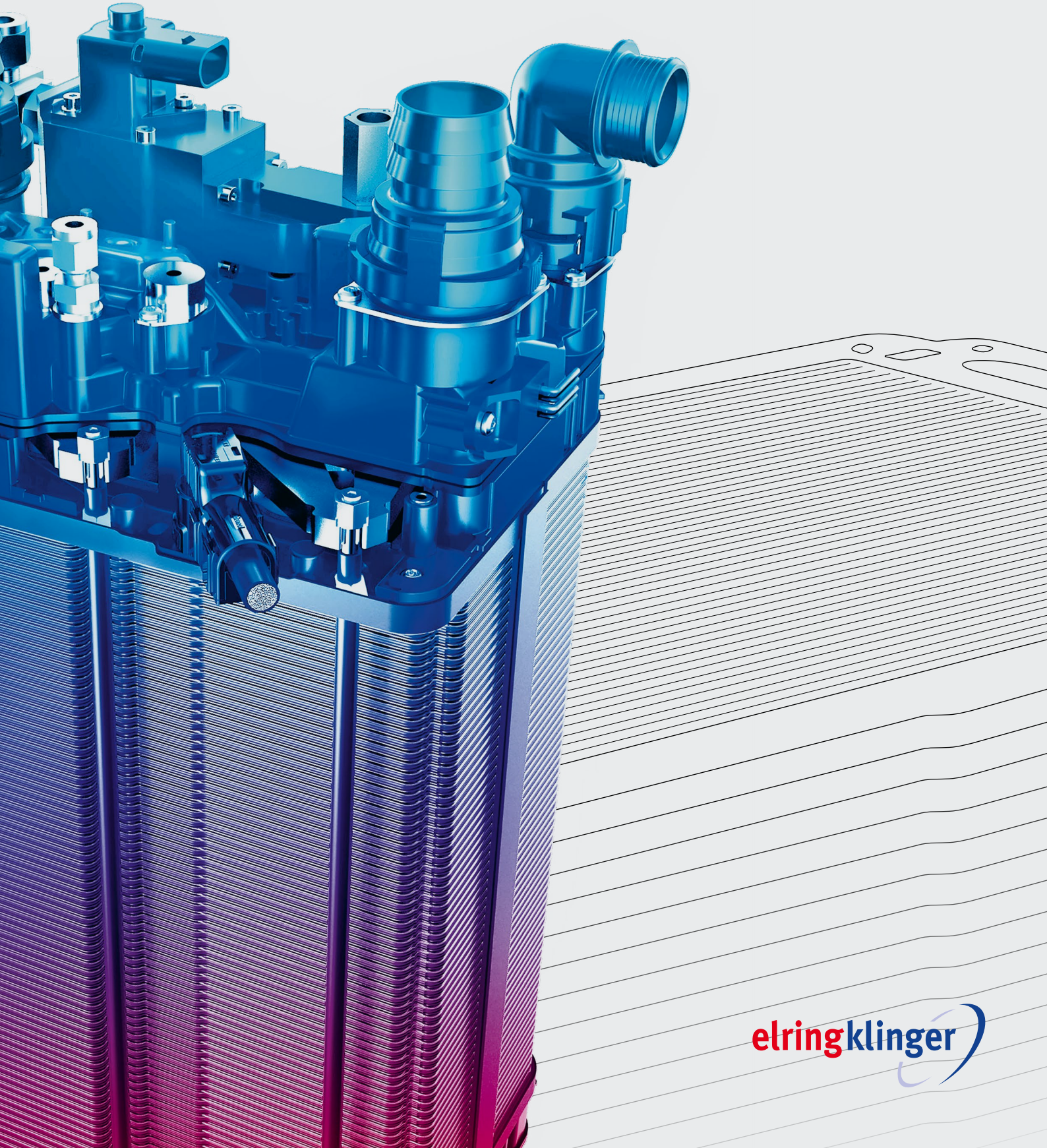


REPORT ON THE 2ND QUARTER AND 1ST HALF 2020



Key figures

ElringKlinger Group

| | | 2 nd Quarter 2020 | 1 st Quarter 2020 | 4 th Quarter 2019 | 3 rd Quarter 2019 | 2 nd Quarter 2019 |
|--|-----------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Order Situation | | | | | | |
| Order intake | € million | 192.6 | 354.9 | 381.5 | 437.6 | 419.8 |
| Order backlog | € million | 929.4 | 989.0 | 1,030.3 | 1,068.7 | 1,063.0 |
| Sales/Earnings | | | | | | |
| Sales revenue | € million | 252.2 | 396.2 | 419.9 | 431.9 | 434.1 |
| Cost of sales | € million | -229.7 | 308.4 | 358.1 | 340.1 | 348.0 |
| Gross profit margin | | 8.9 % | 22.2 % | 14.7 % | 21.3 % | 19.8 % |
| EBITDA | € million | -0.9 | 45.8 | 57.4 | 49.8 | 39.0 |
| EBIT/Operating result | € million | -32.4 | 16.0 | 24.3 | 20.3 | 10.2 |
| EBIT margin | | -12.8 % | 4.0 % | 5.8 % | 4.7 % | 2.3 % |
| Earnings before taxes | € million | -38.7 | 6.2 | 19.5 | 15.3 | 1.5 |
| Net income | € million | -35.5 | 1.6 | 7.6 | 7.2 | -8.7 |
| Net income attributable to shareholders of ElringKlinger AG | € million | -35.5 | 2.0 | 7.5 | 6.7 | -8.6 |
| Cash flow | | | | | | |
| Net cash from operating activities | € million | 39.6 | 12.8 | 87.7 | 58.8 | 119.4 |
| Net cash from investing activities | € million | -14.3 | -16.4 | -1.7 | -28.5 | -22.0 |
| Net cash from financing activities | € million | 22.9 | -26.5 | -56.8 | -12.5 | -72.1 |
| Operating free cash flow ¹ | € million | 25.8 | -2.2 | 65.7 | 30.8 | 98.6 |
| Balance Sheet | | | | | | |
| Balance sheet total | € million | 2,050.4 | 2,091.4 | 2,146.5 | 2,199.3 | 2,174.1 |
| Equity | € million | 830.8 | 872.4 | 891.2 | 895.5 | 885.2 |
| Equity ratio | | 40.5 % | 41.7 % | 41.5 % | 40.7 % | 40.7 % |
| Net debt ² | € million | 579.9 | 603.1 | 595.3 | 681.5 | 699.9 |
| Human Resources | | | | | | |
| Employees (as at end of quarter) | | 9,991 | 10,373 | 10,393 | 10,492 | 10,411 |
| Stock | | | | | | |
| Earnings per share | € | -0.56 | 0.03 | 0.12 | 0.11 | -0.14 |

¹ Net cash from operating activities minus 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 half of 2020 in brief

- **Coronavirus pandemic** has severe impact on business performance in second quarter of 2020; global automobile production shrinks by 45 % in second quarter of 2020 and by 33 % in first half of 2020; all regions affected
- **Group revenue** develops better than vehicle market as a whole; revenues generated by ElringKlinger Group fall by 41.9 % to EUR 252.2 million in second quarter and by 25.9 % to EUR 648.4 million in first half of 2020; revenues down markedly in Europe and North America
- **Segments** Original Equipment worst hit by market downturn, while Aftermarket records strong first half
- **Group EBIT** at EUR -32.4 million in second quarter and EUR -16.4 million in first half; negative effect of COVID-19 crisis cushioned by efficiency enhancement program and strict cost discipline
- **Operating free cash flow** in positive territory at EUR 25.8 million in second quarter of 2020 despite market slump; EUR 23.6 million in first half; liquidity remains high as of June 30, 2020; disciplined approach to investing activities continues
- **Net debt** scaled back further to EUR 579.9 million as of June 30, 2020, after EUR 595.3 million at year-end 2019; equity ratio at 40.5 %
- **Order books** reflect market conditions; adjusted for currency effects, order intake down by 51.5 % in second quarter to EUR 192.6 million; order backlog falls by 12.6 % compared to prior-year quarter
- **Outlook 2020** unchanged on Q1 report: revenue slightly better than market and EBIT margin down visibly year on year

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BATTERY SHIELD

Temperature management plays a particularly important role in the field of e-mobility. This stainless steel battery shield reliably protects the environment of the lithium-ion battery from potential thermal chain reactions. Read more in our article »The best of both worlds« in »pulse« magazine.

Macroeconomic Conditions and Business Environment

World economy nosedives in second quarter amid coronavirus pandemic

Global economic activity weakened dramatically in the first half of 2020 due to the coronavirus pandemic. The year had initially started with subdued global economic growth. However, the rapid worldwide spread of the coronavirus prompted containment measures by governments at an international level from March 2020 onwards, with far-reaching negative effects on the global economy. January and February initially saw production and trade stoppages in individual regions of China. From mid-February, the virus spread to Europe and, with a slight delay, to the Americas.

State-imposed infection control measures such as social distancing and curfews or border and shop closures immediately led to global economic upheaval across many sectors. Industry was faced with national shutdowns and interruptions in production. In order to limit the direct damage to the economy, governments responded swiftly with substantial financial aid and economic stimulus packages. Central banks supported these measures with additional bond purchases and interest rate cuts.

The situation in China returned to normal as early as mid-February. For the majority of European countries, however, the fallout from the pandemic became more pronounced mainly from the end of March onwards. As from May, there were gradual and regionally varying signs of easing, with the result that economic activity in the eurozone slowly picked up again. In the United States, on the other hand, the pandemic woes intensified in some states during the second quarter. Overall, the country recorded a dramatic rise in unemployment and a decline in private consumption. South America, India, and Africa were also heavily affected by the spread of the coronavirus in the second quarter.

Global car markets hit hard by corona crisis

Having already weakened noticeably in the first few months of 2020 as a result of the economic slowdown, especially in Europe, and the first effects of the coronavirus in Asia, mainly in China, global automobile markets slumped severely from April onwards due to the spread of COVID-19.

Car sales came to a complete standstill in a number of regions during state-imposed lockdowns. The high level of uncertainty as to the future scale of the crisis and potential sup-

GDP growth projections

| Year-on-year change in % | 4 th quarter 2019 | 1 st quarter 2020 | 2 nd quarter 2020 ¹ |
|--------------------------|------------------------------|------------------------------|---|
| Germany | 0.4 | -2.3 | -13.2 |
| Eurozone | 1.0 | -3.1 | -14.5 |
| USA | 2.3 | 0.3 | -11.1 |
| Brazil | 1.7 | -0.3 | -14.2 |
| China | 6.0 | -6.8 | 1.2 |
| India | 4.1 | 3.1 | -25.1 |
| Japan | -0.7 | -1.7 | -8.4 |

¹ Forecast
Source: HSBC (June 2020)

portive measures meant that consumers, particularly in Germany, were reluctant to commit themselves to the purchase of new vehicles. Finally, a sharp contraction in unit sales together with production stoppages at a number of manufacturing sites in China over the course of the first quarter of 2020 and above all in Europe as well as North and South America during the second quarter led to an unprecedented decline in vehicle production.

In the second quarter, global production of light vehicles (passenger cars and light commercial vehicles) slumped by 44.5 % to 12.3 million new vehicles – around 10 million fewer than in the same period of the previous year. The decline for the first half of the year as a whole was 33.2 %.

Light vehicle production

| Year-on-year change in % Region | 1 st quarter 2020 | 2 nd quarter 2020 | 1 st half 2020 |
|------------------------------------|---------------------------------|---------------------------------|------------------------------|
| Europe | -18 | -63 | -40 |
| China ¹ | -46 | 9 | -20 |
| Japan/Korea | -9 | -40 | -25 |
| Middle East/Africa | -11 | -47 | -28 |
| North America | -11 | -69 | -40 |
| South America | -17 | -82 | -51 |
| South Asia | -18 | -80 | -47 |
| World | -22 | -45 | -33 |

¹ Greater China
Source: IHS (July 2020)

Significant Events

Supervisory Board newly elected at virtual AGM

Against the backdrop of the coronavirus pandemic ElringKlinger AG's annual general meeting (AGM) originally scheduled for May 2020 took place on July 7, 2020, in a virtual format for the very first time in the company's history. The shareholders of ElringKlinger AG approved all proposed resolutions by significant majorities and ratified the actions of the Management Board and Supervisory Board with 97 % of the votes in each case.

The AGM included the scheduled election of new Supervisory Board members appointed by the shareholders. In this context, Helmut P. Merch succeeded Prof. Hans-Ulrich Sachs, who had left the Supervisory Board. All other shareholder representatives were re-elected by a clear majority. The employee representatives on the Supervisory Board 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.

Business down sharply in second quarter amid coronavirus pandemic

At the beginning of the year, the coronavirus spread first in China and subsequently worldwide. The World Health Organization (WHO) declared the thus resulting disease a pandemic. In response, government containment measures were introduced around the globe, the initial effects of which became evident in ElringKlinger's business operations as early as the first quarter of 2020. The Chinese plants within the ElringKlinger Group saw extended New Year vacations and closures in February. From mid-March onwards, production was also interrupted at European and North American plants, while the situation in China returned to more normal levels.

The severe economic impact of the pandemic led to a noticeable decline in business at ElringKlinger, particularly at the beginning of the second quarter. 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. As part of this process, ElringKlinger introduced short-time work at its German sites effective from April 1, 2020, which remained in place at the half-yearly reporting date. In order to protect employees, the Group imposed travel

restrictions throughout the Group at the end of February. Other measures include social distancing and compliance with strict hygiene regulations. In addition, the Group introduced home office work in the appropriate areas, a policy that also remains in place as of the reporting date.

Sales and Earnings Performance

Revenues slump in second quarter due to coronavirus

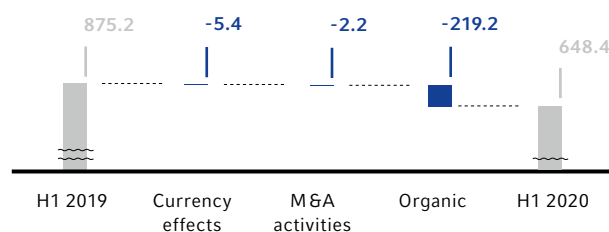
The collapse of international vehicle markets in the wake of the coronavirus pandemic was reflected in a significant downturn in revenue at ElringKlinger AG during the second quarter of 2020. After Group revenues had declined by 10.2 % year on year in the first quarter due to the economic slowdown, especially in Europe, and the initial effects of the corona crisis in Asia, they fell by 41.9 % to EUR 252.2 million in the second quarter (Q2 2019: EUR 434.1 million). At EUR 648.4 million (H1 2019: EUR 875.2 million), Group revenue was down by EUR 226.8 million or 25.9 % in the first half.

In organic terms (adjusted for the effects of currency translation and M&A activities), Group revenue fell by 40.5 % in the second quarter and by 25.0 % in the first half. M&A activities to be taken into account concerned prior year sales revenues of EUR 2.2 million referring to the Hungarian industrial park sold in 2019. Revenues were diluted by EUR 4.9 million in the second quarter by currency effects and by EUR 5.4 million in the first half.

Compared with global vehicle production, which contracted sharply by 44.5 % in the second quarter and 33.2 % in the first half of the year, ElringKlinger once again managed to outperform the market as a whole: by four percentage points in the second quarter of 2020 and by a good eight percentage points in the first half.

Factors influencing Group revenue

in EUR million



Asia-Pacific least impacted by crisis in second quarter

The revenue shortfalls recorded in the second quarter of 2020 affected all regions. In Europe, where more than half of Group revenues are usually generated, many vehicle manufacturers closed down plants as early as the end of March as a result of national shutdowns. Due to an initial easing of the situation, production was gradually resumed from the end of April onwards. Overall, Group revenue from sales in Europe (including Germany) fell in the second quarter by EUR 96.7 million or 42.9 % to EUR 128.5 million. At 34.8 %, Germany saw a less pronounced decline. Group revenue in Europe thus proved significantly more robust than the European vehicle market, which suffered a 62.3 % decline in production output in the second quarter of 2020. At EUR 342.9 million and a decline of -27.0 %, Group revenue in Europe for the first half of the year was again clearly above the market trend of -39.7 %. In Germany, ElringKlinger generated revenue of EUR 155.6 million in the first half of 2020 (H1 2019: EUR 204.4 million), 23.9 % less than in the same period a year ago.

On the back of the strong expansion seen in the 2019 financial year, consolidated sales revenues in the region of North America initially continued to grow by 4.1 % in the first quarter of 2020. In the second quarter, however, they slumped dramatically by 54.3 % to EUR 53.4 million (Q2 2019: EUR 116.9 million). Here too, however, the impact on ElringKlinger was less severe than that felt by the market as a whole: with a downturn in production output of 69.1 % in the second quarter of 2020, the North American market for passenger cars and light commercial vehicles was hit particularly hard. In the first half of the year, consolidated revenues in North America declined by 27.1 % to EUR 159.2 million (H1 2019: EUR 218.5 million).

In Asia-Pacific, ElringKlinger recorded the smallest regional downturn in sales revenue, with a decline of 13.3 % in the second quarter of 2020 and a fall of 17.6 % in the first half of the year, which took the figure for the first half to EUR 121.6 million (H1 2019: EUR 147.6 million). Although China was affected by extended New Year's holidays in February and subsequent plant closures due to the COVID-19 pandemic, the situation returned to normal in the second quarter. By contrast, the situation in other Asian countries, including India, did not improve in the quarter under review.

In South America and the Rest of the World, revenues fell dramatically by EUR 12.1 million to EUR 7.6 million in the second quarter of 2020 (Q2 2019: EUR 19.6 million) and by EUR 14.8 million to EUR 24.7 million in the first half of the year (H1 2019: EUR 39.5 million). Adjusted for currency effects, the year-on-year reduction was slightly less severe at EUR 3.7 million.

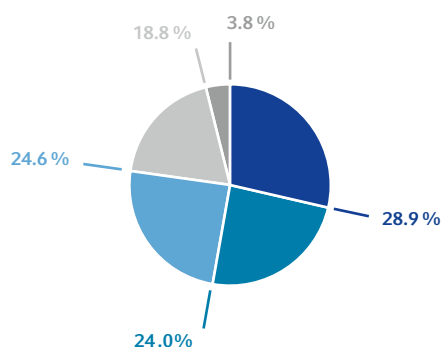
The share of foreign sales in total Group revenue was 74.7 % in the second quarter (Q2 2019: 77.5 %) and 76.0 % in the first half (H1 2019: 76.6 %).

Original equipment segment

The adverse effects of the coronavirus pandemic on the automobile industry had the most significant impact on the Original Equipment segment, as this area of business is directly affected by changes in the volumes requested by manufacturers as part of their production scheduling. With a 77 % share of Group revenue (June 30, 2020), it remains by far the largest segment. In addition, North America, which was particularly hard hit by the crisis in the second quarter, is now the largest sales region in the Original Equipment segment following strong growth in previous periods. Accordingly, the segment accounted for the majority of the Group's revenue decline: of a total of EUR -181.9 million in the second quarter of 2020, the Original Equipment segment was responsible for a revenue downturn of EUR 172.9 million. Segment revenues fell by 47.9 % year on year to EUR 188.4 million in the second quarter (Q2 2019: EUR 361.3 million) and by 30.5 % to EUR 501.6 million in the first half of 2020 (H1 2019: EUR 722.0 million).

Within the long-standing divisions of Shielding Technology as well as Cylinder-head Gaskets and Specialty Gaskets, revenue in the second quarter of 2020 fell by more than half in each case, compared to the same period in the previous year. The Lightweighting/Elastomer Technology division, which develops and manufactures innovative lightweight structural components in addition to engine-related parts, was less affected in percentage terms. These areas remained relatively robust

Group sales by region 1st Half 2020



| | in EUR million (previous year) | |
|-------------------------------------|-----------------------------------|----------------|
| Rest of Europe | 187.3 | (265.2) |
| Germany | 155.6 | (204.4) |
| North America | 159.2 | (218.5) |
| Asia-Pacific | 121.6 | (147.6) |
| South America and Rest of the World | 24.7 | (39.5) |
| Group sales | 648.4 | (875.2) |

with regard to demand. The E-Mobility division, which comprises the areas of fuel cell and battery technology as well as electric drive systems, also recorded a below-average decline in revenues, generating EUR 5.8 million in the second quarter of 2020 (Q2 2019: EUR 8.4 million) and EUR 12.1 million (H1 2019: EUR 14.8 million) in the first half of the year.

Earnings before interest and taxes (EBIT) in the Original Equipment segment fell to EUR -40.5 million in the second quarter of 2020 (Q2 2019: EUR 2.0 million) and to EUR -40.8 million in the first half of 2020 (H1 2019: EUR -3.2 million). The long-standing divisions had improved their earnings performance in the first quarter despite declining revenues, due in part to the efficiency enhancement program introduced throughout the Group in 2019, but were still well below their break-even point due to the significant decline in sales volumes in the second quarter of 2020. The optimization of cost structures and productivity improvement measures implemented at the North American plants slightly dampened the impact on earnings caused by the shortfall in revenue. The E-Mobility division also posted negative EBIT in the reporting quarter as well as in the first half of 2020. In the period under review, expenses were incurred for the installation of a new battery line at the Thale site and for the establishment of production capacities for electric drive units in the United Kingdom and Germany.

Strong first half for Aftermarket segment

Despite difficult conditions, the ElringKlinger Group recorded an encouraging increase in revenue within its Aftermarket segment, which grew by 6.7% to EUR 91.3 million in the first half of 2020 (H1 2019: EUR 85.6 million). Uncertainties surrounding the impact of the corona crisis on distribution chains in many regions led some customers to optimize their inventories by increasing the volumes requested as part of their scheduling. Revenues were up noticeably in Eastern Europe and in the Near and Middle East region in particular. In the second quarter, the segment succeeded in maintaining the supply of spare parts to the market in all major regions despite far-reaching logistical and trade-related restrictions. As a result, revenues generated in the second quarter of 2020 remained high at EUR 39.0 million (Q2 2019: EUR 40.9 million).

The high level of efficiency relating to materials planning, warehouse logistics, and trade channels as well as forward-looking inventory optimization are reflected in the segment's solid earnings performance, underpinned by

Group-wide cost discipline. The Aftermarket segment contributed EBIT of EUR 20.5 million in the first half of 2020 (H1 2019: EUR 14.0 million). Of this total, EUR 7.7 million (Q1 2019: EUR 6.7 million) is attributable to the second quarter.

Engineered Plastics segment

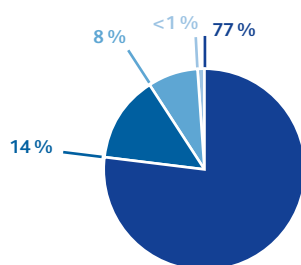
After the Engineered Plastics segment had fallen slightly short of the substantial prior-year levels of business in the first quarter of 2020 due to the general market malaise in Europe and the initial fallout from COVID-19, the impact of the pandemic was more pronounced in the second quarter. Declines in orders and revenues were recorded across many industries and regions, particularly in the mechanical engineering and automotive sectors, and regionally in Germany, Europe, and the USA. Segment revenue in the second quarter fell by 17.1% to EUR 23.8 million (Q2 2019: EUR 28.7 million). In the first half of the year, the segment's revenues of EUR 52.7 million (H1 2019: EUR 60.9 million) were 13.5% lower than in the same period of the previous year.

The Group-wide program aimed at raising efficiency levels, together with continued strict cost discipline, was enough to cushion but not fully compensate for the negative earnings effects associated with the decline in revenue in the second quarter. Segment earnings before interest and taxes amounted to EUR 1.3 million in the second quarter (Q2 2019: EUR 1.7 million), which corresponds to an EBIT margin of 5.5%. In the first half of 2020, the Engineered Plastics segment achieved an EBIT of EUR 4.7 million (H1 2019: EUR 5.8 million) and an EBIT margin of 9.0% (H1 2019: 9.5%).

"Other" segment

Since January 1, 2020, the segments formerly referred to as "Services" and "Industrial Parks" have been combined within the segment classified as "Other." It encompasses the business activities of Elring Klinger Motortechnik GmbH, ElringKlinger Logistic Service GmbH, and the Industrial Park in Idstein. This segment's revenue and earnings contributions are of subordinate importance, accounting for less than one percent of consolidated revenue. The key financials relating to this segment are presented in the segment report included in the notes to the consolidated financial statements.

Group sales by segment 1st Half 2020



| | in EUR million (previous year) | |
|-------------------------------------|-----------------------------------|----------------|
| Original Equipment | 501.6 | (722.0) |
| Lightweighting/Elastomer Technology | 183.9 | (250.6) |
| Shielding Technology | 128.8 | (198.5) |
| Specialty Gaskets | 111.0 | (157.6) |
| Cylinder-head Gaskets | 61.9 | (94.8) |
| E-Mobility | 12.1 | (14.8) |
| Exhaust Gas Purification | 3.7 | (5.2) |
| Aftermarket | 91.3 | (85.6) |
| Engineered Plastics | 52.7 | (60.9) |
| Other | 2.8 | (6.7) |

Decline in headcount

At the end of the first half of 2020, 9,991 people were employed within the ElringKlinger Group, 402 fewer than on December 31, 2019 (10,393 employees). As of June 30, 2019, the headcount for the Group as a whole had stood at 10,409. In order to improve its cost base, the Group had already introduced an efficiency enhancement program before the corona crisis, which also had an impact on personnel management in Germany and abroad. In some areas and regions, the number of employees had already decreased in the first quarter of 2020. Due to the slump in revenue in the second quarter, the Group continued to adjust staffing levels, as a result of which the number of employees in all regions was lower in the half-year period: in Germany by 97 to 4,227, in Europe (excluding Germany) by 114 to 1,914, in North America by 98 to 1,971, in South America and Rest of the World by 84 to 343, and in Asia-Pacific by 9 to 1,536.

As of June 30, 2020, 42.3 % of all employees worked in Germany and 57.7 % abroad.

Gross profit margin impacted by lower volumes

The cost of sales fell by EUR 118.3 million year on year to EUR 229.7 million in the second quarter of 2020 (Q2 2019: EUR 348.0 million). Gross profit amounted to EUR 22.5 million (Q2 2019: EUR 86.1 million), which corresponds to a gross profit margin of 8.9 % (Q2 2019: 19.8 %) – well short of the normal level. The gross profit margin for the first six months of the year was 17.0 % (H1 2019: 19.6 %), while gross profit stood at EUR 110.3 million (H1 2019: EUR 171.7 million).

Due to the sharp decline in business volume in the second quarter, above all the ratio of fixed to variable cost components such as depreciation/amortization was higher in the cost of sales, whereas the cost of materials as a percentage of revenue remained stable at a level similar to that of the same quarter of the previous year of around 45 %. Material prices eased slightly in the first half of 2020, also due to active management of purchasing. This related to polyamides (plastic pellets), but also steel and aluminum. Prices for high-grade steel rose slightly.

The Group's staff costs were scaled back by EUR 37.3 million to EUR 101.3 million in the second quarter of 2020 (Q2 2019: EUR 138.6 million). Among the key aspects in the quarter under review were Group-wide measures relating to the effects of the coronavirus pandemic. Due to lower capacity requirements, opportunities were taken at all sites to use the flexibility in staffing levels for the purpose of meeting the Group's needs. In response to the decline in demand, ElringKlinger introduced short-time work at its German sites on April 1, 2020; this scheme was continued throughout the second quarter. The Group implemented similar measures at its foreign entities. Overall, these measures brought significant cost savings, although they were unable to adequately compensate for the effects on earnings associated with the substantial decline in revenue. As a result, staff costs in relation to revenue rose to 40.2 % in the second quarter (Q2 2019: 31.9 %).

In the first half of the year, staff costs amounted to EUR 241.1 million (H1 2019: EUR 285.1 million), which corresponds to a personnel expense ratio of 37.2 % (H1 2019: 32.6 %).

Selling expenses decreased to EUR 23.8 million in the second quarter of 2020, down from EUR 34.4 million in the same period of the previous year. In addition to the above-mentioned measures aimed at reducing staff costs, lower travel expenses had a particularly positive effect on selling expenses. This is due to the fact that comprehensive travel restrictions have been imposed within the Group to protect the health of employees in the wake of the coronavirus pandemic. In addition, the North American plants in particular were successful at an operational level in streamlining special freight movements, as a result of which costs were lower year on year in the period under review. In the first half of the year, the Group's selling expenses amounted to EUR 55.2 million (H1 2019: EUR 70.3 million).

General and administrative expenses were scaled back to EUR 16.2 million in the second quarter of 2020 (Q2 2019: EUR 21.4 million). In the first half of the year they fell to EUR 37.8 million (H1 2019: EUR 45.0 million). This trend reflects the aforementioned reductions in staff costs. The more far-reaching streamlining measures also resulted in lower non-personnel costs.

Research and development costs

Research and development activities in the period under review continued to focus on developing products and solutions for alternative drive technologies. Research and development (R&D) expenses fell to EUR 16.9 million in the second quarter of 2020, down from EUR 22.7 million in the same period of the previous year. In the first half of the year they totaled EUR 37.5 million (H1 2019: EUR 44.8 million). Part of the development expenses were capitalized: in the second quarter, this amounted to EUR 3.0 million (Q2 2019: EUR 2.7 million) and in the first half of the year to EUR 5.2 million (H1 2019: EUR 5.1 million), which corresponds to a capitalization ratio of 13.9 % in the first half of the year (H1 2019: 11.4 %) and 17.8 % in the second quarter (Q2 2019: 11.9 %). Due to the low volume of revenue, the R&D ratio (including capitalization) rose to 6.7 % (Q2 2019: 5.2 %) in the second quarter of 2020. At 5.8 % (H1 2019: 5.1 %), it

was within the short- and medium-term target range of around 5 % to 6 % in the first half of the year.

In the second quarter of 2020, ElringKlinger again received government grants that were directed primarily at research projects in the field of battery and fuel cell technology. They amounted to EUR 1.1 million (Q2 2019: EUR 0.7 million). For the period from January to June 2020, the total amount- ed to EUR 2.0 million (EUR 1.9 million).

Revenue shortfall pushes EBIT into negative territory

The substantial slump in revenue in the second quarter of 2020 as a result of the coronavirus pandemic was cushioned slightly in terms of earnings performance but not compensated for in full by the existing efficiency enhancement program and measures initiated by the Group at an early stage to adjust capacity levels and intensify cost savings. The improvements seen in the cost structure of the North American plants, which had suffered from capacity bottlenecks in the previous year due to dynamic growth, also helped to offset the negative effects of the crisis to some extent.

The Group's EBITDA (earnings before interest, taxes, depreciation, and amortization) was pushed down into slightly negative territory at EUR -0.9 million in the second quarter of 2020 (Q2 2019: EUR 39.0 million). In the first half of the year it reached EUR 44.9 million (H1 2019: EUR 73.8 million). Amortization of intangible assets and depreciation of property, plant, and equipment totaled EUR 31.5 million in the quarter under review (Q2 2019: EUR 28.8 million) and EUR 61.3 million in the first half of the year (H1 2019: EUR 57.2 million).

The ElringKlinger Group's earnings before interest and taxes (EBIT) fell to EUR -32.4 million in the second quarter of 2020 (Q2 2019: EUR 10.2 million). As a result, the Group also recorded negative EBIT for the first half as a whole. The loss before interest and taxes for this period amounted to EUR -16.4 million, in contrast to positive EBIT of EUR 16.6 million in the first half of 2019. The EBIT margin was -12.8 % in the second quarter of 2020 (Q2 2019: 2.3 %) and -2.5 % in the first half of the year (H1 2019: 1.9 %).

As depreciation/amortization relating to purchase price allocations is at a level below one million euros, ElringKlinger has opted (as from January 1, 2020) not to present this item separately and not to include EBIT before purchase price allocation in its reporting.

Net finance cost

Compared to the same period a year ago, net finance cost fell to EUR -6.3 million in the second quarter of 2020 (Q2 2019: EUR -8.7 million). On a half-yearly basis, however, it was higher at EUR -16.1 million (H1 2019: EUR -9.7 million), which was attributable mainly to more extensive foreign exchange losses in the first quarter. The Group recorded a net result from currency translation of EUR 1.3 million in the second quarter of 2020 (Q2 2019: EUR -3.8 million) and EUR -5.0 million in the first half (H1 2019: EUR 0.3 million). The net interest result improved year on year, taking the figure to EUR -3.7 million in the second quarter (Q2 2019: EUR -4.8 million) and to EUR -7.6 million in the first half (H1 2019: EUR -9.2 million). The share of bottom-line result of associates, which encompasses the interest held in hofer AG, was lower than a year ago at EUR -1.4 million in the second quarter of 2020 (Q2 2019: EUR -0.1 million) and EUR -3.6 million in the first half of 2020 (H1 2019: EUR -0.8 million).

Group earnings before taxes fell to EUR -38.7 million in the second quarter of 2020 (Q2 2019: EUR 1.5 million) and to EUR -32.5 million in the first half (H1 2019: EUR 6.9 million).

Net income at EUR -35.5 million

At EUR 3.1 million (Q2 2019: EUR -10.2 million), the Group's income taxes were in positive territory in the quarter under review. As part of the government's COVID-19 aid measures, the Group took advantage of tax relief in Germany, including tax deferrals. Despite the negative bottom-line result, income tax expenses in the first half of the year amounted to EUR 1.4 million (H1 2019: EUR 16.7 million). As in the prior-year periods, it was not possible to recognize deferred tax assets on losses incurred by some of the foreign companies. The tax rate calculated on this basis amounted to 8.1 % in the second quarter of 2020 (Q2 2019: >100 %) and -4.3 % in the first half (H1 2019: >100 %).

As a result, net income for the ElringKlinger Group stood at EUR -35.5 million in the second quarter of 2020 (Q2 2019: EUR -8.7 million). In the first half, the net loss was EUR -33.9 million (H1 2019: EUR -10.1 million). After non-controlling interests, net income attributable to the shareholders of ElringKlinger AG was EUR -35.5 million in the second quarter of 2020 (Q2 2019: EUR -8.6 million) and EUR -33.5 million in the first half (H1 2019: EUR -10.1 million).

As of June 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 -0.56 in the second quarter (Q2 2019: EUR -0.14) and EUR -0.53 in the first half (H1 2019: EUR -0.16).

Financial Position and Cash Flows

With an equity ratio of 40.5 %, high levels of liquidity, and a solid asset structure, the financial position and cash flows of the ElringKlinger Group remained robust as of June 30, 2020. In the second quarter of 2020, the Group continued to consistently pursue its policy of improving key financial in-

dicators, such as operating free cash flow, as initiated by the efficiency program. In this context, ElringKlinger recorded operating free cash flow of EUR 23.6 million in the first half, thus being able to further reduce net debt.

Key figures Financial Position and Cash Flows

| in EUR million | Jun. 30, 2020 | Mar. 31, 2020 | Dec. 31, 2019 |
|--|----------------|----------------|----------------|
| Total equity and liabilities | 2,050.4 | 2,091.4 | 2,146.5 |
| Equity ratio | 40.5 % | 41.7 % | 41.5 % |
| Net Working Capital¹ | 417.4 | 452.8 | 432.6 |
| Net Working Capital in relation to sales | 27.8 % | 26.9 % | 25.0 % |
| Net Debt | 579.9 | 603.1 | 595.3 |
| Net Debt/EBITDA | 3.8 | 3.1 | 3.3 |
| | Q2 2020 | Q1 2020 | H1 2020 |
| Investments in property, plant, and equipment ² | 10.4 | 12.3 | 22.7 |
| Operating free cash flow | 25.8 | -2.2 | 23.6 |

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 effects of the coronavirus pandemic are reflected to varying degrees in individual items of the statement of financial position and cash flows at the end of the first half. In particular, current assets, including trade receivables and inventories, as well as trade payables on the liabilities side of the balance sheet, declined in the period under review due to the lower volume of business. By contrast, cash and cash equivalents increased. The dramatic slump in business in the second quarter of 2020 led to a negative bottom-line result, which is why revenue reserves in equity also declined. Impairment considerations as part of quarterly reporting did not result in any impairment losses with regard to assets.

Robust asset structure

Total assets amounted to EUR 2,050.4 million as of June 30, 2020. Compared to the figure recorded on December 31, 2019, total assets were down by EUR 96.1 million. In addition

to the business transactions described below, this downward trend was influenced, especially in the first quarter, by the impact of exchange rate effects from the translation of individual balance sheets into the Group currency, the euro.

Non-current assets totaled EUR 1,270.2 million as of June 30, 2020 (Dec. 31, 2019: EUR 1,314.0 million). Property, plant, and equipment, which is the main item included in this figure, were down by EUR 44.8 million to EUR 998.9 million compared with the year-end figure (Dec. 31, 2019: EUR 1,043.7 million). This decline reflects the disciplined approach to investing activities already initiated in 2019 and subsequently intensified in 2020. Depreciation and write-downs of property, plant, and equipment in the first half of 2020 amounted to EUR 56.8 million, significantly higher than additions totaling EUR 34.1 million (including additions from leases in accordance with IFRS 16).

As regards current assets, which were reported in the statement of financial position at EUR 780.1 million as of June 30, 2020, working capital, which comprises inventories and trade receivables, decreased significantly in the second quarter of 2020. As of June 30, 2020, it had a volume of EUR 535.3 million. Thus, it was EUR 54.4 million below the level recorded at the end of 2019. While management had already focused on reducing and optimizing these items in previous periods, developments in the second quarter of 2020 were influenced in addition by the decline in orders and revenue in the wake of the COVID-19 crisis: purchasing volumes and inventories were proactively adjusted downwards. The decline in revenue, which had reached dramatic proportions in February – first in China, then from the end of March also in Europe, especially in April and May 2020 –, led to a reduction in trade receivables. Compared to the end of the first quarter of 2020, inventories were down by EUR 26.4 million to EUR 338.8 million and trade receivables were down by EUR 35.0 million to EUR 196.5 million at the end of the first half.

Compared with the level recorded at the end of the first half of the previous year (EUR 670.3 million), working capital fell by EUR 135.0 million – well above this corona-related effect.

Cash and cash equivalents of the ElringKlinger Group amounted to EUR 147.8 million as of June 30, 2020, which was higher than at the end of 2019 (EUR 135.5 million) due to a peak at the closing date. In the context of centralized liquidity management, balances are coordinated in a targeted manner across the Group, allowing peaks in cash holdings to be factored into financial planning at short notice.

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 sold in December 2019.

Equity ratio in excess of 40 percent

The net loss of EUR -35.5 million in the first half of 2020 as well as currency translation effects of EUR -25.7 million resulted in a reduction in equity within the ElringKlinger Group. As of June 30, 2020, it amounted to EUR 830.8 mil-

lion, compared with EUR 891.2 million at the end of 2019. Thus, the equity ratio of 40.5 % as of June 30, 2020, 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 same period of the previous year, pension provisions increased by EUR 23.6 million, which is due to scheduled revaluation at the end of 2019 and the parameters on which it is based, such as interest rates.

Further reduction in net debt

Due to the solid financial situation, the Group was able to further reduce net debt (non-current and current financial liabilities less cash and cash equivalents and securities¹) in the first half of 2020. As of June 30, 2020, net debt amounted to EUR 579.9 million, compared to EUR 595.3 million at the end of 2019. 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 June 30, 2020, ElringKlinger complied with all covenants agreed with financial institutions.

As of June 30, 2020, the debt ratio (net debt/EBITDA) was 3.8, compared with 3.3 at the end of 2019 and 4.4 at the end of the first half of 2019.

The Group's trade payables amounted to EUR 117.9 million at the end of the first half. They were down by EUR 39.2 million compared with December 31, 2019, and by EUR 26.0 million since the end of the first quarter. This was due to the lower order volume for materials as a direct reaction to a reduction in quantities requested from customers as part of their scheduling arrangements as well as cost-cutting measures.

Other current liabilities amounted to EUR 105.3 million as of June 30, 2020. The decline of EUR 4.2 million compared with the end of 2019 is mainly due to lower accruals/deferrals relating to personnel (e.g., timesheet credits).

¹ Securities are accounted for as from 2020 (June 30, 2020: EUR 10.7 million)

Operating cash flow at EUR 52 million

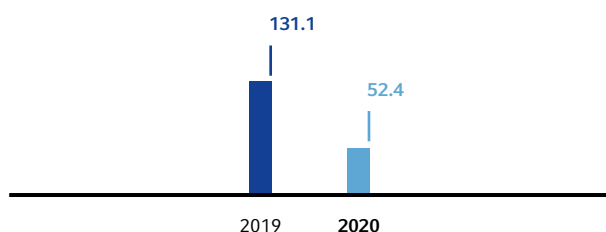
Despite the net loss incurred in the first half of the year, the ElringKlinger Group recorded positive net cash from operating activities of EUR 52.4 million (H1 2019: EUR 131.1 million). In the second quarter, net cash from operating activities was EUR 39.6 million (Q2 2019: EUR 119.4 million). This is primarily due to changes in inventories and trade receivables. These (including other assets not attributable to investing or financing activities) generated a cash inflow of EUR 63.1 million in the second quarter and EUR 50.1 million in the first half of 2020.

The change in trade payables (including other liabilities not attributable to investing or financing activities) resulted in a cash outflow of EUR 15.4 million in the second quarter and EUR 33.9 million in the first half of the year. This is attributable to the reduction in purchasing volumes following the spread of the coronavirus and the subsequent dramatic decline in production. By contrast, the substantial cash flow of the comparative prior-year periods was primarily achieved by the expansion of liabilities, especially trade payables.

The item "Other non-cash expenses and income," presented in the Group statement of cash flows with a cash inflow of EUR 16.7 million in the first half of 2020 (H1 2019: EUR -4.2 million), includes adjustments relating to currency effects.

Cash flow from operating activities 1st Half

in EUR million



Investments in property, plant, and equipment down sharply

The efficiency program successfully implemented since 2019 has seen the ElringKlinger Group scale back its capital expenditure activities by a significant margin. In response to the COVID-19 crisis, measures within this area were stepped up even further. Key investment projects, however, were not halted. Projects associated in particular with New Business Areas, which are of significant importance to the Group's strategic market positioning, will continue to be implemented.

This focused approach is reflected in cash outflows for property, plant, and equipment and investment property, which amounted to EUR 22.7 million (H1 2019: EUR 49.5 million). The second quarter of 2020 accounted for EUR 10.4 million (Q2 2019: EUR 20.7 million).

In the first half of the year, expenses were incurred for the final completion of work on the Technology Center for Electric Mobility, which was built at the main site in Dettin-ger/Erms, Germany, in 2019 and commenced operations in 2020. Its focus is on future research and development activities in the field of battery and fuel cell technology. Further payments were related to a production line for fuel cell modules and the industrialization of electric drive units. Beyond this, investment spending was mainly directed at production machinery related directly to series ramp-ups or the improvement of efficiency and operational performance.

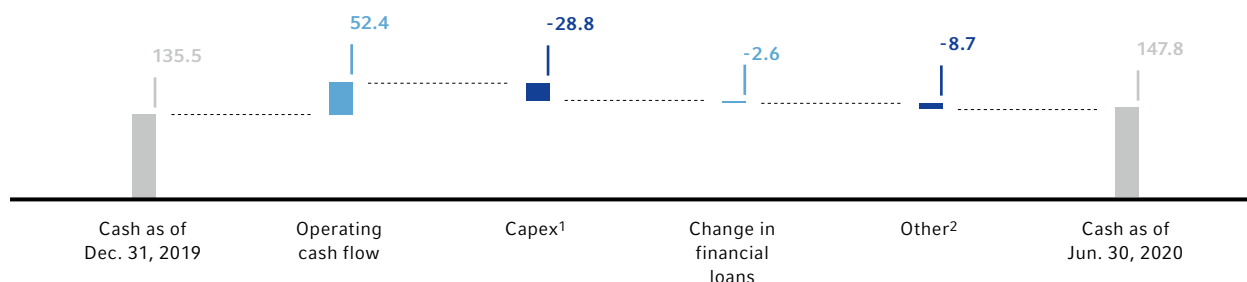
The investment ratio (capital expenditure on property, plant, and equipment and on investment property relative to Group sales revenue) was down significantly at 3.5 % in the first half of 2020 (H1 2019: 5.7 %) and 4.1 % in the second quarter (Q2 2019: 4.8 %).

Payments for intangible assets amounted to EUR 6.1 million in the first half of 2020 (H1 2019: EUR 5.6 million). Compared with the previous year, particularly capitalized development costs included in this item were higher in 2020.

Overall, the ElringKlinger Group recorded cash outflows of EUR 30.7 million for investing activities in the first half of 2020 (H1 2019: EUR 54.3 million). In the second quarter, cash flow from investing activities amounted to EUR -14.3 million (Q2 2019: EUR -22.1 million).

Changes in cash 1st Half 2020

in EUR million



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

² Adjusted for cash flows in respect of acquisitions and divestments as well as outflows/inflows for financial assets

Cash flow from financing activities

The Group used the above-mentioned net cash from operating and investing activities for financing activities. First and foremost, long-term loans were repaid as part of further debt reduction: after cash inflows and outflows from long-term loans, a total of EUR 35.5 million was used in the first half of the year. Taking into account EUR 1.0 million (H1 2019: EUR 0 million) in distributions to non-controlling interests and cash inflows from changes in short-term loans of EUR 32.9 million (H1 2019: EUR -133.9 million), cash flow from financing activities amounted to EUR -3.6 million (H1 2019: EUR -34.6 million). In the second quarter this amounted to EUR 22.9 million (Q2 2019: EUR -72.1 million).

Operating free cash flow of EUR 26 million in Q2

Net cash from operating activities was used to fully finance payments for investments and also to build up ad-

ditional liquidity reserves. Thus, the ElringKlinger Group generated operating free cash flow (operating cash flow less cash flow from investing activities adjusted for cash flows relating to financial assets) of EUR 23.6 million (H1 2019: EUR 79.3 million) in the first half of 2020 and of EUR 25.8 million (Q2 2019: EUR 98.6 million) in the second quarter.

As of June 30, 2020, the Group had cash and cash equivalents of EUR 147.8 million and open, unused credit lines of EUR 147.1 million. Thus, ElringKlinger continues to enjoy a substantial liquidity cushion, as a result of which – at the time of preparing this report – no bottleneck is expected in the foreseeable future, even against the backdrop of the corona crisis.

Opportunities and Risks

The coronavirus pandemic has already 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 as a result of extensive protective measures in many countries throughout Europe as well as North and South America. Production processes were interrupted, supply chains had to be maintained at great expense, and demand collapsed in numerous industries. The individual regions have been developing along different lines when it comes to the speed of rebooting their economic activity. 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 generally expected. This also includes the possibility that protective

measures may be implemented again in the event of a second wave of infection, which would then exacerbate the economic problems of the first half of the year and decelerate and/or delay economic recovery.

An assessment of other opportunities and risks for the ElringKlinger Group in respect of the first half 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

Global economy in a quagmire

The effects of the coronavirus pandemic have plunged the world economy into a deep crisis since the second quarter of 2020. In April, the International Monetary Fund (IMF)

lowered its original forecast, which in January had pointed to global economic growth of 3.3 % for 2020, to a decline of 3.0 %. In July, the IMF then again revised its outlook for the year as a whole downwards to -4.9 %. This is likely to be followed by growth of more than 5 % in 2021.

GDP growth projections

| Year-on-year change in % | 2019 | Projections 2020 | Projections 2021 |
|-----------------------------------|------------|------------------|------------------|
| World | 2.9 | -4.9 | 5.4 |
| Advanced economies | 1.7 | -8.0 | 4.8 |
| Emerging and developing countries | 3.7 | -3.0 | 5.9 |
| Germany | 0.6 | -7.8 | 5.4 |
| Eurozone | 1.3 | -10.2 | 6.0 |
| USA | 2.3 | -8.0 | 4.5 |
| Brazil | 1.1 | -9.1 | 3.6 |
| China | 6.1 | 1.0 | 8.2 |
| India | 4.2 | -4.5 | 6.0 |
| Japan | 0.7 | -5.8 | 2.4 |

Source: IWF (June 2020)

According to the IMF, unlike previous periods of sluggish performance, the crisis is affecting almost all countries in the world simultaneously. Both emerging and industrialized countries are affected by the recession in 2020. China's economic situation had already improved again from March onwards, and from May onwards the economy in Europe showed slight signs of recovery. At the time of reporting, the USA, Brazil, and India were still severely affected, but the number of coronavirus cases has also been edging up again in Europe. The direction taken by the economy in the second half of the year is very uncertain and depends on the course of the pandemic. If the pandemic is protracted or new outbreaks are imminent, this would again result in longer or renewed restrictions on economic activity.

Outlook for global vehicle markets in 2020

The automotive industry has been particularly hard hit by the economic consequences of the coronavirus pandemic. The collapse of the international vehicle market in the second quarter of 2020 will not be fully offset in the second half of the year, despite potential periods of recovery. Major vehicle markets such as Europe and North America, but also South America and India, are likely to continue to fall significantly short of the previous year's figures. Having said that, industry experts believe that the trough was reached in the second quarter for many markets and that an improvement can be expected in the coming months.

For 2020 as a whole, the independent industry institute IHS expects global production of light vehicles (passenger cars and light commercial vehicles) to decline by almost twenty million vehicles or 21.9 % compared with 2019. The Euro-

pean and North American markets are expected to shrink significantly, while the downturn in China is likely to be less pronounced.

Measured on the basis of new passenger car registrations, the situation is similar when it comes to the various sales markets. Here, too, declines are expected across the board. According to data published by the German industry association VDA, global automotive demand will fall by 17 % to 65.9 million new vehicles in 2020 (2019: 79.5 million new vehicles). In Western Europe (EU27 & EFTA & UK), the association expects a decline in all of the key individual markets – by a total of 24 % to 12.0 million newly registered passenger cars. On this basis, Germany is expected to see a downturn of 23 %. The VDA also estimates that sales in the USA will fall significantly by 18 % to 13.9 million new vehicles. The Chinese market is expected to shrink by 10 % to 19.0 million new vehicles.

Light vehicle production

| Vehicles (millions) | 2019 | Projections 2020 | Change | Projections 2021 |
|---------------------|-------------|------------------|--------------|------------------|
| Region | | | | |
| Europe | 21.1 | 15.9 | -25 % | 18.2 |
| China ¹ | 24.7 | 21.5 | -13 % | 23.3 |
| Japan/Korea | 13.1 | 10.5 | -20 % | 11.5 |
| Middle East/Africa | 2.0 | 1.5 | -24 % | 1.8 |
| North America | 16.3 | 12.6 | -23 % | 14.6 |
| South America | 3.3 | 2.2 | -33 % | 2.9 |
| South Asia | 8.4 | 5.2 | -38 % | 6.8 |
| World | 89.0 | 69.5 | -22 % | 79.1 |

¹ Greater China
Source: IHS (July 2020)

Outlook – Company

The global spread of the coronavirus led to extensive measures being taken by states around the world from February 2020 onwards for the purpose of protecting their citizens. As a result, economic activity came to a standstill in most countries on the European and American continents from the end of March. From the end of April onwards, a number of countries gradually relaxed their protective measures again – first in Europe and later also in North and South America. Accordingly, automobile production resumed little by little. However, demand within the automotive market remained very sluggish, especially in Europe. In North America, it developed somewhat more dynamically, while China, the world's largest automobile market, has largely returned to its normal level since as early as April.

Order intake affected by corona crisis

The economic consequences of the coronavirus pandemic are reflected in the Group's order books: order intake slumped to EUR 192.6 million in the second quarter of 2020, compared with EUR 419.8 million in the same period of the previous year. This represents a decline of EUR 227.2 million or 54.1%. Adjusted for currency effects, order intake decreased by EUR 216.4 million or 51.5%.

The decline in incoming orders is also reflected in the order backlog. After EUR 1,063.0 million as of June 30, 2019, the Group recorded orders worth EUR 929.4 million at this year's half-year reporting date. Thus, order backlog is down by EUR 133.6 million or 12.6% compared to the prior-year figure. If foreign exchange rates had remained unchanged, order backlog would be down by EUR 114.6 million or 10.8%.

Significant uncertainties remain

The economic impact of the coronavirus pandemic still cannot be accurately assessed, as the uncertainties are simply too pronounced at present. It is impossible to predict how quickly the demand-side situation in Europe will improve, nor is it possible to assess how the economy in North America will develop in the near future. What is more, in view of the rising number of COVID-19 cases in numerous countries, such as the USA, Brazil, India, or even Europe, it is impossible to predict whether there will be a further wave of infection in individual countries, across entire continents, or even worldwide. At the time of reporting, renewed restrictive measures in the course of the pandemic cannot be ruled out.

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

Due to these major uncertainties, it remains difficult to provide a sufficiently reliable and accurate outlook for the year. Based on the information and estimates available at the time of reporting, ElringKlinger can confirm its annual guidance presented in the Q1 2020 report and anticipates that the change in revenue will be slightly better than the figure relating to global automobile production. Experts from the industry institute IHS are currently forecasting a year-on-year decline of 22% 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. As depreciation/amortization of purchase price allocations (PPA) is not expected to exceed EUR 0.3 million for the full year, the Group is adjusting its outlook to the margin of reported EBIT. 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

As also illustrated during the first two quarters, ElringKlinger will maintain its disciplined approach to capital expenditure on property, plant, and equipment as well as investment property. Due to the postponement of measures, active targeted project management, and the general market situation, the Group is adjusting its outlook for the current year. In relation to Group revenue, the volume is now expected to be below 5% (previously: below 7%).

The Group will also continue to optimize net working capital. 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 (Dec. 31, 2019: 3.3).

With regard to the equity ratio, the Group expects to remain within the long-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.

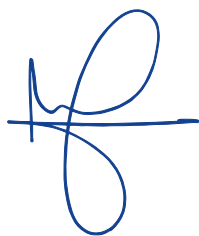
Mid-term outlook

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 components engineered specifically for battery and fuel cell systems and, through its cooperation with hofer powertrain,

the Group also has expertise in the field of electric drive units. Additionally, the Group boasts a strong market position centered around its long-standing Lightweighting/Elas-tomer 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 and gradually improve its EBIT performance.

Overall, therefore, the Group can confirm its medium-term outlook. However, the exceptional consequences of the coronavirus pandemic must be taken into account, especially against the background of the high degree of uncertainty in the forthcoming reporting periods.

Dettingen/Erms, August 7, 2020
The Management Board



Dr. Stefan Wolf
Chairman/CEO



Theo Becker



Thomas Jessulat



Reiner Drews

ElringKlinger and the Capital Markets

Stock markets claw back most of their losses

Having already recorded a significant downturn in the first three months of 2020, stock markets remained under pressure during the second quarter of the year as a result of the global spread of the coronavirus. However, benefiting from the global containment of the pandemic in the course of the quarter and the associated easing of lockdown measures, equity markets were able to recover significantly from the annual lows seen in mid-March. Against this backdrop, stock markets managed to claw back most of their earlier losses by the end of the quarter. Germany's blue chip index, the DAX, was down by 7.0 percent compared with the beginning of the year, while the EURO STOXX 50 slumped by 13.6 percent and the Dow Jones in the US fell by 9.5 percent in the same period.

Economy reaches its trough

As regards the economic situation, the economy in the United States and in Europe continues to be marked by the most severe crash since the Great Depression of 1929. However,

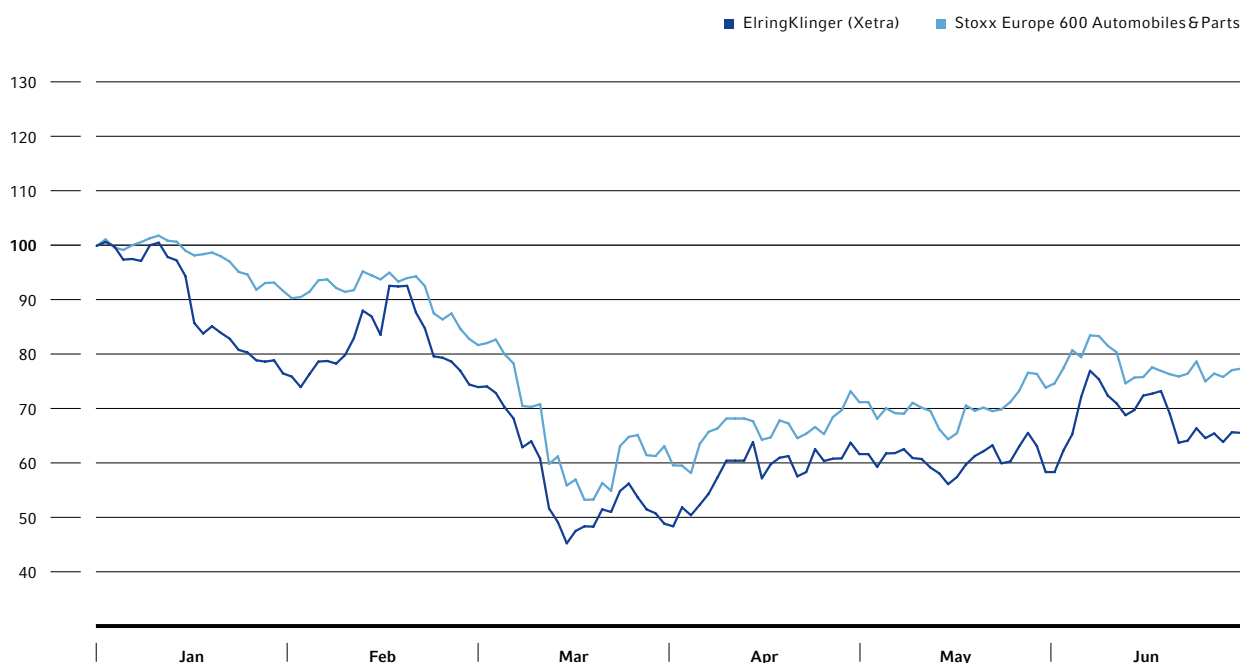
many economists assume that April represents the economic low point, even though the global number of coronavirus cases rose sharply again at the end of June. The possible impact of these developments on stock market prices is not yet foreseeable.

Coronavirus rescue packages unveiled

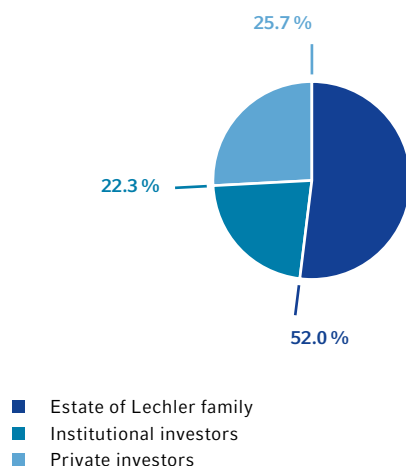
From the end of March onward, a number of countries put together special coronavirus rescue packages aimed at mitigating the financial consequences of the pandemic and stabilizing their economies. In April, for example, the US Senate passed a USD 2 trillion rescue package for this specific purpose. Elsewhere, the German government passed its package of EUR 130 billion for economic stimulus and future growth. A few weeks earlier, it had already approved financial aid totaling more than EUR 1 trillion, consisting of emergency measures (EUR 450 billion), deferrals (EUR 250 billion), and further liquidity and guarantee measures (EUR 930 billion).

ElringKlinger's share price performance from January 1 to June 30, 2020 (indexed)

in %



Shareholder structure as of June 30, 2020



In June, the EU Commission negotiated a debt-financed economic package covering EUR 750 billion. This rescue package was adopted by the heads of state and government at the beginning of July and comprises EUR 390 billion in grants and EUR 360 billion in loans.

ElringKlinger stock affected by coronavirus crisis

After the heavy losses recorded during the first quarter, ElringKlinger's stock launched a comeback at the beginning of the second quarter, before trending sideways as early as April. This trend remained unbroken even after the ad hoc announcement of April 17, 2020, which pointed to better-than-expected quarterly figures, and the full publication of the Group's results for the quarter at the beginning of May 2020. In mid-May, unfavorable economic signals from China and a dramatic rise in coronavirus cases in the United States

created further turbulence within the German stock market. This was reflected in the direction taken by ElringKlinger's share price toward the end of May in particular.

This situation changed slightly at the beginning of June. Following the announcement of measures aimed at stabilizing the German economy, ElringKlinger's stock rose to a quarterly high of EUR 6.25 on June 5, 2020. During the remainder of the month ElringKlinger's share price developed along the same lines as DAX stocks. Overall, ElringKlinger's share price rose by more than a third and closed the quarter at EUR 5.29.

Substantial expansion in trading volume

After a strong start to the quarter on April 2, 2020, April 6 marked the day with the highest trading volume of the quarter of over 377,000 shares. Despite the significant gains made by the stock at the beginning of June, the peaks recorded at the beginning of the quarter were not exceeded in the period under review.

The average trading volume of ElringKlinger shares was around 174,800 units in the first half of the year, as a result of which liquidity within the market was always sufficiently high during the reporting period.

Ongoing dialogue with the capital markets

ElringKlinger took part in several virtual conferences and road shows during the second quarter of 2020 and presented its business case to an international audience. In mid-April, the impact caused by the global spread of the coronavirus prompted ElringKlinger to postpone its 115th Annual General Meeting (AGM) originally scheduled for May 19, 2020, to the later date of July 7, 2020 – to be held as a virtual event, i. e., without the attendance of shareholders and their proxies.

ElringKlinger stock (ISIN DE 0007856023)

| | 1 st Half 2020 | 1 st Half 2019 |
|---|---------------------------|---------------------------|
| Number of shares outstanding | 63,359,990 | 63,359,990 |
| Share price (daily closing price in EUR) ¹ | | |
| High | 8.29 | 8.11 |
| Low | 3.57 | 5.07 |
| Closing price ² | 5.29 | 5.32 |
| Average daily trading volume (German stock exchanges; no. of shares traded) | 174,800 | 106,000 |
| Average daily trading value (German stock exchanges; in EUR) | 980,300 | 675,300 |
| Market capitalization (EUR millions) ^{1,2} | 335.2 | 337.1 |

¹ Xetra trading

² As of June 30

Group Income Statement

of ElringKlinger AG, January 1 to June 30, 2020

| EUR k | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 1 st Half 2020 | 1 st Half 2019 |
|---|------------------------------|------------------------------|---------------------------|---------------------------|
| Sales revenue | 252,180 | 434,122 | 648,419 | 875,208 |
| Cost of sales | -229,684 | -347,986 | -538,092 | -703,473 |
| Gross profit | 22,496 | 86,136 | 110,327 | 171,735 |
| Selling expenses | -23,836 | -34,371 | -55,197 | -70,313 |
| General and administrative expenses | -16,238 | -21,417 | -37,823 | -44,961 |
| Research and development costs | -13,914 | -20,036 | -32,332 | -39,732 |
| Other operating income | 2,286 | 2,816 | 4,262 | 5,556 |
| Other operating expenses | -3,192 | -2,960 | -5,635 | -5,714 |
| Operating result/EBIT | -32,398 | 10,168 | -16,398 | 16,571 |
| Finance income | -886 | 863 | 19,638 | 9,979 |
| Finance costs | -4,056 | -9,439 | -32,195 | -18,872 |
| Share of result of associates | -1,350 | -102 | -3,556 | -805 |
| Net finance costs | -6,292 | -8,678 | -16,113 | -9,698 |
| Earnings before taxes | -38,690 | 1,490 | -32,511 | 6,873 |
| Income tax expense | 3,149 | -10,176 | -1,398 | -16,686 |
| Net income | -35,541 | -8,686 | -33,909 | -9,813 |
| of which: attributable to non-controlling interests | -66 | -110 | -405 | 289 |
| of which: attributable to shareholders of ElringKlinger AG | -35,475 | -8,576 | -33,504 | -10,102 |
| Basic and diluted earnings per share in EUR | -0.56 | -0.14 | -0.53 | -0.16 |

Group Statement of Comprehensive Income

of ElringKlinger AG, January 1 to June 30, 2020

| EUR k | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 1 st Half 2020 | 1 st Half 2019 |
|---|------------------------------|------------------------------|---------------------------|---------------------------|
| Net income | -35,541 | -8,686 | -33,909 | -9,813 |
| Currency translation difference | -5,327 | -8,100 | -25,844 | 4,962 |
| Share of other comprehensive income of associates | 120 | 32 | 255 | -10 |
| Gains and losses that can be reclassified to the income statement in future periods | -5,207 | -8,068 | -25,589 | 4,952 |
| Gains and losses that cannot be reclassified to the income statement in future periods | 0 | 0 | 0 | 0 |
| Other comprehensive income after taxes | -5,207 | -8,068 | -25,589 | 4,952 |
| Total comprehensive income | -40,748 | -16,754 | -59,498 | -4,861 |
| of which: attributable to non-controlling interests | -241 | -513 | -324 | 479 |
| of which: attributable to shareholders of ElringKlinger AG | -40,507 | -16,241 | -59,174 | -5,340 |

Group Statement of Financial Position

of ElringKlinger AG, as at June 30, 2020

| EUR k | June 30, 2020 | Dec. 31, 2019 | June 30, 2019 |
|-------------------------------|------------------|------------------|------------------|
| ASSETS | | | |
| Intangible assets | 210,806 | 208,149 | 193,958 |
| Property, plant and equipment | 998,948 | 1,043,736 | 1,045,561 |
| Investment property | 3,425 | 3,263 | 3,498 |
| Financial assets | 3,551 | 3,551 | 3,555 |
| Shares in associates | 20,406 | 23,706 | 22,459 |
| Non-current income tax assets | 301 | 295 | 72 |
| Other non-current assets | 4,420 | 5,420 | 8,102 |
| Deferred tax assets | 17,899 | 14,964 | 12,359 |
| Contract performance costs | 9,635 | 9,428 | 8,148 |
| Non-current contract assets | 854 | 1,512 | 659 |
| Non-current assets | 1,270,245 | 1,314,024 | 1,298,371 |
| Inventories | 338,829 | 356,477 | 392,893 |
| Current contract assets | 9,305 | 10,891 | 9,789 |
| Trade receivables | 196,450 | 233,231 | 277,430 |
| Current income tax assets | 9,873 | 7,739 | 7,926 |
| Other current assets | 77,841 | 88,683 | 80,659 |
| Cash and cash equivalents | 147,831 | 135,450 | 88,095 |
| Current assets | 780,129 | 832,471 | 856,792 |
| Assets held for sale | 0 | 0 | 18,913 |
| | 2,050,374 | 2,146,495 | 2,174,076 |

| EUR k | June 30, 2020 | Dec. 31, 2019 | June 30, 2019 |
|--|------------------|------------------|------------------|
| LIABILITIES AND EQUITY | | | |
| Share capital | 63,360 | 63,360 | 63,360 |
| Capital reserves | 118,238 | 118,238 | 118,238 |
| Revenue reserves | 691,624 | 725,128 | 710,958 |
| Other reserves | -78,156 | -52,486 | -44,800 |
| Equity attributable to the shareholders of ElringKlinger AG | 795,066 | 854,240 | 847,756 |
| Non-controlling interest in equity | 35,693 | 36,980 | 37,473 |
| Equity | 830,759 | 891,220 | 885,229 |
| Provisions for pensions | 149,010 | 148,215 | 125,380 |
| Non-current provisions | 17,921 | 18,503 | 19,658 |
| Non-current financial liabilities | 578,870 | 570,416 | 591,392 |
| Non-current contract liabilities | 10,241 | 11,997 | 8,899 |
| Deferred tax liabilities | 13,322 | 16,168 | 15,544 |
| Other non-current liabilities | 8,044 | 8,204 | 8,951 |
| Non-current liabilities | 777,408 | 773,503 | 769,824 |
| Current provisions | 15,917 | 17,713 | 10,980 |
| Trade payables | 117,903 | 157,119 | 168,436 |
| Current financial liabilities | 159,551 | 160,307 | 196,602 |
| Current contract liabilities | 26,383 | 19,995 | 12,731 |
| Tax payable | 17,110 | 17,060 | 20,050 |
| Other current liabilities | 105,343 | 109,578 | 110,224 |
| Current liabilities | 442,207 | 481,772 | 519,023 |
| | 2,050,374 | 2,146,495 | 2,174,076 |

Group Statement of Changes in Equity

of ElringKlinger AG, January 1 to June 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 | | | - 10,102 |
| Net income | | | - 10,102 |
| Other comprehensive income | | | |
| Balance as of Jun. 30, 2019 | 63,360 | 118,238 | 710,958 |
| Balance as of Dec. 31, 2019 | 63,360 | 118,238 | 725,128 |
| Dividend distribution | | | |
| Total comprehensive income | | | - 33,504 |
| Net income | | | - 33,504 |
| Other comprehensive income | | | |
| Balance as of Jun. 30, 2020 | 63,360 | 118,238 | 691,624 |

| 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 |
| | | 4,762 | -5,340 | 479 | -4,861 |
| | | | -10,102 | 289 | -9,813 |
| | | 4,762 | 4,762 | 190 | 4,952 |
| -37,316 | -422 | -7,062 | 847,756 | 37,473 | 885,229 |
| -52,909 | -422 | 845 | 854,240 | 36,980 | 891,220 |
| | | | 0 | -963 | -963 |
| | | -25,670 | -59,174 | -324 | -59,498 |
| | | | -33,504 | -405 | -33,909 |
| | | -25,670 | -25,670 | 81 | -25,589 |
| -52,909 | -422 | -24,825 | 795,066 | 35,693 | 830,759 |

Group Statement of Cash Flows

of ElringKlinger AG, January 1 to June 30, 2020

| EUR k | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 1 st Half 2020 | 1 st Half 2019 |
|---|------------------------------|------------------------------|---------------------------|---------------------------|
| Earnings before taxes | -38,690 | 1,490 | -32,511 | 6,873 |
| Depreciation/amortization (less write-ups) of non-current assets | 31,463 | 28,839 | 61,276 | 57,187 |
| Net interest | 3,652 | 4,776 | 7,606 | 9,159 |
| Change in provisions | -423 | 929 | -1,650 | 281 |
| Gains/losses on disposal of non-current assets | 204 | 326 | 436 | 520 |
| Share of result of associates | 1,350 | 102 | 3,556 | 805 |
| Change in inventories, trade receivables and other assets not resulting from financing and investing activities | 63,055 | 37,741 | 50,131 | 4,983 |
| Change in trade payables and other liabilities not resulting from financing and investing activities | -15,373 | 51,722 | -33,851 | 75,788 |
| Income taxes paid | -6,339 | -6,515 | -13,031 | -13,596 |
| Interest paid | -3,683 | -3,848 | -6,796 | -6,987 |
| Interest received | 191 | 142 | 502 | 226 |
| Other non-cash expenses and income | 4,177 | 3,691 | 16,691 | -4,151 |
| Net cash from operating activities | 39,584 | 119,395 | 52,359 | 131,088 |
| Proceeds from disposals of property, plant and equipment, intangible assets and investment property | 82 | 2,882 | 107 | 3,281 |
| Proceeds from disposals of financial assets | 164 | 1,000 | 1,045 | 2,603 |
| Payments for investments in intangible assets | -3,430 | -3,007 | -6,089 | -5,575 |
| Payments for investments in property, plant and equipment and investment property | -10,391 | -20,650 | -22,729 | -49,498 |
| Payments for investments in financial assets | -761 | -2,260 | -3,062 | -5,067 |
| Net cash from investing activities | -14,336 | -22,035 | -30,728 | -54,256 |
| Dividends paid to shareholders and to non-controlling interests | -942 | 0 | -963 | -20 |
| Proceeds from the addition of long-term loans | 15,368 | 5,168 | 28,746 | 167,213 |
| Payments for the repayment of long-term loans | -8,240 | -61,322 | -64,275 | -67,976 |
| Change in current loans | 16,738 | -15,986 | 32,927 | -133,805 |
| Net cash from financing activities | 22,924 | -72,140 | -3,565 | -34,588 |
| Changes in cash | 48,172 | 25,220 | 18,066 | 42,244 |
| Effects of currency exchange rates on cash | -1,357 | -233 | -5,685 | 537 |
| Cash at beginning of period | 101,016 | 63,108 | 135,450 | 45,314 |
| Cash at end of period | 147,831 | 88,095 | 147,831 | 88,095 |

Group Sales Revenue

of ElringKlinger AG, January 1 to June 30, 2020

Sales revenue by regions

| EUR k | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 1 st Half 2020 | 1 st Half 2019 |
|-------------------------------------|------------------------------|------------------------------|---------------------------|---------------------------|
| Germany | 63,745 | 97,789 | 155,600 | 204,429 |
| Rest of Europe | 64,780 | 127,399 | 187,285 | 265,155 |
| North America | 53,389 | 116,919 | 159,234 | 218,537 |
| Asia-Pacific | 62,707 | 72,367 | 121,635 | 147,605 |
| South America and rest of the world | 7,559 | 19,648 | 24,665 | 39,482 |
| Group | 252,180 | 434,122 | 648,419 | 875,208 |

Sales revenue by segments

| EUR k | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 1 st Half 2020 | 1 st Half 2019 |
|--|------------------------------|------------------------------|---------------------------|---------------------------|
| Lightweighting/Elastomer Technology | 75,793 | 125,652 | 183,939 | 250,578 |
| Shielding Technology | 45,056 | 99,392 | 128,836 | 198,539 |
| Specialty Gaskets | 38,407 | 77,134 | 111,034 | 157,608 |
| Cylinder-head Gaskets | 22,048 | 47,896 | 61,946 | 94,848 |
| E-Mobility | 5,777 | 8,403 | 12,132 | 14,810 |
| Exhaust Gas Purification | 1,328 | 2,705 | 3,700 | 5,166 |
| Other | 5 | 144 | 40 | 446 |
| Segment Original Equipment | 188,415 | 361,326 | 501,628 | 721,995 |
| Segment Aftermarket | 38,998 | 40,894 | 91,291 | 85,618 |
| Segment Engineered Plastics | 23,759 | 28,715 | 52,691 | 60,881 |
| Sale of goods | 251,172 | 430,935 | 645,610 | 868,494 |
| Income from the rendering of services | 1,008 | 2,042 | 2,809 | 4,472 |
| Revenue from contracts with customers | 252,180 | 432,977 | 648,419 | 872,966 |
| Income from rental and leasehold | 0 | 1,145 | | 2,242 |
| Group | 252,180 | 434,122 | 648,419 | 875,208 |

Segment Reporting

of ElringKlinger AG, April 1 to June 30, 2020

| Segment | Original Equipment | | Aftermarket | | Engineered Plastics | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 2 nd Quarter 2020 | 2 nd Quarter 2019 |
| EUR k | | | | | | |
| External revenue | 188,415 | 361,326 | 38,998 | 40,894 | 23,759 | 28,715 |
| Intersegment revenue | 5,948 | 4,464 | 0 | 0 | 3 | 22 |
| Segment revenue | 194,363 | 365,790 | 38,998 | 40,894 | 23,762 | 28,737 |
| EBIT¹/Operating result | -40,515 | 2,042 | 7,663 | 6,712 | 1,253 | 1,706 |
| Depreciation and amortization | -28,323 | -25,744 | -937 | -765 | -1,702 | -1,663 |
| Capital expenditures ² | 16,072 | 23,461 | 466 | 1,037 | 1,275 | 1,740 |

January 1 to June 30, 2020

| Segment | Original Equipment | | Aftermarket | | Engineered Plastics | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 1 st Half 2020 | 1 st Half 2019 | 1 st Half 2020 | 1 st Half 2019 | 1 st Half 2020 | 1 st Half 2019 |
| EUR k | | | | | | |
| External revenue | 501,628 | 721,995 | 91,291 | 85,618 | 52,691 | 60,881 |
| Intersegment revenue | 12,104 | 9,951 | 0 | 0 | 6 | 30 |
| Segment revenue | 513,732 | 731,946 | 91,291 | 85,618 | 52,697 | 60,911 |
| EBIT¹/Operating result | -40,805 | -3,248 | 20,461 | 14,004 | 4,748 | 5,759 |
| Depreciation and amortization | -55,009 | -51,136 | -1,894 | -1,502 | -3,357 | -3,241 |
| Capital expenditures ² | 37,233 | 53,756 | 1,075 | 1,601 | 1,703 | 3,892 |

¹ Earnings before interest and taxes

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

| Other | | Consolidation | | Group | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 2 nd Quarter 2020 | 2 nd Quarter 2019 | 2 nd Quarter 2020 | 2 nd Quarter 2019 | 2 nd Quarter 2020 | 2 nd Quarter 2019 |
| 1,008 | 3,187 | 0 | 0 | 252,180 | 434,122 |
| 1,629 | 1,771 | -7,580 | -6,257 | 0 | 0 |
| 2,637 | 4,958 | -7,580 | -6,257 | 252,180 | 434,122 |
| -799 | -292 | 0 | 0 | -32,398 | 10,168 |
| -501 | -667 | 0 | 0 | -31,463 | -28,839 |
| 165 | 395 | 0 | 0 | 17,978 | 26,633 |

| Other | | Consolidation | | Group | |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1 st Half 2020 | 1 st Half 2019 | 1 st Half 2020 | 1 st Half 2019 | 1 st Half 2020 | 1 st Half 2019 |
| 2,809 | 6,714 | 0 | 0 | 648,419 | 875,208 |
| 3,761 | 3,600 | -15,871 | -13,581 | 0 | 0 |
| 6,570 | 10,314 | -15,871 | -13,581 | 648,419 | 875,208 |
| -802 | 56 | 0 | 0 | -16,398 | 16,571 |
| -1,016 | -1,308 | 0 | 0 | -61,276 | -57,187 |
| 351 | 780 | 0 | 0 | 40,362 | 60,029 |

Notes to the first Half 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 June 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 June 30, 2020, do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements as of June 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 August 7, 2020.

Basis of reporting

Scope of consolidated financial statements

Alongside the financial statements of ElringKlinger AG, the interim financial statements as of June 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 | |
|-------------------------------|-------|---------------|---------------|----------------|----------------|
| | | Jun. 30, 2020 | Dec. 31, 2019 | Jan.–Jun. 2020 | Jan.–Dec. 2019 |
| US dollar (USA) | USD | 1.11980 | 1.12340 | 1.10325 | 1.11945 |
| Pound (United Kingdom) | GBP | 0.91243 | 0.85080 | 0.87728 | 0.87587 |
| Swiss franc (Switzerland) | CHF | 1.06510 | 1.08540 | 1.06370 | 1.11114 |
| Canadian dollar (Canada) | CAD | 1.53240 | 1.45980 | 1.51137 | 1.48221 |
| Real (Brazil) | BRL | 6.11180 | 4.51570 | 5.54545 | 4.41745 |
| Mexican peso (Mexico) | MXN | 25.94700 | 21.22020 | 24.15515 | 21.60815 |
| RMB (China) | CNY | 7.92190 | 7.82050 | 7.77417 | 7.72366 |
| WON (South Korea) | KRW | 1,345.83000 | 1,296.28000 | 1,337.12333 | 1,303.16917 |
| Rand (South Africa) | ZAR | 19.44250 | 15.77730 | 18.61987 | 16.17013 |
| Yen (Japan) | JPY | 120.66000 | 121.94000 | 119.07167 | 121.95917 |
| Forint (Hungary) | HUF | 356.58000 | 330.53000 | 348.77833 | 325.75167 |
| Turkish lira (Turkey) | TRY | 7.67610 | 6.68430 | 7.25615 | 6.35774 |
| Leu (Romania) | RON | 4.83970 | 4.78300 | 4.82538 | 4.75011 |
| Indian rupee (India) | INR | 84.62350 | 80.18700 | 81.90430 | 78.77538 |
| Indonesian rupiah (Indonesia) | IDR | 16,184.41000 | 15,595.60000 | 16,223.69333 | 15,800.49750 |
| Bath (Thailand) | THB | 34.62400 | 33.41500 | 35.04683 | 34.59233 |
| Swedish krona (Sweden) | SEK | 10.49480 | 10.44680 | 10.67627 | 10.58238 |

Significant events and business transactions

At the beginning of the year, the Covid-19 pandemic spread first in China and subsequently at a global level.

In contrast to the first quarter, in which the Chinese plants in particular were affected by extended New Year vacations and government-imposed closures, production in China is already almost back to pre-crisis levels. By comparison, demand in Europe and North America remains sluggish at present. The global market slump had an adverse effect on the financial performance, financial position, and cash flows of the ElringKlinger Group in the first half 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 Jun. 30, 2020 | | | | | | | | | |
| Financial assets measured at amortized cost | 147,831 | 196,450 | 20,166 | 0 | 1,438 | 1,415 | 2,008 | 2,008 | 367,893 |
| Financial assets measured at fair value through profit or loss | 0 | 0 | 0 | 259 | 0 | 0 | 0 | 0 | 259 |
| Financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 | 97 | 97 | 8 | 8 | 105 |
| Total | 147,831 | 196,450 | 20,166 | 259 | 1,535 | 1,512 | 2,016 | 2,016 | 368,257 |
| 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 Jun. 30, 2020 | | | | |
| Financial liabilities measured at amortized cost | 47,196 | 148,999 | 10,552 | 117,903 |
| 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 Jun. 30, 2020 | | | | | | |
| Financial liabilities measured at amortized cost | 0 | 0 | 539,280 | 547,263 | 39,590 | 903,520 |
| 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 10,686k (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 interests 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 June 30, 2020:

| EUR k | Level 1 | Level 2 | Level 3 |
|-----------------------------|------------|--------------|----------|
| Jun. 30, 2020 | | | |
| Financial assets | | | |
| Non-current securities | 97 | 0 | 0 |
| Other financial investments | 8 | 2,008 | 0 |
| Derivatives* | 0 | 239 | 0 |
| Total | 105 | 2,247 | 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 June 30, 2020:

| EUR k | Level 1 | Level 2 | Level 3 |
|--|--------------|----------------|---------------|
| Jun. 30, 2020 | | | |
| Financial assets | | | |
| Non-current securities | 1,415 | 0 | 0 |
| Other financial investments | 0 | 0 | 2,008 |
| Total | 1,415 | 0 | 2,008 |
| Financial liabilities | | | |
| Non-current financial liabilities | 0 | 547,263 | 0 |
| Purchase price liability from written put option | 0 | 0 | 30,252 |
| Total | 0 | 547,263 | 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 half of 2020.

Government grants

Other operating income in the first half of 2020 includes government grants totaling EUR 2,048k (Jun. 30, 2019: EUR 1,908k). These grants were attributable primarily to development projects.

Events after the reporting period

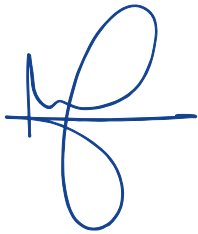
There were no further significant events after the end of the interim reporting period that would necessitate additional explanatory disclosure.

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, August 7, 2020

The Management Board



Dr. Stefan Wolf
Chairman/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. Unless otherwise stated, figures in parantheses refer to the comparative prior-year period. For the purpose of readability, we have not used both forms of grammatical gender (masculine and feminine) simultaneously when referring to specific terms. General designations referring to people relate to all people irrespective of gender.

This report was published on August 7, 2020, and is available in German and English. Only the German version shall be legally binding.

Financial Calendar 2020

NOVEMBER

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Interim Report
on the 3rd Quarter and
1st Nine Months of 2020

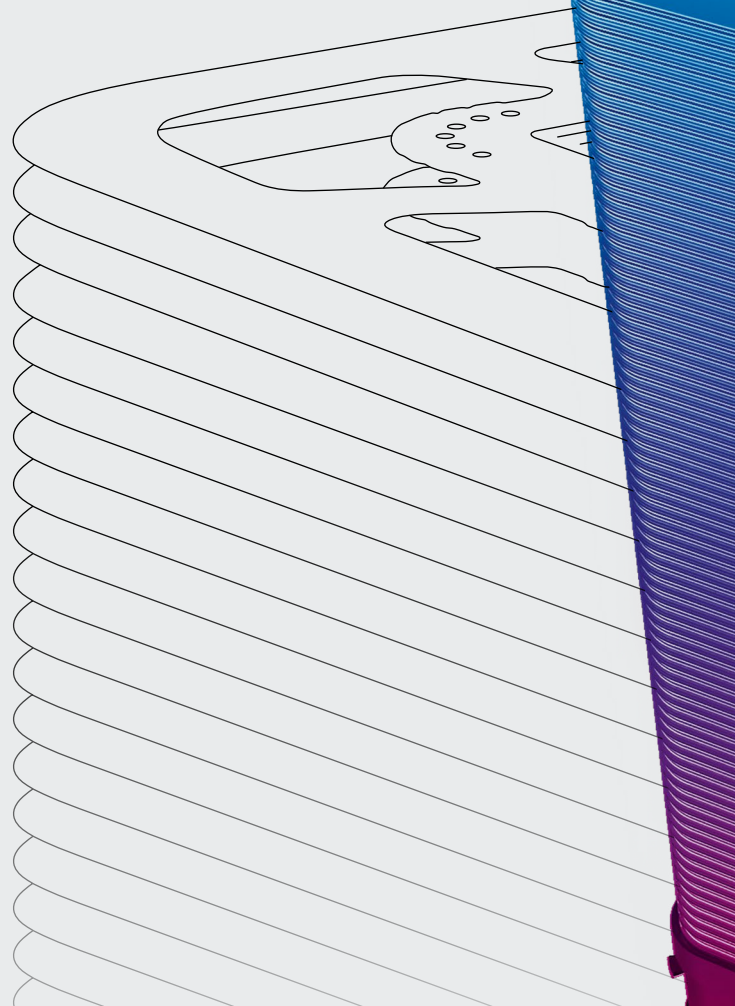
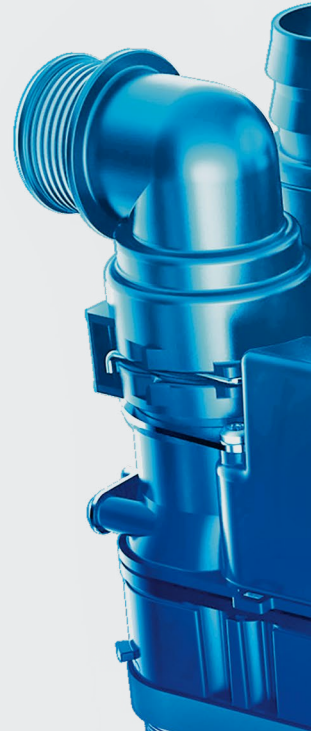
MAY 2021

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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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