REPORT ON THE 1ST QUARTER OF 2010

CO_2 REDUCTION – OUR PATH TO GROWTH

elringklinger

CO_2 Reduction – Our Path to Growth

As a global development partner and original equipment manufacturer (OEM) for cylinder-head and specialty gaskets, housing modules and shielding components for engines, transmissions and exhaust systems, ElringKlinger supplies the majority of vehicle manufacturers in Europe and in North and South America as well as a large and growing number of Asian car makers. Our products play an important role in reducing fuel consumption and emissions. We also develop innovative products to the series production stage for use with alternative drive technologies. To round off our portfolio, the ElringKlinger Engineered Plastics division supplies products made of high-performance PTFE plastics to other manufacturers outside the automobile industry. We make full and targeted use of our ability to innovate as a way of promoting environmentally compatible forms of mobility, while generating sustained and highly profitable growth. At 28 sites across the world ElringKlinger's 4,300 employees are committed to achieving these aims.

Contents

Macroeconomic Conditions and Business Environment

Global economy continues recovery

The global economy continued to recover in the first three months of 2010. However, the level of economic development differed for each region. The emerging markets of Asia and South America in particular were able to continue their strong growth from the previous year.

In the first quarter of 2010, Germany's gross domestic product (GDP) increased for the first time since the start of the economic and financial crisis. This represented a 1.3 % increase compared with the same quarter of the previous year, which had been weak. After falling by 2.1 % in the fourth quarter of 2009, GDP for the eurozone as a whole was also able to recover in the first three months of 2010, growing by 0.6 % in this period.

Almost all Eastern European economies were able to report an increase in economic output in the first three months of 2010. Russia's GDP grew by 5.9 % compared with the same quarter of last year.

The US economy reported a 2.3 % increase in GDP in the first quarter of 2010. This was largely due to the positive development of the manufacturing sector, but growth in consumer demand also played a part.

South America continued to post vigorous growth rates. Carried by rising investments and high levels of employment, GDP in South America's largest market, Brazil, increased by 7.1 % in the first quarter of 2010.

The heavily affected Japanese economy was also able to exhibit a positive trend for the first time since the start of the global economic and financial crisis. Between January and March of 2010, Japan's GDP increased by 2.7 %.

China's GDP rose by 11.5 %. In India, economic output also continued to grow, with GDP rising by 9.0 % in the first quarter of 2010, following on from a 6.0 % increase in the fourth quarter of 2009.

The improved economic conditions had a noticeably positive effect on the sales of cars and light commercial vehicles.

Global demand for cars continues to rise

The global car markets were able to continue their recovery that had started in the second half of 2009, recording an increase in sales of 20.6 % in the first three months of 2010. In comparison, global car sales were down by 21.6 % in the first quarter of 2009. For the established vehicle markets of Western Europe, the US and Japan, new car registrations rose by a total of 14.8 %.

German automotive industry lifted by strong exports

In comparison to the same quarter of the previous year, which had benefited substantially from the domestic scrappage scheme, the number of new car registrations in Germany fell by 22.8 % in the first three months of 2010, as expected.

In contrast to the sharp rise in demand from abroad resulted in a pronounced increase in car exports. In the first quarter of 2010 alone, 1.1 million cars were exported from Germany, representing an increase of 47.0 % on the same period last year. Carried by exports, car production in Germany in the first quarter of 2010 was up 32.0 % on the corresponding quarter of the previous year, reaching 1.4 million vehicles.

Automobile production in Europe up by 25 %

For the whole of Europe, new car registrations rose by 9.5 % in the first quarter of 2010. Western and Eastern European markets showed strongly diverging levels of development.

With the exception of Germany, many Western European countries were still benefiting from government-funded programs, which helped to boost demand. In the first quarter of 2010, new car registrations in Western Europe rose by 11.3 % to 3.6 million vehicles.

In comparison, the car markets in Eastern Europe continued to perform poorly, with car sales figures falling by another 18.0 %. In Russia, demand for new vehicles stabilized somewhat as a result of the scrappage scheme introduced in March. However, compared with the same period last year, car sales figures in the first three months of 2010 were down 24.8 %.

In Europe as a whole, strong exports, along with efforts by manufacturers to align their stock levels with the upturn in demand, resulted in vehicle production rising by 25.0 % in the first quarter of 2010, compared to a decline of 35.0 % in the first quarter of 2009.

US car market shows signs of trend reversal

In the first three months of 2010, new registrations of cars and light trucks in the US rose by 15.5 % in relation to the same period of the previous year, reaching a level of 2.5 million vehicles.

Car production in the first quarter of 2010 gathered significant momentum following drastic production downsizing during the previous year and comparatively low stock levels.

Almost all vehicle manufacturers in North America increased their production schedules significantly, resulting in the production volume of cars and light commercial vehicles rising by 59.1 % to 1.9 million units in the first quarter of 2010.

The South American car market also showed an upward trend in the first quarter of 2010. In Brazil, 750,400 cars were sold, representing an increase of 16.9 % on the same quarter of the previous year.

Demand booms in China

After the Asian growth regions had already shown themselves to be the supporting pillar of the global automotive industry in 2009, car sales figures continued to rise unabated in the first quarter of 2010. In what is now the largest vehicle market in the world, China, passenger car sales increased by 77.4 % compared with the first quarter of 2009. In India, a total of 29.9 % more new vehicles were sold in the first three months of 2010 than in the same quarter of the previous year.

Also the major Japanese car market posted a 24.1 % increase in car sales in the first quarter of 2010.

Commercial vehicle markets yet to emerge from crisis

Commercial vehicle production was affected even more heavily by the consequences of the economic and financial crisis than the car market, especially in Europe and North America. In the first quarter of 2010, however, a revival of production levels – which are still very low – could be seen in the number of orders received.

In Germany, new registrations of heavy goods vehicles over 6 tons fell by 19.0 %. At 13,0 %, the number of vehicles being exported fell slightly less dramatically. A similar picture emerged for the production figures. At 16.0 %, however, the decline in the domestic production of trucks in the first quarter of 2010 was much lower than in the previous quarters.

A decrease of 26.2 % for the European market as a whole saw truck sales once again fall short of the sales figures for the first quarter of 2009. In Western Europe, sales volumes contracted by 26.9 %. With a decline of 17.6 %, new truck registrations in the Eastern European markets developed slightly better than in Western Europe.

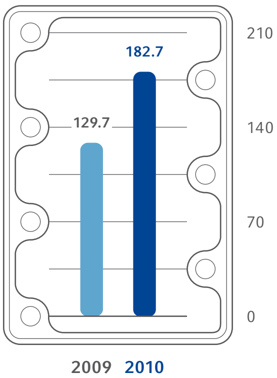
In contrast, the US commercial vehicle market – after a weak phase of several years – showed definite signs of bucking the trend in the first quarter of 2010. 57,800 trucks were sold, representing an increase of 9.0 % on the same period last year.

Sales and Earnings Performance

Sales recover as vehicle production picks up

The first quarter of 2010 brought a continuation of the gradual recovery in vehicle markets that began in mid-2009. As a result, sales for the ElringKlinger Group ended the quarter 40.9 % higher at EUR 182.7 (129.7) million, when compared to the first quarter of 2009 that had reflected production cuts of up to 40 % at the time by many vehicle manufacturers. Nevertheless, even when compared with the fourth quarter of 2009, which already showed signs of a rise in vehicle production, ElringKlinger was able to boost sales by EUR 22.5 million in the first quarter of 2010, an achievement that is due in equal measure to new production start-ups and an increased market share.

SALES 1ST QUARTER
in EUR million



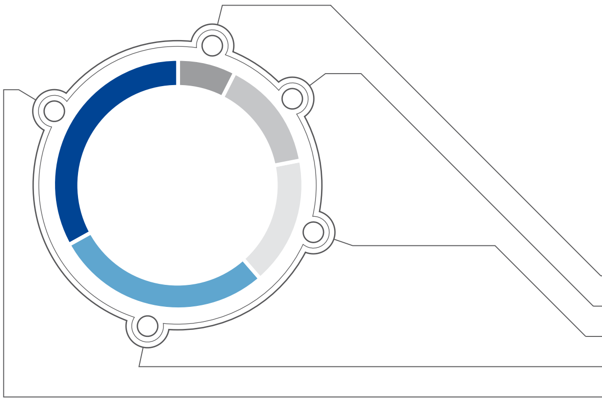
Foreign sales show further rise as percentage of total revenue

The greatest increases were reported by ElringKlinger's subsidiaries and affiliated entities in Asia and South America. As a proportion of total consolidated sales, foreign sales in the first quarter of 2010 showed a further rise to 67.1 % (66.1 %).

The Group's sales revenue in Germany ended the first quarter up 36.7 % at EUR 60.0 (43.9) million. The figure for domestic sales includes results from ElringKlinger Abschirmtechnik (Schweiz) AG (formerly SEVEX AG), which predominantly supplies original equipment customers in Germany.

Revenue generated in the rest of Europe, excluding Germany, rose by 17.5 %.

GROUP SALES BY REGION 1ST QUARTER 2010 (PRIOR YEAR) IN %



SOUTH AMERICA AND OTHER	7.6 (5.9)
ASIA AND AUSTRALIA	14.6 (12.6)
NAFTA	16.5 (13.5)
REST OF EUROPE	28.4 (34.1)
GERMANY	32.9 (33.9)

There was a continued recovery in vehicle demand in North America, albeit from an extremely low base. In the NAFTA region, the ElringKlinger Group recorded an increase of 71.0 % in sales in the first quarter of 2010 to reach EUR 30.1 (17.6) million. Thanks to new production start-ups and a strong position in the low-consumption smaller engine segment, the Group was able to grow at a faster rate than the market as a whole.

Within the entire Group, it was South America that reported the greatest improvement in regional performance in the first quarter of 2010. This was primarily due to the positive results achieved by the Brazilian subsidiary Elring Klinger do Brasil Ltda. Overall, consolidated sales in South America grew by 82.9 % to reach EUR 13.9 (7.6) million.

Revenue generated in Asia showed a year-on-year increase of 62.8 % to EUR 26.7(16.4) million. Although this rise was mainly driven by the Group's Chinese subsidiaries ElringKlinger China, Ltd. and Changchun ElringKlinger Ltd., it was also helped by a recovery in demand at ElringKlinger Marusan Corporation, Japan. The proportion of total Group sales generated in the Asia region was up from 12.6 % to 14.6 %.

Recovery in Original Equipment business

The recovery in sales continued in the first three months of 2010 despite ongoing weakness in the truck market. Compared to poor first-quarter figures in 2009, sales from January to March 2010 rose by EUR 49.1 million to EUR 136.4 (87.3) million. Both Shielding Technology and Specialty Gaskets delivered an above-average performance on the back of substantial customer interest in CO_2-reduction solutions and increased demand for components for the latest generation of internal combustion engines. The smaller engines being produced as part of the downsizing trend are characterized by very high temperatures and high combustion pressures. ElringKlinger employs market-leading technology in both sealing and heat management.

Compared to the first quarter of 2009, when earnings before taxes in the Original Equipment segment slipped into negative territory (minus EUR 3.6 million) in the wake of severe cuts in production by vehicle manufacturers all over the world, the first quarter of 2010 brought a return to solid earnings before taxes of EUR 11.6 million.

Aftermarket segment benefits from international demand

The Aftermarket segment achieved sales of EUR 26.8 (24.6) million in the first three months of 2010, equivalent to a rise of 8.9 % on the first quarter of 2009.

The German market was very subdued. The number of vehicles over nine years old declined significantly as a result of the scrappage scheme. This has led to a fall in the need for garage services and consequently in the demand for spare parts.

By contrast, there was a large increase in demand for spare parts in the markets of Eastern Europe and the Middle East. Sales in this segment benefited from a gradual easing of the financing constraints affecting wholesalers and from an improvement in the general economic situation. Many customers adjusted their stockholdings in response to renewed demand for spare parts. In addition, ElringKlinger was able to increase its international market share.

The Aftermarket segment also performed well in South America, where growth at the Group's Brazilian subsidiary Elring Klinger do Brasil Ltd. was particularly strong in the first quarter of 2010.

In the first quarter of 2010, compared to the same quarter in 2009, earnings before taxes in the Aftermarket segment rose by an even greater margin than sales, at a 10.6 % rate, to EUR 5.2 (4.7) million.

Signs of recovery in Engineered Plastics

In the Engineered Plastics segment, the first quarter of 2010 brought signs of a recovery from the effects of the economic and financial crisis. There was a marked improvement in demand from vehicle manufacturers and medical technology firms, which are among the main industries supplied by the segment, whereas production calls from customers in the mechanical and plant engineering industry remained at a low level. Segment revenue for the first quarter of 2010 reached EUR 17.0 (14.4) million, up 18.1 % on the same quarter in 2009. This increase was partly due to the growing number of project start-ups at the Group's subsidiary ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd. in China.

Earnings in the Engineered Plastics segment were again affected by the under-utilization of capacity in some product areas, as well as by above-average development and start-up costs in relation to products made of the injection moldable material Moldflon®. Bottom-line results were also reduced by the provisions created for partial retirement following the collective pay agreement in March. Overall, earnings before taxes for the first quarter of 2010 were unchanged year-on-year at EUR 1.4 (1.4) million. If the figure is adjusted for this non-recurring item, earnings before taxes would have been EUR 1.7 million.

Growing income from Industrial Parks

Within the Industrial Parks segment, first-quarter rental income rose to EUR 2.0 (1.9) million. This was primarily due to higher rental prices and a new tenancy. Earnings before taxes were up accordingly at EUR 0.8 (0.6) million.

Services segment shows further decline

The Services segment, which offers engine testing and additional development services, in the first quarter of 2010 recorded a 27.3 % year-on-year decline in sales to EUR 1.6 (2.2) million. The segment was again hit by the trend, triggered by the economic crisis, towards the insourcing of engineering services by many vehicle manufacturers. However, the first three months of 2010 did bring a noticeable increase in demand from vehicle manufacturers and other industry suppliers for the forward-looking range of services provided by ElringKlinger's Services segment. This was particularly the case in the field of SCR (Selective Catalytic Reduction) technology, which helps to reduce nitrogen oxide emissions. Due to the under-utilization of available capacity, earnings before taxes in the Services segment fell just below zero to minus EUR 0.1 million compared to positive earnings before taxes of EUR 0.3 million in the first quarter of 2009.

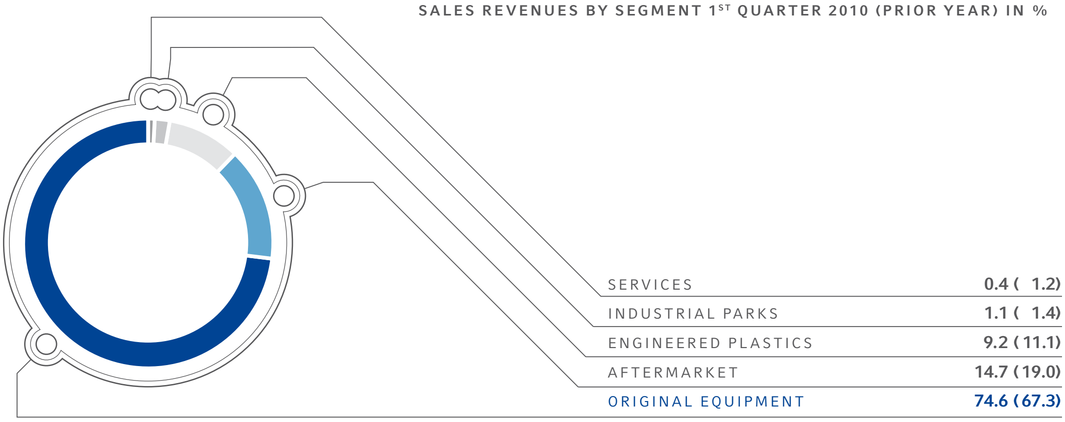
Improvement in earnings performance – EBIT affected by exceptional items

The ElringKlinger Group saw a continued improvement in its earnings performance during the first quarter of 2010. Alongside cost streamlining, performance benefited in particular from higher utilization of the Group's production capacities. This was attributable to a rise in the number of automotive parts requested by car manufacturers as part of their production scheduling. By contrast, the production of truck components remained significantly lower than in the period prior to the crisis and had an adverse effect on earnings.

Due to the partial-retirement scheme for personnel employed in the metal and electrical industry, as enshrined within the 2010 collective wage agreement for this sector, in the first quarter of 2010 the Group had to allocate partial-retirement provisions for the entire term of the agreement until the end of March 2012. As a result, staff costs in the first quarter of 2010 rose by EUR 1.8 million on a non-recurring basis.

Furthermore, employee benefits of EUR 1,000 per person for staff employed at ElringKlinger AG and ElringKlinger Kunststofftechnik GmbH, as agreed for the years 2008 and 2009, were provisioned for in the first quarter of 2010, the total being EUR 2.4 million. This led to an additional one-off rise in staff costs by the same amount.

SALES REVENUES BY SEGMENT 1ST QUARTER 2010 (PRIOR YEAR) IN %



In 2008, ElringKlinger AG financed the purchase price for the SEVEX Group, Switzerland, in Swiss francs. In connection with this loan, the rise in the Swiss franc against the euro necessitated an increase in the carrying amount of the corresponding liability during the first quarter of 2010; the associated negative non-cash currency effects were equivalent to EUR 2.2 million.

Increase in gross profit margin

At 28.4 %, the cost of sales rose at a less pronounced rate than sales revenue, which was up 40.9 %. The gross profit margin stood at 29.5 % (22.6 %), an increase compared to the figure of 28.8 % recorded in the preceding quarter.

The price of materials have already risen substantially from the lows recorded in 2009. Having said that, as regards the key raw materials required by ElringKlinger, prices remained at an acceptable level in the first quarter of 2010 when compared to the long-term average. In order to restrict material costs, ElringKlinger has negotiated long-term supplier contracts to the largest extent possible. Rising costs are also counterbalanced by optimized product design, the use of new materials and measures aimed at raising efficiency levels in production. Price hedging relating to alloy surcharges (nickel) associated with high-grade steel purchases resulted in a further rise in the cost of materials by EUR 0.6 million in the first quarter of 2010 due to the settlement payments required within this context. However, the overall trend of the fair value of commodity-related derivatives had a favorable impact on earnings of EUR 0.2 million due to the positive net effect of the reversal/use of current provisions for commodity-related hedges (other operating income of EUR 0.8 million) on the one hand and the settlement payments on the other.

The end of short-time work at the Group's facilities in Germany prompted an increase in personnel expenses during the first quarter of 2010. What is more, during the crisis ElringKlinger made use of the option to postpone the 2009 wage increase stipulated under the collective agreement by nine months to the end of December 2009, as a result of which the first quarter of 2010 was – for the first time – affected fully by the higher wage rates applicable under the agreement. The two exceptional items outlined above are also included in staff costs.

In the first quarter of 2010, research and development expenses within the ElringKlinger Group were EUR 1.4 million up on last year's first-quarter figure. In total, research and development costs thus rose by 14.9 % to EUR 10.8 (9.4) million. Alongside the development of several new applications for existing technologies, ElringKlinger focused on the expansion of its activities in the field of fuel cells and batteries. In negotiating its first serial production contract for cell connectors used in lithium-ion batteries, ElringKlinger secured a key project within this area during the first quarter of 2010.

In total, an amount of EUR 1.1 (1.1) million in development expense was capitalized. Systematic amortization totaled EUR 0.9 (0.8) million.

Whereas selling expenses rose by just 10.0 %, general and administrative expenses increased by 40.0 %, i.e. in parallel with revenue. In this context, the above-mentioned exceptional items have to be taken into account.

Operating result benefits from higher capacity utilization

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up EUR 18.5 million on last year's result for the first quarter, taking the total to EUR 41.7 (23.2) million. Owing to the substantial investments seen in previous years, depreciation rose by EUR 3.0 million to EUR 19.4 (16.4) million in the first quarter of 2010.

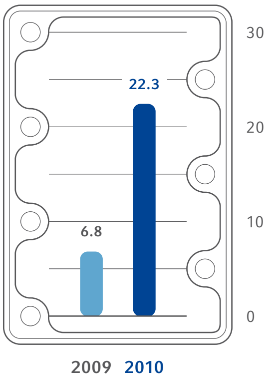
Compared to the sluggish first quarter of 2009, rising sales, together with the concomitant improvement in the utilization of highly automated production capacities at most of the business units, led to a pronounced rise in operating profit by EUR 19.7 million to EUR 23.4 (3.7) million in the first quarter of 2010.

Earnings before interest and taxes (EBIT), including a total of EUR 1.1 million in negative foreign currency effects, amounted to EUR 22.3 (6.8) million. Thus, the EBIT margin rose to 12.2 % (5.2 %) in the first quarter of 2010, despite the exceptional factors outlined above. Excluding the non-recurring effects on earnings from commodity price hedging, the increase in partial-retirement provisions as well as amounts provisioned for in connection with employee benefits, the EBIT margin stood at 14.4 %.

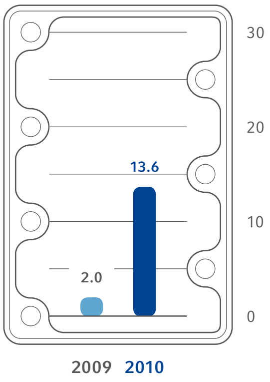
Earnings before taxes reach EUR 18.9 million

Net finance cost stood at minus EUR 4.5 (-0.3) million in the first quarter of 2010. In this context, it should be noted that the first quarter of 2009 had benefited from positive foreign currency effects equivalent to EUR 3.1 million. While the Group's net interest result improved slightly, the remeasurement at the end of the reporting period of liabilities relating to the financing of ElringKlinger's acquisition of the SEVEX Group, Switzerland, produced financial cost of EUR 2.2 million. In total, earnings before taxes rose by EUR 15.5 million year-on-year to EUR 18.9 (3.4) million in the first quarter of 2010.

EBIT 1ST QUARTER
in EUR million



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF ELRINGKLINGER AG 1ST QUARTER
in EUR million



EUR 13.6 million in net income after minority interests

The income tax rate decreased to 25.5 % (29.4 %), primarily as a result of the improved earnings performance of ElringKlinger companies with a below-average tax rate.

On this basis, the ElringKlinger Group generated net income of EUR 14.1 million in the first quarter of 2010, compared to EUR 2.4 million in the same quarter a year ago. After minority interests of EUR 0.5 (0.4) million, profit attributable to shareholders of ElringKlinger AG amounted to EUR 13.6 (2.0) million.

Diluted and undiluted earnings per share stood at EUR 0.24 (0.03) in the first quarter of 2010. The number of ElringKlinger AG shares outstanding as at March 31, 2010, was 57,600,000.

Headcount increases following upturn in revenue and acquisition of Ompaş

The ElringKlinger Group employed 4,299 (4,067) people as at March 31, 2010. Thus, the overall headcount rose by 5.7 % compared to the same quarter a year ago, which had been heavily impacted by the economic crisis.

In particular, the expansion of capacities at the Group's facilities in China and Brazil contributed to higher staffing levels. In acquiring Ompaş A. Ş., Turkey, ElringKlinger gained an additional 49 members of staff compared to the same quarter last year.

Fewer employees in Germany

In comparison with March 31, 2009, the number of people employed in Germany fell by 58 to 2,247 (2,305) in the first quarter of 2010. In response to more buoyant customer demand and higher levels of production output, ElringKlinger AG moderately increased staff at its domestic facilities in the first quarter of 2010. Compared to December 31, 2009, the number of staff employed in Germany rose by 22.

Staff recruitment in Asia and South America

The continued growth of automobile production in China prompted a further expansion of manufacturing capacity at the two local ElringKlinger companies during the first quarter of 2010. As a result, the number of people employed by the Group in China rose by 75 year-on-year to 326 (251). Since the end of 2009, 37 additional members of staff have been recruited. In view of the significant growth rates seen within the South American automobile markets, the ElringKlinger Group also extended its production capacities and staffing levels in this region.

In total, the headcount at the Group's international sites rose by 16.5 % year-on-year to 2,052 (1,762) as at March 31, 2010. Correspondingly, the proportion of people employed abroad rose from 43.3 % to 47.7 %.

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained solid in the first quarter of 2010. The Group's equity base improved further in the period under review.

Total assets rose by 6.8 % year-on-year, reaching EUR 816.6 (764.7) million as at March 31, 2010.

Despite an increase in depreciation, the continued investment in new production equipment and plant over the course of the 2009 crisis year and the first quarter of 2010 resulted in a further expansion of property, plant and equipment by EUR 33.3 million, taking the total to EUR 402.0 (368.7) million at the end of March 2010.

Working capital rise below rate of revenue increase

Due to the significant increase in revenue during the first quarter of 2010, inventories rose by EUR 4.8 million compared to the figure posted on December 31, 2009, taking the aggregate figure to EUR 106.3 million. However, with the help of intensive inventory management, the Group succeeded in scaling inventories back to a level of 13.0 % of total assets. At EUR 117.4 million, inventories had accounted for 15.4 % of total assets at the end of the same period last year.

The marked increase in sales also prompted an increase in trade receivables as at March 31, 2010. Compared to December 31, 2009, they rose by EUR 24.8 million to EUR 131.5 million. Compared to March 31, 2009, trade receivables increased by EUR 30.5 million, i.e. at a less pronounced rate than revenue growth.

Other current assets, which mainly comprise tax receivables, fell by EUR 10.1 million year-on-year to EUR 13.3 (23.4) million. This was mainly attributable to the fact that the figure posted on March 31, 2009, had included substantial tax reimbursements.

The Group's cash resources rose further during the first quarter of 2010, reaching EUR 27.4 (19.4) million as at March 31, 2010.

Equity ratio at 41.8 %

The Group was able to allocate a significant proportion of net income for 2009 as well as net income from the first quarter of 2010 to the revenue reserves. Compared to March 31, 2009, they rose by EUR 36.2 million to EUR 263.6 (227.4) million. Other reserves, which mainly comprise differences resulting from foreign currency translation, increased by EUR 15.9 million year-on-year to EUR 3.4 (- 12.5) million. Thus, equity was up 17.4 %, rising to EUR 341.4 (290.8) million as at March 31, 2010. The Group's equity ratio stood at 41.8 % (38.0 %) at the end of the period under review.

As at March 31, 2010, current provisions declined by EUR 11.7 million to EUR 11.1 (22.8) million, primarily as a result of favorable changes to the fair values of commodity-related derivatives.

As demand began to pick up again gradually over the course of 2009 and purchasing volumes were expanded accordingly, the Group also recorded an increase in trade payables, which rose by EUR 10.8 million year-on-year to EUR 37.3 (26.5) million at the end of the reporting period.

Considerable year-on-year reduction of net debt

Compared to March 31, 2009, the ElringKlinger Group scaled back its net debt by EUR 36.2 million to EUR 202.5 (238.7) million.

In the first quarter of 2010 the Group increased its financial liabilities temporarily for the purpose of covering interim financing of investment spending and requirements associated with rising working capital. Compared with the figure posted on December 31, 2009, financial liabilities rose by a total of EUR 9.4 million.

As at March 31, 2010, liabilities accounted for 58.2 % of total equity and liabilities, down on the figure of 62.0 % recorded at the end of March 2009.

Net cash from operating activities affected by upturn in sales

The rise in pre-tax earnings by EUR 15.5 million to EUR 18.9 (3.4) million in the first quarter of 2010 had a positive impact on cash flow from operating activities.

Non-cash depreciation expense increased as a result of more expansive investment activities in previous years, edging up by EUR 3.0 million to EUR 19.4 (16.4) million.

Provisions increased by EUR 0.7 million in the first quarter of 2010. By contrast, the same quarter last year had seen a reversal/use of provisions of EUR 0.7 million.

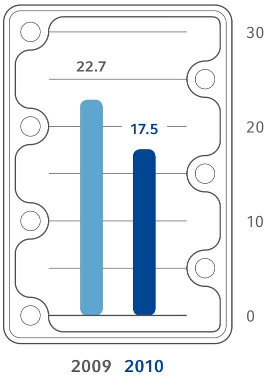
In the first quarter of 2010, the significant upturn in sales had impacted heavily on operating cash flows, as more expansive business translated into a corresponding increase in procurement volumes and inventories. The increase in sales revenue by 40.9 % in the first quarter of 2010 also led to a rise in trade receivables. Inventories and trade receivables, as well as other assets not attributable to investing or financing activities, rose by EUR 30.9 million in the first quarter of 2010. By contrast, these items had been scaled back by EUR 9.3 million in the same period a year ago following the adjustment of procurement volumes in response to sluggish market conditions.

Due to the surge in revenue during the first quarter of 2010 and the concomitant rise in inventory levels, trade payables and other liabilities attributable to operating activities rose by EUR 9.2 (-3.2) million in the period under review. In contrast to the first quarter of 2009, cash flow from operating activities increased as a result of these factors.

Income tax payments amounted to EUR 0.8 million in the first quarter of 2010, down from payments of a total of EUR 4.2 million in the first quarter of the previous year.

In total, net cash from operating activities declined by 22.9 % to EUR 17.5 (22.7) million in the first quarter of 2010.

NET CASH FROM OPERATING ACTIVITIES 1ST QUARTER
in EUR million



Sustained investing activities

Payments made by the ElringKlinger Group in connection with investments in property, plant and equipment as well as investment property, in addition to investments in intangible assets, totaled EUR 25.4 million in the first quarter of 2010, which was EUR 2.6 million more than in the same period a year ago. Investments were directed primarily at expansion efforts in Asia as well as tools for new product ramp-ups. In total, net cash from investing activities amounted to EUR 25.3 million in the first quarter of 2010, compared to EUR 22.9 million in the first three months of the previous year.

Operational free cash flow (cash flow from operating activities less cash flow from investing activities) stood at minus EUR 7.8 (-0.2) million in the first quarter of 2010.

Over the course of the first quarter of 2010 the Group extinguished EUR 1.9 million in non-current financial liabilities. In parallel, ElringKlinger took out short-term loans of EUR 11.2 million in order to supplement its interim financing of investments and cover higher working capital requirements. As a result, net cash from financing activities stood at EUR 8.0 million in the first quarter of 2010, compared to net cash of EUR 0.2 million used in financing activities during the same period a year ago.

As at March 31, 2010, cash available to the ElringKlinger Group increased to EUR 27.4 (19.4) million.

Opportunities and Risks

As regards the assessment of opportunities and risks for the ElringKlinger Group, there were no significant changes in the first quarter of 2010 to the opportunities and risks discussed in the 2009 Annual Report of the ElringKlinger Group (pages 70 to 80).

The national debt crisis surrounding Greece as well as the downgrading of other Southern European countries' credit ratings by rating agencies have resulted in a heightened level of uncertainty as regards the assessment of future economic performance in Europe. However, ElringKlinger is of the opinion that this will have no direct bearing on demand within the automotive industry.

The report on opportunities and risks published in the 2009 Annual Report can also be downloaded from http://ar2009.elringklinger.de/report-on-opportunities-and-risks.

Outlook

Outlook – Market and Sector

Global economy buoyed by emerging markets

The recovery of the world economy is gathering pace. According to data published by the International Monetary Fund (IMF), global economic output is likely to grow by 4.2 % in 2010, which is 0.3 percentage points up on the forecast issued at the beginning of the year.

In Germany, GDP is expected to rise by 1.5 % in 2010. Growth within the eurozone as a whole is projected to be slightly lower at 1.0 %. Owing to the debt crisis in Greece, however, economic forecasts in general have become increasingly uncertain in recent months.

Most of the Eastern European countries will be faced with a slower rate of economic growth, although Russia is expected to see its GDP rise by 4.0 %.

Among the industrialized nations, the United States have again emerged as a driving force, with projected growth of 3.1 % in 2010. At the beginning of the year, by contrast, the US growth forecast had been set at just 2.7 %. The largest economy in South America, Brazil, also looks set to perform more favorably than originally anticipated. Brazil's GDP forecast for 2010 was upgraded by 0.8 percentage points to 5.5 %.

Yet again, however, the emerging economies of Asia are expected to record the most significant growth in 2010. China's gross domestic product is forecast to expand by 10.0 %, while India's economy is expected to grow by 8.8 %.

The Japanese economy is also likely to deliver a better performance over the course of the current year; its GDP growth forecast was upgraded in the first quarter of 2010 from 1.1 % to 1.6 %.

The more favorable economic performance in many regions will also provide fresh impetus when it comes to demand for passenger cars and commercial vehicles.

Global car production on route to recovery

On the back of a dynamic recovery within the automobile segment over the first three months of 2010, the latest forecasts suggest that global passenger car production in 2010 will be around 2 million units higher than originally anticipated, which would take the overall production figure to 65 (57) million vehicles.

Scrappage schemes come to an end, while exports pick up

In Germany's automobile market, the anticipatory effects seen in 2009 in connection with the state-funded scrappage scheme are likely to contribute to a 20 to 30 % decline in vehicle sales in 2010, down to 2.8 to 3.0 million vehicles. Given the continued buoyancy of Germany's export market, however, the risk of a year-on-year decline in domestic passenger car production in 2010 can be ruled out with near certainty.

Forecasting with regard to the future development of Europe's automobile market has been hampered slightly by the fact that government stimulus packages and environmental incentive schemes for new-vehicle purchases will be coming to an end during the course of the year in some European countries. New car registrations in Europe are expected to fall by 8.0 % in 2010 as a whole. Western Europe is likely to see sales slump by as much as 10.0 % in 2010. By contrast, the Eastern European automobile markets will enjoy moderate growth. Russia, a key market for the automobile industry, has been faced with sluggish recovery. Despite this, however, new registrations should rise by up to 20.0 % in 2010, taking vehicle sales to 1.8 million units.

US automobile market provides fresh impetus

The US automobile market will be among the pacesetters in 2010, with recovery expected to continue over the course of the year. At present, demand for passenger cars is likely to rise by 10 to 15 %, equivalent to a sales volume of 11.3 to 12.0 million passenger cars.

The sales markets of Latin America remain solid.
Provided that the scheduled termination of government incentives for new-vehicle purchases does not have a major impact on sales, the number of new car registrations in Brazil could rise by up to 10.0 % in 2010 as a whole.

Dynamic growth at a high level in Asian auto markets

The emerging Asian economies of China, India and the ASEAN region are to be seen, yet again, as the key growth markets for the automobile industry in 2010, delivering forward momentum when it comes to global production. Both in China and India, passenger car sales are expected to exceed – by just over 10.0 % – the buoyant levels recorded last year.

In the mature automobile market of Japan, annual automobile sales may in fact not decline as originally forecasted at the beginning of the year but actually rise at a moderate rate.

Slight recovery in commercial vehicle sector

Domestic production of commercial vehicles is unlikely to see any significant upturn in 2010. On a more positive note, however, order intake figures would appear to suggest that this segment of the market is gradually recovering. Van sales are expected to see steady growth. European commercial vehicle sales are unlikely to outperform last year's figure by a significant margin.

By contrast, the situation within the North American market for commercial vehicles is more positive. On the back of a solid performance for truck sales during the first quarter of 2010, there is every chance that new vehicle registrations in 2010 as a whole will exceed last year's level by around one quarter, although it should be noted that the figure for 2009 was extremely low.

Outlook – Company

Cost streamlining continues

To a large extent, the cost-reduction measures implemented by ElringKlinger in 2009 will remain effective in 2010.

As regards staff costs, ElringKlinger sees moderate wage increases in the context of the collective wage agreement which remains in place until March 2012. By contrast, raw material prices have increased markedly since the low recorded by the commodity markets in 2009. Having said that, prices for the key raw materials required by ElringKlinger remain at an acceptable level compared to the long-term average. Depending on the future direction taken by the economy, it is impossible to rule out a further rise in commodity prices in relation to the current level. The company addresses the risk of a more pronounced increase in material costs by means of long-term delivery agreements, to the greatest extent that this is possible, as well as measures aimed at raising efficiency levels in production.

Significant rise in order intake

The upturn in order intake since the second quarter of 2009 continued during the period under review.

Compared to a lackluster order intake in the first quarter of 2009, that was strongly affected by the economic crisis, order intake for the first quarter of 2010 rose by 59.9 % to EUR 200.5 (125.4) million. The upward trend also continued in relation to the fourth quarter of 2009, rising by EUR 27.6 million compared to that period. Order intake developed particularly well in Asia as well as North and South America.

Order backlog within the Group reached EUR 260.0 (204.2) million at March 31, 2010, which was 27.3 % up on the figure recorded a year ago.

Investments targeted at Asia and new product start-ups

As ElringKlinger is anticipating a substantial shift in demand away from the largely stagnant triad markets towards the emerging economies of Asia, the Group is positioning itself accordingly in Asia by channeling significant investments into expansion in this region. In China, for instance, the company is currently building two new facilities at its existing sites in Suzhou and Changchun. The total investment volume here is in excess of EUR 10 million.

Additionally, the extensive number of new product ramp-ups scheduled for 2011 and 2012 requires appropriate tooling investments as early as 2010, as a result of which the percentage of funds allocated to this area will increase in relation to total Group capital expenditure.

The new fully automated logistics center is currently under construction at the company's site in Dettingen/Erms. The new building, for which investments of around EUR 14.0 million have been earmarked, will provide the basis for considerable improvements in stock turnover rates, and contribute significantly to optimized cost structures in terms of logistical processes.

Having secured its first serial production order for the manufacture of cell connection modules for lithium-ion batteries, ElringKlinger is now investing in appropriate production technology, which is to be expanded further depending on future orders.

Improvement in market prospects and earnings outlook

The market for passenger cars continued on its path to recovery during the first quarter of 2010. Thus, the direction of future sales trends has now become slightly more discernible. However, owing to the continued intensity of competition and an economic climate dominated by uncertainty, forecasting with regard to many key markets continues to be more challenging than before the crisis.

Against this backdrop, ElringKlinger anticipates that global vehicle production will grow percentage-wise in the mid-single figure range.

As regards the situation in Europe, ElringKlinger cannot rule out the possibility of a decline in new passenger car registrations for 2010 as a whole. Due to strong exports and the relatively low stock levels held by vehicle producers compared to those seen in the past, car production is likely to remain more or less stable.

The US vehicle market is now expected to undergo a more forceful recovery compared to 2009, expanding at a rate towards the lower end of the double-digit range.

As regards the South American market and the key emerging economies of Asia, ElringKlinger is of the opinion that the positive trend seen in new vehicle registrations and production output will continue. The considerable levels of growth witnessed in India and China are likely to diminish slightly, with annual growth projected to be in the middle of the single-figure range.

Revenue and earnings forecast revised upward for 2010

Based on the assumption that automobile markets will continue to recover and the economic climate remains stable, the ElringKlinger Group has upgraded its revenue and earnings outlook for the current 2010 financial year.

At present, ElringKlinger is targeting a rise in sales revenue of 10 to 13 % (previously 7 to 10 %). Earnings before interest and taxes (EBIT) are expected to increase at a more pronounced rate than sales – at 20 to 25 % (previously 12 to 15 %).

Further reduction in net debt

The ElringKlinger Group plans to reduce its net financial debt further over the course of 2010 and 2011. Subject to the possibility of corporate acquisitions over the course of the year, the Group’s equity base will continue to improve.

ElringKlinger moves toward pre-crisis levels

The global vehicle markets are unlikely to return to their pre-crisis production figure of 73 million cars and light trucks before 2013 or 2014.

In view of improved market conditions, the extensive number of new product ramp-ups and the company’s strong regional positioning in the future growth markets of Asia and South America, the ElringKlinger Group nevertheless sees an opportunity to match its pre-crisis sales performance by as early as 2011.

Given its impressive portfolio of products designed for CO_2 reduction and a high-potential technology pipeline within the area of fuel cell solutions and battery components, in the medium to long term ElringKlinger Group considers itself well positioned to achieve annual organic revenue growth of at least 5 to 7 % and to expand earnings at a rate that is – at the very least – comparable to revenue growth.

ElringKlinger and the Capital Markets

Upward trend continues during first quarter of 2010

On the back of a closing price of EUR 16.20 on December 31, 2009, i.e. just short of ElringKlinger's annual high in 2009, the first quarter of 2010 saw the company's stock pick up from where it had left off. In January 2010, ElringKlinger's share price breached the mark of EUR 17 for the first time since mid-2008.

Share price reaches EUR 20

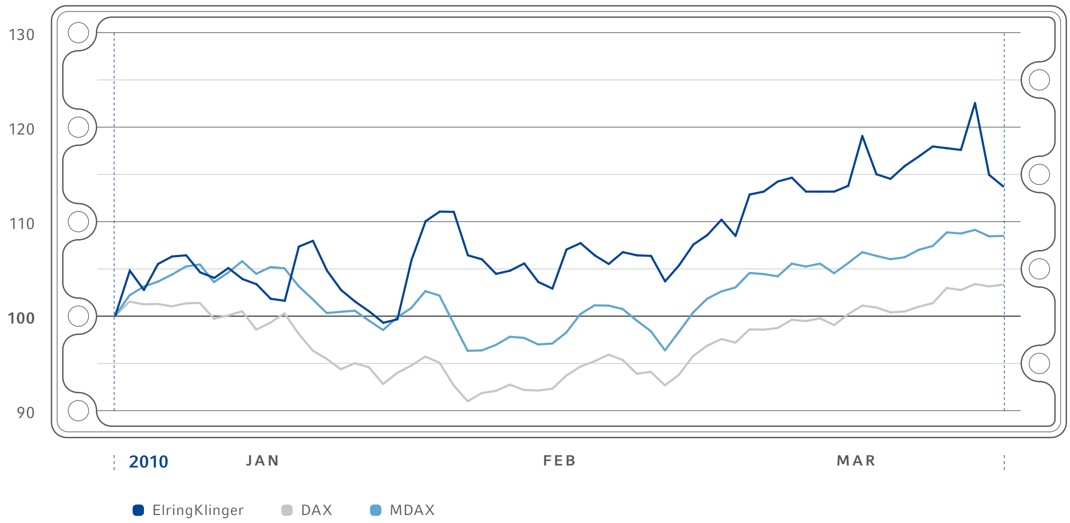
The correction witnessed throughout the financial markets in January and February also prompted a temporary dip in the price of ElringKlinger shares. At the same time, however, the company's stock underlined its relative strength. After a volatile sideways movement, from the end of February 2010 onward ElringKlinger's stock made sustained gains despite occasional fluctuations. Against this backdrop, by the end of March 2010 its share price had edged up to EUR 20, a threshold considered to be of particular importance from the perspective of technical analysis. Within this context, share performance benefited from more favorable news emerging from the corporate sector with regard to the gradual recovery of the international automobile markets. Particularly international funds and investment companies showed growing interest in ElringKlinger shares. Over the course of April 2010, the company's share price moved beyond the EUR 20 mark.

Outperforming benchmark indices

Recording a gain of 13.8 % in the first three months of 2010, ElringKlinger's stock outperformed its DAX and MDAX benchmarks, which only managed to grow by 3.3 % and 8.5 % respectively during the same period. Thus, ElringKlinger shares were ranked in the top third of the MDAX league table with regard to stock performance during the first quarter of 2010.

ELRINGKLINGER'S SHARE PRICE PERFORMANCE (XETRA) SINCE JAN. 1, 2010

compared to MDAX and DAX



Increase in trading value

The general rise in trading volumes on international stock exchanges and the greater interest shown in ElringKlinger by institutional investors produced a significant increase in the number of ElringKlinger shares traded during the first three months of 2010. The average daily trading value of shares traded on German stock exchanges rose by approximately 60 % to EUR 1,677,000 (1,054,000).

Demand for information remains high

Both institutional and private investors continued to display a substantial need for information during the first quarter of 2010.

ElringKlinger maintained a close dialog with investors, analysts and journalists. Attending two international capital market conferences, one road show and several meetings at its own facilities, the company had the opportunity to present its business model, the focus of which is on key issues of the future relating to the reduction of emissions and fuel consumption as well as the use of alternative drive concepts.

On March 30, 2010, the company held an annual results press conference in Stuttgart, followed by an analysts' meeting in Frankfurt, for the purpose of presenting the annual financial statements of ElringKlinger AG for 2009. On an encouraging note, the growing level of interest shown in ElringKlinger was illustrated by the significant number of media representatives and analysts attending both events.

Dividend proposal for 2009 financial year

The 105th Annual General Meeting of ElringKlinger AG takes place on Friday, May 21, 2010, and will be held at the Liederhalle Cultural and Congress Center in Stuttgart. The Management Board and Supervisory Board will propose to the Annual General Meeting of Shareholders that a dividend of EUR 0.20 (0.15) per share will be paid in respect of the 2009 financial year. Despite the severe crisis to have afflicted the automobile and automotive supply industry in the last two years, ElringKlinger is thus in a position to raise its dividend for fiscal 2009 by 33 % and provide its equity holders with an appropriate share of company profits.

ElringKlinger Stock (ISIN DE 0007856023)	1st Quarter 2010	1st Quarter 2009
Number of shares outstanding	57,600,000	57,600,000
Share price (daily closing price in EUR)[1]		
High	19.88	8.50
Low	16.09	6.20
Closing price on March 31	18.44	7.50
Average daily trading volume (German stock exchanges; no. of shares traded)	95,500	142,900
Average daily trading volume (German stock exchanges; in EUR)	1,677,000	1,054,000

[1] XETRA

Consolidated Income Statement of ElringKlinger AG

for the period from January 1 to March 31, 2010

	1st Quarter 2010 EUR ´000	1st Quarter 2009 EUR ´000
Sales	**182,673**	**129,700**
Cost of sales	-128,873	-100,400
Gross profit	**53,800**	**29,300**
Selling expenses	-13,313	-12,100
General and administrative expenses	-6,862	-4,900
Research and development expenses	-10,830	-9,400
Other operating income	1,447	1,300
Other operating expenses	-852	-500
Operating result	**23,390**	**3,700**
Financial income	4,476	4,600
Financial costs	-8,947	-4,900
Net finance costs	**-4,471**	**-300**
Earnings before taxes	**18,919**	**3,400**
Taxes on income	-4,819	-1,000
Net income	**14,100**	**2,400**
Minority interests	-515	-441
Profit attributable to shareholders of ElringKlinger AG	**13,585**	**1,959**
Diluted and undiluted Earnings per share in EUR	**0.24**	**0.03**

Reconciliation to Comprehensive Income

	1st Quarter 2010 EUR ´000	1st Quarter 2009 EUR ´000
Net income	**14,100**	**2,400**
Unrealized gains (losses) from currency translation adjustments	9,795	248
Other comprehensive income (loss)	**9,795**	**248**
Total comprehensive income	**23,895**	**2,648**
Minority interests in total comprehensive income	-861	-644
Total comprehensive income attriutable to shareholders of ElringKlinger AG	**23,034**	**2,004**

Consolidated Statement of Financial Position of ElringKlinger AG

as at March 31, 2010

	March 31, 2010 EUR ´000	Dec. 31, 2009 EUR ´000	March 31, 2009 EUR ´000
ASSETS			
Intangible fixed assets	89,550	89,184	86,783
Property, plant and equipment	401,985	386,178	368,722
Investment property	27,265	27,400	26,693
Financial assets	1,544	1,610	1,632
Other non-current assets	4,927	5,105	5,427
Deferred tax assets	12,807	14,143	14,254
Non-current assets	**538,078**	**523,620**	**503,511**
Inventories	106,299	101,468	117,378
Trade receivables	131,514	106,761	101,056
Other current assets	13,259	11,651	23,408
Cash	27,427	25,580	19,393
Current Assets	**278,499**	**245,460**	**261,235**
	816,577	**769,080**	**764,746**

LIABILITIES AND SHAREHOLDER'S EQUITY	March 31, 2010 EUR ´000	Dec. 31, 2009 EUR ´000	March 31, 2009 EUR ´000
Share capital	57,600	57,600	57,600
Capital reserve	2,747	2,747	2,747
Revenue reserves	263,636	250,051	227,428
Other reserves	3,370	-6,079	-12,512
Equity attributable to shareholders of ElringKlinger AG	**327,353**	**304,319**	**275,263**
Minority interests	14,074	13,213	15,532
Shareholder´s equity	**341,427**	**317,532**	**290,795**
Provision for pensions	59,793	59,359	58,830
Non-current provisions	6,546	6,015	5,215
Non-current financial liabilities	162,417	164,269	155,872
Deferred tax liabilities	33,101	31,633	30,346
Other non-current liabilities	32,620	37,356	25,876
Non-current liabilities	**294,477**	**298,632**	**276,139**
Current provisions	11,071	10,651	22,844
Trade payables	37,260	35,712	26,453
Liabilities to affiliated companies	0	0	2
Current financial liabilities	67,476	56,234	102,175
Tax payables	10,121	9,051	4,423
Other current liabilities	54,745	41,268	41,915
Current liabilities	**180,673**	**152,916**	**197,812**
	816,577	769,080	764,746

Consolidated Statement of Changes in Equity of ElringKlinger AG

	Share capital EUR ´000	Capital reserve EUR ´000
as of Dec. 31, 2008	**57,600**	**2,747**
Capital increase		
Dividends paid		
Changes in consolidated companies		
Comprehensive income		
Net profit		
Currency differences		
Other comprehensive income		
as of March 31, 2009	**57,600**	**2,747**
as of Dec. 31, 2009	**57,600**	**2,747**
Capital increase		
Dividends paid		
Changes in consolidated companies		
Comprehensive income		
Net profit		
Currency differences		
Other comprehensive income		
as of March 31, 2010	**57,600**	**2,747**

Revenue reserves		Other reserves			
Revenue reserve first-time adoption of IFRS EUR ´000	Group Equity generated EUR ´000	Currency translation differences EUR ´000	Equity attributable to shareholders of ElringKlinger AG EUR ´000	Minority interests EUR ´000	Group equity EUR ´000
26,181	**199,288**	**-12,557**	**273,259**	**14,888**	**288,147**
			0		0
			0		0
			0		0
	1,959	45	2,004	644	2,648
	1,959		1,959	441	2,400
		45	45	203	248
			0		0
26,181	**201,247**	**-12,512**	**275,263**	**15,532**	**290,795**
26,181	**223,870**	**-6,079**	**304,319**	**13,213**	**317,532**
			0		0
			0		0
			0		0
	13,585	9,449	23,034	861	23,895
	13,585		13,585	515	14,100
		9,449	9,449	346	9,795
			0		0
26,181	**237,455**	**3,370**	**327,353**	**14,074**	**341,427**

Consolidated Cash flow statement of ElringKlinger AG

	1st Quarter 2010 EUR ´000	1st Quarter 2009 EUR ´000
Earnings before taxes	18,919	3,400
Depreciation/Amortization (less write-ups) of non-current assets	19,415	16,425
Net interest	3,376	3,400
Change in provisions	671	-737
Losses from disposal of intangible assets and of property, plant and equipment	5	62
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	-30,921	9,335
Change in trade liabilities and other liabilities not resulting from financing and investing activities	9,224	-3,189
Income taxes paid	-786	-4,240
Interest paid	-1,941	-1,842
Interest received	31	10
Currency effects on items relating to operating activities	-540	47
Net cash from operating activities	**17,453**	**22,671**
Proceeds from disposals of intangible assets and of property, plant and equipment	595	0
Proceeds from disposals of financial assets	0	209
Payments for investments in intangible assets	-1,110	-1,116
Payments for investments in property, plant and equipment and investment properties	-24,297	-21,706
Payments for investments in financial assets	-478	-256
Net cash from investing activities	**-25,290**	**-22,869**
Dividends paid to shareholders and minorities	0	0
Changes in current financial liabilities	11,242	-5,854
Additions to non-current financial liabilities	0	14,000
Repayment of non-current financial liabilities	-1,852	-8,276
Currency effects on items relating to financing activities	-1,354	-36
Net cash from financing activities	**8,036**	**-166**
Changes in cash	199	-364
Currency on cash	1,648	16
Cash at beginning of period	25,580	19,741
Cash at end of period	**27,427**	**19,393**

Group Sales by Region

	1st Quarter 2010 EUR ´000	1st Quarter 2009 EUR ´000
Germany	60,026	43,920
Other Europe	51,914	44,181
NAFTA	30,110	17,551
Asia and Australia	26,736	16,402
South America and other	13,887	7,646
Group	**182,673**	**129,700**

Segment Reporting

for the period from January 1 to March 31, 2010

	Original Equipment		Aftermarket		Engineered Plastics	
Segment	2010 EUR ´000	2009 EUR ´000	2010 EUR ´000	2009 EUR ´000	2010 EUR ´000	2009 EUR ´000
Segment sales	**141,171**	**91,197**	**26,786**	**24,624**	**16,964**	**14,363**
- Intersegment sales	-4,811	-3,887	0	0	0	0
Sales	**136,360**	**87,310**	**26,786**	**24,624**	**16,964**	**14,363**
EBIT[2]	**14,473**	**-819**	**5,441**	**5,037**	**1,468**	**1,478**
+ Interest income	27	0	5	8	84	6
- Interest expenses	-2,894	-2,819	-292	-302	-106	-75
Earnings before taxes	**11,606**	**-3,638**	**5,154**	**4,743**	**1,446**	**1,409**
Depreciation and amortization	17,981	15,076	235	237	634	606
Investments[3]	24,491	19,477	487	83	358	2,997

[1] Due to the fist-time adoption of IFRS 8 the prior-year figures have been adjusted with regard to the format of presentation relating to segment reporting
[2] Earnings before interest and taxes
[3] Additions to Intangible Assets and Property, Plant & Equipment

	Industrial Parks		Services		Consolidation and other[1]		Group	
	2010 EUR ´000	2009 EUR ´000	2010 EUR ´000	2009 EUR ´000	2010 EUR ´000	2009 EUR ´000	2010 EUR ´000	2009 EUR ´000
	2,006	**1,923**	**1,566**	**2,208**	**-1,009**	**-728**	**187,484**	**133,587**
	0	0	0	0	0	0	-4,811	-3,887
	2,006	**1,923**	**1,566**	**2,208**	**-1,009**	**-728**	**182,673**	**129,700**
	979	**839**	**-66**	**265**			**22,295**	**6,800**
	0	0	0	2	-85	0	31	16
	-192	-214	-8	-6	85	0	-3,407	-3,416
	787	**625**	**-74**	**261**			**18,919**	**3,400**
	278	264	287	242			19,415	16,425
	33	28	38	237			25,407	22,822

Notes to the First Quarter of 2010

ElringKlinger AG is an exchange-listed stock corporation headquartered in Germany.

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of March 31, 2010, have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).

As the consolidated interim financial statements are presented in a condensed format, the financial statements accompanying the report on the first quarter of the financial year do not include all information and disclosures required under IFRS for annual consolidated financial statements.

The consolidated interim financial statements have not been audited. They were authorized for issue based on a resolution passed by the Management Board on May 10, 2010.

Basis of Reporting

The accounting policies applied to the consolidated interim financial statements for the first three months of 2010 correspond to those used in the consolidated financial statements for the financial year ended December 31, 2009. For a detailed description of the basis of preparation and accounting policies, please refer to the notes to the consolidated financial statements of the 2009 Annual Report published by ElringKlinger AG.

The cost-of-sales (also referred to as function-of-expense) method has been applied when preparing the Group income statement. The Group currency is the Euro.

In addition to the financial statements of ElringKlinger AG, the interim report as of March 31, 2010, includes 4 domestic and 20 foreign subsidiaries. Subsidiaries are entities in which the parent company holds more than half of the voting rights or over which, for other reasons, it has the power to govern the financial and operating policies („Control"). Inclusion in the consolidated Group commences on the date on which control is obtained; it ceases as soon as control no longer exists.

The two joint-venture companies ElringKlinger Korea Co., Ltd., Changwon, South Korea, and ElringKlinger Marusan Corporation, Tokyo, Japan, with both of their subsidiaries, were included in the interim report on the basis of proportionate consolidation in accordance with IAS 31. In the case of proportionate consolidation, all assets and equity & liability items as well as expenses and income of the joint ventures are included in the consolidated financial statements at the proportionate interest held (50 %).

Exchange Rates and Derivative Financial Instruments

The following table includes details of the exchange rates applied for the purpose of currency translation:

Currency	Abbr.	Rate on the closing date March 31, 2010	Rate on the closing date Dec. 31, 2009	Average rate Jan. – Mar. 2010	Average rate Jan.–Dec. 2009
US Dollar (USA)	USD	1.34730	1.44050	1.36733	1.39660
Pound (United Kingdom)	GBP	0.88970	0.89000	0.88277	0.89005
Swiss Franc (Switzerland)	CHF	1.42830	1.48360	1.45250	1.50885
Canadian Dollar (Canada)	CAD	1.36800	1.51000	1.43033	1.58070
Real (Brazil)	BRL	2.41070	2.50970	2.49907	2.76663
Mexican Peso (Mexico)	MXN	16.65000	18.82600	17.39623	18.87628
RMB (China)	CNY	9.19760	9.82990	9.33497	9.53857
WON (South Korea)	KRW	1,524.57000	1,678.97000	1,574.26667	1,764.09167
Rand (South Africa)	ZAR	9.88420	10.67500	10.32147	11.50169
Yen (Japan)	JPY	125.85000	133.06000	124.37333	130.64000
Forint (Hungary)	HUF	266.40000	270.15000	269.19000	281.24500
Turkish Lira (Turkey)	TRY	2.05220	2.15260	2.07630	2.16571
Indian Rupee (India)	INR	60.45000	67.00340	62.52077	67.40177

In the first three months of 2010, derivative financial instruments were used for the purpose of hedging interest rate risk and smoothing the volatility of purchasing prices for raw materials (nickel).

The overall trend of the fair value of commodity-related derivatives had a positive effect on earnings in the first quarter of 2010. The balance between the reduction of current provisions (other operating income of EUR 783 thousand) and the required settlement payments (additional material expenses of EUR 622 thousand) led to an improvement in earnings before taxes of EUR 161 thousand in the first quarter of 2010.

During the same period current provisions for swap transactions concluded for the purpose of hedging interest rate risk rose by EUR 177 thousand (other operating expense).

Contingencies and Related Party Disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2009 were not subject to significant changes in the first three months of 2010.

Events after the Reporting Period

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Dettingen/Erms, May 10, 2010

The Management Board

Dr. Stefan Wolf Theo Becker Karl Schmauder

Disclaimer – Forward-looking Statements and Forecasts

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

Calendar 2010

MAY 21, 2010
105th Annual General Shareholders’ Meeting
Cultural and Congress Centre Liederhalle,
Stuttgart, Hegelsaal, 10:00 CET

MAY 25, 2010
Dividend distribution

JULY 30, 2010
Interim Report on the 1st half of 2010

SEPTEMBER 14 – 19, 2010
Trade fair Automechanika, Frankfurt

OCTOBER 4 – 6, 2010
Engine colloquium, Aachen

NOVEMBER 4, 2010
Interim Report on the 3rd Quarter of 2010

NOVEMBER 22 – 24, 2010
German Equity Forum, Frankfurt

NOVEMBER 30 – DECEMBER 1, 2010
9th CTI-Symposium Innovative Automotive
Transmission, Berlin

MAY 31, 2011
106th Annual General Shareholders’ Meeting

If you would like to receive our interim reports by e-mail please send your details to:
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