

Report on the Third Quarter and First Nine Months of



2005

elringklinger



ElringKlinger – global development partner and original equipment manufacturer for cylinder-head and specialty-purpose 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.

Dear Stockholders and Friends of ElringKlinger,

No significant economic growth took place in Germany during the first nine months of 2005, and the resulting lack of economic momentum in the automotive industry was mirrored at ElringKlinger. The slight signs of life that were noticeable in the second quarter and in the run up to September's International Motor Show in Frankfurt did not live up to expectations.

Rising interest rates and a definite increase in the price of crude oil combined with high energy costs to suppress growth. The Japanese automotive market was the only one of the triad markets to show a growth in vehicle production. Whilst car registrations in Western Europe were slightly up on the previous year, vehicle production, which is significant for ElringKlinger, was more than 2% below the level of the previous year.

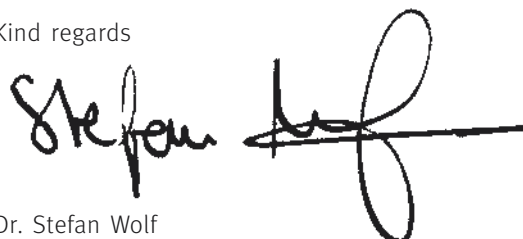
Against an undeniably very difficult backdrop, ElringKlinger has succeeded over the first nine months of this year in increasing sales revenues by 3.9% and the net income for the period by 7%. The continued driving forward of product innovation made an important contribution to this, as did the growth in the spare parts business. This puts ElringKlinger on course to achieve the targeted growth in sales revenues and earnings for 2005.

The share price reached a yearly high of over 37 Euro at the end of September in conjunction with the stock split that took place, but during October, which is a volatile month for the Stock Exchange, it fell back to just above 30 Euro, the level it reached at the start of July.

This report has been created by ElringKlinger in line with the IFRS (International Financial Reporting Standards) and is intended to give comprehensive information on the business operations of the Group. It also fulfils the requirements of the German Code of Corporate Governance and the international capital markets.

We hope you enjoy reading it.

Kind regards

A handwritten signature in black ink, appearing to read 'Stefan Wolf', with a long horizontal flourish extending to the right.

Dr. Stefan Wolf

Market Environment Remains Difficult

The economic development has lost momentum in the third quarter. The high price of crude oil and rising interest rates are affecting growth on a worldwide scale.

Domestic demand continued to be weak in Western Europe and especially in the German market. Japan, on the other hand, is showing signs of a recovery. Most emerging countries are showing sustained high rates of growth.

The global automotive cycle has also maintained a moderate growth rate. Record prices at the pumps around the world have created a burden, but in Europe this is encouraging the trend towards diesel motors. Markets in Western Europe, the USA and Japan are developing at a stable rate overall, although car production was below the level of the previous year in both Western Europe and the USA. China has regained momentum after going through a weak phase, and the sales position has continued to develop positively in South America.

Although registration figures for the third quarter are clearly higher than those for the previous year in Western Europe and the NAFTA region, there has been a noticeable downturn in production figures. Whilst 2.2% more vehicles were registered in Western Europe from July to September, this means that 4.6% fewer vehicles rolled off the production lines than in the previous year. The situation in the NAFTA region was similar – a growth in new registrations of cars and light commercial vehicles of 4.5% against a moderate increase of 1.6% in production figures. The situation in the German car market looked better. In the first nine months exports increased by 2% to a new record high not least because of the wide range of fuel-efficient diesel models offered. Domestic orders were up 3%. Overall development in the neighboring European markets was clearly weaker.



Sales Revenues: Sales Revenues and Earnings Continue to Rise

In spite of the continuing difficult market environment and the extended works holidays of some major customers during the third quarter, the ElringKlinger Group succeeded in further growing its business in both the third quarter and the first nine months of the 2005 financial year.

Sales revenues in the period from July to September 2005 rose by 5.3% from 114.0 million Euro in the third quarter of 2004 to 120.0 million Euro. The Group sales revenues rose by 3.9% in the first nine months of 2005 over the comparable period in the previous year.

ElringKlinger also continues to benefit from its strong market position, from new launches and the increasing diesel market share across Europe. The Group achieved growth in all regions around the world. The South America/Rest of the World region showed a disproportionately high level of growth, which is significantly due to the excellent business development by the Brazilian subsidiary ElringKlinger do Brasil Ltda., who brought a new plant into operation in August.

Sales revenues in Germany for the third quarter rose by 3.8% to 40.9 (39.4) million Euro, and the domestic sales revenues achieved after nine months were 131.6 (128.5) million Euro.

In the third quarter ElringKlinger succeeded in increasing sales revenues in the rest of Europe by 3.5% to 41.7 (40.3) million Euro. The company achieved sales revenues of 122.4 (116.6) million Euro in the rest of Europe in the period from January to September.

Sales revenues in the third quarter in the NAFTA region were 5.3% higher than the previous year at 19.9 (18.9) million Euro. Sales revenues for the period from January to September 2005 were 58.1 (59.1) million Euro, 1.7% below the comparable period in the previous year. Elring-Klinger grew by 3.9% to 10.6 (10.2) million Euro in the Asian markets.

Sales by Region

	Jan. 1, – Sept. 30, 2005	Jan. 1, – Sept. 30, 2004	3. Quarter 2005	3. Quarter 2004
Germany	131.6	128.5	40.9	39.4
Change against previous year in %	2.4		3.8	
Rest of Europe	122.4	116.6	41.7	40.3
Change against previous year in %	5.0		3.5	
NAFTA	58.1	59.1	19.9	18.9
Change against previous year in %	-1.7		5.3	
Asia	29.5	28.7	10.6	10.2
Change against previous year in %	2.8		3.9	
South America/Rest of the World	18.4	13.6	6.9	5.2
Change against previous year in %	35.3		32.7	
Total	360.0	346.5	120.0	114.0
Change against previous year in %	3.9		5.3	

Sales Revenues up in all Segments

Sales revenues from original equipment rose by 1.6% in the first nine months to 246.5 (242.5) million Euro. The company gained momentum with original equipment manufacturers (OEM) in the third quarter, and grew by 3.6%, and business in the shielding parts field in particular progressed dynamically. More compact construction and higher temperatures in new motor types will also mean that demand for efficient heat shields will continue to increase significantly in the future.

The free spare parts business has also shown encouraging growth, with income rising by 6.7% in the first nine months to 65.4 (61.3) million Euro, which increased its share of Group sales revenues to 18.2 (17.7)%. Whilst the US market encountered difficulties and didn't fulfill expectations, the

company achieved significant growth in the Middle East and Eastern Europe with products carrying the ElringKlinger brand. The spare part business grew by 6.3% in the third quarter.

The engineered plastics sector achieved high rates of growth; sales revenues in the first nine months increased by 13.8% to 40.3 (35.4) million Euro. In the third quarter growth in the Engineered Plastics division amounted to 16.0% with sales revenues reaching Euro 13.8 (11.9) million.



Results: Earnings after Taxes Increase Disproportionally

Progress in productivity, amongst other things, has enabled ElringKlinger to partly compensate for increased crude oil and energy costs. The gross margin was raised further to 34.4 (34.0)%.

The company is also investing strongly in developing new product fields and applications, which means it can continually improve its competitive position. The Group expended 21.0 (18.7) million Euro, amounting to 5.8 (5.4)% of sales revenues, for research and development during the first nine months of this year. 0.8 million Euro thereof were activated, but depreciation of the same amount meant this had no effect on earnings.

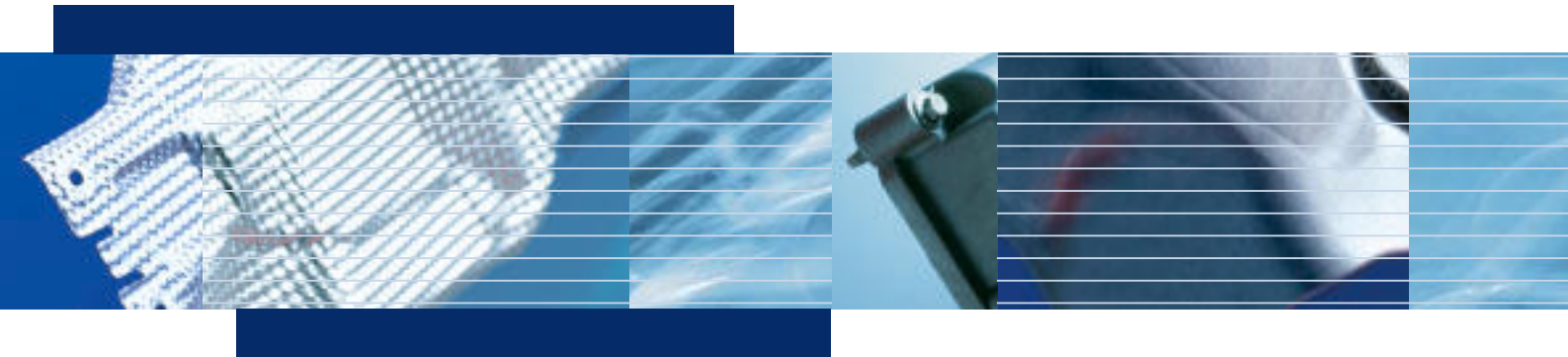
Operating results rose to 59.1 (58.4) million Euro during this period, and the operating margin achieved 16.4 (16.8)%. Operating earnings for the third quarter reached the previous year's level with 19.4 (19.6) million Euro, as a result of the company's disproportionately high spending

of 7.1 (6.3) million Euro in the third quarter on research and development, a 12.7% plus.

Earnings before taxes were up by 6.9% in the first nine months, and increased to 57.0 (53.3) million Euro. Earnings before taxes for the third quarter rose disproportionately to the sales revenues growth by 7.3% to 19.0 (17.7) million Euro.

The earnings after taxes increased by 7.0% over the comparable nine-month period of the previous year, from 32.8 million Euro to 35.1 million Euro. The third quarter saw an increase of 7.4% to 11.6 (10.8) million Euro.

Earnings per share (IFRS) rose by 9.2% after nine months from 1.52 Euro to 1.66 Euro, and the company increased the earnings per share by 10% in the third quarter to 0.55 (0.50) Euro.



Investments in Future Growth

ElringKlinger made investments of 35.6 (31.8) million Euro in plant, property and equipment in the first nine months to launch new products and for expansions of capacity. The investment (fixed assets and intangible fixed assets) was equivalent to 9.9% of sales revenues.

In Brazil, ElringKlinger do Brasil Ltda. brought a new plant into operation in August. Further investments were made in the field of future products such as transmission plates and fuel cells. The Runkel plant invested in full manufacturing facilities for transmission plates. The Mexico subsidiary purchased machines and facilities for producing plastic cam cover moduls, which will come into operation at the end of 2005. The ElringKlinger group made investments totaling 13.5 (11.6) million Euro during the third quarter.

Research and Development – Share of New Products will Increase

ElringKlinger used September 2005's International Motor Show in Frankfurt to present a wide range of innovative products and product variations, including the latest generation of Metaloflex metal layer cylinder-head gaskets with two new-style stopper systems, that will be used in gasoline and diesel engines. This is a substantial contribution by the company to reducing oil consumption, wear and tear and exhaust emissions. 10 production batches will have been started using this technology by the end of the 2005 financial year, with 13 more to have been implemented by the end of next year.

The recently introduced Metaloprint spacer plate modules for the hydraulic control module in automatic transmissions demonstrate the company's focus on the growing demand in Europe for automatic vehicles.

The strongly growing field of engineered plastics allows the company to concentrate on fuel economy and reduction of emissions as part of vehicle technology applications, using specialist seals and formed parts made from PTFE. Another focal area is medical engineering applications using PTFE specialist hoses and formed parts.



Balance Sheet Total Increases by 6%

The balance sheet total for the ElringKlinger group was 451.0 million Euro up to 30th September 2005, which meant that it had risen by 6.4% in comparison with 31st December 2004.

The tangible fixed assets increased by 5.6% or 12.5 million Euro for the same period to 235.3 million Euro. Expansions of capacity in the plants in Mexico and Runkel in Germany, the new plant in Brazil and also the purchasing of new production facilities all made significant contributions.

The increase in inventories of 3.5% to 78.3 million Euro was lower than the increase in sales revenues. The ability to deliver within 24 hours, and a high delivery proportion regarding the range offered is a critical competitive factor for ElringKlinger's growing spare parts business, and requires a corresponding stockholding. Trade receivables increased by 15.5 million Euro to 79.0 million Euro in the face of increased sales. ElringKlinger continues to work on optimizing the working capital management.

On the liabilities side, equity increased by 21.5 million Euro to 185.4 million Euro, in line with a rise of 13.1% since 31st December 2004, and the equity ratio increased from 38.7% to 41.1%.

ElringKlinger has systematically reduced the long-term liabilities by 6.8 million Euro to 165.7 million Euro, whilst short-term liabilities rose from 87.5 million Euro to 99.9 million Euro, partly as a result of the dividend payment in June 2005.



Consolidated Statement of Changes in Financial Position: Operating Cash Flow 19% Stronger in Third Quarter

The operating cash flow from ordinary activities rose to 48.7 million Euro after nine months, compared with 54.2 million Euro in the previous year. This equates to 13.5% of sales revenues. The reverse trend over the nine-month period is due to the inventories and trade receivables plus further assets that rose by 7.4 million Euro more than a year ago.

ElringKlinger was also able to achieve a sustained high cash return in the third quarter. The operating cash flow from ordinary activities (20.0 million Euro) was 19% higher than the total of 16.8 million Euro for the corresponding quarter in the previous year.

The cash flow from investment activities at the end of September came to minus 34.9 (31.9) million Euro. The payouts for this amounted to 35.8 (31.9) million Euro, 12.2% higher than in the previous year.

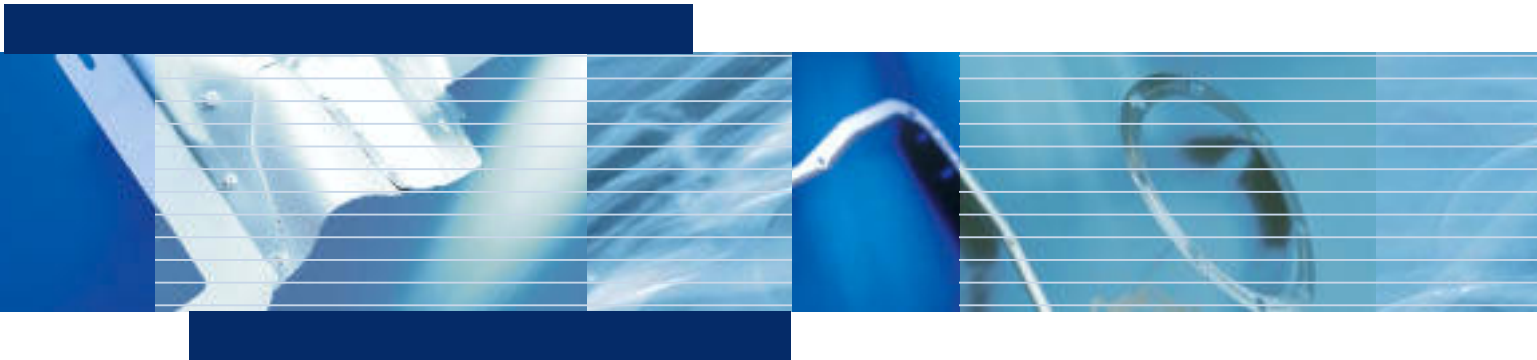
Cash flow from financial activities was minus 20.0 million Euro after minus 26.7 million Euro in the previous year, when bank liabilities had been reduced by 8.9 million Euro.

The funds on hand at 30th September 2005 were 3.7 million Euro, compared with 4.3 million Euro in the previous year.

Employees: Stable Domestic Employment Situation

At the end of the quarter on 30th September 2005 the ElringKlinger Group employed 3,029 people worldwide (3,193). The number of employees in Germany was 2,040 (2,056), 67.3 (64.4)% of the total. The assurance of employment agreed in April this year between the Management Board and the Works Council for the Dettingen site and the concessions made by the employee representatives are a major reason that the international competitiveness of the plants can be guaranteed. The number of employees in other countries fell from 1,137 in the previous year to 989. The primary causes for the reduction over the previous year, in addition to the streamlining programs at the plants in Canada and Mexico, were planned job cuts in Great Britain, due to the transfer of production to Germany.

The number of employees within the Group was almost unchanged from the 30th June 2005. Whilst the number of domestic employees was up at 2,040 (2,015), the number of employees in other countries fell by 2.9% or 28 jobs to 989 (1,019).



Outlook: Growth in Sales Revenues and Earnings Planned to Continue in 2006

The automotive cycle showed no real signs of life in 2005 either, meaning that no growth could be generated based on increased demand.

Increased pricing pressure relating to original equipment customers and high material prices – particularly for high-grade steel – have significantly increased this burden. ElringKlinger assumes that this will continue until the end of 2005 and probably beyond.

The Group will carry on growing in 2005 in spite of these difficult conditions, and sales revenues and earnings for the current financial year will also increase over the previous year. Growth in sales and earnings is projected to come in as expected.

The prompt introduction of stronger streamlining measures, strict cost controls and the willingness of the workforce to make concessions created opportunities for earnings to be increased in 2005.

The solid development in the first nine months of 2005 has reinforced the ElringKlinger Group's strong competitive position. The company is planning further growth in sales revenues and earnings for the 2006 financial year as well. We don't as yet believe that there will be any noticeable signs of life in the cycle. Further growth will be achieved as a result of worldwide launches of new products, the development of new product solutions, and the acquisition of new customer groups, particularly with the Asian manufacturers in mind.

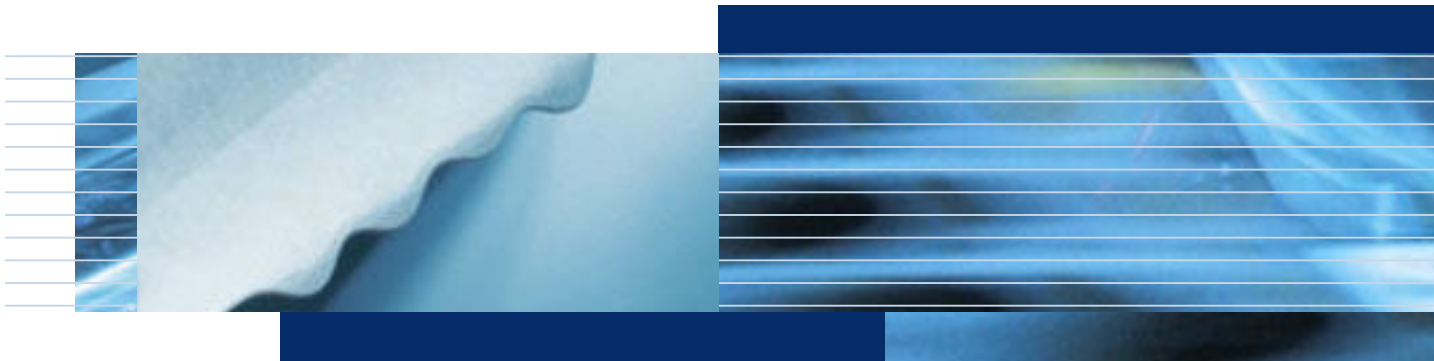
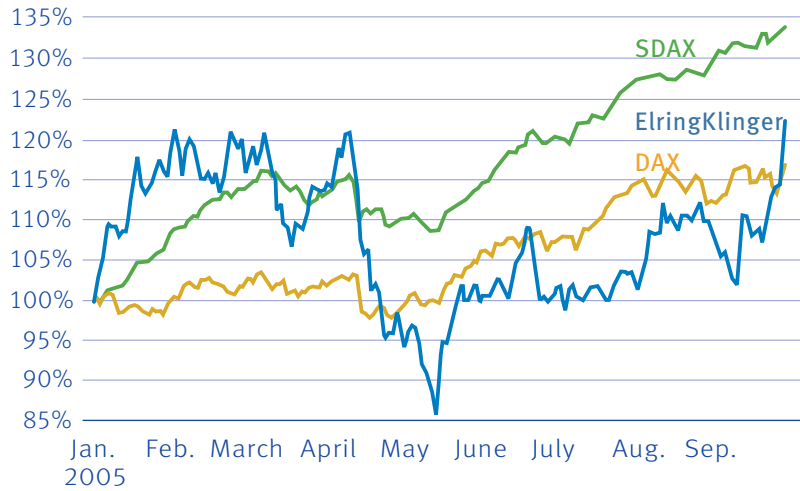
The ElringKlinger Share – Stock Split Improves Liquidity

The share price in the third quarter rose from around 30 Euro at the start of July to a high point of 36.44 Euro in Xetra on the back of strong figures from the second quarter. This meant that the share price achieved a new yearly high that coincided with the end of the quarter, and easily exceeded the intraday level of 37 Euro. High energy prices and worries about increases in inflation and interest rates resulted in a loss of more than 300 points on the DAX index in October. The weak stock market environment, to say nothing of profit takings of institutional investors, caused the price level of the ElringKlinger share to head towards 30 Euro. The price at the start of November was slightly above the level of almost 31 Euro that was again slightly quoted at the start of the quarter.

Volume has been developing in a stable manner. The average daily trade volume in August in all the Stock Exchange centers increased to more than 23,000 shares, and reached 21,500 in September. Although this is a clear gain in comparison with the average value of the second quarter, which was around 11,000 shares, the stock split that was carried out on the 12th August in a ratio of 1:2 still needs to be taken into account. The split makes the share look more favorable, and makes a substantial contribution to improving liquidity. The split increased the number of ElringKlinger shares from 9.6 million to 19.2 million.

ElringKlinger participated in several capital market conferences also during the third quarter, and held road shows in Switzerland, France, and Denmark, Sweden and Finland to discuss the business operations of the ElringKlinger Group and demonstrate the growth potential of the company and its products. ElringKlinger used the IAA to stage a very well-received analysts' conference in Frankfurt in the middle of September, and further investor events are planned before the end of the year, including some in Great Britain. ElringKlinger will also use the German Equity Forum at the German Stock Exchange to introduce itself to a broad range of international investors.

Share price development (XETRA) for the ElringKlinger share since 1st January 2005 compared to the benchmark indices SDAX/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 Balance Sheet

ASSETS	At Sept. 30, 2005	At Sept. 30, 2004	At Dec. 31, 2004
	€ 000s	€ 000s	€ 000s
Intangible assets	30,400	32,538	30,888
Tangible assets	235,250	224,987	222,771
Long-term investments	4,550	4,566	4,571
Deferred tax assets	11,100	10,304	11,472
Long-term assets	281,300	272,395	269,702
Inventories	78,300	64,676	75,624
Trade receivables	79,000	79,587	63,494
Other short-term assets	6,900	947	3,842
Other securities	1,800	1,930	1,800
Liquid funds	3,700	4,265	9,443
Short-term assets	169,700	151,405	154,203
	451,000	423,800	423,905
LIABILITIES			
	At Sept. 30, 2005	At Sept. 30, 2004	At Dec. 31, 2004
	€ 000s	€ 000s	€ 000s
Share capital	57,600	57,600	57,600
Capital in excess of par value	2,747	2,747	2,747
Revaluation reserves	26,181	26,181	26,181
Adjustments to allow for currency conversions	-2,056	-5,888	-7,004
Group equity	84,408	63,482	69,422
Minority interests	16,559	14,383	14,977
Stockholders' equity	185,439	158,505	163,923
Pension provisions	52,000	47,560	48,883
Long-term provisions	13,200	14,000	13,623
Long-term debts	54,000	64,366	62,634
Deferred tax liabilities	36,000	35,769	36,796
Other long-term liabilities	10,500	10,200	10,539
Long-term liabilities	165,700	171,895	172,475
Short-term debts	33,500	28,872	25,017
Trade payables	20,200	20,001	21,157
Accounts payable due to related parties	0	0	0
Short-term provisions	19,361	20,274	14,679
Other short-term liabilities	26,800	24,253	26,654
Short-term liabilities	99,861	93,400	87,507
	451,000	423,800	423,905

Consolidated Income Statement

	Jan. 1, – Sept. 30, 2005	Jan. 1, – Sept. 30, 2004	3 rd Quarter 2005	3 rd Quarter 2004
	€ 000s	€ 000s	€ 000s	€ 000s
Sales revenues	360,000	346,500	120,000	114,000
Cost of sales	-236,100	-228,600	-78,500	-74,800
Gross earnings from sales	123,900	117,900	41,500	39,200
Distribution costs	-26,500	-25,400	-9,100	-8,500
Administrative costs	-17,500	-16,400	-6,000	-5,600
Research and development costs	-21,000	-18,700	-7,100	-6,300
Other operating income	5,100	4,179	3,500	3,179
Other operating expenses	-4,900	-3,200	-3,400	-2,400
Special factors	0	0	0	0
Operating result	59,100	58,379	19,400	19,579
Interest charges/income	-4,400	-5,079	-1,400	-1,879
Earnings from investments and participations	0	0	0	0
Foreign currency exchange gains/losses	2,300	0	1,000	0
Other income/expenses	0	0	0	0
Earnings before taxes	57,000	53,300	19,000	17,700
Taxes on income	-21,900	-20,500	-7,400	-6,900
Group net earnings	35,100	32,800	11,600	10,800

DVFA Earnings

	Jan. 1, – Sept. 30, 2005	Jan. 1, – Sept. 30, 2004	3 rd Quarter 2005	3 rd Quarter 2004
DVFA pretax earnings in € millions	51.8	47.7	17.3	15.9
DVFA net earnings in € millions	31.8	29.2	10.5	9.6
DVFA/SG earnings per share in €	1.66	1.52	0.55	0.50
DVFA cash flow in € millions	63.3	62.6	20.7	23.1

Earnings per share IFRS = Earnings per share DVFA

Performance by Market Segment

3rd Quarter 2005/3rd Quarter 2004 (in million €)

	Sales revenues		Intersegment sales		Consolidation adjustments		External sales	
	2005	2004	2005	2004	2005	2004	2005	2004
Original Equipment	101.2	100.5	-4.2	-5.2	-15.5	-16.6	81.5	78.7
Change against previous year in %		0.7		-19.2		-6.6		3.6
Spare Parts	24.8	24.3	0.0	0.0	-2.9	-3.7	21.9	20.6
Change against previous year in %		2.1				-21.6		6.3
Engineered Plastics	14.3	12.5	0.0	0.0	-0.5	-0.6	13.8	11.9
Change against previous year in %		14.4				-16.7		16.0
Industrial Parks	1.9	1.8	0.0	0.0	0.0	0.0	1.9	1.8
Change against previous year in %		5.6						5.6
Services	2.0	2.1	0.0	0.0	-1.1	-1.1	0.9	1.0
Change against previous year in %		-4.8						-10.0
Total	144.2	141.2	-4.2	-5.2	-20.0	-22.0	120.0	114.0
		2.1		-19.2		-9.1		5.3

Performance by Market Segment

January 1, – September 30, 2005/January 1, – September 30, 2004 (in million €)

	Sales revenues		Intersegment sales		Consolidation adjustments		External sales	
	2005	2004	2005	2004	2005	2004	2005	2004
Original Equipment	301.1	301.8	-12.3	-13.9	-42.3	-45.4	246.5	242.5
Change against previous year in %		-0.2		-11.5		-6.8		1.6
Spare Parts	74.1	71.6	0.0	0.0	-8.7	-10.3	65.4	61.3
Change against previous year in %		3.5				-15.5		6.7
Engineered Equipment	41.7	37.0	0.0	0.0	-1.4	-1.6	40.3	35.4
Change against previous year in %		12.7				-12.5		13.8
Industrial Parks	5.6	5.2	0.0	0.0	0.0	0.0	5.6	5.2
Change against previous year in %		7.7						7.7
Services	5.4	5.5	0.0	0.0	-3.2	-3.4	2.2	2.1
Change against previous year in %		-1.8				-5.9		4.8
Total	427.9	421.1	-12.3	-13.9	-55.6	-60.7	360.0	346.5
		1.6		-11.5		-8.4		3.9

The only major internal delivery and service relationships exist between the segments “Original Equipment” and “Spare Parts” as well as between the segments “Original Equipment” and “Services”.

Earning before taxes on income		Investments (intangible/tangible assets)		Depreciation allowances		Net interest income/loss	
2005	2004	2005	2004	2005	2004	2005	2004
10.5	10.4 1.0	10.8	9.8 10.2	-8.6	-11.0 -21.8	-1.2	-1.4 -14.3
4.6	3.7 24.3	0.4	0.2	-0.2	-0.2	-0.1	-0.2 -50.0
3.1	2.5 24.0	0.4	0.5 -20,0	-0.4	-0.4	0.0	-0.1
0.5	0.7 -28.6	1.6	1.0 60,0	-0.3	-0.3	-0.1	-0.2 -50.0
0.3	0.4 -25.0	0.3	0.1	-0.2	-0.2	0.0	0.0
19.0	17.7 7.3	13.5	11.6 16.4	-9.7	-12.1 -19.8	-1.4	-1.9 -26.3

Earning before taxes on income		Investments (intangible/tangible assets)		Depreciation allowances		Net interest income/loss		Long-term assets		Short-term assets		Short-term & long-term liabilities	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
34.2	33.1 3.3	31.0	27.0 14.8	-25.9	-28.3 -8.5	-3.9	-3.7 5.4	214.5	205.0 4.6	113.0	101.1 11.8	-203.9	-205.0 -0.5
12.4	10.7 15.9	1.0	0.6 66,7	-0.5	-0.5	-0.3	-0.7 -57.1	8.6	8.8 -2.3	41.0	36.7 11.7	-26.8	-26.7 0.4
8.4	7.0 20.0	1.4	1.4	-1.3	-1.1 18.2	0.2	-0.2	18.8	19.2 -2.1	14.1	12.1 16.9	-16.5	-15.4 7.1
1.6	1.8 -11.1	1.8	2.3	-0.8	-1.0 -20.0	-0.4	-0.5 -20.0	34.1	33.7 1.2	0.6	0.9 -31.5	-15.9	-15.7 1.3
0.4	0.7 -42.9	0.6	0.5	-0.7	-0.5 40.0	0.0	0.0	5.3	5.7 -7.0	1.0	0.7 38.8	-2.5	-2.5
57.0	53.3 6.9	35.8	31.8 12.6	-29.2	-31.4 -7.0	-4.4	-5.1 -13.7	281.3	272.4 3.3	169.7	151.4 12.1	-265.6	-265.3 -0.1

More than 10 percent of group sales were made with each three clients in the "Original Equipment" segment. Overall, these three clients accounted for some 35% of group sales.

Changes in the Group's Equity Capitalization


January 1, – September 30, 2005

	Subscribed share capital	Capital surplus	Revaluation reserves	Group total capitalization
	€ 000s	€ 000s	€ 000s	€ 000s
Status as at January 1, 2004	28,800	12,553	26,181	67,718
Dividend distributions				-14,400
	0	0	0	0
Adjustments to allow for consolidations				
Consolidated net income				29,158
Capital increase	28,800	-9,806		-18,994
Status as at September 30, 2004	57,600	2,747	26,181	63,482
Status as at January 1, 2005	57,600	2,747	26,181	69,422
Dividend distributions				-16,800
	0	0	0	0
Adjustments to allow for consolidations				
Consolidated net income				31,786
Status as at September 30, 2005	57,600	2,747	26,181	84,408

	Adjustment to allow for foreign currency conversion	Stockholders' equity	Minority equity	Total stockholders' equity
	€ 000s	€ 000s	€ 000s	€ 000s
Status as at January 1, 2004	-7,174	128,078	13,733	141,811
Dividend distributions		-14,400	-3,063	-17,463
	0	0	0	0
Adjustments to allow for consolidations	1,286	1,286	71	1,357
Consolidated net income		29,158	3,642	32,800
Capital increase		0		0
Status as at September 30, 2004	-5,888	144,122	14,383	158,505
Status as at January 1, 2005	-7,004	148,946	14,977	163,923
Dividend distributions		-16,800	-2,004	-18,804
	0	0	0	0
Adjustments to allow for consolidations	4,948	4,948	272	5,220
Consolidated net income		31,786	3,314	35,100
Status as at September 30, 2005	-2,056	168,880	16,559	185,439

Consolidated Statement of Changes in Financial Position

	Jan. 1, – Sept. 30, 2005	Jan. 1, – Sept. 30, 2004	3 rd Quarter 2005	3 rd Quarter 2004
	€ 000s	€ 000s	€ 000s	€ 000s
Group net income for the fiscal year	35,100	32,800	11,600	10,800
Depreciation allowances on assets and earnings from disposals of assets, net of appreciations	29,525	31,241	10,154	12,100
Increase in inventories, trade receivables and other assets	-21,240	-13,847	-900	-1,535
Changes in accounts payable and other liabilities incl. provisions and special items	6,102	5,049	-165	-3,800
Foreign exchange effects on items related to ordinary activities	-791	-1,023	-717	-796
Cash flow from ordinary activities	48,696	54,220	19,972	16,769
Income from sales of fixed assets	961	273	11	17
Disbursements for investments in fixed assets	-35,811	-31,880	-13,511	-11,624
Disbursements arising from sales of securities	0	-300	0	505
Cash flow from investment transactions	-34,850	-31,907	-13,500	-11,102
Disbursements to company owners and minority stockholders	-18,804	-17,463	0	-1,138
Changes in liabilities to banking institutions	-151	-8,923	-7,000	-4,412
Effects of foreign-exchange rates on items related to financial transactions	-1,116	-295	-48	-150
Cash flow from financial transactions	-20,071	-26,681	-7,048	-5,700
Changes in cash requiring expenditures or yielding disburseable income	-6,225	-4,368	-576	-33
Effects of changes in foreign-exchange rates on liquid assets	482	82	76	-53
Funds on hand at the start of the fiscal years	9,443	8,551	4,200	4,351
Funds on hand at the end of the fiscal years	3,700	4,265	3,700	4,265



Explanatory Notes for the Third Quarter of 2005 and the First Nine Months of 2005

The interim financial statement from the 30th September 2005 has been created in line with the International Financial Reporting Standards (IFRS), and the International Accounting Standards Board (IASB), London, Great Britain, and complies with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), and the IFRS 1 “First-Time Adoption of International Financial Reporting Standards”.

This interim financial statement is based on the same standard accounting and evaluation methods as the report for the first quarter of 2005. These standard accounting and evaluation methods are published in the appendix to the report for the first quarter of 2005.

Statement of Obligations

The cost of sales method is applied for the income statement. The reporting currency is the Euro.

The interim financial statement to the 30th September 2005 includes the annual financial statements of 4 domestic and 15 foreign subsidiaries, as well as that of ElringKlinger AG. These are subsidiaries that are controlled by ElringKlinger AG, as they hold the majority voting rights. The joint venture companies Jeil Elring Co. Ltd, Changwon, South Korea, and ElringKlinger Marusan Corp., Tokyo, Japan, are included in the financial statement by means of proportional consolidation. The Marusan Corp., Tokyo, Japan, was evaluated as a stockholding at the cost of acquisition. The financial year for all included subsidiaries corresponds to the financial year of the parent company.

Exchange rates have developed as follows:

		Reporting date rate = 1 €		Average rate = 1 €	
		At Sept. 30, 2005	At Dec. 31, 2004	2005	2004
US dollar (USA)	USD	1.20480	1.36400	1.25268	1.24649
Pounds Sterling (United Kingdom)	GBP	0.68270	0.70630	0.68341	0.68005
Canadian dollars (Canada)	CAD	1.40885	1.65850	1.53156	1.61692
Real (Brazil)	BRL	2.66560	3.62010	3.06963	3.63681
Peso (Mexico)	MXN	12.99201	15.23110	13.68967	14.10772
RMB (China)	CNY	9.73094	11.28910	10.28778	10.31687
WON (South Korea)	KRW	1,254.20158	1,441.88000	1,278.29343	1,416.94417
Rand (South Africa)	ZAR	7.65000	7.67000	7.92146	7.93000
Yen (Japan)	JPY	136.75008	139.72000	135.88188	134.04083
Forint (Hungary)	HUF	249.75025	245.80000	247.60449	250.46667
Zloty (Poland)	PLN	3.92000	4.08000	4.03057	4.51541

Derivative financial instruments were used in the third quarter of 2005 and the first nine months of 2005 to secure existing debts in foreign currency. There were only forward exchange transactions at the 30th September 2005 for collateralization of debts in Canadian and US dollars.

The contingent liabilities given in the annual financial statement at the 31st December 2004 have not been subject to any substantial changes in the third quarter of 2005 and in the first nine months of 2005.

Dates

Report on the Third Quarter and First Nine Months of 2005	November 15, 2005
Small and Mid Cap Conference of the Berenberg Bank, Bocket Hall, England	November 17, – 18, 2005
German Equity Forum 2005, Frankfurt, Germany	November 22, 2005
German Corporate Conference, Cheuvreux, Kronberg/Taunus	January 16, – 18, 2006
Annual Report 2005	March 29, 2006
Financial Press Conference	March 29, 2006
Report on the Financial Results for the 1 st Quarter	May 2006
101 st Annual General Meeting of the Stockholders in the Hegelsaal at the Kultur- und Kongresszentrum Stuttgart, Germany	June 1, 2006
Dividend Distribution	June 2, 2006

We will be pleased to e-mail you our quarterly and semiannual reports in the form of PDF files. Simply drop us an e-mail at stephan.haas@elringklinger.de or give us a call at +49-(0) 71 23/724-137 and let us have your e-mail address.

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