ANNUAL REPORT

2023

elringklinger

Our product portfolio for sustainable mobility

Battery technology

ElringKlinger has been a series producer of battery technology components since as early as 2011. In addition, the company produces complete battery modules on the basis of various cell formats. Combining these with other products, such as cell housings, ElringKlinger is able to develop and mass-produce end-to-end battery systems.

Fuel cell

ElringKlinger has been playing an active role in the field of fuel cell technology for the last 20 years and counting. EKPO Fuel Cell Technologies (EKPO), the enterprise operated in partnership with Plastic Omnium, is a leader in the development and large-scale production of fuel cell components and stacks for carbon-neutral mobility. EKPO's stacks and components are used in cars, light commercial vehicles, trucks, buses, and rail and marine applications as well as in off-highway systems and electrolyzers.

Electric drive units

As strategic partners, ElringKlinger and hofer powertrain develop and produce highly efficient electric drive units (EDU). The spectrum ranges from component solutions for large-scale production to applications in the high-end sports car and luxury segment.

Lightweighting for all types of drive system

Lightweight construction is a key technology for the automotive industry. Our innovative products are designed to improve the efficiency and range of e-mobility solutions, while also reducing the fuel consumption and CO_2 emissions of vehicles equipped with combustion engines. The highly integrated components are based on fully recyclable materials.

Classic forms of mobility

The portfolio of ElringKlinger's long-standing business units is aimed at ensuring greater efficiency in fuel consumption. Thus, products within this area help to cut back greenhouse gas emissions. The Group also applies its expertise gained in this field to its range of e-mobility products. After all, electric vehicles also require seals and shielding parts – or solutions based on the relevant skills.

ElringKlinger

Selected products for the mobility of the future

FUEL CELL STACK

The cell stack of the PEM fuel cell (Proton Exchange Membrane Fuel Cell) consists, among other things, of numerous bipolar plates and seals as well as the bracing system; it forms the heart of fuel cell technology.

CELL CONTACTING SYSTEM

This key component takes over the current conduction as well as voltage and temperature monitoring.

COCKPIT CROSS-CAR BEAM

Innovative lightweight structural component with the highest level of functional integration; it supports elements such as the instrument panel, steering column, airbags, and other equipment.

BATTERY SYSTEM

ElringKlinger battery modules and systems can be used in a wide variety of applications thanks to their modular set-up and various cell formats.

ELECTRIC DRIVE UNIT (EDU)

The core element of the electric drive train, consisting of power electronics, transmission, and electric motor.

UNDERBODY PROTECTION

Thermoplastic under-ride protection systems with maximum impact resistance using high-strength continuous fibers in a sandwich design. High thermal and electrical insulation as well as many other functional integration features.

FRONT-END MODULE CARRIER

The lightweight structural component in a hybrid design accommodates elements such as the radiator, headlights, air intake, radar systems, and other components.

BIPOLAR PLATE

The metal bipolar plates ensure, among other things, the separation of the media and their distribution in the cell stack as well as the transmission of the electric current.

ROTOR AND STATOR

In the electric motor, the rotor and stator ensure efficient operation thanks to their high packing density. A specially developed three-stage manufacturing process reduces the punching strokes while using thinner sheets to achieve the necessary package height.

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What does the new management team stand for and what does it mean for the future of ElringKlinger? We accompany the three Management Board members, find out how the trio works, and shed light on the five success factors at the heart of the company's goals for 2030.

Read the full report in »Triple« in the latest 2024 issue of »pulse« magazine.

The Management Board of ElringKlinger AG

from left to right

Dirk Willers
CSO

Thomas Jessulat
CHAIRMAN OF THE MANAGEMENT BOARD

Reiner Drews
COO

elringklinger.com > Company > Management Board

Letter to Shareholders

Dear Shareholders,
Ladies and Gentlemen,

ElringKlinger is in the midst of a transformation. Our core business relating to the long-standing units within the Group remains strong. The associated products have been tried and tested for decades, which includes continuous optimization and refinement. Alongside the state-of-the-art cylinder head gaskets featured in this portfolio, our cam covers and elastomer gaskets are prime examples of our efforts in this field. The Group generates the majority of its annual revenue with products used in internal combustion engines. This business model provides the financial resources needed to drive the Group's transformation process. ElringKlinger is an acknowledged partner when it comes to developing efficient product solutions tailored to every facet of the optimized combustion engine.

At the same time, we have made a point of gradually evolving our expertise over the past decades. Our focus was and remains on the growth areas of electromobility and the hydrogen economy. We have developed a broad product portfolio centered around battery, drive system, fuel cell, and electrolyzer applications. The financial year just ended saw us secure a number of orders. This includes, for example, a high-volume nomination by the BMW Group for its "New Class" series. Customers have also nominated us in the Metal Forming & Assembly Technology business unit, which to date has mainly been producing punched and formed parts as well as shielding systems. Among them, for example, are a global Tier 1 supplier with a nomination for battery housings and a global battery manufacturer with one for battery housing components. Furthermore, in the second half of the financial year under review, series production commenced for an order placed by a global battery manufacturer covering a total volume in the mid triple-digit million euro range. Nominations such as these confirm that the strategic direction we have taken is the right one. Not only when it comes to providing a compelling product proposition but also in our efforts to tap into new customer groups. ElringKlinger is an established partner for the drive technologies of the future.

Alongside the nominations received over the course of the year, ElringKlinger's business performance as a whole proved thoroughly successful despite difficult market conditions. Group revenue reached a level of EUR 1.85 billion which corresponds to organic growth of 4.6%. Recording an adjusted EBIT margin of 5.4%, we once again boosted the Group's profitability and, at EUR 36.7 million, achieved year-on-year growth in operating free cash flow. As a result, we were able to further reduce net financial liabilities and lower our net debt-to-EBITDA ratio to 1.6. Based on this solid foundation, we, the Management Board, together with the Supervisory Board, are proposing to you, our valued shareholders, a dividend payment of EUR 0.15, unchanged from the previous year. It is this proposal that will be presented to the Annual General Meeting, thus reflecting our belief that shareholders should benefit appropriately from the company's successful performance.

For my Management Board colleagues Reiner Drews and Dirk Willers and myself, the above-mentioned financial metrics represent the starting point in our efforts to advance the Group in the coming years. In this context, our primary mission is to continue the successful transformation of ElringKlinger. This clearly defined strategic focus includes reviewing the Group's portfolio to ensure that it is fit for the future. We will analyze exactly which of our product groups can be considered promising, and we will focus our full attention on these activities. After all, focus has always been one of ElringKlinger's key strengths.

Looking ahead, ElringKlinger has committed itself to a strategic concept, referred to as SHAPE30, which, as the name suggests, will assist us in our efforts to further shape the Group. It provides the basis for guiding ElringKlinger toward a successful future. The first step is product transformation. Taking a consistent approach, we will continue to build on the milestones we have already achieved with the ambition of pursuing our successful path of transformation. Our long-standing business is very well positioned within the market. Following the ramp-up of series production associated with high-volume orders in the field of new drive technologies, we will be able to cover our costs to a greater extent on the back of higher revenues, thus emerging from the current start-up phase. Against this backdrop, the overall profitability of the Original Equipment segment looks set to improve in the medium term. In the Aftermarket segment, meanwhile, our growth strategy is already taking effect, particularly in the regions of North and South America as well as China. Indeed, our positioning in this segment is very solid overall. The Engineered Plastics segment is making its contribution to diversifying the Group. In this area, we can draw on a successful track record not only in the automotive industry but also in market segments such as medical technology and mechanical engineering.

Alongside product transformation, the aspect of sustainability plays a key role. We are committed to gearing the Group toward sustainability, the ultimate goal being to pass on a world that is viable for future generations. We plan to be carbon-neutral in net terms worldwide by 2030 and are integrating not only environmental considerations into our activities but also social and ethical aspects. The latter includes, above all, sound corporate governance. The future will also bring a raft of new statutory requirements in the area of sustainability, for which we are already making the necessary preparations.

At the same time, it is essential that we take a determined approach to advancing digitalization. This creates added value for both our customers and the Group. We are also keen to leverage further potential through process and performance excellence.

In parallel, we are determined to evolve ElringKlinger’s corporate culture. After all, our employees form the core of the Group. It is therefore all the more important that we continue to offer an appropriate framework that allows team members to perform to the best of their ability. In this context, I would like to thank, also on behalf of my colleagues on the Management Board, all employees around the globe – whether in Japan, South Korea, China, Thailand, Indonesia, or India, whether in South Africa, Brazil, Mexico, the USA, or Canada, whether in the United Kingdom, France, Spain, Italy, Hungary, Romania, Turkey, Switzerland, or Germany – for their tireless efforts. They are our Group’s most valuable asset.

ElringKlinger has a strong foundation on which to successfully embark on the next stage of its transformation. We are thoroughly committed to building on this foundation in an effort to increase enterprise value. With its broad and compelling product portfolio, its long-standing business as the backbone for ongoing change, and its strategic positioning, complemented by its sales performance in the field of new drive technologies, ElringKlinger is a transformation success story.

Please see for yourself on the following pages and in our “pulse” magazine.

Dettingen/Erms, March 2024

Yours sincerely, Thomas Jessulat

Thomas Jessulat
Chairman of the Management Board

Report by the Supervisory Board 2023

On the back of a slight year-on-year upturn in revenue, operating profit at ElringKlinger was again encouraging in 2023, thus reflecting the company's robust performance in the financial year just ended. Ongoing conflicts and wars, particularly in Ukraine and the Middle East, had and continue to have a significant impact on the global economy, which manifests itself above all in a considerable degree of uncertainty and volatility. In spite of these circumstances, ElringKlinger was able to take further important steps forward when it came to the process of transitioning to electromobility, which included acquiring projects associated with prestigious vehicle manufacturers. As a development partner and supplier to the automotive industry, ElringKlinger's strategic approach of manufacturing sophisticated components and systems for vehicles powered by combustion engines as well as electric drives is proving to be an appropriate route in pursuit of sustained commercial success in the coming years.

In the financial year just ended, the Supervisory Board of ElringKlinger AG again 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 with regard to issues of material importance. 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 about significant occurrences. The Chairman of the Supervisory Board and the entire Supervisory Board were therefore able to form a sufficient picture of the business policies, corporate planning, profitability, and situation relating to the company and the Group. In line with statutory requirements, the Supervisory Board was involved in all decision-making processes of material importance. In particular, strategically important decisions were discussed in detail with the Management Board and debated at Supervisory Board meetings. In those cases in which decisions or measures taken by the Management Board required the approval of the Supervisory Board, such approval was obtained accordingly.

The Supervisory Board convened for four scheduled and two extraordinary meetings in the reporting period. At the scheduled 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 supplied regular information on the current risk situation at ElringKlinger and, where necessary, relevant compliance-related issues, significant legal disputes, and other matters of fundamental importance. The meetings also focused on the Group's strategic direction in light of the ongoing transformation of the vehicle industry. Particular attention was also devoted to the key issues of sustainable positioning of the Group in all areas of business. In dealing with potential risks, the security of IT-supported systems and, in particular, protection against cyber attacks was of essential importance. Another regular item on the agenda was the Audit Committee report furnished by the Chairman of the Audit Committee.

In addition to the agenda items already outlined above, the Supervisory Board dealt with the following topics, among others, at its meetings over the course of the year under review:

On January 23, 2023, the Supervisory Board was informed in detail about current strategic projects as part of an extraordinary meeting. It discussed and resolved the company's target in respect of the proportion of women on the Management Board and approved the Management Board's proposal to hold the Annual General Meeting in a virtual format.

At its scheduled meeting on March 23, 2023, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2022, the 2022 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,

Klaus Eberhardt
CHAIRMAN OF THE
SUPERVISORY BOARD

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. The Supervisory Board also approved the agenda for the Annual General Meeting on May 16, 2023. As regards the existing compensation system relating to the Management Board, the so-called modifiers were determined in respect of the 2023 financial year. At the proposal of the Personnel Committee, Mr. Jessulat's term of office on the Management Board was extended until December 31, 2028.

The Supervisory Board held an extraordinary meeting on April 6, 2023. The items on the agenda consisted of the dismissal of Dr. Wolf as Chief Executive Officer of ElringKlinger AG, the approval of the conclusion of a termination agreement, and the appointment of Mr. Thomas Jessulat as Spokesperson of the Management Board.

At the scheduled Supervisory Board meeting held on July 27, 2023, in addition to the usual agenda items outlined above, key projects in the field of e-mobility were presented by those responsible within the company. The Supervisory Board resolved to commission Deloitte Wirtschaftsprüfungsgesellschaft GmbH to assist it in reviewing the non-financial report.

At its scheduled meeting on September 28, 2023, the Supervisory Board resolved to appoint Mr. Jessulat as Chairman of the Management Boar (CEO) with effect from October 1, 2023, and to appoint Mr. Willers as a member of the Management Board for an initial period of three years. It also discussed the current status of corporate planning.

The agenda of the ordinary meeting held on December 7, 2023, included the 2024 budget and medium-term business planning as scheduled. Furthermore, the Supervisory Board discussed the audit and compliance report as well as the status of the internal control system. In this context, those attending the plenary meeting of the Supervisory Board were also furnished with information by the Chairman of the Audit Committee, after these issues had been dealt with extensively at the preceding Audit Committee meeting. In addition, the company's sustainability strategy and progress made in implementing this strategy were presented to the Supervisory Board. After discussing the respective points of argument, the Management Board and Supervisory Board decided to hold the upcoming Annual General Meeting as a virtual event and to avail themselves of the authorization granted in the company's Articles of Association. Finally, the Supervisory Board approved the declaration of conformity with the German Corporate Governance Code for 2023 without any changes compared to the previous year.

The Audit Committee convened on four occasions during the year under review. The meeting in March 2023 was centered around the review of the 2022 annual financial statements together with the associated auditor's report. Furthermore, the Audit Committee dealt with the status of the internal control and risk management system, the compliance system, and the organization of data protection and IT security on an ongoing basis at its meetings held in July, September, and December 2023. Other recurring items on the agenda included the issue of future requirements in respect of sustainability reporting. The agenda of the Audit Committee meeting in December 2023 included the process of determining the focal points of the audit for the 2023 financial year, the procedures with regard to the audit of the financial statements, and the report on the internal audit, compliance, and currency risk management. The auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who were responsible for the audit, attended the meeting in March 2023 and the auditors of Deloitte Wirtschaftsprüfungsgesellschaft GmbH, who were appointed for the 2023 financial year, attended the other meetings for part of the time. In particular, the Audit Committee also monitored the independence and efficiency of the auditor.

The Personnel Committee met on three occasions during the 2023 financial year, in March, April, and September, in particular to prepare the resolutions to be adopted by the Supervisory Board in personnel matters. No meetings were convened by the Nomination Committee. The Mediation Committee did not have to be convened during the financial year just ended.

All members attended the Supervisory Board meetings in 2023, with the exception of one meeting at which a Supervisory Board member was unable to attend. One committee member was unable to attend the Audit Committee meeting in December for good reason. All meetings of the Supervisory Board and its committees were held with all members physically present, with one member attending two different meetings on a virtual basis. During the reporting period, the Supervisory Board met without the presence of the Management Board at one extraordinary meeting and, for part of the time, at one of the scheduled meetings.

There were no conflicts of interest during the 2023 financial year between Supervisory Board members and the company.

In accordance with the German Corporate Governance Code, the Supervisory Board, as in previous years, conducted an efficiency review in respect of its board and committee activities for the 2023 reporting year, using a questionnaire to be answered by all members. Suggestions were taken on board and are being incorporated into the work of the Supervisory Board.

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 year under review, no member of the Supervisory Board participated in professional training events for which the company bore the costs.

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for the 2023 financial year, as presented by the Management Board, were audited by the auditors Deloitte Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board following the appointment of the auditor by the Annual General Meeting on May 16, 2023. 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 2023. 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 26, 2024, 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 in a year that again was far from easy given the general circumstances.

Dettingen, March 26, 2024

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

Over the course of 2023, the world's capital markets were shaped by macroeconomic uncertainty, heightened volatility, and oscillating market sentiment. The route taken by the financial markets was determined by a multitude of influencing factors. These included key economic and inflation data, interest rate hikes by the world's major central banks, the suspension of the US debt ceiling, turbulence within the banking sector at the beginning of the year, the protracted conflict in Ukraine, and the outbreak of war in Gaza. Against this challenging backdrop, the price of ElringKlinger shares fell by 21% in the course of the year. In the 2023 financial year, the Group furnished comprehensive and transparent information on its business performance and strategic orientation. At the same time, ElringKlinger maintained a close dialogue with the capital market.

Stock markets driven by inflation and geopolitics

Inflation rates in the eurozone and the United States declined steadily over the course of 2023, from 8.6% to 2.4% and from 6.4% to 3.1% respectively. This downturn was attributable primarily to lower energy prices, while the restrictive monetary policy adopted by the US Federal Reserve (Fed) and the European Central Bank (ECB) also had a dampening effect on inflation. In support of a so-called "soft landing" of the economy, the Fed paused interest rate hikes in the summer months, having previously raised rates for the fourth and final time in 2023 at the end of July. As a result, the US Federal Reserve maintained its benchmark interest rate in a range of 5.25% to 5.50%. Over the course of the year, the ECB raised its main refinancing rate in six steps from 2.50% to 4.50%.

After a buoyant start to the year for the various benchmark and sector indices, stock markets consolidated amid mounting concerns over the banking system in the United States. Markets were unsettled not only by the bankruptcy of Silicon Valley Bank in the United States but also by the woes facing Credit Suisse. In addition, high inflation and a restrictive policy adopted by central banks around the world were among the key factors affecting capital markets in the first quarter. Alongside key data relating to economic performance and inflation, the focus in the second quarter was on negotiations aimed at raising the US debt ceiling. Stock markets benefited from diminishing uncertainty among investors with regard to prevailing macroeconomic conditions.

Cyclical stocks, in particular, came under pressure in mid-2023, with the latest headlines from China adversely affecting capital market sentiment. Almost all regions saw share prices plummet in the third quarter. In this context, there were significant differences in the route taken by the various sectors. Against the backdrop of persistently high levels of uncertainty within the capital markets, stocks with limited liquidity and low market capitalization in particular continued to lose ground, as a result of which the performance of Germany's share indices was mixed.

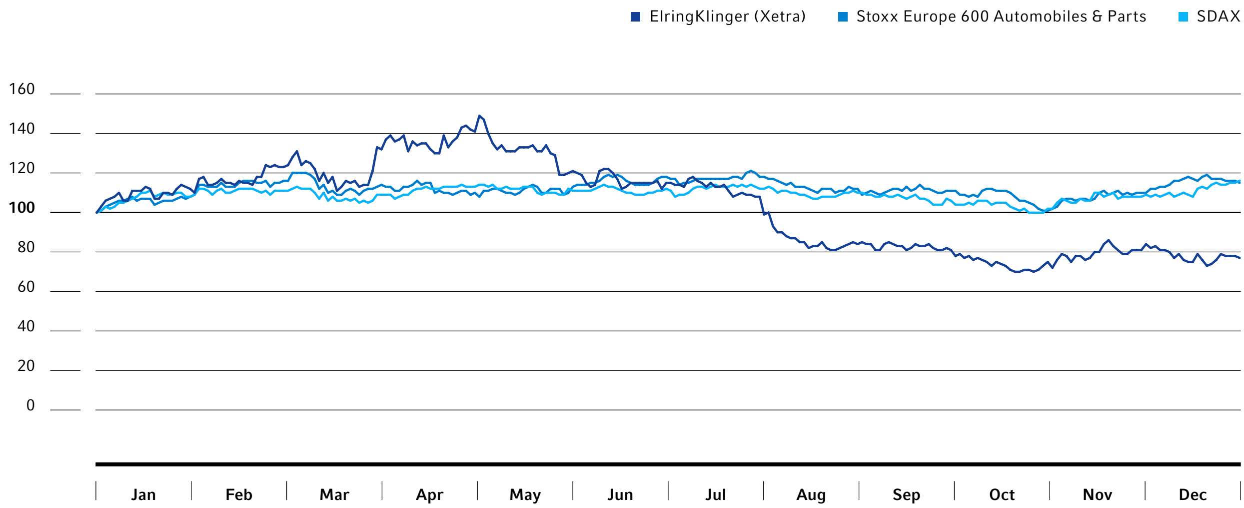
Fueled by the attack on Israel by the terrorist militia Hamas on October 7 and the subsequent escalation of tensions in the Middle East, stock markets were dominated by uncertainty and restraint. Demand for oil and gold rose.

Amid statements made by the US Federal Reserve at the end of the year, there were growing hopes of a less restrictive monetary policy in the United States. A surprisingly sharp fall in US inflation in October also provided fresh impetus. Stock markets were boosted by speculation over the possibility of the key interest rate having peaked and potential interest rate cuts. On December 14, Germany's blue-chip index, the DAX, reached a new record high, rising above the 17,000-point mark for the very first time. This was prompted by statements made by the Fed's central bankers the previous evening, fueling expectations of lower interest rates.

Tech stocks bullish amid AI boom

Despite numerous obstacles and crises, the year proved to be a good one for benchmark indices. The boom in artificial intelligence (AI), starting with the market launch of ChatGPT, provided an exceptional boost to many technology stocks. The US stock market in particular benefited from these

ElringKlinger's share price performance from January 1 to December 31, 2023 (indexed)
in %



developments, with the tech-laden Nasdaq 100 index rising by 55.1% over the course of the year. Meanwhile, the broad-market S&P 500 gained 26.3%. The DAX was up by 20.3% at the end of the 2023 year of trading. With the exception of Japan, 2023 proved to be a sluggish year of stock market trading for Asia. The Hang Seng lost 10.5%, the Shanghai Stock Exchange (SSE) Composite Index fell by 1.0%, while Japan's benchmark index, the Nikkei, gained 30.9%.

Year of disparate performances for ElringKlinger stock

The 2023 financial year began with an upbeat performance for ElringKlinger's stock. Initially, the company's shares followed a positive trajectory that propelled them to a temporary high of EUR 9.36 on March 6. This was fueled by the Group's announcement of its preliminary results for the 2022 financial year. ElringKlinger shares once again posted significant gains toward the end of the first quarter. This upturn coincided with the presentation of the Group's definitive results for the 2022 financial year and the announcement of a large-scale series production order in the field of fuel cell* technology.

On the back of this, the second quarter saw ElringKlinger shares trend further upwards. At the beginning of May, ElringKlinger's share price reached an annual high of EUR 10.64 following the announcement of a major series production order placed by BMW in the field of battery technology. In the period up to July, the stock subsequently returned to the performance level seen within the market as a whole.

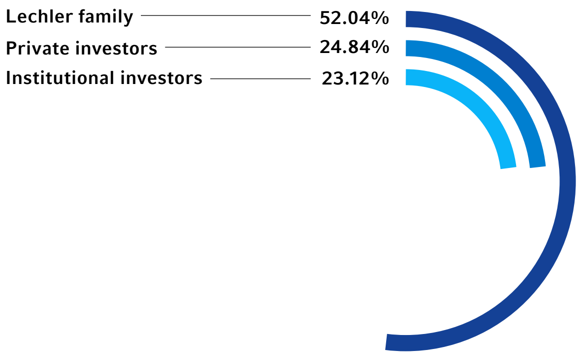
Key Indicators for ElringKlinger's Stock

	2023	2022
Earnings per share IFRS (after non-controlling interests, in EUR)	0.62	-1.41
Shareholder's equity per share as of Dec. 31 (in EUR)	14.37	14.15
High (in EUR)[1]	10.64	13.70
Low (in EUR)[1]	4.98	5.85
Closing price as of Dec. 31 (in EUR)[1]	5.52	6.96
Dividend per share (in EUR)	0.15[2]	0.15
Average daily trading volume (German stock exchanges; volume of shares traded)	62,609	101,958
Average daily trading value (German stock exchanges; in EUR)	475,910	877,529
Market capitalization as of Dec. 31 (EUR millions)[1]	349.7	441.0

[1] Xetra trading
[2] Proposal to the 2024 Annual General Meeting

* Cf. glossary

Shareholder structure as of December 31, 2023



Automotive stocks largely driven by sector and macroeconomic data

ElringKlinger's share price slumped markedly in the second half of the year, a situation that lasted until mid-August. Among other things, expectations concerning global vehicle production for the second half of 2023 had become noticeably gloomier after previous optimism. This was compounded by strikes at the major US OEMs ("Detroit Three") in September and October, the scale of which gradually expanded at the initiative of the UAW trade union. Against this backdrop, automotive stocks around the world came under increasing pressure.

From mid-August onwards, ElringKlinger's share price trended sideways in line with the market, with volumes remaining comparatively low, before a surprisingly sharp fall in US inflation acted as a positive catalyst for stock markets in mid-November. The announcement on November 15 that EKPO had been notified of a grant for the "IPCEI* Hydrogen" program provided additional momentum for ElringKlinger's shares. In December, stock markets were buoyed by statements emanating from the US Federal Reserve with regard to monetary policy, which also had a positive impact on ElringKlinger's shares. The company's stock ended the 2023 year of trading at a price of EUR 5.52.

Trading volume down on previous year

The trading volume of ElringKlinger shares during the 2023 financial year was down on the prior-year level. On average, 62,609 shares (2022: 101,958 shares) were traded on stock exchange days. At TEUR 476 (2022: TEUR 878), the daily value of ElringKlinger's stock traded on average on German stock exchanges was down markedly on the figure for 2022.

Despite a positive performance of share prices in some cases, many German equities, particularly small and mid-caps, saw a significant outflow of liquidity compared to previous years, as many investors increasingly re-allocated their funds to fixed-interest investments in the wake of rising interest rates. The decline in liquidity relating to ElringKlinger shares mirrored that of the market as a whole as well as that of numerous peers, i. e., similar stocks within the automotive sector. Despite this downturn, a sufficiently high level of liquidity was available in the stock market at all times over the course of the 2023 financial year to also conduct larger share transactions.

Virtual Annual General Meeting well attended

As in the three preceding years, the Annual General Meeting (AGM) of ElringKlinger AG, which took place on May 16, 2023, was held virtually. The decision in favor of a virtual event was taken by the Management Board together with the Supervisory Board at the end of January, primarily in consideration of sustainability issues relating to Group events and the higher degree of flexibility offered to both domestic and foreign shareholders. In total, 73.2% of the voting share capital was represented at the Annual General Meeting.

Annual General Meeting approves dividend of EUR 0.15 per share

In his speech, CEO Dr. Stefan Wolf looked back on the 2022 financial year, which was defined by major geopolitical challenges, spiraling energy and commodity prices, across-the-board inflation, and imbalances in various supply chains. Despite these conditions, ElringKlinger reported a satisfactory 2022 financial year overall from an operational perspective. The Annual General Meeting concurred with the joint proposal by the Management Board and the Supervisory Board for the payment of a dividend in keeping with the company's balanced dividend policy. The proposed dividend of EUR 0.15 per share was approved by a large majority of 99.7%. All other proposed resolutions were also approved by a large majority in each case.

Shareholder structure remains well balanced and largely unchanged

Compared to the previous year, there was no change in the ratio of shares in free float to those in family ownership. The ownership interest held by the Lechler family at the end of 2023 totaled 52.04% of the 63,359,990 no-par-value shares issued. Within the free float (47.96%) the company saw just a slight shift in the overall structure toward private investors. As of December 31, 2023, institutional investors held 23.12% (2022: 23.89%) of the shares, while 24.84% of the shares were held by private investors (2022: 24.07%).

Key indicators for ElringKlinger's stock

International Securities Identification Number (ISIN)	DE0007856023
German Securities Identification Code (WKN)	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

ElringKlinger in dialogue with the capital markets

Against the backdrop of the coronavirus pandemic, virtual communication channels were indispensable when it came to engaging with the financial markets in previous years. And even though face-to-face contact is still considered essential, virtual and hybrid formats have nevertheless established themselves as a genuine alternative to in-person events. 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. In this context, ElringKlinger relied on various communication channels for the purpose of interacting with capital markets.

ElringKlinger took part in a total of six national, international, and continental European capital market conferences in 2023, both virtually and in person. In addition, ElringKlinger engaged in dialogue with the capital markets as part of several other capital market events and held numerous one-on-one meetings with investors and analysts.

Upon publication of its quarterly results, ElringKlinger organized conference calls for capital market players. The conferences were streamed live on the internet and subsequently published on the Group's website, including the associated presentation. In addition, a financial results press conference and an analysts' conference were held upon publication of the annual report – both as in-person events. In this context, the Management Board of ElringKlinger AG outlined the company's results of the financial year just ended and presented details of the Group's strategic orientation to the journalists and analysts in attendance.

Capital markets embrace sustainability

Sustainability is playing an increasingly prominent role within the capital markets. The focus is not only on a company's strategy for sustainable business but also on progress made in the field of sustainability. From an equity perspective, the spotlight has shifted to ESG* criteria, which cover environmental, social, and governance issues. Both retail and institutional investors are already incorporating ESG criteria into their investment decisions. There is also evidence to suggest that sustainability criteria are playing an increasingly important role in debt financing, whether when it comes to the loan decision itself or with regard to the advantages surrounding loan costs based on a good sustainability track record.

The latest 2022 Sustainability Report is the twelfth report of its kind published by the ElringKlinger Group, outlining its achievements relating to the environmental, social, and economic dimensions of corporate sustainability. The report was published in mid-2022 and is available in German and English. It can be accessed on ElringKlinger's website, under the Sustainability section.

Corporate governance

In accordance with Principle 23 of the German Corporate Governance Code in the version of April 28, 2022, the Management Board and the Supervisory Board report annually on corporate governance in the corporate governance statement, which also includes the declaration of conformity adopted on December 7, 2023. The statement can be accessed on the company's website at https://elringklinger.de/en/company/corporate-governance.

2023 Sustainability Report

ElringKlinger's annual Sustainability Report contains detailed information and key metrics relating to products and innovations, production and the environment, the supply chain, employees, social commitment, and corporate governance. The 2023 Sustainability Report is scheduled for publication on the ElringKlinger Group's website at https://elringklinger.de/en/sustainability/publications in mid-2024.

* 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 2023 financial year, in addition to providing detailed 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

System of compensation

The following table provides an overview of the components of the compensation system for Management Board members applicable to the 2023 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 pension provision	Securing adequate pension provision	Payment of an annual fixed amount
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)	Sustainable corporate performance and incentivization toward growth in enterprise value through share subscription	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 four 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 to 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 system of compensation	Safeguarding the sustained performance of the company	In exceptional circumstances the Supervisory Board has the authority to determine a different agreement

2022 Compensation Report

The 2022 Compensation Report was approved by 96.81% of the votes at the Annual General Meeting on May 16, 2023. Due to the approval, there was no reason to question the reporting or implementation.

Changes to Management Board

There were several changes to the Management Board in the 2023 financial year. With effect from June 30, 2023, Dr. Stefan Wolf's appointment as Chairman (CEO) and member of the Management Board was terminated following a resolution adopted by the Supervisory Board on April 6, 2023. The termination and severance agreement concluded in this context regulates the settlement of contractual rights as part of a one-off payment in the amount of EUR 4,424k, taking into account the severance cap of a maximum of two years' compensation. The one-off payment was made in June 2023. A retention period until June 30, 2025, was agreed in respect of shares in the company acquired under the share ownership guideline. All retirement benefit rights granted shall remain valid.

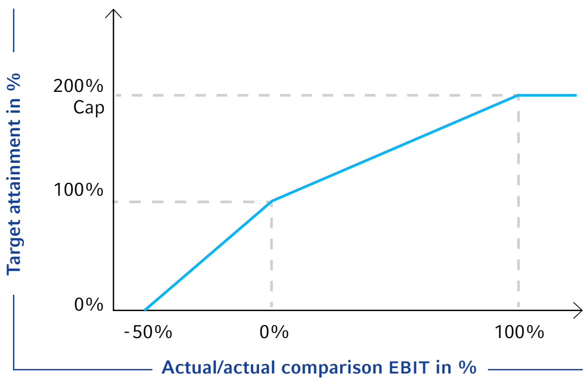
At the meeting on September 28, 2023, the Supervisory Board appointed Thomas Jessulat, previously Chief Financial Officer, as Chief Executive Officer. Thomas Jessulat had already performed this role on an interim basis as Spokesperson of the Management Board. In addition, Dirk Willers was appointed to the Management Board. Both appointments were made with effect from October 1, 2023.

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. In the event of extraordinary circumstances, it is at the discretion of the Supervisory Board to set parameters deviating from the audited figures.

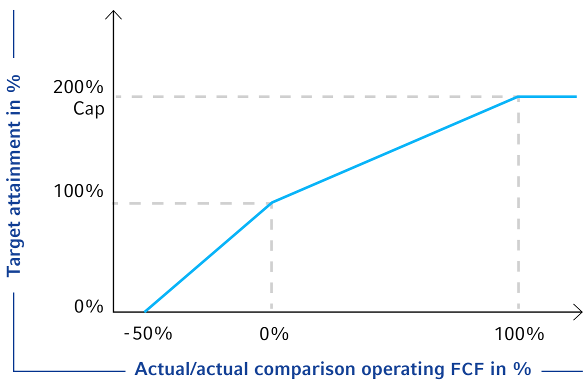
Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year, 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 as follows:

EBIT target attainment curve

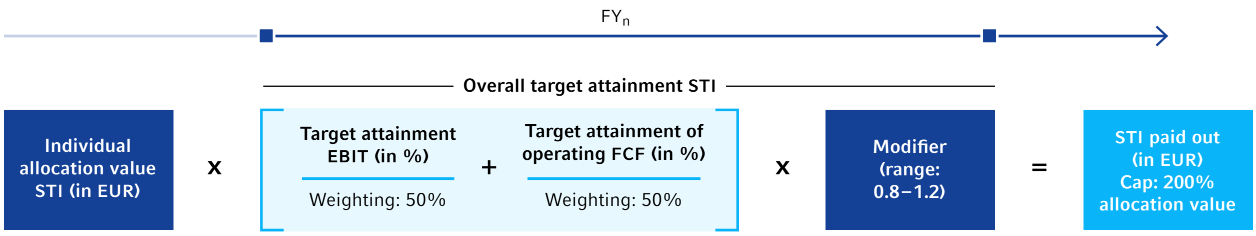


Target attainment for operating FCF is also determined on the basis of a year-on-year comparison of actual figures. The actual value of operating FCF in the respective financial year is compared with the actual value of operating FCF of the previous financial year. If operating FCF remains the same as 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



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



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 diagram above.

Determining the targets for the 2023 financial year

For the 2023 financial year, the criteria for the modifier were set collectively for all Management Board members as innovation ratio, customer retention, and improvement in 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. As EBIT in the 2022 financial year was negative due to exceptional items, the Supervisory Board set EUR 85,000 k as the target EBIT for 2023.

Target attainment STI 2023

EUR k	Target	2023	Target attainment	Weighting	Weighted target attainment
EBIT	85,000	82,905	95%	50%	48%
Operating free cash flow	14,810	36,736	200%	50%	100%
Total				**100%**	**148%**

	Target	2023	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation ratio	>70%	79%	1.20	1/3	0.40
Customer retention	EUR >1,600 million	EUR >1,360 million	0.96	1/3	0.32
Improvement in energy efficiency	>5%	10%	1.20	1/3	0.40
Modifier				**1.00**	**1.12**
Overall target attainment					**165%**

STI EUR k	Maximum amount	Allocation value	Months	Pro rata allocation value	STI
Thomas Jessulat[1]	540	360	12	270	446
Reiner Drews	480	240	12	240	396
Dirk Willers[2]	100	200	3	50	83
Dr. Stefan Wolf[3]	480	480	6	240	396

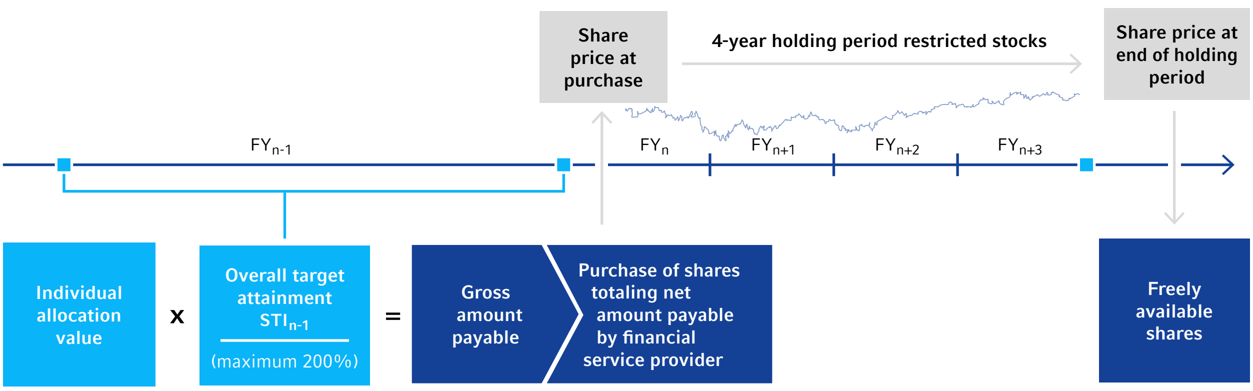
[1] For 2023, an allocation value of EUR 240k is applied until September 30, 2023, and an allocation value of EUR 360k from October 1, 2023.
[2] From October 1, 2023
[3] Until June 30, 2023

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.

As regards the 2023 financial year, the overall target attainment was 0%. Accordingly, no LTI was granted and there was no obligation to purchase shares. Target achievement is shown in the following overview:

Target attainment LTI 2023

EUR k	Target	2022	Target attainment	Weighting	Weighted target attainment
EBIT	102,030	-42,231	0%	50%	0%
Operating free cash flow	71,971	14,810	0%	50%	0%
Total				**100%**	**0%**

	Target	2022	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation ratio	>50%	76%	1.20	1/3	0.40
Customer retention	EUR >1,200 million	EUR 1,488 million	1.20	1/3	0.40
Improvement in energy efficiency	>2.5%	10%	1.20	1/3	0.40
Modifier				**1.00**	**1.20**
Overall target attainment					**0%**

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 2023 financial year:

Maximum compensation 2023

EUR k	Thomas Jessulat[2]	Reiner Drews	Dirk Willers[3]	Dr. Stefan Wolf[4]	Total
Non-performance-based compensation					
Fixed annual salary	451	401	75	318	1,245
Severance payments	0	0	0	4,424	4,424
Benefits for private pension provision	300	300	25	200	825
Total	**751**	**701**	**100**	**4,942**	**6,494**
Performance-based compensation					
Short-Term Incentive	540	480	100	480	1,600
Long-Term Incentive	810	720	150	720	2,400
Total	**1,350**	**1,200**	**250**	**1,200**	**4,000**
Maximum compensation[1]	**2,101**	**1,901**	**350**	**6,142**	**10,494**

[1] plus fringe benefits, e.g., for company vehicles
[2] Allocation values until September 30, 2023: STI EUR 240k and LTI EUR 360k; from October 1, 2023: STI EUR 360k and LTI EUR 540k
[3] Allocation values from October 1, 2023: STI EUR 200k and LTI EUR 300k
[4] Allocation values until June 30, 2023: STI EUR 480k and LTI EUR 720k

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 2023 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 fixed 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. Fulfillment of this obligation shall be demonstrated to the Chairman of the Supervisory Board at the end of each financial year. The table provides details of the shares held by each member of the Management Board.

Overview shares

	Thomas Jessulat	Reiner Drews	Dirk Willers	Total
Tranche 2021				
Number of shares	7,914	7,914	0	15,828
Average purchase price (in EUR)	10.43	10.43	0	10.43
Average remaining term in years	1.97	1.97	0	1.97
Tranche 2022				
Number of shares	42,295	42,141	0	84,436
Average purchase price (in EUR)	8.97	8.97	0	8.97
Average remaining term in years	2.25	2.25	0	2.25

Benefits for private pension provision

The benefit allowance is a fixed amount that is paid out annually to the 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
Thomas Jessulat	300
Reiner Drews	300
Dirk Willers[1]	25
Dr. Stefan Wolf[2]	200

[1] pro rata from October 1, 2023
[2] pro rata until June 30, 2023

Retirement pension

Under the retirement pension arrangements applicable prior to 2020, there are also commitments in respect of an annual retirement pension for the members of the Management Board. The retirement pension was contractually defined and amounts to between EUR 14 k and EUR 30 k.

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/widower 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 October 1, 2025. 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.

Management Board compensation 2023

The following itemized overview presents the amount of compensation granted and owed to each member of the Management Board in the 2023 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

	Thomas Jessulat				Reiner Drews			
EUR k	2023	in %	2022	in %	2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	451	37	401	28	401	36	401	28
Fringe benefits	25	2	29	2	6	1	6	0
Severance payments	0	0	0	0	0	0	0	0
Benefits for private pension provision	300	25	300	21	300	27	300	21
Total	**776**	**64**	**730**	**51**	**707**	**64**	**707**	**49**
Performance-based compensation								
Short-Term Incentive	446	36	0	0	396	36	0	0
Long-Term Incentive	0	0	720	49	0	0	720	51
Total	**446**	**36**	**720**	**49**	**396**	**36**	**720**	**51**
Compensation granted and owed	**1,222**	**100**	**1,450**	**100**	**1,103**	**100**	**1,427**	**100**
Service cost	0	0	0	0	0	0	0	0
Total compensation	**1,222**	**100**	**1,450**	**100**	**1,103**	**100**	**1,427**	**100**

Compensation granted and owed

	Dirk Willers[1]				Dr. Stefan Wolf[2]			
EUR k	2023	in %	2022	in %	2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	75	40	0	–	318	6	636	25
Fringe benefits	4	2	0	–	19	0	36	1
Severance payments	0	0	0	–	4,424	83	0	0
Benefits for private pension provision	25	13	0	–	200	4	400	16
Total	**104**	**55**	**0**	**–**	**4,961**	**93**	**1,072**	**42**
Performance-based compensation								
Short-Term Incentive	83	45	0	–	396	7	0	0
Long-Term Incentive	0	0	0	–	0	0	1,440	58
Total	**83**	**45**	**0**	**–**	**396**	**7**	**1,440**	**58**
Compensation granted and owed	**187**	**100**	**0**	**–**	**5,357**	**100**	**2,512**	**100**
Service cost	0	0	0	–	0	0	0	0
Total compensation	**187**	**100**	**0**	**–**	**5,357**	**100**	**2,512**	**100**

[1] from October 1, 2023
[2] until June 30, 2023

Table continues on next page

Compensation granted and owed

EUR k	Theo Becker[3] 2023	in %	2022	in %	Total 2023	in %	2022	in %
Non-performance-based compensation								
Fixed annual salary	0	–	108	6	1,245	16	1,546	21
Fringe benefits	0	–	2	0	54	1	73	1
Severance payments	0	–	834	45	4,424	56	834	12
Benefits for private pension provision	0	–	0	0	825	10	1,000	14
Total	**0**	**–**	**944**	**51**	**6,548**	**83**	**3,453**	**48**
Performance-based compensation								
Short-Term Incentive	0	–	0	0	1,321	17	0	0
Long-Term Incentive	0	–	720	39	0	0	3,600	49
Total	**0**	**–**	**720**	**39**	**1,321**	**17**	**3,600**	**49**
Compensation granted and owed	**0**	**–**	**1,664**	**90**	**7,869**	**100**	**7,053**	**97**
Service cost	0	–	185	10	0	0	185	3
Total compensation	**0**	**–**	**1,849**	**100**	**7,869**	**100**	**7,238**	**100**

[3] until March 31, 2022

Pension obligations

The current service cost and the present value (DBO) of the pension provisions are presented below. The present value (DBO) of the pension provisions for Dr. Stefan Wolf and Theo Becker is reported under pension obligations for former members of the Management Board as of December 31, 2023.

EUR k	Thomas Jessulat 2023	2022	Reiner Drews 2023	2022	Dirk Willers 2023	2022
Current service cost	0	0	0	0	0	0
Present value (DBO)	449	392	205	178	0	0

EUR k	Dr. Stefan Wolf[1] 2023	2022	Theo Becker[2] 2023	2022	Total 2023	2022
Current service cost	0	0	0	185	0	185
Present value (DBO)	0	2,535	0	0	654	3,105

[1] until June 30, 2023
[2] until March 31, 2022

Share ownership guideline for former members of the Management Board

Former members of the Management Board are obliged to hold shares in the company until the agreed expiry of the shareholding obligation. As of December 31, 2023, 146,810 shares were held. The average remaining term was 1.1 years.

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

A provision of EUR 22,171 k (2022: EUR 20,059 k) was made for pension obligations. Total compensation amounted to EUR 1,370 k in the 2023 financial year (2022: EUR 1,011 k).

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 50 k (2022: EUR 50 k) for each full financial year they have served on the Supervisory Board. Membership of a committee is remunerated at EUR 6 k (2022: EUR 6 k) and membership of the Audit Committee is remunerated at EUR 10 k (2022: EUR 10 k). Additionally, the members of the Supervisory Board receive a lump-sum payment of EUR 1 k (2022: EUR 1 k) 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 (2022: three times) and the Deputy Chairman two times (2022: 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 2023

In the year under review, compensation granted and owed to the Supervisory Board of ElringKlinger AG amounted to EUR 894 k (2022: EUR 868 k). Additionally, travel expenses totaling EUR 4 k (2022: EUR 1 k) were reimbursed. Compensation payable to the individual members of the Supervisory Board was as follows:

	2023					2022				
	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	162	88	22	12	184	158	88	22	12	180
Markus Siegers	109	95	6	5	115	106	95	6	5	112
Rita Forst	0	0	0	0	0	20	100	0	0	20
Ingeborg Guggolz	56	100	0	0	56	34	100	0	0	34
Andreas Wilhelm Kraut	56	100	0	0	56	54	100	0	0	54
Helmut P. Merch	56	74	20	26	76	54	73	20	27	74
Gerald Müller	56	100	0	0	56	54	100	0	0	54
Paula Monteiro Munz	56	100	0	0	56	54	100	0	0	54
Barbara Resch	55	100	0	0	55	54	100	0	0	54
Gabriele Sons	56	90	6	10	62	54	90	6	10	60
Manfred Strauß	56	85	10	15	66	54	84	10	16	64
Bernd Weckenmann	56	100	0	0	56	54	100	0	0	54
Olcay Zeybek	56	100	0	0	56	54	100	0	0	54
Total	**830**	**93**	**64**	**7**	**894**	**804**	**93**	**64**	**7**	**868**

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 Germany.

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

EUR k	2019	2020	Change in %	2021	Change in %	2022	Change in %	2023	Change in %
Management Board									
Thomas Jessulat	758	910	20	1,386	52	1,450	5	1,222	-16
Reiner Drews	692	845	22	1,346	59	1,427	6	1,103	-23
Dirk Willers	0	0	–	0	–	0	–	187	–
Former members of the Management Board									
Dr. Stefan Wolf	1,379	1,485	8	2,348	58	2,512	7	5,357	113
Theo Becker	1,074	807	-25	1,077	34	1,664	55	0	–
Supervisory Board									
Klaus Eberhardt	100	183	83	180	-2	180	0	184	2
Markus Siegers	69	114	65	112	-2	112	0	115	3
Nadine Boguslawski	40	28	-30	0	–	0	–	0	–
Armin Diez	44	65	48	8	–	0	–	0	–
Pasquale Formisano	39	28	-28	0	–	0	–	0	–
Rita Forst	40	55	38	54	-2	20	-63	0	–
Ingeborg Guggolz	0	0	–	0	–	34	–	56	65
Andreas Wilhelm Kraut	38	55	45	54	-2	54	0	56	4
Helmut P. Merch	0	37	–	74	–	74	0	76	3
Gerald Müller	40	55	38	54	-2	54	0	56	4
Paula Monteiro-Munz	44	55	25	54	-2	54	0	56	4
Barbara Resch	0	27	–	53	96	54	2	55	2
Prof. Hans-Ulrich Sachs	40	28	-30	1	–	0	–	0	–
Gabriele Sons	48	61	27	60	-2	60	0	62	3
Manfred Strauß	47	71	51	64	-10	64	0	66	3
Bernd Weckenmann	0	0	–	37	–	54	46	56	4
Olcay Zeybek	0	27	–	54	–	54	0	56	4
Key earnings indicators ElringKlinger AG									
Net income or loss for the year	-17,112	-11,566	–	70,087	–	-45,505	–	10,600	–
Key earnings indicators Group									
EBIT	61,233	27,736	-55	102,030	268	-42,231	-141	82,905	–
ROCE	3.4%	1.7%	-50	6.4%	277	-2.7%	-142	5.6%	–
Operating free cash flow	175,821	164,695	-6	71,971	-56	14,810	-79	36,736	148
Equity ratio	41.5%	41.4%	0	47.0%	14	43.8%	-7	45.3%	3
Net debt/EBITDA	3.3	2.5	-24	1.7	-32	2.1	24	1.6	-24
Workforce									
Total workforce in Germany[1]	58	55	-5	58	6	62	7	66	7
Employees covered by collective agreements in Germany[1]	55	52	-6	55	6	55	0	59	7

[1] Without Management Board

Dettingen/Erms, March 26, 2024

On behalf of the Management Board

Thomas Jessulat,
CEO

On behalf of the Supervisory Board

Klaus Eberhardt,
Chairman of the Supervisory Board

Report of the independent auditor on the audit of the compensation report in accordance with section 162 (3) AktG

To ElringKlinger AG, Dettingen an der Erms/Germany

Audit Opinion

We conducted a formal audit of the compensation report of ElringKlinger AG, Dettingen an der Erms/Germany, for the financial year from January 1, 2023 to December 31, 2023, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the compensation report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying compensation report. Our audit opinion does not cover the content of the compensation report.

Basis for the Audit Opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (09.2023)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. Our audit firm has applied the requirements of the IDW Quality Management Standards. We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the compensation report, and to express an opinion on this in a report on the audit.

We planned and conducted our audit in such a way to be able to determine whether the compensation report is formally complete by comparing the disclosures made in the compensation report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have neither audited the correctness of the content of the disclosures, nor the completeness of the content of the individual disclosures, nor the adequate presentation of the compensation report.

Stuttgart/Germany, March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Michael Sturm	Florian Sauter
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance

The Management Board and the Supervisory Board of ElringKlinger AG annually publish a combined Statement of Corporate Governance in accordance with principle 22 of the German Corporate Governance Code in its version from the April 28, 2022, which also includes the Declaration of Conformity adopted on the December 7, 2023. The Declaration is available online on the corporate website https://elringklinger.de/en/company/corporate-governance/corporate-governance-statement

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/en (Sustainability section) in mid-2024.

Combined Non-Financial Report 2023

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 2023 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 context of focused reporting, does as yet not currently follow a specific framework. As of January 1, 2024, the Group undertakes to follow the provisions set out in the new Corporate Sustainability Reporting Directive (CSRD). This report also contains information on the implementation of the EU Taxonomy* Regulation (Regulation (EU) 2020/852). Deloitte GmbH Wirtschaftsprüfungsgesellschaft was commissioned to review the combined non-financial report of ElringKlinger AG for the period from January 1, 2023, to December 31, 2023, in the context of a limited assurance engagement.

As in previous years, the Group plans to publish a comprehensive sustainability report later in 2024.

Business model of the ElringKlinger Group

As an independent development partner and large-scale manufacturer serving the automotive industry at an international level, the ElringKlinger Group is actively contributing to the transition within the mobility sector towards a sustainable future based on innovative products. The Group's core competence lies in R&D and industrial-scale manufacturing centered around large-volume series production contracts for passenger cars and commercial vehicles. This is reflected in the current product portfolio. In addition to innovative battery components and systems, fuel cell stacks* and components, and electric drive units, the product range also includes innovative lightweighting concepts, sealing technology and metal shielding systems with thermal, acoustic, and/or aerodynamic properties. 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.

Employing around 9,600 people on average, ElringKlinger operates at 45 international sites in all vehicle markets around the globe. As of December 31, 2023, 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.

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.

ElringKlinger's Strategy 2030 encompasses five factors for success, one of which is sustainability. Thus, 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

In 2022, ElringKlinger conducted an extensive update of its materiality analysis, which was validated by internal stakeholders in 2023, for the purpose of determining material topics and compliance with statutory obligations in respect of environmental, social, and employee-related issues, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) HGB). Among others, staff members from the Human Resources, Quality, Health & Safety, Supplier Quality, and Compliance as well as Corporate Communications and Sustainability functions were represented. The main focus was, above all, on those issues that are significantly influenced by the business model and the value chain. Six material topics were identified as part of this assessment; they cover the five statutory matters specified in Section 315c in conjunction with Sections 289c to 289e HGB.

As in the previous year, the following six topics were derived from this analysis:

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

As regards the topics covered by the non-financial report, 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 aspect of social matters, where no major topics were identified.

The materiality analysis conducted in 2022 also confirmed that emissions in the upstream and downstream value chain (Scope 3) as well as the issue of waste management are of increasing importance to the Group. With this in mind, the Group is continuing to develop both areas and will disclose information relating thereto in future reports in compliance with the ESRS standards.

* Cf. glossary

Risk assessment

As regards the area of action relating to the business activities, as presented in the combined non-financial report of ElringKlinger AG, no material risks were identified that are associated with its own business activities and for which, pursuant to Section 289c(3) no. 3 and 4 HGB, 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. Furthermore, there are no non-financial performance indicators that have been classified as being "key" indicators (Section 289b(3) no. 5, Section 315(3) HGB). The non-financial report therefore contains significant indicators for each material matter that illustrate progress made within the areas of action.

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 material topics presented in this non-financial report; they are continuously updated and reviewed.

Combating corruption and bribery

At ElringKlinger, corporate responsibility is considered an essential prerequisite when it comes to embracing and pursuing all business activities. In addition to complying with existing laws and regulations, the Group has drawn up policies, i.e., guidelines, that apply to all employees worldwide.

Compliance and integrity are of fundamental importance to corporate endeavors within the ElringKlinger Group. Thus, the Group is committed to maintaining high standards, particularly with regard to combating corruption and bribery, and uses a compliance management system (CMS) to uphold its values and standards and to prevent and detect violations of the law at an early stage. 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. It is designed 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, would also have personal consequences under criminal and labor law. The structure of ElringKlinger's CMS is based on the seven fundamental elements of IDW Auditing Standard 980: compliance culture, compliance objectives, compliance organization, compliance risks, compliance program, compliance communication, and compliance monitoring and improvement. The appropriateness and implementation of the CMS in respect of the sub-areas of anti-corruption and antitrust law were confirmed in the reporting year by an independent auditing company in accordance with the IDW PS 980 standard outlining the proper performance of reasonable assurance engagements relating to compliance management systems as of November 30, 2023.

The "Vision and Mission" statement establishes an authoritative foundation for the Group's global business activities. It expresses the fundamental values and objectives of the Group. This is supplemented by the code of conduct expanded in 2023, which in turn is substantiated by further policies in specific subject areas. The code of conduct covers topics such as corruption, conflicts of interest, gifts, and benefits/grants. ElringKlinger expects all employees 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. The ElringKlinger Group also expects its business partners to adhere to these values and principles of conduct. With this in mind, the company also published a code of conduct for suppliers in 2023, which is to provide the foundation for trust-based collaboration in the future.

Management of the compliance organization falls within the remit of the Chief Compliance Officer (CCO). He is responsible for implementing, structuring, and further 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 policies. In addition to reports submitted to the Management Board, issues relating to compliance are regularly addressed at Supervisory Board meetings. Furthermore, ElringKlinger has regional or local compliance officers in the high-revenue regions of Europe, Asia, and South America, who report directly to the CCO. In North and Central America, the compliance organization is complemented by external compliance experts at law firms. The compliance organization follows up directly 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 "Share with us" whistleblower system as well as by telephone, e-mail, or in a personal conversation.

ElringKlinger uses the Global Case Management tool for the purpose of case management. It structures the procedure for dealing with compliance-related allegations and supports the regional compliance officers in dealing with notifications. In the 2023 financial year, six regular meetings were convened, as part of which the regional compliance officers exchanged information with the CCO on material developments in their area.

Given the importance of compliance issues to the entire Group, all employees receive the relevant guidelines and policies as part of the on-boarding process when they join the company. On the basis of a standardized training program, the ElringKlinger Group provides its employees and managers with the necessary insights into compliance and raises their awareness of compliance risks in day-to-day business. All employees with a personal Office account are required to complete the Group's standardized online training relating to compliance matters once every two years. In the 2023 reporting year, this training was completed by 3,294 employees, which corresponds to 78% of the relevant target group. The company provided more in-depth information surrounding the topics of competition law, corruption, dealing with gratuities, and conflicts of interest as part of a separate training course for selected employees from the particularly sensitive areas of Sales, Purchasing, and Project Management.

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 2023 in which material breaches in connection with corruption and bribery occurred within the parent company or the subsidiaries.

Responsibility in the supply chain

As a global Group with a strong basis of values, ElringKlinger seeks to collaborate only with suppliers that accept their responsibilities and comply with applicable labor, social, and environmental standards. The Group reviews the requirements and standards on a regular basis in the form of supplier audits.

Reflecting the transformation process in the automotive industry, the product portfolio within the ElringKlinger Group is also undergoing change. As a consequence, many new suppliers are needed to cover the new product areas. The greater complexity of the products is also increasing the amount of auditing work required by Supplier Quality Management at ElringKlinger. The department is involved in selecting direct suppliers[1], and takes responsibility for the qualification thereof.

ElringKlinger communicates its sustainability requirements to suppliers through a supplier handbook and the code of conduct published in 2023. When transacting business with the ElringKlinger Group, the company requires its suppliers to comply with these provisions. The aforementioned documents contain specific directives and rules of conduct governing responsible procurement. As of December 31, 2023, the code of conduct for suppliers published in the third quarter of 2023 had been signed by 14.5% of all direct suppliers. Among other things, the new code of conduct deals with environmental topics, social standards, lawful conduct, and business ethics. It is based on the principles of the International Labour Organization (ILO) as well as the United Nations (UN) Global Compact, the Universal Declaration of Human Rights of the UN, the UN Guiding Principles on Business and Human Rights, and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD). In 2023, the values of the Group were also enshrined in a policy statement on the upholding of human rights, which applies to all of the company's sites and all business contacts within the supply chain.

With regard to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which came into force on January 1, 2023, ElringKlinger assessed the impact of the law through a cross-functional working group and adopted appropriate measures aimed at implementing the legal requirements. Among other things, the Group developed a risk management process with a view to identifying risks in connection with human rights and environmental obligations, both in respect of the company's own business activity and the supply chain. The Group plans to publish the initial results within the legally prescribed deadline of 2024.

ElringKlinger also prioritizes environmentally sound operational management as well as structured conduct and processes in the implementation of its corporate environmental policy. To this end, the Group requires its direct suppliers in the automotive field to have a quality management system in accordance with ISO* 9001 and IATF* 16949 and an environmental management system according to ISO 14001. As of December 31, 2023, 98.8% of all direct suppliers in the automotive area (2022: 98.7%) had been certified under the ISO 9001 quality management system. At the same time, 53.0% (2022: 57.2%) of direct suppliers in the automotive field were certified according to environmental standard ISO 14001. In 2023, 75.5% (2022: 72.4%) of direct automotive suppliers were certified under the IATF 16949 quality management standard for the automotive industry. Dealers, raw material suppliers, and suppliers designated by customers were not taken into account in calculating the proportion of IATF-16949-certified suppliers. The Group has specified a target quota of 78% for 2024.

Every year, Supplier Quality Management conducts supplier audits in line with the VDA 6.3 standard in order to monitor compliance with required standards and duties of care in the supply chain, including the observance of sustainability issues. Where deviations are identified, improvement measures are defined and adopted within a timeframe specified on a case-by-case basis according to the work required. Implementation of these measures is subsequently verified.

[1] Suppliers providing production materials or carrying out external work linked to the manufacture of ElringKlinger products.

Significant deviations can result in the supplier relationship being terminated immediately. In 2023, ElringKlinger increased the number of supplier audits it performed to 202 (2022: 159). This was partly because many new fuel cell and battery technology suppliers were audited, and partly because of the need to catch up on audits that could not be performed in previous years due to travel restrictions.

In order to select and qualify new suppliers, Supplier Quality Management applies a catalog of criteria spanning such conventional aspects as the quality, reliability, and liquidity of suppliers as well as sustainability criteria such as compliance with labor, social, and environmental standards. In addition, management reports detailing the current situation and developments in the field of Supplier Quality Management are submitted to the Management Board on a monthly basis.

ElringKlinger uses the International Material Data System (IMDS) in particular for the declaration of contents/constituent materials. 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 2023 based on supplier information provided no evidence that conflict minerals were being sourced from the regions listed above.

Environmentally-friendly mobility

Mobility is an essential part of our daily lives and crucial to economic and social development, and the need for it looks set to increase further. It is therefore all the more important – particularly given the use made of fossil fuels to date – for mobility to become greener and for emissions in the transport sector to be reduced. This is one of the reasons why ElringKlinger is directing its innovative capabilities toward developing smart solutions that are helping to transform mobility and is targeting a significant increase in the percentage of its revenue generated from the new technologies.

ElringKlinger started developing environmentally friendly drive technologies more than two decades ago, first in fuel cell technology and later in battery technology too, thus building up component and system expertise in these product segments at an early stage. At the same time, all the Group's other business units were likewise developing a steady stream of new products needed by zero-emission vehicles. The Group was quick to focus on driving forward green technologies, in other words, and this focus is reflected not least in the company's purpose: "Pioneering innovative technologies for a sustainable future." In so doing, the Group is underlining its mission to enable sustainable mobility through innovative and pioneering developments and inventions. It is also steadily stepping up its sales activities in order to achieve sustained growth in revenue from e-mobility products as a percentage of its overall mix. This is one of

* Cf. glossary

the areas being focused on by Chief Sales Officer Dirk Willers, who was appointed by the ElringKlinger Supervisory Board.

The path toward e-mobility is already marked out in the transport sector, as demonstrated by the constant increase in the number of electric vehicles on the roads. Although battery-electric vehicles predominate at present in absolute terms, ElringKlinger remains confident that fuel cell technology represents a major alternative, especially for buses and commercial vehicles. This is because the fuel cell drive has a clear benefit that it can bring to bear wherever drive systems need a large amount of energy and the downtime required for constant charging generates costs. Specifically, the fuel cell produces electrical energy on board, significantly extending the range of fuel-cell-powered vehicles compared to their all-electric counterparts. This is why ElringKlinger is continuing to pursue its strategy and is backing both emerging technologies – battery technology as well as fuel cell technology (the latter via its joint venture EKPO).

In battery technology, ElringKlinger is an engineering partner and supplier of individual components for manufacturing high-volume series and making modules and systems for niche markets. Its extensive product portfolio encompasses battery systems, battery modules, and components for batteries such as cell contacting systems*, module connectors, and cell covers. The Group moved its battery activities to its site in the German town of Neuffen in 2022 in order to ramp up its existing orders for e-mobility applications for mass production. The following year, the site began to make cell contacting systems for a global battery manufacturer that had nominated ElringKlinger as its series supplier. The contract covers a total volume in the mid-triple-digit million euro range and will run for around nine years. 2023 also saw the Group win a large-scale, high-volume order for the series production and supply of latest-generation cell contacting systems for the BMW Group's "NEUE KLASSE". Production for this order will be ramped up from 2025 onward, with the necessary groundwork being laid at the moment.

ElringKlinger's fuel cell technology activities are based at its subsidiary EKPO Fuel Cell Technologies (EKPO). Together with the French automotive supplier Plastic Omnium, ElringKlinger set up this subsidiary in 2021 to accelerate the development of hydrogen-based mobility using a low-temperature fuel cell known as a proton exchange membrane, or PEM. EKPO offers complete stack modules in various performance classes as well as corresponding components such as metallic bipolar plates* and plastic media modules. The joint venture won several more orders in the year under review, including projects for one European and one global carmaker and another to supply fuel cell stacks* for a cruise ship. EKPO also took its first steps into the burgeoning electrolysis market in 2023, receiving an order to develop stack components for use in PEM electrolyzers made by H-TEC-SYSTEMS GmbH. Toward the end of the financial year just ended, the company secured up to EUR 177 million in funding until 2027 as part of the EU's "IPCEI* on Hydrogen" program ("IPCEI" standing for "Important Project of Common European Interest"). The funding will come from the German Federal Ministry for Digital and Transport and the Ministry of the Environment, Climate Protection, and Energy Sector of the state of Baden-Württemberg and is to be used to develop powerful PEM fuel cell* stack modules for heavy-duty applications and get them ready for industrial-scale manufacture. In the medium term, EKPO is aiming to play a leading role in the fuel cell market for both mobile and stationary applications.

As part of a strategic partnership with hofer powertrain, ElringKlinger develops electric drive units and takes the necessary steps for industrial-scale production. The Group has held a stake in the Nürtingen-based system developer and supplier hofer AG since 2017. Through its two subsidiaries hofer powertrain products GmbH in Dettingen, Germany, and hofer powertrain products UK Ltd. in Solihull, UK, the Group provides control software, thermal management, and safety concepts for high-end sports and luxury cars as well as electric motors, transmission systems, and power electronics.

At the same time, the Group's business units that have their roots in traditional mobility are also developing and scaling up solutions for zero-emission mobility in line with their core areas of expertise: coating, punching, embossing, forming, and plastic injection molding. One good example of this is the disk carrier that was developed in the Metal Sealing Systems & Drivetrain Components business unit and is currently in series production for an all-electric model designed by a European sports car manufacturer. Also worthy of mention are the orders won by the Metal Forming & Assembly Technology business unit in 2023 for battery housings and battery housing modules, which showcase its transferred expertise in punching and forming technology.

Lightweighting also contributes to environmentally friendly mobility in that products that save on weight compared to conventional solutions make a vehicle lighter and can thus help lower its fuel consumption or increase its range. Minimizing CO_2 emissions and cutting particulate pollution by reducing tire wear are the main aims in this regard. ElringKlinger has been mass-producing lightweighting components for more than two decades. Its many years of experience with materials, processes, and manufacture are particularly reflected in its broad product portfolio, which includes drivetrain and body products. Besides reducing weight, its new developments are also focusing on functional integration and optimization, performance, and the robustness of parts.

In the long term, ElringKlinger intends to achieve this transformation by significantly increasing the percentage of Group revenue generated by the new technologies, which made up a virtually unchanged 10.8% of Group revenue in 2023 (2022: 10.9%).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 but does not fall within the scope of the definition according to the EU Taxonomy.

Environmental protection in production

ElringKlinger products have an impact on the environment at every stage of their life cycle. 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[2] each year to measures that help reduce emissions.

Under the Paris Agreement, i. e., Paris Climate Accords, the European Union committed itself to specific climate and energy policy targets. While these targets were met in the short term, they can only be achieved in the medium and long term if efforts within this area are intensified. As part of the EU Climate Law, the European Union has tightened its long-term target. Instead of pursuing a reduction target of 80–95%, it is aiming for climate neutrality by 2050.[3] One of the key measures to be applied in an effort to achieve this goal is the expansion of renewable forms of energy. In this context, at least 42.5% of the European Union's total energy consumption is to come from renewable sources by 2030.[4] This is considered an important step that will facilitate the purchase of green electricity, for example, by industrial companies in years to come. As part of its 2021 climate strategy, ElringKlinger has also introduced energy from sustainable sources for operations at many of its sites and aims to source exclusively green electricity for all sites in Europe by 2025 and at a global level by 2030.

Acknowledging its all-embracing responsibility toward the environment, ElringKlinger has drawn up a quality and environmental policy that applies to all employees and suppliers. Overall responsibility for environmental protection and other sustainability-related matters rests with ElringKlinger's Management Board. The environmental officer of ElringKlinger AG and its plants 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.

[2] The capital expenditure made in order to achieve the target (particularly additional capital expenditure on energy-saving measures) relates to the emission-reducing elements of investment in property and buildings, in technical equipment and machinery, and in other equipment (operating and office equipment).
[3] European energy and climate targets | German Environment Agency
[4] Renewable energy targets – European Commission (europa.eu)

The ElringKlinger Group included 28 companies and their sites in its environmental reporting in 2023. As well as 37 production sites, ElringKlinger Logistic Service GmbH, Ergenzingen, Germany, was also included. The site in Texas, USA, was included in environmental reporting for the first time in the year under review. The excluded production sites 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 2023, therefore, ElringKlinger's environmental reporting covered 95% of the Group's production sites, representing 98% of Group revenue and 97% of the Group's workforce.

In 2023, ElringKlinger continued to implement its strategy for becoming carbon-neutral in net terms by 2030 in respect of its Scope 1 and Scope 2 emissions. ElringKlinger's management is focusing on a total of four different areas of action in order 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 2023, the contracts for the supply of electricity to Group companies in Hungary, in Italy, and to a large extent in Turkey were converted to green electricity. In total, 15,450 metric tons of CO_2 generated from gas, the fleet, and air travel were offset by means of compensatory measures.

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 exceptions are the production sites in Karawang, Indonesia, Fremont, USA, Neuffen, Germany, and the new production site in Texas, USA. In addition to external system certification, internal audits are 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 action.

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. The reported Scope 3 emissions relate to employee air travel.

In 2023, both direct and indirect CO_2 emissions declined to 68,270 tons (2022: 73,650[5] tons). CO_2 emissions per EUR 1 million of total Group revenue stood at 37.0 tons (2022: 41.0 tons).

Of the total direct CO_2 emissions in tons, 19,200 tons (2022: 21,200 tons) were Scope 1 emissions from gas and heating oil consumption. Direct CO_2 emissions from the fleet and rental vehicles fell to 710 tons in the reporting year (2022: 780 tons5), despite the larger number of company vehicles (2023: 303 vehicles/2022: 245 vehicles). The average CO_2 emissions per vehicle in the company vehicle fleet and by rental vehicles were cut to 105 g/km (2022: 118 g/km). The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include all countries outside Germany.

Total indirect CO_2 emissions fell by 6.4% to 48,360 tons (2022: 51,670 tons). This change in indirect CO_2 emissions is mainly due to the significant decrease in emissions from electricity consumption, which fell to 45,800 tons in the 2023 reporting year (2022: 50,400 tons).

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 enables 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

[5] ElringKlinger refined the method of calculating its fleet data in 2023; previously, the contractually agreed kilometers were used for the purpose of calculation, on the basis of which fleet emissions for 2022 amounted to 870 tons of CO_2. On the basis of the actual kilometers driven, the figure in respect of fleet emissions changed to 780 tons for 2022. Total direct CO_2 emissions as well as total direct and indirect CO_2 emissions for 2022 also changed.

	2023	2022
Total direct and indirect CO_2 emissions in t[7]	**68,270**	**73,650**
Total direct CO_2 emissions in t [1,7]	**19,910**	**21,980**
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	19,200	21,200
of which direct CO_2 emissions by the vehicle fleet in t[2,7]	710	780
Total indirect CO_2 emissions in t	**48,360**	**51,670**
of which indirect CO_2 emissions from electricity in t[3]	45,800	50,400
of which indirect CO_2 emissions from air travel in t[4,5]	2,560	1,270
CO_2 emissions per EUR 1 million of revenue in t	**37.0**	**41.0**
CO_2 emissions offset in t[6]	**15,450**	**16,000**

1 ElringKlinger AG's total direct CO_2 emissions for 2023 amounted to 10,700 tons (2022: 11,300 tons). These comprise 10,200 tons (2022: 11,000 tons) of direct CO_2 emissions from gas, oil, and engine test benches, among other sources, and direct CO_2 emissions from the AG's vehicle fleet, which amounted to 560 tons in 2023 (2022: 670 tons).
2 Emissions are calculated by multiplying the actual kilometers driven by the vehicles annually, i.e., mileage, 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 all countries outside Germany.
3 At the parent company, ElringKlinger AG, 0 tons (2022: 0 tons) of indirect CO_2 emissions arose from electricity in 2023. (Indirect CO_2 emissions are calculated using the market-based method).
4 Of the indirect CO_2 emissions from air travel, ElringKlinger AG accounted for 1,960 tons in 2023 (2022: 1,020 tons).
5 Air travel from the sites in Germany, Switzerland, France, Romania, Hungary, and partly the United Kingdom as well as centrally recorded flights from the sites in Italy, Turkey, and the Unites States.
6 ElringKlinger paid to offset its emissions from gas consumption, the vehicle fleet, and air travel at its German production companies.
7 ElringKlinger refined the method of calculating the fleet data in 2023; previously, the contractually agreed kilometers were used for the purpose of calculation, on the basis of which the fleet emissions for 2022 amounted to 870 tons of CO_2. On the basis of the actual kilometers driven, the figure in respect of fleet emissions changed to 780 tons for 2022. Total direct CO_2 emissions as well as total direct and indirect CO_2 emissions for 2022 also changed.

Neuffen. ISO 50001 certification for the production site in Neuffen is scheduled for the first quarter of 2024.

At some sites, the Group operates combined heat and power (CHP) units as well as wind and several solar installations at the plants in Spain, India, and China 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 2023, energy consumption (electricity, gas, heating oil, and fuel for engine test benches) was down on the prior-year level at 286,200 MWh (2022: 291,600 MWh). Of this, a total of 106,900 MWh (2022: 107,440 MWh) is attributable to ElringKlinger AG.

Mitigating climate change is extremely important in the ElringKlinger Group. Continuous process optimization and the procurement of energy-efficient equipment are designed to help reduce 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.

2.0% of ElringKlinger's investments in property, plant, and equipment and investment property went toward measures designed to reduce emissions in 2023. 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. These included a newly installed photovoltaic system and the construction of a new heat pump for the purpose of improving the heating efficiency of the buildings. The target of putting approximately 1% of total investments toward emission-reducing measures was thus met in 2023.

Occupational health and safety

ElringKlinger is well aware of its corporate responsibility as an employer and wants to ensure a healthy, safe, and secure working environment. It is therefore ElringKlinger's mission to reduce accidents at work to an absolute minimum and promote employee health.

Giving all employees a healthy, safe, and secure working environment is extremely important to ElringKlinger. Through its health and safety management system, Elring refined its own occupational health and safety processes and standards that are specific to the company, which includes international occupational health and safety standards. This system is audited at all production plants worldwide. The health and safety management system is certified in accordance with the ISO 45001 standard, with the exception of the following production plants: Neuffen, Germany, Chongqing, China, San Antonio, USA, Fremont, USA, Solihull, UK, Karawang, Indonesia, Timisoara, Romania, and EKPO Fuel Cell Technologies GmbH in Dettingen, Germany. This is mainly due to the plant size. The Neuffen plant, opened in 2022, will be certified in 2024.

ElringKlinger endeavors to avoid occupational accidents altogether and pursues a proactive approach to achieve this. 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 EKOS*, the production system used 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. In addition, risk assessments are prepared and continuously updated at the production plants, 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 accordingly. The occupational health and safety policy and the central processes for occupational health and safety management apply equally to employees across the ElringKlinger Group.

Managing occupational health and safety issues is the responsibility of the corporate unit, which reports directly to the Management Board of ElringKlinger AG. In parallel, the unit is responsible for ensuring that minimum standards for occupational health and safety and health protection are defined and implemented in the relevant corporate units. Among other things, this relates to safety technology, protective equipment, the handling of hazardous substances, the procurement of safe equipment, and the qualification of employees.

In the reporting period, the number of occupational accidents was reduced to 105 (2022: 124 occupational accidents) that resulted in staff being off work for more than three days. Of these, 43 occupational accidents (2022: 47 occupational accidents) related to ElringKlinger AG. The relative accident rate per 1,000 employees stood at 11.0 (2022: 13.1) in the Group as a whole and at 14.5 (2022: 16.2) at the parent company. The cause of all accidents and the related course of events are analyzed in detail and corrective and preventive measures to avoid similar accidents are defined and implemented. The figure for occupational accidents causing staff to be off work for more than three days is part of the ElringKlinger indicator system and is presented to the Management Board every month.

ElringKlinger's health management considers the needs of employees to reduce stress in the workplace and implement uniform standards, which is why ElringKlinger takes preventive measures that promote health and focus on needs and target groups. Apart from ergonomic workstations, these include various training sessions that address the topics of nutrition, physical fitness, and first aid.

Targeted recruitment and development of employees

To avoid potential shortages of skilled staff, ElringKlinger aims to continue to focus on the recruitment of qualified professionals. At the same time, 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. Implementation of the new 2030 HR strategy, which started in 2022, was finalized in the reporting year.

The automotive sector as a whole is undergoing a major transformation process. ElringKlinger's significant changes to the product portfolio allied with wide-ranging digitalization projects mean that specialists are increasingly in demand, especially in the areas of research and development and IT, as well as the new areas of business. As a technology-oriented Group, ElringKlinger is also impacted by the shortage of skilled staff, particularly in the future-focused fields of alternative drive technologies. The ability to attract qualified staff is therefore a principal concern for the Group.

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

Due to the shift within the automotive industry toward alternative drive systems, the Group adapted employee numbers to the current business situation in many units. At the same time, ElringKlinger added staff in the strategic fields of the future in particular. To make recruitment a success, a new unit was set up in the human resources department in 2023. Its first activity was to centralize recruitment activities for the plants around the headquarters in Dettingen an der Erms. The use of digital media also plays an increasingly important role in the recruitment of new employees. To reach out to different target groups, ElringKlinger harnessed various social media channels (including LinkedIn and Facebook), its own jobs page, and various other careers portals as well as university partnerships. The Group also attended several vocational training fairs, including another ElringKlinger "INFO Day" for training and study. After the end of the coronavirus pandemic, in-person events could be offered again in 2023, such as study visits for school and university students. In addition, the Group uses a new platform called "Jobteaser" to directly recruit interns from universities. In addition to using external recruitment options, the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees with the employee referral scheme "Bring a Talent." A total of 68 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. In the fall of 2023, 11 work-study students and 21 apprentices embarked on courses at the main site of ElringKlinger AG in Dettingen/Erms. Thus, ElringKlinger was able to fill 5 dual study programs and 9 vocational job profiles in the reporting year.

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

* Cf. glossary

trialed through collaboration with project partners representing industry and science. Since the project began, several engineers and technical professionals from ElringKlinger AG have been able to participate in the training offered and apply the knowledge acquired.

During the 2023 financial year, an average of 87 employees were engaged in training at the parent company ElringKlinger AG in Dettingen/Erms (2022: 90 employees). The training ratio for the Group (number of vocational trainees and internal students in relation to the total number of employees) stood at 1.5% on average (2022: 1.6%). The training ratio for the parent company fell to 3.0% in 2023 (2022: 3.1%).

For training, ElringKlinger uses new digital training formats like webinars, real-time online training sessions, EDP courses, and video training, which can be found on the global "EK University" learning platform. Regardless of the workplace and location, ElringKlinger can keep its employees up to date with the latest technology and modern working methods, as well as expanding existing skills. Aside from the "EK University" learning platform, development of the "HR Academy" was initiated in 2023 and the first few modules were rolled out. These are available worldwide as training for Human Resources staff at ElringKlinger. The aim of the "HR Academy" is to reinforce employees' professional skills and expand their expertise for successful Human Resources work.

As part of the high-potential program, Group employees with strong development potential in three regions – APAC (Asia-Pacific), Americas (USA, Canada, Mexico, and Brazil), and EMEA (Europe, Middle East, and Africa) – are given opportunities to boost their skills; this includes a training course comprising several modules in support of professional advancement. The 25 participants in total who were selected for the 2023 reporting year were developed with training sessions, feedback meetings, and events in all regions. The group also worked on individual specialist projects and joint regional projects.

The recently established Senior Management Development Program began in the 2023 reporting year. The eight participants selected are to grow their talents as part of the program so that they can take on a senior management role in the Group as Vice President or General Manager. During the reporting year, the participants attended a variety of training modules on management topics, including "Managing Self," "Managing Team," and "Managing Business." They also took part in work shadowing at the UK plant in November of the reporting year to experience and understand a General Manager's challenges and strategy. Implementation of the Shop Floor Qualification, launched back in 2022, was concluded successfully at almost all production plants in 2023 to ensure the standardized Group-wide on-boarding of new production staff.

A system-based, globally standardized process is designed to ensure that all indirect and general employees around the world receive feedback on their skills and personal performance once a year. In the process, individual needs, achievements, and goals are determined and assessed by the respective managers. The ratio (proportion of performance reviews to average number of employees, not including vocational trainees and internal students) stood at 50.8% for the Group in 2023 (2022: 47.5%). The total population at ElringKlinger for the performance reviews is all employees, with the exception of those directly involved in production. The Group will be able to increase the current average ratio of 51%[6] as soon as a standard process for this has been established. In the long term, ElringKlinger is aiming for a target ratio for all employees of 100%[7]. For the parent company ElringKlinger AG, the ratio for 2023 stood at 61.6% (2022: 51.4%).

[6] Incl. 113 performance reviews for direct employees, which were conducted as part of a pilot project.
[7] Target ratio of 70% by 2026 was raised due to the new HR strategy.

Having established a culture of being a "great company to work for," 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 strategic fields of the future, further education and training will continue to play a critical role in future. Thanks to the newly developed 2030 HR strategy, which was finalized and rolled out in 2023, Human Resources is helping the Group to overcome the wide variety of challenges posed by the transformation and to enhance corporate culture and management quality. Other strategic key areas include fine-tuning the organization of Human Resources and continuing to digitalize personnel-related processes and products.

EU Taxonomy

The European Commission signed off its action plan for financing sustainable growth in 2018. To channel capital flows toward 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 2020. These criteria are intended to prevent so-called "greenwashing[8]."

With its non-financial disclosure obligations having been extended, ElringKlinger provides details on its implementation of the EU Taxonomy Regulation (Regulation (EU) 2020/852) – hereinafter "EU Taxonomy." The Group is among those required to prepare a non-financial statement in accordance with Sections 289b et seqq. and 315b et seqq. 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 (9) defines six climate and 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 EU has published screening criteria for sustainable economic activities with regard to all climate and environmental objectives[9]. In a first step, ElringKlinger's economic activities are to be analyzed to determine Taxonomy-eligibility, i. e., whether they fall within the scope of the EU Taxonomy. The second step is to assess whether the activities identified as Taxonomy-eligible 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. In the first year of application, ElringKlinger initially conducted an assessment of Taxonomy-eligibility for the judicial acts applicable as from the 2023 financial year.

These criteria define the conditions under which an activity is to be classified as being sustainable. ElringKlinger continuously analyzes its contribution to the European Union's environmental objectives as part of a project to implement the EU Taxonomy – with a joint team from Financial Reporting and Corporate Sustainability.

All economic activities were initially reviewed in workshops together with the representatives of the business units and the Quality department, their relevance with regard to EU Taxonomy eligibility was assessed, and they were allocated to individual activities. The results were then used to review the respective conditions for alignment and determine the key performance indicators (KPIs) (turnover (i. e., sales revenue), Capex, and Opex) for the activities identified as Taxonomy-eligible and Taxonomy-aligned. To this end, data was taken from Financial Accounting and validated centrally by Group Accounting. Double counting was avoided by

[8] Greenwashing describes efforts to present oneself as particularly environmentally aware and environmentally friendly by donating money to environmental projects, PR measures, and similar.
[9] Delegated Regulations 2021/2139 (environmental objectives 1 to 2); 2022/1214 (gas and nuclear energy); 2023/2486 (environmental objectives 3 to 6); 2023/2485 (amendment with regard to environmental objectives 1 to 2)

clearly allocating each item of Taxonomy-eligible and Taxonomy-aligned 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 products and 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, Lightweighting/Elastomer* Technology, and Metal Forming & Assembly Technology business units. Within the E-Mobility business unit, the Group is engaged in the development and production of battery and fuel cell technologies. The electric drive units, which are part of the core technologies, fall under activity 3.18. Based on the current status of the EU Taxonomy, products from the Metal Forming & Assembly Technology and Lightweighting/Elastomer Technology business units, which are also manufactured for vehicles powered exclusively by electric drive technologies, were classified as Taxonomy-eligible within activity 3.18. Any further clarification provided by the European Commission may result in adjustments in interpretation in subsequent periods.

As part of the evaluation of the alignment criteria, an assessment is made as to whether the Taxonomy-eligible economic activities make a substantial contribution to a climate objective defined by the Taxonomy Regulation and whether no other climate or environmental objective is significantly harmed in the process and the minimum safeguards are met.

The technical screening criteria that determine whether an economic activity makes a substantial contribution to a climate objective and whether significant harm to one of the other climate and environmental objectives is avoided (DNSH = do no significant harm) were applied to all Taxonomy-eligible activities either on the basis of the technical characteristics of individual assets or on the basis of national laws. A detailed climate risk analysis was also conducted in connection with this review pursuant to Appendix A. The results from the individual evaluations of DNSH criteria are presented in the following tables.

Specific elements of evidence have been applied to verify and document whether a substantial contribution is made to achieving one or more of the climate and environmental objectives of the article, whether there is no harm to one or more of the climate and environmental objectives, and whether the technical screening criteria have been met. The substances listed in Appendix C with regard to the DNSH criterion on environmental pollution were assessed for the Taxonomy-eligible activities. As regards the Taxonomy-eligible activity 3.4 Manufacture of batteries, an Essential Use Assessment in accordance with the recommendations of the European Chemical Industry Council (Cefic) was conducted, in addition to a review of compliance with the limits according to the REACH Regulation. In ElringKlinger's view, the Essential Use criterion of Appendix C has been fulfilled, due also to the fact that use of such substances only occurs in very small quantities.

In addition, compliance with minimum safeguards in accordance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the International Bill of Human Rights was reviewed and documented at the level of Taxonomy-eligible activities with the aid of various corporate documents, policies, and voluntary commitments (e.g., code of conduct, compliance policies, supplier code of conduct). ElringKlinger communicates the minimum safeguards both within its own business units and vis-à-vis its business partners, including suppliers. In this context, the Group uses publicly accessible documents such as the supplier code of conduct. In addition, risk analyses as well as preventive and control measures are based on these requirements. The existing "Share with us" whistleblower system can be used for the purpose of submitting reports on potential violations relating to all topics. In the financial year under review, the assessment of the minimum safeguards with regard to the issue of human rights in the supply chain was also underpinned by a structured risk analysis. For this purpose, the Group accessed publicly available data sources, e.g., from the Department of Economic and Social Affairs of the UN as well as expert knowledge regarding commodity group risks. In summary, the assessment did not identify any violations of the criteria set out in Art. 18 of the EU Taxonomy Regulation and in the report on minimum safeguards of the Platform on Sustainable Finance.

In its Battery Technology sub-unit, ElringKlinger develops and manufactures battery components and systems, among other things, tailored to various requirements of automotive industry customers. These key technologies help to enable and promote emission-free road transport. The products are used in fully (100%) electrified passenger cars as well as in infrastructure applications, e.g., for fixed or mobile charging stations, energy storage systems, or also as grid stabilization technology. Based on ElringKlinger's analyses, the Group has concluded that the development and production of battery technology can be allocated to activity 3.4 (manufacture of batteries) in pursuit of the climate objective of "climate change mitigation" and is thus to be regarded as Taxonomy-eligible. The activity also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also Taxonomy-aligned.

The Group pools all its fuel cell technology activities in the company EKPO Fuel Cell Technologies (EKPO), an entity operated jointly by ElringKlinger and Plastic Omnium. Its product portfolio includes fuel cell systems that 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 systems 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. Exceptions to this are individual components that may not be allocated to activity 3.2. These relate to bipolar plates, which are taken into account within activity 3.18 of the EU Taxonomy; this matter is discussed in more detail in the following section. Activity 3.2 also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also Taxonomy-aligned.

As of the 2023 reporting year, the EU Commission has specified an additional climate target within the EU Taxonomy that is of relevance to ElringKlinger. As part of activity 3.18 "Manufacture of automotive and mobility components," the Group can account for various business units that manufacture components. In this context, the definition covers components for electric drive units (EDUs*) in the Drivetrain subunit as well as EDUs themselves. Consisting of an electric motor, a gear system, and the power electronics, they form a key component inside an electric vehicle, as they drive the axles and thus provide the basis for carbon-neutral mobility.

In addition, other business units of importance to ElringKlinger, such as Lightweighting/Elastomer Technology and the Metal Forming & Assembly Technology business unit, now fall within the scope of the EU Taxonomy. Thanks to lighter vehicle components, relevant energy savings can be achieved during the operation of a vehicle. Shielding technology components are also taken into account, as these prevent electromagnetic radiation from reaching areas in which it poses a risk of damage.

Furthermore, individual components relating to fuel cells are now also taken into account, in particular bipolar plates, which are sold separately and are essential explicitly to the positive environmental performance of the fuel cell stack, as they are a key component with regard to functionality. As part of its interpretation of the Taxonomy, ElringKlinger only considers components that are installed in purely electrically powered vehicles. The fact that the use of such components in both combustion and hybrid vehicles has a positive effect on their environmental footprint (e.g., fuel consumption) is not taken into consideration. However, the Group pursues and promotes such usage in the context of its sustainability and corporate strategy.

As well as considering Taxonomy-eligible and Taxonomy-aligned 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 the capital expenditure (Capex) KPI.

The Capex items identified as being Taxonomy-eligible relate either to the Taxonomy-eligible activities in the business units described above or to the following activities considered Taxonomy-eligible: 6.5 (transport by motorbikes, passenger cars, and (light) commercial vehicles) for company vehicles of employees, 7.2 (renovation of existing buildings), 7.6 (installation, maintenance and repair of renewable energy technologies), or 7.7 (acquisition and ownership of buildings) for production and administration buildings.

* Cf. glossary

The business units made the following material Taxonomy-eligible and, in part, Taxonomy-aligned (cf. 3.18) investments in the 2023 financial year:

- Investment in production machinery and buildings and in related technical equipment (allocated to activities 3.2, 3.4, 3.18)
- Capitalized development costs for the business unit’s products (allocated to activities 3.2, 3.4, 3.18)

The following Taxonomy-eligible and, in part, Taxonomy-aligned investments were made outside the business units:

- Leasing company cars (allocated to activity 6.5)
- Investment in photovoltaic panels (allocated to activity 7.6)
- Renting buildings not part of the E-Mobility business unit (allocated to 7.7)

The KPI of Taxonomy-eligible operational 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 repair. The individual components were analyzed and, if applicable, allocated directly to the activities listed that are Taxonomy-eligible and Taxonomy-aligned. To determine the maintenance and repair costs, allocation was performed, in part, on the basis of revenue.

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 (2023: EUR 1,847 million) as well as capital expenditure (2023: EUR 106 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 of the 2023 annual report under sales revenue (1), intangible assets (12), and property, plant, and equipment (13).

The KPIs for the financial year are as follows:

EU-Taxonomy 2023

Turnover Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**23,894**	**1.29%**						
Manufacture of equipment for the production and use of hydrogen	3.2	10,203	0.55%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	13,691	0.74%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**23,894**	**1.29%**	**1.29%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**23,894**	**1.29%**	**1.29%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**0**	**0.00%**						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**
Manufacturing		**112,857**	**6.11%**						
Manufacture of automotive and mobility components	3.18	112,857	6.11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**112,857**	**6.11%**	**6.11%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**136,751**	**7.40%**	**7.40%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Turnover of Taxonomy-non-eligible activities		1,710,249	92.60%						
Total (A + B)		**1,847,000**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

	DNSH criteria									
	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, Year 2022	Category enabling activity	Category transitional activity
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
	Y	Y	Y	Y	Y	Y	Y	0.60%	E	
	Y	Y	Y	Y	Y	Y	Y	0.50%	E	
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.10%**		
	Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.10%**	**E**	
								–		**T**

Capex Financial year 01.01.–31.12.2023

EUR k

	2023			Substantial contribution criteria					
Economic Activities	Code(s)	Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**33,430**	**31.56%**						
Manufacture of equipment for the production and use of hydrogen	3.2	19,907	18.79%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	13,523	12.77%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Transport		**160**	**0.15%**						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	160	0.15%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Construction and real estate activities		**1,041**	**0.98%**						
Installation, maintenance and repair of renewable energy technologies	7.6	1,041	0.98%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**34,631**	**32.69%**	**32.69%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**34,471**	**32.54%**	**32.54%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**160**	**0.15%**	**0.15%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

DNSH criteria									
Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Capex, Year 2022	Category enabling activity	Category transitional activity
Y/N	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
Y	Y	Y	Y	Y	Y	Y	19.50%	E	
Y	Y	Y	Y	Y	Y	Y	8.00%	E	
	Y		Y	Y	Y	Y	0.10%		T
	Y					Y	1.00%	E	
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**28.60%**		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**28.60%**	**E**	
	Y		**Y**	**Y**	**Y**	**Y**	**–**		**T**

Table continues on next page

Capex Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)	EL; N/EL (b)
Manufacturing		**18,488**	**17.45%**						
Manufacture of automotive and mobility components	3.18	18,488	17.45%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport		**2,723**	**2.57%**						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	2,723	2.57%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Construction and real estate activities		**6,209**	**5.86%**						
Renovation of existing buildings	7.2	4,945	4.67%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	7.7	1,264	1.19%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2))		**27,420**	**25.88%**	**25.88%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**62,051**	**58.57%**	**58.57%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Capex of Taxonomy-non-eligible activities		43,887	41.43%						
Total (A + B)		**105,938**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

Continued from previous page

DNSH criteria									
Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Capex, Year 2022	Category enabling activity	Category transitional activity
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T

Opex Financial year 01.01.–31.12.2023

EUR k

Economic Activities	Code(s)	Opex	Proportion of Opex	Climate Change Mitigation	Climate Change Adaptation	Water and Marine Resources	Circular Economy	Pollution Prevention and Control	Biodiversity and Ecosystems
	2023			Substantial contribution criteria					
		EUR k	%	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)	Y; N; N/EL (a)
A. Taxonomy-eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacturing		**19,901**	**18.86%**						
Manufacture of equipment for the production and use of hydrogen	3.2	4,903	4.65%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of batteries	3.4	14,998	14.21%	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**19,901**	**18.86%**	**18.86%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which enabling		**19,901**	**18.86%**	**18.86%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which transitional		**0**	**0.00%**						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL (b)	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**	**EL; N/EL (b)**
Manufacturing		**6,645**	**6.30%**						
Manufacture of automotive and mobility components	3.18	6,645	6.30%	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Opex of Taxonomy-eligible activities but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**6,645**	**6.30%**	**6.30%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total (A.1 + A.2)		**26,546**	**25.15%**	**25.15%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
B. Taxonomy-non-eligible Activities									
Opex of Taxonomy-non-eligible activities		78,989	74.85%						
Total (A + B)		**105,535**	**100.00%**						

a) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

b) EL – Taxonomy-eligible activity for the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

DNSH criteria									
Climate Change Mitigation	**Climate Change Adaptation**	**Water and Marine Resources**	**Circular Economy**	**Pollution Prevention and Control**	**Biodiversity and Ecosystems**	**Minimum Safeguards**	**Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) Opex, Year 2022**	**Category enabling activity**	**Category transitional activity**
Y/N	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
Y	Y	Y	Y	Y	Y	Y	9.20%	E	
Y	Y	Y	Y	Y	Y	Y	13.40%	E	
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**22.60%**		
Y	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**22.60%**	**E**	
							–		**T**

Reporting of the scope of taxonomy eligibility and alignment in accordance with environmental objective

	Proportion of turnover/ total turnover		Proportion of Capex/total Capex		Proportion of Opex/total Opex	
	Aligned per objective	Eligible per objective	Aligned per objective	Eligible per objective	Aligned per objective	Eligible per objective
CCM	1.29%	7.40%	32.69%	58.57%	18.86%	25.15%
CCA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WTR	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PPC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BIO	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CCM Climate change mitigation
CCA Climate change adaptation
WTR Water and marine resources
CE Circular economy
PPC Pollution prevention and control
BIO Biodiversity and ecosystems

Dettingen/Erms, March 26, 2024

The Management Board

Thomas Jessulat
CEO

Reiner Drews

Dirk Willers

Limited assurance report of the Independent Practitioner regarding the non-financial reporting for the financial year from January 1 to December 31, 2023

To ElringKlinger AG, Dettingen an der Erms/Germany

Our Engagement

We have performed a limited assurance engagement on the separate consolidated non-financial report of ElringKlinger AG, Dettingen an der Erms/Germany (hereafter referred to as "the Company"), which has been combined with the non-financial report of the Company, for the financial year from January 1 to December 31, 2023 (hereafter referred to as "non-financial reporting").

Our assurance engagement does not cover the references to external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included in the non-financial reporting.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial reporting in accordance with the requirements of Secs. 289c to 289e German Commercial Code (HGB), Secs. 315c in conjunction with 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with the interpretation by the executive directors of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as presented in the section "EU Taxonomy and External Measurements" of the non-financial reporting.

These responsibilities of the executive directors include the selection and application of appropriate methods regarding non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement, whether due to fraud (i. e., manipulation of the non-financial reporting) or error.

The EU Taxonomy Regulation and the delegated acts adopted thereon contain wording and terminology 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 laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section "EU Taxonomy and External Measurements" of the non-financial reporting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The accuracy and completeness of environmental data in the non-financial reporting is thus subject to inherent restrictions resulting from the way the data was collected and calculated and from assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Code of Conduct for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the quality management standards promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality management system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the 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 so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting of the Company, with the exception of references to the external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included therein, has not been prepared, in all material respects, in accordance with Secs. 289c to 289e HGB, Secs. 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in the section "EU Taxonomy and External Measurements" of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which we performed from December 2023 to March 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the sustainability organization of the Group, and of the involvement of stakeholders
- Inquiries of the executive directors and relevant personnel at the registered office in Dettingen an der Erms/Germany, who have been involved in the preparation process about the preparation process, the system of internal control relating to this process as well as about disclosures in the non-financial reporting
- Identification of probable risks of material misstatement in the non-financial reporting
- Analytical evaluation of selected disclosures in the non-financial reporting
- Squaring of selected disclosures with corresponding data in the consolidated and annual financial statements and in the combined management report
- Evaluation of the presentation of the non-financial reporting
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the non-financial reporting

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, are prone to uncertainty.

Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial reporting for the financial year from January 1 to December 31, 2023 has not been prepared, in all material respects, in accordance with Secs. 289c to 289e HGB, Secs. 315c in conjunction with 289c to 289e HGB, and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in the section "EU Taxonomy and External Measurements" of the non-financial reporting.

We do not express a conclusion on the references to external sources of documentation and websites, including their content as well as the disclosures relating to prior-year periods, included in the non-financial reporting.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" in the version dated January 1, 2017, promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and that the report is solely intended to inform the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Stuttgart/Germany, March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Sebastian Dingel	Eike Bernhard Hellmann
Partner	Senior Manager

2023 marked the start of series production of cell contacting systems in Neuffen. An extensive expansion project is now underway. The e-mobility site plays a pivotal role in ElringKlinger's Group strategy.

Find out more about our efforts in the field of battery technology: »Components of the future« in the 2024 issue of »pulse« magazine offers all the insights.

02

Combined Management Report of ElringKlinger AG and the ElringKlinger Group

FOR THE FINANCIAL YEAR 2023

Overview of ElringKlinger's Activities and Structure

Operating as a global conglomerate of companies, the ElringKlinger Group specializes in the development, manufacture, and sale of components, modules, and systems for the automotive industry. As an automotive supplier, ElringKlinger is committed to shaping the transition within the mobility sector with the help of innovative products geared toward a sustainable future. It is with this in mind that the company is taking decisive steps forward with its portfolio centered around climate-friendly drive technologies such as battery and fuel cell technology. The Group is also looking to seize opportunities that arise in other fields of application beyond mobility.

Company profile

The ElringKlinger Group's operating activities are focused on the development, manufacture, and sale of components, modules, and systems for the automotive industry. In addition, the Group's portfolio includes products and services for customers operating in other industries. The Group's capability as an innovator is of key importance to ElringKlinger's corporate strategy, the aim being to support a sustainable future. With this objective in mind, ElringKlinger takes a fundamentally open attitude toward various types of drive technology.

The Group has its headquarters in Dettingen/Erms, Germany, and is represented at 45 international locations worldwide[1]. Employing around 9,600 people, the Group generated revenue of EUR 1.85 billion in the 2023 financial year (2022: EUR 1.80 billion). The history of the Group dates back to 1879.

Business model and core competencies

The Group's product range and strategy reflect the overall sense of social responsibility toward sustainability and the associated technological changes. Accordingly, ElringKlinger is directing its development efforts for new products at areas of the future that are at the center of the current transformation process: fuel cells*, batteries, electric drive units, and structural lightweighting. In this context, the traditional fields of business provide a platform from which to evolve the core competencies acquired over decades, the aim being to apply this expertise to the strategic fields of the future.

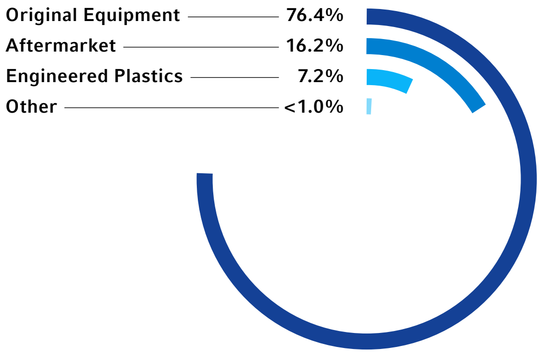
ElringKlinger's core competencies comprise extensive know-how relating to materials and processes in the field of metal and plastics processing as well as the industrialization of newly developed products. This also includes expertise in the manufacture of tools for cost-effective series production. The long-standing area of business is largely based on precision metalworking in the form of punching, embossing, and coating as well as plastic injection molding. Within the Engineered Plastics segment, ElringKlinger can draw on far-reaching materials and processing expertise relating to high-performance machinable thermoplastics and products for various industrial sectors.

Group structure and organization

The parent company of the Group is ElringKlinger AG, which has its registered office in Dettingen/Erms, Germany. It operates the German sites in Dettingen/Erms, Geretsried-Gelting, Langenzenn, Lenningen, Neuffen, Runkel, and Thale. In addition to strategic management, it is responsible for the central functions of Purchasing & Supply Chain, IT, Communication, Finance, Legal Affairs, and Human Resources. Sales activities are also handled largely by ElringKlinger AG, while Research & Development is integrated within the individual business units. As the parent company, ElringKlinger AG performs a financing function for the affiliated companies. It also forms the largest operating

[1] Unless otherwise specified, all figures refer to December 31, 2023.

Group revenue by segment 2023



in EUR million (previous year)

Original Equipment Car, truck, and engine manufacturers, automotive suppliers, non-automotive	**1,411.9**	(1,411.4)
Aftermarket Independent aftermarket business	**300.1**	(250.9)
Engineered Plastics Automotive industry, mechanical engineering, medical technology	**132.3**	(132.6)
Other Unspecified industries	**2.9**	(3.5)

Group company in respect of revenue and production volume. As of December 31, 2023, the ElringKlinger Group comprised 42 fully consolidated companies in 20 countries (cf. Notes, "Scope of consolidated financial statements").

The Management Board of ElringKlinger AG consists of three members. As from October 1, 2023, the responsibilities of the Management Board has been divided into the areas of accountability of the Chief Executive Officer (CEO), the Chief Operating Officer (COO), and the Chief Sales Officer (CSO). Following the resignation of the previous CEO on June 30, 2023, new appointments were made in the 2023 financial year, which also included a reassignment of the areas of responsibility (cf. "Significant Events" section).

Locations, sales, and procurement markets

As a global Group, ElringKlinger is represented with plants in all of the world's major vehicle markets. Of the 45 sites operating around the globe, 39 are production sites. In terms of revenue, Europe leads the way with a 51.3% share of Group sales revenue, followed by North America (26.1%) and Asia-Pacific (17.4%). 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, particularly within the Original Equipment segment. Within the Engineered Plastics segment, which boasts a wide range of products, ElringKlinger operates as a supplier to various sectors. In the Aftermarket segment, the customer base consists of wholesalers and group purchasing organizations.

For the manufacture of its products, ElringKlinger primarily requires raw materials and capital goods as well as merchandise. Materials accounted for 44.7% (2022: 45.9%) of the cost of sales in the 2023 financial year. The most important raw materials include alloyed stainless steels, carbon steel, aluminum, polyamide*-based plastic granules, i.e., pellets, and elastomers* as well as polytetrafluoroethylene in the Engineered Plastics segment; these materials are sourced from international procurement markets. Purchasing at ElringKlinger is organized centrally in order to pool requirements as effectively as possible and conclude blanket agreements. At the same time, the objective of regional material procurement is also taken into account.

Segments and business units

The ElringKlinger Group's business activities are divided into four segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The segments specified above constitute the segments under International Financial Reporting Standards (IFRS*).

Within the **Original Equipment** segment, ElringKlinger develops, manufactures, and sells systems, modules, and components destined in particular for the automotive industry.

The individual business units within this segment each possess specific competencies that are utilized across the business units as needed. As a result of efforts to evolve the product portfolio and in response to new electromobility technologies, the business units have undergone reorganization in recent times. In the 2023 financial year, this related to the unit formerly known as Shielding Technology – with effect from January 1, 2023. It was renamed Metal

* Cf. glossary

Forming & Assembly Technology, partly due to the increasing number of components for electromobility. The Original Equipment segment comprises a total of five business units, which are presented below:

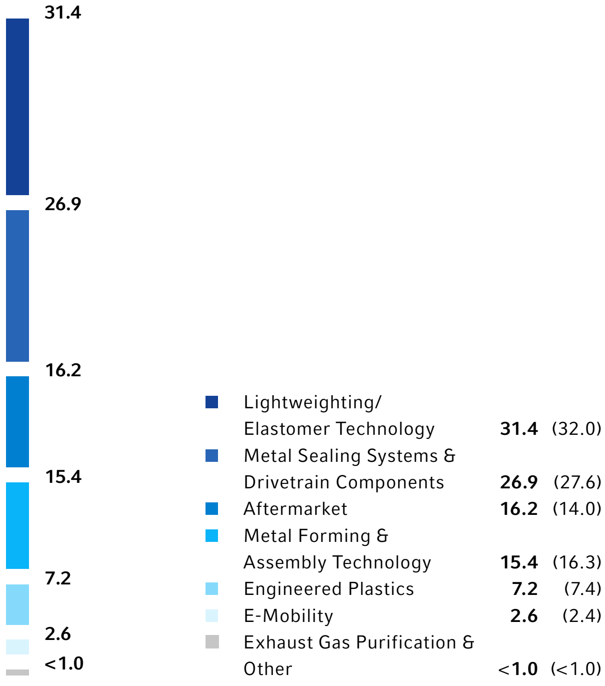
The Lightweighting/Elastomer Technology business unit develops and produces components made of thermoplastics for drivetrain, body, and underbody applications. A variety of manufacturing processes, including hybrid technology that combines metal and plastic, as well as numerous materials or material-specific innovations provide the basis for tailor-made solutions with high functional integration and/or weight savings with regard to all types of drive system, i.e., vehicles equipped with combustion engines as well as those powered by hybrid or all-electric systems.

As its primary activity, the Metal Sealing Systems & Drivetrain Components business unit offers an extensive portfolio of seals and gaskets for a wide range of vehicle applications. The remainder of the portfolio covers a multitude of products, including transmission control plates, complex formed parts engineered from sheet metal, and rotor/stator concepts for electric drive units.

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

The E-Mobility business unit, featuring fuel cell and battery technology as well as electric drive units, brings together all technologies currently of relevance to the electrification of vehicle propulsion. The Group was early to focus on solutions for electromobility, as evidenced by its active involvement in fuel cell technology for more than two decades and a track record of more than ten years as a series supplier of electromobility products. Today, ElringKlinger is an established supplier of components, modules, and systems for battery and fuel cell technology. ElringKlinger has been operating its own battery technology site in Neuffen, Germany, since 2021. The subsidiary EKPO Fuel Cell Technologies GmbH, located at the headquarters in Dettingen/Erms, specializes in the development, production, and distribution of a portfolio centered around fuel cell technology. Complete electric drive units represent a third important pillar in the field of e-mobility.

Group revenue by business unit[1] 2023
(previous year) in %



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

The portfolio offered by the Exhaust Gas Purification business unit mainly comprises components for exhaust aftertreatment. With total revenue of less than 1%, it holds a position of relatively minor significance within the Group.

In the **Aftermarket** segment, which also constitutes a business unit, 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 markets generating the highest revenues continue to be located in Western and Eastern Europe, although the regions covering America and Asia have been cultivated more intensively in recent years and have seen growth in revenue.

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

At less than 1%, the segment referred to as **Other** represents a negligible proportion of Group revenue and mainly comprises services provided by various subsidiaries. These include order picking services for the Aftermarket segment, revenue generated from the operation of engine test benches and measuring equipment for engines, transmissions, and exhaust systems, and revenue from the company restaurant and catering services.

Economic and legal factors

In the Original Equipment segment, ElringKlinger primarily operates as a supplier to vehicle manufacturers. Demand is influenced by trends relating to global vehicle production, which in turn is driven by the direction taken by sales markets. Primary drivers include, for example, the economic situation, purchasing power in the various regions, consumer behavior, fuel prices, and government funding. Geopolitical factors or disruptions to supply chains or the availability of raw materials may also be of significance in the event of more severe impediments.

Regulations governing climate protection are considered to be a key influencing factor in terms of legislation. The need for more climate-friendly vehicle concepts is being fueled by ever stricter emissions regulations. International trading conditions are also of significance with regard to the interconnected activities of the company and business performance in the individual regions.

Internal Control System

For the purpose of managing the Group, ElringKlinger regularly collects and evaluates financial metrics, non-financial performance indicators, and leading indicators relating to economic and industry performance. Governance of the Group is performed primarily with the aid of financial metrics. In addition, management is increasingly focusing on aspects relating to sustainability.

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

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

Key financial control criteria

The key control criteria of the ElringKlinger Group and the parent company ElringKlinger AG are revenue, adjusted EBIT margin* (adjusted earnings before interest and taxes in relation to revenue), operating free cash flow*, and return on capital employed (ROCE*) as financial metrics.

Sales revenue and the adjusted EBIT margin are budgeted, calculated, and continually monitored for the Group, the individual Group companies, and the segments Original Equipment, Aftermarket, and Engineered Plastics as well as the associated business units. As from the 2023 financial

* Cf. glossary

Financial control criteria of the ElringKlinger Group

	Guidance 2023[1]		2023	2022	2021	2020	2019
Revenue	Organic growth substantially above market level[2]	(in EUR million)	1,847.1[3]	1,798.4	1,624.4	1,480.4	1,727.0
EBIT (adjusted)		(in EUR million)	100.1	68.4	102.0	27.7	61.2
EBIT margin (adjusted)[4]	Approx. 5% of Group revenue	Margin:	5.4%	3.8%	6.3%	1.9%	3.5%
ROCE	Approx. 7 to 8%		5.6%	-2.7%	6.4%	1.7%	3.4%
Operating free cash flow	Slight year-on-year improvement	(in EUR million)	36.7	14.8	72.0	164.7	175.8
Equity ratio	40 to 50% of total assets		45.3%	43.8%	47.0%	41.4%	41.5%
Net debt-to-EBITDA ratio[5]	Below 2.0		1.6	2.1	1.7	2.5	3.3

[1] Original forecast according to combined management report 2022; adjustments during the year – if applicable – are not presented.
[2] Adjustments are made for currency and M&A effects when calculating organic revenue growth.
[3] Revenue reported; revenue adjusted for effects of currencies and acquisitions (organic): EUR 1,881.6 million (+4.6%/market growth: 9.7%)
[4] As of 2023, ElringKlinger reports adjusted EBIT and the adjusted EBIT margin, previous year's figure for 2022 calculated using the same methodology, financial years 2021, 2020, 2019 shown without adjustment items (reported EBIT)
[5] Net debt/EBITDA

year, ElringKlinger reports adjusted Group EBIT* for the purpose of better comparing operating profitability across different periods without the influence of exceptional items. Adjusted EBIT is defined as reported EBIT adjusted* for amortization of intangible assets from purchase price allocation*, changes in the scope of consolidation, and exceptional items. Exceptional items, for example, include gains and losses from non-recurring events, such as impairments (including impairments to goodwill), reversals of impairments, restructuring costs (including severance payments), and gains and losses on disposal from M&A* activities.

As an indicator, ROCE refers to the return on capital employed. It 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. At 5.6% in the 2023 financial year (2022: -2.7%), ROCE was significantly higher than in the previous year. However, it fell slightly short of the original guidance of "around 7% to 8%." Based on adjusted EBIT, which is relevant for management purposes, adjusted ROCE for the 2023 financial year was 6.8%; it would have been 4.4% in the previous year if the system had been applied in the same manner.

Operating free cash flow* is an important indicator of internal financing capability and is calculated by deducting capital expenditure on property, plant, and equipment and intangible assets, excluding cash flows* for M&A activities and cash flows* relating to financial assets, from cash flow from operating activities.

Other important indicators are the equity ratio and the net debt[2]-to-EBITDA[3] ratio.

The table shows the key and other control criteria for the ElringKlinger Group.

Calculating ROCE for the Group

in EUR million

EBIT	**82.9**	
	Dec. 31, 2023	**Dec. 31, 2022**
Equity	910.7	896.8
Financial liabilities	449.9	502.7
Provisions for pensions	104.0	97.4
Total	**1,464.6**	**1,496.9**
Average capital employed	**1,480.7**	
ROCE[1]	**5.6%**	

[1] Calculation: EBIT/Average capital employed

[2] Current and non-current financial liabilities less cash and cash equivalents and short-term securities
[3] Earnings before interest, taxes, depreciation, and amortization

Non-financial and other internal control criteria

Given its sense of corporate responsibility, ElringKlinger attaches great importance to sustainability aspects. These are largely measured on the basis of non-financial indicators. They include personnel, quality, and environmental indicators, such as CO_2 emissions and energy consumption. Non-financial performance indicators are not currently classified as key performance indicators in the Group.

Further information on non-financial indicators can be found in the combined non-financial report, which has been included in the 2023 annual report under the heading "To Our Shareholders" in the separate section "Combined Non-Financial Report." The 2023 annual report is to be published on March 27, 2024, on ElringKlinger's website at: https://elringklinger.de/en/investor-relations/reports-presentations/financial-reports-pulse-magazine.

Company- and market-specific leading indicators

ElringKlinger applies economic and industry-specific leading indicators for the purpose of planning and assessing future revenue and business trajectories. These include, for example, projected growth rates relating to gross domestic product, forecasts of trends within the global vehicle markets, and expectations regarding the price of materials. Among the important leading indicators specific to the company are metrics relating to order intake* and order backlog. Revenue budgeting, in the short term, is based on the quantities requested by customers as part of their scheduling arrangements, i. e., call-offs, and also on the nominated volumes of customer orders. 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, which are conducted on several occasions during the annual period, and the annually compiled business plan, which includes mid-term planning with a timescale of five years.

Research and Development

ElringKlinger is taking an active approach to shaping the industry's transformation toward climate-neutral mobility by developing and mass-producing components and systems that help to reduce emissions and thus protect the environment. The company has an extensive track record of development work in the area of alternative drive systems, including fuel cells, a field of technology that it has been evolving for more than two decades. The Group develops innovative product solutions under its own steam and in partnership with customers.

In the short to medium term, ElringKlinger is aiming to spend 5 to 6% of its revenue (including capitalized development costs) on research and development (R&D) each year and, in so doing, invest in the Group's future. Its strategic future areas centered around battery technology, fuel cell technology, drivetrain technology, and structural lightweighting were again the priorities when it came to research and development over the course of 2023.

Research and development ratio at 5.2%

In the 2023 financial year, modifications and new developments were introduced in the long-standing business units of Metal Sealing Systems & Drivetrain Components, Metal Forming & Assembly Technology, and Lightweighting/Elastomer* Technology as well as in the E-Mobility business unit and the Engineered Plastics segment. As a technology-driven company and a strong innovator, ElringKlinger mainly focuses on transferring its own existing expertise to new applications. This is also reflected in the host of newly

* Cf. glossary

Key R&D figures

in EUR million	2023	2022
Research and development costs, including capitalized development costs	96.0	91.8
Capitalized development costs	27.1	22.0
Capitalization ratio[1]	28.2%	24.0%[3]
Research and development costs	**69.0**	**69.7**
Amortization/impairment of capitalized development costs	4.8	4.8
Research and development costs recognized through profit or loss	73.7	74.5
Research and development ratio[2]	**5.2%**	**5.1%**
Patent applications	110	95
R&D staff	627	602

[1] Capitalized development costs in relation to R&D costs, including capitalized development costs
[2] R&D costs, including capitalized development costs, in relation to revenue
[3] Previous year's figure has been adjusted due to rounding

developed products for electromobility realized in the long-standing business units.

Research and development activities within the ElringKlinger Group are centralized to a large extent within the business units. This prevents an outflow of existing knowledge. Development activities are concentrated at the German sites for the Original Equipment and Engineered Plastics segments and at the site in Southfield, USA. The company's other sites handle smaller development tasks and refinements. A total of 627 (2022: 602[4]) staff were employed in R&D as of December 31, 2023. The number of employees assigned to research and development increased in the period under review, particularly within the strategic future areas.

R&D costs (including capitalized development costs) amounted to EUR 96.0 million in the 2023 financial year (2022: EUR 91.8 million). This corresponds to an R&D ratio of 5.2% (2022: 5.1%), which was thus slightly in excess of the prior-year figure and within the target range of around 5 to 6% (including capitalized development costs). Out of this total, the amount capitalized was EUR 27.1 million (2022: EUR 22.0 million), giving a capitalization ratio of 28.2% (2022: 24.0%).

Technological expertise reflected in record number of patent applications

The Group invariably seeks legal protection for new developments at both a product and a process level. In this context, the centralized patent department is tasked with protecting the company's technological expertise and intellectual property rights. In the 2023 financial year, it submitted a total of 110 applications relating to industrial property rights (2022: 95). This marks a new record and bears testimony not only to the R&D spirit of ElringKlinger employees but also to the Group's enduring innovatory prowess. As in the previous year, a significant proportion of the newly registered industrial property rights relate to the Group's strategic future areas.

Expertise applied to all types of drive system

The mobility transformation that is under way is particularly apparent in the field of drive technologies. New types of drive systems will gradually replace combustion engine technology, the aim being to reduce CO_2 emissions in the transport sector. Among these technologies, those mentioned most frequently are battery electric and fuel cell* vehicles. ElringKlinger believes that both harbor tremendous potential within the field of mobility and is expecting them to evolve at different speeds depending on how and where in the world they are being used. In this context, the Group is working on the assumption that battery and fuel cell technology will coexist. Taking a technology-agnostic approach, it thus aims to support and supply its customers in a way that is open to all technologies.

Driven by prevailing trends and regulatory requirements, the market for combustion engines will gradually shrink, while alternative drive technologies will see significant growth. ElringKlinger has geared itself up accordingly. In this context, optimizing and increasing the efficiency of modern combustion engines is still an important factor for ElringKlinger's developers. However, the focus of development activities is on the strategic future areas in the form of battery and fuel cell technology, electric drive units, and lightweight structural engineering.

[4] The headcount includes all direct and indirect employees in the area of research and development. The prior-year figure was adjusted in accordance with a uniform approach.

Lightweighting as one of the strategic future areas

The Group supplies its customers with components, modules, and systems that are designed to help reduce the emissions of new generations of vehicle during operation. The scope of application for battery and fuel cell technology extends far beyond the automotive sector. As a result, ElringKlinger products can be used in a wide range of mobility applications in order to contribute to climate protection by reducing emissions. Making a vehicle lighter helps to reduce the propulsion energy required as well as a vehicle's rolling resistance. The weight of a vehicle has an impact on its range, as a result of which the aspect of weight is all the more important in the field of electromobility. This is why the Group's structural lightweighting activities are also counted among its strategic fields of the future. These lightweight components can be deployed regardless of the type of drive, which underlines their importance as a strategic future area.

Drawing on its expertise in the development and industrialization of components for traditional drive technologies, the Group applies this know-how to solutions in the field of new mobility. ElringKlinger has been conducting research and development in the field of fuel cell technologies for over two decades. As part of its efforts in series production, the Group has also been supplying customers with battery components for more than ten years.

Battery technology: progress at both component and system level

The series production of cell contacting systems* for lithium-ion batteries forms an integral part of the ElringKlinger Group's transformation. The cell contacting system interconnects individual battery cells* and, in addition to performing the functional task of voltage tapping, also acts as a voltage and temperature sensor. The Group puts its expertise in metal forming and punching technology to good use in the production of the metallic cell connectors that are fitted inside the cell contacting system. In the year under review, ElringKlinger was awarded a high-volume series production order, with a term of several years, covering the supply of the latest generation of cell contacting systems for the BMW Group's "Neue Klasse" ("New Class"). As part of this large-scale production project, the Group stepped up its efforts relating to various development activities, including in the area of flexible printed circuit boards, in order to meet the highest standards of technology and quality.

In the area of battery components, cell covers also underwent targeted refinement in 2023, including in the context of the IPCEI* funding project "EuBatIn" (abbreviation for "European Battery Innovation"). The focus here was on process development. As part of the second major European IPCEI project for battery cell production, ElringKlinger was notified that it would be granted a total of EUR 33.8 million in funding from the German Federal Ministry for Economic Affairs and Climate Action and the state of Baden-Württemberg for an innovative battery cell housing design up to the end of 2026. IPCEI funding for ElringKlinger facilitates the development and industrial-scale production of innovative battery cell housing components.

Besides single components, the Group also supplies battery modules and complete battery systems. In the field of battery technology, the Group operates as a development partner and supplier of individual components used in series-produced vehicles as well as modules and systems for niche markets with very specific requirements, such as the sports car segment. In the year under review, the Group focused on refining customized battery systems in particular, in addition to evolving its proprietary battery systems as the "ElringKlinger standard." A project that had been launched in the preceding year, the focus of which was on a new cooling concept for cylindrical cells, was showcased in the form of the performance battery module at IAA Mobility in September 2023. The performance credentials of this battery module have already been confirmed by test results gathered as part of far-reaching development work. In addition, efforts to refine a large power module with cylindrical cells have now been largely completed and are set to enter the homologation stage.

Fuel cell: market success through technological leadership

After decades of developing expertise in fuel cell technology within the ElringKlinger Group, activities relating to fuel cells were brought together at EKPO Fuel Cell Technologies GmbH (EKPO for short), which is based at the Group's headquarters in Dettingen/Erms, Germany. EKPO commenced operations in 2021 and subsequently drove forward the production of fuel cell components and stacks. The company also stepped up its wide range of development efforts for the series production of components and systems in the 2023 financial year. In the context of the IPCEI funding programs of the European Union and the German Federal government, EKPO received formal notification in November 2023 that it had been granted funds of up to EUR 177 million until 2027 as part of the "IPCEI Hydrogen" program. This funding is to be used for the purpose of expanding the EKPO product portfolio within the high-performance segment by developing and industrializing a new generation of stack modules for heavy-duty applications.

* Cf. glossary

Thus, one of EKPO's focal points with regard to R&D continued to be on the low-temperature fuel cell PEM (Proton Exchange Membrane), which is of particular relevance to mobile applications, and on high performance categories in the form of the NM12 twin stack series and the aforementioned IPCEI project. This stack series is suitable for various applications with significant power requirements (e.g., heavy-duty, rail, marine, power backup), as demonstrated by a contract to supply fuel cell stacks* for a cruise ship operated by an international cruise company. Besides platform development, investments in the year under review also included enhancements to manufacturing technology, with a particular focus on large-scale production processes.

In addition to pursuing its ongoing technology development programs, EKPO also secured and processed development orders placed by customers in 2023. These were also reflected (in whole or in part) in research and development efforts in the period under review. In the reporting year, for instance, EKPO received an order from a major global automotive manufacturer for the development and supply of bipolar plates* and pressed ahead with work on an OEM order to develop a customized fuel cell stack. EKPO was also able to strengthen its position and expand its development activities centered around fuel cell technology applications beyond the automotive industry. In this context, the company acquired and processed follow-up orders from the aviation, rail, and maritime sectors.

Drivetrain Technology: targeted advancement of performance

Back in 2017, ElringKlinger entered a strategic partnership for electric drive units (EDUs*) with the engineering specialist hofer powertrain under which the Group holds a non-controlling interest in hofer AG, Nürtingen, Germany, and majority interests in its production subsidiaries in Germany and the UK. While hofer AG contributes its engineering know-how in the field of electric drives, the ElringKlinger Group brings its expertise in the field of industrialization to the table, the purpose being to jointly execute series production orders for customers. In the year under review, the focus of development was on the technical evolution of the "High Compact Torque Vectoring" (HCTV) electric drive unit, which enabled ElringKlinger's developers to make further improvements to the maturity of the HCTV EDU. This also included the advancement of the waterjacket cooling concept. In addition, the business unit constructed both functional and trade show models of the HCTV EDU and the 800V offset EDU in order to showcase the electric drive units and thus support marketing efforts in this area.

Lightweighting/Elastomer Technology: e-mobility and drive-independent solutions

Making vehicles lighter is key to cutting their emissions. Lower weight decreases fuel and energy consumption. At the same time, reduced tire wear also relieves the burden on the environment. Electrification is making the issue of lightweighting even more relevant, since a low weight has a significant, direct impact on an electric vehicle's range.

The Lightweighting/Elastomer* Technology business unit continued to focus rigorously on its R&D priorities in the 2023 financial year with enhancements for its cockpit cross-car beams*, front-end modules, and ElroSafe™ underbody protector for battery systems. Besides offering thermal and acoustic protection, the ElroSafe™ underbody protector is also designed to provide the battery with strong protection at high speeds. From a sustainability perspective, an important aspect of ElroSafe™ technology is its full-scale recyclability.

The innovative design of ElringKlinger's cockpit cross-car beams and front-end carriers* enable significant weight reductions. Other key factors besides weight are value for money, design, and reproducible product quality. In the 2023 financial year, both the customer base and the product portfolio of the business unit were expanded as part of (customized) refinements and adaptations of lightweight structural components that are currently in high demand.

Among the other milestones in the reporting year were laser-welded battery housings featuring an innovative cooling concept. These help to ensure high-performance vehicle dynamics and particularly fast charging processes compared to contact-cooled battery modules available within the mass market.

In particular, as in the previous year, the developers on the sealing technology team worked on products for battery electric vehicles. Among other things, the tasks included optimizing pressure equalizing units for batteries. As well as helping to develop complex metal/elastomer gaskets for battery technology (e.g., battery housings or controllers), the Group's advanced knowledge in the field of materials development, production technology, and tool engineering also provides the basis for the supply of sealing solutions for fuel cell stacks*. The strong level of demand for sealing technology used in electric vehicles also illustrates the progress the business unit has made in the context of industry transformation.

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

In the 2023 financial year, the Metal Forming & Assembly Technology business unit focused on efforts to enhance ElroForm™ product solutions for electromobility applications. Against this backdrop, the markets of North and South America proved to be particularly dynamic when it came to ElroForm™-related inquiries in 2023. In fact, at a global level, more than 50% of all inquiries received by the business unit are now attributable to the ElroForm™ product group. As a result, for the very first time, more than 50% of the nomination volume acquired in the Metal Forming & Assembly Technology business unit in 2023 related to components for battery electric vehicles. Among these were, for example, a nomination by a global battery manufacturer for metal battery housing components, in addition to an order for complete battery housings, as part of an assembly, placed by a global Tier 1* supplier for commercial vehicles and city bus applications within the US market.

Building on this market success, the business unit is in a position to evolve its product portfolio in line with customer requirements in the field of electromobility. The business unit can draw on decades of expertise in design-to-cost and sound design in metal, thus allowing it to engineer improved products with enhanced technical and commercial benefits for customers. Several projects of this kind have already culminated in series production orders. Within the ElroForm™ product group, the business unit also develops ultra-lightweight metal components with significantly improved forming properties. It is able to produce components that have the weight of lightweight aluminum components, but whose design would otherwise only be possible with steel, a heavier material.

The business unit's product portfolio is complemented by innovative ElroShield™ EV battery shielding solutions, designed to help delay thermal propagation*. Thermal propagation refers to a chain reaction following a thermal runaway of a single cell, causing neighboring cells to also undergo a thermal runaway. The aim is to delay this process to a considerable extent or, ideally, to prevent it. In 2023, this solution was validated by the first customers in the context of a benchmark against 36 other supplier solutions. Encouragingly, the ElroShield™ EV solution developed by this business unit achieved the benchmark with regard to thermal insulation in the given installation space.

Overall, the Metal Forming & Assembly Technology business unit focuses on metal components for electromobility that have to meet specific additional requirements, such as their electrical or thermal insulation properties. With this in mind, the business unit has embraced an approach centered around multi-material design, in which metal components are combined with non-metal foils, coatings, or additional components. At the same time, classic shielding components are still in demand too. The business unit has benefited from substantial call-off orders in series production as part of customers' forecast delivery schedules, various term extensions for existing projects, and a nomination for a complete package of near-engine shielding parts by a German premium manufacturer.

Metal Sealing Systems & Drivetrain Components: driven by transformation

In the 2023 financial year, R&D activities in the Metal Sealing Systems & Drivetrain Components business unit were again aimed at supplementing and enhancing the product portfolio with regard to alternative drive systems and drivetrain-independent components. As part of development efforts, existing expertise, particularly in sealing and forming technology, was transferred to the field of new drive technologies. A prime example: MetaloBond™ rotor/stator laminated stacks for electric motors. In this context, the ElringKlinger development team applied its expertise in coating and punching thin sheet metal and bonding components to the task of refining laminated stacks and sealing systems for rotors and stators in the period under review. The Group is also making efforts to apply its capabilities to other vehicle components and thus add them to its technology portfolio. The Metal Sealing Systems & Drivetrain Components business unit stepped up its development work on drivetrain-independent products in the reporting year.

Engineered Plastics: experience across the industry spectrum

Within the Engineered Plastics segment, the Group produces components made from high-performance plastics that are used in a wide range of industries. These include medical technology, mechanical engineering, the food industry, and the automotive sector. Both the materials deployed and the specific applications they are used for are developed and adapted to suit each specific customer and their sector. As in previous years, the focus within this segment was on the main trends in the individual industry sectors in 2023.

* Cf. glossary

Among other things, development work was centered around seals for high circumferential speeds in the field of e-mobility, which are used in electric motors.

In addition, the Engineered Plastics segment is benefiting from developments with regard to emerging technologies, just as it is from tougher requirements in medical technology, the expectations made of industrial sensor systems, and the highly promising field of industrial hydrogen production (electrolysis). Another focal point of development efforts in this segment during the reporting year was the refinement of manufacturing processes for large-format components for various applications. Dynamic sealing solutions for high-pressure valves used in hydrogen applications were also developed in the period under review. The development team in the Engineered Plastics segment also came up with high-precision multi-lumen tubes for minimally invasive surgical procedures in the medical field.

Macroeconomic Conditions and Business Environment

Despite a slight dip in forward momentum, the gross domestic product (GDP) of the global economy expanded by 3.1% in 2023 (2022: 3.5%), thus reflecting moderate growth. Overall, the global economy proved to be more resilient than many economists had originally anticipated. After several years of severe turbulence, the international automotive markets emerged from the doldrums and largely recorded solid growth. Global automobile production grew by 9.7%.

Global economy sluggish but above expectations

Recording moderate growth in 2023, the global economy saw GDP expand by 3.1% (2022: 3.5%) based on data issued by the International Monetary Fund (IMF). The year-on-year slowdown and the lack of forward momentum are likely to be attributable primarily to persistent inflation and the monetary policy measures adopted in an effort to curb it, in addition to the reversal of many of the supportive measures associated with the preceding covid crisis. Against the backdrop of anemic global demand, waning growth in China, and more pronounced trade barriers, global trade also showed a lack of momentum.

Nevertheless, inflation fell faster than expected in many regions and the global economy proved to be more resilient than originally predicted by economists, which market analysts attribute to the success of the restrictive interest rate policy adopted by central banks as well as favorable supply-side dynamics. In an effort to combat inflation, which the IMF estimates at a global average of 6.8% in 2023, the US Federal Reserve raised the target range for its benchmark interest rate to 5.25–5.5%, while the European Central Bank increased its key interest rate to 4.5%. The Chinese central bank, meanwhile, lowered its interest rate slightly to 3.45%. The hike in interest rates – or the high rates already in place – in most regions had an adverse effect on the economy as a result of higher mortgage costs, more challenging refinancing terms for companies, limited credit availability, and consequently weaker investment activity. At the same time, however, the disruptions to supply chains in the wake of the pandemic were largely overcome, which translated into improved material availability.

Economic performance varied greatly from region to region. The US economy proved to be very robust, in part because it was supported by an expansive fiscal policy. In contrast, growth in the eurozone was particularly sluggish. This was driven by a number of different factors, including consumers' reluctance to spend in the face of rising living costs, the impact of elevated energy prices, a lack of stimulus from

GDP growth
Year-on-year change
(in %)

Region	2022	2023	Projections 2024
World	**3.5**	**3.1**	**3.1**
Advanced economies	2.6	1.6	1.5
Emerging and developing countries	**4.1**	**4.1**	**4.1**
Eurozone	3.4	0.5	0.9
Germany	1.8	-0.3	0.5
USA	1.9	2.5	2.1
Brazil	3.0	3.1	1.7
China	3.0	5.2	4.6
India	7.2	6.7	6.5
Japan	1.0	1.9	0.9

Source: International Monetary Fund (Jan. 2024)

foreign trade, more challenging financing conditions for manufacturing industry, which is particularly sensitive to interest rates, and a downturn in investment spending. Germany, Europe's largest economy, recorded a slight decline in economic output. Although the Chinese economy managed to slightly exceed the government's growth target of 5% for 2023, its pace of expansion was slow compared to the country's previous track record. India, one of the major emerging markets, recorded strong growth. Brazil, South America's largest economy, also recorded substantial growth, particularly in the first half of 2023.

Economic momentum was underpinned by the labor markets in the advanced economies, which remained largely stable, although most recent data points to a decline in job vacancies and a slight rise in unemployment, partly in connection with more widespread immigration. In 2023, the commodity markets eased significantly in many areas, as a result of which prices relating to non-energy commodities trended lower overall. In contrast, geopolitical disruptions such as Russia's continued assault on Ukraine, the resurgence of armed conflict in the Middle East in 2023, and unrest within the region of the Red Sea caused fresh uncertainty and disruption to merchant shipping[5].

Recovery in global vehicle production varies across regions

On the back of major distortions covering a period of three years, primarily as a result of the coronavirus pandemic, the world's automotive markets saw a return to an increasingly demand-driven trajectory in 2023. Vehicle production benefited from the improved availability of materials, such as semiconductors. Based on data provided by S&P Global Mobility, light vehicle production (passenger cars and light commercial vehicles) rose by 9.7% in 2023, almost in line with growth in global light vehicle sales, which amounted to 9.2%. Production output of 90.3 million light vehicles exceeded the corresponding sales figure of 83.4 million units, as a result of which manufacturers expanded their inventories.

The respective regions showed a mixed picture as regards market trends. Europe (excluding Russia) recorded particularly buoyant production growth of 13.2% on the back of pent-up demand and the clearance of order backlog. North America also saw significant growth of 9.7% in light vehicle production, despite reports of various strikes within the industry. China, the world's largest single market, grew by 10.0% thanks to a powerful year-end surge, which was equivalent to an increase of 2.6 million units in absolute terms.

Light vehicle production

	Million units		Year-on-year change
Region	2022	2023	
Europe[1]	15.3	17.3	13.2%
China	26.4	29.0	10.0%
Japan/Korea	11.1	12.8	14.6%
Middle East & Africa	2.2	2.3	1.9%
North America	14.3	15.7	9.7%
South America	2.8	2.9	3.1%
South Asia	9.6	9.8	1.6%
World	**82.3**	**90.3**	**9.7%**

[1] Without Russia
Source: S&P Global Mobility (Feb. 2024)

[5] Statements on economic trends are based on the company's own research in conjunction with publications by independent institutes and bodies such as the IMF, IfW Kiel, and the German Federal Ministry for Economic Affairs and Climate Action.

Strong growth in new car and light vehicle registrations

Vehicle sales, measured in terms of the number of new registrations, rose sharply in 2023 as a whole. World markets benefited mainly from a favorable supply-side tailwind. Having said that, weak prior-year figures and the low comparative base also had a positive impact on percentage growth. According to the figures published by the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), the world's major car markets – with the exception of India – each recorded double-digit percentage growth. At the end of the year, Europe (excluding Russia) reported growth of 13.7%, taking the total to 12.8 million cars, the USA was up by 12.4% to 15.5 million light vehicles, Brazil recorded an increase of 11.2% to 2.2 million light vehicles, and China was up by 11.0% to 25.8 million cars, while India expanded by 8.1% to 4.1 million cars and Japan was up by 15.8% to 4.0 million cars.

In Germany, new registrations rose by 7.3% compared to 2022, which is below the pan-European average. This lackluster performance, particularly in December 2023, was most likely due to an exceptional effect in connection with changes to government subsidies for electric vehicles.

Tangible growth in commercial vehicle production in almost all regions

Production output of commercial vehicles (from 3.5 tons) was up substantially in the majority of regions in 2023. According to S&P Global Mobility, it rose by a total of 11.2% worldwide, including buses. Around two-thirds of commercial vehicle production is accounted for by the heavy-duty commercial vehicle segment (from 16 tons). According to S&P Global Mobility, production figures in this segment rose by around 60 thousand units, or 13.7%, in Europe (excluding Russia) and by around 21 thousand units, or 6.8%, in North America in 2023. By contrast, the South American market, which is dominated by Brazil, declined by around 50 thousand units or 35.9%. In Germany, production of heavy-duty trucks rose by around 11 thousand units or 12.5%.

Significant Events

Among the events of particular significance to the ElringKlinger Group in the 2023 financial year were personnel changes relating to the Management Board and major orders placed with the E-Mobility business unit. In addition, EKPO, a Group company, received funding approval for a development and industrialization project relating to fuel cell technology, which forms part of the European IPCEI hydrogen program.

Changes to Management Board

The 2023 financial year saw changes to the composition of the Management Board and the Areas of Responsibility within the Management Board. On April 6, 2023, the Supervisory Board of ElringKlinger AG and Dr. Stefan Wolf, who held the position of CEO, had reached an agreement on the early termination of his contract as of June 30, 2023, and his departure from the Group. Thomas Jessulat assumed the role of Spokesperson of the Management Board and performed the duties of Dr. Stefan Wolf on an interim basis from July 1 to September 30, 2023. Thomas Jessulat's contract had been extended by the Supervisory Board at its meeting in March 2023 for a further five years until December 31, 2028.

As from October 1, 2023, the Management Board team has been consisting of Thomas Jessulat, Chief Executive Officer (CEO), Reiner Drews, Chief Operating Officer (COO), and Dirk Willers, Chief Sales Officer (CSO). This was resolved by the Supervisory Board of ElringKlinger AG at its meeting on September 28, 2023.

In his role as CEO, Thomas Jessulat is responsible for Strategy, Finance, IT, Human Resources, Legal Affairs, and Communication as well as for Battery Technology, Electric Drive Units, and Fuel Cell* Technology. In addition to his existing duties, Reiner Drews, in his role as Chief Operating Officer, has since then also been responsible for Purchasing and Supply Chain Management. Dirk Willers joined the Management Board as a newly appointed member and is responsible for Sales, Marketing, the Aftermarket segment, which he had previously headed since 2015, and the Engineered Plastics segment.

Dividend remains unchanged following AGM approval

At the Annual General Meeting (AGM) on May 16, 2023, the shareholders of ElringKlinger AG approved all items on the agenda by a large majority. The proposal submitted by the Management Board and Supervisory Board for the payment of a dividend of EUR 0.15 per share, unchanged from the previous year, was also approved by a large majority of the shareholders. In addition, Deloitte GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2023 financial year.

Major contracts secured in the field of e-mobility

ElringKlinger received significant orders within the field of e-mobility in the 2023 financial year, the details of which were to some extent disclosed via official announcements. These included a large-scale series production order for the Group subsidiary EKPO Fuel Cell Technologies GmbH ("EKPO" for short), Dettingen/Erms, Germany, placed by a global car manufacturer. This large-scale order covers the supply of metallic bipolar plates* for a future fuel cell system developed by the carmaker, which is scheduled to commence in 2026. ElringKlinger also announced that it had received a high-volume order for the supply of cell contacting systems* for the BMW Group's so-called "New Class." The large-scale series production order has a term of several years, with start of production scheduled as from 2025. Another example of major contracts secured by the Group was the series production order from a global Tier 1* supplier for battery housings used in commercial vehicles and city bus applications. This order, which relates to the long-standing Metal Forming & Assembly Technology business unit, covers a volume in the low triple-digit million euro range and is scheduled for production from 2024 over a total term of five years.

Another milestone was an order placed with EKPO for the development of stack components to be used in so-called PEM electrolyzers. By entering the rapidly growing electrolysis market, ElringKlinger has taken an important step forward in its efforts to develop the cross-sector market covering the high-potential hydrogen supply chain.

Confirmation of funding granted under the IPCEI hydrogen program

In the 2023 financial year, EKPO was notified that it would receive funding of up to EUR 177 million for the period up to and including 2027 as part of the European IPCEI* Hydrogen program (IPCEI = Important Projects of Common European Interest). The funds are to be used for the development of a new generation of high-performance PEM fuel cell* stack modules by EKPO – destined for heavy-duty applications. This funding will be provided by the Federal Ministry for Digital and Transport and the Baden-Württemberg Ministry of the Environment.

* Cf. glossary

Sales and Earnings Performance

Operating within a challenging environment, ElringKlinger recorded Group revenue of around EUR 1.85 billion for the 2023 financial year, which corresponds to year-on-year growth of 2.7%. At 4.6%, organic revenue growth was at the upper end of the target range for 2023 as a whole. In terms of earnings, lower costs for certain materials, freight, and energy had a positive impact on performance. The Group propelled adjusted EBIT upwards by a substantial EUR 31.7 million to EUR 100.1 million. With an adjusted EBIT margin of 5.4%, ElringKlinger reached the upper end of its guidance for the 2023 financial year.

Organic revenue growth of 4.6%

Despite challenging conditions within the economic and industry arena, ElringKlinger managed to expand Group revenue to EUR 1,847.1 million in the 2023 financial year (2022: EUR 1,798.4 million). Thus, revenue was up EUR 48.7 million or 2.7% on the prior-year figure. Revenue momentum was curbed by the lower volume of call-off orders placed by customers as part of their ongoing scheduling arrangements in the area of series production business and headwinds from exchange rate movements, particularly in the second half of the year.

The negative impact of exchange rate movements in the reporting year was equivalent to EUR -34.5 million or -1.9%. While the direction taken by the Mexican peso provided a boost to revenue, the Turkish lira, the Chinese yuan, the US dollar, and the Japanese yen had contrary effects. No adjustments with regard to M&A* activities were applicable in the period under review. Excluding the effects from exchange rate changes, i.e., in organic terms, the increase in revenue amounted to EUR 83.2 million or 4.6%. ElringKlinger thus reached the upper end of the guidance presented in October 2023 ("organic revenue growth of around 3 to 5%") for the 2023 financial year. The original guidance with regard to ElringKlinger's organic revenue growth ("organic revenue growth substantially above market level") had been adjusted in view of inconsistent patterns with regard to customer call-off volumes and growth in global automobile production of 9.7%. At the beginning of 2023, industry service provider S&P Global Mobility (formerly: IHS) had forecast market growth of just 3.3%.

Alongside currency effects, revenue growth was influenced by the general macroeconomic challenges and the volatility of call-off volumes requested by customers as part of their ongoing scheduling arrangements in the second half of the year. In regional terms, Group revenue was adversely affected by weak momentum in Asia-Pacific. In addition, price escalator clauses contractually agreed with customers for certain raw materials acted as a drag on growth amid a year-on-year decline in market prices.

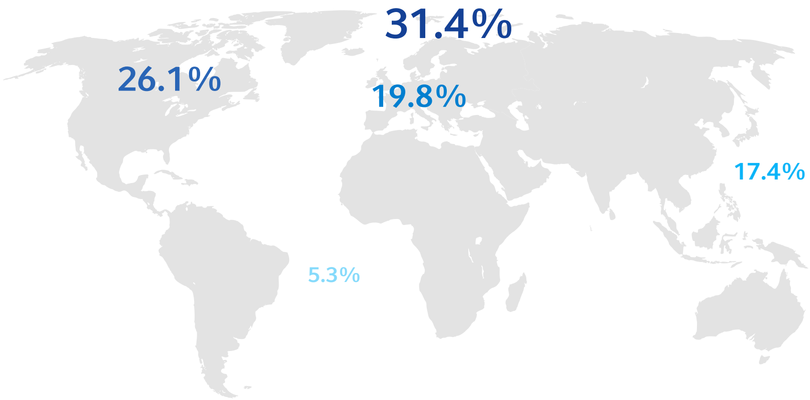
Revenue growth in Europe as well as North and South America

The region encompassing the Rest of Europe recorded substantial revenue growth in the 2023 financial year, with revenue generated in this sales region expanding by EUR 54.3 million or 10.3% to EUR 580.9 million (2022: EUR 526.6 million) in the period under review. Accounting for 31.4% of Group revenue (2022: 29.3%), this region is

Factors influencing Group revenue

in EUR million	2023	2022	Change, absolute	Change, relative
Group revenue	**1,847.1**	**1,798.4**	**48.7**	**2.7%**
of which FX effects			-34.5	-1.9%
of which M&A activities			0.0	0.0%
of which organic			83.2	4.6%

Group revenue by region 2023



in EUR million (previous year)

Rest of Europe	**580.9**	(526.6)
North America	**482.0**	(462.8)
Germany	**366.3**	(365.9)
Asia-Pacific	**321.0**	(354.5)
South America and Rest of World	**97.1**	(88.6)

the Group's largest. Revenue generated from sales in the Rest of Europe region in 2023 was impacted by highly adverse exchange rate effects, which intensified over the course of the year. Adjusted for currency effects, revenue grew at an even more pronounced rate of 12.8%.

In North America, revenue expanded by 4.1% or EUR 19.2 million in the 2023 financial year. The Group thus achieved revenue of EUR 482.0 million in this region (2022: EUR 462.8 million). With a share of 26.1% (2022: 25.7%), ElringKlinger generated more than a quarter of its consolidated sales revenue in this region. Eliminating exchange rate effects, revenue in North America was up by 4.5%. In the final quarter, the lack of revenue momentum was largely due to the effects of the strike at major car manufacturers in North America.

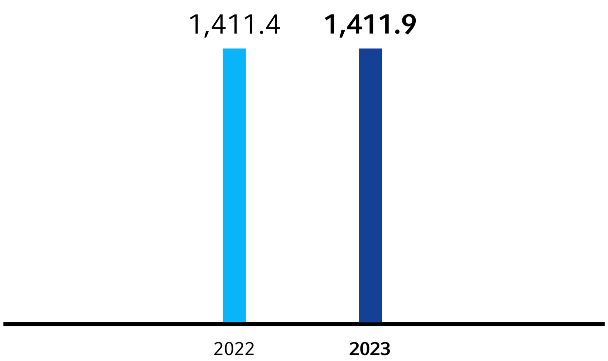
The region comprising South America and Rest of World again produced a strong percentage increase in revenue for ElringKlinger during the 2023 financial year. Here, the Group saw revenue expand by EUR 8.5 million or 9.6% to EUR 97.1 million (2022: EUR 88.6 million). Exchange rate movements played a relatively minor role with regard to the revenue trajectory in this region. In organic terms, revenue expanded by 10.0%, thereby exceeding the 2.6% rate of growth in automotive production recorded in this region in the period under review. Overall, the share of Group revenue stood at 5.3%, compared to 4.9% in the previous year.

Asia-Pacific down slightly year on year in organic terms, growth in Germany

The direction taken by automotive production in the Asia-Pacific region was subject to volatility during the course of 2023. After a strong second quarter, the Chinese market in particular showed signs of stagnation in the third quarter before picking up again toward the end of the year. The Group was unable to match the growth rate of 9.4% (according to S&P Global Mobility data) achieved by the market as a whole in the Asia-Pacific region, with revenue totaling EUR 321.0 million in the financial year under review (2022: EUR 354.5 million). It should be noted that this performance was influenced by highly adverse exchange rate effects on revenue in this region over the entire financial year. The share of total Group revenue generated in this region fell to 17.4% (2022: 19.7%).

At EUR 0.4 million or 0.1%, growth recorded by ElringKlinger in Germany was just within positive territory in 2023. In the 2023 financial year, the Group generated revenue of EUR 366.3 million in Germany (2022: EUR 365.9 million). Thus, the overall proportion of domestic revenue decreased slightly year on year to 19.8% (2022: 20.3%). Group revenue generated abroad grew by a dispro-

Revenue in the Original Equipment segment
in EUR million



* Cf. glossary

portionately large amount relative to total revenue, as a result of which the share of foreign sales expanded to 80.2% (2022: 79.7%).

Original Equipment segment matches previous year's performance

With revenue of EUR 1,411.9 million, the Original Equipment segment was on a par with the prior-year figure of EUR 1,411.4 million. This corresponds to a slight increase in revenue of EUR 0.5 million. Accounting for 76.4% (2022: 78.5%) of total revenue, Original Equipment constitutes the largest segment of the ElringKlinger Group.

Within the segment, the Metal Sealing Systems & Drivetrain Components business unit generated revenue of EUR 497.8 million (2022: EUR 496.6 million), an increase of EUR 1.2 million. Remaining the Group's largest business unit in terms of revenue share, Lightweighting/Elastomer* Technology saw revenue expand by EUR 4.8 million or 0.8% to EUR 580.0 million in the 2023 financial year (2022: EUR 575.2 million). The Metal Forming & Assembly Technology business unit generated revenue of EUR 284.6 million (2022: EUR 293.2 million). Revenue in the Exhaust Gas Purification & Other business unit amounted to EUR 1.2 million in the period under review (2022: EUR 4.1 million). The activities here are mainly centered around components for exhaust gas aftertreatment.

Growth in E-Mobility revenue

The E-Mobility business unit brings together the Group's activities in the field of battery and fuel cell* technology as well as in the area of electric drive units (Drivetrain Technology). At EUR 48.3 million (2022: EUR 42.4 million), the business unit managed to expand revenue compared to the previous year despite some delays in production ramp-ups due to project postponements by customers. As in the previous year, sales revenue in the E-Mobility business unit also includes relevant series production revenue in addition to revenue from development work and prototyping.

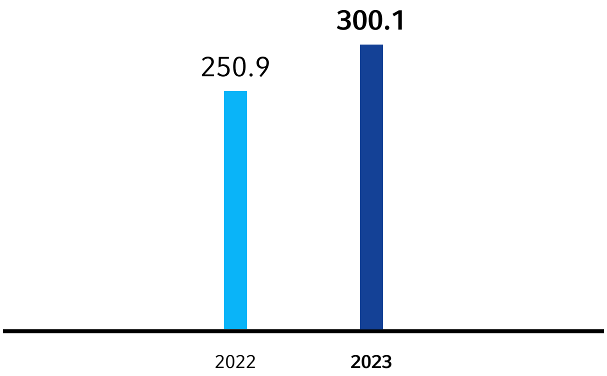
Improved margin in Original Equipment

The Original Equipment segment saw an improvement in earnings in the year under review, driven in particular by the favorable effects of price trends for certain raw materials used by ElringKlinger in the production process as well as several cost efficiency measures. Overall, adjusted EBIT for the segment stood at EUR 9.9 million (2022: EUR -0.6 million). The adjusted EBIT margin* was 0.7% (2022: -0.0%).

Successful growth strategy in Aftermarket business

The Aftermarket segment continued to systematically implement its growth strategy, the focus of which was primarily on North and South America as well as Asia. In the past financial year, revenue was up at EUR 300.1 million (2022: EUR 250.9 million). This corresponds to year-on-year revenue growth of 19.6% in 2023. The expansion in revenue was driven by all major sales regions. The Aftermarket segment is the Group's second largest, accounting for 16.2% (2022: 14.0%) of Group revenue.

Revenue in the Aftermarket segment
in EUR million



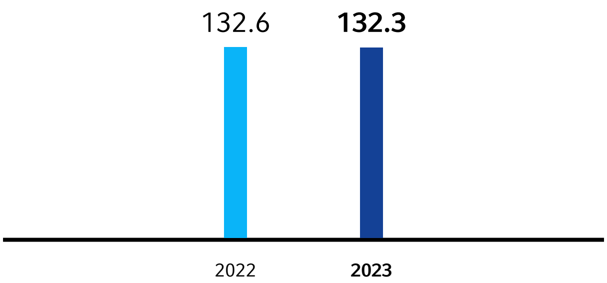
Adjusted segment earnings before interest and taxes rose to EUR 71.7 million (2022: EUR 50.5 million) on the back of revenue growth and continued cost discipline, which corresponds to an adjusted EBIT margin of 24.0% (2022: 20.1%).

Engineered Plastics revenue at previous year's level

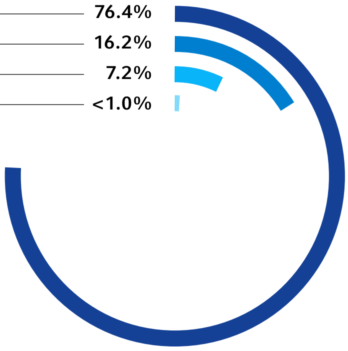
In the Engineered Plastics segment, consistently buoyant demand relating to project business and a diversified portfolio tailored to various industries was countered by just a slight headwind from currency effects, as a result of which revenue was robust overall in the 2023 financial year. With sales revenue of EUR 132.3 million (2022: EUR 132.6 million), the segment came close to matching the prior-year figure.

Higher expenditure on research and development as part of the segment's transformation had a significant impact on earnings compared to the previous year. In addition, the

Revenue in the Engineered Plastics segment
in EUR million



Group revenue by segment and business unit 2023



	in EUR million	(previous year)
Original Equipment	**1,411.9**	(1,411.4)
– Lightweighting/Elastomer Technology	**580.0**	(575.2)
– Metal Sealing Systems & Drivetrain Components	**497.8**	(496.6)
– Metal Forming & Assembly Technology	**284.6**	(293.2)
– E-Mobility	**48.3**	(42.4)
– Exhaust Gas Purification & Other	**1.2**	(4.1)
Aftermarket	**300.1**	(250.9)
Engineered Plastics	**132.3**	(132.6)
Other	**2.9**	(3.5)

price of high-performance plastics such as fluoropolymers was persistently high, which had an impact on costs. The segment generated adjusted EBIT of EUR 16.6 million in the financial year under review (2022: EUR 19.7 million). This corresponds to an adjusted EBIT margin of 12.5% (2022: 14.9%).

Other segment

Revenue in the segment referred to as Other, which mainly comprises services provided by various subsidiaries, totaled EUR 2.9 million in the reporting year (2022: EUR 3.5 million). Adjusted segment earnings before interest and taxes amounted to EUR 1.9 million, an improvement on the previous year (2022: EUR -1.2 million).

Gross profit margin up by 3.1 percentage points

In contrast to sales revenue, which increased by 2.7%, the cost of sales fell by 1.1% year on year. In total, the cost of sales amounted to EUR 1,444.3 million in the financial year just ended, compared to EUR 1,459.9 million in the previous year. As a result, ElringKlinger increased its gross profit to EUR 402.8 million (2022: EUR 338.5 million), which corresponds to a gross profit margin of 21.9% (2022: 18.8%). In addition to benefiting from slightly lower material prices compared to the previous year, this performance was also driven by a prior-year effect: in the 2022 financial year, the cost of sales had included impairment losses of EUR 15.9 million relating to property, plant, and equipment.

While prices for raw materials and energy had spiraled rapidly and across the board to a persistently high level in the previous financial year as a result of supply-side bottlenecks and the outbreak of war in Ukraine, the overall level of prices trended lower again in some cases over the course of 2023 on the back of declining market prices. However, as a whole, prices still remain above the pre-crisis level. The downward trend in prices during the financial year was also reflected in expenses for some raw materials and energy. In line with market developments, prices for aluminum, steel, and certain plastics, for example, declined in the period under review. However, the downturn in prices did not apply to all raw materials used by ElringKlinger in production: in the case of elastomers, the situation remained tense throughout the 2023 financial year against the backdrop of a continuous rise in prices and availability issues.

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

The ElringKlinger Group continues to employ a broad range of instruments aimed at addressing the issue of volatility and the general upward trend in prices, including price escalator clauses in customer contracts, for example, as part of which changes in the price of raw materials are passed on to customers. In addition, the Group concludes hedging

* Cf. glossary

transactions where this is possible on the basis of corresponding reference figures. In the area of procurement, the Group consistently pursues various strategies to optimize material costs via contract parameters such as duration and volumes.

In total, the cost of materials amounted to EUR 826.0 million in the financial year under review (2022: EUR 825.7 million). The Group improved its cost-of-materials ratio (cost of materials in relation to Group revenue) by 1.2 percentage points to 44.7% (2022: 45.9%).

Staff costs, which are accounted for in various functional categories of the income statement, amounted to EUR 587.8 million in the financial year just ended (2022: EUR 565.5 million). Staff costs rose by EUR 22.3 million or 3.9% compared to the previous year, which is partly due to a higher headcount, collectively agreed wage and salary increases, and a special payment made in the year under review (inflation compensation bonus). Staff costs also include expenses for the termination of production at one of the German sites and the discontinuation of business activities in the area of engine testing services. Expressed as a ratio, staff costs in relation to Group revenue were up slightly on the prior-year figure at 31.8% (2022: 31.4%).

Selling expenses rose by 8.9% to EUR 152.4 million in the financial year under review (2022: EUR 140.0 million). Selling expenses included higher costs for external services, such as non-Group distribution logistics, which are partly linked to the expansion of aftermarket business, as well as higher staff costs.

In the 2023 financial year, general and administrative expenses amounted to EUR 90.3 million (2022: EUR 90.2 million) and were therefore on a par with the previous year.

R&D ratio within projected target range at 5.2%

In an effort to help shape the transformation process in the field of mobility, ElringKlinger's short- and medium-term goal is to spend 5 to 6% of revenue (including capitalized development costs) on research and development (R&D) each year, thereby investing in the future of the Group. In the financial year under review, the Group focused its R&D activities on the strategic future areas: battery and fuel cell technology, electric drive units, and lightweight structural engineering.

The ElringKlinger Group kept its research and development costs almost unchanged at EUR 69.0 million (2022: EUR 69.7 million) in the period under review. In addition, it recorded EUR 27.1 million (2022: EUR 22.0 million) in capitalized costs meeting the relevant criteria for recognition. This resulted in a capitalization ratio of 28.2% (2022: 24.0%). In the financial year under review, amortization and impairment losses amounted to EUR 4.8 million (2022: EUR 4.8 million) with regard to capitalized development costs. Amortization and impairment losses relating to capitalized development costs are recognized in full in the cost of sales and include amortization of EUR 3.8 million (2022: EUR 3.5 million) and impairment losses of EUR 0.9 million (EUR 1.3 million). Including capitalized development costs, the R&D ratio (i. e., R&D costs in relation to Group revenue) of 5.2% (2022: 5.1%) came close to that recorded in the previous year and was within the target corridor of around 5 to 6% of Group revenue.

Funding for ElringKlinger technology under IPCEI programs, among others

The ElringKlinger Group again received public funding in support of its R&D activities in the financial year just ended. Funds, recognized in profit or loss, included grants for R&D projects, among other things, and amounted to EUR 5.5 million in total (2022: EUR 4.0 million). Funding was granted for the two major IPCEI projects "European Battery Innovation" ("EuBatIn" for short) and "IPCEI Hydrogen," for which EKPO received funding approval in the year under review (for "IPCEI Hydrogen", cf. also the "Significant Events" section). As the Group does not receive any funding without incurring its own expenses, all public grants recognized in profit or loss in 2023 coincided with project-related expenses for development and prototyping in the corresponding amount.

Other operating income totaled EUR 17.9 million in the 2023 financial year, which was EUR 0.3 million below the level recorded in the previous year (2022: EUR 18.2 million). The year-on-year difference is mainly attributable to lower insurance reimbursements.

At EUR 26.1 million (2022: EUR 99.0 million), other operating expenses in the 2023 financial year were significantly lower than in the previous twelve-month period. The year-on-year decline was mainly due to impairment losses of EUR 86.1 million recognized in regard to goodwill in the previous year. No goodwill impairment losses were recognized in the financial year under review. Excluding these

ElringKlinger Group employees

Germany	42.5%
Rest of Europe	18.2%
North America	17.8%
Asia-Pacific	16.7%
South America and Rest of World	4.8%

Dec. 31, 2023 (previous year)

Germany	**4,074**	(4,069)
Rest of Europe	**1,746**	(1,709)
North America	**1,701**	(1,666)
Asia-Pacific	**1,599**	(1,665)
South America and Rest of World	**456**	(431)

impairments, other operating expenses were up on the prior-year figure, mainly due to losses from the disposal of non-current assets, including in connection with the discontinuation of activities at one of the German sites.

Headcount up slightly

Compared to the previous year, the Group headcount grew slightly to 9,576 employees as of December 31, 2023 (2022: 9,540). Acknowledging the process of transformation, the Group made a point, among other things, of taking a prudent approach to filling vacant positions and focused on expanding its headcount in strategic future areas, such as fuel cell technology. In line with regional revenue trends, the number of employees rose in South America and Rest of World, while falling slightly in Asia-Pacific. At the end of the year, the headcount for Germany stood at 4,074, representing 42.5% of the Group's total workforce. The number of people employed abroad was 5,502, corresponding to a share of 57.5%. The annual average number of employees within the ElringKlinger Group was 9,600 (2022: 9,480).

Adjusted EBIT margin at upper end of guidance

Fueled by the positive effects of material price movements and strong growth in the Aftermarket business, the Group's earnings performance showed signs of improvement compared to the previous year. ElringKlinger Group recorded EBITDA* of EUR 200.3 million in the 2023 financial year (2022: EUR 174.2 million). Depreciation, amortization, and impairments of non-current assets totaled EUR 117.4 million in the period under review (2022: EUR 216.4 million). The prior-year figure had included exceptional items in the form of impairments amounting to EUR 103.3 million, which were recognized in profit or loss but were non-cash in nature.

The aforementioned improvements at an operational level provided a significant boost to adjusted earnings before interest and taxes (adjusted EBIT) in the financial year under review. The Group's adjusted EBIT grew by EUR 31.7 million or 46.3% to EUR 100.1 million (2022: EUR 68.4 million). This was also attributable to lower costs for certain raw materials, energy, and freight compared to the previous year.

In addition, ElringKlinger succeeded in significantly improving its adjusted EBIT margin in the year under review. With an adjusted EBIT margin of 5.4% (2022: 3.8%), the Group reached the upper end of its guidance for the 2023 financial year. At the beginning of the year, the company had published an outlook of achieving an adjusted EBIT margin of around 5% in the 2023 financial year.

As from the 2023 financial year, ElringKlinger reports adjusted EBIT in order to be able to compare operating profitability across the respective periods without the influence of exceptional factors. Therefore, non-recurring effects are eliminated accordingly. In the financial year under review, adjustments included, to a lesser extent, impairment losses relating to property, plant, and equipment and accounting items in connection with capacity adjustments. In addition, other non-operating items were accounted for in 2023, in particular a one-off effect from the termination of the CEO's contract and non-recurring expenses in connection with the termination of production at a German site and the discontinuation of business activities in the area of engine testing services. In the previous financial year, the adjustments had included, among other things, impairment losses of EUR 86.1 million relating to goodwill recognized in the

* Cf. glossary

Group statement of financial position and impairment losses with regard to various international asset items accounted for in property, plant, and equipment and intangible assets. The impairments of goodwill at the end of the first half of the previous financial year had been attributable primarily to the significant increase in interest rates.

In the financial year under review, the Group achieved EBIT* of EUR 82.9 million (2022: EUR -42.2 million), corresponding to an EBIT margin of 4.5% (2022: -2.3%).

Adjusted EBIT margin 2023[1]

in EUR million	2023	2022	Year-on-year change
EBIT	**82.9**	**-42.2**	**+125.1**
Impairment losses	4.0	103.3	
of which goodwill impairment losses	0.0	86.1	
Restructuring	2.8	6.5	
Other non-operational effects	10.5	0.8	
Adjusted EBIT	**100.1**	**68.4**	**+31.7**
Adjusted EBIT margin	*5.4%*	*3.8%*	*+1.6 pp*

[1] A detailed definition of adjusted EBIT margin can be found in the "Internal Control System" section.

Net finance result influenced by market interest rates

The net interest result was influenced by a slight increase in interest income, which contrasted with higher interest expenses. Fixed interest rates were agreed for part of the Group's financial liabilities, which to some extent contained the impact of the general hike in interest rates on interest expenses. Although the upward trend in market interest rates diminished slightly over the course of the year, market interest rates were up significantly on a year-on-year basis. In total, interest expenses rose by EUR 13.5 million in the financial year under review. This prompted a year-on-year decline in the net interest result.

In contrast to 2022, the fluctuation range of exchange rates was less pronounced, which is why the volatilities seen over the course of the 2023 financial year were reflected in lower foreign exchange gains and losses. In the financial year under review, both the unrealized foreign exchange gains and the unrealized foreign exchange losses resulting from the translation of balance sheet items denominated in foreign currencies into EUR, as the reporting currency, at the year-end exchange rate were significantly lower, while the realized foreign exchange gains were noticeably higher. The net result from currency translation improved by EUR 2.2 million to EUR 1.5 million (2022: EUR -0.7 million). At the same time, losses from associates were up on the prior-year figure. Overall, net finance cost totaled EUR -29.7 million (2022: EUR -13.8 million).

Including net finance cost, earnings before taxes of EUR 53.2 million were up significantly on the previous year's figure of EUR -56.1 million.

Net finance cost/income 2023

in EUR million	2023	2022	Year-on-year change
Net interest result	-26.3	-14.6	-11.7
Net foreign exchange result and other net finance result	-3.4	0.7	-4.1
Net finance cost/income	**-29.7**	**-13.8**	**-15.9**

Year-on-year reduction in income tax expense

Due to an exceptional factor relating to a change in the internal transfer pricing system and a more heterogeneous income structure within the Group in the previous year, income tax expenses were down year on year at EUR 19.7 million in 2023 (2022: EUR 34.6 million), which corresponds to an effective tax rate of 37.0% (2022: -61.8%). In addition to the factors mentioned above, the partial utilization of existing loss carryforwards and the first-time recognition of deferred tax assets on loss carryforwards also had a dilutive effect on the Group tax rate.

After deducting income taxes, net income for the period amounted to EUR 33.5 million in the financial year under review (2022: EUR -90.7 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 39.3 million in 2023 (2022: EUR -89.1 million). Correspondingly, the level of earnings per share* was up markedly on the prior-year figure at EUR 0.62 (2022: EUR -1.41). As of December 31, 2023, the number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990.

Dividend proposal of EUR 0.15 per share

The annual financial statements of ElringKlinger AG, which were prepared in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz – AktG) and the German Commercial Code (Handelsgesetzbuch – HGB*) and are relevant for the payment of dividends, showed net income of EUR 10.6 million at the end of the reporting period (2022: net loss of EUR -45.5 million).

In keeping with its balanced approach with regard to dividend payments, the Management Board and Supervisory Board would like to ensure that shareholders benefit appropriately from the Group's performance. Given in particular the favorable prospects for the coming financial years, both boards are keen to ensure continuity with regard to the dividend policy.

Neither transfers to nor reversals of revenue reserves were made in the 2023 financial year (2022: reversal of EUR 55.0 million). The reported unappropriated surplus ("Bilanzgewinn", i.e., the distributable profit) was EUR 10.6 million. The Management Board and the Supervisory Board jointly propose to the Annual General Meeting that a dividend of EUR 0.15 per share (2022: EUR 0.15 per share) be paid out for the 2023 financial year.

Financial Position

The financial position of the ElringKlinger Group continued to be very solid at the end of the 2023 financial year. The equity ratio of 45.3% remains firmly within the medium-term target range of 40 to 50% of total assets and provides a solid foundation for the company's future business development. Compared to the end of the previous year, ElringKlinger was able to further reduce its net financial debt by EUR 41.0 million to EUR 323.2 million and significantly improve its net debt-to-EBITDA ratio[6] to 1.6.

Slight decline in total assets

As of December 31, 2023, the ElringKlinger Group reported total assets of EUR 2,008.2 million (Dec. 31, 2022: EUR 2,046.6 million), which represents a slight year-on-year decline of 1.9%. On the assets side, non-current assets fell by EUR 38.2 million or 3.4%, while current assets remained at a similar level to the previous year. As regards equity and liabilities, equity was up by EUR 13.8 million and current liabilities by EUR 83.9 million, while non-current liabilities fell significantly by EUR 136.1 million. Currency effects from the translation of assets and liabilities of subsidiaries whose functional or local currencies are not the euro had an inconsistent impact on the balance sheet items and proved insignificant overall.

Non-current assets account for 54 percent of total assets

Non-current assets had a carrying amount of EUR 1,092.3 million as of December 31, 2023 (Dec. 31, 2022: EUR 1,130.5 million), thus accounting for 54.4% (2022: 55.2%) of total assets. Of these assets, intangible assets were the second largest item on the books – after property, plant, and equipment – at EUR 168.2 million (Dec. 31, 2022: EUR 146.8 million). In this context, the year-on-year increase of EUR 21.3 million resulted primarily from capitalized development costs, which amounted to EUR 27.1 million in 2023 and exceeded amortization (including impairments) of internally generated development costs of EUR 4.8 million.

Property, plant, and equipment had a total carrying amount of EUR 858.0 million at the end of 2023, compared to EUR 905.8 million a year earlier. As the additions from

[6] Net financial debt in relation to EBITDA (earnings before interest, taxes, depreciation, and amortization).

Key figures financial position & other

in EUR million	Dec. 31, 2023	Dec. 31, 2022
Total assets	2,008.2	2,046.6
Equity ratio	45.3%	43.8%
Net working capital[1]	466.3	454.7
In relation to Group revenue	25.2%	25.3%
Net financial debt[2]	323.2	364.2
Net debt-to-EBITDA ratio[3]	1.6	2.1
ROCE[4]	5.6%	-2.7%

[1] Inventories as well as trade receivables less trade payables
[2] Current and non-current financial liabilities less cash and short-term securities
[3] Net debt/EBITDA
[4] Return on capital employed; ROCE adjusted (calculation based on EBIT adjusted) at 6.8% in 2023, 4.4% in 2022

investments (including additions from leases), at EUR 78.2 million, were significantly lower than depreciation and amortization for the year, at EUR 105.3 million, the carrying amount of this item decreased accordingly. Furthermore, the discontinuation of the business activities of Elring Klinger Motortechnik GmbH, Idstein, Germany, resulted in a disposal of assets. The aforementioned entity had primarily provided testing services for combustion engines.

The item "Other non-current assets" totaled EUR 1.7 million within the Group statement of financial position as of December 31, 2023 (Dec. 31, 2022: EUR 21.9 million). The year-on-year decline is attributable chiefly to a reclassification made to "Other current assets" in connection with the additional contribution of around EUR 20 million executed as planned in 2023 by the co-owner of the Group subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany. The contribution still outstanding in respect of the co-owner amounted to around EUR 20 million at the end of 2023.

Non-current and current contract assets amounted to EUR 13.3 million at the end of the year (Dec. 31, 2022: EUR 8.9 million). They include contingent assets in respect of the fulfillment of performance obligations and revenues that will not be invoiced until subsequent periods. The net increase of EUR 4.4 million is mainly due to customer projects in the Original Equipment segment.

Net working capital at 25% of revenue

Working capital, which is made up of inventories and trade receivables and is comparable to current assets under German commercial law, amounted to EUR 683.2 million at the end of 2023 (Dec. 31, 2022: EUR 678.8 million). In this context, inventories constituted the principal item at EUR 436.3 million (Dec. 31, 2022: EUR 414.0 million). They were up by EUR 22.3 million or 5.4% on the previous year, which was partly attributable to an increase in tools accounted for in this item. These tools are associated with new series production orders and are generally sold on to customers, who thus acquire beneficial ownership. In contrast, trade receivables, with a carrying amount of EUR 246.9 million, were down EUR 17.9 million on the previous year, mainly due to more sluggish revenue in December.

Net working capital* is calculated by taking into account trade payables, which amounted to EUR 216.9 million (Dec. 31, 2022: EUR 224.1 million). On this basis, net working capital stood at EUR 466.3 million at the end of 2023, compared to EUR 454.7 million a year earlier. This corresponds to 25.2% of Group revenue for the financial year (Dec. 31, 2022: 25.3%). The Group thus met the guidance of a "slight year-on-year improvement" presented in the combined management report for the 2022 financial year.

"Other current assets" include a wide range of items. At the end of the financial year under review, the total carrying amount of this item was EUR 91.4 million (Dec. 31, 2022: EUR 105.1 million). The principal item within this category was receivables from third parties, including the contribution from the co-owner of EKPO, which remains outstanding as scheduled. Also included were tax receivables, time deposits, and securities as well as prepaid expenses.

Cash and cash equivalents held by the ElringKlinger Group amounted to EUR 113.7 million as of December 31, 2023 (Dec. 31, 2022: EUR 119.1 million).

Equity up at EUR 911 million

Group equity increased to EUR 910.7 million as of December 31, 2023, compared to EUR 896.8 million at the end of the 2022 financial year. The year-on-year increase was mainly attributable to net income for the financial year amounting to EUR 33.5 million. Conversely, the dividend distribution to shareholders and non-controlling interests in respect of the preceding financial year, amounting to EUR 13.8 million, had a dilutive effect on equity. In addition, the remeasurement of defined benefit retirement plans (pension provisions) and foreign exchange translation differences of EUR -11.4 million as well as the purchase of the remaining non-controlling interests in ElringKlinger Logistik Service GmbH, Germany, led to changes in equity of EUR -0.4 million. The contribution of EUR 6.0 million made by EKPO's co-owner in the second quarter of 2023 as part of a capital increase totaling EUR 15.0 million had an accretive effect on equity.

As a result, ElringKlinger's equity ratio at the end of the 2023 financial year remained high at 45.3% (Dec. 31, 2022: 43.8%). This metric continues to lie within the management's target range of 40 to 50%.

Slight increase in pension provisions

Provisions for pensions accounted for in the consolidated statement of financial position amounted to EUR 104.0 million at the end of 2023 (Dec. 31, 2022: EUR 97.4 million). Their measurement using the projected unit credit method depends on a number of factors such as discount rates and assumptions about future developments. Provisions rose marginally due to the slight fall in interest rates compared to the previous year. The change in pension provisions resulting from the actuarial effect was recognized in equity (cf. Note 23 in the Notes to the Consolidated Financial Statements).

Other non-current and current provisions decreased by a total of EUR 9.2 million compared to the end of the previous year and amounted to EUR 74.7 million at the end of the 2023 financial year (Dec. 31, 2022: EUR 83.8 million). The year-on-year decline was attributable primarily to the personnel-related obligations included in this figure, partly due to the utilization of provisions recognized in 2022 in connection with discontinued production activities at one of the sites in Germany. At the end of the year, the personnel-related obligations recognized in non-current and current other provisions amounted to EUR 22.1 million. Other non-current and current provisions also included warranty obligations of EUR 27.0 million, which, like the provisions for contingent losses of EUR 13.2 million, were largely recognized on a lump-sum basis in accordance with defined accounting methods.

Further reduction in net financial liabilities

Net financial liabilities (also known as net debt*), which comprise non-current and current financial liabilities less cash, cash equivalents, and current securities, have been more than halved since their peak in 2019 – a significant reduction. Having already reached a low level with the help of targeted measures, the Group scaled back net debt even further to EUR 323.2 million at the end of 2023 (Dec. 31, 2022: EUR 364.2 million).

Non-current financial liabilities accounted for the larger share at EUR 282.2 million (Dec. 31, 2022: EUR 429.2 million). While the latter were scaled back by a net amount of EUR 147.0 million in the 2023 financial year, current financial liabilities increased by EUR 94.3 million to EUR 167.7 million (Dec. 31, 2022: EUR 73.4 million).

The net debt-to-EBITDA ratio, i.e., the ratio of net debt to EBITDA* (earnings before interest, taxes, depreciation and amortization), thus improved significantly from 2.1 at the end of 2022 to 1.6 at the end of the financial year under review. ElringKlinger thus met its guidance of "below 2.0" as presented in the combined management report for the 2022 financial year and maintained its track record of improvement on a long-term basis (cf. "Internal Control System" section).

Overall, non-current liabilities recognized by the ElringKlinger Group amounted to EUR 443.7 million at the end of the 2023 financial year (Dec. 31, 2022: EUR 579.9 million) and accounted for 22.1% of total equity and liabilities.

Current liabilities had a total carrying amount of EUR 653.8 million (Dec. 31, 2022: EUR 569.9 million), which corresponds to a share of 32.6%. Trade payables constituted the largest item, amounting to EUR 216.9 million (Dec. 31, 2022: EUR 224.1 million). The collective item "Other current liabilities" includes various liabilities and accruals/deferrals. This item rose to a total of EUR 182.5 million, compared to EUR 170.5 million in the previous year, which was partly due to accruals/deferrals such as accounts receivable with credit balances. As in previous years, this also includes a call and put option agreement in the amount of EUR 39.4 million (31.12.2022: EUR 38.1 million) with

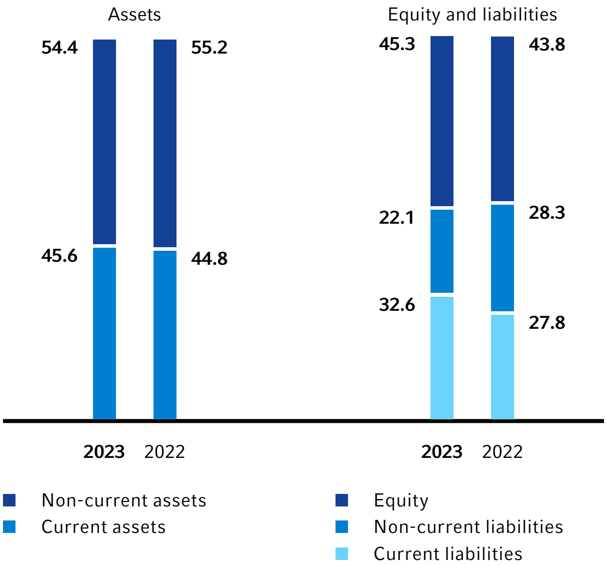
* Cf. glossary

non-controlling shareholders in respect of the interest in the fully consolidated Japanese subgroup.

ROCE up markedly at 5.6%

At 5.6% (2023: -2.7%), ElringKlinger recorded a significant improvement in its return on capital employed (ROCE*) in the 2023 financial year, even though this fell short of the range of "around 7 to 8 percent" presented as a guidance in the combined management report for 2022. This key performance indicator is calculated by dividing EBIT* (earnings before interest and taxes) by capital employed (cf. "Internal Control System" section). Taking into account the non-recurring effects, in line with the method applied to adjusted EBIT, this resulted in adjusted ROCE of 6.8% for the 2023 financial year, which is close to the lower end of the guidance range.

Structure of the ElringKlinger Group's financial position
as of Dec. 31, 2023
in %



Cash Flows

ElringKlinger was able to further bolster the Group's financial strength associated with operating activities in the financial year under review, as evidenced by the improvement in key financial indicators. Net cash from operating activities of EUR 129.7 million covered expenditure relating to investing activities and also enabled the Group to scale back loans. Operating free cash flow was also up year on year, at EUR 36.7 million in 2023. Thanks to the unused credit lines available at the end of 2023 and a substantial level of cash and cash equivalents, the company continues to benefit from ample liquidity headroom for further business development.

Key figures cash flows

in EUR million	2023	2022
Net cash from operating activities	129.7	101.3
Operating free cash flow[1]	36.7	14.8
Investments in property, plant, and equipment[2]	71.2	69.3
Investment ratio	3.9%	3.9%

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

Net cash from operating activities again in triple digits at EUR 130 million

The ElringKlinger Group generated substantial cash flow* from operating activities of EUR 129.7 million in 2023, up on the previous year's impressive cash inflow of EUR 101.3 million. Growth in net cash from operating activities was fueled mainly by the Group's higher operating profit. Apart from depreciation/amortization and non-cash expenses or income, the generation of cash and cash equivalents was determined to a large extent by the trend described in the section on earnings performance.

In addition, cash flow from operating activities was influenced by the level of funds required for net working capital*. These cash funds include those used for inventories and trade receivables after deduction of trade payables, i. e., for net working capital. Although the year-on-year change in these items, in particular inventories, led to a net cash outflow; when taking into account the change in other assets and liabilities not attributable to investing or financing activities, the Group recorded a slight cash inflow of EUR 4.5 million (2022: outflow of EUR 38.6 million).

Compared to the prior-year period, ElringKlinger recorded higher outflows for income taxes paid in 2023, which amounted to EUR 40.6 million (2022: EUR 21.8 million), and for interest paid, which totaled EUR 24.9 million (2022: EUR 13.7 million). In addition, changes in provisions – based on the indirect cash flow method in which cash flow is derived from net income – resulted in a cash outflow of EUR 12.8 million (2022: inflow of EUR 3.9 million). Among other things, provisions in connection with the discontinuation of production at one of the German sites were utilized and paid out in the 2023 financial year.

EUR 90 million used for investing activities

The Group spent a total of EUR 90.2 million on investing activities in the 2023 financial year (2022: EUR 95.5 million). Payments for investments in property, plant, and equipment, as usual, represent the largest item. At EUR 71.2 million (2022: EUR 69.3 million), these investments were comparable to those recorded in the previous year. The majority of this item relates to the Original Equipment segment.

As in previous years, the focus of these global Group investments was on the strategic fields of the future. In the period under review, these mainly included projects relating to fuel cell* technology, overseen by the Group subsidiary EKPO Fuel Cell Technologies GmbH in Dettingen/Erms, Germany, and, to a lesser extent, by its site in Suzhou, China. ElringKlinger also directed major investments toward its production activities in the field of battery technology, which are being expanded at the German site in Neuffen, such as production lines for the manufacture of cell contacting systems* for several start-ups and ramp-ups of series production orders. In the area of lightweighting, significant industrialization projects, including additional projected orders for cockpit cross-car beams*, were also reflected in investing activities. Overall, expenditure was also attributable to the long-standing business units to varying degrees. The largest purchases were generally related to specific customer projects.

In addition, as in previous years, ElringKlinger implemented measures centering on power supply with the aim of achieving sustainable and climate-friendly operations. They included photovoltaic systems at various international sites, which will contribute to the plants' carbon-neutral electricity supply.

In regional terms, the focus was on investments in Germany, which were mainly channeled into a number of sites operated by the parent company, followed by North America and the Rest of Europe.

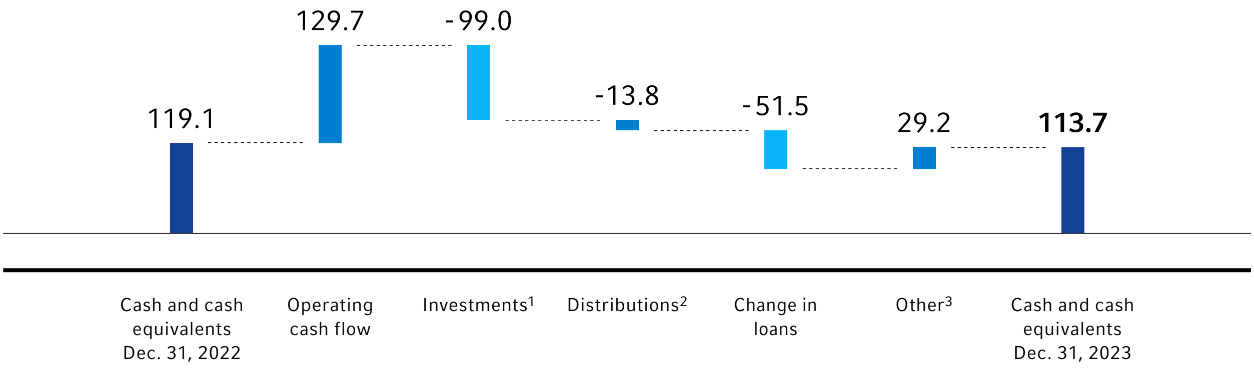
The investment ratio, i. e., payments for investments in property, plant, and equipment relative to Group revenue, amounted to 3.9% in the period under review (2022: 3.9%). This was slightly below the guidance of around 5 to 7% of Group revenue presented in the combined management report for 2022. The divergence from budget estimates is partly due to postponements of customer projects or reassessments over the course of the year, coupled with a consistently focused investment approach.

ElringKlinger spent EUR 27.8 million (2022: EUR 22.4 million) on intangible assets. These relate primarily to internally generated development services, which also illustrates the Group's strategic investment in the transformation process.

In addition, the Group recorded cash flows relating to proceeds from the disposal of property, plant, and equipment and intangible assets in the amount of EUR 6.0 million (2022: EUR 5.2 million), which were attributable primarily to the discontinuation of engine testing services at the Idstein site. Cash inflows and outflows for financial assets generally relate to foreign Group companies and amounted to EUR 4.6 million in the period under review (2022: EUR -7.2 million).

* Cf. glossary

Changes in cash 2023
in EUR million



[1] Payments for investments in property, plant, and equipment and intangible assets
[2] To shareholders of ElringKlinger AG and non-controlling interests
[3] Including payment of EUR 26.0 million received from the co-owner of EKPO Fuel Cell Technologies GmbH

Operating free cash flow up at EUR 37 million

In the 2023 financial year, ElringKlinger saw operating free cash flow* (cash flow from operating activities less cash flow from investing activities excluding cash flows for M&A* activities and for financial assets) rise to EUR 36.7 million (2022: EUR 14.8 million). On the back of year-on-year growth in operating free cash flow, the Group was in a position to fully finance its investing activities from cash generated from operations and to repay loans. Thus, it met its guidance of a "slight year-on-year improvement" presented in the combined management report 2022.

Financing activities resulted in a total cash outflow of EUR 39.7 million in 2023 (2022: inflow of EUR 5.0 million). This includes long-term loan borrowings and repayments as well as the change in short-term loans, the overall net amount of which was EUR -51.5 million (2022: EUR -10.8 million). In addition, the item includes payments for dividend distributions of EUR 13.8 million (2022: EUR 14.3 million) to shareholders and non-controlling interests. Furthermore, ElringKlinger received contributions of EUR 26.0 million (2022: EUR 30.0 million) from the co-owner of EKPO Fuel Cell Technologies, Dettingen/Erms, Germany, in 2023.

As of December 31, 2023, the ElringKlinger Group had substantial cash and cash equivalents of EUR 113.7 million (Dec. 31, 2022: 119.1 million). Together with open, undrawn credit lines of EUR 303.4 million (Dec. 31, 2022: EUR 232.6 million), this continues to provide the Group with a solid liquidity base for the purpose of shaping its planned business development and the associated process of transformation.

Operating free cash flow

in EUR million	2023	2022	Year-on-year change
Net cash from operating activities	129.7	101.3	28.4
Proceeds from disposals of property, plant and equipment and intangible assets	6.0	5.2	0.8
Payments for investments in intangible assets	-27.8	-22.4	-5.3
Payments for investments in property, plant and equipment	-71.2	-69.3	-1.9
Operating free cash flow	**36.7**	**14.8**	**21.9**

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

In the 2023 financial year, ElringKlinger navigated through conditions that remained difficult for the automotive industry as a whole, even though from an operational perspective the situation within the commodity markets, supply chains, and energy markets was generally more favorable than in the previous year. In general, it should be noted that geopolitical events such as the ongoing war in Ukraine, the rekindled conflict in the Middle East, and the trend towards or threat of an increasing number of trade barriers worldwide pose a number of challenges for ElringKlinger as a global player.

Against this backdrop, the ElringKlinger Group performed well overall in the 2023 financial year. Group sales reached the level of EUR 1.85 billion, which corresponds to organic growth of EUR 83.2 million or 4.6%. From the management's point of view, this represents satisfactory growth overall – also in view of the fact that the Group's performance in 2023 was largely in line with expectations at the beginning of the year, which were based on the original forecast of 3.3% growth in global production within the automotive markets.

As far as earnings are concerned, ElringKlinger's management can also look back on a successful 2023 financial year. Adjusted EBIT of EUR 100.1 million was up significantly on the previous year's figure by EUR 31.7 million or 46%, while the adjusted EBIT margin* of 5.4% was at the upper end of the annual guidance of "around 5%." In this context, earnings performance was influenced by the elevated prices still seen in some areas of the market. The situation with regard to material prices and external factors showed signs of easing in some cases. Together with the successful implementation of cost efficiency measures and the refinement of production processes, this had a favorable impact on earnings. The overall earnings performance of the largest segment, Original Equipment, improved year on year and remains the focus of management activities. Both the Aftermarket segment and the Engineered Plastics segment implemented strategies aimed at unlocking new markets and made a significant contribution to Group earnings.

Management continues to attach great importance to self-financing from operating activities. In this respect too, the Group's business performance in 2023, which saw operating free cash flow improve significantly year on year from EUR 14.8 million to EUR 36.7 million, can be considered a thoroughly satisfactory result. ElringKlinger financed the investments it made worldwide – with a focus on new drive technologies and projected business – entirely from cash flow generated by operations and was also able to further scale back its net financial liabilities. The Group's equity ratio of 45.3% remained stable within a long-term target corridor of 40 to 50% and is to be considered an important basis in terms of capital resources.

ElringKlinger will continue to pursue its successful path of transformation. Investments will again be directed at e-mobility applications and R&D in the future. In particular, activities centered around battery technology will be further extended at the site in Neuffen, Germany, in the coming years on the basis of the series production nominations secured by the Group. In addition to mobility, the Group's efforts are focused on the hydrogen economy, which includes the use of energy in mobility applications as well as hydrogen production based on electrolysis. With this in mind, ElringKlinger is committed to utilizing and evolving relevant technologies stemming from its subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany, and other business units. ElringKlinger is building on its strong market position in its long-standing business units in an effort to drive forward its transformation in a focused manner. ElringKlinger's portfolio includes innovative, production-ready components and systems that contribute to mobility solutions that are increasingly climate-friendly and emission-neutral. Management is of the opinion that this product portfolio, the Group's broad customer base, and the global network of state-of-the-art production sites provide a powerful basis for consistently solid business development.

* Cf. glossary

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. Details of the business performance relating to ElringKlinger AG, as outlined below, are 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 the additional requirements of the Articles of Association.

Operating within a challenging business environment, ElringKlinger AG expanded its revenues in the majority of its sales regions compared to the previous financial year and achieved growth of 9.9%. Earnings before interest, taxes, and equity investments (EBIT) amounted to EUR 4.4 million in the financial year under review. ElringKlinger AG's net assets and cash flows at the end of the reporting period remained very solid, with an equity ratio of 47.3% and substantial cash flow from operating activities of EUR 86.4 million in the 2023 financial year.

ElringKlinger AG's revenue reaches all-time annual high of EUR 856 million

Despite challenging economic and industry-specific conditions, ElringKlinger AG's business activities proved to be very robust over the financial year just ended. The parent company, which operates sites in Dettingen/Erms, Geretsried-Gelting, Langenzenn, Lenningen, Neuffen, Runkel, and Thale, saw its revenue increase by EUR 77.1 million or 9.9% year on year on the back of a positive business performance, particularly in the Aftermarket segment. Totaling EUR 855.6 million (2022: EUR 778.5 million), revenue thus reached a new all-time high. The company's percentage upturn in revenue slightly outstripped the rate of growth in global vehicle production (9.7%).

For the parent company, the growth rate for the 2023 financial year had originally been expected to be well above the level of global automotive production, which according to projections by industry service provider S&P Global Mobility at the beginning of the year (February 2023) was expected to increase by 3.3%. This projection was gradually revised upwards over the course of the year, most recently to growth of 9.7%. Recording revenue growth of 9.9%, the company slightly exceeded market growth and was well above projected market growth of 3.3%, as estimated at the beginning of the year, even though it fell short of the original target of growing significantly faster than the market; this was due to the fact that market growth was significantly stronger than expected at the beginning of the year.

ElringKlinger AG increased its sales revenue in almost all regions. With a share of 45.7% (2022: 42.5%), the Rest of Europe represents the company's largest sales region. In this region, ElringKlinger AG generated revenue of EUR 390.9 million (2022: EUR 330.6 million) and recorded the highest level of regional growth amounting to EUR 60.3 million. In Germany, the company's second strongest region in terms of revenue, sales revenue fell slightly by EUR 3.6 million to EUR 256.4 million (2022: EUR 260.0 million). In North America, ElringKlinger AG generated slightly higher revenue of EUR 80.9 million (2022: EUR 78.6 million). The company was also able to expand revenue generated in the Asia-Pacific region. In the financial year under review, it posted revenue of EUR 85.3 million (2022: EUR 78.1 million), which corresponds to a growth rate of 9.2%.

Revenue from foreign sales saw a disproportionately large increase of 15.6%, taking this figure to EUR 599.2 million (2022: EUR 518.4 million). As a result, the share of foreign sales in total revenue attributable to ElringKlinger AG grew to 70.0% (2022: 66.6%).

Original Equipment segment up 6% on previous year

On a year-on-year basis, the Original Equipment segment managed to propel revenue by 5.9% to EUR 587.1 million (2022: EUR 554.3 million). Due to the strong expansion of the company's Aftermarket business, the share of total ElringKlinger AG sales accounted for by Original Equipment declined slightly from 71.2% to 68.6%. The largest increase in revenue within this segment was attributable to the Lightweighting/Elastomer* Technology business unit. The E-Mobility and Metal Sealing Systems & Drivetrain Components business units also showed signs of expansion compared to the previous year, while revenue in the Metal Forming & Assembly Technology and Exhaust Gas Purification business units declined.

Double-digit growth rate in Aftermarket business

Boasting a rate of expansion of 19.9%, the Aftermarket segment made an above-average contribution to revenue growth at ElringKlinger AG in the 2023 financial year. At EUR 268.6 million (2022: EUR 224.1 million), revenue was up EUR 44.5 million on the prior-year figure. This segment's share of total company revenue was further expanded by 2.6 percentage points to 31.4% (2022: 28.8%). The expansion in revenue was driven by all major sales regions.

Further growth in total operating revenue

The situation within the commodities markets showed signs of easing in the period under review. At the same time, the company maintained its forward-looking policy with regard to inventory management. As a result, changes in inventories amounted to EUR 2.6 million (2022: increase of EUR 12.2 million), down on the prior-year figure. Including other own work capitalized, total operating revenue amounted to EUR 858.1 million (2022: EUR 791.6 million), up by 8.4% – a new record for the company.

Additionally, other operating income trended significantly higher in the financial year under review, rising by EUR 26.4 million to EUR 56.2 million (2022: EUR 29.8 million). This is mainly due to an increase in income from reversals of write-downs of financial assets and financial receivables, which mainly relate to shares in affiliated companies.

At EUR 249.5 million (2022: EUR 151.0 million), other operating expenses were up significantly compared to the previous year. In addition to higher service expenses and expenses from asset disposals, an exceptional factor attributable to a change in the transfer pricing system, in particular, had an accretive effect on other operating expenses.

Price levels remain high overall

While prices relating to raw materials and energy had risen to a persistently high level across the board in the past, the overall level of prices trended somewhat lower again in 2023 due to receding market prices in some areas. However, prices generally remain above the pre-crisis level. The downward trend in prices during the financial year was also reflected in expenses for some raw materials and energy. Reflecting market developments, prices for aluminum, steel, and certain plastics, for example, declined in the period under review. By contrast, the tense situation regarding elastomers remained evident in the reporting year.

Against the backdrop of persistently elevated prices as a whole and in line with the expansion of business, the cost of materials also rose year on year, albeit at a slower rate than revenue, which grew by 9.9%. The cost of materials amounted to EUR 379.2 million in 2023 (2022: EUR 361.7 million), which corresponds to a change of 4.8%. The cost-of-materials ratio, which puts the cost of materials in relation to total operating revenue, fell by 1.5 percentage points to 44.2% (2022: 45.7%).

ElringKlinger AG headcount up slightly

ElringKlinger AG employed 2,956 people at the end of the financial year under review (Dec. 31, 2022: 2,928 employees), which corresponds to a slight increase of 1.0%. As in the previous year, the company did not make use of short-time work in the financial year just ended. Wages and salaries as well as social security contributions rose year on year, primarily due to collectively agreed wage and salary increases and a special payment in the reporting year (inflation compensation bonus). By contrast, post-employment benefit expenses fell in comparison to the previous year, which is due in particular to the high comparative figure for the previous year, which mainly included exceptional items relating to pension provisions. Overall, personnel expenses stood at EUR 251.2 million in the financial year just ended, down EUR 7.8 million or 3.0% (2022: EUR 259.0 million). The personnel expense ratio – i.e., personnel expenses in relation to total operating revenue – fell to 29.3% (2022: 32.7%).

Depreciation, amortization, and write-downs down markedly

Depreciation, amortization, and write-downs of intangible assets and fixed tangible assets stood at EUR 29.9 million in financial year under review (2022: EUR 43.9 million), down on the prior-year figure. The previous year had included impairment losses relating to property, plant, and equipment. At EUR 0.1 million (2022: EUR 42.2 million), based on the internal valuation model, write-downs of receivables from affiliated companies were significantly lower than in the previous year.

Earnings before interest, taxes, and equity investments up on previous year

The effects of significant revenue growth and lower depreciation, amortization, and write-downs outweighed the increase in the cost of materials and other operating expenses, which led to an improvement in the company's earnings before interest, taxes, and equity investments (EBIT). EBIT amounted to EUR 4.4 million in the financial year just ended (2022: EUR -36.4 million). This is equivalent to an EBIT margin (EBIT as a proportion of total operating revenue) of 0.5% (2022: -4.6%).

With regard to the projected adjusted EBIT margin of ElringKlinger AG, i.e., the ratio of adjusted EBIT to the company's revenue, a figure slightly above the expected Group average of around 5% had been forecast for the full 2023 annual period in the combined management report 2022. With adjusted EBIT of EUR 72.4 million (2022: EUR 46.4 million), the adjusted EBIT margin stood at 9.2% (2022: 6.4%), meaning that the company significantly exceeded its target. The adjustments in the reporting year mainly included an exceptional item resulting from a change in the transfer pricing system.

Improvement in net finance result

Income from equity investments includes distributions from several subsidiaries in Germany and abroad to ElringKlinger AG and totaled EUR 35.1 million (2022: EUR 48.2 million). Other interest and similar income was higher than in the previous year at EUR 10.5 million (2022: EUR 7.8 million). While income from other securities and loans accounted for as financial assets of EUR 0.2 million (2022: EUR 0.2 million) changed hardly at all compared to the previous year, interest and similar expenses of EUR 16.3 million (2022: EUR 11.1 million) increased by EUR 5.2 million, mainly due to the rise in market interest rates. In the context of annual impairment testing, impairment losses of EUR 23.0 million (2022: EUR 43.0 million) were recognized with regard to financial assets in the period under review. Net finance income*, i.e., the net finance result, was up on the previous year at EUR 6.5 million (2022: EUR 2.2 million).

Unappropriated surplus of EUR 10.6 million

In line with the upturn in earnings before interest, taxes, and equity investments and the year-on-year increase in net finance income, ElringKlinger AG's pre-tax result was also up markedly on the previous year's figure. Pre-tax profit stood at EUR 10.9 million (2022: EUR -34.2 million). As a result of an exceptional factor relating to a change in the transfer pricing system, taxes on income were also significantly lower than in the previous year at EUR 27 thousand (2022: EUR 10.9 million). In total, post-tax profit at the end of the reporting period amounted to EUR 10.9 million (2022: EUR -45.1 million). After deducting other taxes, net income for the year was EUR 10.6 million (2022: net loss of EUR -45.5 million). In the 2023 financial year, neither transfers nor reversals of revenue reserves were made (2022: reversal of EUR 55.0 million). In the financial year under review, a dividend totaling EUR 9.5 million (2022: EUR 9.5 million) was distributed to the shareholders of ElringKlinger AG. As of December 31, 2023, the company's unappropriated surplus (i.e., net retained profit) amounted to EUR 10.6 million for the financial year under review (2022: unappropriated surplus of EUR 9.5 million).

Dividend proposal of EUR 0.15 per share

In keeping with its balanced approach with regard to dividend payments, the Management Board and Supervisory Board would like to ensure that shareholders benefit appropriately from the Group's performance. Particularly in light of the favorable prospects for the coming financial years and also in view of ElringKlinger AG's unappropriated surplus, i.e. net retained profit, for 2023, both boards wish to ensure continuity in respect of the dividend policy. The Management Board and the Supervisory Board jointly propose to the Annual General Meeting that an unchanged dividend of EUR 0.15 per share (2022: EUR 0.15 per share) be paid out for the 2023 financial year.

Net Assets of ElringKlinger AG

The asset structure of ElringKlinger AG reflects its dual role as the parent company of the ElringKlinger Group and as a manufacturing company within the supply sector. Both the operating assets required for the company's operating activities and the shares in and receivables from affiliated companies form an integral part of total assets. The performance and business prospects of affiliated companies may have an impact on the carrying amounts of interests at parent company (AG) level as a result of impairment testing.

Total assets of parent company at EUR 1.1 billion

Total assets reported in the balance sheet of ElringKlinger AG, as prepared in accordance with the German Commercial Code (HGB*), amounted to EUR 1,132.2 million as of December 31, 2023 (Dec. 31, 2022: EUR 1,212.1 million). Around half of this, specifically a proportion of 50.6%, was attributable to fixed assets, which totaled EUR 573.0 million (Dec. 31, 2022: EUR 564.7 million). Current assets accounted for 48.3% of total assets; their carrying amount was EUR 546.7 million (EUR 640.9 million). Other balance sheet items related to prepaid expenses in the amount of EUR 12.4 million (Dec. 31, 2022: EUR 6.2 million) and a negligible excess of plan assets over post-employment benefit liabilities.

Intangible assets, which under German commercial law do not include own development work capitalized, amounted to EUR 3.7 million as of the reporting date (Dec. 31, 2022: EUR 4.0 million). Tangible fixed assets were down marginally at EUR 260.7 million (Dec. 31, 2022: EUR 265.5 million). The additions of EUR 35.1 million recognized for these two balance sheet items in the financial year contrasted with depreciation and amortization (including impairment losses) of EUR 29.9 million. The decline in tangible fixed assets was mainly due to the disposal of a property in Idstein and the discontinuation of engine testing services by the affiliated company based at that location.

Financial assets increased to EUR 308.7 million (Dec. 31, 2022: EUR 295.2 million). They again mainly comprised ElringKlinger AG's shares in affiliated companies with a carrying amount of EUR 279.3 million (Dec. 31, 2022: EUR 263.8 million). Impairment testing resulted in write-downs totaling EUR 17.8 million and reversals of write-downs totaling EUR 23.9 million for nine different entities. These were recognized in profit or loss under write-downs of financial assets or other operating income. In addition, shares in affiliated companies increased by EUR 9.0 million due to additional payments to the capital reserves and, to a very small extent, due to the purchase of non-controlling interests.

Other equity investments recognized by ElringKlinger AG had a carrying amount of EUR 21.6 million at the end of 2023 (Dec. 31, 2022: EUR 24.9 million). In addition, loans to affiliated companies and investees in the amount of EUR 7.2 million (31.12.2022: EUR 6.0 million) were recognized under fixed assets.

Current assets down by around 15%

At EUR 192.4 million (Dec. 31, 2022: EUR 191.9 million), inventories held by ElringKlinger AG were comparable to the figure posted for the previous financial year. They comprise raw materials, semi-finished and finished goods for the manufacturing process as well as inventories relating the company's aftermarket business, with finished goods continuing to form the principal component with a carrying amount of EUR 112.7 million (Dec. 31, 2022: EUR 116.7 million).

The receivables of ElringKlinger AG as of December 31, 2023, had a total carrying amount of EUR 353.6 million (Dec. 31, 2022: EUR 446.6 million). In addition to trade receivables and other assets, they primarily included receivables from affiliated companies, as the AG also borrows funds for affiliated companies in the context of central finance and liquidity management for the ElringKlinger Group in order to pass them on as loans or short-term loans. At the end of the 2023 financial year, the majority of these were again accounted for in the "receivables from affiliated companies" line item that forms part of current assets. Including receivables relating to deliveries (EUR 34.0 million), receivables from affiliated companies amounted to EUR 260.7 million as of December 31, 2023 (Dec. 31, 2022: EUR 340.2 million). Write-downs and reversals of write-downs amounted to EUR 7.6 million.

ElringKlinger AG's trade receivables totaled EUR 64.0 million at the end of the financial year (Dec. 31, 2022: EUR 82.1 million) and other assets amounted to EUR 28.9 million (Dec. 31, 2022: EUR 24.3 million), which mainly comprise an intragroup receivable.

Equity ratio expands to 47 percent

At the end of 2023, ElringKlinger AG held equity of EUR 535.1 million (Dec. 31, 2022: EUR 534.0 million), which corresponds to an equity ratio of 47.3% (Dec. 31, 2022: 44.1%). The year-on-year change was attributable to the net income of EUR 10.6 million and, conversely, the dividend payment of EUR 9.5 million made to the shareholders of ElringKlinger AG in respect of the previous financial year. Subscribed capital of EUR 63.4 million, which corresponds to a notional value of EUR 1.00 of the nominal capital per registered share, and the capital reserves of EUR 120.8 million remained unchanged from the previous year's reporting date.

The pension provisions of ElringKlinger AG had a carrying amount of EUR 99.4 million at the end of the 2023 financial year (Dec. 31, 2022: EUR 102.7 million). They were measured at the end of the year in accordance with actuarial principles using the projected unit credit method.

Other provisions include non-current and current obligations. They decreased by a total of EUR 12.7 million to EUR 75.8 million at the end of 2023, compared to EUR 88.6 million a year earlier. The principal reduction was attributable to the personnel-related obligations recognized under this item, the carrying amount of which was EUR 26.1 million (Dec. 31, 2022: EUR 37.1 million). Here, changes in interest rates led to a reduction in partial retirement obligations and provisions associated with anniversaries.

* Cf. glossary

In addition, provisions were made for non-settled bonus credits to customers, mainly from the Aftermarket segment, as well as a number of other items such as derivative risks, warranty obligations, and provisions for contingent losses. Contingent losses from pending transactions were measured at their settlement amount, taking into account price and cost increases. Depending on the circumstances, the warranty risk in relation to customers is based either on individual estimates or on past experience. As regards other risks, non-personnel-related obligations in connection with the discontinuation of production activities at one of the German sites were also recognized as of the end of 2023.

The liabilities of ElringKlinger AG were scaled back by EUR 60.8 million compared to the prior-year reporting date and corresponded to a total carrying amount of EUR 419.9 million (Dec. 31, 2022: EUR 480.7 million). As a result, liabilities to banks included in this figure were down by EUR 39.1 million on the prior-year figure at EUR 243.5 million (Dec. 31, 2022: EUR 282.5 million).

Trade payables recognized by ElringKlinger AG amounted to EUR 94.3 million at the end of the 2023 financial year (Dec. 31, 2022: EUR 101.0 million). Liabilities to affiliated companies amounted to EUR 26.3 million (Dec. 31, 2022: EUR 46.9 million), while other liabilities amounted to EUR 46.2 million (Dec. 31, 2022: EUR 37.6 million). Among other items, the latter includes obligations as part of liquidity measures.

The profitability indicator ROCE* expresses how high the return on capital employed is; it is determined from the relation of EBIT (earnings before interest and taxes) to average capital employed (cf. "Internal Control System"). For the financial year just ended, ROCE for the parent company stood at -2.6% (Dec. 31, 2022: 2.2%). If non-recurring effects such as the exceptional item attributable to a change in the transfer pricing system described in the financial performance section were to be adjusted, the parent company of the ElringKlinger Group would have recorded ROCE of 6.6%. This figure corresponds to the guidance expressed in the 2022 combined management report of "slightly below the Group level," which stood at 6.8% in 2023.

Cash Flows of ElringKlinger AG

Cash flow from operating activities at EUR 86 million

ElringKlinger AG again generated substantial net cash from operating activities of EUR 86.4 million in the 2023 financial year (2022: EUR 93.6 million). This was driven primarily by the cost of materials and personnel expenses needed to generate revenue. These items trended lower compared to the previous year, thus underpinning the generation of cash and cash equivalents.

Taking tax assets into account, ElringKlinger AG had to pay EUR 20.8 million more in income taxes in 2023 than in 2022. Distributions received by ElringKlinger AG as income from equity investments led to an increase in cash and cash equivalents of EUR 35.1 million in 2023 (2022: EUR 48.2 million).

As part of the indirect method of calculating operating cash flow from net income, non-cash expenses and income with different effects were eliminated. Among other things, the change in provisions resulted in a cash outflow of EUR 17.8 million, which contrasts with an accretive effect of EUR 34.8 million in the previous year.

The change in trade payables and liabilities to affiliated companies also resulted in a net outflow. Therefore, including other liabilities not attributable to investing or financing activities, cash and cash equivalents decreased by EUR 12.8 million. The previous year had seen an inflow of EUR 34.3 million. By contrast, the changes in trade receivables (including intercompany receivables) led to an expansion in cash flow of EUR 11.8 million (2022: EUR -28.5 million). Changes in inventories (including tools) had little impact on cash and cash equivalents in 2023 as a whole.

Investments reflect transformation

Capital expenditure by ElringKlinger AG on tangible fixed assets increased to EUR 34.4 million in the 2023 financial year (2022: EUR 20.7 million), which was attributable primarily to new drive technologies. ElringKlinger invested at its German site in Neuffen in preparation for the ramp-up of several large-scale production projects relating to battery technology products. Although the focus of investment was on new technologies, investments were also made in the long-standing business units, which are located at other sites in Germany as well as at the headquarters in Dettingen/Erms.

In 2023, ElringKlinger AG received EUR 5.6 million (2022: EUR 4.3 million) from the disposal of tangible fixed assets and intangible assets, while a total of EUR 9.4 million (2022: payment of EUR 0.3 million) was paid out for investments in financial assets.

Overall, ElringKlinger reported a net cash outflow of EUR 38.4 million for investing activities (2022: EUR 17.0 million). In addition, investment obligations amounted to EUR 29.7 million at the end of the reporting period (2022: EUR 16.0 million).

Operating free cash flow of EUR 57 million

Based on its 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), ElringKlinger AG generated positive operating free cash flow* of EUR 57.0 million (2022: EUR 76.9 million) and thus significantly exceeded its guidance of a "slightly positive double-digit million euro" amount set out in the combined management report of 2022.

Substantial reduction in long-term loans

In the 2023 financial year, ElringKlinger AG was able to noticeably reduce long-term loans, as a result of which it recorded a net cash outflow of EUR 34.0 million (2022: EUR 20.3 million) from borrowings and repayments relating to long-term financial liabilities and loans. These were mainly drawings and repayments under the syndicated loan agreement. It was concluded in 2019, with an increase and extension in 2021, for a total volume of EUR 450 million and runs until 2026. As a result of loans and time deposits taken out and repaid with regard to affiliated companies, ElringKlinger AG recorded a slight cash outflow of EUR 0.5 million (2022: outflow of EUR 62.7 million). Including the change in current financial liabilities of EUR 5.9 million (2022: EUR 18.3 million) and payments to shareholders, which amounted to EUR 9.5 million (2022: EUR 9.5 million), ElringKlinger AG's net cash used in financing activities thus amounted to EUR -49.9 million (2022: EUR -74.2 million).

As of December 31, 2023, the undrawn lines of credit available to ElringKlinger AG totaled EUR 277.3 million (Dec. 31, 2022: EUR 206.2 million).

The individual cash flows continue to be calculated in accordance with the principles of DRS 21. Overall, the company is therefore able to meet its payment obligations.

* Cf. glossary

Report on Opportunities and Risks

ElringKlinger's opportunity and risk management system aims to identify and assess risks systematically, continuously, and at an early stage and to manage them by means of risk-mitigating measures. For ElringKlinger, this forms an integral part of value-based corporate management. The Group applies a comprehensive range of instruments to prevent risks from occurring or, where they do occur, to minimize their impact on the company. Both external (e.g., political) and internal (e.g., financial) factors are taken into account. Opportunities are treated in the same way.

Opportunities and risk management system

The opportunities and risk management system is made up of various tools and control systems; it relates to the entire Group and its segments. It forms an integral part of the overall planning, steering, and reporting process in the legal entities, business units, and central functions. The structure is based on ISO* standard 31000 (Risk Management). Among the key components are strategic Group planning and internal reporting. The effectiveness and suitability of the opportunities and risk management system itself is continually adapted and refined in accordance with new requirements as they arise.

In the context of Group strategic planning, continuous monitoring of markets, customers, and suppliers ensures that potential risks relating to critical and material decisions are identified and taken into account, while opportunities arising within the market can be exploited accordingly. With this in mind, the Management Board holds strategy meetings at regular intervals, at which it discusses market developments, customer requirements, and industry and technology trends. As an essential element of these meetings, the Management Board analyzes the Group's product portfolio and compares it with the framework requirements. All key areas within the Group are involved in this process. Information is retrieved, collated, and evaluated as part of a standardized process. Conclusions for action are derived from these procedures, which are then implemented in the short, medium, and long term. The Management Board bears overall responsibility.

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

A key component of the risk management system is regular risk reporting by the management of the respective domestic and foreign Group companies, with the involvement of the business units, which is performed on a half-yearly basis. It covers risk-related developments in all fields relevant to the Group that can affect business activity and, in particular, the continuation of the ElringKlinger Group as a going concern against the background of the specific risk-bearing capacity. The focus in particular is on changes to the economic or political situation, new regulatory requirements, technological developments, commodities markets, and internal risks. Within the scope of this reporting, risks are identified and assessed. In addition, reports are compiled on risk-mitigating measures. The Chief Financial Officer is responsible for coordinating these activities in his capacity as Global Risk Manager. The risk structure of the Group and the AG does not differ significantly overall.

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

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

Compliance management system

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

ElringKlinger's Whistleblower System allows employees to report any irregularities they may come across. This gives them an anonymous line of communication in order to pass on information on misconduct, violations of statutory provisions, and policy infringements. The Management Board is committed to adapting and refining the existing compliance management system to changing circumstances and the possibility of evolving risk exposure.

Internal control system[7]

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

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

In its design, the ICS is aligned with the Group's current risk situation and therefore primarily takes into account the business risks associated with ElringKlinger's operations. This risk-based design also ensures that the ICS can be adjusted accordingly when the risk status changes.

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

[7] The disclosures in this section are disclosures that go beyond the legal requirements for the management report and are therefore excluded from the auditor's substantive audit of the management report (information extraneous to the management report).

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

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

Internal control and risk management system in relation to the accounting process

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 Executive Officer. This area, which also includes the Financial Reporting and Controlling departments, coordinates accounting within the Group and ElringKlinger AG and compiles the information required for the preparation of the consolidated financial statements and the annual financial statements of ElringKlinger AG. In this context, the Financial Reporting department sets the standards within the Group and describes the processes, while the Controlling department takes on planning, steering, and monitoring tasks. The Group companies are supported by the Regional Finance Managers responsible for the respective region. The Group companies report to the assigned Management Board member responsible for their activities.

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

All Group companies are obliged to comply with a 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 Executive Officer. Local management makes decisions on access in those companies that use other systems.

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

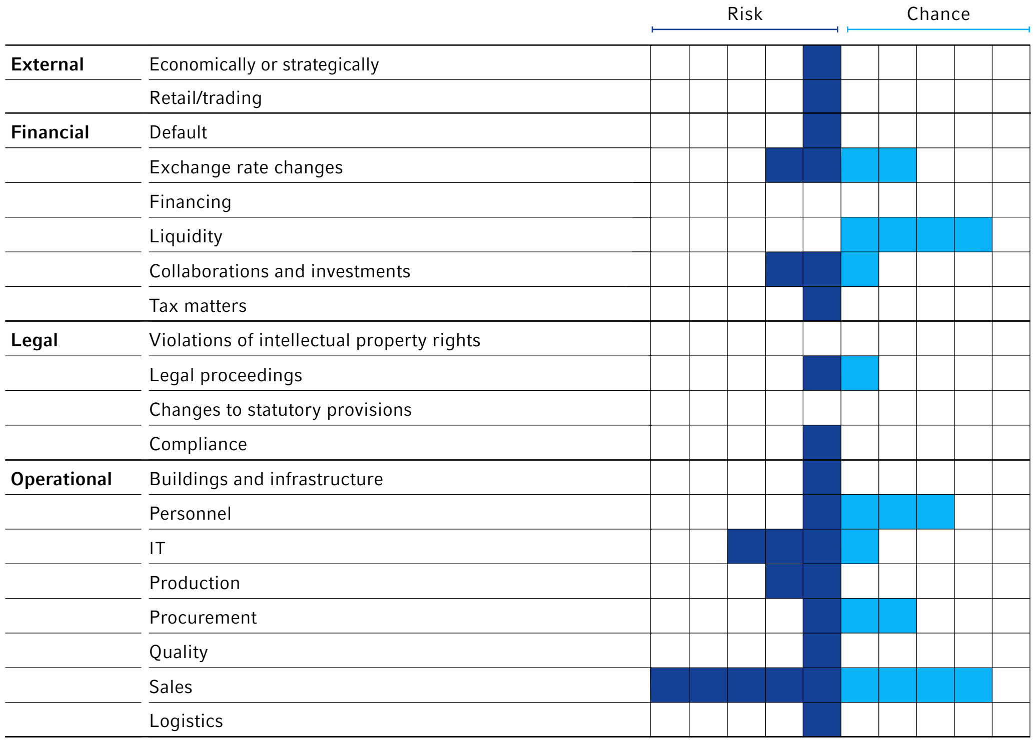
The accounting process is also incorporated into the ElringKlinger Group's risk management system as a way of identifying accounting-related risks at an early stage, allowing the company to take prompt action to anticipate and address potential risks. As is the case with the other areas and functions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

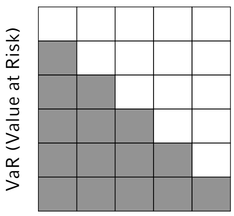
Assessment of opportunities and risks

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

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

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





Minimal	VaR(95)= 0
Very low	0 < VaR(95) ≤ EUR 2.5 million
Low	EUR 2.5 million < VaR(95) ≤ EUR 5.0 million
Moderate	EUR 5.0 million < VaR(95) ≤ EUR 7.5 million
High	EUR 7.5 million < VaR(95) ≤ EUR 10.0 million
Very high	VaR(95) > EUR 10.0 million

The material opportunities and risks are described and categorized below. The categories are reviewed annually in accordance with the concept of risk-bearing capacity and adjusted if necessary. The Group defines categories as low whose value at risk (95%) in positive (opportunities) or negative (risks) terms amounts to more than EUR 2.5 million. In those cases in which the figure is no more than double the value, the opportunity or risk can be described as low. In the broader corridor of between EUR 5.0 million and EUR 7.5 million the opportunity and risk is moderate. As regards figures in excess of EUR 7.5 million and up to EUR 10.0 million, the Group considers the opportunity and risk to be high, while figures above this level relate to opportunities and risk that are deemed to be very high.

External opportunities and risks

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

Economic and strategic risks

For ElringKlinger, as a Group with global operations, political decisions or developments have the potential to impact – which includes the possibility of a material impact – on future business performance. The same consequences can cause unstable political situations. Additionally, political and economic factors can have a direct or indirect impact on the macroeconomic environment, technology trends in the market, the Group's sales regions, and levels of demand in the industry.

As in previous years, the 2023 financial year was characterized by a considerable degree of uncertainty and volatility. Amid the protracted war in Ukraine, the Middle East has been faced with a rekindled conflict in the region. It is impossible to rule out an escalation of the situation either there or in Eastern Europe. The world has also been confronted with other tense situations and armed conflicts, for example, in parts of North and West Africa or at the southern entrance to the Red Sea. The South China Sea may also give rise to new conflicts.

Parts of these geopolitical trouble spots are among the sales regions that entail certain risks for ElringKlinger. In the Aftermarket segment, whose core regions include not only Europe but also North Africa and the Middle East, there is therefore a fundamental risk of a decline in revenue. As sales in these regions are billed in euros, customers' restricted access to foreign currency could result in delayed or reduced orders. As regards the Original Equipment segment, these regions are not considered core sales markets.

In addition to geopolitical risks, there are always risks linked to economic trends, as global vehicle markets tend to evolve in line with those trends. A substantial downturn in the economy represents a risk to demand and, ultimately, to vehicle production. This, in turn, could possibly result in lower demand for ElringKlinger's products. In addition to being fueled by political and geopolitical developments, such trends may also be driven by a number of other factors.

For example, elevated prices within the global markets – particularly for raw materials and energy – may prompt central banks to curb inflation with the help of higher interest rates, which in turn also poses the risk of a slowdown in economic growth. In this context and in conjunction with geopolitical tensions, there is a risk of recession in Germany in particular, but also in other Western countries. Aside from these circumstances, it cannot be ruled out that a pandemic such as Covid-19 will repeat itself in a similar form and with comparable effects on the economy.

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.

Thanks to its global positioning – especially in the three core automotive markets of Europe, Asia-Pacific, and North America – and the breadth of its product portfolio, the Group also has the fundamental ability to cushion the impact of geopolitical risks. In order to enhance the Group's resilience to possible negative influencing factors, the business environment and associated developments are analyzed continuously and extensively. However, in view of the uncertain and volatile conditions and the variety of possible developments, it is impossible to predict the manifestation and extent of the potential effects with sufficient accuracy.

Overall, the external economic and strategic risks can be categorized as very low.

Commercial risks

External risks may also take the form of trade policy measures such as embargoes, unilateral subsidies, or tariffs.

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

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

Financial opportunities and risks

With revenue of more than EUR 1.8 billion and 45 locations worldwide, the size and global interconnectedness of the ElringKlinger Group have reached a level that has an impact on its risk profile and gives rise to various financial risks.

Default risks

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

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

ElringKlinger has also continually broadened its customer structure in recent years and, as a rule, is not dependent on individual customers. The largest single customer accounted for 8.5% (2022: 7.8%) of annual revenue in 2023.

However, the customer structure is changing as a result of the far-reaching transformation process that is underway. Increasingly, established manufacturers are being challenged by innovative new competitors focusing exclusively on vehicle models with alternative drive systems and/or entirely new mobility concepts. Many of these new industry players are still operating as start-ups. The business performance of these companies is difficult to assess because, in contrast to established manufacturers, traditional sales risks are compounded by factors such as development capacity or successful further financing rounds. It is therefore entirely possible that some of these new manufacturers will not bring their development to market maturity, will not be able to obtain follow-up financing, or will not achieve customer acceptance for their product. In all such cases, ElringKlinger is faced with the risk that payments for existing development projects or orders may not be made, so impairment losses will have to be recognized in respect of receivables.

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

Overall, the risk of default can be classed as very low.

Exchange rate opportunities and risks

ElringKlinger operates globally across various currency borders and is therefore essentially exposed to exchange rate risks as well. These include local currency surpluses in individual Group companies, intra-Group loans, and the measurement of outstanding receivables and liabilities. In times of greater uncertainty in particular, changes in exchange rates occur more frequently or are more pronounced and are reflected in net finance costs.

Local currency surpluses are eliminated by natural hedging* as far as possible. This means that sales revenues and costs are largely incurred in the same currency in almost all sales regions. Risks arising from internal financing are gradually scaled back with the Group shifting financing to the respective currency region. To mitigate currency risks, ElringKlinger also makes use of hedging instruments, depending on need and risk profile. For example, the Group had hedges relating to the US dollar and the Swiss franc at the end of the reporting period.

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.

Changes in exchange rates can also give rise to opportunities if the currencies develop in favor of the company's activities. For example, a change in the EUR/USD exchange rate may have a positive impact; the Group will respond flexibly in such cases.

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

Financing risks

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

The second tranche of the bonded loan issued in 2017 in the amount of EUR 99 million will fall due in mid-2024. The Group plans to refinance the loan from credit lines still available under the syndicated loan*, which runs until 2026, bilateral credit lines, and cash available at the time of repayment. As of December 31, 2023, the Group had a total of more than EUR 300 million in undrawn credit lines.

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, 2023, 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 2024 financial year either. There are no immediate risks that may jeopardize the financing of planned major projects, which is also attributable to the Group's financial metrics. At 45.3% (2022: 43.8%), the equity ratio is in excess of the prior-year figure and remains within the target range of 40 to 50% of total assets. At 1.6 (2022: 2.1), net debt* in relation to EBITDA* is well below the previous year's level despite the difficult conditions and is in line with the medium-term target of below 2.0. From the Management Board's current perspective, financing risks that might jeopardize the company's existence as a going concern can be ruled out.

Overall, the financing risks can be classed as minimal.

Liquidity opportunities and risks

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

ElringKlinger finances itself both from the cash flow generated from operating activities and by means of bank loans. In the financial year just ended, operating free cash flow* of EUR 36.7 million (2022: EUR 14.8 million) was noticeably higher than in the previous year. The Group's financing situation also shows that yet more credit could be utilized if needed: at the end of 2023, the credit lines totaled EUR 557 million (2022: EUR 532 million), with EUR 254 million (2022: EUR 299 million) drawn down.

The liquidity risks can therefore be classed as minimal.

The Group also implements liquidity measures to actively manage its liquidity situation. This includes agreements with suppliers as well as a liquidity-oriented financing policy, such as equipment leases. Thus, the Group may create additional liquidity and further improve its liquidity metrics. The resulting opportunity is considered high.

Opportunities and risks with regard to collaborations and investments

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

The far-reaching transformation process in the automotive industry is accompanied by global integration. Many SMEs continue to be faced with the challenge of capital allocation, as they need to position themselves globally and at the same time invest in research and development in order to master the process of transformation within the mobility sector. The risk of insolvency in the sector is heightened by the resulting financing risks. Therefore, the industry is currently undergoing consolidation and is expected to continue to do so in the future. In this context, there is also the possibility that competitors will exit the market under such conditions.

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

In addition to targeted acquisitions and divestments, there are also opportunities to step up business activities through collaborations in the form of investments or joint ventures. Examples of this include partnerships in the field of fuel cell* technology, which ElringKlinger has been entering into after around 20 years of developing its own activities: in 2021, it joined forces with the French automotive supplier Plastic Omnium to set up the company EKPO Fuel Cell Technologies (EKPO), Dettingen/Erms, Germany, which promotes the development and marketing of this technology. In 2023, this opened up the opportunity for the company to receive funding of up to EUR 177 million from the Federal Ministry for Digital and Transport and the Baden-Württemberg Ministry of the Environment as part of the European IPCEI* program for the purpose of developing and industrializing a new generation of high-performance fuel cell stacks*.

ElringKlinger has also been in a strategic partnership with the aerospace corporation Airbus since 2020 with the aim of working together to develop and validate fuel cells suitable for use in aviation applications. It holds a non-controlling interest in the joint venture as a financial investment. In addition, further collaborative efforts – both in respect of technologies and markets – are conceivable, provided they open up further opportunities for the Group, e.g., to tap into new markets, gain market share or increase earnings.

* Cf. glossary

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

Overall, this risk can be classed as low. At the same time, the Group has opportunities that fall into the "very low" category.

Risks arising from tax matters

Various opportunities and risks arise from tax matters. For example, risks linked to a number of different statutory regulations and tax audits form part of this category. These include changes in legislation or the administration of justice, which can also contribute to risks retroactively. In addition, the differing legal interpretations of tax authorities, particularly in the case of cross-border transactions, can lead to considerable uncertainties, and therefore to risks.

There is also an accounting risk if the future taxable income is not available or too low. This is the risk that the tax benefit of loss carryforwards and tax-deductible temporary differences can no longer be recognized in full or not recognized at all, which can therefore have a negative impact on the Group's result. There is also a low risk in the medium to long term that the jurisdictions affected by the change in the transfer pricing system might make assessments that differ from one another.

The overall outcome is a risk that is to be classified as very low for the period under review.

Legal opportunities and risks

ElringKlinger is subject to a range of legal risks.

Risks relating to violations of intellectual property rights

Legal risks comprise possible violations of intellectual property rights of ElringKlinger by third parties or ElringKlinger, where the rights of third parties are concerned.

To protect its technologies and products, ElringKlinger follows an intellectual property rights strategy adapted to its business model. An in-house patent and trademark department applies for industrial property rights for the company's own development outcomes and makes sure that the company's activities do not violate the property rights of third parties. It also checks whether third parties are violating the company's property rights. The same applies to the brands used by ElringKlinger, particularly in the aftermarket business, which are also protected and monitored in this respect.

Overall, this risk is to be considered minimal.

Opportunities and risks arising from litigation

Legal risks may also arise from court proceedings and legal disputes, third-party claims and official investigations and orders. Significant risks, such as warranty and product liability risks typical for the industry, are covered by taking out appropriate insurance policies. The nature and scope of insurance cover are reviewed at regular intervals and adjusted if necessary. Additionally, where possible, agreements on limitation of liability are concluded between ElringKlinger and the contracting party in question.

Furthermore, ElringKlinger addresses its exposure to legal risks by recognizing provisions in its separate and consolidated financial statements. Such precautionary measures have been additionally implemented for individual sets of circumstances in 2023. As far as is known, there were no other major risks compared to the previous year.

Overall, both the risk and the opportunities can be classified as very low.

Risks due to changes in statutory provisions

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

Against the backdrop of climate change, there are demands for stricter legislation in the transport sector and calls for sustainable mobility. In recent years, many countries have issued emission regulations for vehicles or placed time limits on the registration of new combustion engine vehicles. Therefore, manufacturers are having to transform their product portfolio in favor of electromobility. At the same time, countries are promoting new drive technologies.

With regard to future technologies, ElringKlinger operates both in the field of battery technology and in the area of fuel cell technology. Fuel cells make it possible to convert energy during operation, thereby extending the range depending on usage. Thus, fuel cells are particularly suitable for applications where downtime, as necessitated by frequent battery charging, is costly, e.g., in the case of trucks or buses.

ElringKlinger began to explore fuel cell technology at an early stage and, in addition to various components, also offers high-performance fuel cell stacks via its subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, in which the French automotive supplier Plastic Omnium holds a 40% stake. ElringKlinger has also entered into a strategic partnership with Airbus. This jointly operated entity, in which ElringKlinger holds a minority interest, develops and validates fuel cell stacks suitable for aviation.

Likewise, vehicle weight has an impact on environmentally friendly mobility. Lightweight solutions are of key importance to car manufacturers when it comes to reducing the fuel consumption of combustion engine vehicles or increasing the range of electric vehicles. The overall focus in this regard is always on minimizing CO_2 emissions. A lower weight also reduces tire wear and particulate pollution. Thus, lightweight construction is a key technology for the automotive industry. ElringKlinger has been mass-producing lightweight components for more than two decades.

Building on its broad product portfolio for fuel cell and battery applications, ElringKlinger considers itself to be strategically well positioned to meet current emissions regulations or even more extensive requirements. In those cases in which new registration periods for combustion engine vehicles are extended again or the start date of sales bans is postponed, as was decided in the UK in 2023, for example, ElringKlinger will be able to draw on the market position of its traditional product portfolio.

Overall, the risk – as well as the opportunities – from changes in statutory provisions can be classified as minimal.

Compliance risks

Risks to which ElringKlinger is exposed may arise from breaches of statutory or other legal requirements by managers and employees. Possible consequences include sanctions such as penalties or fines and claims for damages, which may have a negative impact on cash flows and financial performance. Such consequences may be serious, particularly in the event of antitrust law violations. Both the parent company and the subsidiaries may be exposed to the compliance risks outlined above.

As a risk mitigation measure, the Group conducts regular training sessions on compliance topics. ElringKlinger has also established a compliance-management system, which is constantly modified to reflect changing circumstances or conditions. In view of the instruments relating to the compliance management system and the corporate culture practiced at ElringKlinger, the probability of material violations occurring can be classified as low but cannot be completely ruled out. Depending on the circumstances of the individual case, the effects on Group earnings may reach a scale that could be considered significant.

Based on the scenario analysis, the risk is considered to be very low.

Operational opportunities and risks

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

Buildings and infrastructure risks

As a global Group with 45 sites, ElringKlinger always needs to be sure that business operations at all locations are running smoothly and without interruptions. The first risks to mention in this regard are site risks linked to natural hazards. Climate change is causing individual incidents such as tidal waves, floods, severe storms, or long periods of drought that are becoming ever more serious. These could lead to severe damage to buildings and infrastructure. If electricity, water, gas, or similar utilities are limited or unavailable, business activities will also be affected. Similarly, risks that fire protection systems will not work properly or that safety problems will arise exist worldwide. Poor-quality buildings can result in rising maintenance costs.

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

Forward-looking maintenance and servicing, the timely replacement of old systems, and – in cooperation with the central Real Estate & Facility Management and Purchasing departments – the regular review of service providers are among ElringKlinger's fundamental principles. In addition to regular maintenance, test runs and inspection by external experts guarantee that the fire protection and safety systems are highly secure. A standardized process specification for extinguisher maintenance ensures a minimum standard for the Group that is the same all over the world.

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

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

Personnel opportunities and risks

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

The Group also uses digital media for the purpose of recruiting skilled employees. To reach out to different target groups, ElringKlinger harnesses the full gamut of social media channels (including LinkedIn, Instagram, and Facebook), its own jobs page, and various other careers portals, as well as university partnerships. It also attends vocational training fairs. With the employee referral scheme "Bring a Talent," the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees.

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

For the Group, it is important to remain competitive at its German sites as well as internationally. In this context, the HR department regularly examines which instruments and new approaches can be applied to achieve this objective and coordinates conceptual ideas with the Works Council. If these plans are drawn up, voted on, and implemented, they may also result in efficiency gains for the Group.

On the whole, the personnel-related risks can be classed as very low. The opportunities relating to personnel, on the other hand, can be described as moderate.

IT opportunities and risks

In the digital age, IT infrastructure is permanently exposed to potential threats such as cybercrime, hacker attacks, or data privacy incidents that may affect the availability, integrity, and confidentiality of information and IT-based resources. Any disruption to IT systems and application software can lead to tangible delays to individual processes – from the handling of purchase orders and ongoing production control through to activities in the supply chain. Such a scenario would have a negative effect on operations, which may also affect revenue and earnings. Successful attacks by Trojans, which cannot be ruled out in principle and always represent a potential threat, would have similar effects. In addition, inadequate data management can lead to difficulties in reporting and heighten the potential of misuse of sensitive data. This applies in particular to compliance with regulatory requirements, such as the EU General Data Protection Regulation. Fundamentally, it is impossible to rule out the threat emanating from such effects; they constitute a potential hazard.

The IT department of the ElringKlinger Group is constantly optimizing fail-safe standards and has established a well-tested, appropriate recovery plan to immediately ensure business continuity for scenarios involving damage. In addition, data that are of importance to operational processes are stored twice or redundant systems are deployed. As a result of the migration phase to SAP S/4 HANA in particular, the volume of data and the corresponding time required to restore data in the event of an incident has increased. Additional back-up systems and bridging solutions are also in place to deal with potential risks for specific projects and processes. Employees are constantly sensitized and trained for malware or Trojan attacks through simulation measures.

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

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

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

Overall, this results in risks that are to be classified as moderate. The opportunities are categorized as "very low."

Production risks

Production equipment may malfunction or fail if it is not regularly maintained, or modernized or replaced in good time. This risk is greater still in the case of bottleneck machinery. At the same time, product launches and ramp-ups give rise to the risk that equipment may not be configured correctly and production operations will have to be paused or aborted completely. In addition, the automation and networking of production systems need to be taken into account, along with technical developments and innovation. With regard to production, there is also a risk that the available capacities at individual sites may not be sufficient to cover the maximum call-off orders placed by customers as part of their scheduling arrangements. In these circumstances, it may not be possible to absorb peaks in orders placed by customers as part of their scheduling arrangements. However, production bottlenecks can also arise in the event of force majeure.

Instances of force majeure may be difficult to deal with, but the other risks are mitigated or avoided by putting systematic measures in place. This includes paying particular attention to carrying out preventive or foreseeable maintenance and ensuring the availability of spare parts for machinery and equipment. The aim is to make sure spare parts can be supplied to any location in the world within 48 hours. Maintenance is carried out within the Group at set intervals. Production and maintenance staff are given comprehensive training in advance on similar equipment, while remote support facilities are also set up. Replacement investments are made in line with business principles, Ramp-up activities are based on dedicated manuals and checklists, while assets/capacity levels are installed and made available in advance of customer requirements. In this context, particular attention is paid to training employees at an early stage, while at the same time complying with ElringKlinger's global standards for the procurement and installation of machinery. Cyber risks, which also occur in production amid more widespread digitalization, are addressed proactively by a dedicated, global Operational Technology department that draws up and maintains cybersecurity standards.

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

Overall, this risk can be classed as low.

Procurement opportunities and risks

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

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

The prices of the raw materials primarily used by ElringKlinger remain at a persistently high level. The risk of recurring or further price increases would have a direct impact on the ElringKlinger Group and, depending on the trajectory of prices, may affect it to a considerable extent. However, a flagging economy would mean that prices would be expected to fall due to lower demand, which would have less of an impact on the Group – although the effect of this would not be felt immediately while the terms of existing contracts were still ongoing.

ElringKlinger's global purchasing organization continuously monitors the situation on the procurement markets and takes measures accordingly to mitigate or avoid the risk and effects of price increases. For example, the Group's central purchasing department works constantly to identify and realize any potential for optimization. Internal processes are being improved and standardized across the Group, while the selection and classification of suppliers is being systematically refined. From a long-term perspective, ElringKlinger is optimizing product design and improving manufacturing processes to offset price spiral effects on commodity markets.

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

In order to become less exposed to increases in the prices of materials over the medium to long term, price escalator clauses are introduced into customer contracts whenever possible. If this is not possible, further negotiations are arranged with a view to passing price rises that exceed cost estimates on to customers. In addition to high commodity prices, these negotiations also factor in the sharp increase in energy and transport and staff costs. The risk here is that the additional costs cannot be passed on in full or only with some delay.

Although high material prices have an adverse impact on the Group's earnings, ElringKlinger benefits from the same high prices when it sells the metal residues produced during punching processes. All metal residues are recycled and sold by the Group's in-house scrap management unit. Potential cost increases can be offset, at least in part, by the proceeds from scrap sold in this way. As long as no price escalator clauses have been agreed, any falls in material prices work in the Group's favor.

In order to mitigate material availability risks relating to bottlenecks or non-deliveries as far as possible, ElringKlinger relies on close collaboration with its suppliers over the long term. The Group makes a point of planning its material requirements well in advance and is committed to a multi-supplier strategy in order to minimize the risk of production-related disruption or downtime due to disruptions within the supply chain. This strategy is also designed to take effect if one of the suppliers runs into delivery difficulties for financial reasons. During the year under review, suppliers with corresponding risk profiles were again closely monitored to facilitate a quick response in the event of potential defaults and minimize the risk for ElringKlinger. As far as possible, ElringKlinger develops alternatives for commodities and materials that are either in short supply or subject to severe fluctuations in price.

Alongside the materials needed for its long-standing product portfolio, ElringKlinger sometimes uses other types of commodities and materials for battery and fuel cell* components and systems in its new business areas. It is not possible for the Group to routinely estimate the future volumes, price movements, and supplier structures with regard to these materials based on the information currently available. Overall, ElringKlinger counters this uncertainty and thus reduces its exposure to risk by minimizing its own inventories and by also requesting these input materials as required from the supplier's consignment warehouse, i.e., the supplier retains ownership of the goods until they are requested by ElringKlinger.

Overall, the opportunities can be classified as low, while the risks are very low.

Quality risks

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

In recent years, ElringKlinger has launched a number of initiatives to forge further ahead with its transformation from a medium-sized enterprise to a global corporate group. These include introducing an operating system that incorporates aspects such as robust processes, excellent product launch standards, and continuous improvement in practice. The operating system has been rolled out and implemented across the Group. Along the same strategic lines – to reduce the increasing complexity and the growing challenges of economic activities – ElringKlinger is also pursuing an initiative based on process excellence. This is one of the reasons why the Group defined Process & Performance Excellence as a strategic success factor as part of its "SHAPE30" strategy. The aim of this is to keep pace with future growth through processes, increase the degree of transparency and digitalization within the Group, and pool knowledge for future activities in a way that is not dependent on specific individuals.

In order to counter risks arising from poor product quality, ElringKlinger has implemented processes for continuous improvement at both the project and process levels. Cases of deficient quality are tackled, for example, by tightening up procurement specifications for input materials and by continuously upgrading production equipment and increasing the level of automation. Furthermore, logistical processes are optimized on an ongoing basis.

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

Sales opportunities and risks

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

* Cf. glossary

As regards the situation relating to prices, the extent to which higher prices associated with energy, staff and other costs can be passed on remains a decisive factor. ElringKlinger will continue to focus on negotiations with customers. Overall, this risk can be better managed using empirical data than at the beginning of the inflation cycle.

With regard to the market situation and the far-reaching process of transformation within the industry, sales dependency on combustion engine technology and the pace of transformation are considered to be influencing factors. This also includes the possibility of growth in the fuel cell market in general or market acceptance in individual regions falling short of original expectations.

If one or more customers are confronted with abrupt or significant declines in demand volumes on the end-customer market, this may also impact on ElringKlinger by reducing demand for products supplied by the Group. Similarly, manufacturers may – especially when undergoing a transformation process – revise their product strategies or consider the option of in-house production of certain components or systems that they had previously purchased. In the event of a possible dip in demand, the Group will have to take account of the duration of agreements at an early stage and adjust its capacity planning if necessary. Fundamentally, the Group is protected by the fact that technology orientation is deeply rooted within the ElringKlinger Group. This generally makes substitution more difficult.

ElringKlinger has continually broadened its customer structure in recent years and, as a rule, is not dependent on individual customers. The largest single customer accounted for 8.5% (2022: 7.8%) of annual revenue in 2023. Moreover, there are further sales opportunities available through global battery manufacturers setting up production in Europe and looking for local suppliers. The nomination for cell contacting systems* announced in March 2021 and the order for battery housing components, as presented in May 2023, are indicative of ElringKlinger's ability to gradually tap into a new group of customers.

Nevertheless, sales risks can sometimes arise in relation to individual orders and/or individual locations. These are most likely to be due to delays in customers giving the go-ahead on projects. In situations like these, ElringKlinger devises mitigation strategies and usually negotiates directly with the customer. In the case of new manufacturers, there will be some uncertainty around how business will develop while production and marketing are still in the initial stages. This may lead to fluctuations in orders, which will have an impact on revenue.

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

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

The ElringKlinger Group's business model is based on a robust culture of innovation and on the principle of technological leadership. The company seeks to develop technologically sophisticated products and to manufacture them with a high degree of productivity. The product portfolio was oriented toward technological change at an early stage. Due to its broad positioning in new drive technologies, the Group considers itself well positioned to benefit from an accelerated pace of change within the automotive sector. ElringKlinger will continue to pursue and develop this strategy as it moves forward.

In its strategic fields of the future in particular – i.e., battery technology, fuel cell technology, electric drive units, and lightweight structural components – ElringKlinger has attractive markets for sustainable revenue and earnings growth through further orders, including high-volume ones. Building on the nominations it received in 2023, the Group sees considerable potential to expand its revenue significantly in the coming years. There are sales opportunities for both new drive technologies in the E-Mobility business unit and innovative solutions in the conventional business units.

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

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

Logistical risks

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

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

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

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

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

Overall assessment of opportunities and risks

As regards its overall assessment of the respective opportunities and risks, the Management Board comes to the conclusion that the risk status has evolved along divergent lines compared to the previous year. The aggregated net risk based on the value-at-risk concept has decreased slightly, while the anticipated impact has risen marginally. Sales risks continue to have a significant impact on the Group's overall risk profile due to the importance of customer compensation.

IT risks have increased due to advancing digitalization in the age of information technology and in view of the threats posed by hacker-led attacks and data protection incidents. Procurement risks as well as economic and strategic risks can be better managed on the basis of experience. Exchange rate risks are subject to a multitude of influencing factors, particularly for a Group operating with a far-reaching global network. Production risks have become slightly more pronounced, as have the risks associated with cooperation and equity investments.

The aim of the risk management system described above, combined with a flexible cost structure, is to allow ElringKlinger to address risks promptly by implementing appropriate measures. In the context of Group risk management, work is continuing on risk-mitigating measures and the method for identifying risks is being continuously refined. In financial terms, ElringKlinger continues to possess a robust foundation. Net debt has been further scaled back and stands at a low level, while the overall situation with regard to the financial position can be described as extremely solid. Thus, the Group continues to be in a position of strength as regards its ability to raise new funds. ElringKlinger considers itself to be well positioned, in terms of flexibility, to embrace the next stages of transformation within the mobility sector. The same applies to its ability to respond to a potential recession.

Driven by climate change and emissions legislation, the transformation of mobility provides ElringKlinger with tremendous opportunities. The key rationale behind new drive technologies is the need to reduce CO_2 emissions in the mobility sector. ElringKlinger was early to invest in forward-looking areas of business, such as battery and fuel cell technology, and is already in a position to offer a broad range of innovative solutions for alternative drive systems. The orders received in 2023 are a testament to the Group's proximity to the market and the competitiveness of its products. As a result, the Group considers itself well equipped to exploit growth opportunities worldwide. Based on current plans, products within the area of structural lightweighting and electromobility, which are considered promising fields for the future in strategic terms, will generate a larger share of revenue than before, while conventional products associated primarily with the combustion engine will become less relevant in the years ahead. Should the process of transformation within the mobility sector lose momentum, ElringKlinger is in a robust position and can leverage its formidable market position relating to traditional products.

* Cf. glossary

The Group has not identified risks at present that might jeopardize its future existence as a going concern, either in isolation or in conjunction with other factors. The Group has established a broad, forward-looking, and financially robust position, allowing it to actively exploit the opportunities presented by market transformation and to apply its financial resources flexibly for the purpose of shaping change within the field of mobility. Thus, from the Management Board's perspective, ElringKlinger is well positioned to help shape next-generation mobility and tap into opportunities in other areas of application for new technologies, while maintaining a balanced opportunity and risk profile.

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, 2023, 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. The rights and obligations associated with the shares are set out in the German Stock Corporation Act. 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 direct or indirect shareholdings in the capital of ElringKlinger AG with more than 10% of the voting rights based on the shareholding figures most recently communicated to ElringKlinger AG pursuant to Sections 33, 34 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and Sections 21 et seqq. WPHG in the version applicable prior to January 3, 2018, are listed below:

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

No shareholder is equipped with special rights constituting controlling powers. The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

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 dismissal of Management Board members is performed in accordance with Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) in conjunction with Section 31 (2–5) MitbestG. 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 dismissal 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.

Pursuant to the resolution of the Annual General Meeting on May 19, 2022, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to May 19, 2027, through the issue of new shares for cash/non-cash contributions, in one or more stages, by an aggregate of no more than EUR 31,679,995 (Authorized Capital 2022). Fundamentally, shareholders are to be furnished with a subscription right. The shares may also be taken up by one or several banks, with the proviso that said shares shall be offered to shareholders for subsequent subscription. However, the Management Board shall be authorized, with the consent of the Supervisory Board, to exclude the subscription right of shareholders

- in order to eliminate fractional amounts;
- if and when the increase in share capital is executed for a non-cash contribution in particular for the purpose of acquiring companies, parts of companies, or shareholdings in companies or other assets associated with acquisition plans or as part of business combinations and the shares issued with an exclusion of the subscription right represent no more than 10% of the share capital in total, this being the case neither at the date at which this authorization comes into effect nor at the date at which it is exercised;
- if and when the new shares are issued for a cash contribution and the issue price for each new share is not significantly below the market price of the existing exchange-listed shares and the shares issued with an exclusion of the subscription right pursuant to Section 186(3) sentence 4 AktG represent no more than 10% of the share capital in total, this being the case neither at the date at which this authorization comes into effect nor at the date at which it is exercised. Shares that are issued or sold during the validity of this authorization with the exclusion of subscription rights, in direct or analogous application of Section 186(3) sentence 4 AktG, shall be included in the maximum limit of 10% of share capital.

The conditions and details of share issuances from Authorized Capital 2022 shall be determined by the Management Board with the approval of the Supervisory Board. The Management Board has not yet made use of this authorization.

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 combined 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 https://elringklinger.de/en/company/corporate-governance/corporate-governance-statement

Combined Non-Financial Report

ElringKlinger has prepared a separate combined non-financial report for the 2023 financial year in accordance with Sections 289b and 315b HGB*, which is included in the 2023 Annual Report as a separate section entitled "Combined non-financial report." The 2023 annual report is to be published on March 27, 2024, on ElringKlinger's website at https://elringklinger.de/en/investor-relations/reports-presentations/financial-reports-pulse-magazine.

Report on Expected Developments

Forecasts by economists suggest that global economic growth will remain subdued in 2024. Based on projections by the International Monetary Fund (IMF), global GDP growth is likely to remain unchanged year on year at 3.1%. According to market analysts, global automotive production is set to decline by 0.4% compared to 2023. ElringKlinger is currently operating in a complex market environment characterized by a high degree of uncertainty and volatility. In pursuing its transformation, the Group anticipates profitable growth for the future. Particularly in view of the series production nominations secured by ElringKlinger, this means that the Group can look forward to achieving organic revenue growth, expanding its adjusted EBIT margin in the medium term, and generating operating free cash flow at a sustainable level.

Outlook – Market and Sector

Global economy set for modest growth

Based on current estimates, global economic growth in 2024 is again likely to be tepid, with figures remaining subdued and below average in a multi-year comparison. In its global economic outlook published in January 2024, the IMF forecasts that growth in 2024 will be on a par with the previous year's figure at 3.1% – without any signs of immediate acceleration.

The US economy and several emerging markets remain much more resilient than expected, which should provide an economic tailwind. Likewise, fiscal policy stimulus in response to a lackluster Chinese economy is likely to have a positive impact. According to the IMF, global inflation is set to fall further in 2024 from an average of 6.8% in 2023 to 5.8%, despite the fact that a potential cut in key interest rates is not expected before the middle of the year.

Among the downside factors for growth, economists see an increasing number of trade barriers, which may impede global trade in particular. In this context, the IMF refers to geoeconomic fragmentation, which is attributable to political intervention in international economic relations, thus resulting in deglobalization. Export-driven economies such as Germany would be among those most affected by the detrimental effects. Geopolitical crises such as the protracted war in Ukraine, hostilities associated with the rekindled conflict in the Middle East, or potential environmental disasters caused by climate change also harbor economic uncertainties, for example in the form of supply-side disruptions or spiraling commodity prices.

According to forecasts made by independent bodies[8], the US economy looks set to benefit from stronger corporate investment and robust consumer spending in 2024, underpinned by government stimulus programs, and is likely to take a prominent position among the industrialized nations. By contrast, Europe is expected to contribute very little to global growth, as the region is facing a high cost of living and consumer restraint, unfavorable refinancing conditions as a result of restrictive monetary policy, and sluggish global trade. In China, the world's second largest economy, problems within the real estate market are having adverse effects on economic performance.

GDP growth projections

Year-on-year change in %	2023	Projections 2024
World	**3.1**	**3.1**
Advanced economies	1.6	1.5
Emerging and developing countries	4.1	4.1
Eurozone	0.5	0.9
Germany	-0.3	0.5
USA	2.5	2.1
Brazil	3.1	1.7
China	5.2	4.6
India	6.7	6.5
Japan	1.9	0.9

Source: International Monetary Fund (Jan. 2024)

Light vehicle production

Region	Million units 2023	Million units Projections 2024	Year-on-year change
Europe[1]	17.3	16.7	-3.6%
China	29.0	29.7	2.3%
Japan/Korea	12.8	12.1	-5.3%
Middle East & Africa	2.3	2.3	-1.0%
North America	15.7	15.8	0.6%
South America	2.9	2.9	-0.8%
South Asia	9.8	9.8	0.8%
World	**90.3**	**90.0**	**-0.4%**

[1] Without Russia
Source: S&P Global Mobility (Feb. 2024)

No economic tailwind for auto production

With supply chain problems having eased in the previous year, vehicle manufacturers were able to tackle pent-up order backlog and expand their inventory levels. Against this backdrop, market analysts estimate that car production in 2024 will once again be driven to a larger extent by demand-side markets and underlying economic conditions. According to estimates by industry institute S&P Global Mobility, global automotive production of light vehicles (passenger cars and light commercial vehicles) will decline slightly overall in 2024. Accordingly, 90.0 million vehicles are expected to roll off the production lines, down 0.4% on 2023.

As regards this overall figure, however, trends in the individual regions are still expected to vary considerably. China, the world's largest single market, is likely to step up production of vehicles destined for export, particularly in the e-mobility segment. Having said this, Chinese output, which has long since exceeded the pre-crisis level of 2019 (24.7 million vehicles), is not expected to gain much momentum in 2024. European vehicle production, which is exposed to increasing cost-related pressure, is expected to dip slightly in 2024 and remain well below its 2019 level (19.5 million vehicles) with a volume of 16.7 million vehicles. Meanwhile, North America, at 15.8 million light vehicles, should be able to come close to its pre-crisis level of 2019 (16.3 million vehicles).

[8] Statements on projections relating to economic performance are based on the company's own research in conjunction with publications by independent institutes and bodies such as the IMF, the OECD, and the German Federal Ministry for Economic Affairs and Climate Action.

Sluggish demand for cars and light vehicles around the globe

Against the backdrop of dynamic trajectories in 2023, the outlook for sales markets in 2024 is much more subdued. According to the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), the global passenger car market is expected to see a modest increase of around 2.0% to 77.4 million vehicles in terms of newly registered passenger cars and light vehicles. This would push the total close to the level of pre-crisis 2019, when 78.8 million units were sold.

From a regional perspective, Europe (excluding Russia) would see an increase of around 4.0% to 13.3 million cars, the USA would experience growth of around 2.0% to 15.7 million light vehicles, China would see an expansion of around 1.0% to 26.1 million cars, and Brazil could look forward to growth of around 5.0% to 2.3 million light vehicles. According to the VDA's assessment, the German market remains weak and is expected to decline by one percent to 2.8 million newly registered cars.

Commercial vehicle markets lose momentum

Compared to the previous year, which benefited from the release of pent-up demand and improved supply chains, sales and production figures for the global commercial vehicle market are expected to be lackluster overall in 2024. The market institute S&P Global Mobility has forecast just a slight uptick of 1.2% in global commercial vehicle production (including buses) in 2024. The heavy-duty truck segment (from 16 tons), which represents around two-thirds of the volume, is forecast to decline slightly by around 1.0%. Based on the data provided, the truck sector is expected to see a particularly sharp decline of 11.5% in Europe (excluding Russia) and 13.4% in the USA, reversing the substantial growth rates recorded in the previous year. By contrast, the South American market is expected to expand by 14.7% – partly due to the fact that this region had recorded a substantial decline in 2023.

Outlook – Company

In the following sections, ElringKlinger presents and elucidates its forecast for the Group in respect of both the current financial year 2024 and the medium term. The Group defines this as a period of 3 to 5 years.

Business environment marked by high degree of uncertainty and volatility

The economic environment continues to be dominated by a high degree of uncertainty and volatility. Amid the protracted war in Ukraine, the Middle East has been faced with a rekindled conflict in the region. Global supply chains are being jeopardized by armed aggression, as experienced at the southern entrance to the Red Sea, for example. Despite these circumstances, global light vehicle production recovered in the past financial year as it emerged from the mire of the coronavirus pandemic and grew by 9.7%. Although inflation eased somewhat, it remained at a comparatively high level. Similar price trends can be observed in many parts of the commodity market.

Added to this is the mixed macroeconomic performance of the individual countries in which ElringKlinger operates. While GDP in the United States, for example, grew by 2.5% in the financial year just ended, GDP in China rose by 5.2%, and European economies such as France, Spain, and Italy also showed signs of expansion, the economy in Germany, the Group's home country, contracted by 0.3%.

Against this backdrop, it is still not possible to paint a consistent picture with regard to global economic – and political – conditions in the current financial year 2024. The same applies to the global automotive markets, measured in terms of expected light vehicle production. Moreover, external factors such as unforeseeable consequences of geopolitical conflicts, trade barriers, extreme weather events, or further waves of the pandemic may influence the direction or scale of projected developments at any time.

High-volume nominations for e-mobility applications

The numerous nominations received in the financial year just ended have helped to underpin the Group's transformation path in the form of concrete revenue expectations. These include high-volume nominations, such as from the BMW Group for cell contacting systems for its so-called "Neue Klasse" ("New Class") or from a global Tier 1* supplier for battery housings.

Orders return to normal levels after strong previous periods

Nominations have to be distinguished from the Group's order intake* and order backlog. Order backlog refers to the customer call-offs, systematically recorded, executed as part of their delivery scheduling arrangements, which extend over periods of several months up to 24 months from the date of data collection. Order intake encompasses the changes in these call-offs within a specific period.

Order intake totaled EUR 1,690.5 million in the financial year just ended (2022: EUR 1,874.1 million). Alongside the buoyant first quarter of 2023 with EUR 474.9 million, the fourth quarter of 2023 in particular contributed to the full-year figure with order intake of EUR 465.0 million. Declining by EUR 183.6 million or 9.8% year on year, order intake returned to a more normal level after the particularly dynamic intake in previous years. Currency developments had a dilutive effect. Assuming constant exchange rates, the Group received orders worth EUR 1,725.5 million, which would have reduced the year-on-year decline by 1.9% or 190 basis points.

This trend is reflected in order backlog, which encompasses customer call-offs executed as part of their scheduling arrangements: it amounted to EUR 1,305.2 million at the end of the year and was therefore EUR 156.7 million or 10.7% below the previous year's level. The effects of currency translation were negligible at EUR 8.8 million or 60 basis points.

Expansion in revenue, fueled in part by ramp-up of high-volume orders

Despite the challenges seen within the wider business arena, the Group anticipates further growth. This will be driven primarily by ramp-ups relating to high-volume orders in the field of new technologies, e.g., in the context of the nomination for cell contacting systems to be supplied to a global battery manufacturer with a total volume in the mid triple-digit million euro range. This is based on the assumption that global production markets develop in line with expectations. Industry service provider S&P Global Mobility has forecast a slight global decline of 0.4% – with growth in China (+2.3%) and North America (+0.6%), driven in both cases by all-electric and hybrid vehicles. On this basis, the Group anticipates slight organic growth in revenue compared to the previous year. In the medium term, i. e., over a period of 3 to 5 years, the Group expects revenue to increase at an annual growth rate of around 5 to 7% on the basis of the nominations received.

Predicting currency effects remains difficult. Acquisitions cannot be ruled out for the 2024 financial year either. The management is constantly reviewing opportunities of this kind, prioritizing the acquisition of companies that would either be a logical complement to ElringKlinger's existing product portfolio or give it better market access. Any such transactions are unlikely to be much larger in volume terms than those carried out to date. Similarly, disposals of segments or parts of segments cannot be ruled out as things stand.

Raw material, energy, and transportation costs remain high

In the wake of the coronavirus pandemic and geopolitical conflicts, commodity prices have risen sharply in some cases in recent years. This also applies to the direction taken by prices of some of the raw materials used by ElringKlinger, particularly in comparison to previous years. Even though market prices for certain commodity groups have eased slightly recently, they remain elevated overall. Energy and transportation costs have also risen. Fundamentally, ElringKlinger anticipates that prices will remain high, particularly in light of the ongoing geopolitical conflicts. Escalating tensions or unforeseeable events, such as natural disasters or logistical restrictions, could trigger a new price spiral.

Adjusted EBIT highlights operating profitability

ElringKlinger calculates "adjusted EBIT" and expresses it in relation to revenue (as the "adjusted EBIT margin") for the purpose of comparing operating profitability over several periods without the influence of non-recurring items. Adjusted EBIT is defined as reported EBIT without the amortization of intangible assets from purchase price allocation* (PPA), changes in the scope of consolidation, and exceptional items. Exceptional items here include, in particular, gains and losses from non-recurring events, such as impairments (including impairments to goodwill), reversals of write-downs, restructuring costs (including severance payments), and gains and losses on disposal from M&A* activities.

* Cf. glossary

Earnings influenced by order-related ramp-ups and transformation costs

In view of the difficult macroeconomic environment, the Group's earnings performance is influenced by numerous factors. In the coming years, the Group will be commencing work on several large-scale series production orders, which are associated with corresponding ramp-up costs prior to the start of production. At the same time, the costs attributable to inputs – i.e., raw materials, energy, transportation, and wages – are at a fundamentally high level and are evolving along divergent lines. There are signs of more favorable trends in certain commodity groups, while wages in Germany, for example, are facing new collective bargaining rounds, which may translate into higher wage costs. Overall, ElringKlinger therefore anticipates an adjusted EBIT margin* of around 5% of Group revenue for 2024; no adjustment items are expected at the time of reporting. In the medium term, the Group expects to be able to increase its adjusted EBIT margin to a figure of around 7%.

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

Operating free cash flow is driven primarily by operating profitability, investments, and the development of net working capital*. Based on the projections for these financial indicators, the Group anticipates that operating free cash flow will be in positive double-digit million euro territory. In relation to projected Group revenue, the management estimates a figure in the region of approximately 2% for the 2024 financial year. In the medium term, this metric is expected to improve further, as a result of which a figure of around 3% is conceivable.

Double-digit ROCE in the medium term

The Group measures its overall profitability on the basis of return on capital employed (ROCE*). Given the multitude of external influencing factors and the fundamentally high degree of uncertainty and volatility, the Group expects a figure of around 6% for 2024. In the medium term, the Group anticipates a percentage figure of around 11%.

Further reduction in net debt-to-EBITDA ratio

In the financial year just ended, ElringKlinger was able to reduce its net financial liabilities to EUR 323.2 million, despite further growth in sales revenue. In conjunction with the anticipated improvement in profitability, the Group expects to keep the net debt-to-EBITDA ratio (net financial liabilities as a percentage of EBITDA) below the 2.0 threshold in the 2024 financial year. This figure is also being targeted in the medium term.

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

Research and development efforts within consistent range

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

Targeted and disciplined investment approach

ElringKlinger will continue to pursue its disciplined investment approach over the course of the current financial year, while embracing the task of ongoing transformation. This includes targeting investments in property, plant, and equipment primarily at the strategic fields of the future and at orders received within the area of new drive technologies. Investment activities in the Group's traditional fields of business will also continue to be actively managed. The Group always considers the need, timescale, and financial commitment required very carefully before embarking on any measures. Overall, the Group is anticipating an investment ratio (in property, plant, and equipment as a percentage of Group revenue) of between 4 and 6% both for the current financial year and in the medium term.

Further improvement in net working capital ratio

The Group is committed to further optimizing its net working capital* ratio, i.e., net working capital as a percentage of Group revenue. To this end, it is looking to reduce trade receivables, extend liabilities-side payment terms, and manage inventories prudently, including in times of general supply chain problems. Against this backdrop, the Group expects the figure for year-end 2024 and in the medium term to be below the level of 25% of Group revenue.

Original Equipment segment

With a revenue share of more than 75%, the Original Equipment segment constitutes the largest segment within the Group. The Group's large-scale series production orders were won in this segment and, as a result, the associated ramp-ups are a key determinant of both the Group's and the segment's performance in respect of revenue. Against this backdrop, it can be assumed that this segment will see slight organic revenue growth in the 2024 financial year. Its adjusted EBIT margin is expected to be just within positive territory.

Engineered Plastics segment

Operating with a wide-ranging product portfolio, the Engineered Plastics segment is capable of serving a broad, cross-industry spectrum of customers. It will continue to benefit from two key trends in the future: the transformation within the automotive industry and the megatrend of miniaturization in the medical industry, complemented by the upturn in the semiconductor industry and the emergence of renewable energy technology, such as hydrogen production and energy storage. There is scope for additional market potential to be leveraged since the properties of the high-performance plastics used make them ideal for a wide range of applications. As a result, the Group expects revenue growth in this segment to be well above the Group average in the 2024 financial year. Even if prices for materials remain at an elevated level, the adjusted EBIT margin is expected to be well above the Group average in 2024.

Aftermarket segment

Aftermarket segment revenue has increased significantly in recent years. Embracing a growth strategy, the segment has penetrated new markets such as the Americas region and China. On this basis, the Group again anticipates moderate revenue growth in this segment for the current 2024 financial year. In this context, possible risks from geopolitical tensions in the sales markets of Eastern Europe and the Middle East on the one hand and opportunities from continuing efforts surrounding the successful pursuit of the growth strategy in the Americas and China on the other must be taken into account. The Group is expecting this segment to achieve an adjusted EBIT margin significantly above the Group average in 2024.

Parent company ElringKlinger AG

ElringKlinger AG, the Group's parent company, accounts for around 40% of Group revenue and therefore plays a prominent role within the Group. With its broad product portfolio, it is primarily focused on mobility and is therefore anticipating an upturn in revenue, particularly in the strategic fields of the future. Assuming that core business in its long-standing units remains solid, this means that the company's revenue in 2024 is expected to grow by around 5% compared to the previous year.

The situation with regard to orders at the parent company developed more or less in line with the Group compared to the previous year. Order backlog at year-end 2023 amounted to EUR 532.3 million (Dec. 31, 2022: EUR 584.0 million). Inventories were down by EUR 51.7 million or 8.9% as a result of inconsistent call-off patterns among customers in connection with their ongoing production scheduling.

As is the case for the Group, the parent company is also affected by a number of factors that have an influence on earnings performance. First and foremost, the persistently high level of commodity, energy, and logistics prices had an adverse effect on earnings. At the same time, staff costs look set to rise if the upcoming round of collective bargaining in Germany pushes wages higher. Overall, the adjusted EBIT margin is expected to be around 6% in the 2024 financial year. Reflecting higher capital spending, the figure for ROCE is set to come in moderately below the level for the Group as a whole. The parent company is expected to generate operating free cash flow in the low to mid double-digit million euro range.

* Cf. glossary

Outlook – ElringKlinger Group

The Group's main indicators for its 2024 outlook and in the medium term are presented in the following table.

Key financial control criteria of the ElringKlinger Group	2024	Medium term (3 to 5 years)	Actual 2023
Revenue	Slight organic growth	Organic growth of 5 to 7% annually	+4.6%
EBIT margin (adjusted)	Approx. 5% of Group revenue	Approx. 7% of Group revenue	5.4%
Operating free cash flow	Approx. 2% of Group revenue	Approx. 3% of Group revenue	2.0%
ROCE	Around 6%	Around 11%	5.6%
Other control criteria			
Net debt-to-EBITDA ratio	Under 2.0		1.6
Equity ratio	40 to 50% of total assets		45.3%
Other indicators			
R&D costs (including capitalized costs)	Approx. 5 to 6% of Group revenue		5.2%
Investments in property, plant, and equipment	Approx. 4 to 6% of Group revenue		3.9%
Net working capital ratio	Under 25% of Group revenue		25.2%

Dettingen/Erms, March 26, 2024

The Management Board

Thomas Jessulat CEO	Reiner Drews	Dirk Willers

Whether traditional combustion engines or electromobility, ElringKlinger is able to leverage its core competencies in all drive technologies. With our long-standing business as our backbone, we are driving the Group's transformation forward.

Find out more in the article »The Big Picture« in »pulse« magazine, 2024 issue.

03

Consolidated Financial Statements of ElringKlinger AG

FOR THE FINANCIAL YEAR 2023

Group Income Statement

of ElringKlinger AG, January 1 to December 31, 2023

EUR k	Note	2023	2022
Sales revenue	**(1)**	**1,847,120**	**1,798,430**
Cost of sales	(2)	-1,444,314	-1,459,933
Gross profit		**402,806**	**338,497**
Selling expenses	(3)	-152,362	-140,020
General and administrative expenses	(4)	-90,314	-90,177
Research and development costs	(5)	-68,976	-69,729
Other operating income	(6)	17,884	18,217
Other operating expenses	(7)	-26,133	-99,019
Earnings before interest and taxes (EBIT)		**82,905**	**-42,231**
Finance income		26,919	34,488
Finance costs		-54,011	-47,437
Share of result of associates	(8)	-2,638	-884
Net finance costs	**(9)**	**-29,730**	**-13,833**
Earnings before taxes		**53,175**	**-56,064**
Income tax expense	(10)	-19,695	-34,646
Net income		**33,480**	**-90,710**
of which: attributable to non-controlling interests	(21)	-5,833	-1,600
of which: attributable to shareholders of ElringKlinger AG	**(21)**	**39,313**	**-89,110**
Basic and diluted earnings per share in EUR	(11)	0.62	-1.41

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to December 31, 2023

EUR k	2023	2022
Net income	**33,480**	**-90,710**
Currency translation difference	-6,098	-14,325
Share of other comprehensive income of associates	58	263
Gains and losses that can be reclassified to the income statement in future periods	**-6,040**	**-14,062**
Remeasurement of defined benefit plans, net	-5,365	30,902
Gains and losses that cannot be reclassified to the income statement in future periods	**-5,365**	**30,902**
Other comprehensive income after taxes	**-11,405**	**16,840**
Total comprehensive income	**22,075**	**-73,870**
of which: attributable to non-controlling interests	-6,844	-809
of which: attributable to shareholders of ElringKlinger AG	**28,919**	**-73,061**

Group Statement of Financial Position

of ElringKlinger AG, as at December 31, 2023

EUR k	Note	Dec. 31, 2023	Dec. 31, 2022
ASSETS			
Intangible assets	(12)	168,151	146,818
Property, plant and equipment	(13)	857,981	905,777
Financial assets	(14)	11,646	13,533
Shares in associates	(8)	14,089	14,869
Non-current income tax assets	(15)	2,464	1,363
Other non-current assets	(15)	1,732	21,884
Deferred tax assets	(10)	24,889	19,524
Contract performance costs	(16)	5,348	6,137
Non-current contract assets	(17)	5,991	613
Non-current assets		**1,092,291**	**1,130,518**
Inventories	(18)	436,276	413,952
Current contract assets	(17)	7,327	8,299
Trade receivables	(19)	246,908	264,854
Current income tax assets	(19)	20,243	4,791
Other current assets	(19)	91,420	105,063
Cash and cash equivalents	(20)	113,712	119,103
Current assets		**915,886**	**916,062**
		2,008,177	**2,046,580**

EUR k	Note	Dec. 31, 2023	Dec. 31, 2022
LIABILITIES AND EQUITY			
Share capital		63,360	63,360
Capital reserves		118,238	118,238
Revenue reserves		671,249	641,440
Other reserves		-9,719	923
Equity attributable to the shareholders of ElringKlinger AG	**(21)**	**843,128**	**823,961**
Non-controlling interest in equity	(22)	67,552	72,872
Equity		**910,680**	**896,833**
Provisions for pensions	(23)	103,968	97,356
Non-current provisions	(24)	23,713	17,758
Non-current financial liabilities	(25)	282,227	429,233
Non-current contract liabilities	(26)	1,562	1,700
Deferred tax liabilities	(10)	25,851	23,782
Other non-current liabilities	(27)	6,419	10,046
Non-current liabilities		**443,740**	**579,875**
Current provisions	(24)	50,939	66,072
Trade payables	(27)	216,931	224,102
Current financial liabilities	(25)	167,711	73,423
Current contract liabilities	(26)	14,740	13,238
Tax payable	(10)	20,933	22,492
Other current liabilities	(27)	182,503	170,545
Current liabilities		**653,757**	**569,872**
		2,008,177	**2,046,580**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to December 31, 2023

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2021	**63,360**	**118,238**	**740,054**
First time adoption IAS 29[1]			
Balance as of Dec. 31, 2021	**63,360**	**118,238**	**740,054**
Dividend distribution			-9,504
Purchase of shares from non-controlling interests[2]			
Total comprehensive income			**-89,110**
Net income			-89,110
Other comprehensive income			
Balance as of Dec. 31, 2022	**63,360**	**118,238**	**641,440**
Balance as of Jan. 1, 2023	**63,360**	**118,238**	**641,440**
Dividend distribution			-9,504
Increase of capital reserves[3]			
Purchase of shares from non-controlling interests[4]			
Total comprehensive income			**39,313**
Net income			39,313
Other comprehensive income			
Balance as of Dec. 31, 2023	**63,360**	**118,238**	**671,249**

[1] Retroactively in the context of Turkey's hyperinflation
[2] Increase of shares in Elring Klinger Motortechnik GmbH from 92.86% to 100.0%
[3] Capital increase for EKPO Fuel Cell Technologies GmbH
[4] Increase of shares in ElringKlinger Logistic Service GmbH from 96.0% to 100.0%

	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
	-48,731	**48,186**	**-17,374**	**903,733**	**78,564**	**982,297**
			2,662	2,662	0	2,662
	-48,731	**48,186**	**-14,712**	**906,395**	**78,564**	**984,959**
				-9,504	-4,752	-14,256
		131		131	-131	0
	29,971		**-13,922**	**-73,061**	**-809**	**-73,870**
				-89,110	-1,600	-90,710
	29,971		-13,922	16,049	791	16,840
	-18,760	**48,317**	**-28,634**	**823,961**	**72,872**	**896,833**
	-18,760	**48,317**	**-28,634**	**823,961**	**72,872**	**896,833**
				-9,504	-4,324	-13,828
				0	6,000	6,000
		-248		-248	-152	-400
	-5,355		**-5,039**	**28,919**	**-6,844**	**22,075**
				39,313	-5,833	33,480
	-5,355		-5,039	-10,394	-1,011	-11,405
	-24,115	**48,069**	**-33,673**	**843,128**	**67,552**	**910,680**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to December 31, 2023

EUR k	Note	2023	2022
Earnings before taxes		53,175	-56,064
Depreciation/amortization (less write-ups) of non-current assets	(12)–(14)	121,288	216,530
Net interest	(9)	26,281	14,560
Change in provisions		-12,812	3,930
Gains/losses on disposal of non-current assets		4,806	-379
Share of result of associates		558	884
Change in inventories, trade receivables and other assets not resulting from financing and investing activities		-9,673	-91,113
Change in trade payables and other liabilities not resulting from financing and investing activities		14,151	52,531
Income taxes paid	(10)	-40,642	-21,798
Interest paid		-24,856	-13,662
Interest received		2,251	1,140
Other non-cash expenses and income		-4,826	-5,277
Net cash from operating activities		**129,701**	**101,282**
Proceeds from disposals of property, plant and equipment and intangible assets		6,004	5,215
Proceeds from disposals of financial assets		17,136	5,118
Payments for investments in intangible assets	(12)	-27,757	-22,432
Payments for investments in property, plant and equipment	(13)	-71,212	-69,255
Payments for investments in financial assets	(14)	-12,525	-12,333
Payments for the purchase of shares in associates		-1,800	-1,800
Net cash from investing activities		**-90,154**	**-95,487**
Proceeds from non-controlling interests		26,000	30,000
Payments to non-controlling interests for the purchase of shares		-400	0
Dividends paid to shareholders and to non-controlling interests		-13,828	-14,256
Proceeds from the addition of long-term loans	(25)	102,505	320,200
Payments for the repayment of long-term loans	(25)	-150,253	-350,382
Change in current loans		-3,758	19,414
Net cash from financing activites		**-39,734**	**4,976**
Changes in cash		-187	10,771
Effects of currency exchange rates on cash		-5,204	-1,568
Cash at beginning of period	(20)	119,103	109,900
Cash at end of period		**113,712**	**119,103**
Cash at end of period according to group statement of financial position	**(20)**	**113,712**	**119,103**

Notes to the Consolidated Financial Statements

for the Financial Year 2023

General information

As parent company of the Group, ElringKlinger AG is entered in the commercial register of the local court of Stuttgart/Germany (Amtsgericht) under the number HRB 361242. The Company's registered office is in Dettingen/Erms (Germany). The address is ElringKlinger AG, Max-Eyth-Str. 2, 72581 Dettingen/Erms/Germany. The Articles of Association are dated May 19, 2022. The registered company name is ElringKlinger AG.
The financial year is the calendar year.

The purpose of business of ElringKlinger AG and its subsidiaries ("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 prupose of business also encompasses the administration and commercial exploitation of landed property.

Accounting principles

The consolidated financial statements of ElringKlinger AG as of December 31, 2023, have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 provisions of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and the provisions of German stock corporation law. ElringKlinger AG's Articles of Association contain regulations on profit appropriation. All IAS, IFRS and IFRIC mandatory for the financial year 2023 have been observed.

On March 26, 2024, the Management Board of ElringKlinger AG submitted the consolidated financial statements for approval by the Supervisory Board, which also convenes on March 26, 2024.

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

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

The following regulations and amendments to existing regulations were applied for the financial year 2023 for the first time:

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
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
Amendments to IAS 8 (February 2021)	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 (May 2021)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	January 1, 2023

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

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

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
Incorporated in European law		
Amendments to IFRS 16	Lease Liability in a Sale	January 1, 2024
Amendments to IAS 1 (January/July 2020)	Classification of Liabilities as Current or Non-current	January 1, 2024
Incorporation in European law still outstanding		**Endorsement expected**
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

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 assets, liabilities, financial position and financial performance of ElringKlinger Group.

Basis of consolidation

The consolidated financial statements of ElringKlinger AG as of December 31, 2023, include the annual financial statements of 7 (2022: 7) domestic and 34 (2022: 33) 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 policy. A significant influence is assumed for associates with voting rights ranging from 20% to 50%. As of December 31, 2023, the following companies made use of the exemption provisions provided by Section 264 (3) HGB:

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

The shares in ElringKlinger Logistic Service GmbH, with registered office in Rottenburg/Neckar/Germany, increased from 96.00% to 100% due to the acquisition of non-controlling interests.

By resolution of the shareholders' meeting held on March 1, 2021, EK Fuel Cell Technologies GmbH, with registered office in Dettingen/Erms/Germany, was renamed into EKPO Fuel Cell Technologies GmbH, with registered office in Dettingen/Erms/Germany. In addition, the French automotive supplier Plastic Omnium, with registered office in Levallois/France, acquired 40% of the share capital as of March 1, 2021, 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 the closing of the transaction. In the past financial year 2023, another EUR 20,000 k (2022: EUR 30,000 k) were paid, the unpaid contribution is recognized at present value in other assets.

With the exception of the new formation of EKPO Fuel Cell Technologies US, Inc., with registered office in Fort Wayne/USA, there were no other changes in the basis of consolidation compared to the consolidated financial statements as of December 31, 2022.

An overview of the 41 companies included in the consolidated financial statements of the parent company is provided below.

Schedule of shareholdings and basis of consolidation

as of December 31, 2023

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

Name of company	Registered office	Share of capital in %
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Foreign		
ElringKlinger 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
Elring 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.[1]	Buford/USA	100.00
ElringKlinger Automotive Manufacturing, Inc.[1]	Southfield/USA	100.00
ElringKlinger Manufacturing Indiana, Inc.[1]	Fort Wayne/USA	100.00
ElringKlinger Silicon Valley, Inc.[1]	Fremont/USA	100.00
ElringKlinger Texas, LLC[1]	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.[2]	Buford/USA	77.50
ElringKlinger Engineered Plastics (Qingdao) Co., Ltd.[2]	Qingdao/China	77.50
ElringKlinger Marusan Corporation[3]	Tokyo/Japan	50.00
Marusan Kogyo Co., Ltd.[4]	Tokyo/Japan	23.45
PT. ElringKlinger Indonesia[5]	Karawang/Indonesia	50.00
ElringKlinger (Thailand) Co., Ltd.[5]	Bangkok/Thailand	50.00
EKPO Fuel Cell Technologies US, Inc.[6]	Fort Wayne/USA	60.00
EKPO Fuell Cell (Suzhou) Co., Ltd.[6]	Suzhou/China	60.00

Shares in associates (accounted for using the equity method in the consolidated financial statements)		
Domestic (Germany)		
hofer AG	Nürtingen/Germany	24.71

[1] Wholly owned subsidiary of ElringKliner Holding USA, Inc.
[2] Wholly owned subsidiary of ElringKlinger Kunststofftechnik GmbH.
[3] Consolidated due to contractual possibility of exercising control.
[4] 46.9% subsidiary of ElringKlinger Marusan Corporation, consolidated due to majority of voting rights.
[5] Wholly owned subsidiary of ElringKlinger Marusan Corporation.
[6] Wholly owned subsidiary of EKPO Fuel Cell Technologies GmbH.

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, and
- ElringKlinger Engineered Plastics North America, Inc., Buford/USA,

(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 2023 is EUR 1,989 k (2022: EUR 2,657 k).

A dividend of EUR 3,375 k (2022: EUR 3,037 k) was distributed to the subgroup's non-controlling interests in the financial year 2023.

Cash flow of the subgroup

EUR k	2023	2022
Operating activities	9,221	14,001
Investing activities	-6,028	-4,443
Financing activities	-2,811	-8,035
Changes in cash	**382**	**1,523**
Effects of currency exchange rates on cash	**-271**	**-62**

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

Summarized key financial information of the subgroup

EUR k	2023	2022
Non-current assets	58,716	58,824
Current assets	66,656	73,691
Non-current liabilities	13,795	13,531
Current liabilities	19,695	19,907
Sales revenue	123,508	125,289
Earnings before taxes (EBT)	12,187	16,572
Net income	**8,839**	**11,809**
Total comprehensive income	**7,805**	**14,264**

Further detailed information

EUR k	2023	2022
Cash and cash equivalents	**5,088**	**4,978**
Cash in hand	2	6
Bank deposits	5,086	4,972
Non-current financial liabilities	**953**	**1,206**
Current financial liabilities	**384**	**382**
Interest income	**427**	**484**
Interest expenses	**435**	**183**
Depreciation and amortization	**6,203**	**6,698**

Besides, ElringKlinger AG holds 60.0% (unchanged) of the controlling interests in EKPO Fuel Cell Technologies GmbH, Dettingen/Erms/Germany, with its two subsidiaries

- EKPO Fuel Cell (Suzhou) Co., Ltd., Suzhou/China, and
- EKPO Fuel Cell Technologies US, Inc. with registered office in Fort Wayne/USA,

(EKPO subgroup). The non-controlling interests amount to 40.0%.

The share in the earnings of this subgroup attributable to non-controlling interests for the financial year 2022 is EUR -7,690 k (2022: EUR -5,500 k).

Cash flow of the subgroup

EUR k	2023	2022
Operating activities	-15,906	-9,235
Investing activities	-19,869	-19,594
Financing activities	34,013	29,076
Changes in cash	**-1,762**	**247**
Effects of currency exchange rates on cash	**-240**	**-3**

Summarized key financial information of the subgroup

EUR k	2023	2022
Non-current assets	80,344	86,085
Current assets	49,614	46,565
Non-current liabilities	14,706	14,578
Current liabilities	14,745	13,409
Sales revenue	15,031	11,327
Earnings before taxes (EBT)	-17,691	-12,777
Net income	**-19,226**	**-13,750**
Total comprehensive income	**-19,154**	**-13,120**

Further detailed information

EUR k	2023	2022
Cash and cash equivalents	**11,334**	**13,335**
Cash in hand	0	0
Bank deposits	11,334	13,335
Non-current financial liabilities	**6,307**	**7,217**
Current financial liabilities	**992**	**932**
Interest income	**398**	**345**
Interest expenses	**176**	**91**
Depreciation and amortization	**5,814**	**4,047**

Newly formed companies 2023

EKPO Fuel Cell Technologies US, Inc., with registered office in Fort Wayne/USA, a wholly owned subsidiary of EKPO Fuel Cell Technologies GmbH, with registered office in Dettingen/Erms/Germany, was formed with effect as of June 15, 2023. ElringKlinger AG holds 60% of the controlling interests in EKPO Fuel Cell Technologies GmbH, Dettingen/Erms/Germany, with its subsidiaries EKPO Fuel Cell (Suzhou) Co., Ltd. and EKPO Fuel Cell Technologies US, Inc. (EKPO subgroup). The non-controlling interests amount to 40%.

Divestitures 2023

No divestitures were made.

Name changes 2022

With effect from June 22, 2022, ElringKlinger Abschirmtechnik (Schweiz) AG, with registered office in Sevelen/Switzerland, was renamed ElringKlinger Switzerland AG, with registered office in Sevelen/Switzerland.

Newly formed companies 2022

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

Divestitures 2022

No divestitures were made.

Spin-offs 2022

As of July 1, 2022, assets and liabilities of ElringKlinger Italia Srl, with registered office in Settimo Torinese/Italy, were partially spun-off to Elring Italia Srl, with registered office in Settimo Torinese/Italy, as part of universal succession.

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 and measurement methods that apply uniformly across 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 recognized through profit or loss.

Any hidden reserves and liabilities that have been uncovered are rolled forward, depreciated, or released together with the corresponding assets or liabilities. Capitalized goodwill is not amortized, but is subject to at least one impairment test annually.

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 directly in equity.

The non-controlling interests 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 financial years 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 intragroup gains and losses from intragroup 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 at 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 group 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 those of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After applying the equity method, the Group determines whether it is necessary to recognize an impairment loss on its shares in an associate. At each reporting date, the Group determines whether there is any objective evidence of impairment of the share in an associate. If so, the impairment loss is determined as the difference between the recoverable amount of the share 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 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 reporting date, assets and liabilities in foreign currency are measured at the closing rate. Differences arising on translation are recognized through profit or loss.

Currency translation differences from monetary items that form part of a net investment 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 recognized 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, 2023	Dec. 31, 2022	2023	2022
US dollar (USA)	USD	1.10500	1.06660	1.08285	1.04998
Pound sterling (UK)	GBP	0.86905	0.88693	0.86880	0.85482
Franc (Switzerland)	CHF	0.92600	0.98470	0.97166	1.00170
Canadian dollar (Canada)	CAD	1.46420	1.44400	1.46195	1.37036
Real (Brazil)	BRL	5.36180	5.63860	5.39402	5.40514
Peso (Mexico)	MXN	18.72310	20.85600	19.06578	21.05364
RMB (China)	CNY	7.85090	7.35820	7.68393	7.07435
WON (South Korea)	KRW	1,433.66000	1,344.09000	1,420.12250	1,354.16083
Rand (South Africa)	ZAR	20.34770	18.09860	20.04102	17.21273
Yen (Japan)	JPY	156.33000	140.66000	153.17583	138.13917
Forint (Hungary)	HUF	382.80000	400.87000	380.57417	393.11083
Turkish lira (Turkey)	TRY	32.65310	19.96490	26.25843	17.45661
Leu (Romania)	RON	4.97560	4.94950	4.95140	4.93403
Indian rupee (India)	INR	91.90450	88.17100	89.43426	82.71542
Indonesian rupiah (Indonesia)	IDR	17,079.71000	16,519.82000	16,482.53083	15,639.00667
Bath (Thailand)	THB	37.97300	36.83500	37.71792	36.80008
Swedish krona (Sweden)	SEK	11.09600	11.12180	11.48422	10.65713

Hyperinflation Turkey

Since June 2022, Turkey has been classified as a hyperinflationary economy within the meaning of IAS 29 “Financial Reporting in Hyperinflationary Economies”. To reflect the change in the purchasing power, the annual financial statements prepared on the basis of historical cost of the Turkish subsidiary, whose functional currency is the Turkish lira, were adjusted for the effects of inflation. The consumer price index applied amounted to 1,859.38 as of December 31, 2023 (December 31, 2022: 1,128.45) and is published by the Turkish Statistical Institute (Tüik). The resulting change in the index value for the financial year amounted to 1.648. The gain from the net monetary position is reported under other finance income.

In accordance with IAS 21.42, all items of the statement of financial position as well as income and expenses were translated into the reporting currency (euro) as of the reporting date December 31, 2023.

Accounting and measurement methods

Goodwill

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

EUR k	2023	2022
Original Equipment	72,770	72,789
Engineered Plastics	6,313	6,313
Aftermarket	1,658	1,658
Total	**80,741**	**80,760**

Testing for impairment

Goodwill is tested for impairment at least once a year as of December 31 and also during the year if there is an indication of impairment. An impairment is recognized in the group 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 exist.

The recoverable amount for impairment tests is determined using the respective value in use as present value of future net cash inflows. For this purpose, the value in use of the cash-generating units is determined by discounting future cash flows. A detailed plan of the cash flows for the cash-generating units taking into account the associated risks is established over the forecast period of five years. Subsequent periods are accounted for by perpetual annuity determined on the basis of the last detailed planning year and an expected terminal growth rate of 1% (2022: 0%).

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 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 of 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 of automotive production. The figures allocated to the key assumptions are generally in line with external sources of information, e.g., expected production and 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 (WACC). The discount factor applied as of December 31, 2023 was the WACC before taxes of 10.41% (2022: 10.40%). Capital structure, equity and debt capital are based on comparable companies from the same industry (peer group) and are derived from the capital market information available. The cost of equity applied is determined on the basis of the risk-free base interest rate according to the method of the Institute of Public Auditors in Germany (IDW) and the market risk premium. In addition, a country-specific risk premium and the expected long-term inflation of the respective currency area are taken into account for each cash-generating unit. A beta factor, which is derived from the peer group, is also used to calculate the cost of equity. The beta factor represents the individual risk of a share as compared to a market index. The cost of debt capital is based on the risk-free base interest rate and was complemented by country-specific risks and a credit spread derived from the peer group.

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

Original Equipment

In the Original Equipment segment, an increase in sales revenue and a related continuously positive margin development are expected. The ramp-up of the large-scale orders won for series production in the area of new technologies contributes to the planned growth.

In the financial year 2023, the Original Equipment segment was in particular directly affected by persistently high raw material, energy and transport costs, and the comparatively high level of inflation as well as further exceptional factors. The budget target was therefore not reached despite increases in sales revenue compared to the previous year.

In addition to the historical development of the unit, the impairment test 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 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. The impairment test of goodwill of the Original Equipment segment performed as of December 31, 2023 did not result in any need to recognize impairment.

In the prior year, the significant increase in the interest level in the second quarter of 2022 was a triggering event for an impairment test as of June 30, 2022. This impairment test resulted in a need to recognize an impairment loss on goodwill of EUR 86,078 k in the Original Equipment segment, which was recognized under other operating expenses. The recoverable amount determined corresponds to the value in use of EUR 1,087.6 million. This was chiefly influenced by the increase in the weighted average cost of capital (WACC) before taxes applied for discounting to 10.44% as of June 30, 2022 (2021: 9.81%). Furthermore, the tense situation on the energy and commodities market, which had been taken into account in the updated planning, affected the calculation of impairment.

The value in use, determined on the basis of the aforementioned assumptions, exceeds the carrying amount as of December 31, 2023 by about EUR 206.6 million for the Original Equipment segment. Changes in cost of capital or profit margin can meanwhile lead to a situation where the carrying amount exceeds the recoverable amount. In the case of an isolated increase in cost of capital by around 1.13 percentage points, the recoverable amount would correspond to the related carrying amount. An isolated reduction of the profit margin in the terminal value by around 1.20 percentage points would have the same effect.

Engineered Plastics

The Engineered Plastics segment in its planning still assumes an increase in sales revenue and a constant positive margin development, among other things, due to the very positive market response, the successful development in the past financial years as well as the new market potential resulting from trends in connection with the transformation of the automotive industry and miniaturization, robotics and sensor systems.

The impairment test of goodwill for the Engineered Plastics segment did not result in any need to recognize an impairment.

Aftermarket

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

The impairment test of goodwill for the Aftermarket segment did not result in any need to recognize an impairment.

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, that the costs of the asset can be determined reliably, and that 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 10 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 an IPCEI (Important Project of Common European Interest), the capitalization is reduced by the subsidies received (net method).

Property, plant and equipment

Tangible assets that are used in business operations for a period longer than one year are measured as property, plant and equipment at acquisition or manufacturing 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	10 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 each reporting date if there are indications of impairment. Intangible assets that are not yet available for use are tested for impairment at least once a year. 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 of disposal 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, reversals of impairment losses are recognized up to, at most, amortized cost.

Impairment losses and reversals of impairment losses are recognized in the income statement under cost of sales.

Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

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.

Upon initial recognition, financial assets are classified for subsequent measurement either as measured at amortized cost, as measured at fair value through other comprehensive income or as measured at fair value through profit or loss.

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 measures a financial asset at its fair value plus, in the case of a financial asset not measured 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 individual financial instrument level.

The Group's business model for managing financial assets reflects how a company 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 purchases and sales at arm's length 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, comparison with a current fair value of another, substantially identical, financial instrument and the analysis of discounted cash flows.

A financial asset is primarily derecognized in cases where the contractual rights to receive cash flows from this financial asset have expired or have been transferred. A financial asset has been transferred when essentially all risks and rewards connected with ownership of the financial asset have been transferred or when essentially all risks and rewards connected with ownership of the financial asset have neither been transferred nor retained but the control over the asset has been transferred. In the latter case, the entity continues to recognize the asset to the extent to which it has a continuing involvement in the asset.

For the purposes of subsequent measurement, financial assets are classified into three categories:

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 amortized 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 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 as part of 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, the irrevocable option to classify them as at fair value through other comprehensive income may be exercised 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 expected credit loss is material for impairment losses in accordance with IFRS 9. Valuation allowances will be recognized for all financial assets measured at amortized 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 generally 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 for expected credit losses 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 applied in accordance with IFRS 9 uses 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 held for trading and other liabilities.

Upon initial recognition, financial liabilities are measured at fair value.

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

For the purposes of subsequent measurement, financial liabilities are classified into two categories:

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 liabilities are derecognized or repaid, and additionally as part of amortizations by means of the effective interest method.

Financial liabilities measured at fair value through profit or loss comprise the financial liabilities held for trading, 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, with registered office in Tokyo/Japan. The obligation that results from this agreement is recognized at the fair value of the shares under other current liabilities and rolled forward through profit or loss. ElringKlinger Marusan Corporation is therefore fully consolidated in ElringKlinger Group; non-controlling interests have not been disclosed.

Derivative financial instruments and hedge accounting

In accordance with 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 at 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 at ElringKlinger Group are price hedges. The purpose of derivative financial instruments is to reduce the negative effects of currency and price risks on the Group's assets, liabilities, financial position and financial performance. As of the reporting date, there were forward contracts for nickel and currency derivatives at ElringKlinger AG, with registered office in Dettingen/Erms/Germany, as well as for the commodities electricity and gas at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH, with registered office in Bietigheim-Bissingen/Germany, and at ElringKlinger Hungary Kft., with registered office in Kecskemét-Kádafalva/Hungary.

Costs to fulfill a contract

According to IFRS 15, 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. This amortization is recognized in cost of sales.

Furthermore, costs to fulfill a contract are amortized through profit or loss if the carrying amount of the assets 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. In individual cases, contract assets result from costs for the initiation of a contract regarding project business with customers over time. They relate to the conditional right against the customer to consideration for supplies and services not yet invoiced as of the reporting date.

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. Manufacturing costs of work in progress and finished goods are 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. Manufacturing costs do not include selling expenses and finance cost. Administrative expenses are included in manufacturing costs if related to production. Net realizable value represents the estimated sales price less all estimated costs up 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 primarily include liquid funds, cash in hand, checks, bank deposits as well as short-term deposits with an original term of less than three months. They are 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. The calculation considers not only the pensions and vested claims known at the reporting date but also future anticipated increases in pensions and salaries, with appropriate estimates of the relevant factors, as well as biometric assumptions.

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 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 merely set up for the cost of the lawsuit. 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 made 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 payments, discounted with the term-based incremental borrowing rate because the underlying interest rate of the lease is not readily determinable, 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 the Euler Hermes assessment of ElringKlinger Group.

The rights of use reported under property, plant and equipment are recognized at cost less accumulated amortization and any accumulated impairment losses if applicable. 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 lease assets and short-term leases (with a term of up to 12 months). The lease payments associated with these leases are generally recognized as an expense 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 that 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 received 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 deliveries and services 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 ElringKlinger Group. The progress of development services is determined using the input method because there is a direct relationship between the effort of 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 group 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 in 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 manufacturing 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 through profit or loss in the period they are received and are 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 manufacturing 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 2023 was 5.22% (2022: 2.76%). Borrowing costs of EUR 335 k were capitalized in the financial year (2022: EUR 431 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 fixed tax rates established by law as of the reporting date.

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 tax loss carryforwards to the extent that their future use may be anticipated.

Deferred tax assets and liabilities are offset if there is an enforceable right to offset current tax refund claims against current tax liabilities and if these relate to income taxes levied by the same tax authority and the Group intends to pay its current tax assets and tax liabilities net.

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 items recognized in 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.

On Dec. 28, 2023 (published in the German Federal Gazette on Dec. 27, 2023, entered into force on Dec. 28, 2023), the Federal Government of Germany, where the Parent has its registered office, transposed the Pillar 2 provisions into national tax law with effect from January 1, 2024. Under the transposed law, the Parent is required to pay an additional tax in Germany on profits of its subsidiaries, which are taxed at an effective tax rate of less than 15%.

Hungary and Switzerland are among the most important jurisdictions in which this tax can be levied. On the basis of an analysis as at Dec. 31, 2023, less than 1% of the Group's taxable profits should be subject to this tax, which are currently taxed at the average effective tax rate of 9% and 14.5% applicable to these profits. These disclosures are based on the profits and tax expenses determined as part of the preparation of the consolidated financial statements, taking into account only certain adjustments that would have been required in applying the legal requirements, in particular regarding deferred taxes on loss carryforwards not qualified for capitalization. The analysis was based on the most recent figures of the issued country-by-country reporting. Since not all adjustments that would have been required under the legislation were made, the actual effect that the legislation would have had on the consolidated result had it already been in force for the financial year ending December 31, 2023 may differ materially.

The Parent continues to examine the impact of the legislation on the Pillar 2 provisions on the Group's future performance.

The Parent applied the temporary exemption from the accounting provisions for deferred taxes laid down in IAS 12, which was published by the IASB in May 2023. In accordance with said exemption, no deferred taxes related to income taxes under the Pillar 2 provisions and no related information are disclosed.

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 highly unlikely. 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 reporting date 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 benefits. Actual results may deviate from these estimates. Changes are recognized through profit or loss at the time better insights are available.

Estimates are subject to an increased uncertainty on account of external effects, such as the further unforeseeable consequences of the impact caused by the conflict between Russia and Ukraine as well as the conflict in the Middle East, the tense situation on the raw materials markets, the general macroeconomic development as well as the development in the automotive sector. While updating the estimates and judgments, the available information 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 expectations 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 as a gesture of goodwill. 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 amount of future severance payments. The estimates are based on historical figures and those 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 benefits 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 amounts recognized for pension provisions.

Risks and uncertainties

The past financial year 2023 was also characterized by a high degree of uncertainty and volatility. The war in Ukraine continues and the conflict in the Middle East has flared up again. An escalation of the situation can neither be excluded in the Middle East nor in Eastern Europe. In addition, there are further tensions and armed conflicts worldwide, such as in parts of North and West Africa or at the southern entry to the Red Sea. New conflicts can also arise in the South China Sea. Some of these geopolitical hotspots are among ElringKlinger's sales regions which are exposed to certain risks. By contrast, the Aftermarket segment, whose core regions include North Africa and the Middle East in addition to Europe, is exposed to the general risk of loss of sales revenue. As the currency used for invoicing there is the euro, limited access to foreign currency can lead to a delay or decrease in orders. These regions are not the core regions of the Original Equipment segment.

In addition to geopolitical risks, there are risks related to economic development, as the global vehicle markets will as a rule develop along the same lines. 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 ElringKlinger products. Apart from political and geopolitical developments, there may be different factors influencing such a course. For example, high prices on the global markets – particularly for raw materials and energy – can make the central banks respond by raising the interest rates to contain inflation; however, this would also dampen economic growth. Therefore, there is a risk of recession in many regions around the world. Irrespective of this, it cannot be ruled out that a pandemic similar to the COVID-19 pandemic will repeat itself.

ElringKlinger generally makes adequate provision for economic risks at the planning stage. A policy of using a cautious macroeconomic scenario for budgeting purposes is applied.

In addition, the Group's global positioning – especially in the three core automotive markets Europe, Asia-Pacific and North America – and the breadth of its product portfolio enable it to cushion geopolitical risks. In order to strengthen the Group's resilience to potential negative factors, the environment and its developments are continuously and comprehensively analyzed. However, in view of the uncertain and volatile framework conditions and the variety of possible developments, it is not possible to predict the nature and extent of the potential effects with sufficient accuracy.

Overall, the external economic and strategic risks can be described as very low.

In addition to general sales risks there are customer and contract-specific risks. The Group addresses the risks of customer default notably through long-standing customer relationships, a broadly diversified clientele and through prepayments or milestone-related payments as payment terms or also through trade credit insurance. In the past years, ElringKlinger has also steadily expanded its customer structure and is generally not dependent on individual customers.

However, as part of the profound transformation process, the customer structure is also changing. In addition to traditional suppliers, new, innovative manufacturers are increasingly entering the market, which exclusively rely on vehicle models with alternative drive systems and/or pursue entirely new mobility concepts. Often times, these new manufacturers are still operating as start-ups. The business development of these companies is difficult to assess because, in contrast to established manufacturers, traditional sales risks are compounded by factors such as development capacity or successful further financing rounds. It is therefore entirely possible that some of these new manufacturers will not bring their development to market maturity, will not be able to obtain follow-up financing, or will not achieve customer acceptance for their product. In all such cases, ElringKlinger is faced with the risk that payments for existing development projects or orders may not be made, so impairment losses will have to be recognized on receivables.

ElringKlinger currently pursues business relationships with customers that fall into the above category. It counters increased counterparty risk with a risk-minimizing customer strategy. This involves, among other things, payment terms that correspond largely to the respective project progression and therefore cover any investment or development amounts outstanding. All in all, the risk of default can be deemed very low.

Climate change is leading to demands for stricter legislation in the transport sector and sustainable mobility. In addition to time limits for new registrations of vehicles with combustion engines, many countries have enacted emissions regulations or the registration of such vehicles in recent years. Manufacturers therefore need to transform their product portfolio toward electromobility. At the same time, countries are promoting new drive technologies.

With regard to future technologies, ElringKlinger operates in the areas of both battery and fuel cell technology. Fuel cells make it possible to convert energy during operation, thereby extending the range depending on usage. Thus, fuel cells are particularly suitable for applications where downtime, as necessitated by the frequent charging of batteries, is costly, e.g., in the case of trucks or buses.

Likewise, vehicle weight has an impact on environmentally friendly mobility. Less weight is of key importance to car manufacturers in order to reduce fuel consumption in the case of vehicles with combustion engines or to increase range in the case of electric vehicles. All in all, the focus in this regard is always on minimizing mobility-related 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.

When preparing the consolidated financial statements, the possible effects of climate change and future regulatory requirements, especially those associated with the transformation to e-mobility, were taken into account. The estimate of future net cash inflows for the determination of the recoverable amount as part of impairment testing of goodwill based on the planning reflects a corresponding increase in sales revenue and capital expenditures in the strategic business fields.

The focus of group capital expenditures is on the Company's strategic fields of future. Investments in the conventional business areas are managed actively and the Group very carefully reviews the necessity, the timeline of implementation and the financial requirements taking into account the group-wide useful lives of production plants of 10 to 15 years. This did not have any effects on the consolidated financial statements.

In 2023, EKPO Fuel Cell Technologies GmbH received the approval of grants of EUR 177,000 k as part of the IPCEI ("Important Project of Common European Interest") initiative for the "IPCEI hydrogen" program. The grants are used for the development and industrialization of a new generation of PEM fuel cell stack modules for heavy duty applications. In the financial year, EKPO Fuel Cell Technologies GmbH received grants of EUR 8,818 k as part of this initiative.

With the approval received in 2021 of grants of up to 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. In the financial year 2023, ElringKlinger AG received grants of EUR 1,997 k (2022: EUR 3,292 k) as part of this initiative.

For both IPCEI projects, EKPO Fuel Cell Technologies GmbH and ElringKlinger AG have to fulfill certain conditions for the utilization of these funds. In case of non-compliance with the conditions, there is a risk that parts 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	2023	2022
Lightweighting/Elastomer Technology	579,979	575,200
Metal Sealing Systems & Drivetrain Components	497,752	496,573
Metal Forming & Assembly Technology*	284,579	293,213
E-Mobility	48,334	42,372
Exhaust Gas Purification	1,119	4,023
Others	115	44
Segment Original Equipment	**1,411,878**	**1,411,425**
Segment Original Equipment	1,411,878	1,411,425
Segment Aftermarket	300,101	250,870
Segment Engineered Plastics	132,266	132,620
Sale of goods and licensing	**1,844,245**	**1,794,915**
Sale of goods	1,844,245	1,794,915
Revenue from the rendering of services	2,875	3,496
Revenue from contracts with customers	**1,847,120**	**1,798,411**
Revenue from contracts with customers	1,847,120	1,798,411
Income from rental and leasehold	0	19
Total	**1,847,120**	**1,798,430**

* Name change as of January 1, 2023; includes former Shielding Technology business unit

Breakdown by geographical markets:

EUR k	2023	2022
Revenue from contracts with customers	366,282	365,907
Income from rental and leasehold	0	19
Total Germany	**366,282**	**365,926**
Revenue from contracts with customers	1,480,838	1,432,504
Income from rental and leasehold	0	0
Total other countries	**1,480,838**	**1,432,504**
Total	**1,847,120**	**1,798,430**

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 (33) Segment reporting.

Contract balances

EUR k	Dec. 31, 2023	Dec. 31, 2022
Trade receivables	246,908	264,854
Contract assets	13,318	8,912
Contract liabilities	16,302	14,938

A contract asset is the conditional 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.

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, 2022	**9,396**	**16,736**
Revenue that was included in the contract liability balance at the beginning of the reporting period		16,024
Reclassification of contract assets reported at the beginning of the reporting period to trade receivables	8,591	
Additions from payments received less amounts reported as sales revenue in the reporting period		14,226
Additions from performance completed not yet billed in the reporting period	8,107	
As of Dec. 31, 2022	**8,912**	**14,938**
Revenue that was included in the contract liability balance at the beginning of the reporting period		13,238
Reclassification of contract assets reported at the beginning of the reporting period to trade receivables	8,299	
Additions from payments received less amounts reported as sales revenue in the reporting period		14,602
Additions from performance completed not yet billed in the reporting period	12,705	
As of Dec. 31, 2023	**13,318**	**16,302**

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of December 31, 2023 are as follows:

EUR k	Dec. 31, 2023	Dec. 31, 2022
Within one year	2,594	840
In more than one year	10,168	0

Limited variable considerations are not taken into account in the disclosed amounts. Furthermore, no disclosures are 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 sales revenue. Personnel expenses also include expenses for the discontinuation of production activities at a location in Germany.

Cost of sales includes:

EUR k	2023	2022
Cost of materials	826,020	825,692
Personnel expenses	384,044	378,721
Depreciation and amortization	96,405	116,128
Amortization of costs to fulfill a contract	2,433	2,381
Other expenses	135,412	137,011
Total	**1,444,314**	**1,459,933**

3. Selling expenses

Compared to 2022, selling expenses increased by EUR 12,342 k to EUR 152,362 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 2022, general and administrative expenses increased by EUR 137 k to EUR 90,314 k.

5. Research and development costs

Research and development costs include personnel expenses, amortization and depreciation and the cost of test 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 2022, research and development costs declined by EUR 755 k to EUR 68,976 k. Development costs of EUR 27,069 k (2022: EUR 22,034 k) were capitalized in the financial year 2023.

6. Other operating income

EUR k	2023	2022
Government grants	5,488	4,011
Reimbursements from third parties	2,062	2,193
Income from the disposal of non-current assets	1,809	1,360
Other taxes (excl. income tax)	697	273
Reversal of impairments on trade receivables	380	2,697
Insurance reimbursements/claims reimbursements	361	2,488
Other	7,087	5,195
Total	**17,884**	**18,217**

The item Other also includes rental income and a reimbursement claim from a customer agreement.

7. Other operating expenses

EUR k	2023	2022
Losses from the disposal of non-current assets	6,642	1,000
Other taxes (excl. income tax)	5,831	5,783
Other fees	4,396	1,991
Impairments on intangible assets and property, plant and equipment	5,680	86,078
Expenditures for claims	1,201	1,327
Defaults on receivables	522	395
Impairments on trade receivables	365	-3
Recognition of provisions/deferred liabilities	124	19
Selling costs for machinery	21	167
Other	1,351	2,262
Total	**26,133**	**99,019**

The item Losses from the disposal of non-current assets includes the loss from the sale of a part of a land of ElringKlinger AG of EUR 2,685 k.

The item Other fees includes expenses incurred in connection with receivables sold.

8. Associates

ElringKlinger holds a share of 24.71% in hofer AG, Nürtingen/Germany. 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 financial information of the Group's investment in hofer AG.

EUR k	2023	2022
Non-current assets	54,946	51,881
Current assets	40,204	53,398
Non-current liabilities	36,211	43,414
Current liabilities	23,342	27,387
Net assets	**35,597**	**34,478**
Group share 24.71%	9,044	8,520
Goodwill	13,432	13,432
Accumulated impairment previous years	-9,810	-9,810
Impairment current year	-2,080	0
Carrying amount of the Group's share	**10,586**	**12,142**
Sales revenue	86,873	103,304
Comprehensive income for the financial year	**2,119**	**-7,414**
thereof other comprehensive income	-115	1,084
Group share in profit/loss	**524**	**-1,832**
Dividends received	**0**	**0**

As of December 31, 2023, the associate had contingent liabilities of EUR 232 k (2022: EUR 508 k) and liabilities to banks of EUR 8,527 k (2022: EUR 11,342 k).

9. Net finance costs

EUR k	2023	2022
Finance income		
Income from currency differences	22,030	30,522
Interest income	3,301	1,481
Other	1,588	2,485
Total finance income	**26,919**	**34,488**
Finance costs		
Expenses from currency difference	-20,483	-31,225
Interest expenses	-29,582	-16,041
Other	-3,946	-171
Total finance costs	**-54,011**	**-47,437**
Expenses from associates	-2,638	-884
Income from associates	0	0
Share of result of associates	**-2,638**	**-884**
Net finance costs	**-29,730**	**-13,833**

Of the interest expenses, an amount of EUR 4,384 k (2022: EUR 1,592 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 1,969 k (2022: EUR 1,077 k) resulted from the roll-forward of lease liabilities. Borrowing costs for qualifying assets in the amount of EUR 335 k were capitalized in the reporting year (2022: EUR 431 k); this represents a corresponding improvement in the result.

The expenses from associates contain the roll-forward of the carrying amount through profit or loss of EUR -2,638 k (2022: EUR -884 k).

Other finance costs contain expenses of EUR 1,332 k (2022: other finance income of EUR 363 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, with registered office in Tokyo/Japan.

Furthermore, other finance income includes the gain from the net monetary position from the hyperinflation in Turkey of EUR 1,537 k (2022: EUR 2,119 k).

10. Income taxes

Income taxes break down as follows:

EUR k	2023	2022
Current tax expense	20,204	34,566
Deferred taxes	-509	80
Tax expense reported	**19,695**	**34,646**

Income taxes consist of corporate income and municipal trade taxes including the solidarity surcharge of domestic group companies as well as comparable income taxes of foreign group companies.

The income tax rate calculated for the German companies is 29.1% (2022: 29.1%). Foreign taxation is calculated at the rates applicable in the countries concerned and ranges between 9.0% and 34.7% (2022: between 9.0% and 34.7%). The average foreign tax rate is 24.6% (2022: 24.3%).

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 when applying the average nominal income tax rate of 25.4% (2022: 25.2%) and the income tax expense actually reported.

EUR k	2023	2022
Earnings before taxes	53,175	-56,064
Expected tax rate	**25.37%**	**25.16%**
Expected tax expenses	**13,490**	**-14,106**
Change in the expected tax expense due to:		
Non-deductible operating expenses	5,918	10,499
Tax-free income	-5,777	-1,041
Other permanent differences	415	13,126
Difference in basis of assessment of local taxes	-110	-54
Use of non-capitalized or forfeiture of capitalized tax loss carryforwards	-9,424	2,754
Write-up/write-down of capitalized tax loss carryforwards (relating to other periods)	-3,069	-2,926
Addition to uncapitalized tax loss carryforwards	14,985	9,229
Write-downs and write-ups of temporary differences	6	7,645
Taxes relating to other periods	-3,016	1,268
Deferred taxes relating to other periods	3,336	-207
Deviations due to changes in tax rate	-728	5,549
Deviations on account of withholding taxes	3,153	3,010
Other effects	516	-100
Tax expense reported	**19,695**	**34,646**
Actual tax rate	**37.0%**	**-61.8%**

Retained earnings of EUR 52,453 k (2022: EUR 53,277 k) at domestic and foreign subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense incurred on distributions in Germany amounts to EUR 2,639 k (2022: EUR 2,513 k) and has been recorded as a deferred tax liability. Further retained earnings of domestic and foreign subsidiaries of EUR 84,276 k (2022: EUR 42,302 k) are intended to be permanently invested in those operations on the basis of current planning. Temporary differences related to shares in associates are immaterial.

Deferred tax assets of EUR 18,020 k (2022: EUR 10,307 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 308 k (2022: EUR 43 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 331,728 k (2022: EUR 329,259 k) and on temporary differences of EUR 19 k (2022: EUR 19,751 k), since it was not expected that the tax claims would be realized 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, 2023	Dec. 31, 2022
Loss carryforwards are forfeited within		
One year	787	0
Two years	8,457	8,951
Three years	5,577	11,436
Four years	7,750	15,462
Five years	6,650	23,347
More than five years	35,470	71,005
Non-forfeitable	267,037	199,058
Total	**331,728**	**329,259**

Tax deferrals relate to the following matters. In this respect, deferred tax assets and liabilities are offset if there is an enforceable right to offset current tax refund claims against current tax liabilities and if these relate to income taxes levied by the same tax authority and the Group intends to pay its current tax assets and tax liabilities net.

	Deferred tax assets		Deferred tax liabilities	
EUR k	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Intangible assets	605	677	26,422	20,095
Property, plant and equipment	13,486	10,299	52,894	56,066
Financial assets	109	278	0	0
Other non-current assets	4,194	5,635	306	515
Inventories	4,883	5,241	37	0
Current contract assets	0	0	810	1,731
Trade receivables	733	744	799	1,095
Other current assets	1,426	347	837	3,011
Cash and cash equivalents	0	0	0	0
Provisions for pensions	14,648	13,093	49	19
Non-current provisions	1,727	2,459	0	0
Non-current financial liabilities	7,234	11,031	0	27
Other non-current liabilities	1,189	1,348	6,786	6,593
Current provisions	9,470	8,837	30	3
Trade payables	3,896	2,933	1,388	132
Current contract liabilities	80	0	0	0
Current financial liabilities	5,471	7,804	24	24
Other current liabilities	5,131	6,777	624	457
Deferred taxes associated with shares in subsidiaries	0	0	2,639	2,513
Deferred tax assets	18,020	10,307	0	0
Deferred tax liabilities	381	212	0	0
Total	**92,683**	**88,022**	**93,645**	**92,281**
Offsetting deferred tax assets against deferred tax liabilities	-67,794	-68,499	-67,794	-68,499
Recognized in the statement of financial position	**24,889**	**19,523**	**25,851**	**23,782**

Deferred taxes totaling EUR 1,720 k (2022: EUR -12,021 k) were recognized in other comprehensive income. Of this amount, EUR 1,687 k (2022: EUR -11,853 k) relates to pension provisions and EUR 33 k (2022: EUR -168 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:

	2023	2022
Profit/loss attributable to the shareholders of ElringKlinger AG (EUR k)	39,313	-89,110
Average number of shares	63,359,990	63,359,990
Earnings per share in EUR	**0.62**	**-1.41**

Disclosures on the group statement of financial position

12. Intangible assets

EUR k	Development costs (internally generated)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (internally generated)	Total
Acquisition/Manufacturing cost as of Jan. 1, 2023	**88,180**	**180,590**	**54,169**	**108**	**323,047**
Currency changes	1,058	-127	-107	0	824
Additions	27,069	0	681	7	27,757
Reclassifications	0	0	33	-4	29
Disposals	861	0	802	0	1,663
As of Dec. 31, 2023	**115,446**	**180,463**	**53,974**	**111**	**349,994**
Acquisition/Manufacturing cost as of Jan. 1, 2023	**28,778**	**99,830**	**47,621**	**0**	**176,229**
Currency changes	1,058	-108	-90	0	860
Additions	3,824	0	1,617	0	5,441
Impairment	941	0	0	0	941
Reclassifications	0	0	0	0	0
Disposals	861	0	767	0	1,628
As of Dec. 31, 2023	**33,740**	**99,722**	**48,381**	**0**	**181,843**
Net carrying amount as of Dec. 31, 2023	**81,706**	**80,741**	**5,593**	**111**	**168,151**

EUR k	Development costs (internally generated)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (internally generated)	Total
Acquisition/Manufacturing cost as of Jan. 1, 2022	**69,139**	**178,737**	**54,187**	**327**	**302,390**
Adjustments from hyperinflationary economies (IAS 29)	0	0	1	0	1
Acquisition/Manufacturing cost as of Jan. 1, 2022	**69,139**	**178,737**	**54,188**	**327**	**302,391**
Currency changes	959	1,853	74	0	2,886
Additions	22,034	0	515	-116	22,433
Reclassifications	0	0	110	-103	7
Disposals	3,952	0	718	0	4,670
As of Dec. 31, 2022	**88,180**	**180,590**	**54,169**	**108**	**323,047**
Acquisition/Manufacturing cost as of Jan. 1, 2022	**26,993**	**13,580**	**46,233**	**0**	**86,806**
Adjustments from hyperinflationary economies (IAS 29)	0	0	1	0	1
Acquisition/Manufacturing cost as of Jan. 1, 2022	**26,993**	**13,580**	**46,234**	**0**	**86,807**
Currency changes	960	172	68	0	1,200
Additions	3,507	0	1,904	0	5,411
Impairment	1,270	86,078	0	0	87,348
Reclassifications	0	0	0	0	0
Disposals	3,952	0	585	0	4,537
As of Dec. 31, 2022	**28,778**	**99,830**	**47,621**	**0**	**176,229**
Net carrying amount as of Dec. 31, 2022	**59,402**	**80,760**	**6,548**	**108**	**146,818**

In the 2023 financial year, as part of the IPCEI initiative, grants of EUR 7,297 k (2022: EUR 1,858 k) were deducted from the carrying amount of development costs (net method).

The impairment testing of intangible assets indicated a need to for impairment losses of EUR 941 k (2022: EUR 87,348 k), which was recognized in the reporting year. Impairment losses of EUR 941 k (2022: EUR 1,270 k) were recognized on discontinued development projects in the Original Equipment segment.

Purchase commitments to acquire intangible assets amounted to EUR 201 k as of December 31, 2023 (December 31, 2022: EUR 280 k). All amortization of intangible assets is contained in the following line items in the income statement:

EUR k	2023	2022
Cost of sales	4,209	3,896
Selling expenses	81	100
General and administrative expenses	1,016	1,149
Research and development costs	135	266
Total	**5,441**	**5,411**

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/Manufacturing cost as of Jan. 1, 2023	**614,101**	**1,307,835**	**241,104**	**69,966**	**2,233,006**
Currency changes	2,780	1,806	324	-559	4,351
Additions	4,109	26,375	15,952	31,744	78,180
Reclassifications	5,998	23,127	3,512	-32,667	-30
Disposals	19,132	38,445	12,413	4,599	74,589
As of Dec. 31, 2023	**607,856**	**1,320,698**	**248,479**	**63,885**	**2,240,918**
Depreciation as of Jan. 1, 2023	**203,196**	**936,460**	**174,244**	**13,329**	**1,327,229**
Currency changes	433	1,748	-258	0	1,923
Additions	22,675	64,877	17,770	0	105,322
Impairment	64	5,573	43	0	5,680
Write-ups	-701	0	0	0	-701
Disposals	9,955	35,078	11,483	0	56,516
As of Dec. 31, 2023	**215,712**	**973,580**	**180,316**	**13,329**	**1,382,937**
Net carrying amount as of Dec. 31, 2023	**392,144**	**347,118**	**68,163**	**50,556**	**857,981**
Acquisition/Manufacturing cost as of Jan. 1, 2022	**595,194**	**1,272,587**	**232,560**	**65,935**	**2,166,276**
Adjustments from hyperinflationary economies (IAS 29)	2,589	1,756	409	0	4,754
Acquisition/Manufacturing cost as of Jan. 1, 2022	**597,783**	**1,274,343**	**232,969**	**65,935**	**2,171,030**
Currency changes	6,034	16,832	444	172	23,482
Additions	9,741	22,336	15,491	34,639	82,207
Reclassifications	7,261	18,927	4,544	-30,738	-6
Disposals	6,718	24,603	12,344	42	43,707
As of Dec. 31, 2022	**614,101**	**1,307,835**	**241,104**	**69,966**	**2,233,006**
Depreciation as of Jan. 1, 2022	**181,720**	**879,383**	**166,592**	**0**	**1,227,695**
Adjustments from hyperinflationary economies (IAS 29)	440	946	230	0	1,616
Depreciation as of Jan. 1, 2022	**182,160**	**880,329**	**166,822**	**0**	**1,229,311**
Currency changes	1,723	8,899	186	0	10,808
Additions	23,470	66,970	17,292	0	107,732
Impairment	91	2,328	163	13,329	15,911
Reclassifications	0	0	0	0	0
Write-ups	0	0	0	0	0
Disposals	4,248	22,066	10,219	0	36,533
As of Dec. 31, 2022	**203,196**	**936,460**	**174,244**	**13,329**	**1,327,229**
Net carrying amount as of Dec. 31, 2022	**410,905**	**371,375**	**66,860**	**56,637**	**905,777**

The impairment testing of property, plant and equipment indicated a need to recognize impairment losses for individual items in an amount of EUR 5,680 k (2022: EUR 15,911 k), which was recognized in the reporting year. Of this amount, impairment losses of EUR 1,621 k (2022: EUR 15,911 k) relate to discontinued customer projects in the Original Equipment segment. In addition, changes in demand expectations in connection with the transformation process in the automotive industry led to lower cash flow forecasts at a foreign plant defined as a cash-generating unit in the Original Equipment segment and thus to impairment losses of EUR 4,059 k. The expected cash flows of the cash-generating unit are derived from the business planning and comprise the detailed planning period until 2028. A growth rate of 1% was assumed for the determination of the terminal value. The value in use amounts to EUR 69,246 k and the capital cost rate is 8.17%.

In December 2023, the Group generated a purchase price of EUR 3,425 k (2022: EUR 2,330 k) from the sale of a part of a land of ElringKlinger AG. The loss from the disposal of non-current assets amounts to EUR 2,685 k (2022: gain from the disposal of non-current assets of EUR 899 k).

Purchase commitments to acquire property, plant and equipment amounted to EUR 30,632 k as of December 31, 2023 (December 31, 2022: EUR 17,168 k).

As regards property, 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 lease 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/Manufacturing cost as of Jan. 1, 2023	**79,332**	**182**	**17,768**	**97,282**
Currency changes	-54	-4	97	39
Additions	1,580	46	5,342	6,968
Disposals	11,843	0	4,029	15,872
As of Dec. 31, 2023	**69,014**	**224**	**19,179**	**88,417**
Depreciation as of Jan. 1, 2023	**34,434**	**90**	**8,828**	**43,352**
Currency changes	-438	-3	70	-371
Additions	9,293	55	4,898	14,246
Write-ups	701	0	0	701
Disposals	6,795	0	3,431	10,226
As of Dec. 31, 2023	**35,793**	**142**	**10,365**	**46,300**
Net carrying amount as of Dec. 31, 2023	**33,221**	**82**	**8,814**	**42,117**

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
Acquisition/Manufacturing cost as of Jan. 1, 2022	**74,563**	**1,509**	**16,653**	**92,725**
Adjustments from hyperinflationary economies (IAS 29)	0	0	14	14
Acquisition/Manufacturing cost as of Jan. 1, 2022	**74,563**	**1,509**	**16,667**	**92,739**
Currency changes	1,958	1	210	2,169
Additions	6,240	14	6,698	12,952
Disposals	3,429	1,342	5,807	10,578
As of Dec. 31, 2022	**79,332**	**182**	**17,768**	**97,282**
Depreciation as of Jan. 1, 2022	**25,967**	**858**	**8,535**	**35,360**
Adjustments from hyperinflationary economies (IAS 29)	0	0	7	7
Depreciation as of Jan. 1, 2022	**25,967**	**858**	**8,542**	**35,367**
Currency changes	531	0	86	617
Additions	10,419	536	4,518	15,473
Disposals	2,483	1,304	4,318	8,105
As of Dec. 31, 2022	**34,434**	**90**	**8,828**	**43,352**
Net carrying amount as of Dec. 31, 2022	**44,898**	**92**	**8,940**	**53,930**

For further comments on leases, please refer to notes (28), (29) and (30) in the notes to the consolidated financial statements.

14. Financial assets

EUR k	Non-current securities	Other financial investments	Total
Acquisition cost as of Jan. 1, 2023	**1,732**	**12,006**	**13,738**
Currency changes	-19	0	-19
Additions	14	640	654
Changes in value	-1	0	-1
Disposals	0	0	0
As of Dec. 31, 2023	**1,726**	**12,646**	**14,372**
Amortization, depreciation and impairment as of Jan. 1, 2023	**205**	**0**	**205**
Currency changes	-3	0	-3
Additions	0	2,575	2,575
Write-ups	-51	0	-51
As of Dec. 31, 2023	**151**	**2,575**	**2,726**
Net carrying amount as of Dec. 31, 2023	**1,575**	**10,071**	**11,646**
Fair value Dec. 31, 2023	1,575	10,071	
Acquisition cost as of Jan. 1, 2022	**1,603**	**14,008**	**15,611**
Currency changes	-4	0	-4
Additions	248	358	606
Changes in value	-111	-360	-471
Disposals	4	2,000	2,004
As of Dec. 31, 2022	**1,732**	**12,006**	**13,738**
Amortization, depreciation and impairment as of Jan. 1, 2022	**79**	**0**	**79**
Additions	0	0	0
Impairment	129	0	129
Write-ups	-3	0	-3
As of Dec. 31, 2022	**205**	**0**	**205**
Net carrying amount as of Dec. 31, 2022	**1,527**	**12,006**	**13,533**
Fair value Dec. 31, 2022	1,529	12,006	

Of the non-current securities, EUR 947 k (2022: EUR 1,070 k) is pledged in full to secure pension claims.

Other financial investments contain an investment in a minority interest of EUR 4,069 k (2022: EUR 5,311 k) in Aerostack GmbH, with registered office in Dettingen/Erms/Germany. This is an expression of a long-term partnership between ElringKlinger AG, with registered office in Dettingen/Erms/Germany, and Airbus Operations GmbH, with registered office 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 through Profit or 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. A contribution of EUR 1,333 k (2022: EUR 1,111 k) was made in the financial year 2023. The promissory note represents a portion of the compensation that ElringKlinger receives for licensing. The fair value amounts to EUR 3,825 k (2022: EUR 4,877 k) as of the reporting date and is allocated to the FVtPL measurement category.

As part of a sale and leaseback transaction, one property was sold and leased back in 2020. The lessor was granted a lessee loan that accrues over the lease term and amounts to EUR 2,161 k as of the reporting date (2022: EUR 1,803 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 within the meaning of 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.

15. Non-current income tax refund claims and other non-current assets

Non-current income tax refund claims include an investment income tax credit carried by ElringKlinger Automotive Components (India) Pvt. Ltd., with registered office in Ranjangaon/India, of EUR 1,051 k (2022: EUR 431 k) and refund claims from indirect taxes of ElringKlinger do Brasil Ltda., with registered office in Piracicaba/Brazil, of EUR 1,413 k (2022: EUR 932 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, 2023, the carrying amount of costs to fulfill a contract decreased to EUR 5,348 k (December 31, 2022: EUR 6,137 k).

17. Non-current and current contract assets

As of December 31, 2023, the carrying amount of the contract assets rose to EUR 13,318 k (December 31, 2022: EUR 8,912 k) on account of new customer-related matters. No significant events for impairment were identified.

18. Inventories

EUR k	Dec. 31, 2023	Dec. 31, 2022
Raw materials, consumables and supplies	145,252	147,435
Work in progress	79,867	75,283
Finished goods and merchandise	202,998	186,144
Prepayments	8,159	5,090
Total	**436,276**	**413,952**

Impairments of EUR 17,252 k were recognized on inventories due to market risks and obsolescence (2022: EUR 21,412 k). Impairments of inventories are recognized in cost of sales.

19. Trade receivables, current income tax refund claims and other current assets

For trade receivables, valuation allowances of EUR 1,746 k (2022: EUR 1,815 k) were recognized for future credit risks.

The carrying amount of the trade receivables and other current 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	2023	2022
As of Jan. 1	1,815	4,799
Additions	509	398
Reversal/utilization including change of risk parameters (IFRS 9)	-665	-3,494
thereof change of risk parameters (IFRS 9)	*-631*	*-2,883*
Exchange rate effects	87	112
As of Dec. 31	**1,746**	**1,815**

The reversal of the impairment loss is largely attributable to the change in the risk parameter of EUR - 631 k (2022: EUR - 2,883 k). In the past financial year, a risk provision of EUR 365 k was recognized for customers facing insolvency (2022: EUR 398 k).

As of December 31, 2023, trade receivables with a carrying amount of EUR 72,008 k (2022: EUR 72,918 k) were sold as part of an ABCP program (Asset Backed Commercial Papers). More information can be found in note (28) Hedging policy and financial instruments.

In the reporting period, receivables which are currently being enforced with a carrying amount of EUR 365 k (2022: EUR 398 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 trade receivables.

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 external 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 of recognition of the risk provision	Gross carrying amount in EUR k
High creditworthiness	AAA – A	0.00% – 0.15%	Lifetime expected credit loss	52,727
Medium creditworthiness	BBB – B	0.16% – 5.97%	Lifetime expected credit loss	194,980
Low creditworthiness	CCC – C	5.98% – 50.00%	Lifetime expected credit loss	0
Default	D	50.01% – 100.00%	Write-down of asset	947
Risk provision pursuant to IFRS 9				1,746
Total				**246,908**

Current income tax refund claims mainly contain the income tax refund claims of ElringKlinger AG, with registered office in Dettingen/Erms/Germany, of EUR 14,473 k (2022: EUR 273 k) and of ElringKlinger México, S.A. de C.V., with registered office in Toluca/Mexico, of EUR 3,086 (2022: EUR 2,507 k).

Other current assets contain tax receivables from VAT and other taxes of EUR 16,784 k (2022: EUR 13,741 k), time deposits and securities of EUR 12,983 k (2022: EUR 19,310 k) and other receivables from third parties including claims from the sale of receivables of EUR 61,653 k (2022: EUR 72,013 k). Other receivables from third parties contain the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 19,912 k (2022: EUR 19,943 k), financial assets of EUR 4,881 k (2022: EUR 4,228 k), other assets from factoring of EUR 2,526 k (2022: EUR 15,944 k), prepaid expenses of EUR 10,097 k (2022: EUR 8,393 k) and prepayments of EUR 2,923 k (2022: EUR 9,853 k).

20. Cash and cash equivalents

The item cash and cash equivalents comprises cash and deposits held by the Group in current accounts. Cash equivalents comprise time deposits with a remaining term of not more than three months, which serve as liquid funds to meet short-term payment obligations. No significant events for impairment pursuant to IFRS 9 were identified.

The carrying amount of these assets corresponds to their fair value.

21. 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, 2023 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 notional interest of EUR 1.00 of the share capital. Profit is distributed in accordance with Section 23 no. 1 of the Articles of Association, i.e., the profit that results after amortization, depreciation and write-downs, impairments, provisions and reserves – including the appropriation to the legal reserve – will be distributed to the shareholders in accordance with Section 60 German Stock Corporation Act (AktG).

By resolution of the Annual General Meeting held on May 19, 2022, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by issuing new shares for cash and/or in-kind contributions on one or more occasions, however by no more than EUR 31,679,995, by May 19, 2027 (Authorized Capital 2022). As a rule, the shareholders are entitled to subscription rights. The shares may also be acquired by one or more banks subject to the provision that they offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights

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

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

The Management Board has not exercised the authorization to date.

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-time application of IFRS 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 net retained profits as shown in the annual financial statements of ElringKlinger AG that have been prepared according to the provisions of the HGB. In the financial year 2023, ElringKlinger AG distributed to its shareholders a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights) from the net retained profits reported in 2022.

Net retained profits of EUR 10,600 k are disclosed for the financial year 2023. The Management Board and the Supervisory Board will propose to the Annual General Meeting on the 2023 annual financial statements on May 16, 2024, to distribute a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights) from the net retained profits disclosed in the annual financial statements.

22. 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 group statement of comprehensive income.

23. 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 the respective year; the Group's contribution payments totaled EUR 31,747 k (2022: EUR 28,928 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 final salary, whereby in certain cases the benefits from prior commitments do not count towards this limit.

In the financial year 2011, 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/Germany, and a provident fund covered by plan assets, the Allianz Pensions-Management e. V., Stuttgart/Germany. This does not affect the amount of benefits. The assets held by the pension fund constitute plan assets within the meaning of 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, 2023	Dec. 31, 2022
Discount rate (vesting period)	2.84%	3.31%
Discount rate (pension period)	2.76%	3.30%
Expected salary increases	2.94%	3.03%
Future pension increases	1.66%	1.67%

The changes in the present value of the defined benefit obligation are as follows:

EUR k	2023	2022
Present value of pension benefits as of Jan. 1	**130,512**	**173,620**
Current service cost	2,527	3,679
Plan participant contributions	1,272	1,927
Interest expense	4,384	1,592
Disbursements/utilization	-6,968	-9,027
Actuarial gains/losses	6,634	-42,682
Past service cost	-102	0
Currency differences	1,132	1,167
Other changes	91	236
Present value of pension benefits as of Dec. 31	**139,482**	**130,512**
of which (partially) covered by plan assets	35,514	33,156
of which not covered	103,968	97,356

The average weighted term of the defined benefit obligation is 14 years (2022: 14 years). Actuarial gains and losses arise from the following effects:

EUR k	2023	2022
Effects from changes in financial assumptions	8,383	-49,649
Effects from changes in demographic assumptions	-99	-5
Effects from other experience-based adjustments	-1,650	6,972
Actuarial gains/losses	**6,634**	**-42,682**

The table below shows the changes to the plan assets over the course of the financial year:

EUR k	2023	2022
Fair value as of Jan. 1	**33,156**	**32,924**
Interest income	952	220
Employer contributions	1,668	1,908
Plan participant contributions	1,272	1,927
Benefit payments	-2,372	-5,049
Actuarial gains/losses	-432	188
Currency effects	1,270	1,038
Fair value as of Dec. 31	**35,514**	**33,156**

Plan assets comprise insurance claims. The plan assets and present values of defined benefit obligations are allocated to key countries as follows:

EUR k	2023	2022
Present value of pension benefits as of Dec. 31		
Germany	106,648	101,026
Switzerland	27,502	23,981
Other	5,332	5,505
Present value of pension benefits as of Dec. 31	**139,482**	**130,512**
Fair value of plan assets as of Dec. 31		
Germany	12,256	11,801
Switzerland	22,138	20,117
Other	1,120	1,238
Fair value of plan assets as of Dec. 31	**35,514**	**33,156**

The actual return on plan assets amounts to EUR 520 k (2022: EUR 408 k).

In 2024, liquidity is likely to be reduced due to contributions to plan assets and by direct group benefit payments, which are expected to amount to EUR 5,577 k (2022: EUR 4,724 k). The future payments from pension obligations are as follows:

EUR k	2023	2022
For the next twelve months	5,577	4,724
Between one and five years	18,636	17,807
More than five years	232,644	243,599

The following amounts are reported in the income statement for defined benefit plans:

EUR k	2023	2022
Current service cost	2,527	3,679
Net interest expenses	3,432	1,372
Past service cost	-102	0
Administrative expenses plan assets	12	14
Total pension expense	**5,869**	**5,065**

Net interest expenses comprise interest expenses of EUR 4,384 k (2022: EUR 1,592 k) as well as interest income from plan assets of EUR 952 k (2022: EUR 220 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	2023	2022
Actuarial gains (–) and losses (+) recognized in other comprehensive income	-7,065	-42,870
Deferred taxes on actuarial gains (–) and losses (+) recognized under other comprehensive income	1,687	11,853

The amount of the Group's obligation as reported on the statement of financial position is derived as follows:

EUR k	2023	2022
Present value of the pension obligation	139,482	130,512
Fair value of plan assets	35,514	33,156
Reported pension provision	103,968	97,356

With regard to sensitivities, the key actuarial assumptions determined were the discount rate, salary increases and future pension developments. The sensitivity analyses are based on a change in an assumption in each case, keeping all other assumptions regarding the original calculation constant. Possible correlation effects between individual assumptions are not considered.

A 0.5% increase/decrease in the discount rate would lead to a decrease/increase in the DBO of EUR 9,108 k (2022: EUR 8,239 k)/EUR 10,170 k (2022: EUR 9,189 k).

A 0.5% increase/decrease in future salary increases would lead to an increase/decrease in the DBO of EUR 2,615 (2022: EUR 1,698 k)/EUR 2,473 (2022: EUR 1,740 k).

A change in future pension developments of +0.25%/-0.25% would lead to an increase/decrease in the DBO of EUR 6,638 k (2022: EUR 3,415 k)/EUR 6,114 k (2022: EUR 3,271 k).

24. Other provisions

Other provisions can be broken down as follows:

EUR k	Dec. 31, 2023	Dec. 31, 2022
Current provisions	50,939	66,072
Non-current provisions	23,713	17,758
Total	**74,652**	**83,830**

Current provisions:

EUR k	Personnel obligations	Warranty obligations	Contingent losses from onerous contracts	Litigation costs	Other risks	Total
As of Dec. 31, 2022	**18,597**	**19,949**	**15,829**	**2,735**	**8,962**	**66,072**
Currency changes	144	-246	143	-42	-150	-151
Utilization	15,895	2,888	8,583	724	495	28,585
Reversal	2,690	15,713	6,610	809	786	26,608
Unwinding of the discount/ discounting	122	0	0	0	0	122
Additions	7,712	17,894	12,436	0	1,584	39,626
Reclassifications	493	-59	0	0	29	463
As of Dec. 31, 2023	**8,483**	**18,937**	**13,215**	**1,160**	**9,144**	**50,939**

Current warranty obligations are counterbalanced by insurance reimbursement claims of EUR 16 k (2022: EUR 362 k). They are reported under other current assets. The reversals of provisions for warranty obligations mainly relate to companies in Germany, Mexico and China. The reversals of provisions for contingent losses from onerous contracts primarily results from American companies.

Provisions for other risks cover, among other things, the risk of a customs duty audit in the US of EUR 6,947 k (2022: EUR 7,197 k).

Non-current provisions:

EUR k	Personnel obligations	Warranty obligations	Other risks	Total
As of Dec. 31, 2022	**16,074**	**4**	**1,680**	**17,758**
Currency changes	46	0	28	74
Utilization	1,391	0	46	1,437
Reversal	2,269	0	98	2,367
Unwinding of the discount/discounting	365	-182	-17	166
Additions	1,254	8,220	512	9,986
Reclassifications	-493	55	-29	-467
As of Dec. 31, 2023	**13,586**	**8,097**	**2,030**	**23,713**

Personnel provisions are recognized, among others, for partial retirement, long-term service benefits and similar obligations.

Other risks relate to a variety of identifiable individual risks and uncertain obligations, which have been accounted for in the amount of their likely occurrence.

25. Non-current and current financial liabilities

EUR k	Domestic (Germany)	Foreign	Total Dec. 31, 2023	Domestic (Germany)	Foreign	Total Dec. 31, 2022
Overdrafts	39,836	2,631	42,467	44,901	1,412	46,313
Lease liabilities with a residual term of up to one year	5,655	9,809	15,464	5,690	11,215	16,905
Financial liabilities with a residual term of up to one year	103,489	6,291	109,780	3,230	6,975	10,205
Current financial liabilities	**148,980**	**18,731**	**167,711**	**53,821**	**19,602**	**73,423**
Lease liabilities with a residual term of more than one year and up to five years	5,368	11,480	16,848	7,588	14,177	21,765
Financial liabilities with a residual term of more than one year and up to five years	99,776	150,535	250,311	233,514	152,726	386,240
Lease liabilities with a residual term of more than five years	6,274	8,794	15,068	9,334	11,894	21,228
Financial liabilities with a residual term of more than five years	0	0	0	0	0	0
Non-current financial liabilities	**111,418**	**170,809**	**282,227**	**250,436**	**178,797**	**429,233**
Total	**260,399**	**189,540**	**449,938**	**304,257**	**198,399**	**502,656**

Lease liabilities from IFRS 16 are described in more detail in note (28) Hedging policy and financial instruments.

The average interest rates were:

in %	Dec. 31, 2023	Dec. 31, 2022
Overdrafts:		
Domestic	5.29	5.42
Foreign	3.23	3.30
Financial liabilities:		
Domestic: up to one year	2.82	4.21
Domestic: more than one year and up to five years	2.75	1.39
Domestic: more than five years	–	0.65
Foreign: up to one year	4.92	5.04
Foreign: more than one year and up to five years	2.38	3.97
Foreign: more than five years	–	–

Fixed interest rates have been agreed for financial liabilities amounting to EUR 189,831 k (2022: EUR 181,264 k).

Land charges on company land with a carrying amount of EUR 50,643 k (2022: EUR 126,528 k) are recognized as collateral. The secured liabilities amounted to EUR 21,598 k (2022: EUR 25,761 k) as of December 31, 2023.

As of December 31, 2023, the Group had unused committed lines of credit amounting to EUR 303,400 k (2022: EUR 232,644 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, TARGOBANK CIB and Credit Suisse (Schweiz) AG are also involved. The agreement comprises a group-wide volume totaling EUR 450,000 k and has a term until February 15, 2026.

An amount of EUR 157,800 k had been drawn as of December 31, 2023 (2022: EUR 244,300 k).

26. 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, 2023, the carrying amount of contract liabilities came to EUR 16,302 k (December 31, 2022: EUR 14,938 k). The increase in current contract liabilities in the financial year 2023 was mainly due to the rise in prepayments received on account of orders of EUR 1,511 k. Non-current contract liabilities decreased by EUR 138 k.

27. 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.

Trade payables and other current and non-current liabilities are not secured except for the retentions of title for trade payables, which are customary in trading relationships.

A reverse factoring program is used to a limited extent. In doing so, suppliers can assign their receivables from ElringKlinger Group's entities to the offering financing banks for a discount to receive the discounted invoice amount at an early stage. ElringKlinger Group's entities settle the invoice amount at the originally agreed due date with the financing bank.

There are no civil law effects because a reclassification of trade payables to another type of liabilities in the statement of financial position is not required. Due to the relationship with the operating activities, the payments to the financing bank continue to be reported under cash flow from operating activities.

As of December 31, 2023, there were trade payables of EUR 216,931 k (2022: EUR 224,102 k). This included EUR 4,772 k (2022: EUR 1,891 k) for which ElringKlinger Group has concluded reverse factoring agreements. EUR 3,400 k (2022: EUR 1,800 k) of this was actually utilized.

Other current liabilities to third parties contain financial liabilities of EUR 79,077 k (2022: EUR 71,750 k).

As of December 31, 2023, government grants of EUR 5,239 k (2022: EUR 5,427 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 341 k (2022: EUR 188 k) of the deferred item was released through profit or loss. The release takes place in cost of sales.

28. Hedging policy and financial instruments

Risks and hedging policy

As a consequence of the international nature of the activities of ElringKlinger Group, changes in exchange rates, interest rates and prices of raw materials impact the Group's assets, liabilities, financial position, and financial performance. 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 assets, liabilities, financial position, and financial performance and thus to minimize these influences. Within ElringKlinger Group, derivative financial instruments may only be entered into with the consent of the Management Board. Hedge accounting within the meaning of IFRS 9 was not applied.

Currency risk

Due to the international nature of its business, 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 respective 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. Intragroup financing and investment is usually denominated in the relevant functional currency.

Several ElringKlinger AG subsidiaries have their registered office outside the euro area. Since the euro is the reporting currency of 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 group equity 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, 2023 EUR k Local currency	**EUR**	**USD**	**MXN**	**HUF**	**CHF**	**Other**	**Total**
Local currency +10%							
Consolidated net income/net loss for the year	-17,092	10,416	2,827	2,496	697	1,028	372
Local currency -10%							
Consolidated net income/net loss for the year	22,175	-10,416	-2,827	-2,496	-697	-1,028	4,711

Dec. 31, 2022 EUR k Local currency	**EUR**	**USD**	**CHF**	**GBP**	**MXN**	**Other**	**Total**
Local currency +10%							
Consolidated net income/net loss for the year	-32,638	6,226	5,249	1,969	1,402	2,288	-15,504
Local currency -10%							
Consolidated net income/net loss for the year	34,613	-6,226	-5,249	-1,969	-1,402	-2,288	17,479

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.

Variable and fixed interest rates have been agreed for the financing liabilities of ElringKlinger Group.

Had market interest rates been 100 basis points higher as of December 31, 2023 (2022: 100 basis points), earnings for the period/equity would have been EUR 2,022 k (2022: EUR 2,758 k) lower. Had market interest rates been 100 basis points lower, earnings for the period/equity would have been EUR 522 k (2022: EUR 396 k) higher.

Risk arising from prices for raw materials

ElringKlinger is exposed to risks from changes in the prices for the raw materials used in production. In order to mitigate fluctuations in the purchase prices of raw materials, ElringKlinger has concluded hedging transactions for nickel. Where necessary, it is possible to hedge reasonable purchase prices by means of derivative hedging transactions.

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 component 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 were nine nickel hedging transactions for 10 metric tons nickel per nickel hedging transaction. Each of these hedging transactions respectively ends at the end of a month until September 30, 2024.

Had the market value of nickel been 10% higher as of December 31, 2023, earnings for the period/equity would have been EUR 245 k (2022: EUR 0 k) lower. Had the market value been 10% lower, earnings/equity would have been EUR 512 k (2022: EUR 0 k) higher.

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. 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 as of the reporting date.

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 ElringKlinger's business partners not being able to meet their contractual payment obligations toward the Group. In the past years, ElringKlinger has steadily expanded its customer structure and is generally not dependent on individual customers.

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, 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, 2023, trade receivables with a carrying amount of EUR 72,008 k (2022: EUR 72,918 k) were sold. They were derecognized with the exception of the continuing involvement of EUR 2,172 k (2022: EUR 2,039 k). A corresponding liability was recognized in the same amount. In connection with the provisional withholding of variable reserves, other current assets of EUR 2,526 k (2022: EUR 15,944 k) are reported as of December 31, 2023. The year-on-year decrease is attributable to the recollateralization of the variable reserves. In addition, customer payments received for receivables sold, which have not yet been passed on to the purchaser of the receivables, of EUR 26,026 k (2022: EUR 22,902 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 25,708 k (2022: EUR 24,748 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 asof the reporting date. The carrying amounts of the respective trade receivables, together with disclosures on valuation allowances, can be found under note (19).

Liquidity risk

The solvency and liquidity of 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 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 liabilities	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 2023						
Carrying amount	**216,931**	**402,558**	**47,380**	**0**	**79,077**	**745,696**
Expected cash outflows:	**216,931**	**402,558**	**61,272**	**653**	**79,077**	**760,491**
– up to one month	126,792	42,467	1,181	0	0	170,440
– between one and three months	80,830	1,967	2,362	653	25,466	111,278
– between three months and one year	3,858	107,813	10,631	0	53,611	175,913
– between one and five years	5,450	250,311	24,787	0	0	280,548
– more than five years	1	0	22,311	0	0	22,312

EUR k	Trade liabilities	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 2022						
Carrying amount	**224,102**	**442,757**	**59,898**	**0**	**71,750**	**798,507**
Expected cash outflows:	**224,102**	**442,757**	**72,321**	**0**	**71,750**	**810,930**
– up to one month	139,243	45,651	1,322	0	0	186,216
– between one and three months	80,882	6,199	2,643	0	17,902	107,626
– between three months and one year	2,554	4,667	11,894	0	53,848	72,963
– between one and five years	1,271	386,240	28,809	0	0	416,320
– more than five years	152	0	27,653	0	0	27,805

Further disclosures on financial liabilities are provided in note (25).

29. 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, 2023			
Financial assets measured at amortized cost	113,712	246,908	17,864
Financial assets measured at fair value through profit or loss	0	0	19,912
Financial assets measured at fair value through other comprehensive income	0	0	0
Total	**113,712**	**246,908**	**37,776**
As of Dec. 31, 2022			
Financial assets measured at amortized cost	119,103	264,854	23,538
Financial assets measured at fair value through profit or loss	0	0	19,943
Financial assets measured at fair value through other comprehensive income	0	0	0
Total	**119,103**	**264,854**	**43,481**

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, 2023				
Financial liabilities measured at amortized cost	79,077	152,247	15,464	216,931
Financial liabilities measured at fair value through profit or loss	0	0	n/a	0
As of Dec. 31, 2022				
Financial liabilities measured at amortized cost	71,750	56,517	16,905	224,102
Financial liabilities measured at fair value through profit or loss	0	0	0	0

* In accordance with IFRS 7.29 (d), the fair value is not disclosed. The subsequent measurement of the lease liabilities is made in accordance with IFRS 16.

Derivatives	Non-current securities		Other financial investments		Total
CA	CA	FV	CA	FV	CA
0	1,362	1,362	8	8	379,854
516	0	0	10,055	10,055	30,483
0	213	213	8	8	221
516	**1,575**	**1,575**	**10,071**	**10,071**	**410,558**
0	1,311	1,313	8	8	408,814
172	0	0	11,990	11,990	32,105
0	216	216	8	8	224
172	**1,527**	**1,529**	**12,006**	**12,006**	**441,143**

Derivatives		Non-current financial liabilities		Long-term lease liabilities IFRS 16*	Total
CA	FV	CA	FV	CA	CA
0	0	250,311	214,324	31,916	745,946
9,719	9,719	0	0	n/a	9,719
0	0	386,240	243,542	42,993	798,507
11,888	11,888	0	0	0	11,888

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 time deposits and securities of EUR 12,983 k (December 31, 2022: EUR 19,310 k) as well as the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 19,912 k (2022: EUR 19,943 k).

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 39,434 k (December 31, 2022: EUR 38,102 k) resulting from the written put option on non-controlling interests of ElringKlinger Marusan Corporation, with registered office in Tokyo/Japan. The obligation that results from this agreement is measured at fair value and rolled forward through profit or loss. The fair value is calculated using internal estimates made when forecasting business development as well as when selecting the country-specific interest rate used regarding the liability recognized. The WACC applied for the valuation is 8.37% (2022: 8.20%). A 10% change in the business value causes the put option to increase/decrease by approximately EUR 3,943 k (December 31, 2022: EUR 3,810 k).

Equity instruments of the measurement category recognized at fair value through other comprehensive income:

EUR k	Fair value Dec. 31, 2023	Fair value Dec. 31, 2022
Non-current securities	213	216
Other financial investments	8	8
Total	**221**	**224**

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, 2023:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2023			
Financial assets			
Non-current securities	213	0	0
Other financial investments	8	0	10,055
Derivatives*	0	516	0
Total	**221**	**516**	**10,055**
Financial liabilities			
Derivatives*	0	9,719	0
Total	**0**	**9,719**	**0**

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2022			
Financial assets			
Non-current securities	216	0	0
Other financial investments	8	0	11,990
Derivatives*	0	172	0
Total	**224**	**172**	**11,990**
Financial liabilities			
Derivatives*	0	11,888	0
Total	**0**	**11,888**	**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 valuation date December 31, 2023:

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2023			
Financial assets			
Non-current securities	1,362	0	0
Other financial investments	0	0	8
Total	**1,362**	**0**	**8**
Financial liabilities			
Non-current financial liabilities	0	214,324	0
Purchase price liability from written put option	0	0	39,434
Total	**0**	**214,324**	**39,434**
Dec. 31, 2022			
Financial assets			
Non-current securities	1,313	0	0
Other financial investments	0	0	8
Total	**1,313**	**0**	**8**
Financial liabilities			
Non-current financial liabilities	0	243,542	0
Purchase price liability from written put option	0	0	38,102
Total	**0**	**243,542**	**38,102**

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 or on the basis of measurement models based on input parameters that are observable on the market.

Level 3: Measurement based on information 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 4,069 k (2022: EUR 5,311 k) is determined using a discounted cash flow model taking account of probability-weighted scenarios. The WACC applied for the valuation is 10.83% (2022: 10.40%). Assuming a successful implementation of the business planning, the terminal value is determined by applying a terminal growth rate (TGR) of 2.0% (2022: 2.0%). The WACC and TGR sensitivities calculated for the parameters are presented in the following table:

		+0.5% points	-0.5% points
WACC	10.83%	11.33%	10.33%
Equity value	4,069	3,439	4,793
		+0.5% points	-0.5% points
TGR	2.00%	2.50%	1.50%
Equity value	4,069	4,241	3,917

The fair value of the bullet, interest-free, non-fungible or non-transferable promissory note to this company with a nominal amount of EUR 4,356 k (2022: EUR 5,689 k) is measured taking into account an expected successive contribution to the equity of the company in the course of capital increases in the financial years 2022 to 2026 and a risk-equivalent and maturity-specific cost of debt of 7.18% (2022: 7.65%). The fair value amounts to EUR 3,825 k (2022: EUR 4,877 k). An increase or decrease in cost of debt of 0.5% results, all other things being equal, in a fair value of EUR 3,792 k or EUR 3,858 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	2023	2022
As of Jan. 1	**38,102**	**38,465**
Change in fair value	1,332	-363
As of Dec. 31	**39,434**	**38,102**

Net gains/losses on financial instruments:

EUR k	2023	2022
Recognized at fair value through profit or loss*	2,703	-11,718
Financial assets measured at amortized cost	-3,245	-578
Financial liabilities measured at amortized cost	7,673	8,540

* 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	2023	2022
Total interest income	2,251	1,140
Total interest expense	-24,856	-13,662

30. Leases

The following amounts are reported in the income statement for leases:

EUR k	2023	2022
Cost of sales		
Expenses relating to short-term leases	1,825	1,498
Expenses from small ticket leases	305	196
Other expenses from leases (ancillary costs)	110	149
Depreciation		
Depreciation of right-of-use assets	13,545	15,473
Net finance costs		
Interest expenses from lease liabilities	1,969	1,077

Information on expected cash outflows is contained in note (28) Hedging policy and financial instruments.

31. 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 make 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, liabilities and total capital as of December 31, 2023 as compared to December 31, 2022.

EUR million	2023	2022
Equity	**910.7**	**896.8**
as % of total capital	45.35%	43.82%
Non-current liabilities	443.7	579.9
Current liabilities	653.8	569.8
Liabilities	**1,097.5**	**1,149.7**
as % of total capital	54.65%	56.18%
Total capital	**2,008.2**	**2,046.5**

The change in equity from December 31, 2022 to December 31, 2023 was primarily due to the net profit for the period. Debt declined year on year by 1.53%.

At 45.35%, the group equity ratio exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

Financial covenants have been agreed upon for one loan of the Parent. 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 in the previous year, as of December 31, 2023 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 achieved in the financial year 2023.

32. Notes to the statement of cash flows

The group statement of cash flows shows how the liquidity of 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 the liquid funds reported in the statement of financial position.

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 income taxes. 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.

Changes in liabilities from financing activities:

EUR k	Non-current financial liabilities	Current financial liabilities
Dec. 31, 2022	**429,233**	**73,423**
Changes in cash	-143,908	92,403
Exchange rate differences	-3,098	-393
Non-cash changes*	0	2,278
Dec. 31, 2023	**282,227**	**167,711**
Dec. 31, 2021	**357,109**	**135,521**
Changes in cash	72,423	-83,191
Exchange rate differences	9,199	130
Non-cash changes*	-9,498	20,963
Dec. 31, 2022	**429,233**	**73,423**

* This primarily includes reclassifications between non-current and current financial liabilities and lease-related matters.

Cash outflows from leases are contained in the statement of cash flows as follows:

EUR k	2023	2022
Repayment for lease liabilities (cash flow from financing activities)	13,546	15,473
Interest paid (cash flow from operating activities)	1,969	1,077
Short-term or small ticket leases (cash flow from operating activities)	2,129	1,694
Total	**17,644**	**18,244**

33. Segment reporting

The organizational and internal reporting structure of ElringKlinger Group is centered around its four 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 6,621 k (2022: EUR 103,388 k).

Since the financial year 2023, ElringKlinger has reported adjusted EBIT in order to be able to compare the operating performance across different periods without the impact of exceptional factors. Therefore, certain exceptional factors are deducted. These adjustments include impairment on goodwill as well as non-current assets, restructuring and restructuring-related charges and other non-operating effects.

Segment reporting

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	2023	2022	2023	2022	2023	2022
External revenue	**1,411,878**	**1,411,425**	**300,101**	**250,870**	**132,266**	**132,620**
Intersegment revenue	34,221	27,616	0	0	121	155
Segment revenue	**1,446,099**	**1,439,041**	**300,101**	**250,870**	**132,387**	**132,775**
EBIT[1]	**378**	**-111,026**	**71,374**	**50,239**	**16,119**	**19,709**
Adjustments	9,285	110,416	591	222	470	0
Adjusted EBIT[2]	**9,663**	**-610**	**71,965**	**50,461**	**16,589**	**19,709**
Adjusted EBIT margin	0.7%	0.0%	23.9%	20.1%	12.5%	14.9%
Depreciation and amortization[3]	103,850	100,872	3,392	2,989	6,772	6,902
Capital expenditures[4]	94,134	92,421	4,053	6,046	6,312	5,040
Segment assets	1,712,569	1,759,216	165,729	156,920	136,058	142,918

Segment	Other		Consolidation		Group	
EUR k	2023	2022	2023	2022	2023	2022
External revenue	**2,875**	**3,515**	**0**	**0**	**1,847,120**	**1,798,430**
Intersegment revenue	14,459	11,560	-48,801	-39,331	0	0
Segment revenue	**17,334**	**15,075**	**-48,801**	**-39,331**	**1,847,120**	**1,798,430**
EBIT[1]	**-4,966**	**-1,153**	**0**	**0**	**82,905**	**-42,231**
Adjustments	6,884	0	0	0	17,230	110,638
Adjusted EBIT[2]	**1,918**	**-1,153**	**0**	**0**	**100,135**	**68,407**
Adjusted EBIT margin	66.7%	-32.8%	0.0%	0.0%	5.4%	3.8%
Depreciation and amortization[3]	2,105	2,381	0	0	115,419	113,144
Capital expenditures[4]	1,439	1,132	0	0	105,938	104,639
Segment assets	17,322	29,755	-23,501	-42,229	2,008,177	2,046,580

[1] Earnings before interest and income taxes
[2] Adjusted for impairment on goodwill, impairment on non-current assets, restructurings and restructuring-related charges as well as other non-operating effects
[3] Depreciation and amortization
[4] Capital expenditures in intangible assets and property, plant and equipment

Segment reporting by region

Region EUR k		Sales revenues[1]	Non-current assets	Investments
Germany	2023	366,282	445,568	70,701
	2022	365,926	442,807	56,961
Rest of Europe	2023	580,851	230,112	10,659
	2022	526,619	227,492	8,580
North America	2023	481,983	208,720	15,302
	2022	462,844	221,870	24,483
Asia-Pacific	2023	320,954	154,686	6,674
	2022	354,483	177,159	12,678
South America and rest of world	2023	97,050	18,129	2,602
	2022	88,558	16,870	1,937
Group	**2023**	**1,847,120**	**1,057,215**[2]	**105,938**
	2022	**1,798,430**	**1,086,198**[2]	**104,639**

[1] The location of the customer is used to determine allocation of sales revenue to the regions.
[2] This includes financial assets of EUR 11,646 k (2022: EUR 13,533 k).

34. Most important financial control criteria

The most important control criteria of ElringKlinger Group are revenue, adjusted EBIT margin (adjusted earnings before interest and income taxes in relation to revenue), the operating free cash flow as well as return on capital employed (ROCE) as financial metrics. The determination is presented in the tables below:

Adjusted EBIT

EUR k	2023	2022
EBIT	**82,905**	**-42,231**
Impairment	4,008	103,260
thereof impairment on goodwill	0	87,349
Restructuring	2,764	6,544
Other non-operating effects	10,458	834
Adjusted EBIT	**100,135**	**68,407**
Adjusted EBIT margin	*5.4%*	*3.8%*

ROCE for the Group

EUR k	2023	2022
EBIT	**82,905**	
Equity	910,680	896,833
Financial liability	449,938	502,656
Pension provision	103,968	97,356
Total	**1,464,586**	**1,496,845**
Average capital employed	**1,480,716**	
ROCE*	**5.6%**	

* EBIT/average capital employed

Operating free cash flow

EUR k	2023	2022	Change in absolute terms
Cash flow from operating activities	**129,701**	**101,282**	**28,419**
Proceeds from disposals of property, plant and equipment and intangible assets	6,004	5,215	789
Payments to acquire intangible assets	-27,757	-22,432	-5,325
Payments to acquire property, plant and equipment	-71,212	-69,255	-1,957
Operating free cash flow	**36,736**	**14,810**	**21,926**

Other disclosures

Contingent liabilities

As in the previous year, 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, 2023	Dec. 31, 2022
Up to one year	13,196	21,254
More than one year and up to five years	6,791	306
More than five years	0	336
Total	**19,987**	**21,896**

Proceeds from lease agreements

ElringKlinger acts as lessor in a number of business relationships. They are operating leases, for which the significant risks and opportunities associated with ownership remain with ElringKlinger. They primarily include leasing out unused factory buildings and space. The lease income of EUR 1,652 k (2022: EUR 1,068 k) is included in other operating income. The future lease payments due to ElringKlinger from lease contracts from letting break down as follows:

EUR k	Dec. 31, 2023	Dec. 31, 2022
Up to one year	752	984
More than one year and up to five years	1,915	2,899
More than five years	8	8
Total	**2,675**	**3,891**

Contingent assets and liabilities

In the financial year 2023, ElringKlinger Group analyzed the fundamental economic parameters for two foreign companies for the years 2021 to 2023, and subsequently changed its transfer pricing system. The changes were agreed under civil law and the subsequent settlement transactions have already been completed. As a general rule, there is a possibility that the relevant jurisdictions may make a different assessment. In that case, there would be the possibility of submitting a different assessment to a bilateral mutual agreement procedure. ElringKlinger AG assumes that a drawdown is not very unlikely. A tax amount of EUR 8,500 k was used for deriving the contingent liability; a drawdown would be expected at the earliest in 2028.

As of the reporting date, there were no further contingent assets and liabilities.

Number of employees

The average number of employees during the year at ElringKlinger Group was 9,600 (2022: 9,480) (excluding Management Board members).

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 587,772 k (2022: EUR 565,535 k) and break down as follows:

EUR k	2023	2022
Wages and salaries	501,508	490,856
Social security contributions	79,959	66,100
Post-employment benefit	6,305	8,579
Total	**587,772**	**565,535**

Personnel expenses contain public grants related to income in Switzerland of EUR 902 k (2022: EUR 177 k) in connection with the utilization of government-subsidized short-time work allowances and the associated reimbursement of social security contributions.

Related-party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of ElringKlinger Group, directly or indirectly. The members of ElringKlinger AG's Management Board and Supervisory Board are key management personnel and, including close members of their families, are related parties of ElringKlinger AG.

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 ElringKlinger Group and related parties and companies controlled by related parties:

Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen/Germany, concerning traineeships. ElringKlinger AG earned EUR 48 k during the reporting year (2022: EUR 53 k). As of the reporting date, outstanding receivables came to EUR 20 k (2022: EUR 0 k).

Supply agreement between Lechler GmbH and KOCHWERK Catering GmbH, (EKKW), Dettingen/Erms/Germany, a wholly owned subsidiary of ElringKlinger AG. EKKW supplies Lechler GmbH with canteen food. EKKW's revenue amounted to EUR 143 k in the reporting year (2022: EUR 132 k). As of the reporting date, outstanding receivables came to EUR 12 k (2022: EUR 10 k).

Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen/Germany, (EKLS), and Lechler GmbH, Metzingen/Germany, regarding assembly activities and the storage of components. This agreement gave rise to EUR 711 k in sales revenue during the reporting year (2022: EUR 559 k). As of December 31, 2023, there were outstanding receivables of EUR 43 k (2022: EUR 49 k).

Sale of a share in EKLS of EUR 4 k by the Managing Partner to EKAG in accordance with the purchase and transfer agreement dated December 15, 2023. The purchase price for the share amounted to EUR 400 k.

Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd., Changchun/China, (CEK), and Changchun Hongyu Automobile Parts Co., Ltd. (CHYAP), with registered office in Changchun/China, controlled by Ms. Liu, a close relative of Mr. Huang, who is a joint partner in CEK. CEK procured EUR 47 k worth of services in these business relationships in 2023 (2022: EUR 39 k). As of December 31, 2023, there are liabilities of EUR 21 k (2022: EUR 3 k).

Relationships in the course of ordinary activities exist between hofer AG, Nürtingen/Germany, various subsidiaries of hofer AG, Nürtingen/Germany, and the ElringKlinger subsidiary hofer powertrain products GmbH, Dettingen/Erms/Germany, hofer powertrain products UK Ltd., Warwick/UK, as well as ElringKlinger AG, Dettingen/Erms/Germany. The business relationships pertain to services received and other expenses of EUR 11,823 k (2022: EUR 870 k). Outstanding liabilities came to EUR 1,349 k as of December 31, 2023 (2022: EUR 5,653 k). At EUR 11,823 k (2022: EUR 698 k), the services received mainly relate to services for sales, project management, product development and other services. The goods and services received and other expenses are counterbalanced by income from development services rendered or from the delivery of machines and tools of EUR 23,582 k (2022: EUR 19,321 k). Outstanding liabilities come to EUR 3,575 k (2022: EUR 4,167 k) as of December 31, 2023.

The salaries of the employee representatives to the Supervisory Board are in line with market conditions.

Corporate Bodies

Supervisory Board

Klaus Eberhardt Lindau/Germany, Chairman	Independent consultant, Lindau/Germany Former CEO of Rheinmetall AG Düsseldorf/Germany **Governance roles:** a) n/a b) n/a
Markus Siegers* Nürtingen/Germany, Deputy Chairman	Chairman of the Works Council of ElringKlinger AG, Dettingen/Erms/Germany **Governance roles:** a) n/a b) n/a
Ingeborg Guggolz Dachsberg/Germany	Managing Director of Lechler- und Klaus-Lechler Beteiligungsgesellschaften, Neuhausen a.d.Fildern/Germany **Governance roles:** a) n/a b) n/a
Andreas Wilhelm Kraut Balingen/Germany	Chairman and CEO of Bizerba SE & Co. KG, Balingen/Germany **Governance roles:** a) n/a b) n/a
Helmut P. Merch Meerbusch/Germany	Former member of the Management Board of Rheinmetall AG **Governance roles:** a) n/a b) n/a
Gerald Müller* Reutlingen/Germany	Second Authorized Representative and Treasurer of IG-Metall Reutlingen-Tübingen, Reutlingen/Germany **Governance roles:** a) n/a b) n/a
Paula Maria de Castro Monteiro-Munz* Grabenstetten/Germany	Deputy Chairwoman of the Works Council of ElringKlinger AG, Dettingen/Erms/Germany **Governance roles:** a) n/a b) n/a
Barbara Resch* Stuttgart/Germany	Secretary of IG Metall Baden-Württemberg **Governance roles:** a) Schaeffler AG, Herzogenaurach/Germany Rheinmetall AG, Düsseldorf/Germany b) n/a

Gabriele Sons Berlin/Germany	Lawyer, Berlin/Germany Former member of the Management Board of thyssenkrupp Elevator AG, Essen/Germany **Governance roles:** a) Grammer AG, Ursensollen/Germany b) Accelleron Industries AG, Baden/Switzerland
Manfred Strauß Stuttgart/Germany	Managing Partner of M&S Messebau & Service GmbH, Neuhausen a.d. F./Germany **Governance roles:** a) n/a b) Lechler GmbH, Metzingen/Germany Eroca AG, Basel/Switzerland
Bernd Weckenmann* Reutlingen/Germany	Senior Vice President Procurement & Supply Chain Management of ElringKlinger AG, Dettingen/Erms/Germany **Governance roles:** a) n/a b) n/a
Olcay Zeybek* Bad Urach/Germany	Director EMEA Process Owner P2P of ElringKlinger AG, Dettingen/Erms/Germany **Governance roles:** a) n/a b) n/a

* Employee representative
a) Membership in statutory supervisory boards within the meaning of Section 125 AktG
b) Membership in comparable domestic and foreign control bodies within the meaning of Section 125 AktG

Remuneration of the Supervisory Board

In the reporting period, total compensation for the Supervisory Board of ElringKlinger AG was EUR 894 k (2022: EUR 868 k). Additionally, travel expenses totaling EUR 4 k (2022: EUR 1 k) were reimbursed. The remuneration of the employee representatives on the Supervisory Board amounted to EUR 785 k in the financial year 2023 (2022: EUR 764 k) for their activities as employees.

Management Board

Thomas Jessulat, Stuttgart/Germany Chairman	until June 30, 2023: responsible for the business units Drivetrain & Battery Technology as well as the corporate units Finance, Procurement & Supply Chain Management, Global Strategy & Digital Transformation, M&A and Innovations, Information Technology, and group entities (shared responsibility in the Management Board) as Spokesman of the Management Board from July 1, 2023 until September 30, 2023: responsible for the business units Electric Drive & Battery Technology, Fuel Cell and Aftermarket as well as the corporate units Finance, Procurement & Supply Chain Management, Global Strategy & Digital Transformation, M&A and Innovations, Information Technology, Human Resources, Legal & Compliance, Marketing & Communications, Sales, Strategic Communications, and group entities (shared responsibility in the Management Board) as Chairman of the Management Board from October 1, 2023: responsible for the business units Drivetrain & Battery Technology and Fuel Cell Technology as well as the corporate units Finance, Global Strategy & Digital Transformation, Information Technology, M&A and Innovations, Human Resources, Legal & Compliance, Strategic Communications and Sustainability, and group entities (shared responsibility in the Management Board)
Reiner Drews, Dettingen/Erms/Germany	until September 30, 2023: responsible for the business units Lightweight/Elastomer Technology, Metal Forming & Assembly Technology, Metal Sealing Systems & Drivetrain Components as well as the corporate units Production and Toolshop Technology, Quality & Sustainability Management, Real Estate & Facility Management, Product Risk Management as well as the German sites of ElringKlinger AG and the group entities (shared responsibility in the Management Board) from October 1, 2023: responsible for the business units Lightweight/Elastomer Technology, Metal Forming & Assembly Technology, Metal Sealing Systems & Drivetrain Components as well as the corporate units Procurement & Supply Chain Management, Production and Toolshop Technology, Quality Management, Real Estate & Facility Management as well as the German sites of ElringKlinger AG and the group entities (shared responsibility in the Management Board)

Dirk Willers, Ditzingen/Germany	from October 1, 2023: responsible for the business units Aftermarket and Engineered Plastics as well as the corporate units Sales and Marketing, and the group entities (shared responsibility in the Management Board)
Dr. Stefan Wolf, Bad Urach/Germany, former Chairman	until June 30, 2023: responsible for the corporate units Legal & Compliance, Human Resources, Strategic Communications, Marketing & Communications, Sales, the Aftermarket business unit and the group entities (shared responsibility in the Management Board)

Governance roles in supervisory boards and other supervisory bodies

Thomas Jessulat, Stuttgart/Germany, Chairman	Chairman of the Supervisory Board of hofer AG, Nürtingen/Germany

Remuneration of the Management Board and remuneration for former members of the Management Board

The remuneration of the Management and the remuneration for former members of the Management Board amounted to:

EUR k	2023	2022
Short-term fixed remuneration	2,124	2,619
Short-term variable performance-based remuneration	1,321	0
Share-based payments	0	3,600
Severance payments for former members of the Management Board	4,424	834
Expenses from post-employment benefits	0	185
Total	**7,869**	**7,238**

In the financial year, total Management Board remuneration pursuant to Section 314 (1) no. 6a sentence 1 to 4 and 6b sentence 1 to 2 HGB, including the remuneration for former members of the Management Board, came to EUR 7,869 k (2022: EUR 7,053 k). The present value (DBO) of the pension provisions amounted to EUR 654 k (2022: EUR 3,105 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. No payment was made in the reporting period (EUR 0 k; 2022: EUR 3,600 k). Accordingly, no shares were acquired. In the prior year, after deducting taxes, a total of 208,048 shares at a price of EUR 8.97 with an overall value of EUR 1,866 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 22,171 k (2022: EUR 20,059 k) were recognized for pension obligations to former members of the Management Board, the management of merged companies, and their surviving dependents. The total remuneration of former members of the Management Board – including remuneration of former members of corporate bodies of merged companies – came to EUR 1,370 k (2022: EUR 1,011 k) in the financial year 2023.

The auditor fees amounted to:

EUR k	2023	2022
Audit of the annual financial statements	761	874
Other assurance services	98	89
Tax services	0	2
Other services	0	61
Total	**859**	**1,026**

The audit services consist of the fees for auditing the statutory annual and consolidated financial statements as well as the formal audit of the remuneration report pursuant to Section 162 AktG. The other assurance services mainly comprise fees for review work in connection with the non-financial reporting, reviews of grants, and assurance services related to the syndicated loan and factoring. Due to the change of mandate in the financial year, the prior-year disclosures relate to the predecessor auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

Declaration of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board issued a declaration of compliance pursuant to Section 161 AktG on the German Corporate Governance Code in the version dated April 28, 2022 and published it on the ElringKlinger AG website on December 7, 2023. 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

On March 14, 2024, the Chairman of the Supervisory Board of ElringKlinger AG, Klaus Eberhardt, informed the Parent that he will resign from office with the end of the upcoming Annual General Meeting on May 16, 2024 as part of an early succession planning. The Supervisory Board's Nomination Committee discussed the succession planning at short notice and submitted a proposal for succession to the Supervisory Board at its meeting on March 26, 2024, which is to be submitted to the Annual General Meeting on May 16.

Dettingen/Erms/Germany, March 26, 2024

The Management Board

Thomas Jessulat CEO	Reiner Drews	Dirk Willers

Audit Opinion

"Independent auditor's report

To ElringKlinger AG, Dettingen an der Erms/Germany

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of ElringKlinger AG, Dettingen an der Erms/Germany, and its subsidiaries (the Group) which comprise the group statement of financial position as of December 31, 2023, the group income statement, the group statement of comprehensive income, the group statement of changes in equity and the group statement of cash flows for the financial year from January 1 to December 31, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of ElringKlinger AG, Dettingen an der Erms/Germany, for the financial year from January 1 to December 31, 2023. In accordance with the German legal requirements, the contents of the combined corporate governance statement pursuant to Secs. 289f and 315d German Commercial Code (HGB) referenced in the combined management report and the contents of the separate combined non-financial report pursuant to Secs. 289f and 315b HGB referenced in the combined management report were not audited by us. Furthermore, the contents of the section "Internal control system", which is extraneous to management reports and marked as unaudited, contained in the report on opportunities and risks in the combined management report were not audited by us.

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 IFRS 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 of December 31, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 audit opinion on the combined management report does not cover the contents of the combined corporate governance statement referred to above, the contents of the combined non-financial report referred to above as well as the contents of the section extraneous to management reports and marked as unaudited 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 combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined 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 (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 Combined 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) point (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 audit opinions on the consolidated financial statements and on the combined 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Impairment testing of goodwill
2. Revenue recognition

Our presentation of these key audit matters has been structured as follows:
a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1. Impairment testing of goodwill

a) As of December 31, 2023, goodwill of EUR 80.7 million was disclosed in the group statement of financial position under the item "Intangible assets" of the consolidated financial statements of ElringKlinger AG, Dettingen an der Erms/Germany, which corresponds to 4.0% of the consolidated total assets.

The executive directors of ElringKlinger AG test the capitalized goodwill for impairment (impairment tests) at least once every year or on an event-driven basis. This involves comparing the recoverable amount of the cash-generating unit with its carrying amount. The Group has defined the reportable segments Original Equipment, Engineered Plastics and Aftermarket as cash-generating units. The recoverable amount is determined on the basis of the value in use applying a discounted cash flow model. This is based on the present values of the expected future cash flows, which are based on the medium-term planning prepared by the executive directors and approved by the Supervisory Board, which is, in turn, extrapolated with assumptions about long-term growth rates. Discounting is carried out at discount interest rates, which are determined on the basis of the weighted average cost of capital (WACC) of the respective cash-generating unit.

The result of this measurement chiefly depends on the executive directors' estimates of the future cash flows of the respective cash-generating unit as well as the discount interest rate used and the long-term growth rates used, and is therefore subject to uncertainties. Against this backdrop, and due to the complexity of the applied valuation model, this matter was of particular importance within the context of our audit.

The executive directors' disclosures on the impairment testing of goodwill are contained in the section "Summary of the principal accounting and measurement methods" under the header "Goodwill" and in the section "Notes to the group statement of financial position" under the header "12. Intangible assets" in the notes to the consolidated financial statements.

b) As part of our audit, by calling in our internal valuation experts, we obtained an understanding of the process used by the Company's executive directors for performing the impairment tests, and discussed the determination of the weighted cost of capital. Based on the understanding of the process obtained by us, including our assessment of the extent to which the impairment testing can be influenced by subjectivity, complexity or other inherent risk factors, we evaluated the internal controls relevant to the audit in terms of their design and establishment. To the extent we planned to rely on the effectiveness of identified controls, we additionally tested the operating effectiveness of these controls. Based on this, we audited the entire valuation model and in particular the correctness of its methodology and calculation. We notably evaluated whether the applied valuation model correctly presents the conceptional requirements of the relevant valuation standards. In case of estimates by the executive directors, we evaluated the methods applied, assumptions made and data used with regard to their reasonableness.

We convinced ourselves, amongst others, as part of the consideration and critical evaluation of the planning process conducted by us, that the future cash flows used in the valuation process were reasonable. To assess the quality and plausibility of the medium-term planning, we compared selected planning of prior financial years with the actual results achieved in the respective financial year and analyzed material deviations in individual cases (adherence to planning).

We audited whether the planning used for impairment testing coincided with the medium-term planning prepared by the executive directors and approved by the Supervisory Board and whether the data included therein was correctly transferred to the valuation model used. Besides, we performed inquiries of the executive directors or the persons appointed by them on the material assumptions underlying the medium-term planning and examined these for plausibility, taking into account general and industry-specific market expectations. In addition, we examined whether the planning was consistent with the information on strategy and medium-term planning as well as the reporting on expected developments in the combined management report.

Since a considerable proportion of the respective value in use results from forecast future cash flows for periods beyond the period covered by the medium-term planning, we notably performed a critical evaluation of the terminal growth rate used based on general and industry-specific market expectations. Besides, we validated the parameters used in determining the WACC rate used for discounting, examined the appropriateness of the peer group and squared the market data used with external evidence.

Furthermore, we performed a sensitivity analysis for material cash-generating units in order to assess and consider a potential impairment risk on account of the impact of changes in the parameters used as a basis for the valuation model.

In addition, we audited the completeness and correctness of the disclosures in the notes to the consolidated financial statements required to be made under IAS 36.

2. Revenue recognition

a) As of December 31, 2023, sales revenue of EUR 1,847.1 million was disclosed in the group income statement of the consolidated financial statements of ElringKlinger AG, Dettingen an der Erms/Germany.

ElringKlinger AG's portfolio comprises the development, industrial production and distribution of components, modules and systems for the automotive industry as well as increasingly the area of battery and fuel cell technology due to the transformation process of the automotive industry. In doing so, ElringKlinger AG basically covers the entire value chain from development to series production.

The performance obligations in the areas of series production, tools and contract-based development services and co-operations are based on various and extensive contractual agreements and customer-specific general terms and conditions as well as delivery terms and provisions for acceptance by the customer. In the area of contract-based development services and co-operations, the performance obligations are based on individual and, in some cases, complex contractual agreements with the customers.

In accordance with IFRS 15, revenue is recognized when the individual performance obligations are satisfied. For each performance obligation, it is to be determined when the customer obtains control over the promised service or when the technical requirements for achieving contractually agreed milestones are met. A distinction must be made as to whether the performance is satisfied at a point in time or over time. In addition, the accounting treatment of costs incurred to fulfill a contract as well as the related impact on the consolidated financial statements have to be evaluated. Besides, due to the complexity of the contractual agreements with customers, revenue recognition must be considered in the context of an elevated risk of errors regarding the cut-off of revenue. Against this backdrop, the correct revenue recognition on an accrual basis and cut-off of revenue are to be considered complex and are based, in part, on estimates, assumptions and judgments by the executive directors, so that this matter was of particular importance within the context of our audit.

The executive directors' disclosures on sales revenue are contained in the section "Summary of the principal accounting and measurement methods" under the header "Recognition of income and expense" and in the section "Notes to the group income statement" under the header "1. Sales revenue" in the notes to the consolidated financial statements.

b) In auditing sales revenue, we differentiated sales revenue in terms of its type (series production, tools and contract-based development services and co-operations) and its related internal processes. As part of our audit, we first obtained an understanding of the design of the respective internal processes and controls for revenue recognition. To this end, we obtained an understanding of the respective process and performed analytical audit procedures. Based on the understanding of the process obtained by us, we assessed the design and establishment of identified internal control relevant to the audit with regard to revenue recognition. To the extent we planned to rely on the effectiveness of identified controls as part of our audit, we additionally tested the operating effectiveness of these controls. Furthermore, we evaluated whether and to what extent revenue recognition was influenced by subjectivity, complexity or other inherent risk factors, and evaluated the methods and data used with regard to their reasonableness.

In addition, we performed substantive tests of details for the revenue recognition on an accrual basis.

Moreover, we audited the customer contracts on a sample basis as to whether the requirements set out in IFRS 15 for revenue recognition at a point in time or over time were met. We verified the requirements for revenue recognition over time for series production in particular by evaluating the extent to which 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 agreements concluded with the customers, in particular the delivery terms and provisions for acceptance by the customer, and examined, on a sample basis, the correct presentation of sales revenue on an accrual basis.

As regards the contract-based developments services and co-operations, we examined, on a sample basis, using the contractual agreements whether they satisfy the criteria for revenue recognition over time or for capitalization of costs incurred to fulfill a contract for revenue recognition at a point in time. In discussions with the engineers responsible for the projects and based on the technical project documentation, we obtained an overview of the current project status or the achievement of contractually agreed milestones, respectively, and analyzed deviations between planned and actual costs as well as the estimated costs to complete the projects.

Eventually, we audited the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required to be made under IFRS 15.

Other Information

The executive directors and/or the Supervisory Board are responsible for the other information. The other information comprises

- the report of the Supervisory Board,
- the remuneration report pursuant to Section 162 German Stock Corporation Act (AktG),
- the combined corporate governance statement referenced in the combined management report,
- the separate combined non-financial report referenced in the combined management report,
- the section "Internal control system", which is extraneous to management reports and marked as unaudited, contained in the report on opportunities and risks in the combined management report, and
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Sections 297 (2) sentence 4 and 315 (1) sentence 5 HGB, and
- all other parts of the annual report which will be published after the issuance of this auditor's report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the statement according to Section 161 AktG concerning the German Corporate Governance Code, which is part of the combined corporate governance statement, and for the remuneration report. Otherwise the executive directors are responsible for the other information.

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

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

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 combined 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 combined 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 combined 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 combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 combined 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 audit opinions on the consolidated financial statements and on the combined 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 combined 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 combined 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 combined management report or, if such disclosures are inadequate, to modify our respective audit 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 IFRS as adopted by the EU and with 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 audit opinions on the consolidated financial statements and on the combined 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 combined 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 combined 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 audit 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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 9081302c359066a7c028495a1d17f841d16f8dea63e57376b60d3a07773af48c, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

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

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 Audit of 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 audit. 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit 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 the Delegated Regulation (EU) 2019/815, in the version in force at the reporting date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on May 16, 2023. We were engaged by the Supervisory Board on June 5, 2023. We have been the group auditor of ElringKlinger AG, Dettingen an der Erms/Germany, since the financial year 2023.

We declare that the audit 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 combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Michael Sturm.

Stuttgart/Germany, March 26, 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Michael Sturm	Florian Sauter
Wirtschaftsprüfer	Wirtschaftsprüfer
(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 26, 2024

Management Board

Thomas Jessulat
CEO

Reiner Drews

Dirk Willers

Glossary

Financials

C

Cash flow

Financial indicator for calculating the financial strength of a company. It measures the extent to which inflows from operating activities exceed cash outflows, thus indicating the amount of cash generated by the company in a period. When determining cash flow, net income is adjusted for those items not associated with cash flow, such as depreciation, amortization and write-downs or the change in provisions. Net cash from operating activities represents the surplus of cash and cash equivalents generated by the operating business.

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.

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 company valuation.

EBIT

Abbreviation for "Earnings Before Interest and Taxes." EBIT corresponds to profit/loss before factoring in the net finance result and income taxes. This financial indicator in particular is used at an international level for the purpose of comparing companies' operating profitability.

EBIT adjusted

ElringKlinger reports adjusted EBIT for the purpose of comparing operating profitability across different periods, which is why certain non-recurring items are eliminated. "EBIT adjusted" is defined as "EBIT reported", adjusted for amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and exceptional items. Exceptional items refer in particular to gains and losses from non-recurring events. These include, for example, impairments (incl. impairment of goodwill), reversal of impairments, restructuring costs (incl. severance payments), and disposal gains and losses from M&A activities.

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. Similarly, the adjusted EBIT margin is calculated as the ratio of adjusted EBIT to Group revenue.

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 capital structure, country-specific taxation, or reporting standards applicable to the entity.

EFTA

Abbreviation for 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. Together with the EU member states, the EFTA member states Iceland, Liechtenstein, and Norway form the European Economic Area (EEA).

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 the term "environmental, social, and 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

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
Net debt, also referred to as net financial liabilities, indicates the level of a company's debt if cash and cash equivalents were used to repay liabilities. Net debt is calculated from interest-bearing liabilities (mainly bank borrowings) less cash and cash equivalents (cash and cash equivalents and short-term securities).

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
Net Working Capital (NWC) is a 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
Operating free cash flow refers to the free funds available to a company for distribution. It is calculated by deducting cash flow for investments in property, plant, and equipment and intangible assets from net cash from operating activities. Cash flows relating to M&A activities and investments in financial assets are not included in operating free cash flow.

Order intake
Order intake is the total of all customer orders and volumes requested as part of customer scheduling arrangements, i.e., call-offs, that have been received and recorded but have not yet resulted in revenue. To determine its key performance indicators in respect of orders (order intake and order backlog), the ElringKlinger Group uses the order book, in which customers' short-term orders are systematically recorded as part of their delivery schedules. These call-off orders refer to the period immediately thereafter, but not to the nomination volume yet to be executed, some of which is long-term, over the respective (remaining) periods.

P

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, and provisions for pensions. 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. Similarly to ROCE, ROCE adjusted is calculated by dividing adjusted EBIT by average capital employed.

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 (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 (WRI) and the World Business Council for Sustainable Development (WBCSD).

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.

Technology

B Battery cells

Three different designs of cell are used in larger batteries: round cells, prismatic cells, and flat cells. Round cells (also known as cylindrical cells) and prismatic cells have a (robust) housing made from sheet metal or aluminum, while the housing of flat cells (also called coffee bag cells, film cells, or pouch cells) is made of film. The various cell types also look different: A round cell is shaped like a cylinder with a round base, while 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. The subsidiary EKPO Fuel Cell Technologies GmbH 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 contacting system

The cell contacting 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

EDU
EDU stands for "electric drive unit," which is made up of three main modules: the power electronics, the transmission, and the electric motor. Among other things, all three modules are integrated into a drive system inside a single housing and need to work together perfectly in order to get a vehicle moving effectively. EDUs ensure dynamic handling and an enjoyable and comfortable driving experience while also delivering efficiency and cost savings in the overall system.

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
See "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. The subsidiary EKPO Fuel Cell Technologies GmbH focuses on the development and production of components for PEM low-temperature fuel cells (see "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.
- An electric vehicle with an extended range (EREV) features an additional unit (a so-called range extender) that increases the range of the EREV.

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 contacting systems for such batteries.

N

New Energy Vehicle
In China, the term "New Energy Vehicle" (NEV) is used for vehicles powered partly or completely by an electric drive. The NEV category includes battery electric vehicles (BEVs), plug-in hybrids (PHEVs), and fuel cell electric vehicles (FCEVs).

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. The subsidiary EKPO Fuel Cell Technologies GmbH develops and produces metallic bipolar plates for PEM fuel cells that are used in mobile applications such as passenger cars, trucks, ships, and off-road applications as well as in stationary solutions. Several hundred such plates are incorporated inside a cell stack.

Polyamide

Polyamides are polymers (plastics) and usually refer to synthetic thermoplastics. ElringKlinger uses polyamides (e.g., PA6.6) in the production of lightweight plastic housing modules, for example.

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 Engineered Plastics has an injection-moldable PTFE high-performance material with a wide range of potential applications, for instance in the field of medical technology.

R

Range Extender

A range extender is the name given to an auxiliary power unit inside an electric vehicle that increases the vehicle's range. The most common types are combustion engines, which drive a generator that in turn powers the vehicle's accumulator and electric motor.

T

Thermal Propagation

Thermal propagation refers to a chain reaction following a thermal runaway of a single cell, causing neighboring cells to also undergo a thermal runaway. The aim is to delay this process to a considerable extent or, ideally, to prevent it.

Tier 1/Tier 2

Automotive companies that supply vehicle manufacturers (original equipment 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.

Imprint

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For reasons of sustainability, ElringKlinger no more publishes a print edition of its annual report. This Annual Report 2023 of the ElringKlinger Group is published as an online report and as a PDF file. Any printed copy is an offprint.

An online version as well as a pdf document of this annual report is available at:
https://elringklinger.de/en/investor-relations/reports-presentations/financial-reports-pulse-magazine

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 27, 2024, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar 2024

MARCH

27 Annual Results 2023, Annual Press Conference, Analysts' Meeting

MAY

07 Financial Results on the 1st Quarter of 2024

MAY

16 119th Annual General Shareholders' Meeting, Virtual event

AUGUST

07 Interim Report on the 2nd Quarter and 1st Half of 2024

NOVEMBER

12 Financial Results on the 3rd Quarter and 1st Nine Months of 2024

MAY 2025

16 120th 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:
https://elringklinger.de/en/newsroom/trade-fair-dates-events
https://www.elringklinger-engineered-plastics.com/media/trade-fair-dates
https://www.elring.com/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 around 40 production sites located around the globe.

Europe (excluding Germany)

31.4 %

SHARE OF SALES

North America

26.1 %

SHARE OF SALES

South America and rest of world

5.3 %

SHARE OF SALES

Asia-Pacific

17.4 %

SHARE OF SALES

Germany

19.8 %

SHARE OF SALES

EUROPE (excluding Germany)

- Redcar (UK)
- Gateshead (UK)
- Warwick (UK)
- Nantiat (France)
- Poissy (France)
- Chamborêt (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
- Neuffen
- 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 WORLD

- Piracicaba (Brazil)
- Alberton (South Africa)

As at December 31, 2023

Key Figures

ElringKlinger Group at a glance

		2023	2022	2021	2020	2019	2018	2017
Order Situation								
Order intake	EUR million	1,690.5	1,874.1	1,977.5	1,483.1	1,737.2	1,735.3	1,732.0
Order backlog	EUR million	1,305.2	1,461.9	1,386.2	1,033.1	1,030.3	1,020.1	1,000.6
Sales/Earnings								
Sales revenue	EUR million	1,847.1	1,798.4	1,624.4	1,480.4	1,727.0	1,699.0	1,664.0
Cost of sales	EUR million	-1,444.3	1,459.9	1,273.4	1,195.5	1,401.7	1,328.9	1,255.6
Gross profit margin		21.8%	18.8%	21.6%	19.2%	18.8%	21.8%	24.5%
EBITDA	EUR million	200.3	174.2	216.1	181.5	181.0	196.6	238.4
EBIT adjusted[1] (adjusted earnings before interest and taxes)	EUR million	100.1	68.4	102.0	27.7	61.2	96.2	137.3
EBIT margin (adjusted)[1]		5.4%	3.8%	6.3%	1.9%	3.5%	5.7%	8.3%
Earnings before taxes	EUR million	53.2	-56.1	100.8	-13.6	41.7	81.4	110.1
Net income	EUR million	33.5	-90.7	54.6	-40.0	5.0	47.9	73.8
Net income attributable to shareholders of ElringKlinger AG	EUR million	39.3	-89.1	55.7	-40.8	4.1	43.8	69.9
Cash Flow								
Net cash from operating activities	EUR million	129.7	101.3	156.1	217.8	277.6	91.6	95.5
Net cash from investing activities	EUR million	-90.2	-95.5	-73.0	-60.6	-84.5	-120.7	-193.2
Net cash from financing activities	EUR million	-39.7	5.0	-106.8	-155.8	-103.8	30.0	109.3
Operating free cash flow[2]	EUR million	36.7	14.8	72.0	164.7	175.8	-86.2	-66.6
Balance Sheet								
Balance sheet total	EUR million	2,008.2	2,046.6	2,090.0	1,963.1	2,146.5	2,079.7	2,022.4
Equity	EUR million	910.7	896.8	982.3	812.8	891.2	890.1	889.7
Equity ratio		45.3%	43.8%	47.0%	41.4%	41.5%	42.8%	44.0%
Net financial debt[3]	EUR million	323.2	364.2	369.2	458.8	595.3	723.5	655.3
Net debt-to-EBITDA ratio[4]		1.6	2.1	1.7	2.5	3.3	3.7	2.7
Returns/Key Figures								
Return on equity after taxes		3.7%	-9.7%	6.1%	-4.7%	0.6%	5.4%	8.3%
Return on total assets after taxes		2.9%	-3.7%	3.1%	-1.2%	1.2%	3.1%	4.5%
Return on Capital Employed (ROCE)		5.6%	-2.7%	6.4%	1.7%	3.4%	5.5%	8.2%
R&D ratio[5]		5.2%	5.1%	5.1%	5.1%	4.7%	5.1%	4.6%
Human Resources								
Employees (as at Dec. 31)		9,576	9,540	9,462	9,724	10,393	10,429	9,611
Stock								
Earnings per share	EUR	0.62	-1.41	0.88	-0.64	0.06	0.69	1.10

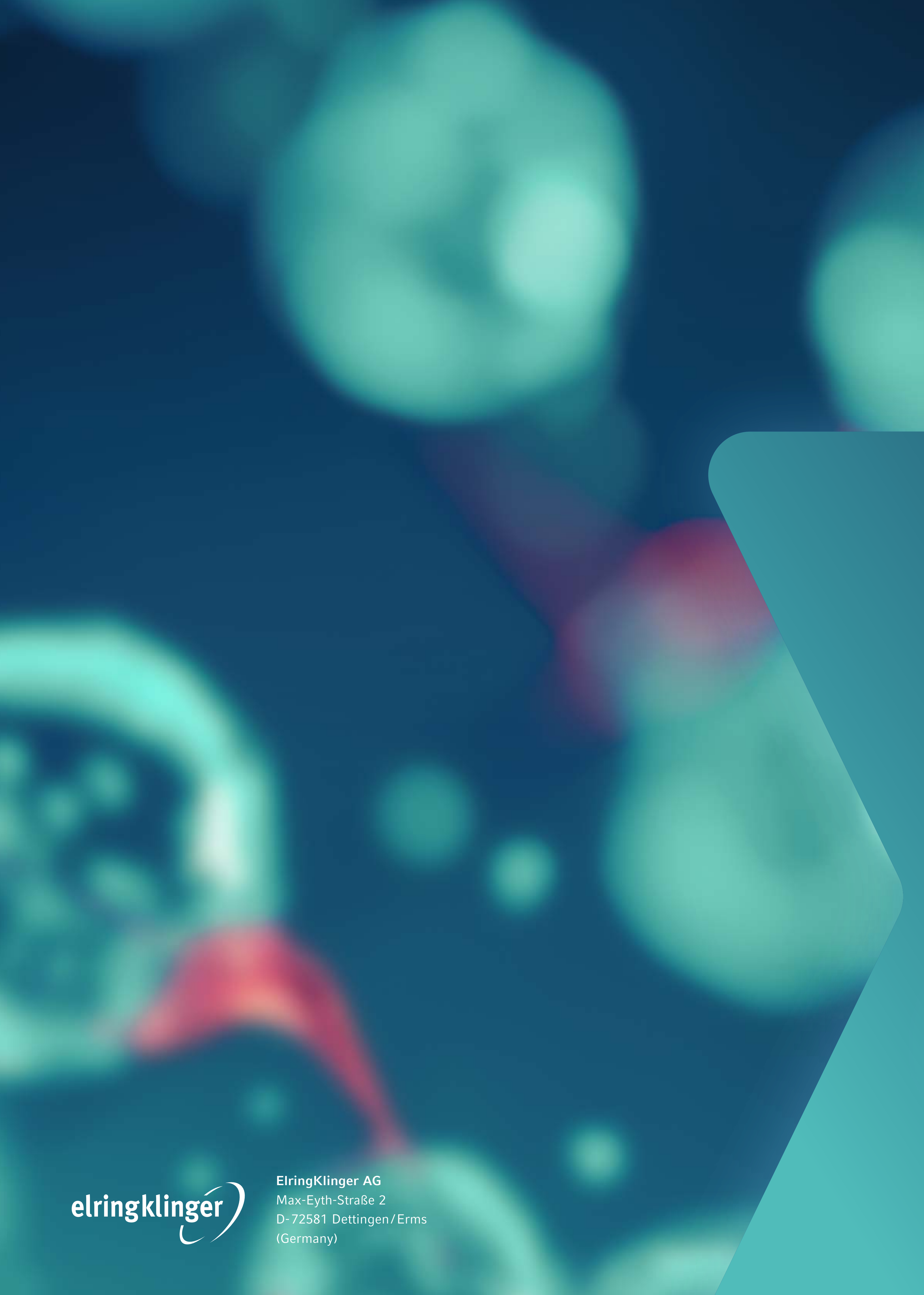
[1] ElringKlinger has been reporting adjusted EBIT and the adjusted EBIT margin since 2023; the previous year's figure for 2022 was calculated using the same system; financial years 2017 to 2021 shown without adjustment items

[2] Net cash from operating activities and net cash from investing activities (excluding cash flows from acquisitions/divestments and financial assets)

[3] Current and non-current financial liabilites less cash and less short-term securities

[4] Net debt/EBITDA

[5] Research and development cost (incl. capitalized development cost) in relation to group sales



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