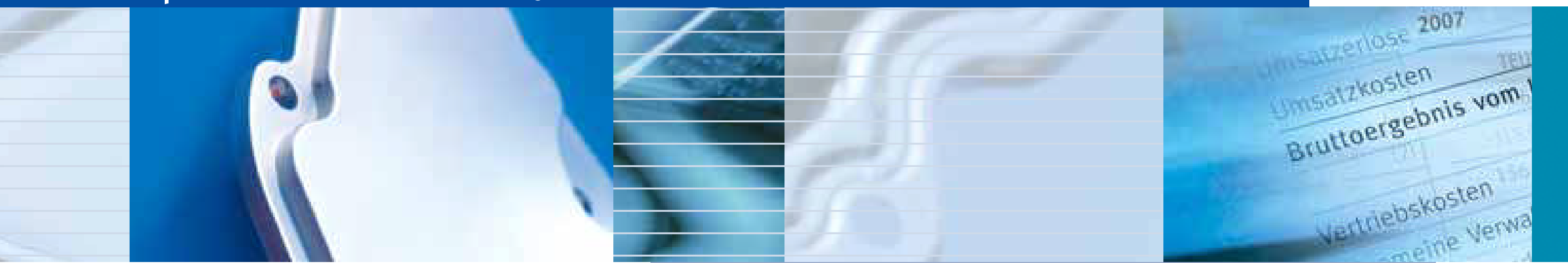
elringklinger

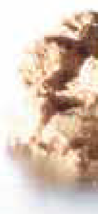
Report on the Third Quarter and First Nine Months of 2007



Experience mobility – Drive the future.

Drive the future

Continuous and sustainable growth in sales, earnings and dividends – that is the goal and expectation of ElringKlinger. As a dependable development partner and supplier to the automotive industry and other sectors, we are there for our customers, worldwide. With innovative, environmentally-sound products, we expand new and existing business areas for profitable growth.



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Economic climate remains stable

The global economy continued on its path of expansion over the course of the first nine months of 2007. In the third quarter of 2007, however, economic growth was slightly weaker than anticipated. Within this context, the surge in raw material and energy prices, higher interest rates and the US mortgage crisis proved detrimental. Against this backdrop, the forecast for global economic growth in 2007 was revised downwards recently from 5.2% to 4.8%.

In Germany, third-quarter GDP growth was approximately 0.6% higher than in the previous quarter. Despite signs of weakening, the forecast for the annual period as a whole points to solid growth of 2.6%. The eurozone also produced robust economic growth. Current estimates for GDP suggest growth of 2.5% in 2007.

On the back of GDP growth of 3.8% in the second quarter, the US economy expanded by 3.9% over the course of the third quarter. However, in the aftermath of the US sub-prime mortgage lending crisis the local economy is expected to slacken off slightly in the fourth quarter. Economic growth for the year as a whole is forecast to reach approximately 2.0%.

The Asian economies continued to generate dynamic growth. In India and particularly China the first nine months of 2007 saw double-digit growth in the gross domestic product. The Chinese economy grew by 11.5% in the third quarter.

Traditional automobile markets in reverse gear

The overall trend within the automobile industry over the course of the first nine months of 2007 was favorable. In the first nine months of 2007 global sales volumes in the car sector were 1.4% up on the same period a year ago. Having said that, the traditional auto markets in Western Europe, North America and Japan had to contend with an overall decline of 2.2% in the number of units sold.

Despite the general economic upturn, Germany's automobile market failed to make any significant headway in the first nine months of 2007. The number of new car registrations declined by 8.0% year on year to 2.3 million units. By contrast, domestic vehicle manufacturers were able to reap the rewards of buoyant demand from abroad. Despite the continued weakness of the US dollar, exports outpaced last year's figure by 11.0%, thus lifting domestic car production figures by 6% in the first nine months of 2007.

Within the European market as a whole, automobile sales showed signs of stagnation in the first nine months of the year. At 12.2 million units, the total number of cars sold was a mere 0.7% higher than the relatively modest figure posted a year ago. While passenger vehicle sales in Western Europe declined by 0.2% to 11.4 million, demand from the new EU member states in Eastern Europe continued to grow unabated. Since the beginning of the year, the volume of vehicle sales in Eastern Europe has been propelled upwards by 14.2% compared with the first nine months of 2006. In contrast to sales volumes, the vehicle production figure for Western Europe as a whole was 1.5% up on last year's nine-month total.

The North American market continued to perform sluggishly also in the the third quarter. In the first nine months carmakers based in the NAFTA region produced 11.8 million passenger cars and light commercial vehicles, which corresponds to a year-on-year decline of 3.3%. At 12.4 million vehicle sales in the US contracted by 2.9% in the first nine months of 2007.

Automobile markets within the emerging economies of Asia remained buoyant in the period under review. In China passenger vehicle sales rose by 23.8% to 4.6 million in the first nine months of 2007. The Indian automobile market also produced solid growth. By contrast, Japan was faced with a 6.1% year-on-year decline in the number of passenger cars and light commercial vehicles sold between January and September 2007.

Continued dynamism in European commercial vehicle market

Supported by buoyant exports and strong domestic markets, the number of new registrations of medium-duty commercial vehicles in Europe rose by another 2.2% in the first nine months of 2007, taking the total to 322,582. Year-on-year growth within this category is all the more impressive when one considers that registrations in 2006 had already reached a high level. At the same time, the number of light commercial vehicles registered increased by 7.6% to 1.7 million units. In Germany, commercial vehicle registrations climbed by 9% to 245,000 units. As anticipated, the US market for commercial vehicles remained sluggish. Due to pre-emptive truck purchases made in 2006 in response to stricter emission guidelines introduced at the beginning of 2007, third-quarter sales were significantly down on last year's figure.

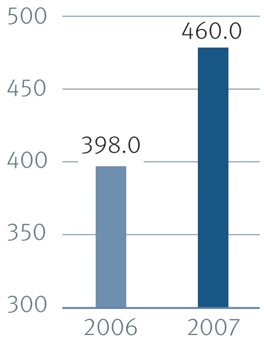
Diesel remains popular in Europe

Western European demand for diesel vehicles continued to grow at an encouraging level over the course of the first nine months. Bucking the general trend, the number of diesel-powered passenger vehicles sold in the period under review increased by 4%, while sales figures relating to gasoline vehicles contracted by 4% in the same period. Thus, the share of diesel vehicles in the total number of new cars registered in Western Europe rose to 52.4% in the first nine months of 2007. Germany also saw an increase in the proportion of new diesel-powered cars, up 3.4 percentage points to 47.2% in total (2006: 43.8%) – but still significantly below the European average.

Net Assets, Financial Position and Results of Operations

Double-digit revenue growth

Sales Revenues
First 9-months
in EUR million

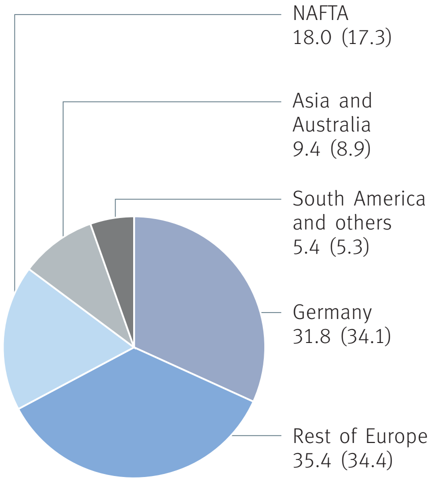


The ElringKlinger Group succeeded in generating satisfactory growth in the third quarter, driven in particular by additional market share and newly introduced products. Despite ongoing stagnation in the European motor vehicle industry and the prevailing malaise of the North American automobile market, sales revenues rose by 15.6% in the first nine months of 2007, which corresponds to an increase of EUR 62.0 million to EUR 460.0 (398.0) million in total. In the third quarter sales revenues grew by 16.6%. Sales revenues for the Group as a whole thus rose to EUR 150.0 (128.7) million in this period.

Solid business in Asia and North America

The ElringKlinger Group managed to lift sales volumes in all regions around the globe. Asia and North America generated particularly solid growth rates. In Europe, ElringKlinger recorded double-digit growth.

Sales Revenues by Region
First 9-months 2007 (prior year)
in %



Gaining 19.6%, the international markets as a whole continued to assume a more prominent position. In the first nine months of 2007 the ElringKlinger Group propelled sales revenues upwards by EUR 51.3 million in its foreign markets, taking the total to EUR 313.5 (262.2) million. Thus, the percentage share of foreign sales in relation to total Group sales revenues grew to 68.1% (65.9%).

The domestic market accounted for a 7.9% increase in sales revenues over the course of the first nine months, taking the figure to EUR 146.5 (135.8) million. The proportion of Group sales revenues generated in Germany stood at 31.8% (34.1%). In the third quarter, domestic sales revenues increased by 9.0% to EUR 45.7 (41.9) million.

New production start-ups among French automobile manufacturers and the growing trend among domestic car makers to relocate engine production to Eastern European plants resulted in a 19.0% increase in sales revenues in the Rest of Europe over the course of the first nine months of 2007, lifting the total to EUR 162.8 (136.8) million. In the third quarter sales revenues in Europe, excluding Germany, rose by 18.2% to EUR 53.4 (45.2) million.

Despite the downturn in vehicle production figures on the North American continent, the ElringKlinger Group succeeded in increasing sales revenues in the NAFTA region by 20.3% in the first nine months of 2007, up to EUR 82.8 (68.8) million. In the third quarter, sales revenues increased by 24.5% in North America compared with the same period a year ago, taking the figure to EUR 27.2 (21.8) million overall. Thus, North America proved to be the most prominent growth driver.

The ElringKlinger Group also maintained its forward momentum in Asia. The ElringKlinger subsidiaries based in China and Korea, in particular, recorded buoyant demand for plastic cam covers, cylinder-head gaskets and specialty gaskets used in exhaust systems. Sales revenues generated within the Asian markets grew by 21.8% year on year over the course of the first nine months of 2007, rising to EUR 43.1 (35.4) million. In the third quarter, sales revenues increased by 21.0% to EUR 14.8 (12.2) million. Construction work on the ElringKlinger plant in India is proceeding in line with targets. Series production of cylinder-head gaskets for several OEM customers based in India will commence in November 2007.

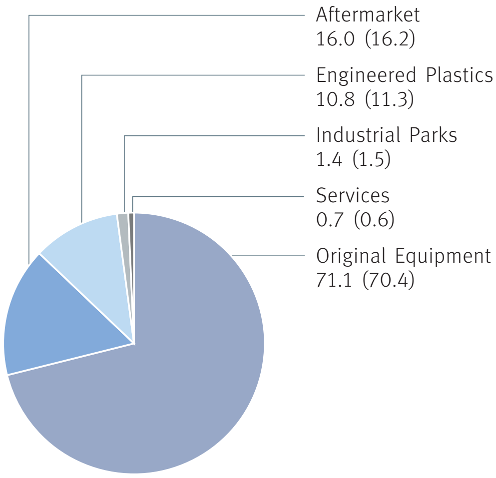
Business development within the South American region was also encouraging. The subsidiary ElringKlinger do Brasil Ltda. recorded a sustained level of solid growth in all product groups. Overall, sales revenues in South America amounted to EUR 24.8 (21.1) million in the first nine months, thus outpacing last year's revenue performance for the nine-month period by 17.5%. In the third quarter revenue growth stood at 18.5%. Sales revenues amounted to EUR 8.9 (7.5) million.

Revenue and earnings growth in all segments

The ElringKlinger Group was able to unlock additional revenue and earnings growth in all five segments.

The Original Equipment segment recorded revenue growth of 16.7% in the first nine months of 2007, taking the aggregate for this period to EUR 327.1 (280.3) million. In relation to Group sales revenues as a whole Original Equipment accounted for 71.1% (70.4%). Growth within this area was driven principally by additional production startups as well as increasing demand for thermal shielding systems, specialty gaskets and plastic parts. ElringKlinger also generated higher sales revenues with products for

Sales Revenues by Segment
First 9-months 2007 (prior year)
in %



the transmission area and the exhaust system. Benefiting from a range of newly developed thermal shielding systems and high-temperature gaskets used in complex exhaust systems, ElringKlinger has now established a solid foundation for the future.

The Original Equipment segment recorded a slight quarter-on-quarter increase in sales revenues in the third quarter of 2007. Compared with the same period a year ago, the Group lifted sales revenues within the Original Equipment segment by 20.5% to EUR 106.0 (88.0) million.

Growth returns to normal levels in Aftermarket segment

Sales revenues generated in the Aftermarket segment rose by 14.7% to EUR 73.8 (64.4) million in the first nine months of 2007. Growth within this area was a tribute mainly to improved product availability as well as the continued expansion of ElringKlinger's product range within the area of gasket sets. Growth was again solid in the Middle East and the Indian subcontinent as well as in Africa as a whole and in Eastern Europe. The launch of the premium Elring brand in Brazil helped to drive local sales revenues up by more than a third. Revenue growth within the Western European market for spare parts was moderate.

On the back of above-average demand and, in some cases, a more pronounced level of stockpiling by customers in the second quarter of 2007, growth in the Aftermarket returned to more normal levels in the third quarter. At EUR 24.2 (22.1) million, sales revenues generated in the Aftermarket segment during the third quarter were 9.4% higher than in the same period a year ago.

Engineered plastics

The Engineered Plastics segment, which specializes in the development and manufacture of products made of polytetrafluoroethylene (PTFE), drove sales revenues forward by 10.8% to EUR 49.7 (44.8) million in the first nine months. Demand for PTFE components was buoyed by the favorable economic climate as well as the forward momentum seen within international markets. In September 2007 ElringKlinger Kunststofftechnik entered the Chinese market by establishing a sales enterprise in China. Additionally, ElringKlinger Kunststofftechnik has manufactured its first small batches of Moldflon® serial products for the telecommunications industry. Moldflon® is a new injection-moldable PTFE material. Capacity levels for the processing and industrial manufacture of Moldflon® products are currently being extended.

In the third quarter of 2007, the Engineered Plastics segment achieved 6.8% growth in sales revenues compared with the same period a year ago, thus lifting this figure to EUR 16.5 (15.5) million.

On July 31, 2007, ElringKlinger AG acquired from the entity's co-partners an additional interest of 7.5% in ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen, and currently holds 74.5% in the subsidiary. As a result of the additional stake acquired, minority interests in consolidated net income have declined. Therefore, estimated consolidated net income, after minority interests, for 2007 has increased proportionately by approximately EUR 0.2 million effective from August 1, 2007.

Cost and Earnings trend: Pressure from rise in material prices

Earnings performance was adversely affected by a sizeable increase in the price of materials and high energy costs. In particular, alloy surcharges for nickel climbed to record levels in the second quarter. On the one hand the subsequent fall in nickel prices on the world's commodity futures exchanges in early summer has not yet filtered through to suppliers of high-grade steel. On the other hand revenues generated by ElringKlinger with scrap metal have already been negatively impacted by the aforementioned decline in prices, as the scrap metal price reacts directly to price reductions witnessed by the commodity exchanges.

Group-wide measures aimed at increasing productivity levels, together with targeted streamlining projects, offset only part of the additional charges recorded within this area. Correspondingly, the cost of sales increased slightly faster than sales revenues in the first nine months of 2007, up by 16.9%. The gross margin stood at 34.5%, i.e. 0.8 percentage points lower than in the same period a year ago.

Higher productivity: revenue growth outpaces rise in staffing levels

As of September 30, 2007, the Group employed 3,551 (3,218) people. Thus, the total headcount rose by 10.3% compared with the same period a year ago. The expansion of staffing levels was less pronounced than overall revenue growth.

The rise in the number of domestic employees to 2,271 (2,110) was attributable to growth in sales revenues as well as the expansion of research and development capacities within the New Business Areas division. As a result of more expansive production, the headcount at ElringKlinger's foreign subsidiaries and affiliates increased to 1,280 (1,108) as of September 30, 2007.

Less pronounced rise in costs in relation to revenue growth

Supported by stringent cost management, improved processes and the use of synergies between the Group companies, ElringKlinger was able to achieve additional gains within the area of productivity.

In the first nine months of 2007 general and administrative costs rose by 8.0%, i.e. at a slower pace than the overall increase in sales revenues during this period. In the third quarter general and administrative costs increased by 8.9% compared with the same period a year ago.

Expansion of sales activities at the parent company and ElringKlinger Kunststofftechnik GmbH contributed to an 8.4% increase in selling expenses in the first nine months of 2007. Having said that, the increase recorded within this area was less pronounced than growth in the Group's total output, i.e. net sales plus inventory changes plus work performed by the enterprise and capitalized. In the third quarter, selling expenses rose by 11.0% year on year.

Higher expenses for R&D in the New Business Areas division

In the first nine months of 2007, the ElringKlinger Group channeled EUR 22.6 (20.9) million into research and development. R&D as a percentage of sales thus stood at 4.9% (5.3%). In addition to stepping up efforts within the New Business Areas division, the main focus of R&D activities was on product development relating to thermal shielding components, lightweight plastic parts and specialty gaskets used in the exhaust tract. Research and development work is also being conducted on an innovative coating for cylinder-head gaskets.

Furthermore, ElringKlinger has significantly expanded its development resources for diesel particulate filter technology and fuel cell components. In 2007 the company will be injecting more than EUR 3 million into the expansion of these pioneering fields of business.

Of the total of EUR 22.6 million in development costs, EUR 1.2 million was capitalized. Due to depreciation at almost the same level, this did not have an impact on earnings.

Impact of fire at Runkel plant

The fire that broke out in one of the production buildings at ElringKlinger's Runkel plant in mid-April 2007 affected parts of the local cylinder-head gasket operations. Owing to the extent of the damage to the building, this section of the plant will have to be rebuilt. The interruption of operations resulted in a temporary fall in productivity levels at the Runkel plant as well as additional expenses related to logistics. ElringKlinger had a comprehensive insurance policy that covered damage caused by both the fire and the interruption of operations.

The full write-off of residual amounts associated with inoperable machinery, inventories and the production building destroyed by the fire, resulted in the recognition of other operating expenses in the amount of EUR 8.9 million in the first nine months. Rising faster than sales revenues in the first nine months of 2007, aggregated other operating expenses increased by 98.2%, i.e. EUR 5.5 million, to EUR 11.1 (5.6) million. As a result of compensation proceeds from the insurance company, other operating income increased by EUR 13.5 million. Thus, in total, other operating expenses in the first nine months rose by EUR 13.9 million to EUR 16.8 (2.9) million. In view of the fact that the insurance benefits were in excess of the residual amounts to be written off, non-recurring extraordinary income amounted to EUR 4.7 million, which was recognized in full in the second quarter.

Results grow faster than sales revenues

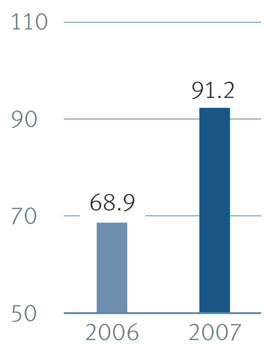
Earnings performance benefited from higher capacity utilization and the growing proportion of new products within the portfolio. Correspondingly, the ElringKlinger Group strengthened its operating result by 30.1% to EUR 92.1 (70.8) million in the first nine months of 2007. Adjusted for extraordinary income of EUR 4.7 million from the insurance proceeds, the operating result grew by 23.5%, i.e. faster than sales revenues. In the third quarter of 2007 ElringKlinger recorded a 29.4% increase in its operating result to EUR 29.5 (22.8) million. The operating margin in the third quarter stood at 19.7%, compared with 17.7 % in the third quarter of the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 19.8% to EUR 123.4 (103.1) million in the first nine months of 2007, having accounted for negative foreign currency effects amounting to EUR 0.9 million. Adjusted for extraordinary income from insurance proceeds, EBITDA growth stood at 15.2%. Depreciation and amortization remained below the figure posted for the same period a year ago. This is due to the fact that ElringKlinger mainly invested in buildings and equipment with longer depreciation periods.

Having accounted for negative exchange rate effects of EUR 0.4 million, ElringKlinger increased EBITDA by 10.3% to EUR 39.7 (36.0) million in the third quarter.

In the first nine months, earnings before interest and taxes (EBIT) rose by 32.4% to EUR 91.2 (68.9) million. Having deducted extraordinary income from the insurance claim, EBIT growth amounted to 25.6%. In the third quarter EBIT increased by 26.0% to EUR 29.1 (23.1) million, with the EBIT margin rising to 19.4% (17.9%).

EBIT
First 9-months
in EUR million



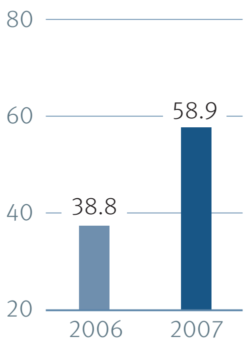
Overall, the financial result in the third quarter of 2007 was weaker than in the same period a year ago, impacted mainly by an increase in bank borrowings and the thus resulting reduction in net interest. In total, the financial result stood at minus EUR 2.1 million at the end of the third quarter, as opposed to minus EUR 1.1 million in the third quarter of 2006.

In the first nine months earnings before taxes increased from EUR 65.2 million in the same period a year ago to EUR 87.1 million, a rise of 33.6%. Having deducted extraordinary income, growth amounted to 26.4% in the first three quarters of 2007. In the third quarter earnings before taxes rose by 26.3% to EUR 27.4 (21.7) million.

Additional one-off income due to corporate tax reform

The corporate tax reform passed by the German government requires a revaluation of deferred tax assets and liabilities accounted for by companies. ElringKlinger performed this revaluation as of September 30, 2007. Within this context, the calculation is conducted on the basis of the cumulative domestic corporate tax rate to be applied effective from the 2008 financial year, which will be reduced from approximately 37.0% to 27.3%. The aforementioned revaluation led to accounting-related income of EUR 5.9 million, which in turn resulted in a corresponding increase in consolidated net income. Thus, the income tax rate decreased to 28.4% (35.6%) in the first nine months of 2007. Consolidated net income rose by 48.6% to EUR 62.4 (42.0) million. Adjusted for extraordinary income of EUR 2.9 million, after taxes, from the above-mentioned insurance claim and non-recurring income from the revaluation of tax items amounting to EUR 5.9 million, consolidated net income totaled EUR 53.6 million, thus exceeding the figure posted for the same period a year ago by 27.6%.

Net income after minorities
First 9-months
in EUR million



Based on a tax rate of 14.6% (35.9%), consolidated net income for the third quarter rose by 68.3% to EUR 23.4 (13.9) million. Adjusted for extraordinary income, consolidated net income increased by 25.8% to EUR 17.5 million.

After deducting minority interests, consolidated net income for the first nine months stood at EUR 58.9 (38.8) million, which represents growth of EUR 20.0 million compared with the same period a year ago. Adjusted for extraordinary income, ElringKlinger was able to increase consolidated net income after minority interests by 28.9% to EUR 50.1 million.

In the third quarter of 2007, consolidated net income after minority interests increased by 76.6% to EUR 22.5 (12.7) million. Minority interests accounted for EUR 0.9 million in the third quarter of 2007, down from EUR 1.2 million in the same period a year ago, mainly as a result of the purchase of an additional stake in ElringKlinger Kunststofftechnik GmbH in August 2007. Adjusted for extraordinary items, consolidated net income after minority interests rose by 30.2% to EUR 16.6 million.

Earnings per share calculated in accordance with IFRS rose by 51.6%, up from EUR 2.02, to EUR 3.07 in the first nine months of 2007. Adjusted for extraordinary items, earnings per share improved by 28.9% to EUR 2.61. In the third quarter, ElringKlinger increased earnings per share by 76.6%, from EUR 0.66 a year ago to EUR 1.17. Adjusted for extraordinary items, ElringKlinger achieved earnings per share of EUR 0.86, which represents a 30.2% increase compared with the third quarter of 2006.

Continued rise in balance sheet total and equity ratio

The balance sheet total increased in parallel with sales revenues and earnings growth. As of September 30, 2007, it amounted to EUR 556.3 (470.4) million. Thus, the balance sheet total rose by 18.3% compared with last year's figure. The current balance sheet structure provides a solid foundation for the ElringKlinger Group to implement the new product launches it has planned for the immediate future and its expansion of activities in the New Business Areas division with the help of internal resources.

Compared with the figure recorded at September 30, 2006, intangible assets rose by EUR 8.5 million to EUR 36.3 (27.8) million, mainly due to the additional acquisition of ownership interests in ElringKlinger Kunststofftechnik GmbH.

Owing to the substantial level of investments made by ElringKlinger, particularly with regard to site expansion and the introduction of new plant, the total level of property, plant and equipment rose by EUR 26.6 million to EUR 236.6 (209.9) million. To a large extent due to the revaluation of deferred tax assets in response to the corporate tax reform in Germany, these were scaled back by EUR 4.1 million to EUR 5.8 (9.8) million when compared to September 30, 2006. Non-current assets accounted for 57.3% of the balance sheet total, down from 60.2%.

This was also attributable to the increase in working capital. At 23.3%, growth within this area outpaced the gain made in sales revenues. When compared to September 30, 2006, inventories rose by 33.5% to EUR 110.6 (82.8) million. Alongside higher production levels, the double-digit increase in the aftermarket business proved to be a significant contributor. Business activity within this area necessitated stockpiling of merchandise sourced from external suppliers in connection with Elring's spare-part sets for the aftermarket. In addition, the company deliberately increased inventories of high-grade steel in order to circumvent temporary price peaks. Trade receivables rose by EUR 12.7 million year on year to EUR 103.1 (90.4) million. This was attributable principally to higher sales generated as well as above-average revenue growth associated with customers with longer than average payment terms. In parallel, the somewhat sluggish payment of invoices by some customers had a contributory effect. Compared with the figure posted at the end of the second quarter, receivables were scaled back by EUR 1.7 million in the third quarter.

Compared to September 30, 2006, revenue reserves rose by EUR 53.8 million to EUR 191.6 (137.8) million. Shareholders' equity increased by EUR 52.1 million in total to EUR 266.5 (214.4) million. The equity ratio at Group level stood at 47.9% as of September 30, 2007, compared with 45.6% at the same date last year.

Non-current financial liabilities were scaled back by EUR 9.0 million following the repayment of long-term bank loans. As a result, their share of the balance sheet total decreased to 7.7% (11.1%). As a result of the above-mentioned revaluation, in particular, deferred tax liabilities fell to EUR 26.5 (33.7) million. Thus, deferred tax liabilities were EUR 7.3 million lower than the figure reported a year ago. Non-current liabilities accounted for 26.6% of the balance sheet total, down from 34.7%. By contrast, the proportion of current liabilities rose from 19.7% to 25.5%.

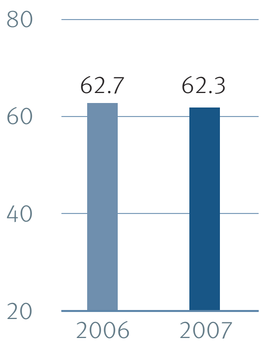
ElringKlinger increased its current financial liabilities in the period ended September 30, 2007, by EUR 29.7 million to EUR 55.3 (25.6) million for the interim financing of part of its dividend payment as well as to a large extent for the financing of more expansive investments. Current provisions increased by EUR 1.7 million to EUR 10.3 (8.6) million. In total, current liabilities rose by EUR 49.0 million to EUR 141.9 (92.9) million.

Whereas financial liabilities accounted for 17.7% as of September 30, 2007, compared with 16.5% at the end of the same period last year, overall liabilities in relation to the balance sheet total decreased to 52.1% (54.4%).

Significant increase in investment ratio

The ElringKlinger Group achieved a significant cash return (net cash from operating activities in relation to sales revenues) of 13.6% in the first nine months of 2007.

Net cash from
operating activities
First 9-months
in EUR million



At EUR 62.3 (62.7) million, net cash from operating activities in the first nine months of 2007 was comparable to the strong figure reported for the same period a year ago. Within this context, the increase in earnings before taxes by EUR 21.9 million to EUR 87.1 (65.2) million was more than offset by the rise in inventories, trade receivables and other assets. Due to the reasons outlined above, the latter amounted to EUR 50.8 million in the first three quarters of 2007, compared with EUR 18.6 million in the same period a year ago.

In the third quarter of 2007 the EUR 5.7 million increase in earnings before taxes as well as a lower decline of trade payables when compared to the same quarter in the previous year led to a rise in net cash from operating activities of 22.2% to EUR 21.2 (17.3) million, despite lower depreciation and amortization.

In the first nine months of 2007 ElringKlinger expended EUR 26.7 million more on property, plant and equipment as well as on investment property than in the same period a year ago, taking its investments to EUR 58.4 (31.7) million. The rationale behind this move was to ensure that resources are available for future production startups over the coming years. Other focal points for investment spending were the expansion of capacity levels in all segments as well as replacement investments for streamlining projects involving the purchase of machinery and plant. An amount of approximately EUR 1 million was channeled into the very first series-compliant testing unit for the production of prototype and specimen components in connection with the company's new diesel particulate filter currently in the development pipeline. In addition to implementing facility extensions in China and Korea, ElringKlinger is currently building a new plant in Ranjangaon, India. The company is also in the process of constructing a new building at its German site in Dettingen/Erms for the production of lightweight parts made of plastic, such as cam covers, oil pans and gearbox casings.

In total, net cash used in investing activities amounted to EUR 66.7 (31.9) million in the first nine months of 2007. The investment ratio for the same period stood at 14.5% (8.0%), a significant year-on-year rise.

Newly secured projects and orders required a substantial increase in investments, also in the third quarter. In the third quarter ElringKlinger expanded its payments for investments in property, plant and equipment as well as investment property by EUR 12.7 million year on year, taking the figure to EUR 23.3 (10.6) million. On top, the newly acquired ownership interests in ElringKlinger Kunststofftechnik GmbH resulted in an additional outflow of funds in the third quarter.

The dividend payment and higher capital expenditure was financed in part by an increase in financial liabilities by EUR 31.8 million. In total, net cash from financing activities was EUR 4.8 (-29.6) million in the first nine months of 2007.

At September 30, 2007, cash and cash equivalents amounted to EUR 5.9 (5.8) million.

Report on opportunities and risks

The introduction of the Transparenzrichtlinie-Umsetzungsgesetz (Transparency Directive Implementing Act – TUG) effective from January 10, 2007, marks a further extension of the financial reporting requirements of exchange-listed stock corporations. Under these provisions, financial reports must present the opportunities and risks relating to the company. Owing to its broad international positioning and its expanding product portfolio, the ElringKlinger Group is exposed to a number of risks.

For a detailed description of the company's risk exposure as well as an account of the risk management approach taken by the ElringKlinger Group, please refer to the management report included in the consolidated financial statements for 2006 (from page 68) and the 2007 interim financial report for the first half (page 15 et seq.). With the exception of the additional information and reassessments pertaining to the reporting period of the third quarter of 2007 as stated below there were no significant changes to the material opportunities and risks outlined within the aforementioned reports.

Market risk

To a certain extent, the prevailing sluggishness in demand for new motor vehicles in the traditional markets of North America, Europe and Japan represents a risk to sales volumes for the ElringKlinger Group. ElringKlinger addresses this issue by systematically expanding its product portfolio and penetrating new, burgeoning markets such as South America, China, India and Korea. The continuing rise in oil and fuel prices poses the risk of a lower propensity among consumers to purchase motor vehicles, particularly within the Europe-US-Japan triad markets, if this trend persists into the future.

Risk associated with material prices

Following another significant rise in prices, particularly with regard to high-grade steel, the situation settled towards the end of the second quarter of 2007. In particular, the price of exchange-traded nickel has fallen since the beginning of June. In view of the fact that revenues generated by ElringKlinger with scrap metal have declined as a direct result of the aforementioned price reduction but the nickel price as an alloy surcharge on the purchase of high-grade steel actually only comes into effect with a delay of four to six months, ElringKlinger has yet to benefit from the fall in prices. At present, it is impossible to determine fully whether the lower price level for nickel will be sustainable. ElringKlinger is operating on the assumption that the prices for high-grade steel will remain more or less stable at the current level up to the end of the year.

Opportunities

The impact of climate change on both society as a whole and the automobile industry, as yet again highlighted at events accompanying the IAA motor show, presents increasingly tangible opportunities for ElringKlinger, the emphasis being on the launch of new products and entry into new markets. ElringKlinger is able to make a committed contribution to the reduction of fuel consumption and emission levels as well as the introduction of alternative energies and propulsion technologies, drawing on its existing product range as well as its portfolio to be extended in the future. The more stringent emission guidelines now also being adopted by larger emerging markets, predominantly based on the European EURO standards, are to be seen as a good opportunity for ElringKlinger to expand within existing growth markets, particularly in Asia.

Assessment of aggregated risk

Based on its solid financial performance, financial position and cash flows, its longstanding customer relations and its favorable position in terms of technological expertise as well as the product pipeline for future technologies within the New Business Areas division, the aggregated risk situation of the ElringKlinger Group is deemed to be insignificant.

Outlook

Buoyed by strong exports, Germany's economy continues to develop on a stable footing. At present, the growth forecasts for Germany in the current year stand at 2.6%.

Although 2008 is expected to produce additional growth, the general outlook for economic development in the coming year has deteriorated visibly over recent weeks.

Domestic demand for motor vehicles remains in the doldrums. Indeed, the latest data suggests that sales figures for 2007 will fall significantly short of last year's total. On a more positive note, vehicle production figures for Germany's automobile industry are likely to remain solid thanks to surging exports.

ElringKlinger anticipates that car production figures in Europe, Japan and the US will stagnate or decline over the course of the fourth quarter. By contrast, automobile sales in the emerging markets of South Korea, China and India as well as Eastern Europe and South America are expected to gain further momentum. The trend towards diesel engines, hybrid propulsion systems and the use of alternative fuels will become more evident as fuel prices continue to rise.

Both order intake and order backlog at ElringKlinger continued to grow at an elevated level over the first nine months of 2007. During this period, order intake rose by 14.9% to EUR 486.2 (423.3) million. The third quarter accounted for EUR 160.4 (141.2) million in incoming orders. Thus, order intake for Q3 2007 was 13.6% higher than in the same quarter a year ago. At the end of the third quarter order backlog stood at EUR 234.4 (203.0) million, which represents a year-on-year increase of 15.5%.

The pressure on prices exerted by customers within the automotive industry remains high. Indeed, the market continues to be competitive, which is generally reflected in the level of price sensitivity. Furthermore, lower material prices have yet to produce any significant benefits, even though the prices of some materials that are of particular relevance to ElringKlinger, such as nickel, have been receding in recent months.

In introducing new products, spearheading a sustained efficiency drive and implementing a more stringent form of cost control, the ElringKlinger Group has been able to establish a solid foundation for further revenue and earnings growth.

On the back of positive results for the first three quarters, the ElringKlinger Group is well on track to exceed its original targets set for 2007. The plan was to raise consolidated sales revenues by 5 to 7% and consolidated net income after minority interests by around 10%. However, ElringKlinger has now defined a new target of approximately 11% revenue growth for the 2007 financial year as a whole. Adjusted for non-recurring items, consolidated net income after minority interests is to rise by 17 to 19% year on year. Over the course of 2007, ElringKlinger has generated extraordinary income from insurance proceeds in the amount of EUR 2.9 million as well as from the revaluation of deferred taxes in the amount of EUR 5.9 million as a result of Germany's corporate tax reform. In 2006 a corporation tax credit amounting to EUR 5.3 million had contributed to consolidated net income after minority interests as a non-recurring item. Provided that the general economic climate remains stable, ElringKlinger anticipates that both sales revenues and adjusted consolidated net income after minority interests will continue to grow in 2008.

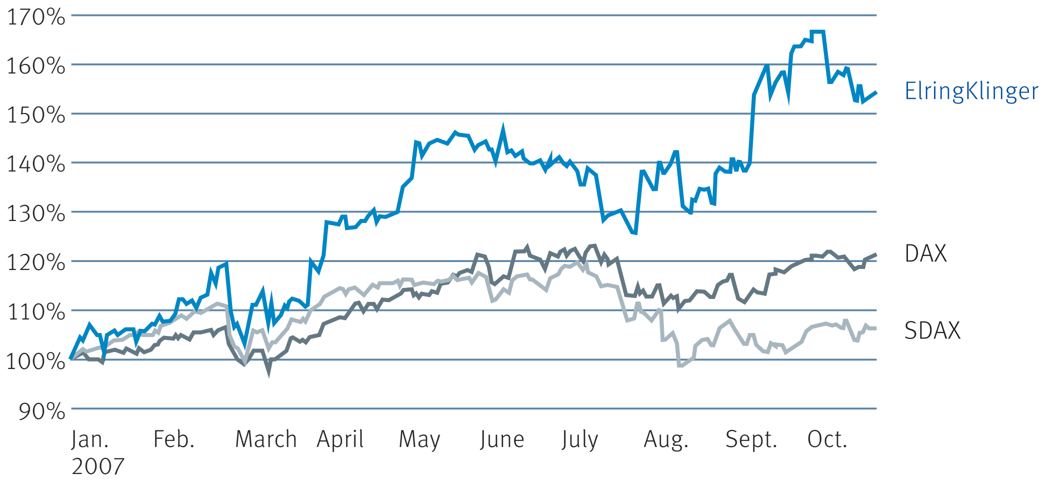
Share Performance

Stable despite capital market turbulence

Despite volatile stock markets, ElringKlinger shares benefited from the favorable progression of business over the course of the first nine months of 2007.

Having gained 40% in value by the end of the first six months, taking the share price to around EUR 70, ElringKlinger stock settled at approximately EUR 60 in the wake of worldwide market corrections triggered by the US sub-prime mortgage lending crisis. In August the company's share price regained its footing and gradually climbed to a new high of EUR 82 at the beginning of October. Thus, ElringKlinger shares have gained more than 65% since the beginning of the year, while at the same time outperforming the benchmark DAX and SDAX indices.

ElringKlinger's share price performance (XETRA) since January 1, 2007, relative to SDAX and DAX



Continued growth in trading volume

The volume of ElringKlinger shares traded also showed encouraging signs of growth. In the first nine months of 2007 the average daily volume traded rose by almost 85% year on year, up from approximately EUR 738,800 to EUR 1,365,000. Despite the higher share price, the number of shares traded on average per day increased from 19,100 to 21,700 units.

Active involvement in capital markets

As in the past, ElringKlinger took part in a number of key international capital market conferences over the course of the third quarter of 2007. The company presented information on its latest business performance, product developments and growth opportunities to institutional investors based in Frankfurt, other European locations and the US. In addition, international investors and analysts visited sites operated by the ElringKlinger Group in order to gain a first-hand insight into the company. As part of this year's IAA motor show in mid-September, ElringKlinger attended an international capital market conference in Frankfurt and organized information events for the media and investors at its IAA exhibition stand, the response to which was outstanding.

During the remainder of the year, ElringKlinger will take part in several other capital market conferences in Germany and Europe, as well as presenting its investment case to a broad audience of international investors at the German Equity Forum hosted by Deutsche Börse.

ElringKlinger Stock (Security identification number CUSIP 785 602)

	Jan.–Sept. 2007	Jan.–Sept. 2006
Number of shares as of Sept. 30 (in units)	19,200,000	19,200,000
Share price (XETRA closing price, in EUR)		
High	79.47	45.23
Low	49.50	31.21
Closing price on Sept. 30	79.47	40.21
Average daily trading volume (German stock exchanges; no. of shares)	21,700	19,100
Average daily trading volume (German stock exchanges; in EUR)	1,365,000	739,000

Consolidated Income Statement

January 1 to September 30, 2007

	3rd Quarter 2007	3rd Quarter 2006	9-months 2007	9-months 2006
	EUR'000	EUR'000	EUR'000	EUR'000
Sales revenues	150,000	128,700	460,000	398,000
Cost of sales	-97,300	-83,000	-301,200	-257,600
Gross profit	**52,700**	**45,700**	**158,800**	**140,400**
Selling expenses	-10,100	-9,100	-31,000	-28,600
General and administrative expenses	-6,100	-5,600	-18,800	-17,400
Research and development expenses	-7,400	-6,800	-22,600	-20,900
Other operating income	3,300	1,300	16,800	2,900
Other operating expenses	-2,900	-2,700	-11,100	-5,600
Operating result	**29,500**	**22,800**	**92,100**	**70,800**
Earnings from affiliated companies	0	0	0	0
Net interest	-2,100	-1,100	-5,000	-5,600
Financial result	**-2,100**	**-1,100**	**-5,000**	**-5,600**
Earnings before taxes	**27,400**	**21,700**	**87,100**	**65,200**
Taxes on income	-4,000	-7,800	-24,700	-23,200
Consolidated net income	**23,400**	**13,900**	**62,400**	**42,000**
Minority interests	920	1,174	3,522	3,159
Consolidated net income after minority interests	**22,480**	**12,726**	**58,878**	**38,841**
Earnings per share in EUR	1.17	0.66	3.07	2.02

Consolidated Balance Sheet

ASSETS	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
	EUR'000	EUR'000	EUR'000
Intangible assets	36,308	28,187	27,805
Tangible assets	236,599	211,909	209,911
Investment property	30,777	31,641	30,973
Financial assets	4,564	4,528	4,571
Other non-current assets	4,770	5,414	0
Deferred taxes	5,773	9,313	9,845
Fixed assets	**318,791**	**290,992**	**283,105**
Inventories	110,572	89,956	82,841
Trade receivables	103,065	80,993	90,383
Other current assets	17,959	9,227	8,221
Cash and cash equivalents	5,885	5,453	5,833
Current assets	**237,481**	**185,629**	**187,278**
	556,272	476,621	470,383

LIABILITIES AND SHAREHOLDERS' EQUITY	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
	EUR'000	EUR'000	EUR'000
Share capital	57,600	57,600	57,600
Capital reserve	2,747	2,747	2,747
Revenue reserves	191,570	154,894	137,796
Minority interests	14,599	15,957	16,240
Shareholders' equity	**266,516**	**231,198**	**214,383**
Provisions for pensions	54,560	53,451	53,235
Non-current provisions	8,807	8,784	9,318
Non-current financial liabilities	43,105	50,380	52,130
Deferred taxes	26,472	31,152	33,749
Other non-current liabilities	14,930	12,684	14,706
Non-current liabilities	**147,874**	**156,451**	**163,138**
Current provisions	10,327	9,009	8,612
Trade payables	26,419	28,210	21,424
Liabilities to affiliated companies	0	0	0
Current financial liabilities	55,293	16,251	25,643
Tax payables	10,923	6,628	7,449
Other current liabilities	38,920	28,874	29,734
Current liabilities	**141,882**	**88,972**	**92,862**
	556,272	476,621	470,383

Consolidated cash flow statement

	3rd Quarter 2007	3rd Quarter 2006	9-months 2007	9-months 2006
	EUR'000	EUR'000	EUR'000	EUR'000
Earnings before taxes	27,400	21,700	87,100	65,200
Amortization and depreciation	10,558	12,854	32,219	34,152
Net interest	1,700	1,400	4,100	3,700
Changes in provisions	-13	-682	656	1,489
Loss from disposal of intangible assets and of property, plant and equipment	0	0	2,850	0
Changes in inventories, receivables and other assets not resulting from financing and investing activities	-7,931	-4,726	-50,776	-18,612
Changes in liabilities not resulting from financing and investing activities	-1,168	-4,118	12,122	-1,043
Income taxes paid	-7,978	-8,020	-23,541	-21,175
Interest paid	-997	-801	-2,151	-2,052
Interest received	20	50	220	300
Foreign currency translation changes from operating activities	-400	-312	-463	705
Net cash from operating activities	**21,191**	**17,345**	**62,336**	**62,664**
Proceeds from disposals of intangible assets and of property, plant and equipment	48	409	1,007	1,135
Proceeds from disposals of financial assets	2	3	9	412
Payments for the purchase of shares in consolidated entities	-8,153	0	-8,153	0
Payments for investments in intangible assets	-270	-336	-1,138	-1,304
Payments for investments in tangible assets and investment properties	-23,335	-10,607	-58,416	-31,698
Payments for investments in financial assets	-34	-16	-49	-440
Net cash used in investing activities	**-31,742**	**-10,547**	**-66,740**	**-31,895**
Dividends paid	-741	-31	-26,991	-21,839
Changes in financial liabilities	11,568	-8,090	31,767	-7,716
Foreign currency translation changes	-48	47	-16	-47
Net cash used in financing activities	**10,779**	**-8,074**	**4,760**	**-29,602**
Net increase in cash and cash equivalents	**228**	**-1,276**	**356**	**1,167**
Foreign currency translation changes in cash and cash equivalents	114	-5	76	232
Cash and cash equivalents at beginning of period	5,543	7,114	5,453	4,434
Cash and cash equivalents at end of period	5,885	5,833	5,885	5,833

Statement of Changes in Equity

3rd Quarter 2007

	Share capital	Capital reserve	Revenue reserves: Revalua-tion reserve	Revenue reserves: Currency translation differences	Revenue reserves: Group equity generated	Minority interests	Group equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As of Dec. 31, 2005	**57,600**	**2,747**	**26,181**	**-2,203**	**95,813**	**15,975**	**196,113**
Dividend distributions					-19,200	-2,639	-21,839
Adjustments due to consolidation				-1,636		-255	-1,891
Consolidated net income					38,841	3,159	42,000
As of Sept. 30, 2006	**57,600**	**2,747**	**26,181**	**-3,839**	**115,454**	**16,240**	**214,383**
As of Dec. 31, 2006	**57,600**	**2,747**	**26,181**	**-5,706**	**134,419**	**15,957**	**231,198**
Dividend distributions					-24,000	-2,991	-26,991
Adjustments due to consolidation				42		-133	-91
Purchase of shares			320		1,436	-1,756	0
Consolidated net income					58,878	3,522	62,400
As of Sept. 30, 2007	**57,600**	**2,747**	**26,501**	**-5,664**	**170,733**	**14,599**	**266,516**

Group Sales Revenues by Region

	3rd Quarter 2007	3rd Quarter 2006	9-months 2007	9-months 2006
	EUR'000	EUR'000	EUR'000	EUR'000
Germany	45,725	41,949	146,517	135,819
Change compared to prior year in %	9.0		7.9	
Rest of Europe	53,419	45,200	162,753	136,795
Change compared to prior year in %	18.2		19.0	
NAFTA	27,178	21,829	82,773	68,831
Change compared to prior year in %	24.5		20.3	
Asia and Australia	14,760	12,196	43,133	35,427
Change compared to prior year in %	21.0		21.8	
South America and others	8,918	7,526	24,824	21,128
Change compared to prior year in %	18.5		17.5	
Group	**150,000**	**128,700**	**460,000**	**398,000**
Change compared to prior year in %	16.6		15.6	

Segment Reporting

3rd Quarter 2007/3rd Quarter 2006

	Original Equipment		Aftermarket		Engineered Plastics	
	2007	2006	2007	2006	2007	2006
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues	**128,907**	**107,049**	**26,105**	**24,040**	**16,566**	**15,495**
Intersegment revenues	-5,164	-3,963	0	0	0	0
Consolidation	-17,739	-15,127	-1,884	-1,901	-23	-7
Sales revenues	**106,004**	**87,959**	**24,221**	**22,139**	**16,543**	**15,488**
EBIT	**17,424**	**13,728**	**6,380**	**4,514**	**3,835**	**3,610**
Amortisation & depreciation	-9,651	-11,800	-117	-108	-449	-437
Investments	21,958	9,963	338	152	821	777

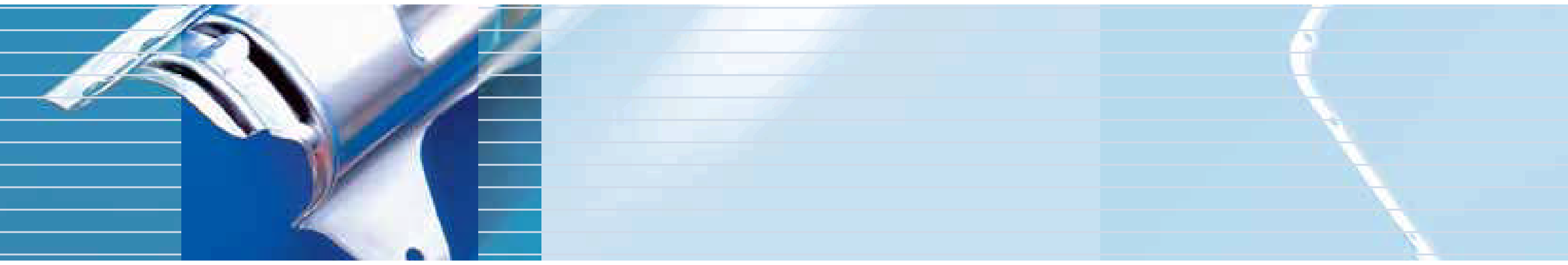
	Industrial Parks		Services		Group	
	2007	2006	2007	2006	2007	2006
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues	**2,101**	**2,035**	**2,017**	**1,797**	**175,696**	**150,416**
Intersegment revenues	0	0	0	0	-5,164	-3,963
Consolidation	0	0	-886	-718	-20,532	-17,753
Sales revenues	**2,101**	**2,035**	**1,131**	**1,079**	**150,000**	**128,700**
EBIT	**1,027**	**958**	**434**	**290**	**29,100**	**23,100**
Amortisation & depreciation	-285	-267	-162	-186	-10,664	-12,798
Investments	24	37	464	14	23,605	10,943

Segment Reporting

9-months 2007/9-months 2006

	Original Equipment		Aftermarket		Engineered Plastics	
	2007	2006	2007	2006	2007	2006
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues	**393,708**	**332,577**	**79,784**	**69,703**	**49,821**	**44,902**
Intersegment revenues	-16,114	-11,437	0	0	0	0
Consolidation	-50,527	-40,869	-5,945	-5,309	-115	-58
Sales revenues	**327,067**	**280,271**	**73,839**	**64,394**	**49,706**	**44,844**
EBIT	59,945	44,247	16,030	12,640	10,441	8,885
Amortisation & depreciation	-29,174	-31,113	-370	-387	-1,361	-1,292
Investments	55,046	29,190	827	372	2,796	2,775

	Industrial Parks		Services		Group	
	2007	2006	2007	2006	2007	2006
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Segment revenues	**6,250**	**6,109**	**5,719**	**4,465**	**535,282**	**457,756**
Intersegment revenues	0	0	0	0	-16,114	-11,437
Consolidation	0	0	-2,581	-2,083	-59,168	-48,319
Sales revenues	**6,250**	**6,109**	**3,138**	**2,382**	**460,000**	**398,000**
EBIT	3,747	2,777	1,037	351	91,200	68,900
Amortisation & depreciation	-853	-804	-487	-595	-32,245	-34,191
Investments	51	362	834	303	59,554	33,002



Notes to the first nine months of 2007

The ElringKlinger Group's interim report as of September 30, 2007, has been prepared in accordance with 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 well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

Required Disclosures

The interim report is unaudited. There were no material changes to the accounting policies applied to the 2006 consolidated financial statements over the course of the first nine months of 2007.

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

In addition to the financial statements of ElringKlinger AG, the interim report as of September 30, 2007, includes four domestic and sixteen 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.

In the third quarter of 2007, ElringKlinger AG acquired an additional ownership interest of 7.5% in the subsidiary ElringKlinger Kunststofftechnik GmbH, Bietigheim-Bissingen. Thus, as of August 1, 2007, the overall ownership interest of ElringKlinger AG in ElringKlinger Kunststofftechnik GmbH increased from 67% to 74.5%.

The purchase price amounted to EUR 8,153 thousand, of which a total of EUR 19 thousand was attributable to ancillary costs of purchase. As part of the company valuation process, an amount of EUR 7,727 thousand was allocated to goodwill, EUR 8 thousand to land and EUR 418 thousand to buildings. Company valuation was not conducted by an officially appointed valuer.

In the first nine months of 2007, the sales revenues of ElringKlinger Kunststofftechnik GmbH amounted to EUR 49,706 thousand. Profit before income taxes stood at EUR 10,510 thousand.

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.

The investment in Marusan Corporation, Tokyo, Japan, was recognized at cost.

The financial year for all consolidated entities corresponds to the financial year of the parent company.

Exchange rates developed as follows:

		Closing rate = EUR 1		Average rate = EUR 1	
		Sept. 30, 2007	Dec. 31, 2006	2007	2006
US dollar (USA)	USD	1.4180	1.3184	1.35020	1.26287
Pound Sterling (UK)	GBP	0.6981	0.6716	0.67790	0.68184
Canadian dollar (Canada)	CAD	1.4165	1.5287	1.47639	1.42531
Real (Brazil)	BRL	2.6120	2.8135	2.67906	2.73972
Peso (Mexico)	MXN	15.5000	14.3040	14.78890	13.77909
RMB (China)	CNY	10.6414	10.2921	10.32212	10.04633
WON (South Korea)	KRW	1,297.5217	1,225.4500	1,256.75506	1,199.86583
Rand (South Africa)	ZAR	9.7500	9.2300	9.61300	8.63148
Yen (Japan)	JPY	163.6313	156.7000	161.11881	146.73167
Forint (Hungary)	HUF	250.8970	251.9000	250.99772	264.30417
Indian rupee (India)	INR	56.4401	58.32	56.25120	57.17324

Owing to the corporate tax reform adopted in Germany, the domestic income tax rate for the 2008 financial year will decrease from 37.0% to 27.3%. This factor was taken into account when determining the amount of deferred taxes in the third quarter of 2007, which resulted in a reduction of EUR 1,874 thousand in deferred tax assets and a reduction of EUR 7,787 thousand in deferred tax liabilities. The earnings increase attributable to this effect was EUR 5,913 thousand.

In the third quarter and first nine months of 2007 derivative financial instruments were utilized for the purpose of hedging interest rate risk, smoothing the volatility of purchasing prices for raw materials (nickel) and hedging receivables denominated in Canadian and US dollars. The rise in material expenses as a result of ever-increasing raw material prices was partially offset by derivative transactions entered into within the area of raw materials. Thus, the rise in material expenses was scaled back by EUR 900 thousand in the third quarter of 2007.

The contingencies disclosed in the 2006 consolidated financial statements were not subject to material changes in the first nine months of 2007.

In the second quarter of 2007 a building used for production purposes at the Runkel plant of ElringKlinger AG was completely destroyed by fire. The insurance policy in place is sufficient to cover fire damage caused with regard to property and the interruption of operations.

The property-related damages include fire damage to non-current assets and inventories. The non-current assets are insured on the basis of the reinstatement value. The inventories are insured on the basis of production costs (work in progress) or on the basis of the sales price less non-incurred costs (finished goods).

The residual book values of the damaged non-current assets were written off in full in the second quarter of 2007 (EUR 3,640 thousand in other operating expenses). As of September 30, 2007, an additional EUR 5,234 thousand was recognized as other operating expenses for the impairment of inventories affected by the fire, essential repairs, additional staff costs and other expenses.

Having accounted for policy-related deductibles, the reimbursements currently foreseeable in connection with the aforementioned damage amount to approximately EUR 13,534 in the period under review. This amount has been recognized as other operating income. In the second and third quarter prepayments made by the insurance company with regard to this amount totaled EUR 11,111 thousand.

The process of rectifying the damage caused and settling the insurance claim has yet to be completed. It would appear likely that this process will take several months, and therefore the overall damage caused as a result of interruptions to business operations will not be fully calculable and recompensable until that period in time.

Related Party Disclosures

Business transactions between the parent company and its subsidiaries, considered to be related parties, were eliminated as part of the consolidation process and have not been further outlined in these notes.

In addition, there are business relations between companies within the ElringKlinger Group and related persons or entities controlled by related persons. These are as follows:

- General supply agreement for soft materials between Richard Klinger Dichtungstechnik GmbH & Co. KG, Gumpoldskirchen (Austria) and the ElringKlinger Group

- Supply of sealing material by Klinger AG, Egliswil (Switzerland), to the Elring-Klinger Group
- Rental agreement between Technik-Park Heliport Kft., Kecskemét-Kádafalva (Hungary), and Lechler Kft., Kecskemét-Kádafalva (Hungary)
- Agreement between ElringKlinger Logistic Service GmbH, Rottenburg/Neckar, and Lechler GmbH, Metzingen, regarding assembly operations and storage of components

All aforementioned business transactions are conducted on the basis of the at-arms-length principle.

Responsibility statement in accordance with Section 37y WpHG in conjunction with Section 37w (2) No. 3 WpHG

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 November 8, 2007

The Management Board

Dr. Stefan Wolf | Theo Becker | Karl Schmauder

Disclaimer – Forward-looking 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.

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Calendar

German Equity Forum (Frankfurt)	November 12–14, 2007
International Automotive Transmission Symposium Berlin	December 3–6, 2007
Auto Expo (New Delhi, India)	January 10–17, 2008
Financial Press Conference	March 31, 2008
Analysts' Conference	March 31, 2008
103rd Annual General Shareholder Meeting Cultural and Congress Centre Liederhalle, Stuttgart, Hegelsaal, 10.00 CET	May 30, 2008

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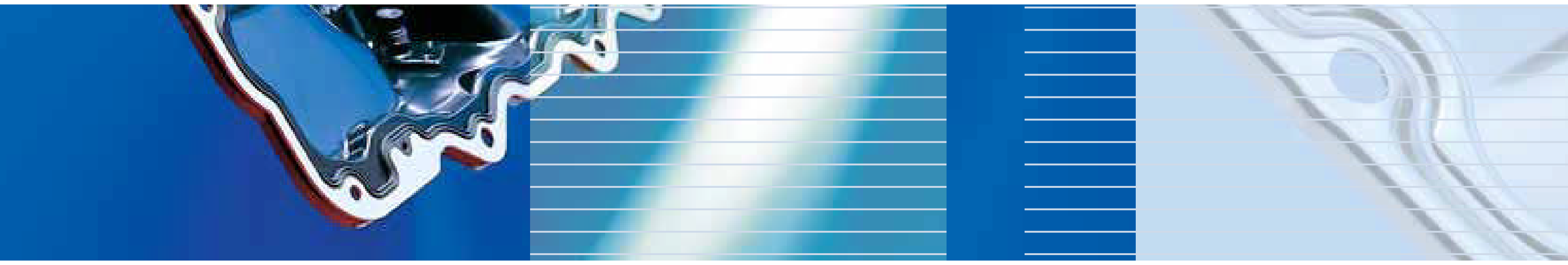

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