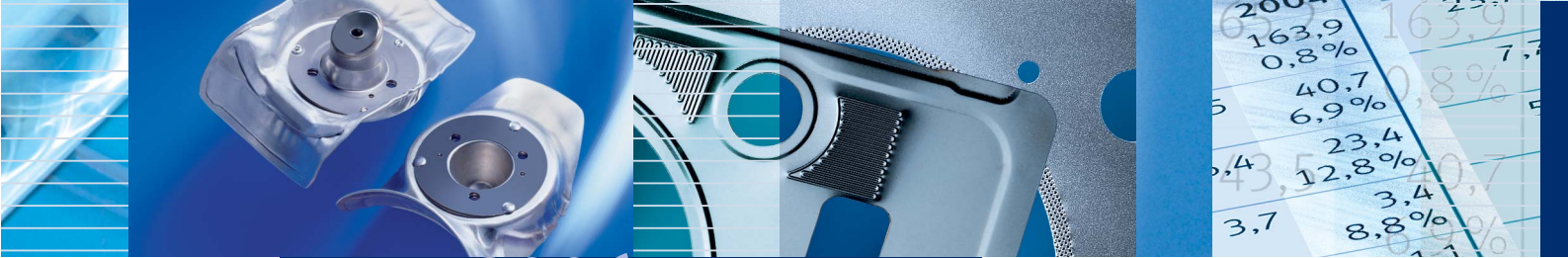




Report on the First Quarter of



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.

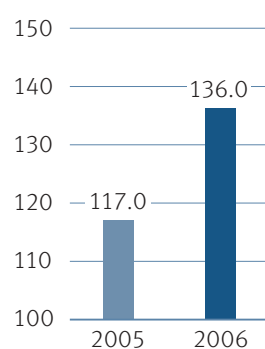
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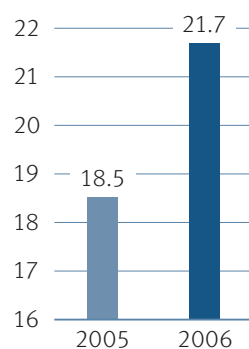
Sales Revenues  
1<sup>st</sup> Quarter

in EUR million



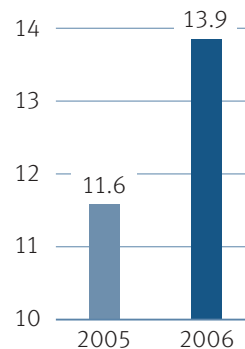
Earnings before  
Taxes  
1<sup>st</sup> Quarter

in EUR million



Consolidated Net  
Income  
1<sup>st</sup> Quarter

in EUR million



## *Dear Shareholders and Friends of ElringKlinger,*

Global economic growth gained momentum in the first quarter of 2006 despite the continued rise in interest rates, high crude oil prices and energy costs.

The automotive industry was also able to benefit from this economic growth. The triad markets of Western Europe, the USA and China experienced solid growth in vehicle production, which is a key indicator for ElringKlinger's business. Customer take-rates were positive. Continued growth in diesel penetration for passenger car sales, which exceeded the 50%-mark in Europe, has benefited ElringKlinger's business.

In the first quarter, the positive economic environment in Germany and strengthened demand leading up to the planned increase in the value-added tax in 2007 resulted in a considerable rise in vehicle sales. In the domestic market, vehicle sales increased by more than 5%.

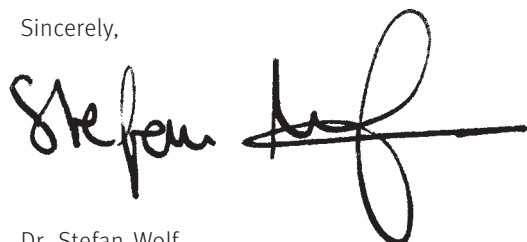
In this context, ElringKlinger succeeded in increasing sales revenues by 16.2% and consolidated net income by 19.8% in the first three months of 2006. Ongoing efforts in the area of product innovation made a considerable contribution in this respect. Cost savings were generated through efficiency enhancement programs and rationalization measures. Following the first quarter 2006 and provided the industry environment does not experience a sustainable downturn, we believe the company is well on course to achieve its growth targets for sales revenues and earnings in the current financial year.

ElringKlinger's share price reflects the positive business trend. As of the end of the first quarter 2006, the share price was trading around EUR 40. During the first week in April, the shares reached an all-time high in intraday trading of EUR 45.

In this interim report, which has been prepared in accordance with IFRS (International Financial Reporting Standards), ElringKlinger has provided comprehensive information about the Group's business development. As such, the company is in compliance with the requirements of the German Corporate Governance Code and 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 Brightens

The European economy grew by some 2.0% in the first three months. The home market in Germany was characterized by a pick-up in domestic demand. The Ifo business climate index, an important economic indicator, increased for the fifth time in a row.

Growth momentum in the USA continued with GDP growth of 4.8%. Rapid growth in Asia continued. In China, GDP in the first quarter of 2006 grew by 10%. The majority of Asia's emerging markets also showed a continuation of high growth rates.

Global automotive markets showed solid growth in the first quarter. The strong rise in gas prices at the pump promoted the trend toward diesel engines as well as alternative FlexFuel engines with bio-ethanol drivetrains.

Global demand for commercial vehicles continued to develop positively.

The German home market experienced a significant upswing in demand. New registrations increased by 5.4%. Supported by continued growth in exports by the German OEMs, domestic passenger car production increased by 8.0% to 1.4 million vehicles.

In Western Europe, new car registrations increased by 3.4%, and for Europe as a whole, registrations amounted to 4.1 million for the period from January through March 2006, an increase of 3.2%. Production figures also increased in the period under review: In Western Europe, the number of new vehicles off the assembly line increased by 3.6% compared to the prior year's quarter.

In Japan, sales of passenger cars remained largely unchanged, whereas in China, 55.0% more vehicles were sold in the first quarter of 2006 than in the prior year. In the NAFTA region, OEMs increased production of passenger cars and light vehicles by 9.5% compared to the relatively weak first quarter in the prior year. However, the fact that sales in the USA only increased by 1.2% indicates a build-up of inventories. In South America, the sales situation continued to develop positively.

Rising gas prices also lead to an increase in diesel penetration rates in Europe. The number of diesel passenger cars sold in Western Europe increased by 4.8% compared to the same period in 2005 and amounted to 2.0 (1.9) million. According to preliminary figures, diesel penetration in the first quarter of 2006 reached 50.4% (49.6%). In the German market, the sales figures for diesel passenger cars in March alone increased by 9.0%.



## Sales Revenues and Earnings Considerably above the Prior Year

In the first quarter of 2006, the ElringKlinger Group increased sales revenues by 16.2% from EUR 117.0 million to EUR 136.0 million.

Higher passenger car production figures in Europe and North America favored this trend, in addition to the ongoing growth in diesel penetration. Higher than expected take-rates on the part of certain major customers, new ramp-ups and a contract for shielding parts awarded by an international commercial vehicles maker all had a positive effect in the first quarter.

The Group was able to continue its growth in all regions of the world. The share of Group sales revenues generated abroad increased to 66.0% (63.2%).

In Germany, revenues in the first quarter increased by 7.2% to EUR 46.2 (43.1) million; as such, the share of sales revenues generated from within Germany amounted to 34.0% (36.8%). In the rest of Europe, ElringKlinger was able to increase sales revenues by 15.3% to EUR 47.6 (41.3) million.

Solid growth was witnessed in the regions of South America/Rest of World. Sales revenues increased by 29.6% to EUR 7.0 (5.4) million. This resulted primarily from the positive business trend at the Brazilian subsidiary, Elring Klinger do Brasil Ltda.

ElringKlinger's business in the NAFTA region continued to grow. The production of passenger cars and light vehicles increased by 9.5% compared to the relatively weak quarter in the prior year. Sales revenues in the first quarter 2006 in this region exceeded those of the prior year by 29.3% to reach EUR 23.8 (18.4) million.

In the Asian markets, ElringKlinger increased sales revenues by 29.5% to EUR 11.4 (8.8) million. In particular, China and Korea achieved strong growth in the areas of cylinder-head gaskets and cam cover modules with integrated sealing systems.

## Sales Revenues Increased in All Segments

Sales revenues in the Original Equipment segment increased by 18.3% to EUR 95.8 (81.0) million in the first three months of 2006; as such, this segment's share of Group revenues increased to 70.4% (69.2%). The Shielding Technology division witnessed particularly strong growth. A recently acquired order from a commercial vehicles manufacturer for the production of shielding parts had a positive impact in the first quarter and resulted in one-time sales of EUR 4.3 million. In shielding technology ElringKlinger has strongly positioned itself in the market as the technological leader in the production of complex heat shields with add-on functions. The Cylinder-Head Gaskets, Specialty Gaskets and Elastomer Components/Modules divisions all generated positive growth as well.

Sales revenues in the Aftermarket segment increased by 9.7% to EUR 22.2 (20.2) million. This segment achieved strong growth in its home market, Germany, and in the regions of the Near and Middle East and Eastern Europe.

The Engineered Plastics segment also continued to grow in the period under review, with sales revenues growth of 14.7% to EUR 15.3 (13.3) million.

## Operating Result Shows Disproportionately High Growth

Rationalization and a further increase in productivity enabled ElringKlinger to compensate for the continuation of high raw materials and energy costs and to increase its gross margin from 34.4% to 34.9%.

Investment in research and development amounted to EUR 7.1 (7.0) million. The ratio of R&D to sales revenues amounted to 5.2% (6.0%). R&D activities focused on the development of new product areas and applications as well as the enhancement of existing technologies. EUR 0.3 (0.2) million of the total EUR 7.1 million R&D expenditure was capitalized. Due to depreciation of the same amount, there was no effect on earnings.

Selling and administrative costs increased at a disproportionately low rate compared to sales revenues. High capacity utilization and a favorable product mix had a positive effect on earnings. ElringKlinger was able to increase its operating result at a faster rate than sales revenues, as the operating result increased by 27.7% to EUR 24.4 (19.1) million. EBIT including exchange rate effects increased by 13.5% to EUR 22.7 (20.0) million.

EBITDA increased by 13.2% and amounted to EUR 33.4 (29.5) million.

Earnings before taxes increased from EUR 18.5 million in the prior year to EUR 21.7 million, an increase of 17.3%. The decrease in the tax rate by 1.4 percentage points to 35.9% (37.3%) resulted in a disproportionately high increase of 19.8% in consolidated net income, which grew to EUR 13.9 (11.6) million. Consolidated net income after minority interests amounted to EUR 12.7 (10.4) million, which corresponds to an increase of 22.7% compared to the first quarter of 2005.

Earnings per share in accordance with IFRS increased by 22.7%, from EUR 0.54 to EUR 0.66. The number of ElringKlinger AG shares outstanding remained unchanged at 19,200,000.

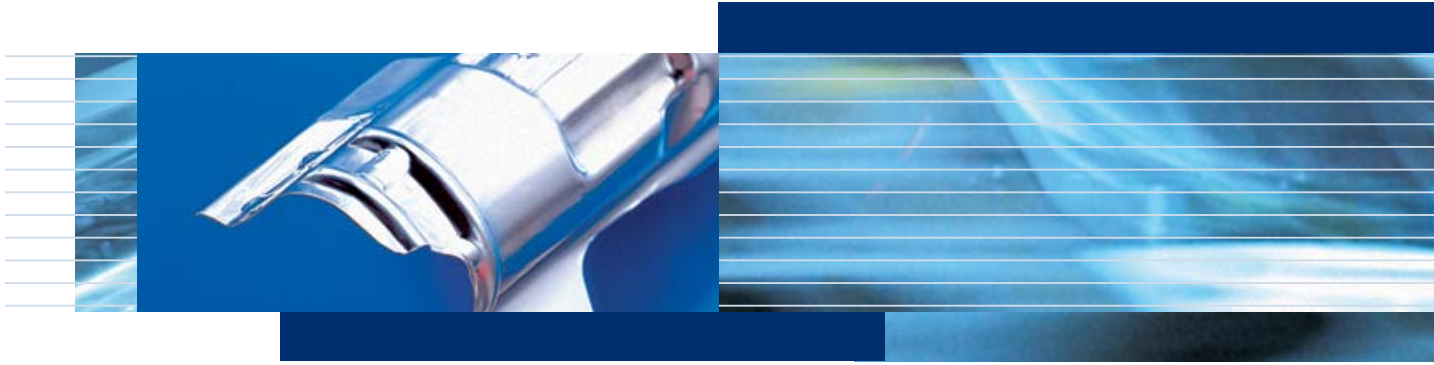
## Employees

As of March 31, 2006, the number of employees at the Group declined by 7 to 3,121, compared to 3,128 in the same quarter in the prior year. The number of employees in Germany increased to 2,059 (2,030). This was due to increased capacity utilization and the expansion of the sales department, particularly in the area of engineered plastics. The number of employees at foreign subsidiaries and affiliated companies amounted to 1,062 (1,098), a decrease of 3.3% compared to the prior year. Additional rationalization measures were primarily responsible for this decline compared to the prior year.

## Investment Expenditure

In the first three months of the financial year, the ElringKlinger Group invested EUR 7.0 (7.5) 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. The investment ratio of 5.2% (6.4%) was lower than in the corresponding quarter of the prior year, due to the fact that ElringKlinger already made deposits in the fourth quarter of 2005 for a large amount of equipment scheduled for delivery in the first and second quarter of 2006.





## Research and Development: Share of New Products Increases

In the first quarter of 2006, ElringKlinger received important development contracts for the newest generation of Metaloflex<sup>®</sup> metal layer cylinder-head gaskets. Honey comb stopper technology, the benefits of which include improved emissions levels, lower oil consumption and improved durability, is being increasingly employed in both gasoline and diesel engines. Development activities also concentrate on the optimization of production methods. In 2006, 13 series production ramp-ups are scheduled for implementation.

At the Specialty Gaskets division, the series production ramp-up of the new AdBlue module for urea injection to reduce nitrogen oxide emissions in diesel vehicles is currently underway. The solution designed for commercial vehicle engines is also expected to be utilized for passenger cars in the near future. With the new Metaloprint<sup>®</sup> 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.

The Shielding Technology division is working intensively on the integration of add-on functions such as sensors in shielding parts.

ElringKlinger's dynamically growing Engineered Plastics division focuses on fuel economy and emissions reduction through its automotive applications made from PTFE, which include piston pump seals, lambda probe form hoses and compressor seals for air suspension. Other areas of focus in development include medical technology applications for devices and specialty hoses. The industrial use of injection-moldable PTFE, which is being vigorously pursued, should open up numerous new fields of application based on the geometries made possible by this technology.

## Equity Ratio Reached 45.4%

The net assets of the ElringKlinger Group once again developed positively.

The balance sheet total increased to EUR 461.5 (432.1) million, which corresponds to growth of 6.8% compared to the same quarter in the prior year. Compared to December 31, 2005, the balance sheet total increased by 1.1%.

Plant, property and equipment compared to December 31, 2005 declined to EUR 206.3 (210.5) million due to scheduled depreciation on plant, property and equipment and tooling in conjunction with lower investment expenditure. Non-current assets as a share of the balance sheet total decreased from 63.3% to 61.4%.

Despite increasing sales revenues, inventories declined by EUR 6.9 million to EUR 75.3 (82.2) million. In contrast, receivables increased by 24.7% compared to December 31, 2005 and amounted to EUR 92.4 (74.2) million. This increase was primarily due to tooling sales and revenues from prototypes, which totaled EUR 7.6 million, as these are associated with a longer payment period. ElringKlinger confronted a reduced willingness to pay on time by intensifying the management of its receivables.

Compared to December 31, 2005, shareholders' equity increased by EUR 13.3 million or 6.8% to EUR 209.4 (196.1) million; as such, the Group's equity ratio reached 45.4% (42.9%).

Non-current financial liabilities were reduced as scheduled by EUR 5.6 million, and current financial liabilities decreased by EUR 2.6 million. Trade payables decreased by EUR 6.1 million to EUR 19.6 (25.7) million. This reduced the share of liabilities as a percentage of the balance sheet total to 54.6% (57.1%).



## Cash Flow Statement:

### Net Cash from Operating Activities Stronger in Q1

The ElringKlinger Group also generated a sustainable, high cash return in the first quarter of 2006. Net cash from operating activities amounted to EUR 16.2 (7.0) million, as the increase in the position inventories, trade receivables and other assets of EUR 9.5 (13.6) million were considerably lower than in the prior year.

Net cash used in investing activities amounted to EUR -6.7 (-7.2) million. Cash outflows of EUR 6.7 (7.4) million for investments in plant, property and equipment and real estate held as a financial investment were 9.8% lower than in the prior year.

Net cash used in financing activities amounted to EUR -8.3 (-5.5) million, as ElringKlinger continued to reduce its liabilities to banks.

As of March 31, 2006, cash and cash equivalents amounted to EUR 5.7 (5.6) million.

## **Outlook: Organic Sales Revenues and Earnings Increase in 2006**

At present, positive signals can be seen in the German economy. Growth forecasts for Germany in the current year presently amount to 1.8%. The planned increase in the value-added tax in Germany, scheduled for the beginning of 2007, is expected to result in a pull-ahead effect for vehicle purchases. However, it is currently not possible to predict whether vehicle production and demand, which has been above expectations in both the USA and Europe, will continue for the remainder of the year.

Order intake and order backlog developed positively. Order intake increased by 16.7% to EUR 144.5 (123.8) million, and the order backlog amounted to EUR 186.2 (169.6) million at the end of the first quarter of 2006.

The continuation of high raw materials prices for stainless steel, alloys and plastics materials also created a burden in the first quarter of 2006. Although ElringKlinger does not expect additional price increases, the prices are expected to remain at a high level. Pricing pressure on the part of customers in the automotive industry continued to increase. Nevertheless, ElringKlinger has been able to generate potential for increasing earnings in 2006 through ongoing efficiency enhancement measures and strict cost control.

The company 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 expected increase is primarily due to series production ramp-ups of new products. In the event that the currently favorable economic climate and industry environment continues, ElringKlinger expects sales revenues and earnings increases to be at the upper end of the range forecast for 2006.

In the medium-term, ElringKlinger will continue to generate organic growth through the development of new product solutions, new global product ramp-ups and the opening up of new customer groups among the Asian OEMs.

## The Share: Liquidity Improved, Upward Trend Continues

At the end of 2005, the ElringKlinger share, which was burdened by negative industry news, particularly in the US, reached a level of EUR 28.5. Since the beginning of 2006, the share price has profited from the positive sentiment in the automotive industry and the generally favorable stock market environment. The share price increased in a stable upward trend and reached EUR 42 at the end of April. This corresponds to a share price increase of approximately 40% since the end of 2005. The ElringKlinger share reached a new all-time high in the first quarter, trading above EUR 45 at its peak in intraday trading.

The share's liquidity – a key criteria for acceptance into the MDAX – increased considerably in the first quarter. The stock split, which took place in August 2005, also contributed to the increase in liquidity. The stock split resulted in a doubling of the number of ElringKlinger shares outstanding, which now amount to 19.2 million. Compared to the first three months of 2005, the daily average trading volume of ElringKlinger shares increased from 19,700 to 24,900 shares, despite the considerable increase in the share price. This corresponds to an increase in trading volume of 27%.

In the first quarter, ElringKlinger participated in an international capital markets conference. Meetings and presentations in Frankfurt, Switzerland and Great Britain provided a platform to inform institutional investors about business operations and the prospects for the ElringKlinger Group. In addition, numerous international investors visited the company's headquarters in Dettingen/Erms in order to form their opinion of the company first-hand. Additional investor events are planned at locations including France, Italy, Benelux, North America and Scandinavia. Furthermore, ElringKlinger will once again attend the German Equity Forum of the German Stock Exchange (Deutsches Eigenkapitalforum), where it will present the company to a wide range of international investors.

### Dividend for the 2005 financial year

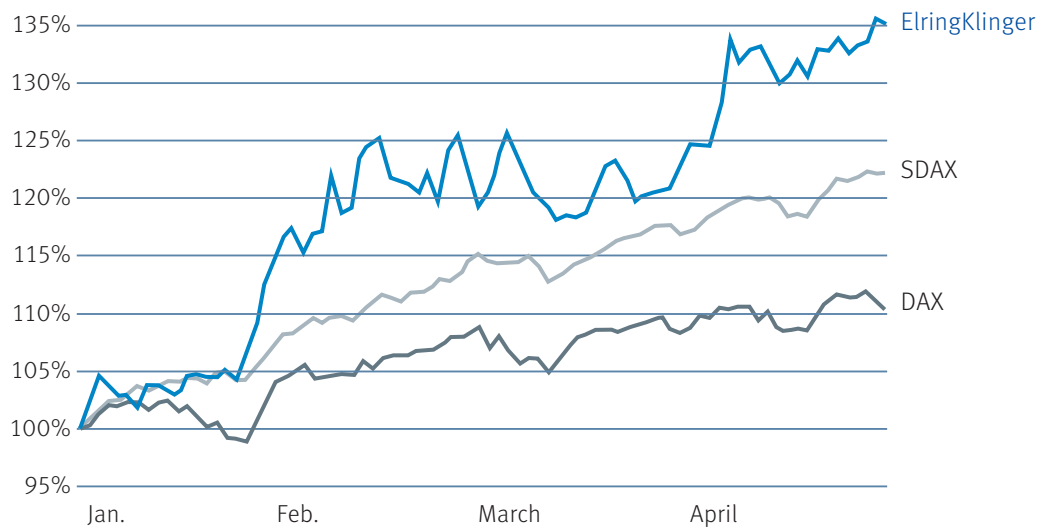
At the 101<sup>st</sup> Annual General Meeting on June 1, 2006, the Management Board and Supervisory Board will propose that the retained net earnings for the 2005 financial year of EUR 19.2 million be appropriated to pay a dividend of EUR 1.00 (0.88) per share.

### ElringKlinger Share (CUSIP 785 602)

|  | 1 <sup>st</sup> Quarter<br>2006 | 1 <sup>st</sup> Quarter<br>2005 |
|--|---------------------------------|---------------------------------|
| Number of shares as of March 31          | 19,200,000                      | 9,600,000                       |
| Share price (Xetra closing price in EUR) |                                 |                                 |
| High                                     | 38.82                           | 36.38*                          |
| Low                                      | 31.21                           | 29.94*                          |
| Closing price on March 31                | 38.81                           | 33.94*                          |
| Average daily volume (no. of shares)     | 24,902                          | 19,574*                         |

\*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 – Future-oriented 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 March 31, 2006

|   | 1 <sup>st</sup> Quarter 2006 | 1 <sup>st</sup> Quarter 2005 |
|---|------------------------------|------------------------------|
|   | EUR'000                      | EUR'000                      |
| Sales revenues  | 136,000                      | 117,000                      |
| Cost of sales   | -88,500                      | -76,700                      |
| <b>Gross profit</b>                                     | <b>47,500</b>                | <b>40,300</b>                |
| Selling expenses  | -9,800                       | -8,600                       |
| General and administrative expenses                     | -6,100                       | -5,700                       |
| Research and development expenses                       | -7,100                       | -7,000                       |
| Other operating income                                  | 1,200                        | 1,000                        |
| Other operating expenses                                | -1,300                       | -900                         |
| <b>Operating result</b>                                 | <b>24,400</b>                | <b>19,100</b>                |
| Earnings from affiliated companies                      | 0                            | 0                            |
| Net interest  | -2,700                       | -600                         |
| <b>Financial result</b>                                 | <b>-2,700</b>                | <b>-600</b>                  |
| <b>Earnings before taxes</b>                            | <b>21,700</b>                | <b>18,500</b>                |
| Taxes on income   | -7,800                       | -6,900                       |
| <b>Consolidated net income</b>                          | <b>13,900</b>                | <b>11,600</b>                |
| Minority interests                                      | 1,157                        | 1,213                        |
| <b>Consolidated net income after minority interests</b> | <b>12,743</b>                | <b>10,387</b>                |
| Earnings per share in EUR                               | 0.66                         | 0.54                         |

## Consolidated Balance Sheet

| ASSETS                                      | March 31, 2006        | Dec. 31, 2005        | March 31, 2005        |
|---|-----------------------|----------------------|-----------------------|
|   | EUR'000               | EUR'000              | EUR'000               |
| Intangible assets                           | 30,334                | 30,913               | 30,600                |
| Property, plant and equipment               | 206,256               | 210,452              | 192,300               |
| Investment properties                       | 31,555                | 32,390               | 30,500                |
| Financial assets                            | 4,541                 | 4,543                | 5,200                 |
| Deferred taxes                              | 10,730                | 10,732               | 11,300                |
| <b>Non-current assets</b>                   | <b>283,416</b>        | <b>289,030</b>       | <b>269,900</b>        |
| Inventories                                 | 75,310                | 82,246               | 75,100                |
| Trade receivables                           | 92,433                | 74,154               | 77,400                |
| Other current assets                        | 4,612                 | 6,433                | 4,100                 |
| Cash and cash equivalents                   | 5,729                 | 4,434                | 5,600                 |
| <b>Current assets</b>                       | <b>178,084</b>        | <b>167,267</b>       | <b>162,200</b>        |
|   | <b>461,500</b>        | <b>456,297</b>       | <b>432,100</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>March 31, 2006</b> | <b>Dec. 31, 2005</b> | <b>March 31, 2005</b> |
| <b>EQUITY</b>                               | <b>EUR'000</b>        | <b>EUR'000</b>       | <b>EUR'000</b>        |
| Share capital                               | 57,600                | 57,600               | 57,600                |
| Capital reserve                             | 2,747                 | 2,747                | 2,747                 |
| Revenue reserves                            | 131,960               | 119,791              | 100,340               |
| Minority interests                          | 17,090                | 15,975               | 16,257                |
| <b>Shareholders' equity</b>                 | <b>209,397</b>        | <b>196,113</b>       | <b>176,944</b>        |
| Provisions for pensions                     | 52,702                | 52,429               | 49,200                |
| Non-current provisions                      | 9,218                 | 9,212                | 7,800                 |
| Non-current financial liabilities           | 44,936                | 50,504               | 60,000                |
| Deferred taxes                              | 31,960                | 32,517               | 36,300                |
| Other non-current liabilities               | 11,109                | 11,173               | 10,500                |
| <b>Non-current liabilities</b>              | <b>149,925</b>        | <b>155,835</b>       | <b>163,800</b>        |
| Current provisions                          | 8,876                 | 6,252                | 8,000                 |
| Trade payables                              | 19,634                | 25,685               | 18,600                |
| Liabilities to affiliated companies         | 7                     | 17                   | 0                     |
| Current financial liabilities               | 32,344                | 34,985               | 22,500                |
| Tax payables                                | 10,351                | 7,096                | 7,800                 |
| Other current liabilities                   | 30,966                | 30,314               | 34,456                |
| <b>Current liabilities</b>                  | <b>102,178</b>        | <b>104,349</b>       | <b>91,356</b>         |
|   | <b>461,500</b>        | <b>456,297</b>       | <b>432,100</b>        |

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

## Statement of Changes in Equity

1<sup>st</sup> 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              |
| Adjustments due to consolidation |               |                 |                     |
| Consolidated net income          |               |                 |                     |
| As of March 31, 2005             | 57,600        | 2,747           | 26,181              |
| As of Dec. 31, 2005              | 57,600        | 2,747           | 26,181              |
| Adjustments due to consolidation |               |                 |                     |
| Consolidated net income          |               |                 |                     |
| As of March 31, 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      |
|  | 1,354                            |                                    | 67                 | 1,421        |
|  |                                  | 10,387                             | 1,213              | 11,600       |
|  | -6,444                           | 80,603                             | 16,257             | 176,944      |
|  | -2,203                           | 95,813                             | 15,975             | 196,113      |
|  | -574                             |                                    | -42                | -616         |
|  |                                  | 12,743                             | 1,157              | 13,900       |
|  | -2,777                           | 108,556                            | 17,090             | 209,397      |



## Segment Reporting

1<sup>st</sup> Quarter 2006/1<sup>st</sup> 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       |
| <b>Segment revenues*</b>    | <b>114,241</b>     | <b>99,919</b> | <b>23,873</b> | <b>23,079</b> | <b>15,284</b>       | <b>13,778</b> |
| Intersegment revenues       | -3,960             | -4,132        | 0             | 0             | 0                   | 0             |
| Consolidation               | -14,504            | -14,829       | -1,684        | -2,853        | -32                 | -484          |
| <b>Sales revenues</b>       | <b>95,777</b>      | <b>80,958</b> | <b>22,189</b> | <b>20,226</b> | <b>15,252</b>       | <b>13,294</b> |
| <b>EBIT</b>                 | <b>14,368</b>      | <b>12,423</b> | <b>4,048</b>  | <b>3,724</b>  | <b>3,334</b>        | <b>2,993</b>  |
| Amortisation & depreciation | -9,623             | -8,450        | -159          | -143          | -429                | -417          |
| Investments                 | 5,821              | 6,763         | 98            | 235           | 945                 | 378           |

\*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 890 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.

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.

### Group Sales Revenues by Region

|                                    | 1 <sup>st</sup> Quarter 2006 | 1 <sup>st</sup> Quarter 2005 |
|------------------------------------|------------------------------|------------------------------|
|                                    | EUR'000                      | EUR'000                      |
| Germany                            | 46,192                       | 43,097                       |
| Change compared to prior year in % | 7.2                          |                              |
| Rest of Europe                     | 47,578                       | 41,265                       |
| Change compared to prior year in % | 15.3                         |                              |
| NAFTA                              | 23,821                       | 18,428                       |
| Change compared to prior year in % | 29.3                         |                              |
| Asia and Australia                 | 11,431                       | 8,827                        |
| Change compared to prior year in % | 29.5                         |                              |
| South America and others           | 6,978                        | 5,383                        |
| Change compared to prior year in % | 29.6                         |                              |
| <b>Group</b>                       | <b>136,000</b>               | <b>117,000</b>               |
| Change compared to prior year in % | 16.2                         |                              |

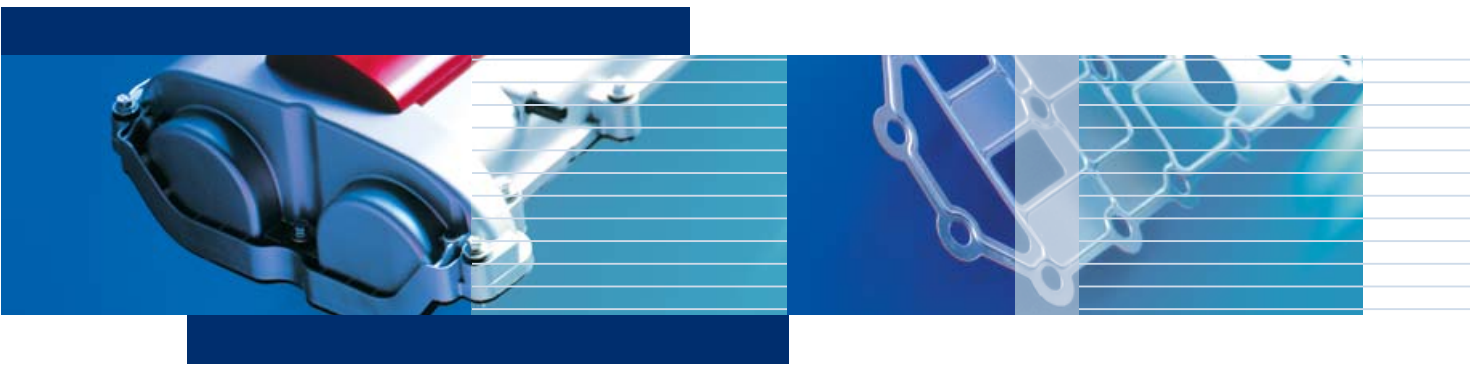
| Industrial Parks |         | Services |         | Group   |         |
|------------------|---------|----------|---------|---------|---------|
| 2006             | 2005    | 2006     | 2005    | 2006    | 2005    |
| EUR'000          | EUR'000 | EUR'000  | EUR'000 | EUR'000 | EUR'000 |
| 2,053            | 1,784   | 1,394    | 1,832   | 156,845 | 140,392 |
| 0                | 0       | 0        | 0       | -3,960  | -4,132  |
| 0                | 0       | -665     | -1,094  | -16,885 | -19,260 |
| 2,053            | 1,784   | 729      | 738     | 136,000 | 117,000 |
| 891              | 686     | 59       | 174     | 22,700  | 20,000  |
| -270             | -253    | -204     | -237    | -10,685 | -9,500  |
| 73               | 38      | 75       | 57      | 7,012   | 7,471   |



## Consolidated Cash Flow Statement

|  | 1 <sup>st</sup> Quarter<br>2006 | 1 <sup>st</sup> Quarter<br>2005 |
|--|---------------------------------|---------------------------------|
|  | EUR'000                         | EUR'000                         |
| Earnings before taxes  | 21,700                          | 18,500                          |
| Amortization and depreciation (less write-ups)<br>on non-current assets  | 10,632                          | 9,438                           |
| Net interest   | 1,000                           | 1,500                           |
| Increase in provisions   | 2,309                           | 684                             |
| Loss from disposal of intangible assets and<br>of property, plant and equipment                                  | 0                               | -9                              |
| Changes in inventories, receivables and<br>other assets not resulting from financing and<br>investing activities | -9,522                          | -13,640                         |
| Changes in liabilities not resulting from<br>financing and investing activities                                  | -4,773                          | -3,076                          |
| Income taxes paid  | -5,855                          | -4,724                          |
| Interest paid  | -501                            | -937                            |
| Interest received  | 150                             | 150                             |
| Foreign currency translation changes from<br>operating activities  | 1,030                           | -879                            |
| <b>Net cash from operating activities</b>  | <b>16,170</b>                   | <b>7,007</b>                    |
| Proceeds from disposals of intangible assets<br>and of property, plant and equipment                             | 339                             | 216                             |
| Proceeds from disposals of financial assets  | 10                              | 15                              |
| Payments for investments in intangible assets  | -303                            | -44                             |
| Payments for investments in property, plant and<br>equipment and investment property                             | -6,701                          | -7,427                          |
| Payments for investments in financial assets   | -8                              | 0                               |
| <b>Net cash used in investing activities</b>   | <b>-6,663</b>                   | <b>-7,240</b>                   |
| Dividends paid   | 0                               | 0                               |
| Changes in financial liabilities   | -8,209                          | -5,151                          |
| Foreign currency translation changes from<br>investing activities  | -58                             | -369                            |
| <b>Net cash used in financing activities</b>   | <b>-8,267</b>                   | <b>-5,520</b>                   |
| Net increase in cash and cash equivalents  | 1,240                           | -5,753                          |
| Foreign currency translation changes in<br>cash and cash equivalents   | 55                              | 110                             |
| Cash and cash equivalents at beginning<br>of period  | 4,434                           | 11,243                          |
| <b>Cash and cash equivalents at end of period</b>  | <b>5,729</b>                    | <b>5,600</b>                    |

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



## Notes to the First Quarter of 2006

The interim report as of March 31, 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 Interpretations 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 accounting and valuation methods were published in the notes to the consolidated financial statements for the 2005 financial year.

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 in the preparation of the 2005 consolidated financial statements as of December 31, 2005, in accordance with Accounting Interpretations Committee 1 (AIC 1, approved in July 2005) and IAS 7. In the interest of comparability, the corresponding classifications are therefore also applied in the interim reports for the comparable periods in 2005.

In accordance with the determinations of AIC 1, which require a change in maturity, in the consolidated balance sheet provisions for warranties and impending losses were reclassified from long-term to short-term provisions. (At the same time, tax liabilities classified under short-term provisions, were reported separately personnel provisions and other provisions, that are characterized as liabilities have been reported under other current liabilities).

Since 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's reporting currency is the Euro.

In addition to the financial statements of ElringKlinger AG, the interim report as of March 31, 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 financial statements 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 |             |
|----------------------------------|-----|-----------------------------|---------------|----------------------|-------------|
|                                  |     | March 31, 2006              | Dec. 31, 2005 | 2006                 | 2005        |
| US dollar (USA)                  | USD | 1.20920                     | 1.18330       | 1.20217              | 1.23786     |
| Pounds Sterling (United Kingdom) | GBP | 0.69690                     | 0.68740       | 0.68672              | 0.68312     |
| Canadian dollars (Canada)        | CAD | 1.40950                     | 1.37500       | 1.38161              | 1.49865     |
| Real (Brazil)                    | BRL | 2.64460                     | 2.75030       | 2.62028              | 2.99513     |
| Peso (Mexico)                    | MXN | 13.19720                    | 12.60210      | 12.74954             | 13.47397    |
| RMB (China)                      | CNY | 9.96227                     | 9.54710       | 9.66352              | 10.12873    |
| WON (South Korea)                | KRW | 1,174.74302                 | 1,186.80000   | 1,164.79523          | 1,264.23000 |
| Rand (South Africa)              | ZAR | 7.49600                     | 7.49000       | 7.22269              | 7.87479     |
| Yen (Japan)                      | JPY | 142.44994                   | 139.10000     | 140.72621            | 136.90250   |
| Forint (Hungary)                 | HUF | 265.99989                   | 253.00000     | 256.94840            | 248.78333   |
| Zloty (Poland)                   | PLN | 3.94200                     | 3.86500       | 3.85183              | 4.02573     |

Derivative financial instruments were utilized in the first quarter of 2006 to hedge existing receivables in foreign currencies. As of March 31, 2006, exchange rate forwards were in place solely for the purpose of hedging receivables in Canadian and US dollars.

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

## Changes in the Supervisory Board and Management Board

Mr. Walter Greiner resigned his position as member of the Supervisory Board of Elring-Klinger AG, effective March 31, 2006. Mr. Markus Siegers, member of the works council, took over Mr. Greiner's position on the Supervisory Board of Elring-Klinger AG as a substitute member, effective from April 1, 2006.

Dr. Stefan Wolf, former Spokesperson of the Management Board, was appointed Chairman of the Management Board of ElringKlinger AG, effective immediately, at the Supervisory Board meeting on March 28, 2006.

## Calendar

|   |                       |
|---|-----------------------|
| SAE Automotive Supplier Symposium (Tokyo)   | May 24–26, 2006       |
| 101 <sup>st</sup> Annual General Shareholder Meeting<br>Liederhalle Cultural and Congress Centre<br>Stuttgart, Hegelsaal, 10:00 CET | June 1, 2006          |
| Dividend distribution   | June 2, 2006          |
| European Mid Cap Conference (London)  | June 6–7, 2006        |
| Interim Report on the 2 <sup>nd</sup> Quarter of 2006   | August 10, 2006       |
| Automechanika (Frankfurt)   | September 12–17, 2006 |
| International Supplier Fair (IZB)<br>(Wolfsburg)  | October 11–13, 2006   |
| Interim Report on the 3 <sup>rd</sup> Quarter of 2006   | November 9, 2006      |
| SAE Automotive Supplier Symposium (São Paulo, Brazil)   | November 21–23, 2006  |
| German Equity Forum (Frankfurt)   | November 27–29, 2006  |
| 102 <sup>nd</sup> Annual General Shareholder Meeting<br>Liederhalle Cultural and Congress Centre<br>Stuttgart, Hegelsaal, 10:00 CET | May 25, 2007          |

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