is battery and fuel cell technology. ElringKlinger supplies components, modules, and entire systems that help to significantly reduce the environmental footprint of new generations of vehicles. The use of battery and fuel cell technology is not restricted to the automotive industry, meaning that ElringKlinger's products will also be capable of cutting emissions in other sectors in the future.

Making a vehicle lighter helps to reduce the propulsion energy it needs. This is why the Group's structural lightweighting components, which make vehicles weigh less, are one of its strategic fields of the future. The fact that these lightweighting components can be used with any drive type is one of their most important properties.

The share of revenue attributable to the various strategic fields of the future – batteries, fuel cells, electric drive units,

and structural lightweighting – was roughly 12% in 2021 (2020: around 11%). This largely mirrors the ratio of new to traditional drive types on the global vehicle market.

Expertise in new drive technologies

ElringKlinger has been conducting research and development in the field of fuel cell technology for over two decades. During the 2021 financial year, the Group incorporated its fuel cell business and expertise into its subsidiary EKPO Fuel Cell Technologies GmbH, an entity jointly operated with the French automotive supplier Plastic Omnium. ElringKlinger has been supplying customers with battery components for series production for around ten years now. It also manufactures electric drive units in partnership with the engineering specialist hofer. With regard to the new drive technologies, ElringKlinger applies its knowledge of developing and manufacturing components for traditional drive technologies to solutions for new mobility.

As well as launching its business activities, EKPO Fuel Cell Technologies GmbH, based at the Group's headquarters in Dettingen/Erms, also took some important steps in order to drive forward the production of fuel cell components and stacks over the past financial year. Further developing its three existing stack modules – Nm5-evo, NM12, and NM12-twin – played a particularly key role. ElringKlinger is also focusing on the proton exchange membrane (PEM), a low-temperature fuel cell used in mobile applications. The NM12 and NM12-twin stack series are particularly suitable for leveraging the application and cost benefits of fuel cell technology in a first step owing to their performance range for the commercial vehicle sector. The NM5-evo series, which is ideal for use in passenger cars and light-duty commercial vehicles, is already capable of being produced in large batches. Development work required to procure

additional tools and series equipment was carried out in 2020. This ensures that quality requirements can be met over the long term, even with sizable quantities in fully automated production, thanks to full traceability of the stack being supplied. Investments in the 2021 financial year included expanding the test field for fuel cells manufactured in this way.

The series production of cell contact systems for lithium-ion batteries gives ElringKlinger the chance to establish itself as a supplier in the electromobility segment of the market. During the past financial year, the Group secured a large-scale order for this component from a global battery manufacturer for the series platform of a premium German manufacturer. In the components segment, meanwhile, research and development activities during the financial year focused on developing a cell cover for round cells. ElringKlinger was awarded funding during the financial year for its innovative battery cell housing design as part of the second European IPCEI (Important Project of Common European Interest). This funding, which is provided by the German Federal Ministry for Economic Affairs and Energy and the state of Baden-Württemberg and will amount to a total of EUR 33.8 million by 2026, demonstrates the success of ElringKlinger's development work. Besides single components, the Group also supplies modules and complete battery systems. Development work in this area in the financial year focused in particular on customer-specific battery systems as well as ElringKlinger's own battery systems – the "ElringKlinger standard" – fitted with both prismatic and round cells. One brand-new project that was initiated revolved around developing a battery system based on a pouch cell.

Having entered a strategic partnership in 2017 with the engineering specialist hofer, as a result of which ElringKlinger holds a non-controlling interest in hofer AG, Nürtingen, Germany, and majority interests in the production subsidiaries, the Group began developing electric drive units. While hofer AG contributes its electric drive know-how, ElringKlinger brings to the table its skills in scaling up customer orders for series production. Manufacturing operations at the UK subsidiary have already begun based on this

expertise. The four electric drive systems were evolved further during the past financial year, and an initial prototype of a drive system designed in-house at ElringKlinger was developed.

Metal Sealing Systems & Drivetrain Components: development focus on e-mobility applications

The research and development done by the Metal Sealing Systems & Drivetrain Components business unit in the financial year focused in particular on taking its existing expertise in component sealing and applying it to the new drive concepts. This is done, for instance, using metallic sealing systems with electric motor housing coatings that are designed specifically for the purpose, which improve electromagnetically compatible protection. To this end, it continued to use its expertise in coating and punching thin sheet metal and gluing components to develop metal assemblies and sealing systems for rotors and stators in electric motors. These can be produced efficiently and reduce losses when used inside the electric motor. Standardizing the sealing systems and optimizing their design also played a major role in the past financial year as this allows cost-efficiency to be improved even further.

Shielding Technology: focusing on the system as a whole

Shielding systems have been very much in demand for many years for the purpose of protecting heat-sensitive parts and the passenger compartment against high temperatures generated inside the engine compartment, within underbody area, and in the exhaust tract. These are the result of tightly packed assemblies, more compact engines, and minimized cooling air flows.

Research and development work in the Shielding Technology business unit in the past financial year was concentrated on the overall system, i. e., on linking up the various shielding methods. Elements borrowed from acoustic engineering were added to thermal shielding systems in order to minimize noise levels and optimize acoustic behavior. Since the choice of materials plays an important role in making a shielding system more efficient, work on refining these materials continued in this area too during the financial year.

**Lightweighting/Elastomer Technology:
using innovative plastic solutions to reduce weight**

Making vehicles lighter is key to cutting their emissions. Although a lower weight primarily decreases fuel and energy consumption, reduced tire wear also relieves the burden on the environment. This is why manufacturers consider every single ounce when developing new components. ElringKlinger's approach is to take components such as cylinder-head covers and oil sumps, which traditionally used to be made mostly from metal, and replace them with innovative plastic solutions.

Research and development work in the 2021 financial year focused on further refining cockpit cross-car beams and front-end modules as well as the ElroSafe underbody protector for battery systems. Besides thermal and acoustic protection, the underbody protector also provides the battery with particularly strong protection at high speeds. Thanks to its sandwich structures, featuring cover layers with a high continuous glass fiber content, this protection solution is by no means restricted to vehicle batteries; it can also be applied outside the automotive industry. The benefits it can offer in terms of high strength, the potential for weight savings, and improved thermal insulation compared with metallic components have been proven in a wide range of very different areas.

The cockpit cross-car and front-end beams have been mass-produced since 2015 and permit a significant weight reduction thanks to their hybrid plastic/metal design. Besides the lower weight, new customers are particularly impressed by the cost/benefit ratio and the design of the product range, as reflected in rising order levels. Computer-driven load simulations are used to facilitate large-scale production safely and reliably despite short development cycles.

Development work in the area of sealing technology focused primarily on products for battery-electric vehicles. In particular, the emphasis was on further evolving pressure equalization elements for batteries in the financial year under review. As well as helping to develop complex metal/elastomer gaskets for battery technology, the Group's expanded knowledge of materials development, production technology, and tool engineering also makes it better able to offer sealing solutions for fuel cell stacks.

Engineered Plastics: expertise in all manner of industries

In the field of engineered plastics, innovation begins at an early stage – with the material. The chemical and temperature resistance of the high-performance plastics enable a high level of manufacturing precision – an essential factor, because the high-performance plastics are adapted individually to the requirements of specific customers and sectors. These plastics are used in all manner of different industries, such as medical technology, mechanical engineering, the food industry, and the automotive industry.

As in previous years, the Engineered Plastics segment focused on the main trends in the individual industry sectors in the 2021 financial year. Research in this area is especially important due particularly to the growth of electromobility, the much tougher requirements in medical technology, and the new trends in industrial sensor systems in the food and pharmaceutical industries. Developing ultra-flexible fluoropolymer materials in the medical and life sciences sector was one area on which research and development focused, while the technique of enhancing medical tubes, e.g., to make them radiopaque, was also fine-tuned. Another key area of development work centered on the issue of electrical corrosion affecting electric vehicle drives, a form of corrosion that requires a discharge function to be integrated into existing dynamic gaskets.

Macroeconomic Conditions and Business Environment

The direction taken by the global economy in 2021 was again heavily influenced by the coronavirus pandemic. Although world production output increased significantly over the course of the year, with the gross domestic product (GDP) standing at 5.9%, the overall momentum of growth was relatively modest. In this context, economic performance was dampened by rising prices and supply-side bottlenecks. The automotive industry was also impacted by shortages of materials such as semiconductors. After a bifurcated year – characterized by growth in the first six months and a significant downturn in the second half – the automotive industry saw global car production expand slightly by 3.4% to 77.1 million new vehicles.

Muted recovery of global economy

Against the backdrop of the coronavirus-induced slump a year earlier, the economy was somewhat sluggish and inconsistent in its recovery over the course of 2021. Impacted by factors such as material-related shortages, supply chain problems, and rising inflation rates, the economy as a whole lost much of its forward momentum in the second half of the year. The divide between industrialized and emerging nations remained very much in evidence, due in part to differences in the overall coverage of vaccinations aimed at containing the coronavirus pandemic.

Global production output increased significantly in 2021, as reflected in a 5.9% increase in GDP, after having contracted by 3.1% in 2020 as a result of the coronavirus pandemic. However, the trajectory of growth was relatively modest. While industrial production in the advanced economies expanded slightly in the period up to mid-2021, it was already trending lower in the emerging economies. Rather than being entirely demand-driven, this weakness in economic performance was attributable to supply-side bottlenecks relating to raw and primary materials. Alongside logistical disruptions, e.g., in the area of maritime transportation, production capacity was often insufficient when it came to meeting buoyant demand. Downward pressure on the Chinese economy – with multiple factors leading to production cutbacks – had a negative impact on the global availability of materials.

GDP growth projections

Year-on-year change (in %)	2020	2021
World	-3.1	5.9
Advanced economies	-4.5	5.0
Emerging and developing countries	-2.0	6.5
Eurozone	-6.4	5.2
Germany	-4.6	2.7
USA	-3.4	5.6
Brazil	-3.9	4.7
China	2.3	8.1
India	-7.3	9.0
Japan	-4.5	1.6

Source: International Monetary Fund (Jan. 2022)

Extensive fiscal measures continued to be implemented in many economies for the purpose of propping up the economy and mitigating the impact of the pandemic. In 2021, the focus was increasingly on public investment and programs aimed at meeting structural challenges such as climate change or demographic trends.

Spiraling prices were attributable, among other things, to the higher cost of energy. In Europe, the hike in gas prices was particularly pronounced. At the same time, in November the price of oil reached its highest level since 2014. In response to more intense inflationary pressure, central

Light vehicle production

Region	Million units		Year-on-year change
	2020	2021	
Europe ¹	15.2	14.4	-5.5%
China	23.6	24.8	5.3%
Japan/Korea	11.2	10.9	-3.1%
Middle East & Africa	1.8	2.1	15.6%
North America	13.0	13.0	0.2%
South America	2.2	2.6	16.1%
South Asia	6.2	7.9	27.4%
World	74.6	77.1	3.4%

Source: IHS (Feb. 2022)

¹ Incl. Russia

banks in the United States and the euro area pursued different monetary policies, especially in the second half of the year. While the US Federal Reserve announced that it would abandon its expansionary monetary policy sooner than originally planned, the European Central Bank remained committed to its ultra-loose monetary approach. As a result, the US dollar appreciated against many other currencies.

Global vehicle production declines due to supply-side bottlenecks

Emerging from the coronavirus-induced quagmire of the previous year, global automotive markets rallied quite significantly during the first six months of 2021 – before experiencing a visible decline in production output and sales volumes in the second half of the year. Ongoing problems within supply chains and especially the shortage of semi-conductors had a dampening effect on vehicle production and the automotive supply industry.

On the back of the very low level recorded in the crisis year of 2020, car production expanded by 3.4% to 77.1 million light vehicles (passenger cars and light commercial vehicles) in 2021. Thus, the total volume of output was still 13.4% short of the pre-crisis level recorded in 2019, when vehicle production had totaled 89.0 million units.

After initial signs of encouraging growth in the first half of the year, the European market slipped sharply into negative territory. The North American market developed along similar lines. While the Chinese market trended downwards from the second quarter onward, it still managed to post some growth for the annual period as a whole. Only the region encompassing South Asia, which includes the Indian market, recorded strong growth in production output.

Sales markets in slightly better shape

The picture was slightly more favorable within the various sales markets, which were partly served from stock. After significant growth in the first half of the year as a result of catch-up effects, but also due to the low year-on-year comparative base, the markets entered choppy waters in the second half of the year as the negative factors described above took their toll.

For the full year, Europe (EU27, EFTA, UK) recorded a 1.5% drop in sales to 11.8 million newly registered cars. At the end of the year, the more widespread presence of the Omicron variant in Europe led to renewed containment measures. In December, the region as a whole saw a decline of around 22% in new vehicle registrations. Germany recorded a downturn of 10.1% in 2021. As a result, Europe has not yet been in a position to compensate for the decline caused by the pandemic. At 14.9 million units, light vehicle sales in the United States also remained well below the pre-crisis level of around 17.0 million vehicles. Having said that, the market did manage to achieve a slight increase in sales of 3.1% in 2021 as a whole. China recorded a more significant increase of 6.6%, taking the figure to 21.1 million cars.

Strong demand for commercial vehicles

Buoyed by strong demand for goods and a brimming logistics sector, the commercial vehicle markets in Europe, NAFTA, and the key South American market of Brazil grew significantly in the 2021 financial year. Heavy-duty truck registrations increased by around 20% in Europe, 15% in North America (NAFTA), and around 45% in Brazil.

Significant Events

In the period under review, as in the previous year, the ongoing coronavirus pandemic had a major impact on the social, political, and economic environment in which ElringKlinger operates, and thus also on the company itself. Irrespective of these circumstances, the Group remained resolute in pursuing its strategic course, as evidenced by significant activities in the E-Mobility business unit. Other important events include the Annual General Meeting, which was once again held in a virtual format.

EKPO Fuel Cell Technologies commences business activities

The subsidiary EKPO Fuel Cell Technologies GmbH (“EKPO” for short), based at the main site in Dettingen/Erms, Germany, commenced its business operations on March 1, 2021. These activities encompass the development, manufacture, and distribution of fuel cell stacks and components. The applications are primarily designed for commercial vehicles and buses, but also for passenger cars. Specialist vehicles, trains, and ships are among the other suitable fields of application with growth potential. Upon commencing operations, French automotive supplier Plastic Omnium, based in Levallois, France, acquired a stake in the company, which is fully consolidated within the ElringKlinger Group. ElringKlinger contributed its fuel cell technology unit to the entity, while Plastic Omnium committed itself to a contribution of EUR 100 million.

Also with effect from March 1, 2021, ElringKlinger sold to Plastic Omnium its subsidiary ElringKlinger Fuelcell Systems Austria GmbH, which specializes in the integration of hydrogen systems and is based in Wels, Austria. The entire transaction was concluded as planned on the basis of the agreement reached between ElringKlinger AG and Plastic Omnium on October 28, 2020.

E-Mobility unit based at new Neuffen location

At the beginning of 2021, ElringKlinger established a new site in Neuffen, located around ten kilometers from its Group headquarters in Dettingen/Erms. Its key focus is on evolving the company’s business activities in the field of battery technology. At the same time, however, the site also accommodates other sub-areas such as the production of electric drive units.

High turnout at second virtual Annual General Meeting

Against the backdrop of the coronavirus pandemic, ElringKlinger once again conducted its Annual Shareholders’ Meeting as a virtual event. In total 63.2% of the voting share capital was represented. In his Management Board speech, CEO Dr. Stefan Wolf looked back on the challenging 2020 financial year and presented an outlook on the strategic direction to be taken by the Group. All items on the agenda were approved by a large majority of shareholders. The Annual General Meeting also approved the new compensation system for the Management Board, in addition to resolving in favor of the compensation system for the Supervisory Board. The new system of compensation for the Management Board stipulates that the targets to be set annually by the Supervisory Board may also include sustainability targets.

Significant contracts and collaborative efforts in the field of E-mobility

In the 2021 financial year, ElringKlinger received several high-volume purchase orders that are of particular importance to the rapidly expanding E-Mobility unit. In some cases, the contracts cover a period of several years and include substantial revenue contributions.

In March 2021, ElringKlinger AG received a purchase order from a global battery manufacturer covering cell contact systems. It encompasses a total volume in the mid-triple-digit million euro range and spans a contractual period of around nine years. The systems are intended for the series platform developed by one of Germany’s premium carmakers; production ramp-up in Neuffen is scheduled for 2022.

Furthermore, in May 2021 the Group subsidiary EKPO received a notable series production order from Aachen-based mobility company AE Driven Solutions GmbH, Aachen, Germany, for the supply of fuel cell stacks. The contract 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. Here, too, series production is scheduled to commence in 2022.

In December 2021, the Group subsidiary EKPO entered into a cooperation agreement with German-Chinese system integrator DR Powertrain System Co. Ltd. based in Jiaxing, China, for the purpose of stepping up efforts to cultivate the Chinese market in the field of fuel cell technology. EKPO will supply DR Powertrain with fuel cell stacks for integration into local manufacturers' systems for automotive and non-automotive applications.

In December 2021, ElringKlinger was awarded a contract to develop and supply prototypes of a battery system for an all-electric high-end sports car manufactured by Piëch Engineering AG, Zürich, Switzerland. In addition to the battery modules, the battery units also include the battery management system. The project initially covers a volume in the mid-single-digit million euro range and commenced as early as 2021.

ElringKlinger technologies selected for European IPCEI funding project

ElringKlinger is involved in two projects as part of the European Union's IPCEI (Important Projects of Common European Interest) funding initiative. At the end of April 2021, ElringKlinger received notification of funding from the German Federal Ministry for Economic Affairs and Energy

and the state of Baden-Württemberg for its innovative battery cell housing components. Thus, ElringKlinger has become one of eleven German companies tasked to establish a European battery value chain as part of this initiative. Additionally, the German government has selected ElringKlinger to develop a new generation of fuel cell stacks for the commercial vehicle sector in the context of the so-called Hydrogen IPCEI. The stacks are also to be used in buses as well as in maritime applications, in the rail sector, or as stationary units. The selection made by the German federal government still has to be confirmed at the European level.

Additional subsidiaries established in United States

Two new Group companies were established in the USA effective from July 1, 2021. Alongside the holding company ElringKlinger Holding USA, Inc., based at the existing ElringKlinger site in Buford, Georgia/USA, ElringKlinger Texas, LLC, based in San Antonio, Texas/USA, was established as a further production company.

Pooling forces within the Shielding Technology business unit

Committed to further enhancing the competitiveness of the Shielding Technology business, ElringKlinger plans to pool its operating activities within this area and optimize its production sites. As communicated by ElringKlinger at the end of October 2021, the intention is to gradually discontinue the production of shielding components at one of the German sites and to transfer any remaining orders to other sites. Research and development activities are to be continued in close proximity to the site. The Group's goal is to further improve the competitiveness of its Shielding Technology unit and to be in a position in which it can offer its customers high-end solutions tailored to their needs well into the future.

Sales and Earnings Performance

Global automotive markets recovered slightly in the 2021 financial year, growing by 3.4% worldwide. The ElringKlinger Group saw its revenue expand by around 10% in the financial year just ended. Revenue growth was driven by all key segments in the period under review. The efficiency stimulus program pursued since 2019 was again reflected in an improved financial performance in 2021. The Group generated earnings before interest and taxes (EBIT) of EUR 102.0 million, which corresponds to a margin of 6.3%.

Group revenue up after crisis year

The 2021 financial year saw significant revenue growth despite difficult underlying conditions such as bottlenecks relating to semiconductors, supply chain issues, raw material shortages, and the coronavirus pandemic. Overall, the ElringKlinger Group generated revenue of EUR 1,624.4 million (2020: EUR 1,480.4 million), up EUR 144.0 million or 9.7% on the previous year. Compared to the pre-crisis year of 2019, revenue was still down by 5.9%. Currency translation had a negative impact equivalent to EUR -6.2 million or -0.4% in the financial year under review, primarily due to the exchange rate movements of the Turkish lira, the US dollar, and the Japanese yen. No adjustments with regard to M&A activities were applicable in the period under review. Excluding these effects from exchange rate changes, the increase in revenue amounted to EUR 150.2 million or 10.1%. The projected trend for the market as a whole had been revised several times in the year under review. At 3.4%, ultimately, this figure was much lower than the figure of +13% predicted at the beginning of 2021 by industry institute IHS. Thus, the Group's organic revenue growth exceeded the increase in global car production by several percentage points.

While the previous year had been heavily impacted by the coronavirus pandemic, on the whole the global economy rebounded in the 2021 financial year. Despite new waves of infection, economic activity was upheld without far-reaching production stoppages induced by lockdown measures – unlike the year before.

Revenue growth in almost all regions

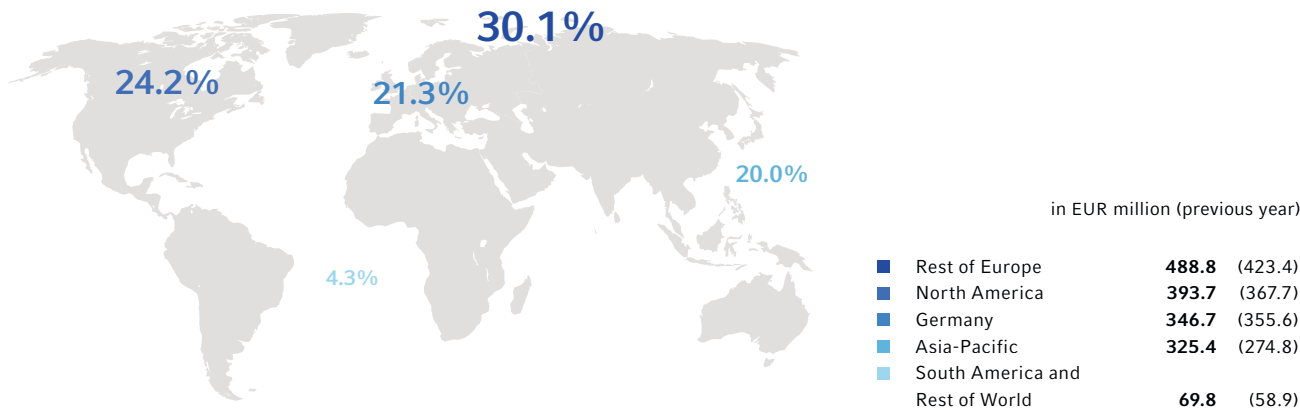
The Rest of Europe, which is ElringKlinger's largest sales region in terms of revenue, recorded strong growth as a proportion of total revenue in the 2021 financial year. With growth of EUR 65.4 million or 15.4%, revenue amounted to EUR 488.8 million (2020: EUR 423.4 million). As a result, the share of revenue increased by 1.5 percentage points to 30.1% (2020: 28.6%). Thus, this region continues to represent the highest proportion of sales revenue within the ElringKlinger Group. Adjusted for currencies, sales revenues expanded by as much as EUR 69.2 million or 16.3%. By contrast, automobile production in the region of Europe (including Germany) declined by 5.5%, according to data provider IHS.

Revenue generated in North America rose by 7.1% or EUR 26.0 million in the 2021 financial year. The Group thus

Factors influencing Group revenue

in EUR million	2021	2020	Change, absolute	Change, relative
Group revenue	1,624.4	1,480.4	144.0	9.7%
of which FX effects			-6.2	-0.4%
of M&A activities			0.0	0.0%
of which organic			150.2	10.1%

Group revenue by region 2021



achieved revenue of EUR 393.7 million (2020: EUR 367.7 million) in this region. On this basis, the region accounts for 24.2% of Group revenue (2020: 24.8%). The Group’s business expansion in North America was significantly stronger than overall market growth, which amounted to just 0.2%. Adjusted for currencies, sales revenues rose by EUR 27.1 million or 7.4%.

Due to the government’s zero-covid strategy, as part of which any outbreak is to be restricted locally, the coronavirus pandemic had no wide-ranging impact on the Chinese economy. ElringKlinger generated revenue of EUR 325.4 million (2020: EUR 274.8 million) in the Asia-Pacific region in the 2021 financial year, which corresponds to growth of EUR 50.6 million or 18.4%. The share of total revenue stood at 20.0%, compared to 18.6% in the previous year.

There was a slight decline in revenue in the sales region of Germany, which was attributable to production-specific constraints at some of the plants operated by car manufacturers. In total, ElringKlinger generated domestic sales revenue of EUR 346.7 million (2020: EUR 355.6 million), which corresponds to a decline of EUR -8.9 million or -2.5%. The share of revenue was down on the prior-year figure, amounting to 21.3% (2020: 24.0%).

The region comprising South America and Rest of the World recorded the most pronounced percentage increase in revenue in the 2021 financial year. Here, the Group saw revenue expand by EUR 10.9 million or 18.6% to EUR 69.8 million (2020: EUR 58.9 million). Revenue growth was even more

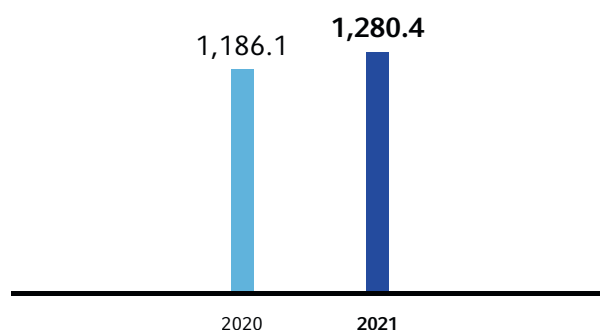
significant after adjustments for currency effects. If exchange rates had remained unchanged, revenue would have been up by EUR 13.1 million or 22.3%. Overall, the share of Group revenue stood at 4.3%, compared to 4.0% in the previous year.

The share of domestic revenue decreased to 21.3% (2020: 24.0%) in the financial year under review. Correspondingly, the proportion of foreign sales amounted to 78.7% (2020: 76.0%).

Original Equipment segment records growth in all future-facing areas

Accounting for 78.8% (2020: 80.1%) of total revenue, the Original Equipment segment constitutes the largest segment of the ElringKlinger Group. In the 2021 financial year, this segment generated revenue of EUR 1,280.4 million

Revenue in the Original Equipment segment
in EUR million



(2020: EUR 1,186.1 million), representing an increase of EUR 94.3 million or 8.0%. The segment thus grew quite significantly compared to global car production, which expanded by only 3.4%.

Within the Original Equipment segment, the Metal Sealing Systems & Drivetrain Components business unit, which had been newly established in the preceding year, generated revenue of EUR 448.2 million (2020: EUR 410.7 million), an increase of EUR 37.5 million or 9.1%. The largest business unit calculated on the basis of share of revenue, Lightweighting/Elastomer Technology, saw a sizeable increase in revenue of EUR 77.5 million or 18.3%, thus posting revenue of EUR 500.1 million (2020: EUR 422.6 million) in the 2021 financial year. With a decline in revenue of EUR -21.8 million or -7.5%, Shielding Technology was the only business unit within the Original Equipment segment, along with the Exhaust Gas Purification unit, that failed to record growth in revenue in the 2021 financial year. It generated revenue of EUR 269.3 million (2020: EUR 291.1 million).

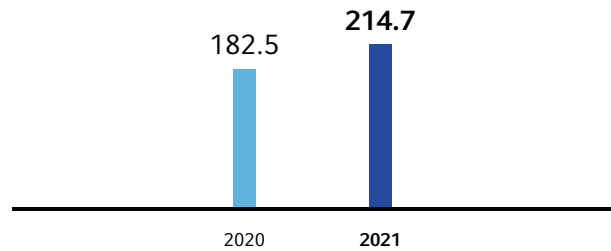
On the back of a particularly strong performance in the previous year, the E-Mobility business unit saw a further expansion in revenue in the period under review. This unit brings together the Group's business activities in the field of battery and fuel cell technology as well as in the area of electric drive units. At EUR 58.7 million (2020: EUR 54.7 million), the business unit managed to lift its revenue by EUR 4.0 million or 7.3% compared to the previous year. After adjusting the prior-year figure for the proceeds of around EUR 25 million attributable to a fuel cell partnership, revenue was actually almost doubled.

The Exhaust Gas Purification business unit saw a decline in revenue by EUR 2.9 million or 41.4% to EUR 4.1 million in the 2021 financial year (2020: EUR 6.9 million). Activities within this area of the business are mainly centered around the construction of housings as a component for exhaust gas purification systems.

Having been unable to fully cover its fixed costs in the previous year due to the effects of the coronavirus pandemic, the Original Equipment segment achieved earnings before interest and taxes of EUR 36.9 million in the financial year under review (2020: EUR -23.7 million) as a result of a favorable sales performance and sustained cost discipline. The EBIT margin was 2.9% (2020: -2.0%).

Revenue in the Aftermarket segment

in EUR million



Further growth in Aftermarket segment after strong prior-year performance

The Aftermarket segment succeeded in further expanding its revenue in the period under review – on the back of a strong performance in the previous year. At EUR 214.7 million, revenue generated in 2021 was up by EUR 32.2 million or 17.7% on the prior-year level (2020: EUR 182.5 million). The segment managed to drive revenue forward in Eastern Europe, in particular, but also in North and South America, Western Europe, Africa, and Asia as well as in the Middle East/Indian subcontinent. Of the major sales regions, only Germany recorded a slight decline.

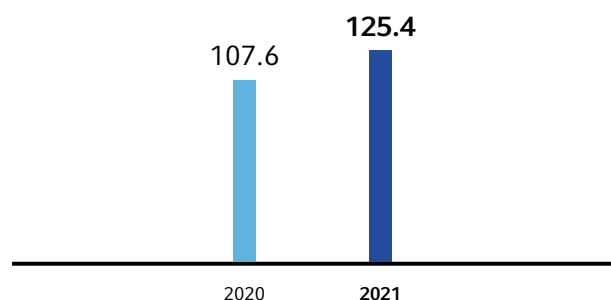
Segment earnings before interest and taxes were up slightly at EUR 42.2 million (2020: EUR 39.0 million), which corresponds to an EBIT margin of 19.7% (2020: 21.4%).

Significant upturn for Engineered Plastics segment

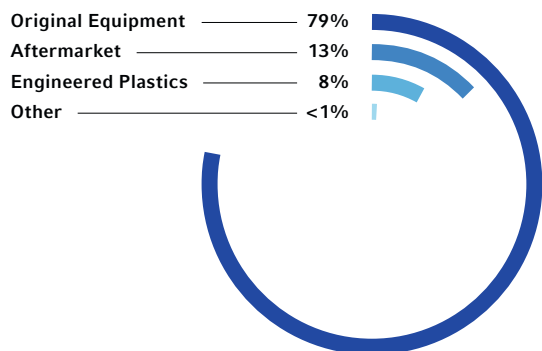
At EUR 125.4 million, revenue generated in the Engineered Plastics segment in the 2021 financial year was up markedly on the prior-year figure (2020: EUR 107.6 million). Revenues increased by EUR 17.8 million or 16.6% in the financial year under review, driven in particular by sales in

Revenue in the Engineered Plastics segment

in EUR million



Group revenue by segment and business unit 2021



in EUR million (previous year)

Original Equipment	1,280.4	(1,186.1)
– Lightweighting/Elastomer Technology	500.1	(422.6)
– Metal Sealing Solutions & Drivetrain Components	448.2	(410.7)
– Shielding Technology	269.3	(291.1)
– E-Mobility	58.7	(54.7)
– Exhaust Gas Purification & Other	4.1	(7.0)
Aftermarket	214.7	(182.5)
Engineered Plastics	125.4	(107.6)
Other	4.0	(4.3)

Europe and Asia, while revenue generated in North America was lower.

At EUR 23.7 million (2020: EUR 14.0 million), the segment recorded a significant increase in earnings before interest and taxes. This was also attributable to savings in non-personnel, travel, and staff costs. The segment’s EBIT margin was 18.9% (2020: 13.0%).

Slight decline in revenue for “Other” segment

In the 2021 financial year, the segment referred to as “Other,” which combines the activities of services and industrial parks, generated revenue of EUR 4.0 million (2020: EUR 4.3 million). The segment loss before interest and taxes amounted to EUR -0.8 million. This represents a slight improvement on the previous year’s figure of EUR -1.6 million.

Successful execution of efficiency stimulus program

The global efficiency stimulus program that management rolled out across the Group at the beginning of the 2019 financial year has now been successfully completed. Covering various dimensions, it was aimed at positioning the Group more effectively for the process of transformation. This included the objective of strengthening profitability, for which the Group, in addition to streamlining staff, material, and non-personnel costs, also made adjustments to its current prices when concluding contract extensions. The Group also took a committed approach to avoiding additional costs, e.g., for special freight movements or extra shifts, from the outset by means of process optimization, staff training, and the elimination of inefficiencies. In parallel, ElringKlinger pursued a disciplined plan of action relating

to investments and optimized its net working capital in order to generate positive operating free cash flow at a sustainable level. These measures were aimed at significantly reducing the Group’s net financial liabilities and perceptibly lowering its net debt ratio.

Further improvement in gross profit margin

The cost of sales increased at a lower rate in relation to revenue growth in the 2021 financial year, up by 6.5% on the prior-year level. In total, they amounted to EUR 1,273.4 million, compared to EUR 1,195.5 million in the previous financial year. As a result, gross profit improved significantly compared to the previous year, standing at EUR 351.0 million. This figure was EUR 66.1 million or 23.2% higher than in the 2020 financial year (2020: EUR 284.9 million). Correspondingly, the gross profit margin increased by 2.4 percentage points to 21.6% (2020: 19.2%).

Driven by various factors, commodity prices increased markedly in the financial year under review. For example, the price of one ton of aluminum on the London Metal Exchange surged by 42% in 2021.

As part of its manufacturing processes, ElringKlinger mainly uses raw materials such as aluminum, alloyed high-grade steels (and especially chromium-nickel alloys), carbon steel, polyamide-based polymer granules, i.e., pellets, such as PA6.6, and elastomers as well as polytetrafluoroethylene (PTFE) in the Engineered Plastics segment. In addition, materials and components required for the production of battery and fuel cell systems are also becoming increasingly important. The Group uses aluminum primarily in the production of shielding parts within the Shielding Technology business

unit. High-grade steels and their alloys are deployed in the Metal Sealing Systems & Drivetrain Components business unit, while plastic granules, i. e., pellets, are used in the Lightweighting/Elastomer Technology business unit.

ElringKlinger employs a range of instruments to limit volatility and the general upward trend in prices. These include, for example, price escalation clauses in customer contracts through which price changes relating to commodities are passed on to the customer. In addition, the Group also concludes hedging transactions where this is possible on the basis of corresponding reference figures. Purchasing, as a corporate unit, also pursues various strategies to optimize material costs via contract parameters such as duration and volumes.

Overall, the Group recorded a 13.9% increase in the cost of materials, taking this figure to EUR 709.2 million in the period under review (2020: EUR 622.7 million). Against the backdrop of revenue growth of around 10% and commodity price increases of around 40% in some cases, the Group was able to cushion significant inflationary effects. In view of the fact that the cost of materials nevertheless increased at a more pronounced rate than revenue, the cost-of-materials ratio stood at 43.7% (2020: 42.1%).

Staff costs, which are accounted for in various functional categories of the income statement, amounted to EUR 526.6 million in 2021. This item also includes costs associated with the planned site optimization, which were accounted for in the fourth quarter of 2021. As in the case of the Group's cost of materials, staff costs thus trended upward again compared to the previous year (2020: EUR 472.1 million), but without reaching the level of EUR 544.4 million recorded in the pre-pandemic year. The Group had also targeted its efficiency stimulus program, initially launched in 2019, at reducing staff costs. Expressed as a ratio, staff costs in relation to Group revenue were only up slightly on the prior-year figure at 32.4% (2020: 31.9%).

With the economy becoming more buoyant, selling expenses increased by EUR 13.7 million or 12.8% to EUR 120.8 million in 2021 (2020: EUR 107.0 million), but were still well below the pre-pandemic level of EUR 133.4 million recorded in 2019. This is attributable to the fact that travel and exhibition activities are still limited to the minimum level necessary as part of protective measures. At the same time, the Group has benefited from the structural optimization of additional costs attributable to sorting and special freight

movements as well as extra shifts as part of measures implemented in the context of the efficiency stimulus program.

General and administrative expenses also increased in 2021 as business picked up and amounted to EUR 83.6 million (2020: EUR 72.6 million).

Research and development ratio remains steady

In an effort to help shape the transformation process within the automotive industry, ElringKlinger has been focusing its research and development activities on alternative drive technologies, i. e., primarily on the area of E-Mobility, encompassing battery and fuel cell technology as well as electric drive units as part of its partnership with hofer AG.

Compared to the previous year, the Group's research and development costs were slightly up at EUR 64.9 million in 2021 (2020: EUR 63.8 million). In addition, it recorded EUR 17.2 million (2020: EUR 12.4 million) in capitalized costs meeting the relevant criteria for recognition. This resulted in a capitalization ratio of 21.0% (2020: 16.2%). Amortization and impairment losses relating to capitalized development costs totaled EUR 4.2 million (2020: EUR 12.8 million). Including capitalized development costs, the ratio of R&D costs to Group revenue was 5.1%, i. e., exactly the same as in the previous year (2020: 5.1%).

ElringKlinger again received public-sector funding in the financial year under review in support of its research and development activities. This was granted in respect of research projects primarily centered around the fields of battery and fuel cell technology as well as lightweight construction. Funds granted with regard to R&D projects and recognized in profit or loss totaled EUR 3.7 million (2020: EUR 3.6 million). As the Group does not receive any funding without its own expenses, all funding recognized in profit or loss in 2021 was again offset by project-related expenses for development and prototyping in the corresponding amount.

Other operating income totaled EUR 32.7 million in the reporting period, which was EUR 22.8 million above the level recorded in the previous year (2020: EUR 9.8 million). This includes the proceeds from the sale of the Austrian subsidiary to French automotive supplier Plastic Omnium in the first quarter of 2021. Other factors included the reversal of impairment losses on receivables, third-party reimbursements, and insurance recoveries.

Other operating expenses almost halved in the 2021 financial year, falling by EUR 11.2 million or 47.3% to EUR 12.5 million (2020: EUR 23.6 million). The previous financial year had included a higher loss allowance for receivables as well as more pronounced losses from the disposal of non-current assets.

EBIT margin at upper end of expectations

The efficiency stimulus program was also reflected in improved earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2021. The Group achieved EBITDA of EUR 216.1 million (2020: EUR 181.5 million). In this context, the previous year had included instruments such as short-time work in Germany as well as proceeds from a fuel cell partnership. Write-downs totaled EUR 114.1 million in the financial year under review (2020: EUR 153.7 million). In the previous year, this item had been impacted by impairment tests conducted in accordance with IAS 36. After deducting depreciation and amortization, earnings before interest and taxes (EBIT) amounted to EUR 102.0 million (2020: EUR 27.7 million), which corresponds to a margin of 6.3% (2020: 1.9%). The Group's EBIT margin thus exceeded the original guidance figure published in March 2021 and was at the upper end of expectations outlined in October 2021, when the projected margin for the financial year had been around 6%.

Net finance costs down markedly

The reduction in financial liabilities is also reflected in the net interest result. Interest expenses were lower compared to the previous year, as a result of which the Group's net interest result improved significantly by 46.0%. In contrast to the previous financial year, the volatility of exchange rates did not result in a loss from currency translation in the period under review. Unrealized foreign exchange losses resulting from the translation of the balance sheet items denominated in a foreign currency into EUR – as the reporting currency – at the year-end rate were offset by higher foreign exchange gains. Therefore, the net result of foreign exchange gains and losses improved by EUR 23.9 million in total. As losses from associates also decreased, net finance costs fell by EUR 40.0 million to EUR -1.3 million (2020: EUR -41.3 million).

At EUR 100.8 million, therefore, the result before income taxes was up by EUR 114.3 million (2020: EUR -13.6 million) on the previous year.

Earnings per share at EUR 0.88

In view of the positive pre-tax result, income tax expenses increased to EUR 46.2 million in 2021 compared to the previous year (2020: EUR 26.4 million), which corresponds to an effective tax rate of 45.9%. The previous year had seen a negative tax rate due to the pre-tax loss. The tax expenses reflect the global positioning of the Group with heterogeneous profitability relating to the subsidiaries. This has different effects on the taxes payable in the respective countries.

After deducting income tax expenses, net income for the financial year under review was EUR 54.6 million (2020: EUR -40.0 million). Taking into account the share of net income attributable to non-controlling interests, net income attributable to the shareholders of ElringKlinger AG amounted to EUR 55.7 million in 2021 (2020: EUR -40.8 million). This results in earnings per share of EUR 0.88 (2020: EUR -0.64), which is significantly above the level recorded in the previous year. As of December 31, 2021, the number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990.

Balanced dividend policy

The annual financial statements of ElringKlinger AG prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and relevant for the dividend payment showed a net income of EUR 70.1 million (2020: net loss of EUR 11.6 million). After accounting for the accumulated loss carried forward from the previous year and the allocation of EUR 26.6 million to the revenue reserves of ElringKlinger AG, the unappropriated surplus ("Bilanzgewinn", i.e. the distributable profit) stands at EUR 9.5 million (2020: accumulated loss of EUR 34.0 million).

In view of the unappropriated surplus generated in the period under review, ElringKlinger is again in a position to pay a dividend for the financial year just ended. Taking into consideration the process of far-reaching transformation and the opportunities resulting therefrom, the Management Board and the Supervisory Board have jointly decided to take a balanced approach with regard to ElringKlinger's dividend policy, particularly when viewed against this backdrop. While shareholders should benefit from the company's profitability, there is also a commitment to strengthening the company in support of the further transformation process. Both Boards therefore propose to the Annual General Meeting that a dividend of EUR 0.15 be paid for the 2021 financial year.

Financial Position

At the end of the 2021 financial year, the ElringKlinger Group's financial position and cash flows continued to be in a solid shape. The efficiency stimulus program launched in 2019 led to a further improvement in the Group's financial situation. In the financial year just ended, net debt was scaled back by around EUR 90 million to EUR 369.2 million, which represents another significant year-on-year reduction. With a ratio of 47.0% at the end of the reporting period, equity provides a strong foundation within the capital structure.

Total assets up, robust asset structure

Total assets reported by ElringKlinger Group as of December 31, 2021, increased by EUR 126.9 million year on year, the carrying amount standing at EUR 2,090.0 million (Dec. 31, 2020: EUR 1,963.1 million). The ratio of non-current to current assets remained almost unchanged at around 60:40 percent. Currency-related influences, which usually and among other factors result from the translation of individual balance sheets into the Group currency, the euro, are reflected in almost all items of the statement of financial position, and had a slightly accretive effect on total assets at the end of the 2021 financial year.

Fuel cell technology incorporated into Group subsidiary EKPO

The increase in total assets is attributable in part to the Group company EKPO Fuel Cell Technologies GmbH,

Dettingen/Erms, Germany, ("EKPO" for short). With the commencement of the entity's operations on March 1, 2021, French automotive supplier Plastic Omnium, based in Levallois, France, acquired a 40% stake. While ElringKlinger incorporated its fuel cell technology unit as a non-cash contribution, the co-owner committed itself to a contribution of EUR 100 million over a period of four years. The latter was divided into an initial installment of EUR 30.0 million paid in 2021 and a non-current and current receivable for the remaining amount, each of which was recognized in other non-current and current assets as of the end of the 2021 financial year. On the liabilities side, equity increased accordingly. EKPO is fully consolidated within the ElringKlinger Group (cf. "Significant Events").

As planned, ElringKlinger sold its Austrian subsidiary ElringKlinger Fuel Cell Systems Austria GmbH, Wels, to

Financial position

in EUR million	Dec. 31, 2021	Dec. 31, 2020
Total assets	2,090.0	1,963.1
Equity ratio	47.0%	41.4%
Net working capital ¹	402.2	402.8
in relation to Group revenue	24.8%	27.2%
Net debt ²	369.2	458.8
Net debt/EBITDA	1.7	2.5
ROCE ³	6.4%	1.7%

¹ Inventories as well as trade receivables less trade payables

² Current and non-current financial liabilities less cash and cash equivalents and short-term securities

³ Return on capital employed

Plastic Omnium as part of the agreement. The assets and liabilities disposed of as a result had already been recognized as non-current assets (Dec. 31, 2020: EUR 5.2 million) and liabilities (Dec. 31, 2020: EUR 1.9 million) held for sale as of the end of the 2020 financial year.

Non-current assets of EUR 1.3 billion

Non-current assets increased by EUR 54.8 million year on year as of December 31, 2021, with a carrying amount of EUR 1,267.1 million (Dec. 31, 2020: EUR 1,212.2 million). In addition to other non-current assets, which were up by a total of EUR 38.0 million to EUR 42.3 million (Dec. 31, 2020: EUR 4.3 million), mainly due to the aspect of EKPO mentioned above, intangible assets also increased significantly. Their carrying amount at the end of the year was EUR 215.6 million (Dec. 31, 2020: EUR 201.1 million), the increase being attributable mainly to the capitalization of development costs of EUR 17.2 million (2020: EUR 12.4 million). The majority of intangible assets consisted of goodwill with a carrying amount of EUR 165.2 million (Dec. 31, 2020: EUR 161.9 million).

The key item within non-current assets is property, plant, and equipment. Its carrying amount at the end of the year was EUR 938.6 million (Dec. 31, 2020: EUR 940.0 million). The Group continued to maintain a highly disciplined approach to investments in 2021, which led to a slight reduction in the overall volume of property, plant, and equipment. There were no impairments from impairment tests conducted on the basis of future earnings expectations at Group companies in the financial year under review, whereas in the previous year impairment testing had necessitated write-downs of EUR 24.2 million, attributable in part to the effects of the coronavirus pandemic.

The Group's financial assets, which include a non-controlling interest in Aerostack GmbH, Dettingen/Erms, Germany, remained stable with a carrying amount of EUR 15.5 million (Dec. 31, 2020: EUR 15.1 million). The investments in associates relate to interests in hofer AG, Nürtingen, Germany. These are accounted for using the equity method and amounted to EUR 13.7 million at year-end 2021 (Dec. 31, 2020: EUR 17.2 million).

Working capital proportionate to revenue growth

The favorable route taken by business in 2021 also had an impact on inventories of raw materials as well as semi-finished and finished products. In addition, developments

within the commodity and material markets had an impact on inventory planning, the objective being to ensure the availability of materials, while at the same time keeping cost increases as low as possible against the background of an upward trend in market prices. Compared to year-end 2020, the Group's inventories increased by 17.9% or EUR 53.8 million to EUR 354.3 million (Dec. 31, 2020: EUR 300.5 million).

In contrast, trade receivables remained close to stable year on year at EUR 233.5 million (Dec. 31, 2020: EUR 231.2 million). As a result, working capital, which encompasses inventories and trade receivables, stood at EUR 587.8 million at the end of 2021 (Dec. 31, 2020: EUR 531.8 million). Viewed in relation to organic revenue growth of 10.1%, the change in working capital was proportionate despite the challenging conditions seen within procurement markets. Among other things, this was attributable to targeted measures implemented as part of the efficiency stimulus 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 109.9 million as of December 31, 2021 (Dec. 31, 2020: EUR 127.9 million).

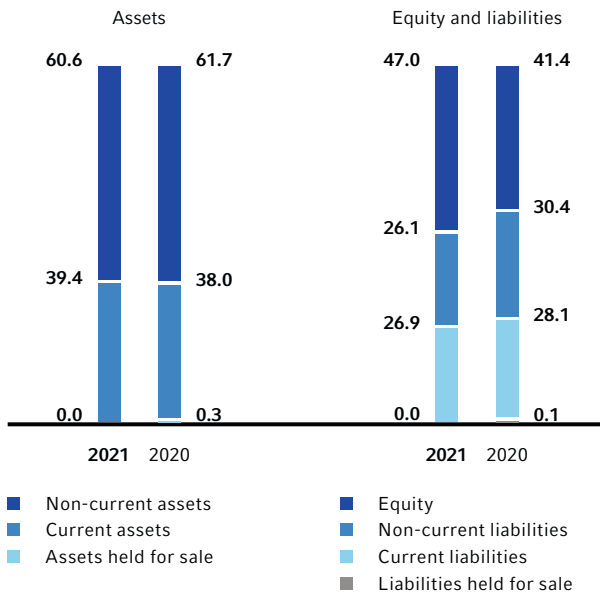
In total, the carrying amount of the Group's current assets was EUR 822.9 million at the end of the reporting period (Dec. 31, 2020: EUR 745.7 million), which represented 39.4% of total assets (Dec. 31, 2020: 38.0%).

Equity ratio at 47%

Equity held by the ElringKlinger Group amounted to EUR 982.3 million as of December 31, 2021, up from EUR 812.9 million at the end of the 2020 financial year. This corresponded to a share of 47.0% (Dec. 31, 2020: 41.4%) of total assets and continues to represent a strong foundation within the Group's capital structure. The equity ratio thus remains within the management's target range of 40 to 50%. The increase in equity in the financial year under review was attributable primarily to the positive bottom-line result of EUR 54.6 million and to additions associated with the investment of Plastic Omnium in the Group company EKPO, as mentioned above. This had an impact of EUR 99.0 million on the Group's equity. Other influencing factors relate to foreign exchange translation differences, distributions to shareholders with non-controlling interests, and the revaluation of pension provisions.

Structure of the ElringKlinger Group's statement of financial position

as of December 31, 2021
in %



The pension provisions of EUR 140.7 million (Dec. 31, 2020: EUR 156.9 million) were scaled back by EUR 16.2 million compared to end of the 2020 financial year. This was attributable primarily to changes in parameters, such as higher discount rates, on which the regular revaluation of future obligations was based (cf. Note 24 in the Notes to the consolidated financial statements).

Other provisions totaled EUR 76.6 million at the end of 2021 (Dec. 31, 2020: EUR 46.7 million). While non-current provisions were slightly lower year on year at EUR 16.5 million (Dec. 31, 2020: EUR 19.8 million), the carrying amount of current provisions increased by EUR 33.1 million to EUR 60.1 million (Dec. 31, 2020: EUR 26.9 million). The largest addition was attributable to staff-related obligations due to the planned discontinuation of production activities at one of the German sites. Furthermore, warranty obligations were higher in the period under review. This increase is mainly due to changes in individual estimates of utilization. This took into account contractual fundamentals and adjustments to the individual business-unit-specific

factor for lump-sum provisions based on past experience. Additionally, the Group recognized provisions for contingent losses from customer orders and items relating to other risks.

Net debt further reduced by EUR 90 million

In addition to financing investment activities, the Group used its substantial cash inflow from operating activities primarily for the purpose of scaling back financial liabilities. Net debt (non-current and current financial liabilities less cash and securities) thus fell by EUR 89.6 million to EUR 369.2 million as of December 31, 2021, when compared to the level at the end of 2020 (Dec. 31, 2020: EUR 458.8 million). The carrying amounts of non-current and current financial liabilities amounted to EUR 357.1 million (Dec. 31, 2020: EUR 391.9 million) and EUR 135.5 million (Dec. 31, 2020: EUR 205.3 million), respectively, at the end of the reporting period. They also included lease liabilities from the application of IFRS 16 amounting to EUR 63.7 million (Dec. 31, 2020: EUR 64.1 million).

Debt ratio improved markedly to 1.7

The Group performed well in 2021 with regard to the direction taken by both earnings and financial liabilities. As a result, the debt ratio was down substantially and the Group was able to meet its planned objective of a year-on-year improvement in this area. This Group financial indicator, which is calculated on the basis of net debt in relation to EBITDA, was 1.7 at the end of the reporting period. Down from 2.5 at the end of 2020, the ratio has thus steadily improved since 2019.

Net working capital in relation to revenue reduced to 25%

Net working capital, which is calculated on the basis of inventories and trade receivables less trade payables, remained at a level that was comparable to the previous year's figure. As of December 31, 2021, its carrying amount was EUR 402.2 million (Dec. 31, 2020: EUR 402.8 million). Against the backdrop of more expansive business, the ratio of net working capital as a share of Group revenue for the respective year decreased from 27.2% in 2020 to 24.8% at the end of the reporting period. In this case, too, the Group clearly achieved its objective for fiscal 2021 of a slight improvement in this ratio.

The positive direction taken by net working capital was underpinned by an increase in trade payables. The latter amounted to EUR 185.6 million as of December 31, 2021, compared to EUR 128.9 million at the end of the previous financial year. The increase in trade payables was in line with the change in inventories and was attributable in part to measures implemented in the context of the efficiency stimulus program within the Group.

Return on capital employed (ROCE) improved significantly in the 2021 financial year. As of December 31, 2021, ElringKlinger reported ROCE of 6.4%, compared to 1.7% a year earlier. This financial indicator expresses how high the return on capital employed is; it is determined from the relation of EBIT to average capital employed (cf. "Internal Control Criteria"). In terms of ROCE, the Group thus also met its original forecast of a noticeable improvement in ROCE in the 2021 financial year.

Cash Flows

In the 2021 financial year, the ElringKlinger Group once again generated substantial operating free cash flow of EUR 72.0 million, thus further extending its liquidity headroom. Benefiting from extensive measures to improve cost structures, together with a disciplined approach to investment spending, financial resources have remained on a consistently positive trajectory in the last three years.

Strong operating cash flow exceeds EBIT

At EUR 156.1 million (2020: EUR 217.8 million), net cash from operating activities was again very solid in the 2021 financial year. In contrast to the bottom-line result, non-cash expenses such as depreciation, amortization, and impairments of non-current assets, which amounted to EUR 113.8 million (less write-ups) in 2021 (2020: EUR 153.7 million), or changes in provisions of EUR 26.3 million (2020: EUR 8.6 million) are of no relevance to cash flow from operating activities. This, in particular, explains why operating cash flow was in excess of the visibly positive pre-tax result of EUR 100.8 million (2020: EUR -13.6 million). Additionally, operating cash flow does not include currency effects or the income from the sale of the Austrian subsidiary.

At the same time, cash flows related to changes in net working capital (inventories and trade receivables less trade payables) also affect operating cash flow. Including other assets and liabilities not attributable to financing activities, changes in these items resulted in a cash inflow of EUR 5.6 million (2020: EUR 57.4 million) in the 2021 financial year.

Income tax payments reduced cash and cash equivalents by EUR 68.4 million in 2021 (2020: EUR 18.3 million).

Investment decisions remain targeted

The focus of Group investments is on the company's strategic fields of the future. Investing activity during the 2021 financial year was directed primarily at industrialization projects in the areas of fuel cell and battery technology as well as lightweighting. These were mainly implemented at the sites in Dettingen/Erms, Germany, and the neighboring site for battery technology in Neuffen. At the same time, however, numerous measures were also put into place at plants around the world with regard to ramp-ups or automation within all business units.

As in the previous year, the Group took a highly disciplined approach to capital expenditure in 2021. Payments for property, plant, and equipment amounted to EUR 70.0 million in the financial year just ended (2020: EUR 57.3 million). The investment ratio (payments for investments in property, plant, and equipment relative to Group revenue) was

Key figures Cash Flows

in EUR million	2021	2020
Net cash from operating activities	156.1	217.8
Operating free cash flow ¹	72.0	164.7
Investments in property, plant, and equipment ²	70.0	57.3
Investment ratio	4.3%	3.9%

¹ Cash flow from operating activities and cash flow from investing activities, adjusted for M&A activities and cash flows for financial assets

² Payments for investments in property, plant, and equipment

4.3% (2020: 3.9%) and thus slightly below the figure of approximately 6% projected in the original outlook for the financial year.

Payments for intangible assets, which mainly include capitalized development costs, amounted to EUR 17.9 million in the 2021 financial year (2020: EUR 13.7 million).

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

ElringKlinger spent a net amount of EUR 73.0 million on total investing activities in 2021 (2020: EUR 60.6 million). In the previous year, cash flow from investing activities had, in addition, included a sale-and-leaseback transaction resulting in inflows of EUR 17.3 million.

Operating free cash flow at EUR 72 million

Operating free cash flow corresponds to operating cash flow less cash for investing activities and is adjusted for any 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 inflows from the sale of the Austrian subsidiary. This, too, explains why the Group's operating free cash flow of EUR 72.0 million (2020: EUR 164.7 million), which was once again well within positive territory in fiscal 2021, can be considered an encouraging result with regard to business activity. In total, the Group has generated operating free cash flow of EUR 412.5 million in the last three years. This illustrates the success of the various

measures of the efficiency stimulus program put in place for the purpose of cementing the Group's financial strength.

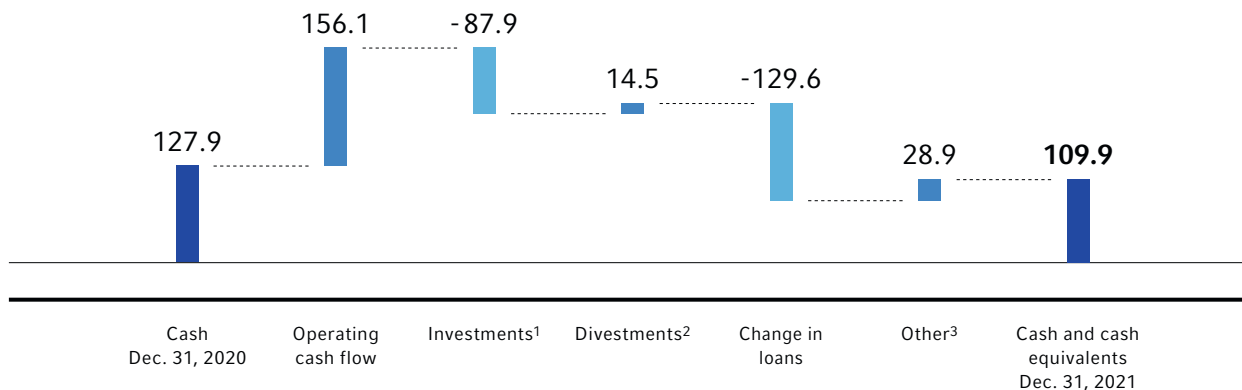
ElringKlinger again used the cash generated from operating activities to reduce liabilities to banks in the past financial year. In 2021, the Group spent EUR 111.6 million (2020: EUR 183.2 million) on the repayment of long-term loans (netted against borrowings). As regards short-term loans, there was an outflow of EUR 18.0 million (2020: inflow of EUR 29.2 million).

Overall, net cash used in financing activities amounted to EUR -106.8 million in the 2021 financial year (2020: EUR -155.8 million). This figure also includes the partial payment of EUR 30.0 million made by the co-owner with regard to its investment in EKPO Fuel Cell Technologies GmbH and distributions to non-controlling shareholders in the amount of EUR 7.2 million (2020: EUR 1.7 million).

As of December 31, 2021, the ElringKlinger Group had cash and cash equivalents of EUR 109.9 million (Dec. 31, 2020: EUR 127.9 million) and open, unused credit lines of EUR 299.7 million (Dec. 31, 2020: EUR 236.0 million). In addition to this comfortable level of liquidity, the Group's cash flow position was also strengthened by the fact that the existing syndicated loan was increased by EUR 100 million to a volume of EUR 450 million in July 2021 and extended until 2026. ElringKlinger therefore considers itself well equipped financially for further business development and the process of transformation that lies ahead.

Changes in cash 2021

in EUR million



¹ Payments for investments in property, plant, and equipment and intangible assets

² Sale of ElringKlinger Fuelcell Systems Austria GmbH, Wels, Austria

³ "Other" includes, among other items, the partial payment of EUR 30.0 million by the co-owner for interests in EKPO and distributions to non-controlling shareholders of EUR 7.2 million.

Overall assessment by the Management Board of the financial position, financial performance, and cash flows of the Group

For the second year in succession, the business performance of the ElringKlinger Group was again influenced palpably by external factors in 2021. Against the backdrop of the ongoing coronavirus pandemic and the associated repercussions for the economy and supply chains, the company looks back on a financial year that was both inconsistent and yet again very challenging in nature. Mirroring the dynamic market recovery in the first half of the year, the first six months of fiscal 2021 were accompanied by considerable growth in sales, while the second half saw markets and demand within the automotive sector slow down sharply again, in part due to material-related shortages and logistical bottlenecks. Despite these circumstances, ElringKlinger succeeded in significantly outperforming the market as a whole, which expanded by 3.4% in terms of automobile production output (based on data presented by industry service provider IHS), with revenue rising by 10.1% organically in the full annual period. From the company's perspective, this serves as confirmation of the efficacy of the course taken by ElringKlinger with a portfolio centered around future-facing technologies.

Against the backdrop of these difficult conditions, the ElringKlinger Group's business performance can be considered thoroughly satisfactory. On the back of sales revenues of EUR 1,624.4 million (2020: EUR 1,480.4 million), earnings

before interest and taxes amounted to EUR 102.0 million (2020: EUR 27.7 million), resulting in an EBIT margin of 6.3%, compared to 1.9% in the previous year. The Group also saw a further improvement in other key financial indicators. In particular, operating free cash flow was again well within positive territory at EUR 72.0 million (2020: EUR 164.7 million). Furthermore, debt was scaled back once again. Totalling EUR 369.2 million at the end of the 2021 financial year, net financial liabilities were almost halved compared to the level recorded at the beginning of 2019 (Dec. 31, 2018: EUR 723.5 million). This favorable development reflects the success of the efficiency stimulus program implemented by the Group three years ago. It included a wide range of individual measures targeted at different points within the Group – from cost streamlining through process improvements to a disciplined investment policy. Overall, ElringKlinger Group has thus strengthened its position financially and extended its room for maneuver. This also establishes a solid foundation for future profitability and strengthens the company's resilience to external influences.

ElringKlinger continued its determined efforts to cement its strategic position in the context of the current transformation process within automotive industry. These include the alliance entered into in 2020 with the aircraft manufacturer Airbus in the field of fuel cell technology as well as the commencement of business of the Group company EKPO Fuel Cell Technologies GmbH at the site in Dettingen/Erms, Germany, and the concentration of battery technology at

the site in Neuffen, Germany, established in 2021. ElringKlinger's portfolio now includes highly sophisticated products, components, and solutions both for classic applications and for vehicles that rely on alternative drive systems built around battery and fuel cell technology.

Management is of the opinion that ElringKlinger's strong portfolio, broad customer base, which includes both established and new manufacturers, and global network of production sites, provide an excellent basis for consistently solid business development.

Financial Performance, Net Assets, and Cash Flows of ElringKlinger AG

The management report of ElringKlinger AG and the Group management report have been brought together in a combined format. The business performance relating to ElringKlinger AG, as outlined below, is based on its annual financial statements, which have been prepared in accordance with the provisions set out in the Commercial Code (Handelsgesetzbuch – HGB) and the Stock Corporation Act (Aktiengesetz – AktG) as well as in compliance with additional requirements of the Articles of Association.

Benefiting from an upturn in the economy, ElringKlinger AG significantly expanded its sales revenues in all regions and achieved a noticeable improvement in earnings. ElringKlinger AG recorded revenue growth of 10.7% and an operating EBIT margin of 9.5% in 2021. ElringKlinger AG's net assets and cash flows at the end of the 2021 reporting period were very solid, with an equity ratio of around 50%, a further significant positive inflow of cash from operating activities in 2021 compared to the previous year, and a comfortable level of credit lines available to the company.

Year-on-year revenue growth of over 10%

Buffeted in particular by supply-side bottlenecks within the semiconductor sector, the automotive market was again forced to operate under tense conditions. Against this challenging backdrop, however, ElringKlinger AG saw its sales revenue expand by 10.7% year on year. The latter amounted to EUR 718.1 million (2020: EUR 648.6 million). Compared to both global (3.4%) and European car production (-5.5%), the company recorded buoyant growth in revenue. For the parent company, the level of growth for the 2021 financial year had originally been expected to be within a

single-digit percentage range. However, ElringKlinger was able to stand out from the market as a whole thanks to substantial orders placed as part of customer production scheduling, which suggests that the vehicle models in which ElringKlinger products can be found are not as badly affected by production cutbacks.

Revenue growth was driven by all regions. With a share of 42.3% (2020: 42.7%), the Rest of Europe represents the most important sales region for ElringKlinger AG. Revenue generated from sales in this region increased significantly

again in the period under review, up by EUR 26.8 million or 9.7% to EUR 303.9 million (2020: EUR 277.1 million). In Germany, revenue expanded by 4.4% or EUR 10.3 million, rising from EUR 233.7 million to EUR 244.0 million. Revenue thus exceeded the level recorded in the pre-pandemic year of 2019. The region encompassing Germany also includes revenues from products fitted to vehicles and engines that are subsequently exported. North America also proved to be a growth driver in the financial year under review, with revenue expanding by EUR 21.8 million or 37.8% to EUR 79.6 million in 2021. This region had experienced the largest decline in revenue during the 2020 financial year amidst the initial impact of the coronavirus pandemic. The region comprising South America and Rest of the World also grew by a sizeable 16.2% in the 2021 financial year, accounting for revenue of EUR 29.9 million. In the Asia-Pacific region, meanwhile, the company generated EUR 60.6 million (2020: EUR 54.3 million) in revenue, which represents year-on-year growth of EUR 6.3 million or 11.7%.

Revenue from foreign sales saw a disproportionately large increase of 14.3%, taking this figure to EUR 474.1 million (2020: EUR 414.9 million). As a result, the share of foreign sales in total revenue expanded by two percentage points to 66% (2020: 64%).

Renewed growth for Original Equipment segment

After the crisis year of 2020, the Original Equipment segment was able to drive forward again in the period under review. At EUR 521 million, this segment grew by 7.8% or EUR 37.9 million (2020: EUR 483.1 million). Due to a significant surge in the company's Aftermarket business, Original Equipment's share of total revenue decreased by two percentage points from 74.5% to 72.5%, despite above-average growth achieved when compared to the market as a whole. The Lightweighting/Elastomer Technology and Metal Sealing Systems & Drivetrain Components business units recorded the most pronounced levels of growth in revenue, while the Shielding Technology and Exhaust Gas Purification business units saw a slight decline in revenue. The previous year's revenue generated within the E-Mobility unit had included the proceeds from a partnership agreement relating to the company's fuel cell activities and revenue from this line of business, which has now been transferred to EKPO Fuel Cell Technologies. Adjusted for these exceptional items, revenue in this area increased markedly in the period under review.

Aftermarket business remains growth driver

As in the crisis year of 2020, revenue continued to expand within the Aftermarket segment. At EUR 197.0 million, revenues were up by EUR 31.6 million or 19.1% year on year (2020: EUR 165.4 million). As a result, this segment's share of revenue was further expanded by 1.9 percentage points to 27.4% (2020: 25.5%).

At EUR +18.7 million or 27.7%, growth was particularly buoyant in Eastern Europe. Having said that, the Aftermarket segment also expanded in Western Europe, in North and South America as well as in Africa – in some cases significantly. As regards the key regions, only Germany saw a slight decline in revenue.

Visible improvement in total operating revenue

Due in part to the expansion in revenue, inventories of finished goods and work in progress decreased by EUR 7.3 million in the 2021 financial year (2020: EUR -4.3 million). At EUR 1.5 million, other own work capitalized was slightly above the previous year's level of EUR 1.3 million. Overall, total operating revenue amounted to EUR 712.3 million, a noticeable improvement on the figure posted in 2020, the first year of the pandemic (2020: EUR 645.6 million). The year-on-year increase stood at EUR 66.7 million or 10.3%.

At EUR 68.0 million (2020: EUR 36.9 million), other operating income increased significantly compared to the previous year. Among the significant factors driving this item were unrealized income from foreign exchange differences, especially in the USD area, as well as the sale of the Austrian subsidiary to French automotive supplier Plastic Omnium. In addition, the increase was attributable to write-ups on financial assets and financial receivables as well as income from the reversal of various small-scale provisions.

Other operating expenses were largely on a par with the previous year's figure, at EUR 112.8 million (2020: EUR 113.0 million). Lower expenses relating to foreign exchange differences as well as lower repair and cleaning costs contrasted with an increase in service expenses and higher special distribution costs – e.g., for special packaging – due to more expansive business. Administrative and travel costs increased slightly again, but remain at a comparatively low level, as the company's travel activities are currently still limited to the minimum level necessary as part of the protective measures put in place in response to the pandemic.

Rising raw material prices

On the back of economic recovery, the commodity markets saw an increase in demand in the financial year under review. At the same time, events such as torrential rain in Germany during the summer months, the winter storm in Texas, or the grounding of a vessel in the Suez Canal had a restrictive effect on supply chains, as a result of which the availability of raw materials was not guaranteed throughout. This led to higher raw material costs, particularly in the second half of the year. Against this backdrop and in the course of the revival in business, the cost of materials also trended higher again compared to the previous year. The latter totaled EUR 304.4 million in the financial year just ended, an increase of EUR 46.0 million or 17.8% compared to the previous year (2020: EUR 258.4 million). The cost-of-materials ratio, which puts the cost of materials in relation to total operating revenue, thus rose by 2.7 percentage points to 42.7% (2020: 40.0%).

Fewer employees, but higher expenses and larger social security contributions

The company had 2,963 employees as of December 31, 2021 (Dec. 31, 2020: 3,213 employees), which corresponds to a decrease of 250 employees. This is mainly due to the agreement with French automotive supplier Plastic Omnium, as a result of which 144 employees are no longer employed by the parent company. Instead, they are now employees of the subsidiary EKPO Fuel Cell Technologies GmbH. Employees were also transferred to Aerostack GmbH, Dettingen/Erms, Germany, as of January 1, 2021. Furthermore, the company essentially pursues a personnel policy that is as needs-based as possible; vacancies are filled internally whenever feasible. Additionally, the company did not make use of short-time work to the same extent or over a longer period of time during the 2021 financial year when compared to 2020, as a result of which social security contributions also increased again in the period under review. In total, personnel expenses for 2021 rose by EUR 31.0 million or 14.1% to EUR 250.5 million (2020: EUR 219.5 million). Correspondingly, the personnel expense ratio – i. e., personnel expenses in relation to total operating revenue – increased again to 35.2% (2020: 34.0%).

Lower levels of depreciation and amortization

Systematic depreciation and amortization of intangible and tangible fixed assets amounted to EUR 34.4 million in 2021, EUR 1.8 million or 5.0% below the level of the previous year (2020: EUR 36.2 million). Write-downs of current assets to the extent that they exceed the write-downs that are usual

for the corporation were also lower than in the previous year at EUR 10.7 million (2020: EUR 16.6 million), which was mainly due to the improvement in underlying economic conditions.

Earnings before interest, taxes, and equity investments (operating EBIT) above expectations

Thanks to the marked improvement in its financial performance, ElringKlinger AG was able to significantly increase earnings before interest, taxes, and equity investments to EUR 67.5 million in the financial year under review (2020: EUR 38.8 million). This is equivalent to an operating EBIT margin (as a proportion of total operating revenue) of 9.5% (2020: 6.0%). The company thus exceeded its original target of a slight year-on-year increase in its operating EBIT margin.

Significant improvement in net finance result

The upturn in the economy was also reflected in the company's other financial indicators in the financial year just ended. Income from equity investments increased by EUR 30.9 million to EUR 68.2 million in 2021 (2020: EUR 37.3 million), which was attributable to subsidiaries in Germany and abroad. While income from other securities and loans held as financial assets and other interest and similar income of EUR 0.3 million and EUR 7.4 million, respectively, changed only marginally compared to the previous year (2020: EUR 0.5 million and EUR 7.2 million, respectively), write-downs of financial assets of EUR 43.2 million were significantly lower than in the previous year (2020: EUR 65.7 million). At EUR 9.6 million, interest and similar expenses were also scaled back substantially compared to the previous year (2020: EUR 13.2 million). The company also noticeably reduced its net financial liabilities in the financial year just ended as part of its multi-year efficiency stimulus program. At EUR 23.2 million, the net finance result for the period under review was significantly higher than in the previous year, up by EUR 57.1 million (2020: EUR -33.9 million).

Company generates net income and reports unappropriated surplus

Due to the improvement in earnings before interest, taxes, and equity investments and a significant positive swing in the net financial result, the company succeeded in increasing its pre-tax result by a substantial margin. The latter amounted to EUR 90.7 million, an improvement of EUR 85.7 million compared to the previous year (2020: EUR 5.0 million). As a result, taxes on income were also

higher than in the previous year at EUR 20.3 million (2020: EUR 16.2 million). This item includes taxes relating to other periods in the amount of EUR 1.8 million (2020: EUR 1.1 million). In total, post-tax profit at the end of the reporting period stood at EUR 70.4 million (2020: EUR -11.2 million). After deducting other taxes, ElringKlinger AG posted net income of EUR 70.1 million for the financial year under review (2020: EUR -11.6 million). Taking into account the loss carryforward of EUR 34.0 million from the previous year and the allocation of EUR 26.6 million to revenue reserves, ElringKlinger AG reported an unappropriated surplus ("Bilanzgewinn", i.e., the distributable profit) of EUR 9.5 million for the 2021 financial year (2020: accumulated loss of EUR -34.0 million).

Balanced approach to dividend distribution

In view of the unappropriated surplus generated in the period under review, ElringKlinger is again in a position to pay a dividend for the financial year just ended. Taking into consideration the process of far-reaching transformation and the opportunities resulting therefrom, the Management Board and the Supervisory Board have jointly decided to take a balanced approach with regard to ElringKlinger's dividend policy, particularly when viewed against this backdrop. While shareholders should benefit from the company's profitability, there is also a commitment to strengthening the company in support of the further transformation process. Both Boards therefore propose to the Annual General Meeting that a dividend of EUR 0.15 be paid for the 2021 financial year.

Net Assets of ElringKlinger AG

The asset structure of ElringKlinger AG reflects its dual role as a production company on the one hand and as the parent company of the ElringKlinger Group on the other: the balance sheet prepared in accordance with the provisions of the German Commercial Code (HGB) includes both the operating assets necessary for the manufacture of its products as well as shares in and receivables from affiliated companies.

Total assets remain largely unchanged

As of December 31, 2021, total assets recognized by ElringKlinger AG amounted to EUR 1,197.8 million (Dec. 31, 2020: EUR 1,194.1 million). Fixed assets accounted for 53.0% (Dec. 31, 2020: 57.8%), i.e., more than half of the company's assets, while current assets accounted for 46.6% (31.12.2020: 41.9%) of total assets. Other balance sheet items of minor

importance relate to prepaid expenses and an excess of plan assets over post-employment benefit liabilities.

Fixed assets, which consist of intangible assets, tangible fixed assets, and financial assets, decreased by EUR 55.0 million year on year to EUR 635.0 million as of December 31, 2021 (Dec. 31, 2020: EUR 690.0 million). Of this decrease, EUR -1.1 million was attributable to intangible assets, EUR -34.3 million to tangible fixed assets, and EUR -19.7 million to financial assets.

The change in fixed assets reflects several issues relating to the reporting period. In the case of intangible tangible assets, whose carrying amount was EUR 5.2 million as of December 31, 2021 (Dec. 31, 2020: EUR 6.3 million), systematic amortization exceeded additions relating to newly acquired assets. This is mainly due to the company's disciplined investment policy, through which investments over the course of the financial year were directed merely at new drive technologies. This policy had a more significant effect on tangible fixed assets, whose carrying amount was EUR 300.0 million at the end of the 2021 financial year, compared to EUR 334.3 million a year earlier. In addition, tangible fixed assets were affected by asset disposals in connection with the Group company EKPO Fuel Cell Technologies GmbH ("EKPO" for short), Dettingen/Erms, Germany, which was established within the ElringKlinger Group (cf. "Significant Events"). This subsidiary, in which ElringKlinger AG holds a 60% interest, commenced operations on March 1, 2021. Upon commencement of operations, among other things, ElringKlinger AG made non-cash contributions relating to the field of fuel cell technology.

ElringKlinger AG's financial assets amounted to EUR 329.8 million at the end of the 2021 financial year (Dec. 31, 2020: EUR 349.4 million). The largest proportion of these financial assets, with a carrying amount of EUR 295.0 million (Dec. 31, 2020: EUR 306.2 million), relates to shares in affiliated companies. Interests held in the above-mentioned Group company EKPO increased by EUR 13.7 million in the financial year due to the capital increase.

In the context of annual impairment testing, as part of which calculations in accordance with the income approach are performed on the basis of the medium-term budget of the respective company, write-downs totaling EUR 36.7 million (Dec. 31, 2020: EUR 63.2 million) were accounted for in respect of eight interests and write-ups of EUR 11.8 million

(Dec. 31, 2020: EUR 11.3 million) were recognized with regard to two interests. The equity investments held by ElringKlinger AG also decreased as a result of write-downs and amounted to EUR 24.8 million, as opposed to EUR 28.9 million at the end of the previous financial year. Loans to other long-term investees and investors amounting to EUR 6.3 million (Dec. 31, 2020: EUR 6.3 million) include a long-term receivable from Aerostack GmbH, Dettingen/Erms, Germany.

Current assets at around EUR 560 million

The inventories held by ElringKlinger AG mainly comprise raw materials and semi-finished and finished products for the manufacturing process as well as inventories relating to the aftermarket business. At the end of the 2021 financial year, they had a carrying amount of EUR 155.9 million (Dec. 31, 2020: EUR 141.2 million), which was EUR 14.8 million or 10.5% higher than a year earlier. The year-on-year increase reflects, on the one hand, the company's well-filled order books at the end of the year and, on the other hand, the rise in prices for raw materials. In parallel, measures aimed at optimizing inventories continued over the course of the financial year as part of the efficiency stimulus program.

As ElringKlinger AG is responsible for central finance and liquidity management within the Group, it also raises external funds and makes them available to affiliated companies for the purpose of financing. This is reflected in the area of fixed assets in the item encompassing loans to affiliated companies of EUR 3.0 million (Dec. 31, 2020: EUR 7.4 million) and, for the most part, in the item covering receivables from affiliated companies, as accounted for in current assets. Including receivables relating to deliveries, they amounted to EUR 312.0 million at the end of 2021 (Dec. 31, 2020: EUR 273.8 million). Net impairment losses and reversals of impairment losses on current receivables from affiliated companies totaled EUR -4.8 million.

Trade receivables amounted to EUR 56.4 million at the end of the reporting period (Dec. 31, 2020: EUR 64.5 million). In total, ElringKlinger AG recorded receivables and other assets of EUR 402.3 million as of December 31, 2021 (Dec. 31, 2020: EUR 358.6 million).

Equity ratio of ElringKlinger AG at around 50%

With a ratio of 49.2% (Dec. 31, 2020: 43.5%), the share of equity in total capital was at an extremely solid level. Due to net income of EUR 70.1 million in 2021 (2020: loss of EUR 11.6 million), equity rose from EUR 519.0 million on

December 31 of the previous year to EUR 589.0 million at the end of 2021. No dividend was paid for the previous 2020 financial year.

Provisions for pensions rose to EUR 90.2 million in the period under review, up from EUR 84.7 million in the previous financial year. The increase was attributable primarily to the scheduled remeasurement conducted at the end of the year on the basis of predefined parameters, such as interest rates. As correspondingly high advance tax payments were made during the annual period in respect of the 2021 financial year, the tax provisions as of December 31, 2021, were significantly lower at EUR 1.5 million (Dec. 31, 2020: EUR 11.4 million) compared with the same reporting date in the previous year. Other provisions accounted for by ElringKlinger AG totaled EUR 64.6 million at the end of 2021 (Dec. 31, 2020: EUR 45.2 million). The year-on-year increase was attributable to various items, including personnel-related obligations recognized for the planned discontinuation of production activities at one of the sites in Germany. Furthermore, warranty obligations were higher in the period under review, in particular due to parameter changes in response to rapidly evolving economic conditions, as well as compensation obligations that do not relate to customers. In addition, a number of different circumstances led to smaller changes compared to the previous year's amounts, for example in the case of bonus credits that have not been settled, provisions for contingent losses, or provisions relating to other risks.

The substantial inflow of cash from operating activities in the 2021 financial year was used to scale back ElringKlinger AG's liabilities to banks by EUR 110.2 million, a significant reduction. As of December 31, 2021, they stood at EUR 283.2 million, down from EUR 393.4 million a year earlier. Trade payables increased by EUR 40.4 million year on year to EUR 73.0 million at the end of 2021 (Dec. 31, 2020: EUR 32.7 million). This increase is attributable to both the higher volume of business, reflected in higher revenues, inventories, and order backlogs compared with the previous year, and reporting-date effects and contractual adjustments in the area of procurement.

In total, liabilities recognized by ElringKlinger AG amounted to EUR 451.7 million at the end of the 2021 financial year (Dec. 31, 2020: EUR 533.6 million).

ElringKlinger AG achieved a visible improvement in its key profitability indicator ROCE, which rose to 4.0% in the year

under review (2020: 3.3%), thus exceeding the original forecast, which had projected a figure at a level similar to that of the previous year. This financial indicator expresses how high the return on capital employed is; it is determined from the relation of EBIT to average capital employed (cf. "Internal Control Criteria"). Both parameters developed favorably in the period under review. As regards ElringKlinger AG, this performance indicator is calculated on the basis of IFRS figures due to its integration within the Group (cf. "Internal Control Criteria").

Cash Flows of ElringKlinger AG

Cash flow from operating activities at a high level of EUR 158 million

Mirroring ElringKlinger AG's substantial net income generated in the 2021 financial year, the company recorded a particularly strong inflow of cash from operating activities of EUR 157.3 million (2020: EUR 70.8 million). The positive deviation from the result is explained by non-cash expenses and income that are not reflected in the cash flows. In particular, this includes write-downs of tangible fixed assets and financial assets as well as of short-term intercompany loans, but also changes in provisions. In addition, changes in net working capital¹ (including other assets and liabilities not attributable to investing or financing activities) increased cash by EUR 17.3 million (2020: EUR -21.7 million).

Investment focus on e-mobility

Investment spending on tangible fixed assets amounted to EUR 28.0 million in the 2021 financial year (2020: EUR 33.0 million). Newly acquired assets were thus below the level of systematic depreciation of tangible fixed assets

(net of write-ups) of EUR 32.8 million (2020: EUR 34.1 million). In line with the disciplined investment approach that has been pursued for the past three years, capital expenditure was managed in a highly targeted manner and focused on future-facing projects such as electromobility. Thus, in the period under review funds were again invested in production lines for battery modules or other manufacturing technology that was necessary for the ramp-up of new series production orders.

ElringKlinger AG recorded proceeds of EUR 14.8 million from the disposal of its interests in the Austrian subsidiary. The company was sold to the co-investor Plastic Omnium as part of the EKPO closing outlined earlier.

Overall, ElringKlinger AG recorded a cash outflow of EUR 11.1 million for investing activities (2020: EUR 23.1 million).

Operating free cash flow of EUR 130 million

ElringKlinger AG's operating free cash flow² also surged to an extremely high level of EUR 129.5 million in 2021 (2020: EUR 54.3 million). The company used this to further reduce its financial liabilities, resulting in a cash outflow of EUR 146.9 million (2020: EUR 62.0 million) for financing activities in the period from January to December 2021.

As of December 31, 2021, the undrawn lines of credit available to ElringKlinger AG totaled EUR 276.3 million (Dec. 31, 2020: EUR 192.9 million).

The statement of cash flows in respect of the annual financial statements was again prepared according to the provisions set out in GAS 2.

¹ Inventories as well as trade receivables less trade payables

² Cash flow from operating activities and cash flow from investing activities, adjusted for cash flows in respect of acquisition activities and changes in financial assets

People

As of December 31, 2021, the ElringKlinger Group employed 9,466 people (Dec. 31, 2020: 9,724) at 45 locations worldwide. Due to the ongoing effects of the coronavirus pandemic, the digitalization of processes and mobile working became further established within the Group. Thus, complete production outages were avoided.

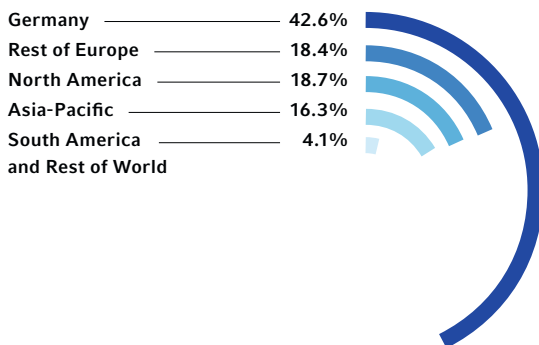
Slight reduction in headcount

As a result of the global efficiency stimulus program, recruitment activities were scaled back in specific areas over the course of the 2021 financial year. In contrast, new staff members were taken on in fields considered to be of strategic value to the fields of the future, such as fuel cell and battery technology. In the 2021 financial year, instruments such as short-time work were only used in isolated cases. Mobile working continued to be implemented wherever possible in order to reduce the level of personal contact within the Group and minimize the impact on ElringKlinger. Thanks to the established digital infrastructures available within the Group, mobile working was possible at all times, and both staff development measures and business meetings with external business partners also took place virtually to an increasing extent, especially during the various waves of the pandemic.

Compared to the previous year, the headcount within the Group decreased by 258 to 9,466 as of December 31, 2021. The annual average number of employees within the ElringKlinger Group was 9,747 (2020: 10,013). The parent company ElringKlinger AG, which operates sites in Dettingen/Erms, Gelting, Runkel, Langenzenn, Idstein, Lenningen, and Thale, had a total of 2,963 (2020: 3,213) employees at the end of the reporting period.

In line with the economic trend, staff numbers in Europe and North America declined, whereas the headcount in Asia rose slightly. The headcount in Germany stood at 4,036 at the end of the year (Dec. 31, 2020: 4,149), representing 42.6% (Dec. 31, 2020: 42.7%) of the total workforce. The number of employees abroad was 5,430 (Dec. 31, 2020: 5,575), which represents a share of 57.4% (Dec. 31, 2020: 57.3%).

ElringKlinger Group employees



Dec. 31, 2021 (previous year)

Germany	4,036	(4,149)
Rest of Europe	1,739	(1,824)
North America	1,766	(1,841)
Asia-Pacific	1,541	(1,512)
South America and Rest of World	384	(398)

Report on Opportunities and Risks

By means of its comprehensive risk management system, ElringKlinger seeks to identify risks at an early stage, to assess them, and to mitigate them using instruments and measures. Both external factors, such as political ones, and internal factors, such as financial ones, impact the risk positions captured. The Group uses a comprehensive range of instruments to prevent risks from arising or, if they do arise, to minimize their effects on the company.

Risk management system

By monitoring markets, customers, and suppliers on a continual basis and maintaining detailed internal reporting and controlling processes, the company is able to gauge risk in a timely manner and seize market opportunities. The effectiveness and suitability of the risk management system itself is continually adapted and refined in accordance with new requirements as they arise.

The risk management system is made up of various tools and control systems. Among the key components are strategic Group planning and internal reporting. Planning enables potential risks to be identified and taken into account when making critical and significant decisions. All key areas within the Group are involved in strategic Group planning. Within this context, information is retrieved, collated, and evaluated in a standardized process. The Management Board bears overall responsibility. Internal reporting is used to monitor and control business performance. A key component of the risk management system is regular reporting by the management of the respective domestic and foreign Group companies as well as the business units, which is performed on a half-yearly basis. It covers risk-related developments in all fields relevant to the Group that can affect business activity and, in particular, the continuation of the ElringKlinger Group as a going concern against the background of the specific risk-bearing capacity. The focus in particular is on changes to the economic or political situation, new regulatory requirements, technological developments, commodities markets, and internal risks. This reporting system involves identifying and evaluating all risks and subsequently drafting recommendations on how to prepare for and mitigate them. The Chief Financial Officer is responsible for coordinating these activities. This approach is designed to ensure that risks are identified at an

even earlier stage and measures aimed at avoiding or mitigating such risks can be implemented rapidly. The risk structure of the Group and the AG does not differ significantly overall.

In order to realize opportunities for the Group, the Management Board holds strategy meetings at regular intervals, at which it discusses market developments, customer requirements, and industry and technology trends. As an essential element of these meetings, the Management Board analyzes the Group's product portfolio and compares it with the framework requirements. As a result, conclusions for action are derived on this basis, which are implemented in the short, medium, and long term.

The Management Board assesses the aggregate risk and submits regular and comprehensive reports on its findings to the Audit Committee and the Supervisory Board. Another important aspect of the centralized risk and quality management system deployed at the ElringKlinger Group is that of tracking the implementation of defined measures. This occurs regularly as part of the committee meetings of the respective Group companies. The Group considers risk management to be an all-embracing activity that encompasses not only the identification and assessment of risk, as outlined above, but also a system of preventive measures and contingency planning that has proven to be very effective.

Alongside regular reporting, internal audits are an important control mechanism and thus an essential element of the risk management system. Audits are carried out in the business and corporate units of ElringKlinger AG as well as at the Group companies. They are conducted by the Audit department in cooperation with external accountancy firms commissioned by ElringKlinger AG. The rationale behind

the use of internal and external specialists is to ensure that risks are identified, statutory requirements are met, internal processes are reviewed, and potential for improvement is recognized. The findings of such audits are compiled in reports, which are directed in particular at the Management Board and the Chairperson of the Audit Committee within the Supervisory Board. The reports are evaluated, whereupon necessary measures are initiated. The execution of measures is monitored by the Management Board member whose remit covers this area; this Management Board member is also responsible for reviewing assessments conducted with regard to risk positions identified by the company. All relevant findings are discussed with the areas concerned in order to bring about improvements or rectify any weaknesses.

The consequences of the coronavirus pandemic also had an impact on the activities of the internal audit in the 2021 financial year. Due to the travel restrictions, the audits that had originally been scheduled to take place on site were primarily conducted digitally or remotely. A total of fourteen audits were carried out in the period under review. None of the audits conducted within this context gave rise to any significant objections. Both statutory regulations and internal requirements were consistently met. The recommendations submitted with regard to potential areas for optimization have been put in place or are currently being implemented.

In accordance with the existing compliance management system, the Chief Compliance Officer reports directly to the Chief Executive Officer. Additional Compliance Officers have been appointed for individual regions in which ElringKlinger is active; they report to the Chief Compliance Officer. The ElringKlinger code of conduct forms an important part of the compliance management system. It sets out binding rules for all employees of the ElringKlinger Group. Among other aspects, the code covers issues such as fair competition, corruption, discrimination, and the protection of confidential data. The code is distributed to all employees in the common language of the country in which they are based. Staff members, and particularly management personnel, receive training relating to these issues. Training courses are held on a regular basis in order to prevent compliance-related infringements. In this context, the corresponding guidelines were also revised and, where necessary, defined in more specific terms.

ElringKlinger's Whistleblower System allows employees to report any irregularities they may come across. This gives them an anonymous line of communication in order to pass

on information on misconduct, violations of statutory provisions, and policy infringements. The Chief Compliance Officer responded to all indications of compliance-related infringements in order to investigate the circumstances and initiate requisite measures. Where evidence suggested that an infringement may have occurred, the Management Board was informed accordingly. There are no significant breaches to report for 2021. The Management Board is committed to adapting and refining the existing compliance management system to changing circumstances and the possibility of evolving risk exposure.

In order to reduce the liability risk from potential damage and any associated losses, the Group has taken out appropriate insurance policies. The suitability of these policies, which also cover the Group companies, is subjected to regular review with regard to the actual risks covered and the level of cover provided. Where necessary, the policies are then amended.

Control and risk management system with regard to accounting

With regard to accounting or external financial reporting within the Group, the internal control and risk management system can be described in terms of the following main features: The system is geared toward identifying, analyzing, assessing, and managing risks as well as monitoring these activities. The structuring of the system in line with the specific requirements of the company is the responsibility of the Management Board and Supervisory Board.

In accordance with the distribution of responsibilities within the company, the Finance department, which is in charge of accounting, comes under the remit of the Chief Financial Officer. This area, which also includes the Financial Reporting and Controlling departments, coordinates accounting within the Group and ElringKlinger AG and compiles the information required for the preparation of the consolidated financial statements and the annual financial statements of ElringKlinger AG. In this context, Financial Reporting sets the standards within the Group and describes the processes, while Controlling takes on planning, steering, and monitoring tasks. The Group companies are supported by the Regional Finance Managers responsible for the respective region. The Group companies report to the Chief Executive Officer.

The principal risks associated with the accounting process derive from the need to provide accurate and complete

information within the specified time frame. This presupposes that the requirements have been clearly communicated and the departments responsible are placed in a position where they can meet those requirements. ElringKlinger has compiled an accounting manual on the basis of International Financial Reporting Standards. All Group companies are required to apply the standards outlined in this manual as a basis of the financial reporting process. All the principal valuation standards such as those covering inventories, tools, and receivables under IFRS are specified in mandatory form within the manual. Mandatory accounting standards are also in use across the Group as a way of ensuring uniform treatment of the same issues.

All Group companies are obliged to comply with a pre-defined schedule for preparation of the Group financial statements. All Group companies are responsible for drawing up their separate financial statements in accordance with local accounting rules and the reporting packages pursuant to IFRS and the ElringKlinger accounting manual. Financial reporting by all the Group companies is conducted by means of a Group reporting system. Internal Group clearing accounts are reconciled with the help of confirmation of balances and the Group reporting system. It contains not only financial data but also information that is of importance to the notes to the consolidated financial statements and the combined management report of the ElringKlinger Group and ElringKlinger AG. The data and information are checked by the Finance department prior to release and consolidation.

SAP is used by all the German and the majority of the foreign subsidiaries within the ElringKlinger Group. As for the other companies, various IT systems are currently in use. In the short- to medium-term, SAP is to be introduced at other key companies within the Group. All implemented systems feature hierarchical access systems; all clearances are documented in the system. For companies that use SAP, access rights are managed centrally according to established rules and role profiles. Access decisions are the responsibility of the Chief Financial Officer. Local management makes decisions on access in those companies that use other systems.

Among the risks that may affect the accounting process are, for instance, those associated with delays or errors in the

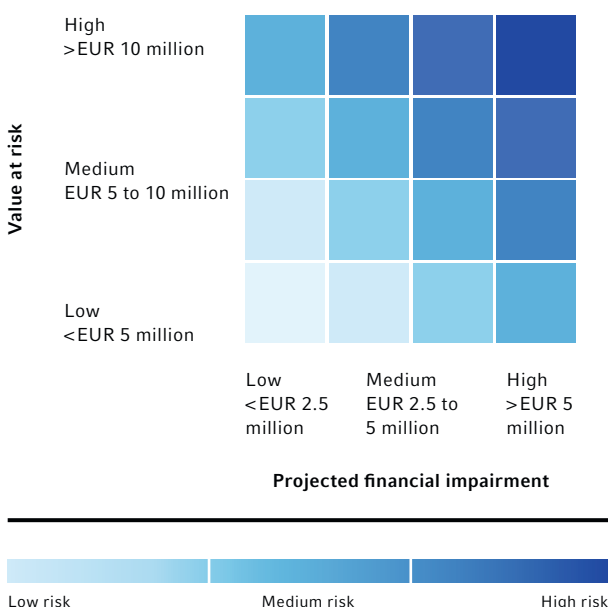
entry of transactions or failure to observe the accounting manual and account allocation rules. In order to avoid mistakes, the accounting process is based on the separation of responsibilities and competencies, the automation of procedures, and plausibility checks for reporting purposes. Calculations are subject to continuous monitoring. Comprehensive and detailed checklists have to be worked through before the established reporting deadline.

The accounting process is also incorporated into the ElringKlinger Group's risk management system as a way of identifying accounting-related risks at an early stage, allowing the company to take prompt action to anticipate and address potential risks. As is the case with the other areas and functions of the Group, accounting is also subject to the investigations conducted as part of internal auditing.

Assessment of opportunities and risks

In order to assess risks, the ElringKlinger Group applies a comprehensive risk reporting system based on the application of statistical methods. Following the introduction of this new approach to risk in the preceding year, the categories previously referred to as higher-level risks were also transferred to the new methodology in the year under review. Overall, both the individual risks captured by the operating units according to the bottom-up principle and the Group risks assessed by the centrally managed units according to the top-down principle are now factored in. These risks are considered methodically on a uniform basis with respect to the probability of occurrence and categorized centrally by the Group's Corporate Risk Manager. Using the Monte Carlo method, a very wide range of possible risk scenarios relating to the company are then simulated and brought together in the form of a probability distribution of the overall risk situation. Each risk is calculated on the basis of the assessment conducted by the risk managers with its possible range of effects and its frequency in the period under consideration and, taking into potential interdependencies, combined to form the overall risk of the company. The wide range of calculated scenarios results in a profile of very probable and less probable outcomes that can be described with key indicators and provide the basis for quantitative risk assessment.

Risk matrix of the ElringKlinger Group



The following table presents an overview of material risks to which the ElringKlinger Group is currently exposed. Risks are recorded according to the net approach, i. e., the respective countermeasures are taken into account within the risk assessment. The respective risk categories comprise numerous individual risks and are elaborated further below. Based on the scenario analysis, the risks were assessed and classified into different classes. An anticipated financial impairment of up to EUR 2.5 million per category was classified as “low,” a projected negative impact of more

than EUR 2.5 million and up to EUR 5 million as “medium,” and an expected financial loss of more than EUR 5 million as “high.” At the same time, the value at risk was taken into account within the risk matrix. This statistical indicator determines the maximum loss that will not be exceeded in the specified period with a certain probability – in this case 95%. Thus, it does not describe the maximum potential loss, as a scenario beyond this probability is still considered possible. The same risk classes were formed with regard to value at risk. An expected maximum value of up to EUR 5 million per category at the stated confidence level of 95% was classified as “low,” a projected value of more than EUR 5 million and up to EUR 10 million as “medium,” and an anticipated value of more than EUR 10 million as “high.” The assessment of opportunities and risks was performed as of the end of the reporting period, i. e., December 31, 2021. Reporting is always based on a period of one year.

Risks associated with the coronavirus pandemic

The coronavirus pandemic, which already dominated economic events in 2020, also had a significant effect on the global economic situation in the year under review. Following several waves of infection during the course of 2021, infection figures rose significantly worldwide, particularly at the end of the year, a trend that was largely attributable to the new Omicron variant. Although it was possible to avoid a comprehensive lockdown entailing plant closures of the kind seen in most countries in the spring of 2020, restrictions were often imposed during waves of infection, and this continued to adversely impact economic activity. According to initial findings, the vaccines that were developed rapidly and administered from the end of 2020

Risk profile of the ElringKlinger Group

Risk categories	Value at risk	Projected financial impairment
Risks associated with the coronavirus pandemic	High	Medium
Material and supplier risks	Medium	Low
Sales risks	Low	Low
Operational risks	Low	Low
Labor cost risks	Low	Low
Political risks	Low	Low
Customer risks	Low	Low
Inventory management risks	Low	Low
Financial risks	Low	Low
IT risks	Low	Low
Legal and compliance risks	Low	Low
Logistical risks	Low	Low

managed to lower hospitalization rates in 2021 when compared to earlier waves. However, new mutations can also be spread by vaccinated individuals despite multiple inoculations, as long as vaccination rates in respective states and regions fall short of certain thresholds. Partly as a result of such still halting successes in combating the pandemic, the global economy was unable to recover to the extent originally anticipated for 2021. This is particularly true of the automotive markets, which fell short of expectations and ultimately grew by only 3.4% globally instead of around 13% as was estimated at the beginning of 2021.

Rising infection figures as well as vaccination rates that in some cases are below threshold values show that the risks created by the coronavirus pandemic remain. If new virus variants emerge, existing vaccines may also prove ineffective, which may well trigger more stringent protective measures once more. As a result, there is also a risk of plant closures at certain sites, and of demand volatility, supply chain disruptions, raw material shortages, customer or supplier insolvencies, or similar events that could impact ElringKlinger's economic situation. A possible outbreak of infections at individual plants within the Group is something that also cannot be ruled out.

For ElringKlinger, extensive preventive measures were part of the range of instruments deployed from the outset to counter the pandemic and keep its impact on the Group as low as possible. During the year under review, the measures implemented early on and now well established, such as hygiene regulations, the separation of work areas and the extremely restrictive handling of travel and visiting rules, remained in force. Employees were given the opportunity to undergo testing, including polymerase chain reaction (PCR) tests, on a regular basis. Furthermore, the Group backed national vaccination campaigns by not only calling for vaccinations throughout the Group but also offering opportunities for first, second, or third vaccinations at numerous local sites.

Material and supplier risks

The prices of the raw materials primarily used by ElringKlinger remain on a persistently high level. Since September 2020 alone, for example, prices for aluminum

have risen by over 50%. After tariff increases and rises connected with global trade conflicts contributed significantly to this trend in preceding years, general market volatility and disruptions in global supply chains now also play a causal role. The risks created by excessive rises in material prices would have a direct and – depending on the extent of any such increases – potentially considerable impact on the Group.

The Group employs a wide range of instruments to counteract potential increases in the prices of materials in a way that minimizes risk. For example, ElringKlinger's central purchasing department works continuously to identify and realize any potential for optimization. Internal processes are being improved and standardized across the Group, while the selection and classification of suppliers is being consistently refined. From a long-term perspective, ElringKlinger is optimizing product design and improving manufacturing processes to offset price spiral effects on commodity markets. The project to develop a new cell cover design, funded by "IPCEI Battery 2", is a case in point. By means of this project, which is supported by the German federal and state governments, ElringKlinger is seeking to reduce component complexity and numbers. As a result, the use of energy-intensive raw materials such as aluminum and copper can also be scaled back and ultimately the CO₂ production footprint can be cut by about 40%.

On the procurement side, ElringKlinger negotiates contracts of optimal duration with its raw material suppliers based on its own market expectations. Long-term agreements are concluded in the case of rising prices. In order to be prepared for possible price reductions, contracts with shorter terms are also concluded. Alloying elements, such as nickel, which are used in high-grade steel alloys, can only be traded on the stock exchange. As a result, the overall prices of high-grade steel alloys cannot be fixed as part of framework agreements. In order to cushion volatility associated with nickel prices, hedging transactions are concluded in a targeted manner. Where hedging contracts are employed as a protective instrument against commodity price volatility, they are always based on the actual quantity of physical materials required by the company.

In order to become less exposed to increases in the prices of materials over the medium to long term, price escalator clauses are introduced into customer contracts whenever possible. If this is not possible, price rises that exceed cost estimates have to be passed on to customers where this is considered feasible. This involves a risk that additional costs cannot be passed on in full or only with some delay.

Although high material prices have an adverse impact on the Group's earnings, ElringKlinger benefits from the same high prices when it sells the metal residues produced during stamping processes. All metal residues are recycled and sold by the Group's in-house scrap management unit. Potential cost increases can be offset, at least in part, by the proceeds from scrap sold in this way.

For ElringKlinger, it is not only the development of material prices that plays a role in risk assessment, but also the availability of materials. In order to mitigate risks associated with bottlenecks or non-deliveries to the largest extent possible, ElringKlinger relies on close collaboration with its suppliers over the long term. The Group makes a point of planning its material requirements well in advance and is committed to a multi-supplier strategy in order to mitigate the risk of production-related disruption or downtime due to disruptions within the supply chain. The intention is that this shall also take effect if one of the suppliers runs into delivery difficulties for financial reasons. During the year under review, suppliers and customers with corresponding risk profiles continued to be closely monitored to facilitate a quick response in the event of potential defaults and minimize the risk for ElringKlinger. To the largest extent possible, ElringKlinger develops alternatives for commodities and materials that are either in short supply or that are subject to severe fluctuations in price.

Alongside the materials needed for its long-standing product portfolio, the Group uses other types of commodities and materials for battery and fuel cell components and systems in its New Business Areas. With regard to these inputs, it is difficult to estimate future volumes, price movements, and supplier structures based on the information currently available, partly because of the lack of certainty over future demand for vehicles with alternative drive systems. Overall,

ElringKlinger counters this uncertainty and therefore reduces its exposure to risk by minimizing its own inventories and by also requesting these input materials as required from the supplier's consignment warehouse, i. e., the supplier retains ownership of the goods until they are requested by ElringKlinger.

Sales risks

General sales risks are essentially linked to economic trends, as global vehicle markets tend to evolve in line with those trends as a rule. A substantial downturn in the economy represents a risk to demand and, ultimately, to vehicle production. This, in turn, could possibly result in lower demand for the product portfolio of the ElringKlinger Group. Such trends can be shaped by various factors. Last year, for example, supply chain restrictions or low raw material availability combined with high price levels at the same time had a noticeable impact, which is why the recovery did not materialize in the way that was initially expected at the beginning of the year. Added to this are sector-specific factors, such as semiconductor bottlenecks, which can affect the growth of global automobile production, as the past year has also shown. A key characteristic of the global automotive industry is a far-reaching transformation process, which is ongoing and has, in part, been accelerated by the coronavirus pandemic.

The ElringKlinger Group's business model is based on a robust culture of innovation and on the principle of technological leadership. The company seeks to develop technologically sophisticated products and to manufacture them with a high degree of productivity. The product portfolio was oriented toward technological change at an early stage. The Group has been conducting research into fuel cell technology for around 20 years and has now entered the marketing phase via the Group subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, in which ElringKlinger holds 60% of the interests and Plastic Omnium 40%. At the same time, ElringKlinger has established a position for itself as a supplier of battery system components over the past ten years and has now secured high-volume orders for cell contact systems as well as complete battery systems. Moreover, the Group has a third strategic pillar in electromobility through its majority interest in the

hofer powertrain products companies. Group subsidiaries manufacture electric drive units for the high-end sports and luxury car segment. Such broad positioning in new drive technologies will enable the Group to benefit from an accelerated pace of change within the automotive sector in the future. ElringKlinger will continue to pursue and develop this strategy as it moves forward.

Even if the pace of change were to slow down, and there is nothing to indicate that it should at the present time, the Group would still be able to act in a manner that is consistent with its current market position in combustion engine components. To lose such a position, new competitors would have to enter the respective markets or existing ones would have to expand their market position. Both approaches would entail high investment outlays on corresponding plant technology. The machinery used by ElringKlinger is usually designed according to particular specifications, i. e., it is not available as a standardized solution within the marketplace. To be financially viable, it is essential that plants produce large volumes as part of manufacturing operations. Experience has shown that initial orders placed with new suppliers tend to be relatively small in scale. However, these volumes are not sufficiently high to cover costs.

In addition to general sales risks, there are also customer- and order-specific risks. In essence, they reflect the status of various projects at individual sites. ElringKlinger is not dependent on individual customers, individual manufacturers, or individual projects. The Group has a global presence with production and sales sites in 20 countries and, given this broad base, it has largely secured itself against the possibility of stagnation or declining demand on individual vehicle markets. An economic downturn experienced in one region can at least in part be made up for by other regions. Given its cost structures, ElringKlinger is in a position to respond immediately to market conditions should any major economic upheaval occur. Instruments that can be used to this end include flexitime accounts and flexible shift models, as well as the option of applying for short-time work. Moreover, it is possible to respond to changing market conditions by aligning personnel levels with demand and by combining production volumes at individual plants. Procurement volumes are reviewed continuously and adjusted in close cooperation between central purchasing and suppliers. In addition, Sales continues to pursue its strategy of penetrating new sales markets and intensifying business with existing customers.

Essentially, ElringKlinger takes sufficient account of economic risks at the planning stage. As a rule, when budgets are drawn up, the respective macroeconomic scenario is interpreted cautiously.

Operational risks

ElringKlinger is a production company that manufactures products characterized by a high level of technological sophistication. These include, for example, multilayer cylinder-head gaskets with precision-stamped stopper geometries, thick-walled sheet metal formed parts with rolled serrations, thermoplastic fiber composites for structural applications, and structural components in hybrid technology. The production processes often require special machines that have to meet certain technical standards and cannot be supplied by every machine manufacturer. In some areas, these machines also lack redundancy in production and therefore constitute a risk for the Group. The failure of these machines could jeopardize contractually agreed output quantities and give rise to recourse claims from customers. There are also production bottlenecks caused by relocations. In order to counter operational risks, documentation is kept on production risks for each site and technical improvements are implemented along with other measures.

Furthermore, as a manufacturing company and supplier to the automotive industry, ElringKlinger is exposed to the warranty and product liability risks that are typical for the industry. The supply of non-compliant components may necessitate an exchange or recall of such parts, with corresponding costs and claims for damages. Furthermore, this may damage the company's reputation over the long term. This risk is potentially exacerbated by the development of entirely new products, such as products for applications outside the automotive industry or within the field of alternative drive technologies.

In order to counter risks relating to poor product quality in a manner that minimizes risk, ElringKlinger has implemented a wide range of improvement measures at both the project and process levels. Cases of deficient quality are tackled, for example, by tightening up procurement specifications for input materials and by continuously upgrading production equipment and increasing the level of automation. Furthermore, logistical processes are optimized on an ongoing basis.

Essentially, ElringKlinger implements appropriate quality assurance systems in order to mitigate and avoid the risks

described above. They include, for example, ensuring that material warranty risks are covered by insurance policies, especially product liability insurance, for amounts that exceed deductibles. The nature and scope of insurance cover are reviewed at regular intervals and adjusted if necessary. Additionally, where possible, agreements on limitation of liability are concluded between ElringKlinger and the contracting party in question.

ElringKlinger addresses the potential risks associated with the relocation of production by drawing up a precise plan of action and involving all parties concerned early on. Early involvement allows for the differing requirements of individual stakeholders to be evaluated and coordinated. At the same time, pre-production, for example, helps to ensure delivery at any time until the relevant equipment is ready for operation at the new site.

Labor cost risks

Of the Group's 9,466 employees, 4,036 work at German sites. This corresponds to a share of 42.6% (2020: 42.7%). Collective agreements covering the metal and electrical industry in Germany expire at the end of September 2022. In the light of initial union statements, there is a risk of demands for significant wage increases that would have a tangibly negative impact on the earnings of ElringKlinger. In the event that disproportionate wage increases are pushed through, this will have an appreciable impact on Germany as an industrial location and on ElringKlinger's domestic sites as a result. Consequently, the competitive position of ElringKlinger AG would increasingly deteriorate when compared with its international competitors, as evidenced by the trend in staff cost ratios at its German sites. Moreover, there is a risk of strikes.

Essentially, similar risks associated with union-led bargaining also exist at foreign sites. The level of labor costs in emerging countries such as China, South Korea, India, or Turkey, where on average around 15% (2020: around 14%) of ElringKlinger's workforce is employed, is well below the Group average. Given that revenue and the number of employees in these regions will increase to a greater extent than in Germany, this will lessen the impact on the staff cost ratio. In these markets too, however, the dynamics of wage development are to be viewed critically with regard to the financial performance of the respective subsidiaries.

The Group has offset the more pronounced wage costs seen in recent years by making substantial capital investments

and implementing continuous measures aimed at raising efficiency levels in production in order to safeguard its international competitiveness and retain jobs.

In the event of an unexpectedly strong downturn in customer demand, the staff cost ratio may increase dramatically. Capacity constraints caused by a possible outage of machinery may also result in higher staff costs (temporary labor, nightshifts, and weekend work). ElringKlinger has a number of instruments at its disposal with regard to strategic HR planning (such as working time accounts, shift systems, and temporary employment contracts) that allow the company to respond rapidly and flexibly to such scenarios.

Political risks

Fundamentally, there is the potential that political decisions taken by national or international lawmakers will have a significant impact on the future business activities of the ElringKlinger Group. The same consequences can cause unstable political situations. Additionally, new laws and regulations can have a direct or indirect impact on technology trends and on the Group's sales regions.

With climate change becoming increasingly apparent, social as well as political initiatives have been launched in many countries. These initiatives place a greater emphasis on environmental protection, resulting in the definition of appropriate measures and demands for their implementation. Legislative initiatives are therefore gradually expected to impact the automotive industry. These include time limits for new registrations of combustion engine vehicles as well as stricter emission guidelines. Events such as the flood disaster in Germany in July 2021 have shown that despite the coronavirus pandemic, unusual events are reviving debate. The political radicalization of this subject and/or far-reaching reactive measures detrimental to the automotive industry may impact the entire sector. Thanks to its broad product portfolio, ElringKlinger is able to at least partially cushion the impact of a more rapid shift towards new drive technologies.

Once again, last year did not see any reduction in the number of the world's geopolitical trouble spots. The Russia-Ukraine crisis intensified visibly in February and March of the current financial year and escalated into a full-blown military conflict. In the wake of this, economic and political sanctions were adopted and implemented, which in macro-economic terms are reflected in a risk of recession and inflation. In addition, the conflict may have an indirect impact on

ElringKlinger due to the partial interruption of the value chain within the automotive sector. If manufacturers were to suspend production for a longer period of time as a result, this could have a direct and noticeable impact on the Group with regard to volumes requested as part of customer production scheduling. Additionally, the situation in large parts of the Middle East remains unstable, and the same applies to parts of North Africa. New conflicts may also emerge, such as in the South China Sea. Parts of the geopolitical trouble spots are among the sales regions that entail certain risks for ElringKlinger. However, North Africa and the Middle East, alongside Eastern Europe, are core regions for the Group's Aftermarket segment, which is therefore exposed to a general risk in terms of revenue. As sales in these regions are billed in euros, customers' restricted access to foreign currency could result in delayed payments or, in the worst-case scenario, lead to default on such payments. As regards the Original Equipment segment, these regions are not considered core sales markets.

Political risks may also take the form of trade policy measures such as tariffs. These could take effect, for example, as a result of Brexit. By and large, the tariffs implemented during the last US presidency are still in place, although recent developments point to an easing of tensions between the US and the EU. During this tariff dispute, which has now lasted several years, ElringKlinger is seeking to pass on additional costs to both suppliers and customers. At the same time, Purchasing is increasing its efforts to approve additional suppliers and is applying for customs exclusions to the extent permitted by regulations.

Customer risks

If one or more customers are confronted with abrupt or significant declines in demand volumes on the end-customer market, this may also impact ElringKlinger in the form of reduced demand for the Group's components. Similarly, manufacturers may, especially when undergoing a transformation process – revise their product strategies or consider the option of in-house production of certain components or systems that they had previously purchased.

ElringKlinger has continually broadened its customer structure in recent years and, as a rule, is not dependent on individual customers. The largest single customer accounted for 9.3% of annual revenue in 2021. Orders such as the one announced in March by a global battery manufacturer show that ElringKlinger has been able to gain a further customer group alongside manufacturers and traditional suppliers. In the event of a possible dip in demand, the Group will have to take account of the duration of agreements at an early stage and adjust its capacity planning if necessary. Fundamentally, the Group is protected by the fact that a focus on technology forms an integral part of ElringKlinger's DNA. This generally makes substitution more difficult.

The transformation process underway in the automotive industry also entails a change in the customer structure. Increasingly, established manufacturers are being challenged by innovative new competitors focusing exclusively on vehicle models with alternative drive systems and/or entirely new mobility concepts. Many of these new industry players are start-ups. The business performance of these companies is difficult to assess because, in contrast to established customers, traditional manufacturer sales risks are compounded by factors such as development capacity or successful further financing rounds. Consequently, it cannot be ruled out that some of these new manufacturers will not bring their development to market maturity, will not be able to obtain follow-up financing, or will not achieve customer acceptance for their product. In all such cases, ElringKlinger would be exposed to the risk of losing existing development projects or orders once again, generating lower revenue than originally anticipated, or having to recognize impairment losses on receivables.

ElringKlinger has established business relationships with several customers in this category and therefore classes the corresponding projects as being exposed to the risks outlined above. ElringKlinger counters increased counterparty risk with a risk-minimizing customer strategy. Among other things, the aim is to agree payment terms that correspond largely to project progression and therefore cover any investment and development amounts outstanding. In addition, the course of business is closely monitored.

Inventory management risks

By broadening its product portfolio to include plastic housing modules, lightweight structural components, fuel cell components and stacks, battery components and systems, and electric drive units, the Group has also expanded its product groups. At the same time, it has expanded its global footprint in recent years to 45 locations now with new plants such as those in Chongqing, Fort Wayne, and Fremont. This growth process entails the risk of creating inventories of raw materials, semi-finished products, and finished products with a low turnover rate.

ElringKlinger addressed this in the past with its global efficiency stimulus program and optimized its inventory levels. Inventories held within the Group are regularly reviewed with regard to their turnover rate in order to assess material-related risks. Stocks with a low turnover rate are evaluated to determine whether they should be used, sold, or scrapped.

Financial risks

With revenue in excess of EUR 1.5 billion and 45 locations worldwide, the size and global interconnectedness of the ElringKlinger Group makes it necessary to take various financial risks into consideration.

ElringKlinger operates globally across various currency borders and is therefore essentially exposed to currency risks as well. They include local currency surpluses in individual Group companies as well as intra-Group loans and the measurement of outstanding receivables and liabilities. In times of greater uncertainty in particular, changes in exchange rates occur more frequently or are more pronounced and are reflected in net finance costs. Local currency surpluses are eliminated by natural hedging as far as possible. This means that sales revenues and costs are largely incurred in the same currency in almost all sales regions. Risks arising from internal financing are gradually scaled back with the Group shifting financing to the respective currency region. To mitigate currency risks, ElringKlinger also makes use of hedging instruments, depending on need and risk profile.

In addition, there are also translation risks arising from consolidation in the Group currency. Consequently, changes in average exchange rates can cause Group revenue and earnings to increase or decrease accordingly.

Other financial risks play a subordinate role in scenario analysis. For example, the risk of bad debt losses is mainly limited by long-standing customer relationships, a broadly diversified customer base, and advance payments as a payment condition or with the help of trade credit insurance.

Risks pertaining to liquidity or financing arise when financial obligations, such as the repayment of financial liabilities or ongoing payment obligations arising from operating activities, cannot be met and/or the Group's ability to obtain refinancing itself is at risk. ElringKlinger finances itself both from the cash flow generated from operating activities and by means of bank loans. Loans with variable interest rates are, as a rule, subject to an interest rate risk, which would have an impact on ElringKlinger's net finance costs. However, the Group seeks to agree fixed interest rates wherever possible in the case of bilateral financing liabilities on the part of the ElringKlinger Group (see Notes: "Non-current and current financial liabilities"). Changes in market interest rates also do not affect the EUR 200 million bonded loan (Schuldscheindarlehen) issued in 2017. In addition, the volume of the existing syndicated loan was increased by EUR 100 million in mid-2021 and its term extended to 2026.

In view of higher inflation and announcements on the part of the US Federal Reserve pointing to possible hikes in key interest rates, the current interest rate level, which is still low, may also increase in the 2022 financial year. In addition to such general market interest rate risk, the Group is also exposed to the risk of rating agencies possibly downgrading the general risk profile of the automotive industry in the future. Credit terms would then tend to be less attractive. In view of this environment, a financing risk is always implicit, despite continued positive earnings within the industry and comparatively low market interest rates.

With regard to its financial situation, ElringKlinger is fundamentally sound, with the global efficiency stimulus program also contributing to this since the beginning of 2019. At 47.0% (2020: 41.4%), the equity ratio remains within the target range of 40% to 50% of total assets. It was possible to significantly reduce the indebtedness factor (net debt in relation to EBITDA) from 4.7 at the end of the first quarter of 2019 to 1.7 (2020: 2.5). The operating free cash flow situation, at EUR 72.0 million in the last financial year following EUR 175.8 million (2019) and EUR 164.7 million (2020) also attests to the Group's strength with regard to liquidity.

At the end of the reporting period, the loan agreements concluded by the ElringKlinger Group mainly contained contractual clauses that are typically used in banking to satisfy certain financial requirements (financial covenants). As of December 31, 2021, there were no circumstances that could have given rise to the exercise of unilateral termination rights by the banks. In the opinion of the Management Board, no such circumstances are expected in the 2022 financial year as well. No immediate risks that could jeopardize the financing of major projects that are planned or that could prevent obligations from being serviced when they fall due are apparent – also in view of the improved financial ratios. From today's perspective, financing risks that might jeopardize the company's existence as a going concern can be ruled out.

IT risks

Alongside the transformation of mobility, the digitalization of the manufacturing industry is a key trend. However, increasing digitalization also brings with it a tendency for potential threats such as cybercrime and hacker attacks on IT infrastructure to rise. The confidentiality, integrity, and availability of data are considered to be a precious commodity. Protection within this area requires an increasing number of preventative and corrective measures. Any disruption to IT systems and application software can lead to tangible delays to individual processes – from the handling of purchase orders and ongoing production control through to activities in the supply chain. Such a scenario would have a negative impact on operations, which may also affect revenue and earnings. Successful attacks by Trojans, which cannot be ruled out in principle and always represent a potential threat, would have similar effects.

The IT department of the ElringKlinger Group is working on fail-safe standards and a well-tested, appropriate recovery plan to ensure business continuity for scenarios involving damage. In addition, data that are of importance to operational processes are always stored twice or redundant systems are deployed. The Group's headquarters in Dettingen/Erms, Germany, has two data centers operating independently of each other. For security reasons, these data centers are accommodated in different buildings, i.e., at two separate locations. In taking this approach, the company protects itself against system failure and data loss. Furthermore, all data pertaining to the international sites are backed up at a central location. Additional back-up systems and bridging solutions are also in place to deal with potential risks for specific projects and processes. Employees are constantly sensitized and trained for malware or Trojan attacks through simulation measures.

Staff access to confidential data is controlled by means of scalable access authorizations. State-of-the-art security software applications are used for the purpose of protecting the company against unauthorized access via external sources.

In addition, the Group is TISAX- and ISO 27001-certified at numerous German sites. This is a standard within the automotive industry that harmonizes the level of information security throughout the value and supply chain.

Legal and compliance risks

Given its size and business model, ElringKlinger is subject to corresponding risks in various areas of the law. Both the parent company and the subsidiaries may be exposed to risks arising from unlawful acts. As a risk mitigation measure, the Group conducts regular training sessions and has also implemented an appropriate compliance management system, which is constantly modified to reflect changing circumstances or conditions. Given the tools provided by the compliance management system and ElringKlinger's corporate culture, the probability of occurrence can be treated as low, but cannot be completely ruled out. The financial effects on Group earnings are difficult to specify; depending on the respective case, they may reach a scale that could be considered significant.

In addition, other significant risks, such as warranty and product liability risks, are largely covered by insurance policies. Furthermore, ElringKlinger addresses its exposure to legal risks by recognizing provisions in its separate and consolidated financial statements. Such precautionary measures have been additionally implemented for individual sets of circumstances in 2021. There were no other more significant risks compared to the previous year. Likewise, ElringKlinger is at present not exposed to any significant litigation risks.

Logistical risks

Global supply chain problems are severely impacting economic activity. Not only are raw materials and input materials essentially difficult to obtain and comparatively expensive, but they are also often not available at the destinations where they are needed in a timely manner. This problem is compounded by port clearance bottlenecks. For example, in the fall of 2021, there were many ships docked on the US West Coast waiting to unload their cargo at the Port of Los Angeles. Customary cargo delivery times lengthened significantly.

Such delays can interfere with production processes and complicate delivery processes. As an immediate countermeasure, the Group can resort to special freight options, which often entail shipment by air and are costly as a result. ElringKlinger seeks to make up for such additional costs by passing them on to both suppliers and customers.

In addition, the Group employs an extensive set of tools to avoid logistical risks in the first place. They include supplier diversification to prevent dependencies from arising. At the same time, relationships with existing suppliers are strengthened to forge close ties. In this regard, it has been shown that transparency in a long-term supplier relationship particularly serves to strengthen mutual trust.

Opportunities

Opportunities are assessed by classifying them according to the probability of occurrence and their potential financial impact. A probability of occurrence of 10% is considered "low," one of 40% is classified as "medium," and one of 80% is deemed "high." The potential financial impact is categorized on the basis of criteria, ranging from "insignificant" to "significant." In this context, in the event of occurrence "insignificant" refers to a potential impact on Group earnings before interest and taxes of less than 5%, "moderate" between 5 and 10%, and "significant" in excess of 10%. The overall potential with regard to opportunities in relation to the respective category is derived from the interaction of probability of occurrence and potential financial impact. As with risks, an assessment was performed as of the end of the reporting period, i. e., December 31, 2021, and generally relates to a period of one year.

Climate change/Emission laws

Alongside the coronavirus pandemic and its consequences, climate change is a permanent feature of both media reporting and public discourse. Public awareness has become heightened and is reflected in many areas of life, in the form of, for example, stricter environmental regulations, a focus on environmental indicators or broad protest movements campaigning for environmentally responsible action. Environmental occurrences attributed to the effects of climate change to date, such as increasing glacial melting in the Alps, strong glacier calving in Greenland, heavy rain accompanied by river flooding in Germany, or violent storms in North America are driving this trend even more.

In the automotive industry, this process is manifesting itself by way of profound change in the sector, particularly with regard to drive technologies. To curb global warming and achieve the global goals of the Paris Agreement, many countries have enacted emissions regulations, which is why manufacturers are restructuring their product portfolios and offering more and more hybrid or fully electric models.

Profile of opportunities relating to the ElringKlinger Group

Categories of opportunities	Probability of occurrence	Potential financial impact
Climate change/Emission laws	High	Significant
Technology trends	High	Significant
Extension of product and service portfolio	High	Significant
New sales markets	High	Significant
Industry consolidation/M&A	Medium	Moderate

At the same time, countries are promoting new drive technologies to shape the transformation of mobility in parallel with the energy transition. In Europe, for example, "Important Projects of Common European Interest" (IPCEI) are being promoted to develop a European value chain in key technologies. ElringKlinger offers future-oriented projects, as the Group was one of only eleven German companies to receive funding from the German government and the state of Baden-Württemberg for the field of battery technology under this program last year. With a volume of EUR 33.8 million until the end of 2026, the federal and state governments are funding the development of a new type of cover design that can lower the CO₂ production footprint by around 40% thanks to a reduction in the number and in the complexity of components as well as the lower consumption of energy-intensive raw materials such as aluminum and copper.

In the same way, the German government is promoting the development of sectors for the future in the field of hydrogen technologies. The German government has also selected ElringKlinger for the "IPCEI Hydrogen" program, which has yet to be confirmed by the European Commission. This funding program is being accompanied by the National Hydrogen Strategy, which aims to establish hydrogen technologies as core elements of the energy transition as well as to strengthen German companies and their competitiveness.

For ElringKlinger, the legislative framework provides an opportunity to benefit from such change. On the one hand, the Group became involved with alternative drive technologies at an early stage. ElringKlinger has been involved with fuel cells for around 20 years, and for the past ten years the Group has been a series supplier of battery components to various car makers and suppliers. In addition, electric drive units are manufactured by the hofer powertrain products subsidiaries. This broad positioning in new technologies will enable further business potential to be realized in the future. Moreover, the legislative environment offers business potential in that the trend toward fuel-efficient and low-emission engines is further heightening the requirements for sealing technology and shielding systems. Consequently, products designed to meet more stringent standards are in demand.

On the other hand, the increasing market share accounted for by hybrid vehicles opens up an opportunity for ElringKlinger to increase its revenue per vehicle. This is because a hybrid vehicle requires combustion engine components as well as parts for the battery section of the drivetrain, such as cell contact systems or pressure equalization modules, or even battery modules or complete systems. The field of battery technology in particular is continuing to propel momentum in the automotive industry. Manufacturers are launching more and more partially or fully electric models onto the market and are highlighting longer ranges or attractive prices to increase acceptance among end customers and to boost demand.

In the field of fuel cell technology, the Group expects demand to increase over the coming years. This is because fuel cells make it possible to convert energy during operation, thereby extending the range depending on usage. Thus, fuel cells are particularly suitable for applications where downtime, as necessitated by frequent charging, is costly, e.g., in the case of trucks or buses. As sales volumes grow, economies of scale can be achieved and the unit price will fall, making fuel cell drive systems more attractive for the car sector. What is more, the hydrogen required for these drive systems can be distributed via the existing network of service stations. ElringKlinger began to explore fuel cell technology at an early stage and, in addition to various components, also offers high-performance fuel cell stacks via its subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, in which the French automotive supplier Plastic Omnium has also acquired a stake. By accelerating its penetration of global markets, the ElringKlinger Group sees considerable revenue potential over the coming years. In addition, ElringKlinger has entered into a strategic partnership with Airbus in order to make fuel cell technology available to the aviation industry.

Furthermore, vehicle weight also has an impact on environmentally friendly mobility. Less weight is of key importance to carmakers in order to reduce fuel consumption and/or increase range. The focus in this regard is always on minimizing CO₂ emissions. In addition, lower weight reduces tire abrasion and particulate pollution. Thus, lightweight

construction is a key technology for the automotive industry. ElringKlinger has been mass-producing lightweight components for over two decades. Its many years of experience in materials, processes, and manufacturing are particularly reflected in its broad product portfolio, which includes drivetrain and body products.

Overall, ElringKlinger considers the revenue and earnings potential linked to climate change and CO₂ reduction to be significant. The potential for ElringKlinger to exploit these market opportunities in the medium term by drawing on its existing product portfolio and R&D expertise is considered highly probable by the Group.

Technology trends

Recent years have shown that new drive technologies are becoming increasingly prevalent in the field of mobility, with the share of sales accounted for by fully electric and hybrid-powered vehicles rising continually. Governments around the world had already introduced regulations to reduce CO₂ mobility emissions earlier. These regulations have been made more stringent in recent years. In the light of this, ElringKlinger rates the probability of further market penetration by new drive technologies as high. ElringKlinger products that make engines more fuel-efficient, reduce the weight of a vehicle, or enable alternative drive technologies to be used, such as multilayer cylinder-head gaskets, lightweight structural components, battery modules, or fuel cell stacks, contribute to achieving the ambitious CO₂ targets set by legislators.

Orders received in 2021, such as the high-volume contract for the manufacture of cell contact systems, the first series production contract for fuel cell stacks, or the supply of battery system prototypes, underscore the fact that ElringKlinger's product portfolio is also well positioned for new drive technologies. To this end, it has been able to apply knowledge gained in classic product areas over the past decades in order to be equipped for these tasks in toolmaking as well as in development and production processes. Accordingly, the resulting prospects for Group revenue and earnings growth can be classified as significant. This assessment holds true even if the pace of change should prove to be faster than anticipated on the basis of current forecasts. Indeed, products such as battery components and systems, fuel cell stacks, and complete electric drive units developed by ElringKlinger are ready for full market rollout.

Extension of product and service portfolio

ElringKlinger has already used its expertise in the past to steadily expand its product and service portfolio. More than 20 years ago, plastic housing modules were added to the product range in order to replace engine metal components with plastic modules, as in the case of cylinder-head covers, for example. The product range in this area has been consistently expanded. Continuous development and know-how pertaining to special materials and processes has resulted in the addition of body-related structural components, such as cockpit cross-car beams, to the range of lightweight engine-related components. The Group subsequently has won high-volume contracts for both internal combustion engine and fully electric vehicle models. The Group will be able to expand this strategic field of the future even further going forward.

In addition, the Group looked into new drive technologies at an early stage and added products in these fields to its portfolio. The transformation of the industry is gaining momentum, generating growing demand for components, modules, and systems in these fields in particular, opening up major business potential. At the same time, business units which have hitherto primarily supplied components for internal combustion engines are using their expertise to develop products for new technologies and bringing them to production maturity, such as the Metal Sealing Systems & Drivetrain Components business unit's disk carrier for a German sports car manufacturer's all-electric model.

The potential for expanding the product and service portfolio offered is also outlined in the Group's R&D report. New concepts in the Lightweighting/Elastomer Technology business unit can contribute to this, as can developments in the field of battery and fuel cell technology. In addition, new prospects are continually opening up outside the automotive industry for the Engineered Plastics segment in the form of PTFE components.

The Group is constantly working with its business units to generate growth by extending its product and service portfolio in order to achieve the goal of using organic revenue growth to exceed the growth in global automobile production. The probability is rated as high.

New sales markets

In its strategic fields of the future, i. e., battery technology, fuel cell technology, electric drive units, and lightweight structural components, the Group has attractive markets for sustainable revenue and earnings growth through further orders, including high-volume ones. In addition to demand in Europe, the Asian vehicle market should also be taken into account, where numerous established as well as new manufacturers are developing vehicle models that use alternative drive technologies. The Group sees this as providing great potential for significantly boosting its revenues over the coming years.

The aftermarket business has key sales markets in Europe and the Middle East. Further business potential is emerging in North America and Asia, which is why activities there are being systematically expanded.

The Engineered Plastics segment is also concentrating on these regions in penetrating new markets in order to realize growth opportunities.

Industry consolidation/M&A

The far-reaching transformation process in the automotive industry is accompanied by global integration. For many medium-sized companies, this gives rise to a capital allocation challenge, as they have to position themselves globally while investing in research and development at the same time. The resulting financing risks increase the risk of insolvency in the industry, which is why industry consolidation is to be expected. Competitors may also exit the market under such conditions.

ElringKlinger views this environment as an opportunity to make selective additions to its technology portfolio or to strengthen its own competitive position through consolidation. The Group monitors the market systematically in order to identify potential acquisition opportunities in good time and, where appropriate and economically justifiable, to realize them. In this regard, it is possible that ElringKlinger will exploit growth opportunities by way of acquisitions over the next few years. In this case, the Group is focused on future-oriented areas of business, whereas further acquisitions relating to the classic fields of business centered around combustion engine technology are unlikely.

The associated financial impact is difficult to quantify in advance. It may range from insignificant to very significant when measured on the basis of revenue and earnings contributions to the Group.

Overall assessment of risks and opportunities

When considering all opportunities and risks as a whole, the Management Board notes that the risk situation with regard to the pandemic or sales situation has improved compared to the previous period. The political risks are difficult to assess due to the current situation – the armed conflict between Russia and Ukraine – but are likely to have become more pronounced due to sanctions, the economic consequences of such measures, and the disruption of value chains in the automotive sector. At the same time, the situation is also likely to affect the price and availability of raw materials. Furthermore, the political situation in large parts of the Middle East remains a source of risk. There are no signs of any easing of the global trade conflict between the United States and China; on the contrary, the risk of conflict in the South China Sea is growing. In addition to direct repercussions for the Group primarily in its Aftermarket business, indirect consequences may arise if value chains in the automotive sector are interrupted. Furthermore, each of these political risks may have a direct or indirect impact on the ElringKlinger Group.

The overall risk profile continues to be largely dominated by risks associated with the coronavirus pandemic and its consequences. New virus variants, such as Omicron most recently, may give rise to new waves of infection, which may in turn lead to continued or new protective measures. The effects of such a development cannot be accurately estimated from today's perspective, but economic losses would be likely to follow. Supply chains already came under pressure during past waves and it was not possible to fully resolve this even after measures were lifted. In addition to these supply chain problems, environmental disasters are occurring at increasingly unpredictable times and on an unforeseeable scale. The flooding disaster in July 2021 or the winter storm in Texas in February 2021 are examples. This was precisely the context in which material price and sales risks in particular were identified as having a negative impact on the Group's risk situation. The prices for key raw materials used in Group production remain on a persistently

high level. An additional factor in this regard – as a result of supply chain problems too – is the availability of raw materials, which in turn sets a price spiral in motion. According to market laws, prices tend to rise when goods become scarcer.

Overall, such conditions are hampering any further recovery in global automobile production. Even in the case of 2022, pre-crisis levels such as those seen in 2019, when 89.0 million light vehicles were produced, are currently not expected to be attained. For 2022, for example, data provider IHS has forecast 84.1 million vehicles.

The successes of the efficiency stimulus program have had a positive impact on some Group sub-risks. For example, inventory management has been improved, reducing risk. At the same time, the extent of financial risks, such as those produced by exchange rate fluctuations, has been reduced. The IT security risk situation merits attention. The continually growing threat posed by cyber attacks on the Group's IT infrastructure may have an impact on the company's financial situation. If risk relevance is weighted in terms of the potential financial impact on Group earnings, the main risks to which the ElringKlinger Group is exposed consist, in particular, in the effects of the coronavirus pandemic, political risks, and sales risks.

The risk management system described above, combined with a flexible cost structure, places ElringKlinger in a position to address risks promptly by implementing appropriate measures. The entity makes a point of not exposing itself to risks that may jeopardize the existence of the ElringKlinger Group. ElringKlinger possesses a robust financial base: with earnings rising, net debt has been reduced, the net working capital ratio has been decreased, and the equity ratio has improved, so that the financial position can be described as

extremely solid. As a result, the company's ability to raise new funds has been significantly strengthened and ElringKlinger is flexibly positioned both for the further transformation process within the mobility sector and for the event of a protracted market crisis, of which, however, there are no indications at present.

The transformation process within the mobility field, driven by climate change and emissions legislation, provides ElringKlinger with great opportunities. The drive technologies of the future are subject to the requirement that CO₂ emissions be reduced. ElringKlinger was early to invest in future-oriented business areas such as battery and fuel cell technology and is already able to offer many innovative solutions for alternative drive systems. As a result, the Group enjoys opportunities for growth on a global scale. The transformation of the automotive industry is altering the significance of the product groups within the ElringKlinger portfolio. Products within the area of structural lightweighting and electromobility, which are considered promising fields for the future in strategic terms, will generate a larger share of revenue than before, while conventional products associated primarily with the combustion engine will become less relevant in the years ahead.

There are currently no identifiable risks that might jeopardize the future existence of the company as a going concern, either in isolation or in conjunction with other factors. With its broad, forward-looking orientation as well as its financial strength, the Group is well positioned to actively exploit the opportunities provided by transformation and to deploy its financial resources flexibly to shape change within the field of mobility. Thus, with a balanced risk profile, ElringKlinger is in a position to outperform growth in global automobile production in the medium term with regard revenue growth.

Disclosures pursuant to Section 289a and Section 315a HGB,

particularly with regard to share capital and disclosure of potential takeover obstacles

As of December 31, 2021, the nominal capital of ElringKlinger AG was EUR 63,359,990, divided into 63,359,990 registered shares, each furnished with one vote. The notional interest in the company's nominal capital is EUR 1.00 per registered share. Profits are distributed in accordance with Section 60 of the German Stock Corporation Act (Aktiengesetz – AktG) in conjunction with Section 23 no. 1 of the Articles of Association.

The persons or entities with a direct and/or indirect interest in capital who, according to the details of the Stock Register, held voting rights in excess of 10% as of December 31, 2021, are presented in the table below. These relate solely to interests attributable to family ownership.

Lechler Beteiligungs GmbH, Stuttgart, Germany	Total of 28.943% (of which 20.385% is attributable to it under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG))
KWL Beteiligungs-GmbH, Neuhausen auf den Fildern, Germany	Total of 28.943% (of which 28.938% is attributable to it under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG))
Klaus Lechler Beteiligungs-GmbH, Neuhausen auf den Fildern, Germany	Total of 28.943% (of which 18.942% is attributable to it under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG))
Elrena GmbH, Basel, Switzerland	Total of 28.943% (of which 18.564% is attributable to it under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG))
Eroca AG, Basel, Switzerland	Total of 28.943% (of which 28.943% is attributable to it under Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG))
Lechler GmbH, Metzingen, Germany	Total of 10.013%

No shareholder is equipped with special rights constituting controlling powers.

resolution of the Annual General Meeting with a majority of three-quarters.

ElringKlinger does not operate any employee profit-sharing schemes.

The Management Board is authorized to buy back company shares up to a total amount of 10% of share capital existing at the date on which this resolution was passed (July 7, 2020). This authorization remains valid until July 7, 2025.

The number of Management Board members is determined by the Supervisory Board (Section 7 of the Articles of Association). The appointment and removal of Management Board members is performed in accordance with Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG). The Articles of Association contain no regulations that could be considered non-compliant with the provisions set out by law as regards the conditions applicable to the appointment or removal of Management Board members.

Details relating to authorized capital and the utilization of authorized capital are included in the Notes.

ElringKlinger has not entered into any agreements containing a change of control provision that would apply in the event of a takeover bid.

As stipulated by Section 179 of the Stock Corporation Act in conjunction with Section 20 of the Articles of Association, all amendments to the Articles of Association require a

There are no compensation agreements with members of the Management Board or employees in the event of a takeover bid.

Corporate Governance Statement

The Corporate Governance Statement pursuant to Section 315d in conjunction with Section 289f of the German Commercial Code (Handelsgesetzbuch – HGB) has been published on the ElringKlinger website at

www.elringklinger.de/en/company/corporate-governance/corporate-governance-statement/2021.

Combined Non-Financial Report

For fiscal 2021, ElringKlinger has prepared a separate non-financial report for the exchange-listed parent company ElringKlinger AG in accordance with Section 289b HGB, which has been combined with the separate non-financial Group report pursuant to Section 315b HGB. In the 2021 Annual Report, it is presented as a separate section

“Combined Non-Financial Report” under the heading “To Our Shareholders.” The 2021 Annual Report will be published on ElringKlinger’s website at www.elringklinger.com/en/investor-relations/publications/financial-reports as of March 29, 2022.

Report on Expected Developments

According to expert economic assessments published at the start of 2022, the global economic recovery that began in 2021 could continue into the present financial year, albeit at a weaker level. In January, the International Monetary Fund (IMF) forecast a 4.4% increase in global economic output over the course of 2022. Due to the most recent Russia-Ukraine conflict, however, the actual recovery could be much more modest. At the start of 2022, experts forecast renewed growth in vehicle production, especially in the second half of the year, albeit unevenly distributed between regions.

ElringKlinger will maintain the approach of its efficiency stimulus program by focusing on long-term improvements in its key financial indicators. In the medium term, these include revenue growth, increasing profitability, a positive operating free cash flow, and a declining net debt ratio.

Outlook – Market and Sector

Considerable uncertainty over global economic recovery continues

In the view of economists, the global economic recovery could continue into the present financial year, albeit at a slower rate. In its most recent World Economic Outlook,

published in January 2022, the International Monetary Fund (IMF) expects global economic output to rise by 4.4% over the year as a whole. The report highlights numerous downside risks, including the pandemic, which has not yet been overcome, ongoing disruption to global supply chains, and high levels of inflation. At the time of publication of this report, the geopolitical situation is deteriorating rapidly as a

GDP growth projections

Year-on-year change in %	2021	Projections 2022
World	5.9	4.4
Advanced economies	5.0	3.9
Emerging and developing countries	6.5	4.8
Eurozone	5.2	3.9
Germany	2.7	3.8
USA	5.6	4.0
Brazil	4.7	0.3
China	8.1	4.8
India	9.0	9.0
Japan	1.6	3.3

Source: International Monetary Fund (Jan. 2022)

result of the Russia-Ukraine conflict. The resulting downside risks are difficult to predict but will certainly add to those set out in the IMF's World Economic Outlook.

National economic factors can also hold back the recovery. In particular, the announcement by the US Federal Reserve that it is preparing to end its loose monetary policy could dampen economic growth. The Chinese government's zero-covid strategy and the resulting closure of manufacturing sites and ports could have the same effect. Growth in Europe is constrained above all by high inflation and, especially in the major exporting countries, by the disruption of global supply chains.

Upward momentum building in vehicle markets

After two difficult years, the automotive sector continues to face significant challenges in 2022. Various factors could again hold back growth, especially supply chain disruptions that mainly affect the availability of semiconductors. Since February 2022, concerns about the economic impact of the escalating geopolitical conflict between Russia and Ukraine have also created a high level of uncertainty. Taking the unpredictable consequences of these developments out of the equation, industry experts anticipate a recovery in global vehicle production in the second quarter of 2022 and expect this trend to strengthen in the second half of the year. In February 2022, the industry institute IHS had initially assumed an increase in global vehicle production (passenger cars and light commercial vehicles) of around 9% for 2022, but had supplemented this estimate with different scenarios in view of the Russian-Ukrainian conflict. The IHS had initially expected a decline of 1.0 to 1.5 million vehicles and

has now expanded this figure to a decrease of 2.3 to 2.5 million vehicles. The pessimistic scenario assumes a decline of 3.5 million vehicles. ElringKlinger also assumes that growth will be significantly lower than the approximately 9% previously mentioned. A precise figure cannot be estimated at present in view of the ongoing conflict, its potential for escalation, and its general impact.

Substantial regional differences are expected. In Europe, following a year in which vehicle production failed to make any significant recovery in the wake of the pandemic, numbers are expected to rise by a substantial margin in 2022. Volumes are also forecast to increase in North America from the second quarter of this year onwards. By contrast, production in China, the world's biggest individual market, is expected to show only a modest increase.

Sales markets boosted by strong demand

Tight inventories are also holding back sales market growth. Initially, market volume will not be able to keep pace with underlying demand. On February 9, 2022, Germany's VDA forecast 4% growth in new passenger vehicle registrations worldwide. This would be roughly on a par with the figure for 2021. US sales of light vehicles are forecast to increase by 2%. In China, too, vehicle sales are predicted to rise by 2%. Pent-up demand in Europe is expected to drive a 5% increase in new passenger car registrations. In Germany, the VDA anticipates a 7% rise in new registrations, equivalent to 2.8 million new vehicles.

Light vehicle production¹

Region	Million units		Year-on-year change
	2021	Projections 2022	
Europe ²	14.4	17.2	19.9%
China	24.8	25.2	1.5%
Japan/Korea	10.9	11.6	7.2%
Middle East & Africa	2.1	2.1	2.0%
North America	13.0	15.2	16.6%
South America	2.6	3.0	14.0%
South Asia	7.9	8.3	4.9%
World	77.1	84.1	9.1%

¹ Projections do not consider effects from Russian-Ukrainian conflict
² Without Russia

Source: IHS (Feb. 2022)

Upward trend in commercial vehicle markets

According to the VDA, supplies of commercial vehicles are also insufficient to meet strong demand. Against this background, the VDA expects new registrations of heavy commercial vehicles to rise by 8% in Europe and by 5% in the US.

Outlook – Company

Persistently high uncertainty and impact of the pandemic

Business conditions in the last financial year were very challenging. As the pandemic continued into a second year, factors such as semiconductor shortages, supply chain problems, increasing raw material scarcity, and the impact of the coronavirus pandemic prevented the hoped-for recovery in the automotive market. Ultimately, despite initial predictions of 13% growth in vehicle production, the market ended the year just 3.4% higher.

Globally, the pandemic is not yet under full control. Global vaccination rates vary tremendously, and even in countries with high levels of vaccination many people remain at risk. New mutations could emerge at any time – even in 2022 – with the result that existing levels of vaccine protection may prove insufficient. In turn, this could again constrain economic activity and prevent or limit the extent of the ongoing recovery in the current financial year. It is likely that automotive markets would also be hit by any such economic impacts.

Equally, it is impossible at present to offer any reliable assessment of how quickly and permanently the current supply-chain problems and semiconductor shortages can be resolved. With no let-up in the strong demand for chips, for example, shortages could continue into 2023. Logistical challenges will also last well into the future as markets strive to meet global demand for mobility and transport. Geopolitical conflicts – with unpredictable consequences – present a further risk. First and foremost of these is the Russia-Ukraine conflict, which was still unfolding at the time of writing and whose impact is therefore difficult to assess. Escalating measures such as trade embargoes and financial sanctions will also make it harder for global markets to operate. Depending on the further course and intensity of the conflict, these measures could have a serious or even massive impact on the economic situation and on the automotive sector.

The overall level of uncertainty remains high in 2022, and making predictions for the year ahead is difficult. External impacts such as the unforeseeable consequences of geopolitical conflicts, trade barriers, extreme weather events, and further pandemic outbreaks could influence the course and scale of these anticipated developments at any time. The key factors here are the fundamentally tight situation on the commodity markets, the impact of the Russia-Ukraine conflict, and the general macroeconomic situation, especially in the automotive sector.

Research and development work focused on strategically promising areas

As a technology-focused Group, ElringKlinger's goal at all times is to develop innovative solutions for its customers and in this way open up new areas of business. The far-reaching transformation of the automotive sector provides many opportunities to channel the Group's in-house expertise into the development of new products, or the penetration of new markets. Against this background, in the short to medium term, ElringKlinger plans to continue investing around 5 to 6% of its Group revenue (including capitalized amounts) into its research and development efforts.

Brimming order book

The economic recovery in 2021 allowed ElringKlinger to strengthen its order book. In the first half of the year, in particular, new orders increased significantly by 83.8% compared with the same period in 2020. In the second half of the year, however, growth was much less pronounced at 3.8%, partly due to the fact that the economy made up for lost ground towards the end of 2020. In total, the figure for new orders rose to EUR 1,977.5 million (2020: EUR 1,483.1 million), a year-on-year increase of EUR 494.4 million or 33.3%. EUR 34.5 million, i. e., 2.3 percentage points, of this total is attributable to exchange rate movements. After adjusting for these currency effects, the figure for new orders was EUR 1,943.0 million.

The Group's order backlog reflects this strong inflow of new orders. It amounted to EUR 1,386.2 million as of the end of 2021 (2020: EUR 1,033.1 million), which is EUR 353.1 million or 34.2% more than a year earlier. Here, too, the figure was boosted in 2021 by exchange rate movements. If rates had stayed unchanged, the order backlog would have been EUR 1,342.4 million, a year-on-year increase of 29.9%.

Revenue growth roughly in line with global production

The difficult conditions that overshadowed 2021 are set to continue in the current financial year. Despite predictions of further recovery after the pandemic-related collapse of 2020, factors such as the shortages of semiconductors and raw materials, logistical challenges, and most recently the Russia-Ukraine conflict will act as a brake on growth. For these reasons the current financial year is again subject to a high degree of uncertainty. As things stand at present, in terms of risks and opportunities, the Group – taking into account the substantial revenue share attributable to the automotive sector – expects to generate a level of organic revenue growth roughly in line with the increase in global vehicle production.

Thanks to its product portfolio, ElringKlinger is well placed to benefit from the ongoing transformation of the automotive industry. Based on the volume of orders received by the Group and due to enter production in the next few years, ElringKlinger anticipates a significant increase in revenue from its e-mobility solutions and a consequent shift in its revenue structure towards new drive technologies. Overall, in the medium term, the Group expects the rate of organic revenue growth achieved over the next few years to outpace the increase in global vehicle production.

Given the broader operating context outlined above, it remains difficult to assess the likely impact of future exchange rate movements. As in previous years, acquisitions cannot be excluded in 2022. All such options are under continuous review by management. The emphasis here is on companies that would either complement the Group's existing product portfolio or allow better access to certain markets. However, any such acquisition-led growth is unlikely to significantly exceed previous levels in terms of scale. From today's perspective, it is also impossible to rule out disposals within subsegments that are not part of the Group's core business.

High commodity prices, squeezed supply chains, pandemic-related impacts, and geopolitical conflict

Prices for some of the key raw materials used by ElringKlinger have risen substantially in recent years. In

light of occasional shortages and geopolitical crises, the Group does not anticipate any easing of the situation on the commodity markets. At the same time, international supply chains have not yet recovered, or at least not fully, from the disruption caused by the pandemic. It follows that overall raw material prices are likely to increase. Similarly, geopolitical conflicts could also trigger a general price spiral, pushing up energy prices, stoking inflation, and constraining demand. In the case of commodities of relevance to ElringKlinger, for example, such as nickel or aluminum, such trends have already become apparent after the first few days of the armed conflict between Russia and Ukraine. In view of the high degree of uncertainty and the numerous influencing factors, it is not possible to make a precise assessment of future developments.

Earnings influenced by various factors

Looking ahead over the rest of 2022, building on a successfully completed program designed to make the Group even more efficient, ElringKlinger will maintain a strict cost discipline in order to consolidate the structural improvements that have been achieved. At the same time, prior-year figures included the proceeds from the sale of the Austrian subsidiary, and rising commodity prices will also be reflected in earnings. Against this background, taking into account the numerous influencing factors, and in view of expansive revenues, the Group expected its EBIT margin for the current 2022 financial year to be slightly below the level of the previous year, even without taking into account the possible impact of the Russia-Ukraine conflict. Due to the outbreak of the conflict, its intensity, and the uncertainty both about the further course and the possible global consequences, uncertainty is extremely high. Earnings could also be undermined further if the Russia-Ukraine conflict cuts off important sources of revenue or exacerbates the existing pressure on automotive industry value chains. In the medium term, the Group remains confident that it can achieve a gradual improvement in its EBIT margin.

In terms of the workforce, the Group has endeavored throughout the pandemic to keep employee numbers at a level that reflects demand and matches available capacity. Looking ahead, ElringKlinger expects to maintain this policy as the market situation evolves. It should be noted that the collective bargaining agreement for staff in Germany expires this year. The outcome of negotiations on a new agreement is still unclear. A relatively high wage settlement would have an impact on earnings.

Further reduction in net working capital ratio

As part of its efficiency stimulus program, the Group has aimed to reduce its trade receivables and extend its payment terms in respect of liabilities. It has also worked to optimize inventories as the third component of net working capital. Since these efficiency measures will remain in place, the Group anticipates a further reduction in its net working capital ratio (i. e., net working capital as a percentage of Group revenue). The year-end figure for 2022 is expected to show an improvement compared with the previous year. In the medium term, the Group aims to maintain its net working capital at roughly 20% of consolidated revenue. If the Russia-Ukraine conflict has a significant and lasting impact on sales revenues and material supplies, the improvement may not materialize.

Disciplined investment approach maintained

Another element of the efficiency stimulus program involved focusing the Group's investments on those areas identified in its long-term strategy. The Group will maintain this disciplined approach but remains committed to driving the mobility transformation and harnessing the growth potential offered by new drive technologies. At the same time, it will continue to actively manage all investment activities in its conventional business areas. The Group conducts very thorough assessments concerning the necessity, timing of execution, and funding requirements of all measures. Overall, its goal for 2022 and over the medium term is to maintain an investment ratio (capital expenditure for property, plant, and equipment as a percentage of Group revenue) of between 5 and 7%. The parameters influencing this indicator – capital expenditure in absolute terms and Group revenue – are also subject to a high degree of uncertainty due to the numerous imponderables, particularly as a result of the Russia-Ukraine conflict.

Positive operating free cash flow in double-digit million euro range

In recent years, the Group has made structural improvements in the key factors that determine its free operating cash flow, such as profitability, investment, and net working capital. It plans to maintain this successful approach in the current financial year and on this basis anticipates a positive operating free cash flow in the double-digit million euro range, provided that the key components do not deteriorate noticeably as a result of the Russia-Ukraine conflict. Looking ahead, operating free cash flow is expected to remain positive in the medium term.

Further reduction in net financial liabilities

The Group plans to maintain its operating free cash flow in positive territory in order to reduce its net financial liabilities. In conjunction with the anticipated improvement in profitability, it expects to keep the net debt ratio (net financial liabilities as a percentage of EBITDA) below the 2.0 threshold. In this context, the high level of uncertainty due in particular to the Russia-Ukraine conflict must be taken into account. This threshold also applies to medium-term expectations.

In the short to medium term, as in the last several years, the Group expects to maintain its equity ratio within a target range of 40 to 50%.

Group anticipates ongoing improvement in ROCE over medium term

The Group measures its overall profitability on the basis of return on capital employed (ROCE). In light of major uncertainties and its assessment of future earnings, the Group expects the figure for ROCE to lie slightly below prior-year level. In the medium term, the Group will be looking to achieve a steady annual improvement in this key indicator.

Original Equipment segment

The Original Equipment segment accounts for nearly 80% of total revenue. On account of its product portfolio, the segment is heavily dependent on the performance of the wider automotive industry. For this reason, and given the current high degree of uncertainty, organic revenue growth is expected to be roughly in line with global vehicle production. The segment is not directly exposed to the effects of the Russia-Ukraine conflict, for example through production facilities in the conflict region. However, if manufacturers were forced to restrict production as a result of the conflict, the Original Equipment segment may be indirectly affected by lower orders placed by manufacturers as part of their production scheduling. At the same time, the conflict may have an impact on the situation within the commodity markets, with materials becoming less available or available only at much higher prices. The segment's EBIT margin is likely to be below the Group average.

Engineered Plastics segment

The Engineered Plastics segment covers activities relating to high-performance plastics. Like the rest of the Group, it continues to be exposed to considerable uncertainty due to the current macroeconomic situation. Nevertheless, further revenue growth is anticipated in 2022, partly as a result of the segment's strong order backlog. There are plans for strategic expansion of the Group's sales and development teams in order to fully harness the available market and growth potential. Over recent years, the segment has laid the foundations for this expansion in its North American and Chinese markets. In terms of profitability, material prices are expected to have an impact on earnings. Nevertheless, the segment's EBIT margin should remain significantly above the wider Group level.

Aftermarket segment

After strong growth in 2021, the Aftermarket segment is confident of further success in the current year. Overall, the Group expects sales revenue in the segment to remain at around the same level. As well as facing potential risks in the form of geopolitical conflicts and macroeconomic developments, there are opportunities for the segment to benefit from its growth strategy in North America. At the time this report was published, it was not possible to offer a precise assessment of the present Russia-Ukraine conflict or of its direct and indirect consequences. With regard to earnings, here too the EBIT margin is expected to remain significantly above the wider Group level.

Parent company ElringKlinger AG

As the parent company, ElringKlinger AG contributes over 40% of consolidated revenue and therefore plays a prominent role within the Group. Following a recovery in its total sales revenue in 2021 compared with the pandemic-related collapse of the previous year, the company anticipates further growth in 2022. More specifically, revenue is expected to trend upwards at a rate that is visibly below the increase in global vehicle production. In this context, it is important to note that on March 1, 2021, ElringKlinger AG's fuel cell business was transferred to its subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany. As a result, all fuel cell revenue is now reported there. The high-volume order for cell contacting systems, work on which will commence at the Neuffen site, is expected to produce its first revenue contributions in the current financial year following the ramp-up of series production. However, the degree of uncertainty is also considerable in this area due to wide range of influencing factors. In view of the Russia-Ukraine conflict, its intensity, its potential for escalation, and the uncertainty both about its further course and about its possible global consequences, its impact cannot be accurately assessed at present.

Reflecting the situation across the Group, the order book situation improved markedly in 2021 compared with the previous year. The year-end order backlog was EUR 535.9 million compared with EUR 412.7 million at the end of 2020, a substantial increase of EUR 123.2 million or 29.9%.

The Group-wide efficiency measures were also implemented at the parent company and will be maintained over the coming year in order to consolidate the structural improvements achieved to date. High material prices are likely to constrain earnings. Furthermore, the consequences of the Russia-Ukraine conflict – also with regard to material availability and prices – cannot be precisely estimated. Excluding this conflict, the EBIT margin for 2022 as a whole is expected to be slightly above the Group average. Reflecting a higher level of capital spending, the figure for ROCE is forecast to remain just below the level of the Group as a whole.

Outlook – ElringKlinger Group

The Group's main indicators for its 2022 outlook and in the medium term are shown in the following table. Due to the current escalation of the Russia-Ukraine conflict at the time

of reporting and the high degree of uncertainty as to the direction taken by the conflict, this table does not take into account the effects of this crisis.

Main financial control criteria	Outlook 2022	Outlook medium term	Actual 2021
Revenue	Organic growth at market level	Organic growth above market level	+10.1%
EBIT margin	Slightly below the prior-year level	Sustained improvement	6.3%
Operating free cash flow	Positive in double-digit million euro range	Positive	EUR 72.0 million
ROCE	Slightly below the prior-year level	Sustained improvement	6.4%
Other internal control criteria and indicators			
R&D costs	Approx. 5 to 6% of Group revenue	Approx. 5 to 6% of Group revenue	5.1%
Investments in property, plant, and equipment (capital expenditure)	Approx. 5 to 7% of Group revenue	Approx. 5 to 7% of Group revenue	4.3%
Net working capital ratio	Year-on-year improvement	Approx. 20% of Group revenue	24.8%
Equity ratio	40 to 50% of total assets	40 to 50% of total assets	47.0%
Net debt ratio (net debt/EBITDA)	Under 2.0	Under 2.0	1.7

Dettingen/Erms, March 24, 2022

The Management Board



Dr. Stefan Wolf
CEO



Theo Becker



Thomas Jessulat



Reiner Drews

Independent auditor's report

To ElringKlinger AG

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of ElringKlinger AG, Dettingen/Erms, which comprise the balance sheet as of December 31, 2021, and the income statement for the financial year from January 1 to December 31, 2021, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of ElringKlinger AG, which is combined with the Group management report, for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Section 289f of the German Commercial Code (Handelsgesetzbuch, "HGB") and Section 315d HGB, which is part of the management report and published on the website specified in the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of shares in and loans to affiliated companies

Reasons why the matter was determined to be a key audit matter

The review of the impairment testing of shares in affiliated companies, investments in and loans to affiliated companies is a key audit matter due to their materiality for the financial statements and the judgment involved in assessing whether there is objective evidence to indicate a lower net realizable value. The valuations depend to a large extent on the estimate of the executive directors regarding future cash inflows and the discount rate applied. In addition, the reporting year continued to be marked by the coronavirus pandemic as well as a shortage of materials and logistical bottlenecks and, therefore, a moderate development in sales revenue and earnings in the automotive sector. The severity of this development in the geographic regions in which the ElringKlinger Group entities operate was varied. Against this background, the impairment testing of shares in and loans to affiliated companies was a key audit matter.

Shares in affiliated companies, investments in and loans to affiliated companies are subject to an annual test for impairment. The basis of the valuations of investments is normally the present value of the future income of the respective company to be valued. The discounting is performed using the company-specific risk-adjusted discount rate. Shares in affiliated companies are valued using a simplified discounted cash flow method based on expected cash flows.

The valuations are based on internal budget forecasts of the affiliated companies, which are part of the business plan prepared by the Management Board and the Supervisory Board. The result of the valuations depends chiefly on the future income of the respective companies estimated by the executive directors, also against the background of the coronavirus pandemic, as well as the discount rate used and therefore entails a certain degree of judgment.

Auditor's response

With regard to the fair values calculated by the executive directors and their assessment as to whether an impairment is expected to be permanent, we examined the underlying processes related to the planning of future cash flows and the calculation of net realizable value. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models for the determination of the fair value in terms of methodology and calculation and investigated whether these were defined using the relevant financial reporting standards IDW AuS HFA 10. We examined whether the valuation models were applied consistently. We further obtained explanations from the executive directors regarding material value drivers of the planning, including any implications from the coronavirus pandemic, and examined whether the budget planning reflects general and industry-specific market expectations. We compared the budget values used for the measurement with the medium-term planning prepared by the Management Board and approved by the Supervisory Board. We performed a target-actual comparison of the historical forecast data and the actual results on a sample test basis to assess forecast accuracy by comparing the medium-term planning of the previous years with the actual values of the respective financial years. In this regard, effects attributable to the coronavirus pandemic were also taken into consideration. The parameters used to estimate the net realizable values of investments such as the applied growth rates and the weighted average cost of capital were assessed by comparing them to publicly available market data and considering changes in significant assumptions, including future market conditions. In addition, we performed our own sensitivity analyses for the significant shares in associates in order to estimate the influence of certain parameters on the valuation model and any potential impairment risk.

Our audit procedures did not lead to any reservations with regard to the impairment testing of shares in and loans to affiliated companies.

Reference to related disclosures

For disclosures on the recognition and measurement policies applied for impairment testing of shares in affiliated companies and loans to affiliated companies, please refer to the sections "Accounting and valuation principles" and "Financial assets" in the notes to the annual financial statements.

2. Revenue recognition**Reasons why the matter was determined to be a key audit matter**

The business activities of the Company mainly comprise manufacturing of series parts for the automotive industry and in the development and manufacturing of tools. In doing so, the Company covers the entire value chain – from development to series production. The automotive industry is currently going through a fundamental transformation that has its focus on solutions for alternative drive technologies. Against this background, the business activities of the Company are also increasingly shifting toward the fields of battery and fuel cell technology, which are combined in the E-Mobility business unit. In this connection, contract-based development is gaining in significance.

Revenue from sales in the statutory financial statements is recognized when the service has been rendered or the goods have been delivered, i.e., when the risk has been transferred to the customer.

We consider revenue recognition to be an area that poses a significant risk of material misstatement and accordingly this to be key audit matter, as in the area of series production there is an elevated risk in connection with the recognition of sales revenue in the correct period. The diverse and extensive contractual arrangements and customer-specific general business conditions and delivery terms (incoterms) are taken into account by corresponding controls in the revenue recognition process. However, there is a general elevated risk of error due to the manual design of some control activities.

Revenue recognition in the area of tools also includes the issue of transfer of legal and economic ownership depending on various contractual arrangements including acceptance by the customer.

In the E-Mobility business unit, there are specific and in some cases complex contractual arrangements with the customers, particularly in connection with the contract-based development services and cooperation. Therefore, the executive directors have to use their judgment in the accounting, which particularly relate to the fulfillment of technical requirements for reaching the contractually agreed milestones.

Auditor's response

In our audit of revenue recognition, in the first step we obtained a fundamental understanding of the business and process and identified the relevant controls and sources of sales revenue.

With the customers in the area of series production, we analyzed the contractual arrangements, particularly the contractual regulations at the time of transfer of risk taking into account customer-specific general business and delivery terms and reviewed the matching recognition of sales revenue on a sample basis.

We also examined on a sample basis, whether there was documentation of customer acceptance for the sales revenue in the tools area as of the reporting date and whether the sales revenue was recognized in the correct period.

In the E-Mobility business unit, using the contractual arrangements we examined the contract-based development services and collaborations, also on a sample basis, to ascertain whether these can be recognized as service revenue over the time they are rendered or are to be accounted for as work in progress up to a contractually agreed point in time. We discussed the technical and economic progress of projects with the engineers responsible for the projects. We obtained an overview of the current project status or reaching of defined milestones using the technical project documentation. In this connection, we asked the project management about the reasons for deviations between the planned and actual costs and the current estimated costs to complete the projects.

Further, we used data analytics for the entire sales revenue reported in the financial year to determine how it had been entered in the system and assessed the posting logic in the light of the existing processes. In connection with the existence of sales revenue, we also examined whether the corresponding trade receivables had been settled by payment of the invoice amount in the customary business cycle. We also compared incoming payments with the corresponding bank statements on a sample basis. Moreover, we compared sales transactions with delivery slips on a sample basis.

Furthermore, we analyzed entries other than invoices that were recorded in the course of the year as sales revenue, e.g., credit notes or bonuses, for unusual activity. This also included analyses with regard to irregular margin fluctuations over time. If our data analytics revealed any developments, which deviated from our expectations, we assessed these on the basis of additional substantive audit activities taking into account other audit evidence.

Our audit procedures did not lead to any reservations regarding the recognition of revenue.

Other information

The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 German Stock Corporation Act (Aktiengesetz, AktG) on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance referred to above. Furthermore, the other information includes the non-financial report, of which we obtained a version prior to issuing this auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the annual financial statements and the management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Assurance conclusion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file „ElringKlinger_AG_JA_LB_ESEF-2021-12-31.zip“ (SHA- 256- checksum: [d7dc818a2ecc5841e6f52b0a03461f39536d9b2cf6eb0fa4e14e353c5a7b9b) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the audit of the annual financial statements and of the management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also: ☐

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on May 18, 2021. We were engaged by the Supervisory Board on October 12, 2021. We have been the auditor of ElringKlinger AG without interruption since financial year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the *Bundesanzeiger* [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German public auditor responsible for the engagement is Helge-Thomas Grathwol.

Stuttgart, March 24, 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Grathwol

Wirtschaftsprüfer
[German Public Auditor]

Vögele

Wirtschaftsprüferin
[German Public Auditor]

Responsibility statement and signature of the annual financial statements

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ElringKlinger AG, and the management report, which has been combined with the group management report, includes a true and fair representation of the development and performance of the business and the position of ElringKlinger AG, together with a description of the material opportunities and risks associated with the expected development of ElringKlinger AG."

Dettingen/Erms, March 24, 2022

Management Board



Dr. Stefan Wolf
Chairman



Theo Becker



Thomas Jessulat



Reiner Drews



ElringKlinger AG
Max-Eyth-Straße 2
D-72581 Dettingen/Erms
(Germany)