# IN MOTION

## Report on the Second Quarter and First Half of 2009

## Meeting a challenge takes substance.

Companies that prove their caliber over decades – companies like ElringKlinger, in fact – possess the ability to strengthen their competitive position even in the toughest of times. The sure-footed strategy that we pursue has established us as a reliable technology partner to the automobile industry and other sectors. Through consistent innovation – and never losing sight of our fundamental values – we develop future-oriented solutions that keep our customers moving.

To enable us to achieve our aims, we have a team that spans the globe. It is our staff's ideas and commitment that form the foundations for success in our traditional, as well as new fields of business. Our potential to meet every challenge is based on real substance.

Substance | Expertise | Commitment

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| Reliability | Sustainability

## Economic and Business Climate

### World economy in the grips of global recession

Following the rapid economic downturn in fall 2008, the world economy continued to slide further into recession over the course of the first half of 2009. The result was a severe slump in order intake, coupled with a decline in industrial output and excess capacities. The comprehensive economic programs initiated by both central banks and governments cushioned the effect of the financial crisis on the real economy, but irrespective of these measures the route to recovery from the deepest recession since the end of the 1920s is proving extremely arduous.

On the back of a year-on-year downturn of 6.3% in Germany's gross domestic product (GDP) during the first quarter of 2009, the local economy contracted by a further 0.5% year on quarter in the second quarter.

The prevailing economic trends are similar throughout the eurozone. Having fallen by 4.0% in the first quarter 2009, GDP shrank at a slower rate in the second quarter. At present, the situation would appear to be stabilizing, albeit at a low base.

In Eastern Europe, the economic downturn continued over the course of the second quarter, with the Russian economy contracting by 10.1% in the first half of 2009.

By contrast, the US economy is showing initial signs of recovery. GDP declined by 1.0% in the second quarter, which was much less severe than the slump of 6.1% in the first quarter.

Following the tangible economic downturn witnessed at the beginning of the year, South America would appear to be closer to turnaround. Brazil's GDP, for instance, grew by 2.2% in the second quarter of 2009.

Fears over a more pronounced downturn in the emerging countries as a result of the global crisis have proved unfounded. The economies of China and India in particular remained stable in the period under review and managed to return to their long-term growth trends with the support of government stimulus packages. In China, growth stood at 7.9% in the second quarter 2009, up on growth of 6.1% in the first three months. In India, economic output rose by 5.6% in the second quarter 2009, after an increase of 5.9% in the first three months.

Japan's economy remained sluggish. In the first half of 2009, GDP was 7.8% down on the figure for the same period a year earlier.

### Extreme weakness in global automobile markets

Impacted heavily by the fallout from the global economic crisis, the international automobile markets remained under severe pressure during the first half of 2009. Hesitance on the part of consumers, more restrictive financing and warehouses brimming with unsold stock had a detrimental effect. After dramatic cutbacks in vehicle production by car makers over the course of the first months of 2009 – by 40% and more – downsizing efforts were less severe in the second quarter of 2009.

During the second quarter of 2009 in particular, various government-backed stimulus packages to kick-start car sales, such as tax breaks for new vehicle purchases or scrappage schemes, provided fresh impetus for the automobile market in both Western and Eastern Europe.

Despite these measures, global auto sales in the first half of the year remained 16.8% down on the first six months of 2008. Western Europe, North America and Japan, major automotive markets for ElringKlinger, also had to contend with a contraction in vehicle sales in the first half of 2009, down 22.0% in aggregate.

On a more positive note, manufacturers have been able to reduce significantly the backlog of unsold vehicles. As production downsizing during the first six months of 2009 was much more extensive than the decline in car sales, there is every chance that the second half of the year will see a moderate recovery in manufacturers' production figures.

### Continued production cutbacks in Germany despite accelerated domestic demand

In Germany, new car registrations rose by 26.1% to 2.1 million units during the first six months of 2009. However, this trend was driven first and foremost by the scrappage incentive scheme introduced by the German government and new vehicle taxation regulations, which buoyed domestic demand for small and compact automobiles in particular.

The continued challenges within the global automobile market had a significant impact on exports by German vehicle manufacturers. In the first six months of 2009 the decline amounted to 35.0%. Due to the weakness of foreign markets, automobile production in Germany, which stood at 2.3 million units in the first half of 2009, contracted by 24.0% year on year.

In Europe, new car registrations declined by 11.1% in the first six months. The first quarter of 2009 had seen a contraction of 17.2% in new vehicle registrations, whereas the decline recorded during the period of April to June 2009 was less severe at 5,0%.

A positive consumer response to government-funded incentive schemes provided support for the market as a whole in Western Europe's major economies. Compared to the first six months of 2008, new vehicle registrations in Western Europe declined by 9.8% in total during the first half of 2009.

In Eastern Europe demand for new cars remained extremely depressed, with the market slumping by a significant 27.1%. The downturn experienced by Russia, Europe's second-largest automobile market, continued unabated. In the first six months of the current year, car sales fell by 48.6% to just 0.8 million units.

### North American market remains weak

In North America, vehicle production remained at the extremely low level recorded in the first quarter of 2009. The number of US-manufactured automobiles and light commercial vehicles fell by 53.2% in the first six months of 2009, which meant that less than half as many vehicles were produced during this period than in the first six months of 2008. In the first half vehicle sales in the US reached 4.8 million units, down 35.1% on what had already been a weak first-half performance in 2008.

Having said that, the substantial reduction in unsold stock by local producers as well as the introduction of a scrappage incentive scheme aimed at promoting the sale of more fuel-efficient new vehicles may in fact mean that the downturn engulfing the North American automobile market has now bottomed out. Compared to the first six months, vehicle production is expected to expand slightly in the second half of 2009.

The South American economies were blessed with relatively stable demand for new vehicles during the first half of 2009. In Brazil, for instance, the vehicle market – measured on the basis of cars sold – expanded by 3.7% in the first half of 2009.

### Rising sales in China and India

Sales trends within the automobile markets were surprisingly positive in both India and China. Buoyed by government incentive schemes, the Chinese car industry recorded a surge in sales of 19.8% to 3.6 million vehicles in the first half of 2009. In India, car sales rose by 2.6%.

By contrast, the Japanese car market had to contend with a further contraction in sales, with new registrations falling by 20.8% year on year in the first half of 2009.

### Global recession engulfs commercial vehicle market

The severe downturn in global economic activity is also reflected in first-half figures of 2009 for the commercial vehicle segment. What is more, as yet there are few signs of this negative trend coming to an end, although data released at the end of the first half would appear to suggest that the rate of decline has slowed slightly.

Compared to the first half of 2008, production figures for German manufacturers contracted by 58.0% in the case of light transport vehicles and by 66.0% in terms of heavy-goods vehicles. Sales of large heavy-goods vehicles in excess of 6 tons fell by 33.0%.

The European commercial vehicle market as a whole also showed signs of significant year-on-year contraction, down 42.3% in the year 2009 to date. In Western Europe, the number of new commercial vehicles registered shrank by 37.7% compared to the first six months of 2008. The situation in the new EU states of Eastern Europe was even more difficult, with new registrations for the first half of 2009 slumping by 68.0% year on year.

On the back of uninspired figures for the first six months of 2008, the US commercial vehicle market contracted by 37.1% in the first half of 2009. In Japan, too, demand for new commercial vehicles remained weak.

## Significant Events in the Reporting Period

### ElringKlinger acquires additional interests in Chinese subsidiary Changchun ElringKlinger Ltd.

During the first half of 2009, ElringKlinger AG bolstered its position in the key growth market of China and purchased an additional 10.0% interest in the subsidiary Changchun ElringKlinger Ltd. from the state investment company State Machinery, Electronics, Light and Textile Industry Investment Corporation, Changchun. The increase in ElringKlinger's ownership interest to now 88.0% was executed effective from June 30, 2009, following entry in the Companies Register and the conclusion of the official authorization procedure by the competent supervisory authority.

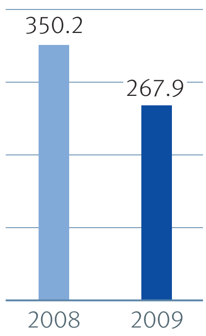
Changchun ElringKlinger Ltd. generated sales revenue of approx. EUR 16 million in 2008 and achieved an operating margin within the lower double-digit range. The company had already been included within the consolidated group prior to the latest transaction. Both parties agreed not to disclose details of the exact purchase price. It was within the lower single-digit million range. The company supplies Chinese automobile manufacturers with cylinder-head and specialty gaskets, as well as thermal shielding components and plastic housing modules for engines and transmission systems.

## Sales and Earnings Performance

### Decline in sales for first half by 23.5%

As a result of the significant deterioration in global economic conditions and the severe slump in demand for new automobiles, consolidated sales for the ElringKlinger Group contracted by 23.5% to EUR 267.9 (350.2) million in the first half of 2009. By contrast, the second quarter saw a slight improvement in demand. Despite an extremely weak performance within the commercial vehicle sector and a downturn in demand for ElringKlinger Kunststofftechnik GmbH in the field of mechanical and plant engineering, compared with the first quarter sales revenue grew by EUR 8.5 million to EUR 138.2 million in Q2 2009. By contrast, sales revenue receded by 26.3% compared with the second quarter of 2008. Within this context, the comparative base for the second quarter of 2009 was significantly higher due to the fact that Q2 2008 had included the newly acquired SEVEX Group and the consolidated ElringKlinger Marusan Corporation, Japan, for the first time (as from April 1 and May 1, 2008, respectively), which contributed a total of EUR 21.7 million to sales. Their aggregate contribution in the second quarter of 2009 was EUR 19.7 million.

Sales 1st Half
in EUR million




## Asia and South America square up to the crisis

The global recession affected sales performance in the majority of regions served by the Group. Having said that, the sales trend for Asia and South America proved more favorable. Benefiting in particular from its strong position in China, ElringKlinger succeeded in maintaining its forward momentum in Asia. The share of consolidated sales generated abroad by ElringKlinger during the first half of 2009 rose to 67.0% (65.8%).

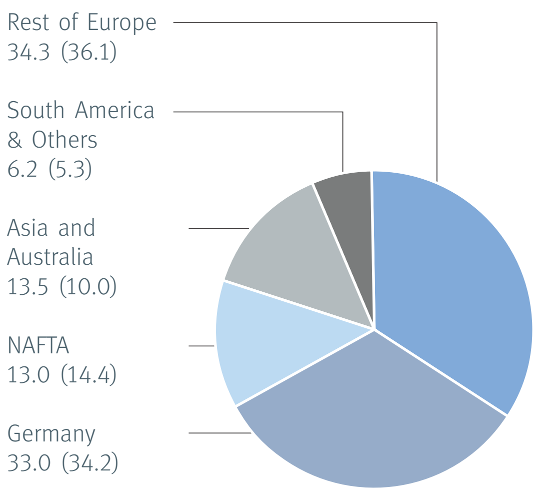
By contrast, sales revenues contracted within the German market over the course of the first six months of fiscal 2009, receding by 26.2% to EUR 88.5 (119.9) million. In the second quarter revenue declined by 31.1%. The more pronounced percentage decline recorded in the second quarter of 2009 was attributable primarily to the higher comparative base as a result of the inclusion of the SEVEX Group in the accounts for the same quarter last year. The Swiss-based company now trading as ElringKlinger Abschirmtechnik (Schweiz) AG generates the majority of its sales revenue through business with German automotive groups.

In the rest of Europe sales fell by 27.4% to EUR 91.9 (126.5) million in the first half of 2009.

Production cutbacks of around 50% within the area of passenger and light commercial vehicles, together with an extremely weak market for commercial vehicles in general, exerted downward pressure on sales in the NAFTA region during the first half of 2009, as a result of which revenue contracted by 30.7% to EUR 34.9 (50.3) million. Having said that, the ElringKlinger Group performed significantly better than the market as whole, having benefited from several new product ramp-ups.

Drawing on its powerful position in the Chinese market in particular, ElringKlinger managed to emulate its previous growth performance in Asia despite the current crisis. Back in April 2008, ElringKlinger had strengthened its position in the Chinese market by acquiring the former SEVEX subsidiary ElringKlinger China, Ltd. in Suzhou. In Korea, the Group has now entered the start-up phase for lightweight plastic cam covers. Sales in Asia increased by 3.1% to EUR 36.0 (34.9) million in the first half of 2009. After a visible reduction in the number of components requested by customers at the beginning of the year as part of their production scheduling, orders placed with the company's facility in Ranjangaon, India, which commenced operations at the end of 2007, returned to more encouraging levels. Several projects have been launched for Indian vehicle manufacturers. The share of sales generated in Asia by the ElringKlinger Group over the course of the first half of 2009 surged to a substantial 13.5% (10.0%).

Consolidated Sales by Region
1st Half 2009 (prior year)
in %

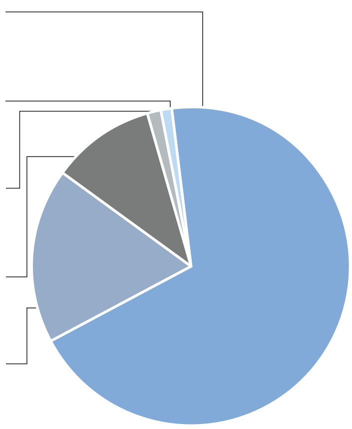


Demand in South America remained relatively solid compared with the downturn recorded in other world markets. In the first six months of 2009, sales revenue in this region contracted by 10.3% to EUR 16.7 (18.6) million. In the second quarter, sales revenue was down just 7.7% on last year's Q2 figure, mainly as a result of the solid business performance delivered by the Brazilian subsidiary ElringKlinger do Brasil Ltda.

### Slower rate of revenue decline in Original Equipment

The Original Equipment segment within the ElringKlinger Group was hit particularly hard by the downturn enveloping the global automotive market. The slump became most visible in the area of elastomer technology, which produces commercial vehicle cylinder-head gaskets, and in the area of modules. In total, sales revenue contracted by 27.1% to EUR 185.8 (254.8) million in this segment over the course of the first half of 2009.

Sales revenues by Segment
1st Half 2009 (prior year)
in %




The share of consolidated revenue generated through business with vehicle manufacturers fell to 69.3% (72.8%) during this period. As a result of the higher comparative base of the corresponding quarter in 2008, the decline in the second quarter of 2009 – at 29.7% – was more pronounced than in the first quarter. Having said that, there were signs of slightly stabilized customer demand in the auto sector during the second quarter. In absolute terms, ElringKlinger managed to lift sales revenue by EUR 11.2 million in the second quarter of 2009 compared to the first three months of the year.

The severe decline in units produced resulted in a contraction of earnings before interest and taxes (EBIT) within the Original Equipment segment over the course of the first half of 2009, down to EUR 8.3 (40.6) million. The second quarter of 2009 saw a return to positive EBIT in the Original Equipment segment on the back of an uninspired first quarter. As a result, the EBIT margin for this segment reached 8.6% in the quarter under review.

Both shielding technology and specialty gaskets delivered an above-average performance during the first half of 2009. Within this context, both segments benefited from new product ramp-ups as well as growing interest from automotive industry customers for products capable of contributing to $CO_2$ reduction as well as greater fuel efficiency in internal combustion engines as part of downsizing concepts.

Following strong growth in the first half of 2008, the Aftermarket segment contracted slightly in the first six months of the current financial year. Sales revenue declined by 8.4% to EUR 47.5 (51.8) million in the first half of 2009. Prompted by the economic and financial crisis, the more restrictive credit policies affecting customers within the Aftermarket segment in key international markets such as Eastern Europe and Southern Asia had a detrimental effect on purchasing patterns and volumes ordered. What is more, given the severity of the current economic crisis, many vehicle owners decided to postpone major servicing and repair work to the greatest extent possible. In the second quarter of 2009, revenue from sales within the Aftermarket segment declined by 10.9% year on year.

Earnings before taxes within the Aftermarket segment contracted by 8.6% to EUR 8.7 (9.6) million during the first half of 2009, in line with the decline in revenue.

The Engineered Plastics segment, which specializes in the development and manufacture of products made of PTFE (polytetrafluoroethylene), was faced with a significant slump in revenue over the course of the first six months of 2009, particularly as regards its business with customers operating in the mechanical and plant engineering sector, whereas demand from the automotive industry gradually began to stabilize at a low base. By contrast, demand from both the medical engineering and biotech industries remained encouraging. In total, sales generated by the Engineered Plastics segment contracted by 23.5% to EUR 27.9 (36.5) million in the first half of 2009. In the second quarter revenue fell by 24.7%.

The decline in unit sales also had an adverse effect on earnings. In addition, the operating result was impacted by the expansion of applications technology and the introduction of full-scale industrial production of items made from the new, injection-moldable PTFE material Moldflon®, together with start-up costs associated with business development in Asia. Earnings before taxes fell by 62.8% to EUR 2.5 (6.8) million in the first half of 2009. In the second quarter of 2009, the Engineered Plastics segment recorded pre-tax profit of EUR 1.1 (3.3) million.

The Industrial Parks segment recorded a slight year-on-year decline in rental income during the first half of 2009, down to EUR 3.9 (4.3) million, due to the end of a tenancy agreement at the industrial park in Hungary. However, site expansion plans by a major German vehicle manufacturer located in close proximity to the ElringKlinger industrial park in Hungary point to solid growth potential in this region. Earnings before taxes within the Industrial Parks segment amounted to EUR 1.3 (1.4) million in the first half of 2009.

During the second quarter of 2009 in particular, the Service segment, which offers engine testing and additional development services for vehicle manufacturers and other suppliers, was affected by the industry trend towards insourcing. Wherever possible, many automobile manufacturers are looking to reintegrate engineering services within their own operations in order to utilize excess capacities more efficiently during the current crisis. Over the course of the first six months of 2009, sales revenue within the Service segment contracted slightly to EUR 2.8 (2.9) million. In the second quarter of 2009, the decline in revenue was 13.7%. Earnings before taxes within the Service segment fell to EUR 0.4 (1.0) million in the first half of 2009, primarily as a result of higher systematic depreciation following the introduction of a new test facility at the company's site in Bietigheim-Bissingen.

### Improved cost structure forces break-even point down

In response to the unparalleled downturn seen within the automotive markets and the severe slump in production figures, the ElringKlinger Group launched an extensive cost-reduction program towards the late autum in 2008, the effects of which became increasingly tangible over the course of the first half of 2009.

### Positive effect from commodity price hedging

As a result of settlement payments to be made in connection with a hedging transaction for alloy surcharges related to high-grade steel, material expenses, i.e. ultimately the cost of sales, rose by an additional EUR 3.7 million in the second quarter of 2009.

Due to the rise in the price of nickel over the course of the second quarter of 2009 and the concomitant changes to the fair value of commodity-related derivatives, provisions recognized under IFRS were partially reversed. Correspondingly, other operating income rose by EUR 9.5 million in the second quarter of 2009. In the same period, the balance between the reduction of provisions and settlement payments made had a positive effect on earnings before taxes equivalent to EUR 5.8 million.

In July 2009, ElringKlinger took advantage of the continuing rise in the nickel price and sold a substantial part of its contracts to hedge purchasing prices for raw materials. At present, this is expected to produce a positive earnings effect of approx. EUR 0.7 million in the third quarter of 2009. As the settlement payments made in the first half of 2009 are no longer applicable, the effect on the Group's gross profit margin in the second half of the financial year will be favorable due to a corresponding reduction in material expenses.

ElringKlinger failed to benefit significantly from lower commodity prices as regards those materials required by the Group for its operations, i.e. high-grade steel, carbon steel, aluminum and polymer granules. This was due to the fact that purchasing volumes were scaled back significantly in the fourth quarter of 2008, while efforts within the area of working capital management were stepped up. Therefore, the majority of materials used in the first half of the current financial year came from existing inventories.

As regards staff costs, the non-extension of temporary employment contracts within the Group as well as the introduction of short-time work for some parts of the workforce at the company's German sites had a beneficial effect on expenses.

While revenue fell by 23.5% in the first half of 2009, the cost of sales was scaled back by just 14.6% during the same period. This was due mainly to the above-mentioned settlement payments for medium-term hedging against fluctuations in alloy surcharges for nickel.

As a result, the gross profit margin contracted to 23.2% (31.2%) in the first half of 2009. Compared with the first quarter, however, the gross profit margin improved by 1.2 percentage points to 23.8% in the second quarter of 2009.

While selling expenses rose slightly in the first half of 2009, the current program aimed at streamlining costs led to another significant improvement in administrative expenses as a whole. In the first half of 2009, this expense item was scaled back by 27.5% year on year.

Research and development expenses within the ElringKlinger Group rose by EUR 2.6 million year on year in the first half of 2009, which took the figure to EUR 19.1 (16.5) million. The ratio of R&D to sales increased to 7.1% (4.7%) at Group level. The main emphasis of development activities was on advancing existing technologies for new fields of application, e.g. with regard to lightweight polyamide housing components or thermal shielding. In addition, the company developed a new flange module with an integral high-temperature gasket for the reduction of $NO_x$ in cars. As regards New Business Areas, the company started work on a new project – backed by the German government – for the production of a fuel-cell system to be used in cogeneration units for single-family homes and apartment buildings. Additionally, ElringKlinger is committed to the development of components for fuel cells and batteries, as well as working on a new coating method to reduce soot in particulate filter units – an integral part of the company's ongoing particulate filter project.

A total of EUR 2.1 (1.0) million in development costs was capitalized in the first half of 2009. Systematic depreciation/amortization in connection with capitalized R&D activities amounted to EUR 1.5 (0.8) million in the first half of 2009, i.e. there was no significant effect on earnings.

Other operating income rose by 22.6% in aggregate to EUR 13.0 (10.6) million in the second quarter of 2009, primarily as a result of the above-mentioned partial reversal of provisions for commodity hedging.

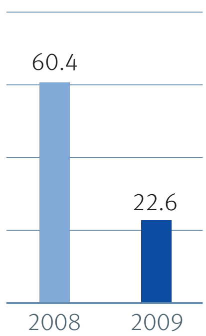
Other operating expenses, which had accounted for EUR 5.9 million in the first six months of 2008, fell to just EUR 1.1 million in the first half of 2009. The significant year-on-year reduction was attributable chiefly to the recognition of a provision of EUR 4.0 million for commodity-related hedging transactions in the second quarter of 2008.

In the first half of 2009, EBITDA totaled EUR 56.0 (87.5) million, down 36.0% on last year's figure for the first six months. In the second quarter, EBITDA declined at a slower rate of 30.2% to EUR 32.8 (47.0) million. Due to significant investing activity in previous years, depreciation and amortization for the first six months of 2009 rose to EUR 33.4 (27.1) million. In the second quarter, depreciation and amortization increased to EUR 17.0 (15.8) million.

## Quarter-on-quarter improvement in operating result and EBIT in Q2

The Group's operating result remained well within positive territory despite the significant decline in unit sales and the associated excess capacities in production. In the first half of 2009, the Elring-Klinger Group recorded an operating result of EUR 20.6 (60.7) million, a year-on-year decline of 66.1%. At minus 46.7%, the year-on-year decline for the second quarter was less severe than that registered in the first quarter of 2009. What is more, the operating result for the second quarter of 2009 was EUR 13.2 million up on that of the first quarter of 2009 – to EUR 16.9 (31.7) million. Within this context, the slight improvement in revenue as well as cost-streamlining measures and the contribution from the reversal of provisions for commodity-related hedging had a positive effect.

EBIT 1st Half
in EUR million




Earnings before interest and taxes (EBIT) developed along similar lines. Including positive currency effects of EUR 2.0 million, EBIT stood at EUR 22.6 million, compared with EUR 60.4 million in the same period a year ago. In the second quarter, negative foreign currency effects of EUR 1.1 million impacted adversely on EBIT. Despite this, the ElringKlinger Group achieved EBIT of EUR 15.8 (31.2) million in the second quarter, with the EBIT margin standing at 11.4 %. In the same period, the EBIT margin adjusted for the positive effects of the reversal of provisions for commodity-related hedging was 7.2%. Compared with the first quarter (EUR 6.8 million), EBIT was EUR 9.0 million higher in Q2.

## Earnings before taxes at EUR 15.3 million

In the second quarter of 2009, higher interest costs associated with financing conducted in 2008 and restructuring of short-term financial liabilities into long-term loans were a key factor in driving the net finance result down by EUR 1.3 million to minus EUR 5.0 (-3.7) million. In the first half of 2009, the net finance result fell from EUR -5.1 million in the same period a year ago to EUR -5.3 million.

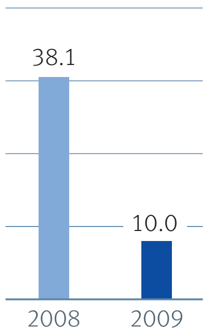
This led to a 72.5% decline in earnings before taxes for the first six months of 2009, down to EUR 15.3 (55.6) million. In the second quarter of 2009, earnings before taxes contracted by 57.5% year on year to EUR 11.9 (28.0) million but improved markedly when compared with the first quarter of 2009.

## Net income after minority interests also remains positive

The tax rate rose slightly to 29.4% (28.4%) in the first half of 2009. In total, net income for the first half of 2009 stood at EUR 10.8 (39.8) million. In the second quarter of 2009 net income amounted to EUR 8.4 million, compared to EUR 20.1 million for the same period a year ago. After deducting minority interests, profit attributable to the owners of ElringKlinger AG was down 73.9% to EUR 10.0 (38.1) million in the first half of 2009. In the second quarter of 2009, the decline was less pronounced at 58.4%, taking profit attributable to the owners of ElringKlinger AG to 8.0 (19.2) million.

In accordance with the revised accounting standards set out in IFRS 1, the consolidated financial statements for the first half of 2009 incorporate total comprehensive income of the ElringKlinger Group, which includes exchange differences on translating foreign operations totaling EUR 2.3 (-2.6) million. At Group level, total comprehensive income fell from EUR 37.2 million in the first half of 2008 to EUR 13.1 million in the first six months of 2009. In the second quarter of 2009 total comprehensive income, including positive currency-translation effects of EUR 2.0 (2.8) million, stood at EUR 10.4 (22.9) million.

Profit attributable to owners of ElringKlinger AG 1st Half
in EUR million




As a result of the 1:3 stock split executed on July 4, 2008, the number of shares trebled from 19,200,000 to 57,600,000. The increase in the number of shares was taken into account when calculating earnings per share. In the first half of 2009, basic and diluted earnings per share, calculated in accordance with IFRS, contracted from EUR 0.66 to EUR 0.17. In the second quarter of 2009, earnings per share stood at EUR 0.14 (0.33).

### Lower headcount

As at June 30, 2009, the ElringKlinger Group employed a total of 3,999 (4,172) people. Thus, the headcount for the Group as a whole decreased by 173 compared to the same time last year. The drop in staffing levels during the first half of 2009 was attributable mainly to the necessary reduction in temporary jobs in response to weaker demand and production cutbacks implemented by many automobile manufacturers. By contrast, personnel levels were expanded slightly at the Brazilian and Chinese facilities of the ElringKlinger Group as a result of the more positive market performance and growing demand for new cars in these countries.

Compared with June 30, 2008, the number of staff employed domestically decreased by 100 to 2,255 (2,355) employees in total, primarily as a result of the non-extension of temporary employment contracts. The domestic headcount at the end of June 2009 was 112 lower than on December 31, 2008. As at June 30, 2009, the proportion of Group employees at domestic facilities was 56.4%.

The number of personnel employed at foreign subsidiaries fell by 73 compared to the same period a year ago; as at June 30, 2009, 1,744 (1,817) people were employed abroad.

## Financial Position and Cash Flows

### Total assets up on last year's figure

The financial position of the ElringKlinger Group remained solid in the first half of 2009. The acquisition of the SEVEX Group and the expanded shareholding in Marusan Corporation, Japan, (April 1, 2008: SEVEX, May 1, 2008: Marusan) were included in the figures published for the second quarter of 2008, and therefore as from the second quarter of 2009 there is the benefit of direct comparability.

Total assets rose by 1.4% year on year to EUR 749.4 (739.3) million as at June 30, 2009.

Compared with June 30, 2008, property, plant and equipment increased by EUR 55.2 million to EUR 373.7 (318.4) million. This was attributable mainly to investments made in the previous year.

Thus, the share of non-current assets in total assets rose from 60.6% a year ago to 68.0% as at June 30, 2009.

## Working capital contracts markedly in first half of 2009

In response to the market-induced decline in sales volumes, the ElringKlinger Group scaled down its inventory levels by a significant margin as early as the fourth quarter of 2008. With the continued pursuit of intensive working capital management, the Group succeeded in reducing capital committed to inventories by EUR 26.8 million since December 31, 2008. As at June 30, 2009, the figure stood at EUR 103.0 million. During this period the share of inventories in total assets fell from 17.0% to 13.8%.

Compared with June 30, 2008, trade receivables decreased by EUR 33.2 million to EUR 100.0 (133.2) million, primarily as a result of lower revenue. The second-quarter reduction amounted to EUR 1.0 million.

As at June 30, 2009, other current assets, which mainly comprise tax receivables, contracted by EUR 6.8 million year on year to EUR 13.6 (20.4) million. This was attributable first and foremost to the lower earnings base and a tax reimbursement.

As a result of the above-mentioned developments, cash available to the Group rose by EUR 9.6 million year on year to EUR 23.1 (13.5) million as at June 30, 2009.

Compared with June 30, 2008, the share of current assets in total assets decreased from 39.4% to 32.0%.

## Equity ratio returns to 39%

Compared with June 30, 2008, equity increased by EUR 3.4 million to EUR 290.9 (287.5) million. Compared with December 31, 2008, the Group's equity ratio, which had fallen to 37.7% in the previous year as a result of acquisitions financed primarily with external funds, rose by 1.1 percentage points in the period under review. Thus, as at June 30, 2009, it again stood at 38.8%.

During the first half of 2009, the ElringKlinger Group restructured short-term loans into bank borrowings with longer contractual maturities for the purpose of securing the Group's financing in the long term.

Correspondingly, non-current financial liabilities increased as at June 30, 2009. In the first half of 2009, the ElringKlinger Group extended its non-current bank borrowings by EUR 18.3 million compared with December 31, 2008. In turn, the Group reduced its current financial liabilities by EUR 21.8 million compared with December 31, 2008. In the second quarter of 2009, short-term borrowings from banks were scaled back by EUR 15.9 million.

Compared with December 31, 2008, the share of non-current liabilities in total liabilities and equity rose from 35.6% to 39.1% as at June 30, 2009. In parallel, the proportion of current liabilities fell from 26.7% to 22.1%. Benefiting from significant cash flow, the Group managed to scale back debt over the course of the first half of 2009, despite the dividend payment of EUR 8.6 million. Net debt (financial liabilities less cash) fell from EUR 238.4 million as at December 31, 2008, to EUR 231.7 million as at June 30, 2009.

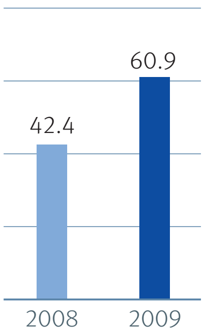
As at June 30, 2009, current provisions increased by EUR 4.4 million year on year to EUR 13.6 (9.2) million. Compared with March 31, 2009, current provisions as at June 30, 2009, decreased by EUR 9.3 million mainly due to reversals of provisions in response to the positive development of the fair values of commodity-related derivatives.

In response to weak demand, the ElringKlinger Group scaled back its purchasing volumes, as a result of which trade payables contracted by EUR 27.5 million to EUR 21.4 (48.9) million compared with June 30, 2008. Since December 31, 2008, trade payables have fallen by EUR 11.9 million.

## Net cash from operating activities up 44% in first half

In the first half of 2009, the year-on-year increase in depreciation and amortization of non-current assets by EUR 6.4 million to EUR 33.4 (27.1) million had a positive effect on cash flow from operating activities. This rise was attributable to more extensive investing activity in prior-year periods.

Net cash from operating activities 1st Half
in EUR million




By contrast, the year-on-year increase by EUR 10.0 million in provision reversals primarily relating to settlement payments to banks in connection with commodity-related derivatives exerted downward pressure on cash flow from operating activities in the first six months of 2009.

The reduction in commodities and materials sourced by the Group led to a fall in trade payables by EUR 6.0 million in the first half of 2009, resulting in lower cash flow. In the same period last year, the Group had recorded a EUR 4.9 million increase within this area.

As early as the fourth quarter of 2008, the ElringKlinger Group has started to implement measures aimed at adjusting its procurement volumes in line with the severe market downturn, in addition to stepping up its working capital management. Inventories and trade receivables were scaled down by EUR 29.4 million in the first half of 2009. In the same period last year, by contrast, these items had increased by EUR 24.5 million. In the second quarter of 2009 alone capital tied up in inventories and receivables was scaled back by EUR 20.0 million.

Compared with the same period a year ago, operating cash flow benefited from lower income tax payments as a result of the decline in pre-tax profit as well as a tax reimbursement. Income taxes paid during the first half of 2009 amounted to EUR 2.5 (16.4) million, which was EUR 13.9 million less than in the first six months of 2008.

In the first half of 2009, the factors responsible for driving cash flow forward more than offset those exerting downward pressure on cash flow, despite the decline in earnings before taxes by EUR 40.3 million. Thus, net cash from operating activities rose by 43.6% year on year to EUR 60.9 (42.4) million. Correspondingly, the cash return (operating cash flow in relation to sales) improved from 12.1% to 22.7%.

In aggregate, the ElringKlinger Group generated operational free cash flow (cash flow from operating activities less cash flow from investing activities adjusted for acquisitions) of EUR 17.3 (-11.7) million in the first half of 2009.

The outflow of cash for property, plant and equipment as well as investment property and investments in intangible assets fell by EUR 11.3 million to EUR 43.9 (55.2) million in the first six months of 2009. Within this context, the focus on capital expenditure was on investments within the area of company streamlining and new product ramp-ups already in the planning pipeline. In contrast to the substantial payments for corporate acquisitions in the first half of 2008, comparable cash outflows in the first six months of 2009 amounted to just EUR 2.2 (75.9) million for the purchase of an additional 10.0% interest in Changchung ElringKlinger Ltd., China.

Consequently, net cash used in investing activities contracted from EUR 130.0 million a year ago to EUR 45.8 million in the first half of 2009.

As part of the restructuring of financial liabilities from short- to long-term maturities, the ElringKlinger Group expanded its non-current financial liabilities by a total of EUR 40.0 (81.9) million in the first half of 2009, while making principal repayments of EUR 21.7 (2.0) million on existing long-term loans during the same period. An amount of EUR 21.8 million was used for the repayment of current financial liabilities. Shareholders and minority interests received dividend payments of EUR 8.7 (26.9) million in the second quarter of 2009. In total, net cash used in financing activities in the first half of 2009 stood at EUR 12.0 million, compared to net cash from financing activities of EUR 86.1 million in the same period a year ago.

As at June 30, 2009, available cash resources amounted to EUR 23.0 (13.5) million.

## Opportunities and Risks

There have been no significant changes in the opportunities and risks facing the Group since publication of the 2008 annual report (page 50 et seq.). It has not been necessary to reassess the ElringKlinger Group's risk position in the light of the chapter 11 insolvency proceedings against US car makers Chrysler and General Motors.

Overall, even though market conditions remain difficult and competition is intense, it can be noted that global car production figures in the second quarter of 2009 fell less sharply than in the preceding quarter and that the general situation was somewhat less gloomy given early indicators of potential economic recovery and the conditions of financing programs for car buyers.

## Outlook

### Economic forecasts for 2009 again revised downwards

Although early indicators suggested a gradual stabilization of the economic situation at a low level over the first half of the year, it is likely that 2009 will turn out to be even worse than was expected at the beginning of the year. Nevertheless, the low point in the current global downturn should be over before too much longer.

The World Bank has now revised its original forecast for a 1.7% fall in global GDP down to minus 3.0%.

According to the International Monetary Fund (IMF), Germany will see its GDP decline by 6.2% in 2009.

The IMF has also revised its forecast for the eurozone, which it now believes will contract by 4.8% in 2009.

GDP in the United States is expected to fall by 2.6% over the entire year.

Looking at the developing countries of Asia, fears of a major slowdown in the rate of growth in this region have not as yet materialized. The IMF has consequently raised its forecasts for individual economies, with China set to grow by 7.5% in 2009 and Indian GDP by 5.4%.

The Japanese economy is predicted to contract by 6.0% in 2009.

### Automobile markets approach historic lows

The global recession continues to undermine consumer demand and depress vehicle markets across the world. 2009 will undoubtedly go down in history as one of the most difficult years ever for the automobile industry. Even in the second half of the year, overall vehicle registrations are expected to show a large double-digit fall on the previous year. Having said that, the worst should now be over after the first six months of 2009, and subsequent quarters should see a gradual improvement in demand for new cars.

The situation on the world's commercial vehicle markets remains difficult. Half way through the year, a considerable number of manufacturers have reported declines of over 50% in new orders.

The German vehicle market has again benefited from the positive impact of the country's 'environmental premium', which offers buyers a discount for scrapping cars that are at least nine years old. The program is expected to boost 2009 sales to 3.7 million instead of the 2.9 million originally forecast, although a significant downturn is expected in 2010.

Despite the introduction of government schemes to promote sales, new registrations in Western Europe are expected to fall by up to 15.0% in 2009.

Forecasts for 2009 car sales in Eastern Europe point to declines of between 35% and 40%, while the important Russian car market is set to contract by almost 50% compared to 2008.

The first half of the year saw continued economic crisis in the United States, which so far has proven to be the weakest vehicle market in the triad comprising Europe, the US and Japan. Overall, car sales here are expected to suffer an ongoing severe decline of around a third. Production figures in North America are not thought likely to recover until 2010, although the introduction of a scrapping premium – albeit quite limited in scope – in the US from August 2009 will provide a modest boost to new registrations in subsequent months.

The South American market, which delivered a solid performance in the first half of 2009, is showing signs of a further recovery, with new registrations for 2009 as a whole almost reaching the same level as the previous year.

Following a sharp downturn in the first six months (-20.8%), Japanese car sales are expected to fall by just under 15.0% over the year, even worse than previously anticipated.

As anticipated, the growth in Chinese vehicle sales allows for rather more optimism. After a strong performance in recent months, the forecast of a downturn in new car registrations has now been replaced by one of approx. 10.0% growth. There are also increasing signs in India that point to a chance of matching the previous year's level of car sales.

Many vehicle manufacturers have reduced their existing stock by a considerable margin. Compared to vehicle production, which fell approx. 28% in the European market in the first half of 2009, car sales were down just 11%. Judging by previous experience, this suggests that the automobile industry's production levels, which are of particular interest to ElringKlinger as a supplier, should gradually edge upwards in the second half of the year.

## Outlook – Group

### Decline in new orders shows signs of easing

The ElringKlinger Group's order situation in the first half of 2009 was particularly affected by extremely weak car production figures in many regions across the world. Over this period, order intake (including the contributions made by companies in the former SEVEX Group and the pro rata inclusion of ElringKlinger Marusan Corporation in Japan) fell by 22.8% to EUR 274.2 (355.1) million.

New orders in the second quarter of 2009 were down 21.7% to EUR 148.8 (190.0) million, although the decline was less marked than in the first quarter when new orders stood at EUR 125.4 million, down 24.0% on the previous year.

As at June 30, 2009, the Group's order backlog was 25.5% lower than the previous year at EUR 214.8 (288.2) million.

Once again, vehicle markets find themselves overall in a situation that makes planning ahead very difficult. Despite a further improvement in the visibility of future sales developments over the second quarter of 2009, the level of stand-by production requests is much more volatile than was previously the case, and delivery orders are often placed with less advance notice.

Based on a 15% to 20% decline in car production for 2009 as a whole, the European market should show a further moderate improvement in the second half of the year compared to the first six months. However, ElringKlinger cannot rule out that vehicle production in North America for the whole of 2009 will again remain between 25% and 30% below the previous year and will not begin to recover significantly until 2010.

In the light of this market assessment and the prospect of a moderate stabilization of the economy in the second half of the year, the ElringKlinger Group no longer expects sales revenue to fall as low as EUR 500 million, a figure that up to now could not completely be ruled out given the dramatic collapses witnessed in the first quarter of 2009. At present and depending on future market developments, the Group currently anticipates consolidated revenue for the full year 2009 of between EUR 540 and 580 million, with an EBIT margin of 8% to 10%. Nevertheless, given the extraordinary market situation currently faced by the Group, any attempt to predict future performance is difficult and fraught with risk.

## Cost-reduction program on target

ElringKlinger's Group-wide cost-reduction program is helping at least in part to compensate for falls in demand. The Group expects to achieve planned savings of EUR 10 million in 2009. In addition, ElringKlinger AG has invoked a clause under the last collective pay and conditions agreement to postpone to December the second-stage salary increase of 2.1% originally scheduled for May 2009. Other measures taken to improve the Group's overall cost structure include optimizing production processes and capacity usage and reducing materials and purchasing costs. Lower prices for raw materials compared to previous years are now beginning to have a positive impact on the cost situation.

When it comes to winning new orders, ElringKlinger can take advantage of the fact that in the current market situation the bidder's equity base and financial strength are increasingly being taken into account alongside product quality and technical expertise. ElringKlinger also stands to gain from a further speeding up of the process of consolidation within our industry. With a product portfolio that helps achieve significant cuts in $CO_2$ and fuel consumption, the ElringKlinger Group is well placed to exploit its technological leadership to return to a normal level of organic growth of between 5% and 7% in the medium term once the current market crisis is over, with at least a proportional increase in earnings before income taxes. The main focus here will be on Asia and in particular on China.

## Share Performance

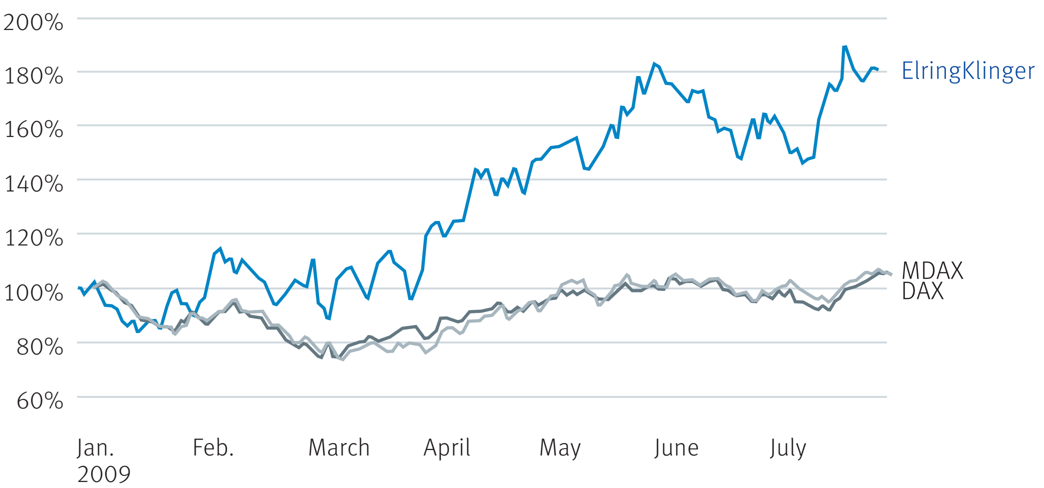
**Positive stock performance and relatively strong position in first half of 2009**

The noticeable hesitance on the part of many institutional investors when it came to committing funds to small- and mid-caps – and particularly stocks associated with the automotive industry – also had a visible impact on ElringKlinger shares in the period under review. Towards the end of January 2009 the company's share price slipped to EUR 6.20.

This low was followed by a period of sustained recovery, with ElringKlinger's shares performing substantially better than the DAX and MDAX benchmark indices. Within this context, the inclusion of the company's stock in the MDAX on March 20, 2009, raised investor awareness for the Group, which indirectly also benefited the share price.

The fact that ElringKlinger – at the height of the automobile crisis – was only one of few automotive suppliers worldwide to post above-par results for the first quarter of 2009 was well received by the capital markets. At the beginning of May, the company's share price again breached the EUR 11.00 mark, eventually reaching EUR 13.47 on June 1, 2009 – its high for the first half. The ensuing period of consolidation within the stock markets was followed by another upturn that saw ElringKlinger's stock rally to a level of just under EUR 14.00 in July 2009. Thanks to this performance, ElringKlinger shares were among the strongest in the MDAX.

**ElringKlinger's Share Price Performance (XETRA) since January 1, 2009, compared to MDAX and DAX**



## Decline in daily trading value

In the first half of 2009 the daily volume of ElringKlinger shares traded continued to rise. However, this was attributable primarily to the 1:3 stock split implemented at the beginning of July 2008. With an average of 144,200 (115,400) shares traded per day, unit turnover was 25% up on the same period a year ago. By contrast, the daily trading value expressed in euros contracted in the first six months of 2009, down from around EUR 2,711,000 to EUR 1,345,000. Within this context, it should be noted that stock markets as a whole had to contend with a significant decline in trading values over the course of this period. Compared to many other small-caps, the average trading values of ElringKlinger's stock remained at a relatively solid level of more than one million euros per day. Over the course of the second quarter of 2009 trading values showed visible signs of improvement.

## More intensive dialog with capital markets

Aware of the difficulties facing the industry as a whole in the first half of 2009, ElringKlinger pursued its policy of maintaining a close dialog with investors, analysts and the business media during the period under review. In particular, the focus was on value investors, family offices and sustainability funds. Over the course of the first six months, the company presented its business model to a broad range of investors by attending two capital market conferences. Among the events selected by ElringKlinger AG was an international sustainability conference in Paris, as part of which the company showcased its products and solutions for the reduction of $CO_2$. Additionally, the executive and investor relations teams took part in eight roadshows in Germany and abroad, with the express purpose of informing those present about the current market situation as well as about the company's development projects and its medium-term business prospects. Over the course of the second quarter of 2009 in particular there was a noticeable increase in the number of investors wishing to visit the company's facilities.

In mid-September 2009 ElringKlinger AG will again be exhibiting at the International Motor Show (IAA) in Frankfurt am Main, Germany, where it will unveil a new exhibition stand concept as well as a number of product innovations. In parallel, the company plans to host several information events for media representatives, analysts and investors.

Over the course of the second half of 2009 the company will also be organizing a number of information events for private investors, in collaboration with regional banks.

## Significant approval at Annual General Meeting for fiscal 2008

The 104th Annual General Meeting (AGM) of ElringKlinger AG was held in Stuttgart on May 26, 2009. The approx. 700 shareholders and guests attending the AGM expressed a visible appreciation for the company. They approved a dividend of EUR 0.15 per share, down from EUR 0.47 per share in the previous year (after a 1:3 stock split in July 2008). Calculated on the basis of profit attributable to the shareholders of ElringKlinger AG, the dividend ratio for 2008 was 78.7%. Furthermore, the AGM authorized the company to reacquire its own shares up to a total amount of 10% of share capital at the date on which this resolution was passed.

**ElringKlinger Stock (WKN 785 602)**

| | 1st Half 2009 | 1st Half 2008 |
|---|---|---|
| Number of shares as at June 30 (in units) | 57,600,000 | 57,600,000 |
| Share price (daily closing price in EUR) | | |
| High | 13.58 | 28.42 |
| Low | 6.25 | 19.63 |
| Closing price on June 30 | 11.90 | 20.00 |
| Average daily trading volume (German stock exchanges; no. of shares) | 144,200 | 115,400 |
| Average daily trading value (German stock exchanges in EUR) | 1,345,000 | 2,711,000 |

## Group Statement of Comprehensive Income

For the period from January 1 to June 30, 2009

| | 2nd Quarter 2009<br>EUR '000 | 2nd Quarter 2008<br>EUR '000 | 1st Half 2009<br>EUR '000 | 1st Half 2008<br>EUR '000 |
|---|---|---|---|---|
| **Sales** | **138,200** | **187,400** | **267,900** | **350,200** |
| Cost of sales | -105,300 | -131,800 | -205,700 | **-240,800** |
| **Gross profit** | **32,900** | **55,600** | **62,200** | **109,400** |
| | | | | |
| Selling expenses | -12,300 | -12,500 | -24,400 | **-23,100** |
| General and administrative expenses | -5,100 | -7,000 | -10,000 | **-13,800** |
| Research and development expenses | -9,700 | -8,600 | -19,100 | **-16,500** |
| Other operating income | 11,700 | 8,700 | 13,000 | **10,600** |
| Other operating expenses | -600 | -4,500 | -1,100 | **-5,900** |
| **Operating result** | **16,900** | **31,700** | **20,600** | **60,700** |
| | | | | |
| Financial income | 2,317 | 300 | 6,917 | **3,000** |
| Financial costs | -7,317 | -4,000 | -12,217 | **-8,100** |
| **Net finance costs** | **-5,000** | **-3,700** | **-5,300** | **-5,100** |
| | | | | |
| **Earnings before taxes** | **11,900** | **28,000** | **15,300** | **55,600** |
| Taxes on income | -3,500 | -7,900 | -4,500 | **-15,800** |
| **Net income** | **8,400** | **20,100** | **10,800** | **39,800** |
| | | | | |
| **Other comprehensive income** | | | | |
| Exchange differences on translating foreign operations | 2,037 | 2,830 | 2,285 | -2,608 |
| **Total comprehensive income for the period** | **10,437** | **22,930** | **13,085** | **37,192** |
| | | | | |
| **Profit attributable to owners of the parent** | **7,992** | **19,221** | **9,951** | **38,110** |
| Profit attributable to minority interest | 408 | 879 | 849 | 1,690 |
| Total comprehensive income attributable to owners of the parent | 10,193 | 21,982 | 12,197 | 35,636 |
| Total comprehensive income attributable to minority interest | 244 | 948 | 888 | 1,556 |
| | | | | |
| **Basic and diluted earnings per share in EUR** | **0.14** | **0.33** | **0.17** | **0.66** |

## Group Statement of Financial Position

| ASSETS | June 30, 2009<br>EUR '000 | Dec. 31, 2008<br>EUR '000 | June 30, 2008<br>EUR '000 |
|---|---|---|---|
| Intangible fixed assets | 87,386 | 86,542 | 83,914 |
| Property, plant and equipment | 373,666 | 360,426 | 318,439 |
| Investment property | 27,680 | 28,588 | 30,637 |
| Financial assets | 1,640 | 1,592 | 1,542 |
| Other non-current assets | 5,323 | 5,467 | 5,556 |
| Deferred tax assets | 13,979 | 15,835 | 7,599 |
| **Non-current assets** | **509,674** | **498,450** | **447,687** |
| | | | |
| Inventories | 103,007 | 129,784 | 124,479 |
| Trade receivables | 100,021 | 98,032 | 133,249 |
| Other current assets | 13,610 | 18,527 | 20,368 |
| Cash | 23,046 | 19,741 | 13,475 |
| **Current assets** | **239,684** | **266,084** | **291,571** |
| | 749,358 | 764,534 | 739,258 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | June 30, 2009<br>EUR '000 | Dec. 31, 2008<br>EUR '000 | June 30, 2008<br>EUR '000 |
|---|---|---|---|
| Share capital | 57,600 | 57,600 | 57,600 |
| Capital reserve | 2,747 | 2,747 | 2,747 |
| Revenue reserves | 216,469 | 212,912 | 213,985 |
| **Shareholders' equity before minority interests** | **276,816** | **273,259** | **274,332** |
| Minority interests | 14,034 | 14,888 | 13,118 |
| **Shareholders' equity** | **290,850** | **288,147** | **287,450** |
| | | | |
| Provisions for pensions | 59,128 | 58,519 | 57,331 |
| Non-current provisions | 5,269 | 5,461 | 6,652 |
| Non-current financial liabilities | 168,472 | 150,148 | 140,855 |
| Deferred tax liabilities | 30,502 | 30,936 | 30,558 |
| Other non-current liabilities | 29,385 | 27,369 | 20,663 |
| **Non-current liabilities** | **292,756** | **272,433** | **256,059** |
| | | | |
| Current provisions | 13,589 | 22,915 | 9,220 |
| Trade payables | 21,418 | 33,269 | 48,877 |
| Current financial liabilities | 86,253 | 108,029 | 88,886 |
| Tax payables | 6,372 | 5,867 | 3,944 |
| Other current liabilities | 38,120 | 33,874 | 44,822 |
| **Current liabilities** | **165,752** | **203,954** | **195,749** |
| | 749,358 | 764,534 | 739,258 |

## Group Statement of Cash Flows

| | 2nd Quarter 2009 EUR '000 | 2nd Quarter 2008 EUR '000 | 1st Half 2009 EUR '000 | 1st Half 2008 EUR '000 |
|---|---|---|---|---|
| Earnings before taxes | 11,900 | 28,000 | 15,300 | 55,600 |
| Depreciation/Amortization (less write-ups) of non-current assets | 16,995 | 15,630 | 33,420 | 27,070 |
| Net interest | 3,900 | 3,204 | 7,300 | 4,800 |
| Change in provisions | -9,634 | -1,557 | -10,371 | -369 |
| Losses from disposal of intangible assets and of property, plant and equipment | -7 | 109 | 55 | 239 |
| Change in inventories, trade receivables and other assets not resulting from financing and investing activities | 20,015 | -20,567 | 29,350 | -24,519 |
| Change in liabilities not resulting from financing and investing activities | -2,764 | 11,516 | -5,953 | 4,868 |
| Income taxes paid | 1,740 | -12,228 | -2,500 | -16,374 |
| Interest paid | -3,147 | -1,977 | -4,989 | -2,872 |
| Interest received | 10 | 25 | 20 | 125 |
| Other non-cash income | 0 | -5,808 | 0 | -5,808 |
| Currency effects on items relating to operating activities | -768 | 22 | -721 | -330 |
| **Net cash from operating activities** | **38,240** | **16,369** | **60,911** | **42,430** |
| | | | | |
| Proceeds from disposals of intangible assets and of property, plant and equipment | 274 | 245 | 274 | 1,150 |
| Proceeds from disposals of financial assets | 1 | 2 | 210 | 103 |
| Payments for investments in intangible assets | -1,267 | -389 | -2,383 | -1,105 |
| Payments for investments in property, plant and equipment and investment properties | -19,773 | -30,158 | -41,479 | -54,065 |
| Payments for investments in financial assets | -11 | 0 | -267 | -188 |
| Payments for the acquisition of consolidated entities | -2,198 | -61,857 | -2,198 | -75,892 |
| **Net cash from investing activities** | **-22,974** | **-92,157** | **-45,843** | **-129,997** |
| | | | | |
| Dividends paid to shareholders and minorities | -8,719 | -26,880 | -8,719 | -26,886 |
| Changes in current financial liabilities | -15,922 | 18,203 | -21,776 | 33,055 |
| Additions to non-current financial liabilities | 26,000 | 81,925 | 40,000 | 81,925 |
| Repayment of non-current financial liabilities | -13,400 | 647 | -21,676 | -1,958 |
| Currency effects on items relating to financing activities | 158 | 78 | 122 | -71 |
| **Net cash from financing activities** | **-11,883** | **73,973** | **-12,049** | **86,065** |
| | | | | |
| Changes in cash | 3,383 | -1,815 | 3,019 | -1,502 |
| Currency effects on cash | 270 | -105 | 286 | 317 |
| Other transactions | 0 | -59 | 0 | -59 |
| Cash inflow from the acquisition of consolidated entities | 0 | 7,314 | 0 | 7,314 |
| Cash at beginning of period | 19,393 | 8,140 | 19,741 | 7,405 |
| Cash at end of period | 23,046 | 13,475 | 23,046 | 13,475 |

## Group Statement of Changes in Equity

2nd Quarter 2009

| | Share capital | Capital reserve | Revenue reserves | | | | Minority interests | Group equity |
|---|---|---|---|---|---|---|---|---|
| | | | Revenue reserve first-time adoption of IFRS | Currency translation differences | Group equity generated | Total | | |
| | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| **as of Dec. 31, 2007** | **57,600** | **2,747** | **26,181** | **-7,275** | **186,323** | **205,229** | **15,484** | **281,060** |
| Dividends paid | | | | | -26,880 | -26,880 | -6 | -26,886 |
| Other changes | | | | | | | -3,916 | -3,916 |
| Total comprehensive income for the period | | | | -2,474 | 38,110 | 35,636 | 1,556 | 37,192 |
| **as of June 30, 2008** | **57,600** | **2,747** | **26,181** | **-9,749** | **197,553** | **213,985** | **13,118** | **287,450** |
| | | | | | | | | |
| **as of Dec. 31, 2008** | **57,600** | **2,747** | **26,181** | **-12,557** | **199,288** | **212,912** | **14,888** | **288,147** |
| Dividends paid | | | | | -8,640 | -8,640 | -79 | -8,719 |
| Other changes | | | | | | | -1,663 | -1,663 |
| Total comprehensive income for the period | | | | 2,246 | 9,951 | 12,197 | 888 | 13,085 |
| **as of June 30, 2009** | **57,600** | **2,747** | **26,181** | **-10,311** | **200,599** | **216,469** | **14,034** | **290,850** |

## Group Sales by Region

| | 2nd Quarter 2009 | 2nd Quarter 2008 | 1st Half 2009 | 1st Half 2008 |
|---|---|---|---|---|
| | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| Germany | 44,573 | 64,701 | 88,493 | 119,921 |
| Change compared to prior year in % | -31.1 | | -26.2 | |
| Rest of Europe | 47,691 | 66,802 | 91,872 | 126,490 |
| Change compared to prior year in % | -28.6 | | -27.4 | |
| NAFTA | 17,309 | 25,292 | 34,860 | 50,301 |
| Change compared to prior year in % | -31.6 | | -30.7 | |
| Asia and Australia | 19,622 | 20,847 | 36,024 | 34,931 |
| Change compared to prior year in % | -5.9 | | 3.1 | |
| South America and others | 9,005 | 9,758 | 16,651 | 18,557 |
| Change compared to prior year in % | -7.7 | | -10.3 | |
| **Group** | **138,200** | **187,400** | **267,900** | **350,200** |
| Change compared to prior year in % | -26.3 | | -23.5 | |

## Segment Reporting

2nd Quarter 2009/2nd Quarter 2008

| Segment | Original Equipment | | Aftermarket | | Engineered Plastics | |
|---|---|---|---|---|---|---|
| | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 |
| **Segment revenues** | **105,733** | **160,806** | **24,224** | **27,544** | **13,866** | **18,110** |
| - Intersegment revenues | 528 | -5,208 | 0 | 0 | 0 | 0 |
| - Consolidation | -7,811 | -15,606 | -1,396 | -1,913 | -287 | -73 |
| **Sales revenues** | **98,450** | **139,992** | **22,828** | **25,631** | **13,579** | **18,037** |
| | | | | | | |
| **EBIT** | **9,114** | **21,510** | **4,335** | **4,867** | **1,329** | **3,392** |
| | | | | | | |
| + Interest income | 0 | 0 | 3 | 7 | 0 | 0 |
| - Interest expense | -3,189 | -2,655 | -337 | -310 | -196 | -72 |
| **Earnings before taxes** | **5,925** | **18,855** | **4,001** | **4,564** | **1,133** | **3,320** |
| | | | | | | |
| Depreciation and amortization | -15,642 | -14,497 | -196 | -125 | -620 | -530 |
| Investments* | 17,834 | 101,797 | 162 | 305 | 2,807 | 1,054 |

| Segment | Industrial Parks | | Services | | Group | |
|---|---|---|---|---|---|---|
| | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 |
| **Segment revenues** | **2,009** | **2,195** | **2,050** | **2,456** | **147,882** | **211,111** |
| - Intersegment revenues | 0 | 0 | 0 | 0 | 528 | -5,208 |
| - Consolidation | 0 | 0 | -716 | -911 | -10,210 | -18,503 |
| **Sales revenues** | **2,009** | **2,195** | **1,334** | **1,545** | **138,200** | **187,400** |
| | | | | | | |
| **EBIT** | **845** | **869** | **177** | **562** | **15,800** | **31,200** |
| | | | | | | |
| + Interest income | 1 | 0 | 0 | 0 | 4 | 7 |
| - Interest expense | -182 | -170 | 0 | 0 | -3,904 | -3,207 |
| **Earnings before taxes** | **664** | **699** | **177** | **562** | **11,900** | **28,000** |
| | | | | | | |
| Depreciation and amortization | -287 | -299 | -250 | -179 | -16,995 | -15,630 |
| Investments* | 20 | 47 | 750 | 1,092 | 21,573 | 104,295 |

* in property, plant and equipment as well as intangible assets, incl. interests acquired during prev. financial year

## Segment Reporting

1st Half 2009/1st Half 2008

| Segment | Original Equipment | | Aftermarket | | Engineered Plastics | |
|---|---|---|---|---|---|---|
| | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 |
| **Segment revenues** | **205,935** | **296,800** | **50,520** | **55,882** | **28,307** | **36,576** |
| - Intersegment revenues | -3,359 | -9,325 | 0 | 0 | 0 | 0 |
| - Consolidation | -16,815 | -32,675 | -3,069 | -4,103 | -390 | -102 |
| **Sales revenues** | **185,761** | **254,800** | **47,451** | **51,779** | **27,917** | **36,474** |
| | | | | | | |
| **EBIT** | **8,295** | **40,566** | **9,372** | **10,188** | **2,807** | **6,934** |
| | | | | | | |
| + Interest income | 0 | 0 | 11 | 14 | 6 | 39 |
| - Interest expense | -6,008 | -3,718 | -639 | -634 | -271 | -144 |
| **Earnings before taxes** | **2,287** | **36,848** | **8,744** | **9,568** | **2,542** | **6,829** |
| | | | | | | |
| Depreciation and amortization | -30,718 | -24,835 | -433 | -269 | -1,226 | -1,029 |
| Investments* | 37,313 | 132,098 | 245 | 2,845 | 5,803 | 3,819 |

| Segment | Industrial Parks | | Services | | Group | |
|---|---|---|---|---|---|---|
| | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 | 2009 EUR '000 | 2008 EUR '000 |
| **Segment revenues** | **3,932** | **4,296** | **4,258** | **4,589** | **292,952** | **398,143** |
| - Intersegment revenues | 0 | 0 | 0 | 0 | -3,359 | -9,325 |
| - Consolidation | 0 | 0 | -1,419 | -1,738 | -21,693 | -38,618 |
| **Sales revenues** | **3,932** | **4,296** | **2,839** | **2,851** | **267,900** | **350,200** |
| | | | | | | |
| **EBIT** | **1,684** | **1,741** | **442** | **971** | **22,600** | **60,400** |
| | | | | | | |
| + Interest income | 1 | 0 | 2 | 3 | 20 | 56 |
| - Interest expense | -396 | -358 | -6 | -2 | -7,320 | -4,856 |
| **Earnings before taxes** | **1,289** | **1,383** | **438** | **972** | **15,300** | **55,600** |
| | | | | | | |
| Depreciation and amortization | -551 | -578 | -492 | -359 | -33,420 | -27,070 |
| Investments* | 48 | 120 | 988 | 1,265 | 44,397 | 140,147 |

## Notes to the First Half of 2009

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 June 30, 2009, 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 EU. As the consolidated interim financial statements are presented in a condensed format, the financial statements accompanying the report on the first half 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 August 6, 2009.

### Basis of Reporting

The accounting policies applied to the consolidated interim financial statements for the first half of 2009 correspond to those used in the consolidated financial statements for the financial year ended December 31, 2008. For a detailed description of the basis of preparation and accounting policies, please refer to the notes to the consolidated financial statements of the 2008 Annual Report published by ElringKlinger AG.

As of January 1, 2009, new or amended IFRS and IFRIC became applicable for the first time. Within this context, the revised version of IAS 1 (2007), which sets out new provisions with regard to the presentation of consolidated financial statements, was of particular significance.

Additionally, as of January 1, 2009, IFRS 8 is to be applied in respect of segment reporting. This standard governs the scope of financial information to be disclosed by an entity as part of its reporting activities with regard to its operating segments. IFRS 8 is centered around the so-called ”management approach“, which stipulates that information concerning operating segments shall be furnished on the basis of internal reporting utilized by the entity. The organizational structure of the ElringKlinger Group is characterized by its focus on five fields of business. As in the past, segmentation is performed according to the reporting segments ”Original Equipment“, ”Aftermarket“, ”Engineered Plastics“, ”Services“ and ”Industrial Parks“.

Activities within the reporting segments ”Original Equipment“ and ”Aftermarket“ include the manufacture and sale of parts and assemblies used in the area of vehicle engines, transmissions and exhaust tracts (powertrain). Additionally, the Group provides services associated with these activities. The ”Engineered Plastics“ segment covers the manufacture and sale of technical products made of high-performance PTFE plastics deployed in the automotive and general industry.

The "Services" segment mainly encompasses the operation of engine testing facilities as well as contributions made within the area of engine development.

The "Industrial Parks" segment comprises the administration and rental of real estate and buildings.

With the exception of deliveries made by the Original Equipment segment to the Aftermarket segment, there are no significant relations between the individual segments with regard to the supply of products or services. In the case of intersegment sales and transfers, the price quoted corresponds to that which would be applicable with regard to arm's length transactions. Internal management and reporting are based on the principles of IFRS accounting. The Group measures the performance of its segments on the basis of profit before tax in accordance with IFRS. The section "Segment Reporting" presents revenues, results as well as depreciation/amortization and investments.

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

In addition to the financial statements of ElringKlinger AG, the interim financial statements as of June 30, 2009, include 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, 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 liabilities as well as expenses and income of the joint ventures are included in the consolidated financial statements at the proportionate interest held (50%).

The acquisition of the SEVEX Group and ElringKlinger Marusan Corporation concluded in fiscal 2008 contributed sales of EUR 37,306 thousand (prev. year: EUR 21,715 thousand) as well as profit before tax of EUR 1,569 thousand (prev. year: EUR 4,689 thousand) and post-tax profit of EUR 1,687 thousand (prev. year: EUR 3,547 thousand) in the first half of 2009.

### Acquisition of minority interests

As of June 30, 2009, ElringKlinger AG acquired an additional 10% interest in the subsidiary Changchun ElringKlinger Ltd., China (CEK), previously held by minorities and subsequently holds 88% of the interests in this entity. The purchase price amounted to EUR 2,198 thousand, of which a total of EUR 52 thousand was attributable to ancillary costs of purchase. The acquisition of minority interests has been accounted for in the Group interim financial statements by applying the purchase method. As part of this method, the initial step was to identify and realize on a pro rata basis any hidden reserves and hidden charges in the recognized or unrecognized assets and liabilities. Within this context, an excess of EUR 403 thousand was recognized as goodwill, having additionally accounted for deferred tax liabilities on hidden reserves realized.

### Exchange Rates and Derivative Financial Instruments

Exchange rates developed as follows:

| Currency | Abbr. | Closing rate = 1 EUR June 30, 2009 | Closing rate = 1 EUR Dec. 31, 2008 | Average rate = 1 EUR First half 2009 | Average rate = 1 EUR Year 2008 |
|---|---|---|---|---|---|
| US Dollar (USA) | USD | 1.4120 | 1.3976 | 1.33803 | 1.47373 |
| Pound Sterling (UK) | GBP | 0.8525 | 0.9589 | 0.88962 | 0.80381 |
| Swiss Franc (Switzerland) | CHF | 1.5250 | 1.4882 | 1.50725 | 1.57871 |
| Canadian Dollar (Canada) | CAD | 1.6280 | 1.7170 | 1.60250 | 1.56643 |
| Real (Brazil) | BRL | 2.7583 | 3.2574 | 2.92372 | 2.68120 |
| Mexican Peso (Mexico) | MXN | 18.5431 | 19.2589 | 18.60922 | 16.39797 |
| RMB (China) | CNY | 9.6442 | 9.5358 | 9.14088 | 10.20669 |
| WON (South Korea) | KRW | 1,798.1800 | 1,753.1500 | 1,793.01333 | 1,611.54750 |
| Rand (South Africa) | ZAR | 10.9680 | 13.1700 | 11.96300 | 12.09396 |
| Yen (Japan) | JPY | 135.5500 | 126.4000 | 128.41167 | 151.43750 |
| Forint (Hungary) | HUF | 272.8000 | 264.2000 | 291.76667 | 250.83333 |
| Indian Rupee (India) | INR | 67.6300 | 67.7100 | 65.81333 | 64.20333 |

In the first half of 2009, financial instruments were used for the purpose of hedging interest rate risk and smoothing the volatility of purchasing prices for raw materials (nickel).

The change in the fair value of commodity-related derivatives had a positive effect on earnings in the first half of 2009.

The balance between the reduction in current provisions (other operating income of EUR 9,513 thousand) and the required settlement payments (additional material-related expense of EUR 3,702 thousand in the second quarter of 2009) led to an improvement in earnings before taxes of EUR 5,811 thousand in the second quarter of 2009.

## Contingencies and Related Party Disclosures

The contingencies and related-party relationships disclosed in the consolidated financial statements for 2008 were not subject to significant changes in the first half of 2009.

## Dividend Payment

In the second quarter of 2009, ElringKlinger AG distributed a dividend of EUR 8,640 thousand (EUR 0.15 per share) to shareholders from its unappropriated retained earnings of 2008.

## 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.

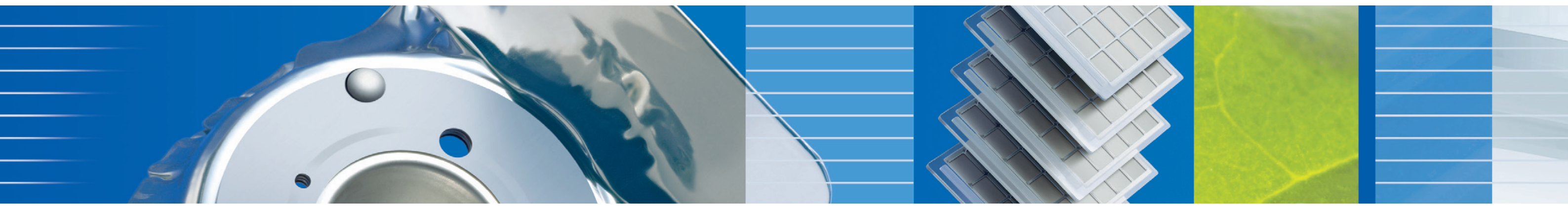
Dettingen/Erms, August 6, 2009

The Management Board

Dr. Stefan Wolf

Theo Becker

Karl Schmauder



**Disclaimer – Future-oriented Statements and Predictions**

This report contains statements about the future. These statements are based on current expectations, market evaluations and predictions by the Management Board, and on information that is currently available to them. The statements about the future should not be interpreted as guarantees of the future developments and results that they refer to. Whilst the Management Board are convinced that the statements that have been made, and the convictions and expectations on which they are based, are realistic, they rely on suppositions that may conceivably prove to be incorrect; future results and developments are dependant on a multitude of factors, they involve various risks and imponderabilities that can affect whether the ongoing development deviates from the expectations that have been expressed. These factors include, for example, changes to the general economic and business situation, variations of exchange rates and interest rates, poor acceptance of new products and services, and changes to business strategy.

The English version of this report is a translation of the original German report. Only the German version of this report is legally binding.

## Calendar

| | |
|---|---|
| IAA International Motor Show \| Frankfurt | September 17 – 27, 2009 |
| Engine colloquium Aachen | October 5 – 7, 2009 |
| Equip Auto \| Paris | October 13 – 18, 2009 |
| Interim Report on the 3rd Quarter of 2009 | November 3, 2009 |
| German Equity Forum \| Frankfurt | November 9 – 11, 2009 |
| 105th Annual General Shareholders' Meeting Cultural and Congress Centre Liederhalle, Stuttgart, Hegelsaal, 10.00 CET | May 21, 2010 |

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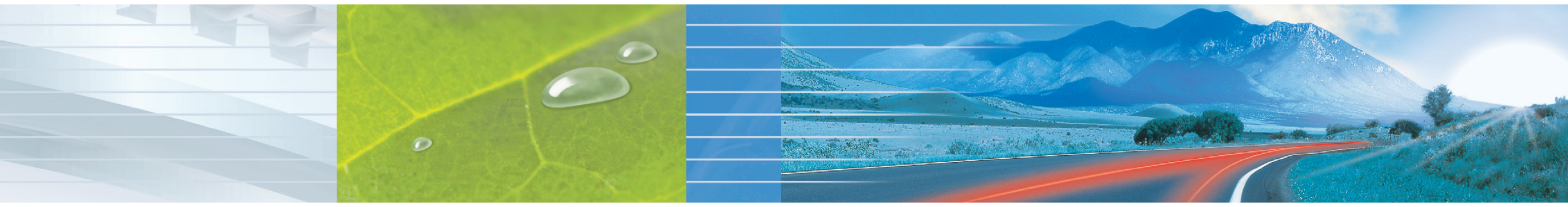
Further information is available at www.elringklinger.de



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