



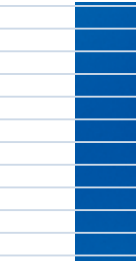
Report on the Second Quarter and First Half of the Year



2006

elringklinger

ElringKlinger – global development partner and original equipment manufacturer for cylinder-head and specialty gaskets, housing modules and shielding parts for engines, transmissions and exhaust systems. With innovations and up-to-date technologies, we continue to set benchmarks in environmentally-friendly mobility and sustained, profitable growth.



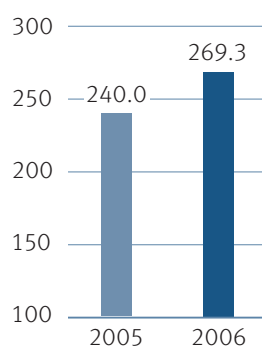
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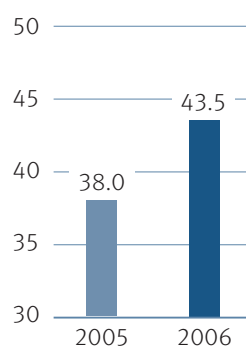
Sales Revenues
1st Half

in EUR million



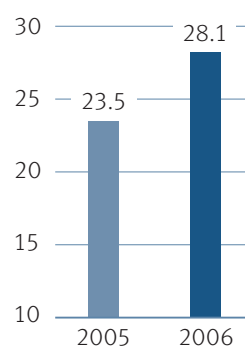
Earnings before
Taxes
1st Half

in EUR million



Consolidated Net
Income
1st Half

in EUR million



Dear Shareholders and Friends of ElringKlinger,

We remained on the path of profitable growth for both sales revenues and earnings in the first half of 2006. Our goal was and is to acquire market share, particularly in Asia and in North America. Our sales revenues and earnings increases in these regions demonstrate that this goal has been achieved. Furthermore, we were also able to increase sales revenues and earnings in Europe, where we already have a high market share. The ongoing optimization of technologies, new areas of application for our products and entirely new developments helped make this growth possible.

The solid macroeconomic environment worldwide in the first half of 2006 had a positive effect. However, at the end of the first half of the year, the automotive markets began to cool off. High raw materials prices had a burdensome effect.

The ElringKlinger Group was able to increase Group sales revenues in the first half of 2006 by 12.2% from EUR 240 million to EUR 269.3 million. Consolidated net income increased by 19.6% from EUR 23.5 million in the first half year of 2005 to EUR 28.1 million in the first half year of 2006.

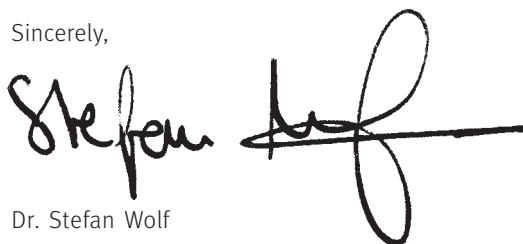
We will maintain our clear focus on cost control, rationalization and additional productivity increases.

For the full-year 2006, we have targeted sales revenue growth of 5–7% and earnings growth of 10–12%. Provided that the economic environment does not deteriorate, we expect to be able to reach the upper end of our forecast. We will also continue to grow sales revenues and earnings within the Group in the medium-term.

In this interim report, which has been prepared in accordance with IFRS (International Financial Reporting Standards), we provide comprehensive information about the business development of the ElringKlinger Group. As such, the company is in compliance with the requirements of the German Corporate Governance Code and is fulfilling the demands of the international capital markets.

We hope you enjoy reading the interim report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan Wolf', with a large, stylized flourish extending from the end of the name.

Dr. Stefan Wolf



Market Environment Predominantly Positive

In the first half of 2006, the global economy continued to show dynamic growth, despite high raw material and energy prices and rising long-term interest rates.

Demand also recovered in the domestic German market. However, after reaching a new high in June, the ifo business climate index, an important economic indicator for the German economy, experienced a marked decline in July.

The European economy grew as a result of a recovery in private consumption. Growth of 2.1% is expected in the second quarter. The outlook for the economic trend remains favorable. GDP growth in the Eurozone in the second half of the year is expected to exceed 2.0%.

The economic trend in the US started to lose momentum. Following real GDP growth of 5.6% in the first quarter, growth in the second quarter declined to 2.5%.

In China, GDP in the first quarter of 2006 grew by 10.3%. In the second quarter, growth amounted to 11.3%. The majority of Asia's emerging markets also showed a continuation of high single-digit growth rates.

The overall automotive market showed solid growth in the first half of the year. Global sales of passenger cars and light trucks/SUVs increased by 4.3% compared to the same period last year. However, as a result of fewer working days, registration figures in the second quarter were weaker following the strong first quarter. The month of June was particularly weak with a decline of 2.7% compared to June 2005. Continued price increases at the pump supported the trend toward diesel and FlexFuel/bioethanol engines.

The global demand for commercial vehicles remained at a high level in the first half of 2006.

Germany only witnessed a modest recovery in its vehicle market during the first six months of 2006. New passenger car registrations increased by 1.4% to 1.74 million vehicles, and exports increased by 4%. Domestic passenger car production thus increased by some 2.0% to 2.8 million vehicles.

In Western Europe, new passenger car registrations in the first half of the year were slightly above the prior year with an increase of 1.3%. Sales volumes declined by 3.0% in the second quarter. In the second quarter of 2006, passenger car production figures for Europe as a whole remained at the level of the prior year following a first quarter increase of 3.8% compared to the first three months of 2005.

In the NAFTA region, the OEMs increased the production of passenger cars and light trucks/SUVs by 2.0% compared to the first half of 2005. Yet, in the second quarter output in the US came in slightly lower. In the first six months of 2006 light vehicle sales in the US declined by 2.4%, which resulted in inventory build-up.

Sales of passenger cars in Japan in the first half of 2006 were 1.1% below the level of the prior year. In contrast, the Chinese market continued its rapid growth with an increase of 46%.

The trend in the Western European diesel market was once again positive, as more than half of all new passenger car registrations were diesels. In total, new diesel registrations in Western Europe increased by 4.2% in the first half of the year 2006. Diesel growth in the compact segment was particularly strong with an increase of over 40%. In the German market, demand for fuel-efficient diesel engines resulted in a 6.0% increase in diesel passenger car sales. Diesel penetration for passenger cars amounted to 43.6% (42.1%), which is 1.5 percentage points above the first half of 2005 but still considerably below the European average.



Sales Revenues and Earnings above the Prior Year

Sales revenues of the ElringKlinger Group amounted to EUR 269.3 (240.0) million in the first half of 2006, which represents an increase of 12.2% over the prior year. This includes a EUR 4.3 million one-time order from an international commercial vehicle manufacturer in the first quarter. Despite declining production in the triad markets and three fewer working days compared to the prior year, ElringKlinger increased Group sales revenues in the second quarter by 8.4% to EUR 133.3 (123.0) million.

Product ramp-ups, the positive trend in demand for engine platforms supplied by ElringKlinger and the further increase in diesel penetration supported this development.

The Group generated growth in all regions of the world. Asia and the Americas witnessed particularly high growth rates. The share of Group sales revenues achieved in the domestic market in the first half year amounted to 34.8% as compared to 37.8% in the prior year. The share of Group sales revenues generated abroad thus increased to 65.2% (62.2%).

In Germany, sales revenues for the first six months of 2006 increased by 3.5% to EUR 93.9 (90.7) million. In the second quarter sales revenues in the domestic market came in at EUR 47.7 (47.6) million slightly higher as compared to the same period in 2005.

In the rest of Europe, ElringKlinger was able to increase sales revenues by 13.5% to EUR 91.6 (80.7) million in the first half of the year. In the second quarter, sales revenues in this region increased by 11.6% to EUR 44.0 (39.5) million.

In the NAFTA region, the Group generated sales revenues of EUR 47.1 (38.2) million in the first half of 2006, an increase of 23.1% over the same period last year. Sales revenues in this region in the second quarter increased by 17.4% to EUR 23.2 (19.8) million, despite modestly declining light vehicle production figures in the US market; growth here was mainly due to the ramp-up of new orders for North American customers.

In the Asian markets, sales revenues in the first half of the year increased by 22.7% to EUR 23.2 (18.9) million. Sales of cylinder-head and specialty gaskets grew considerably in China and South Korea. Sales revenues in the second quarter exceeded those of the prior year by 16.8% and amounted to EUR 11.8 (10.1) million.

Solid growth was once again witnessed in the regions of South America and others. In these regions, ElringKlinger was able to achieve a share of sales revenues above 5%. In the first six months of 2006, sales revenue growth of 18.1% to EUR 13.6 (11.5) million was particularly due to the positive trend at the Brazilian subsidiary, Elring Klinger do Brasil Ltda. Sales revenues in the second quarter increased by 8.1% from EUR 6.1 million to EUR 6.6 million.

Sales Revenues up in All Segments

New product ramp-ups and higher call-offs from OEM customers resulted in above-average sales revenue growth with OEMs. Sales revenues in this segment increased by 15.3% to EUR 192.3 (166.8) million in the first half of 2006, which caused this segment's share of overall sales revenues to increase to 71.4% (69.5%). In the second quarter, ElringKlinger increased sales revenues in the OEM segment by 12.5% to EUR 96.5 (85.8) million. The Shielding Technology division witnessed particularly strong growth. ElringKlinger was able to position itself in the market as the technological leader for complex heat shields. In the Cylinder-Head Gaskets division, the new high-performance coined stopper technology for cylinder-head gaskets has been ramped up in several engine platforms.

In the first half of the year, sales revenues in the Aftermarket segment increased by 1.0% to EUR 42.3 (41.9) million. In the second quarter, three fewer working days and weaker demand in some West European markets resulted in a 7.2% decline in sales revenues to EUR 20.1 (21.6) million. For the second half of the year, ElringKlinger continues to expect rising sales revenues in the Aftermarket segment as well.

The Engineered Plastics segment remained on a growth course. In the first half of the year, sales revenues increased by 11.0% to EUR 29.4 (26.5) million, with 7.2% growth in the second quarter to EUR 14.1 (13.2) million. ElringKlinger is driving the internationalization of its business and the expansion of its product portfolio by enlarging its sales and R&D activities.



Operating Result Increase Outpaces Growth in Sales Revenues

Through ongoing rationalization measures and further productivity increases, ElringKlinger was to some extent able to compensate for the significant increase in raw material and energy costs. In the first six months 2006, the gross margin amounted to 35.2% (34.2%). In the second quarter, the gross margin increased to 35.4% (34.2%). The gross margin also improved compared to the first quarter of 2006, when the margin amounted to 34.9% (34.4%).

Investment in research and development in the first half of 2006 amounted to EUR 14.1 (13.9) million. The ratio of R&D to sales revenues amounted to 5.2% (5.8%). In addition to the development of new product areas and applications, R&D activities focused on the enhancement of existing technologies such as cylinder-head gaskets and the area of thermal shielding. EUR 0.5 (0.5) million of the total EUR 14.1 (13.9) million in R&D expenditure was capitalized. Due to depreciation of the same amount, this did not have an impact on earnings.

A further improvement in processes resulted in an only moderate increase in administrative costs. Administrative costs grew at a slower rate than sales revenues in the first six months of the year, increasing only slightly to EUR 11.8 (11.5) million despite business expansion. In the second quarter administrative costs were EUR 5.7 (5.8) million.

Selling expenses in the first half of 2006 amounted to EUR 19.5 (17.4) million. The increase was due to the build-up of marketing/sales in Engineered Plastics and in the area of commercial vehicles. In the second quarter, selling expenses increased by 10.2% to EUR 9.7 (8.8) million.

The earnings trend in the first half year of 2006 was positively affected by high capacity utilization and the increasing share of new products. ElringKlinger was able to increase its operating result in the first half of the year from EUR 39.7 million to EUR 48.0 million. Growth of 20.9% was higher than the increase in sales revenues. In the second quarter of 2006 operating result came in 14.6% higher reaching EUR 23.6 (20.6) million. The operating margin in the second quarter reached 17.7% following 16.7% for the same period in the prior year.

EBITDA in the first half of the year of 2006 increased by 11.1% to reach EUR 67.1 (60.4) million, which includes a negative exchange rate effect of EUR 2.2 million. EBITDA in the second quarter – including EUR 0.5 million in negative exchange rate effects – increased by 9.2% to EUR 33.7 (30.9) million.

In the first six months of 2006, EBIT including negative exchange rate effects increased by 11.7% to EUR 45.8 (41.0) million. In the second quarter, ElringKlinger's EBIT increased by 10.0% to EUR 23.1 (21.0) million.

Earnings before taxes in the first six months of 2006 were up from EUR 38.0 million to EUR 43.5 million, an increase of 14.5%. Earnings before taxes in the second quarter increased by 11.8%, from EUR 19.5 million to EUR 21.8 million. The decrease in the tax rate by 2.8 percentage points to 35.4% (38.2%) resulted in a disproportionately high increase in consolidated net income in the first half of

2006, which grew by 19.6 % to EUR 28.1 (23.5) million. The increase was comparable in the second quarter, as ElringKlinger's consolidated net income rose by 19.3% to EUR 14.2 (11.9) million.

In the first half of 2006, consolidated net income after minority interests amounted to EUR 26.1 (21.3) million, which corresponds to an increase of 22.9% compared to the first half of 2005. In the second quarter, consolidated net income after minority interests increased by 23.0% to EUR 13.4 (10.9) million.

Earnings per share in accordance with IFRS in the first half of the year was up 22.9%, from EUR 1.11 to EUR 1.36. In the second quarter, ElringKlinger Group's earnings per share increased by 23.0% from EUR 0.57 to EUR 0.70.

Number of Employees Increases at a Slower Rate than Sales Revenues

The number of Group employees amounted to 3,160 (3,034) as of June 30, 2006. As such, the number of employees increased by 4.2% compared to the same quarter in the prior year, which is considerably less than the growth in sales revenues. Increased capacity utilization, increased development activity and the expansion of the sales department resulted in an increase in the number of domestic employees to 2,075 (2,015). As of June 30, 2006, the number of employees at foreign subsidiaries and participations amounted to 1,085 (1,019).

Investment Ratio of 8%

Investment expenditure in the first half year of 2006 was slightly below that of the first six months in 2005. In the first six months of the 2006 financial year, the ElringKlinger Group invested EUR 22.1 (22.3) million in plant, property and equipment, intangible assets and real estate held as a financial investment. Machinery and equipment was purchased for new product ramp-ups, to increase capacity and for rationalization projects. An additional new production line for the manufacture of heat shields was installed at the plant in Mexico. In the fourth quarter of 2005, ElringKlinger made deposits for some equipment which was delivered in the first and second quarters of 2006. As a result, the investment ratio in the first half of 2006 declined to 8.2% (9.3%).



Equity Ratio Reaches 42.7%

The net asset position at the ElingKlinger Group continues to be positive. In conjunction with growth in sales revenues and earnings, the balance sheet total also increased.

The balance sheet total as of June 30, 2006 increased to EUR 467.9 (446.0) million. Compared to December 31, 2005, the balance sheet total increased by 2.5%.

Compared to December 31, 2005, plant, property and equipment declined to EUR 209.0 (210.5) million, due to scheduled depreciation. Non-current assets as a share of the balance sheet total decreased from 63.3% to 60.7%.

Despite the increase in sales revenues of 12.2%, inventories declined by EUR 4.6 million or 5.6% to EUR 77.6 (82.2) million compared to December 31, 2005. In contrast, trade receivables increased by 25.0% compared to December 31 and amounted to EUR 92.7 (74.2) million. This was primarily due to the increase in business activities and in tooling sales, which are associated with a longer payment period. In relation to June 30, 2005 receivables increased by 12.6%, in parallel with the rise in sales revenues.

Due to the dividend payment on June 2, 2006, the revenue reserves in the second quarter of 2006 declined from EUR 132.0 million at the end of the first quarter to EUR 124.3 million. In total, shareholders' equity since December 31, 2005 increased by an additional EUR 3.7 million to EUR 199.8 (196.1) million. Compared to June 30, 2005 (EUR 173.2 million) this represents an increase of 15.3%. The Group's equity ratio amounted to 42.7% compared to 38.8% in the prior year.

Since December 31, 2005, non-current financial liabilities increased as planned by EUR 2.8 million to EUR 53.3 (50.5) million, which corresponds to 11.4% (11.1%) of the balance sheet total. Compared to a year ago, non-current financial liabilities were reduced by 9.9% or EUR 5.9 million.

Trade payables have declined by EUR 6.3 million to EUR 19.4 (25.7) million since December 31, 2005. Current financial liabilities in the first half of 2006 declined by EUR 2.4 million to EUR 32.6 (35.0) million. Compared to December 31, 2005 this amounted to a decrease of 7.9%. ElringKlinger's short-term provisions since December 31, 2005 increased by EUR 2.8 million to EUR 9.1 (6.3) million. Overall, current liabilities of EUR 104.1 (104.3) million remained largely unchanged compared to the level of December 31, 2005.

The share of liabilities as a percentage of the balance sheet total thus amounted to 57.3%. Compared to June 30, 2005 (61.2%) the share of financial liabilities as a percentage of the balance sheet total declined by 3.9 percentage points.



Cash Flow Statement: Net Cash from Operating Activities in the First Half of 2006 Considerably Stronger

The ElringKlinger Group also generated a sustainable, high cash return in the first half of 2006. Following EUR 9.5 million in operating free cash flow (net cash from operating activities minus net cash used in investing activities) in the first quarter ElringKlinger generated an operating free cash flow of EUR 14.5 million in the second quarter.

ElringKlinger increased its net cash from operating activities in the first six months of 2006 by 57.8% to EUR 45.3 (28.7) million. This was aided by a EUR 5.5 million increase in earnings before taxes and higher depreciation of EUR 1.9 million. The increase in inventories and trade receivables as well as other assets not resulting from financing and investing activities was considerably below the increase registered in the first six months of 2005 and amounted to EUR 13.9 (20.3) million. In addition, trade payables and liabilities not resulting from financing and investing activities in the first half of the year increased by EUR 3.1 million.

Net cash used in investing activities in the first half year of 2006 amounted to EUR -21.4 (-21.4) million. Cash outflows of EUR 21.1 (22.1) million for investments in plant, property and equipment and real estate held as a financial investment were somewhat lower than in the first six months of the 2005 financial year.

There was a significant cash outflow due to the higher dividend payment of EUR 19.2 (16.8) million and a lower utilization of financial liabilities by EUR 6.5 million. As a result, net cash used in investing activities in the first half of the year amounted to EUR -21.5 (-13.0) million.

As of June 30, 2006, cash and cash equivalents amounted to EUR 7.1 (6.0) million.

ElringKlinger Focuses on Research and Development: Share of New Product Increases

In the second quarter of 2006, ElringKlinger received additional attractive development contracts for the newest generation of Metaloflex metal layer cylinder-head gaskets from Asian and North American manufacturers. Meander and honey comb stopper technology, which provides the advantage of more flexible geometries and higher performance, is being employed increasingly in both gasoline and diesel engines and creates a significant precondition for the reduction of emissions and lower oil consumption. In 2006, ElringKlinger has implemented the new stopper technology in 13 series production ramp-ups.

The series production ramp-up of the AdBlue module took place in the Specialty Gaskets division. This new module is applied for the injection of urea for the reduction of nitrogen oxide emissions in diesel vehicles. In addition to the application which was originally intended for commercial vehicle engines, the Specialty Gaskets division also develops solutions for passenger car engines.

With the new Metaloprint automatic transmission control plate for the hydraulic control unit in automatic transmissions, ElringKlinger is focusing on the increasing share of vehicles with automatic transmissions in the European market and is expanding its engine competence to the area of transmission applications.

In the Shielding Technology division, ElringKlinger is intensifying its activities to integrate add-on functions, such as the integration of sensors into shielding parts. The trend among the OEMs to develop more compact but at the same time more powerful engines with direct injection and supercharging (downsizing) has resulted in greater demand for complex heat shield solutions.

Within the Engineered Plastics division ElringKlinger focused research and development on medical technology applications for medical devices and specialty hoses. In addition, ElringKlinger Kunststofftechnik is working intently on the development of injection mouldable PTFE as well as on the preparation of a production process for industrial application. This will result in several new fields of application for PTFE.



Outlook: Sales Revenues and Earnings Increase in 2006

There are positive signals at present from the German domestic economy. Growth forecasts for Germany in the current year presently amount to just under 2%. However, forecasts for future economic development have become somewhat blurred. The increase in the value-added tax in Germany, which is planned for the beginning of 2007, could lead to pull-ahead vehicle sales in the second half of the year. However, it cannot yet be determined whether the increase in vehicle production over the prior year in the US and Europe will continue over the remaining course of the year. Moderately declining passenger car production is expected for the triad markets of Europe, Japan and the US in the second half of the year. In light of the ongoing high price of fuel, demand for vehicles with diesel engines is expected to increase further.

The order intake and order backlog at ElringKlinger both developed positively in the first half of the year and in the second quarter. Order intake in the first six months of 2006 picked up by 16.9% to EUR 282.1 (241.3) million, with order intake in the second quarter amounting to EUR 137.6 (117.5) million. As such, order intake in the second quarter of 2006 was 17.1% above the level of the same quarter in the prior year. The order backlog at the end of the second quarter of 2006 amounted to EUR 190.5 (164.1) million, an increase of 16.1% over the same period in the prior year.

Further increases in material prices for c-steel, stainless steel, alloys and crude oil-based intermediate plastics products and high energy costs created a burden in

the second quarter of 2006. Although ElringKlinger currently does not expect additional price increases, prices are likely to remain at a consistently high level for the remainder of the financial year. Pricing pressure on the part of customers in the automotive industry continued to increase. However, ElringKlinger has created the necessary conditions for the planned increase in earnings in 2006 through sustainable efficiency enhancement measures and more strict cost controls.

ElringKlinger anticipates growth in sales revenues for the 2006 financial year of 5 to 7%. Consolidated net income is expected to grow by 10 to 12%. The planned increases are particularly due to series production ramp-ups and the ramp-up of new products. Provided that the economic environment and automotive markets remain stable, ElringKlinger expects to reach the upper end of the forecasted range.

The Share: Liquidity Improved, Upward Trend Continues

At the end of 2005, the ElringKlinger share, which was burdened by negative news from the industry, particularly in the US, reached a level of EUR 28.50. Since the beginning of 2006, the share price has profited from the company's strong business trend, a more positive mood in the automotive industry and the generally favorable stock market environment. The share price increased to the level of EUR 45 and reached a new all-time high in mid-May at EUR 45.46. Against the background of weaker capital markets since early summer, ElringKlinger's share price has witnessed a decline. At the end of the first half of the year 2006, the share price amounted to around EUR 39.

Since the start of the year, the share price has outperformed the benchmark indices DAX and SDAX.

The share's liquidity, which refers to the number of shares traded on the stock exchange improved considerably in the first half of 2006. The 2-for-1 stock split which took place in August 2005 assisted in this development, as the number of ElringKlinger shares traded doubled to 19.2 million.

Compared to the first six months of 2005, the daily average trading volume of ElringKlinger shares increased from 20,100 to 23,300, despite the higher average share price level. This represents an increase in trading volume of 16%.

ElringKlinger participated in three capital markets conferences in the first half of 2006. Meetings and presentations in Europe and in the US provided a platform to inform institutional investors about business operations and the prospects for the ElringKlinger Group. In addition, international investors visited the company's

headquarters in Dettingen/Erms in order to form their own impression of the company and its products. In the second half of the year, additional investor events are planned at several European locations and North America. In addition, ElringKlinger will present itself to a wide range of international investors at international capital markets conferences as well as at Deutsche Börse's German Equity Forum (Deutsches Eigenkapitalforum).

AGM 2005 Approves Dividend Increase

At the company's 101st ordinary annual general meeting the shareholders approved the payment of a dividend of EUR 1.00 (0.88) per share for the 2005 financial year, using EUR 19.2 million of the appropriated net earnings as of December 31. The dividend payout occurred on June 2, 2006.

As such, ElringKlinger AG continues to pursue its dividend policy of enabling its shareholders to participate in the company's corporate success. Since 1997, the total dividend has increased from EUR 1.4 million to EUR 19.2 million. The payout ratio based on the Group's consolidated net income after minorities amounted to 45.3%.

ElringKlinger Share (CUSIP 785 602)

	1 st Half 2006	1 st Half 2005
Number of shares as of June 30	19,200,000	9,600,000
Share price (Xetra closing price in EUR)		
High	45.46	36.38*
Low	31.21	25.26*
Closing price on June 30	39.05	29.85*
Average daily volume (no. of shares)	23,300	20,100*

*After 2-for-1 stock split

Share price performance (XETRA) of the ElringKlinger share since January 1, 2006, relative to the benchmark indices SDAX and DAX.



Disclaimer – Forward-looking Statements and Predictions

This report contains statements about the future. These statements are based on current expectations, market evaluations and predictions by the Management Board, and on information that is currently available to them. The statements about the future should not be interpreted as guarantees of the future developments and results that they refer to. Whilst the Management Board are convinced that the statements that have been made, and the convictions and expectations on which they are based, are realistic, they rely on suppositions that may conceivably prove to be incorrect; future results and developments are dependant on a multitude of factors, they involve various risks and imponderabilities that can affect whether the ongoing development deviates from the expectations 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.

Consolidated Income Statement

January 1 to June 30, 2006

	2 nd Quarter 2006	2 nd Quarter 2005	1 st Half 2006	1 st Half 2005
	EUR'000	EUR'000	EUR'000	EUR'000
Sales revenues	133,300	123,000	269,300	240,000
Cost of sales	-86,100	-80,900	-174,600	-157,600
Gross profit	47,200	42,100	94,700	82,400
Selling expenses	-9,700	-8,800	-19,500	-17,400
General and administrative expenses	-5,700	-5,800	-11,800	-11,500
Research and development expenses	-7,000	-6,900	-14,100	-13,900
Other operating income	400	600	1,600	1,600
Other operating expenses	-1,600	-600	-2,900	-1,500
Operating result	23,600	20,600	48,000	39,700
Earnings from affiliated companies	0	0	0	0
Net interest	-1,800	-1,100	-4,500	-1,700
Financial result	-1,800	-1,100	-4,500	-1,700
Earnings before taxes	21,800	19,500	43,500	38,000
Taxes on income	-7,600	-7,600	-15,400	-14,500
Consolidated net income	14,200	11,900	28,100	23,500
Minority interests	828	1,032	1,985	2,245
Consolidated net income after minority interests	13,372	10,868	26,115	21,255
Earnings per share in EUR	0.70	0.57	1.36	1.11

Consolidated Balance Sheet

ASSETS	June 30, 2006	Dec. 31, 2005	June 30, 2005
	EUR'000	EUR'000	EUR'000
Intangible assets	30,198	30,913	30,500
Property, plant and equipment	208,960	210,452	199,600
Investment properties	30,828	32,390	30,900
Financial assets	4,558	4,543	4,500
Deferred taxes	9,537	10,732	11,200
Non-current assets	284,081	289,030	276,700
Inventories	77,649	82,246	76,100
Trade receivables	92,659	74,154	82,300
Other current assets	6,411	6,433	4,900
Cash and cash equivalents	7,114	4,434	6,000
Current assets	183,833	167,267	169,300
	467,914	456,297	446,000
LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2006	Dec. 31, 2005	June 30, 2005
	EUR'000	EUR'000	EUR'000
Share capital	57,600	57,600	57,600
Capital reserve	2,747	2,747	2,747
Revenue reserves	124,314	119,791	97,397
Minority interests	15,100	15,975	15,430
Shareholders' equity	199,761	196,113	173,174
Provisions for pensions	52,929	52,429	51,200
Non-current provisions	9,201	9,212	8,200
Non-current financial liabilities	53,311	50,504	59,200
Deferred taxes	33,725	32,517	36,000
Other non-current liabilities	14,847	11,173	10,500
Non-current liabilities	164,013	155,835	165,100
Current provisions	9,123	6,252	7,100
Trade payables	19,419	25,685	19,100
Liabilities to affiliated companies	5	17	0
Current financial liabilities	32,552	34,985	35,300
Tax payables	11,357	7,096	10,800
Other current liabilities	31,684	30,314	35,426
Current liabilities	104,140	104,349	107,726
	467,914	456,297	446,000

The classification corresponds to that of the 2005 annual financial statements (see the Notes to the financial statements).

Statement of Changes in Equity

2nd Quarter 2006

	Share capital	Capital reserve	Revenue reserves Revaluation reserve
	EUR'000	EUR'000	EUR'000
As of Dec. 31, 2004	57,600	2,747	26,181
Dividend distributions			
Adjustments due to consolidation			
Consolidated net income			
As of June 30, 2005	57,600	2,747	26,181
As of Dec. 31, 2005	57,600	2,747	26,181
Dividend distributions			
Adjustments due to consolidation			
Consolidated net income			
As of June 30, 2006	57,600	2,747	26,181

Currency translation differences	Equity capital earned by the Group	Minority interests	Group equity
EUR'000	EUR'000	EUR'000	EUR'000
-7,798	70,216	14,977	163,923
	-16,800	-2,004	-18,804
4,343		212	4,555
	21,255	2,245	23,500
-3,455	74,671	15,430	173,174
-2,203	95,813	15,975	196,113
	-19,200	-2,608	-21,808
-2,392		-252	-2,644
	26,115	1,985	28,100
-4,595	102,728	15,100	199,761

Group Sales Revenues by Region

	2 nd Quarter 2006	2 nd Quarter 2005	1 st Half 2006	1 st Half 2005
	EUR'000	EUR'000	EUR'000	EUR'000
Germany	47,678	47,565	93,870	90,662
Change compared to prior year in %	0.2		3.5	
Rest of Europe	44,017	39,451	91,595	80,716
Change compared to prior year in %	11.6		13.5	
NAFTA	23,181	19,751	47,002	38,179
Change compared to prior year in %	17.4		23.1	
Asia and Australia	11,800	10,103	23,231	18,930
Change compared to prior year in %	16.8		22.7	
South America and others	6,624	6,130	13,602	11,513
Change compared to prior year in %	8.1		18.1	
Group	133,300	123,000	269,300	240,000
Change compared to prior year in %	8.4		12.2	

Segment Reporting

2nd Quarter 2006/2nd Quarter 2005

	Original Equipment		Aftermarket		Engineered Plastics	
	2006	2005	2006	2005	2006	2005
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues*	111,289	101,755	21,789	24,621	14,123	13,648
Intersegment revenues	-3,514	-3,999	0	0	0	0
Consolidation	-11,238	-11,914	-1,724	-2,992	-19	-491
Sales revenues	96,537	85,842	20,065	21,629	14,104	13,157
EBIT	16,151	14,012	4,078	4,138	1,941	2,162
Amortisation & depreciation	-9,691	-8,845	-120	-145	-426	-421
Investments	13,414	13,337	121	471	1,054	630

Segment Reporting

1st Half 2006/1st Half 2005

	Original Equipment		Aftermarket		Engineered Plastics	
	2006	2005	2006	2005	2006	2005
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues*	225,529	201,674	45,663	47,700	29,407	27,426
Intersegment revenues	-7,474	-8,131	0	0	0	0
Consolidation	-25,742	-26,743	-3,409	-5,845	-51	-975
Sales revenues	192,313	166,800	42,254	41,855	29,356	26,451
EBIT	30,519	26,420	8,126	7,877	5,275	5,155
Amortisation & depreciation	-19,313	-17,361	-279	-242	-855	-838
Investments	19,228	20,101	219	705	1,998	1,008

In the "Services" segment, structural changes occurred due to the integration by ElringKlinger AG of the independent division of Elring Klinger Motortechnik. This explains the decline in segment sales revenues. Segment earnings remained unaffected due to the original elimination of Intra-Group transactions.

Industrial Parks		Services		Group	
2006	2005	2006	2005	2006	2005
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
2,020	1,871	1,274	1,561	150,495	143,456
0	0	0	0	-3,514	-3,999
0	0	-700	-1,060	-13,681	-16,457
2,020	1,871	574	501	133,300	123,000
928	732	2	-44	23,100	21,000
-267	-274	-205	-236	-10,709	-9,921
252	177	214	214	15,055	14,829

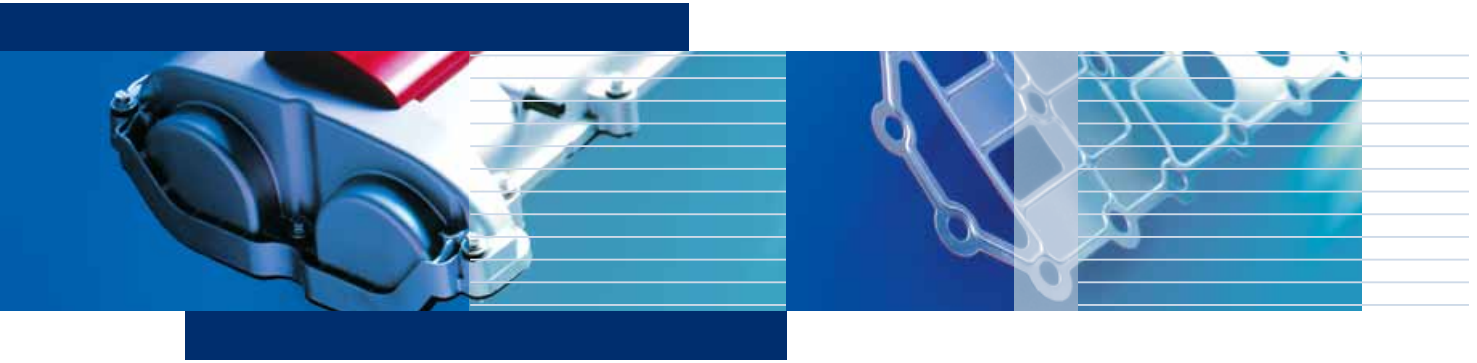
Industrial Parks		Services		Group	
2006	2005	2006	2005	2006	2005
EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
4,074	3,655	2,668	3,393	307,341	283,848
0	0	0	0	-7,474	-8,131
0	0	-1,365	-2,154	-30,567	-35,717
4,074	3,655	1,303	1,239	269,300	240,000
1,819	1,418	61	130	45,800	41,000
-537	-578	-409	-422	-21,393	-19,441
325	215	289	271	22,059	22,300

*Due to the requirements of IAS 14 in accordance with IFRS, a minor reclassification was made in the prior year: Sales deductions for commissions in the amount of EUR 777 (1,667) thousand, which were previously allocated to the Original Equipment segment, have been reclassified to the Aftermarket segment since the preparation of the 2005 annual financial statements.

Consolidated Cash Flow Statement

	2 nd Quarter 2006	2 nd Quarter 2005	1 st Half 2006	1 st Half 2005
	EUR'000	EUR'000	EUR'000	EUR'000
Earnings before taxes	21,800	19,500	43,500	38,000
Amortization and depreciation (less write-ups) on non-current assets	10,666	9,962	21,298	19,400
Net interest	1,300	1,500	2,300	3,000
Changes in provisions	-138	905	2,171	1,589
Loss from disposal of intangible assets and of property, plant and equipment	0	-20	0	-29
Changes in inventories, receivables and other assets not resulting from financing and investing activities	-4,364	-6,700	-13,886	-20,340
Changes in liabilities not resulting from financing and investing activities	7,848	3,052	3,075	-24
Income taxes paid	-7,300	-6,500	-13,155	-11,224
Interest paid	-750	-887	-1,251	-1,824
Interest received	100	100	250	250
Foreign currency translation changes from operating activities	-13	805	1,017	-74
Net cash from operating activities	29,149	21,717	45,319	28,724
Proceeds from disposals of intangible assets and of property, plant and equipment	387	719	726	935
Proceeds from disposals of financial assets	399	0	409	15
Payments for investments in intangible assets	-665	-109	-968	-153
Payments for investments in property, plant and equipment and investment property	-14,390	-14,720	-21,091	-22,147
Payments for investments in financial assets	-416	0	-424	0
Net cash used in investing activities	-14,685	-14,110	-21,348	-21,350
Dividends paid	-21,808	-18,804	-21,808	-18,804
Changes in financial liabilities	8,583	12,000	374	6,849
Foreign currency translation changes from investing activities	-36	-699	-94	-1,068
Net cash used in financing activities	-13,261	-7,503	-21,528	-13,023
Net increase in cash and cash equivalents	1,203	104	2,443	-5,649
Foreign currency translation changes in cash and cash equivalents	182	296	237	406
Cash and cash equivalents at beginning of period	5,729	5,600	4,434	11,243
Cash and cash equivalents at end of period	7,114	6,000	7,114	6,000

The classification corresponds to that of the 2005 annual financial statements (see the Notes to the financial statements).



Notes to the First Half of 2006

The Interim Report as of 30 June, 2006 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and has taken into account the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The same accounting and valuation principles applied to the consolidated financial statements as of December 31, 2005, in accordance with IFRS, have been used in the preparation of this interim report.

The guidelines for the classification of the consolidated income statement, consolidated balance sheet and consolidated cash flow statement were implemented by ElringKlinger AG for the first-time with the preparation of the 2005 consolidated financial statements as of December 31, 2005, in accordance with Accounting Interpretations Committee 1 (AIC 1, passed in July 2005) and IAS 7. The new classification of the items in the consolidated financial statements has also been applied in the interim reports.

In accordance with the guidelines of AIC 1, which require a change in maturity, provisions for warranties and impending losses were reclassified from long-term to short-term provisions in the consolidated balance sheet. At the same time, tax liabilities classified under short-term provisions are now reported separately, and personnel provisions and other liability-related provisions are now classified under other current liabilities.

Since the preparation of the 2005 annual financial statements, the consolidated cash flow statement has been reclassified in accordance with IAS 7. The summary statement pertaining to the change in liabilities and shareholders' equity has been divided into the effects from changes in the income tax liability, changes in the interest portion for pension provisions, other provisions and trade payables, as well as other items under liabilities and shareholders' equity which are not classified as investment or financing activities. Securities classified as current assets have been added to the position of cash/cash equivalents.

Required Disclosures

The cost-of-sales accounting format has been applied in the preparation of the income statement. The Group currency is the Euro.

In addition to the financial statements of ElringKlinger AG, the interim report as of 30 June 2006 includes 4 domestic and 15 foreign subsidiaries. These are subsidiaries over which ElringKlinger AG maintains a controlling influence as the majority holder of voting rights. The joint-venture companies ElringKlinger Korea Co., Ltd., Changwon, South Korea and ElringKlinger Marusan Corp., Tokyo, Japan were included in the interim report through pro-rata consolidation. Marusan Corp., Tokyo, Japan was accounted for at purchase cost as a participation. The financial year for all consolidated subsidiaries corresponds to the financial year of the parent company.

Exchange rates developed as follows:

		Reporting date rate = 1 EUR		Average rate = 1 EUR	
		June 30, 2006	Dec. 31, 2005	2006	2005
US dollar (USA)	USD	1.27140	1.18330	1.23561	1.23786
Pounds Sterling (United Kingdom)	GBP	0.69270	0.68740	0.68863	0.68312
Canadian dollars (Canada)	CAD	1.41000	1.37500	1.39566	1.49865
Real (Brazil)	BRL	2.76690	2.75030	2.70032	2.99513
Peso (Mexico)	MXN	14.35789	12.60210	13.46303	13.47397
RMB (China)	CNY	10.15910	9.54710	9.91416	10.12873
WON (South Korea)	KRW	1,205.83625	1,186.80000	1,182.97276	1,264.23000
Rand (South Africa)	ZAR	9.08000	7.49000	7.76446	7.87479
Yen (Japan)	JPY	145.70038	139.10000	142.47900	136.90250
Forint (Hungary)	HUF	282.30246	253.00000	263.18934	248.78333
Zloty (Poland)	PLN	4.04500	3.86500	3.90388	4.02573

Derivative financial instruments were utilized in the first half of 2006 to hedge interest rate risks and to smooth the volatility of purchasing prices for raw materials. In addition, derivative financial instruments were used to hedge receivables in Canadian and US dollars. A derivative relating to raw materials was liquidated in the second quarter resulting in a positive effect on material expenses of EUR 493 thousand.

The contingencies disclosed in the 2005 financial statements did not materially change in the first half of 2006.



Calendar

Automechanika (Frankfurt)	September 12–17, 2006
German Investment Conference (München)	September 28, 2006
International Supplier Fair (IZB) (Wolfsburg)	October 11–13, 2006
Interim Report on the 3 rd Quarter of 2006	November 7, 2006
Small Cap Conference (London)	November 9–10, 2006
European Mid Cap Conference (New York)	November 16–17, 2006
SAE Automotive Supplier Symposium (São Paulo, Brazil)	November 21–23, 2006
German Equity Forum (Frankfurt)	November 27–29, 2006
Financial Press Conference	March 29, 2007
Analysts' Conference	March 29, 2007
Interim Report on the 1 st Quarter of 2007	May 10, 2007
102 nd Annual General Shareholder Meeting Liederhalle Cultural and Congress Centre Stuttgart, Hegelsaal, 10:00 CET	May 25, 2007

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