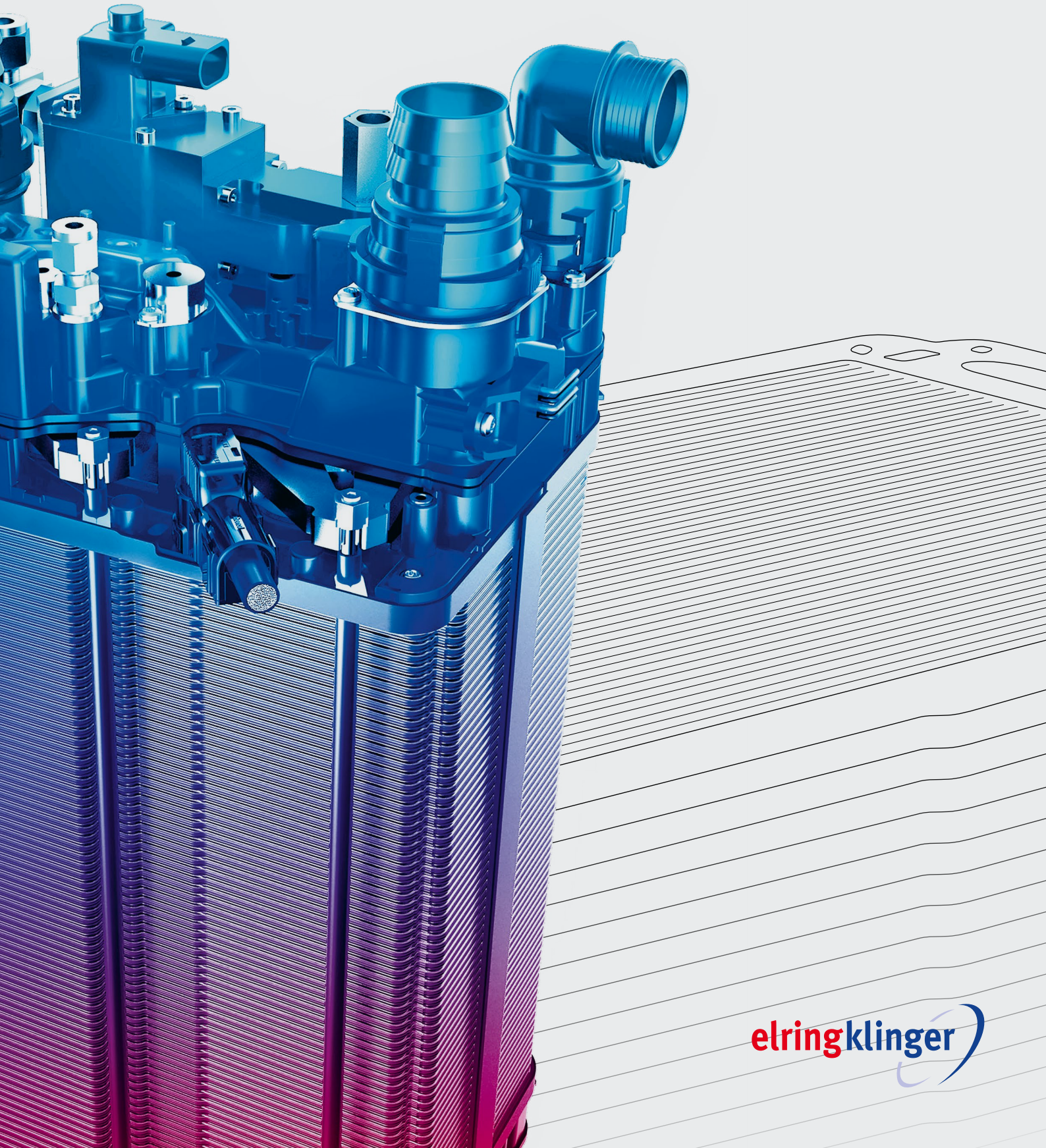


REPORT ON THE 3RD QUARTER AND
1ST NINE MONTHS 2020



Key figures

ElringKlinger Group

		3 rd Quarter 2020	2 nd Quarter 2020	1 st Quarter 2020	4 th Quarter 2019	3 rd Quarter 2019
Order Situation						
Order intake	€ million	423.6	192.6	354.9	381.5	437.6
Order backlog	€ million	971.8	929.4	989.0	1,030.3	1,068.7
Sales/Earnings						
Sales revenue	€ million	381.2	252.2	396.2	419.9	431.9
Cost of sales	€ million	296.3	229.7	308.4	358.1	340.1
Gross profit margin		22.3 %	8.9 %	22.2 %	14.7 %	21.3 %
EBITDA	€ million	49.0	-0.9	45.8	57.4	49.8
EBIT/Operating result	€ million	18.9	-32.4	16.0	24.3	20.3
EBIT margin		5.0 %	-12.8 %	4.0 %	5.8 %	4.7 %
Earnings before taxes	€ million	9.2	-38.7	6.2	19.5	15.3
Net income	€ million	2.9	-35.5	1.6	7.6	7.2
Net income attributable to shareholders of ElringKlinger AG	€ million	3.4	-35.5	2.0	7.5	6.7
Cash flow						
Net cash from operating activities	€ million	78.4	39.6	12.8	87.7	58.8
Net cash from investing activities	€ million	0.4	-14.3	-16.4	-1.7	-28.5
Net cash from financing activities	€ million	-81.1	22.9	-26.5	-56.8	-12.5
Operating free cash flow ¹	€ million	78.6	25.8	-2.2	65.7	30.8
Balance Sheet						
Balance sheet total	€ million	2,014.6	2,050.4	2,091.4	2,146.5	2,199.3
Equity	€ million	825.7	830.8	872.4	891.2	895.5
Equity ratio		41.0 %	40.5 %	41.7 %	41.5 %	40.7 %
Net debt ²	€ million	512.4	579.9	603.1	595.3	681.5
Human Resources						
Employees (as at end of quarter)		9,770	9,991	10,373	10,393	10,492
Stock						
Earnings per share	€	0.05	-0.56	0.03	0.12	0.11

¹ Net cash from operating activities and net cash from investing activities (excluding M&A activities and excluding investments in financial assets)

² As from FY 2020 reduced by time deposits and current securities

First nine months of 2020 in brief

- **Business performance** of ElringKlinger Group impacted during first nine months of 2020 by effects of coronavirus pandemic; global automobile production shrinks by 23 % in the period from January to September; lockdowns and interruptions to production at customer sites lead to substantial downturn in business in second quarter; Third quarter with significant business upturn on the back of recovering markets
- **Group revenue** falls by 21 % * to EUR 1,030 million in first nine months of 2020; down by 12 % to EUR 381 million in third quarter
- **Group EBIT** at EUR 2.5 million (margin 0.2 %) after first nine months; with EBIT at EUR 19 million and EBIT margin at 5.0 % in the third quarter, profitability improves markedly on previous periods; positive impact of Group program to raise efficiency levels and of measures taken in response to coronavirus pandemic
- **Group segments:**

Original Equipment segment directly affected by slump in automobile markets; between January and September, segment revenue down by EUR 267 million to EUR 808 million, segment EBIT margin at -4.5 % in first nine months but within positive territory at 1.4 % in third quarter;

Aftermarket segment records good business performance: first nine months see revenue growth of 6 %, taking the figure to EUR 139 million, coupled with very solid earnings; Engineered Plastics segment hit by COVID-19 crisis, with revenue falling by 13 % in first nine months, while earnings remain solid (EBIT margin of 12 %)
- **Net debt** down by EUR 83 million to EUR 512 million since beginning of year; determined continuation of action plan to improve key financial indicators
- **Operating free cash flow** of EUR 102 million in first nine months and of EUR 78.6 million in third quarter; demonstrable success in optimizing net working capital (inventories as well as trade receivables and payables) and low investment spending
- **Fuel cell technology** propelled forward by two strategic partnerships (October 2020/ Events after reporting period): ElringKlinger teams up with Airbus to refine hydrogen-based fuel cell for aviation sector. In addition, ElringKlinger establishes joint venture with French automotive supplier Plastic Omnium in concerted effort to evolve market for fuel cell vehicles

* Unless otherwise stated, comparative figures relate to respective prior-year periods

Contents

01

INTERIM GROUP MANAGEMENT REPORT

- 06 Macroeconomic Conditions and
Business Environment
- 07 Significant Events
- 08 Sales and Earnings Performance
- 14 Financial Position and Cash Flows
- 18 Opportunities and Risks
- 18 Report on Expected Developments

22

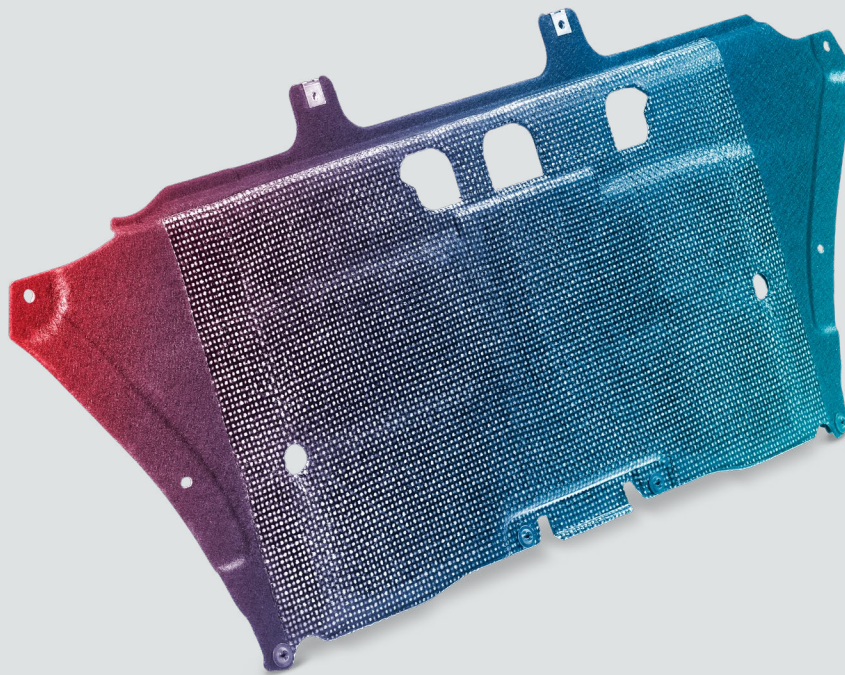
ELRINGKLINGER AND THE CAPITAL MARKETS

24

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- 24 Group Income Statement
- 25 Group Statement of Comprehensive Income
- 26 Group Statement of Financial Position
- 28 Group Statement of Changes in Equity
- 30 Group Statement of Cash Flows
- 31 Group Sales Revenue
- 32 Segment Reporting

- 34 Notes
- 41 Responsibility Statement



UNDERBODY PROTECTION

This underbody protection made of ultra-light plastic is capable of withstanding extreme loads – properties that make it particularly interesting for electric vehicles. Go to [»The power of a light touch«](#) in our magazine [»pulse«](#) for further insights.

Macroeconomic Conditions and Business Environment

Global economy impacted by pandemic

The global economy continued to be impacted heavily by the effects of the coronavirus pandemic during the third quarter of 2020. Compared to the trough at the beginning of the second quarter, however, the economy as a whole picked up again markedly in the period under review.

Emanating from China at the beginning of the year, the respiratory disease COVID-19 gradually spread worldwide from February onward. As from mid-March 2020, in particular, many governments around the globe introduced far-reaching measures to protect the population, culminating in national lockdowns and, ultimately, a hiatus in economic activity in many regions. Thus, the second quarter of 2020 saw a severe slump in global economic output. As from the end of April, some state-imposed restrictions were lifted again and the economy gradually trended upward, with the recovery gathering pace during the third quarter.

Targeted fiscal measures helped to avert a more severe slump in the economy while underpinning its upturn. According to the International Monetary Fund (IMF), the spending packages introduced by governments around the globe totaled USD 12 trillion – consisting of subsidies, emergency assistance, tax relief, and other funding measures. In addition, the respective central banks continued to support the various economic areas with highly expansive

policies and decided on further interest rate cuts and liquidity increases.

The upward trend varied in the individual countries and regions as well as in the respective economic sectors. The US and eurozone economies picked up strongly again in the third quarter of 2020, but gross domestic product (GDP) was still well below the previous year's figures in each case. China had emerged from the crisis in the second quarter and was able to accelerate its growth in the third quarter.

Car markets gather pace in third quarter

In parallel with the economic situation, car markets gathered pace during the third quarter, having trended downward in the first three months and – with the exception of China – having slumped to a low point in the second quarter. China, where the COVID-19 crisis had caused significant upheaval in the first quarter, saw the situation return to more normal levels as early as the second quarter.

Despite the considerable increase in production output during the third quarter of 2020, vehicle production in all regions was, in part, still down considerably on the prior-year figures in the first nine months of the year. From January to September, 50.8 million passenger cars and light vehicles were produced worldwide, 15.3 million fewer than in the same period a year ago.

GDP growth

Year-on-year change in %	1st quarter 2020	2nd quarter 2020	3 rd quarter 2020 ¹
Germany	-2.2	-11.3	-6.6
Eurozone	-3.2	-14.7	-7.3
USA	0.3	-9.1	-4.0
Brazil	-0.3	-11.4	-5.7
China	-6.8	3.2	5.4
India	3.1	-23.9	-12.5
Japan	-1.8	-9.9	-6.5

¹ Forecast
Source: HSBC (Sep. 2020)

The picture was similar in the case of car sales, calculated on the basis of the number of newly registered vehicles. Demand picked up substantially in the third quarter. In September, Europe, the United States, and China, actually recorded growth in sales compared with the prior-year figures. In total, however, these three regions still saw 7.8

million fewer new vehicle registrations than in the previous year. From January to September, vehicle registrations stood at -29.3% in Europe, -18.8% in the United States, and -12.5% in China. Japan (-18.1%), Brazil (-32.9%), and India (-38%) were still well within negative territory.

Light vehicle production

Year-on-year change in %	1 st quarter 2020	2 nd quarter 2020	3 rd quarter 2020	Jan. – Sep. 2020
Region				
Europe	-17	-60	-8	-30
China ¹	-46	11	11	-9
Japan/Korea	-9	-40	-9	-20
Middle East/Africa	-8	-40	-11	-19
North America	-11	-68	1	-27
South America	-17	-82	-21	-41
South Asia	-19	-78	-24	-40
World	-22	-43	-4	-23
Production numbers				
Vehicles (millions)				
World	17.8	12.6	20.3	50.8

¹ Greater China
Source: IHS (Oct. 2020)

Significant Events

Supervisory Board newly elected at AGM

Against the backdrop of the coronavirus pandemic, ElringKlinger AG's annual general meeting (AGM) took place on July 7, 2020, in a virtual format. The AGM included the scheduled election of new Supervisory Board members appointed by the shareholders. In this context, Helmut P. Merch was newly appointed to the Supervisory Board. Prof. Hans-Ulrich Sachs stood down from the Supervisory Board. All other shareholder representatives were re-elected by a clear majority. The employee representatives had already been elected in May and also took office upon conclusion of the AGM on July 7, 2020. Olcay Zeybek, Head of Accounting at ElringKlinger AG, and Barbara Resch, Wage Affairs Secretary at IG Metall Baden-Württemberg, were newly elected

to the Supervisory Board. They replaced Pasquale Formisano and Nadine Boguslawski, who had left the board.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as auditor. The Group had already announced in March that the dividend for the 2019 financial year would be suspended in view of the earnings situation and the COVID-19 crisis.

Coronavirus pandemic causes temporary plunge in business

At the beginning of the year, the coronavirus spread first in China and subsequently worldwide in the form of a pandemic. In response, government containment measures

were introduced around the globe, the initial effects of which became evident as early as the first quarter of 2020 at the Chinese plants operated by the ElringKlinger Group. Within this context, there were extended New Year's holidays in China and subsequent interruptions to production at both customer sites and ElringKlinger. While the situation in China began to stabilize, vehicle manufacturers in Europe and subsequently North American car makers also interrupted production from mid-March onwards, as a result of which ElringKlinger temporarily suspended its operations at its European and North American plants to varying degrees or adjusted output volumes downwards.

This economic downturn led to a noticeable decline in business at ElringKlinger, particularly at the beginning of the second quarter of 2020. In Europe, manufacturers only gradually ramped up production again from the end of April onwards, while the start-up phase in North America began later. Against this backdrop, ElringKlinger has been taking advantage of the option of short-time work at its German sites since April 1, 2020, for the purpose of easing the strain. In order to protect employees, travel restrictions have been in place throughout the Group since the end of February. Other measures include social distancing, compliance with strict hygiene regulations, and the option of working from a home office.

Sales and Earnings Performance

Palpable upturn in revenues in third quarter

The third quarter of 2020 saw a significant demand-side recovery, which gathered pace over the course of September in particular. Having slumped by more than 40 percent to EUR 252.2 million in the second quarter as the coronavirus pandemic took hold, Group revenues rose substantially during the third quarter on the back of recovering markets, taking the figure to EUR 381.2 million (Q3 2019: EUR 431.9 million). Despite this upturn, revenue for the period was still down 11.8 % on the prior-year figure. Standing at EUR 1,029.6 million (9M 2019: EUR 1,307.1 million), Group revenue declined by EUR 277.5 million or 21.2 % year on year in the first nine months as a whole.

In organic terms (adjusted for the effects of currency translation and M&A activities¹), Group revenue fell by 7.5 % in

the third quarter and by 19.3 % in the first nine months. Revenues have been diluted by currency effects since the beginning of the year. However, at EUR -17.1 million or -4.0 %, the impact of currency translation was even more pronounced in the quarter under review. Above all, the movement of the Mexican peso and the Brazilian real against the euro proved decisive in this context. M&A activities are to be seen in the context of the Hungarian business park sold in 2019, which had contributed EUR 3.4 million to sales revenues in the same period a year ago (January to September).

Thus, ElringKlinger again managed to outperform the market as a whole in the first nine months, calculated on the basis of global vehicle production, which contracted by 23.2 %. In the third quarter, the downturn in global production output was less severe at just -3.5 % due to the renewed buoyancy of the Chinese vehicle market, which grew by around 10 percent.

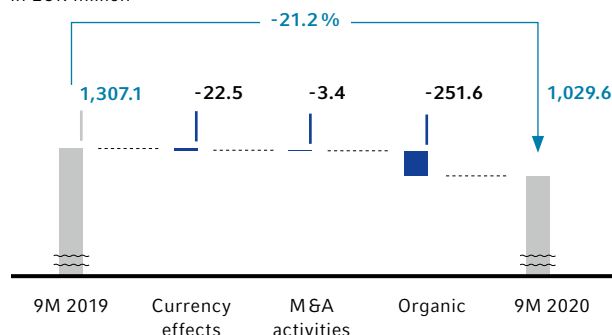
Third quarter: upturn in all sales regions

Propelled forward by the positive market dynamics of the third quarter, Group revenue rose substantially compared to the preceding three months – in all sales regions. Despite this, all sales regions were down on their prior-year figures both in the third quarter and in the first nine months.

In Europe, the region generating the highest revenue with a share of 51.3 % of total sales, the Group recorded revenue of

Factors influencing Group revenue

in EUR million



EUR 195.4 million in the quarter under review (Q3 2019: EUR 216.2 million). Thus, revenue in Europe was up substantially on the preceding quarter, which accounted for sales of just EUR 128.5 million. Following the outbreak of the coronavirus pandemic, national lockdowns led to temporary plant closures at a number of vehicle manufacturing sites in Europe from the end of March onwards, which in turn saw revenues slump noticeably in the second quarter. Although vehicle production gradually resumed as early as April after some restrictions had been lifted, it took until the third quarter for demand within the European market to pick up again. At EUR 82.7 million (Q3 2019: EUR 96.5 million), however, revenue generated from sales in Germany during the third quarter of 2020 was still down 14.4% on the prior-year figure. Down by just 5.8% to EUR 112.8 million (Q3 2019: EUR 119.7 million), revenue in the Rest of Europe was more in line with that recorded in the same period a year ago. From January to September, Group revenue in Germany stood at EUR 238.3 million (9M 2019: EUR 301.0 million), down 20.8% on the prior-year figure. In the Rest of Europe, revenue generated during this period amounted to EUR 300.0 million (9M 2019: EUR 384.8 million), which was 22.0% less than in the previous year. Despite this, ElringKlinger has outperformed the market as a whole in the year to date, calculated on the basis of a decline in revenue by 21.5% in contrast to a downturn of 29.5% in European vehicle production output.

Business in North America, which had continued to advance during the first quarter of 2020 on the back of strong growth during fiscal 2019 (revenue up by 25.1%), was severely impacted in the second quarter of 2020 by lockdown measures and in particular by factory downtime in Mexico. The third quarter saw a strong upturn in demand in this region, as a result of which ElringKlinger managed to generate sales revenue

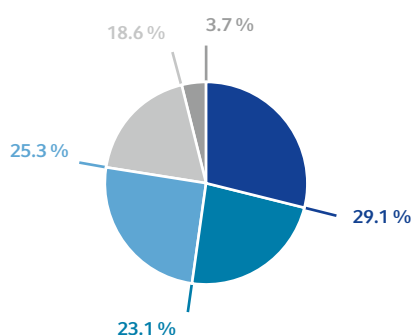
of EUR 101.6 million (EUR 115.4 million) in North America. However, this was still 11.9% less than that achieved in the same quarter a year ago. From January to September the Group generated revenue of EUR 260.9 million (9M 2019: EUR 334.0 million) in North America. Adjusted for currency effects, revenue was down 19.1% on the prior-year figure. Here, too, the Group performed better than the vehicle market as a whole (decline in light vehicle production in North America: -26.5%).

In Asia-Pacific, from where the global market downturn spread during the first quarter of 2020 following the outbreak of COVID-19, Group revenue began to trend higher again as early as the second quarter of 2020. In the quarter under review, ElringKlinger recorded EUR 70.4 million (Q3 2019: EUR 80.3 million) in revenue in Asia-Pacific, while the first nine months produced EUR 192.0 million (9M 2019: EUR 227.9 million). Although the substantial increase in the number of parts requested as part of customer production scheduling at the Group's plants in China led to year-on-year revenue growth as early as the third quarter, the Asia-Pacific region as a whole still recorded a decline of 12.4% in the third quarter and 15.7% in the first nine months of 2020.

In South America and the Rest of the World, meanwhile, currency effects relating to the translation of the Brazilian real had a dilutive effect on Group revenue presented in euros – on top of the adverse effects of the market malaise. In the third quarter, ElringKlinger generated revenue of EUR 13.7 million (Q3 2019: EUR 20.0 million) in this sales region, while the first nine months produced a total of EUR 38.4 million (9M 2019: EUR 59.5 million).

The share of foreign sales in relation to Group revenue was 76.9% in the first nine months of 2020 (9M 2019: 77.0%).

Group sales by region Jan.–Sep. 2020



	in EUR million (previous year)	
Rest of Europe	300.0	(384.8)
Germany	238.3	(301.0)
North America	260.9	(334.0)
Asia-Pacific	192.0	(227.9)
South America and Rest of the World	38.4	(59.5)
Group sales	1,029.6	(1,307.1)

Business performance in the Original Equipment segment

The adverse effects of the COVID-19 crisis were particularly noticeable within the Original Equipment segment. From the end of March onward, the segment saw an abrupt decline in volumes requested by automobile manufacturers as part of their production scheduling, while market levels as a whole were still down on the prior-year figures. These factors had a direct influence on business. Accounting for approx. 80 % of Group revenue, this segment has a significant bearing on the overall sales performance. Correspondingly, the Original Equipment segment was accountable for a large proportion of revenue decline in the period under review. In the third quarter of 2020 the segment generated revenue of EUR 306.4 million (Q3 2019: EUR 353.0 million), which was EUR 46.6 million or 13.2 % less than in the same period a year ago. At EUR 808.0 million (9M 2019: EUR 1,075.0 million), segment revenue was down by EUR 267.0 million or 24.8 % in the first nine months of the year.

The various divisions performed along slightly different lines over the course of the third quarter of 2020. While Cylinder-head Gaskets and Specialty Gaskets as well as Structural Lightweighting benefited from a speedier recovery, revenue flows attributable to the Shielding Technology and Lightweighting/Elastomer Technology divisions proved more sluggish compared to the prior-year figures, as a result of which these divisions suffered the most severe decline in revenues in the first nine months both in absolute and in relative terms. In this context, however, revenues attributable to Structural Lightweighting proved exceptionally robust. By contrast, E-Mobility, which encompasses the areas of Battery and Fuel Cell Technology as well as Drive-train, recorded an impressive 19.7 % increase in revenues, taking the figure to EUR 5.5 million (Q3 2019: EUR 4.6 million). Due to expenses relating to the introduction of series production capabilities for battery systems and persistently dynamic development activities, however, EBIT generated by the E-Mobility division remained in negative territory in the third quarter as well as in the first nine months of 2020.

Despite the shortfall in revenues, ElringKlinger managed to improve profitability in the Original Equipment segment, recording earnings before interest and taxes (EBIT) of EUR 4.3 million in the third quarter (Q3 2019: EUR 6.4 million). The EBIT margin thus recovered from -0.1 % in the first quarter and -21.5 % in the second quarter to 1.4 % in the third quarter. As revenues were at a similar level as in the first three months, higher profitability shows the efficacy of the targeted

measures introduced by the Group. As a result of the program introduced throughout the Group in 2019 for the purpose of raising efficiency levels, the first quarter of 2020 had already seen greater profitability in the long-standing divisions. In addition, optimization measures implemented at the North American plants in order to improve productivity and cost structures had an increasingly positive impact. Furthermore, the Group took advantage of adjustment options with regard to HR capacity and costs for the purpose of streamlining its operations in response to waning demand.

Aftermarket business records gains

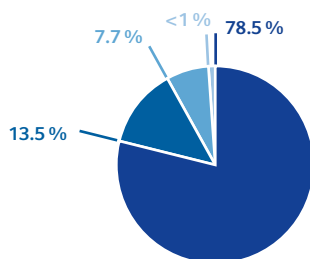
Despite difficult trading conditions, the ElringKlinger Group recorded encouraging gains relating to its Aftermarket business. This segment managed to increase its revenues and earnings compared to the respective prior-year figures both in the third quarter and in the period from January to September. Revenues had already surged over the course of the first quarter, which was due in part to pre-emptive effects in some regions on the back of uncertainties about the impact of the COVID-19 crisis on sales channels. Despite the negative economic backdrop, the second quarter produced segment revenue that closely matched that generated in the same period a year ago. This was due to the fact that ElringKlinger succeeded in maintaining the supply of spare parts to the market in all major regions despite far-reaching logistical and trade-related restrictions. The third quarter saw revenue increase by 4.5 % year on year to EUR 47.3 million (Q3 2019: EUR 45.2 million). In the first nine months, the segment recorded revenue growth of 5.9 %, taking the figure to EUR 138.6 million (9M 2019: EUR 130.9 million). In regional terms, the gains were attributable mainly to Eastern Europe and the Middle East/Indian subcontinent.

The solid earnings performance of this segment is a reflection primarily of its efficiency relating to materials planning and warehouse logistics as well as forward-looking inventory optimization. This is underpinned by a high degree of cost discipline throughout the Group. In the third quarter, the Aftermarket segment generated EBIT of EUR 9.6 million (Q3 2019: EUR 8.5 million) and an EBIT margin of 20.2 %, while segment EBIT for the period from January to September stood at EUR 30.0 million (9M 2019: EUR 22.5 million), which corresponds to a margin of 21.7 % (9M 2019: 17.2 %).

Engineered Plastics segment

The Engineered Plastics segment, which offers a wide range of products made of high-performance plastics used in many industrial applications, was also affected by the eco-

Group sales by division Jan. – Sep. 2020



	in EUR million (previous year)	
Original Equipment	808.0	(1,075.0)
Lightweighting/Elastomer Technology	295.2	(375.9)
Shielding Technology	206.7	(299.7)
Specialty Gaskets	181.8	(232.9)
Cylinder-head Gaskets	101.0	(138.4)
E-Mobility	17.6	(19.4)
Exhaust Gas Purification	5.5	(7.8)
Aftermarket	138.6	(130.9)
Engineered Plastics	79.5	(91.0)
Others	3.5	(10.3)

conomic repercussions of the coronavirus pandemic. After business had already slowed in the first three months of 2020 due to a more sluggish European economy and the initial impact of the COVID-19 crisis in China, order intake and revenue fell in the second quarter across many industries, mainly in the mechanical engineering and automotive sectors. In the third quarter, demand picked up substantially, driven to some extent by catch-up effects within the automotive sector and – regionally – in China. Demand within the mechanical engineering industry remained weak, whereas the medical technology sector was stable. Operating against this backdrop, the Engineered Plastics segment generated revenues of EUR 26.8 million in the third quarter of 2020 (Q3 2019: EUR 30.1 million), down 11.2% on the figure posted for the same period of the previous year. In the first nine months of the year, revenues declined by 12.7% to EUR 79.5 million (9M 2019: EUR 91.0 million).

Despite lower business volumes, the segment succeeded in improving its EBIT margin slightly in the third quarter from 16.4% in the same period a year ago to 17.0% in the period under review, while keeping the margin stable year on year at 17.0% in the first nine months of the current financial year. This was attributable to various measures, including strict cost discipline. Segment EBIT amounted to EUR 4.5 million (Q3 2019: EUR 4.9 million) in the third quarter and EUR 9.3 million (9M 2019: EUR 10.7 million) in the first nine months of 2020.

“Others” segment

Since January 1, 2020, the segments formerly referred to as “Services” and “Industrial Parks” have been combined within the segment classified as “Others.” It mainly encompasses the business activities of Elring Klinger Motortechnik GmbH, ElringKlinger Logistic Service GmbH, and the Indus-

trial Park in Idstein. The revenue and earnings contributions in this segment generally account for less than one percent of Group activity, as a result of which these areas are considered to be of subordinate importance. In the third quarter of 2020, the segment result included income of EUR 0.3 million from a sale-and-leaseback transaction. Further details relating to this segment can be found in the notes to the consolidated financial statements (segment reporting).

Noticeable reduction in headcount

As of September 30, 2020, the ElringKlinger Group employed 9,770 people – a reduction in the headcount by 623 in absolute terms or 6.0% compared to the 2019 year end (10,393 employees). At the end of the same quarter last year, the headcount had stood at 10,492.

In order to raise its profitability levels, the Group had already introduced measures to improve efficiency before the onset of the COVID-19 crisis, which also had an impact on personnel management in Germany and abroad. Taking a socially responsible approach, the Group managed to reduce staffing levels in all regions. In the majority of cases, fixed-term contracts were not renewed or vacant positions due to fluctuation were not refilled. In view of the slump in sales revenue, the Group intensified this approach from the second quarter onwards and adjusted personnel capacities in line with the respective business situation of the plants. The global headcount has fallen since the beginning of the year: in Germany by 179 to 4,145, in the Rest of Europe by 188 to 1,840, in North America by 200 to 1,869, in Asia-Pacific by 19 to 1,526, and in South America and the Rest of the World by 37 to 390.

As of September 30, 2020, 42.4% of the workforce was employed in Germany and 57.6% abroad.

Year-on-year increase in gross profit margin

Cost of sales seen in relation to Group revenue returned to a more normal level again in the third quarter of 2020, which contrasts with the second quarter when the unforeseen and substantial decline in volumes in the wake of the coronavirus pandemic had exerted significant downward pressure on the gross profit margin as a direct result of the fixed cost components within the cost of sales. At around 55 %, material-related costs account for the largest proportion of cost of sales. These eased slightly in the course of the year as a result of the marginal decline in prices for some groups of raw materials, including polyamides (plastic pellets), but also steel and aluminum. Prices for high-grade steel rose slightly. In the third quarter, the cost of materials as a percentage of revenue fell to 42.8 %, down from 46.8 % in the same quarter a year ago.

Gross profit (sales revenue less cost of sales) amounted to EUR 84.8 million in the third quarter of 2020 (Q3 2019: EUR 91.8 million). The gross profit margin stood at 22.3 %, an improvement on the prior-year figure of 21.2 %. In the first nine months, the Group generated gross profit of EUR 195.2 million (9M 2019: EUR 263.5 million), which corresponds to a margin of 19.0 % (9M 2019: 20.2 %).

The Group's staff costs were scaled back further to EUR 111.7 million in the third quarter of 2020 (Q3 2019: EUR 134.7 million). This was driven by the global program implemented by ElringKlinger prior to the COVID-19 crisis for the purpose of raising efficiency levels. At the same time, exceptional measures helped to reduce costs; these options were made available in order to ease the economic strains associated with the coronavirus pandemic. They included short-time work, an official measure that has been in place at the Group's sites in Germany since April 1, 2020, as well as similar schemes at the foreign plants. Staff costs in relation to revenue fell from 35.3 % in the first quarter and 40.2 % in the second quarter to 29.3 % in the third quarter of 2020.

Selling expenses decreased at a faster pace in the third quarter to EUR 25.5 million (Q3 2019: EUR 32.6 million). In addition to the above-mentioned measures aimed at reducing staff costs, lower travel expenses had a particularly positive effect in this context. In order to reduce the risk of infection

with regard to the coronavirus pandemic, ElringKlinger introduced extensive travel restrictions in March 2020, which continue to apply. Compared to the previous year, special freight charges were also scaled back as process improvements at the North American plants were successful and the volumes requested from customers as part of their scheduling arrangements were also lower. In the first nine months of 2020, Group selling expenses amounted to EUR 80.7 million (9M 2019: EUR 102.9 million).

General and administrative expenses, totaling EUR 19.3 million in the third quarter (Q3 2019: EUR 21.3 million), also saw a reduction in staff costs. In addition, non-personnel costs fell noticeably as a result of the Group-wide streamlining measures. In the first nine months of the year, general and administrative expenses fell by EUR 9.2 million year on year to EUR 57.1 million (9M 2019: EUR 66.2 million).

Research and development costs

Research and development (R&D) is of fundamental importance to ElringKlinger when it comes to safeguarding its competitiveness and making an active contribution to the process of industry transformation. Therefore, an integral part of the company's overall strategy is to channel the requisite proportion of its revenues into targeted research and development projects. The focus is on solutions for alternative drive technologies, but also further efficiency gains for conventional drive systems as well as structural lightweighting and other components that can be used irrespective of the underlying drive technology in both the automotive and the non-automotive sector. Research and development costs, including capitalization, amounted to EUR 15.4 million in the third quarter of 2020 (Q3 2019: EUR 18.7 million) and EUR 52.9 million in the first nine months (9M 2019: EUR 63.5 million). On this basis, the R&D ratio (R&D expenses in relation to Group revenue) was 4.0 % in the third quarter (Q3 2019: 4.3 %) and 5.1 % in the period from January to September (9M 2019: 4.9 %).

Public funding accounted for EUR 2.2 million received by ElringKlinger in the first nine months of the year (9M 2019: EUR 2.5 million), EUR 0.1 million of which was attributable to the third quarter (Q3 2019: EUR 0.6 million).

Among other items, other operating expenses include write-downs relating to bad debt losses.

EBIT margin at 5 percent in third quarter

In the third quarter of 2020, earnings performance was boosted by the upturn in markets and the overall package of measures discussed above. Tangible savings were achieved at an operational level across all functional areas relating to the income statement, as a result of which ElringKlinger achieved earnings before interest and taxes (EBIT) of EUR 18.9 million (Q3 2019: EUR 20.3 million) – despite the decline in revenues. The EBIT margin was lifted from 4.7 % in the same quarter a year ago to 5.0 % in the period under review. At EUR 2.5 million (9M 2019: EUR 36.9 million) and 0.2 % (9M 2019: 2.8 %) respectively, EBIT and the EBIT margin for the first nine months were also in positive territory.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to EUR 49.0 million (Q3 2019: EUR 49.8 million). In the first nine months, EBITDA totaled EUR 93.9 million (9M 2019: EUR 123.6 million). Amortization of intangible assets and depreciation of property, plant, and equipment amounted to EUR 30.1 million in the quarter under review (Q3 2019: EUR 29.5 million) and EUR 91.3 million in the first nine months of the year (9M 2019: EUR 86.7 million).

As depreciation/amortization relating to purchase price allocations is at a level below one million euros and thus of minor importance, as from January 1, 2020, ElringKlinger has opted against presenting this item separately in its earnings review.

Net finance cost and earnings before taxes

Net finance cost amounted to EUR 9.8 million in the third quarter of 2020 (Q3 2019: 5.0 million) and EUR 25.9 million in the first nine months (9M 2019: EUR 15.0 million). Compared with the prior-year periods, the net result from currency translation included in this item deteriorated in the period under review, influenced primarily by unrealized gains and losses. The net interest result (interest income less interest expenses), by contrast, improved year on year

over the first nine months. In the third quarter, it stood at EUR -5.0 million (Q3 2019: EUR -5.0 million) and in the period from January to September at EUR -12.6 million (9M 2019: EUR -14.2 million). The share of the bottom-line result of associates, which encompasses the interest held in hofer AG, was EUR -2.0 million in the third quarter of 2020 (Q3 2019: EUR -2.0 million) and EUR -5.5 million in the first nine months of 2020 (9M 2019: EUR -2.8 million).

Earnings before taxes totaled EUR 9.2 million in the third quarter of 2020 (Q3 2019: EUR 15.3 million). After the first nine months they were in negative territory at EUR -23.4 million (9M 2019: EUR 22.2 million).

Net income at EUR 3 million

As part of the official COVID-19 aid measures, the Group took advantage of tax relief in Germany, including tax deferrals. This and the fact that, as in previous periods, no deferred tax assets can be recognized on losses incurred by some of the foreign companies meant that the tax rate fluctuated sharply over the individual quarters. In the third quarter of 2020, it stood at 68.7 % (Q3 2019: 53.2 %) and in the first nine months at 32.9 % (9M 2019: 111.9 %).

As a result, net income for the ElringKlinger Group stood at EUR 2.9 million in the third quarter of 2020 (Q3 2019: EUR 7.2 million). In the first nine months, the net loss was EUR -31.0 million (9M 2019: EUR -2.6 million). After non-controlling interests, net income attributable to the shareholders of ElringKlinger AG was EUR 3.4 million in the third quarter of 2020 (Q3 2019: EUR 6.7 million) and EUR -30.1 million in the first nine months (9M 2019: EUR -3.4 million).

As of September 30, 2020, the number of shares outstanding that were entitled to a dividend remained unchanged at 63,359,990. Calculated on this basis, earnings per share attributable to the shareholders of ElringKlinger AG amounted to EUR 0.05 in the third quarter (Q3 2019: EUR 0.11) and EUR -0.47 in the first nine months of the year (9M 2019: EUR -0.05).

Financial Position and Cash Flows

With an equity ratio of 41.0 %, high levels of liquidity, and a solid asset structure, the financial position and cash flows of the ElringKlinger Group remained robust as of September 30, 2020. In the current year, the Group has been consistently pursuing the course already taken during the 2019

financial year for the purpose of improving its key financial indicators. As a result, ElringKlinger achieved operating free cash flow of EUR 102.3 million in the first nine months, while scaling back its net debt by EUR 82.9 million since the beginning of the year.

Key figures Financial Position and Cash Flows

in EUR million	Sep. 30, 2020	Jun. 30, 2020	Dec. 31, 2019
Total equity and liabilities	2,014.6	2,050.4	2,146.5
Equity ratio	41.0 %	40.5 %	41.5 %
Net Working Capital¹	407.3	417.4	432.6
Net Working Capital in relation to sales	28.1 %	27.8 %	25.0 %
Net Debt	512.4	579.9	595.3
Net Debt/EBITDA	3.4	3.8	3.3
	Q3 2020	Q2 2020	Q1 2020
Investments in property, plant, and equipment ²	15.1	10.4	12.4
Operating free cash flow	78.6	25.8	-2.2

¹ Inventories and trade receivables less trade payables

² Payments for investments in property, plant, and equipment and investment property

Effects of coronavirus pandemic

The decline in business in the wake of the coronavirus pandemic is reflected to varying degrees in individual items of ElringKlinger's statement of financial position and cash flows. The second quarter, in particular, had seen a reduction in current assets, including trade receivables and inventories, as well as trade payables on the liabilities side of the balance sheet. By contrast, cash and cash equivalents had increased. Within equity, revenue reserves were down due to the negative bottom-line result. In the third quarter of 2020, business picked up again significantly, as a result of which the overall scale of balance sheet movements was less pronounced. Impairment considerations as part of interim reporting did not result in any impairment losses with regard to assets.

Robust asset structure

Total assets held by the ElringKlinger Group amounted to EUR 2,014.6 million as of September 30, 2020, compared with EUR 2,146.5 million at the end of 2019. The reduction

by EUR 131.9 million reflects not only general business transactions during the period under review but also the impact of currency translation, which had a dilutive effect on various balance sheet items, particularly in the first quarter but also during the subsequent months.

Within non-current assets, which had a carrying amount of EUR 1,237.4 million as of September 30, 2020 (Dec. 31, 2019: EUR 1,314.0 million), property, plant, and equipment represent the largest item. Due to conservative investment spending on the part of the Group, the overall volume of this item was lower compared to the previous quarters as well as in comparison with the same quarter a year ago. Property, plant, and equipment amounted to EUR 971.6 million (Dec. 31, 2019: EUR 1,043.7 million).

Current assets fell by EUR 55.3 million compared to the figure recorded on December 31, 2019, down substantially to EUR 777.2 million (Dec. 31, 2019: EUR 832.5 million). Inventories saw the largest reduction. At the end of the third

quarter they amounted to EUR 317.4 million, which was EUR 39.1 million – EUR 24.6 million when adjusted for currencies – lower than the figure posted at the end of 2019 (EUR 356.5 million). Compared to the end of the first half of 2020, inventories were down by EUR 21.5 million (adjusted for currencies: EUR -17.2 million). Trade receivables had declined markedly in the second quarter as a result of lower revenues. They rose again in the third quarter on the back of stronger demand, taking the figure to EUR 226.8 million (Dec. 31, 2019: EUR 233.2 million).

In total, working capital (inventories and trade receivables) had a carrying amount of EUR 544.2 million at the end of the reporting period, down EUR 18.2 million on the figure posted at the end of 2019 (EUR 589.7 million). As in the previous periods, management pushed ahead with efforts to scale back and optimize working capital as part of a program aimed at raising efficiency levels. In addition, the Group streamlined procurement volumes and inventories to an even greater extent in response to unfavorable order intake in the second quarter. Compared with the level recorded at the end of the first nine months of the previous year (Sept. 30, 2019: EUR 652.5 million), working capital fell by EUR 108.3 million – well above the reduction in volume associated with the coronavirus pandemic.

As of September 30, 2020, the ElringKlinger Group had cash and cash equivalents of EUR 142.5 million (Dec. 31, 2019: 135.5 million).

The assets held for sale reported in the same period a year ago mainly related to land and buildings of the former Industrial Parks segment; they were disposed of in December 2019.

Equity ratio again in excess of 40 percent

The net loss of EUR -31.0 million in the first nine months of 2020 as well as currency translation effects of EUR -33.5 million resulted in a corresponding reduction in equity within the ElringKlinger Group. As of September 30, 2020, it amounted to EUR 825.7 million, compared with EUR 891.2 million at the end of 2019. Therefore, the equity ratio of 41.0 % (Dec. 31, 2019: 41.5 %) remains within the range of 40 % to 50 % targeted by management.

In total, there have been no significant changes in provisions, including pension provisions, in the current financial year. Compared to the end of the third quarter a year ago, pension provisions increased by EUR 22.8 million, which is due to the scheduled revaluation at the end of 2019 and the parameters on which it is based, such as interest rates.

Further reduction in net debt

Despite the downturn in business, the ElringKlinger Group further improved its solid financial situation over the course of the year, while net debt² was again scaled back. Compared to the figure posted at the end of 2019 (EUR 595.3 million), it was down by EUR 82.9 million to EUR 512.4 million as of September 30, 2020. Non-current financial liabilities accounted for the largest share at EUR 493.1 million (Dec. 31, 2019: EUR 570.4 million).

In the period under review, there were no significant changes in credit terms, not even as a result of influences from the coronavirus pandemic. As of September 30, 2020, ElringKlinger complied with all covenants agreed with financial institutions. As of September 30, 2020, the debt ratio (net debt/EBITDA) was 3.4, compared with 3.3 at the end of 2019 and 4.2 at the end of the third quarter a year ago.

Continued drop in net working capital

Having fallen sharply at the end of the first half, trade payables rose again in the third quarter as business picked up. As of September 30, 2020, they amounted to EUR 136.9 million (Dec. 31, 2019: EUR 157.1 million). Net working capital, which is calculated on the basis of working capital (inventories and trade receivables) less trade payables, fell yet again from EUR 432.6 million at the end of 2019 to EUR 407.3 million.

Other current liabilities amounted to EUR 125.0 million at the end of the reporting period (Dec. 31, 2019: EUR 109.6 million). They include a written put option of EUR 30.3 million as well as a number of deferrals relating to various items, e. g., personnel, future bonus payments, and invoices not yet received as well as other deferrals.

² Current and non-current financial liabilities less cash and cash equivalents and securities; securities have been included since Jan. 1, 2020 (Sept. 30, 2020: EUR 10.3 million)

Operating cash flow at EUR 131 million

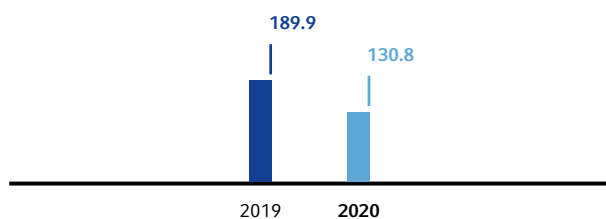
The cash inflow from operating activities developed along encouraging lines in the first nine months, particularly in the third quarter of 2020: despite the year-on-year reduction in earnings, ElringKlinger managed to achieve operating cash flow of EUR 78.4 million (Q3 2019: EUR 58.8 million). In the first nine months, the company generated EUR 130.8 million (9M 2019: EUR 189.9 million) from operating activities.

This was attributable primarily to the change in net working capital, i.e., the items inventories, trade receivables, and trade payables. As inventories were scaled back further and trade payables were extended in the third quarter, less cash was tied up in these items. Including other assets and liabilities not attributable to investing or financing activities, the changes in net working capital led to a cash inflow (adjusted for the effects of currency translation) of EUR 35.8 million in the third quarter of 2020 (Q3 2019: EUR 15.6 million) and EUR 52.0 million in the first nine months (9M 2019: EUR 104.2 million). This positive trend reflects the company's efforts to improve its key financial indicators, driven by targeted receivables management, the use of factoring, greater control of expenditure, and adjustments to the terms and conditions of procurement.

The item "Other non-cash expenses and income," presented in the Group statement of cash flows with a cash inflow of EUR 5.1 million in the third quarter (Q3 2019: EUR -7.4 million) and EUR 21.8 million in the first nine months (9M 2019: EUR -11.6 million), mainly includes off-setting adjustments relating to currency effects.

Cash flow from operating activities Jan. – Sep.

in EUR million



Investments in property, plant, and equipment down sharply

Following extensive investments in recent years, ElringKlinger has been able to scale back investment activity significantly since 2019, without foregoing key projects. The effects of the coronavirus pandemic call for purposeful prioritization when it comes to capital expenditure. Therefore, measures that are essential for the Group's strategic orientation will continue to be implemented in a targeted manner.

At EUR 15.1 million (Q3 2019: EUR 25.4 million) in the third quarter of 2020 and EUR 37.9 million (9M 2019: EUR 74.9 million) in the period from January to September 2020, outflows for investments in property, plant, and equipment³ were much lower than in the same periods a year ago. Around half of this year's volume was attributable to the German sites operated by the parent company. Among other things, these investments were attributable to the installation of a production line for battery systems at the site in Thale as well as production systems for fuel cell modules in Dettingen/Erms. In addition, expenses were incurred for the final completion of work on the Technology Center for E-Mobility, which was built at the main site in Dettingen/Erms, Germany, in 2019 and commenced operations in 2020.

Furthermore, ElringKlinger made investments in all regions for the purpose of preparing systems for serial production ramp-up or carrying out maintenance work.

The investment ratio (capital expenditure on property, plant, and equipment and on investment property relative to Group sales revenue) was lower compared to the previous year, amounting to 4.0% in the third quarter of 2020 (Q3 2019: 5.9%) and 3.7% in the first nine months of 2020 (9M 2019: 5.7%).

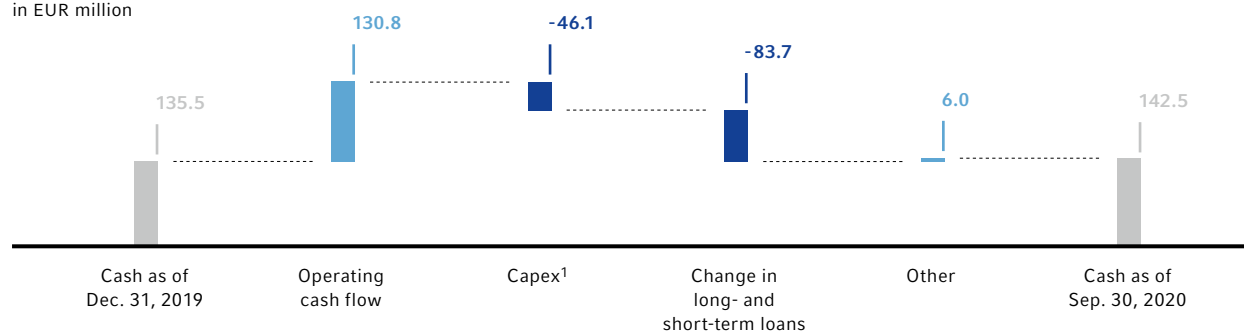
Payments for intangible assets, which also include expenses relating to capitalized development costs, amounted to EUR 8.2 million (9M 2019: EUR 8.4 million) in the first nine months of the year.

Proceeds from the disposal of property, plant, and equipment in the third quarter of 2020 included a cash inflow of EUR 17.3 million from a sale-and-leaseback transaction in the Services segment.

³ Payments for property, plant, and equipment and investment property

Changes in cash Jan.–Sep.

in EUR million



¹ Payments for investments in property, plant and equipment, investment property and intangible assets

Overall, the ElringKlinger Group recorded cash inflows of EUR 0.4 million relating investing activities in the third quarter of 2020 (Q3 2019: EUR 28.5 million). In the period from January to September, cash flow from investing activities amounted to EUR -30.3 million (9M 2019: EUR -82.8 million).

Cash flow from financing activities

ElringKlinger used its positive net cash flow from operating and investing activities to further reduce debt. The focus was on extinguishing non-current loans: the net outflow in connection with proceeds and payments from/for non-current loans was EUR 58.5 million in the third quarter of 2020 (Q3 2019: EUR -15.2 million) and EUR 94.0 million (9M 2019: inflow of EUR 84.1 million) in the first nine months.

Net cash used in financing activities, which also takes into account changes in current loans, totaled EUR -81.1 million in the third quarter of 2020 (Q3 2019: EUR -12.5 million), which also corresponded almost entirely to net cash of EUR -84.6 million (9M 2019: EUR -47.0 million) used in financing activities during the first nine months of the year.

Substantial operating free cash flow of EUR 102 million

The significant cash flow from operating activities, combined with the insubstantial outflow for investments, had a very positive impact on operating free cash flow (operating cash flow less cash flow from investing activities adjusted for cash flows relating to financial assets). In the third quarter, operating free cash flow resulted in a cash inflow of EUR 78.6 million (Q3 2019: EUR 30.8 million). Compared with the prior-year quarter, this corresponds to an increase of EUR 47.8 million. From January to September, ElringKlinger thus generated substantial operating free cash flow of EUR 102.3 million (9M 2019: EUR 110.1 million).

As of September 30, 2020, the ElringKlinger Group had EUR 152.8 million in cash and cash equivalents, including short-term time deposits/securities, and EUR 176.7 million in open, unused credit lines. Thus, ElringKlinger continues to enjoy a substantial liquidity cushion, as a result of which – at the time of preparing this report – no shortages are expected in the foreseeable future, even against the backdrop of the COVID-19 crisis.

Opportunities and Risks

The coronavirus pandemic has had a substantial impact on the global economy during the year to date. After the initial effects had mainly been limited to Asia in the first quarter of 2020, economic life came to a standstill in the second quarter of 2020 in many countries throughout Europe as well as North and South America. Despite all the uncertainties, the third quarter saw a comparatively solid recovery in the global automobile markets, albeit to varying degrees.

Rising infection figures at the beginning of the fourth quarter, particularly in South Asia and Europe as well as North and South America, point to the vulnerability of the globalized world to such pandemics: hospitals are working to capacity in many countries and measures aimed at protecting the population are being tightened again – there is widespread talk of a second wave of infection. A return to strict local, regional, or even national regulations in the individual countries cannot be ruled out, which could have an impact on the economic situation in general and the automotive industry in particular. Thus, overall, there is a heightened risk for the year 2020 as a whole that the economy will not recover as quickly or as well as originally expected.

After the reporting period, ElringKlinger released two announcements on strategic partnerships relating to its fuel cell technology. In this context, the Group will be teaming

up with Airbus for research into hydrogen-based fuel cells for the aviation sector as a stakeholder of a new company to be established for this purpose. In addition, it will collaborate with French automotive supplier Plastic Omnium in the form of a joint venture aimed at unlocking market potential for hydrogen-based fuel cell drive systems to be used primarily in vehicles. Overall, these two alliances – to be concluded in the coming months – illustrate that the risks in this field of business are to be shared with the respective partners as these activities move forward. More importantly, however, they underline the opportunities associated with fuel cell technology as a highly feasible solution that offers significant potential for next-generation mobility of all kind. Additionally, they point to ElringKlinger's ability to unlock this potential as a global player with strong partners at its side.

An assessment of other opportunities and risks for the ElringKlinger Group in respect of the first nine months of 2020 shows that there were no significant changes to the 2019 annual report of the ElringKlinger Group.

The report on opportunities and risks from the 2019 annual report can also be accessed on the website of ElringKlinger at www.elringklinger.de/ar2019/report-on-opportunities-and-risks.

Report on Expected Developments

Outlook – Market and Sector

Long road to recovery expected for world economy

All economic forecasts in the year of the COVID-19 pandemic come with a caveat of significant underlying uncertainty. Although economists revised their expectations upwards in the third quarter compared with the previous quarter due to the resurgence of positive economic momentum, the recent rise in infection figures in many regions have heightened the risk of a further sharp decline.

In its latest World Economic Outlook of October 2020, the International Monetary Fund (IMF) predicted a 4.4% decline in global gross domestic product for 2020 as a whole. According to the report, only China is having a positive impact on the overall economic picture, with growth of just under two percent. The US economy is expected to contract at a less pronounced rate than the eurozone in 2020, while a more dynamic increase in gross domestic product is expected in the eurozone next year. In 2021, all regions are expected to grow again on the basis of the sluggish previ-

GDP growth projections

Year-on-year change in %	2019	Projections 2020	Projections 2021
World	2.8	-4.4	5.2
Advanced economies	1.7	-5.8	3.9
Emerging and developing countries	3.7	-3.3	6.0
Germany	0.6	-6.0	4.2
Eurozone	1.3	-8.3	5.2
USA	2.2	-4.3	3.1
Brazil	1.1	-5.8	2.8
China	6.1	1.9	8.2
India	4.2	-10.3	8.8
Japan	0.7	-5.3	2.3

Source: IMF (Oct. 2020)

ous year. Overall, however, the recovery of the global economy is expected to be a protracted affair.

Outlook for global vehicle markets in 2020

The 2020 automotive year is dominated to a large extent by the adverse effects of the coronavirus pandemic. On the basis of the year to date and expectations for the fourth quarter, a significant year-on-year decline is expected both for the international passenger car markets and for light vehicle production in the individual regions. According to estimates by the IHS research institute, global production of light vehicles (cars and light commercial vehicles) will fall by 16.0 million or 18 % to 73.0 million units in 2020. A moderate decline of 2.7 % year on year is anticipated for the fourth quarter of 2020.

The German industry association VDA anticipates a similar trend with regard to new registrations and sales markets. For the year as a whole, it expects the global passenger car market to contract by 17 % to 65.9 million new vehicles (2019: 79.5 million). Here, too, the assumption is that the recovery will continue in the remaining quarter. Europe is expected to see a 24 % decline, taking the figure to 12.0 million newly registered passenger cars. The slump in the USA (-18 % to 13.9 million light vehicles) and China (-10 % to 19.0 million cars) is expected to be less severe.

The commercial vehicle markets have been hit even harder by the COVID-19 crisis. According to the VDA, worldwide sales of commercial vehicles (> 6 t) will decline by 24 % to 2.6 million units. The US market is expected to shrink by 40 % and Western Europe by 35 %. In Germany the decline is likely to be 29 %.

Light vehicle production

Vehicles (millions)	2019	Projections 2020	Change in %	Projections 2021
Region				
Europe	21.1	16.4	-23 %	19.0
China ¹	24.7	22.8	-7 %	24.2
Japan/Korea	13.1	11.1	-15 %	11.8
Middle East/Africa	2.0	1.7	-17 %	1.9
North America	16.3	13.0	-20 %	15.9
South America	3.3	2.3	-30 %	3.0
South Asia	8.4	5.7	-32 %	7.3
World	88.9	73.0	-18 %	83.1

¹ Greater China
Source: IHS (Oct. 2020)

Outlook – Company

The coronavirus pandemic has maintained its grip on the world. After the first two quarters, which were marked by the spread of the virus first in Asia (first quarter) and then in Europe as well as North and South America (second quarter), the third quarter saw a recovery in the three key automobile markets of China, Europe, and North America, albeit to different degrees. The second wave of infection, which has been particularly evident in Europe and North America since the beginning of October, has caused many countries to return to more far-reaching protective measures, which may also have an impact on economic activity in the further course of the year.

Improvement in order intake during third quarter

The recovery seen during the third quarter of 2020 also had a positive impact on the Group's order book: while order intake had slumped by 54 % year on year in the second quarter of 2020, it exceeded the prior-year figure of EUR 437.6 million in the period from July to September 2020 (adjusted for currencies) – standing at EUR 458.7 million. This corresponds to growth of 4.8 %. Excluding the comparatively strong effects of currency translation, however, this period saw a decline of 3.2 %, pushing the figure down to EUR 423.6 million.

The situation with regard to order backlog was similar: based on the assumption of stable exchange rates, it totaled EUR 1,020.7 million as of September 30, 2020, which is comparable to the figure of EUR 1,068.7 million recorded in the previous year. Factoring in currency movements, order backlog amounted to EUR 971.8 million, which represents a decline of 9.1 %.

Continued uncertainty amid second wave of infection

While an improvement in the pandemic's trajectory during the summer may have pointed to a clear and steady trend for the ensuing months, fall has seen higher rates of infection and a second wave of the pandemic in Europe and North America, in particular, as a result of which the fourth quarter of 2020 is likely to be influenced by significant uncertainty. In the course of preparing this report, many states have again stepped up their protective measures and in some cases restricted economic activity, while making every effort to avoid complete lockdowns similar to those seen during the spring. Regionally, stricter measures, including temporary closures, cannot be ruled out at the time

of compiling this report. The repercussions of such measures will also be felt throughout the car markets. Against this backdrop, it is indeed possible that recovery may be interrupted.

Outlook 2020: revenue slightly better than market, EBIT margin before exceptional factors down visibly year on year

Given the uncertainties outlined above mean, it is still not possible to make a sufficiently reliable estimate of developments in the fourth quarter and thus the remainder of the year. As regards fiscal 2020 as a whole, ElringKlinger still anticipates that the change in revenue in organic terms will be slightly better than the figure relating to global automobile production. In this context, experts from the industry institute IHS currently estimate a year-on-year decline of 18 % in production output for the annual period as a whole.

In terms of earnings, the Group is again anticipating an EBIT margin (earnings before interest and taxes relative to Group revenue) that is visibly lower than in the previous year. This does not include potential compensation in the low to mid double-digit million euro range from the strategic partnership with Airbus. This agreement is scheduled to be closed in the course of this year.

As depreciation/amortization of purchase price allocations (PPA) is not expected to exceed EUR 0.3 million for the full year, this item is no longer presented separately.

The Group also continues to assume that in 2020 the return on total capital employed (ROCE) will be lower than in the previous year.

Targeting positive operating free cash flow

The first three quarters have shown that the global program aimed at raising efficiency levels is taking effect, regardless of the COVID-19 crisis. The Group has maintained its disciplined approach to capital expenditure on property, plant, and equipment as well as investment property. Relative to Group revenue, the overall volume will amount to 5 % at most in the annual period as a whole. The approach taken with regard to optimizing net working capital will also be maintained. Taking into account the expected decline in revenue, the ratio (in % of Group revenue) for the 2020 financial year is expected to be approximately the same as in the previous year. Overall, the Group will be looking to record positive operating free cash flow for 2020.

Despite the expected positive operating free cash flow, it is unlikely that the net debt ratio (net financial liabilities in relation to EBITDA) will improve further in view of the anticipated earnings situation. Instead, the Group anticipates a deterioration compared to the prior-year figure of 3.3.

With regard to the equity ratio, the Group expects to remain within the medium-term target range of 40 % to 50 % of total capital.

The Group expects research and development costs, including capitalization, to account for around 5 to 6 % of consolidated revenue.

Mid-term outlook

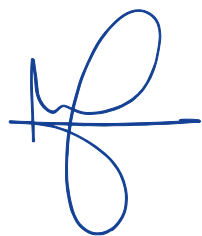
Despite the challenging factors currently driving the business environment in which ElringKlinger operates, the company considers itself to be well positioned in the medium to long term. ElringKlinger was quick off the mark in its efforts to embrace the transition towards e-mobility with compo-

nents engineered specifically for battery and fuel cell systems. Moreover, it has recently concluded groundbreaking agreements in the field of fuel cell technology. The Group has entered into a strategic partnership with Airbus for the purpose of evolving fuel cell technology in the field of aviation. At the same time, ElringKlinger has agreed an alliance with Plastic Omnium in order to co-shape the future of hydrogen-based mobility, the focus being on the vehicle sector. Additionally, the Group has a strong market position centered around its long-standing Lightweighting/Elastomer Technology, Shielding Systems, and Gaskets divisions. Provided the coronavirus pandemic does not take an abrupt and unforeseen route, ElringKlinger essentially continues to take the view that it will outpace global vehicle production growth at an organic level.

Overall, therefore, the Group can confirm its medium-term outlook. However, the exceptional consequences of the coronavirus pandemic still have to be taken into account, especially in the reporting periods that are approaching.

Dettingen/Erms, November 10, 2020

The Management Board



Dr. Stefan Wolf
CEO



Theo Becker



Thomas Jessulat



Reiner Drews

ElringKlinger and the Capital Markets

Positive quarterly performance for stock markets despite higher COVID-19 infection rates

Share prices were propelled forward by a combination of several factors over the course of the third quarter. They include an agreement within the EU on the creation of a recovery fund of EUR 750 billion, the sustained economic upturn in China, a policy shift by the US Federal Reserve that includes an average inflation target of 2 %, and favorable news concerning potential COVID-19 vaccines. This contrasted with the announcement of new restrictions in response to rising coronavirus infection rates that continued to hold equity markets in suspense. Persistently weak economic growth data, the depreciation of the US dollar against the euro, and increasingly tense relations between the United States and China also exerted downward pressure on stock markets.

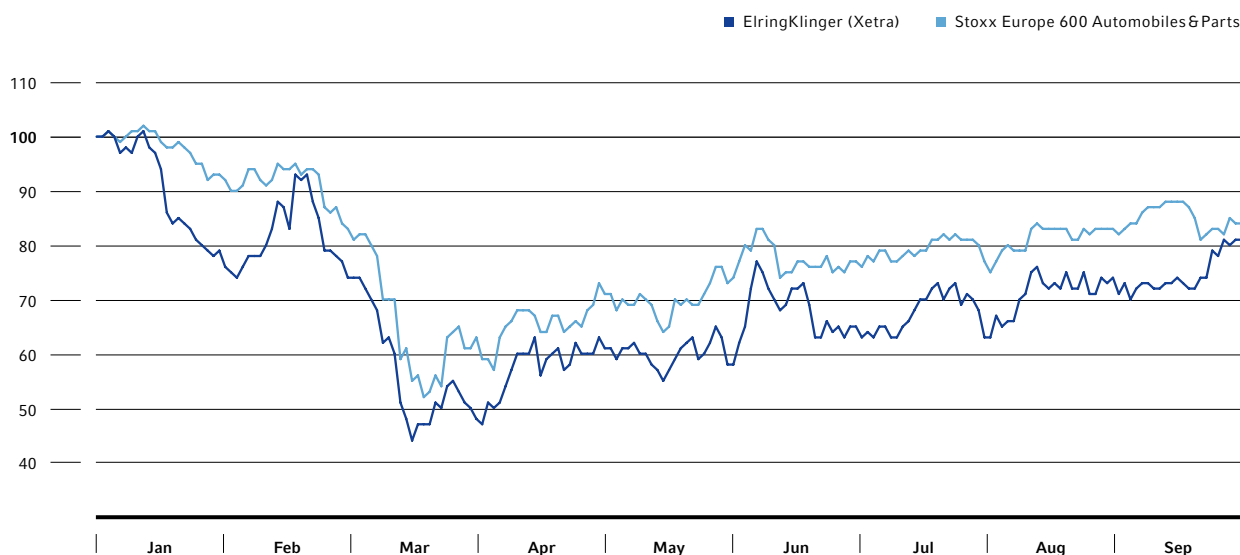
Against this backdrop, Germany's equity markets managed to recover during the third quarter and emerge from the annual lows recorded in mid-March. Compared to the beginning of the year, however, they still remained in negative territory (DAX -3.7 %, MDAX -4.6 %, SDAX -0.2 %). The European index of supersector leaders, the Euro-Stoxx-50, was down by around 15 % on the figure recorded at the beginning of the year, while the Dow Jones index in the United States trended almost 3 % lower.

ElringKlinger stock on road to recovery

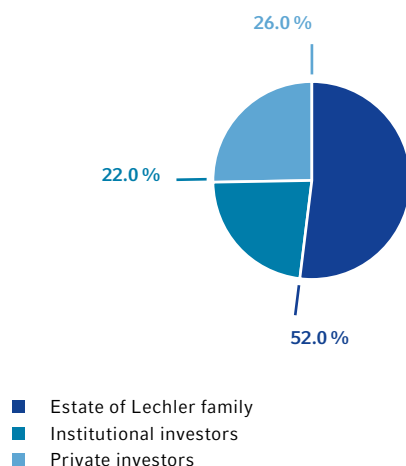
Having already increased by more than one-third in the second quarter, ElringKlinger's stock gained almost 25 % in value over the course of the third quarter, thus offsetting another part of the heavy losses seen during the first quarter. The company's share price initially fluctuated between

ElringKlinger's share price performance from Jan. 1 to Sept. 30, 2020 (indexed)

in %



Shareholder structure as of September 30, 2020



five and six euros in July, before breaching the threshold of six euros in the days following the presentation of ElringKlinger's quarterly results in August. The company's stock then continued to move sideways in the subsequent weeks. At the end of September, the share price rose sharply yet again, boosted among other factors by the company's participation in a major conference. As of September 30, 2020, ElringKlinger's stock stood at EUR 6.60, which also marked its quarterly high.

Strong trading volume in first nine months

The trading volume of ElringKlinger's stock was up considerably on the prior-year figure, with an average of 147,600 units traded per stock exchange day during the first nine months of 2020 (9M 2019: 96,800 units). The average daily value of ElringKlinger shares traded on German stock exchanges was around EUR 0.8 million (9M 2019: around EUR 0.6 million). This also ensured consistently high levels of liquidity for relatively large share transactions to be concluded during this period.

Capital market communication in times of COVID-19

ElringKlinger again presented its business case to an international audience as part of several virtual conferences held over the course of the third quarter. Against the background of the coronavirus pandemic and in response to official restrictions, the Group also hosted this year's Annual General Meeting on July 7, 2020, as a virtual event. Around 60 % of the voting share capital was represented. The resolutions and election proposals submitted for voting were adopted by a large majority of shareholders, the actions of the Management Board and Supervisory Board were approved with 97 % of the votes cast in each case, and Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was re-appointed as auditor.

ElringKlinger Stock (ISIN DE0007856023/WKN 785 602)

	Jan. – Sep. 2020	Jan. – Sep. 2019
Number of shares outstanding	63,359,990	63,359,990
Share price (daily price in EUR) ¹		
High	8.22	8.11
Low	3.61	4.42
Closing price ²	6.60	6.36
Average daily trading volume (German stock exchanges; volume of shares traded)	147,600	96,800
Average daily trading value (German stock exchanges; in EUR)	837,100	578,200
Market capitalization (EUR millions) ^{1,2}	418.2	403.0

¹ Xetra trading

² as of Sep. 30

Group Income Statement

of ElringKlinger AG, January 1 to September 30, 2020

EUR k	3 rd Quarter 2020	3 rd Quarter 2019	9 months 2020	9 months 2019
Sales revenue	381,154	431,909	1,029,573	1,307,117
Cost of sales	-296,321	-340,129	-834,413	-1,043,602
Gross profit	84,833	91,780	195,160	263,515
Selling expenses	-25,464	-32,610	-80,661	-102,923
General and administrative expenses	-19,246	-21,272	-57,069	-66,233
Research and development costs	-13,558	-16,148	-45,890	-55,880
Other operating income	1,948	2,067	6,210	7,623
Other operating expenses	-9,599	-3,483	-15,234	-9,197
Operating result/EBIT	18,914	20,334	2,516	36,905
Finance income	6,877	12,235	26,515	22,214
Finance costs	-14,679	-15,270	-46,874	-34,142
Share of result of associates	-1,955	-1,964	-5,511	-2,769
Net finance costs	-9,757	-4,999	-25,870	-14,697
Earnings before taxes	9,157	15,335	-23,354	22,208
Income tax expense	-6,287	-8,155	-7,685	-24,841
Net income	2,870	7,180	-31,039	-2,633
of which: attributable to non-controlling interests	-556	463	-961	752
of which: attributable to shareholders of ElringKlinger AG	3,426	6,717	-30,078	-3,385
Basic and diluted earnings per share in EUR	0.05	0.11	-0.47	-0.05

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to September 30, 2020

EUR k	3 rd Quarter 2020	3 rd Quarter 2019	9 months 2020	9 months 2019
Net income	2,870	7,180	-31,039	-2,633
Currency translation difference	-7,914	3,131	-33,758	8,093
Share of other comprehensive income of associates	18	-27	273	-37
Gains and losses that can be reclassified to the income statement in future periods	-7,896	3,104	-33,485	8,056
Gains and losses that cannot be reclassified to the income statement in future periods	0	0	0	0
Other comprehensive income after taxes	-7,896	3,104	-33,485	8,056
Total comprehensive income	-5,026	10,284	-64,524	5,423
of which: attributable to non-controlling interests	-706	638	-1,030	1,117
of which: attributable to shareholders of ElringKlinger AG	-4,320	9,646	-63,494	4,306

Group Statement of Financial Position

of ElringKlinger AG, as at September 30, 2020

EUR k	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
ASSETS			
Intangible assets	208,175	208,149	196,131
Property, plant and equipment	971,590	1,043,736	1,059,882
Investment property	3,444	3,263	3,486
Financial assets	3,548	3,551	3,557
Shares in associates	18,468	23,706	20,468
Non-current income tax assets	298	295	147
Other non-current assets	3,947	5,420	8,197
Deferred tax assets	21,982	14,964	12,718
Contract performance costs	5,294	9,428	9,301
Non-current contract assets	656	1,512	526
Non-current assets	1,237,402	1,314,024	1,314,413
Inventories	317,349	356,477	386,508
Current contract assets	9,120	10,891	8,622
Trade receivables	226,804	233,231	266,043
Current income tax assets	6,009	7,739	8,224
Other current assets	75,331	88,683	89,590
Cash and cash equivalents	142,540	135,450	106,827
Current assets	777,153	832,471	865,814
Assets held for sale	0	0	19,024
	2,014,555	2,146,495	2,199,251

EUR k	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2019
LIABILITIES AND EQUITY			
Share capital	63,360	63,360	63,360
Capital reserves	118,238	118,238	118,238
Revenue reserves	695,050	725,128	717,675
Other reserves	-85,902	-52,486	-41,871
Equity attributable to the shareholders of ElringKlinger AG	790,746	854,240	857,402
Non-controlling interest in equity	34,987	36,980	38,111
Equity	825,733	891,220	895,513
Provisions for pensions	149,004	148,215	126,248
Non-current provisions	17,807	18,503	21,087
Non-current financial liabilities	493,115	570,416	560,193
Non-current contract liabilities	8,885	11,997	13,502
Deferred tax liabilities	13,912	16,168	17,796
Other non-current liabilities	7,941	8,204	8,371
Non-current liabilities	690,664	773,503	747,197
Current provisions	15,334	17,713	11,873
Trade payables	136,879	157,119	165,509
Current financial liabilities	172,054	160,307	228,178
Current contract liabilities	30,188	19,995	17,342
Tax payable	18,669	17,060	19,745
Other current liabilities	125,034	109,578	113,894
Current liabilities	498,158	481,772	556,541
	2,014,555	2,146,495	2,199,251

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to September 30, 2020

EUR k	Share capital	Capital reserves	Revenue reserves
Balance as of Dec. 31, 2018	63,360	118,238	721,060
Dividend distribution			
Total comprehensive income			-3,385
Net income			-3,385
Other comprehensive income			
Balance as of Sep. 30, 2019	63,360	118,238	717,675
Balance as of Dec. 31, 2019	63,360	118,238	725,128
Dividend distribution			
Total comprehensive income			-30,078
Net income			-30,078
Other comprehensive income			
Balance as of Sep. 30, 2020	63,360	118,238	695,050

Other reserves					
Remeasurement of defined benefit plans	Equity impact of controlling interests	Currency translation differences	Equity attributable to the shareholders of ElringKlinger AG	Non-controlling interests in equity	Group equity
-37,316	-422	-11,824	853,096	37,014	890,110
			0	-20	-20
		7,691	4,306	1,117	5,423
			-3,385	752	-2,633
		7,691	7,691	365	8,056
-37,316	-422	-4,133	857,402	38,111	895,513
-52,909	-422	845	854,240	36,980	891,220
			0	-963	-963
		-33,416	-63,494	-1,030	-64,524
			-30,078	-961	-31,039
		-33,416	-33,416	-69	-33,485
-52,909	-422	-32,571	790,746	34,987	825,733

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to September 30, 2020

EUR k	3 rd Quarter 2020	3 rd Quarter 2019	9 months 2020	9 months 2019
Earnings before taxes	9,157	15,335	-23,354	22,208
Depreciation/amortization (less write-ups) of non-current assets	30,067	29,506	91,343	86,693
Net interest	5,035	5,063	12,641	14,222
Change in provisions	-494	2,436	-2,144	2,717
Gains/losses on disposal of non-current assets	-72	131	364	651
Share of result of associates	1,955	1,964	5,511	2,769
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	-6,479	19,502	43,652	24,485
Change in trade payables and other liabilities not resulting from financing and investing activities	42,268	3,924	8,417	79,712
Income taxes paid	-3,027	-5,798	-16,058	-19,394
Interest paid	-5,269	-6,129	-12,065	-13,116
Interest received	184	310	686	536
Other non-cash expenses and income	5,114	-7,413	21,805	-11,564
Net cash from operating activities	78,439	58,831	130,798	189,919
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	17,409	135	17,516	3,416
Proceeds from disposals of financial assets	343	1,011	1,388	3,614
Payments for investments in intangible assets	-2,100	-2,781	-8,189	-8,356
Payments for investments in property, plant and equipment and investment property	-15,142	-25,370	-37,871	-74,868
Payments for investments in financial assets	-118	-1,524	-3,180	-6,591
Net cash from investing activities	392	-28,529	-30,336	-82,785
Dividends paid to shareholders and to non-controlling interests	0	0	-963	-20
Proceeds from the addition of long-term loans	35,505	2,935	64,251	170,148
Payments for the repayment of long-term loans	-93,975	-18,118	-158,250	-86,094
Change in current loans	-22,589	2,733	10,338	-131,072
Net cash from financing activities	-81,059	-12,450	-84,624	-47,038
Changes in cash	-2,228	17,852	15,838	60,096
Effects of currency exchange rates on cash	-3,063	880	-8,748	1,417
Cash at beginning of period	147,831	88,095	135,450	45,314
Cash at end of period	142,540	106,827	142,540	106,827

Group Sales Revenue

of ElringKlinger AG, January 1 to September 30, 2020

Sales revenue by regions

EUR k	3 rd Quarter 2020	3 rd Quarter 2019	9 months 2020	9 months 2019
Germany	82,673	96,531	238,273	300,960
Rest of Europe	112,752	119,672	300,037	384,827
North America	101,638	115,422	260,872	333,959
Asia-Pacific	70,351	80,270	191,986	227,875
South America and rest of the world	13,740	20,014	38,405	59,496
Group	381,154	431,909	1,029,573	1,307,117

Sales revenue by segments

EUR k	3 rd Quarter 2020	3 rd Quarter 2019	9 months 2020	9 months 2019
Lightweighting/Elastomer Technology	111,305	125,321	295,244	375,899
Shielding Technology	77,857	101,190	206,693	299,729
Specialty Gaskets	70,768	75,288	181,802	232,896
Cylinder-head Gaskets	39,096	43,502	101,042	138,350
E-Mobility	5,484	4,580	17,616	19,390
Exhaust Gas Purification	1,839	2,594	5,539	7,760
Other	2	502	42	948
Segment Original Equipment	306,350	352,977	807,978	1,074,972
Segment Aftermarket	47,300	45,247	138,591	130,865
Segment Engineered Plastics	26,781	30,144	79,472	91,025
Sale of goods	380,431	428,368	1,026,041	1,296,862
Others	723	2,378	3,532	6,850
Revenue from contracts with customers	381,154	430,746	1,029,573	1,303,712
Income from rental and leasehold	0	1,163	0	3,405
Group	381,154	431,909	1,029,573	1,307,117

Segment Reporting

of ElringKlinger AG, July 1 to September 30, 2020

Segment	Original Equipment		Aftermarket		Engineered Plastics	
	3 rd Quarter 2020	3 rd Quarter 2019	3 rd Quarter 2020	3 rd Quarter 2019	3 rd Quarter 2020	3 rd Quarter 2019
EUR k						
External revenue	306,350	352,977	47,300	45,247	26,781	30,144
Intersegment revenue	5,593	6,623	0	0	7	26
Segment revenue	311,943	359,600	47,300	45,247	26,788	30,170
EBIT¹/Operating result	4,282	6,411	9,558	8,491	4,542	4,934
Depreciation and amortization	-26,818	-26,195	-985	-1,102	-1,743	-1,676
Capital expenditures ²	17,517	32,981	516	1,348	1,428	1,045

January 1 to September 30, 2020

Segment	Original Equipment		Aftermarket		Engineered Plastics	
	9 months 2020	9 months 2019	9 months 2020	9 months 2019	9 months 2020	9 months 2019
EUR k						
External revenue	807,978	1,074,972	138,591	130,865	79,472	91,025
Intersegment revenue	17,697	16,574	0	0	13	56
Segment revenue	825,675	1,091,546	138,591	130,865	79,485	91,081
EBIT¹/Operating result	-36,523	3,163	30,019	22,495	9,290	10,693
Depreciation and amortization	-81,827	-77,331	-2,879	-2,604	-5,100	-4,917
Capital expenditures ²	54,750	86,737	1,591	2,949	3,131	4,937

¹ Earnings before interest and taxes

² Investments in intangible assets and property, plant and equipment and investment property

Other		Consolidation		Group	
3 rd Quarter 2020	3 rd Quarter 2019	3 rd Quarter 2020	3 rd Quarter 2019	3 rd Quarter 2020	3 rd Quarter 2019
723	3,541	0	0	381,154	431,909
1,789	2,003	-7,389	-8,652	0	0
2,512	5,544	-7,389	-8,652	381,154	431,909
532	498	0	0	18,914	20,334
-521	-533	0	0	-30,067	-29,506
11,793	761	0	0	31,254	36,135

Other		Consolidation		Group	
9 months 2020	9 months 2019	9 months 2020	9 months 2019	9 months 2020	9 months 2019
3,532	10,255	0	0	1,029,573	1,307,117
5,550	5,603	-23,260	-22,233	0	0
9,082	15,858	-23,260	-22,233	1,029,573	1,307,117
-270	554	0	0	2,516	36,905
-1,537	-1,841	0	0	-91,343	-86,693
12,144	1,541	0	0	71,616	96,164

Notes to the Third Quarter and First Nine Months of 2020

General Information

ElringKlinger AG is an exchange-listed stock corporation headquartered in Dettingen/Erms, Germany.

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of September 30, 2020, have been prepared on the basis of IAS 34 (Interim Financial Reporting). The interim financial statements conform with the International Financial Reporting Standards (IFRS), including the Interpretations issued by the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union.

As the consolidated interim financial statements are presented in a condensed format, the financial statements as of September 30, 2020, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of September 30, 2020, have been neither audited nor reviewed in any way by an independent auditor.

They were authorized for issue based on a resolution passed by the Management Board on November 10, 2020.

Basis of reporting

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of September 30, 2020, include the financial statements of 6 domestic and 32 foreign entities in which ElringKlinger AG holds more than 50 % of the interests, either directly or indirectly, or over which, for other reasons, it has the power to govern the financial and operating policies. Inclusion in the consolidated group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

The interests held in hofer AG, Nürtingen, Germany, totaling 24.71 % have been accounted for as an associate in non-current Group assets, as ElringKlinger has significant influence over the entity's operating and financial policies. A significant influence over an associate is presumed to exist if an entity holds 20 % to 50 % of the voting power of the investee.

There were no changes in the scope of consolidation compared with the consolidated financial statements as of December 31, 2019.

Segment reporting

The Group has decided to make changes to its segment structure. As from January 1, 2020, the segments formerly referred to as "Services" and "Industrial Parks" have been combined within the segment classified as "Others."

Exchange rates

Exchange rates developed as follows:

Currency	Abbr.	Closing rate		Average rate	
		Sep. 30, 2020	Dec. 31, 2019	Jan. – Sep. 2020	Jan. – Dec. 2019
US dollar (USA)	USD	1.17080	1.12340	1.12990	1.11945
Pound (United Kingdom)	GBP	0.91235	0.85080	0.88585	0.87587
Swiss franc (Switzerland)	CHF	1.08040	1.08540	1.06854	1.11114
Canadian dollar (Canada)	CAD	1.56760	1.45980	1.53174	1.48221
Real (Brazil)	BRL	6.63080	4.51570	5.83326	4.41745
Mexican peso (Mexico)	MXN	26.18480	21.22020	24.82808	21.60815
RMB (China)	CNY	7.97200	7.82050	7.89464	7.72366
WON (South Korea)	KRW	1,368.51000	1,296.28000	1,357.39667	1,303.16917
Rand (South Africa)	ZAR	19.70920	15.77730	19.05370	16.17013
Yen (Japan)	JPY	123.76000	121.94000	120.99667	121.95917
Forint (Hungary)	HUF	365.53000	330.53000	350.85444	325.75167
Turkish lira (Turkey)	TRY	9.09900	6.68430	7.74138	6.35774
Leu (Romania)	RON	4.87250	4.78300	4.83290	4.75011
Indian rupee (India)	INR	86.29900	80.18700	83.75876	78.77538
Indonesian rupiah (Indonesia)	IDR	17,497.84000	15,595.60000	16,623.15556	15,800.49750
Bath (Thailand)	THB	37.07900	33.41500	35.71178	34.59233
Swedish krona (Sweden)	SEK	10.57130	10.44680	10.57791	10.58238

Significant events and business transactions

At the beginning of the year, the COVID-19 pandemic spread first in China and subsequently worldwide.

The first quarter saw an initial downturn in revenues in China as a result of the coronavirus crisis. This was followed in the second quarter by a global market slump that contributed to a severe decline in revenues for ElringKlinger. The noticeable recovery experienced by markets over the course of the third quarter also proved beneficial to ElringKlinger, as reflected in a marked upturn in revenues. By September, revenue had almost returned to its pre-crisis level. Overall, the dramatic slump in global markets had an adverse effect on the financial performance, financial position, and cash flows of the ElringKlinger Group in the first nine months of the year.

Please refer to our comments in the interim management report for details of expected further developments relating to the COVID-19 pandemic.

Estimates and decisions made on the basis of judgment may have an impact on the amount of assets and liabilities recognized. Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these are subject to heightened uncertainty. When updating the estimates and judgment-based decisions, information available in respect of expected economic trends and country-specific measures with regard to the COVID-19 pandemic were taken into account. This information was applied in the context of impairment considerations as part of quarterly reporting and did not result in extraordinary impairment losses with regard to assets. ElringKlinger currently anticipates that this event will be of a temporary nature. Due to the volatile market environment, regular scenario analyses are being conducted.

Disclosures relating to financial instruments

This section provides a comprehensive overview of the significance of financial instruments and offers additional information on line items of the statement of financial position containing financial instruments. There was no offsetting of financial instruments recognized by the company.

The following table shows the carrying amounts (CA) and fair values (FV) of financial assets:

EUR k	Cash	Trade receivables	Other current assets	Derivatives	Non-current securities		Other financial investments		Total
	CA	CA	CA	CA	CA	FV	CA	FV	CA
as of Sep. 30, 2020									
Financial assets measured at amortized cost	142,540	226,804	18,649	0	1,438	1,414	2,008	2,008	391,439
Financial assets measured at fair value through profit or loss	0	0	0	4,647	0	0	0	0	4,647
Financial assets measured at fair value through other comprehensive income	0	0	0	0	95	95	8	8	103
Total	142,540	226,804	18,649	4,647	1,533	1,509	2,016	2,016	396,189
as of Dec. 31, 2019									
Financial assets measured at amortized cost	135,450	233,231	22,294	0	1,438	1,443	2,008	2,008	394,421
Financial assets measured at fair value through profit or loss	0	0	0	832	0	0	0	0	832
Financial assets measured at fair value through other comprehensive income	0	0	0	0	97	97	8	8	105
Total	135,450	233,231	22,294	832	1,535	1,540	2,016	2,016	395,358

The following table shows the carrying amounts (CA) and fair values (FV) of financial liabilities:

EUR k	Other current liabilities	Current financial liabilities	Current lease liabilities IFRS 16	Trade payables
	CA	CA	CA	CA
as of Sep. 30, 2020				
Financial liabilities measured at amortized cost	46,114	160,042	12,012	136,879
Financial liabilities measured at fair value through profit or loss	0	0	0	0
as of Dec. 31, 2019				
Financial liabilities measured at amortized cost	51,882	149,181	11,049	157,119
Financial liabilities measured at fair value through profit or loss	0	0	0	0

EUR k	Derivatives		Non-current financial liabilities		Non-current lease liabilities IFRS16	Total
	CA	FV	CA	FV	CA	CA
as of Sep. 30, 2020						
Financial liabilities measured at amortized cost	0	0	444,647	559,601	48,468	848,162
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0	0
as of Dec. 31, 2019						
Financial liabilities measured at amortized cost	0	0	534,724	489,862	35,658	939,613
Financial liabilities measured at fair value through profit or loss	1,210	1,210	0	0	0	1,210

The management has ascertained that the carrying amounts of cash, trade receivables, other current assets, trade payables, other current financial liabilities, and other current liabilities largely correspond to their fair values, primarily as a result of the short maturities of these instruments.

Other current assets also include time deposits and securities amounting to EUR 10,266k (Dec. 31, 2019: EUR 8,724k).

ElringKlinger determines the market value of non-current fixed-interest liabilities to banks and derivatives by discounting expected future cash flows with the current prevailing interest rates for similar financial liabilities with comparable residual terms and the company-specific interest rate.

Other current liabilities include a liability of EUR 30,252k (Dec. 31, 2019: EUR 30,252k) that is attributable to a written put option with the non-controlling shareholders of ElringKlinger Marusan Corporation, a company with its registered office in Tokyo, Japan. The obligation arising from this agreement is measured at cost in the amount of the fair value. The fair value is determined on the basis of internal estimates relating to the forecast of the company's performance and the choice of the interest rate used with regard to the liability recognized. A change in the enterprise value by 10 % would result in an increase/decrease in the put option by approx. EUR 3,025k (Dec. 31, 2019: EUR 3,025k).

Financial assets and liabilities measured at fair value are classified into the following three-level fair value hierarchy as of the end of the reporting period of September 30, 2020:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2020			
Financial assets			
Non-current securities	95	0	0
Other financial investments	8	2,008	0
Derivatives*	0	4,647	0
Total	103	6,655	0
Financial liabilities			
Derivatives*	0	0	0
Total	0	0	0
Dec. 31, 2019			
Financial assets			
Non-current securities	97	0	0
Other financial investments	8	0	0
Derivatives*	0	832	0
Total	105	832	0
Financial liabilities			
Derivatives*	0	1,210	0
Total	0	1,210	0

*These are derivatives that do not qualify for hedge accounting.

The following table provides details of the classification of financial assets and liabilities that are not measured at fair value but for which a fair value has been presented, according to the three-level fair value hierarchy as of the end of the reporting period of September 30, 2020:

EUR k	Level 1	Level 2	Level 3
Sep. 30, 2020			
Financial assets			
Non-current securities	1,414	0	0
Other financial investments	0	0	2,008
Total	1,414	0	2,008
Financial liabilities			
Non-current financial liabilities	0	559,601	0
Purchase price liability from written put option	0	0	30,252
Total	0	559,601	30,252
Dec. 31, 2019			
Financial assets			
Non-current securities	1,443	0	0
Other financial investments	0	0	2,008
Total	1,443	0	2,008
Financial liabilities			
Non-current financial liabilities	0	502,152	0
Purchase price liability from written put option	0	0	30,252
Total	0	502,152	30,252

The levels of the fair value hierarchy are defined as follows:

Level 1: Measurement based on quoted prices

Level 2: Measurement based on inputs for the asset or liability that are observable in active markets either directly or indirectly

Level 3: Measurement based on inputs for assets and liabilities not representing observable market data

The assessment as to whether a transfer has occurred between the levels of the fair-value hierarchy with regard to the assets and liabilities carried at fair value is conducted in each case at the end of the reporting period. No transfers occurred in the reporting period under review.

Contingencies and related-party disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2019 were not subject to significant changes in the first nine months of 2020.

Government grants

Other operating income in the first nine months of 2020 includes government grants totaling EUR 2,150k (Sept. 30, 2019: EUR 2,546k). These grants were attributable primarily to development projects.

Events after the reporting period

In October 2020, the Group concluded an agreement with Airbus Operations GmbH, Hamburg, covering a long-term partnership relating to fuel cell technology to be used in aircraft engineering. In this context, a new company is to be established in which ElringKlinger will hold a non-controlling interest. ElringKlinger will provide this company with access to the relevant technology, for which it will receive compensation in the low to mid double-digit million euro range. Additionally, ElringKlinger will supply the new company with the components needed for development activities. The agreement was signed on October 14, 2020. The transaction is subject to the usual legal approvals and is expected to be closed in the fourth quarter of 2020.

On October 28, 2020, ElringKlinger reached an agreement with French automotive supplier Plastic Omnium to establish a joint venture for the purpose of driving forward the development, production, and marketing of fuel cell stacks. ElringKlinger is to hold 60 % and Plastic Omnium 40 % of the interests in the company based in Dettingen, Erms. ElringKlinger will contribute its entire fuel cell portfolio, including employees, know-how, and patents, while Plastic Omnium will invest EUR 100 million in the expansion of capacity levels. Additionally, an agreement was reached under which Plastic Omnium will acquire the Austrian ElringKlinger subsidiary ElringKlinger Fuelcell Systems Austria, Wels, Austria, specializing in fuel cell system solutions, for an enterprise value of EUR 15 million. The two agreements are to be submitted to the anti-trust authorities and are subject to the usual legal provisos. The transaction is expected to be closed in the first quarter of 2021.

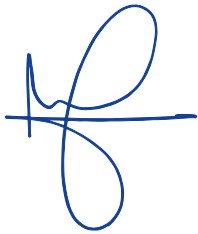
There were no further significant events after the end of the interim reporting period that would necessitate additional explanatory disclosure.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Dettingen/Erms, November 10, 2020

The Management Board



Dr. Stefan Wolf
CEO



Theo Becker



Thomas Jessulat



Reiner Drews

Imprint

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ElringKlinger AG assumes no responsibility for data and statistics originating from third-party publications.

Further information is available at www.elringklinger.com

Disclaimer – Forward-looking Statements and Forecasts

This report contains forward-looking statements. These statements are based on expectations, market evaluations and forecasts by the Management Board and on information currently available to them. In particular, the forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialize. Whilst the Management Board is confident that the statements as well as the opinions and expectations on which they are based are realistic, the aforementioned statements rely on assumptions that may conceivably prove to be incorrect. Future results and circumstances depend on a multitude of factors, risks and imponderables that can alter the expectations and judgments that have been expressed. These factors include, for example, changes to the general economic and business situation, variations of exchange rates and interest rates, poor acceptance of new products and services, and changes to business strategy.

Supplementary Notes

Due to rounding, some of the numbers and percentage figures specified in this document may differ from the actual values, particularly in the case of summation and percentage calculations. For the purpose of readability, we have not used gender specific forms of grammar when referring to general designations of people. Specific terms relate to all people irrespective of gender.

This report was published on November 10, 2020, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar

MARCH 2021

30

Annual Press Conference
Analysts' Meeting

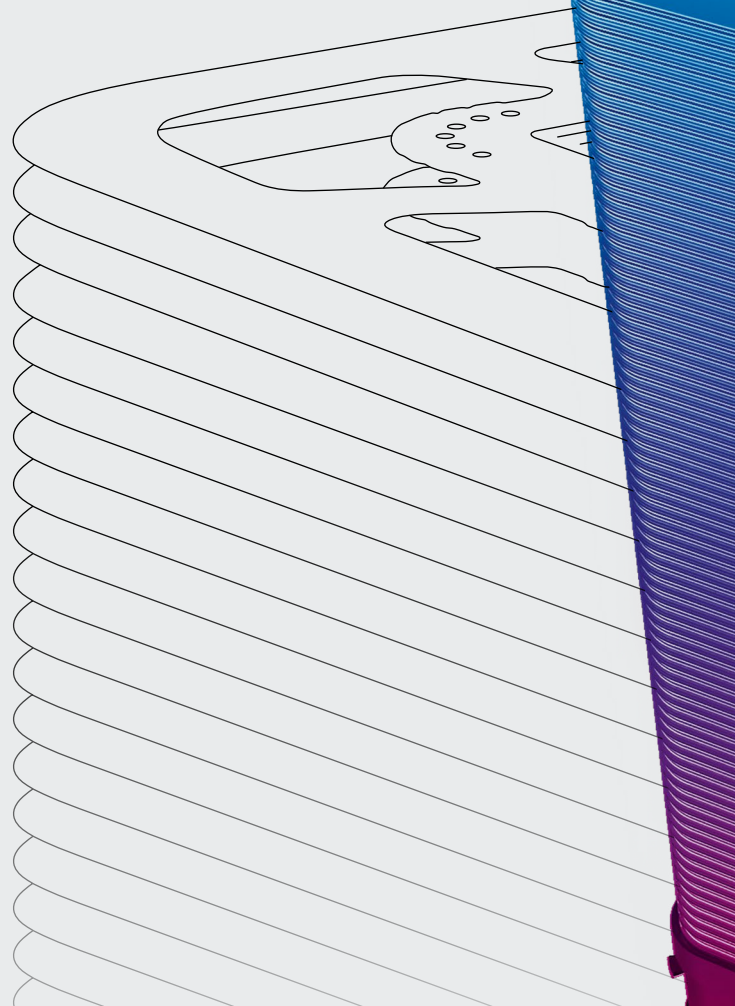
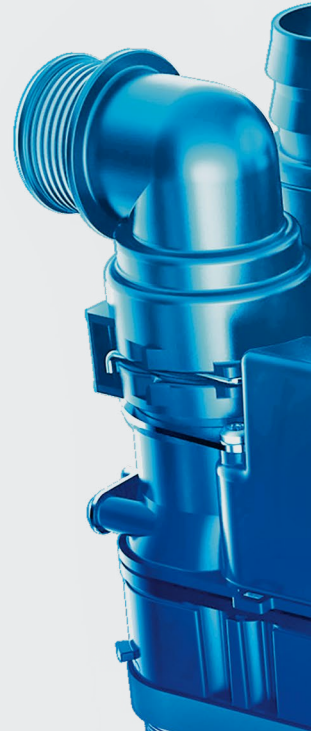
MAY 2021

18

116th Annual General
Shareholders' Meeting

Changes to the above dates cannot be ruled out.

We therefore recommend visiting our website to check specific financial dates at www.elringklinger.de/en/investor-relations/financial-calendar



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