Annual Report

2021

elringklinger

Our strategic fields of transformation

E-Mobility

Conventional Mobility

Lightweighting for all types of drive systems

Non-Automotive

Experience mobility – Drive the future.

As an independent and globally positioned supplier, ElringKlinger is a powerful partner to the automotive industry. Whether for conventional, hybrid, or all-electric drive units – ElringKlinger offers tailor-made solutions for all types of drive system, both for passenger cars and for commercial vehicles. Many of them, such as fuel cells or high-tech sealing systems, are also deployed in non-automotive applications. Our core competencies include metal punching, embossing, forming, and coating as well as plastic injection molding and the processing of high-performance plastics. In combination with our demonstrable abilities as an innovator, these skills form the basis for a state-of-the-art product portfolio targeted at four strategic fields of the future.

In the field of battery and fuel cell technology as well as electric drive units, ElringKlinger was among the front-runners when it came to positioning itself as an e-mobility specialist with regard to components, modules, and systems. The company's advanced lightweighting concepts help to lower the overall weight of vehicles. This, in turn, reduces fuel consumption and CO_2 emissions, while alternative drive systems benefit from an extended range. ElringKlinger develops and markets sealing and shielding systems for a wide range of applications. Its portfolio is complemented by engineering services, tooling technology, and products made of high-performance plastics – also for industries beyond the automotive sector – as well as a successful aftermarket business. The ElringKlinger Group employs around 9,500 people at 45 sites around the globe.

The title pages of the annual report and »pulse« magazine feature two determining megatrends of our time: the transformation of mobility and the digitalization of business and society. Both topics are the focus at ElringKlinger. With its products, ElringKlinger is helping to shape the mobility of the future. At the same time, the Group is driving digitization forward to set up products and processes intelligently and generate sustainable value for the Group through efficiency gains.

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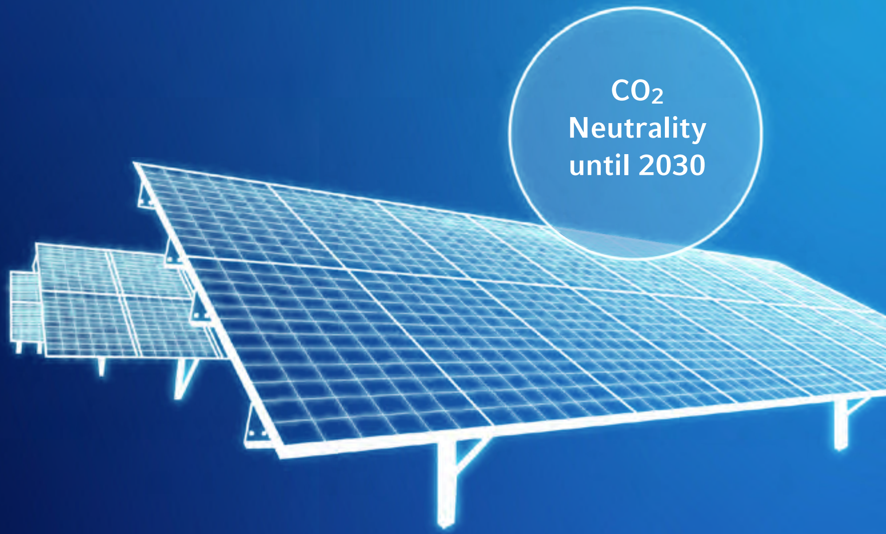
Curbing global warming is one of the biggest and most urgent tasks facing our society as a whole. Each and every one of us can do their bit for the environment through their actions and behavior. ElringKlinger is fulfilling its responsibility to mitigate climate change – in terms of both its products and its production and has set itself a specific target. Find out more about this goal and how it will be achieved in the »Sustainability enabler« article in the 2022 issue of »pulse« magazine.



The Management Board of ElringKlinger AG

REINER DREWS,
COO

Corporate Units

Production

Quality & Sustainability Management

Business Units

Lightweighting/ Elastomer Technology

Metal Sealing Systems & Drivetrain Components

Shielding Technology

German Plants

Segment Original Equipment

THOMAS JESSULAT,
CFO

Corporate Units

Finance

Procurement & Supply Chain Management

Information Technology

Digital Transformation

DR. STEFAN WOLF, Chairman of the Management Board

Corporate Units
Legal & Compliance

Human Resources

Global Strategy, M&A and Innovations

Strategic Communications

Marketing & Communications

Sales Original Equipment

Business Unit
Aftermarket

Group Companies

THEO BECKER, CTO

Corporate Units
Real Estate & Facility Management

Product Risk Management

Tool Shop/Technology

Business Units
Battery Technology & E-Mobility

Drivetrain Technology

Letter to Shareholders

Dear Shareholders,
Ladies and gentlemen,

My introductory words at this stage last year were that we had been thoroughly engulfed by the coronavirus pandemic. Twelve months on, not much has changed. Despite effective vaccines and widespread inoculation campaigns, the pandemic continues to shape our everyday lives. The rate of vaccination is still too low in many countries to completely combat the virus and its variants. Despite these circumstances, however, we are confident that the pandemic can be largely overcome this year.

At ElringKlinger, we have implemented the full range of measures necessary to protect the health of our employees. We have kept the number of contacts within the Group as low as possible by working on a mobile basis, while avoiding business travel and visits to our premises. We are committed to engaging with others in a virtual format wherever feasible, both within the company and beyond. These measures were taken at a central level and continue to apply. Despite the necessity of this action plan, we must also concede that the consequences of these measures have become increasingly tangible – particularly when it comes to staff interaction. We miss those moments of face-to-face contact in our jobs. Many of us yearn for a return to normality in our day-to-day lives. This makes the performance of our team members all the more impressive. Displaying tremendous dedication, they make a committed contribution to the Group on a daily basis. Allow me to express my sincere thanks to all our employees, also on behalf of my fellow Board members.

We are all concerned about events that were producing new headlines on a daily or an almost hourly basis when these lines were written. In February 2022, the conflict between Russia and Ukraine escalated into a full-blown war in Eastern Europe. War knows no victors. First and foremost, we see human suffering – loss of life, separation of families, flight, displacement, and fear. The thoughts of all of us at ElringKlinger are with those affected by this conflict; we honor its victims.

The economic repercussions will be significant for all, simply because globalization will no longer function as it did in the past. Some borders will turn into barriers, and the distribution of energy and commodities will become a central issue within the new economic and political order. Even before these events unfolded, supply chains had been disrupted by lockdowns as a result of the pandemic, while shipping containers were no longer available at their destinations. As the economy recovered, demand for commodities picked up again, which drove the price of raw materials – already at an elevated level – even higher. The price of raw materials used by ElringKlinger, such as aluminum, for example, increased by around 40% in 2021 alone. These adverse effects were intensified by extreme events such as torrential rain in Germany during the summer months, the winter storm in Texas, or the Suez Canal disaster in March, which threw both regional and global markets into disarray. Last but not least, our industry is having to contend with bottlenecks in the supply of semiconductors: these factors as a whole explain why car production grew by a mere 3.4%, instead of around 13% as originally expected.

Against this backdrop in particular, ElringKlinger's financial results for 2021 can be considered more than satisfactory. Despite the adversities outlined above, we were able to expand our revenue by 9.7% – organically by as much as 10.1% – to EUR 1,624 million, thus again outperforming market growth of 3.4%. We also saw a significant increase in earnings: the Group recorded earnings before interest and taxes (EBIT) of EUR 102.0 million, which corresponds to a margin of 6.3%. The Group thus generated growth of EUR 74.3 million compared to the previous year. You, as shareholders, shall also benefit from these accomplishments. Therefore, the Management Board and the Supervisory Board propose to the Annual General Meeting that a dividend of EUR 0.15 will be paid for the 2021 financial year.

We also recorded a noticeable improvement in our other key financials in 2021. By maintaining a disciplined approach to capital expenditure and further optimizing net working capital, we were again able to push operating free cash flow well into positive territory (EUR 72.0 million).

The improvement in our key financial indicators illustrates the success of the efficiency stimulus program when it comes to fine-tuning specific elements. We launched this program in 2019 with the aim of cementing profitability, consistently improving cash flow, and significantly reducing net financial liabilities – goals that we achieved in full and even exceeded in many areas. In total, the Group has generated operating free cash flow of EUR 412.5 million over the last three years and more than halved net financial debt from EUR 795.5 million at the end of March 2019 to EUR 369.2 million at the end of 2021. Thus, ElringKlinger is strongly positioned for the next stage of transformation that is now coming up.

The additional room for maneuver gained in this way is also considered important for the years ahead. After all, the process of transformation in the automotive sector is entering the next phase. Having been quick off the mark to establish a favorable technological position within fields considered promising for the future, we now boast a product portfolio that is already marketable in many cases. In addition, we have repositioned ourselves structurally in the last two years. As you know, we have entered into a partnership with Airbus in the area of fuel cells, the aim being to make this technology usable for the aviation sector as well. At the same time, we concluded a strategic alliance with our French partner Plastic Omnium. The subsidiary EKPO Fuel Cell Technologies commenced operations on March 1, 2021, and has already secured a number of contracts since then. Together with our partner, we will continue to pursue and exploit the tremendous potential offered by the market for fuel cell components and stacks.

We have also achieved milestones in the field of battery technology over the past twelve months. Not only have we established a new center of excellence in Neuffen, not far from our Group headquarters in Dettingen/Erms, we have also been successful with regard to our sales activities in this area. In March, we were able to announce a high-volume order for cell contact systems destined for the series platform developed by one of Germany's premium carmakers. We also managed to expand the client base for our products by attracting a global battery manufacturer as a direct customer. Here, production will commence in 2022, as is also the case with regard to an order placed for the prototype of a battery system to be installed in a high-end sports car.

For all our focus on new technologies, however, we must also be prepared for a decline in demand for conventional components in some product groups, a development also accelerated by the pandemic.

We have been tracking these trends closely and analyzing them as thoroughly as possible. As a result, we have drawn up plans to pool our capabilities in the Shielding Technology business unit. These plans are aimed at ensuring that the business unit remains competitive in the future.

In taking all these steps, we have prepared for the next phase of transformation. ElringKlinger has established a strong technological, structural, and financial position, allowing it to exploit the opportunities presented by change in the automotive sector. Demand for vehicles with alternative drive technologies is growing inexorably. Compared to 2020, almost twice as many vehicles produced globally in 2021 were already equipped only with a battery or fuel cell drive system. This strong trajectory of growth is set to continue and ElringKlinger will benefit from the preparations it made well in advance.

For us on the Management Board, it is important to take advantage of the opportunities presented by the continued upturn after the pandemic and the transformation of mobility. This also includes efforts in the area of digitalization, which we will step up further in production and administration. After all, work within this area can also make a lasting contribution to enterprise value for the Group as a whole.

Please explore for yourself the tremendous potential of the ElringKlinger Group. With this in mind, I hope you enjoy reading our annual report. At the same time, I would like to thank you, our shareholders, for the trust you have placed in ElringKlinger.

Dettingen/Erms, March 2022

Yours sincerely,

Dr. Stefan Wolf
Chairman of the Management Board

Report by the Supervisory Board 2021

The 2021 financial year was again dominated by the global coronavirus pandemic. This, in conjunction with natural disasters and other events, such as the Suez Canal blockage, affected global supply chains, which in turn had a pronounced impact on vehicle production, especially, due to the lack of availability of electronic components and raw materials in particular. Despite difficult circumstances, ElringKlinger managed to tackle these challenges well. It was able to achieve key goals such as the further reduction of debt and the improvement of profitability. ElringKlinger also took important steps forward and posted successes in the area of new drive systems such as fuel cell or battery technology, the aim being to remain a sought-after partner to the vehicle industry in these technologies as it looks to the future. Against this backdrop, we can look forward with confidence to the company's ability to perform favorably in the future despite the difficult underlying conditions that will persist in 2022.

The Supervisory Board of ElringKlinger AG discharged in full the duties incumbent on it according to the law, the Articles of Association, the rules of procedure, and the German Corporate Governance Code. It supervised the Management Board and acted in an advisory capacity. The Supervisory Board received appropriate monthly reports from the Management Board on key figures, matters of business, and events. In addition, the Chairman of the Supervisory Board and the Chairman of the Management Board (CEO) were in regular and ongoing contact and exchanged information in particular on the economic situation, important business developments, and other significant events. The Chairman of the Supervisory Board informed the other members of the Supervisory Board of significant occurrences. The Chairman of the Supervisory Board and the entire Supervisory Board were therefore able to obtain a sufficient understanding of business policies, corporate planning, profitability, and the situation of the company and the Group. The Supervisory Board was involved in decision-making processes of significant importance in accordance with statutory requirements. Such decisions, particularly those of strategic importance, were discussed in detail with the Management Board. To the extent that decisions or measures taken by the Management Board required the approval of the Supervisory Board, such approval was obtained in good time.

The Supervisory Board convened for four scheduled meetings in the reporting period. At the meetings, the Management Board regularly provided a detailed overview of business developments, particularly as regards the direction taken by revenue and earnings as well as the cash flows and financial performance of the Group, ElringKlinger AG, and its subsidiaries. The Management Board presented its latest projections together with its evaluation of the economic, market, and competitive situation. In addition, the Management Board provided ongoing information on the current risk situation, particularly with regard to the coronavirus pandemic, its consequences, and the measures implemented at ElringKlinger, and, where necessary, relevant compliance issues, significant legal disputes, and other matters of fundamental importance. The meetings also dealt with strategic projects as well as the progress and target achievement of an optimization program aimed at streamlining costs and improving profitability within the Group. The issues were presented and discussed during the sessions of the full Supervisory Board.

Additionally, the Supervisory Board dealt with the following topics at its meetings in the year under review, alongside the agenda items already described:

- On March 25, 2021, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2020, the 2020 annual report, including the Supervisory Board report, the corporate governance report, the compensation report, the combined non-financial report, and the auditor's report compiled by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board adopted the annual financial statements of ElringKlinger AG, endorsed the consolidated financial statements together with the combined management report, and approved the non-financial report. The results of the efficiency review conducted in respect of the duties discharged by the Supervisory Board were presented and discussed by the board members. Furthermore, the Supervisory Board resolved on the agenda item relating to the Annual General Meeting scheduled for May 18, 2021,

Klaus Eberhardt
Chairman of the Supervisory Board

and decided that the Annual General Meeting should be held as a virtual event without the physical presence of shareholders due to the anticipated continuation of the coronavirus pandemic and the contact restrictions associated with the pandemic. Finally, the Supervisory Board approved the target figures proposed by the Personnel Committee in the context of the compensation system for the Management Board approved by the Annual General Meeting in 2021.

- At the Supervisory Board meetings on July 21, 2021, and September 29, 2021, the standard items on the agenda, as already outlined above, were dealt with in detail. In addition, the Management Board reported extensively on the topics of data protection and IT security at Elring-Klinger as part of the meeting held in September.

- As scheduled, the agenda for the meeting on December 2, 2021, included the 2022 budget and medium-term business planning as well as structural measures relating to the Group's shielding technology business. The Supervisory Board also dealt with matters relating to the audit and compliance report as well as the current situation with regard to the system of internal control. For this purpose, the plenary meeting of the Supervisory Board was also informed by the Chairman of the Audit Committee after these topics had been dealt with extensively in the previous Audit Committee meeting. Finally, at this meeting the Chairman of the Audit Committee reported on the Audit Committee's deliberations with regard to the upcoming audit of the annual financial statements. The Supervisory Board decided to commission Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to assist it in reviewing the non-financial report.

The meetings were attended by all of the Supervisory Board members in 2021. Only at the meeting on March 25, 2021, was one member prevented from attending for an important reason. Due to the contact restrictions associated with the coronavirus pandemic and in order to protect all those taking part, the meetings on March 25, 2021, and December 2, 2021, were held using electronic media without the physical presence of participants. Following the December meeting, the Supervisory Board held a so-called strategy dialogue with the participation of individual members of the Supervisory Board, the Management Board, and other members of the company's management circle.

The Audit Committee convened on four occasions during the year under review. The subject matter of the meetings in February and March 2021 was the audit of the 2020 annual financial statements and the auditor's report with in-depth deliberations. At the Audit Committee meeting in July 2021, the Audit Committee dealt in particular with the current state of the internal control and risk management system. The agenda of the December 2021 meeting convened by the Audit Committee included, among other items, the task of defining the focal points of the audit for the financial year 2021, the procedure with regard to the audit of the financial statements, and the report on internal auditing. The meetings were attended, for a specific period of time, by the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft who were responsible for the audit. In particular, the Audit Committee also monitored the independence and efficiency of the auditor.

During the financial year under review, the Personnel Committee met once in February to discuss the proposal to determine the so-called modifiers for the Management Board compensation system approved by the Annual General Meeting the previous year. The Mediation Committee did not have to be convened during the fiscal year just ended. Likewise, there was no need for the newly formed Nomination Committee to meet.

There were no conflicts of interest during fiscal 2021 between Supervisory Board members and the company.

The provisions of the German Corporate Governance Code were discussed during the plenary meeting of the Supervisory Board. At the Supervisory Board meeting in December, the declaration of compliance with the German Corporate Governance Code was approved after extensive discussion. The declaration was made available to shareholders on the company's website on December 3, 2021.

As stipulated by the provisions set out in the German Corporate Governance Code, the Supervisory Board conducted an efficiency review in respect of its board and committee activities on the basis of a questionnaire to be completed by all members.

In accordance with the requirements of the German Corporate Governance Code, the company supports the members of the Supervisory Board with regard to professional training measures. Fundamentally, it is at the discretion of the respective Supervisory Board member which measures he or she considers suitable and appropriate. In the reporting year, no member of the Supervisory Board took part in professional development events focusing on the duties of the Supervisory Board.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for the 2021 financial year, as presented by the Management Board, were audited by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board following the appointment of the auditor by the Annual General Meeting on May 18, 2021. In accordance with Section 315e of the German Commercial Code (HGB), the consolidated financial statements of ElringKlinger AG were prepared on the basis of International Financial Reporting Standards (IFRS). The auditing firm issued unqualified audit opinions for the annual financial statements of ElringKlinger AG as well as for the consolidated financial statements, including the combined management report, for the financial year 2021. The Supervisory Board was in possession of the documents relating to the financial and consolidated financial statements as well as the two audit reports compiled by the auditor. The aforementioned documents were studied in depth by the Audit Committee and the Supervisory Board as a whole before being discussed at length and examined in the presence of and in consultation with the competent auditors. The Supervisory Board concurred with the outcome of the audit. No objections were raised. At its meeting on March 24, 2022, the Supervisory Board adopted the annual financial statements of ElringKlinger AG and endorsed the consolidated financial statements together with the combined management report. Additionally, the Supervisory Board approved the non-financial report.

The Supervisory Board would like to thank the Management Board and all members of staff at ElringKlinger AG and its subsidiaries in Germany and abroad for their tremendous commitment and successful efforts in a year that was again marked by challenging conditions.

Dettingen, March 24, 2022

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

Fiscal 2021 saw the coronavirus pandemic impact capital markets once again. Rapidly rising rates of inflation and global supply bottlenecks were other influencing factors. These underlying market conditions affected automotive manufacturers and their suppliers in particular. Supply chain problems in the case of microchips and semiconductors had a direct impact on automotive production. Consequently, the share prices of exchange-listed automotive suppliers fluctuated over the course of the year. This was also true of ElringKlinger's stock, which fell by 29% during the year. Irrespective of external circumstances, ElringKlinger continued to communicate with the capital markets virtually. The annual shareholder meeting as well as capital market conferences and road shows were held online.

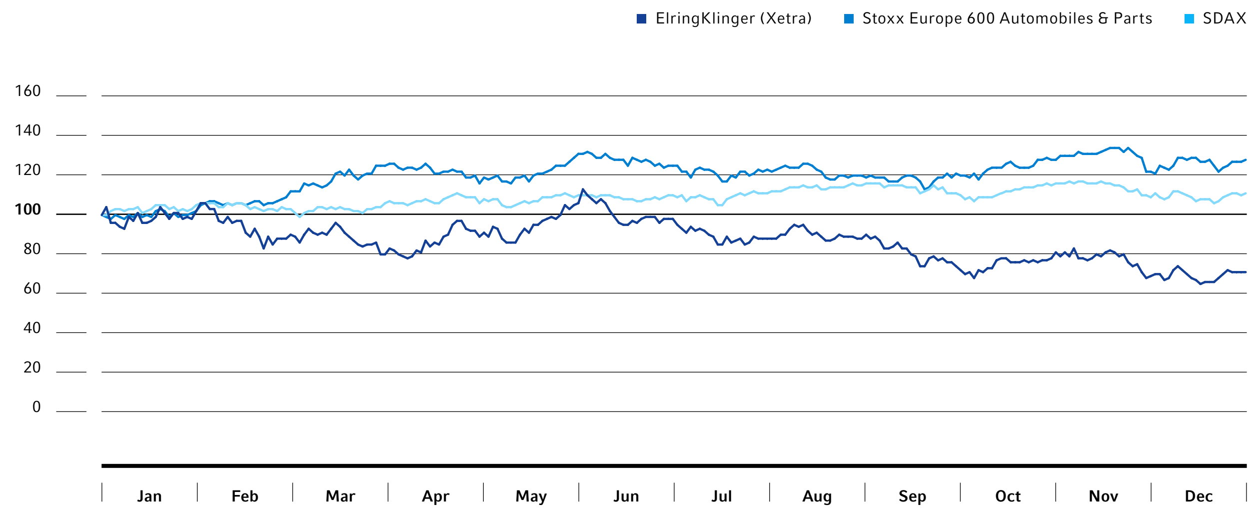
Stock markets on the rise – the pandemic, inflation, and supply bottlenecks produce a mixed picture

Confidence about the general economic outlook and fears over inflation shaped capital market developments during the first quarter of 2021. Stock markets profited from favorable economic prospects. The start of the year was particularly dominated by growth opportunities in the US economy. Extensive fiscal stimuli, the relaxation of pandemic measures, and significant progress on vaccinations in the United States prompted stock markets around the world to rally. Europe's economies still found themselves a long way off from any opening up during the first quarter. The economic divergence between the United States, Europe, and Asia remained significant over the same period. The likelihood of imminent substantial economic stimuli resulted in market rotation. Companies that stood to gain more from the economic upturn, such as banks and airlines, rallied, while technology stocks came under downward pressure. The DAX posted a new high for the year at the end of the quarter. However, this trend was not reflected in the overall breadth of the market. Banks and automotive stocks were the outright winners. Nasdaq, the US technology sector index, closed the first quarter with a gain of 1.6%, while the DAX grew by a robust 9.4%. Up 5.8% at March 31, the S&P500, the broad-based US benchmark index, significantly trailed the German benchmark index.

Solid corporate results for the second quarter provided a further boost to stock markets. Following an extremely good first quarter, share prices continued to climb. As of June 30, 2021, Germany's benchmark index, the DAX, posted a positive half-year performance of +13.2%, Europe's Eurostoxx 50 grew by 14.4%, and the US S&P 500 index set a new record of 4,297.50 points. The key Asian markets lagged behind significantly. While Japan's Nikkei still grew by a good 4%, China's CSI 300 index posted no more than a modest increase of +0.4%. However, continuing concerns over rising inflation began to be reflected in growth prospects. From oil and steel to lumber, commodity prices saw extreme increases. In addition, supply chain problems, affecting key industries such as microchips, appeared on the horizon for automakers.

The third quarter was also characterized by upward trends on stock markets. At the same time, inflation came in higher than expected. The German Federal Statistical Office reported a September inflation rate of 4.1% for Germany. This was a level last seen in the early 1990s. In the United States, inflation over the same period already exceeded the 5% mark.

ElringKlinger's share price performance from January 1 to December 31, 2021 (indexed)
in %



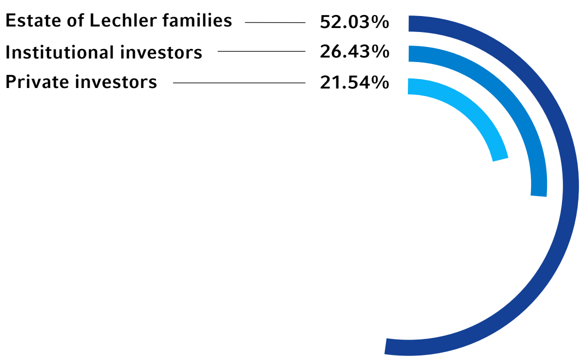
Concerns over inflation, supply-side bottlenecks, an economic slowdown, and a fourth wave of the pandemic dominated the capital markets in the fourth quarter. Despite being faced with such adverse trends, stock markets remained robust for a long time. However, the identification of a new virus mutation B.1.1.529 (Omicron) at the end of November caused stock markets to plunge on November 26, 2021. Nevertheless, stock markets displayed robustness in what was a challenging environment overall. After the broad-based S&P 500 had already climbed well above its pre-crisis level in the preceding year, it posted a gain of about 21% from the start of 2021. The German benchmark index ended the year at 15,884.86 points, up slightly with an increase of 0.2%. The EuroStoxx50 was half a percent higher at 4,305.72 points. The Chinese stock market experienced significant losses in 2021, with the MSCI China down more than 21% at the end of the year.

Key Indicators for ElringKlinger's Stock

	2021	2020
Earnings per share IFRS (after non-controlling interests, in EUR)	0.88	-0.64
Shareholder's equity per share as of Dec. 31 (in EUR)	15.5	12.82
High (in EUR)[1]	17.72	15.96
Low (in EUR)[1]	10.21	3.61
Closing price as of Dec. 31 (in EUR)[1]	11.11	15.84
Dividend per share (in EUR)	0.15	0
Average daily trading volume (German stock exchanges; volume of shares traded)	189,600	214,000
Average daily trading value (German stock exchanges; in EUR)	2,656,900	1,503,500
Market capitalization as of Dec. 31 (EUR millions)[1]	704.0	1,003.6

[1] Xetra trading

Shareholder Structure as of December 31, 2021



ElringKlinger stock dips by 29% during trading year

Having trended upward in the fourth quarter of 2020, ElringKlinger's share price entered a phase of consolidation at the beginning of 2021. Upon publication of its preliminary results for the 2020 financial year on February 23, 2021, the company's stock was priced at EUR 12.96. Subsequently, ElringKlinger's share price rose strongly again until mid-March. Against the persistent backdrop of pronounced uncertainty caused by the ongoing pandemic and other influencing factors, such as elevated commodity prices and supply chain issues, ElringKlinger's stock – and automotive stocks in general – came under renewed pressure, which forced the company's share price down to EUR 12.52 at the end of the quarter.

Following a period of price consolidation at the end of the first quarter, ElringKlinger's stock entered the second quarter with significant gains. This upward trend continued, spurred by strong preliminary results for the first three months of 2021 and favorable news surrounding new drive technologies. On June 7, 2021, the company's share price reached a preliminary high of EUR 17.72. By the end of the quarter, the price of its shares had retreated to EUR 15.01. This, however, still represented a gain of over 20% compared to the previous quarter.

In the third quarter of 2021, ElringKlinger's stock saw yet another round of consolidation. Amid gloomy forecasts for automotive companies in response to declining production figures caused by supply-side bottlenecks relating to semiconductors and raw materials, the sector as a whole trended weaker on the stock market. At the end of the third quarter, ElringKlinger shares were trading at EUR 11.59.

Overall, the company's share price moved sideways in the course of the fourth quarter. Following the publication of its preliminary results for the third quarter, on October 12, 2021, ElringKlinger's stock initially recorded gains and traded at EUR 13.09 on November 6, 2021. However, persistent inflation and the impending fourth wave of the pandemic caused stock markets as a whole to weaken in the subsequent period, which also affected ElringKlinger shares. At the end of the year, however, the company's share price was able to make slight gains, ultimately closing the year of trading at EUR 11.11. Over the year as a whole, ElringKlinger's share price fell by 29% as a result of the developments outlined above.

Daily trading value well above previous year's level

The trading volume of ElringKlinger shares during the 2021 financial year was slightly down on the prior-year level. On average, 189,614 shares were traded on stock exchange days (2020: 214,000 shares). At EUR 2.6 million (2020: EUR 1.5 million), the daily value of ElringKlinger's stock traded on average on German stock exchanges was up markedly on the previous year's figure. As a result, a sufficiently high level of liquidity was available in the stock market at all times over the course of the 2021 financial year to also conduct larger share transactions.

2021 AGM again staged as a virtual event

The Annual General Meeting (AGM) of ElringKlinger AG on May 18, 2021, was again held virtually. Chairman of the Management Board Dr. Stefan Wolf looked back on a year that was not only exceptional in nature but also challenging – a period in which the coronavirus pandemic had a substantial impact on the automotive industry. He reported that ElringKlinger had been able to achieve solid earnings in 2020 despite the pandemic-induced decline in sales revenue, alongside an improvement in net working capital* and a significant reduction in debt. Due to the company's earnings performance in the 2020 financial year, ElringKlinger had already announced the suspension of its dividend in March 2021 in order to further strengthen the Group in support of its ongoing transformation process. In addition, the company's shareholders approved the compensation system for the Supervisory Board and the associated amendment to the Articles of Association. They also approved the actions of the Management Board and the Supervisory Board with over 98% and 97% of the votes respectively. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as the auditor for the financial year 2021.

Key Indicators for ElringKlinger's Stock

International Securities Identification Number	DE0007856023
German Securities Identification Code	785602
Exchange symbol	ZIL2
Ticker symbol Bloomberg	ZIL2
Ticker symbol Reuters	ZILGn.DE
Share capital	EUR 63,359,990
Number of shares outstanding	63,359,990 shares
Stock exchanges	Xetra and all German exchanges
Market segment	Regulated Market
Transparency level	Prime Standard

Shareholder structure: more institutional investors than in the previous year

There was no change in the ratio of shares in free float to those in family ownership. At the end of the year, the ownership interest held by the Lechler families amounted to 52.03% of the 63,359,990 no-par-value shares issued in total. Within the free float (47.97%) the company saw a shift in the overall structure toward institutional investors. As of December 31, 2021, institutional investors held 26.4% (2020: 24.0%) of the shares, while 21.5% (2020: 24.0%) of the shares were held by private investors.

Virtual approach to capital market communication

As in the previous year, personal exchanges with capital market players proved difficult due to the ongoing coronavirus pandemic. Regardless of these underlying circumstances, ElringKlinger continued to communicate virtually in the year under review. As usual, the Group reported continuously, promptly, comprehensively, and transparently on all current and future developments of relevance to the company and the industry as a whole. ElringKlinger used a variety of communication channels to communicate with the capital markets.

ElringKlinger AG participated in virtual capital market conferences over the course of 2021. The Group also relied on digital communication for road shows. In the second year of the coronavirus pandemic, virtual formats have now established themselves, as evidenced by feedback received from investors, analysts, and brokers alike.

Upon publication of its quarterly results, ElringKlinger organized conference calls for investors and analysts. The conferences were streamed live on the internet and subsequently published on the Group's website, including the associated presentation. In addition, a virtual conference was organized specifically for journalists and analysts upon publication of the annual report. The Management Board of ElringKlinger AG then spoke personally to those taking part.

Sustainability criteria becoming established within capital markets

To an increasing extent, both private and institutional investors are placing sustainable management and responsible social engagement by companies at the center of their investment decisions. So-called ESG* criteria, which describe environmental, social, and governance issues, are thus establishing themselves as an additional criterion for investors alongside the classic financial indicators.

ElringKlinger's commitment to sustainability in respect of the environment, employees, and society as a whole is increasingly gaining recognition within the capital markets. Overall, the Group offers interesting opportunities for investors focusing on the issue of sustainability. The company pursues a long-term approach, operates in a sustainable manner, and aligns its strategy with environmental and quality standards as well as the German Corporate Governance* Code (DCGK).

In its latest sustainability report, ElringKlinger provides comprehensive and transparent information on issues relating to sustainability, the ambition being to contribute to sustainable development over and above the statutory requirements. The report can be accessed on ElringKlinger's website.

* Cf. glossary

Compensation Report

The compensation report of ElringKlinger AG presents in a transparent and readily intelligible manner the compensation individually granted and owed to the members of the Management Board and the Supervisory Board for the 2021 financial year, in addition to providing explanations. The report complies with the requirements of the German Stock Corporation Act (Aktiengesetz – AktG). The current compensation system applies as from the 2021 financial year and was approved by the Annual General Meeting on May 18, 2021, with a majority of 98.8%.

The compensation system for Management Board members is aligned with the company's long-term corporate strategy as well as its objective of sustained success and sets corresponding incentives for the Management Board. The compensation system takes into consideration the size, complexity, and financial situation of the company as well as its prospects for the future. Therefore, the compensation system consists of parameters that are transparent and performance-based, in addition to embracing the aspect of sustainability. The focus of the compensation system is on the duties and performance of the entire Management Board.

The proportion of variable compensation exceeds that of fixed compensation. Additionally, the target value of long-term variable compensation is higher than that of short-term variable compensation.

This structure in respect of compensation components is aimed at promoting positive corporate development. The larger variable proportion of long-term variable compensation in particular provides an incentive to safeguard the company's sustained performance and to focus on positive long-term corporate development.

In summary, the compensation system is aimed at supporting and fostering the company's transformation and evolving the company in pursuit of long-term profitability.

Compensation structure for members of the Management Board

Taking into consideration the new regulatory requirements of the Act Implementing the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II) and the revised German Corporate Governance* Code (GCGC) in the version of December 16, 2019, the Supervisory Board resolved to review the current compensation system as regards the possible need for adjustments.

Against this background, an external consulting firm was commissioned to support the Supervisory Board in the process of restructuring the compensation system.

The Supervisory Board's Personnel Committee addressed this issue as part of five meetings in total and submitted to the Supervisory Board its proposal of a detailed concept. At its meeting on September 30, 2020, the Supervisory Board accepted the concept as presented, including the individual contractual adjustments, and resolved to implement it accordingly. By the end of 2020, the overall concept adopted by the Supervisory Board had been implemented. On May 18, 2021, the Annual General Meeting voted in favor of the conversion of the compensation system with a majority of 98.8%. The principal adjustments are summarized below:

Compensation component	Change
Short-term	Change of the EBIT target to a year-on-year comparison and extension to include operating free cash flow as an additional financial target
Long-term	Change from an economic value added bonus system (LTI II) to variable compensation that focuses on the increase in enterprise value with reference to shares
Share ownership guideline	Several years per tranche
Malus/clawback	Introduction of malus/clawback compliance provisions
Maximum compensation	Change in the assessment basis of maximum compensation

As of December 31, 2021, there were still two tranches relating to the Economic Value Added bonus system (LTI II) that was valid until 2020. LTI II is a bonus based on the economic value added to the ElringKlinger Group. The Management Board receives a percentage of the economic value added calculated in respect of the company. The EVA bonus is granted at the beginning of a three-year benefit period and corresponds to the percentage of average economic value added in respect of the three subsequent financial years. The annual economic value added is calculated according to the following formula:

EVA = (EBIT x (1 – T)) – (WACC x Capital Invested)

The first component is calculated on the basis of EBIT* in respect of the financial year as well as the average Group tax rate (T).

The second component is computed by multiplying Group WACC by capital invested. The weighted average cost of capital (WACC) is calculated with the help of the basic interest rate, the market risk premium, and the beta factor. The beta factor represents the individual risk of a share in relation to the market index. It is determined as an average value of all the peer group companies. The credit spread for borrowing costs, as the premium on the risk-free basic interest rate, was derived from a peer group rating. Capital invested is calculated on the basis of Group equity plus net financial liabilities (i.e., net debt*) as of January 1 of the financial year.

90% of the LTI II amount is paid out to the member of the Management Board in question, after the end of the three-year benefit period, in the subsequent year. Using the remaining 10% of the LTI II amount, the company purchases shares in ElringKlinger AG on behalf and for account of the Management Board member in question. The Management Board member is prohibited from accessing these shares for a further three years. Dividends and subscription rights are at the disposal of the Management Board member. The maximum amount granted from LTI II has been set at twice the amount of fixed compensation.

No compensation arises from the 2019-2021 and 2020-2022 tranches.

The conversion of post-employment benefits was implemented effective from January 1, 2020. The LTI and STI will be granted under the new compensation system as from January 1, 2021.

* Cf. glossary

System of compensation

The following table provides an overview of the components of the compensation system for Management Board members applicable to the 2021 financial year, the structuring of the individual compensation components, and the objectives on which they are based:

Component	Objective	Structuring
Non-performance-based compensation		
Basic compensation	Securing a basic income	Cash compensation
	Alignment with the Board member's area of responsibility	Payment in twelve monthly installments
Fringe benefits		Company car
		Insurance benefits
Benefits for private retirement benefits or retirement pension	Securing adequate pension provision	Payment of an annual fixed amount (three members of the Management Board) or allocation of a percentage of the last monthly fixed salary per year of service to the retirement benefits scheme (one Management Board member)
Performance-based compensation		
Short-Term Incentive (STI)	Profitable growth of the company	Year-on-year comparison of EBIT
		Year-on-year comparison of operating free cash flow
		Modifier for additional targets to be agreed
		Payment in cash
Long-Term Incentive (LTI)	Sustained corporate performance and incentivization toward increase in enterprise value based on share price	Granting at the beginning of a financial year based on the year-on-year comparison of EBIT and operating free cash flow
		Modifier for additional targets to be agreed
		Payment in cash with the proviso that shares shall be acquired in ElringKlinger AG and subsequently held for several years
Benefits in the event of termination of employment		
Termination by mutual consent	Avoidance of excessive severance payments	Severance payment limited to remaining term of employment contract or maximum of two years' compensation
Other compensation arrangements		
Malus/clawback	Sustained corporate performance	Option for the Supervisory Board to withhold STI and LTI or to reclaim compensation already paid
Maximum compensation	Restriction of disbursements above an appropriate level due to possible exceptional circumstances	STI: two times the individual allocation value
		LTI: two times the individual allocation value
Deviations from the compensation system	Safeguarding the sustained performance of the company	In exceptional circumstances, the Supervisory Board has the authority to determine a different agreement

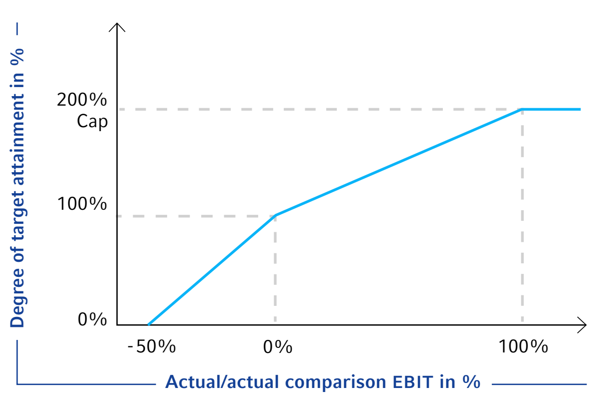
With the exception of the payment date of the LTI, there were no deviations from the compensation system described above in the 2021 financial year.

Short-Term Incentive (STI)

The STI is based on the two key financial performance targets EBIT ("Earnings Before Interest and Taxes") and Operating FCF ("Operating Free Cash Flow*"), each weighted at 50%. It is granted annually and paid out in cash. The audited, certified, and approved consolidated financial statements of ElringKlinger AG are authoritative for both indicators. It is at the discretion of the Supervisory Board to set parameters deviating from the audited figures in the event of extraordinary circumstances.

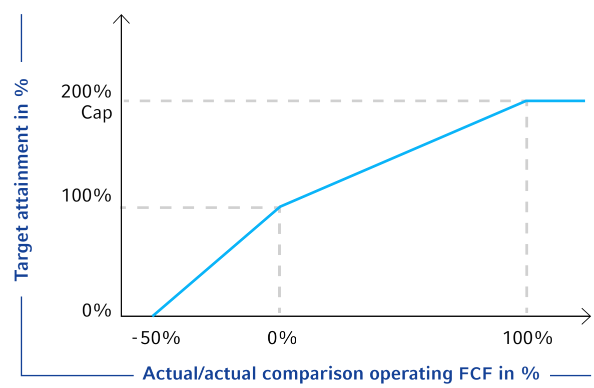
Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year, target attainment equals 100%. If EBIT increases by +100%, the maximum level corresponds to 200%. In the case of EBIT of -50% compared to the previous year, the target attainment level is 0%, which corresponds to a minimum value. The values within this range are interpolated. The EBIT target attainment curve is shown below.

EBIT target attainment curve



Target attainment for operating FCF is also determined on the basis of a year-on-year comparison of actual figures. The actual value of operating FCF in the respective financial year is compared with the actual value of operating FCF of the previous financial year. If operating FCF remains the same as in the previous year, target attainment equals 100%. If operating FCF is up by +100%, the maximum level corresponds to 200%. In the case of operating FCF of -50% compared to the previous year, target achievement is 0%, which corresponds to a minimum value. The values within this range are interpolated. The target achievement curve for operating FCF is shown below.

Operating FCF target attainment curve



An additional modifier enables the Supervisory Board to assess not only the level of financial target attainment but also the individual and collective performance of the Management Board as well as the achievement of stakeholder objectives on the basis of specific criteria. The criteria for assessment are determined by the Supervisory Board at the beginning of each financial year, at the latest within the first three months. It is at the discretion of the Supervisory Board to determine the modifier, which can range from 0.8 to 1.2.

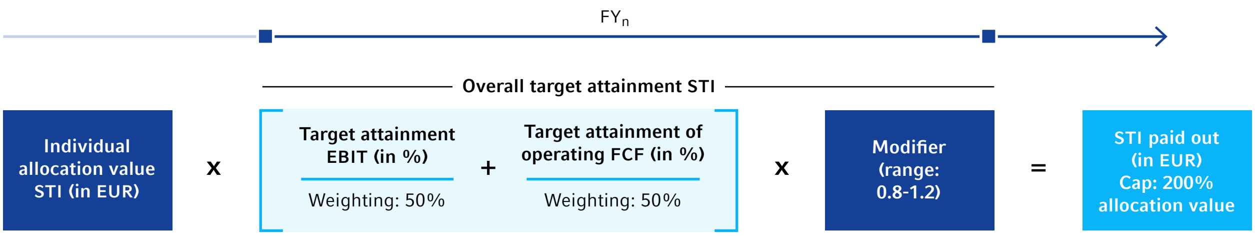
An individual allocation value is contractually agreed for each member of the Management Board. Overall target attainment is calculated from the sum of target attainment of EBIT and operating FCF multiplied by the modifier. The STI figure is calculated by multiplying the individual allocation value by overall target attainment. The maximum amount of the STI per Management Board member is two times the allocation value. The principles of the STI are illustrated in the following diagram.

Factors to determine the STI for the 2021 financial year

For the 2021 financial year, the criteria for the modifier were set collectively for all Management Board members as innovation ratio, customer retention, and improvement in

* Cf. glossary

Summary: Principles of the Short-Term Incentive (STI)



energy efficiency. The innovation ratio shows the hours spent on research and development for e-mobility in relation to the total hours spent on research and development. The customer loyalty modifier is based on the average order backlog of the last twelve months. Energy efficiency is calculated on the basis of CO_2 reduction. The indicator puts CO_2 emissions in relation to revenue. Furthermore, due to the economic impact of the coronavirus crisis, the Supervisory Board decided to set a prior-year operating FCF figure for 2020 of EUR 30,000 k instead of the reported EUR 164,695 k.

Target attainment 2021

EUR k	2020	2021	Target attainment	Weighting	Weighted target attainment
EBIT	27,736	102,030	200%	50%	100%
Operating free cash flow	30,000	71,971	200%	50%	100%
Total				**100%**	**200%**

	Target	2021	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation ratio	>50%	69%	1.2	1/3	0.40
Customer retention	>EUR 1,200 million	EUR 1,242 million	1.2	1/3	0.40
Improvement in energy efficiency	>2.5%	13.0%	1.2	1/3	0.40
Modifier				**1.00**	**1.20**
Overall target attainment					**240%**

STI EUR k	Maximum amount	Allocation value	STI
Dr. Stefan Wolf	960	480	960
Theo Becker	480	240	480
Reiner Drews	480	240	480
Thomas Jessulat	480	240	480

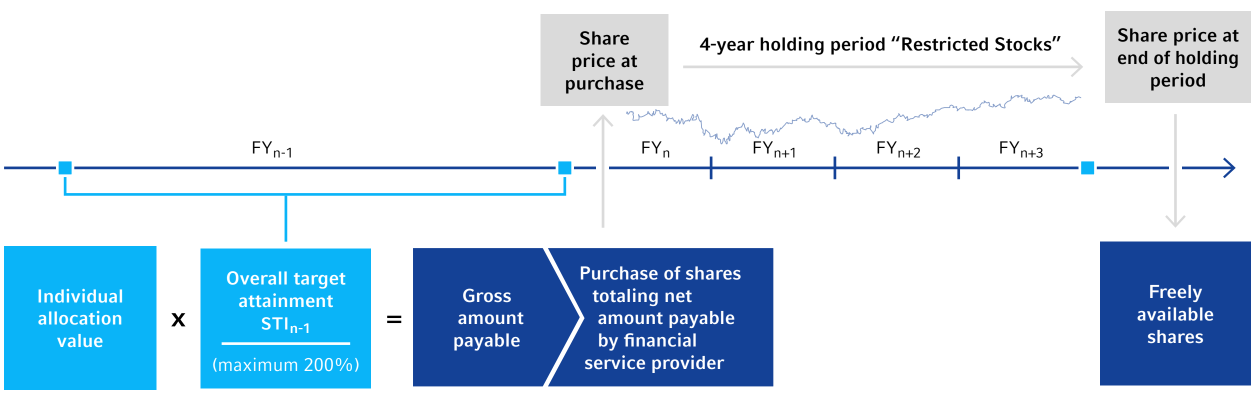
Given an overall target attainment of 240%, the maximum level of compensation is granted in the amount of twice the allocation value.

Long-Term Incentive (LTI)

Eligible Management Board members are entitled to an LTI granted on an annual basis. In accordance with the method applied to the STI, the allocation value is multiplied by the overall target attainment figure for the STI of the financial year preceding the respective financial year. The amount paid out for the respective financial year under review is determined on the basis of this calculation. The amount payable must be fully invested in company shares after deduction of applicable taxes and duties. These shares must be held for a period of four years.

The underlying principles are illustrated in the following diagram.

Summary: Principles of the Long-Term Incentive



The individual allocation value is granted in annual rolling tranches, each at the beginning of a financial year ("allocation date"). This form of compensation is granted immediately subsequent to the adoption of the consolidated financial statements and the determination of overall target attainment for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

The gross payment amount is calculated by multiplying the individual allocation value by the figure of overall target attainment determined for the STI of the financial year preceding the grant year of the respective tranche of the LTI.

In 2021, the LTI was granted for the first time. The modifier was set at 1.0 by the Supervisory Board. The target attainment level was 44% and thus below the maximum amount. By way of derogation from the provisions of the compensation system, the LTI 2021 was granted as late as December rather than at the beginning of the financial year. The following overview shows the level of target attainment and the number of shares acquired:

LTI 2021

EUR k	2019	2020	Target attainment	Weighting	Weighted target attainment
EBIT	61,233	27,736	-54.7%	50%	0%
Free cash flow	175,821	164,695	-6.3%	50%	44%
Total				**100%**	**44%**
Modifier					**1.00**
Overall target attainment					**44%**

LTI EUR k	Maximum amount	Allocation value	LTI	Average purchase price in EUR	Number of acquired shares
Dr. Stefan Wolf	1,440	720	315	10.43	15,827
Theo Becker	720	360	157	10.43	7,371
Reiner Drews	720	360	157	10.43	7,914
Thomas Jessulat	720	360	157	10.43	7,914

The shares were acquired in the period between December 17 and 21, 2021. The vesting period ends after four years in 2025.

Maximum compensation

Maximum compensation payable to the members of the Management Board corresponds to the sum of maximum amounts that can possibly be paid from all compensation components for the respective financial year.

The following table lists the maximum amount of compensation for each Management Board member, as approved by the Supervisory Board for the 2021 financial year:

	Dr. Stefan Wolf	Theo Becker	Reiner Drews	Thomas Jessulat	Total
Maximum compensation					
EUR k	**2021**	**2021**	**2021**	**2021**	**2021**
Non-performance-based compensation					
Fixed annual salary	636	432	401	401	1,870
Fringe benefits	37	8	8	48	101
Benefits for private pension provision	400	0	300	300	1,000
Total	**1,073**	**440**	**709**	**749**	**2,971**
Performance-based compensation					
Short-Term Incentive	960	480	480	480	2,400
Long-Term Incentive	1,440	720	720	720	3,600
Total	**2,400**	**1,200**	**1,200**	**1,200**	**6,000**
Maximum compensation	**3,473**	**1,640**	**1,909**	**1,949**	**8,971**

Malus/clawback

If, subsequent to the payment of variable compensation, it transpires that the consolidated financial statements were incorrect and that, after correction of the consolidated financial statements, a lower amount or no amount shall be payable in respect of variable compensation or that there has been a breach of a material contractual obligation or significant breaches of the duty of care within the meaning of Section 93 AktG, it shall be at the discretion of the Supervisory Board to reduce the amount of unpaid variable compensation granted for the financial year in which the violation occurred partially or completely to zero ("malus") or to reclaim partially or completely ("clawback") the gross amount of variable compensation already paid for the financial year in which the violation occurred. No clawback actions occurred in 2021 with regard to variable compensation components.

Share ownership guideline

The members of the Management Board are obliged to acquire shares in the company equivalent to a full gross annual salary within a build-up period of four years and to hold them for the duration of their appointment as a member of the Management Board of ElringKlinger AG and for two years beyond this period.

The fulfillment of this obligation shall be demonstrated to the Chairman of the Supervisory Board at the end of each financial year.

Benefits for private pension provision

The benefit allowance is a fixed amount that is paid out annually to three members of the Management Board. As a component of non-performance-based compensation, it is shown in the summary of Management Board compensation.

Management Board member	Fixed amount in EUR k
Dr. Stefan Wolf	400
Reiner Drews	300
Thomas Jessulat	300

Retirement pension

Under the retirement pension arrangements applicable prior to 2020, there are also commitments in respect of an annual retirement pension for three members of the Management Board. The retirement pension was contractually defined and amounts to between EUR 14 k and EUR 190 k.

The retirement pension policy continues to apply to the member Theo Becker of the Management Board. The retirement pension is calculated as a percentage of pensionable income. The percentage is dependent on the number of years of service as a Management Board member. The percentage rate is 3.2% of the last monthly fixed salary prior to leaving the company in respect of each full year of service. This percentage rate can rise to a maximum of 45%.

The entitlement to a retirement pension becomes applicable in respect of all contracts as soon as the contract of service has ended, but not before the individual has reached the age of 63. This entitlement also becomes applicable as soon as the Management Board member has reached the age that entitles him to receive full statutory pension benefits as well as in the event of occupational disability. Existing entitlements in respect of time spent as a salaried employee of the company are not factored in to this calculation and continue to apply.

If a member of the Management Board acts in a manner that is grossly negligent or displays gross negligence in his failure to act in specific instances and such actions or failures to act would result in significant damages to the Group, all entitlements to a retirement pension shall lapse; the same shall apply if the member of the Management Board enters the service of an entity that is in direct competition with the company.

The contracts include provisions governing surviving dependents' benefits. If a member of the Management Board dies during the period in which the employment contract is applicable or once the retirement benefits become due, his widow or dependent children shall receive a widow's or orphan's pension. The widow's pension amounts to 50% of the retirement pension of the deceased. The orphan's pension amounts to 20% of the widow's pension to the extent that a widow's pension is payable simultaneously and 40% of the widow's pension to the extent that no widow's pension is payable.

The widow's or orphan's pensions shall not exceed 60% of the amount to which the deceased would have been entitled if he had entered into retirement on the day of his death.

Review and adjustment of compensation

The salary components are to be reviewed by the company's Supervisory Board every two years. The next review is scheduled for January 1, 2023. The Supervisory Board has the authority to grant the Management Board member special compensation. A decision on this is at the free discretion of the Supervisory Board in compliance with legal requirements.

Amount of Management Board compensation in 2021

The following itemized overview presents the amount of compensation granted and owed to each member of the Management Board in the 2021 financial year. In accordance with the provisions set out in Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG), the amount of compensation granted and owed must be stated as the amounts that became due in the reporting period and have already been paid to the individual Management Board member or whose due payment has not yet been concluded.

Compensation granted and owed

	Dr. Stefan Wolf				Theo Becker			
EUR k	2021	in %	2020	in %	2021	in %	2020	in %
Non-performance-based compensation								
Fixed annual salary	636	27.1	558	37.6	432	33.6	432	43.0
Fringe benefits	37	1.6	37	2.5	8	0.6	8	0.8
Benefits for private pension provision	400	17.0	400	26.9	0	0.0	0	0.0
Total	**1,073**	**45.7**	**995**	**67.0**	**440**	**34.2**	**440**	**43.8**
Performance-based compensation								
Short-Term Incentive	960	40.9	490	33.0	480	37.3	367	36.6
Long-Term Incentive	315	13.4	0	0.0	157	12.2	0	0.0
Total	**1,275**	**54.3**	**490**	**33.0**	**637**	**49.5**	**367**	**36.6**
Compensation granted and owed	**2,348**	**100.0**	**1,485**	**100.0**	**1,077**	**83.7**	**807**	**80.4**
Service cost	0	0.0	0	0.0	210	16.3	197	19.6
Total compensation	**2,348**	**100.0**	**1,485**	**100.0**	**1,287**	**100.0**	**1,004**	**100.0**

Pension obligations

The current service cost as well as the present value (DBO) of the pension provisions are as follows:

	Dr. Stefan Wolf		Theo Becker		Reiner Drews		Thomas Jessulat		Total	
EUR k	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Current service cost	0	0	210	197	0	0	0	0	210	197
Present value (DBO)	5,928	6,243	4,998	5,487	342	381	735	817	12,003	12,928

Pensions for former members of the Management Board, the management of merged entities, and their surviving dependants

A provision of EUR 16,524 k (2020: EUR 17,171 k) was made for pension obligations. Total compensation amounted to EUR 928 k in the 2021 financial year (2020: EUR 914 k).

	Reiner Drews				Thomas Jessulat				Total			
	2021	in %	2020	in %	2021	in %	2020	in %	2021	in %	2020	in %
	401	29.8	288	34.1	401	28.9	317	34.8	1,870	29.4	1,595	37.6
	8	0.6	12	1.4	48	3.5	48	5.3	101	1.6	105	2.5
	300	22.3	300	35.5	300	21.6	300	33.0	1,000	15.7	1,000	23.6
	709	**52.7**	**600**	**71.0**	**749**	**54.0**	**665**	**73.1**	**2,971**	**46.7**	**2,700**	**63.7**
	480	35.6	245	29.0	480	34.7	245	26.9	2,400	37.7	1,347	31.7
	157	11.7	0	0.0	157	11.3	0	0.0	786	12.3	0	0.0
	637	**47.3**	**245**	**29.0**	**637**	**46.0**	**245**	**26.9**	**3,186**	**50.0**	**1,347**	**31.7**
	1,346	**100.0**	**845**	**100.0**	**1,386**	**100.0**	**910**	**100.0**	**6,157**	**96.7**	**4,047**	**95.4**
	0	0.0	0	0.0	0	0.0	0	0.0	210	3.3	197	4.6
	1,346	**100.0**	**845**	**100.0**	**1,386**	**100.0**	**910**	**100.0**	**6,367**	**100.0**	**4,244**	**100.0**

Compensation structure for members of the Supervisory Board

Supervisory Board compensation is governed by the provisions set out in Section 13 of the Articles of Association of ElringKlinger AG. The level of compensation is determined by the Annual General Meeting. The members of the Supervisory Board shall receive remuneration that is commensurate with their duties and the circumstances of the company. The compensation system was last adjusted on July 7, 2020. The members of the Supervisory Board receive fixed compensation of EUR 50k (2020: EUR 50k) for each full financial year they have served on the Supervisory Board. Membership of a committee is remunerated at EUR 6k (2020: EUR 6k) and membership of the Audit Committee is remunerated at EUR 10k (2020: EUR 10k). Additionally, the members of the Supervisory Board receive a lump-sum payment of EUR 1k (2020: EUR 1k) for each Supervisory Board meeting they attend. The chairperson of a committee receives double the respective amounts. Compensation in respect of membership of the Mediation Committee shall only be payable in those cases in which the Committee has to be convened. No compensation is granted for the Nomination Committee.

The role of the Supervisory Board Chairman and the role of his Deputy are taken into consideration when determining the level of compensation. The Chairman of the Supervisory Board receives three times (2020: three times) and the Deputy Chairman two times (2020: two times) the compensation paid to other Supervisory Board members. Expenses incurred by the Supervisory Board members are reimbursed to an appropriate extent. Supervisory Board members who have not held the post for a full financial year receive a pro rata amount of fixed compensation. Fixed compensation is due at the end of the financial year.

Amount of Supervisory Board compensation in 2021

In the year under review, compensation granted and owed to the Supervisory Board of ElringKlinger AG amounted to EUR 859 k (2020: EUR 889 k). Additionally, travel expenses totaling EUR 1 k (2020: EUR 2 k) were reimbursed. Compensation payable to the individual members of the Supervisory Board was as follows:

	2021					2020				
	Fixed compensation		Compensation for committee work		Total	Fixed compensation		Compensation for committee work		Total
	EUR k	in %	EUR k	in %	EUR k	EUR k	in %	EUR k	in %	EUR k
Klaus Eberhardt	158	87.8	22	12.2	180	161	88.0	22	12.0	183
Markus Siegers	106	94.6	6	5.4	112	108	94.7	6	5.3	114
Nadine Boguslawski	-	-	-	-	-	28	100.0	0	0.0	28
Armin Diez	8	100.0	0	0.0	8	55	84.6	10	15.4	65
Pasquale Formisano	-	-	-	-	-	28	100.0	0	0.0	28
Rita Forst	54	100.0	0	0.0	54	55	100.0	0	0.0	55
Andreas Wilhelm Kraut	54	100.0	0	0.0	54	55	100.0	0	0.0	55
Helmut P. Merch	54	73.0	20	27.0	74	27	73.0	10	27.0	37
Gerald Müller	54	100.0	0	0.0	54	55	100.0	0	0.0	55
Paula Monteiro Munz	54	100.0	0	0.0	54	55	100.0	0	0.0	55
Barbara Resch	53	100.0	0	0.0	53	27	100.0	0	0.0	27
Prof. Hans-Ulrich Sachs	-	-	-	-	-	28	100.0	0	0.0	28
Gabriele Sons	54	90.0	6	10.0	60	55	90.2	6	9.8	61
Manfred Strauß	54	84.4	10	15.6	64	56	78.9	15	21.1	71
Bernd Weckenmann	37	100.0	0	0.0	37	-	-	-	-	-
Olcay Zeybek	54	100.0	0	0.0	54	27	100.0	0	0.0	27
Total	**794**	**92.4**	**65**	**7.6**	**858**	**820**	**92.2**	**69**	**7.8**	**889**

Information on the relative change in Management Board and Supervisory Board compensation

The following overview lists the change in compensation granted and owed to the individual members of the Management Board and the Supervisory Board in relation to the financial performance indicators of the Group. In addition, compensation of the Management Board is shown in relation to the total workforce as well as to employees covered by collective agreements, in each case relating to the headcounts for Germany.

Compensation of the Management Board and Supervisory Board in relation to the company's earnings performance

EUR k	2021	2020	in %
Management Board			
Dr. Stefan Wolf	2,348	1,485	158.1
Theo Becker	1,077	807	133.5
Reiner Drews	1,346	845	159.3
Thomas Jessulat	1,386	910	152.3

EUR k	2021	2020	in %
Supervisory Board			
Klaus Eberhardt	180	183	98.4
Markus Siegers	112	114	98.2
Nadine Boguslawski	-	28	-
Armin Diez	8	65	12.3
Pasquale Formisano	-	28	-
Rita Forst	54	55	98.2
Andreas Wilhelm Kraut	54	55	98.2
Helmut P. Merch	74	37	200.0
Gerald Müller	54	55	98.2
Paula Monteiro Munz	54	55	98.2
Barbara Resch	53	27	196.3
Prof. Hans-Ulrich Sachs	-	28	-
Gabriele Sons	60	61	98.4
Manfred Strauß	64	71	90.1
Bernd Weckenmann	37	-	-
Olcay Zeybek	54	27	200.0
Key earnings indicators ElringKlinger AG			
Net income or loss for the year	70,087	-11,566	
Key earnings indicators Group			
EBIT	102,030	27,736	367.9
ROCE	6.4%	1.7%	376.5
Operating free cash flow	71,971	164,695	43.7
Equity ratio	47.0%	41.4%	113.5
Net debt/EBITDA	1.7	2.5	68.0
Workforce			
Total workforce in Germany[1]	58	55	105.5
Employees covered by collective agreements in Germany[1]	55	52	105.8

[1] Without Management Board

Dettingen/Erms, March 28, 2022

For Management Board

For Supervisory Board

Dr. Stefan Wolf,
Vorsitzender des Vorstands

Thomas Jessulat,
Finanzvorstand

Klaus Eberhardt,
Vorsitzender des Aufsichtsrats

Report of the independent auditor on the audit of the remuneration report pursuant to Sec. 162 (3) AktG

To ElringKlinger AG

Opinion

We have audited the formal aspects of the remuneration report of ElringKlinger AG, Dettingen/Erms, for the fiscal year from January 1, 2021 to December 31, 2021 to determine whether the disclosures required by Sec. 162 (1) and (2) AktG ["Aktiengesetz": German Stock Corporation Act] have been made therein. In accordance with Sec. 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by Sec. 162 (1) and (2) have been made in the accompanying remuneration report in all material respects. Our opinion does not cover the content of the remuneration report.

Basis for the opinion

We conducted our audit of the remuneration report in accordance with Sec. 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report in Accordance with Sec. 162 (3) AktG (IDW AuS 870). Our responsibilities under this provision and standard are further described in the "Responsibilities of the auditor" section of our report. As an audit firm, we applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1). We complied with the professional obligations pursuant to the WPO ["Wirtschaftsprüferordnung": German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditor)] and the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] including the requirements regarding independence.

Responsibilities of the management board and supervisory board

The management board and supervisory board are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our objectives are to obtain reasonable assurance about whether the disclosures required by Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects and to express an opinion thereon in a report.

We planned and performed our audit so as to determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Sec. 162 (1) and (2) AktG. In accordance with Sec. 162 (3) AktG, we have not audited the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Consideration of misrepresentations

In connection with our audit, our responsibility is to read the remuneration report considering the knowledge obtained in the audit of the financial statements and, in doing so, remain alert for indications of whether the remuneration report contains misrepresentations in relation to the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

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

Stuttgart, March 28, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol	Vögele
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Corporate Governance

The Management Board and the Supervisory Board of ElringKlinger AG annually publish a Statement of Corporate Governance* in accordance with principle 22 of the German Corporate Governance Code in its version from the 16th of December 2019, which also includes the Declaration of Conformity adopted on the 2nd of December 2021. The Declaration is available online on the corporate website at www.elringklinger.com/en/company/corporate-governance.

Sustainability report

ElringKlinger's annual sustainability report includes detailed information and key figures relating to employees, social issues, the environment, and quality. It is scheduled for publication on the Group's website at www.elringklinger.de (Sustainability section) in mid-2022.

* Cf. glossary

Combined Non-Financial Report 2021

of ElringKlinger AG

This non-financial Group report has been combined with the non-financial report of the exchange-listed parent company ElringKlinger AG and relates to the 2021 financial year. Unless otherwise specified, the information presented refers to the ElringKlinger Group in its entirety.

The combined non-financial report has been prepared in accordance with the legal provisions set out in Section 289b et seqq. and Section 315b et seqq. of the German Commercial Code (Handelsgesetzbuch – HGB*) and, in the interest of focused reporting, does not currently follow a specific framework. For the first time, the report also contains information on the implementation of the EU Taxonomy Regulation (Regulation (EU) 2020/852). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was commissioned to review the combined non-financial report of ElringKlinger AG for the period from January 1, 2021, to December 31, 2021, in the context of a limited assurance engagement.

As in previous years, the Group plans to publish a comprehensive sustainability report later in 2022.

Business model of the ElringKlinger Group

The ElringKlinger Group has positioned itself as a global technology group. Its emphasis is on the development, industrial production, and distribution of components, modules, and systems used in passenger cars and commercial vehicles. The Group focuses its capabilities as an innovator on the development of solutions that enable sustainable and climate-neutral mobility. The product portfolio for the vehicle industry consists of components for the drivetrain, body, underbody, chassis, and exhaust system. This includes innovative lightweighting concepts, thermal and acoustic shielding systems, and sealing technology as well as cutting-edge battery components and systems and fuel cell stacks* and components, in addition to electric drive units. Beyond the automotive industry, the portfolio includes cross-industry products made of high-performance plastics as well as various machinable thermoplastic materials. Marketed under the "Elring – das Original" brand, ElringKlinger also supplies an extensive range of spare parts.

Operating in 20 countries and employing around 9,500 people, ElringKlinger is active primarily in the three principal economic regions of Europe, North America, and Asia-Pacific. As of December 31, 2021, ElringKlinger had 39 production facilities, four sales offices, one logistics center, and one company operating solely within the area of aftermarket sales. ElringKlinger maintains direct lines of contact with the majority of the world's major vehicle and engine manufacturers. In order to actively exploit the benefits of global interaction, ElringKlinger purchases raw materials in a number of different countries and has established an extensive network of suppliers for this very purpose. In total, 55% of these goods are procured from Germany, China, and the United States.

The Group has categorized its operating business into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The Original Equipment segment, in turn, comprises several business units. In organizational terms, the Aftermarket and Engineered Plastics segments correspond to business units.

For ElringKlinger, acting in a sustainable manner is an integral part of its long-term corporate strategy aimed at increasing enterprise value. The objective is to combine long-term economic success and growth in all areas of business with the preservation of social and ecological interests. Values, actions, and goals derived from aspects of sustainability are therefore reflected in the Group's guidelines.

Determining materiality

ElringKlinger conducted a materiality analysis for the purpose of determining matters of significance and compliance with statutory obligations in respect of environmental, social, and employee-related matters, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) HGB). In this context, internal experts from all relevant areas of the company, such as Human Resources, Legal Affairs, Quality, Purchasing, and Strategic Communications, evaluated and prioritized the possible fields of action in respect of their business relevance and possible effects on these aspects. The main focus was, above all, on those issues that are significantly influenced by the business model and the value chain. Among these issues, there is a particularly high relevance in relation to the business operations of the ElringKlinger Group; these business operations, in turn, have an especially strong impact on the reportable matters. The exception is the social aspect, where no major issues were identified. The six key matters identified are:

- Combating bribery and corruption
- Responsibility in the supply chain
- Environmentally-friendly mobility
- Environmental protection in production
- Occupational health and safety
- Targeted recruitment and development of employees

Risk assessment

As regards the sphere of activity of the business operations covered in the combined non-financial report of ElringKlinger AG, no significant risks were identified that are associated with its own business activities and for which the business activities are very likely to have or will in future have a severe negative impact on the reportable aspects. The risk assessment applies both to the Group's business activities and its business relations as well as the products and services of the ElringKlinger Group.

Risk management is seen as an all-embracing function within the company. As such, new risks that may potentially arise are incorporated into the existing risk management system. Relevant risk assessments have been performed by teams of experts for all significant issues presented in this non-financial report; they are continuously updated and reviewed.

* Cf. glossary

Combating bribery and corruption

At ElringKlinger, embracing and meeting corporate responsibility are essential prerequisites for all business activities. Among other aspects, this includes compliance with existing laws and rules. To this end, Group-wide guidelines apply to all employees around the world.

Given the global nature of its business activities, ElringKlinger is subject to national legislation as well as various political, social, and cultural conditions. ElringKlinger has a compliance management system (CMS) in place for the early detection and prevention of breaches of applicable guidelines and laws. The aim is to avoid violations of statutory provisions, such as incidents of corruption and bribery or non-compliance with antitrust law, which, in addition to reputational and financial risks, can also have personal consequences under criminal and labor law. The CMS is based on the three fundamental principles of prevention, detection, and investigation of compliance violations and, in addition to binding compliance rules, also includes requisite measures to comply with laws and directives and to act and behave responsibly.

The "Vision and Mission" guideline, which contains fundamental values and goals of the Group, was drawn up to prevent infringements. The code of conduct and the corporate code, which in turn are complemented by further, more detailed guidelines for the specific areas, have been defined on this basis. The code of conduct addresses the issues of corruption, gratuities, and conflicts of interest. The code serves as an orientation for all employees and as a benchmark for professional interaction. ElringKlinger's corporate code includes guidelines on how to deal with gifts and instances of attempted bribery. ElringKlinger expects each and every employee to assume responsibility when it comes to actively protecting and upholding the company's values, and to neither endorse nor tolerate corrupt conduct relating to gratuities from or to business partners. In 2021, the Group extended its guidelines to include an anti-corruption policy.

The Chief Compliance Officer (CCO) is responsible for implementing, structuring, and refining the CMS. The CCO reports all events that occur directly to the CEO, who is responsible for ensuring compliance with legal requirements and internal guidelines. In addition, the Group has regional compliance officers in the high-revenue regions of North and South America, Asia, and Europe who report directly to the CCO. The compliance organization actively follows up on indications of potential compliance-related violations in order to clarify critical issues as quickly as possible and initiate appropriate measures. Such notifications can be submitted via the whistleblower system as well as by telephone, e-mail, or in a personal conversation.

In 2020, ElringKlinger rolled out the "Global Case Management" template across the Group. It structures the procedure for dealing with compliance-related allegations and supports the regional compliance officers in dealing with notifications. In addition, four regular meetings were convened in the financial year under review, as part of which the regional compliance officers exchanged information with the CCO on the main developments in their area and received training with regard to new programs.

Due to the importance of compliance issues for the Group as a whole, all new employees receive a copy of the code of conduct and corporate code upon joining the company. Furthermore, compliance training is provided in particularly sensitive areas, e.g., for employees from Sales, Purchasing, or Project Management. Due to the coronavirus pandemic, this training was conducted online in 2021 for participants of ElringKlinger AG. In this context, the issues of competition law, corruption, and dealing with gratuities and conflicts of interest were dealt with in greater depth.

Fundamentally, risks relating to infringements within the area of corruption and bribery exist throughout the entire ElringKlinger Group. However, in view of its firmly established corporate culture and expanded CMS, ElringKlinger considers the risk of significant compliance infringements to be low. ElringKlinger was not aware of any case in 2021 in which significant breaches in connection with bribery and corruption occurred within the parent company or the subsidiaries.

Responsibility in the supply chain

ElringKlinger aims to work exclusively with suppliers who acknowledge their responsibility with regard to applicable labor, social, and environmental standards and are committed to meeting them accordingly. The Group reviews the requirements and standards on a regular basis in the form of supplier audits.

Supplier Quality Management is responsible for selecting and qualifying new suppliers at ElringKlinger. In line with the transformation process in the automotive industry, the product portfolio within the ElringKlinger Group is also undergoing significant change. As a result, a large number of new suppliers are needed for the new product areas. In addition, products are becoming increasingly complex, which adds to ElringKlinger's auditing efforts. In response, the department was further expanded with regard to staffing levels during the period under review.

ElringKlinger has documented all of the requirements it places on suppliers in the form of a supplier handbook, which was introduced in 2019. In the period under review, the level of acceptance in respect of the supplier handbook was raised from just under 20% to around 40% of all suppliers. The target of an acceptance rate of around 70% originally set for 2021 was pushed back to the end of 2022, as the company was not in a position to implement efforts aimed at expanding staffing levels for this purpose due to the pandemic. The handbook is based on the principles of the International Labour Organization (ILO) and the IATF* 16949 standard and covers aspects such as compliance, social and working conditions, and corporate integrity. ElringKlinger is also committed to environmentally sound operational management and structured conduct and procedures with regard to the implementation of corporate environmental policy. The Group therefore requires its suppliers to have a quality management system certified to ISO* 9001 and IATF 16949 and an environmental management system certified to ISO 14001 or EMAS.

Due to the coronavirus pandemic and the many associated travel restrictions, it was difficult to carry out certifications at a global level over the past two years. This resulted in suppliers being able to extend certifications on a temporary basis. Factoring in these special circumstances, in 2021 approximately 92% (2020: approximately 90%) of suppliers were certified according to the quality management standard ISO 9001, around 51% (2020: around 48%) were certified to environmental management standard ISO 14001, and roughly 46% (2020: roughly 43%) were certified to IATF 16949, the quality management standard for the automotive industry. ElringKlinger's aim is for all suppliers to meet ISO 9001 and, by the end of 2023, for 60% of suppliers to be certified to IATF 16949 and ISO 14001.

To monitor compliance with required standards, Supplier Quality Management conducts supplier audits every year in accordance with the VDA 6.3 standard. In the event of any deviations, appropriate remedial measures must be implemented within a defined period of time. The implementation

* Cf. glossary

of these measures is then reviewed. Significant deviations can result in the supplier relationship being terminated immediately. Due to pandemic-related protective measures and travel restrictions, the Group mainly conducted supplier audits online based on the applicable quality and environmental guidelines. On-site audits were possible in the second half of the year, as a result of which a total of 99 supplier audits were carried out in the 2021 reporting year. This also covered sustainability and data protection issues.

Supplier Quality Management is responsible for the selection and qualification of new suppliers within the ElringKlinger Group. For this purpose, the list of criteria includes sustainability criteria such as compliance with labor, social, and environmental standards as well as traditional aspects such as supplier quality, reliability, and liquidity. In addition, regular management reporting provides the Management Board with information on the current situation and developments in respect of Supplier Quality Management.

With regard to the responsible use of raw materials, ElringKlinger uses the "International Material Data System" (IMDS). In addition, information collected from all automotive suppliers on the material and chemical composition of semi-finished products and components is passed on to ElringKlinger and customers. The advantage of the system is that all key automotive suppliers and suppliers throughout the supply chain can store their data in a single system so as to create transparency over the exact contents and enable components to be disposed of in an environmentally responsible manner at the end of their life cycle. The database is also used as a platform for quickly checking the countries of origin of conflict minerals. Among other things, the US legislation on conflict minerals (Dodd-Frank Act) requires companies to disclose the origin of certain raw materials. This is intended to rule out the possibility of conflict minerals such as tantalum, gold, tungsten, and tin from the Republic of Congo or neighboring countries from being incorporated into products via supply chains. Although ElringKlinger does use small quantities of several of the aforementioned materials, it does not source these from the countries stated. An analysis of raw materials procured by the ElringKlinger Group in 2021 based on supplier information provided no evidence that conflict minerals were being sourced from the regions listed above.

Environmentally-friendly mobility

ElringKlinger has laid the necessary foundations and transformed its product portfolio for the journey toward emission-free mobility. The Group has been developing innovative, emission-neutral solutions for sustainable mobility for over 20 years. In the long term, ElringKlinger intends to deliver this transformation by increasing the percentage of Group revenue generated by new technologies.

The electromobility transition is gathering speed, and the production of vehicles equipped with alternative drive technologies is growing. At the same time, it is becoming apparent that battery technology is mainly being fitted in passenger cars, while fuel cell technology is initially proving an alternative primarily for commercial vehicles and buses. ElringKlinger firmly believes that the two technologies are complementary and that both are needed for sustainable mobility, particularly from an energy efficiency perspective. The Group is thus rigorously pursuing its strategy and will continue to harness the potential offered by both battery and fuel cell technology in the future.

Over the past two decades, ElringKlinger's management team has aligned the Group consistently with the transformation under way in mobility in order to gradually become independent of combustion engine technology. Within its core areas of expertise – coating, punching, stamping, molding, and plastic injection molding – it has developed an extensive range of products centered around new drive technologies, some of which are already in series production.

In fuel cell technology, ElringKlinger focuses its activities primarily on the low-temperature fuel cell known as a PEM (proton exchange membrane). The Group offers complete stack modules in various performance classes as well as corresponding components such as metallic bipolar plates* and plastic media modules. Over the past few years, the Group has taken some major strategic decisions in respect of fuel cell technology. ElringKlinger established EKPO Fuel Cell Technologies in partnership with the French automotive supplier Plastic Omnium in 2021. By working closely together, the two companies hope to speed up the development of hydrogen-based mobility. During the reporting year, ElringKlinger's new Group subsidiary won several orders, signed a partnership agreement with a Chinese company, and was selected for an IPCEI* (Important Project of Common European Interest) funded by the German Federal Ministry for Economic Affairs and Energy (BMWi) and the state of Baden-Württemberg with its project for the development and industrial-scale production of a new generation of fuel cell stacks*. Official notification from the European Commission is still forthcoming. Implementing the IPCEI also forms part of the federal government's National Hydrogen Strategy, which is geared toward making hydrogen technology established in Germany within competitive structures. EKPO aims to play a leading role on the fuel cell market in the medium term. The Group has also been in a strategic partnership with the aerospace corporation Airbus since 2020 in order to work together on developing and validating fuel cells suitable for use in aviation applications over the next few years.

ElringKlinger has been a series supplier of battery technology for ten years now. Its product portfolio encompasses battery systems, battery modules, and components for batteries such as cell contact systems*, module connectors, cell covers, and sealing and pressure equalization systems. In response to the transformation picking up speed, the Group is pooling its activities at a new site in the German town of Neuffen, where some 125 employees from sales, development, prototyping, industrial engineering, production quality, and project management will be working together. The business unit secured several orders in 2021, including one for series production of cell contact systems from a global battery manufacturer for the series platform of a premium German manufacturer. Also in 2021, ElringKlinger was notified of the decision by the BMWi and the state of Baden-Württemberg regarding IPCEI funding for the development and industrial-scale production of innovative components of battery cell housings. The innovative design of the cell cover, which ensures that power is transmitted into

* Cf. glossary

and out of the cell via its poles, allows fewer and less complex components to be used and reduces the need for energy-intensive raw materials such as aluminum and copper. This means that less manufacturing work and materials are required, which in turn reduces CO_2-equivalent emissions by around 40% compared with the previous manufacturing method for this product.

ElringKlinger is working closely with its strategic partner hofer powertrain to develop and integrate electric drive units. The Group has held a stake in the system developer and supplier since 2017. Nürtingen-based hofer AG specializes in solutions for hybrid and electrical vehicles, including the development of electric drive systems that combine the power electronics, gear system, and electric motor. Within the ElringKlinger Group, therefore, skills are being concentrated in order to ramp up innovations in electric drive units for mass production on an international scale. The first small batches in the high-end sports and luxury car segment have already entered production at the two subsidiaries hofer powertrain products GmbH in Nürtingen and hofer powertrain products UK Ltd. in England.

How much a vehicle weighs also has a major influence on environmentally sustainable mobility. As far as carmakers are concerned, reducing weight is key in order to cut fuel consumption or extend range. Minimizing CO_2 emissions is always the main aim in this regard. In addition, lower weight reduces tire wear and particulate pollution. Lightweighting is thus one of the most important technologies in the automotive industry. ElringKlinger has been mass-producing lightweight components for over two decades. Its many years of experience with materials, processes, and manufacture is reflected above all in its extensive portfolio, which includes products for both powertrains and bodywork.

In the long term, ElringKlinger intends to deliver this transformation by increasing the percentage of Group revenue generated by new technologies. These made up 12.3% of Group revenue in 2021 (2020: 11%). This figure differs from that reported for the environmental KPI stated in the "EU taxonomy" section in terms of both its amount and what it covers. Essentially, it comprises the revenue generated in the Lightweighting business unit, which helps to reduce emissions in vehicles powered by combustion engines – and is therefore included here – but does not fall within the scope of the definition according to the EU taxonomy.

Environmental protection in production

As a manufacturing company, ElringKlinger has an impact on the environment. As a result, the Group has a high degree of ecological responsibility, which it strives to fulfill within the context of its environmental and quality policy. For this reason, the Group aims to dedicate around 1% of its total capital expenditure[1] each year to measures that help reduce emissions.

In 2021, all countries agreed on an accelerated energy transition that moves away from burning coal for the first time in the history of the World Climate Conferences. In order to limit global warming to 1.5 degrees Celsius, therefore, all signatory states will be tightening their climate targets for 2030 as early as 2022. Decarbonizing industrial companies represents an important lever in attempting to meet these targets. ElringKlinger is embracing this responsibility and has made its mission an integral part of its quality and environmental policy, which is also binding on its suppliers.

Overall responsibility for environmental protection and other sustainability-related matters rests with the Management Board of ElringKlinger AG. ElringKlinger AG's environmental officer is always involved in investment decisions of environmental relevance. The corporate and business units are responsible for mapping out environmental topics, and the environmental officers appointed at the individual production sites are responsible for implementation.

ElringKlinger included a total of 34 companies and their sites in its environmental reporting in 2021. As well as 33 production sites, ElringKlinger Logistic Service GmbH in Ergenzingen, Germany, was also included. The new site in Neuffen, Germany, which will not begin production until some time in 2022, will likewise only be included in environmental reporting from the current financial year onward. The excluded production sites in Nürtingen, Germany, and in Timisoara, Romania, Warwick, United Kingdom, and Chongqing, China, are not reported due to their small size and minor relevance to the environmental indicators. In 2021, therefore, ElringKlinger's environmental reporting covered 85% of the Group's production sites, representing 97% of Group revenue and 95% of the Group's workforce.

2021 saw ElringKlinger start to implement its strategy for becoming carbon-neutral in net terms by 2030 in respect of its Scope 1* and Scope 2 emissions. In 2020, ElringKlinger's management defined a total of four different fields of action to achieve this goal. These are: (1) increasing energy efficiency with regard to all buildings and facilities, (2) expanding renewable energies, (3) switching to green electricity, and (4) offsetting CO_2 emissions that are considered completely unavoidable by investing in external projects aimed at reducing CO_2 emissions. In a first step, ElringKlinger achieved carbon neutrality in net terms at all its German production sites in 2021 by switching all electricity supply contracts to green electricity. The remaining 22,000 metric tons of CO_2, which are generated from gas, the fleet, and air travel, were offset by means of compensatory measures. ElringKlinger is planning to make the same switch at all of its European companies by 2025 and at all of its other overseas companies by 2030. The organizational changes required to implement this strategy were made in the Quality & Sustainability corporate unit in the course of 2021.

The companies covered in this report have an environmental management system that has been implemented and certified according to the international DIN EN ISO 14001:2015 standard. The only exceptions are the production sites in Karawang, Indonesia, and Fremont, United States. Certification for the production site in Neuffen, Germany, which opened in 2021, is planned for 2022. In addition to external system certification, internal audits are

[1] The capital expenditure made in order to achieve the target (particularly additional capital expenditure on energy-saving measures) involves the emission-reducing elements of investment in property and buildings, in technical equipment and machinery, and in other equipment (operating and office equipment).

* Cf. glossary

	2021 (market-based)	2020 (market-based)	2020 (location-based)
Total direct and indirect CO_2 emissions in t	**73,850**	**77,530**	**90,330**
CO_2 emissions per EUR 1 million of revenue in t	**45.5**	**52.4**	**61.0**
CO_2 emissions offset in t[6]	**22,000**	**0**	**0**
Total direct CO_2 emissions in t[1]	**23,120**	**20,870**	**20,870**
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	22,300	19,900	19,900
of which direct CO_2 emissions by the vehicle fleet in t[2]	820	970	970
Total indirect CO_2 emissions in t	**50,730**	**56,660**	**69,460**
of which indirect CO_2 emissions from electricity in t[3]	50,300	55,900	68,700
of which indirect CO_2 emissions from air travel in t[4,5]	430	760	760

[1] At the parent company, ElringKlinger AG, 12,000 tons (2020: 10,800 tons) of direct CO_2 emissions arose from gas, oil, engine test benches, etc. in 2021. Direct CO_2 emissions produced by the ElringKlinger AG vehicle fleet amounted to 660 tons in 2021 (2020: 750 tons).
[2] Emissions are calculated by multiplying the annual mileage of vehicles by the CO_2 emissions stated by the relevant vehicle manufacturer. The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include the Rest of Europe, the US, and Canada.
[3] At the parent company, ElringKlinger AG, 0 tons of indirect CO_2 emissions arose from electricity in 2021 (2020: 7,800 tons under the market-based method/2020: 19,800 tons under the location-based method).
[4] Of the indirect CO_2 emissions from air travel, ElringKlinger AG accounted for 350 tons in 2021 (2020: 600 tons).
[5] Air travel from the locations in Germany, Austria, Switzerland, France, and Hungary, as well as centrally recorded flights from the locations in Italy, Turkey, and the United States.
[6] ElringKlinger paid to offset its emissions from gas consumption, the fleet, and air travel at its German production companies.

also performed at the production sites, for example with regard to energy and hazardous materials management. The indicators shown below are calculated once per year, analyzed, and submitted to the Management Board for information purposes and as a basis for possible actions.

In line with the Greenhouse Gas Protocol, ElringKlinger subdivides the environmental indicators into Scope 1, Scope 2, and Scope 3 emissions. Direct emissions attributable to the company itself include emissions from gas, heating oil, engine test benches, and the company's own vehicle fleet (Scope 1). Scope 2 emissions are indirect CO_2 emissions caused by electricity consumption. ElringKlinger switched from using the location-based method to the market-based method to determine its indicators in 2021.[2] The reported Scope 3 emissions relate to employee air travel.

Direct and indirect CO_2 emissions fell by 4.7% to 73,850 tons in 2021 (2020: 77,530 tons under the market-based method). The CO_2 emissions per EUR 1 million of total Group revenue stood at 45.5 tons (2020: 52.4 tons under the market-based method).

Of the total direct CO_2 emissions in tons, 22,300 tons (2020: 19,900 tons) were Scope 1 emissions from gas and heating oil consumption. They were up year on year, essentially because production volumes were able to be increased once again compared with 2020, when production had to be interrupted temporarily on a number of occasions as a result of the coronavirus pandemic. Direct CO_2 emissions from the fleet and rental vehicles fell to 820 tons in the reporting year (2020: 970 tons), mainly due to the company running fewer vehicles (2021: 210 vehicles/2020: 225 vehicles). The average CO_2 emissions per vehicle in the company vehicle fleet and by rental vehicles were cut to 126 g/km (2020: 133 g/km). The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also relate to the Rest of Europe, the United States, and Canada.

[2] The market-based method uses the emission factors attributable to electricity suppliers in the calculation, while the location-based method relies on the average emission factors for the national electricity mix at country level.

Total indirect CO_2 emissions declined by 10.5% to 50,730 tons (2020: 56,660 tons under the market-based method). Among other things, this reduction was achieved by switching electricity supply contracts to green electricity at the German production sites. This had a major hand in enabling emissions from electricity consumption to be cut significantly to 50,300 tons in the 2021 reporting year (2020: 55,900 tons under the market-based method). Emissions caused by air travel (Scope 3 emissions) were also down year on year once again as a result of continuing travel restrictions imposed due to the pandemic.

ElringKlinger maintains a metering infrastructure at its European production plants to facilitate an end-to-end assessment of energy flows, because the Group attaches great importance to the responsible use of the energy required for the manufacture of its products. This has enabled previously unused potential for energy efficiency to be tapped, energy costs to be lowered, and the emission of greenhouse gases (e.g., CO_2 emissions) to be reduced. All European production sites are certified to ISO 50001 apart from the new site in Neuffen.

At some sites, the Group operates combined heat and power (CHP) units as well as wind and solar plants so as to protect the environment and become more independent of electricity suppliers. The advantage of a CHP unit is that electricity and heat can be obtained in parallel. In 2021, energy consumption (electricity, gas, heating oil, and fuel for engine test benches) was up 8.1% year on year at 291,700 MWh (2020: 269,800 MWh). Of this, a total of 110,570 MWh (2020: 101,500 MWh) is attributable to ElringKlinger AG. This increase is likewise largely due to the prior year being dominated by interruptions to production.

Mitigating climate change is extremely important in the ElringKlinger Group. Continuous process optimization and the procurement of energy-efficient equipment help to lower consumption of finite resources. ElringKlinger also invests regularly in building maintenance, which also brings energy savings. Although these measures generally contribute to lower emissions, Group growth and the procurement of new equipment or the commissioning of further production plants may be accompanied by step-fixed increases in CO_2 emissions. Changes in the CO_2 emissions in the Group are constantly monitored and analyzed by the environmental officer.

1.0% of ElringKlinger's investments in property, plant, and equipment and investment property went toward measures designed to reduce emissions in 2021. This indicator differs from the scope of definition stipulated by the EU taxonomy in terms of both its amount and what it covers, as the focus of the indicator presented here is exclusively on emission reductions. Among other things, this includes a new cooling tower with heat recovery, a new thermal afterburning system to prevent solvent emissions, and a new, energy-efficient air compressor that is likewise equipped with heat recovery. In addition, work continued on switching the lighting in the plants to LED technology. The target of putting approximately 1% of total investments toward emission-reducing measures was thus met in 2021.

Occupational health and safety

ElringKlinger's mission is to avoid any kind of accident at work and promote employee health. ElringKlinger is well aware of its corporate responsibility as an employer and wants to ensure a healthy, safe, and secure working environment, while complying with the relevant country-specific legal requirements governing occupational health and safety. The right to bodily integrity is one of a human being's fundamental rights. For this reason, commercial activities and decisions must not be allowed to impair the safety, security, and health of staff either.

The occupational health and safety policy and the central organizational directive on occupational health and safety management apply equally to all employees across the ElringKlinger Group. Pursuing a proactive approach, the Group endeavors 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 "ElringKlinger Operating System" (EKOS*), the production system that ElringKlinger uses to standardize and improve processes across the Group. Among other things, it stipulates that the daily shop-floor meetings in production focus on "safety first" and start with the issue of health and safety at work. The monthly safety updates, which are sent out to the plants around the world in seven different languages, also form part of the EKOS program. In addition, risk assessments are continuously prepared and updated at the production companies, 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.

Until now, ElringKlinger has largely managed occupational safety on a decentralized basis. As of 2021, the company created a cross-company organization within the Group charged with the task of preparing and implementing the standardization of issues relating to occupational safety. As a first step, the new team is pushing ahead with the certification of the production plant at the company's headquarters according to the globally applicable ISO 45001 standard. By the end of 2023, all other Group sites are to be certified. Management is the responsibility of the Quality & Sustainability corporate unit, which reports directly to the Management Board of ElringKlinger AG. In parallel, the unit will be looking to pursue efforts to define minimum standards for safety technology and protective equipment as well as uniform processes. Among other things, this relates to the handling of hazardous substances, the procurement of safe equipment, and the qualification of employees.

The ElringKlinger Group experienced 117 occupational accidents in 2021 (2020: 107 occupational accidents[3]) that resulted in staff being off work for more than three days. Of these, 58 occupational accidents (2020: 39 occupational accidents[3]) related to ElringKlinger AG. The relative accident rate per 1,000 employees rose to 12.4 (2020: 11.0) in the Group as a whole and to 19.6 (2020: 12.1) at the parent company. This increase is due to the pandemic-related production downtime in the preceding 2020 financial year. The cause of occupational accidents and the related course of events are always analyzed in detail and existing safety standards are revised accordingly. Since 2021, the figure for occupational accidents causing staff to be off work for more than three days has been part of a new ElringKlinger indicator system, which is presented to the Management Board every month.

The ongoing coronavirus pandemic again made protecting the health of employees and business partners a particular

[3] Depending on local legislation, the reported occupational accidents in 2020 also include commuting accidents.

priority in 2021. The Covid-19* Task Force, set up specifically for this purpose, coordinates all related activities worldwide. To protect employees, the Group remained committed to its high standard of protective and hygiene measures in 2021. This includes the wearing of protective masks at the plants, extensive travel and visiting restrictions, rules on minimum spacing between workstations, the expansion of mobile working, and local vaccination services. The processes and practices devised by the task force are based on recommendations from expert organizations and government authorities and on the experience gained so far with tackling the pandemic. Information is shared within the company via the intranet. Alongside internal memos, the specially created covid-19 platform includes document templates, manuals, FAQs, and much more. All relevant information on the issue is also e-mailed to the business unit managers and the international management team and pinned to noticeboards.

* Cf. glossary

Targeted recruitment and development of employees

To avoid potential shortages of skilled staff, ElringKlinger aims to optimize the recruitment of qualified professionals. In addition, the Group seeks to develop its workforce by means of specific training measures. In this context, ElringKlinger is committed to actively highlighting prospects for the future and encouraging employees to remain with the company for the long term. Alongside the digitalization of training programs, the staffing response to the transition towards electromobility was the main focus for HR in 2021.

The automobile sector as a whole is in the process of radical change. Major changes to products allied with wide-ranging digitalization and networking projects mean that specialists are increasingly in demand, especially in the areas of research and development and IT. As a technology-oriented Group, ElringKlinger is also impacted by this trend, particularly in the future-focused fields of alternative drive technologies. The ability to attract committed and qualified staff is therefore a major concern for the Group.

Employee development is a key component of the corporate culture, and as such it is specifically referenced in the corporate code and the principles of management. In all key decisions, Human Resources maintains close contact with the Management Board.

In many business units, responding to the transformation within the automotive industry, the Group has adjusted employee numbers to the prevailing business situation; staffing levels have risen in the new business fields and IT in particular. The use of digital media has played an increasingly important role in the recruitment process. To reach out to different target groups, ElringKlinger has harnessed 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. At the same time, the coronavirus pandemic forced many vocational training fairs – including ElringKlinger's "INFO Day" for training and study – to go online. 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. A total of 16 new employees have been brought on board since the initiative was launched in September 2018.

The Group builds up internal expertise through a range of training programs and work-study courses. Alongside the external recruitment of specialists, these measures are important both in terms of training new internal experts and retaining qualified staff for the long haul. This is why the Group has stuck to its strategy, even during the coronavirus pandemic. In September 2021, 11 work-study students and 15 apprentices embarked on courses at ElringKlinger's main site in Dettingen/Erms.

As from September 2022, the Group will also be offering a new course entitled Digital Business Management, which will explore the key areas of "Digitalizing the Economy" and "Industry 4.0" in greater depth. ElringKlinger developed the relevant training plans and course content in 2021. ElringKlinger now offers 11 dual study programs and 11 vocational job profiles.

The international dimension of vocational programs continued in 2021, with 80% of content for the specially developed training plan standardized across the Group and 20% of content specially adapted to regional circumstances. Despite the difficulties presented by the coronavirus pandemic, two Maintenance Technicians managed to commence apprenticeships in Buford, United States, during 2021. By contrast, training activities in Suzhou, China, and Toluca, Mexico, are still on hold because of the continuing global pandemic.

ElringKlinger also offers training programs specifically for engineers who are already qualified. In this regard, the company is an industry partner to a project supported by the state of Baden-Württemberg which looks at the transfer of qualifications for technical specialists and industry experts in a time of structural change with the aim of supporting technicians, foremen, and engineers through a period of structural change. To this end, practical training modules aimed at the subject areas of emission-free drive systems, data science, and artificial intelligence were developed and trialed through collaboration with project partners representing industry and science. The first of the training modules developed in the course of this project will be implemented in 2022.

During 2021 financial year, an average of 109 employees were engaged in training at the parent company ElringKlinger AG in Dettingen/Erms (2020: 122 employees). The training ratio for the parent company (number of vocational trainees and internal students in relation to the total number of employees) remained unchanged at 3.7% in 2021 (2020: 3.7%). The training ratio for the Group stood at 1.9% on average (2020: 1.8%).

The coronavirus pandemic has accelerated the digitalization of the training program and prompted the rapid establishment of a global learning platform; new digital training formats like webinars, real-time online training sessions, EDP courses, and video training are now undertaken as standard throughout the Group. As a consequence, ElringKlinger is in a position to ensure its employees maintain up-to-date technical knowledge and acquire new skills, regardless of workstations or locations. The "mobile training factory," which takes an interdisciplinary, simulation-based approach, was partially digitalized in 2021. Digitalization of the practically oriented processes it comprises would not be expedient, however, as the focus is on realizing efficient production processes while training staff involved in the production side as internal trainers. Pandemic permitting, the program is scheduled for resumption in 2022.

As part of the high-potential program, Group employees with strong development potential are being identified in three regions – APAC (Asia-Pacific), Americas (USA, Canada, Mexico and Brazil), and EMEA (Europe, Middle East and Africa) – and promoted in the framework of a training course comprising several modules. The program currently in progress, which has 25 participants, will conclude in the first half of 2022. In 2021, HR also developed concepts for special career paths for experts and project managers. These will be realized in the years ahead.

A system-based, globally standardized process introduced in 2020 is designed to ensure that all indirect and general employees around the world receive feedback on their skills and personal performance once a year. To assess employee performance, ElringKlinger carried out performance reviews during 2021; owing to the pandemic, these were largely virtual. In the process, individual needs, achievements, and goals were determined and assessed by immediate managers. The ratio (proportion of performance reviews to average number of employees, not including vocational trainees and internal students) stood at 58.2% for the Group in 2021 (2020: 72.6%). The reduction envisaged for the Performance Reviews is attributable to a process adjustment. From now on, ElringKlinger's total population for the Performance Reviews will include all employees, with the exception of those directly involved in production. ElringKlinger is currently in the gradual process of integrating defined employee categories and the employee dialog (presently mapped in SAP) into the global IT system. The Group will be in a position to increase the current average ratio of 58% as soon as a standard process for this has been established. Against this background, the Group has defined a target ratio of 70% in relation to the total workforce to undergo staff appraisals by 2026. For the parent company ElringKlinger AG, the ratio has risen to 69.7% (2020: 69.5%).

Having established a culture of being a "Great Place to Work," ElringKlinger is now aiming to attract motivated and qualified people by sustaining its successful position on the labor market. With demand for qualified staff remaining especially high in the field of alternative drive technologies, further education and training will continue to play a critical role in the future.

EU taxonomy

The European Commission signed off its action plan for financing sustainable growth in 2018. To channel capital flows towards sustainable investments, criteria for measuring the economic sustainability of an investment need to be defined. This action plan therefore includes the introduction of an EU classification system for sustainable activities, which the Commission accomplished by means of the Taxonomy Regulation (2020/852) in June 2020. These criteria are intended to prevent so-called "greenwashing[4]."

With its non-financial disclosure obligations having been extended, ElringKlinger is providing details on its implementation of the EU Taxonomy* Regulation (Regulation (EU) 2020/852) – hereinafter "EU taxonomy" – for the first time in respect of this reporting year. The Group is among those required to prepare a non-financial statement in accordance with Sections 289b f. and 315b f. of the German Commercial Code (Handelsgesetzbuch – HGB), meaning that it is obligated pursuant to Article 1 of the EU Taxonomy Regulation to comply with the requirements resulting therefrom.

The EU Taxonomy Regulation (Article 9) defines six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The first two environmental objectives shall be applied to reports published after January 1, 2022, and the others to those published after January 1, 2023. In the first reporting year, ElringKlinger's economic activities are to be analyzed to determine taxonomy eligibility, i.e., whether they fall within the scope of the EU taxonomy.

In a second step – for reports published after January 1, 2023 – the activities identified as being taxonomy-eligible are to be assessed to establish whether they are taxonomy-aligned. Taxonomy alignment is considered to apply if all defined technical screening criteria for the activity concerned are fulfilled and minimum safeguards are met. These criteria define the conditions under which an activity is classified as being sustainable. ElringKlinger examined its contribution to the EU's environmental objectives "climate change mitigation" and "climate change adaptation" as part of a project to implement the EU taxonomy – with a joint team from Financial Reporting, Strategic Communications, and Quality & Sustainability.

All economic activities were reviewed in workshops together with the representatives of the business units, their relevance to the EU taxonomy was assessed, and they were assigned to individual activities. The results were then used to determine the key performance indicators (KPIs) (turnover (i.e., sales revenue), Capex, and Opex) for the activities identified as taxonomy-eligible. To this end, data was taken from Financial Accounting and validated centrally by Group Accounting. Double counting was avoided by clearly allocating each item of taxonomy-eligible turnover (i.e., sales revenue), capital expenditure, and operating expenditure to a single taxonomy-eligible economic activity.

As a technology Group focused on developing, manufacturing, and selling components for the vehicle industry, ElringKlinger falls within the scope of the EU taxonomy in its Original Equipment segment in respect of the activities in its E-Mobility business unit. Within this business unit, the Group is engaged in the development and production of battery and fuel cell technologies as well as fully electric drive units (EDUs). Products from other business units that are also fitted in vehicles with alternative drive systems (e.g., gaskets and lightweight components) were considered taxonomy non-eligible in the latest version of the EU taxonomy, as these do not represent "core technologies."

[4] Greenwashing describes efforts to present oneself as particularly environmentally aware and environmentally friendly by donating money to environmental projects, PR measures, and similar.

Any further clarification provided by the European Commission may result in adjustments in interpretation in subsequent periods.

In its Battery Technology sub-unit, ElringKlinger develops and manufactures battery components and systems tailored to varying requirements of automotive industry customers. These key technologies help to enable and promote emission-free road transport. The products are used in all-electric passenger cars and in infrastructure applications for electric vehicles (charging station storage systems). Based on ElringKlinger's analyses, the Group has concluded that the development and production of battery technology can be directly allocated to activity 3.4 (manufacture of batteries) under the EU taxonomy and is thus to be regarded as taxonomy-eligible.

The Group pools all its fuel cell technology activities in the company EKPO Fuel Cell Technologies (EKPO), an entity operated by ElringKlinger and Plastic Omnium. Its product portfolio includes fuel cell stacks* as well as single components such as bipolar plates and media modules, which are used in various means of transport and contribute toward carbon-neutral mobility. The analyses undertaken within the Group have shown that the development and production of fuel cell technologies can be directly allocated to activity 3.2 (manufacture of equipment for the production and use of hydrogen) under the EU taxonomy; this activity is thus to be regarded as taxonomy-eligible.

The EDUs manufactured in the Drivetrain sub-unit, which consist of an electric motor, a gear system, and the power electronics, form a key component inside an electric vehicle, as they drive the axles and thus provide the basis for carbon-neutral mobility. Based on the analyses performed, the development of EDUs for all-electric vehicles can be allocated to activity 3.6 (manufacture of other low-carbon technologies) under the EU taxonomy and is thus taxonomy-eligible. By contrast, the drive units for hybrid vehicles or those powered by a combustion engine were considered taxonomy non-eligible. An activity must contribute to a significant reduction in CO_2 emissions in other sectors of the economy in order to qualify for allocation to activity 3.6. This is the case with the manufacture of EDUs, as this technology is essential for enabling emission-free road transport using electric cars.

Although other products and services supplied by the Group do not fall within the scope of this Regulation in terms of turnover (i. e., sales revenue), this does not mean that these activities do not pursue or contribute to any objectives in ElringKlinger's sustainability strategy. This includes the Lightweighting/Elastomer* Technology business unit in particular, which also counts as a key technology in the automotive industry and constitutes a promising strategic field of the future for the ElringKlinger Group but, from today's perspective, does not fall within the specified scope of the EU taxonomy.

As well as considering taxonomy-eligible Group turnover (i. e., sales revenue), as part of the EU taxonomy, investments in intangible assets, property, plant, and equipment, and right-of-use assets in accordance with IAS 38, IAS 16, and IFRS* 16 are also taken into account when determining capital expenditure (Capex) KPI.

The Capex items identified as being taxonomy-eligible relate either to the taxonomy-eligible activities in the E-Mobility business unit described above or to the following activities considered taxonomy-eligible: 6.5 (transport by motorbikes, passenger cars, and (light) commercial vehicles), 6.15 (infrastructure enabling low-carbon road transport and public transport), or 7.7 (acquisition and ownership of buildings).

The E-Mobility business unit made the following material taxonomy-eligible investments in the 2021 financial year:

- Investment in production machinery and buildings and in related technical equipment (allocated to activities 3.2, 3.4, and 3.6)
- Tenancy agreement at the Neuffen site for manufacturing products in the Battery Technology sub-unit (allocated to activity 3.4)
- Capitalized development costs for the business unit's products (allocated to activities 3.2, 3.4, and 3.6)

The following taxonomy-eligible investments were made outside the E-Mobility business unit:

- Leasing company cars (allocated to activity 6.5)
- Leasing forklifts and other warehousing logistics (allocated to activity 6.15)
- Renting buildings not part of the E-Mobility business unit (allocated to activity 7.7)

The KPI of taxonomy-eligible operating expenditure (Opex) was calculated based on expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and

* Cf. glossary

repair. The individual components were analyzed and, if applicable, allocated to the activities listed that are taxonomy-eligible. To determine the maintenance and repair costs in the Battery Technology sub-unit, allocation was performed based on headcount.

The denominator for the taxonomy KPI "turnover" (i.e., sales revenue) comprises consolidated sales revenue within the meaning of IAS 1 82(a) (consolidated sales revenue). The denominator for the taxonomy KPIs Capex and Opex comprises additions to and/or investments in assets in accordance with IAS 16, IAS 38, and IFRS 16 (Capex) as well as expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair (Opex). Consolidated sales revenue (2021: EUR 1,624 million) as well as capital expenditure (2021: EUR 103 million) can be reconciled with the consolidated financial statements. Further information on the KPIs can be found in the notes to the consolidated financial statements in the Annual Report 2021 under sales revenue (1), intangible assets (12) and property, plant and equipment (13).

The KPIs for the 2021 financial year are as follows:

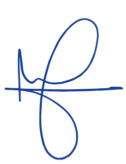
Taxonomy-eligible proportions of economic activities in 2021
In accordance with Regulation (EU) No. 2020/852, Article 8

	of which taxonomy-eligible	non-taxonomy-eligible
ElringKlinger total turnover (sales revenue)[1]	**2%**	**98%**
ElringKlinger investments (Capex)	**48%[2]**	**52%**
ElringKlinger operating costs (Opex)	**27%**	**73%**

[1] The KPI for Group turnover (i.e., sales revenue) consists exclusively of sales revenue from contracts with customers in accordance with IFRS 15.
[2] As regards the IPCEI initiative, public funding amounting to EUR 1,116 k was deducted from the carrying amount of development costs in the 2021 financial year (net method).

Dettingen/Erms, March 24, 2022

The Management Board




Dr. Stefan Wolf
Chairman

Theo Becker

Thomas Jessulat

Reiner Drews

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the combined non-financial report of ElringKlinger AG. The following text is a translation of the original German independent assurance report.

Independent auditor's report on a limited assurance engagement

To ElringKlinger AG, Dettingen/Erms

We have performed a limited assurance engagement on the non-financial report of ElringKlinger AG, Dettingen/Erms, (hereinafter the "Company"), which is combined with the non-financial report of the Group for the period from 1 January 2021 to 31 December 2021 (hereinafter the "non-financial report").

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU-Taxonomy" of the non-financial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud (manipulation of the non-financial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy" of the non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW *Standard on Quality Management* issued by the Institute of Public Auditors in Germany (IDW): *Requirements for Quality Management in the Audit Firm (IDW QS 1)* and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's non-financial report is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU-Taxonomy" of the non-financial report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of employees and inspection of relevant documents regarding the selection of topics for the non-financial report, the risk assessment and the concepts of the parent company and the Group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report at the level of the parent company and the Group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economy activities taxonomy-eligible and the corresponding disclosures in the non-financial report,
- Evaluation of the presentation of disclosures in the non-financial report.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU-Taxonomy" of the non-financial report.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

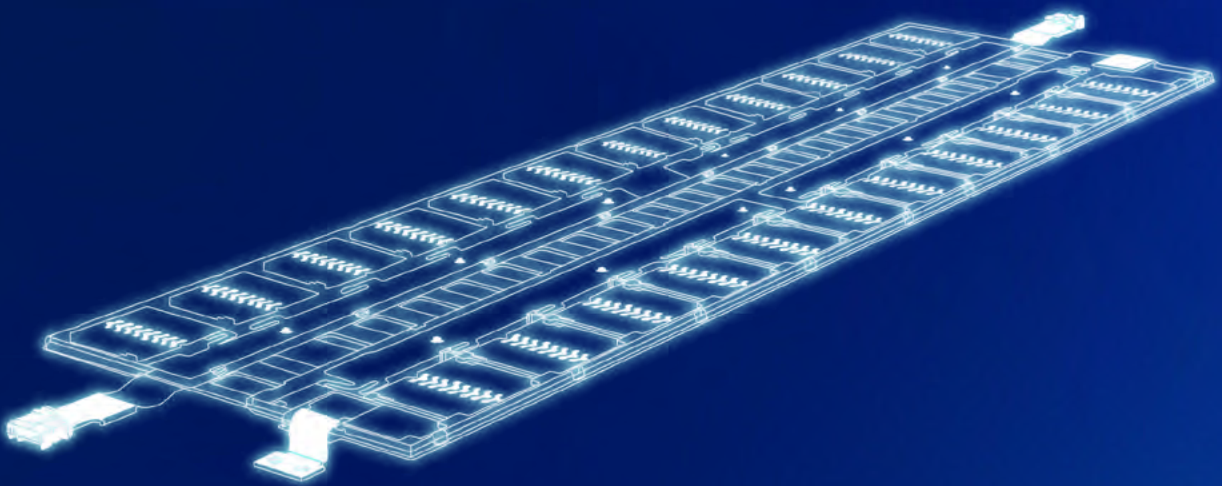
The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 24 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter	Johne
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]



In the area of battery technology for the automotive industry, ElringKlinger has become a firmly established provider of individual battery components as well as innovative complete solutions. Its portfolio of lithium-ion batteries includes the innovative cell cover design shown here, which forms a small yet vital part of the overall system. Discover what battery technology means for ElringKlinger and how the Group has positioned itself to embrace it in »The whole package«, an article in the 2022 issue of our »pulse« magazine.

02

Combined Management Report of ElringKlinger AG

FOR THE FINANCIAL YEAR 2021

Overview of ElringKlinger's Activities and Structure

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

Company profile

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

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

Business model and core competencies

The trend toward sustainable and safe mobility is reflected in the company's scope of products and services. As an automotive supplier, ElringKlinger is committed to providing product solutions aimed at reducing CO_2 emissions. Fundamentally, all newly developed products are targeted at modern, climate-friendly drive systems or relate to areas of the vehicle that are drivetrain-independent.

In strategic terms, ElringKlinger is focused on four areas: e-mobility, lightweighting, established forms of mobility, and non-automotive applications. Within the long-standing fields of business encompassing, among other things, sealing systems, plastic housing modules, and shielding systems, ElringKlinger has honed its skills as a technological innovator and carved out a formidable market position over a period spanning several decades. These form a solid basis when it comes to aligning the Group's product portfolio more strongly with the field of electromobility. In recent years, ElringKlinger has been driving battery and fuel cell* technology forward with a substantial level of innovation, while also evolving its business in the area of electric drive units. ElringKlinger is now entering the phase of industrial series production for e-mobility components and modules. Within the area of Lightweighting, ElringKlinger supplies components made from state-of-the-art materials consisting of plastic and/or metal.

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

Group structure and organization

The parent company of the Group is ElringKlinger AG, which has its registered office in Dettingen/Erms, Germany. In addition to strategic management, it is responsible for the central functions of Purchasing, IT, Communication, Finance, Legal Affairs, and Human Resources. To a large extent, sales activities as well as research and development are also concentrated within the parent company. As the parent company, ElringKlinger AG performs a financing function for the affiliated companies. At the same time, however, it also forms the largest operating Group company in respect of revenue and production volume. As of December 31, 2021, the ElringKlinger Group comprised 39 fully consolidated companies in 20 countries (cf. Notes, "Scope of Consolidation").

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

Sales markets and locations

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

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

Segments and business units

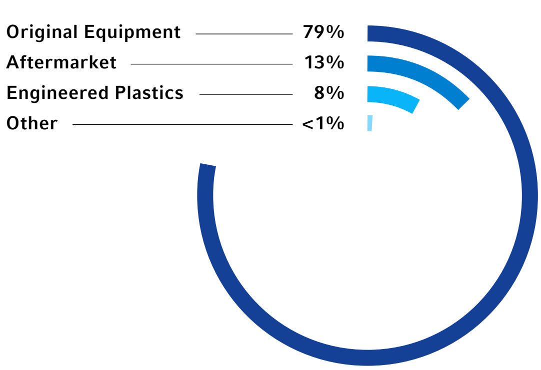
The ElringKlinger Group's operating business is divided into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The segments specified above also constitute the reportable segments under IFRS*.

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

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

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

Group revenue by segment 2021



in EUR million (previous year)

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

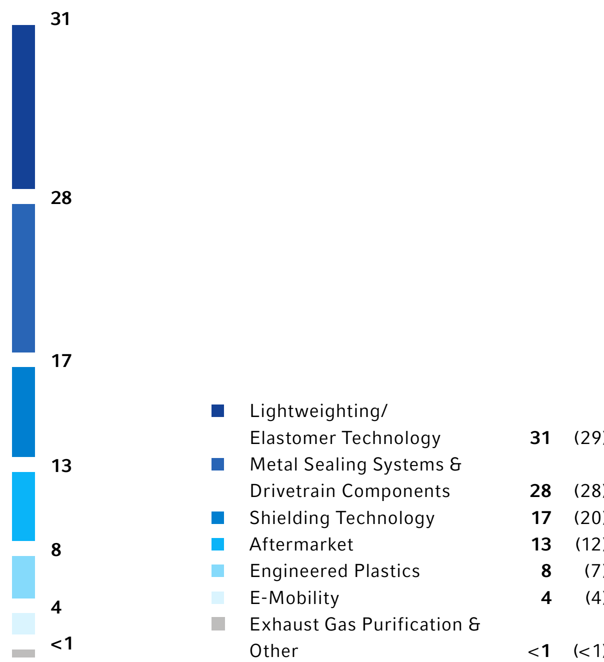
* Cf. glossary

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

Business units in the Original Equipment segment

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

Group revenue by business unit[1] 2021
(previous year) in %



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

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

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

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

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

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

Economic and legal factors

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

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

Internal Control Criteria

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

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

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

Key financial control criteria

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

Key financial control criteria of the ElringKlinger Group

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

[1] Original guidance as per 2020 annual report; adjustments made during the 2021 financial year – if any – are not presented.
[2] Organic sales revenue is adjusted for currency and M&A* effects.
[3] Revenue reported; revenue adjusted for currency and M&A effects (organic): EUR 1,630.6 million (+10.1%/market growth: 3.4%)
[4] EBIT up to 2019 adjusted for depreciation/amortization relating to purchase price allocation* (2019: EUR 1.9 million, 2018: EUR 4.0 million, 2017: EUR 4.5 million)

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

Operating free cash flow is an indicator expressing internal financing capability and capital inflow from the operational activity of the company. It comprises cash flow from operating activities and investment activities. In this context, non-operational capital flows from acquisitions, disinvestments, and from financial assets are not included in the operating free cash flow.

Calculating ROCE for the Group

in EUR million

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

[1] EBIT/average capital employed

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

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

Non-financial and other internal control criteria

ElringKlinger also uses non-financial indicators for corporate management purposes. These include personnel, quality, and environmental indicators, such as CO_2 emissions and energy consumption.

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

Company- and market-specific leading indicators

ElringKlinger uses economic and sector-specific leading indicators (such as forecast growth rates in gross domestic product and forecasts concerning the development of global vehicle markets) to appraise the future development of revenue and business. Order intake and order backlog are key company-specific leading indicators. Revenue budgeting and forecasting are based on planned quantities requested by customers as part of their scheduling less a safety margin and agreed product prices. Leading indicators specific to the market, sector, and the company are continually monitored, forming the basis for reviews of the forecast for the remainder of the respective year and the annually compiled business plan, which includes mid-term planning with a timescale of five years.

Research and Development

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

Research and development ratio at 5.1%

In the 2021 financial year, modifications and new developments were introduced both in the traditional areas of Metal Sealing Systems & Drivetrain Components, Shielding Technology, and Lightweighting/Elastomer* Technology and in the E-Mobility business unit. As a technology-driven company and a strong innovator, ElringKlinger mainly focuses on transferring its own existing expertise to new applications. The Group's research and development (R&D) activities are largely centralized and concentrate primarily on reducing emissions, be this through battery-electric or hydrogen-based drive concepts, structural lightweighting, or other products. This prevents a "brain drain." Development activities are concentrated at the German sites for the Original Equipment and Engineered Plastics segments and at the US site in Southfield, Michigan. Additional expertise was built up in battery and fuel cell* technology in particular during the year under review, resulting in 591 (2020: 623) staff being employed in R&D as of December 31, 2021. The year-on-year decline is mainly due to a number of employees switching from ElringKlinger AG's research and development team to Aerostack GmbH, Dettingen/Erms, Germany, in which ElringKlinger AG holds a 10% stake.

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

* Cf. glossary

Key R&D figures

in EUR million	2021	2020
Research and development spending	82.1	76.1
Capitalized development costs	17.2	12.4
Capitalization ratio[1]	21.0%	16.2%
Research and development costs	**64.9**	**63.8**
Amortization/impairment of capitalized development costs	4.2	12.8
Research and development costs recognized through profit or loss	69.1	76.6
Research and development ratio[2]	**5.1%**	**5.1%**

[1] Capitalized development costs as a proportion of total R&D costs, including capitalized development costs
[2] R&D costs, including capitalized development costs, in relation to sales

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

Traditional know-how meets fields of the future

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

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

The share of revenue attributable to the various strategic fields of the future – batteries, fuel cells, electric drive units, and structural lightweighting – was roughly 12% in 2021 (2020: around 11%). This largely mirrors the ratio of new to traditional drive types on the global vehicle market.

Expertise in new drive technologies

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

As well as launching its business activities, EKPO Fuel Cell Technologies GmbH, based at the Group's headquarters in Dettingen/Erms, also took some important steps in order to drive forward the production of fuel cell components and stacks over the past financial year. Further developing its three existing stack modules – Nm5-evo, NM12, and NM12-twin – played a particularly key role. ElringKlinger is also focusing on the proton exchange membrane (PEM), a low-temperature fuel cell used in mobile applications. The NM12 and NM12-twin stack series are particularly suitable for leveraging the application and cost benefits of fuel cell technology in a first step owing to their performance range for the commercial vehicle sector. The NM5-evo series, which is ideal for use in passenger cars and light-duty commercial vehicles, is already capable of being produced in large batches. Development work required to procure additional tools and series equipment was carried out in 2020. This ensures that quality requirements can be met over the long term, even with sizable quantities in fully automated production, thanks to full traceability of the stack being supplied. Investments in the 2021 financial year included expanding the test field for fuel cells manufactured in this way.

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

Having entered a strategic partnership in 2017 with the engineering specialist hofer, as a result of which ElringKlinger holds a non-controlling interest in hofer AG, Nürtingen, Germany, and majority interests in the production subsidiaries, the Group began developing electric drive units. While hofer AG contributes its electric drive know-how, ElringKlinger brings to the table its skills in scaling up customer orders for series production. Manufacturing operations at the UK subsidiary have already begun based on this expertise. The four electric drive systems were evolved further during the past financial year, and an initial prototype of a drive system designed in-house at ElringKlinger was developed.

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

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

Shielding Technology: focusing on the system as a whole

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

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

* Cf. glossary

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

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

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

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

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

Engineered Plastics: expertise in all manner of industries

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

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

Macroeconomic Conditions and Business Environment

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

Muted recovery of global economy

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

GDP growth projections

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

Source: International Monetary Fund (Jan. 2022)

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

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

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

* Cf. glossary

Light vehicle production

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

Source: IHS (Feb. 2022)
[1] Excluding Russia

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

Global vehicle production declines due to supply-side bottlenecks

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

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

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

Sales markets in slightly better shape

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

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

Strong demand for commercial vehicles

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

Significant Events

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

EKPO Fuel Cell Technologies commences business activities

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

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

E-Mobility unit based at new Neuffen location

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

High turnout at second virtual Annual General Meeting

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

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

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

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

* Cf. glossary

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

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

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

ElringKlinger technologies selected for European IPCEI funding project

ElringKlinger is involved in two projects as part of the European Union's IPCEI* (Important Projects of Common European Interest) funding initiative. At the end of April 2021, ElringKlinger received notification of funding from the German Federal Ministry for Economic Affairs and Energy and the state of Baden-Württemberg for its innovative battery cell housing components. Thus, ElringKlinger has become one of eleven German companies tasked to establish a European battery value chain as part of this initiative. Additionally, the German government has selected ElringKlinger to develop a new generation of fuel cell stacks for the commercial vehicle sector in the context of the so-called Hydrogen IPCEI. The stacks are also to be used in buses as well as in maritime applications, in the rail sector, or as stationary units. The selection made by the German federal government still has to be confirmed at the European level.

Additional subsidiaries established in United States

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

Pooling forces within the Shielding Technology business unit

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

Sales and Earnings Performance

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

Group revenue up after crisis year

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

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

Revenue growth in almost all regions

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

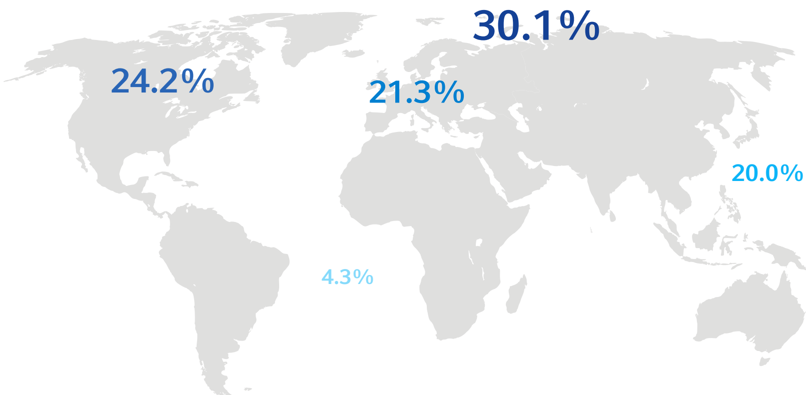
Revenue generated in North America rose by 7.1% or EUR 26.0 million in the 2021 financial year. The Group thus

Factors influencing Group revenue

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

* Cf. glossary

Group revenue by region 2021



in EUR million (previous year)

Rest of Europe	**488.8**	(423.4)
North America	**393.7**	(367.7)
Germany	**346.7**	(355.6)
Asia-Pacific	**325.4**	(274.8)
South America and Rest of World	**69.8**	(58.9)

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

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

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

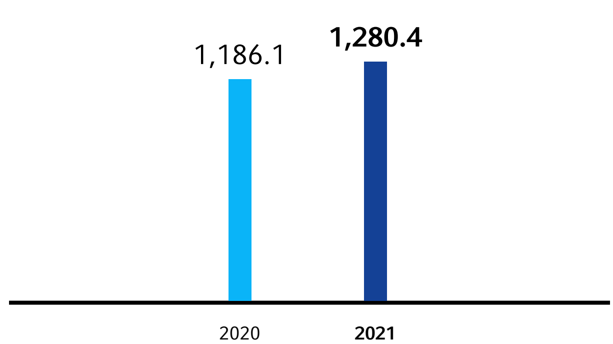
The region comprising South America and Rest of the World recorded the most pronounced percentage increase in revenue in the 2021 financial year. Here, the Group saw revenue expand by EUR 10.9 million or 18.6% to EUR 69.8 million (2020: EUR 58.9 million). Revenue growth was even more significant after adjustments for currency effects. If exchange rates had remained unchanged, revenue would have been up by EUR 13.1 million or 22.3%. Overall, the share of Group revenue stood at 4.3%, compared to 4.0% in the previous year.

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

Original Equipment segment records growth in all future-facing areas

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

Revenue in the Original Equipment segment
in EUR million



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

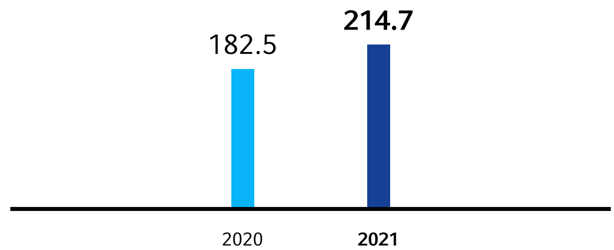
Within the Original Equipment segment, the Metal Sealing Systems & Drivetrain Components business unit, which had been newly established in the preceding year, generated revenue of EUR 448.2 million (2020: EUR 410.7 million), an increase of EUR 37.5 million or 9.1%. The largest business unit calculated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

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

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

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

Revenue in the Aftermarket segment
in EUR million



Further growth in Aftermarket segment after strong prior-year performance

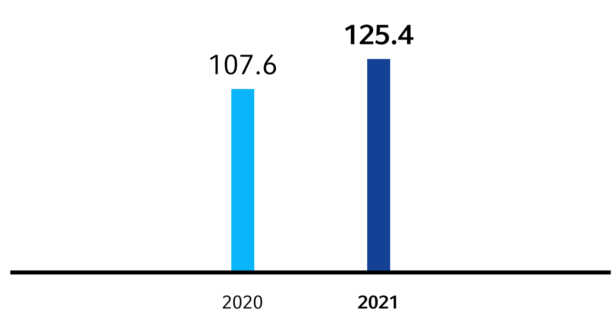
The Aftermarket segment succeeded in further expanding its revenue in the period under review – on the back of a strong performance in the previous year. At EUR 214.7 million, revenue generated in 2021 was up by EUR 32.2 million or 17.7% on the prior-year level (2020: EUR 182.5 million). The segment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

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

Significant upturn for Engineered Plastics segment

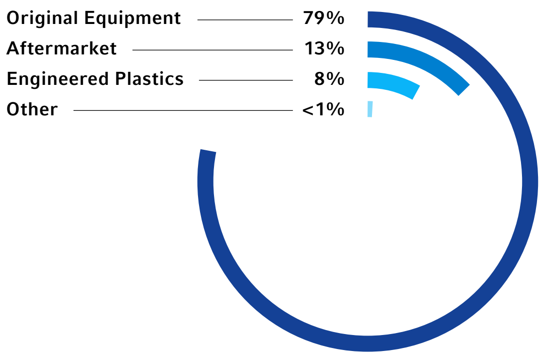
At EUR 125.4 million, revenue generated in the Engineered Plastics segment in the 2021 financial year was up markedly on the prior-year figure (2020: EUR 107.6 million). Revenues increased by EUR 17.8 million or 16.6% in the financial year under review, driven in particular by sales in

Revenue in the Engineered Plastics segment
in EUR million



* Cf. glossary

Group revenue by segment and business unit 2021



in EUR million (previous year)

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

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

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

Slight decline in revenue for "Other" segment

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

Successful execution of efficiency stimulus program

The global efficiency stimulus program that management rolled out across the Group at the beginning of the 2019 financial year has now been successfully completed. Covering various dimensions, it was aimed at positioning the Group more effectively for the process of transformation. This included the objective of strengthening profitability, for which the Group, in addition to streamlining staff, material, and non-personnel costs, also made adjustments to its current prices when concluding contract extensions. The Group also took a committed approach to avoiding additional costs, e.g., for special freight movements or extra shifts, from the outset by means of process optimization, staff training, and the elimination of inefficiencies. In parallel, ElringKlinger pursued a disciplined plan of action relating to investments and optimized its net working capital* in order to generate positive operating free cash flow* at a sustainable level. These measures were aimed at significantly reducing the Group's net financial liabilities and perceptibly lowering its net debt* ratio.

Further improvement in gross profit margin

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

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

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

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

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

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

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

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

Research and development ratio remains steady

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

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

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

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

* Cf. glossary

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

EBIT margin at upper end of expectations

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

Net finance costs down markedly

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

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

Earnings per share at EUR 0.88

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

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

Balanced dividend policy

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

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

Financial Position

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

Total assets up, robust asset structure

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

Fuel cell technology incorporated into Group subsidiary EKPO

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

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

Financial position

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

[1] Inventories as well as trade receivables less trade payables
[2] Current and non-current financial liabilities less cash and cash equivalents and short-term securities
[3] Return on capital employed

* Cf. glossary

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

Non-current assets of EUR 1.3 billion

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

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

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

Working capital proportionate to revenue growth

The favorable route taken by business in 2021 also had an impact on inventories of raw materials as well as semi-finished and finished products. In addition, developments within the commodity and material markets had an impact on inventory planning, the objective being to ensure the availability of materials, while at the same time keeping cost increases as low as possible against the background of an upward trend in market prices. Compared to year-end 2020, the Group's inventories increased by 17.9% or EUR 53.8 million to EUR 354.3 million (Dec. 31, 2020: EUR 300.5 million).

In contrast, trade receivables remained close to stable year on year at EUR 233.5 million (Dec. 31, 2020: EUR 231.2 million). As a result, working capital*, which encompasses inventories and trade receivables, stood at EUR 587.8 million at the end of 2021 (Dec. 31, 2020: EUR 531.8 million). Viewed in relation to organic revenue growth of 10.1%, the change in working capital was proportionate despite the challenging conditions seen within procurement markets. Among other things, this was attributable to targeted measures implemented as part of the efficiency stimulus program pursued since 2019. The key elements include optimization efforts with regard to stockpiling, receivables management, and trade payables.

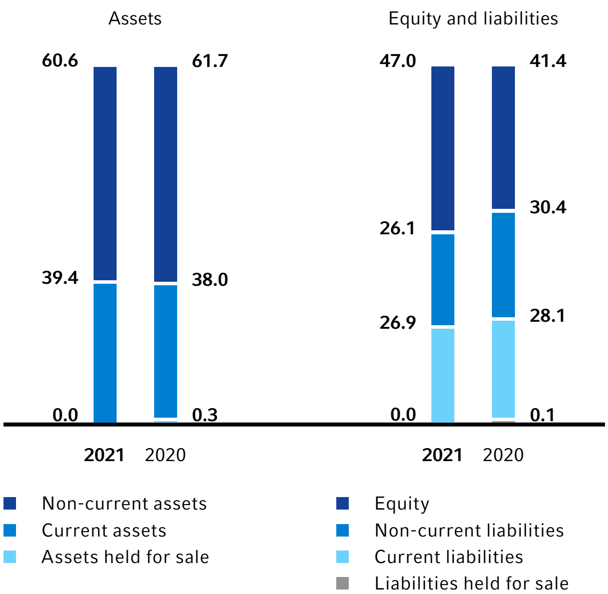
Cash and cash equivalents held by the ElringKlinger Group amounted to EUR 109.9 million as of December 31, 2021 (Dec. 31, 2020: EUR 127.9 million).

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

Equity ratio at 47%

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

Structure of the ElringKlinger Group's statement of financial position
as of December 31, 2021
in %



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

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

Net debt further reduced by EUR 90 million

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

Debt ratio improved markedly to 1.7

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

Net working capital in relation to revenue reduced to 25%

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

* Cf. glossary

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

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

Cash Flows

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

Strong operating cash flow exceeds EBIT

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

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

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

Investment decisions remain targeted

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

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

Key figures Cash Flows

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

[1] Cash flow from operating activities and cash flow from investing activities, adjusted for M&A activities and cash flows for financial assets
[2] Payments for investments in property, plant, and equipment

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

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

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

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

Operating free cash flow at EUR 72 million

Operating free cash flow corresponds to operating cash flow less cash for investing activities and is adjusted for any M&A* activities and cash flows for financial assets. This does not include exceptional items such as the initial installment paid by Plastic Omnium for its interest in EKPO or inflows from the sale of the Austrian subsidiary. This, too, explains why the Group's operating free cash flow of EUR 72.0 million (2020: EUR 164.7 million), which was once again well within positive territory in fiscal 2021, can be considered an encouraging result with regard to business activity. In total, the Group has generated operating free cash flow of EUR 412.5 million in the last three years. This illustrates the success of the various measures of the efficiency stimulus program put in place for the purpose of cementing the Group's financial strength.

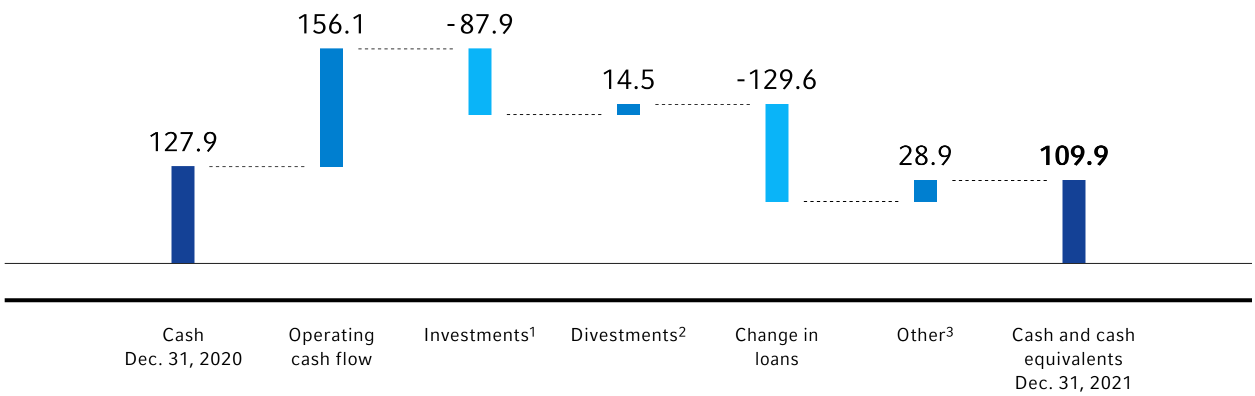
ElringKlinger again used the cash generated from operating activities to reduce liabilities to banks in the past financial year. In 2021, the Group spent EUR 111.6 million (2020: EUR 183.2 million) on the repayment of long-term loans (netted against borrowings). As regards short-term loans, there was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

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

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

* Cf. glossary

Changes in cash 2021
in EUR million



1 Payments for investments in property, plant, and equipment and intangible assets
2 Sale of ElringKlinger Fuelcell Systems Austria GmbH, Wels, Austria
3 "Other" includes, among other items, the partial payment of EUR 30.0 million by the co-owner for interests in EKPO and distributions to non-controlling shareholders of EUR 7.2 million.

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

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

Against the backdrop of these difficult conditions, the ElringKlinger Group's business performance can be considered thoroughly satisfactory. On the back of sales revenues of EUR 1,624.4 million (2020: EUR 1,480.4 million), earnings before interest and taxes amounted to EUR 102.0 million (2020: EUR 27.7 million), resulting in an EBIT margin* of 6.3%, compared to 1.9% in the previous year. The Group also saw a further improvement in other key financial indicators. In particular, operating free cash flow was again well within positive territory at EUR 72.0 million (2020: EUR 164.7 million). Furthermore, debt was scaled back once again. Totaling EUR 369.2 million at the end of the 2021 financial year, net financial liabilities were almost halved compared to the level recorded at the beginning of 2019 (Dec. 31, 2018: EUR 723.5 million). This favorable development reflects the success of the efficiency stimulus program implemented by the Group three years ago. It included a wide range of individual measures targeted at different points within the Group – from cost streamlining through process improvements to a disciplined investment policy. Overall, ElringKlinger Group has thus strengthened its position financially and extended its room for maneuver. This also establishes a solid foundation for future profitability and strengthens the company's resilience to external influences.

ElringKlinger continued its determined efforts to cement its strategic position in the context of the current transformation process within automotive industry. These include the alliance entered into in 2020 with the aircraft manufacturer Airbus in the field of fuel cell technology as well as the commencement of business of the Group company EKPO Fuel Cell Technologies GmbH at the site in Dettingen/Erms, Germany, and the concentration of battery technology at the site in Neuffen, Germany, established in 2021. ElringKlinger's portfolio now includes highly sophisticated products, components, and solutions both for classic applications and for vehicles that rely on alternative drive systems built around battery and fuel cell technology. Management is of the opinion that ElringKlinger's strong portfolio, broad customer base, which includes both established and new manufacturers, and global network of production sites, provide an excellent basis for consistently solid business development.

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

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

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

Year-on-year revenue growth of over 10%

Buffeted in particular by supply-side bottlenecks within the semiconductor sector, the automotive market was again forced to operate under tense conditions. Against this challenging backdrop, however, ElringKlinger AG saw its sales revenue expand by 10.7% year on year. The latter amounted to EUR 718.1 million (2020: EUR 648.6 million). Compared to both global (3.4%) and European car production (-5.5%), the company recorded buoyant growth in revenue. For the parent company, the level of growth for the 2021 financial year had originally been expected to be within a single-digit percentage range. However, ElringKlinger was able to stand out from the market as a whole thanks to substantial orders placed as part of customer production scheduling, which suggests that the vehicle models in which ElringKlinger products can be found are not as badly affected by production cutbacks.

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

* Cf. glossary

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

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

Renewed growth for Original Equipment segment

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

Aftermarket business remains growth driver

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

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

Visible improvement in total operating revenue

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

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

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

Rising raw material prices

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

Fewer employees, but higher expenses and larger social security contributions

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

Lower levels of depreciation and amortization

Systematic depreciation and amortization of intangible and tangible fixed assets amounted to EUR 34.4 million in 2021, EUR 1.8 million or 5.0% below the level of the previous year (2020: EUR 36.2 million). Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation were also lower than in the previous year at EUR 10.7 million (2020: EUR 16.6 million), which was mainly due to the improvement in underlying economic conditions.

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

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

Significant improvement in net finance result

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

Company generates net income and reports unappropriated surplus

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

* Cf. glossary

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

Balanced approach to dividend distribution

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

Net Assets of ElringKlinger AG

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

Total assets remain largely unchanged

As of December 31, 2021, total assets recognized by ElringKlinger AG amounted to EUR 1,197.8 million (Dec. 31, 2020: EUR 1,194.1 million). Fixed assets accounted for 53.0% (Dec. 31, 2020: 57.8%), i.e., more than half of the company's assets, while current assets accounted for 46.6% (31.12.2020: 41.9%) of total assets. Other balance sheet items of minor importance relate to prepaid expenses and an excess of plan assets over post-employment benefit liabilities.

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

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

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

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

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

Current assets at around EUR 560 million

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

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

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

Equity ratio of ElringKlinger AG at around 50%

With a ratio of 49.2% (Dec. 31, 2020: 43.5%), the share of equity in total capital was at an extremely solid level. Due to net income of EUR 70.1 million in 2021 (2020: loss of EUR 11.6 million), equity rose from EUR 519.0 million on December 31 of the previous year to EUR 589.0 million at the end of 2021. No dividend was paid for the previous 2020 financial year.

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

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

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

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

* Cf. glossary

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

Cash Flows of ElringKlinger AG

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

Mirroring ElringKlinger AG's substantial net income generated in the 2021 financial year, the company recorded a particularly strong inflow of cash from operating activities of EUR 157.3 million (2020: EUR 70.8 million). The positive deviation from the result is explained by non-cash expenses and income that are not reflected in the cash flows*. In particular, this includes write-downs of tangible fixed assets and financial assets as well as of short-term intercompany loans, but also changes in provisions. In addition, changes in net working capital[1] (including other assets and liabilities not attributable to investing or financing activities) increased cash by EUR 17.3 million (2020: EUR -21.7 million).

Investment focus on e-mobility

Investment spending on tangible fixed assets amounted to EUR 28.0 million in the 2021 financial year (2020: EUR 33.0 million). Newly acquired assets were thus below the level of systematic depreciation of tangible fixed assets (net of write-ups) of EUR 32.8 million (2020: EUR 34.1 million). In line with the disciplined investment approach that has been pursued for the past three years, capital expenditure was managed in a highly targeted manner and focused on future-facing projects such as electromobility. Thus, in the period under review funds were again invested in production lines for battery modules or other manufacturing technology that was necessary for the ramp-up of new series production orders.

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

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

Operating free cash flow of EUR 130 million

ElringKlinger AG's operating free cash flow[2] also surged to an extremely high level of EUR 129.5 million in 2021 (2020: EUR 54.3 million). The company used this to further reduce its financial liabilities, resulting in a cash outflow of EUR 146.9 million (2020: EUR 62.0 million) for financing activities in the period from January to December 2021.

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

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

[1] Inventories as well as trade receivables less trade payables
[2] Cash flow from operating activities and cash flow from investing activities, adjusted for cash flows in respect of acquisition activities and changes in financial assets

People

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

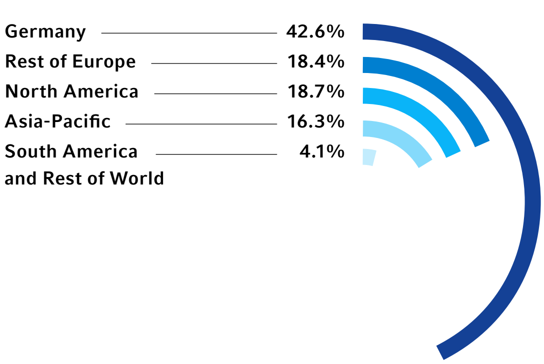
Slight reduction in headcount

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

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

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

ElringKlinger Group employees



	Dec. 31, 2021	(previous year)
Germany	**4,036**	(4,149)
Rest of Europe	**1,739**	(1,824)
North America	**1,766**	(1,841)
Asia-Pacific	**1,541**	(1,512)
South America and Rest of World	**384**	(398)

* Cf. glossary

Report on Opportunities and Risks

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

Risk management system

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

The risk management system is made up of various tools and control systems. Among the key components are strategic Group planning and internal reporting. Planning enables potential risks to be identified and taken into account when making critical and significant decisions. All key areas within the Group are involved in strategic Group planning. Within this context, information is retrieved, collated, and evaluated in a standardized process. The Management Board bears overall responsibility. Internal reporting is used to monitor and control business performance. A key component of the risk management system is regular reporting by the management of the respective domestic and foreign Group companies as well as the business units, which is performed on a half-yearly basis. It covers risk-related developments in all fields relevant to the Group that can affect business activity and, in particular, the continuation of the ElringKlinger Group as a going concern against the background of the specific risk-bearing capacity. The focus in particular is on changes to the economic or political situation, new regulatory requirements, technological developments, commodities markets, and internal risks. This reporting system involves identifying and evaluating all risks and subsequently drafting recommendations on how to prepare for and mitigate them. The Chief Financial Officer is responsible for coordinating these activities. This approach is designed to ensure that risks are identified at an even earlier stage and measures aimed at avoiding or mitigating such risks can be implemented rapidly. The risk structure of the Group and the AG does not differ significantly overall.

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

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

Alongside regular reporting, internal audits are an important control mechanism and thus an essential element of the risk management system. Audits are carried out in the business and corporate units of ElringKlinger AG as well as at the Group companies. They are conducted by the Audit department in cooperation with external accountancy firms commissioned by ElringKlinger AG. The rationale behind the use of internal and external specialists is to ensure that risks are identified, statutory requirements are met, internal processes are reviewed, and potential for improvement is recognized. The findings of such audits are compiled in reports, which are directed in particular at the Management Board and the Chairperson of the Audit Committee within the Supervisory Board. The reports are evaluated, whereupon necessary measures are initiated. The execution of measures is monitored by the Management Board member whose remit covers this area; this Management Board member is also responsible for reviewing assessments conducted with regard to risk positions identified by the company. All relevant findings are discussed with the areas concerned in order to bring about improvements or rectify any weaknesses.

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

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

ElringKlinger's Whistleblower System allows employees to report any irregularities they may come across. This gives them an anonymous line of communication in order to pass on information on misconduct, violations of statutory provisions, and policy infringements. The Chief Compliance Officer responded to all indications of compliance-related infringements in order to investigate the circumstances and initiate requisite measures. Where evidence suggested that an infringement may have occurred, the Management Board was informed accordingly. There are no significant breaches to report for 2021. The Management Board is committed to adapting and refining the existing compliance management system to changing circumstances and the possibility of evolving risk exposure.

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

Control and risk management system with regard to accounting

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

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

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

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

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

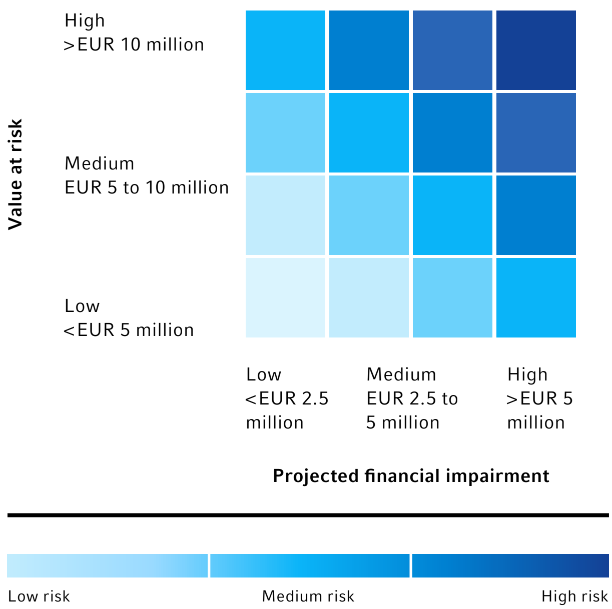
Among the risks that may affect the accounting process are, for instance, those associated with delays or errors in the entry of transactions or failure to observe the accounting manual and account allocation rules. In order to avoid mistakes, the accounting process is based on the separation of responsibilities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

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

Assessment of opportunities and risks

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

Risk matrix of the ElringKlinger Group



The following table presents an overview of material risks to which the ElringKlinger Group is currently exposed. Risks are recorded according to the net approach, i. e., the respective countermeasures are taken into account within the risk assessment. The respective risk categories comprise numerous individual risks and are elaborated further below. Based on the scenario analysis, the risks were assessed and classified into different classes. An anticipated financial impairment of up to EUR 2.5 million per category was classified as "low," a projected negative impact of more than EUR 2.5 million and up to EUR 5 million as "medium," and an expected financial loss of more than EUR 5 million as "high." At the same time, the value at risk was taken into account within the risk matrix. This statistical indicator determines the maximum loss that will not be exceeded in the specified period with a certain probability – in this case 95%. Thus, it does not describe the maximum potential loss, as a scenario beyond this probability is still considered possible. The same risk classes were formed with regard to value at risk. An expected maximum value of up to EUR 5 million per category at the stated confidence level of 95% was classified as "low," a projected value of more than EUR 5 million and up to EUR 10 million as "medium," and an anticipated value of more than EUR 10 million as "high." The assessment of opportunities and risks was performed as of the end of the reporting period, i.e., December 31, 2021. Reporting is always based on a period of one year.

Risks associated with the coronavirus pandemic

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

Risk profile of the ElringKlinger Group

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

* Cf. glossary

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

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

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

Material and supplier risks

The prices of the raw materials primarily used by ElringKlinger remain on a persistently high level. Since September 2020 alone, for example, prices for aluminum have risen by over 50%. After tariff increases and rises connected with global trade conflicts contributed significantly to this trend in preceding years, general market volatility and disruptions in global supply chains now also play a causal role. The risks created by excessive rises in material prices would have a direct and – depending on the extent of any such increases – potentially considerable impact on the Group.

The Group employs a wide range of instruments to counteract potential increases in the prices of materials in a way that minimizes risk. For example, ElringKlinger's central purchasing department works continuously to identify and realize any potential for optimization. Internal processes are being improved and standardized across the Group, while the selection and classification of suppliers is being consistently refined. From a long-term perspective, ElringKlinger is optimizing product design and improving manufacturing processes to offset price spiral effects on commodity markets. The project to develop a new cell cover design, funded by "IPCEI* Battery 2", is a case in point. By means of this project, which is supported by the German federal and state governments, ElringKlinger is seeking to reduce component complexity and numbers. As a result, the use of energy-intensive raw materials such as aluminum and copper can also be scaled back and ultimately the CO_2 production footprint can be cut by about 40%.

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

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

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

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

Alongside the materials needed for its long-standing product portfolio, the Group uses other types of commodities and materials for battery and fuel cell* components and systems in its New Business Areas. With regard to these inputs, it is difficult to estimate future volumes, price movements, and supplier structures based on the information currently available, partly because of the lack of certainty over future demand for vehicles with alternative drive systems. Overall, ElringKlinger counters this uncertainty and therefore reduces its exposure to risk by minimizing its own inventories and by also requesting these input materials as required from the supplier's consignment warehouse, i.e., the supplier retains ownership of the goods until they are requested by ElringKlinger.

Sales risks

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

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

* Cf. glossary

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

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

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

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

Operational risks

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

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

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

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

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

Labor cost risks

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

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

The Group has offset the more pronounced wage costs seen in recent years by making substantial capital investments and implementing continuous measures aimed at raising efficiency levels in production in order to safeguard its international competitiveness and retain jobs.

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

Political risks

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

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

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

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

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

Customer risks

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

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

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

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

Inventory management risks

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

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

Financial risks

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

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

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

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

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

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

* Cf. glossary

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

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

IT risks

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

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

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

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

Legal and compliance risks

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

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

Logistical risks

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

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

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

Opportunities

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

Climate change/Emission laws

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

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

Profile of opportunities relating to the ElringKlinger Group

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

* Cf. glossary

At the same time, countries are promoting new drive technologies to shape the transformation of mobility in parallel with the energy transition. In Europe, for example, "Important Projects of Common European Interest" (IPCEI) are being promoted to develop a European value chain in key technologies. ElringKlinger offers future-oriented projects, as the Group was one of only eleven German companies to receive funding from the German government and the state of Baden-Württemberg for the field of battery technology under this program last year. With a volume of EUR 33.8 million until the end of 2026, the federal and state governments are funding the development of a new type of cover design that can lower the CO_2 production footprint by around 40% thanks to a reduction in the number and in the complexity of components as well as the lower consumption of energy-intensive raw materials such as aluminum and copper.

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

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

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

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

Furthermore, vehicle weight also has an impact on environmentally friendly mobility. Less weight is of key importance to carmakers in order to reduce fuel consumption and/or increase range. The focus in this regard is always on minimizing CO_2 emissions. In addition, lower weight reduces tire abrasion and particulate pollution. Thus, lightweight construction is a key technology for the automotive industry. ElringKlinger has been mass-producing lightweight components for over two decades. Its many years of experience in materials, processes, and manufacturing are particularly reflected in its broad product portfolio, which includes drivetrain and body products.

Overall, ElringKlinger considers the revenue and earnings potential linked to climate change and CO_2 reduction to be significant. The potential for ElringKlinger to exploit these market opportunities in the medium term by drawing on its existing product portfolio and R&D expertise is considered highly probable by the Group.

Technology trends

Recent years have shown that new drive technologies are becoming increasingly prevalent in the field of mobility, with the share of sales accounted for by fully electric and hybrid-powered vehicles rising continually. Governments around the world had already introduced regulations to reduce CO_2 mobility emissions earlier. These regulations have been made more stringent in recent years. In the light of this, ElringKlinger rates the probability of further market penetration by new drive technologies as high. ElringKlinger products that make engines more fuel-efficient, reduce the weight of a vehicle, or enable alternative drive technologies to be used, such as multilayer cylinder-head gaskets, lightweight structural components, battery modules, or fuel cell stacks, contribute to achieving the ambitious CO_2 targets set by legislators.

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

Extension of product and service portfolio

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

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

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

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

* Cf. glossary

New sales markets

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

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

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

Industry consolidation/M&A

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

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

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

Overall assessment of risks and opportunities

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

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

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

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

The risk management system described above, combined with a flexible cost structure, places ElringKlinger in a position to address risks promptly by implementing appropriate measures. The entity makes a point of not exposing itself to risks that may jeopardize the existence of the ElringKlinger Group. ElringKlinger possesses a robust financial base: with earnings rising, net debt has been reduced, the net working capital* ratio has been decreased, and the equity ratio has improved, so that the financial position can be described as extremely solid. As a result, the company's ability to raise new funds has been significantly strengthened and ElringKlinger is flexibly positioned both for the further transformation process within the mobility sector and for the event of a protracted market crisis, of which, however, there are no indications at present.

The transformation process within the mobility field, driven by climate change and emissions legislation, provides ElringKlinger with great opportunities. The drive technologies of the future are subject to the requirement that CO_2 emissions be reduced. ElringKlinger was early to invest in future-oriented business areas such as battery and fuel cell technology and is already able to offer many innovative solutions for alternative drive systems. As a result, the Group enjoys opportunities for growth on a global scale. The transformation of the automotive industry is altering the significance of the product groups within the ElringKlinger portfolio. Products within the area of structural lightweighting and electromobility, which are considered promising fields for the future in strategic terms, will generate a larger share of revenue than before, while conventional products associated primarily with the combustion engine will become less relevant in the years ahead.

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

* Cf. glossary

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

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

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

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

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

No shareholder is equipped with special rights constituting controlling powers.

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 (Aktiengesetz – AktG). The Articles of Association contain no regulations that could be considered non-compliant with the provisions set out by law as regards the conditions applicable to the appointment or removal of Management Board members.

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/2021.

Combined Non-Financial Report

For fiscal 2021, ElringKlinger has prepared a separate non-financial report for the exchange-listed parent company ElringKlinger AG in accordance with Section 289b HGB*, which has been combined with the separate non-financial Group report pursuant to Section 315b HGB. In the 2021 Annual Report, it is presented as a separate section "Combined Non-Financial Report" under the heading "To Our Shareholders." The 2021 Annual Report will be published on ElringKlinger's website at www.elringklinger.com/en/investor-relations/publications/financial-reports as of March 29, 2022.

Report on Expected Developments

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

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

Outlook – Market and Sector

Considerable uncertainty over global economic recovery continues

In the view of economists, the global economic recovery could continue into the present financial year, albeit at a slower rate. In its most recent World Economic Outlook, published in January 2022, the International Monetary Fund (IMF) expects global economic output to rise by 4.4% over the year as a whole. The report highlights numerous downside risks, including the pandemic, which has not yet been overcome, ongoing disruption to global supply chains, and high levels of inflation. At the time of publication of this report, the geopolitical situation is deteriorating rapidly as a

* Cf. glossary

GDP growth projections

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

Source: International Monetary Fund (Jan. 2022)

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

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

Upward momentum building in vehicle markets

After two difficult years, the automotive sector continues to face significant challenges in 2022. Various factors could again hold back growth, especially supply chain disruptions that mainly affect the availability of semiconductors. Since February 2022, concerns about the economic impact of the escalating geopolitical conflict between Russia and Ukraine have also created a high level of uncertainty. Taking the unpredictable consequences of these developments out of the equation, industry experts anticipate a recovery in global vehicle production in the second quarter of 2022 and expect this trend to strengthen in the second half of the year. In February 2022, the industry institute IHS had initially assumed an increase in global vehicle production (passenger cars and light commercial vehicles) of around 9% for 2022, but had supplemented this estimate with different scenarios in view of the Russian-Ukrainian conflict. The IHS had initially expected a decline of 1.0 to 1.5 million vehicles and has now expanded this figure to a decrease of 2.3 to 2.5 million vehicles. The pessimistic scenario assumes a decline of 3.5 million vehicles. ElringKlinger also assumes that growth will be significantly lower than the approximately 9% previously mentioned. A precise figure cannot be estimated at present in view of the ongoing conflict, its potential for escalation, and its general impact.

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

Sales markets boosted by strong demand

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

Light vehicle production[1]

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

[1] Projections do not consider effects from Russian-Ukrainian conflict
[2] Without Russia
Source: IHS (Feb. 2022)

Upward trend in commercial vehicle markets

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

Outlook – Company

Persistently high uncertainty and impact of the pandemic

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

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

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

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

Research and development work focused on strategically promising areas

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

Brimming order book

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

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

Revenue growth roughly in line with global production

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

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

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

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

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

Earnings influenced by various factors

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

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

Further reduction in net working capital ratio

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

Disciplined investment approach maintained

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

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

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

Further reduction in net financial liabilities

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

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

Group anticipates ongoing improvement in ROCE over medium term

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

* Cf. glossary

Original Equipment segment

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

Engineered Plastics segment

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

Aftermarket segment

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

Parent company ElringKlinger AG

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

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

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

Outlook – ElringKlinger Group

The Group's main indicators for its 2022 outlook and in the medium term are shown in the following table. Due to the current escalation of the Russia-Ukraine conflict at the time of reporting and the high degree of uncertainty as to the direction taken by the conflict, this table does not take into account the effects of this crisis.

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

Dettingen/Erms, March 24, 2022

The Management Board

Dr. Stefan Wolf
CEO

Theo Becker

Thomas Jessulat

Reiner Drews

ElringKlinger has a global presence and, while the Earth turns, there will always be sites where offices and production lines are up and running. This activity is also reflected in the company's global flow of goods. But how can these worldwide material flows actually be maintained at all times in the face of growing challenges affecting supply chains? Read more about it in our »Material flows« article in the 2022 issue of »pulse« magazine.

03

Consolidated Financial Statements of ElringKlinger AG

FOR THE FINANCIAL YEAR 2021

Group Income Statement

of ElringKlinger AG, January 1 to December 31, 2021

EUR k	Note	2021	2020
Sales revenue	**(1)**	**1,624,389**	**1,480,438**
Cost of sales	(2)	-1,273,380	-1,195,526
Gross profit		**351,009**	**284,912**
Selling expenses	(3)	-120,768	-107,032
General and administrative expenses	(4)	-83,553	-72,576
Research and development costs	(5)	-64,855	-63,758
Other operating income	(6)	32,655	9,827
Other operating expenses	(7)	-12,458	-23,637
Operating result/EBIT		**102,030**	**27,736**
Finance income		30,703	29,370
Finance costs		-28,903	-63,901
Share of result of associates	(8)	-3,074	-6,761
Net finance costs	**(9)**	**-1,274**	**-41,292**
Earnings before taxes		**100,756**	**-13,556**
Income tax expense	(10)	-46,201	-26,419
Net income		**54,555**	**-39,975**
of which: attributable to non-controlling interests	(22)	-1,174	828
of which: attributable to shareholders of ElringKlinger AG	**(22)**	**55,729**	**-40,803**
Basic and diluted earnings per share in EUR	(11)	0.88	-0.64

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to December 31, 2021

EUR k	2021	2020
Net income	**54,555**	**-39,975**
Currency translation difference	12,040	-29,519
Share of other comprehensive income of associates	-415	234
Gains and losses that can be reclassified to the income statement in future periods	**11,625**	**-29,285**
Remeasurement of defined benefit plans, net	11,476	-7,376
Gains and losses that cannot be reclassified to the income statement in future periods	**11,476**	**-7,376**
Other comprehensive income after taxes	**23,101**	**-36,661**
Total comprehensive income	**77,656**	**-76,636**
of which: attributable to non-controlling interests	-199	334
of which: attributable to shareholders of ElringKlinger AG	**77,855**	**-76,970**

Group Statement of Financial Position

of ElringKlinger AG, as at December 31, 2021

EUR k	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Intangible assets	(12)	215,584	201,071
Property, plant and equipment	(13)	938,581	939,953
Financial assets	(14)	15,532	15,088
Shares in associates	(8)	13,690	17,179
Non-current income tax assets	(15)	887	335
Other non-current assets	(15)	42,286	4,320
Deferred tax assets	(10)	31,750	23,763
Contract performance costs	(16)	7,944	9,784
Non-current contract assets	(17)	804	717
Non-current assets		**1,267,058**	**1,212,210**
Inventories	(18)	354,321	300,503
Current contract assets	(17)	8,591	9,725
Trade receivables	(19)	233,478	231,249
Current income tax assets	(19)	15,769	4,889
Other current assets	(19)	100,883	71,436
Cash and cash equivalents	(20)	109,900	127,852
Current assets		**822,942**	**745,654**
Assets held for sale	(21)	0	5,249
		2,090,000	**1,963,113**

EUR k	Note	Dec. 31, 2021	Dec. 31, 2020
LIABILITIES AND EQUITY			
Share capital		63,360	63,360
Capital reserves		118,238	118,238
Revenue reserves		740,054	684,325
Other reserves		-17,919	-88,653
Equity attributable to the shareholders of ElringKlinger AG	**(22)**	**903,733**	**777,270**
Non-controlling interest in equity	(23)	78,564	35,617
Equity		**982,297**	**812,887**
Provisions for pensions	(24)	140,696	156,935
Non-current provisions	(25)	16,502	19,793
Non-current financial liabilities	(26)	357,109	391,920
Non-current contract liabilities	(27)	712	7,609
Deferred tax liabilities	(10)	23,952	13,692
Other non-current liabilities	(28)	7,262	7,346
Non-current liabilities		**546,233**	**597,295**
Current provisions	(25)	60,050	26,905
Trade payables	(28)	185,599	128,920
Current financial liabilities	(26)	135,521	205,257
Current contract liabilities	(27)	16,024	31,159
Tax payable	(10)	19,297	33,278
Other current liabilities	(28)	144,979	125,493
Current liabilities		**561,470**	**551,012**
Liabilities relating to assets held for sale	(21)	0	1,919
		2,090,000	**1,963,113**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to December 31, 2021

EUR k	Share capital	Capital reserves	Revenue reserves	
Balance as of Dec. 31, 2019	**63,360**	**118,238**	**725,128**	
Dividend distribution				
Total comprehensive income			**-40,803**	
Net income			-40,803	
Other comprehensive income				
Balance as of Dec. 31, 2020	**63,360**	**118,238**	**684,325**	
Balance as of Dec. 31, 2020	**63,360**	**118,238**	**684,325**	
Dividend distribution				
Shares of non-controlling interests*				
Total comprehensive income			**55,729**	
Net income			55,729	
Other comprehensive income				
Balance as of Dec. 31, 2021	**63,360**	**118,238**	**740,054**	

*Share of Plastic Omnium in EKPO Fuel Cell Technologies

	Other reserves					
	Remeasurement of defined benefit plans, net	Equity impact of controlling interests	Currency translation differences	Equity attributable to the shareholders of ElringKlinger AG	Non-controlling interests in equity	Group equity
	-52,909	**-422**	**845**	**854,240**	**36,980**	**891,220**
				0	-1,697	-1,697
	-7,223		**-28,944**	**-76,970**	**334**	**-76,636**
				-40,803	828	-39,975
	-7,223		-28,944	-36,167	-494	-36,661
	-60,132	**-422**	**-28,099**	**777,270**	**35,617**	**812,887**
	-60,132	**-422**	**-28,099**	**777,270**	**35,617**	**812,887**
				0	-7,232	-7,232
		48,608		48,608	50,378	98,986
	11,401		**10,725**	**77,855**	**-199**	**77,656**
				55,729	-1,174	54,555
	11,401		10,725	22,126	975	23,101
	-48,731	**48,186**	**-17,374**	**903,733**	**78,564**	**982,297**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to December 31, 2021

EUR k	Note	2021	2020
Earnings before taxes		100,756	-13,556
Depreciation/amortization (less write-ups) of non-current assets	(12)–(14)	113,787	153,719
Net interest	(9)	8,537	15,812
Change in provisions		26,274	8,581
Gains/losses on disposal of non-current assets		-99	4,596
Share of result of associates		3,074	6,761
Change in inventories, trade receivables and other assets not resulting from financing and investing activities		-34,313	54,278
Change in trade payables and other liabilities not resulting from financing and investing activities		39,960	3,147
Income taxes paid	(10)	-68,433	-18,310
Interest paid		-9,176	-15,388
Interest received		1,576	831
Other non-cash expenses and income		-25,832	17,322
Net cash from operating activities		**156,111**	**217,793**
Proceeds from disposals of property, plant and equipment and intangible assets		3,784	17,919
Proceeds from disposals of financial assets		7,879	3,005
Proceeds from the disposal of subsidiaries less cash		14,450	0
Payments for investments in intangible assets	(12)	-17,946	-13,708
Payments for investments in property, plant and equipment	(13)	-69,978	-57,309
Payments for investments in financial assets	(14)	-11,226	-10,520
Net cash from investing activities		**-73,037**	**-60,613**
Proceeds from non-controlling interests for the acquisition of shares		30,040	0
Dividends paid to shareholders and to non-controlling interests		-7,232	-1,697
Proceeds from the addition of long-term loans	(26)	140,567	104,536
Payments for the repayment of long-term loans	(26)	-252,215	-287,765
Change in current loans		-17,958	29,153
Net cash from financing activities		**-106,798**	**-155,773**
Changes in cash		-23,724	1,407
Effects of currency exchange rates on cash		5,772	-8,991
Cash at beginning of period	(20)	127,852	135,450
Cash at end of period		109,900	127,866
Minus cash attributable to assets held for sale		0	-14
Cash at end of period	**(20)**	**109,900**	**127,852**

Notes to the Consolidated Financial Statements

for the Financial Year 2021

General information

As parent company of the Group, ElringKlinger AG is filed in the commercial register of the local court of Stuttgart (Amtsgericht) under the number HRB 361242. The Company is domiciled in Dettingen/Erms (Germany). The address is ElringKlinger AG, Max-Eyth-Str. 2, 72581 Dettingen/Erms. The Articles of Association are dated May 18, 2021. The registered company name is ElringKlinger AG.

The financial year is the calendar year.

The object of ElringKlinger AG and its subsidiaries (the "ElringKlinger Group") is the development, manufacture and distribution of technical and chemical products, in particular of gaskets, sealing materials, plastic products and modules for the automotive sector and for the manufacturing industry in general. The Company also offers services relating to the technology used in its products. The corporate object also encompasses the administration and commercial exploitation of landed property.

Accounting principles

The consolidated financial statements of ElringKlinger AG as of December 31, 2021, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Interpretations Committee (IFRS IC), the supplementary commercial law regulations pursuant to Section 315e (1) German Commercial Code (Handelsgesetzbuch, "HGB") and the provisions of German commercial and stock corporation law. ElringKlinger AG's Articles of Association contain regulations on profit appropriation. All IASs, IFRSs and IFRICs mandatory for the financial year 2021 have been observed.

On March 24, 2022, the Management Board of ElringKlinger AG submitted the consolidated financial statements for approval by the Supervisory Board, which also convenes on March 24, 2022.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euro (EUR k).

The income statement was prepared in accordance with the cost of sales method. In order to enhance the clarity of presentation, various items in the consolidated statement of financial position and in the consolidated income statement have been combined.

The following regulations and amendments to existing regulations were applied for the financial year 2021 for the first time:

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
Amendments to IFRS 4 (June 2020)	Extension of the temporary exemption from the application of IFRS 9	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (August 2020)	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to IFRS 16 (March 2021)	COVID-19-Related Rent Concessions beyond June 30, 2021	April 1, 2021

The first-time application of the regulations listed in the table had no or no material effect on the presentation of financial performance, net assets and cash position of the ElringKlinger Group.

The following regulations or amendments of existing provisions are not yet mandatory and have not been applied by the ElringKlinger Group:

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
Incorporated in European law		
Amendments to IFRS 3 (May 2020)	References to the Conceptual Framework	January 1, 2022
Amendment to IAS 16 (May 2020)	Proceeds before Intended Use	January 1, 2022
Amendment to IAS 37 (May 2020)	Onerous contracts – Costs to fulfill a contract	January 1, 2022
Annual Improvements Project (May 2020)	Improvements Project (2018–2020)	January 1, 2022
IFRS 17 Insurance Contracts and amendments to IFRS 17 (May 2017/June 2020)	Insurance Contracts and amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 (February 2021)	Disclosure of Accounting Policies	January 1, 2023
Amendment to IAS 8 (February 2021)	Definition of Accounting Estimates	January 1, 2023
Incorporation in European law still outstanding		**Endorsement expected**
Amendment to IAS 1 (January/July 2020)	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendment to IAS 12 (May 2021)	Deferred taxes related to assets and liabilities arising from a single transaction	January 1, 2023

ElringKlinger will adopt these standards and amendments as of the mandatory date for first-time application. For standards that are yet to be adopted by the EU, the initial date for first-time application is assumed to be the date approved by the IASB.

ElringKlinger, after performing a review, has come to the conclusion that the first-time application of the reporting requirements mentioned in the table will have no or no material effect on the presentation of financial performance, net assets and cash position of the ElringKlinger Group.

Scope of consolidated financial statements

The consolidated financial statements of ElringKlinger AG as of December 31, 2021, include the annual financial statements of 7 (2020: 7) domestic and 31 (2020: 31) foreign subsidiaries in which ElringKlinger AG holds, either directly or indirectly, more than 50% of the shares or is able to control the entity's financial and business policy for other reasons. Inclusion begins at the time the control relationship comes into being and ends when control is deemed to no longer exist.

The 24.71% share in hofer AG, Nürtingen, Germany, is recorded as an associate in non-current group assets, as ElringKlinger has a significant influence on the business and financial policies. A significant influence in assumed for associates with voting rights ranging from 20% to 50%. As of December 31, 2021, the following companies made use of the exemption provisions provided by Section 264 (3) HGB:

- ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen,
- ElringKlinger Logistic Service GmbH, Rottenburg/Neckar,
- Kochwerk Catering GmbH, Dettingen/Erms,
- Elring Klinger Motortechnik GmbH, Idstein.

By resolution of the Annual General Shareholders' Meeting from March 1, 2021, EK Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany, was renamed into EKPO Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany. In addition, the French automotive supplier Plastic Omnium, based in Levallois, France, acquired 40% of the shares, reducing the shares held by ElringKlinger AG in the company from 100% to 60%. ElringKlinger also contributed its fuel cell technology portfolio to the company as part of a non-cash contribution. Plastic Omnium, in turn, agreed to contribute EUR 100,000 k to the company, EUR 30,000 k of which was paid at closing of the transaction; the outstanding contribution is recognized at present value in other assets.

With the exception of the sale of ElringKlinger Fuelcell Systems Austria GmbH, based in Wels, Austria, the new formation of ElringKlinger Holding USA, Inc., based in Buford, USA, and ElringKlinger Texas, LLC, based in San Antonio, USA, and the merger of EKASER, S.A. de C.V., based in Toluca, Mexico, with ElringKlinger México, S.A. de C.V., based in Toluca, Mexico, there were no other changes in the basis of consolidation compared to the reporting date December 31, 2020.

An overview of the 38 companies included in the consolidated financial statements of the parent company is provided below.

Schedule of shareholdings and scope of consolidation

as of December 31, 2021

Name of company	Registered office	Share of capital in %
Parent company		
ElringKlinger AG[1]	Dettingen/Erms	
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Domestic (Germany)		
Gedächtnisstiftung KARL MÜLLER BELEGSCHAFTSHILFE GmbH	Dettingen/Erms	100.00
Elring Klinger Motortechnik GmbH	Idstein	92.86
ElringKlinger Logistic Service GmbH	Rottenburg/Neckar	96.00
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen	77.50
hofer powertrain products GmbH	Nürtingen	53.00
KOCHWERK Catering GmbH	Dettingen/Erms	100.00
EKPO Fuel Cell Technologies GmbH	Dettingen/Erms	60.00

Name of company	Registered office	Share of capital in %
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Foreign		
ElringKlinger Abschirmtechnik (Switzerland) AG	Sevelen (Switzerland)	100.00
Elring Klinger (Great Britain) Ltd.	Redcar (UK)	100.00
hofer powertrain products UK Ltd.	Warwick (UK)	53.00
ElringKlinger Italia Srl	Settimo Torinese (Italy)	100.00
ElringKlinger Hungary Kft.	Kecskemét-Kádafalva (Hungary)	100.00
Elring Parts Ltd.	Gateshead (UK)	100.00
Elring Klinger, S.A.U.	Reus (Spain)	100.00
ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş.	Bursa (Turkey)	100.00
ElringKlinger Meillor SAS	Nantiat (France)	100.00
HURO Supermold S.R.L.	Timisoara (Romania)	100.00
ElringKlinger Canada, Inc.	Leamington (Canada)	100.00
ElringKlinger Holding USA, Inc.	Buford (USA)	100.00
ElringKlinger USA, Inc.[2]	Buford (USA)	100.00
ElringKlinger Automotive Manufacturing, Inc.[2]	Southfield (USA)	100.00
ElringKlinger Manufacturing Indiana, Inc.[2]	Fort Wayne (USA)	100.00
ElringKlinger Silicon Valley, Inc.[2]	Fremont (USA)	100.00
ElringKlinger Texas, LLC[2]	San Antonio (USA)	100.00
Elring Klinger México, S.A. de C.V.	Toluca (Mexico)	100.00
Elring Klinger do Brasil Ltda.	Piracicaba (Brazil)	100.00
ElringKlinger South Africa (Pty) Ltd.	Johannesburg (South Africa)	100.00
ElringKlinger Automotive Components (India) Pvt. Ltd.	Ranjangaon (India)	100.00
Changchun ElringKlinger Ltd.	Changchun (China)	88.00
ElringKlinger Korea Co., Ltd.	Gumi-si (South Korea)	100.00
ElringKlinger China, Ltd.	Suzhou (China)	100.00
ElringKlinger Chongqing Ltd.	Chongqing (China)	100.00
ElringKlinger Engineered Plastics North America, Inc.[3]	Buford (USA)	77.50
ElringKlinger Engineered Plastics (Qingdao) Co., Ltd.[3]	Qingdao (China)	77.50
ElringKlinger Marusan Corporation[4]	Tokyo (Japan)	50.00
Marusan Kogyo Co., Ltd.[5]	Tokyo (Japan)	23.45
PT. ElringKlinger Indonesia[6]	Karawang (Indonesia)	50.00
ElringKlinger (Thailand) Co., Ltd.[6]	Bangkok (Thailand)	50.00
Shares in associates (accounted for using the equity method in the consolidated financial statements)		
Germany		
hofer AG	Nürtingen	24.71

[1] ElringKlinger AG prepares consolidated financial statements for the largest and the smallest group of subsidiaries to be consolidated.
[2] Wholly owned subsidiary of ElringKlinger Holding USA, Inc.
[3] Wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH.
[4] Consolidated due to contractual possibility of exercising control.
[5] 46.9% subsidiary of ElringKlinger Marusan Corporation, consolidated due to majority of voting rights
[6] Wholly owned subsidiary of ElringKlinger Marusan Corporation.

Notes on non-controlling interests in subsidiaries

ElringKlinger AG holds controlling interests of 77.5% (unchanged) in ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen, Germany, with its two subsidiaries.

- ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd., Qingdao, China
- ElringKlinger Engineered Plastics North America, Inc., Buford, USA,

(Together the EKT subgroup). The non-controlling interests amount to 22.5%.

The share in the earnings of this subgroup attributable to non-controlling interests for the financial year 2021 is EUR 3,453 k (2020: EUR 1,973 k).

A dividend of EUR 4,500 k (2020: EUR 0 k) was distributed to the subgroup's non-controlling interests in financial year 2021.

Cash flow of the subgroup
EUR k

	2021	2020
Operating activities	21,519	16,737
Investing activities	-3,432	-4,522
Financing activities	-18,538	-12,498
Changes in cash	**-451**	**-283**
Effects of currency exchange rates on cash	**314**	**-77**

ElringKlinger Kunststofftechnik GmbH is integrated in the monetary transactions of the ElringKlinger Group. Cash and cash equivalents are continuously made available to or called from ElringKlinger AG. They are reported under cash flow from financing activities.

Summarized key financial information of the subgroup
EUR k

	2021	2020
Non-current assets	62,251	63,852
Current assets	70,371	68,667
Non-current liabilities	17,100	17,107
Current liabilities	17,210	12,727
Revenue	116,955	99,270
Earnings before taxes (EBT)	20,118	12,113
Net income	**14,312**	**8,768**
Total comprehensive income	**15,629**	**7,849**

Further detailed information
EUR k

	2021	2020
Cash and cash equivalents	**3,517**	**3,653**
Cash in hand	8	7
Bank deposits	3,509	3,646
Non-current financial liabilities	**1,414**	**433**
Current financial liabilities	**381**	**323**
Interest income	**526**	**429**
Interest expenses	**57**	**107**
Depreciation and amortization	**6,317**	**6,297**

Newly formed companies 2021

ElringKlinger Holding USA, Inc. with its registered office in Buford, Georgia, USA, a wholly owned subsidiary of ElringKlinger AG, with its registered office in Dettingen/Erms, Germany, was founded with effect from July 1, 2021. ElringKlinger Texas, LLC, based in San Antonio, Texas, USA, a wholly owned subsidiary of ElringKlinger Holding USA, with its registered office in Buford, Georgia, USA, was also founded with effect from July 1, 2021.

Divestitures 2021

The Group's strategic focus is primarily on areas of the future: lightweighting, electromobility, electric drive systems and fuel cell technology. Against this background, in the future the Group will work together with the French automotive supplier Plastic Omnium, based in Levallois, France, to further accelerate the hydrogen-based fuel cell technology. In October 2020, the Group reached an agreement with Plastic Omnium on the sale in full of the subsidiary ElringKlinger Fuelcell Systems Austria GmbH, based in Wels, Austria, which specializes in fuel cell technology solutions, for a purchase price of EUR 13,449 k. The acquisition agreement was signed on October 28, 2020. The transaction was closed on March 1, 2021. The net gain on disposal of EUR 11,302 k is included in other operating income. As part of the agreement, the buyer also assumed a short-term group loan of EUR 1,376 k.

Mergers 2021

With effect from October 31, 2021, EKASER, S.A. de C.V., based in Toluca, Mexico, a wholly owned subsidiary of ElringKlinger AG, domiciled in Dettingen/Erms, Germany, was merged into ElringKlinger México, S.A. de C.V., based in Toluca, Mexico.

Newly formed companies 2020

EK Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany, a wholly owned subsidiary of ElringKlinger AG, was founded with effect from October 28, 2020.

Divestitures 2020

No divestitures were made.

Mergers 2020

With effect from October 31, 2020, Technik-Park Heliport Kft., based in Kecskemét-Kádafalva, Hungary, a wholly owned subsidiary of ElringKlinger AG, domiciled in Dettingen/Erms, Germany, was merged into ElringKlinger Hungary Kft., based in Kecskemét-Kádafalva, Hungary.

Summary of the principal accounting and measurement methods

The consolidated financial statements were prepared on the basis of historical acquisition and manufacturing costs with the exception of assets and liabilities for which measurement at fair value is mandatory in accordance with IFRS.

The fundamental accounting and measurement methods applied in preparing the consolidated financial statements are described below:

Consolidation methods

Assets and liabilities of the domestic and foreign companies included in the consolidated financial statements are recognized and measured according to the accounting policies that apply uniformly across the ElringKlinger Group.

Upon acquisition of a company, the assets and liabilities of the subsidiaries acquired are measured at their fair value at the time of acquisition. If the purchase price of the interest exceeds the identified assets and liabilities to be measured at fair value, the excess is capitalized as goodwill. If the difference is negative, the identifiable assets and liabilities are remeasured, as are the acquisition costs.

Any remaining negative difference is recorded in income.

Any hidden reserves and liabilities that have been uncovered are rolled forward, depreciated, or released together with the corresponding assets or liabilities. Goodwill is not amortized, but is subject to annual impairment testing.

If additional shares of an already fully consolidated subsidiary are acquired, the difference between the purchase price and carrying amount of non-controlling interests is recognized through other comprehensive income.

The minority interest in subsidiaries held by shareholders outside the Group must be shown as a separate line item under group equity.

Net income for the year for subsidiaries acquired or sold in the course of the year are included in the group income statement from the effective time of acquisition or until the effective time of divestment.

The financial year of all consolidated companies, except the Indian subsidiary (March 31), corresponds to the financial year of the parent company. If the reporting dates differ, interim financial statements are prepared as of the reporting date of the parent company.

All receivables, liabilities, sales revenue, other income and expenses within the scope of consolidation are eliminated. Accumulated gains and losses from intercompany supplies are eliminated from inventories or non-current assets.

Investments in associates

Associates are measured at their share of equity using the equity method and initially recognized along with their acquisition costs, including the transaction costs. The Group’s share in the associate’s net profit or loss for the period is recognized separately in the consolidated income statement as a share of the financial result. The share in other comprehensive income is recognized directly in group equity. The cumulative changes after the acquisition date increase or decrease the carrying amount of the investment in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is any objective evidence of impairment of an investment in an associate. If so, the impairment loss is determined as the difference between the recoverable amount of the investment in an associate and its carrying amount, and the loss is recognized through profit or loss as “Share of result of associates.”

Currency translation

The reporting currency of the ElringKlinger Group is the euro.

Foreign currency transactions are translated in the annual financial statements of ElringKlinger AG and its consolidated companies at the rates current as of the transaction date. As of the end of the reporting period, assets and liabilities in foreign currency are measured at the closing rate. Differences arising on translation are posted through profit or loss.

Currency translation differences from monetary items that form part of a net investment in a foreign operation are reported in equity under other comprehensive income until the disposal of the net investment.

The financial statements of the foreign companies are translated into euros since this is the functional currency of the parent company. Since the subsidiaries operate their businesses independently in financial, economic and organizational respects, the functional currency is generally identical to the relevant national currency of the company. The expenses and income from financial statements of entities included in the consolidated financial statements which were originally prepared in foreign currencies are translated at the average rate for the year. The average rate for the year is calculated on the basis of daily rates. Assets and liabilities are translated at the closing rate. Currency differences are reported in other comprehensive income and as a separate item in equity.

In the event of a disposal of a consolidated entity, accumulated currency differences are recorded as part of the gain or loss on sale.

The rates used for currency translation are shown in the table below:

		Closing rate		Average rate	
Currency	**Abbr.**	**Dec. 31, 2021**	**Dec. 31, 2020**	**2021**	**2020**
US dollar (USA)	USD	1.13260	1.22710	1.18156	1.14700
Pound sterling (UK)	GBP	0.84028	0.89903	0.85840	0.88935
Franc (Switzerland)	CHF	1.03310	1.08020	1.07988	1.07090
Canadian dollar (Canada)	CAD	1.43930	1.56330	1.48039	1.53802
Real (Brazil)	BRL	6.31010	6.37350	6.37858	5.99878
Peso (Mexico)	MXN	23.14380	24.41600	24.05156	24.73002
RMB (China)	CNY	7.19470	8.02250	7.60685	7.89749
WON (South Korea)	KRW	1,346.38000	1,336.00000	1,354.65833	1,350.23750
Rand (South Africa)	ZAR	18.06250	18.02190	17.59221	18.91385
Yen (Japan)	JPY	130.38000	126.49000	130.32000	121.88417
Forint (Hungary)	HUF	369.19000	363.89000	358.60833	354.05167
Turkish lira (Turkey)	TRY	15.23350	9.11310	10.81043	8.15792
Leu (Romania)	RON	4.94900	4.86830	4.92511	4.84251
Indian rupee (India)	INR	84.22920	89.66050	87.31348	84.94442
Indonesian rupiah (Indonesia)	IDR	16,100.42000	17,240.76000	16,921.34667	16,743.66083
Bath (Thailand)	THB	37.65300	36.72700	37.89117	35.90242
Swedish krona (Sweden)	SEK	10.25030	10.03430	10.15623	10.48153

Accounting policies

Goodwill

The goodwill is attributable to cash-generating units (segments) as follows:

EUR k	2021	2020
Original Equipment	157,186	153,937
Engineered Plastics	6,313	6,313
Aftermarket	1,658	1,658
Total	**165,157**	**161,908**

Testing for impairment

Annual impairment testing of goodwill is performed as of the reporting date on December 31. An impairment is recognized in the consolidated income statement through profit or loss if the recoverable amount, which is the higher of fair value less costs of disposal and value in use, is lower than the carrying amount of the cash-generating units.

Impairment of goodwill is not reversed, even if the impairment has ceased to apply. The recoverable amount of the respective cash-generating units for impairment testing as of December 31, 2021, is determined using the respective value in use as present value of forecast future cash inflows. For this purpose, the value in use of the cash-generating unit is determined by discounting future cash flows. A detailed plan of the cash flows for the cash-generating units is established over the forecast period of five years. Subsequent periods are accounted for by a perpetual annuity (terminal value) determined on the basis of the last detailed planning year.

Planning is based on expectations and assumptions of the Management Board regarding future market developments, taking into consideration the business development to date. Significant assumptions relate to the future development of sales revenue and earnings after taxes. Sales revenue and cost planning at the ElringKlinger Group is performed at individual component level.

Both historical data as well as the expected market performance are taken into account for determining the value in use of the cash-generating units. With regard to short-term sales revenue planning, the current order backlog, information on the respective manufacturer and information from independent sources, such as advisory firms or automobile associations, is used. In its sales revenue planning for the medium term, ElringKlinger assumes that it will be able to outpace global growth in automotive production. The figures allocated to the key assumptions are generally in line with external sources of information, e.g., production and expected sales for the respective regional sales markets and customer-specific budgets.

Cost planning takes into account both efficiency gains as well as cost increases.

The cost of capital of the cash-generating units is calculated as the weighted average cost of equity and debt capital. Capital structure, equity and debt capital are based on the Company’s peer group and are derived from the available capital market information. The WACC (weighted average cost of capital) applied in each case is determined on the basis of the risk-free rate according to the method of the IDW [“Institut der Wirtschaftsprüfer in Deutschland e. V.,”: Institute of Public Auditors in Germany], the market risk premium and the beta factor. Beta represents the individual risk of a share as compared to a market index. It is calculated as the average value for the peer group. The credit spread, which expresses the premium over the risk-free rate, was derived from a rating of the peer group.

As in the previous year, the discount rate was used without applying a growth discount to determine the terminal value, i. e., a growth rate of 0% is applied in the model.

The discount factor applied as of December 31, 2021 was the weighted average cost of capital (WACC) before taxes of 9.81% (2020: 10.41%).

The following significant assumptions have been applied for the projections of individual segments:

Original Equipment

The Original Equipment segment was once again directly hit by the effects of the coronavirus pandemic in the financial year 2021. Nevertheless, the negative effects were countered, among other things, by implementing cost-cutting measures and the efficiency improvement program that had already been introduced before the coronavirus pandemic. Furthermore, an increase in sales revenue and improved margins were recorded, thus exceeding the targets.

The impairment test as of December 31, 2021, in addition to the historical development of the unit, included the development of the peer group as well as the general market outlook. The strategy of the Management Board is still to capture further market share, to increase the sales revenue and to implement margin improvements. Therefore, in the planning period it was assumed that margin improvements can also be realized with rising sales and the margins will again be higher than the margins of the peer group. Furthermore, ElringKlinger is expecting changes in demand arising from the transformation of the automotive industry, which may prove beneficial.

Engineered Plastics

Among other things, due to a very positive market response and successful development in the past financial years, the Engineered Plastics segment in its planning still assumes an increase in sales revenue and a constant positive development in margin.

Aftermarket

The planning of the Aftermarket segment also assumes an increase in sales revenue and the related constant positive development in margin. The planned growth is to be realized through further expansion of business relationships with existing and new customers.

The impairment test performed as of December 31, 2021 did not result in any impairment of goodwill.

The value in use, determined on the basis of the abovementioned assumptions for the Original Equipment segment, exceeds the carrying amount by around EUR 111 million. Changes in cost of capital or profit margin can meanwhile lead to the situation where the carrying amount exceeds the recoverable amount. In the case of an isolated increase in cost of capital by around 0.5 percentage points, the recoverable amount would correspond to the carrying amount. An isolated reduction of the profit margin in the terminal value by around 0.5 percentage point would have the same effect.

Intangible assets

Purchased intangible assets, mainly patents, licenses and software, are recognized at cost.

Internally generated intangible assets, with the exception of goodwill, are capitalized if it is sufficiently probable that use of the asset is associated with a future economic benefit, the costs of the asset can be determined reliably, and the technical and economic feasibility along with the ability and intent to market it are ensured.

The manufacturing costs of internally generated intangible assets are determined on the basis of directly attributable individual costs as well as their proportion of attributable overheads. The revaluation method, which is also permitted, is not applied.

All intangible assets in the Group – with the exception of goodwill – have determinable useful lives and are amortized over these useful lives using the straight-line method. Patents, licenses and software generally have useful lives of ten years. Capitalized development costs and basic standard software have useful lives of five years. If the actual useful life is materially longer or shorter than ten or five years, this actual useful life is recognized.

For developments subsidized by the EU as part of IPCEI (Important Project of Common European Interest), the capitalization is reduced by the subsidies received (net method).

Property, plant and equipment

Tangible assets used in business operations for a period longer than one year are measured as property, plant and equipment at cost less straight-line depreciation in accordance with their useful life as well as any necessary impairment. The manufacturing cost of self-constructed property, plant and equipment is determined on the basis of directly attributable individual costs and their proportion of attributable overheads. The revaluation method, which is also permitted, is not applied.

Depreciation is calculated throughout the Group based on the following useful lives:

Class of property, plant and equipment	Years
Buildings	15 to 40
Plant and machinery	12 to 15
Special tooling	3
Operating and office equipment	3 to 15

The useful lives and the depreciation methods and residual carrying amounts are reviewed regularly in order to ensure that the depreciation method and period are consistent with the expected consumption of the economic benefit.

Impairment of property, plant and equipment and intangible assets other than goodwill

Pursuant to IAS 36, property, plant and equipment and intangible assets are subjected to impairment testing at the end of each reporting period or if there is evidence of impairment. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized to the recoverable amount. The recoverable amount is the higher of the following two amounts: the net realizable value less anticipated costs to sell or the value in use. If the recoverable amount for an individual asset cannot be determined, an estimate of the recoverable amount is made at the next higher level cash-generating unit.

Impairment losses are generally allocated in proportion to the carrying amount to the non-current assets of the cash-generating unit.

In the event that the recoverable amount exceeds the carrying amount in subsequent periods, a reversal is recognized up to, at most, amortized cost.

Impairments and reversals of impairments are recorded through profit or loss.

Assets and liabilities held for sale

Assets held for sale or asset and liability groups related to assets held for sale are classified as "held for sale" and recognized separately in the statement of financial position if the corresponding carrying amount is mostly realized by the sale transaction and not by its continued use. In this case, the sale must be concluded and its completion should be highly probable within one year. Assets held for sale and related liabilities are recognized at the lower of the carrying amount and fair value less costs to sell. Depreciation ceases when an asset is classified as held for sale.

Financial instruments

According to IFRS 9, financial assets are measured at either amortized cost or fair value, depending on the business model of the Group with regards to the control and on the cash flow characteristics of financial assets.

Debt instruments are measured **at amortized cost** if they meet two conditions. First, for a financial asset the business model determines collecting cash flows from the financial asset exclusively. Second, the contractual terms determine specified dates that are solely for payments of interest and principal on the principal amount outstanding. By contrast, if the business model does not exclusively provide for the collection of cash flows, but also the sale of financial assets, then a financial asset is measured **at fair value through other comprehensive income.** If these conditions are not fulfilled, it is measured **at fair value through profit or loss.** However, there is an option for first-time recognition to designate the financial asset as **at fair value through profit or loss,** provided this designation eliminates or significantly reduces the accounting mismatch. This option was not exercised in the Group.

In general, equity instruments are measured **at fair value through profit or loss,** as they do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. An exception is formed by equity instruments that are not held for trading. In this context, there is an option for first-time recognition to designate equity instruments as measured at fair value through other comprehensive income. In this case, the changes in value recognized in other comprehensive income upon derecognition of the equity investment cannot be reclassified to profit or loss.

Financial instruments held within the Group are divided into the following categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Financial liabilities measured at amortized cost
- Financial liabilities measured at fair value through profit or loss

At their acquisition date, financial instruments are categorized on the basis of their intended use.

Financial assets include cash and cash equivalents, trade receivables, financial investments, long-term securities, other loans granted and receivables as well as derivative financial assets held for trading.

The financial liabilities include trade payables, liabilities to banks, derivative financial liabilities held for trading as well as other financial liabilities.

Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Groups' business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Derivatives are recognized on the trade date; all other regular way purchases and sales of financial assets are recognized in the statement of financial position on the settlement date.

The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets. If market prices are not available, the fair values are calculated using recognized measurement models and with recourse to current market parameters. The measurement methods include using the most recent transactions between knowledgeable, willing and independent business partners (i. e., at arm's length), comparison with a current fair value of another, substantially identical, financial instrument and the analysis of discounted cash flows.

A financial asset is derecognized if the contractual rights to receive cash flows from this financial asset have expired or have been transferred. In the framework of the transfer, essentially all risks and rewards connected with ownership of the financial asset or the power of control over the asset must be transferred.

Financial assets resulting from money transfer, the rendering of services or the procurement of merchandise or services involving third parties are classified as **financial assets measured at amortized cost.** Current assets classified in this category are measured at acquisition cost, the non-current financial assets are measured at amortized cost in accordance with the effective interest method.

Financial assets acquired for the purpose of sale in the near future (financial instruments held for trading) are recognized **at their fair value through profit or loss.** Equity instruments not held for trading are also measured at fair value through profit or loss, provided the option to recognize at fair value through other comprehensive income is not exercised at the time of first-time recognition. Debt instruments, which do not pass the business model assessment or have the characteristics of cash flows, are also measured at fair value through profit or loss.

Debt instruments are measured **at fair value through other comprehensive income** if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon initial recognition of equity instruments, it may also be elected to irrevocably classify them as at fair value through other comprehensive income if they fulfill the definition of equity according to IAS 32 and are not held for trading.

Cash and cash equivalents include cash in hand, bank deposits and short-term deposits with an original term of less than three months, and are measured at amortized cost.

Applying the expected credit loss model (ECL), the future expected credit loss is material for impairment losses in accordance with IFRS 9. Valuation allowances will be recognized for all financial assets measured at historical cost as well as for debt instruments measured at fair value through other comprehensive income. For the measurement, external measurement sources are consulted for the counterparties. IFRS 9 outlines a three-step model. A risk provision will either be recognized on the basis of the 12-month expected credit loss (step I) or on the basis of the lifetime expected credit loss, if the credit risk has significantly increased since the first-time recognition (step II) or if there is a deterioration in the credit rating (step III). The changes in measurement between the individual steps are determined according to external ratings and based on the model of established rating agencies: investment grade (step I), speculative grade (step II) and risk/default grade (step III).

The simplified procedure is applied to trade receivables. According to this, expected credit losses are calculated over the entire lifetime of receivables.

Impairments on doubtful receivables involve to a considerable extent estimates and judgments of the individual receivables based on the creditworthiness of the customer concerned. Should this not be possible or appropriate under certain circumstances, an average rating (which is based on the average of all the ratings obtained in the reporting period) is applied. ElringKlinger considers this estimate regarding ratings as appropriate.

If there is objective evidence of impairment of loans and receivables (e.g., major financial difficulties on the part of the debtor or negative changes in the market environment of the debtor), these are recognized through profit or loss. The expected credit loss methodology (ECL) in accordance with IFRS 9 applies forward-looking indicators. These not only consider the micro- and macroeconomic aspects, but also the expected development of the individual borrower. To determine risk provisions, ElringKlinger uses the assessment of recognized rating agencies (S&P, Moody's, Fitch etc.). Impairments of trade receivables are initially recognized in an adjustments account. The impaired receivable is derecognized when it is considered unrecoverable. Receivables are deemed to be uncollectible in the case of a "D" rating (according to S&P), or insolvency of the debtor has become known or specific payment defaults have already occurred.

Financial liabilities

Financial liabilities comprise, in particular, trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Upon initial recognition, financial liabilities are measured according to fair value less any transaction costs directly attributable to borrowing.

Financial liabilities are derecognized when the liability on which the obligation is based is settled, terminated or has expired.

At ElringKlinger, **financial liabilities measured at amortized cost** include trade payables, liabilities to banks and other financial liabilities. They are measured at amortized cost using the effective interest method. Gains or losses are recognized through profit or loss when the liability is retired or has been redeemed.

Financial liabilities measured at fair value through profit or loss comprise the financial liabilities held for trading purposes, in this case, derivatives, including any embedded derivatives that have been separated from the host contract, if applicable, since these do not qualify for hedge accounting as a hedging instrument. Gains or losses are recognized through profit or loss.

Other current liabilities

ElringKlinger agreed on a call and put option with the non-controlling shareholders for their share as part of the agreements with minority interests of ElringKlinger Marusan Corporation, based in Tokyo, Japan. The obligation that results from this agreement is recognized at the fair value of the shares under other current liabilities with an effect on income. ElringKlinger Marusan Corporation is therefore fully consolidated in the ElringKlinger Group; non-controlling interests have not been disclosed.

Derivative financial instruments and hedge accounting

Under IFRS 9, all derivative financial instruments such as currency, price and interest swaps as well as forward exchange transactions, must be recognized at market values, independently of the purpose or the intent of the agreement under which they were concluded. Since hedge accounting is not applied in the ElringKlinger Group, the changes in the fair value of the derivative financial instruments are always recognized through profit or loss for the period.

The derivative financial instruments used in the ElringKlinger Group are price hedges. The purpose of derivative financial instruments is to reduce the negative effects of interest and price risks on the financial performance, net assets and cash position of the Group. As of the reporting date, there were forward contracts for nickel and currency derivatives at ElringKlinger AG, as well as for the commodities electricity and gas at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH, ElringKlinger Hungary Kft. and ElringKlinger South Africa (Pty) Ltd.

Since the hedging relationships are subject to a contractually agreed fixed interest rate, the Interest Rate Benchmark Reform does not have any significant effects.

Costs to fulfill a contract

According to IFRS 15, the costs that are not within the scope of another standard can be recognized as an asset, if the costs relate directly to a contract and generate or enhance resources that will be used in satisfying future performance obligations of a contract, and they are expected to be recovered as part of a contract.

Costs to fulfill a contract are determined on the basis of directly attributable individual costs and their proportion of attributable overheads.

The capitalized contract costs are amortized on a systematic basis that is consistent with the entity’s transfer of control of the related goods or services to the customer. Amortization is recognized in cost of sales.

Furthermore, costs to fulfill a contract are amortized with effect on income if the carrying amount of an asset recognized exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services.

Contract assets and contract liabilities

A contract asset is the conditional right to consideration in exchange for goods or services already transferred to the customer. Contract assets are reported as receivables when they have been billed.

Contract liabilities are recognized for prepayments received from customers before performing the contractually agreed service. On satisfying the performance obligations, these contract liabilities are recognized as revenue.

Inventories

Inventories are recognized at cost or the lower net realizable value. Raw materials, consumables and supplies as well as merchandise are measured at the average amortized cost. Cost of conversion of work in progress and finished goods is determined on the basis of directly attributable individual costs and their proportion of production overheads. The proportion of overhead cost attributable to these products is determined on the basis of normal staffing levels. Cost of conversion does not include selling expenses and borrowing cost. Administrative expenses are included in cost of conversion if related to production. Net realizable value represents the estimated sales price less all estimated costs through to completion as well as the cost of marketing, sales and distribution. Markdowns are recorded for detectable impairment due to lack of marketability and quality defects, and to account for declining sales prices.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, checks and bank deposits available on demand. There are cash equivalents. Cash is recognized at amortized cost.

Provisions for pensions

Provisions for pensions are calculated on the basis of the projected unit credit method in accordance with IAS 19 (revised 2011). The calculation considers not only the pensions and vested claims known at the end of the reporting period but also future anticipated increases in pensions and salaries, with appropriate estimates of the relevant factors, as well as biometric assumptions, for which different discount rates are used.

Actuarial gains and losses resulting from the difference between the expected and actual accounting changes in headcount, as well as differences arising from changes to accounting assumptions, are recognized in full in the period in which they occur. They are recognized outside of the income statement under other comprehensive income.

In determining the discount interest rates, the Company is guided by the interest rates observed in capital markets for corporate bonds with first class credit ratings (AA rating or better) which are denominated in the same currency and have similar terms.

Provisions

Provisions are recorded when a past event gives rise to a present legal or constructive obligation to a third party, utilization of the obligation is probable and the anticipated amount of the obligation can be estimated reliably.

Provisions are recognized for risks arising from litigation if an entity of the ElringKlinger Group is the defendant and the weight of evidence supports a negative outcome. The provision is recognized in the amount that the entity will probably lose in the case of a negative outcome. This amount includes any payments to be made by the entity, particularly compensation and severance payments as well as the expected costs of the lawsuit. In litigation in which the entity itself is the plaintiff, provisions are set up for the cost of the lawsuit only. Provisions for restructuring are recognized in connection with measures that significantly change the scope or nature of performance of the business activity of a business unit. Provisions for restructuring (particularly for benefits relating to the termination of employment relationships) are recognized when the implementation of a detailed and formal plan commences or when it has already been communicated.

The measurement of these provisions is at the present best estimate of the expenses necessary to fulfill the obligation.

If appropriate, the amount of the provision corresponds to the present value of the expenditures expected to be necessary to meet the obligations.

Refund claims are capitalized separately, if applicable. If the Group expects at least a partial refund for a provision, the refund is recognized under other assets if the return of the refund is virtually certain.

Leases

IFRS 16 requires a uniform accounting model for lessees, according to which the lessee is required to recognize a right-of-use asset for all leases as well as a lease liability for the outstanding lease payments. The lease liability is recognized at the present value of the future lease payment, discounted with the term-based incremental rate, and reported under financial liabilities. Reference interest rates for a period of up to 15 years from the return on government bonds in the countries concerned is used to determine the incremental borrowing rate. The reference interest rates are extended by a lease risk premium on the basis of Euler Hermes assessment of the ElringKlinger Group.

The rights of use reported under property, plant and equipment are recognized at cost less accumulated amortization and any accumulated impairment losses necessary. The acquisition cost of the right-of-use asset is determined as the present value of all future lease payments plus the lease payments that are made at or before the beginning of the lease as well as the costs to conclude the contracts and the estimated costs for dismantling or restoring the lease asset. All lease incentives received are deducted.

Practical expedients provided by IFRS 16 are applied for low-value assets and short-term leases (with a term of up to 12 months). The lease payments associated with these leases are charged to profit or loss for the reporting period on a straight-line basis over the lease term. In the statement of cash flows, the payments are reported under cash flow from operating activities.

For sale and leaseback transactions with transfer of control to the buyer (lessor), the leaseback assets are recognized at the pro rata carrying amount which is derived from the leased back pro rata right of use. Accordingly, any gain or loss is only recognized to the extent it relates to the rights transferred to the lessor.

Recognition of income and expense

Sales revenue is measured at the fair value of the transaction price received or to be received and represents the amounts that are to be obtained for goods and services in the normal course of business. Sales revenue is shown net of sales deductions, discounts and value added taxes.

Sales revenue is recorded when the performances due have been rendered and the control has passed to the buyer and receipt of the payment can be reliably expected.

A portion of income from development services is recognized over time because the customer simultaneously receives and consumes the benefits provided by the ElringKlinger Group. The progress of development services is determined using the input method because there is a direct relationship between the effort of the ElringKlinger Group and the transfer of service to the customer. The Group recognizes sales revenue on the basis of the costs incurred relative to the total expected costs to complete the development service.

Revenue from licenses with which ElringKlinger grants customers the right to use its intellectual property (at the time of issuing the license) is recognized on the date the licenses are granted. Considerations that are dependent on certain milestones being reached are recognized in the income statement when it is highly likely that the milestones will be reached.

Interest income is recognized on an accrual basis using the effective interest method.

Dividend income from financial investments is recorded at the time the payment claim arises.

Other income is recognized on an accrual basis in accordance with the substance of the underlying contract.

Operating expenses are recorded in the consolidated income statement at the time of performance or at the time of origination.

Research and development costs

Research costs are expensed at the time they are incurred. The costs for development activities are capitalized provided all of the following criteria are fulfilled:

- The development costs can be determined reliably.
- The product or the process can be realized technically and commercially.
- Future commercial benefits are likely.
- There is the intent and sufficient resources to complete the development and to use or sell the asset.

Capitalized costs are included under intangible assets. Other development costs are recognized as an expense when incurred. Capitalized development costs are amortized over five years.

Government grants

In accordance with IAS 20, government grants are recognized at fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received.

Grants that relate to the acquisition or production cost of assets are generally recognized as deferred income and systematically released to income over the expected useful life of the related asset and reported as other operating income. The item is disclosed in other current and non-current liabilities.

Grants received as part of the European IPCEI initiative are deducted from the carrying amount of capitalized development costs (net method).

Public grants received for expenses incurred (primarily for development projects) are recognized in income in the period they are received and reported as other operating income.

Government grants in connection with the utilization of short-time work allowances and the associated reimbursement of social security contributions are reported in the corresponding personnel expenses of the relevant functional area.

Borrowing costs

Borrowing costs directly associated with the acquisition, construction, or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Interest not capitalized pursuant to IAS 23 is recognized on an accrual basis as an expense using the effective interest method. The actual borrowing costs are capitalized if a financing loan can be definitively assigned to a specific investment. Unless a direct relationship can be established, the Group’s average interest rate for borrowed capital for the current period is used. The Group’s average interest rate for borrowed capital for the financial year 2021 amounted to 1.87% (2020: 2.5%). Borrowing costs of EUR 619 k were capitalized in the financial year (2020: EUR 613 k).

Income taxes and deferred taxes

The income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is determined on the basis of the taxable income for the relevant year. Taxable income differs from earnings before taxes as shown in the income statement, since it excludes expenses and income which will be tax deductible in earlier or later years or those which will never become taxable or tax deductible. The liability of the Group for current tax expense is calculated on the basis of applicable tax rates or tax rates established by law as of the end of the reporting period.

Deferred taxes are the expected tax charges and benefits from the differences in the carrying amounts of assets and liabilities in the tax base of the individual companies compared with the valuations in the consolidated financial statements under IFRS. The balance sheet liability method is applied. Such assets and liabilities are not recognized if the temporary difference is the result of (i) the first-time recognition of goodwill or (ii) the first-time recognition of other assets and liabilities resulting from occurrences (not including business combinations) that do not affect taxable income or earnings before taxes according to the income statement. Deferred taxes are recorded on all deductible temporary differences when it is probable that taxable profits will be available against which the deductible temporary differences can be offset. Otherwise, deferred tax assets are recognized on loss carryforwards to the extent that their future use may be anticipated.

The carrying amount of deferred tax assets is reviewed every reporting date.

Deferred taxes are measured at the future tax rates, i. e., those that are expected to apply at the time of realization.

Changes in deferred tax assets are recognized in the income statement as tax income or expense unless they relate to other comprehensive income or items recognized directly in equity; in these cases, changes in deferred taxes are also reported under other comprehensive income or directly in equity.

Contingent liabilities and contingent receivables

Contingent liabilities are not recognized. They are disclosed in the notes, unless the possibility of an outflow of resources with economic benefit is remote. Contingent receivables are not recognized in the financial statements. If the inflow of economic benefits is probable, they are disclosed in the notes.

Use of estimates

Financial statements are prepared in accordance with the pronouncements of the IASB using estimates which influence valuations of items in the statement of financial position, the nature and the scope of contingent liabilities and contingent receivables as of the end of the reporting period and the amounts of income and expenses in the reporting period. At ElringKlinger, the assumptions and estimates relate mainly to the recognition and measurement of provisions, the measurement of financial liabilities from put options, the measurement of goodwill and the realization of future tax relief. Actual results may deviate from these estimates. Changes are recognized through profit or loss at the time better insights are available.

As the consequences of the coronavirus pandemic worldwide are still unpredictable at present, the estimates and assumptions used are subject to a higher degree of uncertainty, in particular in connection with the recognition of assets and liabilities. However, ElringKlinger is currently expecting that this will be a temporary phenomenon.

While updating the estimates and assumptions, the available information regarding the coronavirus pandemic was taken into account in terms of the expected economic development as well as country-specific measures.

This information was considered when testing the identified cash-generating units and segments for impairment. The value in use determined includes estimates specifically with regard to the forecast of future cash flows. They in turn rely on projections regarding the future demand volume and selling prices as well as on cost forecasts.

Warranty obligations may arise by force of law, by contract or for policy reasons. Provisions are recognized for the expected claims arising from warranty obligations. A claim may be expected especially if the warranty period has not yet expired, if warranty expenses have been incurred in the past, or if there is concrete evidence of warranty incidents being imminent. The warranty risk is determined on the basis of the circumstances from individual estimates or from past experience, and appropriate provisions are recognized.

The measurement of provisions for restructuring is subject to estimates and assumptions, particularly in connection with the level of future severance payments. The estimates are based on historical data customary in the industry. Provisions for potential additional payments and penalties from US import duties stem from the assessment of lawyers and the Management Board on the basis of scenario analyses.

The estimates regarding the realization of future tax relief are based on calculations by external consultants.

The use of estimates for other items in the group statement of financial position and the group income statement are described in the accounting principles for the respective items. This pertains in particular to the matters: Impairments of goodwill and the measurement of pension provisions.

Risks and uncertainties

The economic development can always give rise to sales risks, as the global vehicle markets develop in line with it. If economic development cools down considerably, this represents a risk for demand and ultimately for vehicle production. This could possibly result in lower demand for the product portfolio of the ElringKlinger Group. This curve can be influenced by various factors. Last year, for example, it was shaped by the disruptions in supply chains or shortages of raw materials accompanied by high price levels, which is why the recovery was not as strong as initially expected at the beginning of the year. In addition, there are industry-specific factors such as the bottlenecks for semiconductors which may affect the global automotive production, as was the case in the past year. One of the significant characteristics of the global automotive industry is the far-reaching transformation process, which is ongoing and was accelerated to some extent by the coronavirus pandemic.

In addition to general sales risks there are customer and contract specific risks. They primarily reflect the status of various projects at individual locations. ElringKlinger is neither excessively dependent on individual markets nor on individual manufacturers or individual projects. The Group has a global presence with production and sales locations in 20 countries and, with this broad positioning, has largely protected itself against potential stagnation or waning demand in specific vehicle markets.

An economic slump in a particular region can be offset, at least to some extent, by other regions. Due to its cost structures, ElringKlinger would be able to respond immediately to the market conditions in the event of more severe economic turbulence. The instruments available include flextime accounts and flexible shift models as well as the option to apply for government-subsidized short-time work. Furthermore, it is possible to respond to changing market situations by adjusting the headcount to the demand situation and by combining the production quantities of individual plants. The central purchasing department works in close cooperation with suppliers for the purpose of continuously assessing and adjusting procurement volumes. In addition, the sales department continues to pursue its strategy to tap into new sales markets and further intensify its business with the existing customers.

ElringKlinger generally makes adequate provision for economic risks at the planning stage. A policy of using a cautious macro-economic scenario for budgeting purposes is applied.

In the course of the increasingly noticeable climate change, social as well as political initiatives have been formed in many countries, who put more emphasis on environmental protection and derive and demand appropriate measures from it. Therefore, legislative initiatives can be expected that may affect the automotive industry, including time limits for new registrations of vehicles with combustion engines as well as tighter emission laws. Accordingly, ElringKlinger's research and development activities focus on alternative drive systems and its portfolio is increasingly aligned toward e-mobility.

In connection with the preparation of the consolidated financial statements, the possible effects of the transformation to e-mobility were taken into account, among other things, for the estimate of future net cash inflows for the determination of the recoverable amount as part of impairment testing of goodwill and the estimate of useful lives of property, plant and equipment. This did not result in any significant effects on the consolidated financial statement in the current financial year.

With the approval of grants of EUR 33,769 k as part of the IPCEI initiative, ElringKlinger AG is driving forward the development of battery products. This support presents a new opportunity for the Group to develop new technologies and thus tap into new markets. ElringKlinger AG has to fulfill certain conditions for the utilization of these funds. In case of non-compliance with the conditions, there is a risk that part will have to be repaid. A monitoring process is installed to track and manage this risk. This process helps in immediately identifying variances and initiating countermeasures.

Individual disclosures on the Group Income Statement

1. Sales revenue

EUR k	2021	2020
Lightweighting/Elastomer Technology	500,083	422,591
Metal Sealing Systems & Drivetrain Components*	448,212	410,678
Shielding Technology	269,262	291,074
E-Mobility	58,670	54,739
Exhaust Gas Purification	4,061	6,931
Others	70	52
Segment Original Equipment	**1,280,358**	**1,186,065**
Segment Original Equipment	1,280,358	1,186,065
Segment Aftermarket	214,698	182,473
Segment Engineered Plastics	125,359	107,554
Sales of goods and licensing	**1,620,415**	**1,476,092**
Sale of goods	1,620,415	1,451,592
Proceeds from licensing	0	24,500
Proceeds from the rendering of services	3,956	4,328
Revenue from contracts with customers	**1,624,371**	**1,480,420**
Revenue from contracts with customers	1,624,371	1,480,420
Income from rental and leasehold	18	18
Total	**1,624,389**	**1,480,438**

* Founded as of October 1, 2020; includes the former divisions Cylinder-head Gaskets and Specialty Gaskets

Breakdown by geographical markets:

EUR k	2021	2020
Revenue from contracts with customers	346,694	355,598
Income from rental and leasehold	18	18
Total Germany	**346,712**	**355,616**
Revenue from contracts with customers	1,277,677	1,124,822
Income from rental and leasehold	0	0
Total other countries	**1,277,677**	**1,124,822**
Total	**1,624,389**	**1,480,438**

The location of the customer is used to determine allocation of sales revenue. The division of group sales revenue by segment and region is provided under note (34) Segment reporting.

Contract balances

EUR k	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	233,478	231,249
Contract assets	9,396	10,442
Contract liabilities	16,736	38,768

A contract asset is the right to consideration in exchange for goods or services already transferred to the customer. This mainly takes place through sales revenue that is to be recognized over time. Contract assets are reported as receivables when billed. This is generally performed on a short-term basis within a month.

Contract liabilities include long-term prepayments for customer-specific provisions of additional production capacity and short-term prepayments for customer-specific tools. The decrease in contract liabilities in the financial year 2021 was mainly due to lower prepayments received on account of orders of customer-specific systems and tools of EUR 18,978 k.

Reconciliation of contract balances

The changes in contract assets and contract liabilities in the reporting period result from the following matters:

EUR k	Contract assets	Contract liabilities
As of Jan 1, 2020	**12,403**	**31,992**
Revenue that was included in the contract liability balance at the beginning of the reporting period		19,995
Reclassification of contract assets reported at the beginning of the reporting period to trade receivables	10,891	
Additions from payments received less amounts reported as sales revenue in the reporting period		26,771
Additions from performance completed not yet billed in the reporting period	8,930	
As of Dec. 31, 2020	**10,442**	**38,768**
Revenue that was included in the contract liability balance at the beginning of the reporting period		31,159
Reclassification of contract assets reported at the beginning of the reporting period to trade receivables	9,725	
Additions from payments received less amounts reported as sales revenue in the reporting period		9,127
Additions from performance completed not yet billed in the reporting period	8,679	
As of Dec 31, 2021	**9,396**	**16,736**

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of December 31, 2021 are as follows:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Within one year	5,591	5,079
More than one year	0	1,080

Limited variable consideration is not taken into account in the disclosed amounts. Furthermore, no information is included for performance obligations from contracts with an expected original term of a maximum of one year. Similarly, no disclosures on performance obligations are included that are satisfied over a certain period and for which the entitlement of a consideration is equivalent to the amount that corresponds directly to the value of the performance already completed and for which revenue can be realized to that amount that can be billed.

2. Cost of sales

The cost of sales shows the costs incurred to obtain the sales revenue. Personnel expenses include expenses for the closure of production activities at a location in Germany.

Cost of sales includes:

EUR k	2021	2020
Cost of materials	709,192	622,679
Personnel expenses	352,750	315,062
Depreciation and amortization	98,450	138,398
Reversal of costs to fulfill a contract	2,362	1,809
Other expenses	110,626	117,578
Total	**1,273,380**	**1,195,526**

3. Selling expenses

Compared to 2020, selling expenses increased by EUR 13,736 k to EUR 120,768 k. Selling expenses mainly include personnel expenses, material and marketing costs, as well as depreciation and amortization related to sales activities.

4. General and administrative expenses

General and administrative expenses primarily include personnel expenses and material costs as well as the depreciation and amortization related to the administrative area. Compared to 2020, general and administrative expenses increased by EUR 10,977 k to EUR 83,553 k.

5. Research and development costs

Research and development costs include the personnel expenses, amortization and depreciation and the cost of experimental materials and tools attributable to these activities, unless these are development costs that are required to be capitalized under the conditions set forth in IAS 38.57. Compared to 2020, research and development costs increased by EUR 1,097 k to EUR 64,855 k. Development costs totaling EUR 17,241 k (2020: EUR 12,351 k) were capitalized in the financial year 2021.

6. Other operating income

EUR k	2021	2020
Income from first-time consolidation	11,302	0
Reversal of impairments on receivables	5,741	66
Government grants	3,746	3,631
Reimbursements from third parties	2,658	2,501
Insurance reimbursements/claims reimbursements	2,117	291
Income from the disposal of non-current assets	822	619
Other taxes (excl. income tax)	221	165
Other	6,048	2,554
Total	**32,655**	**9,827**

The reversal of impairment losses on receivables mainly contain reversals of allowances in Germany and China. These are attributable to a change in the risk structure of individual matters.

The insurance indemnification payments primarily relate to claims from fire and water damage incurred in the US.

The "Other" item also contains a refund claim for indirect taxes against the Brazilian state and refund claims against a customer due to arbitration proceedings in China.

7. Other operating expenses

EUR k	2021	2020
Other taxes (excl. income tax)	5,327	4,620
Other fees	1,667	1,900
Impairment of receivables	932	6,005
Defaults on receivables	829	586
Losses from the disposal of non-current assets	728	5,222
Expenditures for claims	383	3,170
Recognition of provisions/deferred liabilities	90	0
Selling costs for machinery	10	444
Other	2,492	1,690
Total	**12,458**	**23,637**

Among other things, the "Other" item includes the continuing involvement from receivables sold and scrapping of assets.

8. Associates

ElringKlinger holds a share of 24.71% in hofer AG, Nürtingen. The hofer Group is a systems developer for drive train systems in the automotive sector. ElringKlinger continues to use the equity method to account for its share in hofer AG in the consolidated financial statements. The following table provides summarized information of the Group's investment in hofer AG.

EUR k	2021	2020
Non-current assets	75,186	57,255
Current assets	77,441	88,098
Non-current liabilities	61,655	5,864
Current liabilities	50,227	84,626
Net assets	**40,745**	**54,863**
Group share 24.71%	10,068	13,557
Goodwill	13,432	13,432
Accumulated impairment previous years	-9,810	-9,810
Impairment current year	0	0
Carrying amount of the Group's share	**13,690**	**17,179**
Revenue	77,005	54,216
Comprehensive income for the financial year	**-10,865**	**-26,414**
thereof other comprehensive income	-1,680	946
Group share in profit/loss	**-2,685**	**-6,527**
Dividends received	**0**	**0**

As of December 31, 2021, the associate had contingent liabilities of EUR 858 k (2020: EUR 3,289 k) and liabilities to banks of EUR 11,757 k (2020: EUR 1,987 k).

9. Net finance costs

EUR k	2021	2020
Finance income		
Income from currency differences	28,629	28,532
Interest income	2,066	837
Other	8	1
Finance income, total	**30,703**	**29,370**
Finance costs		
Expenses from currency difference	-16,700	-40,546
Interest expenses	-10,603	-16,649
Other	-1,600	-6,706
Finance costs, total	**-28,903**	**-63,901**
Expenses from associates	-3,074	-6,761
Income from associates	0	0
Share of result of associates	**-3,074**	**-6,761**
Net finance costs	**-1,274**	**-41,292**

Of the interest expenses, an amount of EUR 825 k (2020: EUR 1,444 k) relates to interest portions of pension plans while the remainder relates to bank interest and interest expense from the unwinding of discounts on non-current provisions. Interest expenses of EUR 972 k (2020: EUR 1,176 k) resulted from the roll forward of lease liabilities in accordance with the effective interest method. Borrowing costs for qualifying assets in the amount of EUR 619 k were capitalized in the reporting year (2020: EUR 613 k); this represents a corresponding improvement in the result.

The expenses from associates contain the subsequent measurement of the carrying amount through profit or loss of EUR -3,074 k (2020: EUR -6,761 k).

Other financial expenses contain expenses of EUR 1,552 k (2020: EUR 6,661 k) due to the subsequent measurement of a liability contained in other current liabilities resulting from the written put option on non-controlling interests of ElringKlinger Marusan Corporation, based in Tokyo, Japan.

10. Income taxes

Income taxes break down as follows:

EUR k	2021	2020
Current tax expense	47,208	34,052
Deferred taxes	-1,007	-7,633
Tax expense reported	**46,201**	**26,419**

The income taxes consist of corporation and municipal trade taxes including the solidarity surcharge of the domestic Group companies as well as comparable income taxes of the foreign Group companies.

The income tax rate calculated for the German companies is 29.1% (2020: 28.8%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 9.0% and 34.7% (2020: between 9.0% and 34.7%). The average foreign tax rate is 24.3% (2020: 23.8%).

Deferred taxes are calculated by applying the applicable tax rates or tax ratios established by law in the different countries at the time of realization based on the accounting policies above.

The table below presents a reconciliation between the income tax expense that might theoretically be expected to arise for the Group under application of the current domestic rate of 25.2% (2020: 24.7%) and the income tax expense actually reported.

EUR k	2021	2020
Earnings before taxes	100,756	-13,556
Expected tax rate	**25.18%**	**24.65%**
Expected tax expenses	**25,370**	**-3,342**
Change in the expected tax rate due to:		
– Permanent differences	7,508	6,787
– Difference in basis of assessment of local taxes	1,131	-846
– Use of non-capitalized or forfeiture of capitalized tax loss carryforwards	-229	325
– Write-up/write-down of capitalized tax loss carryforwards (relating to other periods)	-5,079	0
– Addition to uncapitalized tax loss carryforwards (relating to the period)	7,292	15,664
– Taxes relating to other periods	2,714	862
– Deferred taxes relating to other periods	-2,150	637
– Deviations due to changes in tax rate	6,635	4,565
– Deviations on account of withholding taxes	3,130	1,832
– Other effects	-121	-65
Tax expense reported	**46,201**	**26,419**
Actual tax rate	**45.8%**	**-194.9%**

Retained earnings of EUR 53,661 k (2020: EUR 56,003 k) at domestic and foreign subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense on distributions in Germany amounts to EUR 2,587 k (2020: EUR 3,080 k) and has been recorded as a deferred tax liability. Further retained earnings of domestic and foreign subsidiaries of EUR 167,090 k (2020: EUR 104,846 k) are intended to be permanently reinvested in those operations on the basis of current planning.

Deferred tax assets of EUR 13,734 k (2020: EUR 5,668 k) have been recognized on tax loss carryforwards. Deferred tax assets on tax loss carryforwards and deductible temporary differences are recognized to the extent that deferred tax liabilities exist or to the extent that business planning projects sufficient profits in subsequent years. As of the reporting date, deferred tax assets of EUR 157 k (2020: EUR 310 k) were recognized at those Group companies that incurred losses in the reporting or prior period. No deferred tax assets were recognized in respect of tax loss carryforwards amounting to EUR 283,810 k (2020: EUR 245,471 k), since it was not expected that the deferred tax assets would be utilized in the foreseeable future.

Unused income tax loss carryforwards primarily relate to foreign subsidiaries. The loss carryforwards not recognized for tax purposes will be forfeited as follows:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Loss carryforwards are forfeited within		
One year	1,108	0
Two years	17,191	0
Three years	12,732	12,722
Four years	10,726	8,762
Five years	17,266	11,294
More than five years	76,897	88,146
Non-forfeitable	147,890	124,547
Total	**283,810**	**245,471**

Tax deferrals relate to the following line items:

	Deferred tax assets		Deferred tax liabilities	
EUR k	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	732	780	15,208	11,338
Property, plant and equipment	6,335	4,363	50,685	50,088
Financial assets	136	3	0	21
Other non-current assets	2,956	19	798	2,247
Inventories	7,763	8,661	181	0
Current contract assets	0	0	1,678	2,212
Trade receivables	1,307	2,454	915	61
Other current assets	1,054	693	7,707	494
Cash and cash equivalents	1	1	0	0
Provisions for pensions	25,859	27,936	22	0
Non-current provisions	2,573	3,584	0	0
Non-current financial liabilities	12,915	14,569	1	0
Other non-current liabilities	645	1,328	4,178	2
Current provisions	7,136	1,124	3	67
Trade payables	117	15	3	34
Current financial liabilities	8,780	6,484	0	0
Current contract liabilities	0	0	0	0
Other current liabilities	3,150	5,090	3,710	3,335
Deferred taxes associated with investments in subsidiaries	0	0	2,587	3,080
Tax loss carryforwards	13,734	5,668	0	0
Tax credits	281	285	0	0
Reclassification to assets held for sale	0	-7		
Total	**95,474**	**83,050**	**87,676**	**72,979**
Offsetting deferred tax assets against deferred tax liabilities	-63,724	-59,287	-63,724	-59,287
Recognized in the statement of financial position	**31,750**	**23,763**	**23,952**	**13,692**

Deferred taxes totaling EUR -3,483 k (2020: EUR 3,131 k) were recognized in other comprehensive income. Of this amount, EUR -3,437 k (2020: EUR 3,084 k) relates to pension provisions and EUR -46 k (2020: EUR 47 k) to exchange rate differences.

11. Basic and diluted earnings per share

To obtain the basic earnings per share, the period profit attributable to the shareholders of the parent company is divided by the number of individual shares.

Diluted earnings per share correspond to basic earnings per share and are calculated as follows:

	2021	2020
Profit/loss attributable to the shareholders of ElringKlinger AG (EUR k)	55,729	-40,803
Average number of shares	63,359,990	63,359,990
Earnings per share in EUR	**0.88**	**-0.64**

Disclosures on the Group Statement of Financial Position

12. Intangible assets

EUR k	Development costs (internally developed)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (purchased)	Total
Acquisition/production cost as of Jan. 1, 2021	**55,971**	**175,245**	**53,368**	**537**	**285,121**
Currency changes	894	3,528	244	0	4,666
Additions	17,241	0	548	157	17,946
Reclassifications	0	0	424	-367	57
Disposals	4,967	0	397	0	5,364
Reclassification to assets held for sale	0	36	0	0	36
As of Dec. 31, 2021	**69,139**	**178,737**	**54,187**	**327**	**302,390**
Write-downs as of Jan. 1, 2021	**26,819**	**13,337**	**43,894**	**0**	**84,050**
Currency changes	893	243	202	0	1,338
Additions	2,730	0	2,459	0	5,189
Impairment	1,518	0	0	0	1,518
Reclassifications	0	0	21	0	21
Disposals	4,967	0	343	0	5,310
As of Dec. 31, 2021	**26,993**	**13,580**	**46,233**	**0**	**86,806**
Net carrying amount as of Dec. 31, 2021	**42,146**	**165,157**	**7,954**	**327**	**215,584**

EUR k	Development costs (internally developed)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (purchased)	Total
Acquisition/production cost as of Jan. 1, 2020	**59,961**	**179,907**	**53,741**	**338**	**293,947**
Currency changes	-510	-3,162	-314	0	-3,986
Additions	12,351	0	886	471	13,708
Reclassifications	0	0	285	-272	13
Disposals	15,831	0	1,144	0	16,975
Reclassification to assets held for sale	0	1,500	86	0	1,586
As of Dec. 31, 2020	**55,971**	**175,245**	**53,368**	**537**	**285,121**
Write-downs as of Jan. 1, 2020	**30,367**	**13,598**	**41,833**	**0**	**85,798**
Currency changes	-488	-261	-250	0	-999
Additions	12,766	0	2,789	0	15,555
Impairment	0	0	47	0	47
Disposals	15,826	0	502	0	16,328
Reclassification to assets held for sale	0	0	23	0	23
As of Dec. 31, 2020	**26,819**	**13,337**	**43,894**	**0**	**84,050**
Net carrying amount as of Dec. 31, 2020	**29,152**	**161,908**	**9,474**	**537**	**201,071**

In the 2021 financial year, as part of IPCEI, grants of EUR 1,116 k were deducted from the carrying amount of development costs (net method).

The annual impairment testing of intangible assets indicated a need to recognize impairment losses of EUR 1,518 k. In the reporting period, this related to development projects that are not pursued further.

Purchase commitments to acquire intangible assets amounted to EUR 409 k as of December 31, 2021 (December 31, 2020: EUR 418 k). All amortization of intangible assets is contained under the following line items in the income statement:

EUR k	2021	2020
Cost of sales	3,270	13,079
Selling expenses	134	244
General and administrative expenses	1,461	1,587
Research and development costs	324	645
Total	**5,189**	**15,555**

13. Property, plant and equipment

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Property, plant and equipment under construction	Total
Acquisition/production cost as of Jan. 1, 2021	**573,718**	**1,230,774**	**229,959**	**42,015**	**2,076,466**
Currency changes	14,078	36,022	3,884	878	54,862
Additions	11,471	22,947	12,639	37,708	84,765
Reclassifications	625	13,389	596	-14,666	-56
Disposals	4,698	30,545	14,518	0	49,761
As of Dec. 31, 2021	**595,194**	**1,272,587**	**232,560**	**65,935**	**2,166,276**
Write-downs as of Jan. 1, 2021	**157,882**	**819,014**	**159,617**	**0**	**1,136,513**
Currency changes	3,737	20,445	2,233	0	26,415
Additions	22,329	67,402	17,640	0	107,371
Reclassifications	4	-25	0	0	-21
Write-ups	281	7	0	0	288
Disposals	1,951	27,446	12,898	0	42,295
As of Dec. 31, 2021	**181,720**	**879,383**	**166,592**	**0**	**1,227,695**
Net carrying amount as of Dec. 31, 2021	**413,474**	**393,204**	**65,968**	**65,935**	**938,581**
Acquisition/production cost as of Jan. 1, 2020	**562,318**	**1,241,553**	**233,520**	**61,056**	**2,098,447**
Currency changes	-13,516	-39,711	-4,390	-2,824	-60,441
Additions	35,077	24,909	9,415	23,257	92,658
Reclassifications	14,614	32,787	753	-39,392	8,762
Disposals	21,946	28,133	9,095	0	59,174
Reclassification to assets held for sale	2,829	631	244	82	3,786
As of Dec. 31, 2020	**573,718**	**1,230,774**	**229,959**	**42,015**	**2,076,466**
Write-downs as of Jan. 1, 2020	**135,503**	**770,361**	**148,847**	**0**	**1,054,711**
Currency changes	-2,343	-18,964	-2,231	0	-23,538
Additions	22,251	72,521	19,175	0	113,947
Impairment	3,170	19,359	1,642	0	24,171
Reclassifications	5,511	0	0	0	5,511
Disposals	5,945	24,221	7,782	0	37,948
Reclassification to assets held for sale	265	42	34	0	341
As of Dec. 31, 2020	**157,882**	**819,014**	**159,617**	**0**	**1,136,513**
Net carrying amount as of Dec. 31, 2020	**415,836**	**411,760**	**70,342**	**42,015**	**939,953**

For 2021, no impairment items were identified in accordance with IAS 36.

In the previous year, for property, plant and equipment (including the right-of-use assets reported under property, plant and equipment), the changes in the expected demand in connection with the transformation process in the automotive industry as well as the course of the global coronavirus pandemic resulted in lower cash flow forecasts for individual cash-generating units and thus to impairments totaling EUR 24,171 k. Of the impairments recorded on land and buildings and other equipment, furniture and fixtures in the previous year, amounts of EUR 3,163 k and EUR 177 k, respectively, were attributable to the right-of-use assets.

Useful lives were adjusted in connection with the planned closure of production at a German plant, leading to additional write-downs of EUR 225 k. Furthermore, adjustments totaling EUR 690 k were made to useful lives for individual assets in France and Hungary due to the planned relocations within the Group.

Purchase commitments to acquire property, plant and equipment amounted to EUR 14,402 k as of December 31, 2021 (December 31, 2020: EUR 14,575 k).

As regards property, the ElringKlinger Group primarily rents production halls, office space as well as parking spaces. The rented technical equipment primarily comprises machines, which are deployed in production. The operating and office equipment comprises leased vehicles and forklifts. Lease contracts can include extension and termination options. All lease contracts are negotiated individually and contain a number of different conditions.

Right-of-use assets disclosed under property, plant and equipment break down as follows:

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
Acquisition/production cost as of Jan. 1, 2021	**65,703**	**1,598**	**15,720**	**83,021**
Currency changes	2,913	3	659	3,575
Additions	10,398	30	4,360	14,788
Disposals	4,451	122	4,086	8,659
As of Dec. 31, 2021	**74,563**	**1,509**	**16,653**	**92,725**
Write-downs as of Jan. 1, 2021	**17,160**	**252**	**6,821**	**24,233**
Currency changes	844	1	329	1,174
Additions	9,862	724	4,457	15,043
Disposals	1,899	119	3,072	5,090
As of Dec. 31, 2021	**25,967**	**858**	**8,535**	**35,360**
Net carrying amount as of Dec. 31, 2021	**48,596**	**651**	**8,118**	**57,365**

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
Acquisition/production cost as of Jan. 1, 2020	**43,110**	**453**	**13,958**	**57,521**
Currency changes	-2,649	-7	-355	-3,011
Additions	29,667	1,484	3,978	35,129
Disposals	2,856	332	1,778	4,966
Reclassification to assets held for sale	1,569	0	83	1,652
As of Dec. 31, 2020	**65,703**	**1,598**	**15,720**	**83,021**
Write-downs as of Jan. 1, 2020	**7,782**	**222**	**3,662**	**11,666**
Currency changes	-673	-5	-193	-871
Additions	9,170	328	4,768	14,266
Impairment	3,046	0	117	3,163
Disposals	1,933	293	1,520	3,746
Reclassification to assets held for sale	232	0	13	245
As of Dec. 31, 2020	**17,160**	**252**	**6,821**	**24,233**
Net carrying amount as of Dec. 31, 2020	**48,543**	**1,346**	**8,901**	**58,790**

As part of a sale and leaseback transaction, one property was sold and leased back in the previous year. The transaction resulted in a gain of EUR 298 k. The lessor was granted a lessee loan that accrues over the lease term and amounts to EUR 1,445 k as of the reporting date (2020: EUR 1,061 k). As the repayment is directly dependent on the residual value of the property, the lessee loan is to be considered as the residual value guarantee in accordance with IFRS 16 and is included in the lease liability in the amount of the expected utilization. At present, ElringKlinger does not expect it to be utilized. The repayment claim is recognized at fair value through profit or loss and is reported as other financial investment under non-current financial assets.

For further comments on leases, please refer to Note (29), (30) and (31) in the notes to the financial statements.

14. Financial assets

EUR k	Non-current securities	Other financial investments	Total
Acquisition cost as of Jan. 1, 2021	**1,593**	**13,577**	**15,170**
Currency changes	-1	0	-1
Additions	243	431	674
Changes in value	15	0	15
Disposals	247	0	247
As of Dec. 31, 2021	**1,603**	**14,008**	**15,611**
Depreciation and amortization as of Jan. 1, 2021	**82**	**0**	**82**
Additions	5	0	5
Write-ups	8	0	8
As of Dec. 31, 2021	**79**	**0**	**79**
Net carrying amount as of Dec. 31, 2021	**1,524**	**14,008**	**15,532**
Fair value Dec. 31, 2021	1,533	14,008	
Acquisition cost as of Jan. 1, 2020	**1,619**	**2,016**	**3,635**
Currency changes	-5	0	-5
Additions	0	11,561	11,561
Changes in value	-21	0	-21
As of Dec. 31, 2020	**1,593**	**13,577**	**15,170**
Depreciation and amortization as of Jan. 1, 2020	**84**	**0**	**84**
Currency changes	-2	0	-2
Additions	1	0	1
Write-ups	1	0	1
As of Dec. 31, 2020	**82**	**0**	**82**
Net carrying amount as of Dec. 31, 2020	**1,511**	**13,577**	**15,088**
Fair value Dec. 31, 2020	1,524	13,577	

Of the non-current securities, EUR 729 k (2020: EUR 364 k) is pledged in full to secure pension claims.

Other financial investments contain an investment in a minority interest of EUR 4,200 k (2020: EUR 4,200 k) in Aerostack GmbH, based in Dettingen/Erms, Germany. This is an expression of long-term partnership between ElringKlinger AG, based in Dettingen/Erms, Germany, and Airbus Operations GmbH, based in Hamburg, Germany, in the field of fuel cell technology with the aim of jointly developing and validating fuel cell stacks suitable for aviation. The investment constitutes an equity instrument in which ElringKlinger has invested in for strategic reasons. It has been allocated to the FVtPL (Fair Value to Profit and Loss) measurement category. The investment is measured at fair value through profit or loss, gains and losses from the fair value measurement are reported in the net income.

Furthermore, other financial assets contain a bullet, interest-free, non-tradable or non-transferable promissory note to this company. If any capital increases take place, these are allocated proportionally to the respective company's equity. The promissory note represents a portion of the compensation that ElringKlinger receives for licensing. The fair value amounts to EUR 6,347 k (2020: EUR 6,300 k) as of the reporting date and is allocated to the FVtPL measurement category.

15. Non-current income tax assets and other non-current assets

Non-current income tax assets include an investment income tax credit carried by ElringKlinger Automotive Components (India) Pvt. Ltd., based in Ranjangaon, India, of EUR 532 k (2020: EUR 335 k) and refund claims from indirect taxes of ElringKlinger do Brasil Ltda., based in Piracicaba, Brazil, of EUR 355 k (2020: EUR 1,227 k).

Other non-current assets include the long-term outstanding contribution measured at present value from Plastic Omnium of EUR 39,427 k (2020: EUR 0 k).

16. Costs to fulfill a contract

In accordance with IFRS 15, costs associated with fulfilling contracts with customers are capitalized if certain requirements are satisfied. As of December 31, 2021, the carrying amount of costs to fulfill a contract decreased to EUR 7,944 k (December 31, 2020: EUR 9,784 k).

17. Non-current and current contract assets

As of December 31, 2021, the carrying amount of the contract assets decreased to EUR 9,395 k (December 31, 2020: EUR 10,442 k). No significant events for impairment pursuant to IFRS 9 were identified.

18. Inventories

EUR k	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	123,941	101,147
Work in progress	63,511	62,877
Finished goods and merchandise	159,636	128,383
Advance payments	7,233	8,096
Total	**354,321**	**300,503**

Impairments of EUR 23,777 k were recognized on inventories due to market risks and obsolescence (2020: EUR 18,766 k). Impairments and write-ups of inventories are recognized in cost of sales.

19. Trade receivables, current income tax assets and other current assets

For trade receivables, valuation allowances of EUR 4,799 k (2020: EUR 9,443 k) were recognized for future credit risks.

The carrying amount of the trade receivables and other assets corresponds to their fair values.

Trade receivables do not bear interest and are generally due in 30 to 120 days.

Movements in the bad debt allowance for trade receivables and current assets are presented in the table below:

EUR k	2021	2020
As of Jan. 1	9,443	3,708
Additions	932	6,005
Reversals/utilizations	-6,570	-586
Change of risk parameters (IFRS 9)	421	459
Exchange rate effects	573	-143
As of Dec. 31	**4,799**	**9,443**

Risk provisioning in the course of the coronavirus pandemic was accounted for by adjusting the risk parameters as well as a dedicated substantive test for affected customers. Subsequently, risk provisions of EUR 525 k were recognized in the financial year due to customers facing insolvency.

The reversal of impairment losses on impaired receivables of EUR 5,741 k mainly contains reversals of impairments in Germany and China. These are attributable to a change in the risk structure of individual matters. The remaining amount is mainly attributable to utilizations.

As of December 31, 2021, trade receivables with a carrying amount of EUR 66,355 k (2020: EUR 60,839 k) were sold as part of an ABCP program (Asset Backed Commercial Papers).

In the reporting period, receivables which are currently being enforced with a carrying amount of EUR 525 k (2020: EUR 586 k) were written off.

The impairment model takes into account the expected credit losses (expected credit loss model (ECL)), where mainly forward-looking information is used. ElringKlinger applies the simplified impairment model of IFRS 9 and considers the lifetime expected losses from all receivables and active contract items.

The ratings from Standard & Poor's (S&P) or other well-known rating agencies are used as the basis for the impairment model. Future impairments are determined using these ratings and with the help of probability of default, also published by S&P.

The risk categories used for the model are also used as internal risk categories:

Internal credit rating	External rating by S&P	Probability of default	Basis for the recognition of the risk provision	Gross carrying amount in EUR k
High creditworthiness	AAA – A	0.0%	Lifetime expected credit loss	42,403
Medium creditworthiness	BBB – B	0.0% – 11.0%	Lifetime expected credit loss	195,349
Low creditworthiness	CCC – C	11.0% – 50.0%	Lifetime expected credit loss	0
Default	D	50.0% – 100.0%	Write-down of assets	525
Risk provision pursuant to IFRS 9				4,799
Total				**233,478**

Current income tax assets mainly contain the corporate income tax credits of ElringKlinger México, S.A. de C.V., based in Toluca, Mexico, of EUR 3,620 k (2020: EUR 3,102 k) and ElringKlinger AG, based in Dettingen/Erms, Germany, of EUR 10,788 k (2020: EUR 0 k).

Other current assets contain tax receivables from VAT and other taxes of EUR 13,706 k (2020: EUR 7,350 k), time deposits and securities of EUR 13,494 k (2020: EUR 10,522 k) and other receivables from third parties including claims from the sale of receivables of EUR 73,683 k (2020: EUR 53,565 k). Other receivables from third parties contain the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 29,962 k (2020: EUR 0 k), financial assets of EUR 3,803 k (2020: EUR 4,117 k), other assets from factoring of EUR 15,285 k (2020: EUR 14,298 k), financial derivatives of EUR 79 k (2020: EUR 8,607 k), prepaid expenses of EUR 5,974 k (2020: EUR 5,299 k) and prepayments of EUR 4,298 k (2020: EUR 6,434 k).

20. Cash and cash equivalents

The item cash and cash equivalents comprises cash and deposits held by the Group in current accounts. As in the previous year, there were no cash equivalents. No significant events for impairment pursuant to IFRS 9 were identified.

The carrying amount of these assets corresponds to their fair value.

21. Assets and liabilities held for sale

In the previous year, the assets and liabilities of ElringKlinger Fuelcell Systems Austria GmbH, based in Wels, Austria, held by ElringKlinger and previously allocated to the Original Equipment segment were reclassified to assets and liabilities held for sale in accordance with IFRS 5. The acquisition agreement was signed on October 28, 2020 and. The closing of the transaction at a purchase price of EUR 13,449 k was executed on March 1, 2021. The values of assets and liabilities were disposed of at the values presented in the following table.

EUR k	**Mar. 1, 2021**	**Dec. 31, 2020**
Intangible assets	1,598	1,563
Property, plant and equipment	3,438	3,443
Other non-current assets	60	60
Deferred tax assets	7	7
Non-current assets	**5,103**	**5,073**
Inventories	7	101
Other current assets	43	61
Cash and cash equivalents	373	14
Current assets	**423**	**176**
ASSETS	**5,526**	**5,249**
Non-current provisions	4	4
Non-current financial liabilities	1,218	1,244
Non-current provisions and liabilities	**1,222**	**1,248**
Trade payables	232	309
Current financial liabilities	1,534	158
Tax payable	23	38
Other current liabilities	278	166
Non-current provisions and liabilities	**2,067**	**671**
LIABILITIES AND EQUITY	**3,289**	**1,919**

22. Equity

The changes in individual items of equity in the Group are shown separately in the "Statement of changes in equity".

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

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

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

The Management Board has not exercised the authorization to date.

The capital reserves were essentially created from the premium from the 2010 capital increase.

The revenue reserves contain the earnings generated by the group companies which have not yet been distributed. There is also an amount of EUR 26,181 k arising from the first application of IFRSs in 2005.

Other reserves contain remeasurements of defined benefit plans, equity impact of controlling interests and currency translation differences.

Under the AktG, the distributable dividend is measured by the sum of retained earnings and the profit or loss for the year, as shown in the annual financial statements of ElringKlinger AG that have been drawn up according to the provisions of the German Commercial Code (HGB). Based on an accumulated loss of EUR 11,566 k in the financial year 2020, the Management Board and the Supervisory Board jointly agreed to depart from the Group's established dividend policy and to suspend the dividend for the financial year 2020. Accumulated profit of EUR 9,504 k is reported in the financial year 2021. The Management Board and the Supervisory Board will propose to the Annual General Shareholders' Meeting on the 2021 financial statements on May 19, 2022, to distribute a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights).

23. Non-controlling interests in equity and net income

ElringKlinger AG holds less than 100% of the shares in some of the companies that have been included in the consolidated financial statements. In accordance with IFRS 10, the relevant non-controlling interests are reported under equity in the group statement of financial position, separately from the equity attributable to the shareholders of the parent company. Similarly, non-controlling interests in the net income and in total comprehensive income are reported separately in the group income statement and in the consolidated statement of comprehensive income.

24. Provisions for pensions

The pension obligations of most of the Group's foreign companies mainly take the form of defined contribution plans while in the case of domestic companies and the group company in Switzerland, pension obligations take the form of defined benefit and defined contribution plans.

Under the **defined contribution plans** the Company pays contributions to state or private pension schemes on the basis of statutory or contractual obligations or on a voluntary basis. Once the contributions are paid, the Company has no further obligations, such as follow-up contribution payments. Current contribution payments to the defined contribution plans are reported under personnel expenses in each reporting year; the Group's contribution payments totaled EUR 27,255 k (2020: EUR 27,033 k) and were allocated to the relevant function costs.

The Group accounts for **defined benefit plans** by creating provisions for pensions that are calculated using the projected unit credit method pursuant to IAS 19. Under the defined benefit plans, the employees receive life-long pension payments once they have reached a certain age or suffered disability. In addition, surviving dependents also receive benefits. The amount of the benefit is determined by the number of years with the Company and the final salary. For employees subject to collective bargaining, the eligible service period is limited to 30 years. For executive employees, the benefit is limited to 35% or 45% of the terminal salary, whereby in certain cases the benefits from prior commitments do not count towards this limit.

In the financial year 2011, the ElringKlinger AG's pension system was partially modified. In order to secure pension payments going forward, the obligations to certain executive employees were transferred to Allianz Pensionsfonds AG, Stuttgart, and a provident fund covered by plan assets, the Allianz Pensions-Management e. V., Stuttgart. This does not affect the amount of benefits. The assets held by the pension fund constitute plan assets as defined by IAS 19.8 and are thus netted with the obligation to the beneficiaries.

The pension plans of the Swiss Group company insure employees against the economic consequences of old age, disability and death. The pension benefits not covered by plan assets are covered by employer's pension liability insurance. No shortfall can arise from an agreement on an insured pension fund.

The obligations from the benefits granted are subject to certain risks. The main risks are interest rate risks, where falling market interest rates lead to a higher present value of the obligation in the future, inflation risks, which may lead to higher pension benefits and longevity risks where benefits are paid over a period longer than the one assumed in the mortality tables.

The following assumptions were used as a basis for measuring the Group's obligations.

Measurement as of	Dec. 31, 2021	Dec. 31, 2020
Discount rate (vesting period)	0.97%	0.48%
Discount rate (pension period)	0.77%	0.37%
Expected salary increases	1.49%	2.70%
Future pension increases	1.45%	1.21%

The changes in the present value of the defined benefit obligation are as follows:

EUR k	2021	2020
Present value of pension benefits as of Jan. 1	**187,963**	**178,167**
Current service cost	4,757	5,104
Plan participant contributions	1,627	1,477
Interest expense	825	1,444
Disbursements/utilization	-7,547	-7,319
Actuarial gains/losses	-14,777	10,850
Past service cost	-526	-1,672
Currency differences	1,405	-145
Other changes	-107	57
Present value of pension benefits as of Dec. 31	**173,620**	**187,963**
of which (partially) covered by plan assets	48,223	60,499
of which not covered	125,397	127,464

The average weighted term of the defined benefit obligation amounts to 18 years (2020: 19 years). Actuarial gains and losses arise from the following effects:

EUR k	2021	2020
Effects from changes in financial assumptions	-12,655	12,645
Effects from changes in demographic assumptions	-1,374	15
Effects from other experience-based adjustments	-748	-1,810
Actuarial gains/losses	**-14,777**	**10,850**

The table below shows the changes to the plan assets over the course of the financial year:

EUR k	2021	2020
Market value as of Jan. 1	**31,028**	**29,952**
Interest income	103	159
Employer contributions	2,511	2,571
Plan participant contributions	1,627	1,477
Service costs	-3,731	-3,411
Actuarial gains/losses	363	190
Currency effects	1,023	90
Market value as of Dec. 31	**32,924**	**31,028**

Plan assets comprise insurance claims. The plan assets and present values of defined benefit obligations are allocated to key countries as follows:

EUR k	2021	2020
Present value of pension benefits as of Dec. 31		
Germany	139,651	151,812
Switzerland	28,076	30,096
Other	5,893	6,055
Present value of pension benefits as of Dec. 31	**173,620**	**187,963**
Market value of plan assets as of Dec. 31		
Germany	11,065	9,695
Switzerland	21,019	20,859
Other	840	474
Market value of plan assets as of Dec. 31	**32,924**	**31,028**

The actual return on plan assets amounts to EUR 466 k (2020: EUR 350 k).

In 2022, liquidity is likely to be reduced due to contributions to plan assets and by direct Group benefit payouts, which are expected to amount to EUR 4,101 k (2021: EUR 4,182 k). The future payments from pension obligations are as follows:

EUR k	2021	2020
For the next 12 months	4,101	4,182
Between one and five years	15,935	15,432
More than five years	218,734	238,682

The following amounts are reported in the income statement for defined benefit plans:

EUR k	2021	2020
Current service cost	4,757	5,104
Net interest expenses	722	1,284
Past service cost	-526	-1,671
Administrative expenses plan assets	15	15
Total pension expense	**4,968**	**4,732**

Net interest expenses comprise interest expenses of EUR 825 k (2020: EUR 1,444 k) as well as interest income from plan assets of EUR 103 k (2020: EUR 159 k).

The current service cost and past service cost are reported as part of the personnel expenses of the functional areas.

The full amount of actuarial gains and losses during the current year is reported under other comprehensive income. Changes are shown in the table below:

EUR k	2021	2020
Actuarial gains (–) and losses (+) recognized in other comprehensive income	-15,140	10,660
Deferred taxes on actuarial gains (–) and losses (+) recognized under other comprehensive income	3,437	-3,084

The amount of the Group's obligation as reported on the statement of financial position is derived as follows:

EUR k	2021	2020
Present value of the pension obligation	173,620	187,963
Fair value of plan assets	32,924	31,028
Reported pension provision	140,696	156,935

With regard to sensitivities, the key actuarial assumptions determined were the discount rate, salary increases and future pension developments.

A 0.5% increase/decrease in the discount rate would lead to a decrease/increase in the DBO of EUR 26,347 k/EUR 30,136 k.

A 0.5% increase/decrease in future salary increases would lead to an increase/decrease in the DBO of EUR 2,375 k/EUR 2,260 k.

A change in future pension developments of +0.25%/-0.25% would lead to an increase/decrease in the DBO of EUR 6,706 k/EUR 6,299 k.

25. Other provisions

Other provisions can be broken down as follows:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Current provisions	60,050	26,905
Non-current provisions:	16,502	19,793
Total	**76,552**	**46,698**

Current provisions:

EUR k	Personnel obligations	Warranty obligations	Onerous contracts	Litigation costs	Other risks	Total
As of Dec. 31, 2020	**3,004**	**5,464**	**6,936**	**1,439**	**10,062**	**26,905**
Currency changes	19	254	312	118	729	1,432
Utilization	3,908	2,993	3,053	0	1,226	11,180
Reversal	68	454	67	403	626	1,618
Unwinding of the discount/ discounting	-8	0	0	0	0	-8
Additions	19,085	14,570	8,661	41	2,072	44,429
Reclassifications	0	0	0	15	75	90
Held for sale	0	0	0	0	0	0
As of Dec. 31, 2021	**18,124**	**16,841**	**12,789**	**1,210**	**11,086**	**60,050**

Furthermore, in order to be able to successfully manage the transformation of mobility and the related challenges of change also in the future, provisions for obligations for personnel were recognized for the closure of production activities at a German location.

Current warranty obligations are counterbalanced by insurance reimbursements claims of EUR 1,038 k (2020: EUR 147 k). They are reported under other current assets. The addition of EUR 14,570 k in the financial year is attributable to the change in individual estimates of utilizations taking into account the contractual provisions in cooperation with the legal department and adjustments of the individual business unit-specific factor based on past experience for flat-rate provisions. Furthermore, specific individual matters were valued separately and additions made.

The increase in onerous contracts mainly results from the increase in commodity prices, particularly in Germany, Switzerland, USA and China.

Provisions for other risks cover, among other things, the customs duty audit in the US of EUR 6,092 k (2020: EUR 4,890 k). Provisions for other risks also include non-personnel-related obligations in connection with the closure of production activities at a German location.

Non-current provisions:

EUR k	Personnel obligations	Warranty obligations	Litigation costs	Other risks	Total
As of Dec. 31, 2020	**16,691**	**1,387**	**15**	**1,700**	**19,793**
Currency changes	56	9	0	15	80
Utilization	756	73	0	13	842
Reversal	2,522	1,132	0	15	3,669
Unwinding of the discount/discounting	47	0	0	0	47
Additions	927	15	0	241	1,183
Reclassifications	0	0	-15	-75	-90
Held for sale	0	0	0	0	0
As of Dec. 31, 2021	**14,443**	**206**	**0**	**1,853**	**16,502**

Personnel provisions are recognized for phased retirement schemes, long-term service benefits and similar obligations.

Non-current warranty obligations are counterbalanced by reimbursement claims from insurance companies of EUR 0 k (2020: EUR 750 k), which are reported under other non-current assets.

The other risks relate to a variety of identifiable individual risks and uncertain obligations, which have been recognized as they are more likely than not to lead to an outflow of resources.

26. Non-current and current financial liabilities

EUR k	Domestic (Germany)	Foreign	Total Dec. 31, 2021	Domestic (Germany)	Foreign	Total Dec. 31, 2020
Overdrafts	25,350	1,546	26,896	43,636	1,227	44,863
Lease liabilities with a residual term of less than one year	5,913	10,418	16,331	3,834	8,790	12,624
Financial liabilities with a residual term of less than one year	85,571	6,723	92,294	96,605	51,165	147,770
Current financial liabilities	**116,834**	**18,687**	**135,521**	**144,075**	**61,182**	**205,257**
Lease liabilities with a residual term of more than one year and less than five years	8,159	16,382	24,541	6,403	21,100	27,503
Financial liabilities with a residual term of more than one year and less than five years	147,806	128,228	276,034	232,132	83,492	315,624
Lease liabilities with a residual term of more than five years	7,936	14,868	22,804	7,797	16,186	23,983
Financial liabilities with a residual term of more than five years	23,435	10,295	33,730	24,810	0	24,810
Non-current financial liabilities	**187,336**	**169,773**	**357,109**	**271,142**	**120,778**	**391,920**
Total	**304,170**	**188,460**	**492,630**	**415,217**	**181,960**	**597,177**

Lease liabilities from IFRS 16 are described in more detail in Note (29) Hedging policy and financial instruments.

The average interest rates were:

in %	Dec. 31, 2021	Dec. 31, 2020
Overdrafts:		
Domestic (Germany)	1.07	1.25
Other countries	3.22	1.92
Financial liabilities:		
Domestic: less than one year	1.23	1.28
Domestic: more than one year and less than five years	1.25	1.69
Domestic: more than five years	1.66	2.08
Foreign: less than one year	1.96	3.05
Foreign: more than one year and less than five years	1.51	3.97
Foreign: more than five years	1.30	n/a

Fixed interest rates have been agreed for financial liabilities amounting to EUR 287,449 k (2020: EUR 416,257 k).

Land charges on company land with a carrying amount of EUR 128,834 k (2020: EUR 129,980 k) are recognized as collateral. The secured liabilities amounted to EUR 16,755 k (2020: EUR 20,188 k) as of December 31, 2021.

As of December 31, 2021, the Group had unused committed lines of credit amounting to EUR 299,678 k (2020: EUR 236,026 k).

On February 15, 2019, ElringKlinger AG concluded a syndicated loan with a banking syndicate of six national and international banks, which was joined by one more bank during 2019. The syndicate comprises Commerzbank, Landesbank Baden-Württemberg and Deutsche Bank, who have arranged the financing jointly. In addition, DZ Bank, HSBC, Banque Européenne du Crédit Mutuel and Credit Suisse (Schweiz) AG are also involved. The original agreement comprises a total volume of EUR 350,000 k over a minimum term of five years. On July 12, 2021, the existing syndicated loan of EUR 350,000 k was increased to EUR 450,000 k and extended until February 15, 2026.

EUR 171,523 k had been drawn as of December 31, 2021 (2020: EUR 139,577 k).

27. Current and non-current contract liabilities

Contract liabilities include long-term prepayments for customer-specific provisions of additional production capacity and short-term prepayments for customer-specific tools. As of December 31, 2021, the carrying amount of contract liabilities came to EUR 16,736 k (December 31, 2020: EUR 38,768 k). The decrease in current contract liabilities in the financial year 2021 was mainly due to the decrease in prepayments received on account of orders of customer-specific systems and tools of EUR 18,978 k. Non-current contract liabilities decreased by EUR 6,897 k.

28. Trade payables and other current and non-current liabilities

Trade payables and other non-current and current liabilities include open obligations from the exchange of goods and services.

The carrying amounts of trade payables approximate their fair value.

The trade payables and other current and non-current liabilities are not secured except for the retentions of title that are customary in trading relationships.

Other current liabilities to third parties contain financial liabilities of EUR 57,387 k (2020: EUR 55,508 k).

As of December 31, 2021, government grants of EUR 5,632 k (2020: EUR 5,918 k) were recognized as deferred income. This includes an investment allowance and a repayment allowance for a loan. These grants were provided for property, plant and equipment, particularly buildings and machinery at the locations in Dettingen/Erms, Germany, and Kecskemét-Kádafalva, Hungary. In the reporting period, a total of EUR 204 k (2020: EUR 286 k) of the deferred item was released through profit or loss. The release takes place in cost of sales.

29. Hedging policy and financial instruments

Risks and hedging policy

As a consequence of the international nature of the activities of the ElringKlinger Group, changes in exchange rates, interest rates and prices of raw materials impact the financial performance, net assets and cash position of the Group. The risks arise from currency and interest rate fluctuations in connection with business operations and financing. Further risks result from fluctuations in the market prices of raw materials. Additionally, there are liquidity risks which relate to credit and market risks or accompany a deterioration of business operations and financial market turmoil.

By concluding hedges, the Management Board of ElringKlinger AG aims to manage the risk factors that may adversely affect the financial performance, net assets and cash position and thus to minimize these influences. Within the ElringKlinger Group, derivative financial instruments may only be entered into with the consent of the Management Board. Hedge accounting in accordance with IFRS 9 was not applied.

Currency risk

Due to the international nature of its business, the ElringKlinger Group is exposed to currency risks in the normal course of business.

Exchange rate risk arises for the Group in relation to its operating business principally when sales revenue is generated in a currency other than that in which the related costs are incurred. Sales revenue is generally generated in the functional currency (which is the relevant local currency) of the Group entity concerned. In order to reduce currency risks from operating business, the purchases of goods, raw materials and services as well as investing and financing activities are generally accounted for in the functional currency of the group entity. The group also endeavors to minimize its foreign currency risk by manufacturing its products in the relevant local sales markets.

Furthermore, to reduce the exchange rate risk, the central treasury department uses hedging instruments depending on the requirement and the risk profile. Subsidiaries are not permitted to take out financing in foreign currency or to invest it for speculative reasons. Intercompany financing and investment is usually denominated in the relevant functional currency.

Several ElringKlinger AG subsidiaries are domiciled outside the euro area. Since the euro is the reporting currency of the ElringKlinger Group, the income and expenses of these subsidiaries are translated into euros upon consolidation. Changes in the closing rates and changes in the closing rates compared to the average rates and historical rates can give rise to currency translation effects that are reflected in the equity of the Group under other comprehensive income.

Due to the inclusion of subsidiaries, the group also recognizes assets and liabilities relating to these subsidiaries outside of the euro area that are denominated in national currencies. When these assets are translated into euros, exchange rate fluctuations can lead to changes in value. The changes in these net assets are reflected in group equity under other comprehensive income.

A sensitivity analysis has been conducted in order to quantify the potential effects of exchange rate changes on consolidated net income. This analysis illustrates the change in consolidated net income in the event that the relevant functional currency of the Group companies appreciates or depreciates by 10% as compared to the foreign currency.

Dec. 31, 2021
EUR k

Local currency	EUR	USD	CHF	MXN	GBP	Other	Total
Local currency +10%							
Consolidated net income/ net loss for the year	-7,727	4,495	3,608	2,688	1,616	2,205	6,885
Local currency -10%							
Consolidated net income/ net loss for the year	5,576	-4,495	-3,608	-2,688	-1,616	-2,205	-9,036

Dec. 31, 2020
EUR k

Local currency	EUR	CHF	MXN	USD	GBP	Other	Total
Local currency +10%							
Consolidated net income/ net loss for the year	-10,893	2,954	2,759	1,987	1,189	2,619	615
Local currency -10%							
Consolidated net income/ net loss for the year	9,244	-2,954	-2,759	-1,987	-1,189	-2,619	-2,264

Interest rate risk

Interest rate risk arises primarily from financial liabilities that are subject to a floating rate of interest. The Group manages interest rate risk with the objective of optimizing its interest income and expense.

Fixed interest rates have been agreed mainly for the financing liabilities of the ElringKlinger Group. As a result, the risk arising from interest rate fluctuations is only slight.

Had market interest rates been 30 basis points higher as of December 31, 2021, earnings would have been EUR 493 k (2020: EUR 361 k) lower. Had market interest rates been 30 basis points lower, earnings would have been EUR 77 k (2020: EUR 107 k) lower.

Risk arising from prices for raw materials

ElringKlinger is exposed to risks from changes in the prices for the raw materials it uses in production. In order to mitigate fluctuations in the purchase prices for commodities, ElringKlinger has entered into nickel hedges. Where necessary, it is possible to secure acceptable procurement prices by means of additional derivatives.

ElringKlinger processes a significant volume of high-grade stainless steels. This includes alloy surcharges, in particular for nickel, which is a listed metal subject to market price fluctuations. ElringKlinger uses derivative financial instruments to hedge portions of alloy surcharges assessed in cost calculations. A price corridor surrounding the average calculation cost is hedged. If the quoted exchange price of nickel exceeds the upper range of the corridor, ElringKlinger receives a compensatory payment. If the quoted exchange price of nickel falls below the lower range of the corridor, ElringKlinger has to pay a surcharge. As of the reporting date, there was one nickel hedging contract for a total of 30 metric tons of nickel. The nickel hedge ends on March 31, 2022.

The Group manages the credit risk of derivatives by entering into derivative financial transactions exclusively with major banks of impeccable creditworthiness in accordance with uniform guidelines.

Had the market value of nickel been 10% higher on December 31, 2021, earnings would have been EUR 53 k (2020: EUR 181 k) higher. A 10% decrease in the market value would have resulted in a decrease in earnings of EUR 47 k (2020: EUR 202 k).

Credit risk

Credit risk defines the risk of economic loss arising from a counterparty's failure to satisfy contractual payment obligations.

Credit risk involves both the direct risk of default and the risk of a deterioration in creditworthiness as well as risks of a concentration of individual risks. The maximum risk exposures of financial assets generally subject to credit risk correspond to their carrying amounts and can be described as follows:

Liquid funds

Liquid funds comprise primarily bank deposits available on demand. The ElringKlinger Group is exposed to losses from credit risks in connection with the investment of liquid funds if financial institutions fail to meet their obligations (counterparty risk). In order to minimize this risk, care is taken in selecting the financial institutions at which deposits are made. The maximum risk exposure corresponds to the carrying amount of the liquid funds at the end of the reporting period.

Trade receivables

Trade receivables relate primarily to the global sales of gaskets, sealing materials, plastic products and modules for the automotive sector and for the manufacturing industry in general. Credit risk resides in the possibility of counterparty default, and is characterized by the Group's customer base, which includes a number of key accounts.

In domestic business, most receivables are secured by retention of title. In order to limit credit risk, credit checks in the form of inquiries with credit information services are performed for selected counterparties. Moreover, internal processes are in place to continually monitor receivables where partial or complete default may be anticipated.

As part of an ABCP program, the ElringKlinger Group sells a part of trade receivables to a structured entity. The receivables are sold on a revolving basis at the nominal value of the receivables less variable reserves. The financing volume committed under the ABCP program is EUR 100,000 k. The structured entity is not controlled and therefore not consolidated.

As of December 31, 2021, trade receivables with a carrying amount of EUR 66,355 k (2020: EUR 60,839 k) were sold. They were derecognized with the exception of the ongoing interest of EUR 1,458 k (2020: EUR 1,327 k). A corresponding liability was recognized in the same amount. In connection with the provisional withholding of variable reserves, other current assets of EUR 15,275 k (2020: EUR 14,297 k) are reported as of December 31, 2021. In addition, customers payments received for receivables sold, which are yet to be forwarded to the purchaser, of EUR 26,627 k (2020: EUR 22,594 k) are reported under other current liabilities.

In its export business, ElringKlinger also assesses the credit standing of its counterparties by submitting inquiries to credit information services and on the basis of the specific country risk. In addition, credit insurance policies are taken out or letters of credit are required in certain cases. Trade receivables of EUR 24,276 k (2020: EUR 20,652 k) are secured by credit insurance policies.

Allowances are also recognized in respect of identifiable individual risks. The maximum risk exposure from trade receivables corresponds to the carrying amount of these receivables at the end of the reporting period. The carrying amounts of trade receivables, together with disclosures on valuation allowances, can be found under Note (19).

In 2021, the two largest customers accounted for 9.3% and 7.7% of sales (2020: 10.2% and 8.9%).

Liquidity risk

The solvency and liquidity of the ElringKlinger Group is constantly monitored by liquidity planning. Furthermore, a cash liquidity reserve and guaranteed credit lines ensure solvency and liquidity. Reference is also made to the financing risks presented in the risk report as part of the group management report of the ElringKlinger Group (Opportunity and risk report – Financial risks– Liquidity and financing risks).

Expected cash outflows

The following table shows all contractually fixed payments for redemptions, repayments and interest from financial liabilities recognized in the statement of financial position, including derivative financial instruments that have a negative market value.

EUR k	Trade payables	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 2021						
Carrying amount	**185,599**	**428,953**	**63,676**	**0**	**57,387**	**735,615**
Expected outflows:	**185,599**	**428,953**	**67,266**	**0**	**57,387**	**739,205**
– less than one month	121,405	25,531	1,242	0	0	148,178
– between one and three months	59,823	7,564	2,483	0	13,354	83,224
– between three months and one year	3,891	86,094	11,174	0	44,033	145,192
– between one and five years	316	286,329	27,200	0	0	313,845
– more than five years	164	23,435	25,167	0	0	48,766

EUR k	Trade payables	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 2020						
Carrying amount	**128,920**	**533,067**	**64,110**	**0**	**55,508**	**781,605**
Expected outflows:	**128,920**	**535,838**	**68,622**	**0**	**55,508**	**788,888**
– less than one month	64,546	5,246	1,082	0	0	70,874
– between one and three months	62,298	12,446	2,164	0	11,754	88,662
– between three months and one year	1,374	174,856	9,739	0	43,754	229,723
– between one and five years	344	318,480	29,949	0	0	348,773
– more than five years	358	24,810	25,688	0	0	50,856

Further disclosures on financial liabilities are provided under note (26).

30. Additional information on financial instruments

This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments. No recognized financial instruments were offset.

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

	Cash and cash equivalents	Trade receivables	Other current assets
EUR k	CA	CA	CA
As of Dec. 31, 2021			
Financial assets measured at amortized cost	109,900	233,478	17,297
Financial assets at fair value through profit or loss	0	0	29,962
Financial assets at fair value through other comprehensive income	0	0	0
Total	**109,900**	**233,478**	**47,259**
As of Dec. 31, 2020			
Financial assets measured at amortized cost	127,852	231,249	14,639
Financial assets at fair value through profit or loss	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0
Total	**127,852**	**231,249**	**14,639**

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

	Other current liabilities	Current financial liabilities	Short-term lease liabilities IFRS 16	Trade payables
EUR k	CA	CA	CA	CA
As of Dec. 31, 2021				
Financial liabilities measured at amortized cost	57,387	119,190	16,331	185,599
Financial liabilities measured at fair value through profit or loss	0	0	0	0
As of Dec. 31, 2020				
Financial liabilities measured at amortized cost	55,508	192,633	12,624	128,920
Financial liabilities measured at fair value through profit or loss	0	0	0	0

Management determined that the carrying amounts of cash, trade receivables, other current assets, trade payables, other current financial liabilities and other current liabilities are virtually the same as their fair value, primarily as a result of the short-term nature of these instruments.

Other current assets also contain fixed deposits and securities of EUR 13,494 k (December 31, 2020: EUR 10,522 k) as well as the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 29,962 k (2020: EUR 0 k).

	Derivatives	Non-current securities		Other financial investments		Total
	CA	CA	FV	CA	FV	CA
	0	1,438	1,447	2,008	2,008	364,121
	79	0	0	11,992	11,992	42,033
	0	86	86	8	8	94
	79	**1,524**	**1,533**	**14,008**	**14,008**	**406,248**
	0	1,438	1,451	2,008	2,008	377,186
	8,607	0	0	11,561	11,561	20,168
	0	73	73	8	8	81
	8,607	**1,511**	**1,524**	**13,577**	**13,577**	**397,435**

	Derivatives		Non-current financial liabilities		Long-term lease liabilities IFRS 16	Total
	CA	FV	CA	FV	CA	CA
	0	0	309,764	271,462	47,345	735,616
	121	121	0	0	0	121
	0	0	340,434	329,093	51,486	781,605
	26	26	0	0	0	26

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

Other current liabilities contain a liability of EUR 38,465 k (31 December 2020: EUR 36,913 k) resulting from the written put option on non-controlling interests of ElringKlinger Marusan Corporation, Tokyo, Japan. The obligation that results from this agreement is measured at acquisition cost in the amount of its fair value. The fair value is calculated using internal estimates made when forecasting business development as well as when selecting the interest rate used regarding the liability recognized. A 10% change in the business value causes the put option to increase/decrease by approximately EUR 3,846 k (December 31, 2020: EUR 3,691 k).

Equity instruments of the measurement category **at fair value recognized through other comprehensive income:**

EUR k	Fair value Dec. 31, 2021	Fair value Dec. 31, 2020
Non-current securities	86	73
Other financial investments	8	8
Total	**94**	**81**

Financial assets and liabilities measured at fair value are classified into the following 3-level fair value hierarchy as of the valuation date December 31, 2021:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2021			
Financial assets			
Non-current securities	86	0	0
Other financial investments	8	0	11,992
Derivatives*	0	79	0
Total	**94**	**79**	**11,992**
Financial liabilities			
Derivatives*	0	121	0
Total	**0**	**121**	**0**

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

* These are derivatives which do not meet the prerequisites for hedge accounting.

The following table presents the allocation of financial assets and liabilities not measured at fair value, but for which fair value is disclosed, to the 3-level fair value hierarchy as of the measurement date December 31, 2021:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2021			
Financial assets			
Non-current securities	1,447	0	0
Other financial investments	0	0	2,008
Total	**1,447**	**0**	**2,008**
Financial liabilities			
Non-current financial liabilities	0	271,462	0
Purchase price liability from written put option	0	0	38,465
Total	**0**	**271,462**	**38,465**
Dec. 31, 2020			
Financial assets			
Non-current securities	1,451	0	0
Other financial investments	0	0	2,008
Total	**1,451**	**0**	**2,008**
Financial liabilities			
Non-current financial liabilities	0	329,093	0
Purchase price liability from written put option	0	0	36,913
Total	**0**	**329,093**	**36,913**

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

Level 1: Measurement based on market prices.

Level 2: Measurement based on market prices for similar instruments on the basis of measurement models based on inputs that are observable on active markets.

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

The fair value (equity value) of the minority interest in Aerostack GmbH, Dettingen/Erms, Germany of EUR 4,200 k (2020: EUR 4,200 k) is determined using a discounted cash flow model taking account of probability-weighted scenarios. The weighted average cost of capital (WACC) applied for the valuation is 9.91%. Assuming a successful implementation of the business plan, the terminal value is determined by applying a terminal growth rate (TGR) of 2.0%. The WACC and TGR sensitivities calculated for the parameters are presented in the following table:

		+0.5% points	-0.5% points
WACC	9.91%	10.41%	9.41%
Equity value	4,200	3,106	5,508
		+0.5% points	-0.5% points
TGR	2.00%	2.50%	1.50%
Equity value	4,200	4,566	3,868

The fair value of the bullet, interest-free, non-tradable or non-transferable promissory note to this company with a nominal amount of EUR 6,800 k (2020: EUR 6,800 k) is measured taking into account an expected successive contribution to the equity of the company in the course of capital increases in the years 2022 to 2024 and a risk-equivalent and maturity-specific cost of debt of 2.9%. The fair value amounts to EUR 6,347 k (2020: EUR 6,300 k). An increase or decrease in cost of debt of 0.5% results, all other things being equal, in a fair value of EUR 6,274 k or EUR 6,422 k, respectively.

An assessment is made at the end of every reporting period as to whether the assets and liabilities accounted for at fair value have been transferred between the levels of the fair value hierarchy.

The liabilities of fair value level 3 developed as follows:

EUR k	2021	2020
As of Jan. 1	**36,913**	**30,252**
Change in fair value	1,552	6,661
As of Dec. 31	**38,465**	**36,913**

Net gains/losses on financial instruments:

EUR k	2021	2020
At fair value recognized in profit or loss*	-8,334	7,093
Financial assets measured at amortized cost	11,655	4,279
Financial liabilities measured at amortized cost	6,468	-21,405

* These are derivatives which do not meet the prerequisites for hedge accounting.

Net gains and losses from derivatives include the effects from changes in market values, which were recorded in full in profit or loss for the period.

Net gains and losses from financial assets measured at amortized cost primarily consist of currency effects.

Net gains from financial liabilities measured at amortized cost include currency effects.

Total interest income and expenses for financial assets and financial liabilities not measured at fair value through profit or loss are as follows:

EUR k	2021	2020
Total interest income	1,576	831
Total interest expense	-9,176	-15,388

As in the previous year, total interest income does not contain any interest income from impaired financial assets.

31. Leases

The following amounts are reported in the income statement for leases:

EUR k	2021	2020
Cost of sales		
Expenses relating to short-term leases	1,557	1,712
Expenses from small ticket leases	114	118
Expenses from variable lease payments	5	44
Other expenses from leases (ancillary costs)	268	385
Depreciation and amortization		
Depreciation of right-of-use assets	15,043	14,266
Write-down of right-of-use assets	0	3,163
Net finance costs		
Interest expenses from lease liabilities	972	1,176

Information on expected cash outflows is contained in Note (29) Hedging policy and financial instruments.

32. Capital management

The Management Board believes that the Group's sound financial base is a prerequisite for further growth. The Group's solid capital resources render it possible to invest in future organic growth, as well as in external growth.

The Supervisory Board and the Management Board of the parent company have set a target equity ratio of 40% to 50% within the Group. ElringKlinger AG's Articles of Association do not define any capital requirements.

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). The authorization is valid until July 7, 2025. There are no share option programs that impact the capital structure.

The following table presents changes in equity, debt and total capital as of December 31, 2021 as compared to December 31, 2020.

EUR million	2021	2020
Equity	**982.3**	**812.9**
as % of total capital	47.00%	41.41%
Non-current liabilities	546.2	597.3
Current liabilities	561.5	551.0
Liabilities in connection with the assets held for sale	0	1.9
Liabilities	**1,107.7**	**1,150.2**
as % of total capital	53.00%	58.59%
Total capital	**2,090**	**1,963.1**

The change in equity from December 31, 2020 to December 31, 2021 was due primarily to an increase in other reserves and the net profit for the period. Debt decreased year on year by 3.70%.

At 47.00%, the Group equity ratio exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

For one loan at a subsidiary, financial covenants have been agreed upon. These affect the equity ratio and gearing factor. If these covenants are breached, the terms of the loan change and the loan becomes immediately callable.

As of December 31, 2021, there were no issues prevailing that would have justified banks exercising their unilateral right of termination. The Management Board expects that the financial covenants agreed will be reached in the financial year 2022.

33. Notes to the statement of cash flows

The group statement of cash flows shows how the liquidity of the ElringKlinger Group has changed as a result of cash inflows and outflows in the course of the financial year. In accordance with IAS 7, cash flows are categorized as cash flows from operating activities, investing activities or financing activities.

The cash reported in the statement of cash flows comprises liquid funds reported in the statement of financial position, i. e., cash in hand, checks and bank deposits.

Cash flows from investing and financing activities are determined by reference to payments. By contrast, cash flows from operating activities are derived indirectly from earnings before taxes for the year. For the indirect computation, effects from currency translation and changes to the basis of consolidation are eliminated from the changes to the items of the statement of financial position arising from operating activities. For this reason, it is not possible to reconcile the changes in the relevant items of the statement of financial position with the corresponding figures in the published group statement of financial position.

Change in liabilities from financing activities:

EUR k	**Non-current financial liabilities**	**Current financial liabilities**
Dec. 31, 2020	391,920	205,257
Changes in cash	49,920	-179,525
Exchange rate differences	8,612	3,934
Non-cash changes*	-93,343	105,855
Dec. 31, 2021	**357,109**	**135,521**
Dec. 31, 2019	570,416	160,307
Changes in cash	-92,422	-61,658
Exchange rate differences	-8,942	-4,142
Non-cash changes*	-77,132	110,750
Dec. 31, 2020	**391,920**	**205,257**

* This primarily includes reclassifications between non-current and current financial liabilities and leases-related matters.

Cash outflows from leases are contained in the statement of cash flows as follows:

EUR k	2021	2020
Repayments for lease liabilities (cash flow from financing activities)	14,858	14,693
Interest paid (cash flow from operating activities)	972	1,176
Short-term or small ticket leases (cash flow from operating activities)	1,671	1,785
Expenses from variable lease payments	5	44
Total	**17,506**	**17,698**

In the previous year, cash inflows of EUR 17.3 million received as part of a sale and leaseback transaction were reported under cash flow from investing activities.

34. Segment reporting

The organizational and internal reporting structure of the ElringKlinger Group is centered around its five business fields. Accordingly, the segments are defined as “Original Equipment”, “Aftermarket”, “Engineered Plastics” and “Other”.

The activities in the “Original Equipment” and “Aftermarket” reporting segments relate to the manufacturing and distribution of parts and components for the engine, transmission and exhaust system and lightweight plastic components in motor vehicles (powertrain), as well as battery and fuel cell components and tools machining.

The “Engineered Plastics” segment manufactures and distributes technical products made of high-performance PTFE plastics for the vehicle and general industrial sectors.

The “Consolidation” column in the “Segment reporting” table below provides an overview of consolidation entries between the segments. Internal control and reporting are based on IFRS. With the exception of the Original Equipment segment’s provision of supplies to the Aftermarket segment, the extent of trade between the individual segments is insignificant. The exchange of goods and/or services between the segments takes place at arm’s-length prices.

The Original Equipment segment contains an impairment loss of EUR 1,518 k (2020: EUR 24,218 k).

9.3% or EUR 151,200 k of the Group sales revenue (2020: 10.2% or EUR 151,000 k) was generated with one customer in the Original Equipment segment.

Segment reporting

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	2021	2020	2021	2020	2021	2020
External revenue	**1,280,358**	**1,186,065**	**214,698**	**182,473**	**125,359**	**107,554**
Intersegment revenue	27,674	23,217	0	0	110	17
Segment revenue	**1,308,032**	**1,209,282**	**214,698**	**182,473**	**125,469**	**107,571**
EBIT[1]	**36,913**	**-23,673**	**42,165**	**38,982**	**23,725**	**14,038**
Depreciation and amortization[2]	100,103	116,468	3,131	3,787	6,945	7,079
Capital expenditures[3]	92,333	87,304	3,024	2,214	6,585	4,141
Segment assets	1,828,165	1,723,143	133,253	112,028	141,828	127,521

Segment	Other		Consolidation		Group	
EUR k	2021	2020	2021	2020	2021	2020
External revenue	**3,974**	**4,346**	**0**	**0**	**1,624,389**	**1,480,438**
Intersegment revenue	9,696	7,650	-37,480	-30,884	0	0
Segment revenue	**13,670**	**11,996**	**-37,480**	**-30,884**	**1,624,389**	**1,480,438**
EBIT[1]	**-773**	**-1,611**	**0**	**0**	**102,030**	**27,736**
Depreciation and amortization[2]	2,381	2,167	0	0	112,560	129,501
Capital expenditures[3]	771	12,707	0	0	102,713	106,366
Segment assets	32,856	32,948	-46,102	-32,527	2,090,000	1,963,113

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

Segment reporting by region

Region EUR k		Sales revenues[1]	Non-current assets	Investments
Germany	2021	346,712	543,672	66,949
	2020	355,616	536,577	67,176
Rest of Europe	2021	488,776	229,345	9,379
	2020	423,404	233,757	10,104
North America	2021	393,703	213,716	11,936
	2020	367,730	213,184	22,271
Asia-Pacific	2021	325,354	189,673	12,911
	2020	274,779	184,761	5,984
South America and rest of the world	2021	69,844	14,924	1,538
	2020	58,909	14,795	831
Group	**2021**	**1,624,389**	**1,191,330**[2]	**102,713**
	2020	**1,480,438**	**1,183,074**[2]	**106,366**

[1] The location of the customer is used to determine allocation of sales revenues to the regions.
[2] This includes financial assets of EUR 15,532 k (2020: EUR 15,088 k).

Other disclosures

Contingent liabilities

As in the previous year, the ElringKlinger Group does not have any contingent liabilities stemming from guarantees, performance bonds or bills of exchange issued.

Other financial commitments

Energy purchase commitments

EUR k	Dec. 31, 2021	Dec. 31, 2020
Less than one year	17,790	13,509
More than one year and less than five years	9,735	13,786
More than 5 years	373	0
Total	**27,898**	**27,295**

Proceeds from lease agreements

The future lease payments due to ElringKlinger from lease contracts from letting the Idstein industrial park and space to a development cooperation partner at the Dettingen/Erms location break down as follows:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Less than one year	213	218
More than one year and less than five years	294	476
More than five years	0	0
Total	**507**	**694**

Contingent assets and liabilities

As of the reporting date, there were no contingent assets and liabilities.

Number of employees

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

	2021	2020
Employees	9,566	9,832
Trainees	181	181
Total	**9,747**	**10,013**

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 526,579 k (2020: EUR 472,105 k) and break down as follows:

EUR k	Dec. 31, 2021	Dec. 31, 2020
Wages and salaries	456,844	401,318
Social security contributions	61,512	62,415
Post-employment benefit	8,223	8,372
Total	**526,579**	**472,105**

Personnel expenses contain public grants related to income in Germany, Switzerland and Canada of EUR 6,069 k (2020: EUR 14,766 k) in connection with the utilization of government-subsidized short-time work allowances and the associated reimbursement of social security contributions.

Related-party disclosures

Transactions between the parent company, ElringKlinger AG, and its subsidiaries are eliminated in the course of consolidation and are therefore not discussed in this note. Other than these, the following business relationships exist between companies of the ElringKlinger Group and related parties and companies controlled by related parties:

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

In the reporting period, the loan of EUR 0 k (2020: EUR 5,000 k) between Lechler GmbH and ElringKlinger AG that existed as of December 31, 2021 was repaid upon maturity on January 7, 2021. The loan carried an interest rate of 1.40% p.a.

Supply agreement between Lechler GmbH and KOCHWERK Catering GmbH, (EKKW), Dettingen/Erms, a wholly owned subsidiary of ElringKlinger AG. EKKW supplies Lechler GmbH with canteen food. The income of EKKW amounted to EUR 101 k in the reporting year (2020: EUR 95 k). As of the reporting date, outstanding receivables came to EUR 9 k (2020: EUR 9 k).

Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen (EKLS), and Lechler GmbH, Metzingen, regarding assembly activities and the storage of components. This agreement gave rise to EUR 562 k in sales revenue during the reporting year (2020: EUR 474 k). As of December 31, 2021, there were open receivables of EUR 42 k (2020: EUR 35 k).

Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd., Changchun, China, (CEK), and Changchun Hongyu Automobile Parts Co., Ltd. (CHYAP), based in Changchun, China, controlled by Ms. Liu, a close relative of Mr. Huang, who is a joint partner in CEK. CEK procured EUR 15 k worth of services under these business relations in 2021 (2020: EUR 8 k). As of December 31, 2021, there are liabilities of EUR 2 k (2020: EUR 2 k).

Relationships in the course of ordinary activities exist between various subsidiaries of hofer AG, Nürtingen, and the ElringKlinger subsidiary hofer powertrain products GmbH, Nürtingen, as well as hofer powertrain products UK Ltd., Warwick, UK. The business dealings pertain to services received and other expenses of EUR 4,121 k (2020: EUR 5,363 k). Outstanding liabilities come to EUR 6,157 k as of December 31, 2021 (2020: EUR 3,404 k). At EUR 3,873 k (2020: EUR 5,055 k), the services received mainly relate to services for sales, project management and product development and an amount of EUR 248 k (2020: EUR 269 k) for a rent agreement between hofer powertrain products GmbH, Nürtingen and the subsidiary of hofer AG, hofer Immobilien UG & Co. KG, Nürtingen, for the rent of office and production space in Nürtingen. The goods and services received and other expenses are counterbalanced by income from development services rendered or from delivery of machines and tools of EUR 25,129 k (2020: EUR 2,358 k). Outstanding liabilities come to EUR 20,356 k (2020: EUR 347 k) as of December 31, 2021.

The salaries of the employee representatives to the Supervisory Board are in line with market conditions.

Corporate Bodies

Supervisory Board

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

Gerald Müller* Reutlingen	Second Authorized Representative and treasurer 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) Board of Directors, TÜV Rheinland Berlin Brandenburg Pfalz e. V., Cologne
Manfred Strauß Stuttgart	Managing Partner of M&S Messebau und Service GmbH, Neuhausen a. d. F. **Governance roles:** a) n/a b) Lechler GmbH, Metzingen Eroca AG, Basel, Switzerland
Bernd Weckenmann* Reutlingen since April 12, 2021	Vice President Procurement and Supply Chain Management of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a
Olcay Zeybek* Bad Urach	Head of Accounting of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a

* Employee representative
a) Membership in statutory Supervisory Boards as defined by Sec. 125 AktG
b) Membership in comparable domestic and foreign control bodies as defined by Sec. 125 AktG

Remuneration of the Supervisory Board

In the reporting period, total compensation for the Supervisory Board of ElringKlinger AG was EUR 859 k (2020: EUR 889 k). Additionally, travel expenses totaling EUR 1 k (2020: EUR 2 k) were reimbursed. The remuneration of the employee representatives in the Supervisory Board amounted to EUR 677 k in the financial year 2021 (2020: EUR 722 k) for their activities as employees.

Management Board

Dr. Stefan Wolf, Bad Urach, Chairman	Responsible for Group companies, the corporate units of Legal Affairs, Human Resources, Global Strategy M&A and Innovations, Strategic Communications, Marketing & Communications and Sales as well as the Aftermarket business unit
Theo Becker, Metzingen	until December 31, 2021: Responsible for the business units Battery Technology & E-Mobility, Fuel Cell and Drivetrain as well as the corporate units Purchasing, Real Estate & Facility Management, Product Risk Management as well as Toolshop/Technology from January 1, 2022: Responsible for the business units Battery Technology & E-Mobility, Fuel Cell and Drivetrain as well as the corporate units Real Estate & Facility Management, Product Risk Management as well as Toolshop/Technology
Reiner Drews, Dettingen/Erms	Responsible for the business units Lightweighting/Elastomer Technology, Shielding Technology, Metal Sealing Systems & Drivetrain Components as well as the corporate units of Production, Quality & Environmental Management as well as the German locations ElringKlinger AG
Thomas Jessulat, Stuttgart	until December 31, 2021: Responsible for the corporate units Finance, Controlling, IT and Supply Chain Management from January 1, 2022: Responsible for the corporate units Finance, Controlling, IT and Procurement & Supply Chain Management

Governance roles in supervisory boards and other supervisory bodies

Dr. Stefan Wolf, Bad Urach, Chairman	Member of the Supervisory Board of ALLGAIER Werke GmbH, Uhingen, and member of the Supervisory Board of Duale Hochschule Baden-Württemberg (DHBW) KöR, Stuttgart
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

The remuneration of the Management Board amounted to:

EUR k	2021	2020
Short-term fixed remuneration	2,971	2,700
Short-term variable performance-based remuneration	2,400	1,347
Share-based payments	786	0
Expenses from post-employment benefits	210	197
Total	**6,367**	**4,244**

In the financial year, total Management Board remuneration pursuant to Section 314 (1) no. 6a sentence 1 to 4 HGB came to EUR 6,157 k (2020: EUR 4,047 k). The present value (DBO) of the pension provisions amounted to EUR 12,003 k (2020: EUR 12,928 k).

Since the 2021 financial year, the members of the Management Board are entitled to an annual long term incentive. The individual grant value for each member is granted in annual rolling tranches, each at the beginning of a financial year ("grant date"). To determine the amount to be paid out, the grant value is multiplied by the overall target achievement for the short-term incentive of each financial year with the previous financial year. The pay-out amount, after deducting accrued taxes and other dues, must be invested completely in the Company's shares. These shares must be held over a period of four years. The accounting takes place in accordance with the requirements of IFRS 2 as equity-settled share-based payment. A total of EUR 786 k was recognized as personnel expenses in this regard in the reporting period. After deducting taxes, a total of 39,026 shares at a price of EUR 10.43 with an overall value of EUR 407 k were acquired on behalf of and for the account of the members of the Management Board.

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

Provisions of EUR 16,140 k (2020: EUR 17,171 k) were recognized for pension obligations to former members of the Management Board, the management of merged companies, and their surviving dependents. The total remuneration of former members of the Management Board – including remuneration of former members of corporate bodies of merged companies – came to EUR 928 k (2020: EUR 914 k) in the financial year 2021.

The auditor fees amounted to:

EUR k	2021	2020
Audit of the annual financial statements	851	681
Other assurance services	157	54
Tax services	9	25
Other services	31	0
Total	**1,048**	**760**

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

Declaration of compliance with the German Corporate Governance Code

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

Events after the end of the reporting period

The Russia-Ukraine conflict escalated in February and March of the current financial year and culminated in a military conflict. Economic and political sanctions were decided and implemented in this connection, which are reflected in macroeconomic recession and inflation risk. In addition, this conflict may have an indirect impact on ElringKlinger, as the value chain of the automotive sector remains partially disrupted. If this leads to longer production stops at manufacturers, this may directly and considerably affect the orders placed by the customers of the Group. Financial effects on the financial performance, net assets and financial position of the Group are probable, but their extent cannot yet be estimated at the time the consolidated financial statements are prepared.

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

Dettingen/Erms, March 24, 2022

The Management Board

Dr. Stefan Wolf CEO	Theo Becker	Thomas Jessulat	Reiner Drews

Audit Opinion

Independent auditor's report

To ElringKlinger AG

Report on the audit of the consolidated financial statements and of the Group management report

Opinions

We have audited the consolidated financial statements of ElringKlinger AG, Dettingen/Erms, and its subsidiaries (the Group), which comprise the Group Income Statement, and the Group Statement of Comprehensive Income for the financial year from January 1 to December 31, 2021, the Group Statement of Financial Position as of December 31, 2021, the Group Statement of Cash Flows and the Group Statement of Changes in Equity for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of ElringKlinger AG, which is combined with the management report of the Company, for the financial year from January 1, to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the Group Corporate Governance Statement pursuant to Section 315d German Commercial Code (Handelsgesetzbuch, "HGB"), which is published on the website stated in the Group management report and is part of the Group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the Group Corporate Governance Statement 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 consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group 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 consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated 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 goodwill

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

According to IFRS standards, goodwill is not subject to amortization. The Management Board annually tests the goodwill capitalized for the cash-generating unit (segments) in accordance with IAS 36 for impairment. This involves comparing the recoverable amount of the cash-generating unit with its carrying amount. The recoverable amount is the value in use. As a rule, the basis of these measurements is the present value of future cash flows of cash-generating units to be measured to which goodwill was allocated. The determination of present value is based on internal budget forecasts of affiliated companies, which are part of the business plan approved by the Management Board and the Supervisory Board. The discounting is based on the weighted average cost of capital (WACC) for each cash-generating unit. The result of these measurements depends chiefly on the executive directors’ estimates of the future cash flows of the respective cash-generating units as well as the discount rate applied and is thus subject to judgment. In addition, the reporting year continued to be marked by the coronavirus pandemic as well as a shortage of materials and logistical bottlenecks and, therefore, a moderate development in sales revenue and earnings in the automotive sector. The manifestation of this development varied greatly in the geographic regions in which the Group entities operate. Against this backdrop, the measurement of goodwill is a key audit matter.

Auditor’s response

With regard to the value in use determined by the executive directors, we examined the underlying processes used to calculate the value in use. In particular, we analyzed the identified cash-generating units. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models for the determination of the value in use in terms of methodology and calculation and investigated whether these were defined using the relevant financial reporting standards in accordance with IAS 36. We also examined whether the valuation models were applied consistently. We further obtained explanations from management regarding material value drivers of the planning, including any implications from the coronavirus pandemic, and examined whether the budget planning reflects general and industry-specific market expectations. We compared the budget values used for the measurement with the medium-term planning prepared by the Management Board and approved by the Supervisory Board. We performed a target-actual comparison of the historical forecast data and the actual results on a sample test basis to assess forecast accuracy by comparing the medium-term planning of the previous years with the actual values of the respective financial years. In this regard, effects attributable to the coronavirus pandemic were also taken into consideration. We examined the inputs used to measure value in use, such as the applied growth rates and the weighted average cost of capital were compared with publicly available market data and assessed taking into consideration the change in significant assumptions, including future market conditions. In addition, we performed our own sensitivity analyses for the cash-generating units 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 relating to the assessment of goodwill impairment.

Reference to related disclosures

For disclosures on the recognition and measurement policies applied for goodwill impairment, please refer to the sections "Accounting policies" and "Goodwill" in the notes to the consolidated financial statements.

2. Revenue recognition pursuant to IFRS 15

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

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

In accordance with IFRS 15, revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service based on a contract with a customer. A good or service is considered to have been transferred when the customer obtains control. The transfer of control can lead to recognition of revenue at a point in time or over time, which is to be recognized in the amount to which the Group expects to be entitled. Based on the sources of sales revenue identified by the Group, the matters to be assessed include the existence of prerequisites for revenue recognition over time or at a point in time, the treatment of contract costs and the accompanying effects on the consolidated financial statements.

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

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

In the E-Mobility business unit, there are specific and in some cases complex contractual arrangements with the customers, particularly in connection with the contract-based development services and cooperation. Therefore, the executive directors have to use their judgment in the accounting, particularly relating to the criteria for revenue recognition over time or at a point in time. In addition, the fulfillment of technical requirements for reaching contractually agreed milestones has to be assessed regularly.

Auditor's response

In our audit of revenue recognition, in a first step we obtained a fundamental understanding of the business and process, and identified the relevant sources of sales revenue and controls. Against this background, we assessed the processes established for the application of IFRS 15 by the executive directors.

In the area of series production, we examined the contracts on a sample basis to determine whether they fulfill the requirements for revenue recognition at a point in time or over time. We verified the requirements for revenue recognition over time for series deliveries by assessing in particular to what extent the series parts do not have an alternative use and there is an enforceable right to payment. For revenue recognition at a point in time, we analyzed the contractual arrangements with the customers, particularly the contractual regulations at the time of transfer of control taking into account customer-specific general business and delivery terms and reviewed the matching recognition of sales revenue on a sample basis.

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

In the E-Mobility business unit, using the contractual arrangements we examined the contract-based developments services and cooperation, likewise on a sample basis, whether they satisfy the criteria for revenue recognition over time or capitalization of costs to fulfill a contract for revenue recognition at a point in time. We discussed the technical and economic progress of projects with the engineers responsible for the projects. We obtained an overview of the current project status or reaching of defined milestones using the technical project documentation. In addition, we asked the project management about the reasons for deviations between the planned and actual costs and the current estimated costs to complete the projects.

Further, we used data analytics for the entire sales revenue reported in the financial year 2021 to determine how it had been entered in the system and assessed the posting logic in the light of the existing processes. In connection with the existence of sales revenue, we also examined whether the corresponding trade receivables had been settled by payment of the invoice amount in the customary business cycle. We also compared incoming payments with the corresponding bank statements on a sample basis. Moreover, we compared sales transactions with delivery slips on a sample basis.

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

Our audit procedures did not lead to any reservations relating to the recognition of revenue pursuant to IFRS 15.

Reference to related disclosures
For accounting policies applied in the course of revenue recognition, please refer to the disclosures in the notes to the consolidated financial statements in "Financial reporting" and "(1) Sales revenue".

Other information

The Supervisory Board is responsible for the Report by the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the Group Corporate Governance Statement referred to above. Furthermore, the other information comprises the non-financial Group report, which is combined with the non-financial report of ElringKlinger AG, of which we obtained a version prior to issuing this auditor's report. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- the Report by the Supervisory Board pursuant to Section 171 (2) AktG
- the Responsibility Statement pursuant to Section 297 (2) sentence 4 HGB
- the Compensation report pursuant to Section 162 AktG and
- the section "Letter to Shareholders" in the annual report

but not the consolidated financial statements, not the Group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the Group 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 consolidated financial statements, with the Group 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 consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 Group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the Group 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 consolidated financial statements and this Group 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 consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group 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.
- 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 Group'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 consolidated financial statements and in the Group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group 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 consolidated 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 consolidated financial statements and the Group 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 consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the file "ElringKlinger_AG_KA_KLB_ESEF-2021-12-31.zip" (SHA- 256- checksumm: [b20fbe76d224e9dcab41695fd1c2520d1c86076019efed80412a9226110ac4fd]) 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 consolidated financial statements and the Group 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 consolidated financial statements and the Group 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 consolidated financial statements and the accompanying Group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the audit of the consolidated financial statements and of the Group 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 consolidated financial statements and the Group management report contained in the file identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 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.

Group 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 consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

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

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

Other matter – use of the auditor's report

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

German Public Auditor responsible for the engagement

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

Stuttgart, March 24, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol	Vögele
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

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

Dettingen/Erms, March 24, 2022

Management Board

Dr. Stefan Wolf
CEO

Theo Becker

Thomas Jessulat

Reiner Drews

Glossary

Financials

C Cash flow

Figure used to determine a company's financial strength. It measures the extent to which cash received as a result of the company's operating activities exceeds its cash outflows and shows the amount of cash generated by the company itself. For the purpose of determining cash flow, an entity's profit for the annual period is adjusted for items that do not produce an inflow or outflow of cash, such as depreciation or changes in provisions. Net cash from operating activities is the surplus of cash generated by operating activities.

Corporate Governance

Includes the entirety of rules, regulations, and values for corporate management and supervision that should be as responsible as possible and focused on sustainability and value generation over the long term.

Countervailing duties

Countervailing duties are trade import duties imposed under World Trade Organization rules to neutralize the adverse effects of state subsidies.

COVID-19

Abbreviation for "coronavirus disease 2019." COVID-19 is a contagious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The coronavirus pandemic, which according to current knowledge initially spread in China in the early 2020s, has led to far-reaching economic challenges.

E Earnings per share

Earnings per share (EPS) are calculated by dividing the profit attributable to shareholders of a stock corporation by the number of shares outstanding. It is used for the purpose of analyzing profitability and – at a cross-sector level – for evaluating a company.

EBIT/Operating result

Abbreviation for earnings before interest and taxes. EBIT corresponds to the operating result before taking into account net finance costs. At an international level, this figure is commonly used to compare companies' operating earnings power.

EBIT margin

EBIT expressed as a percentage of total Group sales revenue. The EBIT margin shows the profitability of a company's operating business over a specific period of time.

EBITDA

Abbreviation for earnings before interest, taxes, depreciation, and amortization. EBITDA is a financial indicator used for the purpose of measuring the profitability of a company at the operating level, as the indicator does not include any elements influencing profit, for example, in terms of the financing structure, national jurisdiction, or reporting standards applicable to the entity.

EFTA

Abbreviation of European Free Trade Association; it consists of Iceland, Liechtenstein, Norway, and Switzerland, i.e., countries that are not members of the European Union (EU). EFTA pursues economic policy objectives that are less far-reaching than those in the EU.

EKOS

Abbreviation for ElringKlinger Operating System. EKOS is the name of the standardized Group-wide production system that ElringKlinger AG launched in 2018.

ESG

Abbreviation for environment, social, and corporate governance, three areas of a company's responsibility in relation to sustainability.

EU taxonomy

A set of EU regulations that entered into force in 2022, the EU taxonomy is designed to make it easier to compare companies' sustainability activities by introducing a fixed classification system.

F Financial covenants

Refer to contractual clauses in loan agreements. Under these terms, companies obligate themselves to meet specific financial requirements.

H HGB

Abbreviation for Handelsgesetzbuch (German Commercial Code). The financial statements of the parent company, ElringKlinger AG, are prepared in accordance with HGB.

I

IATF

Abbreviation for International Automotive Task Force. An "ad hoc" working group made up of representatives of mainly North American and European automotive manufacturers and industry associations. It works toward harmonizing standards to improve product quality for automotive customers.

IFRS

Abbreviation for International Financial Reporting Standards. They contain accounting provisions for exchange-listed entities. The application of IFRS has been mandatory in the EU since January 2005. ElringKlinger has been reporting in accordance with IFRS since 2004.

IPCEI

Abbreviation for Important Project of Common European Interest, a transnational undertaking that makes an important contribution to growth, employment, and competitiveness in Europe's industry and the European economy via government funding.

ISO

Abbreviation for the International Organization for Standardization. As an international association of standardization organizations, it formulates standards in virtually all sectors and industries.

M

M&A

Abbreviation for "Mergers & Acquisitions." The term generally refers to a legal consolidation or amalgamation of two entities into one entity (merger), whereas an acquisition occurs when one entity takes ownership of another entity's stock, equity interests, or assets (acquisition). M&A encompasses all activities relating to the transfer and encumbrance of ownership rights in entities, including the formation of groups of companies, the restructuring of groups of companies, mergers and conversions in the legal sense, squeeze-outs, the financing of corporate acquisitions, the formation of joint ventures, and the acquisition of entities.

N

NAFTA

Abbreviation for "North American Free Trade Agreement." NAFTA came into force on January 1, 1994, and is expected to be replaced by the new United States-Mexico-Canada Agreement (USMCA) signed on November 30, 2018. The latter, however, has yet to be ratified by the respective countries at a parliamentary level. The original agreement primarily focuses on customs arrangements, while USMCA also covers environmental and labor regulations, issues relating to vehicle production, and aspects regarding intellectual property protection.

Natural hedging

For the purpose of reducing transaction costs and risk, transactions leading to income and expenses of a foreign subsidiary can be made in the same currency, usually the local currency, as a form of natural hedge.

Net debt

Figure that describes the level of indebtedness of a company if all current assets were taken into account for the purpose of repaying its liabilities. Net debt is calculated on the basis of interest-bearing liabilities (primarily bank borrowings) less cash and cash equivalents.

Net finance income/cost

Profit or loss arising from financial transactions, e.g., interest income and expenses, income and expenses attributable to investments, or income and expenses attributable to exchange rate differences. Net finance income or cost is a component of pre-tax earnings presented in the income statement.

Net Working Capital

Key performance indicator for measuring changes in liquidity. It is calculated based on inventories and trade receivables less trade payables.

O

Operating free cash flow (before acquisitions)

Operating free cash flow represents the funds freely available to the company for distribution. It is calculated by subtracting capital expenditure payments from net cash from operating activities. Operating free cash flow does not include cash payments in respect of acquisitions, cash payments for investments in financial assets and incoming payments from divestments.

P

PCR-Test

Tests according to the polymerase chain reaction method (so-called PCR tests).

Purchase price allocation

Purchase price allocation (PPA) refers to the allocation of the price paid in the purchase of a company or an interest in a company to the individual identifiable assets and liabilities acquired as part of this transaction. As part of the formal procedure of consolidation within the Group, for example, it is possible to capitalize assets of an acquired entity, such as the customer base and order backlog, which would not otherwise qualify for capitalization in normal business. This leads to write-downs that have a dilutive effect on operating profit at Group level.

R

ROCE

Abbreviation for return on capital employed. ROCE measures a company's profitability and the efficiency with which its capital is employed. In this context, EBIT is divided by average capital employed. At ElringKlinger, capital employed includes shareholders' equity, financial liabilities, provisions for pensions, and interest-bearing non-current provisions such as anniversary and partial-retirement provisions. The average value is calculated as the aggregate of the carrying amounts at the end of the reporting period of the previous year and the current year, divided by two.

S

Scope 1–3 in accordance with the GHG Protocol

The concept of dividing emissions into Scope 1, 2, and 3 emissions comes from the Greenhouse Gas Protocol (GHG Protocol). Scope 1 covers the direct release of greenhouse gases from within one's own company; Scope 2 relates to the indirect release of greenhouse gases by energy suppliers; and Scope 3 refers to the indirect release of greenhouse gases in the company's up- and downstream supply chain. The GHG Protocol is being coordinated by the World Resources Institute and the World Business Council for Sustainable Development.

Statement of cash flows

The statement of cash flows shows the calculations for the flow of funds generated by a company from operating, investing, and financing activities during the reporting period. The statement of cash flows helps determine the company's ability to generate cash and cash equivalents.

Syndicated loan

A syndicated loan, also known as a syndicated bank facility, is financing offered by at least two lenders – referred to as a syndicate – who work together to provide funds for a single borrower. The focus of syndicated loans tends to be on large-scale financing. At the same time, syndicating the loan allows lenders to spread risk.

W

Working Capital

Indicator used for the purpose of monitoring changes in liquidity. It is calculated on the basis of inventories and trade receivables.

WpHG

Abbreviation for Wertpapierhandelsgesetz (Securities Trading Act).

Technology

B

Battery cells

The designs of larger batteries can be divided into three categories: round cells, prismatic cells, and coffee-bag cells. Round cells and prismatic cells have a (stable) sheet metal housing, whereas flat cells (= coffee-bag or pouch cells) have a casing made of foil. Round cells and prismatic cells differ in terms of the way the foil packets, i. e., the foils in which the energy is actually stored, are designed. The cells also have different exterior shapes: a round cell is similar to a cylinder and has a circular base, whereas a prismatic cell has a square base.

Bipolar plates

The key mechanical components in fuel cell stacks. Their function is to create an electrical interconnection between two cells. In other words, they transmit the electricity generated, supply the cells with hydrogen and oxygen, and distribute the coolant. ElringKlinger develops and manufactures metal bipolar plates. Among the technical requirements for these components are high-precision metal-forming within the contact area (in the micrometer range), accurate, low-distortion laser welding of the cathode and anode plates, and suitable conductive and anti-corrosion coatings.

C

Cell contact system

The cell contact systems developed by ElringKlinger for lithium-ion batteries consist of cell connectors and a cell carrier in which the connectors are integrated as a robust laser-welded construction. Via the cell connectors, the individual battery cells are connected both in a row and parallel to one another. They act as conductors, absorb cell energy and contain sensors. The system consists of a control interface with thermal and electric monitoring.

Cockpit cross-car beam
Structural component located behind the interior panel of the vehicle's cockpit; it supports elements such as the dashboard, steering column, heating modules, glove compartment, etc. Applying HFH technology (hydroformed hybrids), ElringKlinger manufactures cockpit cross-car beams as lightweight components. This involves producing so-called hybrid parts from polymer and metal materials by means of the hydroforming method and plastic injection molding in a single step. Similar structural components include front-end carriers, to which the headlights or other vehicle parts are fitted.

E

Elastomer
Plastics/polymers can be divided into three main categories depending on their processing properties: thermoplasts, duroplasts, and elastomers. The distinctive feature of elastomers is that their shape can be changed temporarily through the application of pressure or stretching before they return to their original form (rubber). The final material varies depending on the raw materials, manufacturing process, and additives used. In the field of sealing technology, ElringKlinger utilizes its own elastomers that have been specially developed and optimized to meet individual customer requirements.

Electromagnetic compatibility (EMC)
The ability of electrical equipment to operate in an electromagnetic environment without causing interference with the environment or other equipment.

F

Front-end carrier
cf. Cockpit cross-car beam

Fuel cell
Converts chemical fuel energy into electrical energy to a highly effective degree. In order to perform this reaction, the cell requires oxygen and hydrogen. The hydrogen can also be obtained from a hydrocarbon-based fuel. This involves a so-called reformer providing the cell with hydrogen gas derived from diesel or natural gas, for example. Unlike batteries, fuel cells do not store energy, but rather convert it. ElringKlinger focuses on the development and production of components for PEM low-temperature fuel cells (cf. PEM fuel cell), which are of relevance to mobile applications.

Fuel cell stack
In a fuel cell context, the term "stack" refers to a complete stack of individual fuel cells, including bipolar plates and retaining and connecting devices. To boost performance, the individual fuel cells are connected in series.

H

Hybrid drive
In the automotive industry, the term refers to the use of two different energy sources to drive a vehicle. This usually involves combining a combustion engine with an electric motor. Vehicles can be categorized according to the level of hybridization:

- Micro hybrids feature an automatic start-stop system and, additionally, a brake energy regeneration system to charge the starter battery.
- Mild hybrids have an electric drive that supports the combustion engine for more performance.
- Full hybrids deliver an output of 20 kW/t, which makes them capable of being propelled solely by an electric engine.
- Plug-in hybrids are comparable to full hybrids. In addition, the accumulator (i. e., the rechargeable battery) can be charged via the combustion engine or the electrical grid.

L

Lithium-ion battery
Lithium-based batteries are rechargeable, durable, high-energy batteries with high energy density. They are primarily used in electric and hybrid vehicles. ElringKlinger develops and produces, among other products, modular cell contact systems for such batteries.

N

New Energy Vehicle
In China, the term "New Energy Vehicle" (NEV) refers to vehicles that are powered either partly or entirely by an electric drive, e.g., battery electric vehicles (BEV) or plug-in hybrids (PHEV). In 2009, the Chinese government launched its NEV program for the purpose of promoting the development and introduction of New Energy Vehicles.

Nitrogen oxides (NO_X)
The internationally recognized abbreviation NO_X is used for compounds of nitrogen and oxygen. These gases, which form in the exhausts of combustion engines, are harmful to humans and the environment. Emissions standards are becoming increasingly stringent worldwide and prescribe strict limits for NO_X.

P

PEM fuel cell

PEM stands for “Proton Exchange Membrane.” PEM fuel cells work at low temperatures of around 90°C and have a polymer membrane as their central element. In the synthetic reaction known as cold combustion, oxygen and hydrogen react with one another, aided by a catalyst, releasing electricity and causing water to form. For PEM fuel cells used in passenger cars, ElringKlinger has developed metal bipolar plates. Several hundred such plates are incorporated within a single cell stack.

Polyamide

Polyamides are polymers (plastics) and usually refer to synthetic thermoplastics. ElringKlinger uses polyamides in the production of lightweight plastic housing modules.

Prismatic battery cells

See “battery cells”

PTFE

Abbreviation for “polytetrafluoroethylene”. PTFE is a thermoplastic high-performance plastic – commonly known by the trade name Teflon – that has a very low coefficient of friction and is particularly resistant to most aggressive chemicals and external influences such as moisture and UV radiation. PTFE is resistant to temperatures as low as 200°C and only melts at over 320°C. With its modified material Moldflon®, which is registered as a trademark, ElringKlinger has an injection-moldable PTFE high-performance material with a wide range of potential applications, for instance in the field of medical technology.

R

Rightsizing

A concept in the automotive industry that – in contrast to downsizing – focuses not just on the use of smaller power units but also on the optimized interaction of various elements, such as engine capacity, torque, and consumption, for the engine in question.

S

SOFC (Solid Oxide Fuel Cell)

Solid oxide fuel cells are also known as “high-temperature fuel cells” owing to their high operating temperatures (approx. 800°C). This type of fuel cell can be operated with a wide range of fossil fuels, from which hydrogen gas is obtained using a reformer.

T

Tier 1/Tier 2

Automotive companies that supply vehicle manufacturers (OEMs) directly are known as Tier 1 suppliers. These generally source some of their products from their own suppliers, which are then referred to as Tier 2 suppliers, Tier 3, and so on, reflecting their position in the supply chain. Most of ElringKlinger’s products go directly to vehicle manufacturers, making it a Tier 1 supplier. With regard to exhaust gas purification technology and transmission components, ElringKlinger mostly acts as a Tier 2 supplier.

Turbocharger

Turbochargers increase the air flow rate in engines by compressing the air that is necessary for combustion. The turbocharger is one of the key factors in engine downsizing, as it allows for equivalent or even better performance with a reduced engine capacity. In turn, this results in fuel savings.

V

V ring

Extremely elastic sealing element for the high-temperature range, used for the purpose of sealing challenging dynamic sealing gaps in exhaust gas applications. V rings are used primarily in modern exhaust gas turbocharger variants.

W

WLTP

Abbreviation for “Worldwide Harmonized Light Duty Test Procedure.” Test method for vehicles to measure data such as fuel consumption or exhaust gas limits. From September 1, 2018 on, all newly registered passenger cars and light commercial vehicles in the EU have to comply with exhaust emission standards measured according to WLTP. The new test cycle replaces the NEDC standard (New European Driving Cycle), which had been in force since 1992, and is intended to deliver more realistic results.

Imprint

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Further information is available at www.elringklinger.com

Publication Format
For reasons of sustainability, ElringKlinger no more publishes a print edition of its annual report. This Annual Report 2021 of the ElringKlinger Group is published as an online report and as a PDF file. Any printed copy is an offprint.

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

Supplementary Notes
Due to rounding, some of the numbers and percentage figures specified in this document may differ from the actual values, particularly in the case of summation and percentage calculations. For the purpose of readability, we have not used gender specific forms of grammer when referring to general designations of people. Specific terms relate to all people irrespective of gender.

This report was published on March 29, 2022, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar 2022

MARCH

29 Annual Results 2021, Annual Press Conference, Analysts' Meeting

MAY

05 Financial Results on the 1st Quarter of 2022

MAY

19 117th Annual General Shareholders' Meeting, Virtual event

AUGUST

04 Interim Report on the 2nd Quarter and 1st Half of 2022

NOVEMBER

03 Financial Results on the 3rd Quarter and 1st Nine Months of 2022

MAY 2023

16 118th Annual General Shareholders' Meeting

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

For trade fairs please visit our websites:
www.elringklinger.de/en/press/dates-events
www.elringklinger-engineered-plastics.com/service/trade-fair-dates
www.elring.de/en/press-events/dates-events

ElringKlinger worldwide

Operating at 45 sites, the ElringKlinger Group has established a corporate presence in 20 countries. The company supplies almost all of the world's vehicle and engine manufacturers from 39 production sites located around the globe.

Europe (excluding Germany)

30 %

SHARE OF SALES

North America

24 %

SHARE OF SALES

South America and rest of the world

4 %

SHARE OF SALES

Asia-Pacific

20 %

SHARE OF SALES

Germany

22 %

SHARE OF SALES

EUROPE (excluding Germany)

- Redcar (GB)
- Gateshead (GB)
- Warwick (GB)
- Nantiat/Chamborêt (France)
- Poissy (France)
- Reus (Spain)
- Sevelen (Switzerland)
- Turin (Italy)
- Kecskemét-K. (Hungary)
- Timisoara (Romania)
- Bursa (Turkey)

GERMANY

- Dettingen/Erms
- Bietigheim-Bissingen
- Geretsried-Gelting
- Heidenheim
- Idstein
- Langenzenn
- Lenningen
- Mönchengladbach
- Nürtingen
- Rottenburg/Neckar
- Runkel
- Thale

ASIA-PACIFIC

- Changchun (China)
- Suzhou (China)
- Chongqing (China)
- Qingdao (China)
- Tokyo (Japan)
- Saitama (Japan)
- Takasaki (Japan)
- Gumi (South Korea)
- Ranjangaon (India)
- Bangkok (Thailand)
- Karawang (Indonesia)

NORTH AMERICA

- Leamington (Canada)
- Buford (Georgia, USA)
- Plymouth (Michigan, USA)
- Southfield (Michigan, USA)
- San Antonio (Texas, USA)
- Fort Wayne (Indiana, USA)
- Fremont (California, USA)
- Toluca (Mexico)

SOUTH AMERICA AND REST OF THE WORLD

- Piracicaba (Brazil)
- Alberton (South Africa)

As at December 31, 2021

Key Figures

ElringKlinger Group at a glance

		2021	2020	2019	2018	2017	2016	2015
Order Situation								
Order intake	EUR million	1,977.5	1,483.1	1,737.2	1,735.3	1,732.0	1,693.7	1,615.3
Order backlog	EUR million	1,386.2	1,033.1	1,030.3	1,020.1	1,000.6	932.5	796.2
Sales/Earnings								
Sales revenue	EUR million	1,624.4	1,480.4	1,727.0	1,699.0	1,664.0	1,557.4	1,507.3
Cost of sales	EUR million	1,273.4	1,195.5	1,401.7	1,328.9	1,255.6	1,161.5	1,133.0
Gross profit margin		21.6%	19.2%	18.8%	21.8%	24.5%	25.4%	24.8%
EBITDA	EUR million	216.1	181.5	181.0	196.6	238.4	231.2	222.8
EBIT/Operating result	EUR million	102.0	27.7	61.2	96.2	137.3	135.6	135.2
EBIT margin		6.3%	1.9%	3.5%	5.7%	8.3%	8.7%	9.0%
Adjusted EBIT, pre ppa[1]	EUR million	102.0	28.1	63.2	100.2	141.8	140.4	140.4
Adjusted EBIT margin, pre ppa[1]		6.3%	1.9%	3.7%	5.9%	8.5%	9.0%	9.3%
Earnings before taxes	EUR million	100.8	-13.6	41.7	81.4	110.1	124.1	128.8
Net income	EUR million	54.6	-40.0	5.0	47.9	73.8	82.6	95.8
Net income attributable to shareholders of ElringKlinger AG	EUR million	55.7	-40.8	4.1	43.8	69.9	78.6	91.6
Cash Flow								
Net cash from operating activities	EUR million	156.1	217.8	277.6	91.6	95.5	175.7	123.3
Net cash from investing activities	EUR million	-73.0	-60.6	-84.5	-120.7	-193.2	-189.7	-212.7
Net cash from financing activities	EUR million	-106.8	-155.8	-103.8	30.0	109.3	4.5	65.3
Operating free cash flow[2]	EUR million	72.0	164.7	175.8	-86.2	-66.6	-3.8	-65.2
Balance Sheet								
Balance sheet total	EUR million	2,090.0	1,963.1	2,146.5	2,079.7	2,022.4	1,878.2	1,765.8
Equity	EUR million	982.3	812.8	891.2	890.1	889.7	886.4	855.7
Equity ratio		47.0%	41.4%	41.5%	42.8%	44.0%	47.2%	48.5%
Net Debt	EUR million	369.2	458.8	595.3	723.5	655.3	538.8	486.8
Returns								
Return on equity after taxes		6.1%	-4.7%	0.6%	5.4%	8.3%	9.5%	11.7%
Return on total assets after taxes		3.1%	-1.2%	1.2%	3.1%	4.5%	5.3%	6.5%
Return on Capital Employed (ROCE)		6.4%	1.7%	3.4%	5.5%	8.2%	8.7%	9.5%
Human Resources								
Employees (as at Dec. 31)		9,466	9,724	10,393	10,429	9,611	8,591	7,912
Stock								
Earnings per share	EUR	0.88	-0.64	0.06	0.69	1.10	1.24	1.45

[1] ppa = amortization resulting from purchase price allocation. Since fiscal 2020 ElringKlinger has discontinued to adjust EBIT for ppa.

[2] Net cash from operating activities and net cash from investing activities (adjusted for acquisitions/divestments and changes in financial assets)

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