



Report on the **Second Quarter** and **First Half of FY 2002**

Dear stockholders:

We would like to herewith bring you up to date on developments at the ElringKlinger Group and ElringKlinger AG during the second quarter and first half of FY 2002 and our projections for the future course of our business.

Market Trends

During the second quarter of FY 2001, **economic growth** throughout ElringKlinger's major markets was weaker than expected. Signs of a forthcoming economic upturn that began to appear during the first quarter were not reflected in our accounting figures. Industrial order receipts and manufacturing figures for the European area and the USA remained below last year's levels. The GNP of the European area as a whole grew by less than 0.5 % compared to that for the preceding calendar year. The corresponding figure for the USA was 1.7 %.

Economic-growth forecasts for calendar 2002 and 2003 originally published by economic-research institutions and the German federal government have meanwhile been adjusted downwards several times. It is now assumed that an economic upturn will commence in Germany, the other Euro countries, and the USA during the second half of calendar 2002. A GNP growth rate of less than 1 % has been forecast for Germany and the other Euro countries. Less than 2 % has been forecast for the USA. The outlook for an economic recovery during calendar 2003 has been cut back and a modest GNP growth rate of 2 % to 2.5 % is now expected.

The **steady rise in Euro exchange rates** relative to major reference currencies since April has put a damper on economic growth throughout the Euro countries. The Euro had risen by 13 % against the U.S. Dollar and 6 % against the British Pound by June. Of special importance to ElringKlinger are the Euro's 24-% rise relative to the Mexican Peso and 33-% rise relative to the Brazilian Real over the current reporting period. This rise of the Euro will reduce exports to non-Euro countries and be reflected in declining earnings over the short term and a loss of competitiveness over the medium term, and improve the competitiveness of non-Euro countries within the Euro countries.

Automotive markets have tracked the recent economic downturn. Compared to the second quarter of calendar 2001, new passenger-car registrations for the second quarter of calendar 2002 declined by 3.6 % in Germany, 7.3 % for Western Europe as a whole, and 1.8 % in the USA. The comparatively low decline in the USA was due to stepped-up sales-incentive programs.

Second-quarter **passenger-car production** was down by 5.1 % in Germany and 2 % for Western Europe as a whole compared to the second quarter of calendar 2001. Although second-quarter passenger-car/SUV production for the USA/NAFTA-area was up by 9.3 % compared to the second quarter of calendar 2001, the decline in new-vehicle registrations has led to a significant increase in new-vehicle inventories that probably

will have to be worked off over the second half of calendar 2002. A decline in North-American passenger-car production over the second half of calendar 2002 thus appears highly likely.

Truck and bus production continued to decline. In Germany, first-half unit production was down by 14 % for trucks and 25 % for buses compared to the first half of 2001. Following on the heels of a brief rise, sales of new trucks and buses in North America also weakened due to stricter exhaust-emission regulations.

The tables below list new-vehicle registration and production figures for major passenger-car markets over the first and second quarters and first half of calendar 2002:

New Passenger-Car Registrations (thousands of units)

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Germany	799	895	1,694
Percentage change, FY 2002/2001	- 4.3	- 3.6	- 3.9
Western Europe	3,981	3,776	7,757
Percentage change, FY 2002/2001	- 3.3	- 7.3	- 4.5
USA	3,940	4,496	8,436
Percentage change, FY 2002/2001	- 4.4	- 1.8	- 3.2

Registration figures for the USA include sport-utility vehicles (off-road vehicles).

Passenger-Car Production (thousands of units)

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Germany	1,242	1,328	2,570
Percentage change, FY 2002/2001	- 14.0	- 5.1	- 8.0
Western Europe	3,753	4,061	7,814
Percentage change, FY 2002/2001	- 9.6	+ 2.0	- 4.0
USA	4,000	4,775	8,775
Percentage change, FY 2002/2001	- 0.5	+ 9.3	+ 4.6

Production figures for the USA include sport-utility vehicles (off-road vehicles).

All marketing, production, and vehicle-registration data have been taken from sources available to the general public. No liability for their accuracy is assumed.

Consolidated Group Sales

In spite of the weak markets and unfavorable economic climate, the ElringKlinger Group fared well during the second quarter of FY 2002. Consolidated net sales for the group for the quarter were € 98.8 million, an increase of 3.3 % compared to the figure reported for the second quarter of FY 2001. After adjustments to allow for effects due to the recent appreciation of the Euro, that increase more than doubled to 7 %.

Consolidated net sales for the group for the first half of FY 2002 were € 199.1 million, an increase of 7 % compared to the figure reported for the first half of FY 2001. After adjustments to allow for effects due to the recent appreciation of the Euro, that increase rose to 9 %.

As in the preceding quarter, the major contributor to second-quarter sales growth was our OEM-business, which was up by 9.5 % compared to the figure reported for the second quarter of FY 2001. Spare-parts sales, which have traditionally been highly dependent upon the purchasing power of the U.S. Dollar, were 7.1 % lower than for the second quarter of FY 2001. Sales of our plastic-products division were also lower, declining by 5.9 %

compared to the figure reported for the second quarter of FY 2001, which exhibited a steep upward trend. The decline in sales at our industrial-park division is attributable to the elimination of revenues from the Tamm Industrial Park, which was sold in the fourth quarter of FY 2001. Although sales of our services division for the second quarter dropped substantially compared to the second quarter of FY 2001, the amount involved was insignificant.

Once again, the sharpest rise, 32.6 %, in second-quarter sales, categorized by geographic territory, was reported by North America. Domestic second-quarter sales were slightly (0.3 %) lower than last year's level. Second-quarter sales to other European countries were up by 6.6 %. The remaining foreign markets, which collectively represent a relatively low sales volume, reported sharp declines in second-quarter sales compared to the second quarter of FY 2001, largely due to the impacts of unfavorable variations in local-currency exchange rates.

The tables below list sales trends by market segment and geographic territory for the respective reporting periods involved.

Consolidated Group Net Sales by Market Segment (M €)

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
OEM-sales	69.4	68.3	137.7
Percentage change, FY 2002/2001	+ 15.7	+ 9.5	+ 12.5
Spare parts	17.6	17.1	34.7
Percentage change, FY 2002/2001	+ 12.8	- 7.1	+ 2.1
Plastic products	11.1	11.1	22.2
Percentage change, FY 2002/2001	- 6.7	- 5.9	- 6.3
Industrial parks	1.8	1.8	3.6
Percentage change, FY 2002/2001	+ 10.0	- 14.3	- 12.2
Services	0.4	0.5	0.9
Percentage change, FY 2002/2001	- 55.6	- 37.5	- 47.1
Totals	100.3	98.8	199.1
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.0

Consolidated Group Sales by Geographic Territory (M €)

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Germany	39.7	39.0	78.7
Percentage change, FY 2002/2001	- 3.6	- 0.3	- 2.0
Rest of Europe	32.4	32.2	64.6
Percentage change, FY 2002/2001	+ 14.1	+ 6.6	+ 10.2
NAFTA-area	18.5	18.3	36.8
Percentage change, FY 2002/2001	+ 50.4	+ 32.6	+ 41.0
Asia	5.5	5.7	11.2
Percentage change, FY 2002/2001	+ 31.0	- 26.9	- 6.7
South America/Rest of the world	4.2	3.6	7.8
Percentage change, FY 2002/2001	- 2.3	- 25.0	- 14.3
Totals	100.3	98.8	199.1
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.0

The Euro figures appearing in this report have been adjusted to allow for variations in exchange rates as of the closing date, 30 June, 2002, and apply retroactively to the entire first half of FY 2002. Euro figures for the preceding fiscal year are based on exchange rates that were in effect at the close of the respective reporting periods involved.

Consolidated Group Earnings

The ElringKlinger Group's **consolidated pre-tax earnings** for the second quarter of FY 2002 declined to €8.0 million, a decrease of 2.4 % compared to the figure reported for the second quarter of FY 2001. Foreign-exchange translation losses due to the recent appreciation of the Euro reduced consolidated pre-tax earnings by € 1.3 million. If those foreign-exchange translation losses are disregarded, second-quarter consolidated pre-tax earnings would have been up by 13.2 % compared to the figure reported for the second quarter of FY 2001.

Consolidated first-half pre-tax earnings for the ElringKlinger Group rose to €18.5 million, an increase of 2.2 % compared to the figure reported for the first half of FY 2001.

Consolidated after-tax earnings were up much more sharply due to the effects of nonrecurring tax refunds on the earnings of domestic affiliates, and amounted to €4.7 million for the second quarter, an increase of 14.6 %, compared to the figure reported for the second quarter of FY 2001, and €10.5 million for the first half, an increase of 7.1 % compared to the figure reported for the first half of F2001.

The table below lists consolidated sales and earnings figures for the ElringKlinger Group for the respective reporting periods involved:

Consolidated Group Sales/Earnings (M €)

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Net sales	100.3	98.8	199.1
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.0
EBITDA	21.9	18.9	40.8
Percentage change, FY 2002/2001	+ 4.3	- 2.6	+ 1.0
EBIT	11.8	9.3	21.1
Percentage change, FY 2002/2001	0.0	- 7.9	- 4.1
Pre-tax earnings	10.5	8.0	18.5
Percentage change, FY 2002/2001	+ 6.1	- 2.4	+ 2.2
After-tax earnings	5.8	4.7	10.5
Percentage change, FY 2002/2001	+ 1.8	+ 14.6	+ 7.1

Sales/Earnings of ElringKlinger AG

ElringKlinger AG's consolidated net sales **for the second quarter of FY 2002** reached €67.5 million, an increase of 6.1 % compared to the figure reported for the second quarter of FY 2001. Consolidated net sales for the first half were also up by 6.1 %, at €134.4 million. Both figures are the result of capturing higher market shares in stagnating or declining markets. ElringKlinger AG's consolidated pre-tax earnings also continued their history of steady growth. Disregarding earnings distributions received from subsidiaries and affiliated companies, ElringKlinger's consolidated pre-tax earnings for the second quarter were €5.7 million, an increase of 32.6 % compared to the figure reported for the second quarter of FY 2001. Consolidated after-tax earnings were €3.7 million, an increase of 32.1 % compared to the figure reported for the second quarter of FY 2001.

Consolidated second-quarter pre-tax earnings after adjustments to allow for disbursements of retained earnings received from subsidiaries and affiliated companies were €12.6 million, an increase of 3.3 % compared to the figure

reported for the second quarter of FY 2001. Consolidated second-quarter after-tax earnings were €10.3 million, an increase of 22.6 % compared to the figure reported for the second quarter of FY 2001.

The tables appearing overleaf list sales and earnings figures, both unadjusted and adjusted to allow for earnings distributions received from subsidiaries and affiliated companies, for ElringKlinger AG for the respective reporting periods involved.

Sales/earnings figures (M €) for ElringKlinger AG, before adjustments to allow for earnings distributions received from affiliated companies

The ElringKlinger Group	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Net sales	66.9	67.5	134.4
Percentage change, FY 2002/2001	+ 6.0	+ 6.1	+ 6.1
EBITDA	13.8	12.5	26.3
Percentage change, FY 2002/2001	+ 9.5	+ 7.8	+ 8.7
EBIT	7.7	6.6	14.3
Percentage change, FY 2002/2001	+ 5.5	+ 11.9	+ 7.5
Pre-tax earnings	6.6	5.7	12.3
Percentage change, FY 2002/2001	+ 15.8	+ 32.6	+ 23.0
After-tax earnings	4.6	3.7	8.3
Percentage change, FY 2002/2001	+ 27.8	+ 32.1	+ 29.7

Sales/earnings figures (M €) for ElringKlinger AG, after adjustments to allow for earnings distributions received from affiliated companies

ElringKlinger AG	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
Net sales	66.9	67.5	134.4
Percentage change, FY 2002/2001	+ 6.0	+ 6.1	+ 6.1
EBITDA	13.8	19.3	33.1
Percentage change, FY 2002/2001	+ 9.5	- 1.0	+ 3.1
EBIT	7.7	13.5	21.2
Percentage change, FY 2002/2001	+ 5.5	- 2.2	+ 0.5
Pre-tax earnings	6.6	12.6	19.2
Percentage change, FY 2002/2001	+ 15.8	+ 3.3	+ 7.3
After-tax earnings	4.6	10.3	14.9
Percentage change, FY 2002/2001	+ 27.8	+ 22.6	+ 24.2

Consolidated Group DVFA Cash Flow and Earnings, Unadjusted to Allow for Contributions by Third Parties

Consolidated group DVFA cash flow remained positive during the second quarter, reaching € 15.0 million, an increase of 18.1 % compared to the figure reported for the second quarter of FY 2001. Consolidated group DVFA cash flow for the first half was € 33.2 million, an increase of 12.5 % compared to the figure reported for the first half of FY 2001. Consolidated group DVFA pre-tax and after-tax earnings were below those for the group, adjusted to allow for contributions by third parties, due their being unadjusted to allow for those contributions.

Second-quarter DVFA earnings per share rose to € 0.80, an increase of 3.9 % compared to that for the second quarter of FY 2001. DVFA earnings per share for the first half were thus € 1.82, an increase of 5.2 % compared to that for the first half of FY 2001.

The table below lists DVFA cash flow, earnings, and per-share earnings for the reporting periods involved, unadjusted to allow for contributions by third parties:

Consolidated DVFA cash flow (M€), earnings (M€), and per-share earnings (€), unadjusted to allow for contributions by third parties

	Q1 FY 2002	Q2 FY 2002	Q1-Q2 FY 2002
DVFA cash flow	18.2	15.0	33.2
Percentage change, FY 2002/2001	+ 7.8	+ 18.1	+ 12.5
DVFA pre-tax earnings	9.2	6.5	15.7
Percentage change, FY 2002/2001	+ 11.4	- 11.0	+ 1.3
DVFA after-tax earnings	4.9	3.8	8.7
Percentage change, FY 2002/2001	+ 7.1	+ 2.7	+ 4.8
DVFA/SG per-share earnings	1.02	0.80	1.82
Percentage change, FY 2002/2001	+ 7.1	+ 3.9	+ 5.2

Balance Sheets

Consolidated total assets of the **ElringKlinger Group** at 30 June, 2002, were € 3.8 million lower than at 31 March, 2002, a decrease of 0.8 % compared to the figure reported for the close of the second quarter of FY 2001. Consolidated fixed assets declined by € 9 million compared to the figure reported for the close of the first quarter of FY 2002. Around € 4 million thereof was attributable to effects due to the recent appreciation of the Euro. Consolidated current assets rose by € 5.2 million compared to the figure reported for the close of the first quarter of FY 2002, which was accounted for by a € 1 million increase in inventories, a € 2 million increase in accounts receivable, and a € 2.2 million increase in cash on hand.

Stockholders' equity declined by € 7.7 million compared to the figure reported for the close of the first quarter of FY 2002 due to a dividend disbursement of € 6 million that had meanwhile taken place and foreign-exchange translation adjustments totaling € 5.6 million. After adjustments to allow for those extraordinary items, stockholders' equity rose by € 3.9 million over the second quarter of FY 2002.

Liabilities declined by 5.1 % compared to the figure reported for the close of the second quarter of FY 2001.

The group's equity-capital/assets ratio at the close of the second quarter rose by 3.2 percentage points compared to the figure reported for the close of the second quarter of FY 2001.

The total assets of **ElringKlinger AG** at 30 June, 2002, rose by 2.9 % compared to the figure reported for the close of the second quarter of FY 2001. Fixed assets declined slightly due to a cautious attitude toward investments following the events of 11 September, 2001. The sharp rise in its current assets, which amounted to € 17.5 million and represents a 19.1 % increase in the corresponding figure at the close of the second quarter of FY 2001, was largely attributable to retirement of a bank loan to a Canadian subsidiary and its replacement by a stockholder's loan from ElringKlinger AG. Stockholders' equity rose to € 123.1 million, or 37.6 % of total assets, and represents a 23.8 % increase compared to the figure reported for the close of the second quarter of FY 2001. Liabilities remained virtually unchanged compared to the figure reported for the close of the first quarter of FY 2002.

The tables below and overleaf list the major items appearing on the ElringKlinger Group's and ElringKlinger AG's consolidated balance sheets for the respective reporting periods involved:

Summary of the ElringKlinger Group's Consolidated Balance Sheets (M€)

	31/12/2001	31/03/2002	30/06/2002
Fixed assets	210.9	197.6	188.6
Percentage change/FY 2000/2001	+ 5.9	- 4.8	- 8.9
Current assets	121.2	139.4	144.6
Percentage change/FY 2000/2001	- 0.4	+ 8.5	+ 12.1
Stockholders' equity	98.1	104.7	97.0
Percentage change/FY 2000/2001	+ 24.3	+ 17.6	+ 11.5
Liabilities	234.0	232.3	236.2
Percentage change/FY 2000/2001	- 3.3	- 6.0	- 5.1
Total assets/liabilities & stockholders' equity	332.1	337.0	333.2
Percentage change/FY 2000/2001	+ 3.5	+ 0.3	- 0.8
Equity-capital/assets ratio	29.5 %	31.1 %	29.1 %
Equity-capital/assets ratio, FY 2000/2001	24.6 %	26.5 %	25.9 %

Summary of ElringKlinger AG's Consolidated Balance Sheets (M€)

	31/12/2001	31/03/2002	30/06/2002
Fixed assets	231.5	220.9	218.6
Percentage change/FY 2000/2001	+ 1.4	- 3.6	- 3.7
Current assets	77.5	102.2	108.9
Percentage change/FY 2000/2001	2.1	- + 19.8	+ 19.1
Stockholders' equity	114.2	118.8	123.1
Percentage change/FY 2000/2001	+ 23.7	+ 23.9	+ 23.8
Liabilities	194.8	204.3	204.4
Percentage change/FY 2000/2001	- 9.4	- 6.5	- 6.7
Total assets/liabilities & stockholders' equity	309.0	323.1	327.5
Percentage change/FY 2000/2001	+ 0.5	+ 2.7	+ 2.9
Equity-capital/assets ratio	37.0 %	36.8 %	37.6 %
Equity-capital/assets ratio, FY 2000/2001	30.0 %	30.5 %	31.2 %

Affiliated Companies

The second-quarter sales of ElringKlinger's affiliated companies rose to € 49.3 million, an 8 % increase compared to the figure reported for the second quarter of FY 2001, which was largely attributable to the steep, 84-%, rise in sales reported by ElringKlinger Sealing Systems, Inc., Canada. Also reporting markedly higher sales was ElringKlinger S.A., Spain, whose sales were up by 37 % compared to the figure reported for the second quarter of FY 2001. However, our domestic affiliates, ElringKlinger Kunststofftechnik and ElringKlinger Motortechnik, reported second-quarter sales that were lower than those for the second quarter of FY 2001 due to the current economic recession. Our extra-European affiliates reported second-quarter sales levels that were generally below those for the second quarter of FY 2001 due to declining local-currency exchange rates. The consolidated earnings of affiliated companies totaled € 3.8 million, a 38 % decline compared to the figure reported for the second quarter of FY 2001. After adjustments to allow for effects due to the recent appreciation of the Euro, their second-quarter earnings declined by 14 % compared to the figure reported for the second quarter of FY 2001.

The Outlook

The increasingly disappointing development of the world's economies over the second quarter and the current unfavorable trends on capital markets, both of which have led to heightened business risks, have constrained sales and earnings projections, including those of ElringKlinger, for 2002. Nevertheless, in view of our cautious planning and the current outlook, we at ElringKlinger continue to expect FY 2002 sales and earnings for both the ElringKlinger Group and ElringKlinger AG that will be slightly better than those reported for FY 2001.

Yours truly,

Dr. Helmut Lerchner

Financial Calendar

Participation in the Third DVFA Automotive Forum, Frankfurt/Main	24 Sept., 2002
Report on the third quarter and first nine months of FY 2002	November 2002
Annual report for FY 2002	May 2003
Report on the first quarter of FY 2003	May 2003
Annual general stockholders' meeting	5 June, 2003

We will be pleased to e-mail you our annual reports, quarterly reports, and first-half reports in the form of pdf-files. Just give us a call at +49-(0)7123-724-264 and let us have your e-mail address.

Further information is available at <http://www.elringklinger.de>.