

REPORT ON THE 3RD QUARTER AND 1ST NINE MONTHS OF 2010
CO₂ REDUCTION – OUR PATH TO GROWTH

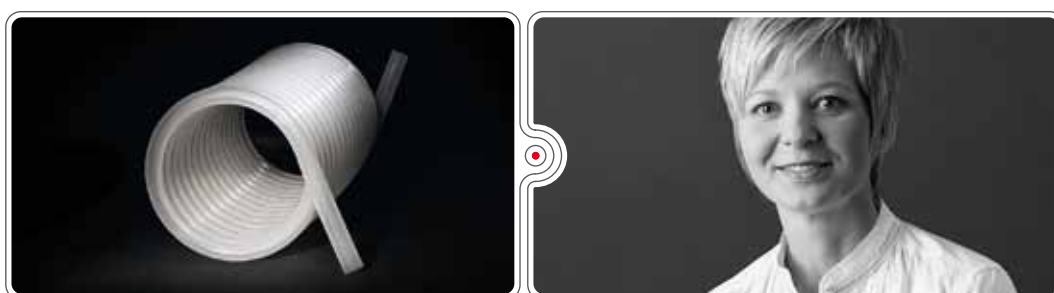


elringklinger

CO₂ Reduction – Our Path to Growth

As a global development partner and original equipment manufacturer (OEM) for cylinder-head and specialty gaskets, housing modules and shielding components for engines, transmissions and exhaust systems, ElringKlinger supplies the majority of vehicle manufacturers in Europe and in North and South America as well as a large and growing number of Asian car makers. Our products play an important role in reducing fuel consumption and emissions. We also develop innovative products to the series production stage for use with alternative drive technologies. To round off our portfolio, the ElringKlinger Engineered Plastics division supplies products made of high-performance PTFE plastics to other manufacturers outside the automobile industry. We make full and targeted use of our ability to innovate as a way of promoting environmentally compatible forms of mobility, while generating sustained and highly profitable growth. At 29 sites across the world ElringKlinger's 4,500-plus employees are committed to achieving these aims.

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Macroeconomic Conditions and Business Environment

Global economy sees continued recovery

The world economy continued to recover over the course of the year, with the emerging markets remaining the driving force behind growth at a global level. Although the overall pace of economic recovery was slightly weaker – as anticipated – in the third quarter of 2010 as temporary government stimulus packages in Europe and North America gradually came to an end, the economic environment remained solid in the majority of regions around the globe.

Recording an increase of 4.0 % in GDP for the third quarter of 2010, Germany climbed to the top of Europe's league table.

Compared with the same quarter a year ago, the eurozone economy as a whole grew by just 1.9 %. Within this context, the specific economic problems associated with some of the Southern European member states continued to have a dampening effect. Russia's GDP rose by 4.0 % compared to the same quarter a year ago. Whereas GDP growth in the other Eastern European countries remained in positive territory, the rates achieved in the third quarter of 2010 were more modest than those recorded in the first half of 2010.

Despite the prevailing weakness of the property market and high levels of unemployment, the US economy continued to expand at a moderate rate, with GDP growing by 3.2 % in the third quarter. The Latin American economies maintained their forward momentum in the period under review. Brazil, acknowledged as the continent's largest economy, saw GDP grow by 6.8 % in the third quarter of 2010.

Asia made a significant contribution to global economic growth, led by China, with GDP growth of 9.5 % in the third quarter of 2010, and India, whose economy expanded by 8.2 % over the same period. Japan also recorded solid GDP growth of 3.0 % compared with the same quarter a year ago.

Overall, economic recovery provided a favorable climate for more buoyant consumer demand and, ultimately, growth within the automobile industry.

Global auto sales head toward pre-crisis levels

The majority of markets saw a sustained recovery in the overall number of cars sold over the course of the first nine months of 2010. Asia's passenger car markets in particular, but also the US and South America, recorded a significant increase in sales volumes. By contrast, Western European demand for passenger vehicles in the first nine months of 2010 fell short of the buoyant figures seen a year earlier at the height of the cash for clunkers program.

Stock levels, which had been scaled back substantially during the crisis, were adjusted upward to more normal levels, thus providing additional impetus. In total, global car production grew by a third in the first nine months of 2010.

As anticipated, the growth rate of vehicle production in the third quarter of 2010 was slightly lower than in the preceding quarter.

German automobile production benefits from buoyant exports

Germany saw the number of new vehicle registrations fall by 27.5 % in the first nine months of 2010. This anticipated slump was attributable to the car scrappage scheme introduced by the German government in 2009; it had provided a significant boost to sales within the domestic vehicle market a year earlier. Having said that, sizeable exports to Asia – particularly China – as well as North and South America provided the German automobile industry with enough buoyancy to more than offset the decline in domestic sales volumes. In total, 3.1 million vehicles were exported to other countries, a 31.0 % improvement on the figure recorded in 2009. As a result, automobile production grew by 14.0 % to 4.1 million units since the beginning of 2010.

Weaker automobile sales in Europe

The European automobile market as a whole was faced with a 3.7 % decline in the number of newly registered passenger vehicles over the course of the year to date. Whereas automobile sales in Western Europe dipped by 3.4 % compared to the same period a year ago, Eastern Europe saw new car registrations slump by 9.9 % in the first nine months of 2010. In response, the European vehicle manufacturers scaled back their car production operations by 2.0 % year-on-year in the third quarter of 2010. By contrast, the second quarter had seen output rise by 12.0 %.

The only exception was Russia's automobile market, which recovered significantly from the severe slump in 2009. Alongside the general economic upturn, government incentives for the purchase of new locally produced vehicles provided a substantial boost. In the year to date, the number of new car registrations has increased by 18.4 % to 1.3 million units.

US vehicle production surprisingly dynamic

Against the backdrop of a somewhat challenging economic climate, the US vehicle market proved surprisingly dynamic in the period under review. The US has seen sales of passenger cars and light trucks rise by 10.3 % since the beginning of the year. Additionally, with stock levels being adjusted upward in response to more normal demand, North American auto manufacturers have expanded their production output by 53.1 % in the year to date.

Demand remained solid in South America. Although government incentive programs for the sale of new vehicles in Brazil came to an end in mid-2010, the overall number of new vehicles sold remained high. Brazil's registration figures for new cars rose by 7.1 % to 2.4 million units in the first nine months of 2010.

Asia remains key growth market

The dynamic recovery of global vehicle production figures was driven to a large extent by the continued boom in demand from Asian markets.

In China, the number of new vehicles sold in the first nine months of 2010 reached 8.1 million, which corresponds to an increase of 38.5 %. Vehicle production in what has now become the world's key automobile market grew by 33.0 %. In India, automobile sales rose by 31.9 % in the same period.

Even the mature Japanese car market recorded a solid growth rate. Here, car sales rose by 19.6 % compared to the same period a year ago.

Continued recovery of commercial vehicle markets

With Germany's commercial vehicle market gaining further momentum, the third quarter of 2010 produced continued growth. Since the beginning of the year, this market has recorded a 7.0 % increase in the new registration of heavy goods vehicles over 6 tons. Buoyed by significant demand from abroad, foreign sales of domestic truck manufacturers surged by 49.0 % in the first nine months of 2010, as a result of which truck production also rose by 49.0 %.

The European commercial vehicle market as a whole managed to reduce its year-on-year sales deficit to just 5.3 % in the first nine months of 2010. The third quarter of 2010 produced further growth in demand. While truck manufacturers in Western Europe were faced with a 7.2 % decline in the number of vehicles sold, the number of new truck registrations in Eastern Europe rose by 16.0 %.

The US truck market also recorded sustained growth. In the first nine months of 2010, truck sales in the United States rose by almost 10.0 % compared to the same period a year ago.

Significant Events – Acquisitions

On September 30, 2010, ElringKlinger AG signed an agreement on the acquisition of the "Static Flat Gaskets" lead center of the Freudenberg Group, Weinheim. The planned acquisition had been announced on July 12, 2010. The purchase agreement was notarized following the official authorization by the antitrust authorities and, as prescribed by law, the involvement of staff representatives at the French sites in Nantiat and Chamborêt.

The "Static Flat Gaskets" lead center of the Freudenberg Group includes business operations relating to cylinder-head and exhaust system gaskets. Alongside the Freudenberg subsidiary Burgmann Automotive GmbH, Gelting, Germany, ElringKlinger will also take over a part of Freudenberg-Meillor S.A.S., Nantiat and Chamborêt, France, as well as Oigra Meillor s.r.l., Turin, Italy. The transaction is estimated to be closed effective from January 1, 2011, which is also the date on which the acquisition will come into legal effect and the acquired business will be included in the consolidated group of ElringKlinger.

In implementing the acquisition, ElringKlinger will extend its international position within the field of cylinder-head gaskets and highly heat-resistant specialty gaskets for engines and exhaust systems. In the area of specialty gaskets, the overall portfolio will be extended to include several additional products, e.g. within the turbocharger and exhaust recirculation segment. At the same time, the company's market position will be strengthened significantly in France and Italy in particular. In fiscal 2011 as a whole, the acquisition is expected to contribute around EUR 49 million to Group sales. ElringKlinger anticipates that the operating margin can be brought closer to that of its own Group level by 2012.

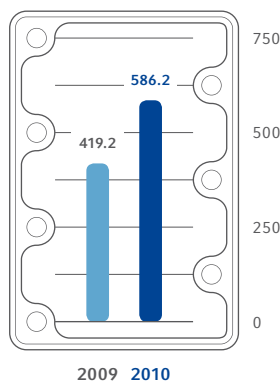
Sales and Earnings Performance

Continued upturn in sales

The global vehicle market remained on a steady route to recovery in the first nine months of 2010, although it was still just short of its pre-crisis levels. Higher passenger car production in conjunction with a number of product start-ups helped to propel ElringKlinger's consolidated sales by 39.8 % to EUR 586.2 (419.2) million in the period as a whole. Within this context, it should be noted that last year's comparative figures were impacted by, in some cases significant, production downsizing on the part of many vehicle manufacturers.

In the third quarter of 2010, Group sales revenue increased by 33.8 %, reaching EUR 202.5 (151.3) million overall. Despite the summer breaks that have become standard practice among many automobile manufactures, the Group thus succeeded in matching its impressive second-quarter sales performance (EUR 201.0 million). Business centered around components supplied to truck manufacturers continued to improve, but still remains well below the level recorded before the crisis.

SALES 1ST 9-MONTHS
in EUR million

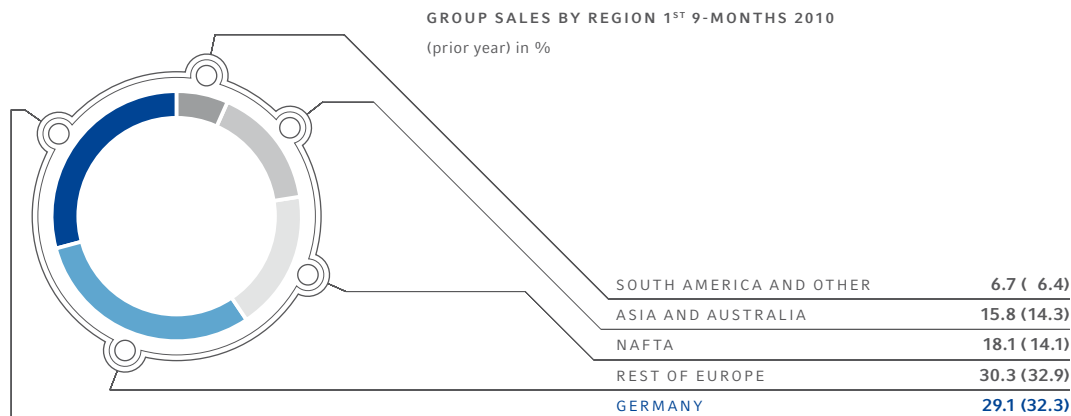


Asia and Americas act as key growth drivers

The ElringKlinger Group recorded double-digit revenue growth in all sales regions around the globe. The subsidiaries and affiliated companies in Asia as well as North and South America recorded disproportionately high levels of growth. As a percentage of group sales foreign sales rose to 70.9 % (67.7 %) in the first nine months of 2010.

Despite the end of the scrappage incentive scheme, revenue generated from domestic sales rose by 26.3 %, reaching EUR 170.8 (135.2) million. This was attributable to the substantial increase in the number of vehicles sold by German car manufacturers to markets in North America and Asia.

In the Rest of Europe, sales revenue has grown by 28.9 % since the beginning of the year.



The recovery in demand for automobiles in the United States was surprisingly strong, albeit from a very low base. Due to a significant increase in volumes requested by customers as part of their production scheduling as well as new ramp-ups mainly in the area of shielding technology, sales generated in the NAFTA region during the first nine months of 2010 rose by 78.8 % to EUR 106.0 (59.3) million.

In South America, the Group exceeded last year's comparative revenue figure by 45.7 % in the first nine months of 2010. Growth in this region was driven first and foremost by significant and sustained gains achieved by the Brazilian subsidiary Elring Klinger do Brasil Ltda. In total, revenue generated from sales in this region rose to EUR 39.1 (26.8) million in the first nine months of 2010.

The growth markets of Asia saw a surge in Group sales by 54.3 %, taking the figure to EUR 92.6 (60.0) million. Growth in this region was driven primarily by the two Chinese subsidiaries ElringKlinger China, Ltd. and Changchun ElringKlinger Ltd. The Group is currently doubling its production space at both facilities.

The recovery of the Japanese vehicle market, particularly the truck sector, had a positive impact on demand in the case of ElringKlinger Marusan Corporation.

Having continued to gain in importance, Asia contributed 15.8 % to total consolidated sales in the first nine months of 2010, up from 14.3 % in the same period a year ago.

Continued expansion of Original Equipment business

The positive sales performance seen within the Original Equipment segment continued unabated in the first nine months of 2010. Despite sequentially lower vehicle production in Europe and the US in the third quarter ElringKlinger managed to match the significant levels recorded in the second quarter. Although commercial vehicle business continued to expand, sales within this area still fell well short of the normal pre-crisis level.

Compared to the sluggish first nine months of 2009, total revenue generated from sales in the Original Equipment segment rose by 49.7 % to EUR 443.3 (296.2) million at the end of the period under

review. The Shielding Technology and Specialty Gaskets divisions generated above-average growth, buoyed by significant demand from customers interested in solutions aimed at CO₂ reduction. Among the key products supplied by ElringKlinger are gaskets and shielding parts for fuel-efficient downsized engines that operate at high temperatures and elevated combustion pressures. The company provides best-in-class technologies in the field of heat management and sealing systems.

While pre-tax earnings in the Original Equipment segment had amounted to just EUR 13.1 million in the first nine months of 2009 as a result of dramatic production downsizing on the part of vehicle manufacturers, the significant improvement in capacity utilization at production level with a continued commitment to lean cost structures saw segment earnings before taxes rise to EUR 48.6 million in the first nine months of 2010.

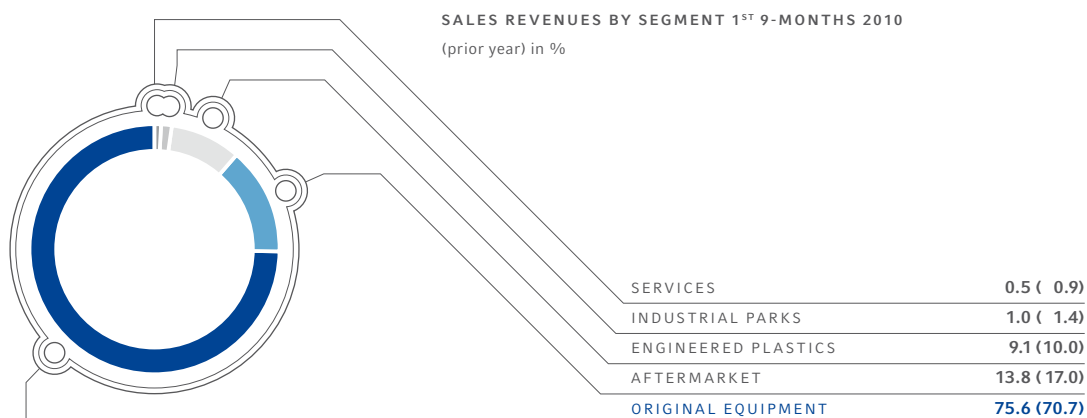
Significant growth in Aftermarket business

The Aftermarket segment also recorded considerable growth in the first nine months of 2010, with sales accelerating by 14.0 % year-on-year to EUR 81.2 (71.2) million.

The German market was subdued during this period, with the overall volume of vehicles aged nine and over declining markedly as a result of the car scrappage scheme. As a result, demand for repair work and spare parts was less pronounced.

By contrast, demand in Eastern Europe and the Middle East picked up visibly. With the credit crunch easing after the crisis and the wider economy improving, Aftermarket business received fresh impetus in the period under review. Additionally, many customers realigned their inventory levels with the growth in demand for spare parts. In making targeted additions to its product range, ElringKlinger was able to extend its market share at an international level. At the Automechanika trade show, which took place in Frankfurt at the beginning of September, the company unveiled a new and extensive range of turbocharger kits and gasket sets under its Elring brand. Increasingly, these newly developed components will contribute to future sales.

Earnings before taxes within the Aftermarket segment rose to EUR 16.6 (12.9) million in the first nine months.



Engineered Plastics segment gains ground

The Engineered Plastics segment continued to recover steadily from the adverse effects of the economic and financial crisis. Following a tangible improvement in demand from customers within the automotive industry during the first quarter of 2010, business in areas such as mechanical and plant engineering also picked up markedly from the second quarter onward. Against this backdrop, segment revenue rose by 26.8 % to EUR 53.4 (42.1) million in the first nine months of 2010. The Chinese subsidiary ElringKlinger Engineered Plastics (Qingdao) Commercial Co., Ltd. (China) contributed increasingly to revenue growth.

The earnings performance of the Engineered Plastics segment also improved, although segment profit has yet to reach the level recorded before the crisis. The EBIT margin was 15.1 % (9.7 %). Some production units have yet to return to sufficient capacity utilization. Additionally, the segment was still faced with significant development and start-up costs for applications made of Moldflon®, a high-performance injection-moldable plastic. Earnings were adversely affected by provisions recognized for early partial retirement following the collective wage agreement negotiated in March 2010 as well as employee benefits for 2008 and 2009.

In total, pre-tax earnings within the Engineered Plastics segment reached EUR 8.0 (3.6) million in the first nine months.

Stable earnings from Industrial Parks

In the first nine months of 2010, ElringKlinger generated rental income of EUR 6.0 (6.0) million in the Industrial Parks segment. Pre-tax earnings improved slightly, up from EUR 1.9 million to EUR 2.2 million.

Demand picks up in Services division

After a sluggish performance in the first two quarters of 2010, demand for development and testing services offered by the Services segment picked up visibly during the third quarter. In particular, the recently established SCR (Selective Catalytic Reduction) Technology unit, which focuses on nitrogen oxide reduction, attracted much greater interest from customers. In total, the Services segment saw its revenue remain unchanged at EUR 6.0 (6.0) million in the first nine months of 2010.

Pre-tax earnings for the Services segment stood at EUR 0.7 (0.5) million in the first nine months of 2010.

Significant improvement in financial performance, exceptional charges burden

The ElringKlinger Group saw a continued improvement in its financial performance during the first nine months of 2010. Having said that, earnings have yet to return to the levels seen before the onset of the economic crisis. Within this context, the Group benefited from its cost streamlining at the height of the crisis, but even more so from higher capacity utilization in production.

The volume of components requested by car manufacturers as part of their production scheduling rose significantly. Production of components for commercial vehicles still fell well short of capacity levels recorded before the crisis, despite a gradual pick-up in demand during the first nine months of 2010.

Due to the partial-retirement scheme for personnel employed in the metal and electrical industry, as enshrined within the 2010 collective wage agreement for this sector, in the first quarter of 2010 the Group had to allocate partial-retirement provisions for the entire term of the agreement until the end of March 2012. As a result, staff costs rose by EUR 1.8 million on a non-recurring basis. Employee benefits of EUR 1,000 per person for staff employed at ElringKlinger AG and ElringKlinger Kunststofftechnik GmbH, as agreed for the years 2008 and 2009, were provisioned for in the first quarter of 2010, the total being EUR 2.4 million, and were paid in the second quarter. Thus, total staff costs came in higher by this amount.

Due to the appreciation of the Swiss franc against the euro, which in turn prompted an increase in the carrying amount of liabilities associated with the loan used to finance the acquisition of the Swiss SEVEX Group in 2008, ElringKlinger recorded a rise in negative non-cash foreign currency effects of EUR 6.0 million in the first nine months of 2010. ElringKlinger AG had financed the purchase consideration for the SEVEX Group in Swiss francs. There were no significant effects from this loan during the third quarter.

Further improvement in gross profit margin

While sales expanded by 39.8 %, the rise in cost of sales was restricted to 30.1 %. On this basis, the gross profit margin rose to 30.7 % (25.5 %) in the first nine months of 2010. In the third quarter, the gross profit margin was raised to 31.3 %, slightly up on the percentage figure recorded in the previous quarter.

Following the lows recorded in 2009, the price of materials rose significantly in the period under review. Compared to the long-term average, however, the price of commodities required by ElringKlinger remained at a manageable level in the first nine months of 2010. Price hedging for alloy surcharges (nickel) associated with high-grade steel resulted in additional material expenses of EUR 0.6 million in total during the first nine months of 2010 due to requisite settlement payments. In parallel, however, the overall trend of the fair value of commodity-related derivatives had a favorable impact on earnings of EUR 0.1 million due to the positive net effect of the reversal/use of current provisions for commodity-related hedges (other operating income of EUR 0.8 million) on the one hand and the settlement payments on the other. The hedging contracts ended during the second quarter of 2010.

During the crisis ElringKlinger had made use of the option to postpone the 2009 wage increase stipulated under the collective agreement by nine months of December 2009. Thus, since January 2010 the wage rise has added to staff costs. Additionally, the end of short-time work at the Group's facilities in Germany led to an increase in personnel expenses from as early as the beginning of the year.

The ElringKlinger Group spent EUR 31.8 (28.7) million on research and development in the first nine months of 2010, EUR 3.1 million more than in the same period a year ago.

As regards the company's classic products, the main emphasis was on developing and implementing numerous new applications within the areas of Plastic Housing Modules/Elastomer Technology and Shielding Technology.

R&D activities associated with the company's New Business Areas were stepped up further with regard to battery and fuel cell technology. Within this context, the new division by the name of „E-Mobility“ was established during the period under review. The first series production contract placed by a customer for the manufacture of cell contact systems for lithium-ion batteries, which are used in hybrid and purely electric vehicles, represents an important reference project for ElringKlinger. What is more, this new solution has also attracted considerable interest from other customers.

In the first nine months of 2010, ElringKlinger received EUR 2.0 million in government grants for ongoing development projects in the field of battery technology and fuel cell engineering, for which there was corresponding development expense.

The endurance tests conducted on the new coating material for catalytic soot reduction in DPF (diesel particulate filter) systems were extended to include truck applications. The first coated filter units for passenger vehicles are currently being tested by customers.

Of the research and development expense incurred in the first nine months of 2010, an amount of EUR 3.1 (3.5) million was capitalized. Systematic amortization of capitalized R&D activities amounted to EUR 2.7 (2.5) million in the same period. Overall, this had no significant effect on earnings.

Selling expenses rose by 8.2 %, while general and administrative expenses increased by 30.6 %. This includes the above-mentioned exceptional items associated with the staff profit-sharing program and the increase in partial-retirement provisions, which contributed to higher general and administrative expenses.

Operating result benefits from improved cost structure and higher capacity utilization

The ElringKlinger Group achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 144.8 (94.4) million in the first nine months of 2010, thus exceeding last year's comparative figure by EUR 50.4 million. As a result of the significant investments made in previous years, depreciation rose by EUR 7.6 million to EUR 59.1 (51.5) million. In the third quarter of 2010, EBITDA amounted to EUR 50.5 (38.3) million.

With the economic crisis coming to an end, the dynamic rise in demand from automobile manufacturers led to a significant improvement in capacity utilization at production level. Additionally, further enhancements made to the Group's cost structures in response to the crisis remained largely intact, as a result of which the operating profit rose at a more pronounced rate than sales.

Compared to the crisis-affected period last year, operating profit surged by EUR 49.6 million to EUR 91.6 (42.0) million in the first nine months of 2010. Recording EUR 34.0 (21.4) million in the third quarter of 2010, the ElringKlinger Group succeeded in matching the substantial result achieved in the second quarter (EUR 34.3 million), despite fewer working days and lower contributions from government R&D grants.

Impacted by net foreign currency losses of EUR 6.0 million in the first nine months of 2010, earnings before interest and taxes fell slightly short of operating profit. By contrast, the Group had recorded positive foreign exchange effects of EUR 0.9 million in the same period last year. Consequently, EBIT for the first nine months of 2010 amounted to EUR 85.7 (42.9) million. Despite the above-mentioned exceptional factors, the EBIT margin reached 14.6 % (10.2 %) in the first nine months of 2010.

In the third quarter of 2010, ElringKlinger increased EBIT by EUR 11.4 million to EUR 31.7 (20.3) million compared to the same quarter in the previous year. EBIT rose slightly compared to the second quarter of 2010, despite the fact that staffing levels were raised by 4.2 % in response to more extensive production. The EBIT margin for the third quarter was 15.7 % (13.4 %).

Earnings before taxes more than doubled after nine months

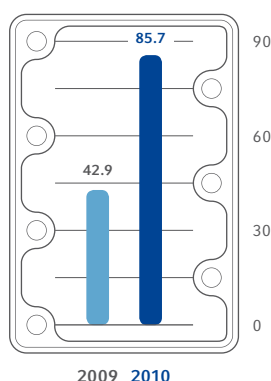
Net finance costs amounted to minus EUR 15.5 (-9.9) million for the first nine months of 2010. While the Group’s net interest result improved during the first nine months of 2010, the remeasurement at the end of the reporting period of liabilities relating to the financing of ElringKlinger’s acquisition of the SEVEX Group, Switzerland, produced finance cost of EUR 6.0 million.

Earnings before taxes rose to EUR 76.1 (32.1) million in the first nine months of 2010. In the third quarter, pre-tax earnings increased by 69.6 % to EUR 28.5 (16.8) million.

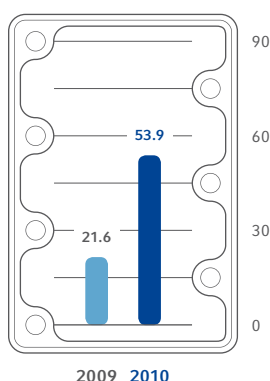
Net income at EUR 56.4 million after first nine months

At 25.9 % (28.7 %), the income tax rate for the first nine months of 2010 was lower than in the same period a year ago. This was attributable to the above-average increase in revenue contributions from Group companies located in countries with a below-average tax rate. As a result, net income for the first nine months of 2010 was EUR 56.4 million, compared to EUR 22.9 million for the same period a year ago. In the third quarter net income stood at EUR 20.7 (12.1) million. After minority interests of EUR 2.5 (1.3) million, profit attributable to shareholders of ElringKlinger AG rose by EUR 32.3 million or 149.5 % year-on-year to EUR 53.9 (21.6) million in the first nine months of 2010.

EBIT 1ST 9-MONTHS
in EUR million



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF
ELRINGKLINGER AG 1ST 9-MONTHS
in EUR million



In the third quarter of 2010, profit attributable to shareholders of ElringKlinger AG increased by 69.8 % to EUR 19.7 (11.6) million.

The number of ElringKlinger AG shares outstanding as at September 30, 2010, remained unchanged at 57,600,000. Basic and diluted earnings per share for the first nine months of 2010 amounted to EUR 0.94 (0.37). In the third quarter, earnings per share stood at EUR 0.34 (0.20).

Headcount rises due to higher output and international growth

As at September 30, 2010, the ElringKlinger Group employed 4,576 (4,041) people. Compared to the previous year, which had been impacted particularly severely by the economic crisis, the Group headcount thus rose by 13.2 %. The number of people employed within the ElringKlinger Group rose by 186 compared to June 30, 2010.

The rise in staffing levels came in response to the marked economic recovery and the thus resulting surge in capacity utilization and output at the majority of production sites operated by the ElringKlinger Group. In Asia, Brazil and Mexico in particular, the company's facilities were operating at high capacity, prompting more extensive recruitment of new staff. As a result of the takeover of Ompaş A.Ş., Turkey, in October 2009, the headcount rose by 44 compared to September 30, 2009.

The number of people employed at the Group's international sites rose by 20.6 % in total as at September 30, 2010, taking the headcount to 2,203 (1,827). The proportion of personnel employed abroad, which rose from 45.2 % to 48.1 %, reflected the growing revenue contribution made by the foreign enterprises in relation to Group sales as a whole.

In Germany, too, ElringKlinger AG stepped up its personnel recruitment in response to a dynamic increase in domestic demand for ElringKlinger products after the crisis-induced downturn.

As at September 30, 2010, the total headcount at ElringKlinger AG sites had risen by 95 year-on-year. New employees were also recruited at ElringKlinger Kunststofftechnik GmbH – particularly in the third quarter of 2010 – in response to higher production output and more pronounced order intake, as well as in order to prepare for new product start-ups. In the third quarter of 2010, the total number of people employed in Germany rose by 7.2 % year-on-year to 2,373 (2,214).

Financial Position and Cash Flows

The financial position and cash flows of the ElringKlinger Group remained very solid in the first nine months of 2010. This was a major advantage for the company in particular when it came to acquiring new long-term customer contracts.

The development of total assets reflected the growth of the Group as a whole, increasing by 16.9 % compared to September 30, 2009, to EUR 879.3 (752.2) million.

The company continued to invest in new sites, streamlining projects and plant and equipment for new products in spite of the market crisis, as a result of which property, plant and equipment increased by EUR 54.6 million to EUR 429.7 (375.1) million compared to September 30, 2009, despite the opposing effects of a concomitant rise in write-downs.

Inventories and receivables rise slower than revenue growth

Due to surging customer demand in the year to date, the Group adjusted inventory levels in line with the dynamic growth in production output. Inventories rose to EUR 122.6 (95.9) million at September 30, 2010, an increase of EUR 26.7 million compared to September 30, 2009. The proportion of inventories in relation to total assets rose to 13.9 % (12.7 %) as at September 30, 2010. However, percentage-wise, the increase in inventories was below the rate of revenue growth generated by the Group.

Capital tied up in trade receivables increased by EUR 29.2 million, or 25.7 %, to EUR 142.6 (113.4) million compared to September 30, 2009. However, as was the case with the increase in inventories, the rise in trade receivables as a percentage of sales was lower than revenue growth.

Equity ratio of 42.8 %

Revenue reserves were increased through allocations from 2009 net income as well as net income from the first nine months of 2010, resulting in a rise of EUR 54.1 million to EUR 292.5 (238.4) million compared to September 30, 2009, despite the dividend payment.

Other reserves fell by EUR 9.6 million in the third quarter of 2010, primarily as a result of the impact of a noticeable recovery in the euro since the middle of the year and the associated exchange differences arising from foreign currency translation. These reserves amounted to EUR 8.0 (-9.7) million as at September 30, 2010.

In total, the ElringKlinger Group's equity increased by 24.7 % to EUR 376.2 (301.7) million at September 30, 2010. This represents an equity ratio of 42.8 %, compared to 40.1 % at September 30, 2009.

As a result of the significant increase in production and sales volumes in the year to date, trade payables rose by EUR 15.9 million to EUR 37.2 (21.3) million at September 30, 2010.

Net debt contracts

The Group's financial liabilities were expanded by a total of EUR 29.7 million to EUR 250.2 million since the beginning of the year in order to partially fund investment activity as well as higher working capital requirements following the end of the market crisis.

However, as a result of the strong improvement in earnings, the Group was able to reduce net debt both in comparison to September 30, 2009, and June 30, 2010. In comparison to September 30, 2009, net debt fell by EUR 2.8 million. In the third quarter of 2010 the Group reduced net debt by EUR 5.2 million to EUR 215.9 million.

Other current liabilities, which mainly comprise accruals from tool-related revenue as well as deferred income, increased by EUR 13.4 million in comparison to September 30, 2009, to EUR 54.8 (41.4) million.

Liabilities continued to fall relative to total equity and liabilities, accounting for 57.2 % (59.9 %) of this total as at September 30, 2010.

Dynamic market recovery decisive for operating cash flow

In the first nine months of 2010 the ElringKlinger Group generated net cash from operating activities of EUR 78.8 (96.2) million. This represents a decline of 18.1 % in comparison to the corresponding period in the previous year. Net cash was burdened by inputs and higher inventories required in response to the dynamic pace of business recovery. The increase of EUR 44.0 million in pre-tax earnings was not sufficient to fully compensate for this impact.

In the first nine months of 2010 inventories, trade receivables and other assets not attributable to investing or financing activities increased by EUR 61.1 million. By contrast, in the same period in 2009, which was strongly influenced by carmakers downsizing production as a result of the market crisis, the ElringKlinger Group reduced working capital (inventories plus trade receivables) by EUR 20.8 million.

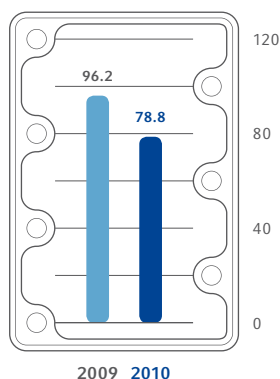
Strongly rising purchasing volumes in the first nine months of 2010 also resulted in an increase of EUR 11.2 million in trade payables and other liabilities attributable to operating activities. This compares to an increase in procurement volumes in the corresponding period of the previous year of just EUR 2.1 million.

Whilst in the first nine months of 2010 provisions of EUR 1.1 million were reversed, provisions of EUR 15.7 million were used or reversed in the same period in the previous year mainly as a result of the development of the fair value of commodity-related hedging contracts for alloy surcharges for nickel.

Moreover, the significant increase in earnings in the first nine months of 2010 meant that EUR 8.5 million of income tax had to be paid, whereas ElringKlinger received a tax rebate of EUR 1.3 million in the same period a year ago.

NET CASH FROM OPERATING ACTIVITIES 1ST 9-MONTHS

in EUR million

**Continued investment in international growth**

In the first nine months of 2010 the ElringKlinger Group invested EUR 89.4 (64.2) million in property, plant and equipment, investment property as well as intangible assets, EUR 25.2 million more than in the corresponding period a year ago. Investments were made primarily for the construction and expansion of sites, for plant and machinery and for tools for various new product ramp-ups. One of the main focuses was the expansion of production capacity at the Group's Chinese sites in Changchun and Suzhou. Additional projects included the complete refurbishment of the company headquarters at the Dettingen/Erms site and the construction of the logistics center.

In total, the cash outflow from investing activities amounted to EUR 88.6 (66.2) million in the first nine months of 2010, which was higher than the operating cash flow in the same period.

Whereas the ElringKlinger Group recorded no operational free cash flow (minus EUR 16.4 million) in the first six months as a result of investments, it was able to achieve operational free cashflow of EUR 6.6 million in the third quarter 2010.

In the first nine months of 2010, the Group took out short-term financial loans of EUR 46.2 million for the partial financing of investments and working capital requirements, for the interim financing of the dividend payment and for the restructuring of expiring long-term liabilities in favor of short-term liabilities. The company achieved interest savings by extinguishing EUR 16.5 (24.3) million of non-current financial liabilities. In the corresponding period in the previous year – in the course of a partial refinancing from short- to long-term maturities – the non-current financial liabilities had been increased by EUR 40.0 million.

During the first nine months of 2010 the Group distributed an amount of EUR 12.2 (10.4) million to shareholders and minority shareholders.

As a result, net cash from financing activities in the first nine months of 2010 amounted to EUR 15.9 million, compared to minus EUR 26.0 million in the same period a year ago.

At September 30, 2010, the ElringKlinger Group had cash amounting to EUR 34.3 (24.0) million.

Opportunities and Risks

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

At the end of the third quarter, macro conditions in the majority of the economic regions around the globe as well as market performance measured on the basis of global automobile production were more favorable than could have been expected at the beginning of the year. Asia and South America in particular, but also North America, saw their vehicle markets develop more dynamically than previously anticipated.

The downward revision of credit ratings for several southern European countries by credit agencies in the wake of the economic and financial crisis and soaring national debt at a global level pose a sustained risk to future economic performance and, indirectly, also to overall demand for automobiles.

As a result of these uncertainties, projections as to medium-term market performance are all the more difficult. Having said this, at present ElringKlinger does not anticipate that the above-mentioned situation will have a direct impact on demand for automobiles.

In the event of a continued surge in demand and a sudden expansion of manufacturing within the processing sector, the automotive industry as a whole may be exposed to the risk of a further rise in commodity prices. In this case, potential shortages of some raw materials, resulting primarily from the temporary closure of production capacities during the crisis, cannot be ruled out. ElringKlinger mitigates this risk by generally qualifying several suppliers for each material sourced, as well as negotiating long-term supply contracts and, where necessary, by applying commodity price hedges.

Within the newly established „E-Mobility“ division, serial production orders for recently developed cell connection modules used in lithium-ion batteries have provided ElringKlinger with good business opportunities in the segment of hybrid vehicles, but also with regard to purely electric automobiles. In establishing this division and establishing the serial production of cell connectors and other battery components as well as fuel cell components, the company in short-term creates a solid foundation to be able to generate the considerable revenue potential associated with this technology.

The Report on Opportunities and Risks included in the 2009 Annual Report can be accessed at <http://ar2009.elringklinger.de/report-on-opportunities-and-risks>.

Outlook

Outlook – Market and Sector

Sustained growth of world economy

The global economy looks set to recover at a more dynamic rate than previously anticipated. The IMF now projects growth of 4.8 % for 2010 (previously 3.9 %). Despite this, there are uncertainties as to whether the partly significant level of economic expansion recorded in some countries is sustainable.

For Germany, growth forecasts for 2010 have been revised upward by 1.9 percentage points to 3.3 %, while the euro area as a whole is expected to expand by 1.7 %. While the majority of the Eastern European economies have maintained their forward momentum, the outlook for the Russian economy has recently been revised downward from 4.3 % to 4.0 %.

Projections as to the future performance of the US economy are less favorable, with the growth forecast set at just 2.6 % for 2010 – lower than anticipated at the beginning of the year. By contrast, the economic mood in South America is much more upbeat. Indeed, the 2010 growth forecast for South America's largest market, Brazil, has been revised upward by an additional 0.4 percentage points to 7.5 %.

The emerging economies of Asia, led by China, have maintained their status as the driving force behind global economic growth. The IMF predicts that the world's second largest economy will again generate GDP growth of 10.5 % in the current year. India is expected to achieve growth of 9.7 %.

Even Japan's GDP now looks set to rise by 2.8 % (2.4 %) in 2010 as a whole.

Forecast for global automobile production revised upward again for 2010

Having been revised upward several times, the total number of new passenger and light commercial vehicles produced in 2010 is now projected to rise to more than 68.0 (59.3) million units. However, this is still considerably lower than the production levels recorded prior to the economic crisis.

German car production supported by buoyant exports

With the car scrappage program ending in 2009, the projections for Germany's new vehicle registrations in 2010 point to a figure of between 2.8 and 2.9 million units. This represents a decline of around 27.0 % compared to the substantial level recorded in the previous year. On a more positive note, the speed of decline has continued to slow.

Also in the coming months, car production figures are likely to be buoyed by the sustained surge in overseas demand for German-built vehicles, particularly from Asia and North America, as a result of which domestic vehicle production is expected to be higher in 2010.

Differing trends within European automobile markets

In view of the fact that cash-for-clunkers schemes have now come to end in many countries throughout Western Europe, the second half of 2010 as a whole is likely to see a further decline in the number of new vehicle registrations. The figure for the annual period is expected to fall by approx. 8.0 %.

For the remainder of the year Eastern Europe's total passenger car sales are projected to be considerably higher than in the previous year. Overall, however, new vehicle registrations for 2010 are expected to fall 5.0 % short of the figure recorded a year ago.

Buoyed by the recovery of the Russian car market, the number of new vehicles sold is likely to rise by around 20.0 % to 1.8 (1.5) million units.

Continued recovery of US auto market

Although the dynamism of the upswing has waned slightly, the surprisingly strong recovery in demand within the US automobile market looks set to continue over the remainder of the year. New vehicle registrations are expected to increase by 10.0 to 15.0 % in 2010 as a whole, which would take total sales to 12.0 (10.4) million units. Having said that, this level is still well below the long-term figure recorded in terms of normal demand and replacement purchases.

The prospects for the South American sales market remain solid. Brazil is expected to see new passenger car registrations surge by up to 10.0 % in 2010 as a whole.

Asian car markets remain growth drivers

The car markets of the emerging Asian countries China and India as well as the ASEAN economies continue to be the driving force behind the global automobile business. The positive performance recorded by these markets is forecast to continue over the remainder of the year. Passenger car sales in China are again expected to grow by more than 20.0 % year-on-year. The outlook for India points to similar growth rates.

Even the more mature Japanese automobile market is likely to achieve growth rates towards the middle of the single-figure percentage range in 2010 as a whole, measured on the basis of new vehicles registered.

Gradual upturn in commercial vehicle market continues

The gradual rise in orders for new trucks has gained some momentum during the year to date. The projected annual sales figure, however, is significantly lower than the levels recorded in 2007 and 2008.

In Germany, production of heavy goods vehicles over 6 tons is expected to grow by more than 5.0 % in 2010. In Europe as a whole, truck sales are unlikely to be much higher than in 2009, which had already been very sluggish.

The US truck market, by contrast, remains dynamic, with sales projected to rise by 10.0 to 15.0 % in 2010.

Outlook – Company

Investment focused on Asia, new product launches and E-Mobility

As ElringKlinger expects a continued shift in demand away from the three well-established US, European and Japanese markets toward the emerging Asian economies, the Group has been channeling appropriate investments into Asia. Over the course of 2010, the Group will invest a total of more than EUR 15 million in the construction of two new plants in China, as well as in machinery and equipment at the existing sites of Suzhou and Changchun. In doing so, ElringKlinger will double its production space in China. Because of substantial order intake and newly received projects, production capacity at the Suzhou site is to be expanded further in 2011. In Suzhou, ElringKlinger will soon take up production of lightweight plastic housing modules. Additionally, in 2011, the subsidiary ElringKlinger Kunststofftechnik GmbH is to receive a production line in Suzhou for components made of the high-performance plastic PTFE.

At the Dettingen/Erms (Germany) site, ElringKlinger is constructing a new, fully automated distribution center to be completed in the spring of 2011, intended for both the Original Equipment and Aftermarket segments. Investments of approximately EUR 15 million have been set aside for this project, some of which will be paid out in 2010 for the corresponding construction phases. The new fully automated warehouse will allow not only a marked increase in the rate of stock turnover, it will also contribute to a significant improvement in the cost structure of logistics processes.

For the manufacture of plastic housing modules such as oil pans, cam covers and transmission casings, ElringKlinger will build a new plant at its site in Dettingen/Erms with an investment volume of around EUR 20 million. The trend of saving weight by replacing heavy metal components with lightweight plastics is now also continuing to gain momentum in the commercial vehicle market. The Group has received a total of more than EUR 70 million in new orders within this area in recent months, necessitating a corresponding expansion of production.

Having secured another significant contract for the serial production of cell connection modules for lithium-ion batteries, ElringKlinger begins to construct a manufacturing facility for battery components at the production site in Dettingen/Erms. In addition, a newly established "E-Mobility" center of excellence will drive research and development relating to battery components and complete fuel cell stacks, with an investment volume totaling EUR 15 to 20 million.

The significant number of new product launches in 2011 and 2012 requires preparatory investments in tooling, which in turn will lead to an increase in that portion of the Group's total investments.

In total, ElringKlinger is planning an investment volume in the amount of EUR 90 to 95 million for 2011. As a proportion of Group revenue, however, the investment ratio will decline.

Order intake remains strong

The gradual increase in incoming orders which began in mid-2009 has continued in the first nine months of 2010. In this period, incoming customer orders were 49.8% up on the same period a year ago and reached EUR 659.3 (440.1) million.

In the third quarter, order intake was up 29.4 % year-on-year, increasing to EUR 214.7 (165.9) million. Within this context, order intake in the regions of Asia and South America was particularly buoyant.

The order backlog for the Group as a whole stood at EUR 315.3 (229.4) million at September 30, 2010, an increase of 37.4 % compared to the same period a year ago.

Vehicle production in 2010 surpasses initial expectations

Since the beginning of the year car markets have experienced a solid recovery. Compared to 2009, at the height of the financial crisis, the industry as a whole is now in a better position in terms of projecting the future direction of sales volumes. Nevertheless, it remains difficult to predict medium-term market developments, due to uncertainties prevalent in many regions worldwide regarding future economic development.

For 2010, ElringKlinger itself currently expects a year-on-year increase in global vehicle production of around 13 %. This means that the number of new vehicles sold will be considerably higher than was anticipated at the beginning of 2010.

Pre-crisis levels in sight

For 2011, the ElringKlinger Group expects a further increase in global car production of 2 to 3 %, predominantly driven by the markets in Asia and South America. The recovery of the commercial vehicle market, which has so far lagged behind that of passenger car production growth, should gradually continue.

Despite the strong upturn in 2010, global vehicle markets – in terms of passenger car production – will probably not surpass the pre-crisis level of 73 million passenger cars and light trucks until 2012.

Due to its numerous new product launches and the strong position held by the Group within the growth markets of Asia and South America, ElringKlinger anticipates that the Group's organic growth will outperform the overall rate of market expansion.

Sales and earnings targets for 2010 increased for the third time

Based on recent business performance and in view of the sustained upturn in demand anticipated for the automotive industry as well as the stable outlook for the economy as a whole, the ElringKlinger Group has once again raised its sales and earnings targets for the current fiscal year 2010.

For the full year 2010, ElringKlinger is now predicting an increase in sales revenues to EUR 745 to 755 million (previously EUR 690 to 710 million). The cylinder-head gasket and exhaust system division of the Freudenberg Group will not contribute to ElringKlinger's Group revenue until the scheduled completion of the acquisition (first quarter 2011). Therefore, revenues from this acquisition have not been included in the projected revenue figure for 2010.

Earnings before interest and taxes (EBIT) are expected to increase at a more pronounced rate than sales in 2010 to between EUR 105 and 110 million (previously EUR 90 to 95 million).

Given its good positioning in the long term, with high-end products for CO₂ reduction as well as a promising technology pipeline for battery components and fuel cells, the ElringKlinger Group considers itself well placed to achieve annual organic revenue growth of at least 5 to 7% and, as a minimum, proportionate earnings growth. Beyond that, as the automotive supply industry continues to consolidate, potential acquisitions will also contribute to sales and earnings growth.

Events after the Reporting Date

Successful placement of equity offering from Authorized Capital

On October 6, 2010, ElringKlinger AG placed 5,759,990 new, no-par-value registered shares with institutional investors by way of an accelerated bookbuilt offering. The placement attracted considerable interest among international investors and was slightly more than fivefold oversubscribed.

The issuance of the new shares, which are entitled to dividends as of January 1, 2010, was effected on the basis of partial utilization of the Authorized Capital approved at the General Meeting of Shareholders held on May 21, 2010, which amounted to EUR 28,800,000. As a result, the company's issued share capital has increased by just under 10 percent, from EUR 57,600,000 to EUR 63,359,990. The placement price was EUR 21.50 per share. On this basis, the company's gross proceeds from the issuance of new shares were approx. EUR 123.8 million. The new shares were approved for trading on the Regulated Market of the Frankfurt Stock Exchange on October 7, 2010. The increase in capital was also supported by the company's principal shareholders, the Walter Herwarth Lechler family as well as the Klaus Lechler estate.

As a result of the capital increase, ElringKlinger's freefloat rose from 44.6% to 48.0%. This constitutes an improvement in the market liquidity of ElringKlinger stock, which is of particular importance to institutional investors. This, in turn, means that the stock's weighting in the MDAX increases.

The proceeds of the capital increase will be used primarily for the purpose of financing further dynamic growth and optimizing the company's financing structures. Alongside the partial financing of the acquisition and integration of the Static Metal Gaskets division of the Freudenberg Group, the proceeds of the capital increase have been earmarked for the expansion of the company's new „E-Mobility“ division, the construction of a new plant for plastic housing modules for commercial vehicles and for the pursuit of additional external growth opportunities. Details of the planned investments are discussed in the Outlook section of this report.

ElringKlinger and the Capital Markets

ElringKlinger stock gains 38.2 % in first nine months of 2010

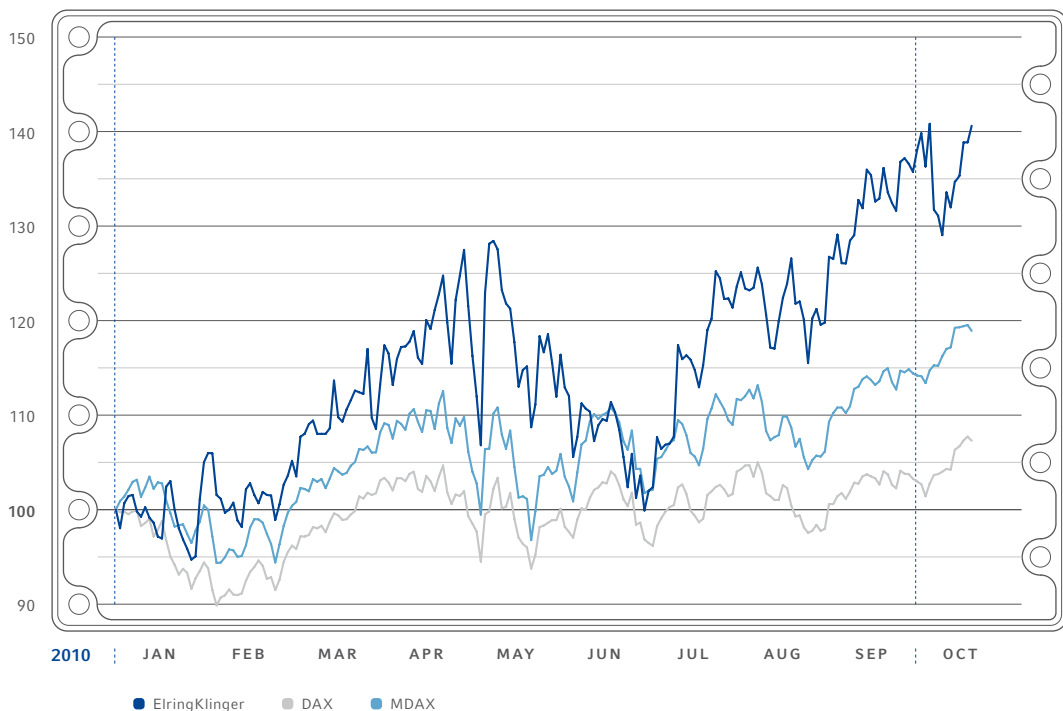
Against the backdrop of a significant recovery within the global automobile industry and a solid company performance, ElringKlinger shares maintained their forward momentum over the course of the first nine months of 2010. The continued recovery of the international automobile markets had a positive impact on the company's share price as early as the first quarter. In April 2010, ElringKlinger stock moved beyond the twenty euro mark for the first time since mid-2008.

The growing uncertainty in the wake of Europe's national debt crisis had an adverse effect on the company's share price. During the ensuing period of market correction, ElringKlinger's stock softened to the level of EUR 17 towards the end of June 2010.

The disclosure of plans to acquire the cylinder-head and exhaust system gasket business of the Freudenberg Group, together with the publication of the company's results for the second quarter of 2010, marked the beginning of a dynamic recovery during which ElringKlinger's shares eventually breached the important mark of EUR 22.00, later achieving a high of EUR 23.50.

The announcement of a equity offering on October 5, 2010, prompted a temporary dip in the company's share price as a result of an increase in stock volume by slightly below 10 %. However, the stock was quick to regain its momentum.

ELRINGKLINGER'S SHARE PRICE PERFORMANCE (XETRA) SINCE JAN. 1, 2010
compared to MDAX and DAX



ElringKlinger stock outperforms its MDAX und DAX benchmarks

ElringKlinger's shares performed better than the DAX and MDAX benchmark indices during the first nine months of 2010. While the MDAX gained 14.2 % since the beginning of the year and the DAX rose by a mere 3 %, ElringKlinger saw its share price surge by 38.2 % (plus dividend).

Improved trading value

The overall liquidity of shares was encouraging during the period under review. Compared with the same period a year ago, the average daily trading value of ElringKlinger shares traded on German stock exchanges during the first nine months rose by 47.4 % to EUR 2,021,000 (1,371,000).

The issuance of new shares by the company on October 6, 2010, resulting in a higher free float of 48.0 % (44.6 %), anticipates a positive impact on trading volume, an indicator that is of particular importance to institutional investors. This will also result in the overall weighting of ElringKlinger's stock within the MDAX being raised.

Active dialog with capital markets

During the first nine months, the company's management took part in 8 capital market conferences and 3 road shows attended by analysts and institutional investors. ElringKlinger's investor relations activities also included numerous investor meetings at the company's premises in Germany, as well as conference calls and personal appointments. The company reported on its current business performance, market trends and prevailing conditions within the industry, in addition to presenting new products. Within this context, ElringKlinger AG's activities in the field of battery and fuel cell technology, as well as its performance with regard to the rapidly growing Asian market, proved to be of increasing interest. Analysts and investors focused in particular on the two facilities located in China. For the first time, the Chinese subsidiary ElringKlinger China Ltd. hosted a group of international investors and analysts at the newly built production facility in Suzhou. During the remainder of the year, ElringKlinger's investor relations activities will be directed in particular at international markets.

ElringKlinger Stock (ISIN DE 0007856023)

Jan.-Sept. 2010

Jan.-Sept. 2009

	Jan.-Sept. 2010	Jan.-Sept. 2009
Number of shares outstanding	57,600,000	57,600,000
Share price (daily closing price in EUR) ¹		
High	23.47	15.70
Low	16.09	6.20
Closing price on September 30	23.47	14.03
Average daily trading volume (German stock exchanges; no. of shares traded)	104,400	128,800
Average daily trading volume (German stock exchanges; in EUR)	2,021,000	1,371,000

¹XETRA

Consolidated Income Statement of ElringKlinger AG

for the period from January 1 to September 30, 2010

	3 rd Quarter 2010 EUR '000	3 rd Quarter 2009 EUR '000	9-months 2010 EUR '000	9-months 2009 EUR '000
Sales	202,526	151,300	586,202	419,200
Cost of sales	-139,142	-106,600	-406,383	-312,300
Gross profit	63,384	44,700	179,819	106,900
Selling expenses	-13,463	-12,300	-39,699	-36,700
General and administrative expenses	-7,129	-6,000	-20,897	-16,000
Research and development expenses	-10,411	-9,600	-31,790	-28,700
Other operating income	2,442	6,300	7,970	19,300
Other operating expenses	-868	-1,700	-3,799	-2,800
Operating result	33,955	21,400	91,604	42,000
Financial income	1,561	624	10,674	7,541
Financial costs	-6,971	-5,224	-26,172	-17,441
Net finance costs	-5,410	-4,600	-15,498	-9,900
Earnings before taxes	28,545	16,800	76,106	32,100
Taxes on income	-7,837	-4,700	-19,698	-9,200
Net income	20,708	12,100	56,408	22,900
Minority interests	-971	-479	-2,461	-1,328
Profit attributable to shareholders of ElringKlinger AG	19,737	11,621	53,947	21,572
Basic and diluted earnings per share in EUR	0.34	0.20	0.94	0.37

Reconciliation to Comprehensive Income

	3 rd Quarter 2010 EUR '000	3 rd Quarter 2009 EUR '000	9-months 2010 EUR '000	9-months 2009 EUR '000
Net income	20,708	12,100	56,408	22,900
Unrealized gains (losses) from currency translation adjustments	-10,220	438	14,460	2,723
Other comprehensive income (loss)	-10,220	438	14,460	2,723
Total comprehensive income	10,488	12,538	70,868	25,623
Minority interests in total comprehensive income	-367	-330	-2,832	-1,218
Total comprehensive income attributable to shareholders of ElringKlinger AG	10,121	12,208	68,036	24,405

Consolidated Statement of Financial Position of ElringKlinger AG

as at September 30, 2010

	Sept. 30, 2010 EUR '000	Dec. 31, 2009 EUR '000	Sept. 30, 2009 EUR '000
ASSETS			
Intangible fixed assets	89,502	89,184	87,602
Property, plant and equipment	429,702	386,178	375,077
Investment property	26,306	27,400	27,668
Financial assets	1,537	1,610	1,675
Other non-current assets	4,349	5,105	4,764
Deferred tax assets	12,515	14,143	10,728
Non-current assets	563,911	523,620	507,514
Inventories	122,629	101,468	95,930
Trade receivables	142,631	106,761	113,383
Other current assets	15,838	11,651	11,423
Cash	34,256	25,580	23,990
Current Assets	315,354	245,460	244,726
	879,265	769,080	752,240

	Sept. 30, 2010 EUR '000	Dec. 31, 2009 EUR '000	Sept. 30, 2009 EUR '000
LIABILITIES AND SHAREHOLDER'S EQUITY			
Share capital	57,600	57,600	57,600
Capital reserve	2,747	2,747	2,747
Revenue reserves	292,478	250,051	238,401
Other reserves	8,010	-6,079	-9,724
Equity attributable to shareholders of ElringKlinger AG	360,835	304,319	289,024
Minority interests	15,346	13,213	12,719
Shareholder's equity	376,181	317,532	301,743
Provision for pensions	60,666	59,359	58,529
Non-current provisions	6,539	6,015	5,322
Non-current financial liabilities	147,757	164,269	165,871
Deferred tax liabilities	33,670	31,633	30,764
Other non-current liabilities	31,651	37,356	33,936
Non-current liabilities	280,283	298,632	294,422
Current provisions	9,965	10,651	9,519
Trade payables	37,168	35,712	21,294
Current financial liabilities	102,423	56,234	76,813
Tax payables	18,479	9,051	7,014
Other current liabilities	54,766	41,268	41,435
Current liabilities	222,801	152,916	156,075
	879,265	769,080	752,240

Consolidated Statement of Changes in Equity of ElringKlinger AG

	Share capital EUR '000	Capital reserve EUR '000
as of Dec. 31, 2008	57,600	2,747
Capital increase		
Dividends paid		
Changes in consolidated companies		
Comprehensive income		
Net profit		
Currency differences		
Other comprehensive income		
as of September 30, 2009	57,600	2,747
as of Dec. 31, 2009	57,600	2,747
Capital increase		
Dividends paid		
Changes in consolidated companies		
Comprehensive income		
Net profit		
Currency differences		
Other comprehensive income		
as of September 30, 2010	57,600	2,747

Revenue reserves		Other reserves			Group equity EUR '000
Revenue reserve first-time adoption of IFRS EUR '000	Group Equity generated EUR '000	Currency translation differences EUR '000	Equity attributable to shareholders of ElringKlinger AG EUR '000	Minority interests EUR '000	
26,181	199,288	-12,557	273,259	14,888	288,147
			0		0
	-8,640		-8,640	-1,724	-10,364
			0	-1,663	-1,663
	21,572	2,833	24,405	1,218	25,623
	21,572		21,572	1,328	22,900
		2,833	2,833	-110	2,723
			0		0
26,181	212,220	-9,724	289,024	12,719	301,743
26,181	223,870	-6,079	304,319	13,213	317,532
			0		0
	-11,520		-11,520	-699	-12,219
			0		0
	53,947	14,089	68,036	2,832	70,868
	53,947		53,947	2,461	56,408
		14,089	14,089	371	14,460
			0		0
26,181	266,297	8,010	360,835	15,346	376,181

Consolidated Cash Flow Statement of ElringKlinger AG

	3 rd Quarter 2010 EUR '000	3 rd Quarter 2009 EUR '000	9-months 2010 EUR '000	9-months 2009 EUR '000
Earnings before taxes	28,545	16,800	76,106	32,100
Depreciation/Amortization (less write-ups) of non-current assets	18,732	18,040	59,125	51,460
Net interest	3,175	3,500	9,544	10,800
Change in provisions	-254	-5,347	-1,082	-15,718
Gains/Losses from disposal of intangible assets and of property, plant and equipment	203	35	204	90
Change in inventories, trade receivables and other assets not resulting from financing and investing activities	-11,314	-8,503	-61,066	20,847
Change in trade liabilities and other liabilities not resulting from financing and investing activities	4,396	8,022	11,169	2,069
Income taxes paid	-2,738	3,820	-8,492	1,320
Interest paid	-2,237	-2,417	-6,852	-7,406
Interest received	24	10	82	30
Currency effects on items relating to operating activities	-895	1,324	29	603
Net cash from operating activities	37,637	35,284	78,767	96,195
Proceeds from disposals of intangible assets and of property, plant and equipment	38	55	670	329
Proceeds from disposals of financial assets	201	165	584	375
Payments for investments in intangible assets	-1,166	-1,353	-3,528	-3,736
Payments for investments in property, plant and equipment and investment properties	-29,930	-19,026	-85,842	-60,505
Payments for investments in financial assets	-200	-193	-481	-460
Payments for the acquisition of consolidated entities	0	0	0	-2,198
Net cash from investing activities	-31,057	-20,352	-88,597	-66,195
Dividends paid to shareholders and minorities	-507	-1,645	-12,219	-10,364
Changes in current financial liabilities	1,518	-9,440	46,189	-31,216
Additions to non-current financial liabilities	0	0	0	40,000
Repayment of non-current financial liabilities	-4,410	-2,601	-16,512	-24,277
Currency effects on items relating to financing activities	936	-277	-1,568	-155
Net cash from financing activities	-2,463	-13,963	15,890	-26,012
Changes in cash	4,117	969	6,060	3,988
Currency on cash	-1,809	-25	2,616	261
Cash at beginning of period	31,948	23,046	25,580	19,741
Cash at end of period	34,256	23,990	34,256	23,990

Group Sales by Region

	3 rd Quarter 2010 EUR '000	3 rd Quarter 2009 EUR '000	9-months 2010 EUR '000	9-months 2009 EUR '000
Germany	59,331	46,715	170,787	135,208
Other Europe	58,961	45,948	177,651	137,820
NAFTA	37,387	24,416	106,023	59,276
Asia and Australia	33,653	24,025	92,625	60,049
South America and other	13,194	10,196	39,116	26,847
Group	202,526	151,300	586,202	419,200

Segment Reporting

for the period from July 1 to September 30, 2010

Segment	Original Equipment		Aftermarket		Engineered Plastics	
	2010	2009	2010	2009	2010	2009
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Segment sales¹	158,702	110,856	27,291	23,796	18,505	14,167
- Intersegment sales	-4,983	-376	0	0	0	0
Sales	153,719	110,480	27,291	23,796	18,505	14,167
EBIT²	20,637	13,488	6,388	4,507	3,140	1,281
+ Interest income	8	0	4	8	105	0
- Interest expenses	-2,752	-2,644	-266	-335	-106	-194
Earnings before taxes	17,893	10,844	6,126	4,180	3,139	1,087
Depreciation and amortization	17,339	16,719	216	178	616	604
Investments ³	29,160	18,906	410	280	1,316	728

for the period from January 1 to September 30, 2010

Segment	Original Equipment		Aftermarket		Engineered Plastics	
	2010	2009	2010	2009	2010	2009
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Segment sales¹	457,061	299,975	81,199	71,246	53,359	42,128
- Intersegment sales	-13,786	-3,735	0	0	0	0
Sales	443,275	296,240	81,199	71,246	53,359	42,128
EBIT²	56,752	21,782	17,435	13,880	8,057	4,088
+ Interest income	55	0	14	19	284	6
- Interest expenses	-8,258	-8,653	-808	-973	-318	-465
Earnings before taxes	48,549	13,129	16,641	12,926	8,023	3,629
Depreciation and amortization	54,847	47,437	721	611	1,885	1,830
Investments ³	83,478	56,219	1,303	525	4,051	6,531

¹ Due to the first-time adoption of IFRS 8 the prior-year figures have been adjusted with regard to the format of presentation relating to segment reporting

² Earnings before interest and taxes

³ Additions to Intangible Assets and Property, Plant & Equipment, incl. interests acquired during previous financial year

Industrial Parks		Services		Consolidation und other ¹		Group	
2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000
2,037	2,070	2,322	1,709	-1,348	-922	207,509	151,676
0	0	0	0	0	0	-4,983	-376
2,037	2,070	2,322	1,709	-1,348	-922	202,526	151,300
992	927	563	97			31,720	20,300
0	1	0	1	-93	0	24	10
-157	-331	-11	-6	93	0	-3,199	-3,510
835	597	552	92			28,545	16,800
281	279	280	260			18,732	18,040
148	173	62	292			31,096	20,379

Industrial Parks		Services		Consolidation und other ¹		Group	
2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000	2010 EUR '000	2009 EUR '000
5,959	6,003	5,996	5,967	-3,586	-2,384	599,988	422,935
0	0	0	0	0	0	-13,786	-3,735
5,959	6,003	5,996	5,967	-3,586	-2,384	586,202	419,200
2,722	2,611	684	539	0	0	85,650	42,900
1	2	0	3	-272	0	82	30
-482	-727	-32	-12	272	0	-9,626	-10,830
2,241	1,886	652	530	0	0	76,106	32,100
823	830	849	752	0	0	59,125	51,460
241	221	297	1,280	0	0	89,370	64,776

Notes to the Third Quarter and First Nine Months of 2010

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

The accompanying condensed consolidated interim financial statements of ElringKlinger AG and its subsidiaries as of September 30, 2010, have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).

As the consolidated interim financial statements are presented in a condensed format, the financial statements accompanying the report on the first nine months 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 October 29, 2010.

Basis of Reporting

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

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

In addition to the financial statements of ElringKlinger AG, the interim financial statements as of September 30, 2010, 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, with both of their subsidiaries, were included in the interim report on the basis of proportionate consolidation in accordance with IAS 31. In the case of proportionate consolidation, all assets and liabilities as well as expenses and income of the joint ventures are included in the consolidated financial statements at the proportionate interest held (50 %).

Corporate Acquisitions

ElringKlinger AG, Dettingen/Erms, will acquire the Static Metal Gaskets business of Freudenberg & Co. Kommanditgesellschaft, Weinheim, effective from January 1, 2011. Inclusion in the consolidated group of ElringKlinger will take place as of January 1, 2011.

In addition to the Freudenberg subsidiary Burgmann Automotive GmbH, Gelting (Germany), ElringKlinger AG will also acquire part of Freudenberg Meillor S.A.S., Nantiat (France), as well as OIGRA-Meillor s.r.l., Turin (Italy).

Exchange Rates and Derivative Financial Instruments

Exchange rates developed as follows:

Currency	Abbr.	Rate on the closing date Sept. 30, 2010	Rate on the closing date Dec. 31, 2009	Average rate Jan.–Sept. 2010	Average rate Jan.–Dec. 2009
US Dollar (USA)	USD	1.36530	1.44050	1.31397	1.39660
Pound (United Kingdom)	GBP	0.85800	0.89000	0.85550	0.89005
Swiss Franc (Switzerland)	CHF	1.32780	1.48360	1.39070	1.50885
Canadian Dollar (Canada)	CAD	1.40700	1.51000	1.36691	1.58070
Real (Brazil)	BRL	2.32180	2.50970	2.34438	2.76663
Mexican Peso (Mexico)	MXN	17.10650	18.82600	16.70763	18.87628
RMB (China)	CNY	9.13460	9.82990	8.93290	9.53857
WON (South Korea)	KRW	1,550.00000	1,678.97000	1,531.07556	1,764.09167
Rand (South Africa)	ZAR	9.52000	10.67500	9.77729	11.50169
Yen (Japan)	JPY	113.72000	133.06000	117.07444	130.64000
Forint (Hungary)	HUF	276.60000	270.15000	276.04000	281.24500
Turkish Lira (Turkey)	TRY	1.98060	2.15260	1.99601	2.16571
Indian Rupee (India)	INR	60.84030	67.00340	60.18180	67.40177

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

The overall trend of the fair value of commodity-related derivatives had a positive effect on earnings in the first nine months of 2010. The balance between the reduction of current provisions (other operating income of EUR 788 thousand) and settlement payments to be made by the company (additional material expenses of EUR 647 thousand) improved the result before taxes by EUR 141 thousand in the first nine months of 2010.

Since the beginning of May 2010, the Group only has financial derivatives that are used solely for the purpose of hedging interest rate risks.

In the first nine months, interest payable as well as higher current provisions for swap contracts entered into for the purpose of hedging interest risks led to an increase in other operating expense of EUR 296 thousand.

Of this, a total of EUR 9 thousand in other operating expenses was attributable to the third quarter of 2010.

Government Grants

As a result of government grants, primarily for development projects, other operating income rose by an additional EUR 2,045 thousand in the first nine months of 2010.

Of this, a total of EUR 616 thousand in other operating income was attributable to the third quarter.

Contingencies and Related Party Disclosures

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

Events after the Reporting Period

On October 5, 2010, the Management Board of ElringKlinger AG, with the consent of the Supervisory Board, resolved to increase share capital, with the exclusion of subscription rights.

The 5,759,990 new, no-par-value registered shares were placed with institutional investors on October 6, 2010, as part of a so-called accelerated bookbuilt offering. The gross proceeds from the issuance of new shares amounted to EUR 123.8 million in total. As a result of the seasoned equity offering, the company's share capital rose from EUR 57,600,000 to EUR 63,359,990.

There were no other significant events after the end of the interim reporting period that would 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, October 29, 2010

The Management Board



Dr. Stefan Wolf



Theo Becker



Karl Schmauder

Disclaimer – Forward-looking Statements and Forecasts

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

Calendar

NOVEMBER 22 – 24, 2010

German Equity Forum, Frankfurt

NOVEMBER 30 – DECEMBER 1, 2010

9th CTI-Symposium Innovative Automotive
Transmission, Berlin

MARCH 29, 2011

Annual Press Conference, Analysts' Conference

MAY 31, 2011

106th Annual General Shareholders' Meeting

SEPTEMBER 15 – 25, 2011

International Motor Show (IAA), Frankfurt



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Further information is available at www.elringklinger.de



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