

Report on the Third Quarter and First Nine Months of FY 2002

Dear stockholders:

Sales and earnings of the ElringKlinger Group and ElringKlinger AG continued to improve during the third quarter of FY 2002. Our detailed report appears below:

Market Trends

Economic trends throughout ElringKlinger's major markets continued to be disappointing during the third quarter and remained well below forecasts and predictions that had been published by specialists in the field. The gross national products of Euro-zone countries for the first three quarters of calendar 2002 grew by only 0.6 % compared to the corresponding period of the preceding calendar year. Within the Euro zone, Germany brought up the rear, with a GNP growth rate of just 0.4 % for that same period. The USA reported a GNP growth rate of 2.7 % for the first three quarters, which represents a significant upturn compared to the corresponding period and third quarter of the preceding year. However, the USA's economy has been increasingly showing signs of weakening since September. The economic revival that had been forecast for the second half of calendar 2002 has thus failed to materialize in Europe, and it now appears doubtful that it will occur in the USA. The economic indicators here in Germany have been on the retreat ever since the parliamentary elections in September.

Euro exchange rates relative to the local currencies of ElringKlinger's major markets, the USA, Great Britain, and Mexico, remained essentially at the levels of the preceding quarter. However, the exchange rate of the Brazilian Real relative to the Euro dropped by roughly another 25 % from August to September alone.

New-passenger-car registrations ran counter to the generally downward economic trend and stabilized during the third quarter compared to preceding quarters and the corresponding period of the preceding calendar year. German new-passenger-car registrations were up by 0.4 % for the quarter, while the corresponding figure for Western Europe was just 0.1 %. New-passenger-car registrations were up by 8.5 % in the USA, due largely to ongoing, massive, incentive programs.

Third-quarter **passenger-car production** was up by 3.3 % in Germany, 2 % throughout Western Europe, and 9.1 % within the NAFTA-area, compared to the third quarter of calendar 2001.

The percentage of new passenger cars equipped with Diesel engines once again grew at a well-above-average rate, increasing by 7.4 percentage points over the first three quarters of calendar 2002 compared to the corresponding period for calendar 2001. The increase for September 2002 alone was 13.3 percentage points. The Diesel passenger-car segment is thus growing at a rapid rate, in spite of the current general decline in the passenger-car market. The percentage of German new-passenger-car registrations accounted for by Diesel-equipped vehicles supplied by major German car manufacturers has meanwhile risen to more than 50 %. The situation throughout the rest of Europe is similar, a decidedly positive development for ElringKlinger, which has an around 80 % share of the European market for Diesel-engine cylinder-head gaskets.

In keeping with the weak global economic situation, **truck markets** continued to decline during the third quarter of FY 2002. German truck production for the first nine months of calendar 2002 was down by 12 % compared to the corresponding period of calendar 2001. Bus production declined 20 % over that same period. Compared to the corresponding period of calendar 2001, new-truck registrations for the first three quarters of calendar 2002 were down by 7 % throughout Western Europe and 12 % in the USA.

The tables appearing below list comparative new-passenger-car-registration and production figures for the major passenger-car markets for the first three quarters and cumulative figures for the first nine months of calendar/fiscal 2002:

New-Passenger-Car Registrations (thousands of units)

	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
Germany	799	895	794	2,488
Percentage change, FY 2002/2001	- 4.3	- 3.6	+ 0.4	- 2.6
Western Europe	3,981	3,776	3,406	11,163
Percentage change, FY 2002/2001	- 3.3	- 7.3	+ 0.1	- 3.7
USA	3,940	4,496	4,457	12,893
Percentage change, FY 2002/2001	- 4.4	- 1.8	+ 8.5	+ 0.7

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

Passenger-Car Production (thousands of units)

	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
Germany	1,242	1,328	1,262	3,832
Percentage change, FY 2002/2001	- 14.0	- 5.1	+ 3.3	- 5.3
Western Europe	3,753	4,061	3,347	11,161
Percentage change, FY 2002/2001	- 9.6	+ 2.0	+ 2.0	- 1.9
USA	4,000	4,775	3,864	12,639
Percentage change, FY 2002/2001	- 0.5	+ 9.3	+ 9.1	+ 5.9

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

All registration and production figures listed above have been taken from sources available to the general public. No liability for their accuracy is assumed.

Consolidated Group Sales

Thanks to the improving economic climate and upturn in the automotive industry, the ElringKlinger Group increased its consolidated net sales for the third quarter of FY 2002 to € 96.7 million, an increase of 7.3 % compared to the figure reported for the third quarter of FY 2001. That increase came entirely from an upturn in OEM-sales, which was largely attributable to the booming Diesel-equipped-vehicle segment, as well as startup of manufacturing operations for new products, particularly in the areas of cylinder-head gaskets for the US and European markets, new types of shielding components, and new cam-cover modules. Our replacement-parts, plastic-products, industrial-park, and services business segments reported declining third-quarter sales

compared to the third quarter of FY 2001. Our replacement-parts business was particularly hard hit by the weakness of the Brazilian Real. Our plastic-products business was impacted by the generally weak economic situation and our services business was adversely affected by cost-cutting by our customers, which led to cutbacks in outsourced test runs. The decline in sales for our industrial-park business segment compared to the third quarter of FY 2001 was entirely attributable to the sale of our Tamm Industrial Park during the current fiscal year.

Categorized by geographic territory, we just missed holding consolidated group third-quarter net sales for the German market constant. Significant sales growth came from the rest of Europe, where third-quarter sales were up by 21.7 % and the NAFTA-area, where they up by 25 %. Although sales to Asian and South-American markets were sharply down when expressed in terms of percentages., sales to those territories are of minor significance in terms of sales volumes. Worthy of note, however, is that after adjustments to allow for changes in Euro exchange rates, consolidated worldwide group net sales for the third quarter of FY 2002 would have increased by another 3.5 percentage points compared to the third quarter of FY 2001.

The tables appearing below list consolidated group net sales for the first three quarters of FY 2002 and cumulative consolidated group net sales for the first nine months of FY 2002, categorized by market segment and geographic territory:

Consolidated Group Net Sales by Market Segment (M€)

	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
OEM-sales	69.4	68.3	63.8	201.5
Percentage change, FY 2002/2001	+ 15.7	+ 9.5	+ 14.5	+ 13.1
Replacement parts	17.6	17.1	19.2	53.9
Percentage change, FY 2002/2001	+ 12.8	- 7.1	- 3.0	+ 0.2
Plastic products	11.1	11.1	11.1	33.3
Percentage change, FY 2002/2001	- 6.7	- 5.9	- 4.3	- 5.9
Industrial parks	1.8	1.8	1.8	5.4
Percentage change, FY 2002/2001	- 10.0	- 14.3	- 10.0	- 11.5
Services	0.4	0.5	0.8	1.7
Percentage change, FY 2002/2001	- 55.6	- 37.5	- 11.1	- 34.6
Totals	100.3	98.8	96.7	295.8
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.3	+ 7.1

Consolidated Group Sales by Geographic Territory (M€)

	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
Germany	39.7	39.0	38.1	116.8
Percentage change, FY 2002/2001	- 3.6	- 0.3	- 0.5	- 1.5
Rest of Europe	32.4	32.2	32.0	96.6
Percentage change, FY 2002/2001	+ 14.1	+ 6.6	+ 21.7	+ 13,8
NAFTA-area	18.5	18.3	17.0	53.8
Percentage change, FY 2002/2001	+ 50.4	+ 32.6	+ 25.0	+ 35.9
Asia	5.5	5.7	7.0	18.3
Percentage change, FY 2002/2001	+ 31.0	- 26.9	- 11.4	- 8.0
South America/Rest of the world	4.2	3.6	2.6	10.3
Percentage change, FY 2002/2001	- 2.3	- 25.0	- 36.6	- 22.0
Totals	100.3	98.8	96.7	295.8
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.3	+ 7.1

Consolidated Group Earnings

The ElringKlinger Group's **consolidated pre-tax earnings** for the third quarter of FY 2002 rose to € 11.0 million, an encouraging increase of 57.1 % compared to the figure reported for the third quarter of FY 2001. Consolidated group third-quarter after-tax earnings rose to € 5.5 million, an increase of 52.8 % compared to the figure reported for the third quarter of FY 2001.

For the first nine months of FY 2002, the ElringKlinger Group thus had consolidated pre-tax earnings of € 29.5 million an increase of 17.5 %, and consolidated after-tax earnings of € 16.0 million, an increase of 19.4 %, both compared to the figures reported for the corresponding period of FY 2001.

The table appearing 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	Q3 FY 2002	Q1-Q3 FY 2002
Net sales	100.3	98.8	96.7	295.8
Percentage change, FY 2002/2001	+ 11.0	+ 3.3	+ 7.3	+ 7.1
EBITDA	21.9	18.9	24.0	64.8
Percentage change, FY 2002/2001	+ 4.3	- 2.6	+ 34.8	+ 11.3
EBIT	11.8	9.3	12.4	33.5
Percentage change, FY 2002/2001	0.0	- 7.9	+ 45.9	+ 9.8
Pre-tax earnings	10.5	8.0	11.0	29.5
Percentage change, FY 2002/2001	+ 6.1	- 2.4	+ 57.1	+ 17.5
After-tax earnings	5.8	4.7	5.5	16.0
Percentage change, FY 2002/2001	+ 1.8	+ 14.6	+ 52.8	+ 19.4

Sales/Earnings of ElringKlinger AG

ElringKlinger AG's consolidated net sales **for the third quarter of FY 2002** rose to € 67.1 million, an increase of 6.7 % compared to the figure reported for the third quarter of FY 2001. Its consolidated net sales for the first nine months of FY 2002 rose to € 201.5 million, an increase of 6.3 % compared to the figure reported for the corresponding period of FY 2001.

Its consolidated third-quarter pre-tax earnings, after adjustments to allow for distributions of retained earnings received from affiliated companies, were €12.8 million, an increase of 5.8 % compared to the figure reported for the third quarter of FY 2001. Its consolidated pre-tax earnings for the third quarter of FY 2001 included a nonrecurring distribution of reserves to ElringKlinger AG by ElringKlinger Kunststofftechnik. ElringKlinger AG's consolidated pre-tax earnings for the first nine months of FY 2002 were € 32.0 million, an increase of 6.7 % compared to the figure reported for the corresponding period of FY 2001.

Its consolidated third-quarter after-tax earnings were € 9.1 million, or 14.2 % less than the figure reported for the third quarter of FY 2001. That decrease was attributable to tax-exempt receipt of the aforementioned distribution of

reserves, which led to a lower taxation rate being applied to its FY 2001 earnings.

ElringKlinger AG's consolidated third-quarter pre-tax earnings, before adjustments to allow for distributions of retained earnings received from affiliated companies, were € 9.7 million, an increase of 120.5 % compared to the figure reported for the third quarter of FY 2001. Its consolidated after-tax earnings for the third quarter of FY 2002 doubled compared to the figure reported for the third quarter of FY 2001, and reached € 5,8 million. That increase was largely attributable to an increase in unit sales and strict expense management, as well as lower interest expenses due to reductions in short-term borrowings and reductions in depreciation rates and extensions of depreciation periods in conjunction with recent German tax reforms. Before adjustments to allow for earnings distributions received from affiliated companies, ElringKlinger AG's consolidated pre-tax earnings for the first nine months of FY 2002, were € 22.0 million, an increase of 52.8 % compared to the figure reported for the corresponding period of FY 2001, and its after-tax earnings were € 14.1 million, an increase of 51.6 % compared to the figure reported for the corresponding period of FY 2001.

The tables appearing below list sales and earnings figures, both after and before adjustments to allow for earnings distributions received from affiliated companies, for ElringKlinger AG for the respective reporting periods involved.

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

The ElringKlinger Group	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
Net sales	66.9	67.5	67/1	201.5
Percentage change, FY 2002/2001	+ 6.0	+ 6.1	+ 6.7	+ 6.3
EBITDA	13.8	19.3	21.8	54.9
Percentage change, FY 2002/2001	+ 9.5	- 1.0	+ 17.8	+ 8.7
EBIT	7.7	13.5	13.8	35.0
Percentage change, FY 2002/2001	+ 5.5	- 2.2	+ 4.5	+ 1.7
Pre-tax earnings	6.6	12.6	12.8	32.0
Percentage change, FY 2002/2001	+ 15.8	+ 3.3	+ 5.8	+ 6.7
After-tax earnings	4.6	10.3	9.1	24.0
Percentage change, FY 2002/2001	+ 27.8	+ 22.6	- 14.2	+ 6.2

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

ElringKlinger AG	Q1 FY 2002	Q2 FY 2002	Q3 FY 2002	Q1-Q3 FY 2002
Net sales	66.9	67.5	67.1	201.5
Percentage change, FY 2002/2001	+ 6.0	+ 6.1	+ 6.7	+ 6.3
EBITDA	13.8	12.5	18.6	44.9
Percentage change, FY 2002/2001	+ 9.5	+ 7.8	+ 72.2	+ 28.7
EBIT	7.7	6.6	10.6	25.0
Percentage change, FY 2002/2001	+ 5.5	+ 11.9	+ 92.7	+ 33.0
Pre-tax earnings	6.6	5.7	9.7	22.0
Percentage change, FY 2002/2001	+ 15.8	+ 32.6	+ 120.5	+ 52.8
After-tax earnings	4.6	3.7	5.8	14.1
Percentage change, FY 2002/2001	+ 27.8	+ 32.1	+ 100.0	+ 51.6

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

Consolidated group DVFA cash flow, i.e., cash flow adjusted to allow for the effects of nonrecurring items and irregularly recurring expenses and earnings, for the third quarter of FY 2002 were € 13.3 million, an increase of 43 % compared to the figure reported for the third quarter of FY 2001. Consolidated group DVFA cash flow for the first nine months of FY 2002 was € 46.5 million, an increase of 19.8 % compared to the figure reported for the corresponding period of FY 2001.

Consolidated group DVFA pre-tax earnings for the third quarter of FY 2002 were € 9.6 million, an increase of 77.8 % compared to the figure reported for the third quarter of FY 2001. Consolidated group DVFA pre-tax earnings for the first nine months of FY 2002 were € 25.3 million, an increase of 21.1 % compared to the figure reported for the corresponding period of FY 2001.

Consolidated group DVFA after-tax earnings for the third quarter of FY 2002 rose to € 4.6 million, an increase of 76.9 % compared to the figure reported for the third quarter of FY 2001. Consolidated group DVFA after-tax earnings for the first nine months of FY 2002 were € 13.3 million, an increase of 22 % compared to the figure reported for the corresponding period of FY 2001.

Third-quarter DVFA earnings per share rose to € 0.96, an increase of 81.1 % compared to the figure reported for the third quarter of FY 2001. DVFA earnings

per share for the first nine months of FY 2002 were € 2.78, an increase of 23 % compared to the figure reported for the first nine months of FY 2001.

The table appearing on the facing page lists DVFA cash flow, pre-tax and after-tax earnings, and per-share earnings for the first three quarters and cumulative figures for the first nine months of FY 2002:

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	Q3 FY 2002	Q1-Q3 FY 2002
DVFA cash flow	18.2	15.0	13.3	46.5
Percentage change, FY 2002/2001	+ 7.8	+ 18.1	+ 43.0	+ 19.8
DVFA pre-tax earnings	9.2	6.5	9.6	25.3
Percentage change, FY 2002/2001	+ 11.4	- 11.0	+ 77.8	+ 21.1
DVFA after-tax earnings	4.9	3.8	4.6	13.3
Percentage change, FY 2002/2001	+ 7.1	+ 2.7	+ 76.9	+ 22.0
DVFA/SG per-share earnings	1.02	0.80	0.96	2.78
Percentage change, FY 2002/2001	+ 7.1	+ 3.9	+ 81.1	+ 23.0

Balance Sheets

Consolidated total assets of the **ElringKlinger Group** at 30 September, 2002 declined by 4 % compared to the figure reported for the close of the second quarter and 4.6 % compared to the figure reported for the close of the third quarter of FY 2001. Their decline where largely attributable to the effects of rising Euro exchange rates and reductions in the group's capital investments during FY 2002, following the peak in capital investments that occurred during FY 2001. Consolidated current assets rose compared to the figure reported for 30 September, 2001, due to the increase in business volume, but declined in relation to the figure reported for the close of the second quarter of FY 2002.

Stockholders' equity at 30 September, 2002, rose markedly, increasing by 18.6 % compared to the figure reported for 30 September, 2001. Outside borrowings were correspondingly reduced. The group's equity-capital/assets ratio at 30 September, 2002, rose to 31.4 %, an increase of 6.2 percentage points over the 25.2 % reported for the close of the third quarter of FY 2001.

The total assets of **ElringKlinger AG** at 30 September, 2002, rose by 2.8 % compared to the figure reported for the close of the third quarter of FY 2001, but declined by 1.9 % compared to the figure reported for the close of the second quarter of FY 2002. Its fixed assets also declined by 2.6 % due to slightly reduced capital investments. The 17.2-% rise in its current assets was attributable to its having taken over a bank loan to a subsidiary and replacing that loan with a stockholder loan from ElringKlinger AG. Otherwise, its current assets reflected the growth of its business volume.

ElringKlinger AG's equity-capital/assets ratio at 30 September, 2002, rose to 41.2 %, an increase of 20.2 percentage points over the figure reported for the close of the third quarter of FY 2001.

The tables appearing below and on the facing page list the major items appearing on the ElringKlinger Group's and ElringKlinger AG's consolidated balance sheets at the close of the third quarter and preceding quarters of FY 2002 and the close of the preceding fiscal year:

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

	31/12/2001	31/03/2002	30/06/2002	30/09/2002
Fixed assets	210.9	197.6	188.6	187.5
Percentage change/FY 2000/2001	+ 5.9	- 4.8	- 8.9	- 9.2
Current assets	121.2	139.4	144.6	132.4
Percentage change/FY 2000/2001	- 0.4	+ 8.5	+ 12.1	+ 2.6
Stockholders' equity	98.1	104.7	97.0	100.3
Percentage change/FY 2000/2001	+ 24.3	+ 17.6	+ 11.5	+ 18.6
Liabilities	234.0	232.3	236.2	219.6
Percentage change/FY 2000/2001	- 3.3	- 6.0	- 5.1	- 12.4
Total assets/liabilities & stockholders' equity	332.1	337.0	333.2	319.9
Percentage change/FY 2000/2001	+ 3.5	+ 0.3	- 0.8	- 4.6
Equity-capital/assets ratio	29.5 %	31.1 %	29.1 %	31.4 %
Equity-capital/assets ratio, FY 2000/2001	24.6 %	26.5 %	25.9 %	25.2 %

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

	31/12/2001	31/03/2002	30/06/2002	30/09/2002
Fixed assets	231.5	220.9	218.6	220.8
Percentage change/FY 2000/2001	+ 1.4	- 3.6	- 3.7	- 2.6
Current assets	77.5	102.2	108.9	100.4
Percentage change/FY 2000/2001	- 2.1	+ 19.8	+ 19.1	+ 17.2
Stockholders' equity	114.2	118.8	123.1	132.2
Percentage change/FY 2000/2001	+ 23.7	+ 23.9	+ 23.8	+ 20.2
Liabilities	194.8	204.3	204.4	189.0
Percentage change/FY 2000/2001	- 9.4	- 6.5	- 6.7	- 6.6
Total assets/liabilities & stockholders' equity	309.0	323.1	327.5	321.2
Percentage change/FY 2000/2001	+ 0.5	+ 2.7	+ 2.9	+ 2.8
Equity-capital/assets ratio	37.0 %	36.8 %	37.6 %	41.2 %
Equity-capital/assets ratio, FY 2000/2001	30.0 %	30.5 %	31.2 %	35.2 %

Affiliated Companies

Sales by ElringKlinger's affiliated companies for the first nine months of FY 2002 rose to € 145.7 million, an 11-% increase compared to the figure reported for the corresponding period of FY 2001. Most of our foreign affiliates reported rising sales. Our subsidiaries in the USA and Canada boosted their sales for that period by double-digit percentages.

However, both ElringKlinger Kunststofftechnik and ElringKlinger Motortechnik reported declining sales for that period due to the current economic recession. Sales of our Italian subsidiary and our replacement-parts sales company in the USA were also down compared to the corresponding period of FY 2001 due to declining markets.

ElringKlinger do Brasil represents a special case. Due to the drastic devaluation of the Brazilian Real relative to the Euro, its sales, expressed in Euros, were down by 24 %, in spite of a sharp rise in its local-currency sales volume attributable to higher unit sales and above-average price increases.

The earnings of our domestic affiliates were impacted by declining sales, while those of our foreign affiliates were impacted by adverse foreign-exchange developments. Their pre-tax earnings for the first nine months of FY 2002 were 24 % below those for the corresponding period of FY 2001. Foreign-exchange losses, particularly in Brazil, due to our subsidiary there having to pay for

materials and obtain outside financing in Euros while it realizes its income in Reals, could be offset in the materials-costs area, but not in the financing area, through price increases.

At ElringKlinger Sealing Systems, Inc., our Canadian subsidiary, operating problems necessitated management changes and support by specialists from the parent company. Significant improvements in its operations and earnings have meanwhile transpired.

The Outlook

Our performance for the current fiscal year to date and backlog for the fourth quarter confirm our optimistic expectations in relation to sales and earnings growth for both the ElringKlinger Group and ElringKlinger AG compared to the preceding fiscal year.

Our expectations for continued growth during FY 2003 have been dampened by numerous measures instituted by the re-elected German federal government that adversely affect domestic economic growth in general and the automotive industry in particular, as well as the perilous global political situation. Nevertheless, the ElringKlinger Group's leading market position and its ability to adapt to changing conditions will allow it to successfully master even difficult situations.

Yours truly,
Dr. Helmut Lerchner

Financial Calendar

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, quarterly, and semiannual reports in the form of pdf-files. Just drop us an e-mail at investor-relations@elringklinger.de or give us a call at +49-(0)7123-724-264 and let us have your e-mail address.