

PRESS RELEASE

ElringKlinger sees revenue surge to record level in third quarter of 2022

- **Group revenue up by 15.9% in third quarter to EUR 464.1 million (Q3 2021: EUR 400.6 million) amidst economic and geopolitical volatility**
- **EBIT at EUR 18.1 million in third quarter, EBIT margin at 3.9% (Q3 2021: EUR 27.0 million and 6.7%) – positive trend in each case compared to previous quarter**
- **Order backlog up significantly on prior-year figure, expanding by EUR 157.8 million or 12.1% to EUR 1,465 million (Q3 2021: EUR 1,307 million)**
- **Group confirms 2022 guidance**

Dettingen/Erms (Germany), November 3, 2022 +++ ElringKlinger AG (ISIN DE 0007856023 / WKN 785602) has published its results for the third quarter of 2022. In the period from July to September, the Group generated revenue of EUR 464.1 million. This is the highest quarterly revenue ever posted by ElringKlinger. Compared to the same period of the previous year (Q3 2021: EUR 400.6 million), the Group thus recorded growth of 15.9% or EUR 63.5 million. Aggregated with the previous quarters, which also saw a strong sales performance, revenue for the year to date totaled EUR 1,329.3 million (9M 2021: EUR 1,218.2 million), an increase of EUR 111.0 million or 9.1%.

This positive performance was underpinned to some extent by exchange rate movements over the past twelve months. Changes relating to the Chinese yuan, the US dollar, the Mexican peso, and the Brazilian real in particular provided a boost to sales revenue, while the Turkish lira had an opposite effect. Adjusted for exchange rate effects, revenue expanded by EUR 67.4 million or 5.5% year on year in the first nine months of 2022 and by EUR 45.9 million or 11.5% in the third quarter of 2022.

Dr. Stefan Wolf, CEO of ElringKlinger AG, commented as follows on the Group's performance in the quarter just ended: "The quarterly results are very satisfactory. We are still in a period dominated by high levels of uncertainty and risk due to more pronounced geopolitical conflicts and economic challenges. Despite these complexities, ElringKlinger is on track to meet its targets for the year. In this context, we are benefiting from the fact that we were quick off the mark in aligning our product portfolio with the transition toward electromobility as well as from our ability to draw on a strong market position in our long-standing fields of business."

Strong revenue growth in Asia-Pacific and North and South America

In the third quarter of 2022, sales revenue expanded across the board in regional terms, with Asia-Pacific, North America, and South America/Rest of the World recording the most buoyant growth. At 81.3%, the share of foreign sales in total Group revenue was slightly higher than in the same quarter of the previous year (Q3 2021: 79.0%). In the first nine months of 2022, 80.0% of revenue was generated abroad (9M 2021: 78.2%).

Order backlog up 12% on previous year

After the exceptionally strong previous quarters and a record order backlog, order intake decelerated slightly in the third quarter of 2022. Against the backdrop of buoyant revenue, the

volume ordered as part of customer production scheduling in the period from July to September 2022 was well below the previous year's level of EUR 376.7 million (Q3 2021: EUR 486.3 million). In the first nine months of 2022, new orders totaled EUR 1,408.2 million, compared to EUR 1,492.4 million in the previous year.

Compared to the same period last year (Q3 2021: EUR 1,307.3 million), the Group's order backlog increased noticeably by EUR 157.8 million or 12.1% to EUR 1,465.1 million in the third quarter of 2022. Overall, the Group's order book benefited from the direction taken by exchange rates. Assuming stable exchange rates, however, growth compared to September 30, 2021, would still have been significant at EUR 100.9 million or 7.7%.

Earnings influenced by substantial raw material, energy, and logistics costs

Originally, a period of economic recovery had widely been anticipated following the severe constraints of the coronavirus pandemic. Instead, economic activity is being shaped not only by high volatility and broad-based cost inflation but also by geopolitical tensions such as the war in Ukraine. Due to the elevated cost base, especially in respect of raw materials, energy, and logistics, EBITDA (earnings before interest, taxes, depreciation, and amortization) was EUR 8.0 million or 14.5% below the previous year's figure (Q3 2021: EUR 55.0 million) at EUR 47.0 million in the third quarter of 2022. EBITDA totaled EUR 116.5 million in the first nine months (9M 2021: EUR 182.6 million).

Earnings before interest and taxes (EBIT) amounted to EUR 18.1 million in the third quarter (Q3 2021: EUR 27.0 million) and EUR -64.9 million in the first nine months of 2022 (9M 2021: EUR 98.5 million). This translates into an EBIT margin of 3.9% in the period from July to September 2022 (Q3 2021: 6.7%) and -4.9% in the financial year to date (9M 2021: 8.1%). Adjusting reported EBIT for the exceptional items recognized in the second quarter, operating EBIT for the first nine months stood at EUR 30.5 million, corresponding to an operating EBIT margin of 2.3%.

Net working capital influenced by prudent inventory management

Against the backdrop of more expansive revenue, both trade receivables and trade payables increased to an essentially similar extent over the past twelve months (EUR 56.5 million and EUR 46.3 million respectively). At the same time, inventories expanded by EUR 70.8 million, which was attributable primarily to the difficult economic environment. The tense situation within procurement markets, which was reflected in spiraling prices for materials, energy, and logistics as well as in persistent supply-side bottlenecks, necessitated a prudent approach to stockpiling in the Group in order to ensure the availability of raw materials and primary products in support of smooth manufacturing processes. Net working capital, which takes into account not only inventories but also trade receivables and payables, totaled EUR 505.4 million at the end of the third quarter of 2022 (Sept. 30, 2021: EUR 424.3 million). Accordingly, its share of revenue in the last twelve months was 29.1%, compared to 25.4% a year earlier.

The difficulties seen within the economic environment are also reflected in the Group's cash flow figures. Due in part to higher net working capital, but also to more substantial expenses, operating free cash flow amounted to EUR -10.2 million in the third quarter (Q3 2021: EUR 8.1 million) and to EUR -26.2 million in the first nine months of 2022 (9M 2021: EUR 73.7 million).

Net financial liabilities at EUR 411 million

The dynamic growth in revenue also had an impact on the financial items of the balance sheet. Current and non-current financial liabilities increased by EUR 55.4 million to EUR 555.7 million (Sept. 30, 2021: EUR 500.3 million). At the same time, the Group had cash and cash equivalents of EUR 131.6 million (Sept. 30, 2021: 126.4 million). In total, this translates into net financial liabilities of EUR 411.0 million (Sept. 30, 2021: EUR 360.8 million). In conjunction with EBITDA, which is affected by the general hike in raw material, energy, and logistics costs, this results in a debt ratio (net financial debt in relation to EBITDA) of 2.7. As of September 30, 2021, this figure had stood at 1.3, while at the end of 2021 it had been 1.7.

Guidance for 2022 confirmed

Confirming its guidance for the current 2022 financial year, the Group continues to expect organic revenue growth to be slightly above the global market level. According to its October estimates, industry service provider IHS Markit expects global light vehicle production to increase by 6.0% in 2022, with the year-end quarter likely to grow by 2.2% year on year.

With regard to earnings before interest and taxes (EBIT), the Group anticipates a margin of around -2% to -3%. Adjusted for the exceptional items of the second quarter of 2022, totaling EUR 95.4 million, this corresponds to an EBIT margin of around 2% to 3%. The Group's projections for its other key performance indicators also remain unchanged for the annual period as a whole.

Mid-term outlook

Faced with a complex economic and geopolitical market environment, ElringKlinger considers itself to be in an excellent position in the medium and long term. The company was quick off the mark in its efforts to structure its product portfolio in line with the transition toward electromobility and can also build on a first-class market position in its long-standing fields of business. With this in mind, ElringKlinger anticipates that it will continue to see its organic growth outpace that of global vehicle production in the future, provided that there are no abrupt and unexpected market developments against the backdrop of a general environment characterized by a high degree of uncertainty and, in some cases, considerable volatility. With regard to the earnings situation, the Group has again set itself the goal of gradually improving its EBIT margin in the medium term. The Group has also confirmed its other medium-term targets.

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Key financials for the third quarter and the first nine months of 2022

in EUR m	9M 2022	9M 2021	Δ abs.	Δ rel.	Q3 2022	Q3 2021	Δ abs.	Δ rel.
Order intake	1,408.2	1,492.4	-84.2	-5.6%	376.7	486.3	-109.6	-22.5%
Order backlog	1,465.1	1,307.3	+157.8	+12.1%	1,465.1	1,307.3	+157.8	+12.1%
Revenue	1,329.3	1,218.2	+111.1	+9.1%	464.1	400.6	+63.5	+15.9%
of which currency			+43.7	+3.6%			+17.6	+4.4%
of which M&A			±0.0	±0.0%			±0.0	±0.0%
of which organic			+67.4	+5.5%			+45.9	+11.5%
EBITDA	116.5	182.6	-66.1	-36.2%	47.0	55.0	-8.0	-14.5%
Operating EBIT	30.5	98.5	-68.0	-69.0%	18.1	27.0	-8.9	-33.0%
Operating EBIT margin (in %)	2.3	8.1	-5.8PP	-	3.9	6.7	-2.8PP	-
EBIT	-64.9	98.5	-163.4	->100%	18.1	27.0	-8.9	-33.0%
EBIT margin (in %)	-4.9	8.1	-13.0PP	-	3.9	6.7	-2.8PP	-
Net finance cost	2.7	-6.7	+9.4	-	-0.4	-3.2	+2.8	+87.5%
Profit before taxes	-62.2	91.7	-153.9	->100%	17.7	23.8	-6.1	-25.6%
Taxes on income	-24.2	-37.3	+13.1	+35.1%	-13.8	-14.4	+0.6	+4.2%
Net income (after non-controlling interests)	-86.4	54.4	-140.8	->100%	3.9	9.4	-5.5	-58.5%
Earnings per share (in EUR)	-1.37	0.86	-2.23	->100%	0.05	0.14	-0.09	-64.3%
Investments (in property, plant, and equipment and investment property)	44.7	37.7	+7.0	+18.6%	18.1	15.2	+2.9	+19.1%
Operating free cash flow	-26.2	73.7	-99.9	->100%	-10.2	8.1	-18.3	->100%
Net working capital	505.4	424.3	+81.1	+19.1%				
Equity ratio (in %)	42.7	46.7	-4.0PP	-				
Net financial debt	411.0	360.8	+50.2	+13.9%				
Employees (as of June 30)	9,525	9,554	-29	-0.3%				

About ElringKlinger AG

As an automotive supplier, ElringKlinger has become a trusted partner to its customers – with a firm commitment to shaping the future of mobility. Whether optimized combustion engines, high-performance hybrids, or environmentally-friendly battery and fuel cell technology, ElringKlinger provides innovative solutions for all types of drive system. ElringKlinger's lightweighting concepts help to reduce the overall weight of vehicles. As a result, vehicles powered by combustion engines consume less fuel and emit less CO₂, while those equipped with alternative propulsion systems benefit from an extended range. In response to increasingly complex combustion engine technology, the Group also continues to refine and evolve its offering within the area of seals and gaskets in order to meet the highest possible standards. This is complemented by solutions centered around thermal and acoustic shielding technology. Additionally, the Group's portfolio includes products made of the high-performance plastic PTFE, which is also marketed to industries beyond the automotive sector. These efforts are supported by a dedicated workforce of around 9,500 people at 44 ElringKlinger Group locations around the globe.

Disclaimer

This release 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.