Annual Report

2022

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

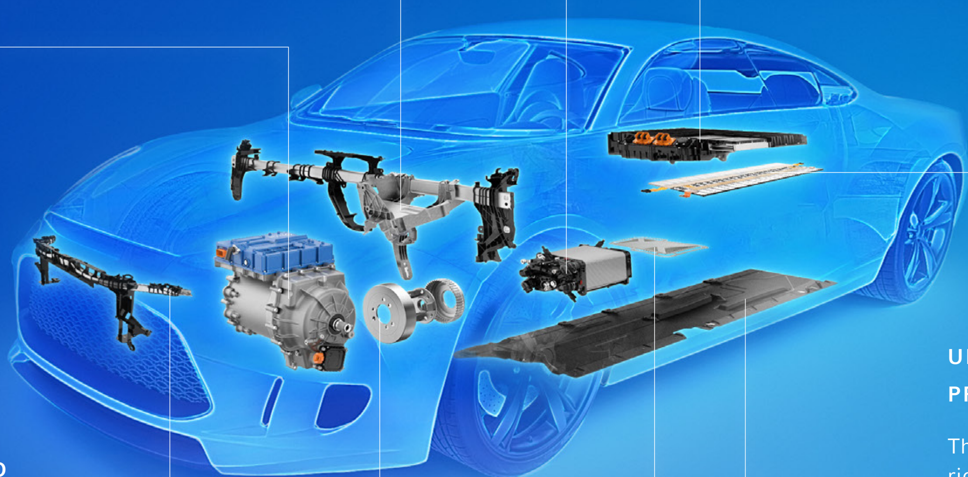
Innovative lightweight structural component with the highest level of functional integration; it supports elements such as the instrument panel, steering column, airbags, and other equipment.

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 underride 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.

DISK CARRIER

Transfers and transmits the drive torque of the electric motor to the drive axle.

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.

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Whether in top-class sports or in business, speed and flexibility are key. This insight was not the only topic discussed by European champion Alexandra Burghardt and ElringKlinger CEO Dr. Stefan Wolf when they met at the Olympic Stadium in Munich beginning of the year 2023.

Read the full interview conducted by the editorial team of our »pulse« magazine in the »Go!« article of the 2023 issue.

The Management Board of ElringKlinger AG

» For us on the Management Board, it is essential that the Group is properly positioned for the future. This aspect is at the center of our day-to-day decision-making. «

Dr. Stefan Wolf, CEO of ElringKlinger AG

from left to right

REINER DREWS
COO

DR. STEFAN WOLF
Chairman of the Management Board

THOMAS JESSULAT
CFO

elringklinger.com > Company > Management Board

Letter to Shareholders

Dear Shareholders,
Ladies and Gentlemen,

The 2022 financial year just ended, much like the years that preceded it, was not an easy one. Despite adverse conditions, however, we at ElringKlinger managed to bring the annual period to a satisfactory conclusion.

Our initial assumption had been that this would be a year of recovery. Having experienced the disruptions to the global economy and the many challenges afflicting the world as a whole in the wake of the coronavirus pandemic, we all longed for the transition toward normality and endemic containment. These hopes were dashed by the advent of war in Europe, which further exacerbated an already dire situation: commodity prices and energy costs spiraled, the availability of materials was again restricted, and supply chains were anything but stable. It gradually became evident that neither the war nor its repercussions would be short-lived. Today, the outcome remains shrouded in uncertainty.

What is certain, however, is that those affected have endured immeasurable suffering. Tens of thousands of people have lost their lives, thousands upon thousands their homes. Families have been separated, fears have been stoked. We shall remember the victims, while hoping that this terrible conflict will soon come to an end.

Looking toward the longer term, it is difficult to discern the possible consequences of the war, especially at a political level. Geopolitical tensions are becoming increasingly evident around the globe. The situation in the Middle East and further afield may deteriorate rapidly, as is the case in the Western Pacific. At the same time, it seems that the era of globalization and a common economic world order is being called into question. Resources, and limited accessibility to them in some cases, will be a key factor when to comes to future growth and innovation. The prospect of crises and recession looms large.

In a world awash with uncertainty, the manner in which one positions oneself as a company will become all the more important. For us in the automotive sector, a factor specific to our industry now also plays a pivotal role: the far-reaching process of transformation is progressing at pace. The figures speak for themselves: last year, around 21.8 million hybrid and all-electric vehicles rolled off the production lines. Compared to the pre-covid year of 2019, this represents a significant increase in both absolute and relative terms: while 7.4 million vehicles with new drive technologies were produced in 2019, accounting for 8.4% of total light-vehicle production, the 21.8 million vehicles manufactured in the financial year just ended represent 26.4% of total output in this market segment.

We at ElringKlinger have benefited from this trend, precisely because we positioned ourselves accordingly at a very early stage. The subsidiary EKPO Fuel Cell Technologies (EKPO), for example, has already been supplying stacks for logistics vehicles and for fuel cell applications in the aviation sector. Committed to further market cultivation, EKPO opened a facility in China in 2022. In Suzhou near Shanghai, the first locally produced stack has already left the factory premises. We also secured further contracts in the field of Battery Technology, including, for example, battery systems for fast-charging stations. In addition, the Group is making preparations for a large-scale production order that is scheduled to ramp up in 2023: a global battery manufacturer will be supplied with cell contact systems destined for the series platform of a European carmaker. And last but not least, our business centered around electric drive units continues to generate revenue from the series production order placed by a high-end sports car manufacturer. As you can see, business in the area of new technologies is brisk.

At ElringKlinger, however, the process of transformation toward next-generation mobility is by no means limited to the E-Mobility business unit. Our long-standing areas of business – still strongly focused on the combustion engine ten years ago – have also evolved. The Metal Sealing Systems & Drivetrain Components business unit, whose focus formerly was on gaskets, for example, has now turned to mass-manufacturing products such as disk carriers for all-electric vehicles. In parallel, the unit is pressing ahead with R&D in an effort to apply the company's far-reaching expertise in metal processing to other fields of innovation, especially in the area of rotor/stator technology. Similarly, the Lightweighting/Elastomer Technology business unit is already generating substantial revenue from innovative solutions for all-electric vehicles. The new plant for lightweight components in Texas provides a springboard for sustained growth in the future. As you can see, our business centered around new technologies is also progressing well in an area formerly dedicated to conventional forms of transport. ElringKlinger lives and breathes transformation. However, this also means that we have to adapt to declining demand in certain product groups focused on the combustion engine.

Given the influencing factors outlined above, the 2022 financial year can indeed be considered encouraging. We recorded organic revenue growth of 7.4%, thus outpacing the global market, which expanded by just 6.7%. As a result, revenue surged to an all-time high of EUR 1,798 million. Earnings performance, by contrast, was severely impacted by a key external factor: spiraling interest rates in the second quarter as a result of inflationary pressures prompted impairments of goodwill of EUR 86 million at the end of the first half. Overall, exceptional items totaling EUR 103 million had an adverse effect on our earnings performance in 2022, resulting in a loss before interest and taxes of EUR -42.2 million. From an operational perspective, i.e., adjusted for these exceptional items, we recorded positive EBIT of EUR 61.0 million, which corresponds to a margin of 3.4%. On this basis, we slightly exceeded the updated guidance presented in our report on the first half of the year – an encouraging achievement when viewed against the backdrop of surging commodity, energy, and transport prices. Against this background, the Management Board and the Supervisory Board have jointly decided to propose to the Annual General Meeting a dividend payment of EUR 0.15 per share. In this context, both Boards take the view that the Group has an earnings structure that is fundamentally positive; performance has merely been obscured by non-recurring exceptional items.

We also met our guidance presented in the first-half report when it came to the other key financial indicators. Despite a prudent approach to inventory management that saw us focus on safeguarding production in response to the limited availability of raw materials and issues within the supply chain, we managed to restore our net working capital ratio to 25.1% in the course of the year – very close to the initial level. What is more, positive operating free cash flow of EUR 14.8 million provided a basis for reducing net financial liabilities again slightly year on year to EUR 364 million despite difficult underlying conditions.

Building on these fundamentals, we are powerfully positioned to embark on the next stage of transformation. Indeed, our strategy is geared toward taking this step forward. The financial year ahead will see the ramp-up of series production for incoming orders in the strategic fields of the future centered around e-mobility and lightweighting. We will continue to grow. Our plan is to generate revenue of more than EUR 3 billion in 2030. The innovative alignment of our product portfolio provides a suitable platform for growth. In supplying components such as cell contact systems or bipolar plates, we are able to address the needs of manufacturers who are keen to retain system expertise in the field of new drive technology within their own companies. At the same time, our product range includes battery modules and fuel cell stacks. And last but not least, we are also in a position to supply entire battery systems or electric drive units if a customer is in search of end-to-end concepts. We offer solutions tailored to any requirement – not just in terms of technology but also when it comes to the degree of vertical integration.

Having said that, innovative products are by no means our only key to success as we move forward. We will continue to establish optimal vantage points in other areas, too, with a view to propelling ElringKlinger to the next level. First and foremost, I would like to mention our employees, whose ideas and dedication help to underpin the success of our company on a daily basis. I would like to thank them for their contribution, also on behalf of my colleagues on the Management Board. A healthy corporate culture is integral to a Group striving for success, and we are keen to refine this culture continuously. Quite simply because ElringKlinger wants to remain a modern, attractive employer well into the future. At the same time, we have geared ourselves up structurally as a Group for further growth by standardizing and – where necessary – honing certain processes. It is not only in this context that we intend to unleash the tremendous potential of digitalization in an effort to operate more effectively and efficiently as a Group.

As a player within the economic and social arena, however, ElringKlinger also accepts its corporate responsibility. For us, sustainability is a priority. Our products have always reflected our focus on sustainable mobility. We are now determined to reach the next milestone and reduce our environmental footprint. The Group has already achieved net carbon neutrality for its German manufacturing operations, and this will also be implemented worldwide by 2030. The wind turbine operated at the UK site in Redcar has been complemented by photovoltaic systems in Germany, India, and China. We also cover part of our electricity requirements by operating our own combined heat and power units. We are fully committed to continuing on this path.

But sustainability goes far beyond environmental awareness. For us, sustainability also means clearly defined governance structures and a commitment to engaging with the community as a whole, especially at the various sites operated by the Group. At the heart of this awareness, of course, also lies a commitment to the socially disadvantaged – in keeping with the values embraced by our company founder Paul Lechler.

Dear Shareholders, ElringKlinger's route has been charted. We have mapped out a clear path to help shape the mobility of tomorrow. ElringKlinger will use this transformation to its advantage. Please explore for yourself the tremendous potential of the ElringKlinger Group. With this in mind, I hope you enjoy reading our annual report. At the same time, I would like to thank you for the trust you have placed in ElringKlinger.

Dettingen/Erms, March 2023

Yours sincerely,

Dr. Stefan Wolf
Chairman of the Management Board

Report by the Supervisory Board 2022

Any hope of 2022 being seen as a year of recovery in the aftermath of the coronavirus pandemic was dashed by the invasion of Ukraine by Russian troops in February 2022. As a result of the war, the financial year was in fact marked by a sharp rise in energy and commodity prices. In parallel, global vehicle production continued to be affected by the limited availability of certain raw materials and components. While vehicle manufacturers were able to generate solid profits thanks to the high retail prices of their models, it was primarily the suppliers, and therefore ElringKlinger, who initially had to shoulder the burden of spiraling prices for materials and energy. Nevertheless, ElringKlinger succeeded in implementing price adjustments and leveraging efficiencies over the course of the financial year. As a result, it managed to achieve a satisfactory operating profit in the face of persistently challenging circumstances. ElringKlinger has thus proven itself to be a robust company that is well positioned for the future and suitably equipped to embrace the process of transformation within the automotive industry.

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 meetings in the reporting period. At the meetings, the Management Board regularly provided a detailed overview of business developments, particularly as regards the direction taken by revenue and earnings as well as the cash flows and financial performance of the Group, ElringKlinger AG, and its subsidiaries. The Management Board presented its latest projections together with its evaluation of the economic, market, and competitive situation. In addition, the Management Board 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. Other points covered at the meetings included strategic orientation and associated projects, especially with regard to the dynamic transformation of the automotive industry. In addition, the Supervisory Board focused on the increasingly important topics of sustainability and IT security. The issues were presented and discussed during the sessions of the full Supervisory Board. 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:

At its meeting on March 24, 2022, the Supervisory Board focused on the annual financial statements and the combined management report of ElringKlinger AG and the Group as of December 31, 2021, the 2021 annual report, including the Supervisory Board report, the corporate governance report, the compensation report, the combined non-financial report, and the auditor's report compiled by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board adopted the annual financial statements of ElringKlinger AG, endorsed the consolidated financial statements together with the combined management report, and approved the

» ElringKlinger has thus proven itself to be a robust company that is well positioned for the future and suitably equipped to embrace the process of transformation within the automotive industry. «

Klaus Eberhardt,
Chairman of the Supervisory Board

non-financial report. The results of the efficiency review conducted in respect of the duties discharged by the Supervisory Board were presented and discussed by the board members. Furthermore, the Supervisory Board decided on the agenda of the Annual General Meeting on May 19, 2022 and, after considering the overall circumstances, approved the proposal by the Management Board to hold the Annual General Meeting as a virtual event due to the coronavirus pandemic. The Supervisory Board resolved to reallocate the responsibilities of the Management Board following the departure of long-serving Management Board member Theo Becker and to amend the rules of procedure of the Management Board accordingly. At the suggestion of the Personnel Committee, the Supervisory Board resolved to extend the appointment of Dr. Wolf as Chairman of the Management Board (CEO) and thus his employment contract until January 31, 2027. As regards the existing remuneration system, the so-called modifiers were determined in respect of the 2022 financial year.

At the Supervisory Board meeting on July 28, 2022, the amendments to the German Corporate Governance Code were discussed in addition to the usual agenda items already outlined above. The Supervisory Board also resolved to have proposals in respect of implementation and adoption prepared by a working group.

On September 29, 2022, the Supervisory Board dealt extensively with the issues of commodity price and energy price inflation. In addition, the Supervisory Board was presented with an overview of the key developments and projects in the field of electric drives, especially fuel cell and battery technology.

As scheduled, the agenda for the meeting on December 1, 2022, included the 2023 budget and medium-term business planning. 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. The Supervisory Board decided to commission Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to assist it in reviewing the non-financial report. Finally, the Chairman of the Audit Committee reported on the selection process for the appointment of the auditor for the 2023 financial year. In addition, the results of the Supervisory Board's working group on the amendments to the German Corporate Governance Code were presented and the Declaration of Conformity was adopted. Finally, the Supervisory Board discussed and approved the profile of skills and expertise for the Supervisory Board, as presented by the Personnel Committee.

The Audit Committee convened on four occasions during the year under review. The meeting in March 2022 were centered around the review of the 2021 annual financial statements together with the associated auditor's report. At the Audit Committee meetings in July 2022 and September 2022, the focus in particular was on the status of the internal control system, the risk management system, and the other governance systems. In addition, consultations focused on the selection procedure for the choice of auditor and, at the September meeting, the organization of data protection and IT security as well as requirements relating to sustainability standards. The agenda of the Audit Committee meeting in December 2022 included the process of determining the focal points of the audit for the 2022 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. These meetings were attended, at least in part, by the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft responsible for the audit. In particular, the Audit Committee also monitored the independence and efficiency of the auditor.

The Personnel Committee met twice in the 2022 financial year, in February and November, in particular to prepare the resolutions to be adopted by the Supervisory Board in personnel matters. The Nomination Committee met once in February 2022. It discussed the election proposal for the replacement election of a Supervisory Board member. The Mediation Committee did not have to be convened during the financial year just ended.

All members attended the meetings of the Supervisory Board and its committees in 2022. Due to the coronavirus pandemic, the Supervisory Board meeting on March 24, 2022, and the March meeting of the Audit Committee were held as a video conference for the purpose of protecting the health of those attending. The meeting of the Personnel Committee in November of the reporting period also took place as a virtual event. All other meetings of the Supervisory Board and its committees were held with the physical presence of all members. The Supervisory Board met once during the reporting period without the presence of the Management Board.

There were no conflicts of interest during fiscal 2022 between Supervisory Board members and the company.

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

The annual financial statements of ElringKlinger AG and the corresponding consolidated financial statements with the combined management report for the 2022 financial year, as presented by the Management Board, were audited by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate had been issued by the Supervisory Board following the appointment of the auditor by the Annual General Meeting on May 19, 2022. 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 2022. 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 23, 2023, 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 proved extremely challenging against the backdrop of prevailing economic and political conditions.

Dettingen, March 23, 2023

On behalf of the Supervisory Board

Klaus Eberhardt

Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

The capital markets were exposed to significant exogenous stress factors over the course of the 2022 financial year. The war in Ukraine, the restricted availability of resources, a sharp rise in commodity and energy prices, spiraling inflation rates, and attendant interest rate hikes exerted considerable downward pressure on global economic growth in the annual period under review. Combined with sector-specific issues such as bottlenecks in the supply of semiconductors, these economic influences also had an impact on the automotive industry. In a similar vein, stock markets were buffeted by the high degree of volatility and uncertainty. Against this turbulent backdrop, the price of ElringKlinger shares fell by 40% over the course of the year. In the 2022 financial year, ElringKlinger furnished comprehensive and transparent information on the business performance and strategic orientation of the Group. At the same time, the company maintained a close dialogue with capital market players.

Weak annual performance for stock markets amid war in Ukraine, inflation, and supply chain bottlenecks

Germany's stock market was in a buoyant mood at the beginning of the year, with indices hovering around their all-time highs. However, the Russian invasion of Ukraine at the end of February saw stock markets come under intense pressure in the spring. The war in Ukraine precipitated an energy crisis and pushed commodity prices higher, in addition to causing renewed disruption to supply chains. Furthermore, eurozone countries were faced with a gradual rise in inflation. Standing at 10.6% in October 2022, the euro area annual inflation rate reached the highest level since 1945. In view of these developments, central banks came under increasing pressure to stem the tide of monetary devaluation. The European Central Bank responded to the situation in July and initiated a policy turnaround that included the first increase in its key interest rate since 2011. Further adjustments followed over the course of the annual period, as a result of which the main refinancing rate for banks stood at 2.50% at the end of the year. Prior to this, the US Federal Reserve (FED) had raised interest rates early in the year from a target range of 0.00–0.25% to 4.25–4.50%.

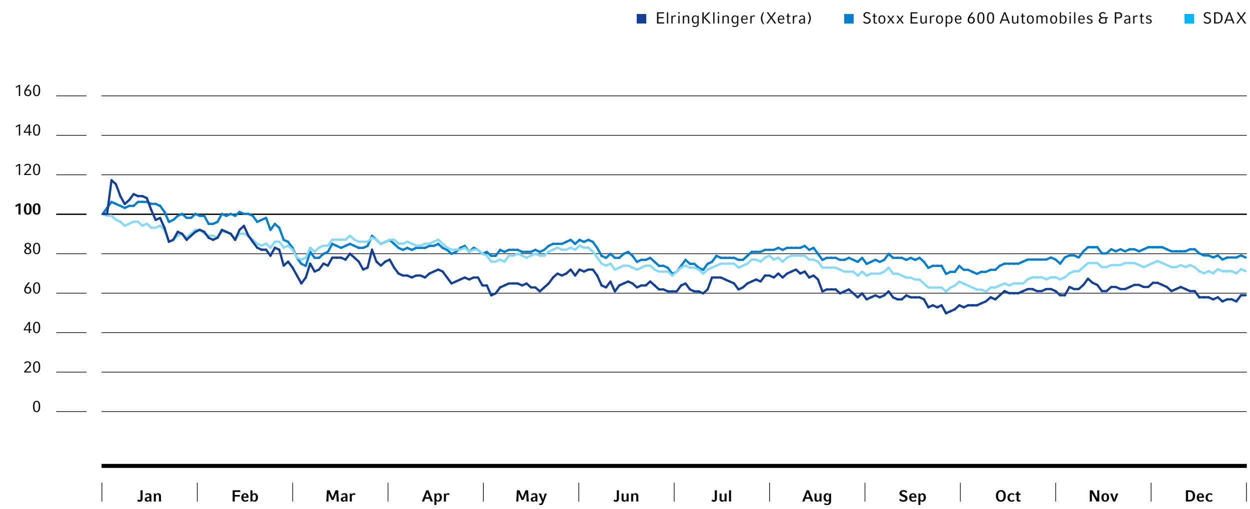
This prompted a significant depreciation of the euro against the US dollar. For the first time in 20 years, the euro fell below parity with the US dollar. Despite these circumstances, the benefits generally associated with a weak euro proved negligible when it came to the fortunes of Germany's export industry. This was attributable primarily to persistent problems within the supply chains as well as high material and energy prices, a situation that was further exacerbated by the ongoing conflict in Ukraine. Against this background, experts became more outspoken in their concern over an impending recession in late summer. On September 29, the prospect of an economic downturn caused Germany's blue chip index, the DAX, to fall to an annual low of 11,976 points.

Operating within this unfavorable market environment, the DAX was in negative territory in the annual period as a whole, despite the fact that it had managed to claw back some of the losses by the end of the year. The same picture emerges when conducting an international comparison, with the US Nasdaq in particular posting considerable losses.

ElringKlinger stock exposed to volatile market conditions

Fiscal 2022 began with an upbeat performance for ElringKlinger's stock. On January 5, the company's share price reached EUR 13.70, which also represented its high for the year. Mirroring the fate of many automotive stocks, however, its share price came under pressure in the subsequent weeks. This was attributable to persistent down-side

ElringKlinger's share price performance from January 1 to December 31, 2022 (indexed)
in %



factors emanating from external sources, such as rising commodity prices and supply chain issues as well as the tense geopolitical situation between Russia and Ukraine. On the day of Russia's invasion of Ukraine on February 24, ElringKlinger shares recorded a price of EUR 9.29. The impact of the war on global stock markets subsequently caused the company's share price to tumble to a provisional annual low of EUR 7.65, as recorded on March 7. ElringKlinger AG's shares closed the quarter at a price of EUR 8.64.

Having put in a weaker performance in the first quarter of 2022, the company's stock trended sideways over the course of the second quarter. The stock was underpinned by favorable reports relating to the Group's first-quarter business performance and order intake in the field of battery technology, which lent greater stability to the share price. At EUR 7.20, ElringKlinger shares closed the second quarter slightly below the level recorded in the first quarter.

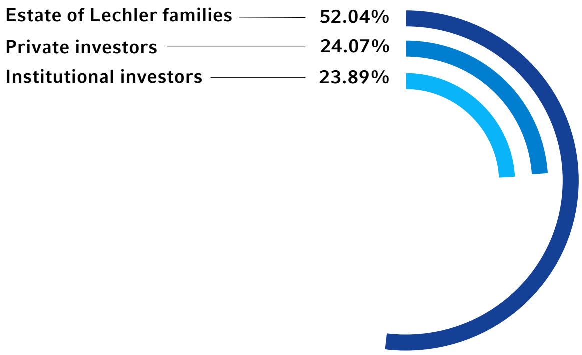
The third quarter of 2022 initially saw the company's share price trend slightly higher at EUR 8.38 on August 12. However, the protracted war in Ukraine coupled with recessionary concerns caused prices to nosedive again from mid-August. Shortly before the end of the quarter, ElringKlinger shares hit an annual low of EUR 5.85.

Key Indicators for ElringKlinger's Stock

	2022	2021
Earnings per share IFRS (after non-controlling interests, in EUR)	-1.41	0.88
Shareholder's equity per share as of Dec. 31 (in EUR)	14.15	15.5
High (in EUR)[1]	13.70	17.72
Low (in EUR)[1]	5.85	10.21
Closing price as of Dec. 31 (in EUR)[1]	6.96	11.11
Dividend per share (in EUR)	0.15[2]	0.15
Average daily trading volume (German stock exchanges; volume of shares traded)	101,958	189,600
Average daily trading value (German stock exchanges; in EUR)	877,529	2,656,900
Market capitalization as of Dec. 31 (EUR millions)[1]	441.0	704.0

[1] Xetra trading
[2] Proposal to 2023 AGM

Shareholder Structure as of December 31, 2022



The fourth quarter initially saw the company's share price trend higher again. On November 3, the Group published its figures for the third quarter, reporting record quarterly sales. Subsequently, the stock rose to a fourth-quarter high of EUR 7.85. This was followed by a sideways trend that persisted until the end of the year. ElringKlinger's stock closed the 2022 year of trading at EUR 6.96.

Year-on-year downturn in daily trading value

The trading volume of ElringKlinger shares during the 2022 financial year was down on the prior-year level. On average, 101,958 shares (2021: 189,600 shares) were traded on stock exchange days. At EUR 0.9 million (2021: EUR 2.6 million), the daily value of ElringKlinger's stock traded on average on German stock exchanges was down markedly on the figure for 2021. Despite this downturn, a sufficiently high level of liquidity was available in the stock market at all times over the course of the 2022 financial year to also conduct larger share transactions.

2022 Annual General Meeting held in a virtual format

As in the two preceding years, the Annual General Meeting (AGM) of ElringKlinger AG, which took place on May 19, 2022, was held virtually. In consultation with the Supervisory Board, the Management Board had decided in favor of this approach at the beginning of February, given the heightened levels of uncertainty as to whether and how an in-person event could be held against the backdrop of the pandemic. In his speech, CEO Dr. Stefan Wolf looked back on a 2021 financial year that was considered successful yet also challenging, dominated by shortages of raw materials, disrupted supply chains, availability constraints with regard to semiconductors, and the repercussions of the coronavirus pandemic. Despite these underlying conditions, ElringKlinger put in a satisfactory performance in 2021. 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 99.9%. All other proposed resolutions were also approved by a large majority in each case.

Shareholder structure: more private investors than in the previous year

There was no change in the ratio of shares in free float to those in family ownership. At the end of the year, the ownership interest held by the Lechler families amounted to 52.04% of the 63,359,990 no-par-value shares issued in total. Within the free float (47.96%) the company saw a slight shift in the overall structure toward private investors. As of December 31, 2022, institutional investors held 23.89% (2021: 26.4%) of the shares. In total, 24.07% of the shares were held by private investors at the end of the period under review (2021: 21.5%).

Hybrid approach to capital market communication

As in previous years, the persistent coronavirus pandemic had a bearing on how the company engaged with capital market players in 2022. ElringKlinger remained committed to an approach that included both virtual and in-person forms of communication, regardless of external influences. 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 engaging with capital markets.

Over the course of 2022, ElringKlinger AG attended several capital market conferences – both virtually and in person. Virtual and hybrid formats have now established themselves as a genuine alternative in capital market communication – although, fundamentally, face-to-face dialogue is still considered indispensable.

In November, ElringKlinger organized the "Next Generation Products @ ElringKlinger" Capital Markets Day for analysts and investors at the company's headquarters in Dettingen/Erms. As the name suggests, the focus of this event was very much on the Group's products of the future. Presentations on electric drive units as well as battery and fuel

Key Indicators for ElringKlinger's Stock

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

cell technology gave analysts and investors a precise picture of how far ElringKlinger has come in the transformation of the mobility sector. The Capital Markets Day was rounded off with a tour of fuel cell* production at the Dettingen site and a presentation highlighting the activities of the Lightweighting/Elastomer Technology business unit. The analysts and investors attending the event were given a first-hand insight into ElringKlinger's prospects for the future, and this potential was reflected in the subsequent studies or notes.

Upon publication of its quarterly results, ElringKlinger organized conference calls for investors and analysts. The conferences were streamed live on the internet and subsequently published on the Group's website, including the associated presentation. In addition, a virtual financial results press conference and a virtual analysts' conference were held upon publication of the annual report.

Sustainability criteria established within the capital market

Investment decisions by private and institutional investors are increasingly governed by issues relating to sustainable business practice and responsible corporate social responsibility. Indeed, ESG*-related topics, which cover environmental, social, and governance issues, are establishing themselves as a criterion for the purchase of shares – not least due to more extensive regulatory measures introduced by the European Union.

Sustainability is a priority for ElringKlinger, as it means taking responsibility for employees, society, and the environment. ElringKlinger's commitment to sustainability is gaining ever-growing recognition within the capital markets. This is due to the fact that investors are also increasingly placing greater value on the responsible actions of companies with a strong focus on embracing the principles of sustainable business. This explains the appeal of ElringKlinger shares to such investors.

The latest CSR (Corporate Social Responsibility) report is the eleventh sustainability report published by ElringKlinger AG. Unless otherwise stated, the data relate to the ElringKlinger Group as a whole and the 2021 financial year. The report was published in the second half of 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 22 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 1, 2022. The statement can be accessed on the company's website at www.elringklinger.de/en/company/corporate-governance.

Sustainability report

ElringKlinger's annual sustainability report includes detailed information and key figures relating to employees, social issues, the environment, and quality. It is scheduled for publication on the Group's website at https://www.elringklinger.de/en (Sustainability section) in the second half of 2023.

* 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 2022 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 2022 financial year, the structuring of the individual compensation components, and the objectives on which they are based:

Component	Objective	Structuring
Non-performance-based compensation		
Basic compensation	Securing a basic income	Cash compensation
	Alignment with the Board member's area of responsibility	Payment in twelve monthly installments
Fringe benefits		Company car
		Insurance benefits
Benefits for private retirement benefits or retirement pension	Securing adequate pension provision	Payment of an annual fixed amount (three members of the Management Board) or allocation of a percentage of the last monthly fixed salary per year of service to the retirement benefits scheme (one Management Board member who left the company in 2022)
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 several years
Benefits in the event of termination of employment		
Termination by mutual consent	Avoidance of excessive severance payments	Severance payment limited to remaining term of employment contract or maximum of two years' compensation
Other compensation arrangements		
Malus/clawback	Sustained corporate performance	Option for the Supervisory Board to withhold STI and LTI or to reclaim compensation already paid
Maximum compensation	Restriction of disbursements 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 compensation system	Safeguarding the sustained performance of the company	In exceptional circumstances, the Supervisory Board has the authority to determine a different agreement

Entitlements from the bonus system applicable up to 2020

As regards the compensation system applicable until 2020, as of December 31, 2022, a tranche remains in place within the context of the Economic Value Added Bonus System (LTI II). LTI II is a bonus based on the economic value added to the ElringKlinger Group. The Management Board receives a percentage of the economic value added calculated in respect of the company. The EVA bonus is granted at the beginning of a three-year benefit period and corresponds to the percentage of average economic value added in respect of the three subsequent financial years. The annual economic value added is calculated according to the following formula:

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

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

The second component is computed by multiplying Group WACC by capital invested. The weighted average cost of capital (WACC) is calculated with the help of the basic interest rate, the market risk premium, and the beta factor. The beta factor represents the individual risk of a share in relation to the market index. It is determined as an average value of all the peer group companies.

The credit spread for borrowing costs, as the premium on the risk-free basic interest rate, was derived from a peer group rating. Capital invested is calculated on the basis of Group equity plus net financial liabilities (i.e., net debt*) as of January 1 of the financial year.

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

The 2020–2022 tranche does not give rise to compensation.

2021 Compensation Report

The 2021 Compensation Report was approved by 90.81% of the votes of the Annual General Meeting on May 19, 2022.

Departure of a member of the Management Board

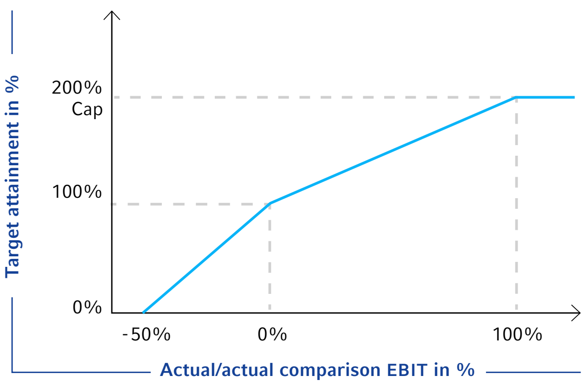
With effect from March 31, 2022, Theo Becker's appointment as a member of the Management Board was terminated following a resolution adopted by the Supervisory Board on March 24, 2022. The termination and severance agreement concluded in this context regulates the settlement of contractual rights as part of a one-off payment in the amount of EUR 834k, taking into account the severance cap of a maximum of two years' compensation. The one-off payment was made in April 2022. A retention period until March 31, 2024, was agreed in respect of shares in the company acquired under the share ownership guideline. All retirement benefit rights granted shall remain valid.

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.

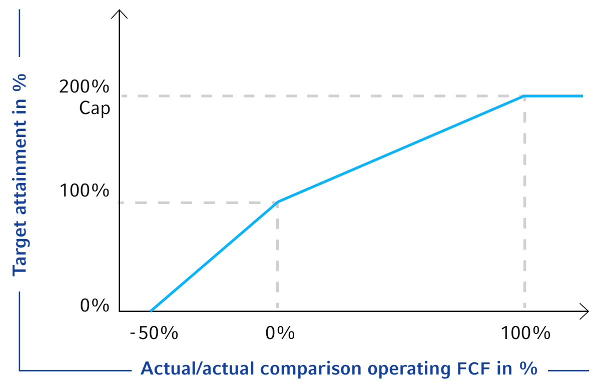
Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year,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

EBIT target attainment curve



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

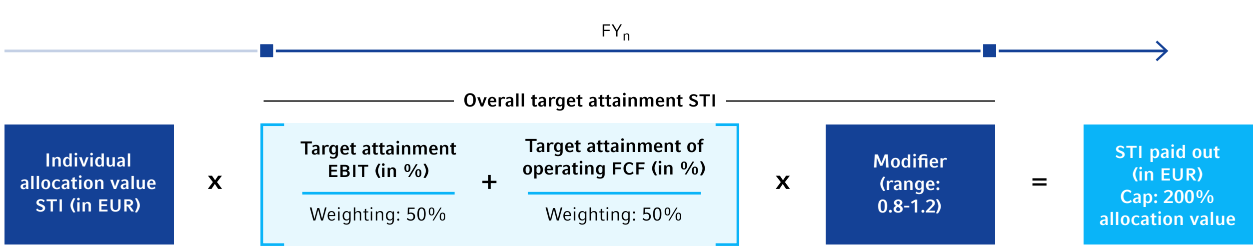
Operating FCF target attainment curve



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

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

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



Factors to determine the STI for the 2022 financial year

For the 2022 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.

Target attainment STI 2022

EUR k	2021	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%	1.2	1/3	0.40
Customer retention	EUR >1,200 million	EUR 1,488 million	1.2	1/3	0.40
Improvement in energy efficiency	>2.5%	10%	1.2	1/3	0.40
Modifier				**1.00**	**1.20**
Overall target attainment					**0%**

STI EUR k	Maximum amount	Allocation value	STI
Dr. Stefan Wolf	960	480	0
Reiner Drews	480	240	0
Thomas Jessulat	480	240	0

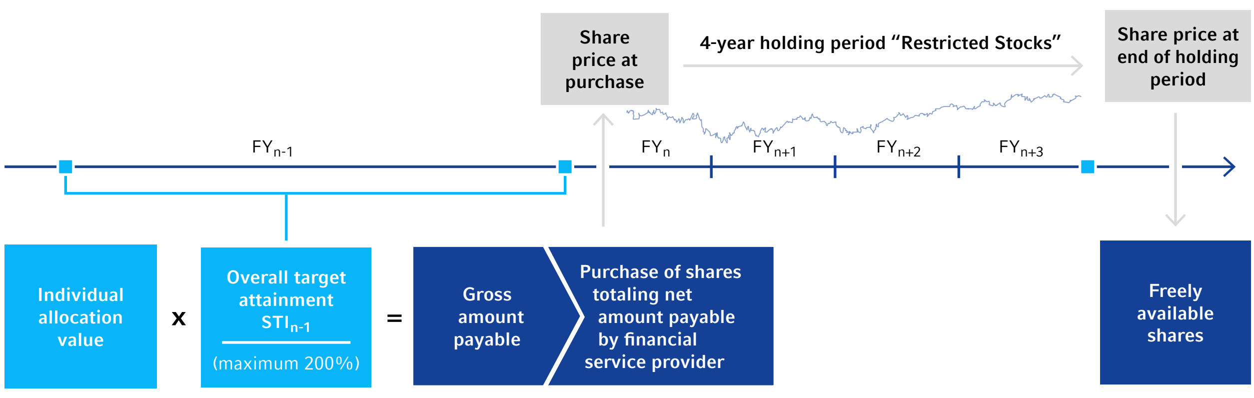
Due to the departure of Theo Becker, there is no longer an entitlement under the STI for 2022.

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 2022 financial year, the overall target attainment was 240%, which is in excess of maximum remuneration. Therefore, LTI 2022 was limited to the maximum level of compensation, which corresponds to twice the allocation value. The following overview shows the level of target attainment and the number of shares acquired:

Target attainment LTI 2022

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

LTI EUR k	Target	2021	Target attainment	Weighting	Weighted target attainment
Modifier					
Innovation rate	>50%	69%	1.2	1/3	0.40
Customer loyalty	EUR >1,200 million	1,242 million	1.2	1/3	0.40
Improvement of energy efficiancy	>2.5%	13%	1.2	1/3	0.40
Modifier				**1.00**	**1.20**
Target achievement					**240%**

LTI EUR k	Maximum amount	Allocation value	LTI	Average purchase price in EUR	Number of acquired shares
Dr. Stefan Wolf	1,440	720	1,440	8.97	84,283
Theo Becker	720	360	720	8.97	39,329
Reiner Drews	720	360	720	8.97	42,141
Thomas Jessulat	720	360	720	8.97	42,295

The shares were acquired in the period between March 29 and April 4, 2022. The vesting period ends after four years in 2026.

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 2022 financial year:

Maximum compensation	Dr. Stefan Wolf	Theo Becker	Reiner Drews	Thomas Jessulat	Total
EUR k	2022	2022	2022	2022	2022
Non-performance-based compensation					
Fixed annual salary	636	108	401	401	1,546
Fringe benefits	36	2	6	29	73
Severance payments	0	834	0	0	834
Benefits for private pension provision	400	0	300	300	1,000
Total	**1,072**	**944**	**707**	**730**	**3,453**
Performance-based compensation					
Short-Term Incentive	960	0	480	480	1,920
Long-Term Incentive	1,440	0	720	720	2,880
Total	**2,400**	**0**	**1,200**	**1,200**	**4,800**
Maximum compensation	**3,472**	**944**	**1,907**	**1,930**	**8,253**

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 2022 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

	Dr. Stefan Wolf	Theo Becker	Reiner Drews	Thomas Jessulat	Total
Tranche 2021					
Number of shares	15,827	7,371	7,914	7,914	39,026
Average purchase price (in EUR)	10.43	10.43	10.43	10.43	10.43
Average rest term in years	2.97	1.25	2.97	2.97	2.64
Tranche 2022					
Number of shares	84,283	39,329	42,141	42,295	208,048
Average purchase price (in EUR)	8.97	8.97	8.97	8.97	8.97
Average rest term in years	3.25	1.25	3.25	3.25	2.87

Benefits for private pension provision

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

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

Retirement pension

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

The retirement pension policy continues to apply to Theo Becker, the Management Board member who left the company in 2022. The retirement pension is calculated as a percentage of pensionable income. The percentage is dependent on the number of years of service as a Management Board member. The percentage rate is 3.2% of the last monthly fixed salary prior to leaving the company in respect of each full year of service. This percentage rate can rise to a maximum of 45%.

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

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

The contracts include provisions governing surviving dependents' benefits. If a member of the Management Board dies during the period in which the employment contract is applicable or once the retirement benefits become due, his widow/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 January 1, 2023. The Supervisory Board has the authority to grant the Management Board member special compensation. A decision on this is at the free discretion of the Supervisory Board in compliance with legal requirements.

Management Board compensation 2022

The following itemized overview presents the amount of compensation granted and owed to each member of the Management Board in the 2022 financial year. In accordance with the provisions set out in Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG), the amount of compensation granted and owed must be stated as the amounts that became due in the reporting period and have already been paid to the individual Management Board member or whose due payment has not yet been concluded.

Compensation granted and owed

	Dr. Stefan Wolf				Theo Becker			
EUR k	2022	in %	2021	in %	2022	in %	2021	in %
Non-performance-based compensation								
Fixed annual salary	636	25	636	27	108	6	432	34
Fringe benefits	36	1	37	2	2	0	8	1
Severance payments	0	0	0	0	834	45	0	0
Benefits for private pension provision	400	16	400	17	0	0	0	0
Total	**1,072**	**42**	**1,073**	**46**	**944**	**51**	**440**	**35**
Performance-based compensation								
Short-Term Incentive	0	0	960	41	0	0	480	37
Long-Term Incentive	1,440	58	315	13	720	39	157	12
Total	**1,440**	**58**	**1,275**	**54**	**720**	**39**	**637**	**49**
Compensation granted and owed	**2,512**	**100**	**2,348**	**100**	**1,664**	**90**	**1,077**	**84**
Service cost	0	0	0	0	185	10	210	16
Total compensation	**2,512**	**100**	**2,348**	**100**	**1,849**	**100**	**1,287**	**100**

Pension obligations

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

	Dr. Stefan Wolf		Theo Becker		Reiner Drews		Thomas Jessulat		Total	
EUR k	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current service cost	0	0	185	210	0	0	0	0	185	210
Present value (DBO)	2,535	5,928	0	4,998	178	342	392	735	3,105	12,003

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

A provision of EUR 20,059 k (2021: EUR 16,524 k) was made for pension obligations. Total compensation amounted to EUR 1,011 k in the 2022 financial year (2021: EUR 928 k).

	Reiner Drews				Thomas Jessulat				Total			
	2022	in %	2021	in %	2022	in %	2021	in %	2022	in %	2021	in %
	401	28	401	30	401	28	401	29	1,546	21	1,870	29
	6	0	8	1	29	2	48	3	73	1	101	2
	0	0	0	0	0	0	0	0	834	12	0	0
	300	21	300	22	300	21	300	22	1,000	14	1,000	16
	707	**49**	**709**	**53**	**730**	**51**	**749**	**54**	**3,453**	**48**	**2,971**	**47**
	0	0	480	35	0	0	480	35	0	0	2,400	38
	720	51	157	12	720	49	157	11	3,600	49	786	12
	720	**51**	**637**	**47**	**720**	**49**	**637**	**46**	**3,600**	**49**	**3,186**	**50**
	1,427	**100**	**1,346**	**100**	**1,450**	**100**	**1,386**	**100**	**7,053**	**97**	**6,157**	**97**
	0	0	0	0	0	0	0	0	185	3	210	3
	1,427	**100**	**1,346**	**100**	**1,450**	**100**	**1,386**	**100**	**7,238**	**100**	**6,367**	**100**

Compensation structure for members of the Supervisory Board

Supervisory Board compensation is governed by the provisions set out in Section 13 of the Articles of Association of ElringKlinger AG. The level of compensation is determined by the Annual General Meeting. The members of the Supervisory Board shall receive remuneration that is commensurate with their duties and the circumstances of the company. The compensation system was last adjusted on July 7, 2020. The members of the Supervisory Board receive fixed compensation of EUR 50k (2021: EUR 50k) for each full financial year they have served on the Supervisory Board. Membership of a committee is remunerated at EUR 6k (2021: EUR 6k) and membership of the Audit Committee is remunerated at EUR 10k (2021: EUR 10k). Additionally, the members of the Supervisory Board receive a lump-sum payment of EUR 1k (2021: EUR 1k) for each Supervisory Board meeting they attend. The chairperson of a committee receives double the respective amounts. Compensation in respect of membership of the Mediation Committee shall only be payable in those cases in which the Committee has to be convened. No compensation is granted for the Nomination Committee.

The role of the Supervisory Board Chairman and the role of his Deputy are taken into consideration when determining the level of compensation. The Chairman of the Supervisory Board receives three times (2021: three times) and the Deputy Chairman two times (2021: 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 2022

In the year under review, compensation granted and owed to the Supervisory Board of ElringKlinger AG amounted to EUR 868k (2021: EUR 859k). Additionally, travel expenses totaling EUR 1k (2021: EUR 1k) were reimbursed. Compensation payable to the individual members of the Supervisory Board was as follows:

	2022					2021				
	Fixed compensation		Compensation for committee work		Total	Fixed compensation		Compensation for committee work		Total
	EUR k	in %	EUR k	in %	EUR k	EUR k	in %	EUR k	in %	EUR k
Klaus Eberhardt	158	88	22	12	180	158	88	22	12	180
Markus Siegers	106	95	6	5	112	106	95	6	5	112
Armin Diez	0	0	0	0	0	8	100	0	0	8
Rita Forst	20	100	0	0	20	54	100	0	0	54
Ingeborg Guggolz	34	100	0	0	34	0	–	0	0	0
Andreas Wilhelm Kraut	54	100	0	0	54	54	100	0	0	54
Helmut P. Merch	54	73	20	27	74	54	73	20	27	74
Gerald Müller	54	100	0	0	54	54	100	0	0	54
Paula Monteiro Munz	54	100	0	0	54	54	100	0	0	54
Barbara Resch	54	100	0	0	54	53	100	0	0	53
Prof. Hans-Ulrich Sachs	0	0	0	0	0	0	0	1	100	1
Gabriele Sons	54	90	6	10	60	54	90	6	10	60
Manfred Strauß	54	84	10	16	64	54	84	10	16	64
Bernd Weckenmann	54	100	0	0	54	37	100	0	0	37
Olcay Zeybek	54	100	0	0	54	54	100	0	0	54
Total	**804**	**93**	**64**	**7**	**868**	**794**	**92**	**65**	**8**	**859**

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	2018	2019	Change in %	2020	Change in %	2021	Change in %	2022	Change in %
Management Board									
Dr. Stefan Wolf	1,594	1,379	-14	1,485	8	2,348	58	2,512	7
Theo Becker	1,185	1,074	-9	807	-25	1,077	34	1,664	55
Reiner Drews	595	692	16	845	22	1,346	59	1,427	6
Thomas Jessulat	857	758	-12	910	20	1,386	52	1,450	5
Supervisory Board									
Klaus Eberhardt	112	100	-11	183	83	180	-2	180	0
Markus Siegers	77	69	-10	114	65	112	-2	112	0
Nadine Boguslawski	45	40	-11	28	–	0	–	0	–
Armin Diez	50	44	-12	65	48	8	–	0	–
Pasquale Formisano	46	39	-15	28	–	0	–	0	–
Rita Forst	46	40	-13	55	38	54	-2	20	–
Ingeborg Guggolz	0	0	–	0	–	0	–	34	–
Andreas Wilhelm Kraut	46	38	-17	55	45	54	-2	54	0
Helmut P. Merch	0	0	–	37	–	74	–	74	0
Gerald Müller	46	40	-13	55	38	54	-2	54	0
Paula Monteiro Munz	50	44	-12	55	25	54	-2	54	0
Barbara Resch	0	0	–	27	–	53	–	54	2
Prof. Hans-Ulrich Sachs	46	40	-13	28	–	1	–	0	–
Gabriele Sons	54	48	-11	61	27	60	-2	60	0
Manfred Strauß	54	47	-13	71	51	64	-10	64	0
Bernd Weckenmann	0	0	–	0	–	37	–	54	–
Olcay Zeybek	0	0	–	27	–	54	–	54	0
Key earnings indicators ElringKlinger AG									
Net income or loss for the year	-5,291	-17,112	–	-11,566	–	70,087	–	-45,505	–
Key earnings indicators Group									
EBIT	96,180	61,233	-36	27,736	-55	102,030	268	-42,231	–
ROCE	5.5%	3.4%	-38	1.7%	-50	6.4%	277	-2.7%	–
Operating free cash flow	-86,169	175,821	–	164,695	-6	71,971	-56	14,810	-79
Equity ratio	42.8%	41.5%	-3	41.4%	0	47.0%	14	43.8%	-7
Net debt/EBITDA	3.7	3.3	-11	2.5	-24	1.7	-32	2.1	24
Workforce									
Total workforce in Germany[1]	57	58	2	55	-5	58	6	62	7
Employees covered by collective agreements in Germany[1]	54	55	2	52	-6	55	6	55	0

[1] Without Management Board

Dettingen/Erms, March 23, 2023

On behalf of the Management Board

On behalf of the Supervisory Board

Dr. Stefan Wolf,
Chief Executive Officer

Thomas Jessulat,
Chief Financial Officer

Klaus Eberhardt,
Chairman of the Supervisory Board

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

To ElringKlinger AG

Opinion

We have audited the formal aspects of the remuneration report of ElringKlinger AG, Dettingen/Erms, for the fiscal year from January 1, 2022 to December 31, 2022 to determine whether the disclosures required by Sec. 162 (1) and (2) AktG [“Aktiengesetz”: German Stock Corporation Act] have been made therein. In accordance with Sec. 162 (3) AktG, we have not audited the content of the remuneration report.

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

Basis for the opinion

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

Responsibilities of the management board and supervisory board

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

Responsibilities of the auditor

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

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

Consideration of misrepresentations

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

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

Stuttgart, March 23, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Corporate Governance

The Management Board and the Supervisory Board of ElringKlinger AG annually publish a Statement of Corporate Governance* in accordance with principle 22 of the German Corporate Governance Code in its version from the 28th of April 2022, which also includes the Declaration of Conformity adopted on the 1st of December 2022. The Declaration is available online on the corporate website www.elringklinger.de/en/company/corporate-governance/declaration-of-conformity.

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-2023.

* Cf. glossary

Combined Non-Financial Report 2022

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 2022 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). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was commissioned to review the combined non-financial report of ElringKlinger AG for the period from January 1, 2022, to December 31, 2022, in the context of a limited assurance engagement.

As in previous years, the Group plans to publish a comprehensive sustainability report later in 2023.

Business model of the ElringKlinger Group

The ElringKlinger Group operates as a global technology group. Its emphasis is on the development, industrial production, and distribution of components, modules, and systems for the vehicle industry. The Group applies its skills as an innovator to the development of solutions that enable sustainable and climate-neutral mobility. The product portfolio consists of components for the drivetrain, body, underbody, chassis, and exhaust system. These include innovative battery components and systems, fuel cell stacks* and components, and electric drive units as well as innovative lightweighting concepts, sealing technology, and thermal and acoustic shielding systems. 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 9,500 people at sites in 20 countries, ElringKlinger is active primarily in the three principal economic regions of Europe, North America, and Asia-Pacific. As of December 31, 2022, ElringKlinger had 40 production facilities, four sales offices, one logistics center, and one company operating solely within the area of aftermarket sales. ElringKlinger maintains direct lines of contact with the majority of the world's major vehicle and engine manufacturers. In order to actively exploit the benefits of global interaction, ElringKlinger purchases raw materials in a number of different countries and has established an extensive network of suppliers for this very purpose. In total, 54% of these goods are procured from Germany, China, and the United States.

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

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

Determining materiality

ElringKlinger conducted a materiality analysis for the purpose of determining matters of significance and compliance with statutory obligations in respect of environmental, social, and employee-related matters, respect for human rights, and anti-corruption and bribery matters (Section 289c(3) HGB*). The main focus was, above all, on those issues that are significantly influenced by the business model and the value chain. In the context of updating this materiality analysis, the Group conducted a stakeholder survey in 2022, analyzed purchasing data, and discussed the results with internal experts from all relevant departments.

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 social aspect, where no major issues were identified.

The materiality analysis conducted in 2022 also confirmed that emissions in the upstream and downstream supply chain (Scope 3) as well as the issue of waste management are of increasing importance to the Group. The Group will therefore continue to evolve its coverage of both topics and include them in future reporting.

* Cf. glossary

Risk assessment

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

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

Combating corruption and bribery

At ElringKlinger, corporate responsibility is considered an essential prerequisite when it comes to embracing and pursuing all business activities. Among other aspects, this includes compliance with existing laws and rules. To this end, Group-wide guidelines apply to all employees around the world.

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

The "Vision and Mission" guideline, which contains fundamental values and goals of the Group, was drawn up to prevent infringements. The code of conduct and the corporate code, which in turn are complemented by further, more detailed guidelines for the specific areas, have been defined on this basis. The code of conduct addresses the issues of corruption, gratuities, and conflicts of interest. The code serves as an orientation for all employees and as a benchmark for professional interaction. ElringKlinger's corporate code includes guidelines on how to deal with gifts and instances of attempted bribery. ElringKlinger expects 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. In 2022, the Group published a dedicated section on the company website summarizing all compliance policies and related topics.

The Chief Compliance Officer (CCO) is responsible for implementing, structuring, and refining the CMS. The CCO reports all events that occur directly to the CEO, who is responsible for ensuring compliance with legal requirements and internal guidelines. In addition, the Group has regional 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 actively follows up on indications of potential compliance-related violations in order to clarify critical issues as quickly as possible and initiate appropriate measures. Such notifications can be submitted via the "Share with us" whistleblower system that has been accessible to all stakeholders since 2022 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 2022 financial year, seven 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. In addition, the Group introduced standardized online compliance training in 2022, which from now on will be conducted regularly by all employees with a personal Office account. In the 2022 reporting year, 2,139 employees had completed this training for the first time. 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 2022 in which material breaches in connection with bribery and corruption occurred within the parent company or the subsidiaries.

Responsibility in the supply chain

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

Supplier Quality Management is involved in selecting direct suppliers[1] at ElringKlinger and is responsible for qualifying them. In line with the transformation process in the automotive industry, the product portfolio within the ElringKlinger Group is also undergoing significant change. As a result, a large number of new suppliers are needed for the new product areas. In addition, products are becoming increasingly complex, which adds to ElringKlinger's auditing efforts.

ElringKlinger has documented the requirements it places on suppliers in a supplier handbook, which is available online and is provided to each supplier in digital form. As of December 31, 2022, the level of acceptance in respect of the supplier handbook stood at 54% of all direct suppliers in the automotive business. The handbook is based on the principles of the International Labour Organization (ILO) and the IATF* 16949 standard and covers aspects such as compliance, social and working conditions, and corporate integrity. ElringKlinger is also committed to environmentally sound operational management and structured conduct and procedures with regard to the implementation of corporate environmental policy. The Group therefore requires its direct suppliers in the automotive business to have a quality management system certified to ISO* 9001 and IATF 16949 and an environmental management system certified to ISO 14001 or EMAS.

As of December 31, 2022, 98.7% (2021: 98.3%[2]) of direct suppliers in the automotive business were certified according to the quality management standard ISO 9001, which means that ElringKlinger is close to reaching its target of 100%. Meanwhile, 57.2% (2021: 59.5%[2]) of direct suppliers in the automotive business were certified to environmental management standard ISO 14001 in 2022. In 2022, 72.4% (2021: 66.0%[2]) of direct suppliers in the automotive business were certified in accordance with the automotive industry's quality management standard IATF 16949. 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 is targeting a rate of 75%[3] in 2023.

To monitor compliance with required standards, Supplier Quality Management conducts supplier audits every year in accordance with the VDA 6.3 standard. This also covers sustainability and data protection issues. In the event of any deviations, appropriate remedial measures must be implemented within a defined period of time. The implementation of these measures is then reviewed. Significant deviations can result in the supplier relationship being terminated immediately. ElringKlinger conducted 159 (2021: 99) supplier audits in 2022. This increase is due to the coronavirus-related restrictions that were still in place in the previous year. In 2022, the Group also examined country- and supplier-specific risks in preparation for the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG) coming into force in 2023. The focus here was also on further developing and firmly establishing human rights-related due diligence obligations in various governance processes that shall also apply to suppliers.

Supplier Quality Management is responsible for the selection and qualification of new suppliers within the

[1] Suppliers that provide production materials or carry out external work for the manufacture of ElringKlinger products.
[2] The figures reported in 2021 have been adjusted and relate exclusively to direct suppliers in the automotive business.
[3] The 60% target previously reported in 2021 has been adjusted in line with the new definition (dealers, raw material suppliers, and suppliers designated by customers not taken into account in the calculation).

ElringKlinger Group. For this purpose, the list of criteria includes sustainability criteria such as compliance with labor, social, and environmental standards as well as traditional aspects such as supplier quality, reliability, and liquidity. In addition, regular management reports provide the Management Board with information on the current situation and developments with regard to Supplier Quality Management.

With regard to the responsible use of raw materials, ElringKlinger uses the "International Material Data System" (IMDS). In addition, information collected from all automotive suppliers on the material and chemical composition of semi-finished products and components is passed on to ElringKlinger and customers. The advantage of the system is that all key automotive suppliers and suppliers throughout the supply chain can store their data in a single system so as to create transparency over the exact contents and enable components to be disposed of in an environmentally responsible manner at the end of their life cycle. The database is also used as a platform for quickly checking the countries of origin of conflict minerals. Among other things, the US legislation on conflict minerals (Dodd-Frank Act) requires companies to disclose the origin of certain raw materials. This is intended to rule out the possibility of conflict minerals such as tantalum, gold, tungsten, and tin from the Republic of Congo or neighboring countries from being incorporated into products via supply chains. Although ElringKlinger does use small quantities of several of the aforementioned materials, it does not source these from the countries stated. An analysis of raw materials procured by the ElringKlinger Group in 2022 based on supplier information provided no evidence that conflict minerals were being sourced from the regions listed above.

Environmentally-friendly mobility

Mobility is one of society's most basic requirements and is fundamental to the economic and social development of industrialized societies and service economies. It is therefore all the more important that mobility does not place an extra strain on the environment, something that ElringKlinger has been working on for over two decades. The Group is contributing to the transformation of the transportation sector by developing innovative, zero-emission solutions. In the long term, ElringKlinger is targeting a significant increase in the percentage of Group revenue generated by new technologies.

The share of the global market accounted for by electric vehicles is growing steadily, and it is becoming apparent that fuel cell* technology is initially proving an alternative primarily for commercial vehicles and buses. Rising volumes can generate economies of scale. These will make fuel cells an even more attractive proposition for passenger car applications, an area that will initially be dominated by battery power alone. ElringKlinger firmly believes that the two technologies are complementary and that both are needed for sustainable mobility, particularly from an energy efficiency perspective. The Group is thus rigorously pursuing its strategy in order to keep on harnessing the potential available – from both battery and fuel cell technology.

As well as adding components and systems for the new drive technologies to its product portfolio, ElringKlinger has

* Cf. glossary

also devised some innovative solutions in its traditional areas of business in order to offer components for the new drive types. Within its core areas of expertise – coating, punching, embossing, molding, and plastic injection molding – it is thus building an extensive range of products that serves these new drive technologies and that is continuously being expanded. 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.

ElringKlinger's fuel cell* technology activities are based at its subsidiary EKPO Fuel Cell Technologies (EKPO), which was set up in 2021 together with the French automotive supplier Plastic Omnium to accelerate the development of hydrogen-based mobility using the low-temperature fuel cell known as a PEM (proton exchange membrane). EKPO expanded its involvement in Asia in 2022 by setting up a Chinese subsidiary at the Group's existing site in Suzhou. EKPO offers complete stack modules in various performance classes as well as corresponding components such as metallic bipolar plates* and plastic media modules. EKPO won a number of orders in the year under review, including one to develop and supply prototype bipolar plates for a major European carmaker and another to develop and supply fuel cell stacks* for drives in logistics vehicles. In the aviation technology segment, EKPO secured a follow-on order from Aerostack GmbH, the entity operated by Airbus and ElringKlinger, to provide development services and supply stack components and prototypes. In the medium term, EKPO aims to play a leading role within the fuel cell market for both mobility and stationary applications.

ElringKlinger has been a series supplier of battery technology for over ten years now. Its extensive product portfolio encompasses battery systems, battery modules, and components for batteries such as cell contact systems, module connectors, and cell covers. In response to the transformation picking up speed, the Group is pooling its battery technology activities at its site in the German town of Neuffen, where employees from sales, development, prototyping, industrial engineering, production quality, and project management all work together. The team received several orders in 2022, including one to supply battery systems for a prototype grid-independent charging station.

ElringKlinger is working closely with its strategic partner hofer powertrain to develop and integrate electric drive units. The Group has held a stake in the system developer and supplier since 2017. Nürtingen-based hofer AG specializes in solutions for hybrid and electrical vehicles, including the development of electric drive systems that combine the power electronics, gear system, and electric motor. Within the ElringKlinger Group, therefore, skills are being concentrated in order to ramp up innovations in electric drive units for mass production on an international scale. The Group produced small batches in the high-end sports and luxury car segments at its UK-based subsidiary hofer powertrain products UK Ltd. in 2022. In summer 2022, the Group moved hofer powertrain products GmbH, its German site for small-batch manufacturing, from Nürtingen to the electromobility site in Neuffen, which had been established in 2021.

Lightweighting also has an important role to play in eco-friendly mobility, because it has a significant impact on a vehicle's weight and can thus help reduce its fuel consumption or extend its range. Minimizing CO_2 emissions is the main aim in this regard. A lower weight also reduces tire wear and particulate pollution. Alongside the new drive technologies, therefore, lightweighting is among the key technologies powering the transformation in the automotive industry. ElringKlinger has been mass-producing lightweight components for more than two decades. Its many years of experience relating to materials, processes, and manufacture are particularly reflected in its broad product portfolio, which includes drivetrain and body products.

In the long term, ElringKlinger intends to deliver this transformation by increasing the percentage of Group revenue generated by new technologies. These made up 10.9% of Group revenue in 2022 (2021: 12.3%). The year-on-year reduction is due to projects being postponed, which also caused the start of production to be delayed. In addition, the previous year's result included higher sales revenue for development services. This figure differs from that reported for the environmental KPI stated in the "EU taxonomy*" section in terms of both its amount and what it covers. Essentially, it comprises the revenue generated in the Lightweighting business unit, which helps to reduce emissions in vehicles powered by combustion engines – and is therefore included here – but does not fall within the scope of the definition according to the EU taxonomy.

Environmental protection in production

Products developed by ElringKlinger 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[4] each year to measures that help reduce emissions.

The energy transition is well under way. More and more countries are focusing on the expansion of renewable energy instead of fossil energy production from oil, natural gas, or coal, the aim being to avoid climate-damaging greenhouse gases. The German government, for instance, has resolved to accelerate the expansion of renewable energy and aims to cover at least 80% of Germany's gross electricity consumption with renewables by 2030.[5] A new ambitious target has also been set at a European level. By 2030, the share of renewables in respect of the European Union's total energy consumption is to be increased to 40%.[6] 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 begun to acquire energy from sustainable sources to an increasing extent.

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. ElringKlinger AG's environmental officer is always involved in investment decisions of environmental relevance. The corporate and business units are responsible for mapping out environmental topics, and the environmental officers appointed at the individual production sites are responsible for implementation.

ElringKlinger included a total of 35 companies and their sites in its environmental reporting in 2022. As well as 34 production sites, ElringKlinger Logistic Service GmbH, Ergenzingen, Germany, was also included. For the first time, the sites in Neuffen and Dettingen, Germany, were included in environmental reporting in 2022. The site in San Antonio, United States, which opened in 2022, is to be included in environmental reporting in the current financial year. The excluded production sites in Nürtingen, Germany, Timisoara, Romania, Warwick, United Kingdom, Chamborêt, France, and Chongqing, China, are not reported due to their small size and minor relevance to the environmental indicators. In 2022, therefore, ElringKlinger's environmental reporting covered 88% of the Group's production sites, representing 98% of Group revenue and 98% of the Group's workforce.

In 2022, 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. In 2020, ElringKlinger's management defined a total of four different fields of action to achieve this goal. These are: (1) increasing energy efficiency with regard to all buildings and facilities, (2) expanding renewable energies, (3) switching to green electricity, and (4) offsetting CO_2 emissions that are considered completely unavoidable by investing in external projects aimed at reducing CO_2 emissions. In 2022, the electricity supply contracts of the Group company in Spain were migrated to green electricity. In total, 16,000 metric tons of CO_2 generated from gas, the fleet, and air travel were offset by means of compensatory measures.

[4] 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).
[5] Press and Information Office of the Federal Government (ed.) Dec. 23, 2022, online.
[6] European Commission (ed.) (no date), online.

* Cf. glossary

	2022	2021
Total direct and indirect CO_2 emissions in t	**73,740**	**73,850**
Total direct CO_2 emissions in t[1]	**22,070**	**23,120**
of which direct CO_2 emissions from gas, oil, engine test benches, etc. in t	21,200	22,300
of which direct CO_2 emissions by the vehicle fleet in t[2]	870	820
Total indirect CO_2 emissions in t	**51,670**	**50,730**
of which indirect CO_2 emissions from electricity in t[3,4]	50,400	50,300
of which indirect CO_2 emissions from air travel in t[5,6]	1,270	430
CO_2 emissions per EUR 1 million of revenue in t	**41.0**	**45.5**
CO_2 emissions offset in t[7]	**16,000**	**22,000**

[1] At the parent company, ElringKlinger AG, 11,000 tons (2021: 12,000 tons) of direct CO_2 emissions arose from gas, oil, engine test benches, etc. in 2022. Direct CO_2 emissions produced by the ElringKlinger AG vehicle fleet amounted to 670 tons in 2022 (2021: 660 tons).
[2] Emissions are calculated by multiplying the annual mileage of vehicles by the CO_2 emissions stated by the relevant vehicle manufacturer. The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also include the Rest of Europe, the US, and Canada.
[3] Calculation according to the market-based method
[4] At the parent company, ElringKlinger AG, 0 tons (2021: 0 tons) of indirect CO_2 emissions arose from electricity in 2022 (calculated using the market-based method).
[5] Of the indirect CO_2 emissions from air travel, ElringKlinger AG accounted for 1,020 tons in 2022 (2020: 350 tons).
[6] Air travel from the locations in Germany, Austria, Switzerland, France, and Hungary, as well as centrally recorded flights from the locations in Italy, Turkey, and the United States.
[7] ElringKlinger paid to offset its emissions from gas consumption, the fleet, and air travel at its German production companies.

The companies covered in this report have an environmental management system that has been implemented and certified according to the international DIN EN ISO* 14001: 2015 standard. The only exceptions are the production sites in Karawang, Indonesia, and Fremont, United States. The production site in Neuffen, Germany, which opened in the previous year, was included in environmental reporting for the first time in 2022. 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 actions.

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

In 2022, both direct and indirect CO_2 emissions remained largely unchanged at 73,740 tons (2021: 73,850 tons). CO_2 emissions per EUR 1 million of total Group revenue stood at 41.0 tons (2021: 45.5 tons).

Of the total direct CO_2 emissions in tons, 21,200 tons (2021: 22,300 tons) were Scope 1 emissions from gas and heating oil consumption. Direct CO_2 emissions from the fleet and rental vehicles rose to 870 tons in the reporting year (2021: 820 tons), mainly due to the larger number of company vehicles (2022: 245 vehicles/2021: 210 vehicles). The average CO_2 emissions per vehicle in the company vehicle fleet and by rental vehicles were cut to 118 g/km (2021: 126 g/km). The fleet of company vehicles includes all vehicles at ElringKlinger sites in Germany. The figures for rental vehicles also relate to the Rest of Europe, the United States, and Canada.

Total indirect CO_2 emissions rose by 1.8% to 51,670 tons (2021: 50,730 tons). This expansion in indirect CO_2 emissions is attributable primarily to the significant increase in emissions from air travel (Scope 3 emissions), while emissions from electricity consumption increased only slightly to 50,400 tons in the 2022 reporting year (2021: 50,300 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 Neuffen and the sites excluded from the environmental reporting.

At some sites, the Group operates combined heat and power (CHP) units as well as wind and solar plants so as to become more independent of electricity suppliers. The advantage of a CHP unit is that electricity and heat can be obtained in parallel. In 2022, energy consumption (electricity, gas, heating oil, and fuel for engine test benches) was comparable to the prior-year level at 291,600 MWh (2021: 291,700 MWh). Of this, a total of 107,440 MWh (2021: 110,570 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 officers.

1.7% of ElringKlinger's investments in property, plant, and equipment and investment property went toward measures designed to reduce emissions in 2022. 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. This includes a newly installed solar power system and the construction of a new water treatment plant, which is particularly water-efficient and also reuses the waste heat from waste water. The target of putting approximately 1% of total investments toward emission-reducing measures was thus met in 2022.

* Cf. glossary

Occupational health and safety

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

The occupational health and safety policy and the central organizational directive on occupational health and safety management apply equally to all employees across the ElringKlinger Group. Pursuing a proactive approach, the Group endeavors to avoid occupational accidents altogether. Clearly defined work instructions on the issue of safety, regular safety training, preventive measures in individual workplaces, a technical safety standard for systems and work equipment, and suitable protective equipment are intended to ensure that this is the case. Occupational health and safety is also covered in the "ElringKlinger Operating System" (EKOS*), the production system that ElringKlinger uses to standardize and improve processes across the Group. Among other things, it stipulates that the daily shop-floor meetings in Production focus on "safety first" and start with the issue of health and safety at work. Regular safety updates on individual key areas, which are sent out to the plants around the world in multiple languages, also form part of the EKOS program. In addition, risk assessments are continuously prepared and updated at the production companies, complemented by safety inspections. Compliance with the regulations is verified by means of regular internal audits. Any findings from these are set out in plans of action, and countermeasures are implemented accordingly.

Until now, ElringKlinger has largely managed occupational safety on a decentralized basis. As of 2021, a cross-company organization within the Group has been working on standardizing issues relating to occupational safety. In 2022, this team supervised the certification of European production sites in accordance with the globally applicable ISO* 45001 standard, with the exception of the new production plant in Neuffen and EKPO Fuel Cell Technologies GmbH. By the end of 2023, all other Group sites are to be certified, with the exception of the new production sites in Texas and Silicon Valley as well as Timisoara, Romania, Warwick, United Kingdom, and Chongqing, China, for the time being. Management is the responsibility of the Quality & Sustainability corporate unit, which reports directly to the Management Board of ElringKlinger AG. In parallel, the unit will be looking to pursue efforts to define minimum standards for safety technology and protective equipment as well as uniform processes. Among other things, this relates to the handling of hazardous substances, the procurement of safe equipment, and the qualification of employees.

In 2022, the ElringKlinger Group experienced 124 occupational accidents (2021: 117 occupational accidents) that resulted in staff being off work for more than three days. Of these, 47 occupational accidents (2021: 58 occupational accidents) related to ElringKlinger AG. The relative accident rate per 1,000 employees stood at 13.1 (2021: 12.3[7]) in the Group as a whole and at 16.2 (2021: 19.5[7]) at the parent company. The cause of occupational accidents and the related course of events are always analyzed in detail and existing safety standards are revised accordingly. The figure for occupational accidents causing staff to be off work for more than three days is part of the ElringKlinger indicator system and will be presented to the Management Board every month from 2023.

[7] The prior-year figure for the Group and ElringKlinger AG has been adjusted. The ratios are based on the annual average number of direct and indirect employees. In addition, the annual average number of direct and indirect employees will be reported without the Management Board from now on.

Since the start of the coronavirus pandemic, a Covid-19 Task Force has coordinated all activities within the Group that are required to protect the health of employees and business partners. The Group also remained committed to its high standards of protective and hygiene measures in the 2022 reporting year. This includes the wearing of protective masks at the plants, travel and visiting restrictions, rules on minimum spacing between workstations, the expansion of mobile working, and local vaccination services. Many of the measures were relaxed in the course of the year in line with the applicable statutory regulations. The processes and practices devised by the task force are invariably based on recommendations from expert organizations and government authorities and on the experience gained so far with tackling the pandemic. Information is shared within the company via the intranet. Alongside internal memos, the specially created Covid-19 platform includes document templates, manuals, FAQs, and much more. All relevant information on the issue is also e-mailed to the business unit managers and the international management team and pinned to noticeboards.

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. In addition, the Group seeks to develop its workforce by means of specific training measures. In this context, ElringKlinger is committed to actively highlighting prospects for the future and encouraging employees to remain with the company for the long term. 2022 centered around the development of a new 2030 HR strategy, which was adopted at the end of 2022 and is set to be rolled out at the start of 2023. It is based on the corporate goals and takes particular account of digitalization and transformation issues.

The automotive sector as a whole is undergoing a major transformation process. 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 a technology-oriented Group, ElringKlinger is also impacted by this trend, particularly in the future-focused fields of alternative drive technologies. The ability to attract qualified staff is therefore a major concern for the Group.

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

* Cf. glossary

In the context of the transformation process, the Group paid attention to factors such as filling vacancies carefully and focused both on increasing staffing levels in the strategic fields of the future and on IT. The use of digital media played an increasingly important role in the recruitment process. 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 ElringKlinger's "INFO Day" for training and study. With the employee referral scheme "Bring a Talent," the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees. A total of 26 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 September 2022, 12 work-study students and 17 apprentices embarked on courses at ElringKlinger's main site in Dettingen/Erms. For the first time, two students started the new course entitled Digital Business Management, which explores the key areas of "Digitalizing the Economy" and "Industry 4.0" in greater depth. ElringKlinger currently offers 9 dual study programs and 8 vocational job profiles. At its site in Buford, United States, ElringKlinger trained apprentice Maintenance Technicians in accordance with the work-study system, while training activities in Suzhou, China, and Toluca, Mexico, were still on hold in 2022 because of the continuing global coronavirus pandemic.

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

During the 2022 financial year, an average of 90 employees were engaged in training at the parent company ElringKlinger AG in Dettingen/Erms (2021: 109 employees). The training ratio for the parent company (number of vocational trainees and internal students in relation to the total number of employees) fell slightly to 3.1% in 2022 (2021: 3.7%). The training ratio for the Group stood at 1.6% on average (2021: 1.9%).

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. ElringKlinger can use it to train its employees and enhance existing skills, regardless of workstations or locations. Sections for Finance and Legal were added to this platform in 2022, where both specialist departments can now make their training portfolios available around the world.

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) – were given opportunities to boost their skills; this included a training course comprising several modules in support of professional advancement. In the 2022 reporting year, the high-potential program concluded with 25 participants, and the process of selecting people for the next program was already initiated. The selection process for the recently established Senior Management Development Program began in the second half of 2022. The project is due to be launched in 2023 with eight participants. This program aims to foster the talents of employees with strong development potential who are already in a middle-management position so that they can take on a senior management role in the Group as Vice President or General Manager. In 2022, the Group also introduced the worldwide Shop Floor Qualification for the systematic induction of production staff to ensure the standardized Group-wide on-boarding of new employees.

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 (staff development goals) once a year. To assess employee performance, ElringKlinger carried out performance reviews during 2022; owing to the pandemic, these were largely virtual. In the process, individual needs, achievements, and goals were determined and assessed by immediate supervisors. The ratio (proportion of performance reviews to average number of employees, not including vocational trainees and internal students) stood at 47.5% for the Group in 2022 (2021: 48.0%[8]). Performance reviews are given to all employees, with the exception of those directly involved in production. ElringKlinger is currently in the gradual process of integrating defined employee categories and the employee dialog (presently mapped in SAP) into the global IT system. The Group is looking to increase the current average ratio of 48% as soon as a standard process for this has been established. Against this background, the Group has defined a target ratio of 70% in relation to the total workforce to undergo staff appraisals by 2026. For the parent company ElringKlinger AG, the ratio stood at 51.4% (2021: 51.2%[8]).

Having established a culture of being a "Great Place to Work," ElringKlinger is now aiming to attract motivated and qualified people by sustaining its successful position on the labor market. With demand for qualified staff remaining especially high in the field of alternative drive technologies, further education and training will continue to play a critical role in the future. Thanks to the newly developed 2030 HR strategy, which will be 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 HR organization and continuing to digitalize personnel-related processes and products.

[8] Prior-year figure for Group and AG adjusted. The indicator now only includes employee dialogs conducted within the system. Employee appraisals outside the system are no longer included, as these are not taken into account in the target rate either.

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 June 2020. These criteria are intended to prevent so-called "greenwashing[9]."

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 seq. and 315b et seq. 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 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

At present, the EU has issued targets on sustainable economic activities for two environmental objectives (climate change mitigation and climate change adaptation). 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. These criteria define the conditions under which an activity is to be classified as being sustainable. ElringKlinger examined its contribution to the EU's environmental objectives "climate change mitigation" and "climate change adaptation" as part of a project to implement the EU taxonomy – with a joint team from Financial Reporting, Strategic Communications, and Quality & Sustainability.

All economic activities were reviewed in workshops together with the representatives of the business units, their relevance 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 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 components for the vehicle industry, ElringKlinger falls within the scope of the EU taxonomy in its Original Equipment segment in respect of the activities in its E-Mobility business unit. Within this business unit, the Group is engaged in the development and production of battery and fuel cell* technologies. The electric drive units, which belong to the core technologies, can currently no longer be allocated to the activity 3.6, as components are not explicitly mentioned there. Products from other business units that are also fitted in vehicles with alternative drive systems (e.g., gaskets and lightweight components) were considered to be taxonomy-non-eligible based on the latest version of the EU taxonomy, as these do not represent "core technologies." Any further clarification provided by the European Commission may result in adjustments in interpretation in subsequent periods.

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

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 an environmental objective defined by the Taxonomy Regulation and whether no other 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 an environmental objective and whether significant harm to one of the other 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. 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 environmental objectives of the article, whether there is no harm to one or more of the 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-relevant activities. As regards the taxonomy-relevant 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, guidelines, and voluntary commitments (e.g., corporate code, compliance guidelines, supplier manual). 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 company code of ethics or the supplier manual. 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 environmental 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 the activity. The activity also meets the criteria for a substantial contribution, the minimum safeguards, and the DNSH criteria; it is therefore also taxonomy-aligned.

The EDUs manufactured in the Drivetrain sub-unit, which consist of an electric motor, a gear system, and the power electronics, form a key component inside an electric vehicle, as they drive the axles and thus provide the basis for carbon-neutral mobility. In line with the clarification published by the EU Commission in December 2022, the production of key components shall only fall under the activities of the EU taxonomy if they are explicitly mentioned in the description of the respective activities. As a result, for the time being, the Drivetrain sub-unit no longer falls within the specified scope of the EU taxonomy. Furthermore, other business units of importance to ElringKlinger, such as Lightweighting/Elastomer Technology, do not fall within the aforementioned scope. However, this does not mean that these products do not pursue and contribute to any of the objectives of ElringKlinger's sustainability and corporate strategy. With this in mind, ElringKlinger welcomes the announcement by the EU Commission that it intends to revise the delegated acts on climate targets and, where appropriate, also take key components into account. Indeed, as a company that manufactures essential components for drive systems, the Group makes a substantial contribution to the facilitation of emission-neutral mobility.

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 E-Mobility business unit described above or to the following activities considered taxonomy-eligible: 6.5 (transport by motorbikes, passenger cars, and (light) commercial vehicles) for company vehicles of employees, 7.6 (installation, maintenance and repair of renewable energy technologies), or 7.7 (acquisition and ownership of buildings) for production and administration buildings.

The E-Mobility business unit made the following material taxonomy-eligible and taxonomy-aligned investments in the 2022 financial year:

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

The following taxonomy-eligible and, in part, taxonomy-aligned investments were made outside the E-Mobility business unit:

- Leasing company cars (allocated to activity 6.5)
- Investment in photovoltaic systems (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 to the activities listed that are taxonomy-eligible and taxonomy-aligned. Costs were directly allocated in the context of determining the maintenance and repair costs relating to the Fuel Cell sub-unit. For the Battery Technology sub-unit, allocation was performed on the basis of headcount.

The denominator for the taxonomy KPI "turnover" (i.e., sales revenue) comprises consolidated sales revenue within the meaning of IAS 1 82(a) (consolidated sales revenue). The denominator for the taxonomy KPIs "Capex" and "Opex" comprises additions to and/or investments in assets in accordance with IAS 16, IAS 38, and IFRS 16 (Capex) as well as expenses for non-capitalized research and development costs, short-term and low-value leases, building renovation work, and maintenance and repair (Opex). Consolidated sales revenue (2022: EUR 1,798 million) as well as capital expenditure (2022: EUR 105 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 2022 annual report under sales revenue (1), intangible assets (12), and property, plant and equipment (13).

The KPIs for the 2022 financial year are as follows:

* Cf. glossary

EU-Taxonomy 2022

Turnover

				Substantial contribution criteria (%)	
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation
		EUR k	%	%	%
A. Eligible activities					
A.1 Eligible Taxonomy-aligned activities					
Manufacturing		**18,925**			
Manufacture of equipment for the production and use of hydrogen	3.2.	10,775	0.6	100.0	0.0
Manufacture of batteries	3.4.	8,150	0.5	100.0	0.0
Turnover of eligible Taxonomy-aligned activities (A.1)		**18,925**	**1.1**	**100.0**	**0.0**
A.2. Eligible not Taxonomy-aligned activites					
Turnover of eligible not Taxonomy-aligned activities (A.2)		**0**	**0.0**		
Total (A1 + A2)		**18,925**	**1.1**		
B. Taxonomy-non-eligible activities					
Turnover of Taxonomy-non-eligible activities (B)		**1,779,505**	**98.9**		
Turnover Total (A+B)		**1,798,430**	**100.0**		

	DNSH-criteria ("Do No Significant Harm")							2022		
	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover	Category (enabling activity)	Category (transitional activity)
	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	0.6	E	
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	0.5	E	
								1.1		
	Not to be reported									

Capex

Economic activities	Code(s)	Absolute Capex	Proportion of Capex	Substantial contribution criteria (%) Climate change mitigation	Climate change adaptation
		EUR k	%	%	%
A. Eligible activities					
A.1 Eligible Taxonomy-aligned activities					
Manufacturing		**28,750**			
Manufacture of equipment for the production and use of hydrogen	3.2.	20,370	19.5	100.0	0.0
Manufacture of batteries	3.4.	8,380	8.0	100.0	0.0
Traffic		**130**			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	130	0.1	100.0	0.0
Building and real estate		**1,032**			
Installation, maintenance and repair of renewable energy technologies	7.6.	1,032	1.0	100.0	0.0
Capex of eligible Taxonomy-aligned activities (A.1)		**29,912**	**28.6**	**100.0**	**0.0**
A.2. Eligible not Taxonomy-aligned activites					
Traffic		**3,241**			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	3,241	3.1		
Building and real estate		**6,465**			
Acquisition and ownership of buildings	7.7.	6,465	6.2		
Capex of eligible not Taxonomy-aligned activities (A.2)		**9,706**	**9.3**		
Total (A1 + A2)		**39,618**	**37.9**		
B. Taxonomy-non-eligible activities					
Capex of Taxonomy-non-eligible activities (B)		**65,021**	**62.1**		
Capex Total (A+B)		**104,639**	**100.0**		

	DNSH-criteria ("Do No Significant Harm")							2022		
	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Capex	Category (enabling activity)	Category (transitional activity)
	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	19.5	E	
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	8.0	E	
	n/a	Yes	n/a	Yes	Yes	n/a	Yes	0.1		T
	n/a	Yes	n/a	n/a	n/a	n/a	Yes	1.0	E	
								28.6		

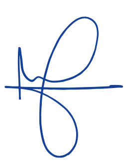
Not to be reported

Opex

				Substantial contribution criteria (%)	
Economic activities	Code(s)	Absolute Opex	Proportion of Opex	Climate change mitigation	Climate change adaptation
		EUR k	%	%	%
A. Eligible activities					
A.1 Eligible Taxonomy-aligned activities					
Manufacturing		**23,708**			
Manufacture of equipment for the production and use of hydrogen	3.2.	9,646	9.2	100.0	0.0
Manufacture of batteries	3.4.	14,062	13.4	100.0	0.0
Opex of eligible Taxonomy-aligned activities (A.1)		**23,708**	**22.6**	**100.0**	**0.0**
A.2. Eligible not Taxonomy-aligned activites					
Opex of eligible not Taxonomy-aligned activities (A.2)		**0**	**0.0**		
Total (A1 + A2)		**23,708**	**22.6**		
B. Taxonomy-non-eligible activities					
Opex of Taxonomy-non-eligible activities (B)		**81,290**	**77.4**		
Opex Total (A+B)		**104,998**	**100.0**		

Dettingen/Erms, March 23, 2023

The Management Board



Dr. Stefan Wolf
CEO

Reiner Drews

Thomas Jessulat

	DNSH-criteria ("Do No Significant Harm")							2022		
	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Opex	Category (enabling activity)	Category (transitional activity)
	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	%	E	T
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	9.2	E	
	n/a	Yes	Yes	Yes	Yes	Yes	Yes	13.4	E	
								22.6		
			Not to be reported							

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

Independent auditor's report on a limited assurance engagement

To ElringKlinger AG, Dettingen/Erms

We have performed a limited assurance engagement on the non-financial report of ElringKlinger AG, Dettingen/Erms, (hereinafter the "Company"), which is combined with the non-financial report of the Group for the period from 1 January 2022 to 31 December 2022 (hereinafter the "combined non-financial report").

Responsibilities of the executive directors

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

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

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

Independence and quality assurance of the auditor's firm

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

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

Responsibilities of the auditor

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

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

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

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

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved in the preparation of the combined non-financial report about the preparation process, about the internal control system related to this process, and about disclosures in the combined non-financial report,
- Inquiries of the employees regarding the selection of topics for the combined non-financial report, the risk assessment and the policies of the Parent Company and the Group for the topics identified as material,
- Inquiries of employees of the Parent Company and the Group responsible for data capture and consolidation, about the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the combined non-financial report,
- Identification of likely risks of material misstatement in the combined non-financial report,
- Analytical procedures on selected disclosures in the combined non-financial report at the level of the Parent Company and the Group,
- Inquiries and inspection of documents relating to the collection and reporting of selected qualitative disclosures and data,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-compliant as well as the corresponding disclosures in the combined non-financial report,
- Evaluation of the presentation of the combined non-financial report.

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

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial report of the Company for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU-Taxonomy" of the combined non-financial report.

Restriction of use

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

* Cf. glossary

General Engagement Terms and Liability

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

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

Munich, 23 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Formerly a place for traders and craftspeople, now a center for the high-tech industry: this is the Chinese city of Suzhou, where EKPO Fuel Cell Technologies GmbH opened a site in 2022. Thus, the company embarked on a further exciting path of growth.

Find out more about this launch of ElringKlinger's fuel cell technology in China in the article »All roads lead to Suzhou« of the magazine »pulse« in the 2023 issue.

02

Combined Management Report of ElringKlinger AG and the ElringKlinger Group

FOR THE FINANCIAL YEAR 2022

Overview of ElringKlinger's Activities and Structure

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

Company profile

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

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

Business model and core competencies

The transformation seen within the automotive industry is reflected not only in the scope of products and services provided by the Group but also in its strategic approach. ElringKlinger has aligned its product development activities with four promising fields of the future centered around fuel cells*, batteries, electric drive units, and structural lightweighting. At the same time, however, it remains committed to its established, i.e., long-standing, areas of business. Indeed, they form the basis for the advancement of core competencies acquired over several decades – taking the Group forward in pursuit of its strategic fields of the future. In keeping with this approach, the Group operates within four fields of activity: e-mobility, lightweighting, established forms of mobility, and non-automotive applications. The Aftermarket and Engineered Plastics segments also form an integral part of the ElringKlinger Group's portfolio.

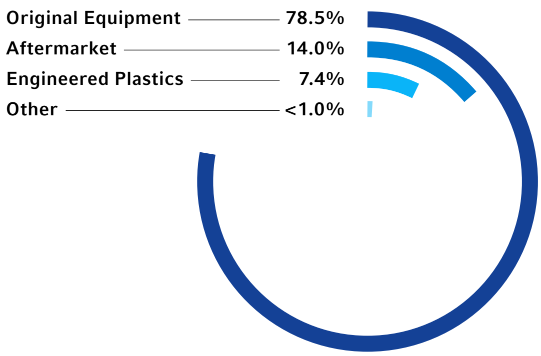
ElringKlinger's core competencies within the Original Equipment segment include extensive know-how relating to materials and processes in the field of metal and plastics processing, the industrial-scale manufacture of newly developed products, and expertise when it comes to engineering tools for efficient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

Group structure and organization

The parent company of the Group is ElringKlinger AG, which has its registered office in Dettingen/Erms, Germany. In addition to strategic management, it is responsible for

[1] Unless otherwise specified, all figures refer to December 31, 2022

Group revenue by segment 2022



in EUR million (previous year)

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

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

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

Sales markets and locations

ElringKlinger has manufacturing sites in all of the world's key vehicle markets. Of 46 locations worldwide, 40 are manufacturing sites. In terms of sales, Europe leads the way with a 49.7% share of Group revenue, followed by North America (25.7%) and Asia-Pacific (19.7%). In the majority of cases ElringKlinger holds a Tier* 1 position within the automotive industry value chain. This means that it maintains a direct line of contact with vehicle and engine manufacturers, particularly within the Original Equipment segment. Within the Engineered Plastics segment, which boasts a wide range of products, ElringKlinger operates as a supplier to various sectors. In the Aftermarket segment, the customer base consists of wholesalers and group purchasing organizations.

Segments and business units

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

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

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

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

* Cf. glossary

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

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

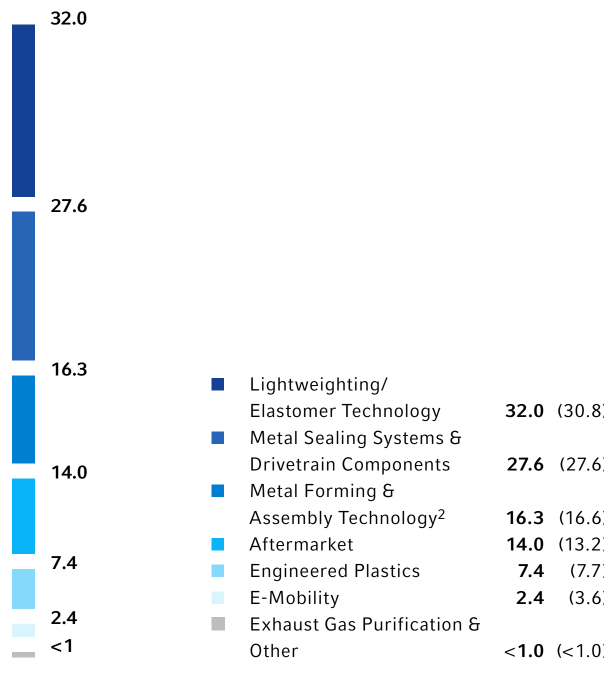
The E-Mobility business unit, featuring fuel cell and battery technology as well as electric drive units, brings together all technologies currently of relevance to the electrification of vehicle propulsion.

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

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

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

Group revenue by business unit[1] 2022
(previous year) in %



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

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

The less significant segment referred to as **Other** covers services as well as the rental activities relating to industrial parks. Services directed at vehicle manufacturers and automotive suppliers include the operation of state-of-the-art engine test benches and measuring equipment for tests on engines, transmissions, and exhaust systems. Logistics services are offered for the Aftermarket business. In addition, this segment includes the catering service of a subsidiary.

Economic and legal factors

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

Regulations governing climate protection are considered to be a key influencing factor in terms of legislation. Due to the ever stricter directives regarding emission levels, vehicle concepts are having to become increasingly climate-friendly. In addition, international trading conditions or possible sanctions are of significance with regard to the interconnected activities of the company and various markets at a global level. Ultimately, these aspects may also have a bearing on business performance.

Internal Control Criteria

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

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

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

Main financial control criteria

The most important control criteria for the ElringKlinger Group and the parent company ElringKlinger AG are revenue, earnings before interest and taxes (EBIT*), operating free cash flow*, and return on capital employed (ROCE*) as financial metrics. Given its integration into the Group, the parent company is also measured by IFRS-based indicators.

Sales revenue and EBIT are budgeted, calculated, and continually monitored for the Group and the individual Group companies as well as for the four reportable segments and the respective business units. As from the 2023 financial year, ElringKlinger will report adjusted EBIT for the purpose of comparing operating profitability without the influence of exceptional factors relating to respective periods (cf. "Outlook – Company").

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

* Cf. glossary

Key financial control criteria of the ElringKlinger Group

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

[1] Original guidance as per 2021 annual report; adjustments made during the year – if any – are not presented.
[2] Organic sales revenue is adjusted for currency and M&A effects.
[3] Revenue reported; revenue adjusted for currency and M&A effects (organic): EUR 1,744.9 million (+7.4%/market growth: 6.7%)
[4] EBIT up to 2019 adjusted for depreciation/amortization relating to purchase price allocation* (2019: EUR 1.9 million, 2018: EUR 4.0 million)

employed. In this context, ElringKlinger uses average capital employed as a basis of calculation. This includes shareholders' equity, financial liabilities, and provisions for pensions. In the 2022 financial year, the return on capital employed of -2.7% (2021: 6.4%) was significantly below that reported for the previous year and fell short of the original forecast ("slightly below the previous year's level"). Adjusted for exceptional factors relating to impairments totaling EUR 103.3 million, ROCE for the 2022 financial year was in positive territory at 3.9%.

Calculating ROCE for the Group

in EUR million

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

[1] EBIT/average capital employed

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

Additionally, the equity ratio and the debt ratio, as a ratio of net debt[2] to EBITDA[3], are important indicators in respect of corporate management.

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

Non-financial and other internal control criteria

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

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

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

Company- and market-specific leading indicators

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

Research and Development

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

Research and development ratio stable at 5.1%

In the 2022 financial year, modifications and new developments were introduced in the traditional areas of Metal Sealing Systems & Drivetrain Components, Metal Forming & Assembly Technology[4], and Lightweighting/Elastomer* Technology as well as in the E-Mobility business unit and the Engineered Plastics segment. As a technology-driven company and a strong innovator, ElringKlinger mainly focuses on transferring its own existing expertise to new applications. R&D activities, which concentrate primarily on reducing emissions, are largely centralized within the business units in the ElringKlinger Group to prevent a "brain drain." Development activities are concentrated at the German sites for the Original Equipment and Engineered Plastics segments and at the US site in Southfield, Michigan. The company's other sites handle fairly minor development tasks and adjustments. A total of 609 (2021: 591) staff were employed in R&D as of December 31, 2022. The growth in the R&D workforce was mainly concentrated in fuel cell* technology, while the battery technology and electric drive unit (EDU*) teams also welcomed new R&D staff.

[4] The Shielding Technology business unit was renamed Metal Forming & Assembly Technology with effect from January 1, 2023.

* Cf. glossary

Key R&D figures

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

[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

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

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

Expertise in all drive technologies

The mobility transformation that is under way is particularly apparent in the field of drive technologies. New drive technologies will gradually replace the technology of the combustion engine in order to reduce CO_2 emissions in the transport sector. Among these technologies, those mentioned most frequently are all-electric and fuel cell vehicles. ElringKlinger believes that both harbor potential and is expecting them to evolve at different speeds depending on how and where in the world they are being used. For this reason, the Group is anticipating a both/and scenario for the two technologies rather than an either/or and is therefore committed to a technology-agnostic approach when it comes to supporting and supplying its customers.

While the market for combustion engines gradually shrinks as a result of market trends and new legislation, that for alternative drive technologies will grow considerably, and ElringKlinger has geared itself up accordingly. Optimizing and increasing the efficiency of modern combustion engines is thus still an important factor for ElringKlinger's developers. However, its development activities are focusing on battery and fuel cell technology.

ElringKlinger supplies components, modules, and entire systems that help to significantly reduce the environmental footprint of new generations of vehicles. Since the use of battery and fuel cell technology is not restricted to the automotive industry, the ElringKlinger Group is contributing to efforts to cut emissions along the whole mobility spectrum through its products. Making a vehicle lighter helps to reduce the propulsion energy it needs, and the fact that its weight has a significant impact on its range makes weight an even more important factor in a battery-electric vehicle. This is why the Group's structural lightweighting activities are also counted among its strategic future areas. One of the key properties of these lightweighting components is their ability to be used with any drive type.

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

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

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

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

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

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

Battery: expanding expertise at component and system level

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

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

* Cf. glossary

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

Drivetrain Technology: reaching the next level in electric drive units

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

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

The Metal Sealing Systems & Drivetrain Components business unit also saw a 2022 financial year driven by transformation. Thus, the focus of this unit's R&D activities in the reporting year was particularly on transferring existing knowledge in sealing and forming technology to the new drive technologies. For example, its expertise in coating and punching thin sheet metal and bonding components was used to further the development of laminated cores and sealing systems for rotors and stators in electric motors. Another key milestone in the past financial year was the development of an embossed venting system for battery cells, which is used on the battery housing of electric vehicles and compensates for pressure differences, such as those caused by the build-up of heat. The Group is also making efforts to apply its capabilities to other vehicle components and thus add them to its technology portfolio. For example, the developers in the Metal Sealing Systems & Drivetrain Components business unit used their forming technology expertise to come up with innovative, multi-part designs for lightweight brake discs.

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

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

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

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

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

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

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

In particular, the developers on the sealing technology team worked on products for vehicles with a battery-electric drive in the 2022 financial year. As in the previous year, their efforts focused on further developing and optimizing pressure equalizers for batteries. As well as helping to develop complex metal/elastomer gaskets for battery technology (e.g., battery housings or controllers), the Group's advanced knowledge in the field of materials development, production technology, and tool engineering also provides the basis for the supply of sealing solutions for fuel cell stacks.

Engineered Plastics: experience right across the industry spectrum

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

As in previous years, the Engineered Plastics segment focused on the main trends in the individual industry sectors in the 2022 financial year. For instance, the segment is benefiting significantly from increased regulation in individual industries just as it is from the much-tougher requirements in medical technology, the expectations made of industrial sensor systems, and the highly promising field of industrial hydrogen production (electrolysis). During the year under review, the segment concentrated on developing low-temperature heat shrink tubes used around sensitive sensor technology and on devising static sealing concepts for hydrogen. Another key area of development work was once again the issue of electrical corrosion affecting electric vehicle drives, a form of corrosion that requires a discharge function to be integrated into existing dynamic gaskets.

* Cf. glossary

Macroeconomic Conditions and Business Environment

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

Stuttering global economy

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

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

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

Source: International Monetary Fund (Jan. 2023)

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

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

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

[5] International Monetary Fund data, January 2023

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

Global automotive markets hit by headwinds from multiple directions

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

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

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

Light vehicle production

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

[1] Excluding Russia
Source: S&P Global Mobility (Feb. 2023)

Global car sales on a par with 2021

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

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

Strong demand for commercial vehicles in Europe and the US

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

* Cf. glossary

Significant Events

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

Further contract extension for CEO Dr. Stefan Wolf

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

Theo Becker's appointment to Management Board ends

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

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

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

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

Subsidiary of EKPO Fuel Cell Technologies founded in China

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

Sales and Earnings Performance

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

Group revenue at record level

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

Overall, currency translation had a positive impact of EUR 53.6 million or 3.3% in the financial year under review. Changes relating to the US dollar, the Mexican peso, the Chinese yuan, and the Brazilian real in particular provided a boost to sales revenue, while the Turkish lira had an opposite effect. No adjustments with regard to M&A* activities were applicable in the period under review. Excluding the effects from exchange rate changes, the increase in revenue amounted to EUR 120.4 million or 7.4%.

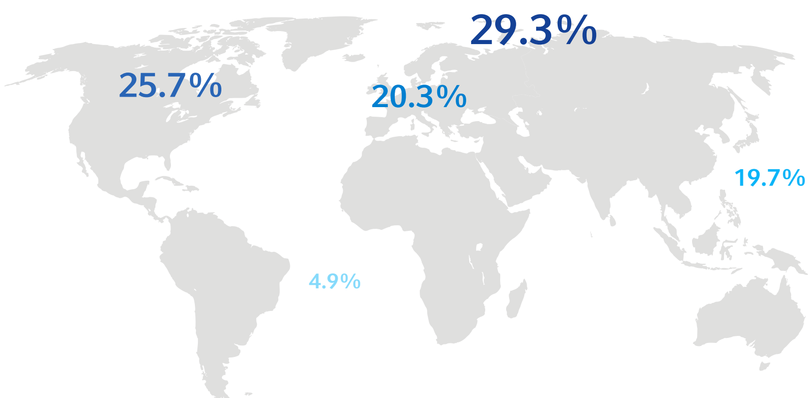
The projected trend with regard to market levels was revised several times over the course of 2022. At 6.7%, actual production growth was significantly lower than the estimate of 9.1% given by industry institute S&P Global Mobility at the beginning of 2022. Accordingly, in line with its outlook presented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

Factors influencing Group revenue

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

* Cf. glossary

Group revenue by region 2022



in EUR million (previous year)

Rest of Europe	**526.6**	(488.8)
North America	**462.8**	(393.7)
Germany	**365.9**	(346.7)
Asia-Pacific	**354.5**	(325.4)
South America and Rest of World	**88.6**	(69.8)

Revenue growth in all regions

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

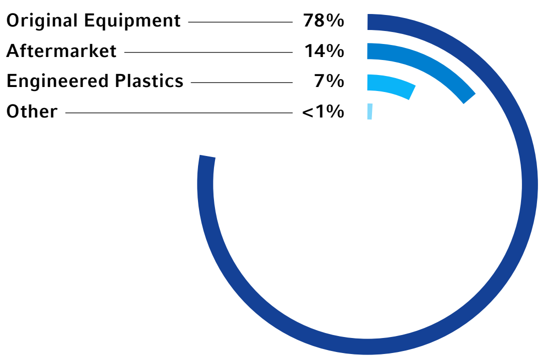
In North America, revenue grew by 17.6% or EUR 69.1 million in the 2022 financial year. The Group thus achieved revenue of EUR 462.8 million in this region (2021: EUR 393.7 million). With a share of 25.7% (2021: 24.2%), ElringKlinger generated more than a quarter of its consolidated sales revenue in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

Due to the "zero-covid strategy" pursued in China, the impact of the coronavirus pandemic was not felt across the board in economic terms. However, supply chains were disrupted by temporary regional lockdowns. Following the Chinese government's decision to abandon its "zero-covid strategy" in the fourth quarter, incidences of coronavirus infection continued to rise. Against this backdrop, ElringKlinger generated revenue of EUR 354.5 million in the Asia-Pacific region (2021: EUR 325.4 million), an increase of EUR 29.1 million or 8.9%, which was slightly below the Group's growth rate of 10.7%. Due to the more pronounced rates of growth recorded by the other Group regions in relative terms, the Asia-Pacific region's share of total Group revenue was down slightly at 19.7% (2021: 20.0%).

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

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

Group revenue by segment and business unit 2022



	in EUR million	(previous year)
Original Equipment	**1,411.4**	(1,280.4)
– Lightweighting/Elastomer Technology	**575.2**	(500.1)
– Metal Sealing Systems & Drivetrain Components	**496.6**	(448.2)
– Metal Forming & Assembly Technology[1]	**293.2**	(269.3)
– E-Mobility	**42.4**	(58.7)
– Exhaust Gas Purification & Other	**4.1**	(4.1)
Aftermarket	**250.9**	(214.7)
Engineered Plastics	**132.6**	(125.4)
Other	**3.5**	(4.0)

[1] Known as "Shielding Technology" up to Dec. 31, 2022

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

Original Equipment segment outpaces market in revenue growth

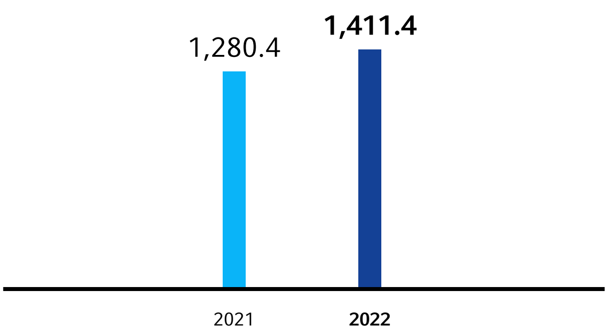
Accounting for 78.5% (2021: 78.8%) of total revenue, the Original Equipment segment constitutes the largest segment of the ElringKlinger Group. In the financial year just ended, this segment generated revenue of EUR 1,411.4 million (2021: EUR 1,280.4 million), representing an increase of EUR 131.0 million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

Within the Original Equipment segment, the Metal Sealing Systems & Drivetrain Components business unit generated revenue of EUR 496.6 million (2021: EUR 448.2 million), an increase of EUR 48.4 million or 10.8%. The Group's largest business unit in terms of revenue share, Lightweighting/Elastomer* Technology, saw revenue expand by a hefty EUR 75.1 million or 15.0% to EUR 575.2 million in the 2022 financial year (2021: EUR 500.1 million). Having recorded a decline in sales revenue in the previous year, the Metal Forming & Assembly Technology segment[6] produced significant forward momentum, taking revenue to EUR 293.2 million in the period under review (2021: EUR 269.3 million). This corresponds to growth of EUR 23.9 million or 8.9%. Revenue in the Exhaust Gas Purification & Other business unit remained unchanged year on year at EUR 4.1 million (2021: EUR 4.1 million). Activities within this area of the business are mainly centered around the construction of housings as a component for exhaust gas purification systems.

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

[6] The "Shielding Technology" business unit was renamed "Metal Forming & Assembly Technology" as of January 1, 2023.

Revenue in the Original Equipment segment
in EUR million



market. Work also commenced on introducing series production.

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

Strong earnings in Aftermarket segment

The Aftermarket segment saw growth in revenue and earnings in the financial year just ended. At EUR 250.9 million (2021: EUR 214.7 million), revenue generated in the 2022 financial year was up EUR 36.2 million or 16.9% on the prior-year figure. Thus, the Aftermarket segment is the second largest in the Group. Revenue growth was underpinned by the majority of the regions relevant to the aftermarket business, with Western and Eastern Europe, the Middle East/Indian subcontinent, and North and South America making particularly strong contributions. Benefiting from a consistent focus on cost efficiency, segment earnings before interest and taxes rose to EUR 50.2 million (2021: EUR 42.2 million), which corresponds to an EBIT margin of 20.0% (2021: 19.7%).

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

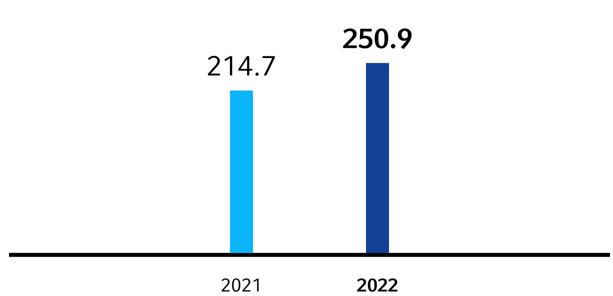
Against the backdrop of a multitude of adverse factors, such as spiraling raw material prices and disrupted supply chains, the Engineered Plastics segment saw revenue grow moderately to EUR 132.6 million (2021: EUR 125.4 million). Revenue was up by EUR 7.2 million or 5.7% on the comparatively solid prior-year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

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

Slight decline in revenue for "Other" segment

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

Revenue in the Aftermarket segment
in EUR million



Gross profit margin remains robust overall despite elevated material prices

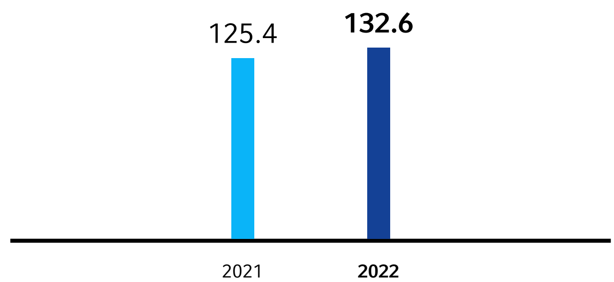
Compared to revenue, which grew by 10.7%, the cost of sales in 2022 increased at a faster rate year on year, up by 14.6%. This was driven to some extent by impairment losses of EUR 17.2 million relating to property, plant, and equipment and intangible assets, which are recognized in the cost of sales.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

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

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

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

Revenue in the Engineered Plastics segment
in EUR million



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

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

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

* Cf. glossary

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

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

R&D ratio within target range

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

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

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

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

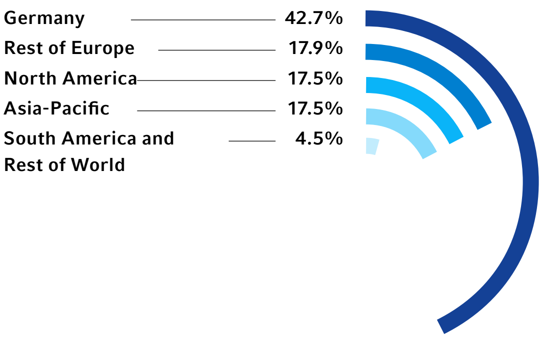
At EUR 99.0 million (2021: EUR 12.5 million), other operating expenses in the reporting year were significantly higher than in the previous twelve-month period. This was attributable primarily to the impairment of goodwill in the Original Equipment segment in the amount of EUR 86.1 million, as recognized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

Headcount remains largely unchanged

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

[7] The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.

ElringKlinger Group employees



		Dec. 31, 2022 (previous year)
Germany	**4,069**	(4,032[1])
Rest of Europe	**1,709**	(1,739)
North America	**1,666**	(1,766)
Asia-Pacific	**1,665**	(1,541)
South America and Rest of World	**431**	(384)

[1] The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.

EBIT before exceptional items slightly above expectations

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

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

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

Downturn in net finance result

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

* Cf. glossary

loss of EUR -0.7 million (2021: EUR 11.9 million). Unrealized foreign exchange gains resulting from the translation of the balance sheet items denominated in a foreign currency into EUR – as the reporting currency – at the year-end rate were offset by slightly higher foreign exchange losses. In total, the net result of foreign exchange gains and losses deteriorated by EUR 12.6 million. At the same time, losses from associates were down on the prior-year figure. Overall, net finance result was lower in the period under review, down by EUR 12.5 million to EUR -13.8 million (2021: EUR -1.3 million).

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

Income taxes down year on year

Impacted in part by the change in circumstances with regard to earnings, income tax expenses fell to EUR 34.6 million in the 2022 financial year (2021: EUR 46.2 million), which corresponds to an effective tax rate of -61.8% (2021: 45.9%). The tax expenses reflect the global positioning of the Group with heterogeneous profitability relating to the subsidiaries. This has different effects on the taxes payable in the respective countries.

After deducting income tax expenses, net income for the financial year under review was EUR -90.7 million (2021: EUR 54.6 million). Taking into account the share of net income attributable to non-controlling interests, net income attributable to the shareholders of ElringKlinger AG amounted to EUR -89.1 million in 2022 (2021: EUR 55.7 million). Correspondingly, earnings per share* were down substantially year on year at EUR -1.41 (2021: EUR 0.88). As of December 31, 2022, the number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990.

Proposed dividend of EUR 0.15

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

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

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

Financial Position

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

Slight reduction in total assets

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

Impairment of non-current assets

Intangible assets were down by EUR 68.8 million year on year, taking the figure to EUR 146.8 million (EUR 215.6 million) at the end of the period under review. In this context, impairment losses of EUR 87.3 million were a contributing factor, EUR 86.1 million of which related to goodwill in the Original Equipment segment. This was attributable primarily to an impairment test conducted at the end of the first half of the financial year, which had been prompted by the significant increase in interest rates, especially in the second quarter of 2022. In contrast, the carrying amount of capitalized development costs, which are also part of intangible assets, increased by EUR 17.3 million year on year to EUR 59.4 million (Dec. 31, 2021: EUR 42.1 million).

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

Financial position

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

[1] Inventories as well as trade receivables less trade payables
[2] Current and non-current financial liabilities less cash and cash equivalents and short-term securities
[3] Return on capital employed; adjusted for impairments (EUR 103.3 million) ROCE 2022 stood at 3.9%.

* Cf. glossary

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

Net working capital driven higher by external factors

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

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

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

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

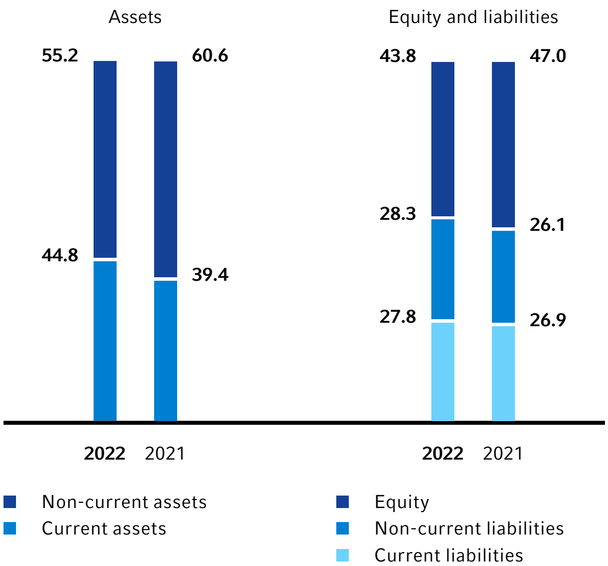
Cash and cash equivalents held by the ElringKlinger Group amounted to EUR 119.1 million as of December 31, 2022 (Dec. 31, 2021: EUR 109.9 million).

Equity ratio within target range at 44%

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

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

Structure of the ElringKlinger Group's statement of financial position
as of December 31, 2022
in %



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

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

Net debt slightly lower year on year despite challenges

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

Net debt in relation to EBITDA at 2.1

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

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

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

* Cf. glossary

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

The return on capital employed (ROCE*), a key performance indicator for the ElringKlinger Group, was -2.7% at the end of 2022 (December 31, 2021: 6.4%). Adjusted for the aforementioned impairment of intangible assets and property, plant, and equipment totaling EUR 103.3 million, ROCE was in positive territory at 3.9%. This adjusted figure illustrates the return on capital employed achieved at an operational level (cf. "Internal Control Criteria"). Thus, the Group fell short of the original target presented upon publication of the 2021 annual report and without taking into account the effects of the war in Ukraine ("slightly below the previous year's level"). However, the result is in line with the forecast presented in the report on the first half of 2022.

Cash Flows

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

Operating cash flow stands at EUR 101.3 million

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

Cash flow for total investing activities at EUR 95 million

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

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

Key figures Cash Flows

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

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

in Dettingen/Erms, Germany, as well as by its new site in Suzhou, China. Purchases were also made in the context of investments targeted at battery technology, such as for a module assembly line or for the establishment of infrastructure for battery testing. At an international level, capital expenditure was also directed at the area of lightweighting, where significant industrialization projects are imminent. In addition, ElringKlinger invested in measures aimed at the sustainable modernization of buildings. For example, the roof of the Chinese plant in Changchun was equipped with a highly efficient photovoltaic system, which is expected to contribute significantly to the avoidance of CO_2 emissions and the reduction of energy costs in the future.

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

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

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

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

Operating free cash flow of EUR 15 million

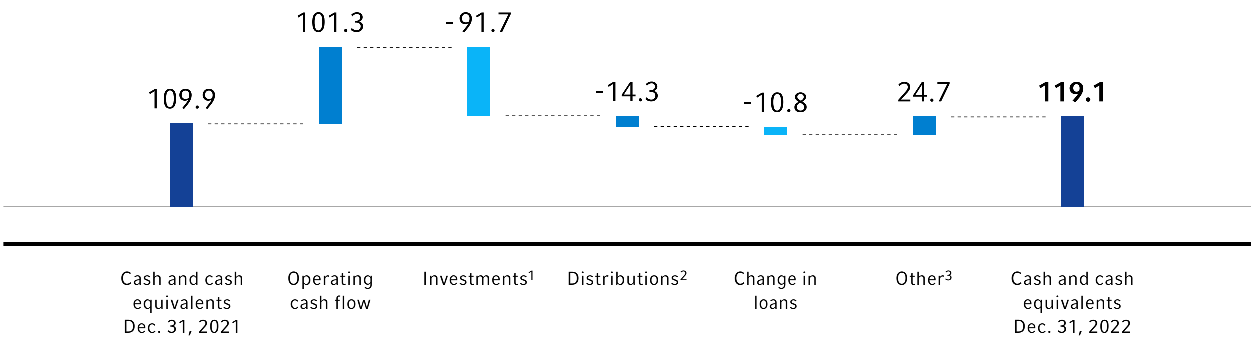
Operating free cash flow* corresponds to operating cash flow less cash for investing activities and is adjusted for any M&A* activities and cash flows for financial assets. The ElringKlinger Group generated operating free cash flow of EUR 14.8 million in the 2022 financial year (2021: EUR 72.0 million).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

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

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

* Cf. glossary

Key cash flow figures 2022
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 30.0 million received from the co-owner of EKPO Fuel Cell Technologies GmbH

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

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

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

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

Despite all the operational and financial difficulties, ElringKlinger remained determined in its strategic efforts to position the Group in line with automotive industry transformation. To drive this process forward in the future, further targeted investments were made in the E-Mobility business unit and in Research & Development. In the field of fuel cell technology, the business activities of Group subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany, were further expanded in the financial year under review – among other things by setting up manufacturing operations in China. Activities in the field of battery technology have continued to expand at the Neuffen site in Germany, which was established specifically for this purpose in 2021. ElringKlinger's portfolio comprises innovative, market-ready products, components, and systems from the new world of drive technology. At the same time, it also encompasses high-performance products for classic applications. Management is of the opinion that this product portfolio, the Group's broad customer base, and the global network of state-of-the-art production sites provide an excellent basis for consistently solid business development.

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

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

In spite of challenging economic conditions, ElringKlinger AG significantly expanded its revenues in the majority of the company's sales regions and achieved growth of 8.4%. Influenced by exceptional items, earnings before interest, taxes, and equity investments (EBIT) were in negative territory in the financial year under review. At EUR -36.4 million, this corresponds to an EBIT margin of -4.6%. ElringKlinger AG's net assets and cash flows at the end of the reporting period remained very solid, with an equity ratio of 44.1% and strong cash flow from operating activities of EUR 93.6 million in the 2022 financial year.

ElringKlinger AG grows by 8.4% and achieves record sales revenues

Despite difficult economic and geopolitical conditions, ElringKlinger AG's business activities proved to be extremely robust in the period under review. The parent company, which operates sites in Dettingen/Erms, Gelting, Idstein, Langenzenn, Lenningen, Neuffen, Runkel, and Thale, saw its revenue increase by EUR 60.4 million or 8.4% year on year. Totaling EUR 778.5 million (2021: EUR 718.1 million), revenue thus reached a new all-time high. Compared to both global (6.7%) and European car production (5.9%, excluding Russia), the company saw its revenue expand at

* Cf. glossary

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

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

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

Further revenue growth for Original Equipment segment

Fiscal 2022 was the first time in recent years in which revenue generated from sales within the Original Equipment segment exceeded the pre-pandemic figure reported in 2019 (2019: EUR 550.7 million). Compared to the previous year, the Original Equipment segment grew by 6.4% or EUR 33.3 million in the 2022 financial year, taking revenue to EUR 554.3 million (2021: EUR 521.0 million). Due to the significant expansion of the company's Aftermarket business, the share of total ElringKlinger AG sales accounted for by the Original Equipment segment declined slightly from 72.5% to 71.2%. The largest increase in revenue was attributable to the Lightweighting/Elastomer* Technology business unit. Compared to the previous year, the Metal Sealing Systems & Drivetrain Components and Metal Forming & Assembly Technology[8] business units recorded slight and significant growth respectively, while revenues generated by the Exhaust Gas Purification business unit declined slightly. The E-Mobility business unit was faced with a decline in sales revenue as a result of delayed production ramp-ups.

Aftermarket business remains growth driver

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

Total operating revenue at record level

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

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

[8] The "Shielding Technology" business unit was renamed "Metal Forming & Assembly Technology" as of January 1, 2023.

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

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

Supply chain disruptions and higher commodity prices

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

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

Personnel expense ratio down despite higher expenses

The company employed 2,928 people at the end of the reporting period (Dec. 31, 2021: 2,959 employees[9]). This corresponds to a marginal decrease of 31 employees or 1.0%, which was primarily due to expiring contracts and simultaneous restructuring within the business units. In addition, the company is committed to a personnel policy that is as needs-based as possible. Vacancies are filled from within the company whenever possible. The company no longer made use of short-time work in the financial year just ended. As a result of special payments made in accordance with collective bargaining agreements, wages and salaries across the entire workforce of ElringKlinger AG trended higher year on year. Overall, personnel expenses increased by EUR 8.5 million or 3.4% to EUR 259.0 million in 2022 (2021: EUR 250.5 million), i. e., at a slower rate compared to growth in total operating revenue. The personnel expense ratio – i. e., personnel expenses in relation to total operating revenue – fell to 32.7% (2021: 35.2%).

Depreciation, amortization, and write-downs up markedly

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

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

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

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

[9] The headcount includes all direct and indirect employees. The previous year's figures were adjusted in accordance with a uniform approach.

* Cf. glossary

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

Downturn in net finance result

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

Company reports net loss for the year

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

Proposed dividend of EUR 0.15

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

Net Assets of ElringKlinger AG

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

Total assets remain largely unchanged

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

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

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

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

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

Current assets up by 15 percent

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

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

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

High equity ratio of 44 percent

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

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

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

* Cf. glossary

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

Impacted by negative earnings before interest and taxes, as described above, and higher capital deployment, ElringKlinger AG saw a significant deterioration in its key profitability indicator ROCE* compared to the prior-year figure. This financial indicator expresses how high the return on capital employed is; it is determined from the relation of EBIT to average capital employed (cf. "Internal Control Criteria"). As regards ElringKlinger AG, this performance indicator is calculated on the basis of IFRS* figures due to its integration within the Group (cf. "Internal Control Criteria"). As of December 31, 2022, ROCE in respect of ElringKlinger AG stood at 2.2% (Dec. 31, 2021: 4.0%). Originally, i. e., upon publication of last year's annual report and before taking into account the effects of the war in Ukraine, ElringKlinger AG had expected the figure to be slightly below the Group level. The latter had been projected to be slightly below the previous year's level of 6.4%.

Cash Flows of ElringKlinger AG

Strong cash flow from operating activities of EUR 94 million

As in the previous year, ElringKlinger AG was able to generate strong operating cash flow* of EUR 93.6 million in the 2022 financial year (2021: EUR 157.3 million). Cash flow developed particularly well in comparison with the company's net result. This was attributable to the fact that significant expenses in the income statement, and especially the write-downs of financial assets and current assets with a total amount of EUR 85.2 million, were non-cash items. Considering that the increase in inventories and trade receivables led to a correspondingly higher commitment of funds in 2022, the level of cash flow generated from operating activities is an encouraging result for ElringKlinger AG.

Investment focus on e-mobility

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

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

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

ElringKlinger AG generates operating free cash flow of EUR 76.9 million

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

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

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

[10] Cash flow from operating activities and cash flow from investing activities, adjusted for cash flows in respect of acquisition activities and changes in financial assets.

Report on Opportunities and Risks

ElringKlinger is of the opinion that addressing the issue of opportunities and risks forms an integral part of value-based management. The rationale behind this approach is to ensure the systematic, continuous, and timely identification of risks, complemented by their evaluation and management through risk mitigation measures. The Group uses a comprehensive range of instruments to prevent risks from arising or, if they do arise, to minimize their effects on the company. Both external (e.g., political) and internal (e.g., financial) factors are taken into account. Opportunities are treated in the same way.

Opportunities and risk management system

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

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

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

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

The Management Board assesses the aggregate risk and submits regular and comprehensive reports on its findings to the Audit Committee and the Supervisory Board. Another

* Cf. glossary

important aspect of the centralized risk and quality management system deployed at the ElringKlinger Group is that of tracking the implementation of defined measures. This occurs regularly as part of the committee meetings of the respective Group companies. The Group considers risk management to be an all-embracing activity that encompasses not only the identification and assessment of risk, as outlined above, but also a system of preventive measures and contingency planning that has proven to be very effective.

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

The repercussions of the coronavirus pandemic also had an impact on the activities relating to internal auditing in the 2022 financial year. As travel was still limited, the audits were mainly conducted digitally or remotely and were supplemented by on-site audits. A total of twelve audits were carried out in the period under review.

Compliance management system

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

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

Internal control system[11]

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.

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

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

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

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

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

Control and risk management system with regard to accounting

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

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

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

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

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

* Cf. glossary

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

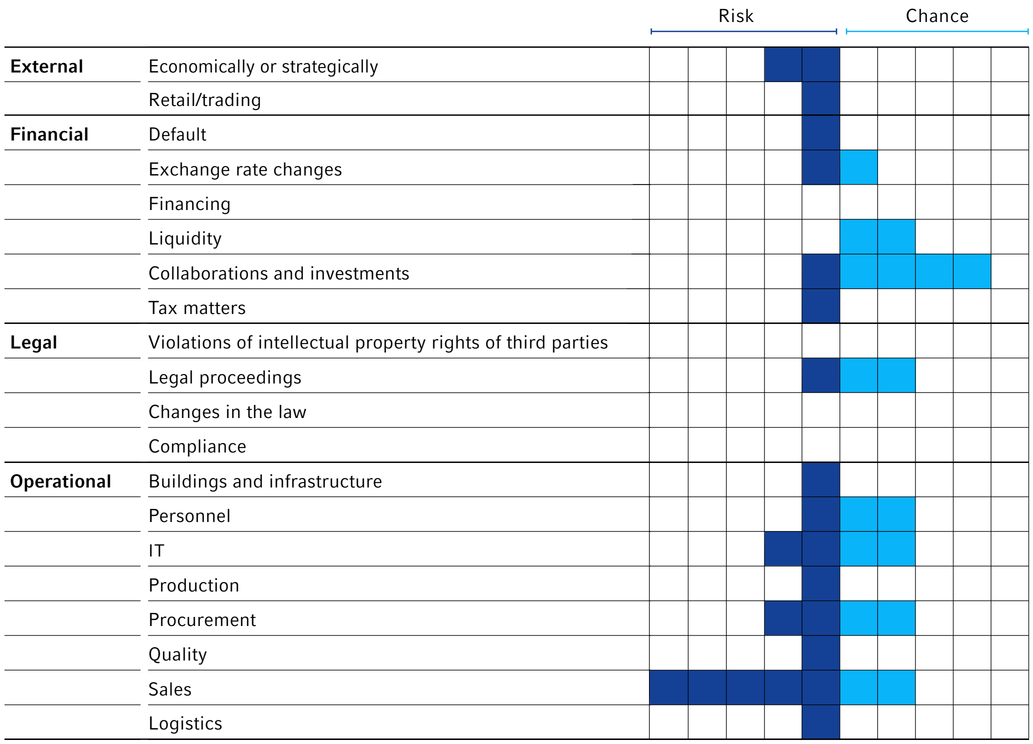
The accounting process is also incorporated into the ElringKlinger Group's risk management system as a way of identifying accounting-related risks at an early stage, allowing the company to take prompt action to anticipate and address potential risks. As is the case with the other areas and functions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

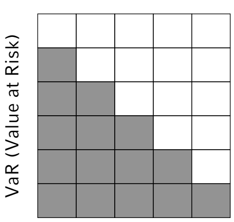
Assessment of opportunities and risks

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

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

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





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

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

External opportunities and risks

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

Economic and strategic risks

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

* Cf. glossary

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

The past financial year 2022 was also shaped by a high degree of uncertainty and volatility. In Europe, the effects of the coronavirus pandemic were still being felt when the war in Ukraine broke out. The war and its political consequences also led to temporary supply chain interruptions in the automotive sector. The outcome of this conflict is uncertain and a further escalation cannot be ruled out. Additionally, the situation in large parts of the Middle East remains unstable, and the same applies to parts of North Africa. New conflicts may also emerge, such as in the South China Sea.

Parts of the geopolitical trouble spots are among the sales regions that entail certain risks for ElringKlinger. North Africa and the Middle East, alongside Europe, are core regions for the Group's Aftermarket segment. These regions are exposed to a general risk in terms of revenue. As sales in these regions are billed in euros, customers' restricted access to foreign currency could result in delayed or reduced orders. As regards the Original Equipment segment, these regions are not considered core sales markets.

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

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

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

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

Commercial risks

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

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

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

Financial opportunities and risks

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

Default risks

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

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

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

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

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

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

Exchange rate opportunities and risks

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

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

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

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

Financing risks

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

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

At the end of the reporting period, the loan agreements concluded by the ElringKlinger Group mainly contained contractual clauses that are typically used in banking to satisfy certain financial requirements (financial covenants*). As of December 31, 2022, there were no circumstances that

* Cf. glossary

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

The financing risks can therefore be classed as minimal.

Liquidity opportunities and risks

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

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

The liquidity risks can therefore be classed as minimal.

To actively manage the liquidity situation, the Group has also launched a new liquidity program and has already begun implementing it. This gives the Group the option to generate additional liquidity and further improve its key liquidity metrics, so the resulting level of opportunity can be considered low.

Opportunities and risks with regard to collaborations and investments

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

The far-reaching transformation process in the automotive industry is accompanied by global integration. Taking the impact of the coronavirus pandemic into account too, many medium-sized companies are faced with a capital allocation challenge, as they have to position themselves globally while investing in research and development at the same time. The resulting financing risks increase the risk of insolvency in the industry, which is why industry consolidation is to be expected. There is also the possibility that competitors will exit the market under such conditions.

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

In addition to targeted acquisitions and divestments, there are also opportunities to step up business activities through collaborations in the form of investments or joint ventures. Examples of this include partnerships in the field of fuel cell* technology, which ElringKlinger has been entering into after around 20 years of developing its own activities: in 2021, it joined forces with the French automotive supplier Plastic Omnium to set up the company EKPO Fuel Cell Technologies (EKPO), Dettingen/Erms, Germany, which promotes the development and marketing of this technology.

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

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

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

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

Risks arising from tax matters

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

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

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

Legal opportunities and risks

ElringKlinger is subject to a range of legal risks.

Risks relating to violations of intellectual property rights of third parties

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

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

Overall, this risk is to be considered minimal.

* Cf. glossary

Opportunities and risks arising from litigation

Risks arising from litigation may include court proceedings and legal disputes, third-party claims, and investigations and orders by authorities. There may also be proceedings linked to environmental law. Significant risks, such as the warranty and product liability risks that are typical for the industry, are largely covered by insurance policies. The nature and scope of insurance cover are reviewed at regular intervals and adjusted if necessary. Additionally, where possible, agreements on limitation of liability are concluded between ElringKlinger and the contracting party in question.

Furthermore, ElringKlinger addresses its exposure to legal risks by recognizing provisions in its separate and consolidated financial statements. Such precautionary measures have been additionally implemented for individual sets of circumstances in 2022. As far as is known, there were no other more significant risks compared to the previous year.

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

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

Risks of changes in the law

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

Climate change, whose effects are becoming increasingly noticeable, is a firm fixture of both media reporting and public discourse. Demands for stricter regulations in the transport sector and sustainable mobility are also the focus of such debate. In recent years, many countries have enacted emissions regulations as well as time limits for new registrations of vehicles with combustion engines, which is why manufacturers are restructuring their product portfolios and offering more and more hybrid or fully electric models. At the same time, countries are promoting new drive technologies to shape the transformation of mobility.

In Europe, for example, IPCEI projects are being promoted to develop a European value chain in key technologies. Under this program, ElringKlinger received funding from the German government and the state of Baden-Württemberg for the field of battery technology. The federal and state governments are funding the development of a new type of cover design that can lower the CO_2 production footprint by around 40% thanks to a reduction in the number and in the complexity of components as well as the lower consumption of energy-intensive raw materials such as aluminum and copper.

With regard to future technologies, ElringKlinger operates not only in the field of battery technology but also in the area of fuel cell technology. Fuel cells make it possible to convert energy during operation, thereby extending the range depending on usage. Thus, fuel cells are particularly suitable for applications where downtime, as necessitated by frequent charging, is costly, e.g., in the case of trucks or buses.

ElringKlinger began to explore fuel cell technology at an early stage and, in addition to various components, also offers high-performance fuel cell stacks via its subsidiary EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, in which the French automotive supplier Plastic Omnium holds a 40% stake. In addition, ElringKlinger has entered into a strategic partnership with Airbus in order to make fuel cell technology available to the aviation industry.

Likewise, vehicle weight has an impact on environmentally friendly mobility. Less weight is of key importance to carmakers in order to reduce fuel consumption and/or increase range. The focus in this regard is always on minimizing CO_2 emissions. In addition, lower weight reduces tire abrasion and particulate pollution. Thus, lightweight construction is a key technology for the automotive industry. ElringKlinger has been mass-producing lightweight components for over two decades.

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

Compliance risks

There are also legal risks if the Group, its business partners, and its employees do not act in accordance with the law. Possible consequences include investigations and legal disputes that may have a negative impact on cash flows and financial performance. Such consequences may be serious, particularly in the event of antitrust law violations. Both the parent company and the subsidiaries may be exposed to risks arising from unlawful acts.

As a risk mitigation measure, the Group conducts regular training sessions on compliance topics. ElringKlinger has also established a compliance-management system, which is constantly modified to reflect changing circumstances or conditions. Given the tools provided by the compliance management system and ElringKlinger's corporate culture, the probability of occurrence of significant breaches can be treated as low, but cannot be completely ruled out. Depending on the circumstances of the individual case, the effects on Group earnings may reach a scale that could be considered significant.

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

Operational opportunities and risks

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

Buildings and infrastructure risks

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

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

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

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

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

* Cf. glossary

Personnel opportunities and risks

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

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

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

For the Group, it is important to remain competitive at its German sites as well as internationally. This is why the HR department regularly considers which tools and new directions can help with this objective and coordinates any ideas for plans with the Works Council. If these plans are drawn up, voted on, and implemented, they may also result in efficiency gains for the Group.

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

IT opportunities and risks

In the digital age, IT infrastructure is permanently exposed to potential threats such as cybercrime, hacker attacks, or data privacy incidents that may affect the availability, integrity, and confidentiality of information and IT-based resources. Any disruption to IT systems and application software can lead to tangible delays to individual processes – from the handling of purchase orders and ongoing production control through to activities in the supply chain. Such a scenario would have a negative effect on operations, which may also affect revenue and earnings. Successful attacks by Trojans, which cannot be ruled out in principle and always represent a potential threat, would have similar effects.

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

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

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

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

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

Production risks

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

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

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

Overall, this risk can be classed as very low.

Procurement opportunities and risks

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

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

The prices of the raw materials primarily used by ElringKlinger remain on a persistently high level. The risks created by excessive rises in material prices would have a direct and – depending on the extent of any such increases – potentially considerable impact on the Group. However, a flagging economy would mean that prices would be expected to fall due to lower demand, which would have less of an impact on the Group – although the effect of this would not be felt immediately while the terms of existing contracts were still ongoing.

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

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

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

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

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

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

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

Quality risks

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

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

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

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

Sales opportunities and risks

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

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

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

ElringKlinger has continually broadened its customer structure in recent years and, as a rule, is not dependent on individual customers. The largest single customer accounted for 7.8% of annual revenue in 2022. Moreover, there are further sales opportunities available through global battery manufacturers setting up production in Europe and looking for local suppliers. The cell contacting systems order announced in March 2021 shows that ElringKlinger is gradually succeeding in opening up a new customer group in this area.

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

The aftermarket business has key sales markets in Europe and the Middle East. Further business potential is emerging in North America and Asia, which is why activities there are being systematically expanded. The effects of the war in Ukraine do not pose any risk at the time of writing this report.

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

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

In its strategic fields of the future in particular – i. e., battery technology, fuel cell technology, electric drive units, and lightweight structural components – ElringKlinger has attractive markets for sustainable revenue and earnings growth through further orders, including high-volume ones. The Group sees this as providing great potential for significantly boosting its revenues over the coming years. There are sales opportunities for both new drive technologies in the E-Mobility business unit and innovative solutions in the conventional business areas.

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

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

Logistical risks

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

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

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

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

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

Overall assessment of opportunities and risks

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

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

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

Driven by climate change and emissions legislation, the transformation of mobility provides ElringKlinger with tremendous opportunities. The drive technologies of the future are subject to the requirement that CO_2 emissions be reduced. ElringKlinger was early to invest in forward-looking areas of business, such as battery and fuel cell technology, and is already in a position to offer a broad range of innovative solutions for alternative drive systems. As a result, the Group considers itself well placed to exploit opportunities for growth on a global scale. Based on current plans, products within the area of structural lightweighting and electromobility, which are considered promising fields for the future in strategic terms, will generate a larger share of revenue than before, while conventional products associated primarily with the combustion engine will become less relevant in the years ahead.

The Group has not identified risks at present that might jeopardize its future existence as a going concern, either in isolation or in conjunction with other factors. Given its broad, forward-looking orientation as well as its financial strength, the Group considers itself well positioned to actively exploit the opportunities provided by transformation and to deploy its financial resources flexibly to shape change within the field of mobility. Thus, from the Management Board's perspective, based on a balanced opportunity and risk profile, ElringKlinger is in a position to outperform growth in global automobile production in the medium term with regard revenue growth.

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

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

As of December 31, 2022, the nominal capital of ElringKlinger AG was EUR 63,359,990, divided into 63,359,990 registered shares, each furnished with one vote. The notional interest in the company's nominal capital is EUR 1.00 per registered share. Profits are distributed in accordance with Section 60 of the German Stock Corporation Act (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*) are listed below:

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

No shareholder is equipped with special rights constituting controlling powers.

ElringKlinger does not operate any employee profit-sharing schemes.

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

As stipulated by Section 179 of the Stock Corporation Act in conjunction with Section 20 of the Articles of Association, all amendments to the Articles of Association require a resolution of the Annual General Meeting with a majority of three-quarters.

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

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

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

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

Corporate Governance Statement

The Corporate Governance Statement pursuant to Section 315d in conjunction with Section 289f of the German Commercial Code (Handelsgesetzbuch – HGB*) has been published on the ElringKlinger website at www.elringklinger.de/en/company/corporate-governance/corporate-governance-statement.

Combined Non-Financial Report

For fiscal 2022, ElringKlinger has prepared a separate non-financial report for the exchange-listed parent company ElringKlinger AG in accordance with Section 289b HGB*, which has been combined with the separate non-financial Group report pursuant to Section 315b HGB. It has been included in the 2022 annual report as a separate section entitled “Combined Non-Financial Report” under the heading “To Our Shareholders.” The 2022 annual report is to be published on March 28, 2023, on ElringKlinger’s website at https://www.elringklinger.de/en/investor-relations/publications/financial-reports.

* Cf. glossary

Report on Expected Developments

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

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

Outlook – Market and Sector

Economic challenges remain significant

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

GDP growth projections

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

Source: International Monetary Fund (Jan. 2023)

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

Automotive production to see modest growth

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

Light vehicle production

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

[1] Without Russia
Source: S&P Global Mobility (Feb. 2023)

Car sales set to rise 4% in 2023

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

Markets for commercial vehicles largely on track

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

Outlook – Company

Major uncertainty and high volatility to persist

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

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

Research and development for innovative solutions

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

Order levels remain healthy

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

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

Revenue growth well above global production levels

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

Against a background of persistently challenging underlying conditions that are plagued by uncertainty, the Group is anticipating further growth in the future as well in light of the continued recovery within the global automotive markets and its own healthy order book. The main contributors are orders in the strategic future areas, such as the large-scale order for the series production of cell contacting systems that is currently ramping up and the start of manufacturing for lightweighting products at the new plant in Texas. Thanks to orders like these, the Group is anticipating a level of organic revenue growth in the current financial year that will significantly outstrip the trend in global automotive production, which S&P Global Mobility is predicting will rise by 3.3% in 2023. In the medium term, the Group is expecting to post disproportionately high organic growth compared to global automotive production levels.

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

Raw material, energy, and transportation costs remain high

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

Adjusted EBIT highlights operating profitability

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

Earnings set to improve

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

Optimizing the net working capital ratio

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

Disciplined investment approach to be maintained

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

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

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

Further reduction in net financial liabilities

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

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

* Cf. glossary

ROCE improved

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

Original Equipment segment

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

Engineered Plastics segment

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

Aftermarket segment

As its revenue growth over the past few years has shown, products from the Aftermarket segment are much in demand, and the Group is therefore anticipating modest revenue growth in this segment for the 2023 financial year as well. Although geopolitical conflicts and macroeconomic developments may pose risks, the Group's growth strategy in North America will present opportunities. The Group is expecting this segment to achieve an (adjusted) EBIT margin significantly above the Group average.

Parent company ElringKlinger AG

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

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

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

Outlook – ElringKlinger Group

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

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

Dettingen/Erms, March 23, 2023

The Management Board

Dr. Stefan Wolf
CEO

Reiner Drews

Thomas Jessulat

* Cf. glossary

03

Consolidated Financial Statements of ElringKlinger AG

FOR THE FINANCIAL YEAR 2022

Nobody knows yet what the mobility of the day after tomorrow will look like. For us, one thing is certain: it will be virtually emission-free. The transformation is in full process, and ElringKlinger makes an important contribution through core competencies and innovations.

Read more about ElringKlinger's broad product range in the field of new drive technologies in the article »Sustainability at ElringKlinger« of the magazine »pulse« in the 2023 issue.

Group Income Statement

of ElringKlinger AG, January 1 to December 31, 2022

EUR k	Note	2022	2021
Sales revenue	**(1)**	**1,798,430**	**1,624,389**
Cost of sales	(2)	-1,459,933	-1,273,380
Gross profit		**338,497**	**351,009**
Selling expenses	(3)	-140,020	-120,768
General and administrative expenses	(4)	-90,177	-83,553
Research and development costs	(5)	-69,729	-64,855
Other operating income	(6)	18,217	32,655
Other operating expenses	(7)	-99,019	-12,458
Earnings before interest and taxes (EBIT)		**-42,231**	**102,030**
Finance income		34,488	30,703
Finance costs		-47,437	-28,903
Share of result of associates	(8)	-884	-3,074
Net finance costs	**(9)**	**-13,833**	**-1,274**
Earnings before taxes		**-56,064**	**100,756**
Income tax expense	(10)	-34,646	-46,201
Net income		**-90,710**	**54,555**
of which: attributable to non-controlling interests	(21)	-1,600	-1,174
of which: attributable to shareholders of ElringKlinger AG	**(21)**	**-89,110**	**55,729**
Basic and diluted earnings per share in EUR	(11)	-1.41	0.88

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to December 31, 2022

EUR k	2022	2021
Net income	**-90,710**	**54,555**
Currency translation difference	-14,325	12,040
Share of other comprehensive income of associates	263	-415
Gains and losses that can be reclassified to the income statement in future periods	**-14,062**	**11,625**
Remeasurement of defined benefit plans, net	30,902	11,476
Gains and losses that cannot be reclassified to the income statement in future periods	**30,902**	**11,476**
Other comprehensive income after taxes	**16,840**	**23,101**
Total comprehensive income	**-73,870**	**77,656**
of which: attributable to non-controlling interests	-809	-199
of which: attributable to shareholders of ElringKlinger AG	**-73,061**	**77,855**

Group Statement of Financial Position

of ElringKlinger AG, as at December 31, 2022

EUR k	Note	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Intangible assets	(12)	146,818	215,584
Property, plant and equipment	(13)	905,777	938,581
Financial assets	(14)	13,533	15,532
Shares in associates	(8)	14,869	13,690
Non-current income tax assets	(15)	1,363	887
Other non-current assets	(15)	21,884	42,286
Deferred tax assets	(10)	19,524	31,750
Contract performance costs	(16)	6,137	7,944
Non-current contract assets	(17)	613	804
Non-current assets		**1,130,518**	**1,267,058**
Inventories	(18)	413,952	354,321
Current contract assets	(17)	8,299	8,591
Trade receivables	(19)	264,854	233,478
Current income tax assets	(19)	4,791	15,769
Other current assets	(19)	105,063	100,883
Cash and cash equivalents	(20)	119,103	109,900
Current assets		**916,062**	**822,942**
		2,046,580	**2,090,000**

EUR k	Note	Dec. 31, 2022	Dec. 31, 2021
LIABILITIES AND EQUITY			
Share capital		63,360	63,360
Capital reserves		118,238	118,238
Revenue reserves		641,440	740,054
Other reserves		923	-17,919
Equity attributable to the shareholders of ElringKlinger AG	**(21)**	**823,961**	**903,733**
Non-controlling interest in equity	(22)	72,872	78,564
Equity		**896,833**	**982,297**
Provisions for pensions	(23)	97,356	140,696
Non-current provisions	(24)	17,758	16,502
Non-current financial liabilities	(25)	429,233	357,109
Non-current contract liabilities	(26)	1,700	712
Deferred tax liabilities	(10)	23,782	23,952
Other non-current liabilities	(27)	10,046	7,262
Non-current liabilities		**579,875**	**546,233**
Current provisions	(24)	66,072	60,050
Trade payables	(27)	224,102	185,599
Current financial liabilities	(25)	73,423	135,521
Current contract liabilities	(26)	13,238	16,024
Tax payable	(10)	22,492	19,297
Other current liabilities	(27)	170,545	144,979
Current liabilities		**569,872**	**561,470**
		2,046,580	**2,090,000**

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to December 31, 2022

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2020	**63,360**	**118,238**	**684,325**
Dividend distribution			
Shares of non-controlling interests[1]			
Total comprehensive income			**55,729**
Net income			55,729
Other comprehensive income			
Balance as of Dec. 31, 2021	**63,360**	**118,238**	**740,054**
First time adoption IAS 29[2]			
Balance as of Jan. 1, 2022	**63,360**	**118,238**	**740,054**
Dividend distribution			-9,504
Purchase of shares of non-controlling interests[3]			
Total comprehensive income			**-89,110**
Net income			-89,110
Other comprehensive income			
Balance as of Dec. 31, 2022	**63,360**	**118,238**	**641,440**

[1] Share of Plastic Omnium in EKPO Fuel Cell Technologies
[2] Retroactively in the context of Turkey's hyperinflation
[3] Increase of shares in Elring Klinger Motortechnik GmbH from 92.86% to 100%

	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**
	-60,132	**-422**	**-28,099**	**777,270**	**35,617**	**812,887**
				0	-7,232	-7,232
		48,608		48,608	50,378	98,986
	11,401		**10,725**	**77,855**	**-199**	**77,656**
				55,729	-1,174	54,555
	11,401		10,725	22,126	975	23,101
	-48,731	**48,186**	**-17,374**	**903,733**	**78,564**	**982,297**
			2,662	2,662		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**

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to December 31, 2022

EUR k	Note	2022	2021
Earnings before taxes		-56,064	100,756
Depreciation/amortization (less write-ups) of non-current assets	(12)–(14)	216,530	113,787
Net interest	(9)	14,560	8,537
Change in provisions		3,930	26,274
Gains/losses on disposal of non-current assets		-379	-99
Share of result of associates		884	3,074
Change in inventories, trade receivables and other assets not resulting from financing and investing activities		-91,113	-34,313
Change in trade payables and other liabilities not resulting from financing and investing activities		52,531	39,960
Income taxes paid	(10)	-21,798	-68,433
Interest paid		-13,662	-9,176
Interest received		1,140	1,576
Other non-cash expenses and income		-5,277	-25,832
Net cash from operating activities		**101,282**	**156,111**
Proceeds from disposals of property, plant and equipment and intangible assets		5,215	3,784
Proceeds from disposals of financial assets		5,118	7,879
Proceeds from the disposal of subsidiaries less cash		0	14,450
Payments for investments in intangible assets	(12)	-22,432	-17,946
Payments for investments in property, plant and equipment	(13)	-69,255	-69,978
Payments for investments in financial assets	(14)	-12,333	-11,226
Payments for the purchase of shares in associates		-1,800	0
Net cash from investing activities		**-95,487**	**-73,037**
Proceeds from non-controlling interests for the acquisition of shares		30,000	30,040
Dividends paid to shareholders and to non-controlling interests		-14,256	-7,232
Proceeds from the addition of long-term loans	(25)	320,200	140,567
Payments for the repayment of long-term loans	(25)	-350,382	-252,215
Change in current loans		19,414	-17,958
Net cash from financing activites		**4,976**	**-106,798**
Changes in cash		10,771	-23,724
Effects of currency exchange rates on cash		-1,568	5,772
Cash at beginning of period	(20)	109,900	127,852
Cash at end of period	**(20)**	**119,103**	**109,900**

Notes to the Consolidated Financial Statements

for the Financial Year 2022

General information

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

The financial year is the calendar year.

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

Accounting principles

The consolidated financial statements of ElringKlinger AG as of December 31, 2022, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Interpretations Committee (IFRS IC), the supplementary commercial law regulations pursuant to Section 315e (1) German Commercial Code (Handelsgesetzbuch, "HGB") and the provisions of German commercial and stock corporation law. ElringKlinger AG's Articles of Association contain regulations on profit appropriation. All IASs, IFRSs and IFRICs mandatory for the financial year 2022 have been observed.

On March 23, 2023, the Management Board of ElringKlinger AG submitted the consolidated financial statements for approval by the Supervisory Board, which also convenes on March 23, 2023.

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

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

The following regulations and amendments to existing regulations were applied for the financial year 2022 for the first time:

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
Amendments to IFRS 3 (May 2020)	References to the Conceptual Framework	January 1, 2022
Amendment to IAS 16 (May 2020)	Property, plant and equipment – Proceeds before Intended Use	January 1, 2022
Amendment to IAS 37 (May 2020)	Onerous contracts – Costs to fulfill a contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (May 2020)	Annual Improvements (2018–2020 Cycle)	January 1, 2022

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

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

IFRS pronouncement (published on)	Title	To be applied for financial years beginning on or after
Incorporated in European law		
IFRS 17 Insurance Contracts and amendments to IFRS 17 (May 2017/June 2020)	Insurance Contracts and amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 (February 2021)	Disclosure of Accounting Policies	January 1, 2023
Amendment to IAS 8 (February 2021)	Definition of Accounting Estimates	January 1, 2023
Amendment to IAS 12 (May 2021)	Deferred taxes related to assets and liabilities arising from a single transaction	January 1, 2023
Incorporation in European law still outstanding		**Endorsement expected**
Amendment to IAS 1 (January/July 2020)	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 16	Lease liability from sale and leaseback leases	January 1, 2024

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

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

Scope of consolidated financial statements

The consolidated financial statements of ElringKlinger AG as of December 31, 2022, include the annual financial statements of 7 (2021: 7) domestic and 33 (2021: 31) foreign subsidiaries in which ElringKlinger AG holds, either directly or indirectly, more than 50% of the shares or is able to control the entity’s financial and business policy for other reasons. Inclusion begins at the time the control relationship comes into being and ends when control is deemed to no longer exist.

The 24.71% share in hofer AG, Nürtingen, Germany, is recorded as an associate in non-current group assets, as ElringKlinger has a significant influence on the business and financial policies. A significant influence in assumed for associates with voting rights ranging from 20% to 50%. As of December 31, 2022, the following companies made use of the exemption provisions provided by Section 264 (3) HGB:

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

The shares in Elring Klinger Motortechnik GmbH, based in Idstein, Germany, have increased from 92.86% to 100% due to the acquisition of non-controlling interests.

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

By resolution of the Annual General Shareholders' Meeting from March 1, 2021, EK Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany, was renamed into EKPO Fuel Cell Technologies GmbH, based in Dettingen/Erms, Germany. In addition, the French automotive supplier Plastic Omnium, based in Levallois, France, acquired 40% of the shares 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 closing of the transaction. In the past financial year 2022, another EUR 30,000 k was paid, the unpaid contribution is recognized at present value in other assets.

With the exception of the new formation of EKPO Fuel Cell (Suzhou) Co., Ltd., based in Suzhou, China, and the spin-off of Elring Italia Srl, based in Settimo Torinese, Italy, from ElringKlinger Italia Srl, based in Settimo Torinese, Italy, there were no other changes in the basis of consolidation compared to the consolidated financial statements as of December 31, 2021.

An overview of the 40 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, 2022

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

Name of company	Registered office	Share of capital in %
Shares in affiliated companies (fully consolidated in the consolidated financial statements)		
Foreign		
ElringKlinger 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 Fuell Cell (Suzhou) Co., Ltd. [6]	Suzhou (China)	60.00
Shares in associates (accounted for using the equity method in the consolidated financial statements)		
Domectic (Germany)		
hofer AG	Nürtingen	24.71

[1] Wholly owned subsidiary of ElringKlinger 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
- ElringKlinger Engineered Plastics North America, Inc., Buford, USA,

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

The share in the earnings of this subgroup attributable to non-controlling interests for the financial year 2022 is EUR 2,657 k (2021: EUR 3,453 k).

A dividend of EUR 3,037 k (2021: EUR 4,500 k) was distributed to the subgroup's non-controlling interests in financial year 2022.

Cash flow of the subgroup
EUR k

	2022	2021
Operating activities	14,001	21,519
Investing activities	-4,443	-3,432
Financing activities	-8,035	-18,538
Changes in cash	**1,523**	**-451**
Effects of currency exchange rates on cash	**-62**	**314**

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

Summarized key financial information of the subgroup:
EUR k

	2022	2021
Non-current assets	58,824	62,251
Current assets	73,691	70,371
Non-current liabilities	13,531	17,100
Current liabilities	19,907	17,210
Sales revenue	125,289	116,955
Earnings before taxes (EBT)	16,572	20,118
Net income	**11,809**	**14,312**
Total comprehensive income	**14,264**	**15,629**

Further detailed information
EUR k

	2022	2021
Cash and cash equivalents	**4,978**	**3,517**
Cash in hand	6	8
Bank deposits	4,972	3,509
Non-current financial liabilities	**1,206**	**1,414**
Current financial liabilities	**382**	**381**
Interest income	**484**	**526**
Interest expenses	**183**	**57**
Depreciation and amortization	**6,698**	**6,317**

Furthermore, ElringKlinger AG continues to hold 60.0% of the controlling interests in EKPO Fuel Cell Technologies GmbH, Dettingen/Erms, Germany, with its subsidiary EKPO Fuel Cell (Suzhou) Co., Ltd. Suzhou, China (EKPO subgroup), which was formed in the financial year 2022. 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 -5,500 k (2021: EUR -3,195 k).

Cash flow of the subgroup
EUR k

	2022	2021
Operating activities	-9,235	-795
Investing activities	-19,594	-15,416
Financing activities	29,076	29,278
Changes in cash	**247**	**13,067**
Effects of currency exchange rates on cash	**-3**	**0**

Summarized key financial information of the subgroup
EUR k

	2022	2021
Non-current assets	86,085	89,446
Current assets	46,565	52,000
Non-current liabilities	14,578	14,220
Current liabilities	13,409	9,442
Sales revenue	11,327	10,200
Earnings before taxes (EBT)	-12,777	-5,612
Net income	**-13,750**	**-7,986**
Total comprehensive income	**-13,120**	**-8,162**

Further detailed information
EUR k

	2022	2021
Cash and cash equivalents	**13,335**	**13,092**
Cash in hand	0	0
Bank deposits	13,335	13,092
Non-current financial liabilities	**7,217**	**7,399**
Current financial liabilities	**932**	**892**
Interest income	**345**	**442**
Interest expenses	**91**	**24**
Depreciation and amortization	**4,047**	**2,613**

Name changes 2022

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

Newly formed companies 2022

EKPO Fuel Cell (Suzhou) Co., Ltd., with its registered office in Suzhou, China, a wholly owned subsidiary of EKPO Fuel Cell Technologies GmbH, with its registered office in Dettingen/Erms, Germany was formed with effect from June 29, 2022. ElringKlinger AG holds 60% of the controlling interests in EKPO Fuel Cell Technologies GmbH, 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 its registered office in Settimo Torinese, Italy, were partially spun-off to Elring Italia Srl, with its registered office in Settimo Torinese, Italy, as part of universal succession.

Newly formed companies 2021

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

Divestitures 2021

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

Mergers 2021

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

Summary of the principal accounting and measurement methods

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

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

Consolidation methods

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

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

Any remaining negative difference is recorded in income.

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

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

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

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

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

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

Investments in associates

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

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

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

Currency translation

The reporting currency of the ElringKlinger Group is the euro.

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

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

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

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

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

		Closing rate		Average rate	
Currency	**Abbr.**	**Dec. 31, 2022**	**Dec. 31, 2021**	**2022**	**2021**
US dollar (USA)	USD	1.06660	1.13260	1.04998	1.18156
Pound sterling (UK)	GBP	0.88693	0.84028	0.85482	0.85840
Franc (Switzerland)	CHF	0.98470	1.03310	1.00170	1.07988
Canadian dollar (Canada)	CAD	1.44400	1.43930	1.37036	1.48039
Real (Brazil)	BRL	5.63860	6.31010	5.40514	6.37858
Peso (Mexico)	MXN	20.85600	23.14380	21.05364	24.05156
RMB (China)	CNY	7.35820	7.19470	7.07435	7.60685
WON (South Korea)	KRW	1,344.09000	1,346.38000	1,354.16083	1,354.65833
Rand (South Africa)	ZAR	18.09860	18.06250	17.21273	17.59221
Yen (Japan)	JPY	140.66000	130.38000	138.13917	130.32000
Forint (Hungary)	HUF	400.87000	369.19000	393.11083	358.60833
Turkish lira (Turkey)	TRY	19.96490	15.23350	17.45661	10.81043
Leu (Romania)	RON	4.94950	4.94900	4.93403	4.92511
Indian rupee (India)	INR	88.17100	84.22920	82.71542	87.31348
Indonesian rupiah (Indonesia)	IDR	16,519.82000	16,100.42000	15,639.00667	16,921.34667
Bath (Thailand)	THB	36.83500	37.65300	36.80008	37.89117
Swedish krona (Sweden)	SEK	11.12180	10.25030	10.65713	10.15623

Hyperinflation Turkey

Since June 2022, Turkey has been classified as a hyperinflationary economy in the meaning of IAS 29 “Financial Reporting in Hyperinflationary Economies”. To reflect the change in the purchasing power, the financial statements prepared on the basis of acquisition or production costs of the Turkish subsidiary, whose functional currency is the Turkish lira, were adjusted for inflation. The applied consumer price index amounted to 1,128.45 as of December 31, 2022 (December 31, 2021: 686.95) and is published by the Turkish Statistical Institute (Tüik). The change in the index value for the financial year amounted to 1.643. 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 were translated into the reporting currency as of the reporting date December 31, 2022. Comparative figures of the previous year have not been restated.

Accounting policies

Goodwill

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

EUR k	2022	2021
Original Equipment	72,789	157,186
Engineered Plastics	6,313	6,313
Aftermarket	1,658	1,658
Total	**80,760**	**165,157**

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 consolidated income statement through profit or loss if the recoverable amount, which is the higher of fair value less costs of disposal and value in use, is lower than the carrying amount of the cash-generating units. Impairment of goodwill is not reversed, even if the impairment has ceased to apply.

The significant increase in the interest level in the second quarter of 2022 was a triggering event for an impairment test. 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 is because the weighted average cost of capital (WACC) before taxes applied for discounting increased to 10.44% as of June 30, 2022 (December 31, 2021: 9.81%). Furthermore, the tense situation on the energy and commodities market which had been taken into account in the planning update affected the calculation of impairment.

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

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

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

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

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

The discount factor applied as of December 31, 2022 was the weighted average cost of capital (WACC) before taxes of 10.40% (2021: 9.81%).

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

Original Equipment

In the financial year 2022, the Original Equipment segment was directly affected particularly by the increase in material and energy prices, supply bottlenecks, inflation trends and the persistent effects of the coronavirus pandemic. The budget target was therefore not reached despite an increase 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 the sales revenue and to implement margin improvements. Therefore, in the planning period it was assumed that margin improvements can also be realized with rising sales and the margins will again be higher than the margins of the peer group. Furthermore, ElringKlinger is expecting changes in demand arising from the transformation of the automotive industry, which may prove beneficial. The impairment test of goodwill of the Original Equipment segment performed as of December 31, 2022 did not result in any need to recognize further impairment.

The value in use, determined on the basis of the abovementioned assumptions for the Original Equipment segment, exceeds the carrying amount as of December 31, 2022 by around EUR 280.0 million. The main reason for this is the consideration of more recent findings regarding a stronger orientation towards e-mobility, which were captured in the planning update between June 30, 2022 and December 31, 2022. Changes in cost of capital or profit margin can meanwhile lead to the situation where the carrying amount exceeds the recoverable amount. In the case of an isolated increase in cost of capital by around 1.61 percentage points, the recoverable amount would correspond to the carrying amount. An isolated reduction of the profit margin in the terminal value by around 1.31 percentage points would have the same effect.

Engineered Plastics

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

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 development in margin. 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 spare parts 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, the costs of the asset can be determined reliably, and the technical and economic feasibility along with the ability and intent to market it are ensured.

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

All intangible assets in the Group – with the exception of goodwill – have determinable useful lives and are amortized over these useful lives using the straight-line method. Patents, licenses and software generally have useful lives of 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 an IPCEI (Important Project of Common European Interest), the capitalization is reduced by the subsidies received (net method).

Property, plant and equipment

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

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

Class of property, plant and equipment	Years
Buildings	15 to 40
Plant and machinery	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 the end of each reporting period or 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 to sell or the value in use. If the recoverable amount for an individual asset cannot be determined, an estimate of the recoverable amount is made at the next higher level cash-generating unit.

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

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

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

Assets and liabilities held for sale

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

Financial instruments

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

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

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

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

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

At their acquisition date, financial instruments are categorized on the basis of their intended use.
Financial assets include cash and cash equivalents, trade receivables, financial investments, long-term securities, other loans granted and receivables as well as derivative financial assets held for trading.

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

Other current liabilities

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

Derivative financial instruments and hedge accounting

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

The derivative financial instruments used in the ElringKlinger Group are price hedges. The purpose of derivative financial instruments is to reduce the negative effects of currency and price risks on the financial performance, net assets and cash position of the Group. As of the reporting date, there were forward contracts for nickel and currency derivatives at ElringKlinger AG, with its registered office in Dettingen/Erms, Germany, as well as for the commodities electricity and gas at ElringKlinger AG, ElringKlinger Kunststofftechnik GmbH, with its registered office in Bietigheim-Bissingen, Germany, ElringKlinger Hungary Kft., with its registered office in Kecskemét-Kádafalva, Hungary, and ElringKlinger South Africa (Pty) Ltd., with its registered office in Johannesburg, South Africa.

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

Costs to fulfill a contract

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

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

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

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

Contract assets and contract liabilities

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

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

Inventories

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

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

Cash and cash equivalents

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

Provisions for pensions

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

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

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

Provisions

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

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

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

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

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

Leases

IFRS 16 requires a uniform accounting model for lessees, according to which the lessee is required to recognize a right-of-use asset for all leases as well as a lease liability for the outstanding lease payments. The lease liability is recognized at the present value of the future lease payments, discounted with the term-based incremental rate because the interest rate implicit in 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 Euler Hermes assessment of the ElringKlinger Group.

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

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

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

Recognition of income and expense

Sales revenue is measured at the fair value of the transaction price received or to be received and represents the amounts that are to be 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 performances due have been rendered and the control has passed to the buyer and receipt of the payment can be reliably expected.

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

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

Interest income is recognized on an accrual basis using the effective interest method.
Dividend income from financial investments is recorded at the time the payment claim arises.

Other income is recognized on an accrual basis in accordance with the substance of the underlying contract. Operating expenses are recorded in the consolidated income statement at the time of performance or at the time of origination.

Research and development costs

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

- The development costs can be determined reliably.
- The product or the process can be realized technically and commercially.
- Future commercial benefits are likely.
- There is the intent and sufficient resources to complete the development and to use or sell the asset.

Capitalized costs are included under intangible assets. Other development costs are recognized as an expense when incurred. Capitalized development costs are amortized over five years.

Government grants

In accordance with IAS 20, government grants are recognized at fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received.

Grants that relate to the acquisition or production cost of assets are generally recognized as deferred income and systematically released to income over the expected useful life of the related asset and reported as other operating income. The item is disclosed in other current and non-current liabilities.

Grants received as part of the European IPCEI initiative are deducted from the carrying amount of capitalized development costs (net method).

Public grants received for expenses incurred (primarily for development projects) are recognized in income in the period they are received and reported as other operating income.

Government grants in connection with the utilization of short-time work allowances and the associated reimbursement of social security contributions are reported in the corresponding personnel expenses of the relevant functional area.

Borrowing costs

Borrowing costs directly associated with the acquisition, construction, or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Interest not capitalized pursuant to IAS 23 is recognized on an accrual basis as an expense using the effective interest method. The actual borrowing costs are capitalized if a financing loan can be definitively assigned to a specific investment. Unless a direct relationship can be established, the Group's average interest rate for borrowed capital for the current period is used. The Group's average interest rate for borrowed capital for the financial year 2022 was 2.76% (2021: 1.87%). Borrowing costs of EUR 431 k were capitalized in the financial year (2021: EUR 619 k).

Income taxes and deferred taxes

The income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is determined on the basis of the taxable income for the relevant year. Taxable income differs from earnings before taxes as shown in the income statement, since it excludes expenses and income which will be tax deductible in earlier or later years or those which will never become taxable or tax deductible. The liability of the Group for current tax expense is calculated on the basis of applicable tax rates or tax rates established by law as of the end of the reporting period.

Deferred taxes are the expected tax charges and benefits from the differences in the carrying amounts of assets and liabilities in the tax base of the individual companies compared with the valuations in the consolidated financial statements under IFRS. The balance sheet liability method is applied. Such assets and liabilities are not recognized if the temporary difference is the result of (i) the first-time recognition of goodwill or (ii) the first-time recognition of other assets and liabilities resulting from occurrences (not including business combinations) that do not affect taxable income or earnings before taxes according to the income statement. Deferred taxes are recorded on all deductible temporary differences when it is probable that taxable profits will be available against which the deductible temporary differences can be offset. Otherwise, deferred tax assets are recognized on loss carryforwards to the extent that their future use may be anticipated.

The carrying amount of deferred tax assets is reviewed every reporting date.
Deferred taxes are measured at the future tax rates, i. e., those that are expected to apply at the time of realization.

Changes in deferred tax assets are recognized in the income statement as tax income or expense unless they relate to other comprehensive income or items recognized directly in equity; in these cases, changes in deferred taxes are also reported under other comprehensive income or directly in equity.

Contingent liabilities and contingent receivables

Contingent liabilities are not recognized. They are disclosed in the notes, unless the possibility of an outflow of resources with economic benefit is remote. Contingent receivables are not recognized in the financial statements. If the inflow of economic benefits is probable, they are disclosed in the notes.

Use of estimates

Financial statements are prepared in accordance with the pronouncements of the IASB using estimates which influence valuations of items in the statement of financial position, the nature and the scope of contingent liabilities and contingent receivables as of the end of the reporting period and the amounts of income and expenses in the reporting period. At ElringKlinger, the assumptions and estimates relate mainly to the recognition and measurement of provisions, the measurement of financial liabilities from put options, the measurement of goodwill and the realization of future tax relief. Actual results may deviate from these estimates. Changes are recognized through profit or loss at the time better insights are available.

While updating the estimates and assumptions, the available information regarding the coronavirus pandemic and the war in Ukraine was taken into account in terms of the expected economic development as well as country-specific measures.

This information was considered when testing the identified cash-generating units and segments for impairment. The value in use determined includes estimates specifically with regard to the forecast of future cash flows. They in turn rely on projections regarding the future demand volume and selling prices as well as on cost forecasts.

Warranty obligations may arise by force of law, by contract or for policy reasons. Provisions are recognized for the expected claims arising from warranty obligations. A claim may be expected especially if the warranty period has not yet expired, if warranty expenses have been incurred in the past, or if there is concrete evidence of warranty incidents being imminent. The warranty risk is determined on the basis of the circumstances from individual estimates or from past experience, and appropriate provisions are recognized.

The measurement of provisions for restructuring is subject to estimates and assumptions, particularly in connection with the level of future severance payments. The estimates are base on historical data customary in the industry. Provisions for potential additional payments and penalties from US import duties stem from the assessment of lawyers and the Management Board on the basis of scenario analyses.

The estimates regarding the realization of future tax relief are based on calculations by external consultants. The use of estimates for other items in the group statement of financial position and the group income statement are described in the accounting principles for the respective items. This pertains in particular to the matters: Impairments of goodwill and the measurement of pension provisions.

Risks and uncertainties

The past financial year 2022 was also characterized by a high degree of uncertainty and volatility. The effects of the coronavirus pandemic were still lingering in Europe when the war in Ukraine began. The war and its political consequences also resulted in temporary supply-chain disruptions in the automotive industry. The result of this conflict is uncertain and the further escalation of the situation cannot be ruled out. Furthermore, the situation in many parts of the Middle East continues to be instable and the same applies for parts of North Africa. New conflicts can arise anytime, e.g., in the South China Sea. Some of the geopolitical hotspots are among ElringKlinger's sales regions which are exposed to certain risks. The spare parts 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. This curve can be influenced by various factors. 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 the coronavirus pandemic will flare up again through new variants or it repeats itself in a similar form.

In addition to general sales risks there are customer and contract specific risks. They primarily reflect the status of various projects at individual locations. ElringKlinger is neither excessively dependent on individual markets nor on individual manufacturers or individual projects. The Group has a global presence with production and sales locations in 20 countries and, with this broad positioning, has largely protected itself against potential stagnation or waning demand in specific vehicle markets.

An economic slump in a particular region can be offset, at least to some extent, by other regions. Due to its cost structures, ElringKlinger would be able to respond immediately to the market conditions in the event of more severe economic turbulence. The instruments available include flextime accounts and flexible shift models as well as the option to apply for government-subsidized short-time work. Furthermore, it is possible to respond to changing market situations by adjusting the headcount to the demand situation and by combining the production quantities of individual plants. The central purchasing department works in close cooperation with suppliers for the purpose of continuously assessing and adjusting procurement volumes. In addition, the sales department continues to pursue its strategy to tap into new sales markets and further intensify its business with the existing customers.

ElringKlinger generally makes adequate provision for economic risks at the planning stage. A policy of using a cautious macro-economic scenario for budgeting purposes is applied.

In the course of the increasingly noticeable climate change, social as well as political initiatives have been formed in many countries, who put more emphasis on environmental protection and derive and demand appropriate measures from it. Therefore, legislative initiatives can be expected that may affect the automotive industry, including time limits for new registrations of vehicles with combustion engines as well as tighter emission laws. Accordingly, ElringKlinger's research and development activities focus on alternative drive systems and its portfolio is increasingly aligned toward e-mobility.

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.

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. By December 31, 2022, ElringKlinger AG had received grants of EUR 3,292 k as part of this initiative. ElringKlinger AG has to fulfill certain conditions for the utilization of these funds. In case of non-compliance with the conditions, there is a risk that part will have to be repaid. A monitoring process is installed to track and manage this risk. This process helps in immediately identifying variances and initiating countermeasures.

Individual disclosures on the Group Income Statement

1. Sales revenue

EUR k	2022	2021
Lightweighting/Elastomer Technology	575,200	500,083
Metal Sealing Systems & Drivetrain Components	496,573	448,212
Shielding Technology	293,213	269,262
E-Mobility	42,372	58,670
Exhaust Gas Purification	4,023	4,061
Others	44	70
Segment Original Equipment	**1,411,425**	**1,280,358**
Segment Original Equipment	1,411,425	1,280,358
Segment Aftermarket	250,870	214,698
Segment Engineered Plastics	132,620	125,359
Sales of goods and licensing	**1,794,915**	**1,620,415**
Sale of goods	1,794,915	1,620,415
Proceeds from the rendering of services	3,496	3,956
Revenue from contracts with customers	**1,798,411**	**1,624,371**
Revenue from contracts with customers	1,798,411	1,624,371
Income from rental and leasehold	19	18
Total	**1,798,430**	**1,624,389**

Breakdown by geographical markets:

EUR k	2022	2021
Revenue from contracts with customers	365,907	346,694
Income from rental and leasehold	19	18
Total Germany	**365,926**	**346,712**
Revenue from contracts with customers	1,432,504	1,277,677
Income from rental and leasehold	0	0
Total other countries	**1,432,504**	**1,277,677**
Total	**1,798,430**	**1,624,389**

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, 2022	Dec. 31, 2021
Trade receivables	264,854	233,478
Contract assets	8,912	9,396
Contract liabilities	14,938	16,736

A contract asset is the right to consideration in exchange for goods or services already transferred to the customer. This mainly takes place through sales revenue that is to be recognized over time. Contract assets are reported as receivables when billed. This is generally performed on a short-term basis within a month.

Contract liabilities include long-term prepayments for customer-specific provisions of additional production capacity and short-term prepayments for customer-specific tools.

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, 2021	**10,442**	**38,768**
Revenue that was included in the contract liability balance at the beginning of the reporting period		31,159
Reclassification of contract assets reported at the beginning of the reporting period to trade receivables	9,725	
Additions from payments received less amounts reported as sales revenue in the reporting period		9,127
Additions from performance completed not yet billed in the reporting period	8,679	
As of Dec. 31, 2021	**9,396**	**16,736**
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**

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of December 31, 2022 are as follows:

EUR k	Dec. 31, 2022	Dec. 31, 2021
Within one year	840	5,591
More than one year	0	0

Limited variable consideration is not taken into account in the disclosed amounts. Furthermore, no information is included for performance obligations from contracts with an expected original term of a maximum of one year. Similarly, no disclosures on performance obligations are included that are satisfied over a certain period and for which the entitlement of a consideration is equivalent to the amount that corresponds directly to the value of the performance already completed and for which revenue can be realized to that amount that can be billed.

2. Cost of sales

The cost of sales shows the costs incurred to obtain the sales revenue. Personnel expenses also include expenses for the discontinuation of production activities at two locations in Germany.

Cost of sales includes:

EUR k	2022	2021
Cost of materials	825,692	709,192
Personnel expenses	378,721	352,750
Depreciation and amortization	116,128	98,450
Amortization of costs to fulfill a contract	2,381	2,362
Other expenses	137,011	110,626
Total	**1,459,933**	**1,273,380**

3. Selling expenses

Compared to 2021, selling expenses increased by EUR 19,252 k to EUR 140,020 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 2021, general and administrative expenses increased by EUR 6,624 k to EUR 90,177 k.

5. Research and development costs

Research and development costs include the 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 2021, research and development costs increased by EUR 4,874 k to EUR 69,729 k. Development costs of EUR 22,034 k (2021: EUR 17,241 k) were capitalized in the financial year 2022.

6. Other operating income

EUR k	2022	2021
Government grants	4,011	3,746
Reversal of impairments on receivables	2,697	5,741
Insurance reimbursements/claims reimbursements	2,488	2,117
Reimbursements from third parties	2,193	2,658
Income from the disposal of non-current assets	1,360	822
Other taxes (excl. income tax)	273	221
Income from deconsolidation	0	11,302
Other	5,195	6,048
Total	**18,217**	**32,655**

The reversal of impairments on receivables mainly contain reversals of bad debt allowances in the USA and China. In the previous year, they primarily related to reversals in Germany and China.

The insurance reimbursements primarily relate to claims from warranty incidents in China and Canada. The Other item also includes rental income and a reimbursement claim from a cooperation agreement.

7. Other operating expenses

EUR k	2022	2021
Impairment of intangible assets	86,078	0
Other taxes (excl. income tax)	5,783	5,327
Other fees	1,991	1,667
Expenditures for claims	1,327	383
Losses from the disposal of non-current assets	1,000	728
Defaults on receivables	395	829
Selling costs for machinery	167	10
Recognition of provisions/deferred liabilities	19	90
Impairment of receivables	-3	932
Other	2,262	2,492
Total	**99,019**	**12,458**

The item Impairment of intangible assets contains an impairment loss of EUR 86,078 k recognized on goodwill of the Original Equipment segment.

Among other things, the "Other" item includes the continuing involvement from receivables sold and scrapping of assets.

8. Associates

ElringKlinger holds a share of 24.71% in hofer AG, Nürtingen. The hofer Group is a systems developer for drive train systems in the automotive sector. ElringKlinger continues to use the equity method to account for its share in hofer AG in the consolidated financial statements. The following table provides summarized information of the Group's investment in hofer AG.

EUR k	2022	2021
Non-current assets	51,881	75,186
Current assets	53,398	77,441
Non-current liabilities	43,414	61,655
Current liabilities	27,387	50,227
Net assets	**34,478**	**40,745**
Group share 24.71%	8,520	10,068
Goodwill	13,432	13,432
Accumulated impairment previous years	-9,810	-9,810
Impairment current year	0	0
Carrying amount of the Group's share	**12,142**	**13,690**
Sales revenue	103,304	77,005
Comprehensive income for the financial year	**-7,414**	**-10,865**
thereof other comprehensive income	1,084	-1,680
Group share in profit/loss	**-1,832**	**-2,685**
Dividends received	**0**	**0**

As of December 31, 2022, the associate had contingent liabilities of EUR 508 k (2021: EUR 858 k) and liabilities to banks of EUR 11,342 k (2021: EUR 11,757 k).

9. Net finance costs

EUR k	2022	2021
Finance income		
Income from currency differences	30,522	28,629
Interest income	1,481	2,066
Other	2,485	8
Finance income, total	**34,488**	**30,703**
Finance costs		
Expenses from currency difference	-31,225	-16,700
Interest expenses	-16,041	-10,603
Other	-171	-1,600
Finance costs, total	**-47,437**	**-28,903**
Expenses from associates	-884	-3,074
Income from associates	0	0
Share of result of associates	**-884**	**-3,074**
Net finance costs	**-13,833**	**-1,274**

Of the interest expenses, an amount of EUR 1,592 k (2021: EUR 825 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 1,077 k (2021: EUR 972 k) resulted from the roll forward of lease liabilities in accordance with the effective interest method. Borrowing costs for qualifying assets in the amount of EUR 431 k were capitalized in the reporting year (2021: EUR 619 k); this represents a corresponding improvement in the result.

The expenses from associates contain the subsequent measurement of the carrying amount through profit or loss of EUR -884 k (2021: EUR -3,074 k).

Other financial income contains income of EUR 363 k (2021: other financial expenses of EUR 1,552 k) due to the subsequent measurement of a liability contained in other current liabilities resulting from the written put option on non-controlling interests of ElringKlinger Marusan Corporation, based in Tokyo, Japan.

Furthermore, other financial income includes the gains from the net monetary position from the hyperinflation in Turkey of EUR 2,119 k.

10. Income taxes

Income taxes break down as follows:

EUR k	2022	2021
Current tax expense	34,566	47,208
Deferred taxes	80	-1,007
Tax expense reported	**34,646**	**46,201**

The income taxes consist of corporation and municipal trade taxes including the solidarity surcharge of the domestic Group companies as well as comparable income taxes of the foreign Group companies.

The income tax rate calculated for the German companies is 29.1% (2021: 29.1%). Foreign taxation is calculated at the rates applicable in the countries concerned and lies between 9.0% and 34.7% (2021: between 9.0% and 34.7%). The average foreign tax rate is 24.3% (2021: 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 under application of the current domestic rate of 25.2% (2021: 25.2%) and the income tax expense actually reported.

EUR k	2022	2021
Earnings before taxes	-56,064	100,756
Expected tax rate	**25.16%**	**25.18%**
Expected tax expenses	**-14,106**	**25,370**
Change in the expected tax rate due to:		
– Permanent differences	22,584	7,508
– Difference in basis of assessment of local taxes	-54	1,131
– Use of non-capitalized or forfeiture of capitalized tax loss carryforwards	2,754	-229
– Write-up/write-down of capitalized tax loss carryforwards (relating to other periods)	-2,926	-5,079
– Addition to uncapitalized tax loss carryforwards and write-down of temporary differences (relating to the period)	16,874	7,292
– Taxes relating to other periods	1,268	2,714
– Deferred taxes relating to other periods	-207	-2,150
– Deviations due to changes in tax rate	5,549	6,635
– Deviations on account of withholding taxes	3,010	3,130
– Other effects	-100	-121
Tax expense reported	**34,646**	**46,201**
Actual tax rate	**-61.8%**	**45.8%**

Retained earnings of EUR 53,277 k (2021: EUR 53,661 k) at domestic and foreign subsidiaries will be distributed to ElringKlinger AG in the coming years. The tax expense on distributions in Germany amounts to EUR 2,513 k (2021: EUR 2,587 k) and has been recorded as a deferred tax liability. Further retained earnings of domestic and foreign subsidiaries of EUR 42,302 k (2021: EUR 110,581 k) are intended to be permanently reinvested in those operations on the basis of current planning.

Deferred tax assets of EUR 10,307 k (2021: EUR 13,734 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 43 k (2021: EUR 157 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 329,259 k (2021: EUR 283,810 k on temporary differences of EUR 19,751 k (2021: EUR 5,812 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, 2022	Dec. 31, 2021
Loss carryforwards are forfeited within		
One year	0	1,108
Two years	8,951	17,191
Three years	11,436	12,732
Four years	15,462	10,726
Five years	23,347	17,266
More than five years	71,005	76,897
Non-forfeitable	199,058	147,890
Total	**329,259**	**283,810**

Tax deferrals relate to the following line items:

	Deferred tax assets		Deferred tax liabilities	
EUR k	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Intangible assets	677	732	20,095	15,208
Property, plant and equipment	10,299	6,335	56,066	50,685
Financial assets	278	136	0	0
Other non-current assets	5,635	2,956	515	798
Inventories	5,241	7,763	0	181
Current contract assets	0	0	1,731	1,678
Trade receivables	744	1,307	1,095	915
Other current assets	347	1,054	3,011	7,707
Cash and cash equivalents	0	1	0	0
Provisions for pensions	13,093	25,859	19	22
Non-current provisions	2,459	2,573	0	0
Non-current financial liabilities	11,031	12,915	27	1
Other non-current liabilities	1,348	645	6,593	4,178
Current provisions	8,837	7,136	3	3
Trade payables	2,933	117	132	3
Current financial liabilities	7,804	8,780	24	0
Other current liabilities	6,777	3,150	457	3,710
Deferred taxes associated with investments in subsidiaries	0	0	2,513	2,587
Tax loss carryforwards	10,307	13,734	0	0
Tax credits	212	281	0	0
Total	**88,022**	**95,474**	**92,281**	**87,676**
Offsetting deferred tax assets against deferred tax liabilities	-68,499	-63,724	-68,499	-63,724
Recognized in the statement of financial position	**19,523**	**31,750**	**23,782**	**23,952**

Deferred taxes totaling EUR -12,021 k (2021: EUR -3,483 k) were recognized in other comprehensive income. Of this amount, EUR -11,853 k (2021: EUR -3,437 k) relates to pension provisions and EUR -168 k (2021: EUR -46 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:

	2022	2021
Profit/loss attributable to the shareholders of ElringKlinger AG (EUR k)	-89,110	55,729
Average number of shares	63,359,990	63,359,990
Earnings per share in EUR	**-1.41**	**0.88**

Disclosures on the Group Statement of Financial Position

12. Intangible assets

EUR k	Development costs (internally developed)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (purchased)	Total
Acquisition/production cost as of Jan. 1, 2022	**69,139**	**178,737**	**54,187**	**327**	**302,390**
Adjustments from hyperinflationary economies (IAS 29)	0	0	1	0	1
Acquisition/production 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**
Write-downs 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
Write-downs 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**

EUR k	Development costs (internally developed)	Goodwill (purchased)	Patents, licenses, software and similar rights (purchased)	Intangible assets under construction (purchased)	Total
Acquisition/production cost as of Jan. 1, 2021	**55,971**	**175,245**	**53,368**	**537**	**285,121**
Currency changes	894	3,528	244	0	4,666
Additions	17,241	0	548	157	17,946
Reclassifications	0	0	424	-367	57
Disposals	4,967	0	397	0	5,364
Reclassification to assets held for sale	0	36	0	0	36
As of Dec. 31, 2021	**69,139**	**178,737**	**54,187**	**327**	**302,390**
Write-downs as of Jan. 1, 2021	**26,819**	**13,337**	**43,894**	**0**	**84,050**
Currency changes	893	243	202	0	1,338
Additions	2,730	0	2,459	0	5,189
Impairment	1,518	0	0	0	1,518
Reclassifications	0	0	21	0	21
Disposals	4,967	0	343	0	5,310
As of Dec. 31, 2021	**26,993**	**13,580**	**46,233**	**0**	**86,806**
Net carrying amount as of Dec. 31, 2021	**42,146**	**165,157**	**7,954**	**327**	**215,584**

In the 2022 financial year, as part of the IPCEI initiative, grants of EUR 1,858 k (2021: EUR 1,116 k) were deducted from the carrying amount of development costs (net method).

The impairment testing of intangible assets indicated a need to recognize impairment losses of EUR 87,348 k in the reporting year (2021: EUR 1,518 k). In an amount of EUR 86,078 k, this primarily related to the goodwill in the Original Equipment segment.

Impairment losses of EUR 1,270 k (2021: EUR 1,518 k) were recognized on discontinued development projects.

Purchase commitments to acquire intangible assets amounted to EUR 280 k as of December 31, 2022 (December 31, 2021: EUR 409 k). All amortization of intangible assets is contained under the following line items in the income statement:

EUR k	2022	2021
Cost of sales	3,896	3,270
Selling expenses	100	134
General and administrative expenses	1,149	1,461
Research and development costs	266	324
Total	**5,411**	**5,189**

13. Property, plant and equipment

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Property, plant and equipment under construction	Total
Acquisition/production cost as of Jan. 1, 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/production 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**
Acquisition/production cost as of Jan. 1, 2021	**573,718**	**1,230,774**	**229,959**	**42,015**	**2,076,466**
Currency changes	14,078	36,022	3,884	878	54,862
Additions	11,471	22,947	12,639	37,708	84,765
Reclassifications	625	13,389	596	-14,666	-56
Disposals	4,698	30,545	14,518	0	49,761
As of Dec. 31, 2021	**595,194**	**1,272,587**	**232,560**	**65,935**	**2,166,276**
Depreciation as of Jan. 1, 2021	**157,882**	**819,014**	**159,617**	**0**	**1,136,513**
Currency changes	3,737	20,445	2,233	0	26,415
Additions	22,329	67,402	17,640	0	107,371
Reclassifications	4	-25	0	0	-21
Write-ups	281	7	0	0	288
Disposals	1,951	27,446	12,898	0	42,295
As of Dec. 31, 2021	**181,720**	**879,383**	**166,592**	**0**	**1,227,695**
Net carrying amount as of Dec. 31, 2021	**413,474**	**393,204**	**65,968**	**65,935**	**938,581**

The impairment testing of property, plant and equipment indicated a need to recognize impairment losses for individual items in an amount of EUR 15,911 k in the reporting year. The impairment losses mainly relate to customer projects that are not being pursued any further.

In November 2022, the Group generated a purchase price of EUR 2,330 k from the sale of a subdivision of ElringKlinger AG. The income from the disposal of non-current assets amounts to EUR 899 k.

Purchase commitments to acquire property, plant and equipment amounted to EUR 17,168 k as of December 31, 2022 (December 31, 2021: EUR 14,402 k).

As regards property, the ElringKlinger Group primarily rents production halls, office space as well as parking spaces. The rented technical equipment primarily comprises machines, which are deployed in production. The operating and office equipment comprises leased vehicles and forklifts. Lease contracts can include extension and termination options. All lease contracts are negotiated individually and contain a number of different conditions.

Right-of-use assets disclosed under property, plant and equipment break down as follows:

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
Acquisition/production cost as of Jan. 1, 2022	**74,563**	**1,509**	**16,653**	**92,725**
Adjustments from hyperinflationary economies (IAS 29)	0	0	14	14
Acquisition/production 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**

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
Acquisition/production cost as of Jan. 1, 2021	**65,703**	**1,598**	**15,720**	**83,021**
Currency changes	2,913	3	659	3,575
Additions	10,398	30	4,360	14,788
Disposals	4,451	122	4,086	8,659
As of Dec. 31, 2021	**74,563**	**1,509**	**16,653**	**92,725**
Depreciation as of Jan. 1, 2021	**17,160**	**252**	**6,821**	**24,233**
Currency changes	844	1	329	1,174
Additions	9,862	724	4,457	15,043
Disposals	1,899	119	3,072	5,090
As of Dec. 31, 2021	**25,967**	**858**	**8,535**	**35,360**
Net carrying amount as of Dec. 31, 2021	**48,596**	**651**	**8,118**	**57,365**

For further comments on leases, please refer to notes (28), (29) and (30) in the notes to the financial statements.

14. Financial assets

EUR k	Non-current securities	Other financial investments	Total
Acquisition cost as of Jan. 1, 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	
Acquisition cost as of Jan. 1, 2021	**1,593**	**13,577**	**15,170**
Currency changes	-1	0	-1
Additions	243	431	674
Changes in value	15	0	15
Disposals	247	0	247
As of Dec. 31, 2021	**1,603**	**14,008**	**15,611**
Amortization, depreciation and impairment as of Jan. 1, 2021	**82**	**0**	**82**
Additions	5	0	5
Write-ups	8	0	8
As of Dec. 31, 2021	**79**	**0**	**79**
Net carrying amount as of Dec. 31, 2021	**1,524**	**14,008**	**15,532**
Fair value Dec. 31, 2021	1,533	14,008	

Of the non-current securities, EUR 1,070 k (2021: EUR 729 k) is pledged in full to secure pension claims. Other financial investments contain an investment in a minority interest of EUR 5,311 k (2021: EUR 4,200 k) in Aerostack GmbH, based in Dettingen/Erms, Germany. This is an expression of long-term partnership between ElringKlinger AG, based in Dettingen/Erms, Germany, and Airbus Operations GmbH, based in Hamburg, Germany, in the field of fuel cell technology with the aim of jointly developing and validating fuel cell stacks suitable for aviation. The investment constitutes an equity instrument in which ElringKlinger has invested in for strategic reasons. It has been allocated to the FVtPL (Fair Value through Profit and Loss) measurement category. The investment is measured at fair value through profit or loss, gains and losses from the fair value measurement are reported in the net income.

Furthermore, other financial assets contain a bullet, interest-free, non-tradable or non-transferable promissory note to this company. If any capital increases take place, these are allocated proportionally to the respective company's equity. A contribution of EUR 1,111 k was made in the financial year 2022. The promissory note represents a portion of the compensation that ElringKlinger receives for licensing. The fair value amounts to EUR 4,877 k (2021: EUR 6,347 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 1,803 k as of the reporting date (2021: EUR 1,445 k). As the repayment is directly dependent on the residual value of the property, the lessee loan is to be considered as the residual value guarantee in accordance with IFRS 16 and is included in the lease liability in the amount of the expected utilization. At present, ElringKlinger does not expect it to be utilized. The repayment claim is recognized at fair value through profit or loss and is reported as other financial investment under non-current financial assets.

15. Non-current income tax assets and other non-current assets

Non-current income tax assets include an investment income tax credit carried by ElringKlinger Automotive Components (India) Pvt. Ltd., based in Ranjangaon, India, of EUR 431 k (2021: EUR 532 k) and refund claims from indirect taxes of ElringKlinger do Brasil Ltda., based in Piracicaba, Brazil, of EUR 932 k (2021: EUR 355 k).

Other non-current assets include the long-term outstanding contribution measured at present value from Plastic Omnium of EUR 19,786 k (2021: EUR 39,427 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, 2022, the carrying amount of costs to fulfill a contract decreased to EUR 6,137 k (December 31, 2021: EUR 7,944 k).

17. Non-current and current contract assets

As of December 31, 2022, the carrying amount of the contract assets decreased to EUR 8,912 k (December 31, 2021: EUR 9,395 k). No significant events for impairment pursuant to IFRS 9 were identified.

18. Inventories

EUR k	Dec. 31, 2022	Dec. 31, 2021
Raw materials, consumables and supplies	147,435	123,941
Work in progress	75,283	63,511
Finished goods and merchandise	186,144	159,636
Advance payments	5,090	7,233
Total	**413,952**	**354,321**

Impairments of EUR 21,412 k were recognized on inventories due to market risks and obsolescence (2021: EUR 23,777 k). Impairments of inventories are recognized in cost of sales.

19. Trade receivables, current income tax assets and other current assets

For trade receivables, valuation allowances of EUR 1,815 k (2021: EUR 4,799 k) were recognized for future credit risks.

The carrying amount of the trade receivables and other assets corresponds to their fair values. Trade receivables do not bear interest and are generally due in 30 to 120 days.

Movements in the bad debt allowance for trade receivables and current assets are presented in the table below:

EUR k	2022	2021
As of Jan. 1	4,799	9,443
Additions	398	932
Reversal/utilizations including change of risk parameters (IFRS 9)	-3,494	-6,149
Thereof change of risk parameters (IFRS 9)	*-2,883*	*421*
Exchange rate effects	112	573
As of Dec. 31	**1,815**	**4,799**

The reversal of the impairment loss is largely attributable to the change in the risk parameter of EUR -2,883 k (2021: EUR 421 k). In the past financial year, a risk provision of EUR 398 k was recognized for customers facing insolvency (2021: EUR 525 k). The previous year contained a reversal of impairment losses on impaired receivables of EUR 5,741 k, which primarily included reversals of impairments in Germany and China that were attributable to a change in the risk structure of individual matters.

As of December 31, 2022, trade receivables with a carrying amount of EUR 72,918 k (2021: EUR 66,355 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 398 k (2021: EUR 525 k) were written off.

The impairment model takes into account the expected credit losses (expected credit loss model (ECL)), where mainly forward-looking information is used. ElringKlinger applies the simplified impairment model of IFRS 9 and considers the lifetime expected losses from all receivables and active contract items.

The ratings from Standard & Poor's (S&P) or other well-known rating agencies are used as the basis for the impairment model. Future impairments are determined using these ratings and with the help of probability of default, also published by S&P.

The risk categories used for the model are also used as internal risk categories:

Internal credit rating	External rating by S&P	Probability of default	Basis of recognition of the risk provision	Gross carrying amount in EUR k
High creditworthiness	AAA – A	0.0%	Lifetime expected credit loss	59,810
Medium creditworthiness	BBB – B	0.0% – 11.0%	Lifetime expected credit loss	206,461
Low creditworthiness	CCC – C	11.0% – 50.0%	Lifetime expected credit loss	0
Default	D	50.0% – 100.0%	Write-down of asset	398
Risk provision pursuant to IFRS 9				1,815
Total				**264,854**

Current income tax assets mainly contain the corporate income tax credits of ElringKlinger México, S.A. de C.V., based in Toluca, Mexico, of EUR 2,507 k (2021: EUR 3,620 k), ElringKlinger TR Otomotiv Sanayi ve Ticaret A.Ş., based in Bursa, Turkey, of EUR 943 k (2021: EUR 846 k) and ElringKlinger AG, with its registered office in Dettingen/Erms, Germany, of EUR 273 k (2021: EUR 10,788 k).

Other current assets contain tax receivables from VAT and other taxes of EUR 13,741 k (2021: EUR 13,706 k), time deposits and securities of EUR 19,310 k (2021: EUR 13,494 k) and other receivables from third parties including claims from the sale of receivables of EUR 72,013 k (2021: EUR 73,683 k). Other receivables from third parties contain the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 19,943 k (2021: EUR 29,962 k), financial assets of EUR 4,228 k (2021: EUR 3,803 k), other assets from factoring of EUR 15,944 k (2021: EUR 15,285 k), prepaid expenses of EUR 8,393 k (2021: EUR 5,974 k) and prepayments of EUR 9,853 k (2021: EUR 4,298 k).

20. Cash and cash equivalents

The item cash and cash equivalents comprises cash and deposits held by the Group in current accounts. As in the previous year, there were no cash equivalents. No significant events for impairment pursuant to IFRS 9 were identified.

The carrying amount of these assets corresponds to their fair value.

21. 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, 2022 and is divided into 63,359,990 registered shares, each entitled to a single vote. The share capital is paid in full. Each registered share represents a theoretical interest of EUR 1.00 of the share capital. Profit is distributed in accordance with Section 60 German Stock Corporation Act (Aktiengesetz, AktG) in conjunction with Section 23 no. 1 of the Articles of Association.

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by issuing new shares for cash and/or in-kind contributions on one or more occasions, however by no more than EUR 31,679,995, by May 19, 2027 (Authorized Capital 2022). As a rule, the shareholders are entitled to subscription rights. The shares may also be acquired by one or more banks subject to the provision that they offer them to the shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights

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

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

The Management Board has not exercised the authorization to date.

The capital reserves were essentially created from the premium from the 2010 capital increase.

The revenue reserves contain the earnings generated by the group companies which have not yet been distributed. There is also an amount of EUR 26,181 k arising from the first application of IFRSs in 2005.

Other reserves contain remeasurements of defined benefit plans, equity impact of controlling interests and currency translation differences.

Under the AktG, the distributable dividend is measured by the sum of retained earnings and the profit or loss for the year, as shown in the annual financial statements of ElringKlinger AG that have been drawn up according to the provisions of the German Commercial Code (HGB). In financial year 2022, ElringKlinger AG distributed to its shareholders a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights) from the retained earnings reported in 2021.

Accumulated profit of EUR 9,504 k is reported in the financial year 2022. The Management Board and the Supervisory Board will propose to the Annual General Shareholders' Meeting on the 2022 financial statements on May 16, 2023, to distribute a dividend of EUR 9,504 k (EUR 0.15 per share carrying dividend rights).

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 consolidated 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 each reporting year; the Group's contribution payments totaled EUR 28,928 k (2021: EUR 27,255 k) and were allocated to the relevant function costs.

The Group accounts for **defined benefit plans** by creating provisions for pensions that are calculated using the projected unit credit method pursuant to IAS 19. Under the defined benefit plans, the employees receive life-long pension payments once they have reached a certain age or suffered disability. In addition, surviving dependents also receive benefits. The amount of the benefit is determined by the number of years with the Company and the final salary. For employees subject to collective bargaining, the eligible service period is limited to 30 years. For executive employees, the benefit is limited to 35% or 45% of the terminal salary, whereby in certain cases the benefits from prior commitments do not count towards this limit.

In the financial year 2011, the ElringKlinger AG's pension system was partially modified. In order to secure pension payments going forward, the obligations to certain executive employees were transferred to Allianz Pensionsfonds AG, Stuttgart, and a provident fund covered by plan assets, the Allianz Pensions-Management e. V., Stuttgart. This does not affect the amount of benefits. The assets held by the pension fund constitute plan assets as defined by IAS 19.8 and are thus netted with the obligation to the beneficiaries.

The pension plans of the Swiss Group company insure employees against the economic consequences of old age, disability and death. The pension benefits not covered by plan assets are covered by employer's pension liability insurance. No shortfall can arise from an agreement on an insured pension fund.

The obligations from the benefits granted are subject to certain risks. The main risks are interest rate risks, where falling market interest rates lead to a higher present value of the obligation in the future, inflation risks, which may lead to higher pension benefits and longevity risks where benefits are paid over a period longer than the one assumed in the mortality tables.

The following assumptions were used as a basis for measuring the Group's obligations.

Measurement as of	**Dec. 31, 2022**	**Dec. 31, 2021**
Discount rate (vesting period)	3.31%	0.97%
Discount rate (pension period)	3.30%	0.77%
Expected salary increases	3.03%	1.49%
Future pension increases	1.67%	1.45%

The changes in the present value of the defined benefit obligation are as follows:

EUR k	**2022**	**2021**
Present value of pension benefits as of Jan. 1	**173,620**	**187,963**
Current service cost	3,679	4,757
Plan participant contributions	1,927	1,627
Interest expense	1,592	825
Disbursements/utilization	-9,027	-7,547
Actuarial gains/losses	-42,682	-14,777
Past service cost	0	-526
Currency differences	1,167	1,405
Other changes	236	-107
Present value of pension benefits as of Dec. 31	**130,512**	**173,620**
of which (partially) covered by plan assets	33,156	48,223
of which not covered	97,356	125,397

The average weighted term of the defined benefit obligation is 14 years (2021: 18 years). Actuarial gains and losses arise from the following effects:

EUR k	2022	2021
Effects from changes in financial assumptions	-49,649	-12,655
Effects from changes in demographic assumptions	-5	-1,374
Effects from other experience-based adjustments	6,972	-748
Actuarial gains/losses	**-42,682**	**-14,777**

The table below shows the changes to the plan assets over the course of the financial year:

EUR k	2022	2021
Fair value as of Jan. 1	**32,924**	**31,028**
Interest income	220	103
Employer contributions	1,908	2,511
Plan participant contributions	1,927	1,627
Service costs	-5,049	-3,731
Actuarial gains/losses	188	363
Currency effects	1,038	1,023
Fair value as of Dec. 31	**33,156**	**32,924**

Plan assets comprise insurance claims. The plan assets and present values of defined benefit obligations are allocated to key countries as follows:

EUR k	2022	2021
Present value of pension benefits as of Dec. 31		
Germany	101,026	139,651
Switzerland	23,981	28,076
Other	5,505	5,893
Present value of pension benefits as of Dec. 31	**130,512**	**173,620**
Fair value of plan assets as of Dec. 31		
Germany	11,801	11,065
Switzerland	20,117	21,019
Other	1,238	840
Fair value of plan assets as of Dec. 31	**33,156**	**32,924**

The actual return on plan assets amounts to EUR 408 k (2021: EUR 466 k).

In 2023, liquidity is likely to be reduced due to contributions to plan assets and by direct Group benefit payouts, which are expected to amount to EUR 4,724 k (2022: EUR 4,101 k). The future payments from pension obligations are as follows:

EUR k	2022	2021
For the next 12 months	4,724	4,101
Between one and five years	17,807	15,935
More than five years	243,599	218,734

The following amounts are reported in the income statement for defined benefit plans:

EUR k	2022	2021
Current service cost	3,679	4,757
Net interest expenses	1,372	722
Past service cost	0	-526
Administrative expenses plan assets	14	15
Total pension expense	**5,065**	**4,968**

Net interest expenses comprise interest expenses of EUR 1,592 k (2021: EUR 825 k) as well as interest income from plan assets of EUR 220 k (2021: EUR 103 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	2022	2021
Actuarial gains (–) and losses (+) recognized in other comprehensive income	-42,870	-15,140
Deferred taxes on actuarial gains (–) and losses (+) recognized under other comprehensive income	11,853	3,437

The amount of the Group's obligation as reported on the statement of financial position is derived as follows:

EUR k	2022	2021
Present value of the pension obligation	130,512	173,620
Fair value of plan assets	33,156	32,924
Reported pension provision	97,356	140,696

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 8,239 k/EUR 9,189 k.

A 0.5% increase/decrease in future salary increases would lead to an increase/decrease in the DBO of EUR 1,698 k/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 3,415 k/EUR 3,271 k.

24. Other provisions

Other provisions can be broken down as follows:

EUR k	Dec. 31, 2022	Dec. 31, 2021
Current provisions	66,072	60,050
Non-current provisions	17,758	16,502
Total	**83,830**	**76,552**

Current provisions:

EUR k	Personnel obligations	Warranty obligations	Onerous contracts	Litigation costs	Other risks	Total
As of Dec. 31, 2021	**18,124**	**16,841**	**12,789**	**1,210**	**11,086**	**60,050**
Currency changes	89	-15	326	70	681	1,151
Utilization	7,119	5,725	6,714	46	220	19,824
Reversal	4,322	1,742	437	31	3,090	9,622
Unwinding of the discount/ discounting	-10	0	0	0	0	-10
Additions	11,533	10,506	9,865	1,442	505	33,851
Reclassifications	302	84	0	90	0	476
As of Dec. 31, 2022	**18,597**	**19,949**	**15,829**	**2,735**	**8,962**	**66,072**

Furthermore, in order to be able to successfully manage the transformation of mobility and the related challenges of change also in the future, provisions for obligations for personnel were recognized for the discontinuation of production activities at two German locations.

Current warranty obligations are counterbalanced by insurance reimbursement claims of EUR 362 k (2021: EUR 1,038 k). They are reported under other current assets. The addition to the provision of EUR 14,708 k in the financial year is attributable to the change in individual estimates of utilizations taking into account the contractual provisions in cooperation with the legal department and adjustments of the individual business unit-specific factor based on past experience for flat-rate provisions. Furthermore, specific individual matters were valued separately and additions made.

The increase in onerous contracts mainly results from the increase in commodity prices, particularly in Switzerland, the US and Spain.

Provisions for other risks cover, among other things, the risk of a customs duty audit in the US of EUR 7,197 k (2021: EUR 6,092 k). Provisions for other risks also include non-personnel-related obligations in connection with the discontinuation of production activities at two German locations.

Non-current provisions:

EUR k	Personnel obligations	Warranty obligations	Other risks	Total
As of Dec. 31, 2021	**14,443**	**206**	**1,853**	**16,502**
Currency changes	26	0	133	159
Utilization	541	13	0	554
Reversal	1,112	15	431	1,558
Unwinding of the discount/discounting	173	0	0	173
Additions	3,387	0	125	3,512
Reclassifications	-302	-174	0	-476
Held for sale	0	0	0	0
As of Dec. 31, 2022	**16,074**	**4**	**1,680**	**17,758**

Personnel provisions are recognized for phased retirement schemes, long-term service benefits and similar obligations.

The other risks relate to a variety of identifiable individual risks and uncertain obligations, which have been recognized as they are more likely than not to lead to an outflow of resources.

25. Non-current and current financial liabilities

EUR k	Domestic (Germany)	Foreign	Total Dec. 31, 2022	Domestic (Germany)	Foreign	Total Dec. 31, 2021
Overdrafts	44,901	1,412	46,313	25,350	1,546	26,896
Lease liabilities with a residual term of less than one year	5,690	11,215	16,905	5,913	10,418	16,331
Financial liabilities with a residual term of less than one year	3,230	6,975	10,205	85,571	6,723	92,294
Current financial liabilities	**53,821**	**19,602**	**73,423**	**116,834**	**18,687**	**135,521**
Lease liabilities with a residual term of more than one year and less than five years	7,588	14,177	21,765	8,159	16,382	24,541
Financial liabilities with a residual term of more than one year and less than five years	233,514	152,726	386,240	147,806	128,228	276,034
Lease liabilities with a residual term of more than five years	9,334	11,894	21,228	7,936	14,868	22,804
Financial liabilities with a residual term of more than five years	0	0	0	23,435	10,295	33,730
Non-current financial liabilities	**250,436**	**178,797**	**429,233**	**187,336**	**169,773**	**357,109**
Total	**304,257**	**198,399**	**502,656**	**304,170**	**188,460**	**492,630**

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, 2022	Dec. 31, 2021
Overdrafts:		
Domestic	5.42	1.07
Foreign	3.30	3.22
Financial liabilities:		
Domestic: less than one year	4.21	1.23
Domestic: more than one year and less than five years	1.39	1.25
Domestic: more than five years	0.65	1.66
Foreign: less than one year	5.04	1.96
Foreign: more than one year and less than five years	3.97	1.51
Foreign: more than five years	-	1.30

Fixed interest rates have been agreed for financial liabilities amounting to EUR 181,264 k (2021: EUR 287,449 k).

Land charges on company land with a carrying amount of EUR 126,528 k (2021: EUR 128,834 k) are recognized as collateral. The secured liabilities amounted to EUR 25,761 k (2021: EUR 16,755 k) as of December 31, 2022.

As of December 31, 2022, the Group had unused committed lines of credit amounting to EUR 232,644 k (2021: EUR 299,678 k).

On February 15, 2019, ElringKlinger AG concluded a syndicated loan with a banking syndicate of six national and international banks, which was joined by one more bank during 2019. The syndicate comprises Commerzbank, Landesbank Baden-Württemberg and Deutsche Bank, who have arranged the financing jointly. In addition, DZ Bank, HSBC, Banque Européenne du Crédit Mutuel and Credit Suisse (Schweiz) AG are also involved. The agreement comprises a group-wide volume totaling EUR 450,000 k and has a term until February 15, 2026.

An amount of EUR 244,300 k had been drawn as of December 31, 2022 (2021: EUR 171,523 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, 2022, the carrying amount of contract liabilities came to EUR 14,938 k (December 31, 2021: EUR 16,736 k). The decrease in current contract liabilities in the financial year 2022 was mainly due to the decrease in prepayments received on account of equipment of customer-specific systems and tools of EUR 4,466 k. Non-current contract liabilities increased by EUR 988 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.

The trade payables and other current and non-current liabilities are not secured except for the retentions of title that are customary in trading relationships.

In addition to the ABCP program, ElringKlinger also uses the reverse factoring program to improve liquidity. As part of the reverse factoring program, suppliers can assign their receivables from the ElringKlinger Group's entities to the offering financing banks for a discount to receive the discounted invoice amount at an early stage. The 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, 2022, there were trade payables of EUR 224,102 k (2021: EUR 185,599 k). This included EUR 1,891 k (2021: EUR 0 k) for which the ElringKlinger Group has concluded reverse factoring agreements. EUR 1,800 k (2021: EUR 0 k) of this was actually utilized.

Other current liabilities to third parties contain financial liabilities of EUR 71,750 k (2021: EUR 57,387 k).

As of December 31, 2022, government grants of EUR 5,427 k (2021: EUR 5,632 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 188 k (2021: EUR 204 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 the ElringKlinger Group, changes in exchange rates, interest rates and prices of raw materials impact the financial performance, net assets and cash position of the Group. The risks arise from currency and interest rate fluctuations in connection with business operations and financing. Further risks result from fluctuations in the market prices of raw materials. Additionally, there are liquidity risks which relate to credit and market risks or accompany a deterioration of business operations and financial market turmoil.

By concluding hedges, the Management Board of ElringKlinger AG aims to manage the risk factors that may adversely affect the financial performance, net assets and cash position and thus to minimize these influences. Within the ElringKlinger Group, derivative financial instruments may only be entered into with the consent of the Management Board. Hedge accounting in accordance with IFRS 9 was not applied.

Currency risk

Due to the international nature of its business, the ElringKlinger Group is exposed to currency risks in the normal course of business.

Exchange rate risk arises for the Group in relation to its operating business principally when sales revenue is generated in a currency other than that in which the related costs are incurred. Sales revenue is generally generated in the functional currency (which is the relevant local currency) of the Group entity concerned. In order to reduce currency risks from operating business, the purchases of goods, raw materials and services as well as investing and financing activities are generally accounted for in the functional currency of the group entity. The group also endeavors to minimize its foreign currency risk by manufacturing its products in the relevant local sales markets.

Furthermore, to reduce the exchange rate risk, the central treasury department uses hedging instruments depending on the requirement and the risk profile. Subsidiaries are not permitted to take out financing in foreign currency or to invest it for speculative reasons. Intercompany financing and investment is usually denominated in the relevant functional currency.

Several ElringKlinger AG subsidiaries are domiciled outside the euro area. Since the euro is the reporting currency of the ElringKlinger Group, the income and expenses of these subsidiaries are translated into euros upon consolidation. Changes in the closing rates and changes in the closing rates compared to the average rates and historical rates can give rise to currency translation effects that are reflected in the equity of the Group under other comprehensive income.

Due to the inclusion of subsidiaries, the group also recognizes assets and liabilities relating to these subsidiaries outside of the euro area that are denominated in national currencies. When these assets are translated into euros, exchange rate fluctuations can lead to changes in value. The changes in these net assets are reflected in group equity under other comprehensive income.

A sensitivity analysis has been conducted in order to quantify the potential effects of exchange rate changes on consolidated net income. This analysis illustrates the change in consolidated net income in the event that the relevant functional currency of the Group companies appreciates or depreciates by 10% as compared to the foreign currency.

Dec. 31, 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

Dec. 31, 2021
EUR k

Local currency	EUR	USD	CHF	MXN	GBP	Other	Total
Local currency +10%							
Consolidated net income/net loss for the year	-7,727	4,495	3,608	2,688	1,616	2,205	6,885
Local currency -10%							
Consolidated net income/net loss for the year	5,576	-4,495	-3,608	-2,688	-1,616	-2,205	-9,036

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 interest rates have been agreed for most of the financing liabilities of the ElringKlinger Group.

Had market interest rates been 100 basis points higher as of December 31, 2022 (2021: 30 basis points), earnings would have been EUR 2,758 k (2021: EUR 493 k) lower. Had market interest rates been 100 basis points lower, earnings would have been EUR 396 k (2021: EUR 77 k) lower. Compared to the previous year, the calculation basis was raised from 30 basis points to 100 basis points due to the increase in interest rates.

Risk arising from prices for raw materials

ElringKlinger is exposed to risks from changes in the prices for the raw materials it uses in production. Where necessary, it is possible to hedge reasonable procurement 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 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. In the previous year, there was a nickel hedging transaction totaling 30 mt nickel; this hedging transaction ended on March 31, 2022. There were no nickel hedging transactions as of the reporting date.

The Group manages the credit risk of derivatives by entering into derivative financial transactions exclusively with major banks of impeccable creditworthiness in accordance with uniform guidelines.

Credit risk

Credit risk defines the risk of economic loss arising from a counterparty's failure to satisfy contractual payment obligations.

Credit risk involves both the direct risk of default and the risk of a deterioration in creditworthiness as well as risks of a concentration of individual risks. The maximum risk exposures of financial assets generally subject to credit risk correspond to their carrying amounts and can be described as follows:

Liquid funds

Liquid funds comprise primarily bank deposits available on demand. The ElringKlinger Group is exposed to losses from credit risks in connection with the investment of liquid funds if financial institutions fail to meet their obligations (counterparty risk). In order to minimize this risk, care is taken in selecting the financial institutions at which deposits are made. The maximum risk exposure corresponds to the carrying amount of the liquid funds at the end of the reporting period.

Trade receivables

Trade receivables relate primarily to the global sales of gaskets, sealing materials, plastic products and modules for the automotive sector and for the manufacturing industry in general. Credit risk resides in the possibility of counterparty default, and is characterized by the Group's customer base, which includes a number of key accounts.

In domestic business, most receivables are secured by retention of title. In order to limit credit risk, credit checks in the form of inquiries with credit information services are performed for selected counterparties. Moreover, internal processes are in place to continually monitor receivables where partial or complete default may be anticipated.

As part of an ABCP program, the ElringKlinger Group sells a part of trade receivables to a structured entity. The receivables are sold on a revolving basis at the nominal value of the receivables less variable reserves. The financing volume committed under the ABCP program is EUR 100,000 k. The structured entity is not controlled and therefore not consolidated.

As of December 31, 2022, trade receivables with a carrying amount of EUR 72,918 k (2021: EUR 66,355 k) were sold. They were derecognized with the exception of the continuing involvement of EUR 2,039 k (2021: EUR 1,458 k). A corresponding liability was recognized in the same amount. In connection with the provisional withholding of variable reserves, other current assets of EUR 15,944 k (2021: EUR 15,275 k) are reported as of December 31, 2022. In addition, customer payments received for receivables sold, which have not yet been passed on to the purchaser of the receivables, of EUR 22,902 k (2021: EUR 24,574 k) are reported under other current liabilities.

In its export business, ElringKlinger also assesses the credit standing of its counterparties by submitting inquiries to credit information services and on the basis of the specific country risk. In addition, credit insurance policies are taken out or letters of credit are required in certain cases. Trade receivables of EUR 24,748 k (2021: EUR 24,276 k) are secured by credit insurance policies.

Allowances are also recognized in respect of identifiable individual risks. The maximum risk exposure from trade receivables corresponds to the carrying amount of these receivables at the end of the reporting period. The carrying amounts of trade receivables, together with disclosures on valuation allowances, can be found under Note (19).

In 2022, the two largest customers accounted for 9.3% and 7.8% of sales (2021: 9.3% and 7.7%).

Liquidity risk

The solvency and liquidity of the ElringKlinger Group is constantly monitored by liquidity planning. Furthermore, a cash liquidity reserve and guaranteed credit lines ensure solvency and liquidity. Reference is also made to the financing risks presented in the risk report as part of the Group management report of the ElringKlinger Group (Opportunity and risk report – Financial risks – Liquidity and financing risks).

Expected cash outflows

The following table shows all contractually fixed payments for redemptions, repayments and interest from financial liabilities recognized in the statement of financial position, including derivative financial instruments that have a negative market value.

EUR k	Trade payables	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 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**
– less than 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

EUR k	Trade payables	Financial liabilities	Liabilities from IFRS 16	Derivatives	Other current liabilities	Total
As of Dec. 31, 2021						
Carrying amount	**185,599**	**428,953**	**63,676**	**0**	**57,387**	**735,615**
Expected cash outflows:	**185,599**	**428,953**	**67,266**	**0**	**57,387**	**739,205**
– less than one month	121,405	25,531	1,242	0	0	148,178
– between one and three months	59,823	7,564	2,483	0	13,354	83,224
– between three months and one year	3,891	86,094	11,174	0	44,033	145,192
– between one and five years	316	286,329	27,200	0	0	313,845
– more than five years	164	23,435	25,167	0	0	48,766

Further disclosures on financial liabilities are provided under 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, 2022			
Financial assets measured at amortized cost	119,103	264,854	23,538
Financial assets at fair value through profit or loss	0	0	19,943
Financial assets at fair value through other comprehensive income	0	0	0
Total	**119,103**	**264,854**	**43,481**
As of Dec. 31, 2021			
Financial assets measured at amortized cost	109,900	233,478	17,297
Financial assets at fair value through profit or loss	0	0	29,962
Financial assets at fair value through other comprehensive income	0	0	0
Total	**109,900**	**233,478**	**47,259**

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, 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
As of Dec. 31, 2021				
Financial liabilities measured at amortized cost	57,387	119,190	16,331	185,599
Financial liabilities measured at fair value through profit or loss	0	0	0	0

	Derivatives	Non-current securities		Other financial investments		Total
	CA	CA	FV	CA	FV	CA
	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**
	0	1,438	1,447	2,008	2,008	364,121
	79	0	0	11,992	11,992	42,033
	0	86	86	8	8	94
	79	**1,524**	**1,533**	**14,008**	**14,008**	**406,248**

	Derivatives		Non-current financial liabilities		Long-term lease liabilities IFRS 16	Total
	CA	FV	CA	FV	CA	CA
	0	0	386,240	243,542	42,993	798,507
	11,888	11,888	0	0	0	11,888
	0	0	309,764	271,462	47,345	735,616
	121	121	0	0	0	121

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 19,310 k (December 31, 2021: EUR 13,494 k) as well as the short-term portion of the outstanding contribution measured at present value from Plastic Omnium of EUR 19,943 k (2021: EUR 29,962 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 38,102 k (December 31, 2021: EUR 38,465 k) resulting from the written put option on non-controlling interests of ElringKlinger Marusan Corporation, Tokyo, Japan. The obligation that results from this agreement is measured at acquisition cost in the amount of its fair value. The fair value is calculated using internal estimates made when forecasting business development as well as when selecting the interest rate used regarding the liability recognized. A 10% change in the business value causes the put option to increase/decrease by approximately EUR 3,810 k (December 31, 2021: EUR 3,846 k).

Equity instruments of the measurement category **at fair value recognized through other comprehensive income**:

EUR k	Fair value Dec. 31, 2022	Fair value Dec. 31, 2021
Non-current securities	216	86
Other financial investments	8	8
Total	**224**	**94**

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, 2022:

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	121	0
Total	**0**	**121**	**0**

EUR k	Level 1	Level 2	Level 3
Dec. 31, 2021			
Financial assets			
Non-current securities	86	0	0
Other financial investments	8	0	11,992
Derivatives*	0	79	0
Total	**94**	**79**	**11,992**
Financial liabilities			
Derivatives*	0	121	0
Total	**0**	**121**	**0**

* These are derivatives which do not meet the prerequisites for hedge accounting.

The following table presents the allocation of financial assets and liabilities not measured at fair value, but for which fair value is disclosed, to the 3-level fair value hierarchy as of the measurement date December 31, 2022:

EUR k	Level 1	Level 2	Level 3
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**
Dec. 31, 2021			
Financial assets			
Non-current securities	1,447	0	0
Other financial investments	0	0	2,008
Total	**1,447**	**0**	**2,008**
Financial liabilities			
Non-current financial liabilities	0	271,462	0
Purchase price liability from written put option	0	0	38,465
Total	**0**	**271,462**	**38,465**

The levels of the fair value hierarchy are defined as follows:
Level 1: Measurement based on market prices.
Level 2: Measurement based on market prices for similar instruments on the basis of measurement models based on inputs that are observable on active markets.
Level 3: Measurement based on inputs for assets and liabilities not representing observable market data.

The fair value (equity value) of the minority interest in Aerostack GmbH, Dettingen/Erms, Germany of EUR 5,311 k (2021: EUR 4,200 k) is determined using a discounted cash flow model taking account of probability-weighted scenarios. The weighted average cost of capital (WACC) applied for the valuation is 10.40% (2021: 9.91%). Assuming a successful implementation of the business plan, the terminal value is determined by applying a terminal growth rate (TGR) of 2.0% (2021: 2.0%). The WACC and TGR sensitivities calculated for the parameters are presented in the following table:

		+0.5% points	-0.5% points
WACC	10.40%	10.90%	9.90%
Equity value	5,311	4,510	6,516

		+0.5% points	-0.5% points
TGR	2.00%	2.50%	1.50%
Equity value	5,311	5,694	5,190

The fair value of the bullet, interest-free, non-fungible or non-transferable promissory note to this company with a nominal amount of EUR 5,689 k (2021: EUR 6,800 k) is measured taking into account an expected successive contribution to the equity of the company in the course of capital increases in the years 2022 to 2024 and a risk-equivalent and maturity-specific cost of debt of 7.65% (2021: 2.9%). The fair value amounts to EUR 4,877 k (2021: EUR 6,347 k). An increase or decrease in cost of debt of 0.5% results, all other things being equal, in a fair value of EUR 4,830 k or EUR 4,923 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	2022	2021
As of Jan. 1	**38,465**	**36,913**
Change in fair value	-363	1,552
As of Dec. 31	**38,102**	**38,465**

Net gains/losses on financial instruments:

EUR k	2022	2021
At fair value recognized in profit or loss*	-11,718	-8,334
Financial assets measured at amortized cost	-578	11,655
Financial liabilities measured at amortized cost	8,540	6,468

* 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	2022	2021
Total interest income	1,140	1,576
Total interest expense	-13,662	-9,176

As in the previous year, total interest income does not contain any interest income from impaired financial assets.

30. Leases

The following amounts are reported in the income statement for leases:

EUR k	2022	2021
Cost of sales		
Expenses relating to short-term leases	1,498	1,557
Expenses from small ticket leases	196	114
Expenses from variable lease payments	0	5
Other expenses from leases (ancillary costs)	149	268
Depreciation		
Depreciation of right-of-use assets	15,473	15,043
Net finance costs		
Interest expenses from lease liabilities	1,077	972

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 render it possible to invest in future organic growth, as well as in external growth.

The Supervisory Board and the Management Board of the parent company have set a target equity ratio of 40% to 50% within the Group. ElringKlinger AG's Articles of Association do not define any capital requirements.

The Management Board is authorized to buy back company shares up to a total amount of 10% of share capital existing at the date on which this resolution was passed (July 7, 2020). The authorization is valid until July 7, 2025. There are no share option programs that impact the capital structure.

The following table presents changes in equity, debt and total capital as of December 31, 2022 as compared to December 31, 2021.

EUR million	2022	2021
Equity	**896.8**	**982.3**
as % of total capital	43.82%	47.00%
Non-current liabilities	579.9	546.2
Current liabilities	569.8	561.5
Liabilities	**1,149.7**	**1,107.7**
as % of total capital	56.18%	53.00%
Total capital	**2,046.5**	**2,090**

The change in equity from December 31, 2021 to December 31, 2022 was due primarily to the net loss for the period. Debt increased year on year by 3.18%.

At 43.82%, the Group equity ratio exceeded the 40% target equity ratio set by the Supervisory Board and Management Board.

For one loan at a subsidiary, financial covenants have been agreed upon. These affect the equity ratio and gearing factor. If these covenants are breached, the terms of the loan change and the loan becomes immediately callable.

As in the previous year, as of December 31, 2022 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 the ElringKlinger Group has changed as a result of cash inflows and outflows in the course of the financial year. In accordance with IAS 7, cash flows are categorized as cash flows from operating activities, investing activities or financing activities.

The cash reported in the statement of cash flows comprises 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 taxes for the year. For the indirect computation, effects from currency translation and changes to the basis of consolidation are eliminated from the changes to the items of the statement of financial position arising from operating activities. For this reason, it is not possible to reconcile the changes in the relevant items of the statement of financial position with the corresponding figures in the published group statement of financial position.

Change in liabilities from financing activities:

EUR k	Non-current financial liabilities	Current financial liabilities
Dec. 31, 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**
Dec. 31, 2020	391,920	205,257
Changes in cash	49,920	-179,525
Exchange rate differences	8,612	3,934
Non-cash changes*	-93,343	105,855
Dec. 31, 2021	**357,109**	**135,521**

* 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	2022	2021
Repayments for lease liabilities (cash flow from financing activities)	15,473	14,858
Interest paid (cash flow from operating activities)	1,077	972
Short-term or small ticket leases (cash flow from operating activities)	1,694	1,671
Expenses from variable lease payments	0	5
Total	**18,244**	**17,506**

33. Segment reporting

The organizational and internal reporting structure of the 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 103,388 k (2021: EUR 1,518 k).

9.3% or EUR 167,300 k of the Group sales revenue (2021: 9.3% or EUR 151,200 k) was generated with one customer in the Original Equipment segment.

Segment reporting

Segment	Original Equipment		Aftermarket		Engineered Plastics	
EUR k	2022	2021	2022	2021	2022	2021
External revenue	**1,411,425**	**1,280,358**	**250,870**	**214,698**	**132,620**	**125,359**
Intersegment revenue	27,616	27,674	0	0	155	110
Segment revenue	**1,439,041**	**1,308,032**	**250,870**	**214,698**	**132,775**	**125,469**
EBIT[1]	**-111,026**	**36,913**	**50,239**	**42,165**	**19,709**	**23,725**
Depreciation and amortization[2]	100,872	100,103	2,989	3,131	6,902	6,945
Capital expenditures[3]	92,421	92,333	6,046	3,024	5,040	6,585
Segment assets	1,759,216	1,828,165	156,920	133,253	142,918	141,828

Segment	Other		Consolidation		Group	
EUR k	2022	2021	2022	2021	2022	2021
External revenue	**3,515**	**3,974**	**0**	**0**	**1,798,430**	**1,624,389**
Intersegment revenue	11,560	9,696	-39,331	-37,480	0	0
Segment revenue	**15,075**	**13,670**	**-39,331**	**-37,480**	**1,798,430**	**1,624,389**
EBIT[1]	**-1,153**	**-773**	**0**	**0**	**-42,231**	**102,030**
Depreciation and amortization[2]	2,381	2,381	0	0	113,144	112,560
Capital expenditures[3]	1,132	771	0	0	104,639	102,713
Segment assets	29,755	32,856	-42,229	-46,102	2,046,580	2,090,000

[1] Earnings before interest and taxes
[2] Depreciation and amortization
[3] Investments in intangible assets and property, plant and equipment

Segment reporting by region

Region EUR k		Sales revenues[1]	Non-current assets	Investments
Germany	2022	365,926	442,807	56,961
	2021	346,712	543,672	66,949
Rest of Europe	2022	526,619	227,492	8,580
	2021	488,776	229,345	9,379
North America	2022	462,844	221,870	24,483
	2021	393,703	213,716	11,936
Asia-Pacific	2022	354,483	177,159	12,678
	2021	325,354	189,673	12,911
South America and rest of the world	2022	88,558	16,870	1,937
	2021	69,844	14,924	1,538
Group	**2022**	**1,798,430**	**1,086,198[2]**	**104,639**
	2021	**1,624,389**	**1,191,330[2]**	**102,713**

[1] The location of the customer is used to determine allocation of sales revenues to the regions.
[2] This includes financial assets of EUR 13,533 k (2021: EUR 15,532 k).

Other disclosures

Contingent liabilities

As in the previous year, the ElringKlinger Group does not have any contingent liabilities stemming from guarantees, performance bonds or bills of exchange issued.

Other financial commitments

Energy purchase commitments

EUR k	Dec. 31, 2022	Dec. 31, 2021
Less than one year	21,254	17,790
More than one year and less than five years	306	9,735
More than five years	336	373
Total	**21,896**	**27,898**

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 the ownership remain with ElringKlinger. They primarily include leasing out unused factory buildings and space. The lease income of EUR 1,068 k (2021: EUR 966 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, 2022	Dec. 31, 2021
Less than one year	984	213
More than one year and less than five years	2,899	294
More than five years	8	0
Total	**3,891**	**507**

Contingent assets and liabilities

As of the reporting date, there were no contingent assets and liabilities.

Number of employees

The average number of employees during the year in the ElringKlinger Group was 9,480 (2021: 9,553) (excluding Management Board members). The figure for the previous year was restated accordingly because working students had been included.

Personnel expenses

Personnel expenses in the reporting year amounted to EUR 565,535 k (2021: EUR 526,579 k) and break down as follows:

EUR k	Dec. 31, 2022	Dec. 31, 2021
Wages and salaries	490,856	456,844
Social security contributions	66,100	61,512
Post-employment benefit	8,579	8,223
Total	**565,535**	**526,579**

Personnel expenses contain public grants related to income in Germany and Switzerland of EUR 177 k (2021: EUR 6,069 k) in connection with the utilization of government-subsidized short-time work allowances and the associated reimbursement of social security contributions.

Related-party disclosures

Transactions between the parent company, ElringKlinger AG, and its subsidiaries are eliminated in the course of consolidation and are therefore not discussed in this note. Other than these, the following business relationships exist between companies of the ElringKlinger Group and related parties and companies controlled by related parties:

Cooperation agreement between ElringKlinger AG and Lechler GmbH, Metzingen, concerning traineeships. ElringKlinger AG earned EUR 53 k during the reporting year (2021: EUR 29 k). There were no receivables as of the reporting date (2021: EUR 12 k).

Supply agreement between Lechler GmbH and KOCHWERK Catering GmbH, (EKKW), Dettingen/Erms, a wholly owned subsidiary of ElringKlinger AG. EKKW supplies Lechler GmbH with canteen food. The income of EKKW amounted to EUR 132 k in the reporting year (2021: EUR 101 k). As of the reporting date, outstanding receivables came to EUR 10 k (2021: EUR 9 k).

Agreement between ElringKlinger Logistic Service GmbH, Rottenburg-Ergenzingen (EKLS), and Lechler GmbH, Metzingen, regarding assembly activities and the storage of components. This agreement gave rise to EUR 559 k in sales revenue during the reporting year (2021: EUR 562 k). As of December 31, 2022, there were open receivables of EUR 49 k (2021: EUR 42 k).

Business relations between the ElringKlinger subsidiary, Changchun ElringKlinger Ltd., Changchun, China, (CEK), and Changchun Hongyu Automobile Parts Co., Ltd. (CHYAP), based in Changchun, China, controlled by Ms. Liu, a close relative of Mr. Huang, who is a joint partner in CEK. CEK procured EUR 39 k worth of services in these business relationships in 2022 (2021: EUR 15 k). As of December 31, 2022, there are liabilities of EUR 3 k (2021: EUR 2 k).

Relationships in the course of ordinary activities exist between various subsidiaries of hofer AG, Nürtingen, and the ElringKlinger subsidiary hofer powertrain products GmbH, Dettingen/Erms, as well as hofer powertrain products UK Ltd., Warwick, UK. The business relationships pertain to services received and other expenses of EUR 870 k (2021: EUR 4,121 k). Outstanding liabilities come to EUR 5,653 k as of December 31, 2022 (2021: EUR 6,157 k). At EUR 698 k (2021: EUR 3,873 k), the services received mainly relate to services for sales, project management and product development and an amount of EUR 82 k (2021: EUR 248 k) for a rent agreement which expires on April 30, 2022 between hofer powertrain products GmbH, Dettingen/Erms and the subsidiary of hofer AG, hofer Immobilien UG & Co. KG, Nürtingen, for the rent of office and production space in Nürtingen. The goods and services received and other expenses are counterbalanced by income from development services rendered or from the delivery of machines and tools of EUR 19,321 k (2021: EUR 25,129 k). Outstanding liabilities come to EUR 4,167 k (2021: EUR 20,356 k) as of December 31, 2022.

The salaries of the employee representatives to the Supervisory Board are in line with market conditions.

Corporate Bodies

Supervisory Board

Klaus Eberhardt Lindau, Chairman	Independent consultant, Lindau Former CEO of Rheinmetall AG, Düsseldorf **Governance roles:** a) n/a b) n/a
Markus Siegers* Nürtingen, Deputy Chairman	Chairman of the Works Council of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a
Ingeborg Guggolz Dachsberg from May 19, 2022	General manager of Lechler- und Klaus-Lechler Beteiligungsgesellschaften, Neuhausen a.d.F. **Governance roles:** a) n/a b) n/a
Rita Forst Dörsdorf until May 19, 2022	Independent consultant, Dörsdorf Former member of the Management Board of Adam Opel AG, Rüsselsheim **Governance roles:** a) NORMA Group SE, Maintal b) AerCap Holdings N. V., Dublin, Ireland Iwis SE & Co. KG, Munich Westport Fuel Systems Inc., Vancouver, Canada Johnson Matthey plc, London, UK
Andreas Wilhelm Kraut Balingen	Chairman and CEO of Bizerba SE & Co. KG, Balingen **Governance roles:** a) n/a b) n/a
Helmut P. Merch Meerbusch	Member of the Management Board of Rheinmetall AG **Governance roles:** a) Rheinmetall Automotive AG, Neckarsulm b) 4iG, Hungary Rheinmetall Denel Munition (PTY) Ltd., Somerset, South Africa

Gerald Müller* Reutlingen	Second Authorized Representative and Treasurer of IG-Metall Reutlingen-Tübingen, Reutlingen **Governance roles:** a) n/a b) n/a
Paula Monteiro-Munz* Grabenstetten	Deputy Chairwoman of the Works Council of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a
Barbara Resch* Stuttgart	Secretary of IG Metall Baden-Württemberg **Governance roles:** a) Schaeffler AG, Herzogenaurach Rheinmetall AG, Düsseldorf b) n/a
Gabriele Sons Berlin	Lawyer, Berlin Former member of the Management Board of thyssenkrupp Elevator AG, Essen **Governance roles:** a) Grammer AG, Ursensollen b) Accelleron Industries AG, Baden, Switzerland
Manfred Strauß Stuttgart	Managing Partner of M&S Messebau und Service GmbH, Neuhausen a.d.F. **Governance roles:** a) n/a b) Lechler GmbH, Metzingen Eroca AG, Basel, Switzerland
Bernd Weckenmann* Reutlingen	Vice President Procurement and Supply Chain Management of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a
Olcay Zeybek* Bad Urach	Head of Accounting of ElringKlinger AG, Dettingen/Erms **Governance roles:** a) n/a b) n/a

* Employee representative
a) Membership in statutory Supervisory Boards as defined by Section 125 AktG
b) Membership in comparable domestic and foreign control bodies as defined by Section 125 AktG

Remuneration of the Supervisory Board

In the reporting period, total compensation for the Supervisory Board of ElringKlinger AG was EUR 868 k (2021: EUR 859 k). Additionally, travel expenses totaling EUR 1 k (2021: EUR 1 k) were reimbursed. The remuneration of the employee representatives on the Supervisory Board amounted to EUR 764 k in the financial year 2022 (2021: EUR 677 k) for their activities as employees.

Management Board

Dr. Stefan Wolf, Bad Urach, Chairman	until March 31, 2022: Responsible for Group companies, the corporate units of Legal Affairs, Human Resources, Global Strategy M&A and Innovations, Strategic Communications, Marketing & Communications and Sales as well as the Aftermarket business unit from April 1, 2022: Responsible for the corporate units Legal & Compliance, Human Resources, Strategic Communications, Marketing & Communications, Sales Original Equipment, the Aftermarket business unit and the Group entities (shared responsibility in the Management Board)
Theo Becker, Metzingen	until exit on March 31, 2022: Responsible for the business units Battery Technology & E-Mobility, Fuel Cell and Drivetrain as well as the corporate units Real Estate & Facility Management, Product Risk Management as well as Toolshop/Technology
Reiner Drews, Dettingen/Erms	until March 31, 2022: Responsible for the business units Lightweighting/Elastomer Technology, Shielding Technology, Metal Sealing Systems & Drivetrain Components as well as the corporate units of Production, Quality & Environmental Management as well as the German locations ElringKlinger AG from April 1, 2022: Responsible for the business units Lightweighting/Elastomer Technology, Metal Forming & Assembly Technology, Metal Sealing Systems & Drivetrain Components and the corporate units Production, Quality & Sustainability, Real Estate & Facility Management, Product Risk Management, Toolshop/Technology, the German locations of ElringKlinger AG and the Group entities (shared responsibility in the Management Board)

Thomas Jessulat, Stuttgart	until March 31, 2022: Responsible for the corporate units Finance, Controlling, IT and Procurement & Supply Chain Management from April 1, 2022: Responsible for the business units Battery Technology & E-Mobility, Drivetrain Technology and the corporate units Finance, Procurement & Supply Chain Management, Global Strategy, M&A & Innovations, IT, Digital Transformation and Group entities (shared responsibility in the Management Board)

Governance roles in supervisory boards and other supervisory bodies

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

Remuneration of the Management Board

The remuneration of the Management Board amounted to:

EUR k	2022	2021
Short-term fixed remuneration	2,619	2,971
Short-term variable performance-based remuneration	0	2,400
Share-based payments	3,600	786
Severance payments	834	0
Expenses from post-employment benefits	185	210
Total	**7,238**	**6,367**

In the financial year, total Management Board remuneration pursuant to Section 314 (1) no. 6a sentence 1 to 4 HGB came to EUR 7,053 k (2021: EUR 6,157 k). The present value (DBO) of the pension provisions amounted to EUR 3,105 k (2021: EUR 12,003 k).

Since the 2021 financial year, the members of the Management Board are entitled to an annual long term incentive. The individual grant value for each member is granted in annual rolling tranches, each at the beginning of a financial year ("grant date"). To determine the amount to be paid out, the grant value is multiplied by the overall target achievement for the short-term incentive of each financial year with the previous financial year. The pay-out amount, after deducting accrued taxes and other dues, must be invested completely in the Company's shares. These shares must be held over a period of four years. The accounting takes place in accordance with the requirements of IFRS 2 as equity-settled share-based payment. A total of EUR 3,600 k (2021: EUR 786 k) was recognized as personnel expenses in this regard in the reporting period. After deducting taxes, a total of 208,048 (2021: 39,026) shares at a price of EUR 8.97 (2021: EUR 10.43) with an overall value of EUR 1,866 k (2021: EUR 407 k) were acquired on behalf of and for the account of the members of the Management Board.

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

Provisions of EUR 20,059 k (2021: EUR 16,140 k) were recognized for pension obligations to former members of the Management Board, the management of merged companies, and their surviving dependents. The total remuneration of former members of the Management Board – including remuneration of former members of corporate bodies of merged companies – came to EUR 1,011 k (2021: EUR 928 k) in the financial year 2022.

The auditor fees amounted to:

EUR k	2022	2021
Audit of the annual financial statements	874	851
Other assurance services	89	157
Tax services	2	9
Other services	61	31
Total	**1,026**	**1,048**

The audit services consist of the fees for auditing the separate financial statements and the consolidated financial statements as well as the formal audit of the remuneration report pursuant to Section 162 AktG. The other assurance services mainly comprise fees for review work in connection with the non-financial statement and assurance services related to the syndicated loan agreement and factoring. Tax services were rendered in connection with a project. Other services include a maturity level analysis of the internal control system.

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 1, 2022. This declaration of compliance will be available on the ElringKlinger AG website and therewith made permanently available to shareholders.

Events after the end of the reporting period

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

Dettingen/Erms, March 23, 2023

The Management Board

Dr. Stefan Wolf
CEO

Reiner Drews

Thomas Jessulat

Audit Opinion

We have issued the following auditor's report on the consolidated financial statements and the group management report, which was combined with the management report of the company, and on the ESEF documents:

"Independent auditor's report

To ElringKlinger AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of ElringKlinger AG, Dettingen an der Erms and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated statement of comprehensive income for the financial year from January 1 to December 31, 2022, the consolidated statement of financial position as at December 31, 2022, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of ElringKlinger AG, which is combined with the management report of the Company, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement which is published on the website stated in the group management report and is part of the group management report. Furthermore, we have not audited the content of the disclosures extraneous to management reports contained in the "Report on Opportunities and Risks" under the heading "Internal control system" of the group management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Sections 315, 315a HGB or Sections 315b to 315d HGB or German Accounting Standard (GAS) 20.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the Corporate Governance Statement referred to above and on the "Report on Opportunities and Risks" under the heading "Internal control system" referred to above.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Impairment testing of goodwill

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

According to IFRS standards, goodwill is not subject to amortization. The Management Board tests the goodwill capitalized for the cash-generating unit (segments) at least once every year in accordance with IAS 36 for impairment. This involves comparing the recoverable amount of the cash-generating unit with its carrying amount. The recoverable amount is the value in use. As a rule, the basis of these measurements is the present value of future cash flows of cash-generating units to be measured to which goodwill was allocated. The determination of present value is based on internal budget forecasts of affiliated companies, which are part of the business plan approved by the Management Board and the Supervisory Board. The discounting is based on the weighted average cost of capital (WACC) for each cash-generating unit. The result of these measurements depends chiefly on the executive directors' estimates of the future cash flows of the respective cash-generating units as well as the discount rate applied and is thus subject to judgment. In addition, the reporting year continued to be characterized by the pandemic-related lockdown in China, but also by the Russia-Ukraine war as well as the associated shortage of materials and price increases for commodities and energy. The severity of this development in the geographic regions in which the group entities operate varied greatly. Furthermore, the significant increase in the interest level in the second quarter of 2022 due to inflation resulted in an impairment of goodwill. Against this backdrop, the measurement of goodwill is a key audit matter.

Auditor's response

With regard to the value in use determined by the executive directors, we examined the underlying processes used to calculate the value in use. In particular, we analyzed the identified cash-generating units. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models for the determination of the value in use in terms of methodology and calculation and investigated whether these were defined using the relevant financial reporting standards in accordance with IAS 36. We also examined whether the valuation models were applied consistently. We further obtained explanations from management regarding material value drivers of the planning, including economic and geopolitical conditions, and examined whether the budget planning reflects general and industry-specific market expectations. We compared the budget values used for the measurement with the medium-term planning prepared by the Management Board and approved by the Supervisory Board. We performed a target-actual comparison of the historical forecast data and the actual results on a sample test basis to assess forecast accuracy by comparing the medium-term planning of the previous years with the actual values of the respective financial years. Effects such as increases in energy price and material costs that are attributable to the current economic and geopolitical conditions, as well as changes in demand with regard to a stronger orientation towards e-mobility were taken into consideration. We examined the inputs used to measure value in use, such as the applied growth rates and the weighted average cost of capital were compared with publicly available market data and assessed taking into consideration the change in significant assumptions, including future market conditions. In addition, we performed our own sensitivity analyses for the cash-generating units in order to estimate the influence of certain parameters on the valuation model and any potential impairment risk.

Our audit procedures did not lead to any reservations relating to the assessment of goodwill impairment.

Reference to related disclosures

For disclosures on the recognition and measurement policies applied for goodwill impairment, please refer to the sections "Accounting policies" and "Goodwill" in the notes to the consolidated financial statements.

2. Revenue recognition pursuant to IFRS 15

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

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

In accordance with IFRS 15, revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service based on a contract with a customer. A good or service is considered to have been transferred when the customer obtains control. The transfer of control can lead to recognition of revenue at a point in time or over time, which is to be recognized in the amount to which the Group expects to be entitled. Based on the sources of sales revenue identified by the Group, the matters to be assessed include the existence of prerequisites for revenue recognition over time or at a point in time, the treatment of contract costs and the accompanying effects on the consolidated financial statements.

We consider revenue recognition to be an area that poses a significant risk of material misstatement and accordingly this to be key audit matter, as in the area of series production there is an elevated risk in connection with the recognition of sales revenue in the correct period. The diverse and extensive contractual arrangements and customer-specific general business conditions and delivery terms (incoterms) are taken into account by corresponding controls in the revenue recognition process. However, there is a general elevated risk of error due to the manual design of some control activities. In the area of series production, the Company realized sales revenue from compensation received from customers for the increase in procurement prices. In our assessment, there is an elevated risk of error here too because the compensation amounts are determined manually. Revenue recognition in the area of tools also includes the issue of transfer of control depending on various contractual arrangements including acceptance by the customer. In the E-Mobility business unit, there are specific and in some cases complex contractual arrangements with the customers, particularly in connection with the contract-based development services and cooperation. Therefore, the executive directors have to use their judgment in the accounting, particularly relating to the criteria for revenue recognition over time or at a point in time. In addition, the fulfillment of technical requirements for reaching contractually agreed milestones has to be assessed regularly.

Auditor’s response

In our audit of revenue recognition, in a first step we obtained a fundamental understanding of the business and process, and identified the relevant sources of sales revenue and controls. Against this background, we assessed the processes established for the application of IFRS 15 by the executive directors.

In the area of series production, we examined the contracts on a sample basis to determined whether they fulfill the requirements for revenue recognition at a point in time or over time. We verified the requirements for revenue recognition over time for series deliveries by assessing in particular to what extent the series parts do not have an alternative use and there is an enforceable right to payment. For revenue recognition at a point in time, we analyzed the contractual arrangements with the customers, particularly the contractual regulations at the time of transfer of control taking into account customer-specific general business and delivery terms and reviewed the matching recognition of sales revenue on a sample basis.

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

In the E-Mobility business unit, using the contractual arrangements we examined the contract-based developments services and cooperation, likewise on a sample basis, whether they satisfy the criteria for revenue recognition over time or capitalization of costs to fulfill a contract for revenue recognition at a point in time. We discussed the technical and economic progress of projects with the engineers responsible for the projects. We obtained an overview of the current project status or reaching of defined milestones using the technical project documentation. In addition, we asked the project management about the reasons for deviations between the planned and actual costs and the current estimated costs to complete the projects.

Further, we used data analytics for the entire sales revenue reported in the financial year 2022 to determine how it had been entered in the system and assessed the posting logic in the light of the existing processes. In connection with the existence of sales revenue, we also examined whether the corresponding trade receivables had been settled by payment of the invoice amount in the customary business cycle. We also compared incoming payments with the corresponding bank statements on a sample basis. Moreover, we compared sales transactions with delivery slips on a sample basis.

Furthermore, we analyzed entries other than invoices that were recorded in the course of the year as sales revenue, e.g., credit notes or bonuses, for unusual activity. This also included analyses with regard to irregular margin fluctuations over time. If our data analytics revealed any developments, which deviated from our expectations, we assessed these on the basis of additional substantive audit activities taking into account other audit evidence. For the audit of compensation from customers for the increase in procurement prices, we examined the determination of compensation amounts per customers using the contractual agreements on a sample basis. In addition, we used the delivery slips to verify the authenticity of the underlying deliveries.

Our audit procedures did not lead to any reservations relating to the recognition of revenue pursuant to IFRS 15.

Reference to related disclosures
For accounting policies applied in the course of revenue recognition, please refer to the disclosures in the notes to the consolidated financial statements in “Accounting policies” and “(1) Sales revenue”.

Other information

The Supervisory Board is responsible for the Report by the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the Corporate Governance Statement referred to above and the disclosures extraneous to management reports contained in the “Report on Opportunities and Risks” section under the headline “Internal control system” of the group management report. Furthermore, the other information comprises the non-financial group report, which is combined with the non-financial report of ElringKlinger AG, of which we obtained a version prior to issuing this auditor’s report. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor’s report, in particular:

- the Report by the Supervisory Board pursuant to Section 171 (2) AktG
- the Responsibility Statement pursuant to Section 297 (2) sentence 4 HGB
- the Compensation Report pursuant to Section 162 AktG and
- the section “Letter to Shareholders” in the annual report

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor’s report thereon.

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

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

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

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

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (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 group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

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

Assurance conclusion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in ElringKlinger_AG_KA_KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

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

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

Group auditor’s responsibilities for the assurance work on the ESEF documents

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on May 19, 2022. We were engaged by the Supervisory Board on July 15, 2022. We have been the group auditor of ElringKlinger AG without interruption since financial year 2013.

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

Other matter – Use of the auditor’s report

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

German Public Auditor responsible for the engagement

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

Stuttgart, March 23, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol	Klukas
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

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

Dettingen/Erms, March 23, 2023

Management Board

Dr. Stefan Wolf CEO	Reiner Drews	Thomas Jessulat

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 evaluating a company.

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

In the future, ElringKlinger will report "EBIT adjusted" for the purpose of comparing operating profitability across different periods without the influence of exceptional items. "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.

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 Norway, Liechtenstein, and Iceland 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 "environment, social, and corporate governance", three areas of a company's responsibility in relation to sustainability.

EU taxonomy

A set of EU regulations that entered into force in 2022, the EU taxonomy is designed to make it easier to compare companies' sustainability activities by introducing a fixed classification system.

F

Financial covenants

Refer to contractual clauses in loan agreements. Under these terms, companies obligate themselves to meet specific financial requirements.

H

HGB

Abbreviation for Handelsgesetzbuch (German Commercial Code). The financial statements of the parent company, ElringKlinger AG, are prepared in accordance with HGB.

I

IATF

Abbreviation for International Automotive Task Force. An "ad hoc" working group made up of representatives of mainly North American and European automotive manufacturers and industry associations. It works toward harmonizing standards to improve product quality for automotive customers.

IFRS

Abbreviation for International Financial Reporting Standards. They contain accounting provisions for exchange-listed entities. The application of IFRS has been mandatory in the EU since January 2005. ElringKlinger has been reporting in accordance with IFRS since 2004.

IPCEI

Abbreviation for Important Project of Common European Interest, a transnational undertaking that makes an important contribution to growth, employment, and competitiveness in Europe's industry and the European economy via government funding.

ISO

Abbreviation for the International Organization for Standardization. As an international association of standardization organizations, it formulates standards in virtually all sectors and industries.

M

M&A

Abbreviation for "Mergers & Acquisitions." The term generally refers to a legal consolidation or amalgamation of two entities into one entity (merger), whereas an acquisition occurs when one entity takes ownership of another entity's stock, equity interests, or assets (acquisition). M&A encompasses all activities relating to the transfer and encumbrance of ownership rights in entities, including the formation of groups of companies, the restructuring of groups of companies, mergers and conversions in the legal sense, squeeze-outs, the financing of corporate acquisitions, the formation of joint ventures, and the acquisition of entities.

N

Natural hedging

For the purpose of reducing transaction costs and risk, transactions leading to income and expenses of a foreign subsidiary can be made in the same currency, usually the local currency, as a form of natural hedge.

Net debt

Figure that describes the level of indebtedness of a company if cash and cash equivalents were taken into account for the purpose of repaying its liabilities. Net debt is calculated on the basis of interest-bearing liabilities (primarily bank borrowings) less cash and cash equivalents.

Net finance income/cost

Profit or loss arising from financial transactions, e.g., interest income and expenses, income and expenses attributable to investments, or income and expenses attributable to exchange rate differences. Net finance income or cost is a component of pre-tax earnings presented in the income statement.

Net Working Capital

Key performance indicator for measuring changes in liquidity. It is calculated based on inventories and trade receivables less trade payables.

O

Operating free cash flow

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.

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, provisions for pensions, and interest-bearing non-current provisions such as anniversary and partial-retirement provisions. The average value is calculated as the aggregate of the carrying amounts at the end of the reporting period of the previous year and the current year, divided by two.

S Scope 1–3 in accordance with the GHG Protocol

The concept of dividing emissions into Scope 1, 2, and 3 emissions comes from the Greenhouse Gas (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.

W Working Capital

Indicator used for the purpose of monitoring changes in liquidity. It is calculated on the basis of inventories and trade receivables.

WpHG

Abbreviation for Wertpapierhandelsgesetz (Securities Trading Act).

Technology

B Battery cells

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. ElringKlinger develops and manufactures metal bipolar plates. Among the technical requirements for these components are high-precision metal-forming within the contact area (in the micrometer range), accurate, low-distortion laser welding of the cathode and anode plates, and suitable conductive and anti-corrosion coatings.

C Cell 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. ElringKlinger 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.

In addition, the accumulator (i. e., the rechargeable battery) can be charged via the combustion engine or the electrical grid.

L

Lithium-ion battery
Lithium-based batteries are rechargeable, durable, high-energy batteries with high energy density. They are primarily used in electric and hybrid vehicles. ElringKlinger develops and produces, among other products, modular cell contact systems for such batteries.

N

New Energy Vehicle
In China, the term "New Energy Vehicle" (NEV) 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). The Chinese government launched its NEV program in 2009 to support the development and introduction of New Energy Vehicles.

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. ElringKlinger has developed 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 in the production of lightweight plastic housing modules.

PTFE
Abbreviation for "polytetrafluoroethylene". PTFE is a thermoplastic high-performance plastic – commonly known by the trade name Teflon – that has a very low coefficient of friction and is particularly resistant to most aggressive chemicals and external influences such as moisture and UV radiation. PTFE is resistant to temperatures as low as 200° C and only melts at over 320° C. With its modified material Moldflon®, which is registered as a trademark, ElringKlinger has an injection-moldable PTFE high-performance material with a wide range of potential applications, for instance in the field of medical technology.

R

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

Tier 1/Tier 2
Automotive companies that supply vehicle manufacturers (OEMs) directly are known as Tier 1 suppliers. These generally source some of their products from their own suppliers, which are then referred to as Tier 2 suppliers, Tier 3, and so on, reflecting their position in the supply chain. Most of ElringKlinger's products go directly to vehicle manufacturers, making it a Tier 1 supplier. In the area of transmission components, among others, ElringKlinger is mostly active as a Tier 2 supplier.

Imprint

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For reasons of sustainability, ElringKlinger no more publishes a print edition of its annual report. This Annual Report 2022 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:
www.elringklinger.com/en/investor-relations/publications/financial-reports

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 28, 2023, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar 2023

MARCH

28

Annual Results 2022,
Annual Press Conference,
Analysts' Meeting

MAY

09

Financial Results
on the 1st Quarter of 2023

MAY

16

118th Annual General
Shareholders' Meeting,
Virtual event

AUGUST

03

Interim Report
on the 2nd Quarter and
1st Half of 2023

NOVEMBER

07

Financial Results
on the 3rd Quarter and
1st Nine Months of 2023

MAY 2024

16

119th Annual General
Shareholders' Meeting

Changes to the above dates cannot be ruled out.
We therefore recommend visiting our website to check specific financial dates at **www.elringklinger.de/en/investor-relations/financial-calendar**.

For trade fairs please visit our websites:
www.elringklinger.de/en/press/dates-events
https://www.elringklinger-engineered-plastics.com/media/trade-fair-dates
www.elring.com/dates-events

ElringKlinger worldwide

Operating at 46 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 40 production sites located around the globe.

North America

26 %

SHARE OF SALES

Europe (excluding Germany)

29 %

SHARE OF SALES

South America and rest of the world

5 %

SHARE OF SALES

Asia-Pacific

20 %

SHARE OF SALES

Germany

20 %

SHARE OF SALES

EUROPE (excluding Germany)

- Redcar (UK)
- Gateshead (UK)
- Warwick (UK)
- Nantiat/Chamborêt (France)
- Poissy (France)
- Reus (Spain)
- Sevelen (Switzerland)
- Turin (Italy)
- Kecskemét-K. (Hungary)
- Timisoara (Romania)
- Bursa (Turkey)

GERMANY

- Dettingen/Erms
- Bietigheim-Bissingen
- Geretsried-Gelting
- Heidenheim
- Idstein
- Langenzenn
- Lenningen
- Mönchengladbach
- Neuffen
- Nürtingen
- Rottenburg/Neckar
- Runkel
- Thale

ASIA-PACIFIC

- Changchun (China)
- Suzhou (China)
- Chongqing (China)
- Qingdao (China)
- Tokyo (Japan)
- Saitama (Japan)
- Takasaki (Japan)
- Gumi (South Korea)
- Ranjangaon (India)
- Bangkok (Thailand)
- Karawang (Indonesia)

NORTH AMERICA

- Leamington (Canada)
- Buford (Georgia, USA)
- Plymouth (Michigan, USA)
- Southfield (Michigan, USA)
- San Antonio (Texas, USA)
- Fort Wayne (Indiana, USA)
- Fremont (California, USA)
- Toluca (Mexico)

SOUTH AMERICA AND REST OF THE WORLD

- Piracicaba (Brazil)
- Alberton (South Africa)

As at December 31, 2022

Key Figures

ElringKlinger Group at a glance

		2022	2021	2020	2019	2018	2017	2016
Order Situation								
Order intake	EUR million	1,874.1	1,977.5	1,483.1	1,737.2	1,735.3	1,732.0	1,693.7
Order backlog	EUR million	1,461.9	1,386.2	1,033.1	1,030.3	1,020.1	1,000.6	932.5
Sales/Earnings								
Sales revenue	EUR million	1,798.4	1,624.4	1,480.4	1,727.0	1,699.0	1,664.0	1,557.4
Cost of sales	EUR million	1,459.9	1,273.4	1,195.5	1,401.7	1,328.9	1,255.6	1,161.5
Gross profit margin		18.8%	21.6%	19.2%	18.8%	21.8%	24.5%	25.4%
EBITDA	EUR million	174.2	216.1	181.5	181.0	196.6	238.4	231.2
EBIT (Earnings before interest and taxes)	EUR million	-42.2	102.0	27.7	61.2	96.2	137.3	135.6
EBIT margin		-2.3%	6.3%	1.9%	3.5%	5.7%	8.3%	8.7%
Earnings before taxes	EUR million	-56.1	100.8	-13.6	41.7	81.4	110.1	124.1
Net income	EUR million	-90.7	54.6	-40.0	5.0	47.9	73.8	82.6
Net income attributable to shareholders of ElringKlinger AG	EUR million	-89.1	55.7	-40.8	4.1	43.8	69.9	78.6
Cash Flow								
Net cash from operating activities	EUR million	101.3	156.1	217.8	277.6	91.6	95.5	175.7
Net cash from investing activities	EUR million	-95.5	-73.0	-60.6	-84.5	-120.7	-193.2	-189.7
Net cash from financing activities	EUR million	5.0	-106.8	-155.8	-103.8	30.0	109.3	4.5
Operating free cash flow[1]	EUR million	14.8	72.0	164.7	175.8	-86.2	-66.6	-3.8
Balance Sheet								
Balance sheet total	EUR million	2,046.6	2,090.0	1,963.1	2,146.5	2,079.7	2,022.4	1,878.2
Equity	EUR million	896.8	982.3	812.8	891.2	890.1	889.7	886.4
Equity ratio		43.8%	47.0%	41.4%	41.5%	42.8%	44.0%	47.2%
Net debt[2]	EUR million	364.2	369.2	458.8	595.3	723.5	655.3	538.8
Net debt ratio[3]		2.1	1.7	2.5	3.3	3.7	2.7	2.3
Returns/Key Figures								
Return on equity after taxes		-9.7%	6.1%	-4.7%	0.6%	5.4%	8.3%	9.5%
Return on total assets after taxes		-3.7%	3.1%	-1.2%	1.2%	3.1%	4.5%	5.3%
Return on Capital Employed (ROCE)		-2.7%	6.4%	1.7%	3.4%	5.5%	8.2%	8.7%
R&D ratio[4]		5.1%	5.1%	5.1%	4.7%	5.1%	4.6%	4.8%
Human Resources								
Employees (as at Dec. 31)		9,540	9,462	9,724	10,393	10,429	9,611	8,591
Stock								
Earnings per share	EUR	-1.41	0.88	-0.64	0.06	0.69	1.10	1.24

[1] Net cash from operating activities and net cash from investing activities (adjusted for acquisitions/divestments and changes in financial assets)

[2] Current and non-current financial liabilites less cash and less securities

[3] Net debt/EBITDA

[4] Research and development cost (incl. capitalized development cost) in relation to group sales

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