

# 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 2022

## ElringKlinger AG, Dettingen/Erms

## Balance sheet as of December 31, 2022 in EUR k

<b>A s s e t s</b>	Dec. 31, 2022	Dec. 31, 2021
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
1. Purchased industrial rights and licenses	3,864	4,749
2. Goodwill	66	85
3. Advance payments	108	327
	<b>4,038</b>	<b>5,161</b>
<b>II. Property, plant and equipment</b>		
1. Property and buildings	134,356	140,750
2. Technical equipment and machines	89,288	99,223
3. Other equipment, operating and office equipment	22,813	23,681
4. Advance payments and assets under construction	19,046	36,388
	<b>265,503</b>	<b>300,042</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	263,751	294,951
2. Loans to affiliated companies	1,100	3,049
3. Equity investments	24,910	24,799
4. Loans to other investees and investors	4,877	6,347
5. Securities classified as fixed financial assets	564	644
	<b>295,202</b>	<b>329,790</b>
	<b>564,743</b>	<b>634,993</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials, consumables and supplies	35,984	30,739
2. Work in progress	38,733	30,458
3. Finished goods and merchandise	116,651	93,710
4. Advance payments	544	1,029
	<b>191,912</b>	<b>155,936</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	82,104	56,385
2. Receivables from affiliated companies	340,191	312,014
3. Other assets	24,294	33,869
	<b>446,589</b>	<b>402,268</b>
<b>III. Cash in hand, bank balances and checks</b>		
	<b>2,409</b>	<b>90</b>
	<b>640,910</b>	<b>558,294</b>
<b>C. Prepaid expenses</b>	<b>6,238</b>	<b>3,817</b>
<b>D. Excess of covering assets over pension and similar obligations</b>	<b>195</b>	<b>664</b>
	<b>1,212,086</b>	<b>1,197,768</b>

<b>Liabilities and shareholder's equity</b>		Dec. 31, 2022	Dec. 31, 2021
<b>A. Equity</b>			
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		337,331	392,340
		<b>340,344</b>	<b>395,353</b>
IV. Net retained earnings		9,504	9,504
		<b>534,035</b>	<b>589,044</b>
<b>B. Provisions</b>			
1. Provisions for pensions and similar obligations		102,743	90,182
2. Provisions for taxes		4,346	1,475
3. Other provisions		88,553	64,595
		<b>195,642</b>	<b>156,252</b>
<b>C. Liabilities</b>			
1. Liabilities due to banks		282,517	283,227
2. Payments received on account of orders		12,619	9,178
3. Trade payables		101,012	73,043
4. Liabilities to affiliated companies		46,929	52,099
5. Liabilities to other investees and investors		7	0
6. Other liabilities		37,619	34,158
- of which from taxes: EUR 3,067 k (2021: EUR 2,881 k)			
- of which relating to social security: EUR 0 k (2021: EUR 2 k)			
		<b>480,703</b>	<b>451,705</b>
D. Deferred income		1,706	767
		<b>1,212,086</b>	<b>1,197,768</b>

## Income statement for the period from January 1 to December 31, 2022

in EUR k	2022	2021
1. Sales revenue	778,475	718,108
2. Increase or decrease in finished goods and work in process	12,194	-7,293
3. Other own work capitalized	901	1,529
4. Other operating income	29,844	68,005
5. Cost of materials		
a) Expenses for raw materials, supplies and merchandise	-332,991	-276,390
b) Expenses for purchased services	-28,686	-27,995
6. Personnel expenses		
a) Wages and salaries	-206,700	-203,576
b) Social security charges and expenses for pensions	-52,317	-46,951
of which for retirement pensions: EUR -16,772 k (2021: EUR -11,757 k)		
7. Amortization and depreciation		
a) of intangible assets and property, plant and equipment	-43,907	-34,441
b) of current assets in excess of write-downs which are customary for the Company	-42,190	-10,661
8. Other operating expenses	-151,002	-112,817
9. Income from equity investments	48,196	68,247
of which from affiliated companies: EUR 48,196 k (2021: EUR 68,247 k)		
10. Income from other securities and loans classified as fixed financial assets	246	264
of which from affiliated companies: EUR 217 k (2021: EUR 231 k)		
11. Interest and similar income	7,846	7,434
of which from affiliated companies: EUR 7,750 k (2021: EUR 7,353 k)		
12. Write-downs on financial assets	-43,029	-43,176
13. Interest and similar expenses	-11,093	-9,592
of which from affiliated companies: EUR -660 k (2021: EUR -719 k)		
of which expenses from discounting: EUR -2,123 k (2021: EUR -2,080 k)		
14. Taxes on income	-10,922	-20,296
<b>15. Earnings after taxes</b>	<b>-45,135</b>	<b>70,399</b>
16. Other taxes	-370	-312
<b>17. Net loss/net income for the year</b>	<b>-45,505</b>	<b>70,087</b>
18. Profit/loss carryforward	9,504	-33,969
19. Withdrawals from other revenue reserves (previous year: allocation to other revenue reserves)	55,009	-26,614
20. Distributions	-9,504	0
<b>21. Net retained earnings</b>	<b>9,504</b>	<b>9,504</b>



## **ElringKlinger AG, Dettingen/Erms**

### **Notes to the Financial Statements for Financial Year 2022**

#### **General information**

These financial statements of ElringKlinger AG 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 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 using the nature of expense method pursuant to Section 275 (2) HGB.

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, some captions and details on the composition of line items are included in the notes with supplementary explanations.

The financial year is the calendar year.



## Accounting policies

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** 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 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 costs were expensed in full in the period incurred.

Intangible assets with finite useful lives are amortized using the straight-line method applied over their expected useful lives. 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.

In accordance with Section 253 (3) Sentence 4 HGB, goodwill attributable to Maier Formenbau GmbH, Bissingen an der Teck, Germany, a company which was acquired in 2016, is being amortized over a period of 10 years.

Additions to **property, plant and equipment** 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 depreciation. Borrowing costs are not included.

Property, plant and equipment are depreciated using the straight-line method applied over their expected useful lives. 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.

Some movable assets acquired or manufactured through December 31, 2009, were initially depreciated using the declining balance method, transitioning at a later point in time to 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 provided 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 released through profit/loss over a period of five years. The collective item is not reduced if a low-value asset is disposed of prematurely.

Additions to **financial assets** are valued at acquisition cost. Shares in affiliated companies and equity investments are recognized at the lower of cost or market. 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, 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 medium-term budgets of each respective entity and under the assumption of a perpetual annuity subsequent to the last medium-term planning period. The impairment tests for loans are performed using the discounted cash flow method, also on the basis of the medium-term budgets of each entity. An impairment is recognized if the carrying amount exceeds the resulting present 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.

## Current assets

Inventories are recognized at acquisition or manufacturing cost applying simplified valuation options in accordance with the principle of lower of cost or market. Differences in value compared to valuation at listed or market prices on the reporting date are disclosed in the notes on inventories. Borrowing costs are not included in production cost.

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.

## Prepaid expenses

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 covering 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 ("covering assets") are offset against the related liabilities. Accordingly, related expenses and income are offset. Existing covering assets are recognized at fair value.

## Equity

Share capital is recognized at its par value.

## Provisions

Provisions for pensions and similar obligations as of December 31, 2022 are measured 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 1.79% (2021: 1.87%). In addition, the calculation assumes a 3.00% income trend (2021: 1.50%), a 1.00% career trend (2021: 1.00%), a pension trend of 2.10% (2021: 1.80%) for benefit entitlements and 2.10% (2021: 1.80%) for current pensions and average staff turnover of 3.00% (2021: 3.00%).

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 covering 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 0.52% (2021: 0.29%), an income trend of 3.00% (2021: 1.50%) 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 top-up amounts 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. The special-purpose and pledged trust agreement which is protected from insolvency on asset transfer, reimbursement and agency between ElringKlinger AG and ElringKlinger Vermögenstreuhänder e.V., Dettingen/Erms, and ElringKlinger Mitarbeitertreuhänder e.V., Dettingen/Erms, dated March 7, 2005 was identified as covering assets for the partial retirement obligations. The fair value of the covering assets is based on the valuation of the cash investment at the rate as of the balance sheet date.

Provisions for **long-service awards** are measured on the basis of actuarial principles using the projected unit credit method applying an interest rate of 1.45% (2021: 1.35%) and the 2018 G HEUBECK MORTALITY tables. In addition, the calculation assumed a 3.00% income trend (2021: 1.50%), a 1.00% career trend (2021: 1.00%), an inflation rate of 2.10% (2021: 2.00%), average staff turnover of 3.00% (2021: 3.00%) as well as an increase in the income ceiling for the assessment of contributions to the statutory pension and health insurance schemes of 3.00% (2021: 1.50%).

**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**

Liabilities are recognized at their settlement amount.

### **Deferred income**

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 as of 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% (2021: 29.1%) 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. Any tax loss carryforwards are also taken into account. Deferred tax assets and liabilities are offset against each other. Exercising 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% (2021: 29.1%). This rate takes into account the rates that are expected when the differences are reversed and are the sum of 15.8% (2021: 15.8%) for corporate income tax including the solidarity surcharge and trade tax of 13.3% (2021: 13.3%). The tax rate for municipal trade tax is determined on the basis of the average trade tax multiplier of 379.7% (2021: 380.3%).

## 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, fixed financial assets include loans and securities.

Shares in affiliated companies were written down by EUR 39,700 k (2021: EUR 36,671 k) due to impairments that are expected to be permanent.

Economic property of EUR 8,268 k (2021: EUR 14,642 k) was transferred to a subsidiary.

EKPO Fuel Cell (Suzhou) Co., Ltd., with its registered office in Suzhou, China, a wholly owned subsidiary of EKPO Fuel Cell Technologies GmbH, with its registered office in Dettingen/Erms, Germany was formed with effect from June 29, 2022. ElringKlinger AG holds 60% of the controlling interests in EKPO Fuel Cell Technologies GmbH with its subsidiary EKPO Fuel Cell (Suzhou) Co., Ltd. (EKPO subgroup). The non-controlling interests amount to 40%.

On July 1, 2022, assets and liabilities of ElringKlinger Italia Srl, with its registered office in Settimo Torinese, Italy, were partially spun-off to Elring Italia Srl, with its registered office in Settimo Torinese, Italy, as part of universal succession. The transferring entity does not receive any consideration, the shares of the acquiring entity are granted to the shareholder ElringKlinger AG. The assets are transferred at book value.

Write-ups of EUR 8,500 k (2021: EUR 11,800 k) were recorded for shares in affiliated companies, as the reasons for impairments charged in previous years no longer applied.

Loans to affiliated companies were written down by EUR 2,249 k (2021: EUR 2,400 k) due to impairments in value that are expected to be permanent.

Impairment losses of EUR 1,000 k (2021: EUR 4,100 k) were recorded for equity investments.

**Receivables and other assets**

Of the total receivables from affiliated companies an amount of EUR 311,011 k (2021: EUR 251,711 k) relates to financial transactions. Extraordinary write-downs of EUR 42,190 k were recorded on these items (2021: EUR 10,661 k). In the income statement, these write-downs were presented under "Amortization and depreciation of current assets in excess of write-downs which is customary for the Company". Receivables from affiliated companies were written up by EUR 100 k (2021: EUR 5,922 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, an amount of EUR 22,835 k (2021: EUR 14,513 k) relates to a rental matter in respect of an affiliated company.

Of the other assets, an amount of EUR 827 k (2021: EUR 2,819 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 included in the notes on the obligations for partial retirement.

## Statement of changes in fixed assets in financial year 2022

Acquisition and production cost					
	Jan. 1, 2022	Additions	Reclassifications	Disposals	Dec. 31, 2022
	EUR k	EUR k	EUR k	EUR k	EUR k
<b>I. Intangible assets</b>					
1. Purchased industrial rights and licenses	30,524	94	96	682	30,032
2. Goodwill	1,990	0	0	0	1,990
3. Advance payments	327	271	-103	387	108
	<u>32,841</u>	<u>365</u>	<u>-7</u>	<u>1,069</u>	<u>32,130</u>
<b>II. Property, plant and equipment</b>					
1. Property and buildings	230,031	1,593	6,367	11,793	226,199
2. Technical equipment and machines	456,986	6,493	4,896	11,356	457,019
3. Other equipment, operating and office equipment	129,051	4,150	2,121	5,050	130,272
4. Advance payments and assets under construction	36,388	8,462	-13,377	0	31,474
	<u>852,456</u>	<u>20,698</u>	<u>7</u>	<u>28,199</u>	<u>844,964</u>
<b>III. Financial assets</b>					
1. Shares in affiliated companies	404,877	0	0	0	404,877
2. Loans to affiliated companies	8,549	300	0	0	8,849
3. Equity investments	33,225	0	1,111	0	34,336
4. Loans to other investees and investors	6,347	0	-1,111	359	4,877
5. Securities classified as fixed financial assets	649	0	0	0	649
	<u>453,647</u>	<u>300</u>	<u>0</u>	<u>359</u>	<u>453,588</u>
	<u>1,338,944</u>	<u>21,363</u>	<u>0</u>	<u>29,627</u>	<u>1,330,682</u>

Accumulated amortization, depreciation and impairment							Carrying amount		
Jan. 1, 2022	Amortization and depreciation for the financial year					Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2021	
EUR k	EUR k	Impairment loss EUR k	Write-ups EUR k	Reclassifications EUR k	Disposals EUR k	EUR k	EUR k	EUR k	
25,775	977	0	0	0	584	26,168	3,864	4,749	
1,905	19	0	0	0	0	1,924	66	85	
0	0	0	0	0	0	0	108	327	
27,680	996	0	0	0	584	28,092	4,038	5,161	
89,281	5,574	0	0	0	3,012	91,843	134,356	140,750	
357,763	19,070	0	0	0	9,101	367,731	89,288	99,223	
105,370	5,839	0	0	0	3,751	107,459	22,813	23,681	
0	0	12,428	0	0	0	12,428	19,046	36,388	
552,414	30,483	12,428	0	0	15,864	579,461	265,503	300,042	
109,926	39,700	0	8,500	0	0	141,126	263,751	294,951	
5,500	2,249	0	0	0	0	7,749	1,100	3,049	
8,426	1,000	0	0	0	0	9,426	24,910	24,799	
0	0	0	0	0	0	0	4,877	6,347	
5	80	0	0	0	0	85	564	644	
123,857	43,029	0	8,500	0	0	158,386	295,202	329,790	
703,951	74,508	12,428	8,500	0	16,448	765,939	564,743	634,993	

## List of shareholdings as of December 31, 2022 and basis of consolidation

Name of company	Registered office	Share of capital in %	Reporting package (HB II) equity in EUR k <sup>6)</sup>	Reporting package (HB II) earnings in EUR k <sup>7)</sup>
<b>Parent company</b>				
ElringKlinger AG	Dettingen/Erms			
<b>Shares in affiliated companies (fully consolidated in the consolidated financial statements)</b>				
<b>Domestic (Germany)</b>				
Gedächtnisstiftung KARL MÜLLER				
BELEGSCHAFTSHILFE GmbH	Dettingen/Erms	100.00	10	1
Elring Klinger Motortechnik GmbH	Idstein	100.00	-116	-2,062
ElringKlinger Logistic Service GmbH	Rottenburg/Neckar	96.00	6,674	436
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen	77.50	91,239	10,394
hofer powertrain products GmbH	Dettingen/Erms	53.00	749	-318
KOCHWERK Catering GmbH	Dettingen/Erms	100.00	-1,387	15
EKPO Fuel Cell Technologies GmbH	Dettingen/Erms	60.00	105,486	-13,161
<b>Foreign</b>				
ElringKlinger Switzerland AG	Sevelen (Switzerland)	100.00	-29,639	-19,921
Elring Klinger (Great Britain) Ltd.	Redcar (UK)	100.00	16,447	717
hofer powertrain products UK Ltd.	Warwick (UK)	53.00	-10,661	868
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00	9,160	75
Elring Italia Srl	Settimo Torinese (Italy)	100.00	1,635	387
ElringKlinger Hungary Kft.	Kecskemét-Kádafalva (Hungary)	100.00	15,405	-3,863
Elring Parts Ltd.	Gateshead (UK)	100.00	7,703	1,551
Elring Klinger, S.A.U.	Reus (Spain)	100.00	21,802	731
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00	14,462	4,807
ElringKlinger Meillor SAS	Nantiat (France)	100.00	9,778	-1,631
HURO Supermold S.R.L.	Timisoara (Romania)	100.00	2,763	44
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00	30,059	1,833
ElringKlinger Holding USA, Inc.	Buford (USA)	100.00	837	788
ElringKlinger USA, Inc. <sup>1)</sup>	Buford (USA)	100.00	-115,506	-21,479
ElringKlinger Automotive Manufacturing, Inc. <sup>1)</sup>	Southfield (USA)	100.00	-42,792	-6,249
ElringKlinger Manufacturing Indiana, Inc. <sup>1)</sup>	Fort Wayne (USA)	100.00	-28,967	-8,073
ElringKlinger Silicon Valley, Inc. <sup>1)</sup>	Fremont (USA)	100.00	18,171	3,748
ElringKlinger Texas, LLC <sup>1)</sup>	San Antonio (USA)	100.00	-5,772	-5,743
Elring Klinger México, S.A. de C.V.	Toluca (Mexico)	100.00	48,810	7,521
Elring Klinger do Brasil Ltda.	Piracicaba (Brazil)	100.00	31,288	4,207
ElringKlinger South Africa (Pty) Ltd.	Johannesburg (South Africa)	100.00	-75	-426
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00	25,091	1,273
Changchun ElringKlinger Ltd.	Changchun (China)	88.00	79,648	7,424
ElringKlinger Korea Co., Ltd.	Gumi-si (South Korea)	100.00	901	314
ElringKlinger China, Ltd.	Suzhou (China)	100.00	72,482	14,301
ElringKlinger Chongqing Ltd.	Chongqing (China)	100.00	6,008	346
ElringKlinger Engineered Plastics North America, Inc. <sup>2)</sup>	Buford (USA)	77.50	1,028	11
ElringKlinger Engineered Plastics (Qingdao) Co., Ltd. <sup>2)</sup>	Qingdao (China)	77.50	7,904	1,404
ElringKlinger Marusan Corporation	Tokyo (Japan)	50.00	49,108	1,405
Marusan Kogyo Co., Ltd. <sup>3)</sup>	Tokyo (Japan)	23.45	4,834	103
PT. ElringKlinger Indonesia <sup>4)</sup>	Karawang (Indonesia)	50.00	3,358	1,166
ElringKlinger (Thailand) Co., Ltd. <sup>4)</sup>	Bangkok (Thailand)	50.00	2,588	788
EKPO Fuell Cell (Suzhou) Co., Ltd. <sup>5)</sup>	Suzhou (China)	60.00	3,253	-535
<b>Investments (accounted for using the equity method in the consolidated financial statements)</b>				
<b>Domestic (Germany)</b>				
hofer AG <sup>8)</sup>	Nürtingen	24.71	38,447	-4,181

<sup>1)</sup> wholly owned subsidiary of ElringKlinger Holding USA, Inc.

<sup>2)</sup> wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH

<sup>3)</sup> 46.9% subsidiary of ElringKlinger Marusan Corporation

<sup>4)</sup> wholly owned subsidiary of ElringKlinger Marusan Corporation

<sup>5)</sup> wholly owned subsidiary of EKPO Fuel Cell Technologies GmbH

<sup>6)</sup> Average rate rolled forward

<sup>7)</sup> valued at the average rate for the period

<sup>8)</sup> provisional financial figures



**Equity**

During the financial year 2022, equity developed as follows:

EUR k	Dec. 31, 2021	Dividend	Revenue reserves	Net loss for the year	Dec. 31, 2022
Share capital	63,360	0	0	0	63,360
Capital reserves	120,827	0	0	0	120,827
Revenue reserves	395,353	0	-55,009	0	340,344
Net retained earnings	9,504	-9,504	55,009	-45,505	9,504
<b>Total</b>	<b>589,044</b>	<b>-9,504</b>	<b>0</b>	<b>-45,505</b>	<b>534,035</b>

The share capital of ElringKlinger AG amounted to EUR 63,359,990 as of December 31, 2022 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 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 19, 2027 (Authorized Capital 2022). 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.

The terms and conditions of the implementation of capital increases from the approved capital 2022 are stipulated by the Management Board with the approval of the Supervisory Board.

The Management Board has not exercised the authorization to date.

As of December 31, 2022, revenue reserves consist of a legal reserve amounting to EUR 3,013 k (2021: EUR 3,013 k) and other revenue reserves of EUR 337,331 k (2021: EUR 392,340 k).

## Provisions

### Provisions for pensions

As of the balance sheet date, there are pension obligations of EUR 102,743 k (2021: EUR 90,182 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 6,309 k (2021: EUR 8,758 k). This amount is restricted from distribution in accordance with Section 253 (6) HGB. The dividend restriction is currently not relevant because there are sufficient distributable reserves.

Pension obligations of EUR 16,247 k (2021: EUR 13,234 k) were offset against the fair value of covering assets of EUR 6,489 k (2021: EUR 6,149 k) pursuant to Section 246 (2) HGB. The fair value of the covering assets exceeds their acquisition cost; this leaves an amount of EUR 382 k (2021: EUR 250 k) that is restricted by law from distribution in accordance with Section 268 (8) HGB. The dividend restriction is currently not relevant because there are sufficient distributable reserves. The acquisition costs of the employer's pension liability insurance come to EUR 6,107 k (2021: EUR 5,899 k). Income from the adjustment of covering assets to the higher fair value totals EUR 132 k (2021: EUR 99 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 4,165 k (2021: EUR 2,660 k) are not reported in the balance sheet.

Other provisions relate to:

EUR k	Dec. 31, 2022	Dec. 31, 2021
Personnel-related obligations	37,134	35,291
Derivative risks	11,888	121
Bonus credits not yet settled	8,266	6,058
Warranty obligations	7,867	8,101
Outstanding supplier invoices	6,218	4,341
Expected losses from customer transactions	5,342	5,410
Outstanding customer reimbursements	3,196	2,171
Litigation costs	1,494	30
Factoring	492	434
Advertising subsidy	441	367
Audit fees	409	362
Retention requirements	291	224
Maintenance costs	261	477
Other risks	5,254	1,208
<b>Total</b>	<b>88,553</b>	<b>64,595</b>

Personnel-related obligations include partial retirement obligations which must be covered by provisions in the amount of EUR 8,066 k (2021: EUR 5,152 k). Deferred performance for partial retirement obligations amounting to EUR 3,327 k (2021: EUR 2,174 k) was offset against covering assets in the amount of EUR 3,521 k (2021: EUR 2,838 k) in accordance with Section 246 (2) HGB. The historical cost of the covering assets for pension obligations amounts to EUR 3,516 k (2021: EUR 2,827 k). The fair value of the covering assets exceeds their

acquisition cost; this leaves an amount of EUR 5 k (2021: EUR 11 k) that is restricted by law from distribution in accordance with Section 268 (8) HGB. There was no income from the covering assets in 2022 (2021: EUR 0 k) and no expenses related to writing down covering assets to the lower fair value (2021: EUR 0 k). Unwinding the discount on the partial retirement obligations is recorded in interest expenses and amounts to EUR 25 k (2021: EUR 22 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 discontinuation of production activities at two German locations.

More details of derivative risks can be found in the derivative financial instruments section.

Provisions for bonus credits not yet settled mainly relate to the Aftermarket segment.

The provision for maintenance warranties relates to the expected claims from warranty obligations 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 amount as of Dec. 31, 2022	thereof due in				Total amount as of Dec. 31, 2021
		up to one year	one to five years	more than five years	thereof secured	
Liabilities to banks	282,517	48,953	233,504	60	0	283,227
Prepayments received on account of orders	12,619	12,619	0	0	0	9,178
Trade payables	101,012	101,012	0	0	0	73,043
Liabilities to affiliated companies	46,928	37,669	9,259	0	0	52,099
Liabilities to other investees and investors	7	7	0	0	0	0
Other liabilities	37,620	35,046	2,574	0	0	34,158
	<b>480,703</b>	<b>235,306</b>	<b>245,337</b>	<b>60</b>	<b>5,796</b>	<b>451,705</b>

EUR k	Total amount as of Dec. 31, 2021	thereof due in				Total amount as of December 31, 2020
		up to one year	one to five years	more than five years	thereof secured	
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
	<b>451,705</b>	<b>268,060</b>	<b>160,210</b>	<b>23,435</b>	<b>2,531</b>	<b>533,614</b>

Liabilities to banks are not secured by land charges on operating property (2021: EUR 2,531 k). 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 244,300 k (2021: 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 450,000 k and has a term until February 15, 2026.

Liabilities to affiliated companies of EUR 47,273 k (2021: EUR 51,782 k) consist of financial transactions and of EUR 1,282 k (2021: EUR 2,273 k) of trade receivables offset against the liabilities and other offsetting. Trade payables and other offsetting due from affiliated companies amount to EUR 937 k (2021: EUR 2,590 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 16,760 k (2021: EUR 10,948 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% (2021: 29.1%).

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, 2022	Dec. 31, 2021
Property, plant and equipment	7,500	8,180
Financial assets	1,244	821
Receivables and other assets	2,323	945
Trade payables	26	0
Liabilities to affiliated companies	3	0
Special items with an equity portion	899	395
<b>Total</b>	<b>11,995</b>	<b>10,341</b>

**Deferred tax assets on differences in carrying amounts for:**

EUR k	Dec. 31, 2022	Dec. 31, 2021
Intangible assets	12	0
Inventories	903	1,175
Prepaid expenses	252	403
Provisions for pensions	17,602	14,613
Other provisions	9,986	5,030
Trade payables	0	4
Liabilities to affiliated companies	0	43
Deferred income	0	21
<b>Total</b>	<b>28,755</b>	<b>21,289</b>

<b>Deferred tax assets, net</b>	<b>16,760</b>	<b>10,948</b>
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Deferred taxes developed as follows:

EUR k	Deferred tax assets	Deferred tax liabilities	Balance
Dec. 31, 2021	21,289	-10,341	10,948
Dec. 31, 2022	28,755	-11,995	16,760
<b>Change</b>	<b>7,466</b>	<b>1,654</b>	<b>5,812</b>

## Notes to the income statement

### Sales revenue

Breakdown by geographical markets:

EUR k	2022	2021
Germany	260,042	243,995
Rest of Europe	330,595	303,940
North America	78,632	79,582
Asia-Pacific	78,106	60,634
Rest of the world	31,100	29,957
<b>Total sales revenue</b>	<b>778,475</b>	<b>718,108</b>

Broken down by segment, sales revenue of EUR 554,278 k (2021: EUR 520,952 k) relates to Original Equipment, EUR 224,073 k (2021: EUR 197,030 k) to Aftermarket and EUR 124 k (2021: EUR 126 k) to revenue from rental agreements.

### Other operating income

EUR k	2022	2021
Income from the disposal of fixed assets	360	13,591
Income from the reversal of provisions	4,653	3,391
Income from the reduction of valuation allowances	0	2,314
Income from government grants	4,582	3,124
Income from insurance indemnification payments	139	2
Income from exchange differences	10,303	27,347
Write-ups of financial assets and financial receivables	8,600	17,728
Other operating income	1,207	508
<b>Total</b>	<b>29,844</b>	<b>68,005</b>

Other operating expenses include out-of-period items of EUR 5,013 k (2021: EUR 19,296 k), thereof from the disposal of fixed assets of EUR 360 k (2021: EUR 13,591 k), reversal of provisions of EUR 4,653 k (2021: EUR 3,391 k) and reduction of valuation allowances of EUR 0 k (2021: EUR 2,314 k).

Income from exchange differences primarily relates to realized and unrealized exchange rate gains from the US dollar.

Write-ups on financial assets related to shares in affiliated companies of EUR 8,500 k (2021: EUR 11,800 k). A write-up of EUR 100 k (2021: EUR 5,922 k) was recognized on financial receivables.

**Other operating expenses**

EUR k	2022	2021
Services	65,063	41,483
Repairs and cleaning	21,452	17,345
Special direct sales costs	17,173	15,508
Administrative and travel expenses	11,705	7,789
Rent and service charges	5,335	5,241
Other personnel expenses	3,351	1,687
Venture capital costs	4,445	7,514
Expenses from currency translation	15,903	12,904
Other expenses	6,574	3,346
<b>Total</b>	<b>151,001</b>	<b>112,817</b>

Other operating expenses include out-of-period items of EUR 675 k (2021: EUR 608 k), thereof from the disposal of fixed assets of EUR 587 k (2021: EUR 243 k) and bad debts of EUR 88 k (2021: EUR 365 k).

Expenses for services primarily include outsourced services, IT services and non-personnel-related obligations in connection with the discontinuation of production activities at a German location.

**Taxes on income**

Taxes on income include out-of-period expenses of EUR 1,282 k (2021: EUR 1,774 k) (offset against out-of-period income).

**Other taxes**

Other taxes contain out-of-period tax expenses of EUR 27 k (2021: EUR 33 k).

**Other disclosures****Contingent liabilities**

There were contingent liabilities in connection with guarantees issued and performance bonds of EUR 170,847 k (2021: EUR 165,993 k), of which EUR 170,847 k (2021: EUR 165,993 k) related to affiliated companies.

In addition to this, 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.

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

From the sale of an industrial park, guarantees were issued by the selling subsidiary Technik-Park Heliport kft, Kecskemét-Kadafalva, Hungary in favor of the acquirer for the fulfillment of contractual obligations. Compensation payments of EUR 92 k were made in this connection in the reporting year.

In connection with the approval of public grants totaling EUR 33,769 k, ElringKlinger AG has provided collateral in the form of a land charge of EUR 5,151 k in favor of the funding body for a possible reimbursement claim in accordance with the requirements of the grant notice. ElringKlinger AG does not consider it likely that the land charge will be claimed as it assumes that it will be able to comply with the requirements of the grant.

## Off-balance sheet transactions

### Debt securitization

To help manage and optimize working capital, ElringKlinger AG sells 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	2022
<b>Carrying amount of sold receivables as of Dec. 31, 2022</b>	<b>59,078</b>
Carrying amount of the risks remaining with the Company and the collateral associated with the sold receivables (other current assets)	12,914
Customer payments received on sold receivables that have not yet been passed on to the structured entity (other current liabilities)	18,606
<b>EUR k</b>	<b>2021</b>
<b>Carrying amount of sold receivables as of Dec. 31, 2021</b>	<b>52,864</b>
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

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



**Other financial commitments**

<b>2022</b> EUR k	<b>Total</b>	<b>Remaining term less than one year</b>	<b>Remaining term one to five years</b>	<b>Remaining term more than five years</b>
Contracts for the supply of gas and electricity	18,808	18,808	0	0
Rental and lease agreements	6,308	2,797	3,495	16
	<b>25,116</b>	<b>21,605</b>	<b>3,495</b>	<b>16</b>

<b>2021</b> EUR k	<b>Total</b>	<b>Remaining term less than one year</b>	<b>Remaining term one to five years</b>	<b>Remaining term more than five years</b>
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
	<b>31,771</b>	<b>18,493</b>	<b>13,228</b>	<b>50</b>

In addition, there are financial commitments to subsidiaries in the amount of EUR 3,151 k (2021: EUR 3,451 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 16,013 k (2021: EUR 12,649 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:

	<b>2022</b>	<b>2021</b>
Wage earners	1,647	1,743*
Salaried employees	1,264	1,237*
<b>Total</b>	<b>2,911</b>	<b>2,980</b>

\* Previous-year figures were restated.

**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 2022:

EUR k	2022	2021
Sales revenue from the sale of manufactured goods and other sales revenue	1,526	2,488
License fees	2,242	2,340
Sales of tools	3,219	248
Services rendered and other income	14,084	6,975
Services received and other expenses	14,977	12,620
Interest income	591	375
Interest expenses	478	533
Income from equity investments	22,897	32,110
Loans granted as of the reporting date	26,694	37,017
Other receivables as of the reporting date	28,681	2,976
Loans received as of the reporting date	32,424	38,415
Other liabilities as of the reporting date	1,483	848

The increase in services rendered and other income primarily resulted from the increase in IT services.

The other receivables item as of the balance sheet mainly included a rental matter.

In addition, a cooperation agreement concerning traineeships is in place between ElringKlinger AG and Lechler GmbH, Metzingen. ElringKlinger AG earned EUR 53 k during the reporting year (2021: EUR 29 k). There were no open receivables as of the reporting date (2021: EUR 12 k).

#### 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 the financial year 2022, one cross-currency swap was concluded in CHF (nominal value EUR 37,602 k) and five in USD (nominal value EUR 144,326 k).

The contracts were marked to market as of the reporting date resulting in a positive value of EUR 172 k from a cross-currency swap in USD and a negative value of EUR 11,888 k from the cross-currency swap in CHF and four cross-currency swaps in USD. A provision for expected losses was recognized in an amount equivalent to the negative market value. In the previous year, there was one cross-currency swap in CHF and one in USD. The valuation of contracts as of the reporting date resulting in a positive value of EUR 2 k from the cross-currency swap in CHF and a negative value of EUR 121 k from the cross-currency swap in USD. A provision for expected losses was recognized in an amount equivalent to the negative market value.

Financial derivatives are used to reduce the risks stemming from nickel prices. In the previous year, there was a nickel hedging transaction totaling 30mt nickel; this hedging transaction ended on March 31, 2022.

**Corporate Bodies****Supervisory Board**

Klaus Eberhardt Lindau, Chairman	Independent consultant, Lindau Former CEO of Rheinmetall AG Düsseldorf Governance roles: a) n/a b) n/a
Markus Siegers* Nürtingen, Deputy Chairman	Chairman of the Works Council of ElringKlinger AG, Dettingen/Erms Governance roles: a) n/a b) n/a
Ingeborg Guggolz Dachsberg from May 19, 2022	Managing Partner of Lechler- und Klaus-Lechler Beteiligungsgesellschaften, Neuhausen a.d.F. Governance roles: a) n/a b) n/a
Rita Forst Dörsdorf until May 19, 2022	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 Iwis SE & 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) Rheinmetall Automotive AG, Neckarsulm b) 4iG, Hungary 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, Dettingen/Erms 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) Accelleron Industries AG, Baden, Switzerland
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	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 Section 125 AktG

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

### Remuneration of the Supervisory Board

In the reporting period, total compensation for the Supervisory Board of ElringKlinger AG was EUR 868 k (2021: EUR 859 k). Additionally, travel expenses totaling EUR 1 k (2021: EUR 1 k) were reimbursed. The remuneration

of the employee representatives on the Supervisory Board amounted to EUR 764 k in the financial year 2022 (2021: EUR 677 k) for their activities as employees.

### Management Board

Dr. Stefan Wolf, Bad Urach,  
Chairman

until March 31, 2022:

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

from April 1, 2022:

Responsible for the corporate units Legal & Compliance, Human Resources, Strategic Communications, Marketing & Communications, Sales Original Equipment, the Aftermarket business unit and the Group entities (shared responsibility in the Management Board)

Theo Becker, Metzingen

until exit on March 31, 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

until March 31, 2022:

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

from April 1, 2022:

Responsible for the business units Lightweighting/Elastomer Technology, Metal Forming & Assembly Technology, Metal Sealing Systems & Drivetrain Components and the corporate units Production, Quality & Sustainability, Real Estate & Facility Management, Product Risk Management, Toolshop/Technology, the German locations of ElringKlinger AG and the Group entities (shared responsibility in the Management Board)

Thomas Jessulat, Stuttgart

until March 31, 2022:

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

from April 1, 2022:

Responsible for the business units Battery Technology & E-Mobility, Drivetrain Technology and the corporate units Finance, Procurement & Supply Chain Management, Global Strategy, M&A & Innovations, IT, Digital Transformation and Group entities (shared responsibility in the Management Board)

### Governance roles on Supervisory Boards and other supervisory bodies

Dr. Stefan Wolf, Bad Urach,  
Chairman

Member of the Supervisory Board of Duale Hochschule Baden-Württemberg (DHBW) KöR, Stuttgart

Theo Becker, Metzingen

Member of the Supervisory Board of BLANC & FISCHER Familienholding GmbH, Oberderdingen

Thomas Jessulat, Stuttgart

Chairman of the Supervisory Board of hofer AG, Nürtingen

### Remuneration of the Management Board

Total remuneration of the Management Board came to EUR 7,053 k (2021: EUR 6,157 k).

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

2022 EUR k	Dec. 31, 2021	Change	Dec. 31, 2022
Dr. Stefan Wolf	4,965	-1,474	3,491
Theo Becker	4,226	-4,226	0
Thomas Jessulat	579	46	625
Reiner Drews	267	22	289
<b>Total</b>	<b>10,037</b>	<b>-5,632</b>	<b>4,405</b>
2021 EUR k	Dec. 31, 2020	Change	Dec. 31, 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
<b>Total</b>	<b>8,877</b>	<b>1,160</b>	<b>10,037</b>

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

Provisions of EUR 24,661 k (2021: EUR 14,584 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 1,011 k (2021: EUR 928 k) in the financial year 2022.

**The auditor fees amounted to:**

	<b>2022</b>
Audit of the annual financial statements	688
Other assurance services	89
Tax services	2
Other services	61
	<b>840</b>

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 Section 162 AktG. The other assurance services mainly comprise fees for review work in connection with the non-financial statement and assurance services related to the syndicated loan agreement and factoring. Tax services were rendered in connection with a project. Other services include a maturity level analysis of the internal control system.

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

As of the reporting date 2022, 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:

July 20, 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 (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		as a %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	3,250,000		5.13%	%
<b>Total</b>	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 as a %
				%
		<b>Total</b>		%

## 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 as a %
					0%
			<b>Total</b>		%

## 8. Information in relation to the party 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 3% or more is held)	% of voting rights through instruments (if at least 5% or more is held)	Total of both in (if at least 5% or more is held)

## 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:	
Total voting rights 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:

May 17, 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 voting rights attached to shares (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		as a %	
	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%
<b>Total</b>	32,972,634		52.04%	

## 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 as a %
n/a	n/a	n/a	0	0%
		<b>Total</b>		%

## 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 as a %
n/a	n/a	n/a	n/a	0	0%
			<b>Total</b>		%

## 8. Information in relation to the party 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 3% or more is held )	% of voting rights through instruments (if at least 5% or more is held)	Total of both in (if at least 5% or more is held )
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:	
Total voting rights 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: May 17, 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 (total of 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%	/

## 7. Notified details of the resulting situation

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

ISIN	absolute		as a %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	0	32,345,254	0%	51.05%
<b>Total</b>		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 as a %
n/a	n/a	n/a	0	0%
		<b>Total</b>		%

## 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 as a %
n/a	n/a	n/a	n/a	0	0%
			<b>Total</b>		%

## 8. Information in relation to the party 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 at least 3% or more is held)	% of voting rights through instruments (if at least 5% or more is held)	Total of both in (if at least 5% or more is held)
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:	
Total voting rights 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, Deutschland

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:

May 17, 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 (total of 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%	/

## 7. Notified details of the resulting situation

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

ISIN	absolute		as a %	
	direct (Section 33 WpHG)	indirect (Section 34 WpHG)	direct (Section 33 WpHG)	indirect (Section 34 WpHG)
DE0007856023	0	32,345,254	0%	51.05%
<b>Total</b>	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 as a %
n/a	n/a	n/a	0	0%
		<b>Total</b>		%

## 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 as a %
n/a	n/a	n/a	n/a	0	0%
			<b>Total</b>		%

## 8. Information in relation to the party 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 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:	
Total voting rights 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:

- Eroca 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 December 28, 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."

**Basis of consolidation**

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 April 22, 2022 and published it on the ElringKlinger AG website on December 1, 2022. 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**

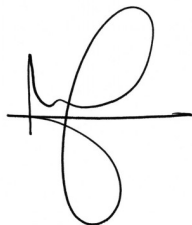
There were no significant events after the reporting date that would require additional disclosures.

**Proposal for appropriation of profits**

The Management Board and the Supervisory Board will propose to the Annual General Meeting on the 2022 financial statements on May 16, 2023, to distribute a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights) from the net retained earnings.

Dettingen/Erms, March 23, 2023

The Management Board



Dr. Stefan Wolf

CEO



Reiner Drews



Thomas Jessulat

# Overview of ElringKlinger's Activities and Structure

**As a global technology Group, ElringKlinger focuses on the development, production, and distribution of components and systems for the automotive industry. Embracing the principle of sustainability, ElringKlinger's ambition as an automotive supplier is to help shape the transformation of mobility through innovative products. Building on its portfolio, the company is therefore championing new, climate-friendly drive technologies, while also looking to contribute to eco-friendly advancement by cultivating potential fields of application for its technologies beyond the automotive sector.**

## Company profile

The ElringKlinger Group's business activities mainly encompass the development, manufacture, and sale of components and systems for the automotive industry. In addition, its portfolio includes products and services for customers operating in other industries. The Group's capability as an innovator is of key importance to ElringKlinger's corporate strategy, the aim being to support sustainable and, to the largest extent possible, climate-neutral mobility. ElringKlinger's approach to drive technologies is based on the principle of technology agnosticism.

The Group, headquartered in Dettingen/Erms, Germany, employs around 9,500 people worldwide and operates from 46 international sites within all the key vehicle markets around the globe<sup>1</sup>. In the 2022 financial year, ElringKlinger generated revenue of EUR 1.8 billion (2021: EUR 1.6 billion). The history of the Group dates back to 1879.

## Business model and core competencies

The transformation seen within the automotive industry is reflected not only in the scope of products and services provided by the Group but also in its strategic approach. ElringKlinger has aligned its product development activities with four promising fields of the future centered around fuel cells, batteries, electric drive units, and structural lightweighting. At the same time, however, it remains committed

to its established, i. e., long-standing, areas of business. Indeed, they form the basis for the advancement of core competencies acquired over several decades – taking the Group forward in pursuit of its strategic fields of the future. In keeping with this approach, the Group operates within four fields of activity: e-mobility, lightweighting, established forms of mobility, and non-automotive applications. The Aftermarket and Engineered Plastics segments also form an integral part of the ElringKlinger Group's portfolio.

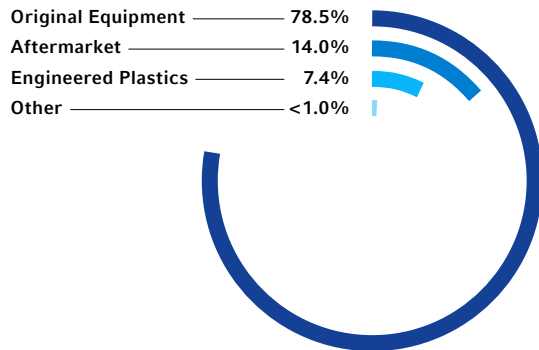
ElringKlinger's core competencies within the Original Equipment segment include extensive know-how relating to materials and processes in the field of metal and plastics processing, the industrial-scale manufacture of newly developed products, and expertise when it comes to engineering tools for efficient series production. This covers high-precision metal processing, encompassing stamping, embossing, and coating, as well as 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

<sup>1</sup> Unless otherwise specified, all figures refer to December 31, 2022

**Group revenue by segment 2022**



in EUR million (previous year)

■ <b>Original Equipment</b> Car, truck, and engine manufacturers, automotive suppliers, non-automotive	<b>1,411.4</b>	(1,280.4)
■ <b>Aftermarket</b> Independent aftermarket business	<b>250.9</b>	(214.7)
■ <b>Engineered Plastics</b> Automotive industry, mechanical engineering, medical technology	<b>132.6</b>	(125.4)
■ <b>Other</b> Unspecified industries	<b>3.5</b>	(4.0)

the central functions of Purchasing, IT, Communication, Finance, Legal Affairs, and Human Resources. Sales activities as well as research and development are also largely the responsibility of ElringKlinger AG. As the parent company, ElringKlinger AG performs a financing function for the affiliated companies. It also forms the largest operating Group company in respect of revenue and production volume. As of December 31, 2022, the ElringKlinger Group comprised 41 fully consolidated companies in 20 countries (cf. Notes, "Scope of consolidated financial statements").

The Management Board of ElringKlinger AG consists of three members. The responsibilities of the Management Board are divided into the areas of accountability of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and the Chief Operating Officer (COO).

**Sales markets and locations**

ElringKlinger has manufacturing sites in all of the world's key vehicle markets. Of 46 locations worldwide, 40 are manufacturing sites. In terms of sales, Europe leads the way with a 49.7% share of Group revenue, followed by North America (25.7%) and Asia-Pacific (19.7%). In the majority of cases ElringKlinger holds a Tier 1 position within the automotive industry value chain. This means that it maintains a direct line of contact with vehicle and engine manufacturers, particularly within the Original Equipment segment. 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 business activities are divided into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The segments specified above constitute the segments under International Financial Reporting Standards (IFRS).

Within the **Original Equipment** segment, ElringKlinger develops, manufactures, and sells products and assemblies destined in particular for the automotive industry.

The individual business units each possess specific competencies that are utilized across the business units as needed. Industry transformation and newly developed solutions in the field of electromobility, in particular, have recently prompted business unit restructuring. The Shielding Technology unit was renamed Metal Forming & Assembly Technology on January 1, 2023, partly due to the increasing number of components for electromobility. The Original Equipment segment comprises the following five business units:

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 with regard to all types of drive system, i. e., vehicles equipped with combustion engines as well as those powered by hybrid or all-electric systems.

As its primary activity, the Metal Sealing Systems & Drivetrain Components business unit offers an extensive portfolio of seals for a wide range of vehicle applications as well as transmission control plates and complex formed parts engineered from sheet metal. Development efforts are targeted at rotor/stator concepts for electric drive units.

The Metal Forming & Assembly Technology business unit offers, to an increasing extent, metal stamping and forming components as well as assemblies for electromobility. Its portfolio also includes customized shielding packages with thermal, acoustic, and/or aerodynamic functions for the entire vehicle – from the engine and the underbody to the exhaust tract.

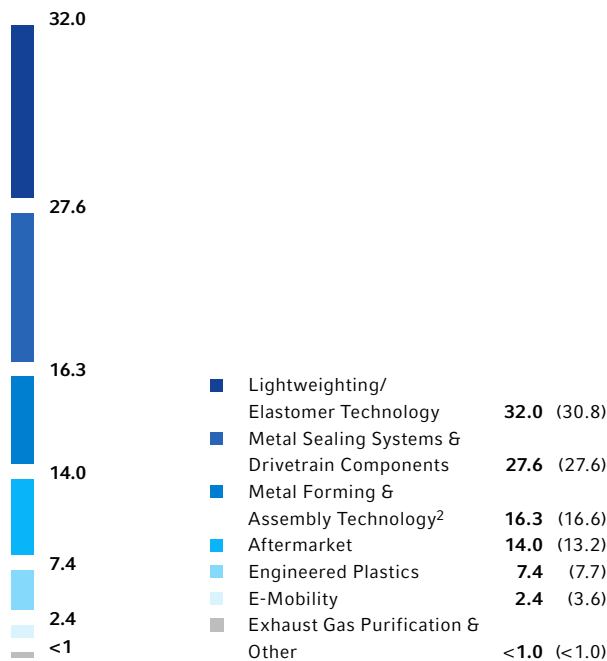
The E-Mobility business unit, featuring fuel cell and battery technology as well as electric drive units, brings together all technologies currently of relevance to the electrification of vehicle propulsion.

The Group has placed a strong focus on e-mobility solutions in recent years, as evidenced by investments within this area. Today, ElringKlinger operates as a series supplier of components, modules, and systems for battery and fuel cell technology. ElringKlinger has been operating its own battery technology site in Neuffen, Germany, since 2021. The subsidiary EKPO Fuel Cell Technologies GmbH, located at the headquarters in Dettingen/Erms, specializes in the development, production, and distribution of a portfolio centered around fuel cell technology. Complete electric drive units represent a third important pillar in the field of e-mobility.

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

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. 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.

**Group revenue by business unit<sup>1</sup> 2022**  
 (previous year) in %



<sup>1</sup> Presentation supplemented by the segments Aftermarket, Engineered Plastics, and Other  
<sup>2</sup> Known as "Shielding Technology" up to Dec. 31, 2022

Within the **Engineered Plastics** segment, ElringKlinger develops, manufactures, and markets a wide range of customized products made of various high-performance 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.

The less significant segment referred to as **Other** covers services as well as the rental activities relating to industrial parks. 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. Logistics services are offered for the Aftermarket business. In addition, this segment includes the catering service of a subsidiary.



### Economic and legal factors

In the Original Equipment segment, ElringKlinger primarily operates as a supplier to 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 economic situation, purchasing power in the various regions, consumer behavior, fuel prices, and government funding. Geopolitical factors or disruptions to supply chains or the availability of raw materials may also be of significance in the event of more severe impediments.

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. In addition, international trading conditions or possible sanctions are of significance with regard to the interconnected activities of the company and various markets at a global level. Ultimately, these aspects may also have a bearing on business performance.

## Internal Control Criteria

**The ElringKlinger Group is managed on the basis of regularly available financial metrics and non-financial performance indicators as well as leading indicators relating to economic and industry performance. Governance of the Group is performed primarily with the aid of financial metrics.**

The Management Board of the ElringKlinger Group uses various key metrics, leading indicators, and market observations as a basis for strategic considerations, planning, and ongoing decision-making. To this end, the management of ElringKlinger can rely on a regular reporting system with key internal control criteria.

The company-specific system of indicators incorporates cross-departmental targets in respect of the business units and is monitored by the Management Board and Vice Presidents (i. e., the first line of management below the Management Board) on a monthly basis. The dependencies between individual indicators in operational areas of business as well as between operational progress and financial effects are conveyed in transparent reporting and are communicated on a regular basis. The internal system of indicators helps the management pursue company strategy and achieve corporate goals by making developments quantifiable and visible, and thus easier to control.

### Main financial control criteria

The most important control criteria for the ElringKlinger Group and the parent company ElringKlinger AG are revenue, earnings before interest and taxes (EBIT), operating free cash flow, and return on capital employed (ROCE) as financial metrics. 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 from the 2023 financial year, ElringKlinger will report adjusted EBIT for the purpose of comparing operating profitability without the influence of exceptional factors relating to respective periods (cf. "Outlook – Company").

As an indicator, ROCE illustrates the level of the return on capital employed. To calculate it, EBIT is divided by capital

## Key financial control criteria of the ElringKlinger Group

	Guidance 2022 <sup>1</sup>		2022	2021	2020	2019	2018
<b>Revenue</b>	Organic approximately roughly at global market level <sup>2</sup>	(in EUR million)	1,798.4 <sup>3</sup>	1,624.4	1,480.4	1,727.0	1,699.0
<b>EBIT<sup>4</sup></b>	Slightly below the prior-year level	(in EUR million) Margin:	-42.2 -2.3%	102.0 6.3%	27.7 1.9%	63.2 3.7%	100.2 5.9%
<b>ROCE</b>	Slightly below the prior-year level		-2.7%	6.4%	1.7%	3.4%	5.5%
<b>Operating free cash flow</b>	Positive in double-digit million euro range	(in EUR million)	14.8	72.0	164.7	175.8	-86.2
<b>Equity ratio</b>	40 to 50% of total assets		43.8%	47.0%	41.4%	41.5%	42.8%
<b>Net debt/EBITDA</b>	Below 2.0		2.1	1.7	2.5	3.3	3.7

<sup>1</sup> Original guidance as per 2021 annual report; adjustments made during the year – if any – are not presented.

<sup>2</sup> Organic sales revenue is adjusted for currency and M&A effects.

<sup>3</sup> Revenue reported; revenue adjusted for currency and M&A effects (organic): EUR 1,744.9 million (+7.4%/market growth: 6.7%)

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

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 2022 financial year, the return on capital employed of -2.7% (2021: 6.4%) was significantly below that reported for the previous year and fell short of the original forecast ("slightly below the previous year's level"). Adjusted for exceptional factors relating to impairments totaling EUR 103.3 million, ROCE for the 2022 financial year was in positive territory at 3.9%.

### Calculating ROCE for the Group

in EUR million

<b>EBIT</b>	-42.2	
	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
Equity	896.8	982.3
Financial liabilities	502.7	492.6
Provisions for pensions	97.4	140.7
<b>Total</b>	<b>1,496.9</b>	<b>1,615.6</b>
<b>Average capital employed</b>	<b>1,556.3</b>	
<b>ROCE<sup>1</sup></b>	<b>-2.7%</b>	

<sup>1</sup> EBIT/average capital employed

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 investing activities. In this context, ElringKlinger adjusts non-operational capital flows from acquisitions, disinvestments, and financial assets.

Additionally, the equity ratio and the debt ratio, as a ratio of net debt<sup>2</sup> to EBITDA<sup>3</sup>, are 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 CO<sub>2</sub> emissions and energy consumption.

Further information on non-financial indicators can be found in the combined non-financial report, which has been included in the 2022 annual report under the heading "To Our Shareholders" in the separate section "Combined Non-Financial Report." The 2022 annual report is to be published on March 28, 2023, on ElringKlinger's website at [www.elringklinger.com/en/investor-relations/publications/financial-reports](http://www.elringklinger.com/en/investor-relations/publications/financial-reports).

<sup>2</sup> Current and non-current financial liabilities less cash and cash equivalents and securities

<sup>3</sup> Earnings before interest, taxes, depreciation, and amortization

#### Company- and market-specific leading indicators

ElringKlinger uses economic and industry-specific leading indicators, such as forecast growth rates for gross domestic product or forecasts relating to the development of global vehicle markets, in order to assess future revenue and business performance. 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

**By developing components and systems and putting them into series production, the Group is making an active contribution to the ongoing transformation toward emission-free mobility and thus helping to mitigate climate change. ElringKlinger has been working hard to develop alternative drive types for many years now. Both under its own steam and in partnership with customers, the Group is developing product solutions that help shrink the industry's environmental footprint. In the short to medium term, ElringKlinger is aiming to spend 5 to 6% of its revenue (including capitalized costs) on research and development (R&D) each year and, in so doing, invest in the Group's future. Its strategic future areas centered around battery technology, fuel cell technology, drivetrain technology, and structural lightweighting remained the key priorities for R&D activities in the 2022 financial year.**

#### Research and development ratio stable at 5.1%

In the 2022 financial year, modifications and new developments were introduced in the traditional areas of Metal Sealing Systems & Drivetrain Components, Metal Forming & Assembly Technology<sup>4</sup>, and Lightweighting/Elastomer Technology as well as in the E-Mobility business unit and the Engineered Plastics segment. As a technology-driven company and a strong innovator, ElringKlinger mainly focuses on transferring its own existing expertise to new applications. R&D activities, which concentrate primarily on reducing emissions, are largely centralized within the business units

in the ElringKlinger Group to prevent 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. The company's other sites handle fairly minor development tasks and adjustments. A total of 609 (2021: 591) staff were employed in R&D as of December 31, 2022. The growth in the R&D workforce was mainly concentrated in fuel cell technology, while the battery technology and electric drive unit (EDU) teams also welcomed new R&D staff.

<sup>4</sup> The Shielding Technology business unit was renamed Metal Forming & Assembly Technology with effect from January 1, 2023.

## Key R&D figures

in EUR million	2022	2021
Research and development spending	91.8	82.1
Capitalized development costs	22.1	17.2
Capitalization ratio <sup>1</sup>	24.1%	21.0%
<b>Research and development costs</b>	<b>69.7</b>	<b>64.9</b>
Amortization/impairment of capitalized development costs	4.8	4.2
Research and development costs recognized through profit or loss	74.5	69.1
<b>Research and development ratio<sup>2</sup></b>	<b>5.1%</b>	<b>5.1%</b>
Patent applications	95	105
R&D staff	609	591

<sup>1</sup> Capitalized development costs in relation to R&D costs, including capitalized development costs

<sup>2</sup> R&D costs, including capitalized development costs, in relation to revenue

R&D costs (including capitalized development costs) amounted to EUR 91.8 million in the 2022 financial year (2021: EUR 82.1 million). This corresponds to an R&D ratio of 5.1% (2021: 5.1%), which was thus within the target range of around 5 to 6% (including capitalized development costs). Out of this total, the amount capitalized was EUR 22.1 million (2021: EUR 17.2 million), giving a capitalization ratio of 24.1% (2021: 21.0%).

ElringKlinger always seeks legal protection for new developments on both a product and a process level. The centralized patent department unit is tasked with protecting the company's technological expertise and intellectual property rights. In 2022, it applied for a total of 95 (2021: 105) new patents, particularly in the strategic fields of the future. Although the number of patents applied for has thus fallen slightly, it remains at a consistently high level when compared to the past few years.

### Expertise in all drive technologies

The mobility transformation that is under way is particularly apparent in the field of drive technologies. New drive technologies will gradually replace the technology of the combustion engine in order to reduce CO<sub>2</sub> emissions in the transport sector. Among these technologies, those mentioned most frequently are all-electric and fuel cell vehicles. ElringKlinger believes that both harbor potential and is expecting them to evolve at different speeds depending on how and where in the world they are being used. For this

reason, the Group is anticipating a both/and scenario for the two technologies rather than an either/or and is therefore committed to a technology-agnostic approach when it comes to supporting and supplying its customers.

While the market for combustion engines gradually shrinks as a result of market trends and new legislation, that for alternative drive technologies will grow considerably, and ElringKlinger has geared itself up accordingly. Optimizing and increasing the efficiency of modern combustion engines is thus still an important factor for ElringKlinger's developers. However, its development activities are focusing on 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. Since the use of battery and fuel cell technology is not restricted to the automotive industry, the ElringKlinger Group is contributing to efforts to cut emissions along the whole mobility spectrum through its products. Making a vehicle lighter helps to reduce the propulsion energy it needs, and the fact that its weight has a significant impact on its range makes weight an even more important factor in a battery-electric vehicle. This is why the Group's structural lightweighting activities are also counted among its strategic future areas. One of the key properties of these lightweighting components is their ability to be used with any drive type.

With regard to the new drive technologies, the ElringKlinger Group applies its expertise in developing and manufacturing components for traditional drive technologies to solutions for new mobility. ElringKlinger has been conducting research and development in the field of fuel cell technologies for over two decades and has been supplying customers with battery components for series production for more than ten years.

**Fuel cells: a broad range of developments for emission-free mobility**

EKPO Fuel Cell Technologies GmbH (“EKPO”), which is based at the Group’s headquarters in Dettingen/Erms, Germany, began operations back in 2021 and immediately set about driving forward the production of fuel cell components and stacks. The company then stepped up its wide-ranging development activities and its series manufacture of components and systems in the 2022 financial year.

EKPO again focused on the proton exchange membrane (PEM), a low-temperature fuel cell used in mobile applications, during the year under review. The NM12 and NM12 Twin stack series are particularly suitable for leveraging the application and cost benefits of fuel cell technology owing to their performance range for the commercial vehicle sector. Specifically, R&D activities in the past financial year focused on platform development for the NM12 and NM12 Twin series of fuel cell stacks. Besides platform development, investments in the year under review also included enhancements to manufacturing technology.

The wide variety of potential applications and orders for EKPO’s fuel cell stacks are testament to their technical maturity and their versatility in the mobility sector. For instance, EKPO’s orders in 2022 included one to develop and supply bipolar plates for a major European carmaker and another for fuel cell stacks for logistics vehicles.

EKPO also boosted its development activities for fuel cell technology applications outside the automotive industry and secured a follow-on order for fuel cell applications in the aviation sector from Aerostack GmbH, Dettingen/Erms, Germany, a company owned by Airbus and ElringKlinger.

**Battery: expanding expertise at component and system level**

ElringKlinger’s series production of cell contacting systems for lithium-ion batteries forms an integral part of the Group’s transformation. In the case of a cell contacting system, individual battery cells are interconnected; the cell contacting system is responsible for the conduction of current as well as thermal and electrical monitoring. Back in 2021, the Group secured a large-scale order for this component from a global battery manufacturer for the series platform of a premium German manufacturer. The Group puts its expertise in metal forming and punching technology to good use in the production of the metallic cell connectors that are fitted inside the cell contacting system. The Group stepped up its work on flexible printed circuit boards for cell contacting systems in the 2022 financial year in order to consolidate its expertise in these systems.

In the field of battery components the focus was on further developing cell covers during the year under review, not least as part of the IPCEI-funded project and several enquiries from customers. As part of the second large-scale European IPCEI for battery cell manufacture, “EuBatIn” (short for “European Battery Innovation”), ElringKlinger received a funding notification in 2021 for an innovative battery cell housing design. IPCEIs – Important Projects of Common European Interest – are all large-scale transnational undertakings. IPCEI funding for ElringKlinger facilitates the development and industrial-scale production of innovative battery cell housing components.

Besides single components, the Group also supplies battery modules and complete battery systems. Its development work during the year under review was targeted primarily at customer-specific battery systems as well as ElringKlinger's own battery systems – the “ElringKlinger standard” – based on both prismatic and round cells. Development of a battery system based on a pouch cell began back in the previous year. This means that ElringKlinger can offer battery modules and systems in each of the three battery cell types used in electromobility.

**Drivetrain Technology: reaching the next level in electric drive units**

Back in 2017, ElringKlinger entered a strategic partnership for electric drive units (EDUs) with the engineering specialist hofer powertrain under which the Group holds a non-controlling interest in hofer AG, Nürtingen, Germany, and majority interests in its production subsidiaries in Germany and the UK. While hofer AG contributes its engineering know-how in the field of electric drives, the ElringKlinger Group brings its skills in scaling up customer orders for series production to the table. The Drivetrain Technology business unit is one of the strategic future areas of the ElringKlinger Group. Its “High Compact Torque Vectoring” electric drive unit underwent significant refinement and was put through its paces during the year under review, thus firming up the basis for marketing its EDUs. Demonstration vehicles (passenger cars and light commercial vehicles) were also built for road testing.

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

The Metal Sealing Systems & Drivetrain Components business unit also saw a 2022 financial year driven by transformation. Thus, the focus of this unit's R&D activities in the reporting year was particularly on transferring existing knowledge in sealing and forming technology to the new drive technologies. For example, its expertise in coating and punching thin sheet metal and bonding components was used to further the development of laminated cores and

sealing systems for rotors and stators in electric motors. Another key milestone in the past financial year was the development of an embossed venting system for battery cells, which is used on the battery housing of electric vehicles and compensates for pressure differences, such as those caused by the build-up of heat. The Group is also making efforts to apply its capabilities to other vehicle components and thus add them to its technology portfolio. For example, the developers in the Metal Sealing Systems & Drivetrain Components business unit used their forming technology expertise to come up with innovative, multi-part designs for lightweight brake discs.

**Metal Forming & Assembly Technology: innovative components for e-mobility**

Shielding systems have been in demand for many years as a way of protecting heat-sensitive parts and the passenger compartment from the high temperatures inside the engine compartment, underbody area, and exhaust tract that are caused by tightly packed assemblies, more compact engines, and minimized cooling air flows. Work in the Metal Forming & Assembly Technology business unit focused on furthering the development of its ElroForm product solutions for electromobility applications in the 2022 financial year. Specifically, battery-related development activities for ElroForm were ramped up during the year under review. Progress was made on various customer-specific development projects, with the first series production ramp-ups planned for 2023. Besides offering thermal protection, shielding systems can also perform acoustic, electromagnetic, and aerodynamic roles and cover safety aspects depending on their specifications.

**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. Electrification is making the issue of lightweighting even more relevant, since a low weight has a significant, direct impact on an electric vehicle's range.

The Lightweighting/Elastomer Technology business unit continued to focus rigorously on its R&D priorities in the 2022 financial year with enhancements for its cockpit cross-car beams, front-end modules, and ElroSafe underbody protection for battery systems. Besides offering thermal and acoustic protection, the ElroSafe underbody protection is also designed to provide the battery with strong protection at high speeds. The year under review saw this ElroSafe technology used in the development of battery trays, which serve to enclose and protect the battery.

The innovative design of ElringKlinger's cockpit cross-car and front-end beams enable significant weight reductions, not least through the systematic use of plastic. Other key factors beside weight are value for money, design, and reproducible product quality. Work in the 2022 financial year focused on developing a new generation of cockpit cross-car beams as part of numerous customer-specific projects for battery-electric vehicle models.

One new development priority in the year under review was injection-molded housing modules for batteries. The Group already supplies manufacturers of battery-electric vehicle modules with housing components born out of the collaboration between the battery technology and structural lightweighting teams.

In particular, the developers on the sealing technology team worked on products for vehicles with a battery-electric drive in the 2022 financial year. As in the previous year, their efforts focused on further developing and optimizing pres-

sure equalizers for batteries. As well as helping to develop complex metal/elastomer gaskets for battery technology (e.g., battery housings or controllers), the Group's advanced knowledge in the field of materials development, production technology, and tool engineering also provides the basis for the supply of sealing solutions for fuel cell stacks.

#### **Engineered Plastics: experience right across the industry spectrum**

The Engineered Plastics segment makes high-performance plastics that are used in all manner of different industries, such as medical technology, mechanical engineering, the food industry, and the automotive industry. Both the materials deployed and the application they are used for are developed and adapted to suit each specific customer and their sector.

As in previous years, the Engineered Plastics segment focused on the main trends in the individual industry sectors in the 2022 financial year. For instance, the segment is benefiting significantly from increased regulation in individual industries just as it is from the much-tougher requirements in medical technology, the expectations made of industrial sensor systems, and the highly promising field of industrial hydrogen production (electrolysis). During the year under review, the segment concentrated on developing low-temperature heat shrink tubes used around sensitive sensor technology and on devising static sealing concepts for hydrogen. Another key area of development work was once again 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

Global economic growth slowed in 2022, weighed down by persistent supply-side bottlenecks, high inflation, and the continued impact of the lingering coronavirus pandemic. From February 2022 onward, the war in Ukraine exacerbated material shortages and price rises in the raw materials and energy sectors. Expressed in terms of gross domestic product (GDP), the global economy grew by a mere 3.4%<sup>5</sup> in 2022, as against 6.2% a year earlier. Although global automotive production rose by 6.7% in 2022, it remained well below pre-pandemic levels.

## Stuttering global economy

Following a weak first half, global economic growth picked up again from the third quarter of 2022 onward. The first six months of the year were shaped by exceptional factors such as the coronavirus lockdowns in China, which closed ports and increased disruption to supply chains. In the US, a major reduction of inventories curbed industrial output initially. The war in Ukraine triggered major price peaks for key energy sources such as gas.

## GDP growth projections

Year-on-year change  
(in %)

Region	2021	2022
<b>World</b>	<b>6.2</b>	<b>3.4</b>
Advanced economies	5.4	2.7
Emerging and developing countries	6.7	3.9
Eurozone	5.3	3.5
Germany	2.6	1.9
USA	5.9	2.0
Brazil	5.0	3.1
China	8.4	3.0
India	8.7	6.8
Japan	2.1	1.4

Source: International Monetary Fund (Jan. 2023)

These adverse impacts caused an economic downturn in the advanced economies, including the euro area, with private consumption slowing in particular. The economies of the emerging markets proved more robust by comparison. The Chinese economy began to recover once again to an increasing extent after lockdown restrictions were eased. In Asia's other emerging markets and in Latin America, production also increased significantly in most cases or at least remained on an upward trend.

Inflation in the advanced economies hit record highs during 2022 but began to fall from November onward, in some cases significantly. This was due not least to the trend in energy prices, which dropped from their summertime highs in the final months of 2022. Raw material prices experienced major fluctuations over the course of the year. A few, such as that of oil and gas, fell back following peaks – some of them severe – in early summer.

The central banks in the advanced economies responded to the high rates of inflation by hiking key interest rates sharply and tightening monetary policy, while the European Central Bank (ECB) dropped its zero-interest-rate policy. In July 2022, it began gradually to raise its base rate, which reached 2.5% in December 2022. Its US counterpart, the Federal Reserve, had been quicker to initiate its own rate rises and increased its benchmark rate from 0.25% to 4.5% over the course of the year. Many countries, particularly in

<sup>5</sup> International Monetary Fund data, January 2023



Europe, attempted to use financial policy to limit the economic consequences of the various adverse impacts that they were facing.

### Global automotive markets hit by headwinds from multiple directions

In 2022, global automotive production increased by 5.2 million new vehicles year on year, or 6.7%, to 82.4 million light vehicles (passenger cars and light commercial vehicles). This is still some 13% below the pre-pandemic peak of 94.2 million vehicles recorded in 2018.

The growth in output was curbed mainly by the shortage of primary and intermediate products as well as higher energy and logistics costs. Besides the pandemic-induced lockdowns in China, which caused supply problems due to closed ports, the ongoing war in Ukraine also worsened bottlenecks for Ukrainian- and Russian-made products. There was also a persistent shortage of semiconductors, demand for which is growing as the world becomes increasingly connected and electric vehicle numbers rise.

Among the various regions, the highest increases in new vehicles in absolute terms could be found in China, North America, and South Asia. In Europe (excluding Russia), production increased by over 800,000 vehicles, or 5.9%, year on year.

### Light vehicle production

Region	Million units		Year-on-year change
	2021	2022	
Europe <sup>1</sup>	14.4	15.3	5.9%
China	24.8	26.4	6.3%
Japan/Korea	10.9	11.2	2.7%
Middle East & Africa	2.1	2.2	9.2%
North America	13.0	14.3	9.7%
South America	2.6	2.8	8.3%
South Asia	7.9	9.6	22.1%
<b>World</b>	<b>77.2</b>	<b>82.4</b>	<b>6.7%</b>

<sup>1</sup> Excluding Russia  
 Source: S&P Global Mobility (Feb. 2023)

### Global car sales on a par with 2021

According to figures from the German Association of the Automotive Industry (VDA), the global market for passenger cars remained on a par with the previous year in 2022, with 71.2 million vehicles sold. The trends within the individual markets varied considerably. China, the largest single market, benefited from a cut in income tax in the second half of 2022 and saw annual growth of 10.0% compared to 2021, taking the figure to 23.2 million newly registered passenger cars. By contrast, the US – the second largest sales market – suffered an 8.1% fall in new registrations to 13.7 million light vehicles. India claimed third place in the country rankings for the first time, with 3.8 million passenger cars sold – a rise of 23.0% year on year.

With 11.3 million new registrations, the European car market (EU27, EFTA, and UK) recorded a year-on-year fall of 4.1% in 2022, meaning that it is still lagging some 29% behind its pre-crisis volume of 2019. The trend within the five largest individual markets was predominantly negative. Germany registered 2.7 million new passenger cars, 1.1% more than in 2021.

### Strong demand for commercial vehicles in Europe and the US

Developments within the markets for heavy-duty commercial vehicles (trucks over 6 tons) were mixed in 2022. Whilst the European, US, and Indian markets were fueled by strong demand and a significant backlog, growth was curbed by ongoing disruption to supply chains and uneven macroeconomic developments. In Europe, sales of heavy-duty commercial vehicles rose by roughly 5% to 336,000 units in 2022, while Germany – the biggest single market – saw a decline of some 2% to 71,000 units. The US heavy-duty segment also enjoyed strong growth of approximately 15%, as did India with a rise of some 45%, while sales of heavy-duty trucks flatlined in Brazil. In China, which introduced new emissions standards in 2020, the market for commercial vehicles shrank by around 51% on 2021 levels.

## Significant Events

The economic conditions outlined above had an unusually severe impact on business dealings over the course of the 2022 financial year. In this context, safeguarding the availability of materials, addressing the issue of rising costs, and operating within a challenging environment plagued by uncertainty constituted key aspects. Irrespective of these circumstances, the Group remained resolute in pursuing its strategic course, as evidenced by the establishment of a new enterprise in China. Other important events include the extension of CEO Dr. Stefan Wolf's contract and the Annual General Meeting, which was again held in a virtual format.

### Further contract extension for CEO Dr. Stefan Wolf

As resolved on March 24, 2022, the contract of CEO Dr. Stefan Wolf was extended ahead of schedule by an additional four years until January 31, 2027. The previous contract was scheduled to expire on January 31, 2023. Dr. Wolf has been CEO of ElringKlinger AG since 2006. In taking this decision, the Supervisory Board has ensured continuity at the helm of the Group.

### Theo Becker's appointment to Management Board ends

Chief Technology Officer Theo Becker's appointment as a member of the Management Board was revoked effective from March 31, 2022. Mr. Becker thus left the company after many years of service at ElringKlinger and as a member of the Management Board, a position he held from 2006 onward. Mr. Becker's contract would have regularly expired on January 31, 2023.

Following the departure of Chief Technology Officer Theo Becker, the Group Management Board returned to its previous size of three members. The current board members assumed responsibility for the duties previously performed by Mr. Becker. Thus, the corporate unit Purchasing & Supply Chain Management as well as the business units Battery Technology and Drivetrain Components were assigned to the portfolio of Chief Financial Officer Thomas Jessulat. The corporate units Real Estate & Facility Management, Product Risk Management, and Tooling Technology are now overseen by Chief Operating Officer Reiner Drews.

### Annual General Meeting approves dividend, Ingeborg Guggolz newly appointed to Supervisory Board

Against the backdrop of the coronavirus pandemic, ElringKlinger's 117th Annual Shareholders' Meeting was conducted as a virtual event. This was the third year in succession that the event was held in this format. In total, 63.2% of the voting share capital was represented. The Annual General Meeting approved the new compensation system for the Management Board, in addition to resolving in favor of the compensation system for the Supervisory Board. The Annual General Meeting approved a dividend of EUR 0.15 per share in respect of the previous financial year. Ingeborg Guggolz was newly elected to the Supervisory Board as a shareholder representative after Rita Forst had resigned from the board as of May 19, 2022.

### Subsidiary of EKPO Fuel Cell Technologies founded in China

A new subsidiary by the name of EKPO Fuel Cell (Suzhou) Co., Ltd., based in Suzhou, China, was established as of June 29, 2022. As a wholly owned subsidiary of Group company EKPO Fuel Cell Technologies GmbH based in Dettingen/Erms, Germany, the entity will also operate in the field of fuel cell technology.

# Sales and Earnings Performance

Against the backdrop of economic adversity, global automotive markets expanded by 6.7% in 2022. ElringKlinger recorded revenue growth of 10.7% in the financial year just ended. This forward momentum was underpinned by all of the Group's key segments. Substantial increases in raw material and energy prices had an impact on cost structures in the period under review. Operating within a difficult environment, the Group reported EBIT of EUR -42.2 million for the financial year just ended, which corresponds to a margin of -2.3%. Excluding exceptional items totaling EUR 103.3 million, the Group achieved operating EBIT of EUR 61.0 million. With an operating EBIT margin of 3.4%, ElringKlinger slightly exceeded its guidance figure for the 2022 financial year, as presented in August.

## Group revenue at record level

The 2022 financial year produced significant revenue growth amid difficult economic and geopolitical conditions – such as disruptions to supply chains, spiraling commodity and energy prices, the adverse effects of the war in Ukraine, and rising inflation rates worldwide. In total, the ElringKlinger Group generated revenue of EUR 1,798.4 million (2021: EUR 1,624.4 million), up EUR 174.0 million or 10.7% on the previous year. ElringKlinger thus exceeded revenues generated in the pre-pandemic 2019 financial year by 4.1%.

Overall, currency translation had a positive impact of EUR 53.6 million or 3.3% in the financial year under review. Changes relating to the US dollar, the Mexican peso, the Chinese yuan, and the Brazilian real in particular provided a boost to sales revenue, while the Turkish lira had

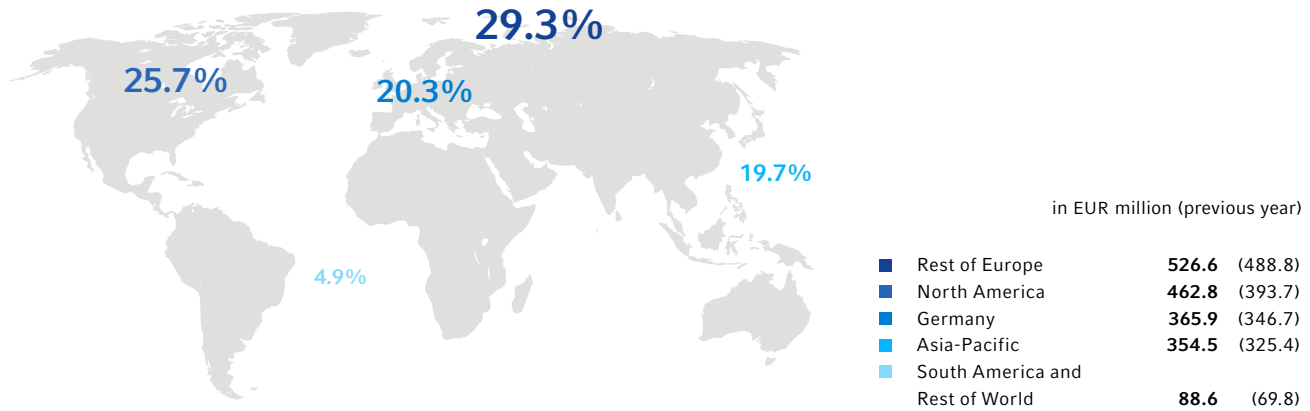
an opposite effect. No adjustments with regard to M&A activities were applicable in the period under review. Excluding the effects from exchange rate changes, the increase in revenue amounted to EUR 120.4 million or 7.4%.

The projected trend with regard to market levels was revised several times over the course of 2022. At 6.7%, actual production growth was significantly lower than the estimate of 9.1% given by industry institute S&P Global Mobility at the beginning of 2022. Accordingly, in line with its outlook presented in August, the Group's organic revenue growth slightly exceeded the increase in global car production. At the beginning of the 2022 financial year, the Group had assumed that its organic growth would be on a par with the market level, without factoring in the consequences of the war in Ukraine.

## Factors influencing Group revenue

in EUR million	2022	2021	Change, absolute	Change, relative
<b>Group revenue</b>	<b>1,798.4</b>	<b>1,624.4</b>	<b>174.0</b>	<b>10.7%</b>
of which FX effects			53.6	3.3%
of which M&A activities			0.0	0.0%
of which organic			120.4	7.4%

**Group revenue by region 2022**



**Revenue growth in all regions**

The region encompassing the Rest of Europe recorded significant growth in the 2022 financial year, with revenue expanding by EUR 37.8 million or 7.7% to EUR 526.6 million (2021: EUR 488.8 million) in the period under review. This was driven in particular by a buoyant fourth quarter in fiscal 2022. In some cases, however, the rate of growth was even more pronounced in other regions. Against this background, the Rest of Europe’s share of total Group revenue fell by 0.8 percentage points to 29.3% (2021: 30.1%). Regardless of this, however, this region continues to account for the largest proportion of Group revenue. Adjusted for currencies, sales revenues saw further expansion – by as much as EUR 48.6 million or 9.9%. Meanwhile, based on data published by S&P Global Mobility, car production in Europe (excluding Germany and Russia) increased by 4.3%.

In North America, revenue grew by 17.6% or EUR 69.1 million in the 2022 financial year. The Group thus achieved revenue of EUR 462.8 million in this region (2021: EUR 393.7 million). With a share of 25.7% (2021: 24.2%), ElringKlinger generated more than a quarter of its consolidated sales revenue in this region. Revenue growth in North America outpaced the local market as a whole, which expanded by just 9.7%. Exchange rate movements also contributed to the marked increase in revenue in the financial year under review; adjusted for exchange rate effects, revenue in this region was up by EUR 27.0 million or 6.9%.

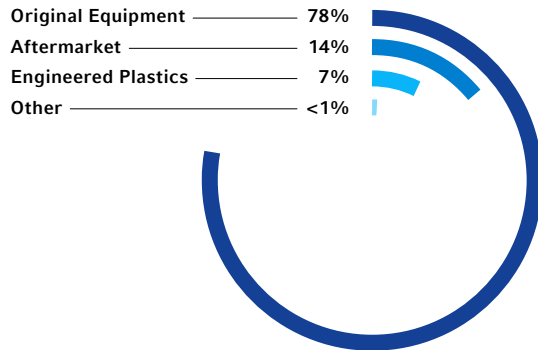
Due to the “zero-covid strategy” pursued in China, the impact of the coronavirus pandemic was not felt across the

board in economic terms. However, supply chains were disrupted by temporary regional lockdowns. Following the Chinese government’s decision to abandon its “zero-covid strategy” in the fourth quarter, incidences of coronavirus infection continued to rise. Against this backdrop, ElringKlinger generated revenue of EUR 354.5 million in the Asia-Pacific region (2021: EUR 325.4 million), an increase of EUR 29.1 million or 8.9%, which was slightly below the Group’s growth rate of 10.7%. Due to the more pronounced rates of growth recorded by the other Group regions in relative terms, the Asia-Pacific region’s share of total Group revenue was down slightly at 19.7% (2021: 20.0%).

In the region covering Germany, meanwhile, ElringKlinger achieved noticeable growth of EUR 19.2 million or 5.5% in the year under review, fueled in part by a successful final quarter. In total, ElringKlinger generated domestic sales revenue of EUR 365.9 million (2021: EUR 346.7 million). Thus, the overall proportion of domestic revenue decreased slightly year on year to 20.3% (2021: 21.3%). Group revenue generated abroad grew by a disproportionately large amount relative to total revenue, as a result of which the share of foreign sales expanded to 79.7% in the financial year under review (2021: 78.7%).

The region comprising South America and Rest of World again recorded the largest percentage increase in revenue for the Group during the 2022 financial year. Here, the Group saw sales revenue expand by EUR 18.8 million or 26.9% to EUR 88.6 million (2021: EUR 69.8 million), driven primarily by the exchange rate movements of the Brazilian

Group revenue by segment and business unit 2022



in EUR million (previous year)

<b>Original Equipment</b>	<b>1,411.4</b>	<b>(1,280.4)</b>
– Lightweighting/Elastomer Technology	<b>575.2</b>	<b>(500.1)</b>
– Metal Sealing Systems & Drivetrain Components	<b>496.6</b>	<b>(448.2)</b>
– Metal Forming & Assembly Technology <sup>1</sup>	<b>293.2</b>	<b>(269.3)</b>
– E-Mobility	<b>42.4</b>	<b>(58.7)</b>
– Exhaust Gas Purification & Other	<b>4.1</b>	<b>(4.1)</b>
<b>Aftermarket</b>	<b>250.9</b>	<b>(214.7)</b>
<b>Engineered Plastics</b>	<b>132.6</b>	<b>(125.4)</b>
<b>Other</b>	<b>3.5</b>	<b>(4.0)</b>

<sup>1</sup> Known as “Shielding Technology” up to Dec. 31, 2022

real in the first half of 2022. At an organic level, i. e., based on the assumption of stable exchange rates, revenue grew by EUR 9.5 million or 13.6%. Thus, organic revenue growth exceeded the figure of 8.7% growth in car production in this region in the period under review. Overall, the share of Group revenue stood at 4.9%, compared to 4.3% in the previous year.

**Original Equipment segment outpaces market in revenue growth**

Accounting for 78.5% (2021: 78.8%) of total revenue, the Original Equipment segment constitutes the largest segment of the ElringKlinger Group. In the financial year just ended, this segment generated revenue of EUR 1,411.4 million (2021: EUR 1,280.4 million), representing an increase of EUR 131.0 million or 10.2%. The segment thus grew quite significantly compared to global car production, which expanded by only 6.7%. Among other factors, this was attributable to customer compensation for higher material prices, which was recognized through revenue, especially in the fourth quarter.

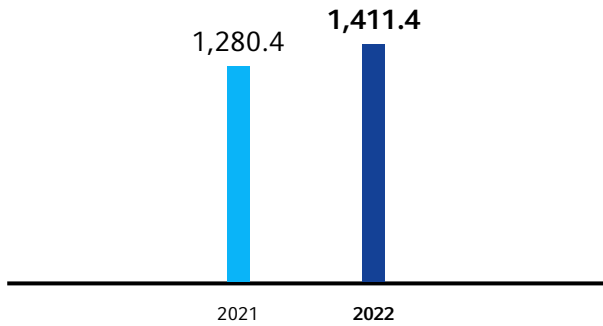
Within the Original Equipment segment, the Metal Sealing Systems & Drivetrain Components business unit generated revenue of EUR 496.6 million (2021: EUR 448.2 million), an increase of EUR 48.4 million or 10.8%. The Group’s largest business unit in terms of revenue share, Lightweighting/Elastomer Technology, saw revenue expand by a hefty EUR 75.1 million or 15.0% to EUR 575.2 million in the 2022

financial year (2021: EUR 500.1 million). Having recorded a decline in sales revenue in the previous year, the Metal Forming & Assembly Technology segment<sup>6</sup> produced significant forward momentum, taking revenue to EUR 293.2 million in the period under review (2021: EUR 269.3 million). This corresponds to growth of EUR 23.9 million or 8.9%. Revenue in the Exhaust Gas Purification & Other business unit remained unchanged year on year at EUR 4.1 million (2021: EUR 4.1 million). Activities within this area of the business are mainly centered around the construction of housings as a component for exhaust gas purification systems.

The E-Mobility business unit brings together the Group’s activities in the field of battery and fuel cell technology as well as in the area of electric drive units. At EUR 42.4 million (2021: EUR 58.7 million), the business unit saw a year-on-year contraction in revenue, partly as a result of project postponements on the part of customers, which also translated into delayed production start-ups. Expenses were incurred with regard to development efforts and due to the establishment of production capacity. The same applied to measures aimed at evolving the unit’s production technology over the course of the 2022 financial year. In addition, the business unit made preparations for the start of series production of a cell contacting system and expanded its capacity levels for development and testing. As regards fuel cell technology, a new site was established in China in the reporting period with a view to further cultivating this

<sup>6</sup> The “Shielding Technology” business unit was renamed “Metal Forming & Assembly Technology” as of January 1, 2023.

**Revenue in the Original Equipment segment**  
in EUR million



market. Work also commenced on introducing series production.

The economic and geopolitical conditions outlined above, such as increases in commodity prices and elevated transport and energy prices, had an adverse effect on earnings within the Original Equipment segment in the financial year under review. In addition, segment earnings were impacted by impairment losses of EUR 86.1 million relating to goodwill recognized in the Group statement of financial position and impairment losses of EUR 17.2 million with regard to various international asset items accounted for in property, plant, and equipment and intangible assets. The impairment of goodwill at the end of the first half of the year was attributable primarily to the significant increase in interest rates in the second quarter. The post-tax cost of capital rate used to discount goodwill rose to 7.40% as of June 30, 2022 (Dec. 31, 2021: 6.99%). The impact of multiple uncertainties on company planning, such as the unforeseeable consequences of the Russo-Ukrainian conflict, the tense situation within the commodity markets, the general economic trajectory or the direction taken by the automotive sector, and the possibility of further waves of the pandemic, were included in recoverability-related calculations at the time. Overall, segment EBIT stood at EUR -111.0 million (2021: EUR 36.9 million). Correspondingly, the EBIT margin was in negative territory at -7.9% (2021: 2.9%).

**Strong earnings in Aftermarket segment**

The Aftermarket segment saw growth in revenue and earnings in the financial year just ended. At EUR 250.9 million (2021: EUR 214.7 million), revenue generated in the 2022 financial year was up EUR 36.2 million or 16.9% on the

prior-year figure. Thus, the Aftermarket segment is the second largest in the Group. Revenue growth was underpinned by the majority of the regions relevant to the aftermarket business, with Western and Eastern Europe, the Middle East/Indian subcontinent, and North and South America making particularly strong contributions. Benefiting from a consistent focus on cost efficiency, segment earnings before interest and taxes rose to EUR 50.2 million (2021: EUR 42.2 million), which corresponds to an EBIT margin of 20.0% (2021: 19.7%).

**Engineered Plastics segment posts revenue growth after strong prior-year performance**

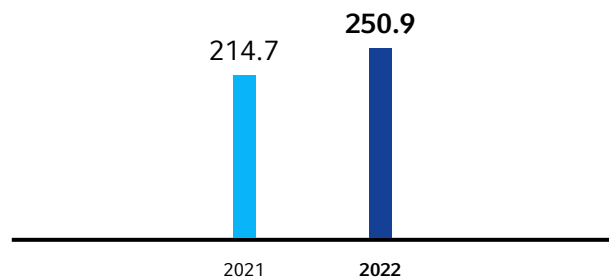
Against the backdrop of a multitude of adverse factors, such as spiraling raw material prices and disrupted supply chains, the Engineered Plastics segment saw revenue grow moderately to EUR 132.6 million (2021: EUR 125.4 million). Revenue was up by EUR 7.2 million or 5.7% on the comparatively solid prior-year figure.

The segment's broad positioning across various sectors was reflected in robust earnings in the 2022 financial year, with EBIT totaling EUR 19.7 million (2021: EUR 23.7 million). This was also underpinned by a consistent approach to cost discipline with regard to non-personnel and staff costs, as part of which the segment managed to counteract the many downside factors outlined above. The EBIT margin for the segment stood at 14.9% (2021: 18.9%).

**Slight decline in revenue for "Other" segment**

In the 2022 financial year, the segment referred to as "Other," which combines the activities of services and industrial parks, generated revenue of EUR 3.5 million (2021: EUR 4.0 million). The segment loss before interest and taxes amounted to EUR -1.2 million, a slight deterioration compared to the previous year's figure of EUR -0.8 million.

**Revenue in the Aftermarket segment**  
in EUR million



### Gross profit margin remains robust overall despite elevated material prices

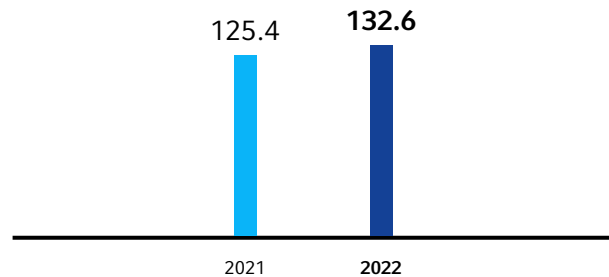
Compared to revenue, which grew by 10.7%, the cost of sales in 2022 increased at a faster rate year on year, up by 14.6%. This was driven to some extent by impairment losses of EUR 17.2 million relating to property, plant, and equipment and intangible assets, which are recognized in the cost of sales. In total, the cost of sales amounted to EUR 1,459.9 million in 2022, compared to EUR 1,273.4 million in the previous financial year. As a result, the Group's gross profit of EUR 338.5 million (2021: EUR 351.0 million) was slightly lower than in the previous year, down by EUR 12.5 million or 3.6% on the prior-year figure. Accordingly, the gross profit margin fell to 18.8% (2021: 21.6%). This was attributable primarily to the high level of material costs, which was offset to a large extent in the course of the year.

As regards material-related costs, inflationary trends relating to commodities, energy, and logistics became particularly evident in the period under review, prompting the cost of materials, as a component of the cost of sales, to expand at a faster rate than sales revenue. Fueled by market developments, exchange-quoted prices for gas and electricity, for example, reached levels over the course of 2022 that were in some cases more than twice as high as the respective prices at the beginning of the year. Elsewhere, metal markets saw a rise in the price of aluminum and nickel following the outbreak of the war in Ukraine – reaching peaks not seen in over ten years.

As part of its manufacturing processes, the ElringKlinger Group 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 Metal Forming & Assembly 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 aimed at limiting volatility and the general upward trend in prices,

### Revenue in the Engineered Plastics segment in EUR million



including price escalation clauses in customer contracts, for example, as part of which changes in the price of raw materials are passed on to customers. In addition, the Group also concludes hedging transactions where this is possible on the basis of corresponding reference figures. In the area of procurement, the Group also pursues various strategies to optimize material costs via contract parameters such as duration and volumes.

In total, the cost of materials rose by 16.4% compared to the previous year, taking the figure to EUR 825.7 million in the period under review (2021: EUR 709.2 million). The Group was in a position to pass on significant increases in prices through customer billing. However, the cost of materials as a whole rose at a faster rate than revenue. Accordingly, the cost-of-materials ratio was up on the prior-year figure at 45.9% (2021: 43.7%).

Staff costs, which are accounted for in various functional categories of the income statement, amounted to EUR 565.5 million in 2022 (2021: EUR 526.6 million). As in the case of material-related costs, staff costs trended higher year on year. They also include expenses for the discontinuation of production activities at German sites. Compared to revenue, however, staff costs rose at a slower rate of EUR 38.9 million or 7.4%. As a result, staff costs as a percentage of Group revenue trended slightly below the previous year's figure at 31.4% (2021: 32.4%) and the pre-pandemic level (2019: 31.5%).

Reflecting the upturn in economic activity in key sales regions and growth in Group revenue, selling expenses increased by EUR 19.2 million or 15.9% to EUR 140.0 million in 2022 (2021: EUR 120.8 million). In addition, amid the gradual easing of covid-related restrictions over the course

of the year, attendance at trade shows as well as business-related travel became more pronounced in the year under review. In addition, the Group recorded an increase in expenses for externally contracted services, which are included in selling expenses.

As business picked up, general and administrative expenses also increased in the reporting year and totaled EUR 90.2 million (2021: EUR 83.6 million).

#### **R&D ratio within target range**

In an effort to help shape the process of transformation within the automotive industry, the Group has been focusing its research and development activities primarily on the strategic future areas centered around battery technology, fuel cell technology, electric drive units, and structural lightweighting.

In the 2022 financial year, the Group saw an increase in research and development costs by 7.4% year on year, taking the figure to EUR 69.7 million (2021: EUR 64.9 million). In addition, it recorded EUR 22.1 million (2021: EUR 17.2 million) in capitalized costs meeting the relevant criteria for recognition. This resulted in a capitalization ratio of 24.1% (2021: 21.0%). Amortization and impairments of capitalized development costs totaled EUR 4.8 million (2021: EUR 4.2 million). Including capitalized development costs, the ratio of R&D costs to Group revenue was 5.1% (2021: 5.1%), i. e., unchanged on the previous year's level and within the target range of around 5 to 6% of Group revenue.

ElringKlinger again received public funding in support of its research and development activities in the financial year just ended. Funds granted with regard to R&D projects and recognized in profit or loss totaled EUR 4.0 million (2021: EUR 3.7 million). As the Group does not receive any funding without incurring its own expenses, all public grants recognized in profit or loss in 2022 coincided with project-related expenses for development and prototyping in the corresponding amount.

Other operating income totaled EUR 18.2 million in the reporting period, which was EUR 14.5 million below the level recorded in the previous year (2021: EUR 32.7 million). The year-on-year difference is attributable among other things to income from the sale of the Austrian subsidiary to French automotive supplier Plastic Omnium in the amount of EUR 11.3 million, an item included in the previous year's figure. In addition, other operating income was down year on year due to lower reversals of impaired receivables.

At EUR 99.0 million (2021: EUR 12.5 million), other operating expenses in the reporting year were significantly higher than in the previous twelve-month period. This was attributable primarily to the impairment of goodwill in the Original Equipment segment in the amount of EUR 86.1 million, as recognized in the second quarter of 2022. In addition, other operating expenses included higher expenses for claims than in the previous year, which contrasted with lower adjustments to the carrying amounts of receivables.

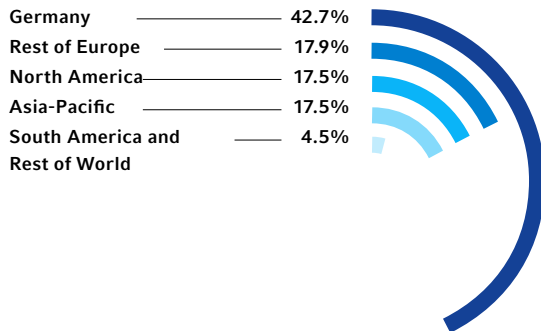
#### **Headcount remains largely unchanged**

Compared to the previous year, the number of people employed within the Group was up slightly at 9,540 as of December 31, 2022 (2021: 9,462<sup>7</sup>). Acknowledging the process of transformation, the Group made a point, among other things, of taking a prudent approach to filling vacant positions and focused on expanding its headcount in strategic future areas, such as fuel cell and battery technology. Reflecting the economic recovery in the Asia-Pacific region, local staffing levels trended higher over the course of the year. Against the backdrop of more dynamic business, the Group also expanded its workforce in the region encompassing South America and Rest of World. Meanwhile, the Group saw a decline in the number of employees in North America, partly due to restructuring and as a result of downstream effects relating to the efficiency stimulus program. At the end of the year, the headcount for Germany stood at 4,069, representing 42.7% of the Group's total workforce. The number of people employed abroad was 5,471, corresponding to a share of 57.3%. The annual average number of employees within the ElringKlinger Group was 9,480 (2021: 9,553<sup>7</sup>).

<sup>7</sup> The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.



### ElringKlinger Group employees



Dec. 31, 2022 (previous year)

■ Germany	4,069	(4,032 <sup>1</sup> )
■ Rest of Europe	1,709	(1,739)
■ North America	1,666	(1,766)
■ Asia-Pacific	1,665	(1,541)
■ South America and Rest of World	431	(384)

<sup>1</sup> The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.

### EBIT before exceptional items slightly above expectations

The positive effects of consistent cost discipline were more than offset by spiraling material prices and higher staff costs in the year under review. Against this backdrop, the Group recorded EBITDA of EUR 174.2 million in the 2022 financial year (2021: EUR 216.1 million). The previous year's figure, by contrast, had included the gain on disposal of a subsidiary amounting to EUR 10.9 million. Depreciation, amortization, and impairments of non-current assets totaled EUR 216.5 million in the period under review (2021: EUR 114.1 million). This figure includes exceptional items in the form of impairments amounting to EUR 103.3 million, which were recognized in profit or loss but were non-cash in nature.

The impairments recognized in the 2022 financial year were also reflected in the Group's earnings before interest and taxes (EBIT), which were significantly lower year on year. The Group recorded EBIT of EUR -42.2 million in the 2022 financial year (2021: EUR 102.0 million), which corresponds to a margin of -2.3% (2021: 6.3%). The impairment of goodwill amounting to EUR 86.1 million at the end of the first half of the year was attributable primarily to the significant increase in interest rates in the second quarter. In addition, the Group recognized impairment losses of EUR 17.2 million relating to property, plant, and equipment as well as intangible assets in the financial year just ended.

Adjusted for these exceptional items, consolidated EBIT totaled EUR 61.0 million from an operating perspective, which corresponds to an operating EBIT margin of 3.4%. Thus, the Group slightly exceeded its guidance of around 2 to 3% published in August 2022. The original forecast for the 2022 financial year had pointed to an EBIT margin slightly below the previous year's level, without factoring in the war in Ukraine (2021: 6.3%). However, the situation changed significantly due to the outbreak of war and its repercussions, such as higher prices for energy and raw materials. As a result and due to the exceptional items, the EBIT margin of -2.3% was below the original guidance. At the time of the initial forecast, the course and consequences of the armed conflict in Ukraine were entirely uncertain. Thus, the company had not been able to take these factors into account as part of its projections.

### Downturn in net finance result

The Group's net interest result reflects slightly lower interest income and higher interest expenses. Fixed interest rates were agreed for part of the Group's financial liabilities, as a result of which the general increase in interest rates did not have a wide-ranging impact on interest expenses in the financial year under review. In total, however, interest expenses rose by EUR 5.4 million. Thus, the Group saw a deterioration in its net interest result. In contrast to the previous year, exchange rate volatility in the financial year just ended was reflected in a slight net foreign exchange

loss of EUR -0.7 million (2021: EUR 11.9 million). Unrealized foreign exchange gains 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 slightly higher foreign exchange losses. In total, the net result of foreign exchange gains and losses deteriorated by EUR 12.6 million. At the same time, losses from associates were down on the prior-year figure. Overall, net finance result was lower in the period under review, down by EUR 12.5 million to EUR -13.8 million (2021: EUR -1.3 million).

Accordingly, at EUR -56.1 million (2021: EUR 100.8 million), earnings before taxes were significantly lower than in the previous year.

#### **Income taxes down year on year**

Impacted in part by the change in circumstances with regard to earnings, income tax expenses fell to EUR 34.6 million in the 2022 financial year (2021: EUR 46.2 million), which corresponds to an effective tax rate of -61.8% (2021: 45.9%). 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 -90.7 million (2021: EUR 54.6 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 -89.1 million in 2022 (2021: EUR 55.7 million). Correspondingly, earnings per share were down substantially year on year at EUR -1.41 (2021: EUR 0.88). As of December 31, 2022, the number of shares

outstanding that were entitled to a dividend remained unchanged at 63,359,990.

#### **Proposed dividend of EUR 0.15**

The annual financial statements of ElringKlinger AG, which were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and are relevant for the payment of dividends, showed a net loss of EUR -45.5 million at the end of the reporting period (2021: net income of EUR 70.1 million).

Taking into consideration the far-reaching process of transformation and the net loss for the year posted by ElringKlinger AG on the one hand as well as the investment interests of shareholders in the Group on the other, the Management Board and the Supervisory Board would like to retain a balanced dividend policy. At the same time, both Boards are committed to ensuring continuity as regards the policy of dividend payments, particularly against the background of the favorable projections made for the coming financial years. Due to net income accumulated in previous financial years, ElringKlinger AG was able to build up reserves in the form of revenue reserves, which can now be drawn upon.

In the 2022 financial year, therefore, reversals of revenue reserves amounting to EUR 55.0 million (2021: allocation of EUR 26.6 million) were made. Thus, the reported unappropriated surplus (i. e., net retained profit) was identical to the previous year at EUR 9.5 million. The Management Board and the Supervisory Board jointly propose to the Annual General Meeting that an unchanged dividend of EUR 0.15 per share (2021: EUR 0.15 per share) be paid out for the 2022 financial year.

# Financial Position

The ElringKlinger Group's financial position remained solid in the 2022 financial year, thus providing an important foundation when it came to cushioning the impact caused by exceptional strains such as situational adjustments to inventories. Despite the challenging environment, ElringKlinger was able to reduce net debt slightly to EUR 364.2 million. Standing at 43.8%, the Group's equity ratio remained high at the end of the 2022 financial year.

## Slight reduction in total assets

As of December 31, 2022, total assets held by the ElringKlinger Group were down 2.1% year on year to EUR 2,046.6 million (Dec. 31, 2021: EUR 2,090.0 million). The decline was attributable to non-current assets, whose carrying amount totaled EUR 1,130.5 million at the end of the 2022 financial year (Dec. 31, 2021: EUR 1,267.1 million). This item thus accounted for 55.2% of total assets. Current assets increased to EUR 916.1 million (Dec. 31, 2021: EUR 822.9 million), constituting a share of 44.8% (Dec. 31, 2021: 39.4%).

## Impairment of non-current assets

Intangible assets were down by EUR 68.8 million year on year, taking the figure to EUR 146.8 million (EUR 215.6 million) at the end of the period under review. In this context, impairment losses of EUR 87.3 million were a contributing factor, EUR 86.1 million of which related to goodwill in the

Original Equipment segment. This was attributable primarily to an impairment test conducted at the end of the first half of the financial year, which had been prompted by the significant increase in interest rates, especially in the second quarter of 2022. In contrast, the carrying amount of capitalized development costs, which are also part of intangible assets, increased by EUR 17.3 million year on year to EUR 59.4 million (Dec. 31, 2021: EUR 42.1 million).

Totalling EUR 905.8 million at the end of 2022 (Dec. 31, 2021: EUR 938.6 million), the carrying amount of property, plant, and equipment was down on the prior-year figure. Alongside systematic depreciation (less write-ups) of EUR 107.7 million, the Group recognized impairment losses of EUR 15.9 million in the financial year under review. Primarily, this contrasted with additions from investments (incl. additions from leases) amounting to EUR 82.2 million.

## Financial position

in EUR million	Dec. 31, 2022	Dec. 31, 2021
Total assets	2,046.6	2,090.0
Equity ratio	43.8%	47.0%
Net working capital <sup>1</sup>	454.7	402.2
In relation to Group revenue	25.3%	24.8%
Net debt <sup>2</sup>	364.2	369.2
Net debt/EBITDA	2.1	1.7
ROCE <sup>3</sup>	-2.7%	6.4%

<sup>1</sup> Inventories as well as trade receivables less trade payables

<sup>2</sup> Current and non-current financial liabilities less cash and cash equivalents and short-term securities

<sup>3</sup> Return on capital employed; adjusted for impairments (EUR 103.3 million) ROCE 2022 stood at 3.9%.

There were no material year-on-year changes to other non-current asset items, apart from the reduction in non-current assets, down by EUR 20.4 million mainly as a result of reclassification to current assets, and the decrease in deferred tax assets by EUR 12.2 million.

#### **Net working capital driven higher by external factors**

The tense situation seen within the procurement markets, as evidenced, among other things, by spiraling commodity prices and persistent supply-side bottlenecks during the 2022 financial year, prompted an adjusted approach to stockpiling within the Group. This resulted in the decision to raise inventory levels temporarily to some extent in order to ensure the availability of raw materials and primary products in support of smooth manufacturing processes. Having said that, higher inventory levels were also a reflection of the solid order situation at ElringKlinger. Compared to year-end 2021, the Group's inventories increased by EUR 59.7 million or 16.9% to EUR 414.0 million (Dec. 31, 2021: EUR 354.3 million).

Fueled by buoyant revenue in the second half of the year, especially in the fourth quarter of 2022, trade receivables expanded in the period under review. At the end of 2022, their carrying amount stood at EUR 264.9 million (Dec. 31, 2021: EUR 233.5 million), which was up EUR 31.4 million or 13.4% on the figure posted for the 2021 financial year.

As a result, working capital, which consists of inventories and trade receivables, increased by EUR 91.0 million or 15.5% to EUR 678.8 million (Dec. 31, 2021: EUR 587.8 million) as of the reporting date. The Group's net working capital, which factors in trade payables as an additional item, totaled EUR 454.7 million at the end of the 2022 financial year (Dec. 31, 2021: EUR 402.2 million). This corresponds to a share of 25.3% of Group revenue for the year, up from 24.8% at the end of the 2021 reporting period. The slight increase in this financial indicator is in line with the guidance presented in the report on the first half of 2022. Originally, i. e., upon publication of the 2021 annual report excluding the effects of the war in Ukraine, ElringKlinger's projections had pointed to a slight year-on-year improvement.

"Other current assets," a category that encompasses a multitude of items, totaled EUR 105.1 million at the end of the reporting period, compared to EUR 100.9 million at year-end 2021. The principal component is other receivables from third parties, including claims from the sale of receivables in the amount of EUR 72.0 million (Dec. 31, 2021: EUR 73.7 million). Among the more pronounced movements in this line item was the scheduled contribution of around EUR 30.0 million made by the co-owner of the Group subsidiary EKPO Fuel Cell Technologies GmbH. In net terms, however, this item was not reduced by the same amount by the aforementioned payment, as a transfer of EUR 20.0 million from the non-current item had the opposite effect. At the end of 2022, the outstanding contribution from the co-owner amounted to around EUR 40 million, which was divided roughly equally between a long-term and a short-term component. The year-on-year increase in "Other current assets" is mainly due to changes in time deposits and securities, prepaid expenses and advance payments.

Cash and cash equivalents held by the ElringKlinger Group amounted to EUR 119.1 million as of December 31, 2022 (Dec. 31, 2021: EUR 109.9 million).

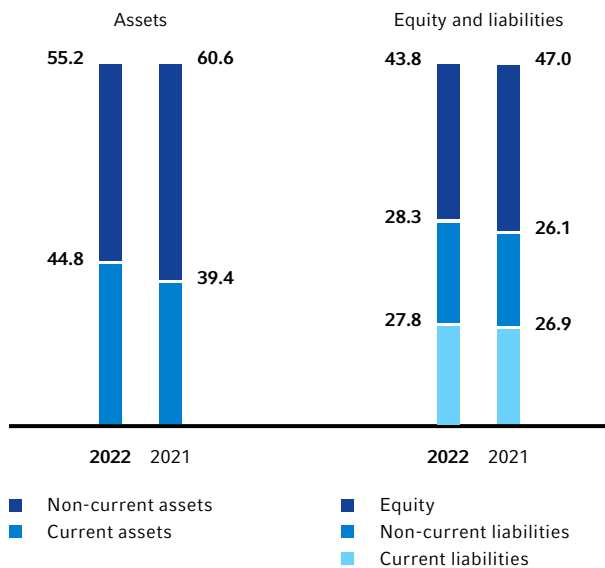
#### **Equity ratio within target range at 44%**

With equity standing at EUR 896.8 million (Dec. 31, 2021: EUR 982.3 million), ElringKlinger again reported a substantial equity ratio of 43.8% (Dec. 31, 2021: 47.0%) at the end of the 2022 financial year. This key financial indicator thus continues to lie within the management's target range of 40 to 50%. The high level of equity provides a robust basis with regard to the Group's capital structure.

In the 2022 financial year, equity was primarily reduced by the net annual loss of EUR -90.7 million. In addition, there were distributions of EUR 14.3 million paid to shareholders of ElringKlinger AG and to non-controlling interests in respect of the previous financial year. In contrast, equity was augmented by EUR 30.0 million as a result of the remeasurement of pension provisions. Among the other influencing factors were differences in currency translation of EUR -14.1 million, an addition of EUR 2.7 million from the first-time application of IAS 29 as a result of hyperinflation in Turkey, and other circumstances of minor significance.

### Structure of the ElringKlinger Group's statement of financial position

as of December 31, 2022  
in %



Pension provisions saw a significant contraction to EUR 97.4 million in the 2022 financial year, down from EUR 140.7 million, which was attributable primarily to the increase in interest rates and, consequently, the higher discount factor. Essentially, the actuarial effect was determined as early as the second quarter of 2022 and recognized directly in equity (cf. Note 23 in the Notes to the Consolidated Financial Statements).

Other non-current and current provisions amounted to EUR 83.8 million at the end of the 2022 financial year (Dec. 31, 2021: EUR 76.6 million). The most significant changes compared to the previous year resulted from obligations with regard to personnel, which were recognized in connection with the transformation/discontinuation of production activities in Germany. In addition, the Group accounted for warranty obligations in the period under review. The increase in this item is mainly due to changes in individual estimates relating to their utilization. The estimate also takes into account contractual provisions and adjustments to the individual factor for flat-rate provisions based on past experience. In addition, provisions for contingent losses were recognized by the Group in the period under review. This was prompted, among other things, by higher material prices.

### Net debt slightly lower year on year despite challenges

Despite the challenging environment and the associated increase in capital employed, as described above, the ElringKlinger Group succeeded in reducing net debt (non-current and current financial liabilities less cash and cash equivalents and securities) slightly compared to the previous year's level. As of December 31, 2022, it amounted to EUR 364.2 million (Dec. 31, 2021: EUR 369.2 million). Non-current and current financial liabilities amounted to EUR 429.2 million (Dec. 31, 2021: EUR 357.1 million) and EUR 73.4 million (Dec. 31, 2021: EUR 135.5 million), respectively, at the end of the reporting period. They also included lease liabilities from the application of IFRS 16 amounting to EUR 59.9 million (Dec. 31, 2021: EUR 63.7 million).

### Net debt in relation to EBITDA at 2.1

Net debt in relation to EBITDA (earnings before interest, taxes, depreciation, and amortization), stood at 2.1 as of December 31, 2022 (Dec. 31, 2021: 1.7). The ratio is at the lower end of the guidance range of "between 2.0 and 3.0" presented in the report on the first half of 2022 and only slightly above the forecast originally given in the 2021 annual report, which – at the time, without taking into account the effects of the war in Ukraine – was based on a projection of "below 2.0." In a long-term comparison, the Group saw a significant improvement in its net debt/EBITDA ratio (cf. "Internal Control Criteria").

Trade payables amounted to EUR 224.1 million at the end of the 2022 reporting period (Dec. 31, 2021: EUR 185.6 million). The year-on-year increase of EUR 38.5 million or 20.7% is attributable primarily to the correlation with the higher inventory volume in working capital.

The other non-current and current liabilities accounted for by the ElringKlinger Group totaled EUR 180.6 million as of December 31, 2022, with the current portion of EUR 170.5 million (Dec. 31, 2021: EUR 145.0 million) forming the main component. The increase by a total of EUR 28.4 million compared to the previous year's reporting date was attributable to a number of different individual items, including the recognition of an inflation compensation bonus as well as accruals and deferrals in the context of the aforementioned discontinuation of production or liabilities for financial derivatives. Current liabilities included other current financial liabilities of EUR 71.8 million as of the end of 2022 as well as a call and put option agreement with the

non-controlling shareholders relating to the interest in the Japanese subgroup included fully in the consolidated group.

The return on capital employed (ROCE), a key performance indicator for the ElringKlinger Group, was -2.7% at the end of 2022 (December 31, 2021: 6.4%). Adjusted for the aforementioned impairment of intangible assets and property, plant, and equipment totaling EUR 103.3 million, ROCE was

in positive territory at 3.9%. This adjusted figure illustrates the return on capital employed achieved at an operational level (cf. "Internal Control Criteria"). Thus, the Group fell short of the original target presented upon publication of the 2021 annual report and without taking into account the effects of the war in Ukraine ("slightly below the previous year's level"). However, the result is in line with the forecast presented in the report on the first half of 2022.

## Cash Flows

**The ElringKlinger Group's solid financial situation provided an important basis when it came to tackling unforeseeable challenges within the economic arena in 2022. ElringKlinger generated substantial net cash from operating activities of EUR 101.3 million in the period under review. After deducting capital expenditure, operating free cash flow stood at EUR 14.8 million. Benefiting from a sufficient level of undrawn credit lines and substantial cash and cash equivalents at the end of 2022, the Group had ample liquidity headroom for further business development.**

### Operating cash flow stands at EUR 101.3 million

In the 2022 financial year, ElringKlinger generated net cash from operating activities of EUR 101.3 million (2021: EUR 156.1 million). The year-on-year change in this figure was attributable primarily to two factors: first, the 2022 financial year saw a marked increase in the Group's substantial cost base, as outlined in the section on earnings performance. Second, the changes in net working capital resulted in a higher commitment of funds. Including other assets and liabilities not attributable to financing activities, changes in net working capital led to a cash outflow of EUR 38.6 million, compared to a cash inflow of EUR 5.6 million in the previous year. Depreciation and amortization as well as annual impairments of EUR 103.3 million recognized in profit or loss were of no relevance to cash flows.

### Cash flow for total investing activities at EUR 95 million

Capital expenditure on property, plant, and equipment totaled EUR 69.3 million in the 2022 financial year (2021: EUR 70.0 million), which was comparable to the figure posted in the previous year. The investment ratio, i. e. capital expenditure relative to Group revenue, was 3.9% in the period under review (2021: 4.3%). It thus fell short of the guidance figure of around 5 to 7% of Group revenue published in the 2021 annual report and the outlook of "approximately at the level of the previous year" presented in the report on the first half of 2022.

The focus of Group investments is on the company's strategic fields of the future. In the period under review, these included projects relating to fuel cell technology, overseen by the Group subsidiary EKPO Fuel Cell Technologies GmbH

## Key figures Cash Flows

in EUR million	2022	2021
Net cash from operating activities	101.3	156.1
Operating free cash flow <sup>1</sup>	14.8	72.0
Investments in property, plant, and equipment <sup>2</sup>	69.3	70.0
Investment ratio	3.9%	4.3%

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

<sup>2</sup> Payments for investments in property, plant, and equipment

in Dettingen/Erms, Germany, as well as by its new site in Suzhou, China. Purchases were also made in the context of investments targeted at battery technology, such as for a module assembly line or for the establishment of infrastructure for battery testing. At an international level, capital expenditure was also directed at the area of lightweighting, where significant industrialization projects are imminent. In addition, ElringKlinger invested in measures aimed at the sustainable modernization of buildings. For example, the roof of the Chinese plant in Changchun was equipped with a highly efficient photovoltaic system, which is expected to contribute significantly to the avoidance of CO<sub>2</sub> emissions and the reduction of energy costs in the future.

In regional terms, the focus was on investments in Germany, which were mainly channeled into a number of sites operated by the parent company, as well as in North America and Asia-Pacific.

ElringKlinger spent EUR 22.4 million (2021: EUR 17.9 million) on intangible assets. Intangible assets generated as part of internal development activities accounted for the majority of this item.

Cash flows also included proceeds from the disposal of assets and payments for financial assets that on balance are of minor importance.

ElringKlinger spent a net amount of EUR 95.5 million on total investing activities in the 2022 financial year (2021: EUR 73.0 million). In the previous year, the Group had recorded proceeds of EUR 14.5 million relating to investing activities, which were attributable to the sale of its Austrian subsidiary.

### Operating free cash flow of EUR 15 million

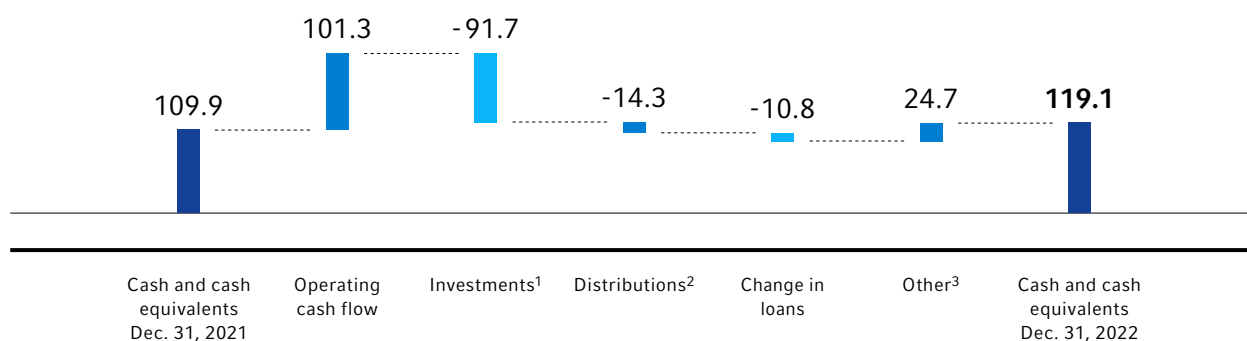
Operating free cash flow corresponds to operating cash flow less cash for investing activities and is adjusted for any M&A activities and cash flows for financial assets. The ElringKlinger Group generated operating free cash flow of EUR 14.8 million in the 2022 financial year (2021: EUR 72.0 million). Thus, the Group exceeded its guidance of “slightly positive” published in the report on the first half of 2022 and met the original target of a figure in the positive double-digit million euro range presented in the outlook of the 2021 annual report.

Financing activities generated a net cash inflow of EUR 5.0 million for the Group (2021: cash outflow of EUR 106.8 million). In net terms, a total of EUR 10.8 million was used to take out and repay long-term loans and to change short-term loans (2021: outflow of EUR 129.6 million). In addition, as planned, ElringKlinger received a further contribution of EUR 30.0 million from the co-owner of EKPO Fuel Cell Technologies, Dettingen/Erms, Germany, in 2022. In contrast, dividends of EUR 14.3 million (2021: EUR 7.2 million) were distributed to shareholders and non-controlling interests for the previous financial year.

As of December 31, 2022, the ElringKlinger Group had cash and cash equivalents of EUR 119.1 million (Dec. 31, 2021: EUR 109.9 million) and open, unused credit lines of EUR 232.6 million (Dec. 31, 2021: EUR 299.7 million). The Group thus continues to see itself as financially well equipped to pursue its planned development of business and the future process of transformation that this entails.

### Key cash flow figures 2022

in EUR million



<sup>1</sup> Payments for investments in property, plant, and equipment and intangible assets

<sup>2</sup> To shareholders of ElringKlinger AG and non-controlling interests

<sup>3</sup> Including payment of EUR 30.0 million received from the co-owner of EKPO Fuel Cell Technologies GmbH

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

On the back of two difficult years impacted by the coronavirus pandemic, ElringKlinger's 2022 financial year was again heavily influenced by external developments. Alongside the economic fallout associated with the fading pandemic, the consequences of the war in Ukraine that broke out in February 2022 produced further unforeseen challenges. The main encumbrances include commodity price volatility, bottlenecks in supply, further disruptions to supply chains, destabilization with regard to energy supply, and significant uncertainty across the board, especially among vehicle manufacturers and within vehicle markets.

Against this backdrop, ElringKlinger succeeded in generating consolidated revenue of EUR 1,798.4 million, representing year-on-year growth of 10.7% and an all-time high in the company's long history. Based on organic growth (i. e., adjusted for M&A and currency effects) of 7.4%, ElringKlinger also fared slightly better than the industry as a whole, which saw automobile production expand by just 6.7%. Against the background of difficult underlying conditions, these gains can be considered very encouraging. Operational challenges arising over the course of 2022, particularly with regard to purchasing, the provision of materials, and logistical processes, were overcome with the help of well-judged managerial measures aimed at safeguarding the company's capabilities in terms of performance and product supply. In

this context, ElringKlinger also benefited from the fact that its operational processes are based on stable, interlinked, and flexible structures in order to be able to act in an agile manner throughout the Group, i. e., at an international level.

At EUR -42.2 million, Group EBIT, which was well below the prior-year figure of EUR 102.0 million, reflected the impact of exogenous developments in the form of goodwill impairment. Adjusted for exceptional effects related to impairments totaling EUR 103.3 million, EBIT of EUR 61.0 million and an EBIT margin of 3.4% can indeed be considered satisfactory from an operational perspective. Given the difficult circumstances in 2022, the Group's other key financial indicators are also adequate from the management's point of view. In particular, the Group recorded net cash from operating activities of EUR 101.3 million and met its target of operating free cash flow of around EUR 15 million – an encouraging result. Net debt was slightly below the previous year's level at EUR 364.2 million. The aforementioned exceptional factors relating to impairments were also reflected in the financial year's ROCE profitability indicator, which stood at -2.7. Adjusted for this impairment, ROCE was well into positive territory at 3.9%, although the ambition here is to improve further.

Despite all the operational and financial difficulties, ElringKlinger remained determined in its strategic efforts to position the Group in line with automotive industry transformation. To drive this process forward in the future, further targeted investments were made in the E-Mobility business



unit and in Research & Development. In the field of fuel cell technology, the business activities of Group subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany, were further expanded in the financial year under review – among other things by setting up manufacturing operations in China. Activities in the field of battery technology have continued to expand at the Neuffen site in Germany, which was established specifically for this purpose in 2021. ElringKlinger’s portfolio comprises inno-

vative, market-ready products, components, and systems from the new world of drive technology. At the same time, it also encompasses high-performance products for classic applications. Management is of the opinion that this product portfolio, the Group’s broad customer base, and the global network of state-of-the-art 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 (Aktien-gesetz – AktG) as well as in compliance with the additional requirements of the Articles of Association.

In spite of challenging economic conditions, ElringKlinger AG significantly expanded its revenues in the majority of the company’s sales regions and achieved growth of 8.4%. Influenced by exceptional items, earnings before interest, taxes, and equity investments (EBIT) were in negative territory in the financial year under review. At EUR -36.4 million, this corresponds to an EBIT margin of -4.6%.

ElringKlinger AG’s net assets and cash flows at the end of the reporting period remained very solid, with an equity ratio of 44.1% and strong cash flow from operating activities of EUR 93.6 million in the 2022 financial year.

### ElringKlinger AG grows by 8.4% and achieves record sales revenues

Despite difficult economic and geopolitical conditions, ElringKlinger AG’s business activities proved to be extremely robust in the period under review. The parent company, which operates sites in Dettingen/Erms, Gelting, Idstein,

Langenzenn, Lenningen, Neuffen, Runkel, and Thale, saw its revenue increase by EUR 60.4 million or 8.4% year on year. Totalling EUR 778.5 million (2021: EUR 718.1 million), revenue thus reached a new all-time high. Compared to both global (6.7%) and European car production (5.9%, excluding Russia), the company saw its revenue expand at

a faster pace. The parent company had originally been expected to achieve a growth rate positioned well below the rate of expansion relating to global automobile production in the 2022 financial year. Generating revenue growth of 8.4%, the company clearly exceeded this target.

Almost all sales regions saw revenue trend higher in the period under review. With a share of 42.5% (2021: 42.3%), the Rest of Europe represents the most important sales region for ElringKlinger AG. In this region, the company generated revenues of EUR 330.6 million (2021: EUR 303.9 million) and recorded the highest level of regional growth amounting to EUR 26.7 million or 8.8%. Revenue thus also exceeded the level of EUR 308.6 million recorded in the pre-pandemic year of 2019. In Germany, revenue expanded by 6.6% or EUR 16.0 million, rising to EUR 260.0 million (2021: EUR 244.0 million). North America was the only region not to achieve growth in revenue, which is attributable in part to the very strong comparative base in the previous year. Having expanded sales revenue by almost 40% in this region during the 2021 financial year, ElringKlinger AG recorded a slight dip in revenue generated from sales in North America, which amounted to EUR 78.6 million (2021: EUR 79.6 million). Benefiting from double-digit percentage growth, the Asia-Pacific region saw a further expansion in revenue, taking the figure to EUR 78.1 million for the period under review (2021: EUR 60.6 million). This corresponds to growth of 28.8% or EUR 17.5 million. At 10.0% (2021: 8.4%), the Asia-Pacific region thus accounted for almost the same proportion of ElringKlinger AG's total sales as the region of North America, whose share stood at 10.1% (2021: 11.1%).

Revenue from foreign sales saw a disproportionately large increase of 9.3%, taking this figure to EUR 518.4 million (2021: EUR 474.1 million). As a result, the share of foreign sales in total revenue attributable to ElringKlinger AG expanded by 0.6 percentage points to 66.6% (2021: 66.0%).

#### Further revenue growth for Original Equipment segment

Fiscal 2022 was the first time in recent years in which revenue generated from sales within the Original Equipment segment exceeded the pre-pandemic figure reported in 2019 (2019: EUR 550.7 million). Compared to the previous year, the Original Equipment segment grew by 6.4% or EUR 33.3 million in the 2022 financial year, taking revenue

to EUR 554.3 million (2021: EUR 521.0 million). Due to the significant expansion of the company's Aftermarket business, the share of total ElringKlinger AG sales accounted for by the Original Equipment segment declined slightly from 72.5% to 71.2%. The largest increase in revenue was attributable to the Lightweighting/Elastomer Technology business unit. Compared to the previous year, the Metal Sealing Systems & Drivetrain Components and Metal Forming & Assembly Technology<sup>8</sup> business units recorded slight and significant growth respectively, while revenues generated by the Exhaust Gas Purification business unit declined slightly. The E-Mobility business unit was faced with a decline in sales revenue as a result of delayed production ramp-ups.

#### Aftermarket business remains growth driver

Boasting a double-digit rate of expansion, the Aftermarket segment made an above-average contribution to revenue growth at ElringKlinger AG in the 2022 financial year. At EUR 224.1 million (2021: EUR 197.0 million), revenue was up 13.8% or EUR 27.1 million on the prior-year figure. As a result, this segment's share of total company revenue was further expanded by 1.4 percentage points to 28.8% (2021: 27.4%). In a year-on-year comparison, the direction taken by revenue was favorable in all regions of relevance to the company's Aftermarket business. Business growth was particularly strong in Western and Eastern Europe, the Middle East/Indian subcontinent, and North and South America.

#### Total operating revenue at record level

Due to a forward-looking policy with regard to inventory management, in conjunction with spiraling prices for raw materials, changes in inventories amounted to EUR 12.2 million (2021: reduction of EUR 7.3 million). At EUR 0.9 million, other own work capitalized was slightly below the previous year's level of EUR 1.5 million. Overall, total operating revenue amounted to EUR 791.6 million (2021: EUR 712.3 million), up by EUR 79.2 million or 11.1% – a new record for the company.

While total operating revenue as a whole was up in the period under review, other operating income trended significantly lower, falling by EUR 38.2 million to EUR 29.8 million (2021: EUR 68.0 million). This is attributable primarily to exceptionally high prior-year comparative figures relating to unrealized income from foreign exchange differences

<sup>8</sup> The "Shielding Technology" business unit was renamed "Metal Forming & Assembly Technology" as of January 1, 2023.

(predominantly in the USD area) and to write-ups with regard to financial assets and financial receivables. In addition, operating income in 2021 had included income from asset disposals in connection with the sale of the Austrian subsidiary to the French automotive supplier Plastic Omnium.

At EUR 151.0 million (2021: EUR 112.8 million), other operating expenses were up significantly compared to the previous year. In this context, in particular higher expenses for services as well as higher expenses relating to foreign exchange differences contrasted with lower risk-related expenses. Due to the general upturn in business, the company saw an increase in expenses for repairs and business travel in the 2022 financial year.

#### Supply chain disruptions and higher commodity prices

On the back of rising commodity prices over the course of the preceding 2021 financial year, inflationary trends became more pronounced in the period under review. This was reflected in spiraling prices for raw materials of relevance to ElringKlinger AG, such as aluminum, alloyed high-grade steel, C-steel, and polyamide-based polymer granules, i. e., pellets, such as PA6.6. What is more, the war in Ukraine precipitated an energy crisis, which propelled the price of energy and thus contributed to inflation in goods and services across the board. In addition, supply chains were disrupted by temporary regional lockdowns in China, which had an adverse effect on economic activity.

Against this backdrop and in view of the upturn in business, the cost of materials also trended higher compared to the previous year. The latter amounted to EUR 361.7 million in the financial year just ended (2021: EUR 304.4 million), an increase of EUR 57.3 million or 18.8% compared to the previous year. The cost-of-materials ratio, which puts the cost of materials in relation to total operating revenue, rose by 3 percentage points to 45.7% (2021: 42.7%).

#### Personnel expense ratio down despite higher expenses

The company employed 2,928 people at the end of the reporting period (Dec. 31, 2021: 2,959 employees<sup>9</sup>). This corresponds to a marginal decrease of 31 employees or 1.0%, which was primarily due to expiring contracts and simultaneous restructuring within the business units. In addition, the company is committed to a personnel policy that is as needs-based as possible. Vacancies are filled from

within the company whenever possible. The company no longer made use of short-time work in the financial year just ended. As a result of special payments made in accordance with collective bargaining agreements, wages and salaries across the entire workforce of ElringKlinger AG trended higher year on year. Overall, personnel expenses increased by EUR 8.5 million or 3.4% to EUR 259.0 million in 2022 (2021: EUR 250.5 million), i. e., at a slower rate compared to growth in total operating revenue. The personnel expense ratio – i. e., personnel expenses in relation to total operating revenue – fell to 32.7% (2021: 35.2%).

#### Depreciation, amortization, and write-downs up markedly

Depreciation, amortization, and write-downs of intangible assets and fixed tangible assets stood at EUR 43.9 million in 2022 (2021: EUR 34.4 million), an increase of EUR 9.5 million compared to the previous year. This includes impairment losses relating to fixed tangible assets. In addition, the company accounted for write-downs of receivables from affiliated companies in the period under review. At EUR 42.2 million (2021: EUR 10.7 million), they were significantly higher than in the previous year.

#### Year-on-year decline in earnings before interest, taxes, and equity investments

The company's earnings before interest, taxes, and equity investments were impacted by spiraling commodity prices, a marked contraction in investment income, and higher write-downs of receivables from affiliated companies. At the end of the period under review, the figure amounted to EUR -36.4 million (2021: EUR 67.5 million). This is equivalent to an EBIT margin (as a proportion of total operating revenue) of -4.6% (2021: 9.5%).

Excluding the effects of the war in Ukraine, the parent company ElringKlinger AG had originally been expected to achieve an EBIT margin slightly above the Group average, which was -2.3% in the year under review. However, the situation changed significantly due to the outbreak of war and its repercussions, such as higher raw material and energy costs. As a result, the parent company's EBIT margin of -4.6% fell short of original expectations. At the time of the initial forecast, the course and consequences of the armed conflict in Ukraine were entirely uncertain. Thus, the

<sup>9</sup> The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.

company had not been able to take these factors into account as part of its projections.

#### **Downturn in net finance result**

Income from equity investments amounted to EUR 48.2 million (2021: EUR 68.2 million) and includes distributions from subsidiaries in Germany and abroad to ElringKlinger AG. The decline in income from equity investments is indicative of the challenging global and industry-specific conditions faced by ElringKlinger AG in the year under review. Other interest and similar income was 5.5% higher than in the previous year at EUR 7.8 million (2021: EUR 7.4 million). While income from other securities and loans held as financial assets of EUR 0.2 million (2021: EUR 0.3 million) changed only marginally compared to the previous year, interest and similar expenses of EUR 11.1 million (2021: EUR 9.6 million) increased by EUR 1.5 million year on year, mainly due to higher interest expenses for currency hedges. In the context of annual impairment testing, impairment losses of EUR 43.0 million (2021: EUR 43.2 million) were recognized with regard to financial assets in the period under review, a figure that was comparable to that recorded in the previous year. Thus, the net finance result of EUR 2.2 million (2021: EUR 23.2 million) was down significantly on the prior-year figure, which was attributable primarily to lower income from equity investments.

#### **Company reports net loss for the year**

In line with the downturn in earnings before interest, taxes, and equity investments and the lower net finance result, ElringKlinger AG's pre-tax result also fell well short of the previous year's figure. The pre-tax result stood at EUR -34.2 million (2021: EUR 90.7 million). As a result, taxes on income were also lower than in the previous year at EUR 10.9 million (2021: EUR 20.3 million). In total, post-tax profit at the end of the reporting period amounted to EUR -45.1 million (2021: EUR 70.4 million). After deducting other taxes, the net loss for the year was EUR -45.5 million (2021: net income of EUR 70.1 million). In the 2022 financial year, reversals of revenue reserves amounting to EUR 55.0 million (2021: allocation of EUR 26.6 million) were made and a dividend totaling EUR 9.5 million was distributed to the shareholders of ElringKlinger AG. As of December 31, 2022, the company will thus post an unappropriated surplus (i. e., net retained profit) of EUR 9.5 million for the financial year under review (2021: unappropriated surplus of EUR 9.5 million).

#### **Proposed dividend of EUR 0.15**

Taking into consideration the far-reaching process of transformation and the net loss for the year on the one hand as well as the investment interests of shareholders in the company on the other, the Management Board and the Supervisory Board would like to retain a balanced dividend policy. At the same time, both Boards are committed to ensuring continuity as regards the policy of dividend payments, particularly against the background of the favorable projections made for the coming financial years. Due to net income accumulated in previous financial years, the company was able to build up reserves in the form of revenue reserves, which can now be drawn upon. The Management Board and the Supervisory Board thus jointly propose to the Annual General Meeting that an unchanged dividend of EUR 0.15 per share (2021: EUR 0.15 per share) be paid out for the 2022 financial year.

#### **Net Assets of ElringKlinger AG**

ElringKlinger AG fulfills a dual role as the parent company of the ElringKlinger Group and as a production company. This is reflected above all by the fact that both operating assets necessary for operating activities and shares in and receivables from affiliated companies form an integral part of the asset structure.

#### **Total assets remain largely unchanged**

Total assets reported in the balance sheet of ElringKlinger AG, as prepared in accordance with the German Commercial Code (HGB), amounted to EUR 1,212.1 million as of December 31, 2022 (Dec. 31, 2021: EUR 1,197.8 million). With a share of 46.6% (Dec. 31, 2021: 53.0%), fixed assets represent almost half of total assets.

Current assets accounted for 52.9% (Dec. 31, 2021: 46.6%). Other balance sheet items of minor importance relate to prepaid expenses and an excess of plan assets over post-employment benefit liabilities.

The carrying amount of fixed assets as of December 31, 2022, was EUR 564.7 million (Dec. 31, 2021: EUR 635.0 million), down EUR 70.3 million on the figure posted in the previous year. The year-on-year decline is attributable to reductions in intangible assets by EUR -1.1 million, in tangible fixed assets by EUR -34.5 million, and in financial assets by EUR -34.6 million.

The change in intangible assets and tangible fixed assets is a reflection of the consistently disciplined approach to investment over the course of the 2022 financial year. Thus, at EUR 21.1 million, new additions from investments were around EUR 10 million lower than depreciation (incl. write-ups) for the financial year. In addition, the company recognized impairment losses of EUR 12.4 million (Dec. 31, 2021: EUR 0.0 million) relating to tangible fixed assets and asset disposals with a book value of EUR 12.3 million (Dec. 31, 2021: EUR 24.0 million). A significant proportion of these disposals was recognized directly in equity and related to the spin-off of the fuel cell business to the affiliated entity EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany, which had been conducted in the preceding year.

As of December 31, 2022, financial assets amounted to EUR 295.2 million (Dec. 31, 2021: EUR 329.8 million). At EUR 263.8 million (Dec. 31, 2021: EUR 295.0 million), ElringKlinger AG's shares in affiliated companies accounted for the largest proportion of these assets. The decrease of EUR 31.2 million compared to the previous year was due to write-downs and reversals of write-downs relating to shares in affiliated companies. These adjustments were made in the context of a review of the aforementioned interests as part of annual impairment testing and related to seven different entities. Furthermore, financial assets included equity investments of ElringKlinger AG. At EUR 24.9 million (Dec. 31, 2021: EUR 24.8 million), this figure changed only marginally compared to the previous year. With regard to different equity investments, the company recognized an impairment of EUR 1.0 million and reclassified EUR 1.1 million from loans to equity investments. Loans to affiliated companies and to other long-term investees and investors totaled EUR 6.0 million at the end of the 2022 financial year (Dec. 31, 2021: EUR 9.4 million).

#### Current assets up by 15 percent

At EUR 191.9 million (Dec. 31, 2021: EUR 155.9 million), inventories held by ElringKlinger AG amounted to EUR 36.0 million at the end of the 2022 financial year, up 23.1% on the prior-year carrying amount. They mainly comprise raw materials and semi-finished and finished products for the manufacturing process as well as inventories relating to the company's aftermarket business. The year-on-year increase is a reflection of the company's substantial order backlog at the end of the year as well as the adjustment of inventories in the context of commodity price trends and reliability of supply.

The company's receivables reflect the financing function of the AG. In the context of central finance and liquidity management for the ElringKlinger Group, the parent company also raises external funds on behalf of affiliated companies and passes them on as loans or short-term loan arrangements. At the end of the 2022 financial year, they were accounted for predominantly in the "receivables from affiliated companies" line item that forms part of current assets. Including receivables relating to deliveries, receivables from affiliated companies amounted to EUR 340.2 million as of December 31, 2022 (Dec. 31, 2021: EUR 312.0 million). In the 2022 financial year, impairment losses of EUR 42.2 million (2021: EUR 10.7 million) were recognized with regard to this item.

Trade receivables amounted to EUR 82.1 million at the end of the 2022 reporting period (Dec. 31, 2021: EUR 56.4 million). In total, ElringKlinger AG recorded receivables and other assets of EUR 446.6 million as of December 31, 2022 (Dec. 31, 2021: EUR 402.3 million).

#### High equity ratio of 44 percent

With an equity ratio of 44.1% (Dec. 31, 2021: 49.2%) and a carrying amount of EUR 534.0 million (Dec. 31, 2021: EUR 589.0 million), equity levels at ElringKlinger AG remained high at the end of the 2022 financial year. The decrease compared to the previous year's reporting date is attributable to the reversal of revenue reserves of EUR 55.0 million in the 2022 financial year and the dividend of EUR 9.5 million paid to the shareholders of ElringKlinger AG in respect of the previous financial year. Other components, namely subscribed capital of EUR 63.4 million and capital reserves of EUR 120.8 million, remained unchanged year on year.

Provisions for pensions increased to a volume of EUR 102.7 million (Dec. 31, 2021: EUR 90.2 million). This year-on-year increase was attributable primarily to the scheduled measurement of pension obligations, which is conducted according to the so-called projected unit credit method. In this context, actuarial calculations were based on updated parameters such as the base interest rate and income and pension trends.

The increase in other provisions to EUR 88.6 million (Dec. 31, 2021: EUR 64.6 million) was due to a number of different factors. The most prominent changes relate to provisions for derivative risks, for partial retirement obligations, and for other risks from the planned closure of a site.

Liabilities recognized by ElringKlinger AG amounted to EUR 480.7 million as of December 31, 2022, compared to EUR 451.7 million in the previous year. While liabilities to banks remained largely unchanged year on year at EUR 282.5 million (Dec. 31, 2021: EUR 283.2 million), trade payables increased by EUR 28.0 million to EUR 101.0 million (Dec. 31, 2021: EUR 73.0 million) compared to the previous year's reporting date. The higher volume of trade payables is to be viewed against the backdrop of revenue growth, inventory increases, and price hikes.

Impacted by negative earnings before interest and taxes, as described above, and higher capital deployment, ElringKlinger AG saw a significant deterioration in its key profitability indicator ROCE compared to the prior-year figure. 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"). 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"). As of December 31, 2022, ROCE in respect of ElringKlinger AG stood at 2.2% (Dec. 31, 2021: 4.0%). Originally, i. e., upon publication of last year's annual report and before taking into account the effects of the war in Ukraine, ElringKlinger AG had expected the figure to be slightly below the Group level. The latter had been projected to be slightly below the previous year's level of 6.4%.

## Cash Flows of ElringKlinger AG

### Strong cash flow from operating activities of EUR 94 million

As in the previous year, ElringKlinger AG was able to generate strong operating cash flow of EUR 93.6 million in the 2022 financial year (2021: EUR 157.3 million). Cash flow developed particularly well in comparison with the company's net result. This was attributable to the fact that significant expenses in the income statement, and especially the write-downs of financial assets and current assets with a total amount of EUR 85.2 million, were non-cash items. Considering that

the increase in inventories and trade receivables led to a correspondingly higher commitment of funds in 2022, the level of cash flow generated from operating activities is an encouraging result for ElringKlinger AG.

### Investment focus on e-mobility

In the 2022 financial year, ElringKlinger AG invested funds of EUR 20.7 million (2021: EUR 28.0 million) in tangible fixed assets. Capital expenditure was targeted at fields of the future, such as electromobility, or the expansion of capacity levels in response to incoming orders. In the financial year just ended, investments were made in battery and fuel cell production as well as in the production of electric drive units.

Disposals of tangible fixed assets and intangible assets generated proceeds of EUR 4.3 million for ElringKlinger AG in 2022 (2021: EUR 0.8 million).

Overall, ElringKlinger reported a net cash outflow of EUR 17.0 million for investing activities (2021: EUR 11.1 million).

### ElringKlinger AG generates operating free cash flow of EUR 76.9 million

ElringKlinger AG's operating free cash flow<sup>10</sup> also reached a substantial level of EUR 76.9 million in the 2022 financial year (2021: EUR 129.5 million). This supported the Group in its original goal of achieving a positive figure in the double-digit million euro range. As a result, the company was in a position to scale back its financial liabilities even further. Consequently, it recorded a cash outflow of EUR 74.2 million from financing activities in 2022 (2021: outflow of EUR 146.9 million).

As of December 31, 2022, the undrawn lines of credit available to ElringKlinger AG totaled EUR 206.2 million (Dec. 31, 2021: EUR 276.3 million).

The statement of cash flows in respect of the annual financial statements was again prepared according to the provisions set out in GAS 21.

<sup>10</sup> 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.

# Report on Opportunities and Risks

**ElringKlinger is of the opinion that addressing the issue of opportunities and risks forms an integral part of value-based management. The rationale behind this approach is to ensure the systematic, continuous, and timely identification of risks, complemented by their evaluation and management through risk mitigation measures. 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. Both external (e.g., political) and internal (e.g., financial) factors are taken into account. Opportunities are treated in the same way.**

## **Opportunities and risk management system**

The opportunities and risk management system is made up of various tools and control systems. It forms an integral part of the overall planning, steering, and reporting process in the legal entities, business units, and central functions. Among the key components are strategic Group planning and internal reporting. The opportunities and risk management system itself is continually adapted and refined as regards effectiveness and suitability in accordance with new requirements as they arise.

In the context of Group strategic planning, continuous monitoring of markets, customers, and suppliers ensures that potential risks relating to critical and material decisions are identified and taken into account, while opportunities arising within the market can be exploited accordingly. With this in mind, 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. All key areas within the Group are involved in this process. Information is retrieved, collated, and evaluated as part of a standardized process. Conclusions for action are derived from these procedures, which are then implemented in the short, medium, and long term. The Management Board bears overall responsibility.

Information relating to the ElringKlinger Group's opportunity and risk positions is brought together by detailed internal reporting and controlling. In addition to ensuring that all available sources of information are taken into account, it is aimed at monitoring and managing the course of business.

A key component of the risk management system is regular risk reporting by the management of the respective domestic and foreign Group companies, with the involvement of 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. Within the scope of this reporting, risks are identified and assessed. In addition, reports are compiled on risk-mitigating measures. The Chief Financial Officer is responsible for coordinating these activities in his capacity as Global Risk Manager. The risk structure of the Group and the AG does not differ significantly overall.

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 the ElringKlinger Group as well as at the Group companies. They are conducted by the Audit department in cooperation with external accountancy firms commissioned by ElringKlinger. 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. Risk-based audit planning forms an integral part of audit projects. Audits can also be initiated on the basis of inquiries over the course of the year or events related to specific circumstances. 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 repercussions of the coronavirus pandemic also had an impact on the activities relating to internal auditing in the 2022 financial year. As travel was still limited, the audits were mainly conducted digitally or remotely and were supplemented by on-site audits. A total of twelve audits were carried out in the period under review.

### Compliance management system

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.

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 Management Board is committed to adapting and refining the existing compliance management system to changing circumstances and the possibility of evolving risk exposure.

### Internal control system<sup>11</sup>

The internal control system (ICS) established within the ElringKlinger Group is of key importance to the successful management of risks associated with business processes. In particular, one of the aims of the ICS is to ensure that the attainment of corporate goals is not jeopardized by internal and external risks. Therefore, awareness of such risks is considered a prerequisite for an effective, fit-for-purpose ICS. In this context, the execution of risk management forms an essential basis of this control system.

The control system implemented at ElringKlinger at present encompasses defined controls and monitoring activities designed to ensure the dependability and efficiency of relevant business activities and the reliability of financial reporting, in addition to legal and regulatory compliance. It is subject to continuous refinement and optimization.

In its design, the ICS is aligned with the Group's current risk situation and therefore primarily takes into account the business risks associated with ElringKlinger's operations.

<sup>11</sup> The disclosures in this section are disclosures that go beyond the legal requirements for the management report and are therefore excluded from the auditor's substantive audit of the management report (information extraneous to the management report).



This risk-based design also ensures that the ICS can be adjusted accordingly when the risk status changes.

ElringKlinger's ICS covers the main business processes within the Group. The overall responsibility lies with the Management Board. When it comes to designing and maintaining appropriate and effective processes for implementing, monitoring, and sustaining the ICS, the Management Board is supported by ElringKlinger AG's central Governance Assurance Services department, which brings together and integrates the established governance system processes (i. e., the risk management system, the compliance management system, and the internal control system).

The principal elements or sub-areas associated with the governance systems implemented by the company are audited on a regular basis in order to continuously monitor and improve these systems.

Alongside audit-specific reporting, the ongoing refinement of the governance systems, including their level of maturity, forms an integral part of the agenda at Audit Committee meetings, for which the Management Board furnishes reports. Based on these activities, the Management Board determines the adequacy and effectiveness of these systems.

#### **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, the Financial Reporting department sets the standards within the Group and describes the processes, while the Controlling department 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 assigned Management Board member responsible for their activities.

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**

The systematic approach to assessing opportunities and risks takes into account both the individual risks recorded by the operating units in accordance with the bottom-up principle and the Group risks assessed by the centrally managed units in accordance with the top-down principle. Risks are described with their probability of occurrence and the respective severity of harm for the applicable period of one year and are categorized uniformly for aggregation. As part of aggregation, the Monte Carlo method is applied for the purpose of simulating a very wide range of possible scenarios relating to the company. They are brought together in the form of a probability distribution of the overall risk position. Thanks to the wide range of calculated scenarios, this statistical method delivers a profile of probable and less probable potential deviations from targets that can be described with

key indicators and provide the basis for quantitative assessment.

The same applies to the systematic approach implemented for the purpose of recording opportunities according to the top-down principle. The description of such opportunities includes details of their possible frequencies in the period under review as well as their possible bandwidths, categorized and aggregated by means of the Monte Carlo method into a probability distribution of the potential positive target deviation in order to arrive at a quantitative assessment.

The following table presents an overview of the principal opportunities and risks that are currently of relevance to the ElringKlinger Group. These items are recorded according to the net approach, i. e., the measures have been taken into account within the opportunity and risk assessment on the basis of their respective status of implementation. The individual categories have been included for the purpose of aggregation and comprise a number of specific aspects that will be elaborated on in the subsequent sections. Based on the scenario analysis, the opportunities and risks are assessed by means of the value-at-risk approach, with potential negative deviations from the target shown in red and potential positive deviations from the target shown in blue. As a statistical indicator, value at risk determines the maximum possible profit or loss that will not be exceeded in the applicable period with a specified probability – in this case 95%. It is a measure based on a defined probability and does not describe the maximum possible profit or loss, as a scenario beyond this probability is still possible. The assessment of opportunities and risks is performed on a half-yearly basis. Reporting is always based on a period of one year. The reference parameter with regard to all data is earnings before interest and taxes (EBIT).

		Risk					Chance					
<b>External</b>	Economically or strategically					■	■					
	Retail/trading					■	■					
<b>Financial</b>	Default					■	■					
	Exchange rate changes					■	■					
	Financing							■	■			
	Liquidity							■	■			
	Collaborations and investments					■	■	■	■	■		
	Tax matters					■	■					
<b>Legal</b>	Violations of intellectual property rights of third parties					■	■					
	Legal proceedings					■	■					
	Changes in the law											
	Compliance											
<b>Operational</b>	Buildings and infrastructure					■	■					
	Personnel							■	■			
	IT					■	■	■	■			
	Production					■	■					
	Procurement					■	■	■	■			
	Quality					■	■					
	Sales	■	■	■	■	■	■					
	Logistics					■	■					

VaR (Value at Risk)	Minimal	VaR(95) = 0
■	Very low	0 < VaR(95) ≤ EUR 2.85 million
■	Low	EUR 2.85 million < VaR(95) ≤ EUR 5.7 million
■	Moderate	EUR 5.7 million < VaR(95) ≤ EUR 8.55 million
■	High	EUR 8.55 million < VaR(95) ≤ EUR 11.4 million
■	Very high	VaR(95) > EUR 11.4 million

The material opportunities and risks are described below. The Group defines categories as low whose value at risk (95%) in positive (opportunities) or negative (risks) terms amounts to more than EUR 2.85 million. In those cases in which the figure is no more than double the value, the opportunity or risk can be described as low. In the broader corridor of between EUR 5.7 million and EUR 8.55 million the opportunity and risk is moderate. As regards figures in excess of EUR 8.55 million and up to EUR 11.4 million, the Group considers the opportunity and risk to be high, while figures above this level relate to opportunities and risk that are deemed to be very high.

### External opportunities and risks

External opportunities and risks include decisions outside the company’s area of influence that may result in a direct or indirect impact on the Group and its business activities.

### Economic and strategic risks

With 46 sites in 20 countries, ElringKlinger is a global company. Fundamentally, there is the potential that political decisions or developments will have a significant impact on the future business activities of the Group. The same consequences can cause unstable political situations. Additionally, political and economic factors can have a direct or indirect

impact on the macroeconomic environment, technology trends in the market, the Group's sales regions, and levels of demand in the industry.

The past financial year 2022 was also shaped by a high degree of uncertainty and volatility. In Europe, the effects of the coronavirus pandemic were still being felt when the war in Ukraine broke out. The war and its political consequences also led to temporary supply chain interruptions in the automotive sector. The outcome of this conflict is uncertain and a further escalation cannot be ruled out. 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. North Africa and the Middle East, alongside Europe, are core regions for the Group's Aftermarket segment. These regions are 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 or reduced orders. As regards the Original Equipment segment, these regions are not considered core sales markets.

In addition to geopolitical risks, there are always risks linked to economic trends, as global vehicle markets tend to evolve in line with those trends. 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 ElringKlinger's products. Such trends can be shaped by various factors. For example, high prices on the global markets – particularly for raw materials and energy – may cause central banks to try to curb inflation with interest rate increases, slowing economic growth as a result. This also creates a risk of recession in many regions of the world. Aside from these circumstances, the possibility that the coronavirus pandemic may flare up again due to new variants or repeat itself in a similar form cannot be ruled out.

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.

The Group's global positioning – especially in the three core automotive markets of Europe, Asia-Pacific, and North America – and the breadth of its product portfolio are also generally able to cushion the impact of geopolitical risks. For this purpose, the environment and its developments are analyzed continually and extensively to boost resilience to potential negative influencing factors. However, in view of the uncertain and volatile conditions and the variety of possible developments, it is impossible to predict the manifestation and extent of the potential effects with sufficient accuracy.

Overall, the potential for negative deviation from targets due to external economic and strategic risks is to be classified as low.

#### Commercial risks

External risks may also take the form of trade policy measures such as embargoes, unilateral subsidies, or tariffs. By and large, the tariffs implemented during the last US presidency are still in place, but the political tensions between the USA and the EU have noticeably eased since the election of the latest US president, and this could lead to a relaxation of economic policy too.

If additional costs are incurred in connection with tariffs, ElringKlinger always seeks to pass them on to both suppliers and customers. At the same time, Purchasing is approving more suppliers and applying for customs exclusions to the extent permitted by regulations.

On the whole, the commercial risks can be classed as very low.

#### Financial opportunities and risks

With revenue of around EUR 1.8 billion and 46 locations worldwide, the size and global interconnectedness of the ElringKlinger Group have reached a level that has an impact on its risk profile and gives rise to various financial risks.

### Default risks

One potential risk is that ElringKlinger's business partners could default on their contractual payment obligations toward the Group.

The Group counters customer default risks mainly by means of long-standing customer relationships, a broadly diversified customer base, and advance payments or payments linked to certain milestones as a payment condition, or with the help of trade credit insurance.

ElringKlinger has also continually broadened its customer structure in recent years and, as a rule, is not dependent on individual customers. The largest single customer accounted for 7.8% of annual revenue in 2022.

Nevertheless, the customer structure is changing as a result of the far-reaching transformation process that is underway. 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 still operating as start-ups. The business performance of these companies is difficult to assess because, in contrast to established manufacturers, traditional sales risks are compounded by factors such as development capacity or successful further financing rounds. It is therefore entirely possible 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 is faced with the risk that payments for existing development projects or orders may not be made, so impairment losses will have to be recognized on receivables.

ElringKlinger currently pursues business relationships with customers that fall into the above category. It counters increased counterparty risk with a risk-minimizing customer strategy. This involves, among other things, payment terms that correspond largely to project progression and therefore cover any investment and development amounts outstanding.

All in all, however, the risk of default can be classed as very low.

### Exchange rate opportunities and risks

ElringKlinger operates globally across various currency borders and is therefore essentially exposed to exchange rate risks as well. These include local currency surpluses in individual Group companies, 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.

On the whole, risks and opportunities arising from changes in exchange rates can be classed as very low.

### Financing risks

Risks pertaining to financing arise when the Group's ability to obtain refinancing is at risk.

No substantial refinancing is planned for the 2023 financial year: the Group has concluded a syndicated loan, which was increased by a further EUR 100 million in mid-2021 and extended until 2026. The first tranche of the EUR 200 million bonded loan issued in 2017 was paid off in the financial year just ended and the second tranche is not due for repayment until 2024.

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, 2022, 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 2023 financial year either. No immediate risks that could jeopardize the financing of planned major projects are apparent, which is partly due to the improvement in key financial indicators thanks to the global efficiency stimulus program completed in 2021. At 43.8% (2021: 47.0%), the equity ratio remains within the target range of 40% to 50% of total assets. At 2.1 (2021: 1.7), the indebtedness factor (net debt in relation to EBITDA) is still within the investment grade range in spite of the difficult conditions. From the Management Board's current perspective, financing risks that might jeopardize the company's existence as a going concern can be ruled out.

The financing risks can therefore be classed as minimal.

#### Liquidity opportunities and risks

If a company is solvent, that means it has sufficient cash available to fulfill its financial obligations, such as the repayment of financial liabilities or ongoing payment obligations arising from operating activities. In this respect, in terms of liquidity, there is a risk that the amount of cash available may not be sufficient. On the other hand, situations may arise where cash and cash equivalents are generated that were not taken into account in planning.

ElringKlinger finances itself both from the cash flow generated from operating activities and by means of bank loans. Its cash flow situation is fundamentally sound, with the global efficiency stimulus program that ended in 2021 also contributing to this. A total operating free cash flow of EUR 412.5 million was achieved in the three-year program period. The figure recorded in the financial year just ended was again in positive territory, at EUR 14.8 million (2021: EUR 72.0 million). In addition, the Group's financing situation shows that yet more credit could be made available if needed: at the end of 2022, the credit lines totaled EUR 532 million, with EUR 299 million drawn down.

The liquidity risks can therefore be classed as minimal.

To actively manage the liquidity situation, the Group has also launched a new liquidity program and has already begun implementing it. This gives the Group the option to

generate additional liquidity and further improve its key liquidity metrics, so the resulting level of opportunity can be considered low.

#### Opportunities and risks with regard to collaborations and investments

This category includes, for example, risks relating to portfolio and restructuring measures and decisions regarding the right portfolio strategy for the business or parts of it. External growth, acquisitions of business units or companies, joint ventures, and divestments are all aspects of this risk category.

The far-reaching transformation process in the automotive industry is accompanied by global integration. Taking the impact of the coronavirus pandemic into account too, many medium-sized companies are faced with 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. There is also the possibility that competitors will exit the market under such conditions.

ElringKlinger views this environment as an opportunity to selectively refine its technology portfolio. The Group monitors and analyzes the market systematically in order to identify potential acquisition opportunities in good time and realize them where it makes economic sense to do so. In this regard, it is possible – in principle – that ElringKlinger will exploit growth opportunities by way of acquisitions. The Group is focusing on future-oriented areas of business, while, as a general rule, any further acquisitions relating to the traditional fields of business centered around combustion engine technology are unlikely. The same essentially applies to divestments: the Group is turning its attention toward developing future-oriented areas of business and continually reviewing its positioning in the traditional combustion engine-based sector.

In addition to targeted acquisitions and divestments, there are also opportunities to step up business activities through collaborations in the form of investments or joint ventures. Examples of this include partnerships in the field of fuel cell technology, which ElringKlinger has been entering into after around 20 years of developing its own activities: in 2021, it

joined forces with the French automotive supplier Plastic Omnium to set up the company EKPO Fuel Cell Technologies (EKPO), Dettingen/Erms, Germany, which promotes the development and marketing of this technology.

Governments across the world are funding the development of fuel cell technology with the aim of speeding up the decarbonization of the economy. Germany, for example, is pursuing a “National Hydrogen Strategy” aimed at establishing hydrogen technologies as core elements of the energy transition as well as strengthening German companies and boosting their competitiveness. The German Federal Ministry for Economic Affairs and Climate Action selected ElringKlinger/EKPO for an IPCEI project (“Important Project of Common European Interest”) funded by the ministry itself and the state of Baden-Württemberg in 2021 and this selection was confirmed by the European Commission in the year under review. The aim of this EKPO project is to develop and industrialize a new generation of fuel cell stacks. Final confirmation of the funding from the ministry has not yet been received.

ElringKlinger has also been in a strategic partnership with the aerospace corporation Airbus since 2020 with the aim of working together to develop and validate fuel cells suitable for use in aviation applications over the next few years. It holds a non-controlling interest in the joint venture as a financial investment.

For some years now, ElringKlinger has been involved in a partnership with hofer powertrain in the area of electric drive units. While ElringKlinger holds a 24.7% share in the parent company hofer AG, the Group has a 53% stake in the joint subsidiary hofer powertrain products. These companies are fully consolidated within the ElringKlinger Group accordingly.

Overall, this risk can be classed as very low. At the same time, the Group sees opportunities here that would be considered good.

#### Risks arising from tax matters

Various opportunities and risks arise from tax matters. For example, risks linked to a number of different statutory regulations and tax audits form part of this category. These include changes in legislation or the administration of

justice, which can also contribute to risks retroactively. In addition, the differing legal interpretations of tax authorities, particularly in the case of cross-border transactions, can lead to considerable uncertainties, and therefore to risks.

There is also an accounting risk if the future taxable income is not available or too low. This is the risk that the tax benefit of loss carryforwards and tax-deductible temporary differences can no longer be recognized in full or not recognized at all, which can therefore have a negative impact on the Group’s result.

The overall outcome is a risk that is to be classified as very low.

#### Legal opportunities and risks

ElringKlinger is subject to a range of legal risks.

#### Risks relating to violations of intellectual property rights of third parties

Legal risks comprise possible violations of intellectual property rights by third parties or ElringKlinger, where the corresponding rights of third parties are concerned. These risks particularly exist in countries with no comprehensive legal system to protect patents and trademarks.

To protect its technologies and products, ElringKlinger follows an intellectual property rights strategy adapted to its business model. An in-house patent and trademark department applies for industrial property rights for the company’s own research results and makes sure that the company’s research activities do not violate the property rights of third parties. This department also checks whether third parties are violating the company’s property rights. Checking for potential patent infringements is supplemented by checking for trademark infringements, especially in the Aftermarket business. In implementing these measures, the Group aims to ensure that third-party intellectual property rights are protected and that the Group is safeguarding its own developments and products.

Overall, this risk is to be considered minimal.

#### Opportunities and risks arising from litigation

Risks arising from litigation may include court proceedings and legal disputes, third-party claims, and investigations and orders by authorities. There may also be proceedings linked to environmental law. Significant risks, such as the warranty and product liability risks that are typical for the industry, are largely covered by insurance policies. 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.

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 2022. As far as is known, there were no other more significant risks compared to the previous year.

The supply of non-compliant components may necessitate an exchange or recall of such parts, with corresponding costs and claims for damages, as well as fines. Furthermore, this may damage the company's reputation over the long term.

Overall, this risk can be classed as very low. Individual cases may result in compensation that can cause a small positive deviation from the targets.

#### Risks of changes in the law

Legal risks can also arise where regulations that have an impact on the Group's business activities are changed. Risks to be expected because of a change to standards, such as ISO or DIN standards, come under this category too. Particular attention must be paid to the risks arising from the rapid change of standards concerning sustainability, including energy- and climate-related regulations, laws on climate protection and the energy transition, and environmental protection standards.

Climate change, whose effects are becoming increasingly noticeable, is a firm fixture of both media reporting and public discourse. Demands for stricter regulations in the transport sector and sustainable mobility are also the focus of such debate. In recent years, many countries have enacted emissions regulations as well as time limits for new regis-

trations of vehicles with combustion engines, which is why manufacturers are restructuring their product portfolios and offering more and more hybrid or fully electric models. At the same time, countries are promoting new drive technologies to shape the transformation of mobility.

In Europe, for example, IPCEI projects are being promoted to develop a European value chain in key technologies. Under this program, ElringKlinger received funding from the German government and the state of Baden-Württemberg for the field of battery technology. The federal and state governments are funding the development of a new type of cover design that can lower the CO<sub>2</sub> 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.

With regard to future technologies, ElringKlinger operates not only in the field of battery technology but also in the area of fuel cell technology. 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.

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 holds a 40% stake. In addition, ElringKlinger has entered into a strategic partnership with Airbus in order to make fuel cell technology available to the aviation industry.

Likewise, vehicle weight has an impact on environmentally friendly mobility. Less weight is of key importance to car-makers in order to reduce fuel consumption and/or increase range. The focus in this regard is always on minimizing CO<sub>2</sub> 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.



Overall, ElringKlinger is in a strategically strong position in respect of current emissions regulations, as well as for their expansion. The risk of changes in the law is to be classified as minimal.

#### Compliance risks

There are also legal risks if the Group, its business partners, and its employees do not act in accordance with the law. Possible consequences include investigations and legal disputes that may have a negative impact on cash flows and financial performance. Such consequences may be serious, particularly in the event of antitrust law violations. 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 on compliance topics. ElringKlinger has also established a 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 of significant breaches can be treated as low, but cannot be completely ruled out. Depending on the circumstances of the individual case, the effects on Group earnings may reach a scale that could be considered significant.

Based on the scenario analysis, this results in a minimal risk.

#### Operational opportunities and risks

ElringKlinger is a globally positioned manufacturing company. This creates operational risks relating to production and its influencing factors. They include manufacturing and IT infrastructure, employees, the production itself, and its goods.

#### Buildings and infrastructure risks

As a global Group with 46 sites, ElringKlinger always needs to be sure that business operations at each location are running smoothly and without interruptions. The first risks to mention in this regard are site risks linked to natural hazards. Climate change is causing individual incidents such as tidal waves, floods, severe storms, or long periods of drought that are becoming ever more serious. These could lead to severe damage to buildings and infrastructure. If electricity, water, gas, or similar utilities are limited or unavailable, business activities will also be affected. Similarly, risks that fire protection systems will not work properly or

that safety problems will arise exist worldwide. Poor-quality buildings can result in rising maintenance costs.

ElringKlinger addresses these risks by responding proactively and with a long-term view. Although supply risks associated with electricity, gas, and water cannot be ruled out or protected against entirely, because the company depends on upstream networks and players, the Group reduces the probability of occurrence and – where risks do occur – the downtimes with its site selection and the installation of back-up systems for sensitive areas, such as server rooms or data centers. With regard to site selection, the decision-making criteria include points such as a high level of media availability and good infrastructure as well as vulnerability to natural forces.

Proactive servicing and maintenance, promptly replacing old equipment, and – in collaboration with Purchasing – regularly reviewing service providers are some of ElringKlinger's principles. In addition to regular maintenance, test runs and inspection by external experts guarantee that the fire protection and safety systems are highly secure. A standardized process specification for extinguisher maintenance ensures a minimum standard for the Group that is the same all over the world.

Construction processes may also be drawn up incorrectly, be performed in a non-compliant manner, or cause unexpected additional costs. The Real Estate & Facility Management corporate unit has experts in all main construction trades who inspect the services of external planning partners and compare them against Group-specific requirements. Employees of the corporate unit are also available as points of contact to all sites worldwide and thereby make a significant contribution to reducing errors. Before a construction project is approved, the costs are compared based on key figures from similar projects and subjected to a plausibility check, including with regard to the market price situation and construction price trend. After approval, the project is monitored using an extremely extensive project controlling system. This enables cost increases during the project's term to be identified early and offset through optimization and, where necessary, reductions.

Overall, this risk is to be classified as very low.

### Personnel opportunities and risks

ElringKlinger has grown significantly in recent years and developed into a global Group. This creates numerous needs and requirements, both to reflect global growth and to shape the process of transformation – in the present and in the future. In this context, the ability to attract committed and qualified staff and encourage them to stay for the long term is of particular importance. Well-trained professionals are in high demand; competition within the market for qualified staff is fierce, especially in the automotive region of Baden-Württemberg. Risk scenarios such as significant staff turnover, a high wage level, or generally low availability of personnel therefore arise.

The use of digital media plays an increasingly important role in the recruitment of professionals. To reach out to different target groups, ElringKlinger harnesses the full gamut of social media channels (including LinkedIn, Instagram, and Facebook), its own jobs page, and various other careers portals, as well as university partnerships. It also attends vocational training fairs. With the employee referral scheme “Bring a Talent,” the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees.

To encourage employees to remain with the company, the Group offers an extensive training program. Employees can take advantage of training programs on a digital learning platform to develop their personal and professional skills. Like the global high-potential program, the Group’s training plan has also been internationalized to offer the high national standard worldwide and in a harmonized manner. Additionally, a works agreement gives employees the modern option of doing their job digitally. Thanks to mobile working, employees can combine their career and family life even when work is intense.

For the Group, it is important to remain competitive at its German sites as well as internationally. This is why the HR department regularly considers which tools and new directions can help with this objective and coordinates any ideas

for plans with the Works Council. If these plans are drawn up, voted on, and implemented, they may also result in efficiency gains for the Group.

Overall, on the basis of the Monte-Carlo simulation as part of the scenario analysis, the personnel risks are to be classified as very low. The potential efficiency gains are in the next-highest range.

### IT opportunities and risks

In the digital age, IT infrastructure is permanently exposed to potential threats such as cybercrime, hacker attacks, or data privacy incidents that may affect the availability, integrity, and confidentiality of information and IT-based resources. 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 effect 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 constantly optimizing fail-safe standards and has established a well-tested, appropriate recovery plan to immediately ensure business continuity for scenarios involving damage. In addition, data that are of importance to operational processes are 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.

ElringKlinger also sees digitalization as an opportunity. As part of its strategic direction, the Group has defined the digitalization of business processes as a success factor. Business processes are therefore undergoing an in-depth analysis and being examined for potential improvements. In a digitalized environment, supply chains can be optimized, investment decisions can be made on the basis of data, and, ultimately, new fields of business can be cultivated. The objective of the digitalization process is to make existing processes more efficient while also opening up the possibilities of new processes through digital means. Efficient organization thanks to digitalization not only creates an opportunity to noticeably reduce the Group's cost structures, but also to make a positive impact on other factors such as employee satisfaction or employer attractiveness with a better work-life balance.

Overall, this results in opportunities and risks that are to be classified as low.

#### Production risks

Production equipment may malfunction or fail if it is not regularly maintained, or modernized or replaced in good time. This risk is greater still in the case of bottleneck machinery. At the same time, product launches and ramp-ups give rise to the risk that equipment may not be configured correctly and production operations will have to be paused or aborted completely. In addition, the automation and networking of production systems need to be taken into account, along with technical developments and innovation. However, production bottlenecks can also arise in the event of force majeure.

Instances of force majeure may be difficult to deal with, but the other risks are mitigated or avoided by putting systematic measures in place. This includes paying particular attention to carrying out preventive or foreseeable maintenance and ensuring the availability of spare parts for machinery and equipment. The aim is to make sure spare parts can be supplied to any location in the world within 48 hours. Maintenance is carried out within the Group at set intervals. Production and maintenance staff are given comprehensive training in advance on similar equipment, while remote support facilities are also set up. Replacement investments are made in line with business principles, while specific manuals and checklists are used as a basis for ramp-ups.

The risk of a loss of production also arises when employees' occupational health and safety is not sufficiently ensured. To mitigate this risk and eliminate it as far as possible, the Group takes a proactive approach to avoid occupational accidents altogether. Clearly defined work instructions on the issue of safety, regular safety training, preventive measures in individual workplaces, a technical safety standard for systems and work equipment, and suitable protective equipment are intended to ensure that this is the case. Occupational health and safety is also covered in the Group's operating system and forms an integral part of this. To help raise employees' awareness of the potential risks, incidents involving near-misses are highlighted and communicated within the plants as a preventive measure. In addition, risk assessments are continuously prepared and updated, complemented by safety inspections. Compliance with the regulations is verified by means of regular internal audits. Any findings from these are set out in plans of action, and countermeasures are implemented as quickly as possible. Notifications of accidents are communicated across the Group, and the lessons learned from these incidents are also shared universally to help develop the organization further and avoid future accidents.

Overall, this risk can be classed as very low.

### Procurement opportunities and risks

Procurement risks can have an impact on the availability and cost of materials (e.g., raw materials, consumables and supplies, as well as parts, semi-finished products, and finished products from third parties) and services.

Risks associated with material availability may be linked to a shortage of raw materials on the global market, for example, or reliance on single sourcing. The risks of rising material costs may take the form of a substantial rise in the prices of materials or components, or other input parameters such as energy. This category also includes risks that could arise from contractual requirements, especially in supplier or procurement contracts.

The prices of the raw materials primarily used by ElringKlinger remain on a persistently high level. 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. However, a flagging economy would mean that prices would be expected to fall due to lower demand, which would have less of an impact on the Group – although the effect of this would not be felt immediately while the terms of existing contracts were still ongoing.

ElringKlinger's global purchasing organization continuously monitors the situation on the procurement markets and takes measures accordingly to mitigate or avoid the risk and effects of price increases. For example, the Group's central purchasing department works constantly 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 systematically refined. From a long-term perspective, ElringKlinger is optimizing product design and improving manufacturing processes to offset price spiral effects on commodity markets.

On the procurement side, ElringKlinger negotiates optimal contractual terms with its raw material suppliers based on its own market expectations. Long-term agreements are concluded if prices are expected to rise. In some cases, however, contracts are concluded with shorter terms in order to take advantage of opportunities and to be prepared for possible price reductions. 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, further negotiations are arranged with a view to passing price rises that exceed cost estimates on to customers. In addition to high commodity prices, these negotiations also factor in the sharp increase in energy and transport costs. The risk here is that the 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. As long as no price escalator clauses have been agreed, any falls in material prices work in the Group's favor.

In order to mitigate material availability risks relating to bottlenecks or non-deliveries as far as 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 minimize the risk of production-related disruption or downtime due to disruptions within the supply chain. This strategy is also designed to take effect if one of the suppliers runs into delivery difficulties for financial reasons. During the year under review, suppliers 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. As far as possible, ElringKlinger develops alternatives for commodities and materials that are either in short supply or subject to severe fluctuations in price.

Alongside the materials needed for its long-standing product portfolio, ElringKlinger sometimes uses other types of commodities and materials for battery and fuel cell components and systems in its new business areas. It is not possible for the Group to routinely estimate the future volumes, price movements, and supplier structures with regard to these

materials based on the information currently available. Overall, ElringKlinger counters this uncertainty and thus 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.

All in all, both the risks and the opportunities in this area can be classed as low.

#### Quality risks

ElringKlinger is a production company that manufactures products characterized by a high level of technological sophistication. This gives rise to operational risks in the form of, for example, an increase in defects, a high rejection rate, processes that are not robust, or non-standardized organizational structures or procedures. Non-standardized procedures can, in particular, arise as a result of the development of entirely new products, such as products for applications outside the automotive industry or within the field of alternative drive technologies.

In recent years, ElringKlinger has launched a number of initiatives to forge further ahead with its transformation from a medium-sized enterprise to a global corporate group. These include introducing an operating system that incorporates aspects such as robust processes, excellent product launch standards, and continuous improvement in practice. The operating system has been rolled out and implemented across the Group. Along the same strategic lines – to reduce the increasing complexity and the growing challenges of economic activities – ElringKlinger is also pursuing an initiative based on process excellence. The aim of this is to keep pace with future growth through processes, increase the degree of transparency and digitalization within the Group, and pool knowledge for future activities in a way that is not dependent on specific individuals.

In order to counter risks arising from poor product quality, ElringKlinger has implemented processes for continuous improvement 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.

Overall, the risk resulting from this can be classed as very low.

#### Sales opportunities and risks

In addition to external risks, ElringKlinger is also exposed to sales risks arising from customer-specific circumstances. These include, for example, price and volume effects or fluctuating demand due to the competition situation.

With regard to the price situation, the extent to which price increases within the commodity and energy markets can be offset will have a significant impact in 2023, as it did in the previous financial year too. The prices of relevant commodities remained at a high level in the year under review, while energy prices went up. In addition to introducing price escalator clauses to enable automatic price adjustments in line with the sales markets, ElringKlinger is also relying on negotiating with customers to offset price increases. Overall, the experience gained means that this risk can be managed better than it was in the previous year.

If one or more customers are confronted with abrupt or significant declines in demand volumes on the end-customer market, this may also impact on ElringKlinger by reducing demand for products supplied by the Group. 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. 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.

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 7.8% of annual revenue in 2022. Moreover, there are further sales opportunities available through global battery manufacturers setting up production in Europe and looking for local suppliers. The cell contacting systems order announced in March 2021 shows that ElringKlinger is gradually succeeding in opening up a new customer group in this area.

Nevertheless, sales risks can sometimes arise in relation to individual orders and/or individual locations. These are most likely to be due to delays in customers giving the go-ahead on projects. In situations like these, ElringKlinger devises mitigation strategies and usually negotiates directly with the customer. In the case of new manufacturers, there

will be some uncertainty around how business will develop while production and marketing are still in the initial stages. This may lead to fluctuations in orders, which will have an impact on revenue.

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 effects of the war in Ukraine do not pose any risk at the time of writing this report.

The Engineered Plastics segment is also concentrating on North America and Asia when it comes to penetrating new markets in order to realize growth opportunities. Nevertheless, there is a market risk due to the short-term nature of the business and continuing problems with the availability of raw materials. The risk of dependence on the combustion engine exists only to a proportionate extent in this segment, as no more than half of the revenue is generated within the automotive business and parts of this revenue are generated in respect of alternative drive technologies. The industry segments are already highly diversified. Furthermore, products such as the rotary shaft seal have been developed that offer opportunities in the electromobility market and cushion the proportionate risk.

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 any early stage. Due to its broad positioning in new drive technologies, the Group considers itself well positioned to benefit from an accelerated pace of change within the automotive sector. ElringKlinger will continue to pursue and develop this strategy as it moves forward.

In its strategic fields of the future in particular – i. e., battery technology, fuel cell technology, electric drive units, and lightweight structural components – ElringKlinger has attractive markets for sustainable revenue and earnings

growth through further orders, including high-volume ones. The Group sees this as providing great potential for significantly boosting its revenues over the coming years. There are sales opportunities for both new drive technologies in the E-Mobility business unit and innovative solutions in the conventional business areas.

A slower transformation process would mean comparatively greater demand for combustion engine components. The Group would therefore be able to exploit its current market position in this area and make the most of the earnings this could generate. New competitors are unlikely, not only for strategic reasons, but also in light of the considerable equipment investments they would need to make to enter ElringKlinger's market segments.

Given the general level of uncertainty, overall, the Group's sales risk for the twelve-month period under review can be regarded as very high in the context of the applicable classification. At the same time, there are opportunities for the Group to exploit, which could be classed as moderate.

#### Logistical risks

Global supply chain problems could still have a severe impact on economic activity if raw materials and input materials are not available at the destinations where they are needed at the right time. This would lengthen customary cargo delivery times – potentially significantly in some cases.

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. These 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.

Logistical risks also include the risk of creating inventories of raw materials, semi-finished products, and finished products with a low turnover rate. ElringKlinger counters this by continuing to conduct regular reviews of the inventories held within the Group with regard to their turnover rate. Stocks with a low turnover rate are evaluated to determine whether they should be used, sold, or scrapped.

Overall, the risk that is likely to result from this can be classed as very low.

#### **Overall assessment of opportunities and risks**

As regards its overall assessment of the respective opportunities and risks, the Management Board comes to the conclusion that the risk status has deteriorated in comparison to the preceding year. This trend is attributable primarily to developments relating to sales risks.

Owing to the uncertainty and considerable volatility seen within the economic arena, which are driven in part by the detrimental effects of the war in Ukraine, risk exposure relating to the economy and strategic aspects has increased slightly, as have IT-specific risks. Procurement risks, on the other hand, have declined slightly.

The aim of the risk management system described above, combined with a flexible cost structure, is to allow ElringKlinger to address risks promptly by implementing appropriate measures. In financial terms, ElringKlinger continues to possess a robust foundation. Net debt remains low, while the financial position as a whole can be described as extremely solid. Thus, the Group continues to be in a position of strength as regards its ability to raise new funds. ElringKlinger considers itself to be well positioned, in terms

of flexibility, to embrace the next stages of transformation within the mobility sector. The same applies to its ability to respond to a potential recession.

Driven by climate change and emissions legislation, the transformation of mobility provides ElringKlinger with tremendous opportunities. The drive technologies of the future are subject to the requirement that CO<sub>2</sub> emissions be reduced. ElringKlinger was early to invest in forward-looking areas of business, such as battery and fuel cell technology, and is already in a position to offer a broad range of innovative solutions for alternative drive systems. As a result, the Group considers itself well placed to exploit opportunities for growth on a global scale. Based on current plans, 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.

The Group has not identified risks at present that might jeopardize its future existence as a going concern, either in isolation or in conjunction with other factors. Given its broad, forward-looking orientation as well as its financial strength, the Group considers itself 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, from the Management Board's perspective, based on a balanced opportunity and 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, 2022, 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 (Aktengesetz – AktG) in conjunction with Section 23 no. 1 of the Articles of Association.

The direct or indirect shareholdings in the capital of ElringKlinger AG with more than 10% of the voting rights based on the shareholding figures most recently communicated to ElringKlinger AG pursuant to Sections 33, 34 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) are listed below:

Date	Disclosed by	Shareholding
May 17, 2018	Lechler Stiftung, Stuttgart/Germany	52.04% (attributed: 51.05%)
May 17, 2018	Stiftung Klaus Lechler, Basel/Switzerland	51.05% (attributed: 51.05%)
May 17, 2018	Klaus Lechler Familienstiftung, Neuhausen a.d. Fildern/Germany	51.05% (attributed: 51.05%)
November 13, 2014	Paul Lechler GmbH & Co. KG, Neuhausen a.d. Fildern/Germany	10.03%
June 13, 2014	Eroca AG, Basel/Switzerland	29.01% (attributed: 19.80%)
June 13, 2014	Klaus Lechler Beteiligungs-GmbH, Ludwigsburg/Germany	29.01% (attributed: 28.43%)
June 13, 2014	KWL Beteiligungs-GmbH, Ludwigsburg/Germany	29.01% (attributed: 28.43%)
June 13, 2014	Paul Lechler Stiftung gGmbH, Ludwigsburg/Germany	29.997% (attributed: 29.01%)
June 13, 2014	Lechler Beteiligungs-GmbH, Stuttgart/Germany	29.01% (attributed: 19.55%)
June 13, 2014	Inlovo GmbH, Ludwigsburg/Germany	29.01% (attributed: 29.00%)
June 13, 2014	Elrena GmbH, Basel/Switzerland	29.01% (attributed: 19.26%)

No shareholder is equipped with special rights constituting controlling powers.

ElringKlinger does not operate any employee profit-sharing schemes.

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 (Aktengesetz – 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.

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

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.

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.

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](http://www.elringklinger.de/en/company/corporate-governance/corporate-governance-statement).

## Combined Non-Financial Report

For fiscal 2022, 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. It has been included in the 2022 annual report as a separate section

entitled “Combined Non-Financial Report” under the heading “To Our Shareholders.” The 2022 annual report is to be published on March 28, 2023, on ElringKlinger’s website at <https://www.elringklinger.de/en/investor-relations/publications/financial-reports>.

# Report on Expected Developments

The slowdown in the world economy is expected to continue in 2023. Following growth of 3.4% 2022, the International Monetary Fund is anticipating a slight downturn and overall expansion of 2.9% for 2023 in its January outlook. The global automotive industry is set to see growth of 3.3% in the production of new passenger cars and light commercial vehicles.

Against the backdrop of difficult underlying conditions and an environment exposed to tremendous uncertainty, ElringKlinger anticipates that it will continue to grow faster than the market in the future. This provides the basis for higher profitability, positive operating free cash flow, and a lower net debt ratio.

## Outlook – Market and Sector

### Economic challenges remain significant

The economic challenges facing the global economy, including high interest rates, geopolitical uncertainties due in particular to the war in Ukraine, persistently high inflation, and the fraught energy supply situation, are likely to remain significant in 2023. In its latest World Economic Outlook from January 2023, however, the International Monetary Fund (IMF) shares its belief that the global economy has bottomed out and modest growth of 2.9% is achievable.

At 1.2% overall, the IMF's growth forecasts for the industrialized nations are lower than for the emerging markets and developing countries, which are in line to expand by 4.0%. With the IMF forecasting global inflation of 6.6% in 2023, i. e., well above the 2% or so desired for price stability, the major central banks are likely to maintain their restrictive monetary policies. This is expected to cause a strong headwind for both the US and European economies, although government support packages will cushion the blow. Global growth will be underpinned primarily by China and India, whose economies are set to stabilize according to the forecast.

### GDP growth projections

Year-on-year change in %	2022	Projections 2023
<b>World</b>	<b>3.4</b>	<b>2.9</b>
Advanced economies	2.7	1.2
Emerging and developing countries	3.9	4.0
Eurozone	3.5	0.7
Germany	1.9	0.1
USA	2.0	1.4
Brazil	3.1	1.2
China	3.0	5.2
India	6.8	6.1
Japan	1.4	1.8

Source: International Monetary Fund (Jan. 2023)

### Automotive production to see modest growth

Security of supply and trends in raw material and energy prices will remain key issues for vehicle manufacturers and suppliers in 2023 despite these problems having eased in recent times. According to S&P Global Mobility, an institute specializing in the industry, global vehicle output will increase by 3.3% to 85.1 million passenger cars and light commercial vehicles in 2023. The actual trend will vary from region to region, as the table shows.

## Light vehicle production

Region	Million units		Year-on-year change
	2022	Projections 2023	
Europe <sup>1</sup>	15.3	16.1	5.2%
China	26.4	26.6	0.9%
Japan/Korea	11.2	11.7	4.6%
Middle East & Africa	2.2	2.3	3.4%
North America	14.3	15.1	5.4%
South America	2.8	3.0	6.0%
South Asia	9.6	9.8	1.7%
<b>World</b>	<b>82.4</b>	<b>85.1</b>	<b>3.3%</b>

<sup>1</sup> Without Russia  
Source: S&P Global Mobility (Feb. 2023)

### Car sales set to rise 4% in 2023

The German Association of the Automotive Industry (VDA) is expecting the number of newly registered passenger cars to increase by some 4% to 74.0 million (2022: 71.2 million) in 2023. The European car market, which is still some way behind its 2019 pre-crisis level, is set for growth of around 5% to 11.8 million new registrations. The association is estimating that 2.7 million new passenger cars will be registered in Germany in 2023, roughly 2% more than in 2022. Registration figures for light vehicles in the US are set to increase by around 4% to 14.2 million, with China in line for growth of some 3% to 23.9 million passenger cars.

### Markets for commercial vehicles largely on track

The commercial vehicle markets can look forward to a positive trend more or less across the board in 2023, say forecasts. The market is expected to benefit from pent-up demand in 2023 caused by the supply chain problems of previous periods. According to the VDA's projections, the number of newly registered commercial vehicles could rise by around 4% in Europe, around 15% in India, and around 5% in the US. Germany can expect to sell some 4% more heavy-duty commercial vehicles than in 2022. The Brazilian market is likely to continue contracting, specifically by some 4%.

## Outlook – Company

### Major uncertainty and high volatility to persist

The recovery that had initially been expected to kick in after the coronavirus pandemic was curbed sharply by the Russian invasion of Ukraine. Raw material and energy prices rose, while the issue of supply chain disruption and bottlenecks could not be addressed as effectively as had been hoped in today's globalized economy. Although the markets mounted a gradual recovery from then on, with global automotive production increasing by a total of 6.7% year on year in 2022, high inflation lasted right up to the end of the year. Commodity, energy, and transportation costs remained high, and the central banks responded with swift interest rate hikes. With the outcome of the war impossible to predict and other potential geopolitical conflicts brewing, the general situation is still one of major uncertainty and high volatility on the world's markets.

This means that no reliable estimate can be made of whether a global recession is on the way or, if it is, how severe it will be. Such a recession would also impact the automotive markets, while tit-for-tat measures prompted by the geopolitical conflicts, such as trade embargoes and financial sanctions, would impair the global markets' ability to function properly. All in all, 2023 will continue to be dominated by uncertainty, and predictions for the financial year will be extremely difficult to make. External factors such as unforeseeable consequences of geopolitical conflicts, trade barriers, extreme weather events, or further waves of the pandemic may influence the direction or scale of projected developments at any time.

### Research and development for innovative solutions

As a technologically oriented Group, ElringKlinger is focused on developing innovative solutions for its customers and opening up new areas of business. The Group makes targeted use of its expertise to serve the root-and-branch transformation of the industry in order to develop new products. Overall, the Group is and remains committed to investing around 5 to 6% of its revenue (including capitalized costs) in research and development in both the short and medium term.

### Order levels remain healthy

The Group's order backlog and order intake remain at a high level following a very strong 2021. The order backlog at year-end 2022 was EUR 1,461.9 million, up EUR 75.7 million or 5.5% year on year. Currency effects played only a minor role here: at constant exchange rates, the order backlog would only have been slightly higher at EUR 1,466.5 million, an increase of EUR 80.3 million or 5.8%.

Order intake was very high in the 2022 financial year, especially in the first six months. 2021's impressive figure of EUR 1,006.1 million was exceeded once again in 2022, specifically by EUR 25.4 million or 2.5%. This gave a total order intake of EUR 1,031.5 million midway through the year. The third quarter was weaker, although revenue was high. The Group recorded a total order intake of EUR 1,874.1 million for the year under review. This is EUR 103.4 million less than in the previous year, which had been strong. Currency effects boosted the order intake figure for the past financial year: at constant exchange rates, it would have been lower at EUR 1,813.2 million.

### Revenue growth well above global production levels

ElringKlinger posted record revenue figures in 2022 in a complex economic environment dominated by various imponderables. This was despite the global automotive market, with 82.4 million vehicles manufactured, continuing to lag more than 7% behind its 2019, i. e., pre-pandemic, levels (around 89 million vehicles) according to the industry service provider S&P Global Mobility.

Against a background of persistently challenging underlying conditions that are plagued by uncertainty, the Group is anticipating further growth in the future as well in light of the continued recovery within the global automotive markets and its own healthy order book. The main contributors

are orders in the strategic future areas, such as the large-scale order for the series production of cell contacting systems that is currently ramping up and the start of manufacturing for lightweighting products at the new plant in Texas. Thanks to orders like these, the Group is anticipating a level of organic revenue growth in the current financial year that will significantly outstrip the trend in global automotive production, which S&P Global Mobility is predicting will rise by 3.3% in 2023. In the medium term, the Group is expecting to post disproportionately high organic growth compared to global automotive production levels.

Predicting currency effects is difficult in the environment described above. Acquisitions cannot be ruled out for the 2023 financial year either. The management is constantly reviewing opportunities of this kind, prioritizing companies that would either be a logical complement to ElringKlinger's existing product portfolio or give it better market access. Any such transactions are unlikely to be much larger in volume terms than those carried out to date. Similarly, the possibility of some parts of the company's segments being sold cannot be excluded either as things stand.

### Raw material, energy, and transportation costs remain high

Following the sharp rise in raw material costs triggered by the outbreak of war in Ukraine, the prices of some raw materials that are key to ElringKlinger's operations remain at a fundamentally high level overall, including when compared to previous years. Energy and transportation costs have also risen. ElringKlinger is expecting the prices of raw materials, energy, and logistics to remain high, particularly in light of the ongoing geopolitical conflicts. Escalating tensions could cause prices to spiral, which would push up inflation alongside the already rising raw material, energy, and transportation costs and dampen overall demand.

### Adjusted EBIT highlights operating profitability

ElringKlinger will report its “adjusted EBIT” in the future so that it can compare its operating profitability over several periods in a way that discounts the effect of exceptional items. Adjusted EBIT is defined as reported EBIT excluding the amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and exceptional items. Exceptional items here include, in particular, gains and losses from non-recurring events, such as impairments (including impairments to goodwill), write-ups, restructuring costs (including severance payments), and gains and losses on disposal from M&A activities.

### Earnings set to improve

Despite the tough general environment, ElringKlinger expects to see a further improvement in its earnings situation thanks to its strict cost discipline and the revenue growth that it is anticipating for the current financial year. Overall, the Group is forecasting adjusted EBIT of around 5% of its revenue for 2023. The comparative figure for adjusted EBIT according to the definition described above is EUR 67.6 million or 3.8% for the previous year. The Group is still expecting to improve the level of adjusted EBIT margin gradually over the medium term.

### Optimizing the net working capital ratio

The Group is still aiming to optimize its net working capital ratio, i.e., net working capital as a percentage of Group revenue. To this end, it is working hard to reduce trade receivables, extend liabilities-side payment terms, and manage inventories prudently, including in times of general supply chain problems. With this in mind, the Group is expecting to see a slight improvement in the previous year’s ratio by the 2023 reporting date and a figure of around 20% of Group revenue in the medium term.

### Disciplined investment approach to be maintained

ElringKlinger is also planning to maintain its disciplined investment approach in the current financial year and focus on its strategic future areas when investing in property, plant, and equipment. Investment activities in its traditional fields of business will also continue to be actively managed. The Group always considers the need, timescale, and financial commitment required very carefully before embarking on any measures. As a result, the Group is anticipating an investment ratio (in property, plant, and equipment as a percentage of Group revenue) of between 5 and 7% both for the current financial year and in the medium term.

### Operating free cash flow in the positive double-digit million euro range

How the Group generates cash flow at present is built around structural improvements to key indicators such as net working capital, investments, and operating profitability. It is therefore expecting operating free cash flow to be slightly higher than in the current financial year and to remain positive in the medium term, too.

### Further reduction in net financial liabilities

Despite record revenue figures, the Group still managed to reduce its net financial liabilities slightly in 2022. This trend looks set to continue in the current financial year, buoyed by positive operating free cash flow. In light of the anticipated improvement in profitability, the Group expects to maintain a net debt ratio (net financial liabilities in relation to EBITDA) below the 2.0 threshold and keep it there in the medium term as well.

The Group is forecasting an equity ratio of 40 to 50% for both the short and medium term, the same target range in which this key indicator has remained for several years now.

### ROCE improved

The Group measures its overall profitability on the basis of return on capital employed (ROCE). In light of the various major imponderables – including those sparked by geopolitical tensions – and as a result of the forecast increase in earnings, the Group is anticipating a ROCE of 7 to 8%. In the medium term, the Group is expecting this key figure to improve steadily year on year.

### Original Equipment segment

The Original Equipment segment accounts for around 80% of Group revenue and is the Group's largest. It is influenced significantly by trends in the automotive industry on account of its product portfolio and is also set to ramp up several orders, including some large-scale ones. The segment is thus in line for organic revenue growth well above the level of global automotive production. Its adjusted EBIT margin is expected to be slightly positive.

### Engineered Plastics segment

With its extensive range of products, the Engineered Plastics segment will continue to benefit from two key trends in the future: the transformation under way in the automotive industry and the megatrend of miniaturization, robotics, and sensor systems. There is scope for additional market potential to be leveraged since the properties of the high-performance plastics used make them ideal for a wide range of applications. The Group is therefore anticipating modest revenue growth in this segment. Despite material prices remaining high in line with expectations, the segment is still heading for an (adjusted) EBIT margin that is well above the average for the Group.

### Aftermarket segment

As its revenue growth over the past few years has shown, products from the Aftermarket segment are much in demand, and the Group is therefore anticipating modest revenue

growth in this segment for the 2023 financial year as well. Although geopolitical conflicts and macroeconomic developments may pose risks, the Group's growth strategy in North America will present opportunities. The Group is expecting this segment to achieve an (adjusted) EBIT margin significantly above the Group average.

### Parent company ElringKlinger AG

ElringKlinger AG, the Group's parent company, accounts for over 40% of Group revenue and therefore plays a prominent role within the Group. In light of the accelerating transformation in the automotive sector and ElringKlinger's extensive product portfolio, the Group is expecting revenue to grow, especially in its strategic future areas. Assuming that general activities in its traditional fields of business remain good, this expectation means that the company is anticipating revenue growth at a level well above that of global automotive production.

As it did in the Group as a whole, the order situation at the parent company improved further year on year. The order backlog at year-end 2022 amounted to EUR 584.0 million (Dec. 31, 2021: EUR 535.9 million), up EUR 48.1 million or 9.0% on the previous year.

Earnings at the parent company have also been influenced by numerous factors. Whilst the measures forming part of the efficiency stimulus program have resulted in structural improvements, the high raw material, energy, and logistics costs will erode earnings. Overall, the EBIT margin (adjusted) for the 2023 financial year is therefore expected to be slightly above the expected Group average of around 5%. Reflecting higher capital spending, the figure for ROCE is set to come in slightly below the level for the Group as a whole. The parent company's operating free cash flow is expected to be slightly positive within the double-digit million euro range.


### Outlook – ElringKlinger Group

The Group's main indicators for its 2023 outlook and in the medium term are presented in the following table.

Main financial control criteria	2023	Medium term	Actual 2022
Revenue	Organic growth substantially above market level	Organic growth above market level	+7.4%
EBIT margin (adjusted)	Approx. 5% of Group revenue	Sustained improvement	3.8%
Operating free cash flow	Slight year-on-year improvement	Positive	EUR 14.8 million
ROCE	Approx. 7 to 8%	Sustained improvement	-2.7%
<b>Other internal control criteria and indicators</b>			
R&D costs (including capitalized costs)	Approx. 5 to 6% of Group revenue		5.1%
Investments in property, plant, and equipment	Approx. 5 to 7% of Group revenue		3.9%
Net working capital ratio	Slight year-on-year improvement	Approx. 20% of Group revenue	25.3%
Equity ratio	40 to 50% of total assets		43.8%
Net debt ratio (net debt/EBITDA)	Under 2.0		2.1

Dettingen/Erms, March 23, 2023

The Management Board



Dr. Stefan Wolf  
CEO



Reiner Drews



Thomas Jessulat

**Independent auditor's report**

We issued the following auditor's report on the annual financial statements and the management report of the Company, which was combined with the group management report, and the ESEF documents: "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 at December 31, 2022, and the income statement for the financial year from January 1 to December 31, 2022, 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, 2022. 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. Furthermore, we have not audited the content of the disclosures extraneous to management reports contained in the "Report on Opportunities and Risks" under the heading "Internal control system" of the combined management report. Disclosures extraneous to management reports in the combined management report are such disclosures that are not required pursuant to Secs. 289, 289a HGB or Secs. 289b to 289f HGB.

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, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022 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. We do not express an opinion on the content of the Corporate Governance Statement referred to above and on the "Report on Opportunities and Risks" under the heading "Internal control system" 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 annual financial statements for the financial year from January 1 to December 31, 2022. 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 characterized by the pandemic-related lockdown in China, but also by the Russia-Ukraine war as well as the associated shortage of materials and price increases for commodities and energy. The severity of this development in the geographic regions in which the ElringKlinger group entities operate was varied greatly. 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 currently difficult economic and geopolitical conditions, 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 management regarding material value drivers of the planning, including any economic and geopolitical conditions, 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. 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.

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 posing a significant risk of material misstatement and accordingly a 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. In the area of series production, the Company realized sales revenue from compensation received from customers for the increase in procurement prices. In our assessment, there is an elevated risk of error here too because the compensation amounts are determined manually. 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.

**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.

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. For the audit of compensation from customers for the increase in procurement prices, we examined the determination of compensation amounts per customers using the contractual agreements on a sample basis. In addition, we used the delivery slips to verify the authenticity of the underlying deliveries.

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

**Reference to related disclosures**

With regard to the accounting and valuation principles applied for revenue recognition, we refer to the disclosures in the notes to the annual financial statements in the section "Notes to the income statement."

**Other information**

The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 German Stock Corporation Act (Aktiengesetz, AktG), which is part of the Corporate Governance Statement. 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. The Other information comprises the Responsibility Statement, which is designated as a component of the annual report, of which we received 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 net assets, financial position and results of operations 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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 net assets, financial position and results of operations 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 "ElringKlinger\_AG\_JA\_LB\_ESEF-2022-12-31.zip" 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, 2022 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) (06.2022). 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:

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 Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on May 19, 2022. We were engaged by the Supervisory Board on September 1, 2022. 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 Art. 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 *Unternehmensregister* [German Company Register] – 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."

## 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 23, 2023

Management Board



Dr. Stefan Wolf  
Chairman



Reiner Drews



Thomas Jessulat







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

