



Report on the Second Quarter
and First Half of 2004

Experience mobility

elringklinger 

Dear Stockholders, Ladies and Gentlemen,

This report details the development of business of the ElringKlinger Group over the second quarter and first half of 2004. The second quarter, like the first, was a pleasing one, and so the first half year has been positive overall.

Economic Trend

Factors influencing the global economic trend in second quarter 2004 were the continued strong growth in the USA, the booming Chinese economy and the marked recovery in Japan, though these positive elements were countered by economic weakness in Western Europe, especially in Germany.

The US economy grew at a rate of just under 5%. Gross capital investments in US industry were almost 10% up on the previous year; private consumer demand was up between 4 and 5%; and public consumption by 3%. In the quarter covered by the report US growth also brought the long awaited improvement in employment figures. The US Federal Reserve countered the inflation accompanying the upward trend with a modest increase in interest rates.

As has been the trend over the last five years, the Chinese economy again grew in second quarter 2004, at a rate of between 8 and 9%. The extraordinarily high demand for steel and fuel resulting from the massive construction boom and increasing spread of motor vehicle ownership resulted in some imbalance on international steel and crude oil markets, leading to higher steel and crude oil prices. This had a negative impact on sectors dependent on steel and energy in other parts of the world, too, in second quarter 2004.

The Japanese economy profited from the positive economic conditions on its key export markets in the USA and China, recording a healthy 3% growth in GDP.

The high economic growth rates in the USA and China also formed the basis for the slight recovery in the Euro zone in the period under review. Overall Euro zone growth of just over 1%, and domestic growth of just under 1%, stemmed primarily from booming exports to the USA and China.

Domestic consumer demand was again below the previous year's level however. Increasing unemployment levels and consumer uncertainty in respect of the effects on their individual economic situation of the German Government's reform policies again impacted on confidence levels. Lower consumption and an increased trend toward saving were the consequences.

Domestic manufacturing lacked its former momentum from higher exports as a driver of higher investment, and so was unable to deliver the associated boost to the labor market and consumer demand.

Automotive Markets

New car registrations in Germany during the second quarter of 2004, at 0.9 million units, were 0.2% below the level of the previous year. Over the first half of the year in total 1.7 million vehicles were registered, 0.7% fewer than in the previous year's comparative period.

In Western Europe there were signs of a recovery on automotive markets. New car registrations in the second quarter of 2004, at 4.4 million units, were 16.6% higher than in the previous year. Over the first half of the year in total 8.3 million vehicles were registered, a rise of 9.7% on the previous year.

In the NAFTA region vehicle sales weakened in second quarter 2004. New registrations totaled 4.3 million units, 3.2% fewer than in the previous year. Over the first half of the year in total, registrations of 8.2 million units were at the previous year's level.

German car production in second quarter 2004 totaled 1.4 million units, up 8.9% on the previous year. The figure for the first half year in total was 2.7 million units, an increase of 4.6% year-on-year. The increase in production resulted from higher demand in Western Europe.

Production in Western Europe from April to June 2004 totaled 4 million units, up 4.6%, while over the first half of the year overall production rose year-on-year by 2.6% to 7.9 million units.

Sales

Vehicle production in the NAFTA region in second quarter 2004 totaled 4.1 million units, down 4.2% against the previous year. Over the first half of the year in total, vehicle production of 8.5 million units was down 4.1% against the first half of 2003.

Details of the new car registration and production figures:

New Car Registrations (in thousands)

	1-3/04	4-6/04	1-6/04
Domestic	777	879	1.656
Change against previous year in %	- 2.7	- 0.2	- 0.7
Western Europe	3,912	4,373	8,285
Change against previous year in %	+ 0.9	+ 16.6	+ 9.7
USA/NAFTA*	3,911	4,318	8,229
Change against previous year in %	+ 3.9	- 3.2	±0.0

* Including SUVs

Car Production (in thousands)

	1-3/04	4-6/04	1-6/04
Domestic	1,332	1,371	2,703
Change against previous year in %	+ 0.0	+ 8.9	+ 4.6
Western Europe	3,812	4,071	7,883
Change against previous year in %	- 1.2	+ 4.6	+ 2.6
USA/NAFTA *	4,358	4,110	8,468
Change against previous year in %	- 4.1	- 4.2	- 4.1

* Including SUVs

Figures for production and new vehicle registrations have been taken from sources available in the public domain. No guarantee can be given as to their accuracy.

Sales of the ElringKlinger Group rose in the second quarter of 2004 by 8.3% compared with the previous year, to €114.6 million. Over the first half of the year overall sales totaled €232.0 million, a year-on-year increase of 8.5%. The parent company achieved around half of this growth with new products for commercial vehicle applications and based on rising demand on the Western European market.

Other major contributors to the increase in sales included ElringKlinger S.A., Spain, with substantially increased volumes of a cam cover module launched in the previous year; ElringKlinger Sealing Systems, Inc., Canada, from increased sales of cylinder-head gaskets; the UK spare parts business Elring Parts Ltd., based on the addition of engine components from a major German piston and engine component manufacturer to its distribution range; and ElringKlinger Kunststofftechnik GmbH, which profited from the upward trend in demand for PTFE products.

The breakdown of ElringKlinger's second quarter and first half sales by region is as follows:

In **Germany** second quarter sales totaled €45.4 million, 1.3% down against the previous year, with first half sales of €89.1 million maintained at the previous year's level.

In the **Rest of Europe** region second quarter sales totaled €37.3 million, 10.7% higher than the previous year. First half sales were €76.3 million, a year-on-year increase of 12.5%. The main reasons for this were new product start-ups for the French and Italian markets and the relocation of German manufacturers' production capacities to the EU accession states.

In the **NAFTA region** second quarter 2004 sales rose by 2.1% to €19.1 million. Sales in the first half of the year were 4.1% up, at €40.3 million.

In **Asia** the ElringKlinger Group achieved sales of €8.7 million in second quarter 2004, a 93.3% increase over the previous year. First half 2004 sales totaled €17.9 million, up 59.8% year-on-year. Cylinder-head gasket production for the Asian market, launched in the second half of 2003, ran at high volumes throughout the first half of 2004.

In the **South America/Rest of the World** region second quarter 2004 sales totaled €4.1 million, a rise of 41.4% over the previous year. First half 2004 sales totaled €8.4 million, up 20% year-on-year. Key factors in this were new product start-ups at the Brazilian subsidiary.

Consolidated Sales by Region

(in € millions)

	1-3/04	4-6/04	1-6/04
Germany	43.7	45.4	89.1
Change against previous year in %	+ 1.4	- 1.3	0.0
Rest of Europe	39.0	37.3	76.3
Change against previous year in %	+ 14.4	+ 10.7	+ 12.5
NAFTA	21.2	19.1	40.3
Change against previous year in %	+ 6.0	+ 2.1	+ 4.1
Asia	9.2	8.7	17.9
Change against previous year in %	+ 37.3	+ 93.3	+ 59.8
South America/ Rest of the World	4.3	4.1	8.4
Change against previous year in %	+ 4.9	+ 41.4	+ 20.0
Total	117.4	114.6	232.0
Change against previous year in %	+ 8.7	+ 8.3	+ 8.5

Earnings

The ElringKlinger Group reported pre-tax earnings of €17.6 million in second quarter 2004, a 37.5% increase compared with the previous year. Pre-tax earnings of €35.6 million for the first half of the year were up 27.1% year-on-year.

Second quarter net income totaled €10.7 million, 59.7% up on the previous year, with first half net income overall at €22 million, a rise of 37.5%.

The cost of materials rose at a higher rate in proportion to sales, increasing by 13.9% in the second quarter, and by 11.7% year-on-year over the first half. The key factors in this were the ongoing increases in the price of steel, plastic materials and elastomers.

Personnel costs increased by 8.4%, in keeping with the rise in sales, over the first half year 2004 period.

All ElringKlinger Group companies operated at a profit in the first half of 2004.

Consolidated Income Statement

	01.04.-30.06.03	01.04.-30.06.04	01.01.-30.06.03	01.01.-30.06.04
	€ 000s	€ 000s	€ 000s	€ 000s
Net sales	105,800	114,600	213,800	232,000
Changes in inventories	422	338	-278	-1,589
Other capitalized items	3,654	2,598	4,011	3,000
Costs for purchased services/ cost of materials	- 36,162	- 41,201	- 73,595	- 82,172
Personnel costs	- 32,508	- 35,243	- 64,630	- 70,038
Other operating income	1,243	1,896	2,739	3,393
Other operating expenses	- 17,171	- 14,815	- 30,753	- 28,121
Depreciation allowances on intangible assets and tangible assets	- 11,088	- 9,673	- 21,056	- 19,073
Operating profit	14,190	18,500	30,238	37,400
Net interest income/loss	- 1,390	- 900	- 2,238	- 1,800
Income from stockholdings in affiliated companies	0	0	0	0
Earnings before taxes	12,800	17,600	28,000	35,600
Taxes on income	- 6,100	- 6,900	- 12,000	- 13,600
Net income	6,700	10,700	16,000	22,000

DVFA Earnings

DVFA pre-tax income of the ElringKlinger Group in the second quarter of 2004 amounted to €15.9 million, an increase of 37.1% over the previous year. Over the first half of the year in total, pre-tax income of €31.9 million was reported, an increase of 26.6% year-on-year.

Earnings per share were €2.00 in the second quarter compared with €1.24 in the previous year. First half earnings per share were €4.09 compared with €2.96 in the previous year's comparative period

Cash flow according to DVFA in the second quarter of 2004 totaled €19.7 million, 20.1% up on the previous year. Cash flow according to DVFA over the first half of 2004 totaled €39.3 million, an increase of 9.5% year-on-year.

Trend in DVFA earnings

(in € millions, in each case excluding shares of third parties)

	1-3/04	4-6/04	1-6/04
DVFA cash flow	19.6	19.7	39.3
Change against previous year in %	+ 0.5	+ 20.1	+ 9.5
DVFA pre-tax income	16.0	15.9	31.9
Change against previous year in %	+ 17.6	+ 37.1	+ 26.6
DVFA net income	10.0	9.6	19.6
Change against previous year in %	+ 20.5	+ 62.7	+ 38.0
DVFA/SG earnings per share in €	2.09 ¹⁾	2.00 ¹⁾	4.09 ¹⁾
Change against previous year in %	+ 21.5	+ 61.2	+ 38.2

¹⁾ Based on 4.8 million shares



Segment Reports

The table below shows the net sales, earnings, assets and liabilities of the Original Equipment, Spare Parts, Engineered Plastics, Services and Industrial Parks segments:

Performance by Market Segment

2nd Quarter 2004/2nd Quarter 2003 (in € millions)

	Sales		Intersegment Sales		Consolidation Adjustments		External Sales		Income from Ordinary Activities	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Original Equipment	100.1	90.8	-4.6	-6.0	-14.2	-11.4	81.3	73.4	11.6	8.3
Spare Parts	22.9	22.6	0.0	0.0	-3.4	-2.7	19.5	19.9	3.2	1.9
Engineered Plastics	11.9	10.9	0.0	0.0	-0.5	-0.7	11.4	10.2	2.0	1.9
Industrial Parks	1.9	1.6	0.0	0.0	0.0	0.0	1.9	1.6	0.7	0.6
Services	1.6	1.9	0.0	0.0	-1.1	-1.2	0.5	0.7	0.1	0.1
Total	138.4	127.8	-4.6	-6.0	-19.2	-16.0	114.6	105.8	17.6	12.8

1st Half 2004/1st Half 2003 (in € millions)

	Sales		Intersegment Sales		Consolidation Adjustments		External Sales		Income from Ordinary Activities	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Original Equipment	200.7	185.9	-8.6	-11.8	-28.7	-24.4	163.4	149.7	22.6	17.8
Spare Parts	47.3	43.3	0.0	0.0	-6.6	-5.8	40.7	37.5	7.0	4.9
Engineered Plastics	24.5	23.3	0.0	0.0	-1.1	-1.4	23.4	21.9	4.6	4.2
Industrial Parks	3.4	3.4	0.0	0.0	0.0	0.0	3.4	3.4	1.1	0.9
Services	3.4	3.5	0.0	0.0	-2.3	-2.2	1.1	1.3	0.3	0.2
Total	279.3	259.4	-8.6	-11.8	-38.7	-33.8	232.0	213.8	35.6	28.0

Significant internal business relationships in respect of goods and services developed between the Original Equipment and Spare Parts segments and between the Original Equipment and Services segments.

Three of the customers in the Original Equipment segment each accounted for more than 10% of consolidated sales. In total, some 40% of consolidated sales was attributable to these three customers.



Investments (Intangible/ Tangible Assets)		Depreciation Allowances		Net Interest Income/Loss	
2004	2003	2004	2003	2004	2003
8.8	12.8	-8.7	-10.1	-0.7	-1.2
0.0	0.0	-0.2	-0.1	-0.1	-0.1
0.5	0.2	-0.3	-0.4	0.1	0.1
1.3	0.0	-0.3	-0.3	-0.2	-0.2
0.1	0.3	-0.2	-0.2	0.0	0.0
10.7	13.3	-9.7	-11.1	-0.9	-1.4

Investments (Intangible/ Tangible Assets)		Depreciation Allowances		Net Interest Income/Loss		Fixed Assets		Current Assets (Excl. Deferred Charges)		Accruals and Liabilities	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
17.2	28.4	-17.1	-19.0	-1.4	-1.7	156.8	149.4	99.8	92.4	-182.0	-174.0
0.4	0.4	-0.4	-0.3	-0.2	-0.2	7.5	8.3	34.7	39.2	-23.6	-30.0
0.9	0.2	-0.6	-0.8	0.1	0.1	11.5	12.2	11.5	11.2	-11.6	-9.6
1.3	0.0	-0.6	-0.6	-0.3	-0.4	26.1	25.7	0.8	0.6	-13.7	-20.6
0.4	0.8	-0.4	-0.4	0.0	0.0	2.8	2.9	0.5	0.7	-1.0	-1.0
20.2	29.8	-19.1	-21.1	-1.8	-2.2	204.7	198.5	147.3	144.1	-231.9	-235.2

Consolidated Balance Sheet (HGB) *

The consolidated balance sheet total as of June 30, 2004 was €352.6 million, slightly below the level at March 31, 2004.

Tangible assets increased by €1.1 million as a result of investments in plant and machinery. Intangible assets decreased by €1.1 million as a result of depreciation.

Total fixed assets were around the level at March 31, 2004.

Current assets fell by €2.4 million relative to March 31, 2004. This was attributable primarily to the announced reduction in inventories by some €2.1 million.

Accounts receivable decreased by €1.3 million relative to the end of first quarter 2004. Nevertheless, outstanding accounts receivable totaling €80.3 million were some €7 million above the normal level relative to the sales generated. The main reason was the delay in

Assets

	31.12.2003	31.03.2004	30.06.2004
	€ 000s	€ 000s	€ 000s
Fixed assets			
Intangible assets	33,151	32,129	31,026
Tangible assets	163,847	166,623	167,747
Long-term investments	5,895	5,927	5,924
	202,893	204,679	204,697
Current assets			
Inventories	65,065	62,367	60,292
Accounts receivable and other assets	63,238	81,624	80,321
Other securities	1,630	2,447	2,435
Cash on hand, bank deposits and checks	8,416	3,265	4,216
	138,349	149,703	147,264
Deferred charges	1,910	828	671
Total assets	343,152	355,210	352,632

payments from a major overseas customer, which had technical problems in introducing a new payment system. There is no risk of default.

Stockholders' equity decreased from €126.1 million at March 31, 2004 to €119.8 million at June 30, 2004, primarily because of the dividend payment totaling €14.4 million. The Group's equity ratio as of June 30, 2004 was some 34%.

The increase in capital stock out of capital resources approved by resolution of the Annual General Meeting of Stockholders on June 2, 2004 is included in the balance sheet as per June 30, 2004. The resolution came into effect on being filed at Commercial Registers on June 29, 2004.

The tables below show developments in the consolidated balance sheet and the consolidated stockholders' equity for the period under review:

Liabilities and Stockholders' Equity

	31.12.2003	31.03.2004	30.06.2004
	€ 000s	€ 000s	€ 000s
Stockholders' equity			
Capital stock at par value	28,800	28,800	57,600
Capital in excess of par value	12,553	12,553	2,747
Retained earnings	46,060	50,470	30,117
Shares held by outsiders	11,289	12,663	11,744
Balance-sheet profit	14,484	21,584	17,584
	113,186	126,070	119,792
Special items with an equity portion	0	0	0
Provisions			
Provisions for pensions and similar reserves	37,524	37,875	38,508
Provisions for taxes	5,290	8,561	6,513
Other provisions	30,359	33,090	31,955
	73,173	79,526	76,976
Liabilities	155,925	148,776	154,948
Accrued income	868	838	916
Total equity and liabilities	343,152	355,210	352,632

* The consolidated balance sheet was drawn up in accordance with the provisions of the HGB (German Commercial Code). With effect from 2005 the financial statements of ElringKlinger will be drawn up in accordance with IFRS.

Changes in the Group's Equity Capitalization

The tables below show the changes in the Group's equity capitalization in the second quarter and over the first half of 2004.

Stockholders' Equity

2nd Quarter 2004

	Subscribed Share Capital	Capital Surplus	Group Total Capitalization
	€ 000s	€ 000s	€ 000s
Status as at March 31, 2003	28,800	12,553	60,545
Dividend distributions			-12,000
Adjustments to allow for consolidations			0
Consolidated net income			5,891
Status as at June 30, 2003	28,800	12,553	54,436
Status as at March 31, 2004	28,800	12,553	73,891
Dividend distributions			-14,400
Adjustments to allow for consolidations			
Consolidated net income			9,603
Capital increase	28,800	-9,806	-18,994
Status as at June 30, 2004	57,600	2,747	50,100


1st Half 2004

	Subscribed Share Capital	Capital Surplus	Group Total Capitalization
	€ 000s	€ 000s	€ 000s
Status as at December 31, 2002	28,800	12,553	52,205
Dividend distributions			-12,000
Adjustments to allow for consolidations			0
Consolidated net income			14,231
Status as at June 30, 2003	28,800	12,553	54,436
Status as at December 31, 2003	28,800	12,553	63,867
Dividend distributions			-14,400
Adjustments to allow for consolidations			
Consolidated net income			19,627
Capital increase	28,800	-9,806	-18,994
Status as at June 30, 2004	57,600	2,747	50,100



Adjustment to Allow for Foreign-Currency Conversions	Other Transactions not Related on the Income Statement	Stockholders' Equity	Minority Equity	Total Stockholders' Equity
€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
- 6,189	3,851	99,560	11,771	111,331
		-12,000	-1,580	-13,580
2,684		2,684	-51	2,633
		5,891	809	6,700
-3,505	3,851	96,135	10,949	107,084
- 5,688	3,851	113,407	12,663	126,070
		-14,400	-1,937	-16,337
-562		-562	-79	-641
		9,603	1,097	10,700
		0		0
-6,250	3,851	108,048	11,744	119,792

Adjustment to Allow for Foreign-Currency Conversions	Other Transactions not Related on the Income Statement	Stockholders' Equity	Minority Equity	Total Stockholders' Equity
€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
- 2,377	3,851	95,032	10,838	105,870
		-12,000	-1,580	-13,580
-1,128		-1,128	-78	-1,206
		14,231	1,769	16,000
-3,505	3,851	96,135	10,949	107,084
-7,174	3,851	101,897	11,289	113,186
		-14,400	-1,937	-16,337
924		924	19	943
		19,627	2,373	22,000
		0		0
-6,250	3,851	108,048	11,744	119,792



Consolidated Statement of Changes in Financial Position

The cash flow from ordinary business operations in the second quarter of 2004 increased to €25.5 million against €9.0 million for the same period of 2003. The main reasons were the increase in net income, reduced depreciation and the cut in inventories and in accounts receivable. Cash flow from ordinary business operations over the first half of the year in total was €37.5 million, against €29.7 million in the previous year.

In the second quarter of 2004, outlay from investment transactions decreased to €10.6 million against €14.8 million in the previous year. Outlay from investment transactions over the first half of the year in total was €20.8 million, down from €31.8 million year-on-year.

The high level of capacity utilization in the first half of 2003 had necessitated increased investment in plant and machinery. This, together with expenditure on a license, drove up investments in 2003. In the period under review investments by ElringKlinger returned to their long-term average level.

Cash flow from financial transactions decreased in second quarter 2004 by some €16 million to €-13.9 million. Over the first half of the year in total it decreased by €20 million to €-21 million.

Total funds as at June 30, 2004 amounted to €4.2 million compared with €4.0 million at June 30, 2003.

	2nd Quarter		1st Half	
	2003	2004	2003	2004
	€ 000s	€ 000s	€ 000s	€ 000s
Consolidated net income	6,700	10,700	16,000	22,000
Depreciation allowances on assets and asset disposals, net of appreciations	11,176	9,797	21,198	19,044
Changes in inventories, accounts receivable and other assets	- 8,569	3,535	- 17,524	- 12,303
Changes in accounts payable and other liabilities incl. provisions and special items	546	1,471	9,976	8,617
Foreign-exchange effects on items related to ordinary business operations	- 837	30	12	105
Cash flow from exceptional items	0	0	0	0
Cash flow from ordinary business operations	9,016	25,533	29,662	37,463
Income from sales of assets	52	50	371	256
Disbursements for investments in assets	- 13,337	- 10,702	- 29,791	- 20,256
Disbursements arising from sales of securities	- 1,527	12	- 2,412	- 805
Cash flow from investment transactions	- 14,812	- 10,640	- 31,832	- 20,805
Disbursements to company owners and minority stockholders	- 13,580	- 16,337	- 13,580	- 16,337
Changes to liabilities to banking institutions	15,711	2,229	12,419	- 4,511
Effects of foreign-exchange rates on items related to financial transactions	23	159	197	- 145
Cash flow from financial transactions	2,154	- 13,949	- 964	- 20,993
Change in cash requiring expenditures or yielding disburseable income	- 3,642	- 944	- 3,134	- 4,335
Effects of changes in foreign-exchange rates on liquid assets	-27	7	-71	135
Funds on hand at the start of the period	7,645	3,265	7,181	8,416
Funds on hand at the end of the period	3,976	4,216	3,976	4,216

Research and Development

In the second quarter of 2004 a large number of development contracts were again received from Asian customers, including 13 from China and another from South Korea in respect of Cylinder-Head Gasket Division. The sales and application engineering joint venture established in Japan in March 2004, the ElringKlinger Marusan Corporation, is already working on 10 development projects for Japanese customers.

The Special-Purpose Gaskets division was awarded major development contracts by US customers. As ElringKlinger is only just beginning its marketing of these products in the USA, this represented a pleasing entry to the market. The first special-purpose gaskets for the USA will be going into production shortly.

The Special-Purpose Gaskets division also enjoyed success in its acquisition activities on Asian markets in the period under review.

The Elastomer Components/Modules division was awarded a volume development and production contract for a plastic cam cover by a Japanese customer in second quarter 2004. Production will start in 2007, and extend through to 2013. In China a key account awarded two development and production contracts for cam covers. A plastic cam cover manufacturing facility is currently being established in China. The first samples will be rolling off the production line shortly.

Investments

Investment in the first half of 2004 was focused primarily on rationalization projects. Plant and machinery to optimize the production process was procured primarily for the manufacture of cylinder-head gaskets and cam cover modules. Investments in instrumentation and testing further optimized monitoring of the production process.

Employees

At June 30, 2004 employees of the ElringKlinger Group numbered 3,172, 13 more than at March 31, 2004. At the period end the domestic subsidiaries employed 468 people, and the foreign subsidiaries and affiliates 1,133.

Explanatory Notes

The same accounting and valuation principles as used in the annual financial statements of ElringKlinger AG and the ElringKlinger Group for fiscal year 2003 and for the first quarter 2004 report, as well as for the second quarter 2003 and first half 2003 – the previous year's comparative periods – were used in drawing up this interim report.

ElringKlinger Stock

ElringKlinger stock posted another positive performance in the second quarter of 2004. Against a price of €81.80 at March 31, 2004, the price of our share at June 30, 2004 was €99.60, representing an increase of 21.8%. Since December 31, 2003 the share price has risen by €23.60, or 31%.

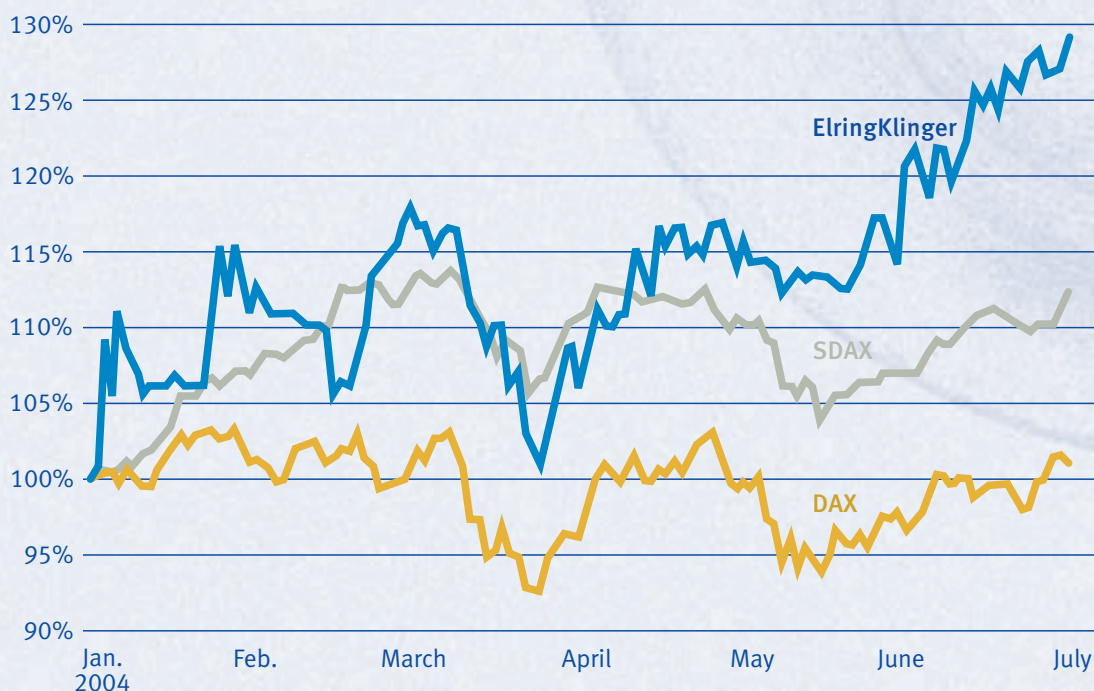
The share price increased at one time to over €100.00. Following the new share issue on July 26, 2004 it has since risen to above €50.00.

The 99th Annual General Meeting of Stockholders of ElringKlinger AG was held on June 2, 2004 in Stuttgart. The Management Board was able to present a pleasing set of figures for the

past fiscal year to some 700 stockholders, analysts, institutional investors and guests in attendance. The AGM approved the dividend proposal of €3.00 per share, as well as the proposal to increase capital stock from corporate funds and to issue 4.8 million new shares.

In the second quarter of 2004 ElringKlinger continued to foster intensive relations with the capital market. Regular contacts were maintained with analysts, institutional investors and financial journalists, and the relevant reports were issued to them. The ElringKlinger Group was presented to new potential institutional investors most notably in the financial centers of London, Paris and Frankfurt.

**Stock Market Trend from January 1, 2004 Comparing Index Performance
ElringKlinger Stock (Frankfurt Stock Exchange); DAX; SDAX**





ElringKlinger Stock

Market Segment	Prime Standard, Frankfurt
Number of shares (June 30, 2004)	4,800,000 shares
ISIN	DE0007856023
Securities reference number	785 602
Price as at December 31, 2003	76.00 €
Price as at March 31, 2004	81.80 €
Price as at June 30, 2004	99.60 €

In the second quarter of 2004 the free float again increased slightly. The main stockholders further reduced their holdings in order to increase trading volumes. The free float is now approximately 38%, with some 15% held by private investors and 23% by institutional investors. ElringKlinger stock is now held by numerous small and mid cap funds.

On June 28, 2004, at a congress held in Montreux, Switzerland, ElringKlinger received the “Automotive Shareholder Value Award” presented by the Automotive News Europe journal in association with Pricewaterhouse-Coopers accountants. This award recognized ElringKlinger as the best performing European automotive component supplier stock over the past three years. ElringKlinger had already won the previous year’s award as the top performer over the period June 2002 to May 2003.

Number of Shares at June 30, 2004

Supervisory Board

Karl Uwe van Husen	1,000
Dr. Thomas Klinger-Lohr	357,915 *)
Walter Herwarth Lechler	1,214,825 **)

*) Held via Betal Netherlands BV, Rotterdam

***) Including stock held via controlled joint stock corporations

Dividend

On June 2, 2004 the AGM approved the payment of a dividend of €3.00 per share for the fiscal year 2003, an increase of €0.50. The dividend was paid on June 3, 2004.

Outlook

Cautious optimism is the watchword for the second half of 2004.

Economic growth in North America will be maintained at a high level. However, saturation of vehicle markets in that region and tougher competition between US manufacturers and importers will intensify price wars in the automotive industry. The consequence will be heavy pricing pressure on the component industries.

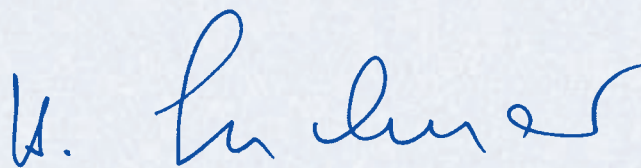
The boom in China may begin to overheat the economy, entailing a “hard landing” impacting on export opportunities for Japanese, American and European industry, especially the automotive sector and its component suppliers.

In the Euro zone and in Germany, economic progress will continue to progress haltingly over the remainder of the year, owing to the lack of convincing reforms or effective general economic policies. Any positive trend will have to be driven by exports. The automotive industry will adjust supply to demand by extending the plant shutdown periods during vacation time. Consequently, North American and European vehicle production will fall slightly over the third quarter.

The development of ElringKlinger’s sales will continue to be founded primarily on the ongoing launch of new products and the sustained increase in diesel business as a proportion of overall volumes. The continuing high price of steel and price pressure from the vehicle manufacturers may impede sales growth. Nevertheless, building on the success of the first half, we forecast a satisfactory growth in sales and earnings over the full year.

This Quarterly Report marks the end of my 13 years’ service as Chairman of the Management Board of ElringKlinger. I would like to thank you, the stockholders, for the trust and loyalty you have shown me over this long period of time, and would ask you to show the same to my successor, Mr. Sebastian Merz. I will in future be playing my part in ensuring the success of the company from my seat on the Supervisory Board.

Sincerely yours,



Dr. Helmut Lerchner

Financial Calendar

Q2 and H1 2004 Report	July 2004
MIMS Motor Show, Moscow	August 2004
Meetings with Investors, London/Edinburgh	August 19/20, 2004
Small and Mid Cap Analysts' Conference, Munich	September 8, 2004
Investors' Conference, Bankhaus Metzler, Frankfurt	September 15, 2004
Automechanika, Frankfurt	September 2004
Capital Market Conference, BW-Bank, Frankfurt	October 4, 2004
Investors' Conference, Berenberg Bank, Brocket Hall, London	November 11/12, 2004
Equity Capital Forum hosted by Deutsche Börse AG, Frankfurt	November 22, 2004
Q3 and January – September 2004 Report	November 2004
Cheuvreux Investors' Conference, Kronberg/Taunus	January 17-19, 2005
Financial Press Conference, Stuttgart	March 2005
Q1 2005 Report	May 2005
100th Annual General Meeting of Stockholders at the Kultur- und Kongresszentrum Stuttgart	10:00 a.m., June 8, 2005
Dividend Distribution	June 9, 2005
Q2 and H1 2005 Report	August 2005
Q3 and January - September 2005 Report	November 2005

We will be happy to send you our annual report and quarterly and half year reports by e-mail. Please send us your e-mail address to investor-relations@elringklinger.de or phone us on +49 (0)71 23/724-264.

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