The Management Board of ElringKlinger AG

REINER DREWS,
COO

Corporate Units
Production

Quality & Sustainability Management

Business Units
Lightweighting/ Elastomer Technology

Metal Sealing Systems & Drivetrain Components

Shielding Technology

German Plants
Segment Original Equipment

THOMAS JESSULAT,
CFO

Corporate Units
Finance

Procurement & Supply Chain Management

Information Technology

Digital Transformation

**DR. STEFAN WOLF,
Chairman of the
Management Board**

Corporate Units

Legal & Compliance

Human Resources

Global Strategy, M&A and Innovations

Strategic Communications

Marketing & Communications

Sales Original Equipment

Business Unit

Aftermarket

Group Companies

**THEO BECKER,
CTO**

Corporate Units

Real Estate & Facility Management

Product Risk Management

Tool Shop/Technology

Business Units

Battery Technology & E-Mobility

Drivetrain Technology

Letter to Shareholders

Dear Shareholders,
Ladies and Gentlemen,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dettingen/Erms, March 2022

Yours sincerely,

Dr. Stefan Wolf
Chairman of the Management Board

Report by the Supervisory Board 2021

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

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

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

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

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

Klaus Eberhardt
Chairman of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

Dettingen, March 24, 2022

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman of the Supervisory Board

ElringKlinger and the Capital Markets

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

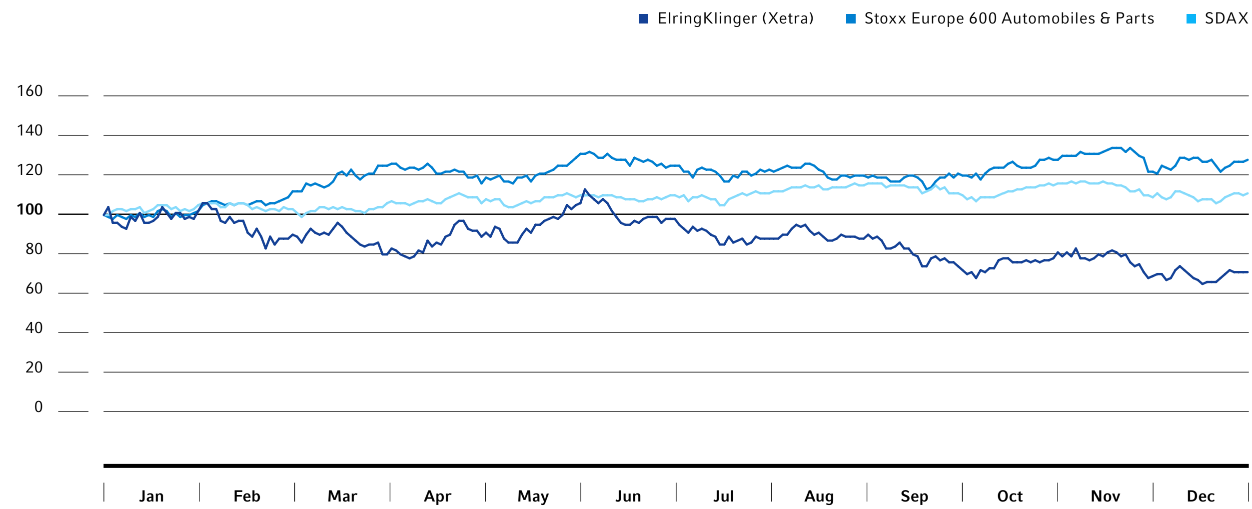
Stock markets on the rise – the pandemic, inflation, and supply bottlenecks produce a mixed picture

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

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

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

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



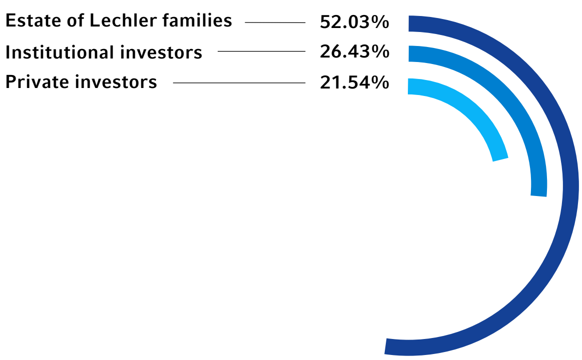
Concerns over inflation, supply-side bottlenecks, an economic slowdown, and a fourth wave of the pandemic dominated the capital markets in the fourth quarter. Despite being faced with such adverse trends, stock markets remained robust for a long time. However, the identification of a new virus mutation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

Key Indicators for ElringKlinger's Stock

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

[1] Xetra trading

Shareholder Structure as of December 31, 2021



ElringKlinger stock dips by 29% during trading year

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

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

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

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

Daily trading value well above previous year's level

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

2021 AGM again staged as a virtual event

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

Key Indicators for ElringKlinger’s Stock

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

Shareholder structure: more institutional investors than in the previous year

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

Virtual approach to capital market communication

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

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

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

Sustainability criteria becoming established within capital markets

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

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

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

* Cf. glossary

Compensation Report

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

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

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

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

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

Compensation structure for members of the Management Board

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

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

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

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

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

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

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

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

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

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

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

* Cf. glossary

System of compensation

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

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

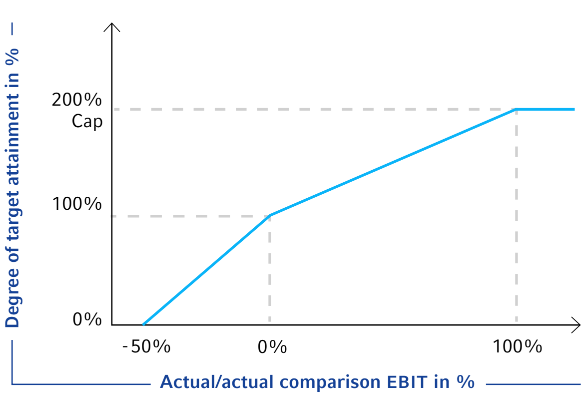
With the exception of the payment date of the LTI, there were no deviations from the compensation system described above in the 2021 financial year.

Short-Term Incentive (STI)

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

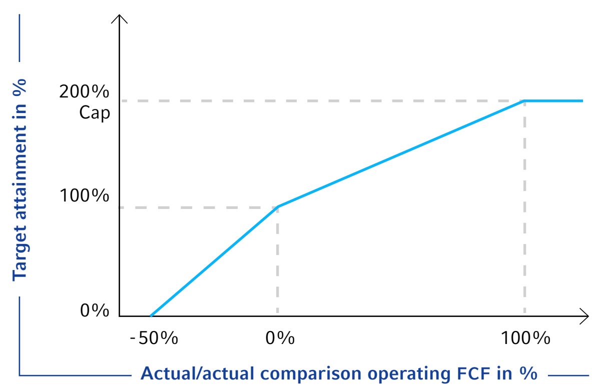
Target attainment with regard to EBIT is determined on the basis of a year-on-year comparison of actual figures. In this context, the actual EBIT value in the respective financial year is compared with the actual EBIT value of the previous financial year. If EBIT remains the same as in the previous year,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

EBIT target attainment curve



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

Operating FCF target attainment curve



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

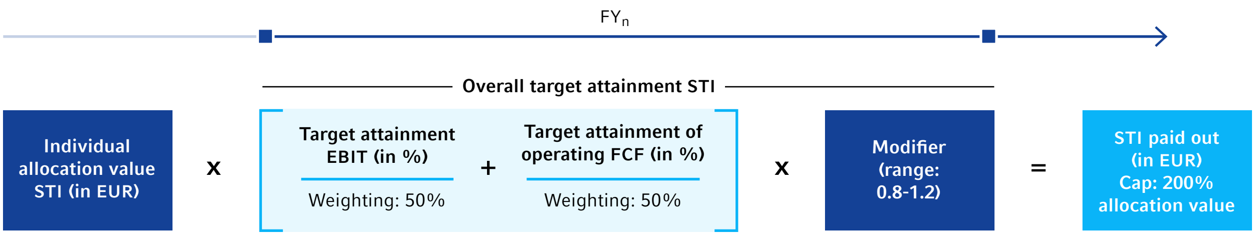
An individual allocation value is contractually agreed for each member of the Management Board. Overall target attainment is calculated from the sum of target attainment of EBIT and operating FCF multiplied by the modifier. The STI figure is calculated by multiplying the individual allocation value by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

Factors to determine the STI for the 2021 financial year

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

* Cf. glossary

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



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

Target attainment 2021

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

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

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

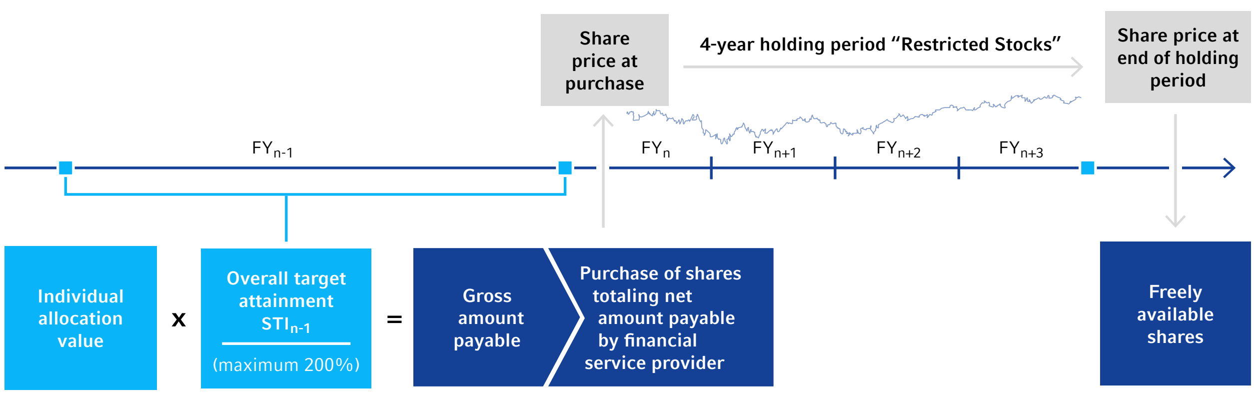
Given an overall target attainment of 240%, the maximum level of compensation is granted in the amount of twice the allocation value.

Long-Term Incentive (LTI)

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

The underlying principles are illustrated in the following diagram.

Summary: Principles of the Long-Term Incentive



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

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

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

LTI 2021

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

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

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

Maximum compensation

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

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

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

Malus/clawback

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

Share ownership guideline

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

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

Benefits for private pension provision

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

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

Retirement pension

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

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

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

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

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

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

Review and adjustment of compensation

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

Amount of Management Board compensation in 2021

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

Compensation granted and owed

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

Pension obligations

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

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

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

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

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

Compensation structure for members of the Supervisory Board

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

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

Amount of Supervisory Board compensation in 2021

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

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

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

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

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

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

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

[1] Without Management Board

Dettingen/Erms, March 28, 2022

For Management Board

For Supervisory Board

Dr. Stefan Wolf,
Vorsitzender des Vorstands

Thomas Jessulat,
Finanzvorstand

Klaus Eberhardt,
Vorsitzender des Aufsichtsrats

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

To ElringKlinger AG

Opinion

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

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

Basis for the opinion

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

Responsibilities of the management board and supervisory board

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

Responsibilities of the auditor

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

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

Consideration of misrepresentations

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

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

Stuttgart, March 28, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Corporate Governance

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

Sustainability report

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

* Cf. glossary

Combined Non-Financial Report 2021

of ElringKlinger AG

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

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

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

Business model of the ElringKlinger Group

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

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

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

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

Determining materiality

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

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

Risk assessment

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

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

* Cf. glossary

Combating bribery and corruption

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

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

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

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

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

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

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

Responsibility in the supply chain

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

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

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

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

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

* Cf. glossary

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

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

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

Environmentally-friendly mobility

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

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

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

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

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

* Cf. glossary

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

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

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

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

Environmental protection in production

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

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

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

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

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

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

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

* Cf. glossary

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

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

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

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

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

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

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

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

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

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

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

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

Occupational health and safety

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

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

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

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

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

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

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

* Cf. glossary

Targeted recruitment and development of employees

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

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

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

In many business units, responding to the transformation within the automotive industry, the Group has adjusted employee numbers to the prevailing business situation; staffing levels have risen in the new business fields and IT in particular. The use of digital media has played an increasingly important role in the recruitment process. To reach out to different target groups, ElringKlinger has harnessed the full gamut of social media channels (including LinkedIn, Instagram, and Facebook), its own jobs page, and various other careers portals as well as university partnerships. At the same time, the coronavirus pandemic forced many vocational training fairs – including ElringKlinger's "INFO Day" for training and study – to go online. With the employee referral scheme "Bring a Talent," the company is aiming to recruit highly committed and qualified candidates from the personal spheres of employees. A total of 16 new employees have been brought on board since the initiative was launched in September 2018.

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

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

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

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

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

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

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

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

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

EU taxonomy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* Cf. glossary

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

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

The KPIs for the 2021 financial year are as follows:

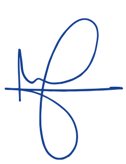
Taxonomy-eligible proportions of economic activities in 2021
In accordance with Regulation (EU) No. 2020/852, Article 8

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

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

Dettingen/Erms, March 24, 2022

The Management Board

Dr. Stefan Wolf
Chairman

Theo Becker

Thomas Jessulat

Reiner Drews

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

Independent auditor's report on a limited assurance engagement

To ElringKlinger AG, Dettingen/Erms

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

Responsibilities of the executive directors

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

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

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

Independence and quality assurance of the auditor's firm

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

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

Responsibilities of the auditor

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

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

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

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

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

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

Assurance conclusion

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

Restriction of use

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

General Engagement Terms and Liability

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

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

Munich, 24 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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