
AD HOC ANNOUNCEMENT

Q2 2022: Group earnings impacted by goodwill revaluation and high cost base

Dettingen/Erms (Germany), July 8, 2022 +++ ElringKlinger AG (ISIN DE0007856023 / WKN 785602) conducted an ad hoc review of the Group's business prospects in light of the significant rise in interest rates in the second quarter of 2022. This prompted a non-cash impairment of goodwill recognized in the consolidated statement of financial position with regard to the Original Equipment segment. It amounted to EUR 86.1 million, which had an impact on the Group's earnings in the second quarter of 2022.

The adjustment of goodwill is attributable to several factors. The general increase in interest rates led to a change in the post-tax cost of capital rate used to discount goodwill to 7.40% as of June 30, 2022 (December 31, 2021: 6.99%). In addition, an increase in working capital and the direction taken by exchange rates were factors prompting an expansion in total assets at Group level. As part of the ad hoc impairment test, the recoverable amount determined in this case was below its carrying amount. This resulted in an impairment loss of EUR 86.1 million in the Original Equipment segment, which was recognized in other operating expenses in the reporting period.

Based on preliminary figures, the ElringKlinger Group generated revenues of EUR 430.6 million in the second quarter of 2022 (Q2 2021: EUR 393.6 million) and earnings before interest and taxes (EBIT) of EUR -97.0 million (Q2 2021: EUR 23.0 million). It should be noted that, in addition to the adjustment of goodwill, impairments in property, plant, and equipment also led to higher cost of sales. Excluding the aforementioned impairments, EBIT before interest and taxes came to EUR -1.6 million in the reporting quarter.

The persistently difficult economic conditions also had an impact on earnings. This was due in particular to the sharp rise in the cost of energy, raw materials, and transportation, which have been thrown into disarray by a variety of factors such as the coronavirus pandemic, the ongoing war in Ukraine, and logistical challenges. Due to this, stockpiling is also being adjusted as appropriate to ensure the availability of production materials.

From the Management Board's perspective, in addition to the impairments described above, the aforementioned macroeconomic factors will continue to impact the earnings performance of ElringKlinger AG over the year as a whole. Due to the existing risks associated with the war in Ukraine, the sharp rise in energy and commodity prices, as well as potential renewed coronavirus-related lockdowns in China and other regions, it is still not possible to reliably assess the impact on Group revenues and earnings.

The Group will publish its full financial figures for the second quarter of 2022 on August 4, 2022.



For further information, please contact:

ElringKlinger AG | Strategic Communications

Dr. Jens Winter

Fon: +49 7123 724-88335 | E-mail: jens.winter@elringklinger.com

About ElringKlinger AG

As an automotive supplier, ElringKlinger has become a trusted partner to its customers – with a firm commitment to shaping the future of mobility. Whether optimized combustion engines, high-performance hybrids, or environmentally-friendly battery and fuel cell technology, ElringKlinger provides innovative solutions for all types of drive system. ElringKlinger's lightweighting concepts help to reduce the overall weight of vehicles. As a result, vehicles powered by combustion engines consume less fuel and emit less CO₂, while those equipped with alternative propulsion systems benefit from an extended range. In response to increasingly complex combustion engine technology, the Group also continues to refine and evolve its offering within the area of seals and gaskets in order to meet the highest possible standards. This is complemented by solutions centered around thermal and acoustic shielding technology. Additionally, the Group's portfolio includes products made of the high-performance plastic PTFE, which is also marketed to industries beyond the automotive sector. These efforts are supported by a dedicated workforce of around 9,500 people at 45 ElringKlinger Group locations around the globe.

Disclaimer

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