ElringKlinger AG • Annual Report

2002

Experience mobility

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Corporate statistics

Fiscal Year	2002	2001	2000	1999	1998
All figures stated are in M€[1].					
Net sales	392.5	367.3	311.9	266.6	254.4
Materials costs	153.1	139.8	115.5	91.3	87.8
Personnel costs	123.9	116.4	104.1	90.0	89.5
Depreciation allowances	41.0	36.8	32.3	28.8	28.4
Miscellaneous expenses/income	38.5	39.8	34.6	32.4	28.8
Pretax income from normal operations	36.0	34.5	25.4	24.1	19.9
Taxes on income	15.5	15.4	15.5	13.1	11.3
Net income	20.2	18.9	9.4	10.8	5.2
Total fixed assets at the close of the fiscal year	191.6	210.9	199.1	177.8	173.1
Total current assets at the close of the fiscal year	129.7	121.2	121.7	104.1	101.3
Stockholders' equity at the close of the fiscal year	105.9	98.1	78.9	74.5	64.3
Total reserves at the close of the fiscal year	71.3	61.7	59.9	49.9	46.5
Total accounts payable at the close of the fiscal year	144.1	172.3	182.0	157.5	163.6
Total assets/liabilities at the close of the fiscal year	321.3	332.1	320.8	281.9	274.4
Net return on total invested capital	8.3	8.7	6.6	6.8	4.9
Net return on equity	19.9	22.7	12.7	16.1	11.1
Investments in fixed assets	31.8	38.9	48.9	30.5	31.5
DVFA cash flow	57.5	53.8	47.4	38.0	37.7
Dividend disbursement for the fiscal year	12.0	6.0	4.9	3.0	2.5
Total number of shares outstanding	4.8	4.8	4.8	4.8	3.6
Per-share dividend	2.50[2]	1.25	1.02	0.61	0.51
DVFA pretax income	29.5	28.9	26.4	21.5	20.0
DVFA net income	16.7	16.0	14.8	9.3	9.2
Market capitalization at the close of the fiscal year	144.2	100.8	129.6	103.2	99.4
Total no. of employees at the close of the fiscal year	3,005	2,860	2,631	2,182	2,153

[1] Unless otherwise stated.

[2] Proposed dividend to be submitted for approval at the forthcoming annual general stockholders' meeting.

Annual Report FY 2002

Report by the Auditing Certified Public Accountants

Foreword by the Chairman of the Management Board

Dear stockholders and friends of ElringKlinger:

Dr. Helmut Lerchner, Chairman of the Management Board

Fiscal year 2002 was truly a difficult year. Minimal economic growth throughout Europe, an economic recession in Japan, political and economic crises in Argentina, and a currency crisis in Brazil contributed to a generally dismal economic climate. The US-economy, propped up by stable consumer demand and buoyed up by heavily augmented defense and security budgets, was the only national economy that grew at a substantial rate over the past fiscal year. Motor-vehicle sales were down compared to the preceding fiscal year throughout nearly all major American, European, and Asian markets. Only China and isolated European countries experienced noteworthy economic growth.

The automotive industry and its supplier industries took advantage of the difficult year and, displaying their might and confidence, brought a wealth of innovations onto the market in order to promote buying interest and market growth. Lifestyle vehicles, such as minivans, four-wheel-drive street and off-road vehicles, SUVs, coupes, convertibles, and roadsters enriched and differentiated market offerings. Several very interesting new premium models have demonstrated and amplified the fascination of automobiles, as has an experimental road-going vehicle with a fuel consumption of less than 1 liter/100 km (235 mpg). Numerous innovations in the engine area, such as direct fuel-injection systems for gasoline engines, fully variable valve timing, and improved direct fuel-injection systems for Diesel engines have made major contributions to further reducing fuel consumptions and exhaust emissions.

ElringKlinger continued to play a leading role in the area of innovations for engines and transmissions, and was particularly successful in the Diesel-engine market, which continues to grow at a rapid pace. Around 80 new vehicles/vehicle models that were introduced during calendar 2002 are equipped with cylinder-head gaskets and special-purpose seals manufactured by ElringKlinger. ElringKlinger also supplied shielding components for 30 new vehicles/vehicle models and housing modules for nine new engines/engine versions. Prominent examples here are Volkswagen Phaeton models equipped with V6-engines or W12-engines, Volkswagen Touareg models equipped with 3.2-liter V6-engines or 5.0-liter V10 TDI-engines, Porsche Cayenne S and Turbo models, the Ferrari 550 Maranello Evo, Audi A2 models equipped with 1.6-liter FSI-engines, Audi A4 models equipped with 2.0-liter FSI-engines, the Bentley GT Coupe, and the Mercedes SL 55 AMG, as well as numerous major, mass-produced models.

We were able to boost our share of the US-market for cylinder-head gaskets by devising solutions to the sealing problems of several “difficult” engines. Plans for significantly increasing manufacturing capacities at our Canadian plant, which meanwhile turns out 11,000 cylinder-head gaskets per working day, have been prepared - convincing proof to our US-customers that ElringKlinger is in the North-American market to stay.

Although our share of the Brazilian market was sharply up, the earnings of our Brazilian subsidiary were hard hit by the severe devaluation of the Brazilian Real.

We increased our stockholding in our Chinese joint venture, Changchun Elring Gasket Company Ltd., to a solid majority of 78 % by acquiring an additional 28 % of its shares from one of its other two stockholders. The joint venture reported profitable operations for the first time during fiscal year 2002. The rapid growth of the Chinese automobile industry and our sales successes in that country allow us to expect that our affiliate there will be highly profitable over the medium to long term.

We believe that our policy of pursuing a long-term, income-oriented, growth strategy based on technological leadership, expanding our product lines, and entering the North-American market and the huge future markets of South America and Asia has been confirmed by that fact that both our sales and earnings have, once again, risen during a difficult fiscal year 2002. If we are able to rising sales and earnings, even in economically difficult times, then there is no telling what opportunities await us in the course of our business when the global economy recovers.

I would like to take this opportunity to extend my heartfelt thanks to you, dear stockholders and friends of our company, for the confidence you have placed in us and your loyalty and devotion to ElringKlinger and to all of our employees, whose enthusiasm, dedication, and closely coordinated teamwork have allowed us to achieve our collective success. We shall continue to proceed in that manner.

Sincerely yours,

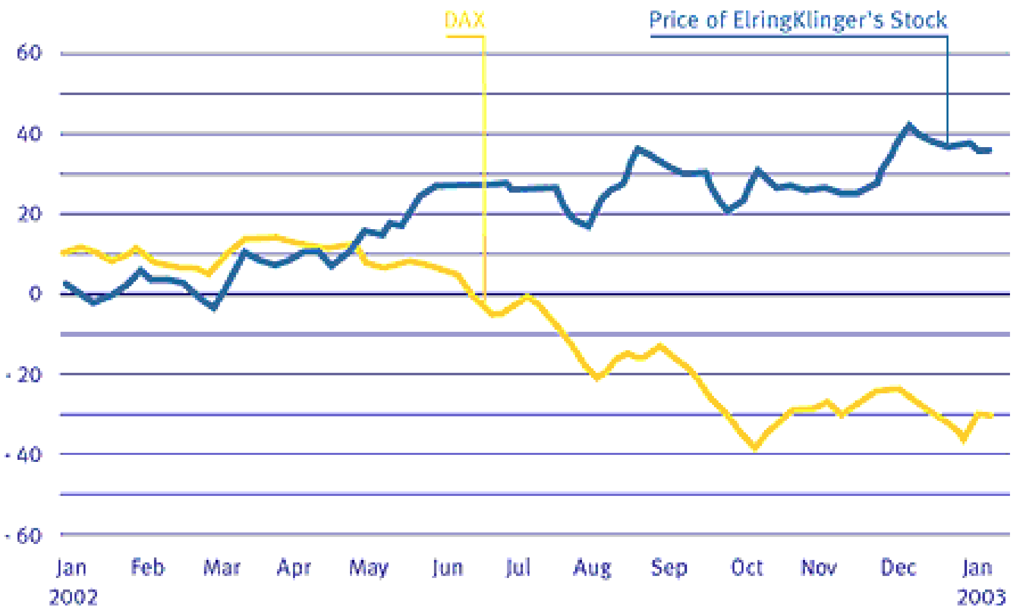
Dr. Helmut Lerchner

The Performance of ElringKlinger's Stock

The world's stock exchanges suffered heavy losses during calendar 2002. It was not only stocks of "new economy" companies whose prices dropped sharply. Even well-established companies' stock got caught in the downward slide, and numerous automobile manufacturers and suppliers to the automotive industry also had to stand helplessly by as the price of their stock steadily declined. ElringKlinger's stock was one of the few German stocks that was significantly up during calendar 2002.

Starting off at € 21.00 at the close of calendar 2001, its price steadily rose throughout calendar 2002 and reached its high for the year of € 31,50 in early December 2002, but had stabilized at around € 30.00 by the end of the calendar year. Its price thus increased by more than 40 % over the one-year period December 31, 2001 – December 31, 2002. Our market capitalization rose to € 144 million on the latter date. This picture becomes even more impressive if these performance comparisons are based on its all-time low price of € 17.00 following the events of September 11, 2001. On that basis, the price of our stock rose by 76 % and our market capitalization rose by around € 63 million.

A comparison of closing prices of ElringKlinger's stock quoted on the Stuttgart Stock Exchange to the "DAX" stock-market index for calendar 2002.



Our market capitalization of € 144 million at the close of fiscal year 2002 still fails to represent a fair valuation of ElringKlinger based on the present value of future uncommitted surpluses. As an automotive-industry analyst, put it, "We continue to predict significant growth potential for the stock."

An editorial in the financial press called our stock "an undiscovered pearl." Our stock has thus received an "accumulate" rating from investment-advice newsletters issued by, e.g., the BW-Bank AG.

Our efforts to inform those participants in capital markets were further expanded during fiscal year 2002. The contents of our quarterly reports were significantly expanded in order to provide stockholders, industry analysts, and members of the financial press with up-to-date pictures of our markets and the status and progress of our company. Our conversion of our stock to registered shares only has proven to be beneficial in that conjunction. We are now in a position to provide our stockholders with information on our company, directly and on a timely basis.

Key Figures for ElringKlinger AG

	2002	2001
Market capitalization at December 31	144.2	100.8
Price/earnings ratio at December 31	4.6	3.8
High/low market quotations for the year	31.50/20.00	31.00/17.00
Per-share net earnings	6.60	5.60
DVFA per-share net earnings	3.49	3.33
Per-share annual dividend	2.50*	1.25

* Dividend to be submitted for approval at the forthcoming annual general stockholders' meeting.

We presented ourselves to financial analysts and investors at several events, such as the "Third Capital-Market Conference" organized by the BW-Bank in Frankfurt/Main last June, during fiscal year 2002. A broad spectrum of favorable reports on ElringKlinger appeared in the business press following that presentation. Several quotations excerpted from them appear on the flap of the back cover of this annual report.

We devote substantial amounts of time and effort to maintaining close contacts with numerous analysts and journalists, which resulted in much more extensive reporting on our company and several favorable investment recommendations for our stock during fiscal year 2002. We even managed to get our stock into "Börse Online" magazine's model portfolio and list of "buy" recommendations.

In November 2002, our management board presented our company to around 100 investment counselors specializing in securities employed by Baden-Württemberg savings banks. Demand for our stock subsequently rose sharply, even though its price was on the rise, a sign that even private investors addressed in this indirect manner regard our stock as a good investment.

ElringKlinger joined the "Baden-Württemberg Small Caps" (BWSC) association at the close of fiscal year 2002. The BWSC an association of medium-sized capital-stock companies based in Baden-Württemberg whose members regularly present themselves to selected investors and investment counselors. The first such event, where the around 180 attendees had the opportunity to convince themselves regarding ElringKlinger's solid profitability and bright outlook, was held in February 2003. The next event planned by the BWSC is a joint securities-analysts' conference with the DVFA to be held in Frankfurt/Main.

Now that ElringKlinger AG's earnings picture has been steadily improving at a rather rapid rate over the past few years and it has reached the targeted equity/assets ratio of 40 %, its management board and supervisory board will propose a per-share dividend of € 2.50 at the annual general stockholders' meeting to be held June 5, 2003, which represents a doubling compared to the € 1.25 paid for the preceding fiscal year. Referred to the € 23.90 average price of our stock over fiscal year 2002, that represents a pretax dividend return of 10.46 % and a 8.3-% pretax dividend return referred to its price at the close of the fiscal year.

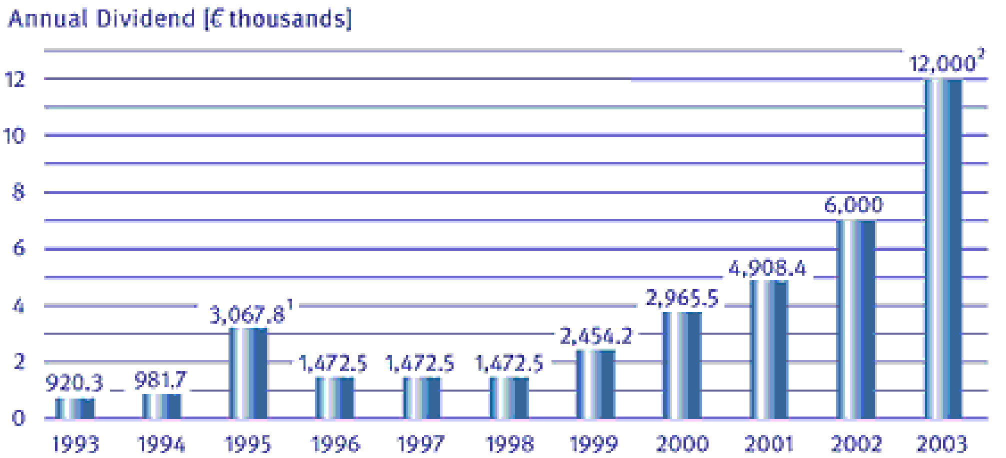
Our intensively communicated corporate success, our underpriced stock, and our above-average dividend returns should provide a solid basis for the continued steady progress of the market price of ElringKlinger's stock.

Data on ElringKlinger’s Stock

SIN (WKN)	785 602
Trading	Frankfurt and Stuttgart Stock Exchanges
Total number of shares outstanding	4,800,000, all registered shares
Equity capitalization, at par value	€ 28,800,000.00
Stockholders:	
Klaus Lechler and family, Stuttgart, Germany	36.06 %
Walter Herwarth Lechler and family, Stuttgart, Germany	27.27 %
Betal Netherland Holding B.V., Rotterdam, The Netherlands	10.00 %
All other stockholders	26.67 %

* Dividend to be submitted for approval at the forthcoming annual general stockholders’ meeting.

Developments in Our Annual Dividends



[1] Includes a special bonus occasioned by the merger of Elring GmbH and Richard Klinger GmbH.
[2] Dividend to be submitted to the annual general stockholders’ meeting for approval.

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Report by the Supervisory Board

Dear stockholders, ladies and gentlemen:

Karl Uwe van Husen, Chairman of the Supervisory Board

ElringKlinger AG's supervisory board was kept comprehensively informed on the company's status, the course of its business, and its business policies through written and oral reports by members of its management board and discussions at four joint meetings of its supervisory board and management board during fiscal year 2002, and supervised the actions and decisions of its management board, based on those foundations.

The members of the supervisory board during the fiscal year were Mr. Gert Bauer representing the company's employees, Mr. Walter Greiner, representing the company's employees, Dr. Rainer Hahn, Mr. Karl Uwe van Husen, Dr. Thomas Klinger-Lohr, Mr. Walter Herwarth Lechler, Mr. Rolf Rauscher, representing the company's employees, Mr. Helmut Ritzer, and Mr. Manfred Strauß. Chairman of the Supervisory Board was Mr. Karl Uwe van Husen. Vice-Chairman of the Supervisory Board was Mr. Walter Herwarth Lechler.

As in preceding fiscal years, the supervisory board had a personnel committee during fiscal year 2002. The members of that committee were Mr. Karl Uwe van Husen, Mr. Walter Herwarth Lechler, and Dr. Thomas Klinger-Lohr. Three meetings were held during the fiscal year. The purpose of those meetings was discussing personnel matters.

Two major, overriding, matters of concern to the supervisory board during the fiscal year were ElringKlinger's risk-early-recognition system based on the Corporate Control and Transparency Act and the provisions of the Corporate Governance Code. Its risk-management system was thoroughly audited by the Stuttgart office of KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and determined to be very good. The supervisory board had specified that this critically important audit be conducted in the order for auditing the company's annual closing statements for the fiscal year.

Maintaining full compliance with the provisions of the Corporate Governance Code to the maximum extent possible was the supervisory board's requirement and objective. A declaration of compliance could thus be published on ElringKlinger's web site in late calendar 2002, as required by legal regulations. Apart from a few, well-founded, exceptions, ElringKlinger is in full compliance with the Corporate Governance Code. Detailed statements regarding this matter appear in the Corporate Governance Report.

In the opinion of the supervisory board, ElringKlinger's having a risk-management system and maintaining compliance with the Corporate Governance Code play a major role in helping the company avoid hazards that might endanger its status quo, in the best interests of its stockholders.

As in preceding fiscal years, the supervisory board was kept comprehensively informed on the course of ElringKlinger AG's and the ElringKlinger Group's business through detailed monthly reports by its management board. Meetings of the supervisory board were diligently prepared via extensive written documentation. That written documentation alone provided a comprehensive, detailed, picture of the status of the company's business. That written documentation, together with oral statements by members of the company's management board presented at meetings of the supervisory board, kept the supervisory board well-informed regarding all major happenings within the company.

The supervisory board approved the audited annual closing statements of ElringKlinger AG and the ElringKlinger Group for fiscal year 2001 at its meeting held on March 22, 2002. ElringKlinger's management board informed the supervisory board regarding the further course of its business on the crucial North-American market at that meeting. Strategic considerations regarding penetrating the Japanese market were discussed at that meeting.

The supervisory board approved the founding of ElringKlinger Logistic Service GmbH, to be headquartered at Rottenburg/Neckar, Germany, at its meeting held on June 11, 2002. The management board's concept of having gasket sets for the replacement-parts market manufactured at that subsidiary was unanimously well-received.

The supervisory board and management board extensively discussed the effects of variations in foreign-exchange rates on the company's business and prospective countermeasures at their meeting held on September 19, 2002. Other major topics discussed at that meeting were implementation of the provisions of the Corporate Governance Code and of standing orders for the company's supervisory board and management board.

At its fourth meeting, which was held on December 5, 2002, the supervisory board approved the business plan presented by the management board. A medium-term business plan covering the period through 2007 was presented to the supervisory board. Standing orders for the supervisory board and management board were approved at that meeting.

The annual closing statements of ElringKlinger AG and the ElringKlinger Group for fiscal year 2002 and the status reports for ElringKlinger AG and the ElringKlinger Group have been audited by the Stuttgart office of KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, the auditors who were approved annual general stockholders' meeting held on June 10, 2002, taking due account of their accounting records, and have received the auditors' unrestricted certification.

All closing documentation, the management board's proposal regarding the application of earnings, and the auditors' report were presented to the supervisory board. Members of the supervisory board discussed the annual closing statements and status reports with the auditors and members of the management board. The supervisory board also had the opportunity to discuss the auditors' report with the auditors in the absence of members of the management board. Based on the results of its own audits, the supervisory board was in agreement with the results obtained by the auditors. There were no grounds for any objections.

At its meeting held on April 7, 2003, the supervisory board approved the annual closing statements for ElringKlinger AG and the ElringKlinger Group and the proposal regarding the application of earnings submitted by their management board.

In spite of the difficult economic conditions, fiscal year 2002 was another highly successful year for ElringKlinger. ElringKlinger was able to further strengthen its position as a global partner of the automotive industry. Gaskets and housing components supplied by ElringKlinger are highly regarded by customers and in demand worldwide. The supervisory board would like to thank ElringKlinger's management board and employees for their successful work.

Dettingen/Erms, April 9, 2003

The Supervisory Board

Karl Uwe van Husen,
Chairman of the Supervisory Board

Developments on the Economic Front

Following the economic stagnation, instead of expected economic upturn, that plagued the Euro zone, and economic stagnation in Japan that continued throughout FY 2001, hopes focused on an economic upturn emerging in FY 2002. Unfortunately, those hopes were in vain. During early FY 2002, the economic outlook was still being optimistically reported through headlines stating "Industry Optimistic," "Economic Upturn Expected Soon," or "Nadir Expected for the 2nd Quarter." However, the actual course of developments on the economic front throughout the Euro zone, especially here in Germany, and South America, as well as in Japan, continued to be disappointing.

Argentina was hard hit by a severe economic and monetary crisis that did not evade affecting Brazil. The exchange rates of the Brazilian Real relative to both the U.S. Dollar and Euro declined sharply.

The capital market's confidence in corporate governance was shaken by several major financial-reporting scandals involving large American corporations that resulted in sharp drops in stock prices on international exchanges. Falling stock prices triggered financial losses and declining earnings throughout the insurance and banking sectors, as well as financial losses by private investors, that led to declines in purchasing power and investor and consumer restraint.

The mounting danger of war in the Middle East and the rising crude-oil prices that a war in that part of the world might cause added to the factors adversely affecting the economic climate.

Wage agreements here in Germany that were out of tune with the current economic situation, coupled with weak demand across a broad cross-section of the global economy, led to rising unemployment. Legislation that would eliminate tax subsidies that was proposed by the new German government that took office in the fall of 2002 further depressed the moods of German companies and consumers and adversely impacted German economic growth.

The net result of these numerous factors adversely affecting economic growth was that worldwide economic growth during calendar 2002 was, once again, worse than that for the preceding calendar year. Germany, which suffered under an economic growth rate of just 0.2 %, and the Euro zone as a whole, which, at 0.8 %, did not fare much better, came very close to entering an economic recession. The Japanese economy declined at an annualized rate of 0.8 %. The USA, which reported an economic growth rate of 2.4 %, was the sole exception, due to higher investments in defense and security. However, investments in plant and equipment declined.

These adverse developments on the economic front adversely impacted the business of the automotive industry and that of its suppliers throughout FY 2002.

“It is not because it is difficult that we are not starting it, it is difficult because we are not starting it.”

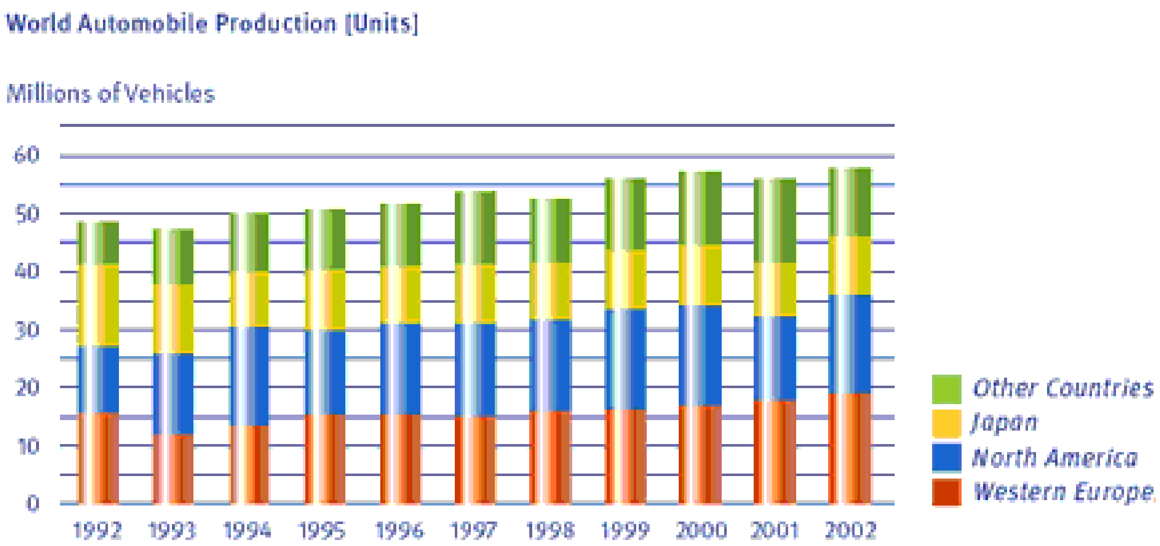
Seneca (4 B.C. - 65 A.D.)

Automotive Markets

In view of the weak general economic situation, it is not surprising that, continuing the trend of calendar 2002, demand for motor vehicles declined both worldwide and throughout our major markets during calendar 2002. Growing demands in China and South Korea were the only bright spots and the reason why world motor-vehicle registrations, once again, slightly exceeded, by 0.5 %, the figure reported for the preceding calendar year.

Unit sales on the Western-European passenger-car market declined by an average of 3.1 %, which represents a composite figure for the Italian, French, Spanish, and Portuguese markets, where declines ranged from 4.9 % to 11.4 %, the English, Luxembourgoise, Swedish, Finnish, and Danish markets, where registrations rose by 1.4 % to 15.3 %, and the German market, by far Europe’s largest market for passenger cars, where unit sales declined by 2.6 %, i.e., by only slightly less than the European average.

Vehicle manufacturers fared rather differently. Suppliers with relatively mature models suffered from declining demand, while suppliers with interesting, innovative, models, along with suppliers who focused on the upper price ranges, which are less dependent upon economic factors, experienced sales that equaled, or exceeded, the preceding year’s levels. Japanese manufacturers succeeded in significantly increasing their shares of European markets during calendar 2002.



In Germany, sales of Diesel passenger cars rose by 7 % to 1.24 million units. Diesel-engined passenger cars accounted for 38 % of total domestic registrations. In France, Diesel-engined passenger cars accounted for 63 % of total domestic registrations, The corresponding figures for Spain and Austria were 56 % and 70 %, respectively. Vehicles from German manufacturers accounted for 52 % of total European registrations of Diesel-engined passenger cars.

European truck and bus sales for calendar 2002 were down by 4 %. Heavy-truck sales were down by 12 %.

In the USA, passenger-car/SUV-sales were boosted by massive promotions in the form of no-interest financing, discounts, no-charge acceptance of premature return of leased vehicles, and extended warranties throughout calendar 2002. Nevertheless, new-vehicle registrations remained below calendar-2001 levels during three quarters. The third quarter, when new-vehicle registrations were up by 8.5 % compared to the figure reported for the third quarter of calendar 2001, was the lone exception. USA unit sales for the full year, 16.85 million, were down by 1.9 % compared to the figure reported for calendar 2001.

Turning to the market for mid-weight and heavy trucks, registrations dropped to 327,000 units, or 6.7 % fewer than for calendar 2001.

The Japanese market for motor vehicles (passenger cars, trucks, and buses) for calendar 2002 declined to 5.7 million units, 1.9 % fewer than for calendar 2001.

Automotive-industry total unit production exceeded total unit sales.

Here in Europe, 14.8 million passenger cars, 1.7 % fewer than for calendar 2001, were manufactured during calendar 2002. If trucks and buses are included, total unit production increases to 19.5 million, or just 1.4 % less than for calendar 2001. These modes declines were largely due to the German automotive industry's success in boosting its exports to the USA.

In the NAFTA-zone, 16.7 million passenger cars and SUVs, 5.3 % more than during calendar 2001, were produced during calendar 2002. Unit production in excess of unit sales led to rising inventories that, in turn, led to various temporary closings of the North-American automotive industry's assembly plants at the turn of calendar 2002/calendar 2003

The Japanese automotive industry turned out 10.2 million vehicles during calendar 2002, which was 4 % more than during calendar 2001, largely due to an 11-% increase in exports, an expression of its strong positions in foreign markets.

Eroding margins in weak markets, combined with declining production figures in some cases, adversely affected the profitabilities of motor-vehicle manufacturers during FY 2002. Returns on invested capital were usually lower than the costs of servicing corporate debt, and thus unattractive to the capital market. Several suppliers operated at a loss. In order to improve its profitability, the automotive industry continued to energetically pursue restructuring and cost-cutting programs during calendar 2002. Pressure on its supplier industries to join in and contribute was stepped up. As expected, contributions by suppliers continued to improve in the qualitative sense. Simple requests to cut prices were increasingly replaced by joint efforts aimed at optimizing the cost/benefit ratios of all components and modules. Cutting costs without further adversely affecting profitability is the goal. Optimizing the entire value-added chain is a major prerequisite for arriving at profitabilities appropriate to one's markets, to both members of the automotive industry and members of its supplier industries.

"… stopping at the right time is the the important thing."

Jean de la Fontaine (1621 - 1695)

ElringKlinger's Other Fields of Business

Our replacement-parts business, which accounted for around 20 % of the ElringKlinger Group's consolidated net sales for FY 2002, continued to chug along at the very high level of FY 2001. Here in Germany and elsewhere in Western Europe, sales were up by 3 % compared to the figures reported for FY 2001. Eastern European sales were even up by 31 %. In the Middle East, sales continued at about FY 2001 levels. Asian markets were weaker, as were South-American markets, which were particularly weak. In North America, sales were up by an encouragingly high 15 %.

ElringKlinger Kunststofftechnik GmbH reported a 4.8 -% decline in net sales for FY 2002 compared to the figure reported for FY 2001, an understandable development, in view of the general economic situation. Since it primarily supplied general industry, particularly the machinery industry, it was directly impacted by the declining economy during FY 2002.

The weak demand for engine-test-stand services during FY 2001 continued during FY 2002. Sales growth at ElringKlinger Motortechnik GmbH correspondingly suffered. Its major customers, members of the automotive industry, exercised considerable restraint in placing orders for services with outside providers. Its net sales were thus down by 18 % compared to FY 2001.

The real-estate market was also rather restrained during FY 2002. In spite of the weak demand for commercial and industrial real estate, we were able to sell our Tamm Industrial Park to a Luxembourg real-estate fund. The ElringKlinger Group was thus able to sell off a major constituent of its real-estate business, which was not one of its core fields of business. We also managed to conclude a new ten-year lease that included two options to extend the lease period by another ten years in each case with the major tenant of our Ludwigsburg Industrial Park under satisfactory conditions. The long-term profitability of that particular constituent of our real-estate holdings is thus secured.

ElringKlinger AG's Subsidiaries and Affiliated Companies

The Americas

- ElringKlinger Sealing Systems USA, Inc., Livonia, Michigan, USA
- Elring of North America, Inc.
  Middlesex, New Jersey, USA
- ElringKlinger Sealing Systems, Inc.
  Leamington, Ontario, Canada
- ElringKlinger México, S.A. de C.V.
  Toluca, Mexico
- Ekaser, S.A. de C.V.
  Toluca, Mexico
- ElringKlinger do Brasil Ltda.
  Piracicaba, Brazil

Asia and Africa

- Changchun Elring Gaskets Co., Ltd.
  Changchun, PR China
- Jeil Elring Co., Ltd.
  Changwon, South Korea
- Marusan Corporation
  Tokyo, Japan
- Elring Gaskets (Pty.) Ltd.
  Johannesburg, South Africa

Europe

- ElringKlinger AG
  Dettingen/Erms, Runkel and
  Langenzenn, Germany
- ElringKlinger Kunststofftechnik GmbH
  Bietigheim and Heidenheim, Germany
- ElringKlinger Motortechnik GmbH
  Idstein/Taunus and
  Dettingen/Erms, Germany
- ElringKlinger Logistic Service GmbH
  Rottenburg am Neckar, Germany
- ElringKlinger (Great Britain) Ltd.
  Redcar, England
- Elring Parts Ltd.
  Gateshead, England
- ElringKlinger S.A.
  Reus, Spain
- ElringKlinger Sealing Systems SL
  Reus, Spain
- ElringKlinger S.p.A.
  Mazzo di Rho (Milan), Italy

Improvements in Our Strategic Position

We managed to consolidate and strengthen our position as the world's leading manufacturer of gaskets and housings for internal-combustion engines during FY 2002 as well. ElringKlinger is still the only supplier represented in nearly all of the world's major geographic motor-vehicle-manufacturing markets. Opportunities for growth on those world markets may thus be exploited in optimal manners. The international division of labor of members of our group provide us with significant costing advantages.

With its annual production of around 16 to 17 million motor vehicles, the USA, along with Europe, are our most important geographic markets. Since the percentage of V-engines, which require two cylinder-head gaskets, manufactured in North America is much higher than in Europe, the North-American market represents a particularly attractive, in terms of units, market for that product line.

Capturing a share of the U.S.-market has thus had a correspondingly high priority since 1990, when we started handling it from Germany, supporting and supplying our customers there through Klinger Automotive, a Mexican joint-venture operation that we had back in those days. We opened our own sales office in Southfield, Michigan, a suburb of Detroit, in 1994. We built and opened our first manufacturing facility, the present ElringKlinger Sealing Systems USA, Inc., in Livonia, Michigan, another Detroit suburb, in 1997, and took over sole ownership of our Mexican joint venture and built and opened a new manufacturing plant for cylinder-head gaskets and other types of gaskets, ElringKlinger México, S.A. de C.V., Toluca, Mexico, that same year. In 2000, we acquired Versatech Sealing Systems, Inc., Leamington, Ontario, a Canadian manufacturer of plastic cam covers that is now ElringKlinger Sealing Systems, Inc. In 2001, we built and opened a new plant for manufacturing laminated-metal cylinder-head gaskets at ElringKlinger Sealing Systems, Inc., Leamington, Ontario.

With its production volume of, meanwhile, 11,000, laminated-metal cylinder-head gaskets per workday, our new Canadian plant is already operating at full capacity. Another production line that will boost its capacity is on order. Together with another 10,000 cylinder-head gaskets per workday that ElringKlinger México, S.A. de C.V. supplied to U.S.-manufacturers' North-American and Mexican engine plants and Volkswagen Mexico, ElringKlinger manufactured a total of around 4.4 million cylinder-head gaskets in North and Central America during FY 2002. Including the 1.5 million cylinder-head gaskets that were supplied from Germany, 5.9 million cylinder-head gaskets were sold to NAFTA-zone manufacturers during FY 2002. These figures demonstrate the, meanwhile, significant, position that ElringKlinger occupies in that market.

The North-American market holds much more growth potential for ElringKlinger. Highly promising new cylinder-head-gasket manufacturing projects are currently underway. North-American sales of shielding components are also sharply up. The third system for forming heat shields at our Livonia, Michigan, plant, on the outskirts of Detroit, is in the course of being purchased. The U.S.-market for special seals remains to be captured and will be pursued in the future. The foreseeable increased employment of Diesel engines in passenger cars and SUVs will be opening up further opportunities for us over the medium term. The Diesel-engine offensive launched in the USA by European vehicle manufacturers and suppliers of Diesel engines represents an encouraging sign.

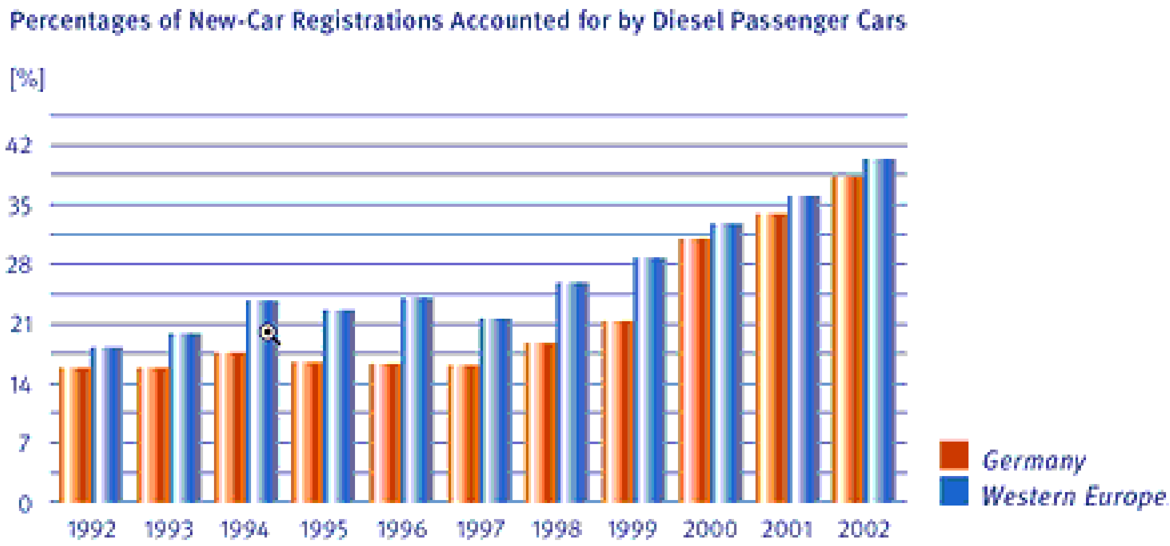
In November 2002, ElringKlinger was able to acquire another 28 % of the shares of Changchun Elring Gaskets Company Ltd. (CEG) that one of the other two participants in that Chinese joint venture had offered to sell. CEG will thus be fully consolidated into group financial statements as a subsidiary, rather than accounted for as an affiliate, as of December 31, 2002. There will be no effects on group profit/loss statements prior to those for FY 2003.

Our assumption of a majority shareholding in CEG represents a major strategic move that will have a significant impact on our future. The Chinese market exhibits steady, high, growth rates. The Chinese automobile market continues to boom, and grew by more than 35 % during calendar 2002. With more than 3.2 million units sold during calendar 2002, China has become the world's sixth-largest automobile market, with an uninterrupted, high potential for continued growth.

In South Korea, our ongoing pursuit of that market, combined with engineering advances in the area of sealing "difficult" Diesel engines that eclipsed anything the competition had to offer led to our receipt of the first mass-production orders from major South-Korean motor-vehicle manufacturers during FY 2002, which may be regarded as a breakthrough by our South-Korean joint venture that will allow it to increase our share of that market.

In Japan as well, our direct entry into that market during FY 2002 with a mass-production order for cylinder-head gaskets for a recently developed Diesel engine that we obtained based on yet another example of superior engineering capabilities proved successful. That order marks ElringKlinger's debut as a supplier to a Japanese motor-vehicle manufacturer.

The manufacturing combine consisting of our European plants and affiliated companies was further expanded during FY 2002. The various plants' specializations in certain product lines and manufacturing technologies, while taking optimal advantage of their respective geographic locations and costing factors, allowed them to make major contributions to our earnings growth, in spite of market pricing that declined across a broad front.



Capital Investments During FY 2002 - Our Plans for the Future

During FY 2002, ElringKlinger AG invested a total of € 26.8 million, i.e., about the same as during FY 2001, in intangible assets and plant and equipment.

Group investments in intangible and plant and equipment during FY 2002 totaled € 32.3 million, or € 6.9 million less than the € 39.2 million reported for FY 2001. The much higher total investments during FY 2001 where largely attributable to our expansion of our Canadian cylinder-head manufacturing operation at Leamington, Ontario, during the latter fiscal year.

More than half of our total investments in plant and equipment went into efficiency-improvement projects. One-third of the total was invested in expanding our manufacturing capacities, largely in the area of cylinder-head gaskets. € 3.5 million thereof was invested in new presses and a new coating system for ElringKlinger AG. The remainder was invested in replacements for existing manufacturing systems.

Total FY 2002 investments in tooling for startups of new-product manufacturing operations remained unchanged at € 13.8 million.

The grounds and building of our Runkel plant were purchased during FY 2002. We were thus able to take advantage of corporation-tax credits accruing under § 6b of the Income-Tax Act in investing capital gains on the sale of our Tamm Industrial Park in the purchase of that item of real estate that we had formerly leased.

Consolidated Group Investments in Fixed Assets

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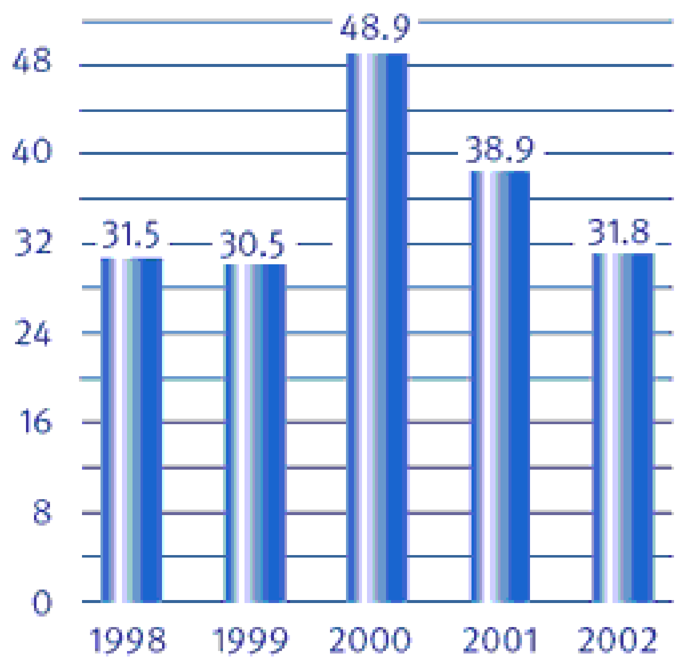


Purchasing Operations During FY 2002 - Higher Total Expenditures, Combined with a Higher Percentage of the Total Expended for Raw Chemicals

The ElringKlinger Group's purchases during FY 2002 totaled € 158 million, an increase of around 9 % over the figure reported for FY 2001, 53 % of which went for materials for our manufacturing operations and finished goods. The largest single item involved was expenditures for sheet steel and stainless-steel sheet stock, the major constituents of our gaskets and seals. The group's raw-chemical needs were sharply up, due to the higher percentages of elastomeric seals in our product mix, markedly higher sales of plastic cam covers, and increased needs for PTFE following the merger of ElringKlinger Kunststofftechnik GmbH and Venus Kunststoffverarbeitungs GmbH, Heidenheim. The remainder went for machinery, manufacturing systems, consumable items, tooling, utilities, and purchased services.

We succeeded in combating a marked tendency among our suppliers to increase their pricing in conjunction with the conversion from DM to Euros at the start of FY 2002.

Although we succeeded in negotiating lower pricing through placing orders for larger quantities than during FY 2001, the alloying surcharges quoted on commodities exchanges that largely determine gross pricing for steel rose sharply over the period extending from the outset of FY 2002 through around October 2002 and stabilized at high levels that had only slightly declined by the end of the fiscal year.

We concluded new electricity and gas utility-supply contracts covering all of our German manufacturing facilities during FY 2002. Conversion to the status of a "single major customer" allowed us to substantially reduce our utilities costs. Nevertheless, we incurred higher utilities costs that exceeded those savings by € 300,000 due to the inauguration of the fourth stage of the so-called "ecological tax reform" during FY 2002.

During FY 2002, we greatly simplified and eased our purchasing procedures by introducing and starting up SAP R/3 materials-management software. We would like to thank those employees involved for their efforts in conjunction with that rather lengthy and laborious introduction.

E-business, purchasing on the Internet, was on the rise in the case of consumer goods.

The role of our purchasing operations has been persistently extended in the direction of making them a service provider to our entire group. We are currently working on combining our global needs and converting them into better, from the pricing standpoint, blanket purchasing contracts with worldwide validity covering our subsidiaries and affiliated companies. This extension of our international purchasing operations is intended to transform the effects of exchange-rate fluctuations into foreign-exchange gains in a controlled manner.

We expect our own suppliers to meet the same demands relating to supplier loyalty, maintenance of high product quality levels, and adherence to delivery schedules and quantities that our customers expect us to meet and continually review and track their compliance with them under a quality-monitoring system.

"One will never reach any new destinations traveling on well-worn tracks."

Paul Mommertz (1926 -)

Research and Development - The Basis for Innovation and Continued Success in the Marketplace

Once again, we increased our expenditures for research and development compared to the preceding fiscal year. On comparable bases, i.e., including the costs of making samples, the figures for FY 2002 and FY 2001 were around € 19 million and € 18.6 million, respectively. The total number of engineers, physicists, chemists, designers, information technologists, and accountants involved in materials development, product development, costing, sample making, and testing using simulations and prototypes remained roughly constant compared to FY 2001. However, they were able to further improve their efficiencies due to their increasing use of computer-aided design and engineering software, analytical computational models, and simulated preproduction testing employing special test equipment.

Thanks to the high technical standard of our development work, as mentioned above, we were able to obtain our first orders for cylinder-head gaskets from a South-Korean and a Japanese passenger-car manufacturer, in spite of keen competition from South-Korean and Japanese suppliers, during FY 2002.

Five cylinder-head gaskets for South-Korean customers, plus another three for Japanese customers, are currently under development.

The superior performance capabilities of metallic cylinder-head gaskets could be further improved through recent advances in the texturing of their surfaces. The topographic texturing of gasket surfaces licensed to ElringKlinger allows adapting gaskets to suit the varying rigidities of various engine components such that they will compensate for them, which, in turn, allows making optimal use of the low torque specifications for the cylinder-head fasteners employed on engines fabricated from light alloys.

The initial stage in developing this technology involved applying textured reinforcements in the vicinities of gaskets' combustion-chamber apertures.

Under a further, important, stage, that was concluded during FY 2002, we were able to extend this texturing to the entire surface areas of the gaskets. This texturing involved embossing suitable geometric patterns directly onto the gaskets' carrier layers, which allowed texturing them to any relevant degree virtually anywhere on their surfaces. Transmission of forces exerted by cylinder-head fasteners to engine components were reoptimized, which allows compensating for warping of cylinder heads and crankcases in controlled manners, which, in turn, significantly reduces cylinder-head warping, which adversely affects oil consumptions and exhaust-gas compositions. The support provided in the vicinities of the lands around the upper ends of end cylinders allows reducing the stresses acting on cylinder heads, prevents cracking, and significantly reduces the likelihood of camshaft bearing blocks becoming misaligned. Several patent applications have been filed in order to protect this new technology.

We identified a promising new approach to incorporating sensors into cylinder-head gaskets, which would then serve as carriers for the sensors involved, something that had been attempted many times before, during FY 2002. The aim here is acquiring accurate data on combustion processes in order to allow optimal regulation of fuel-injection and ignition parameters by engine-control electronics and solving the problem of lack of space for mounting sensors in cylinder heads that occurs on today's multivalve engines.

We are currently working on cylinder-head gaskets incorporating new types of pressure and temperature sensors that will allow acquiring the data required by engine-control electronics. Employment of such sensors will allow accurately adjusting the quantities of fuel injected into each cylinder, which will allow engine-controllers to compensate for manufacturing tolerances or the effects of wear on fuel-injection systems. Faulty operating cycles may be detected and counted in order to make the necessary corrections to settings or even notify drivers of the need for engine repairs.

We applied for ten patents in the field of cylinder-head-gasket technology during FY 2002.

We also made substantial progress in the broad area of special seals through numerous clever engineering advances and improvements during FY 2002. Nine patent applications, four of which cover joining techniques, two of which cover fastening techniques, and the other three of which cover solutions to the problems of sealing joints at particularly difficult locations or designing particularly difficult types of seals, were filed.

We continue to periodically come up with special seals having interesting secondary functions. For example, in one particular application, they protect an elastomer-coated sealing plate fabricated from a high-strength aluminum alloy that goes between the transmission housing and engine block and is primarily intended to electrically insulate the aluminum engine block from the magnesium transmission housing, while shielding the engine block from any steel particles that might be picked up and thrown against it by the rotation of the flywheel.

Development work on another type of special seal, a "seal with an air gap," is rather far along. The aim here is designing a seal that will constitute an air gap that will reduce temperature drops across the flanges of pipe joints located in the "hot" sections of exhaust systems, thereby reducing risks that the flanges will warp due to thermal cycling.

In the area of shielding technology, we have thus far been involved in "actively" shielding sources of heat and noise found in engine compartments in order to protect heat-sensitive components. The shields involved have usually been mounted on engines and exhaust systems and shielded exhaust manifolds and exhaust-gas catalyzers.

During FY 2002, we started working on "passively" shield heat-sensitive components, such as cabling, hoses, fuel and brake lines, plastic housings, electronic components, and similar. We have meanwhile started offering a new material, named "Elrotherm-Tex," as well as various other heat-reflecting and heat-resistant materials, for that purpose. "Elrotherm-Tex" is based on fiberglass coated with various metallic coatings and is available in versions having various major characteristics. The major advantage of this material and the shielding technology that we have thus chosen is the opportunity to apply it directly to those components that are to be protected by wrapping it around them. No fastening hardware is required.

Development work in the field of fuel-cell technology, a field in which we have had close collaborations with outside research institutions, such as the German Institute for Aerospace

Technology and the Jülich Research Center, for quite a while, was stepped up during FY 2002. That work has been supported by government funding due to high level of public interest in that field. Our efforts have been focused on industrializing high-temperature SOFC fuel cells, where the emphasis has been on bipolar plates and high-temperature seals, i.e., component items, as well as fabrication of complete fuel-cell stacks. Mass-production applications of SOFC fuel cells to stand-alone power supplies for electric motor-vehicles will start appearing in the not-all-too-distant future. We have meanwhile filed a total of fourteen patent applications, five of which were filed during FY 2002, in conjunction with our development work on fuel cells.

“Nothing in the world is as powerful
as an idea whose time has come.”

Victor Hugo (1802 - 1885)

Expansion of Our Staff

As of December 31, 2002, ElringKlinger AG had 1,588 employees, 84 more than at the close of the preceding year. As for the preceding year, the increase in its total number of employees, 5.6 %, over the fiscal year remained below the increase in its annual sales, which was 7.1 %. Making the best use of our employees by improving our work processes, switching to using higher-performance machinery, and introducing computerized systems has allowed us to continue that tradition of steadily improving the efficiency of our operations and to partially compensate for the overly high wage increases that were negotiated during FY 2002.

Our domestic subsidiaries had a total of 416 employees on December 31 2002, two less than the total of 418 that they had at the close of the preceding year. ElringKlinger Kunststofftechnik GmbH accounted for 380 of that total, while ElringKlinger Motortechnik GmbH accounted for the remaining 36. Both of our German subsidiaries suffered from the weak economy during FY 2002, and periodically had to work short hours.

The ElringKlinger Group's foreign subsidiaries has a total of 1,001 employees at December 31, 2002, compared to 938 at the close of the preceding year, and thus created a total of 63 new jobs.

Worldwide, the ElringKlinger Group had a total of 3,005 employees at the close of FY 2002, 145 more than at the close of FY 2001.

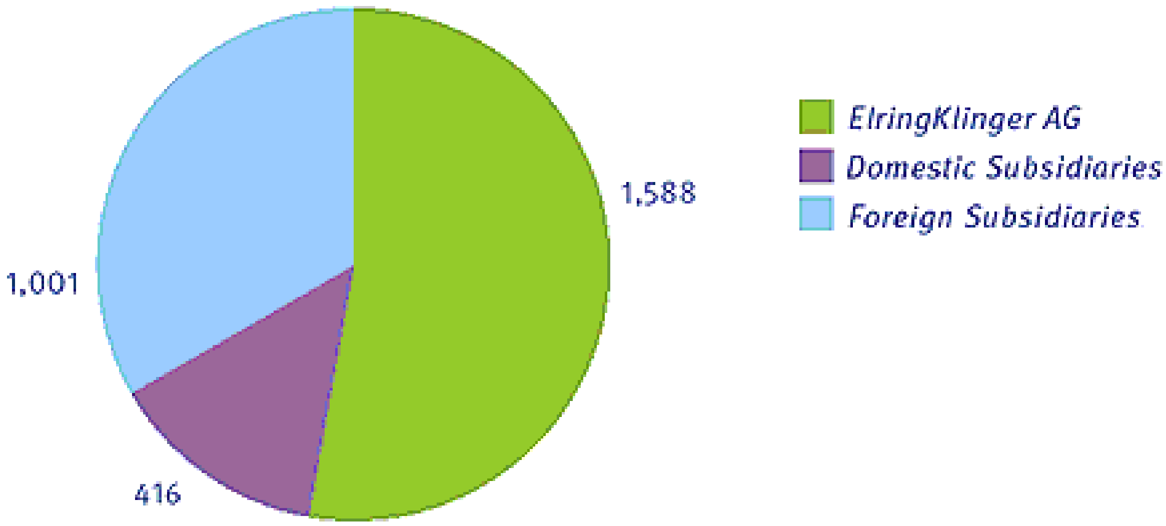
The total number of apprentices taken on grew to 71, which was five more than for the preceding fiscal year.

Continuing the tradition of recent years, we once again participated in university job fairs, job exchanges, and informational events for school leavers during FY 2002. Our participation in the work-study program run by the "Berufsakademie Baden-Württemberg" allowed us to provide highly qualified students with valuable on-the-job training. Our offer of traineeships also attracted a great deal of interest during FY 2002. As in former years, the total number of applications for degree theses at our facilities exceeded the total number of traineeships available. In the end, we were able to give ten students the opportunity to include projects worked on, and experience gained working in, our facilities in their degree theses.

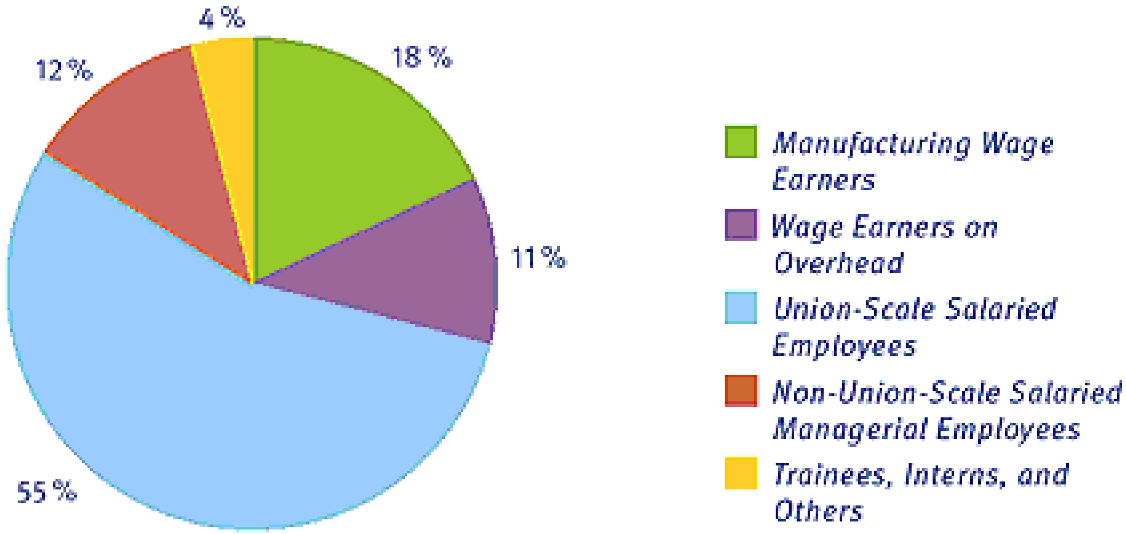
Our employees participated in numerous in-house and outside seminars and training programs during FY 2002. All together, they spent 9,590 man-days undergoing formal training. The major topics involved were information technology, foreign languages, operation of computer-controlled machinery, occupational safety, communications, and teamwork.

Our entire staff contributed to the success of our business operations during FY 2002 through their concerted efforts and close collaborations with their fellow employees.

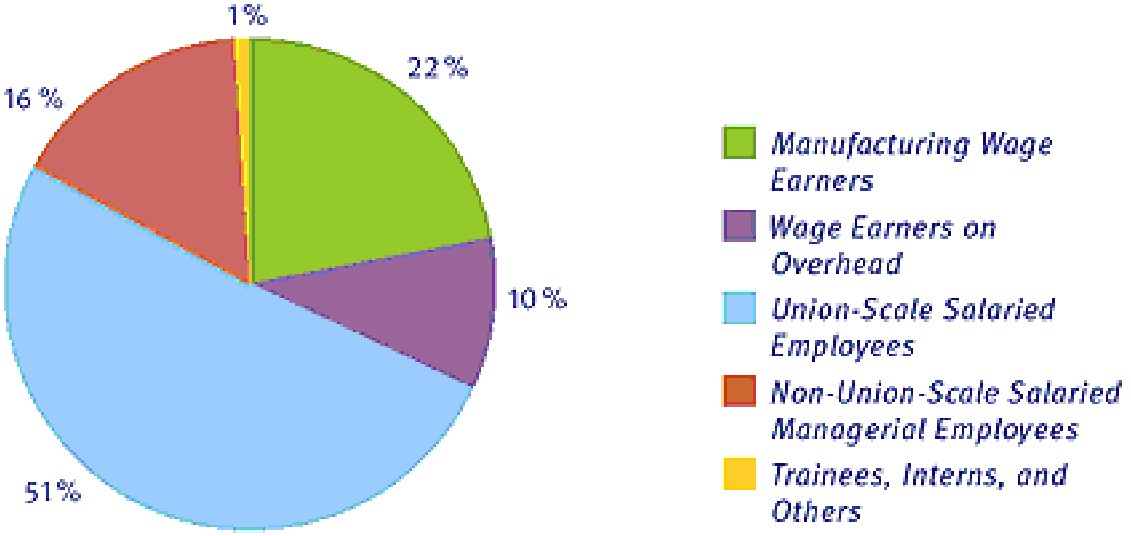
Employee Distribution at December 31, 2002
(Total Number of Employees: 3,005)



Percentages of Total Hours Worked Accounted for by Employee Groups



Percentages of Total Personnel Costs Accounted for by Employee Groups



Developments in Our Revenues, Earnings, Assets, and Liabilities

ElringKlinger AG

ElringKlinger AG realized net sales of € 267.9 million during FY 2002, an increase of 7.1 % compared to the figure reported for FY 2001.

Net income from normal operations (net earnings on normal operations, exclusive of earnings distributions received from affiliated companies and interest income) rose to € 31.8 million, an increase of 19.9 % compared to the figure reported for FY 2001.

Total net income from normal operations for FY 2002 reached € 41.3 million, an increase of 12.9 % compared to the figure reported for FY 2001. That increase was tempered by a € 1.7-million reduction in earnings distributions received from affiliated companies and a special depreciation charge of € 0.8 million against the earnings of ElringKlinger do Brasil occasioned by the devaluation of the Brazilian Real.

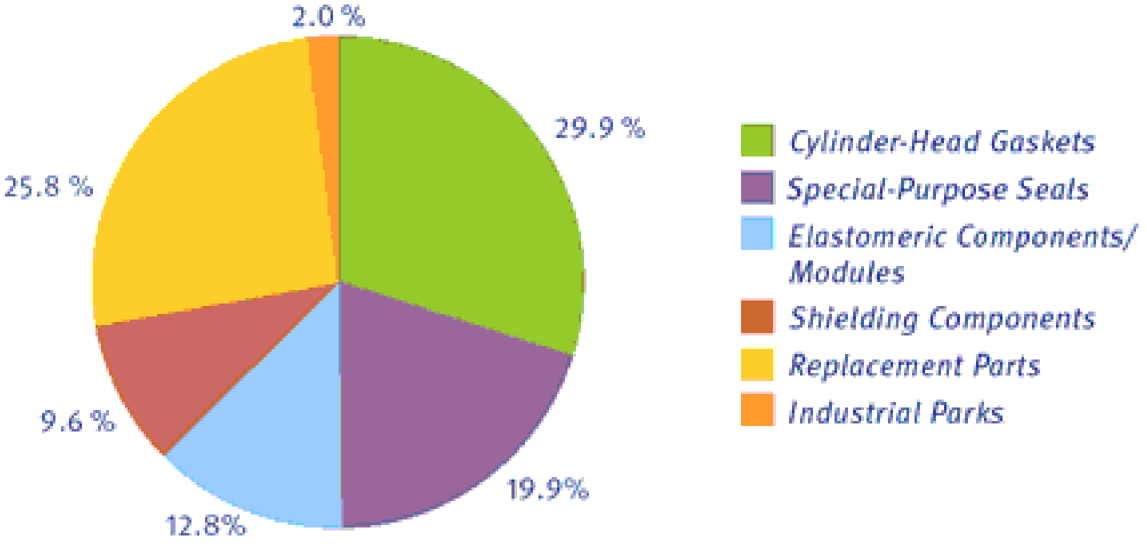
Pretax earnings for FY 2002 rose to € 31.5 million, an increase of 17.8 % compared to the figure reported for FY 2001.

Total assets increased by 5.3 % to € 325.4 million at the close of FY 2002. Items worthy of note are the € 9-million reduction in the figure listed for the item “land and buildings” following the sale of its Tamm Industrial Park and the € 17.8-million increase in accounts receivable from affiliated companies, which was largely attributable to the refinancing of a business loan to its Canadian subsidiary.

The total balance due under loans from banking institutions declined by € 23.6 million to € 89.8 million, a decrease of 20.8 % compared to the figure reported for FY 2001.

Stockholders’ equity rose to € 139.8 million, or 43 % of total assets, at the close of FY 2002, and thus exceeded the long-term objective of 40 % that it had set for itself.

Percentages of ElringKlinger AG's Net Sales Attributable to Business Segments
(Prior to Elimination of Intercompany Transactions)



Subsidiaries and Affiliated Companies

Our subsidiaries and affiliated companies boosted their sales to unaffiliated buyers by 8.2 % to € 182.7 million during FY 2002.

Most of our subsidiaries and affiliated companies reported sales that were up compared to FY 2001. Sales by our Spanish subsidiary, our North-American OEM-business, and our replacement-parts business in Great Britain were all up by dual-digit percentages.

However, several of our subsidiaries and affiliated companies reported declining dales. Here in Germany, ElringKlinger Kunststofftechnik's net sales were down by 4.8 % and those of ElringKlinger Motortechnik fell 18.1 %. Elsewhere in the world, the sales of ElringKlinger S.p.A., Italy, were 11.5 % lower than in FY 2001, and Elring of North America's replacement-parts business was down by 14.3 %.

ElringKlinger do Brasil reported sales that were down by 31.7 %, when converted to Euros, on a 22.1-% increase in sales, when expressed in local currency, due to the sharp drop in the Brazilian Real/Euro exchange rate that occurred during FY 2002.

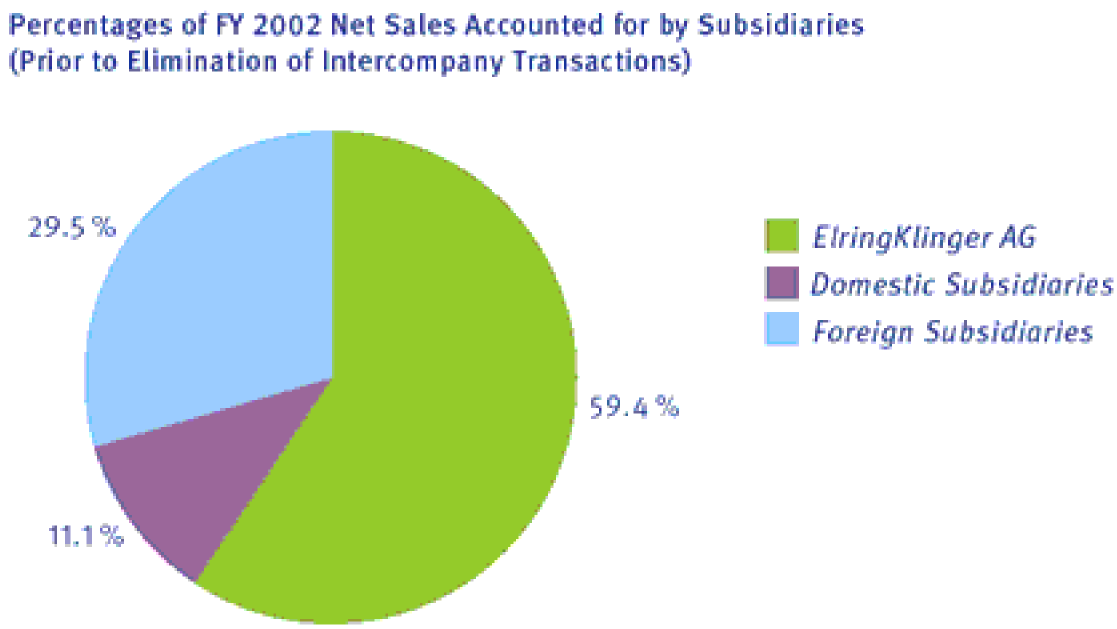
On the whole, earnings of our subsidiaries and affiliated companies failed to meet our expectations during FY 2002, largely due to three external factors and one company-internal factor. The external factors involved were the weak national economies, particularly that of Germany, necessary discounts to OEM-customers, and devaluations of the U.S. Dollar, Canadian Dollar, British Pound, Mexican Peso, and Brazilian Real against the Euro, which adversely affected the earnings of the affiliated companies dealing in those currencies. Internally, ElringKlinger Sealing Systems, Canada, experienced severe problems in starting up manufacturing operations for a new mass-produced product. That situation made it necessary to replace its management staff and transfer employees from our headquarters operation to Canada in order to help it solve those problems during the second half of F 2002. The progress that has meanwhile been made is encouraging.

Total net earnings on normal operations by our subsidiaries and affiliated companies thus declined to € 15.5 million, which is 23.3 % less than that reported for FY 2001, but still 8.5 % of their total net sales.

Although ElringKlinger Kunststofftechnik GmbH, followed by ElringKlinger (Great Britain) Ltd. and ElringKlinger S.A., Spain, are our subsidiaries with the highest net sales, they were saddled with a 31.3-% decline in their collective earnings for FY 2002.

The largest decline in earnings was reported by our Canadian affiliate, which missed its goal by a large margin. As mentioned above, that failure was attributable to high startup costs and problems encountered in conjunction with the startup of manufacturing operations for a large order.

Except for ElringKlinger do Brasil Ltda., ElringKlinger Sealing Systems USA, Inc., ElringKlinger Sealing Systems Inc., Canada, and ElringKlinger Logistic Service GmbH, which is still in the course of being started up, all of our other subsidiaries and affiliated companies reported profitable operations.



The ElringKlinger Group

Consolidated net sales for the group rose by 6.9 % to € 392.5 million during FY 2002.

In spite of that increase in net sales, the group's consolidated net income from normal operations (net earnings on normal operations, before adjustments to allow for interest income and expenses and investment income) declined to € 39.8 million, a 3.7-% decrease compared to the figure reported for FY 2001, due to the adverse effects of those external and company-internal factors mentioned above.

Nevertheless, consolidated pretax earnings for the group rose 4.4 % to € 36.0 million, which was largely attributable to a € 2.4-million decline in interest expenses.

Consolidated after-tax earnings of the ElringKlinger Group for FY 2002 rose to € 20.2 million, an increase of 7.4 % compared to the figure reported for FY 2001.

Total consolidated group assets at the close of FY 2002 declined to € 321.3 million, a 3.2-% decrease compared to the figure reported for the close of FY 2001.

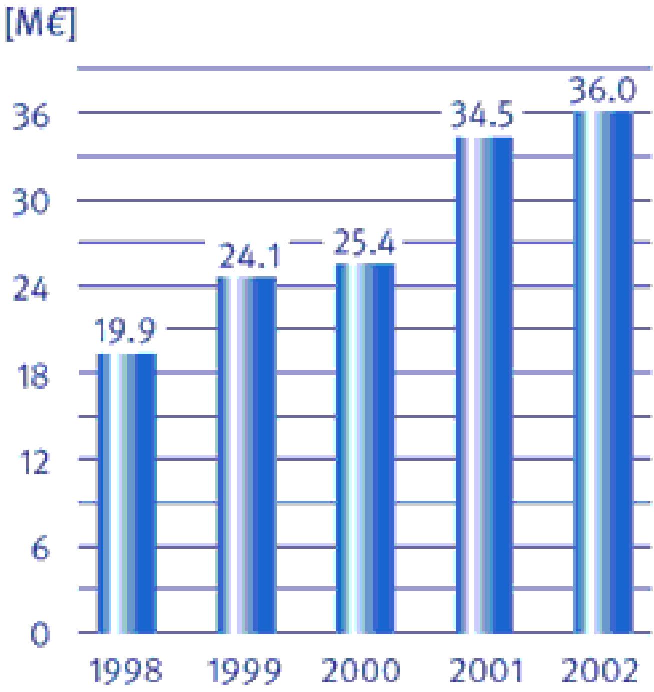
That decline was largely attributable to depreciation of intangible assets (capitalized corporate good will), the sale of our Tamm Industrial Park, and depreciation of capital investments in manufacturing equipment and office furnishings and equipment subject to depreciation.

Consolidated group materials, work-in-progress, and finished-goods inventories and accounts receivable increased due to higher sales levels.

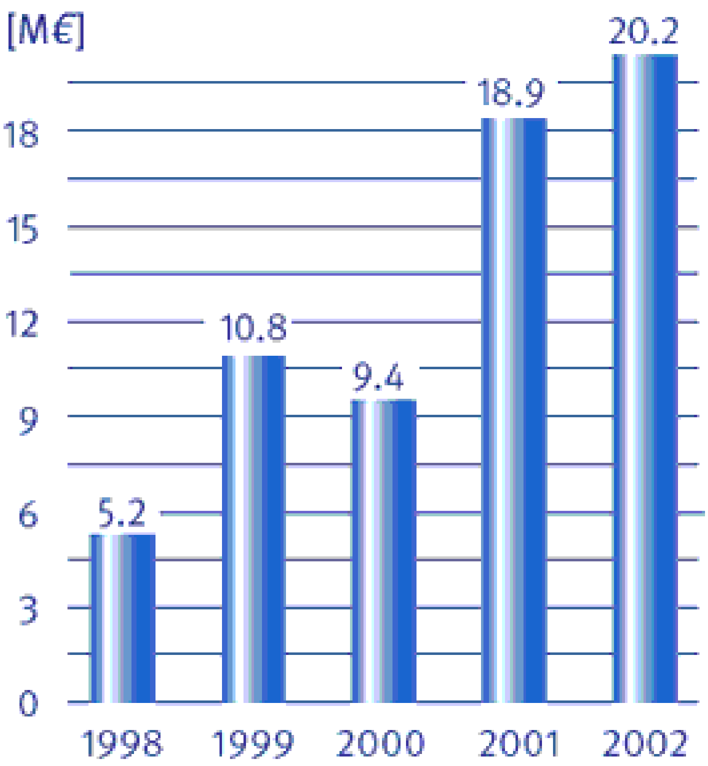
The total balance due under the group's bank loans declined by € 37.6 million to € 96.4 million, a decrease of 28.0 % compared to the figure reported for FY 2001.

Stockholders' equity in the group grew by 8 % during FY 2002, reaching € 105.9 million at the close of FY 2002 and resulted in a stockholders'-equity/total-assets ratio of 32.9 % for the group at the close of FY 2002, an increase of 3.4 percentage points compared to the figure reported for the close of FY 2001.

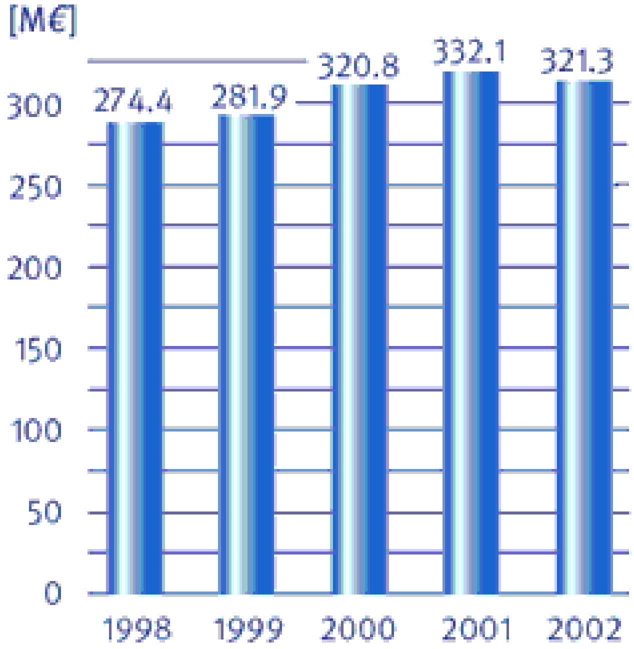
Group Consolidated Pretax Income from Normal Operations



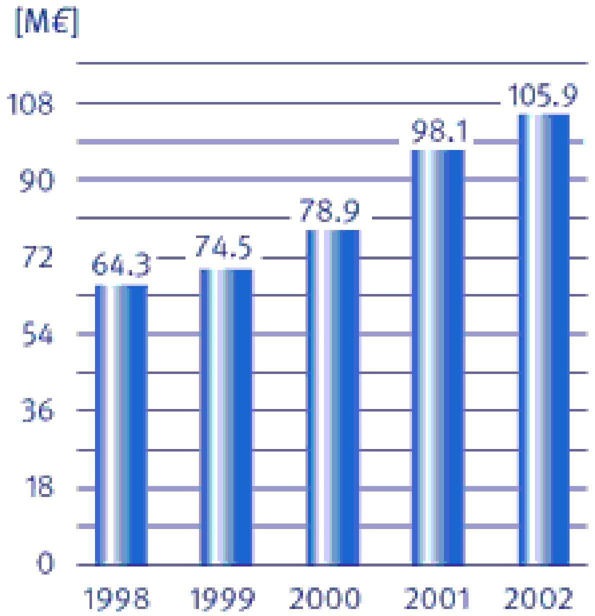
Group Consolidated Net Income for FY 2002



Group Total Assets/Liabilities at the Close of FY 2002



Stockholders' Equity in the Group at the Close of FY 2002



Consolidated Sales and Earnings, Categorized by Market Segment

Consolidated FY 2002 sales to the OEM-segment were up by 11 % compared to the figure reported for FY 2001 and totaled € 268.6 million, or 73.1 % of total consolidated net sales. That increase was largely attributable to startups of mass-production manufacturing operations for new products and shipments of substantially higher quantities of cylinder-head gaskets to the U.S.-market.

The OEM-segment yielded consolidated net earnings on normal operations of € 18.7 million, an increase of 38 % compared to the figure reported for FY 2001. After adjustments to allow for the effects of variations in invoiced pricing between the OEM and replacement-parts segments over FY 2002, consolidated net earnings on normal operations for the OEM-segment was up by 23 %.

Consolidated net sales to the replacement-parts segment were € 71.7 million, or 18.3 % of total consolidated net sales, an increase of 2 % compared to the figure reported for FY 2001. The high level this segment experienced during FY 2001 was thus upheld, in spite of the weak global economy.

Consolidated net earnings on normal operations for the replacement-parts segment were € 7.9 million, a decrease of 13.0 % compared to the figure reported for FY 2001, where that decrease was due to the aforementioned adjustments to allow for variations in invoiced pricing. If those adjustments are disregarded, consolidated net earnings on normal operations for the replacement-parts market were up by 9 % compared to the figure reported for FY 2001.

Consolidated FY 2002 net sales to the plastic-products segment, which were largely attributable to sales by our ElringKlinger Kunststofftechnik GmbH subsidiary, where € 42.5 million, a decrease of 5 % compared to the figure reported for FY 2001, where that decrease was largely attributable to the weak German economy.

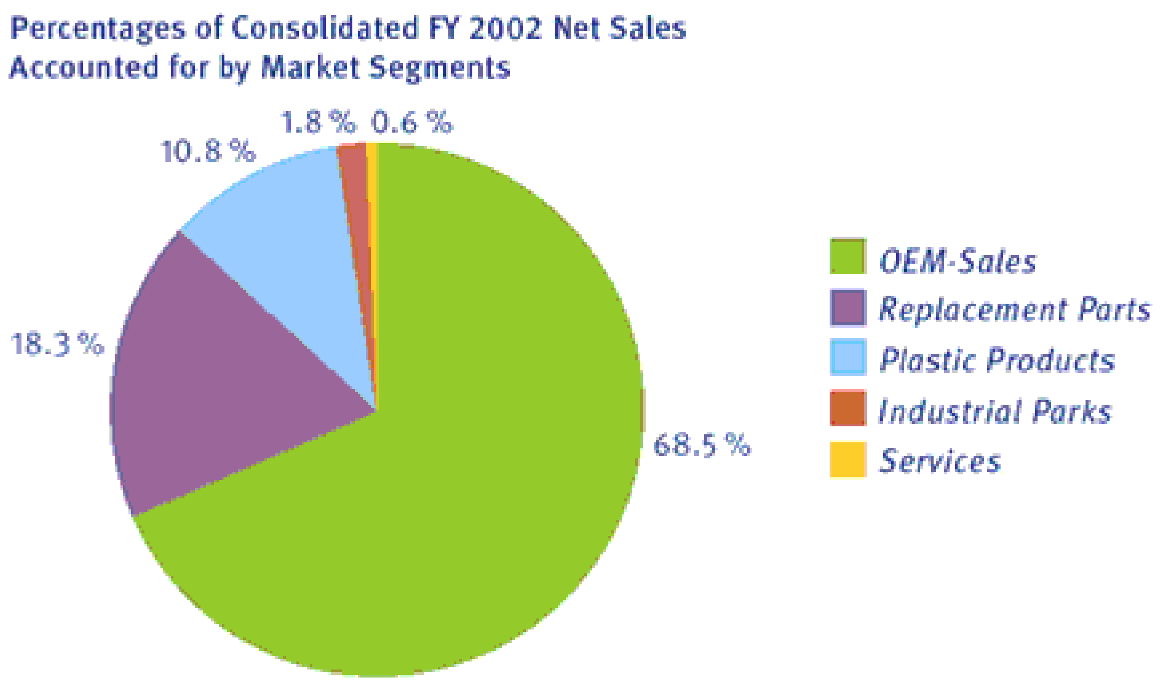
Consolidated net earnings on normal operations for the plastic-products segment declined to € 6.7 million, a decrease of 18.1 % compared to the figure reported for FY 2001.

The industrial-park segment yielded rental income of € 7.2 million during FY 2002, a decrease of 12 % compared to the € 8.2 million reported for FY 2001. Rental income of € 1.1 million that was included in the figure reported for FY 2001 did not recur during FY 2002 due to the sale of our Tamm Industrial Park during the latter period. After adjustments to allow for that sale, rental income remained at the level of FY 2001.

Net earnings on normal operations for the industrial-park segment for FY 2002 were € 2.4 million, a decrease of 17 % compared to the figure reported for FY 2001. After adjustments to allow for contributions by our Tamm Industrial Park during FY 2001, net earnings on normal operations for this segment were up by 7.4 %.

Consolidated net sales to the services segment for FY 2002 were € 2.4 million, a decrease of 23 % compared to the figure reported for FY 2001. Services rendered by ElringKlinger Motortechnik GmbH accounted for the majority of those sales. Its sales suffered greatly from a lack of orders due to restraint on the part of the automotive industry in placing orders for outside services occasioned by the adverse economic conditions that prevailed during FY 2002.

Net earnings on normal operations for the services segment dropped 73 % to € 0.2 million.



Our Risk-Reporting System

The Corporate Governance and Transparency Act, which was enacted in 1998, stipulates that corporations shall henceforth operate risk-management systems in order to maintain their assets, financial, and earnings statuses.

Taking advantage of opportunities, the goal of corporate operations, necessarily involves taking risks. ElringKlinger thus started systematically identifying and assessing corporate risks long before that legislation was enacted in order to be able to institute appropriate countermeasures in good time. Risk management is intended to allow dealing with various risks in controlled manners.

The major tool utilized by internal risk-monitoring systems is regular reporting on risks affecting the business and service sectors of the parent firm and its subsidiaries and affiliated companies. The responsible general managers, division managers, and service-department managers file semiannual, itemized, reports on all relevant risks affecting their respective areas of responsibility. Detailed risk “check lists” systematically address the various individual risks involved. These individual risks are then assessed in relation to their respective relevancies, probabilities of occurrence, and significances. Ongoing analyses of these risk reports form the basis for instituting countermeasures aimed at reducing or counteracting the risks involved whenever they prove necessary.

Our internal risk-management system was further upgraded and incorporated into our quality-management system during FY 2002.

In addition to our risk-management system, regular audits of corporate divisions and subsidiaries chosen at random conducted by outside auditors took place at the behest of our headquarters operation. We availed ourselves of the services of an independent firm of tax consultants and auditors that specializes in conducting such audits for that purpose. Their audits yielded have thus far led to useful suggestions that led to institution of appropriate corrective measures. A good example of such measures is the founding of ElringKlinger Logistic Service GmbH during FY 2002. For the past few years, we have been farming out the manufacture of gasket kits for our replacement-parts business to two outside suppliers on costing grounds. A review of our replacement-parts business during FY 2001 indicated that that approach involved risks that the supply of gasket kits might not continue without interruption over the long term. The loss of specific kit-assembly know-how occasioned by farming out their manufacture led to an unacceptable dependence on the suppliers involved, which was what triggered our transferring gasket-kit manufacture to ElringKlinger Logistic Service GmbH, a new subsidiary that we founded during FY 2002 that started up operations at its Rottenburg facility at the close of the fiscal year.

This combination of an internal risk-management system with outside audits was deemed exemplary under quality audits conducted by our OEM-customers and certification organizations during FY 2002.

Remarks on the individual risks we face:

The growing share of our foreign business invoiced in foreign currencies increases our foreign-exchange risks, a fact that surfaced during FY 2002 in the case of ElringKlinger do Brasil Ltda., Brazil, as well as in Great Britain and our business relations in the NAFTA-countries (the USA, Mexico, and Canada). We countered those foreign-exchange risks by increasing our value-added contributions in the respective countries involved in order that costs and earnings could be incurred in the same national currencies. In cases where that proved infeasible or could not yet be instituted, we endeavored to undertake counteracting transactions by the parent firm involving purchases of materials or supply of parts. However, part of the foreign-exchange risks involved remain uncovered. We have thus far refrained from entering into transactions that would anchor foreign-exchange rates due to the high volatilities of the foreign-exchange rates involved in both directions.

Risks of damage claims and product-liability suits have been covered by purchasing product-liability insurance. The premiums for that insurance, which increased drastically throughout FY 2002, meanwhile represent a major costing factor.

Risk that we might lose a patent-infringement suit in the USA surfaced in December 2002, when Federal Mogul Corp. and one of its subsidiaries filed a damage suit against ElringKlinger AG for alleged patent infringement and violation of their licensing rights.

Our own assessment of the matter and expert opinions rendered by leading firms of patent attorneys in Germany and the USA on the charges levied indicate that the plaintiffs' allegations are unfounded and that ElringKlinger AG has neither infringed the patent involved nor violated any existing license agreements.

All allegations filed by the plaintiffs were rejected and a countersuit petitioning a ruling that ElringKlinger AG had neither infringed the patent rights claimed nor violated the licensing agreements involved was filed by ElringKlinger AG at a court hearing on their complaint held in late January 2003.

An objective assessment of the charges indicates that court rulings on the suit and countersuit will be in favor of ElringKlinger AG. Nevertheless, we have formed a contingency reserve equivalent to U.S.$ 1.5 million to cover the estimated cost of defending ourselves against the suit.

Risks of fires, interruptions of operations, natural catastrophes, or other causes that might adversely affect our manufacturing operations or ability to supply our customers are covered by an all-risk insurance policy covering all of our manufacturing plants and subsidiaries that will provide compensation for temporary losses of earnings due to interruptions of our operations. The limit of liability for that insurance policy is € 300 million.

“Knowledge alone is not enough, one has to use it. Merely wanting to do something is not enough, one has to do it.”

Johann Wolfgang von Goethe (1749 - 1832)

The Outlook for FY 2003

Our expectations for FY 2003 have been dampened by the weak global economy, and, in particular, the uncertain geopolitical situation and the anticipated effects of the Iraq war.

Continuation of our history of steady sales growth is contingent upon the continued growth of the, for us, important, market for Diesel-engined vehicles, and new-model production startups, since global demand for automobiles will continue to decline.

Our earnings will improve during FY 2003, largely due to the cost-cutting measures that we have instituted. However, falling prices in a weak economic environment will adversely affect our earnings. The strength of the Euro will also adversely affect our earnings on sales to non-Euro countries.

Nevertheless, our performance over the first two months of FY 2003 has been better than expected. Consolidated group net sales rose by 6 % compared to the figure reported for the corresponding period of FY 2001. Pretax earnings for that two-month period reached a high dual-digit percentage of net sales, partly due to the, meanwhile, greatly improved, earnings picture at our Canadian subsidiary, but largely due to an increase in net income from normal operations reported by ElringKlinger AG.

Economic growth over the remainder of FY 2003 will be largely determined by the duration of the Iraq war and potential extensions of that conflict to other countries. It is unreasonable to expect that counteracting the effects of such developments on a company like ElringKlinger can be planned in advance. Nevertheless, ElringKlinger is well-prepared to react to any declines in demand that may occur by flexibly adjusting our manufacturing output to suit demand and further cutting our operating costs.

Dettingen/Erms, Germany, March 14, 2003

Dr. Helmut Lerchner

Horst Klusmann

Corporate Governance Report

The Corporate Governance Code

The recommendations of the German government's committee on corporate governance were enacted into law under the Transparency and Publicity Act during calendar 2002. According to § 161 of the Corporations Act, management boards and supervisory boards are obliged to certify their company's compliance with the former act's provisions. ElringKlinger published its certification of compliance on its web site on December 6, 2002.

For the most part, the recommendations of the Corporate Governance Code have long been standard practice at ElringKlinger. The close collaboration between our supervisory board and our management board has always been a prominent aspect of our company. A continual stream of detailed, candid, and timely information have kept our stockholders, customers, employees, and the general public informed on our company's status and progress.

Our management board keeps our supervisory board comprehensively informed on the course of our business, matters of relevance to the company, its risk situation, matters related to risk management, and corporate planning on a timely basis through written and oral reports.

Our supervisory board presented our management board with a catalog of business transactions and decisions of fundamental importance requiring its prior approval.

ElringKlinger has concluded fidelty bonds covering members of its management board and supervisory board involving deductible amounts equaling one year's compensation in the case of members of its supervisory board and one month's salary in the case of members of its management board.

The company has no consulting contracts with member of management board or supervisory board and has no plans to conclude any in the future. This practice is intended to avoid conflicts of interest.

Members of our management board and supervisory board receive combinations of fixed and performance-related compensations. In the case of members of our management board, this has been the case for years, and in the case of members of our supervisory board, will take effect commencing with fiscal year 2003, if approved at our forthcoming annual general stockholders' meeting.

We have set up a comprehensive Internet web site in order to keep the capital market and investors rapidly supplied with candid information. Our stockholders and any other interested parties may readily obtain up-to-date information on the company and its business at http://www.elringklinger.de. This mode of corporate communication also guarantees that stockholders and other interested parties will have access to the same information.

> ***"Will determines motion."***
>
> Oswald Spengler (1880 – 1936)

Our annual reports, quarterly reports, and web site regularly inform stockholders regarding major happenings and scheduled forthcoming events listed in our financial calendar.

Our introduction of registered shares has helped us improve our selective communications with our stockholders. Corporate publications are now sent directly to stockholders appearing on our list of stockholders personally as soon as they appear.

Since last year's annual general stockholder's meeting, we have been offering stockholders the opportunity to vote either personally, through their appointed proxies, or through proxies appointed by the company. Stockholders who are unable to attend our annual general stockholders's meetings and are unable to send their own proxies there may thus exercise their voting rights simply by signing proxy statements. Proxies appointed by the company may be instructed regarding how they are to vote.

ElringKlinger declines to comply with a few of the code's recommendations for the following reasons:

- Broadcasting ElringKlinger AG's annual general stockholders' meeting on the Internet, since, in the opinion of its management board and supervisory board, the costs involved would be out of proportion to the numbers of stockholders, securities analysts, and prospective investors who would benefit from it.

- Holding separate meetings preparatory to meetings of ElringKlinger AG's supervisory board with stockholders' representatives and employee representatives, since matters to be taken up at meetings of its supervisory board are thoroughly prepared beforehand through detailed written documentation that is made available to all members of its supervisory board well in advance. Holding such separate, oral, preparatory meetings is thus unnecessary.

- Publication of compensation paid to individual members of its manaement board, which is declined on data-protection grounds.

- Establishment of an auditing committee. Since ElringKlinger AG's supervisory board has just nine members, those tasks assigned to auditing committees by the Corporate Governance Code may be readily handled by its supervisory board.

- Providing printed, English-language, annual and quarterly reports, since the printing costs involved would be out of proportion to the resultant benefits. However, in order to make the information involved available to English-speaking investors as well, English translations of our quarterly reports and press releases are published on the English-language pages of our web site.

- Annual reports, group annual closing statements, and quarterly reports complying with International Accounting Standards (IAS), since our accounting will be in accordance with established German ("HGB") accounting standards through fiscal year 2004. Our accounting will be converted to IAS, commencing with fiscal year 2005.

"People have the dissatisfied to thank for progress."

Aldous Huxley (1894 – 1963)

Corporate Officers

Management Board

Dr. Helmut Lerchner, Chairman

Responsible for the company’s subsidiaries and affiliates, replacement-parts division, and OEM-sales, finance/auditing/data-processing, legal and personnel, investor-relations, and public-relations departments.

Mr. Horst Klusmann

Responsible for the company’s cylinder-head-gasket/central-research-and-development, special-purpose-seal, housing-component/module/elastomer-component, and shielding-component divisions, and for its quality-assurance and environmental-protection, tool-and-die-making, and purchasing/logistics departments.

Supervisory Board

Mr. Karl Uwe van Husen, Chairman

Managing Director and a member of the supervisory board since 2000.

Mr. Walter Herwarth Lechler, Vice-Chairman

Managing stockholder and a member of the supervisory board since 1976.

Mr. Gert Bauer*

Chief Authorized Representative of the Reutlingen/Tübingen chapter of the "IG Metall" labor union and a member of the supervisory board since 2000.

Mr. Walter Greiner*

Chairman of ElringKlinger AG’s Company Council and a member of its supervisory board since 2000.

Dr. Rainer Hahn

Managing Director and a member of the supervisory board since 2000.

Dr. Thomas Klinger-Lohr

President of the Management Board and a member of the supervisory board since 1998.

Mr. Rolf Rauscher*

An employee of ElringKlinger AG and a member of its supervisory board since 2000.

Mr. Helmut Ritzer

Management consultant and a member of the supervisory board since 1990.

Mr. Manfred Strauß

Managing Director and a member of the supervisory board since 1996.

*Employee representative

Company Stock Held by Corporate Officers

		Stockholding at December 31, 2002
Management Board	Dr. Helmut Lerchner	840 shares
Supervisory Board	Mr. Karl Uwe van Husen	1,870 shares
	Mr. Walter Greiner	70 shares
	Dr. Thomas Klinger-Lohr	480,000 shares[1]
	Mr. Walter Herwarth Lechler	1,308,620 shares[2]
	Mr. Rolf Rauscher	70 shares

[1] Beneficially held by Betal Netherlands Holding B.V., Rotterdam, The Netherlands.
[2] Includes shares held by controlled capital-stock companies.

Consolidated Balance Sheet for ElringKlinger AG

ASSETS

	At 31 Dec., 2002	At 31 Dec, 2001
	€ (thousands)	€ (thousands)
Assets		
Intangible assets	842	897
Fixed assets	107,090	113,784
Long-term investments	117,436	116,863
	225,368	231,544
Current assets		
Inventories	34,652	32,312
Accounts receivable and miscellaneous assets	62,070	45,013
Cash on hand, bank deposits, and checks	3,009	104
	99,731	77,429
Deferred charges	282	7
	325,381	308,980

LIABILITIES AND STOCKHOLDERS' EQUITY

	At 31 Dec., 2002	At 31 Dec, 2001
	€ (thousands)	€ (thousands)
Stockholders' equity Capital stock at par value	28,800	28,800
Capital in excess of par value	12,553	12,553
Retained earnings	82,523	59,463
Balance-sheet profit/loss	15,877	13,398
	139,753	114,214
Extraordinary items, including portions allocated to reserves	451	901
Reserves Reserves for employee pensions and similar reserves	32,682	31,697
Reserves for taxes	2,943	2,331
Miscellaneous reserves	25,282	18,122
	60,907	52,150
Accounts payable	124,270	141,715
	325,381	308,980

Consolidated Income Statement for ElringKlinger AG

	FY 2002		FY 2001	
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Net sales	267,857		250,044	
Change in inventories of finished goods and work in progress	(239)		1,636	
Miscellaneous capitalized items	5,490		3,190	
Miscellaneous operating income	10,637	283,745	8,688	263,558
Cost of materials		(107,362)		(103,823)
Personnel costs		(80,017)		(74,058)
Depreciation allowances on intangible assets and fixed assets		(26,223)		(22,181)
Miscellaneous operating expenses		(38,316)		(36,961)
Income from stockholdings in affiliated companies	13,403		15,863	
Interest income, net	(3,906)	9,497	(5,804)	10,059
Income from normal operations		41,324		36,594
Taxes on income and earnings	9,587		9,653	
Miscellaneous taxes	198	(9,785)	160	(9,813)
Net income		31,539		26,781
Earnings carried forward from the preceding fiscal year		98		3
Transfer to retained earnings		(15,760)		(13,386)
Balance-sheet profit/loss		**15,877**		13,398

Consolidated Balance Sheet for the ElringKlinger Group

ASSETS

	At 31 Dec., 2002	At 31 Dec, 2001
	€ (thousands)	€ (thousands)
Assets Intangible assets	25,452	28,166
Fixed assets	161,056	177,005
Long-term investments	5,115	5,690
	191,623	**210,861**
Current assets Inventories	58,227	55,163
Accounts receivable and miscellaneous assets	61,162	57,802
Miscellaneous securities	1,586	1,412
Cash on hand, bank deposits, and checks	7,181	5,880
	128,156	**120,257**
Deferred charges	**1,559**	**946**
	321,338	332,064

LIABILITIES AND STOCKHOLDERS' EQUITY

	At 31 Dec., 2002	At 31 Dec, 2001
	€ (thousands)	€ (thousands)
Stockholders' equity Capital stock at par value	28,800	28,800
Capital in excess of par value	12,553	12,553
Retained earnings	37,802	33,004
Shares held by outsiders	10,838	10,299
Balance-sheet profit/loss	15,877	13,398
	105,870	**98,054**
Extraordinary items, including portions allocated to reserves	**180**	**288**
Reserves Reserves for employee pensions and similar reserves	36,307	35,157
Reserves for taxes	4,635	4,915
Miscellaneous reserves	30,317	21,604
	71,259	**61,676**
Accounts payable	**142,915**	**170,508**
Accrued expenses and customer prepayments	**1,114**	**1,538**
	321,338	332,064

Consolidated Income Statement for the ElringKlinger Group

	FY 2002		FY 2001	
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Net sales	392,521		367,321	
Change in inventories of finished goods and work in progress	1,306		2,558	
Miscellaneous capitalized items	6,609		3,228	
Miscellaneous operating income	9,763	410,199	5,311	378,418
Cost of materials		(153,146)		(139,809)
Personnel costs		(123,864)		(116,435)
Depreciation allowances on intangible assets and fixed assets		(41,014)		(36,808)
Miscellaneous operating expenses		(52,340)		(43,998)
Income from stockholdings in affiliated companies	793		66	
Interest income, net	(4,614)	(3,821)	(6,931)	(6,865)
Income from normal operations		36,014		34,503
Extraordinary income		0		(2)
Taxes on income and earnings	15,510		15,444	
Miscellaneous taxes	257	(15,767)	205	(15,649)
Net income		20,247		18,852
Earnings distributions due outside stockholders		(3,153)		(3,194)
Earnings of ElringKlinger AG carried forward from the preceding fiscal year		98		3
Transfer to retained earnings of ElringKlinger AG	(15,760)		(13,386)	
Withdrawals from group reserves	14,445	(1,315)	11,123	(2,263)
(Balance-sheet profit/loss of ElringKlinger AG)		**15,877**		13,398

Addenda to the Annual Closing Statements for ElringKlinger AG and the ElringKlinger Group

General Remarks

The annual closing statements for ElringKlinger AG, Dettingen/Erms, Germany, and for the ElringKlinger Group have been prepared in accordance with the provisions of the Federal Republic of Germany's Securities Act and its Code of Commercial Law applicable to large capital-stock companies.

The notes to the annual closing statements for ElringKlinger AG and the ElringKlinger Group have been consolidated in order to simplify reporting and avoid repetitions. In order to make their annual closing statements easier to read and comprehend, all figures appearing therein have been stated in thousands of Euros and items appearing on their balance sheets and income statements have been consolidated, but will be itemized in these addenda. In addition, all remarks appearing in these addenda have been supplemented by detailed explanations.

In addition to the balance sheets and income statements for ElringKlinger AG and the ElringKlinger Group, their annual closing statements include a statement of changes in the group's equity capitalization, a consolidated statement of changes in financial position, and a report on individual market segments.

In cases where recommendations of the German Committee on Accounting Standards ("German Accounting Standards") announced by the German Federal Ministry of Justice restricted legal rights of choice, regulations imposed those standards have been disregarded or selectively applied. In particular, those standards whose regulations have been disregarded or selectively applied are DRS 4 ("Accounting for Corporate Acquisitions in Consolidated Closing Statements), DRS 8 ("Accounting for Stockholdings in Affiliated Companies on Consolidated Balance Sheets), and standards that had been approved, but whose application had not yet been become mandatory, as of the closing date, in which case, more liberal legal rights of choice were exercised.

Companies Consolidated/Affiliated Companies

The consolidated annual closing statements of the ElringKlinger Group incorporate the annual closing statements of ElringKlinger AG and nineteen subsidiaries. A list of the companies whose annual closing statements have been incorporated and affiliated companies appears in the accompanying "List of Corporate Shareholdings and Companies Consolidated."

Being consolidated for the first time are the former affiliate, Changchun Elring Gaskets Company Ltd., Changchun, PR China, due to acquisition of a majority stockholding and a majority of the voting rights in that company, and ElringKlinger Logistic Service GmbH, Rottenburg a. N., Germany, a subsidiary that was founded during fiscal year 2002.

Consolidation Principles

Subsidiaries' net worths are consolidated based on the book-value method by balancing off the valuations of the consolidated portions of their net worths against those portions of their stockholders' equities subject to mandatory consolidation as of their respective dates of acquisition or the respective dates on which they were first included in consolidations.

Capitalized differences relative to the book values of their net worths resulting from those consolidations are allocated to the associated items appearing on the group's consolidated balance sheet to the maximum extents possible and depreciated over their respective expected useful lives, where the depreciation allowances involved are debited to income.

Stockholdings in subsidiaries held by outside stockholders are separately itemized under stockholders' equity.

Stockholdings in affiliated companies are valued using the equity method and carried forward, i.e., adjusted to reflect changes in the prorated portions of the stockholders' equities of the respective affiliated companies involved, as stated on their balance sheets. The group's shares of the annual net incomes of affiliated companies are listed on its consolidated income statements under "Income from stockholdings in affiliated companies." Any differences in the amounts involved resulting from employment of the equity method are due to the dates on which the affiliated companies involved were first included in consolidations. In accordance with § 312, Par. 5, of the Code of Commercial Law, no adjustments to allow for employment of differing valuation methods for affiliated companies are made. Elimination of accrued provisional earnings on sales to, and by, affiliated companies is not practiced.

All intercompany accounts receivable, accounts payable, sales, miscellaneous income, expenses, and provisional earnings among companies included in consolidations are eliminated. Accrued provisional earnings on intercompany sales are deducted from inventories.

The annual closing statements of subsidiaries domiciled in countries with high inflation rates are adjusted to allow for inflation in accordance with legal regulations applying in the respective countries involved and incorporated into the group's consolidated annual closing statements using the closing-date method. The resultant adjustments to group assets are listed in tables of additions to, and eliminations from, assets under "Eliminations."

Balance-Sheet-Preparation and Valuation Polices of ElringKlinger AG and the ElringKlinger Group

Assets

Purchased intangible assets, fixed assets, and long-term investments are stated at their purchase prices or manufacturing cost. Manufacturing costs include the costs of materials, itemized fabrication and assembly costs, and legally mandated prorated shares of overhead costs and depreciation allowances.

Items with limited useful lives are depreciated over their expected useful lives using depreciation schedules based on the maximum depreciation rates allowed by tax laws. Rights to choose the depreciation methods employed are exercised and simplified methods employed wherever allowed.

Intangible assets, buildings, improvements to plots of land are linearly depreciated over depreciation periods, or using depreciation rates, complying with tax laws.

In the case of domestic companies, depreciation allowances on manufacturing systems, other equipment, and office equipment and furnishings appearing in annual financial statements and the group’s consolidated financial statements are computed using the declining-balance method wherever allowed and wherever it yields greater depreciation allowances than the linear method. Depreciation allowances on the assets of foreign companies appearing therein are largely computed using the linear method.

Extraordinary depreciation allowances and depreciation allowances allowed under tax laws are taken advantage of wherever necessary and legally permissible.

Rights to exempt items from depreciation are exercised. Opportunities to appreciate items are taken advantage of and the associated extraordinary items, including the portions thereof to be allocated to reserves, created wherever allowed.

On the group’s financial statements, good will resulting from consolidations of the capitalizations and financial statements of individual subsidiaries and affiliated companies is depreciated over the usual fifteen years.

Stockholdings in affiliated companies are stated in the group’s financial statements at their prorated net assets, based on the equity method, except in cases where special circumstances dictate need for lower valuations.

Current Assets
Current assets are stated at cost, manufacturing cost, or the lesser of standard cost or market. Raw materials, tooling, fixtures, operating supplies, and purchased saleable goods are stated at their depreciated, average, purchase prices. Fixed valuations are stated in some cases.

Work in progress and finished goods are stated at their fabrication costs, plus the minimum reasonable and necessary materials costs and prorated manufacturing overhead costs allowed by tax laws.

Items whose replacement costs have declined are stated at their depreciated replacement costs. The book values of obsolete, damaged, or defective items are adjusted to accurately reflect their current values, and in order to preclude need for write-downs when they are used or sold.

Accounts receivable and miscellaneous assets are adjusted to allow for identifiable risks in individual cases. General credit risks are accounted for using commuted allowances.

Securities classified as current assets are stated at the lesser of cost or market on the respective closing dates involved.

Extraordinary Items, Including Portions Allocated to Reserves
Extraordinary items, including those portions thereof allocated to reserves are included in the annual closing statements of ElringKlinger AG to the extents allowed by law. No such are included in the group's annual closing statements insofar as they relate to stockholdings in subsidiaries or affiliated companies.

Reserves and Accounts Payable
Reserves for employee pensions and similar obligations are fully accounted for by means of partial accruals determined using actuarial principles and the 1998 guideline table published by Dr. Klaus Heubeck, for a base interest rate of 6 %.

In accordance with the IDW-position on accounting principles entitled "Balance-Sheet Accounting for Obligations Arising from Part-Time-Employment Agreements with Elderly Employees According to IAS and the Provisions of Commercial Law" (IDW RS HFA 3), reserves for obligations arising from part-time-employment agreements with elderly employees include both credits that have been accrued as of the dates of employees' entry into part-time employment and obligations regarding supplementary payments. Reserves covering supplementary payments due under part-time-employment agreements that have been concluded as of the respective closing dates are formed and, due to an obligation under a company-internal agreement, for those part-time-employment agreements that have been taken advantage of during the period of validity of that company-internal agreement.

Reserves include allowances for both identifiable risks of incurring losses and uncertain liabilities computed on reasonable bases.

Accounts payable are based on payments currently due.

Foreign-Exchange and Currency Conversions

Accounts receivable in foreign currencies are valued at the exchange rates applicable on the dates on which they arose, duly allowing for losses due to any changes in exchange rates unfavorable to the company that may have occurred as of the respective closing dates involved.

All items appearing in the group's consolidated balance sheets and consolidated income statements are converted from those currencies in which the financial statements of foreign members of the group are stated using the average exchange rates in effect on the respective closing dates involved. The determination of stockholders' equity at January 1, 2002, using exchange rates that were in effect on December 31, 2002, yielded a reduction in stockholders' equity due to the conversions of € 5,304,000. This amount was debited to accrued gains on currency conversions, without affecting earnings.

Consolidation Principles

Companies included in consolidations are subject to a unified set of accounting, itemization, and valuation guidelines. Those of assets and liabilities that are consistent throughout the group are valued using the same methods as the parent company.

Notes on the Balance Sheets for ElringKlinger AG and the ElringKlinger Group

Assets

Changes in assets itemized on their balance sheets are separately stated for ElringKlinger AG and the ElringKlinger Group in the sections entitled “Consolidated Statement of Changes in the Assets of ElringKlinger AG” and “Consolidated Statement of Changes in the Assets of ElringKlinger AG,” below.

The figure stated for intangible assets on the balance sheets for the ElringKlinger Group include business valuations totaling € 20,451,000 resulting from initial consolidations, after adjustments to allow for scheduled annual depreciation allowances totaling € 2,045,000, and € 3,610,000 in the case of a business valuation of its Canadian subsidiary. Purchased EDP-software, licenses, and manufacturing and energy-supply rights are also included therein.

Included under “Long-term investments” on the annual closing statements of both ElringKlinger AG and the ElringKlinger Group are investments in unconsolidated affiliated companies, loans, and backup insurance policies (the figure stated for FY 2001 also includes securities).

The list of stockholdings required by § 285, No. 11, HGB, appears in the “List of Stockholdings at 31 December, 2002, and Companies Consolidated,” below.

Current Assets

Inventories

	ElringKlinger AG		The ElringKlinger Group	
	At 31 Dec., 2002	At 31 Dec., 2001	**At 31 Dec., 2002**	At 31 Dec., 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Raw materials, tooling, fixtures, and operating supplies	7,234	6,974	17,672	17,554
Work and services in progress	3,632	4,042	8,138	7,234
Finished and salable goods	23,289	21,296	31,816	30,375
Prepayments	497	0	601	0
	34,652	32,312	**58,227**	55,163

Accounts Receivable and Miscellaneous Assets

	ElringKlinger AG		The ElringKlinger Group	
	At 31 Dec., 2002	At 31 Dec., 2001	**At 31 Dec., 2002**	At 31 Dec., 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Accounts receivable for goods and services	30,270	31,584	55,277	52,820
Accounts receivable from affiliated companies	28,786	10,937	0	0
Accounts receivable from partly owned companies	205	890	205	919
Miscellaneous assets	2,809	1,602	5,680	4,063
	62,070	45,013	**61,162**	57,802

As for FY 2001, the figures for accounts receivable and miscellaneous assets stated on the annual closing statements of ElringKlinger AG and the ElringKlinger Group apply to those having residual terms of one year or less.

Accounts receivable from affiliated companies refer to financial transactions totaling € 13,777,000 at the close of FY 2002 and € 291,000 at the close of FY 2001. The remainders are accounts receivable therefrom for goods and services. Accounts receivable from partly owned companies refer exclusively to accounts receivable for goods and services, except in the case of those for the close of FY 2001, which include loans totaling € 112,000.

The miscellaneous securities referred to on the annual closing statements of the ElringKlinger Group are bonds with short periods remaining to maturity.

Deferred Charges

The figures for deferred charges appearing on the annual closing statements of the ElringKlinger Group include € 1,182,000 in capitalized tax credits in accordance with § 306, HGB for FY 2002 and € 788,000 for FY 2001, where the remainders are miscellaneous deferred charges.

Stockholders' Equity

A total of 4,800,000 registered shares have been issued as subscribed share capital. The figure for capital stock at par value on the closing date for FY 2002 remained unchanged at € 28,800,000.00.

At the annual general stockholders' meeting held on 20 July, 2000, ElringKlinger AG's approved share capital was fixed at € 14,400,000.00, and may be called up by its management board on or before 30 June, 2005, with the approval of its supervisory board.

In accordance with a stockholders' resolution passed at the annual general stockholders' meeting held on 11 June, 2002, € 7,300,000 from the ElringKlinger AG's balance-sheet earnings for FY 2001 and, in accordance with a proposition by its management board, € 15,760,000 from its net income for FY 2002, were transferred to retained earnings. The figures stated include the legally mandated transfer, which remained unchanged at € 133,000, and other retained earnings totaling € 82,390,00 for FY 2002 and € 59,330,00 for FY 2001.

Retained earnings of the ElringKlinger Group, including items attributable to consolidations, totaling (€ 44,721,000) for FY 2002 and (€ 26,459,000) for FY 2001 have been offset against those of ElringKlinger AG. The reduction is attributable to withdrawals totaling € 14,445,000 in order to adjust the ElringKlinger Group's balance-sheet earnings to agree with those of ElringKlinger AG, to adjustments due to currency conversions totaling (€ 5,304,000), and to debits to liabilities totaling (€ 1,487,000) credited to retained earnings due to initial consolidations occurring during FY 2002.

ElringKlinger AG's balance-sheet earnings for FY 2002 arose as follows:

	€ (thousands)
Balance-sheet earnings at 31 December, 2001	13,398
Dividend distribution for FY 2001 (€ 1.25 per share)	(6,000)
Transfers to other retained-earnings accounts	(7,300)
Earnings carried forward from prior fiscal years	98
Net income for FY 2002	31,539
Transfers to other retained -earnings accounts	(15,760)
Balance-sheet earnings at 31 December, 2002	**15,877**

The ElringKlinger Group's balance-sheet earnings, € 15,877,000, were identical to those of ElringKlinger AG.

The item **"stockholdings held by outsiders"** appearing on the ElringKlinger Group's balance sheets relates to stockholdings in subsidiaries held by outsiders, and consisted of € 7,581,000 and € 6,195,000 worth of capital stock for FY 2002 and FY 2001, respectively, and € 3,257,000 and € 4,104,000 in earnings allocations for FY 2002 and FY 2001, respectively.

Changes in the ElringKlinger Group's stockholders' equity are itemized under the section entitled "Changes in the ElringKlinger Group's Stockholders' Equity," below.

Extraordinary items, including portions thereof credited to reserves
In accordance with § 280, Par. 1, HGB, together with § 52, Par. 16, Sentence 3, EStG, extraordinary items, including portions thereof credited to reserves, were formed in FY 1999 and added to annual closing statements in conjunction with amounts credited to the book values of stockholdings in affiliated companies and loans granted due to the requirement to update assets stipulated under § 6, Par. 1, No. 1, EStG. In keeping with legal regulations, those extraordinary items have been partially dissolved during subsequent fiscal years.

The figures for extraordinary items, including portions thereof credited to reserves, appearing on the ElringKlinger Group's annual closing statements also relate to additions to loans granted due to that requirement to update assets.

Reserves

Itemized miscellaneous reserves were as follows:

	ElringKlinger AG		The ElringKlinger Group	
	At 31 Dec., 2002	At 31 Dec., 2001	**At 31 Dec., 2002**	At 31 Dec., 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Reserves to cover obligations arising from the personnel area	17,592	12,289	20,111	14,179
Reserves to cover legal expenses	1,615	103	1,630	103
Reserves to cover warranty obligations	1,327	1,235	1,602	1,481
Reserves to cover other risks	4,748	4,495	6,974	5,841
	25,282	18,122	**30,317**	21,604

Accounts Payable

		Portion thereof having a residual term of				
ElringKlinger AG	**Totals at 31 Dec., 2002**	one year or less	one to five years	more than five years	Secured Portions	Totals at 31 Dec., 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Accounts payable to banking institutions	89,791	14,972	22,159	52,660	33,255	113,365
Customer prepayments	28	28	0	0	0	67
Accounts payable for goods and services	9,725	9,725	0	0	0	8,559
Accounts payable to affiliated companies	1,360	1,267	93	0	0	1,532
Accounts payable to partly owned companies	98	98	0	0	0	0
Miscellaneous accounts payable	23,268	15,840	7,428	0	0	18,192
	124,270	**41,930**	**29,680**	**52,660**	**33,255**	141,715

The ElringKlinger Group	Totals at 31 Dec., 2002	Portion thereof having a residual term of: one year or less	one to five years	more than five years	Secured Portions	Totals at 31 Dec., 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Accounts payable to banking institutions	96,438	20,512	23,266	52,660	35,778	134,033
Customer prepayments	2,283	2,283	0	0	0	170
Accounts payable for goods and services	16,965	16,965	0	0	0	15,215
Accounts payable to partly owned companies	98	98	0	0	0	0
Miscellaneous accounts payable	27,131	19,703	7,428	0	0	21,090
	142,915	**59,561**	**30,694**	**52,660**	**35,778**	170,508

Mortgages on corporate real estate totaling € 34,480,000 for the ElringKlinger Group have been tendered as collateral. In addition, liens in amounts 522,000 Canadian Dollars (equivalent to € 318,000) and € 1,000,000 on company assets have been granted by one of the group's subsidiaries. Except for the commercially commonplace retentions of rights of ownership in the case of accounts payable for goods and services, no collateral has been tendered to cover other accounts payable.

Among ElringKlinger AG's accounts payable to affiliated companies, € 110,000 of the figure stated for FY 2002 and € 249,000 of the figure stated for FY 2001 relate to financial transactions and the remainders relate to intercompany traffic in goods and services.

Among ElringKlinger AG's miscellaneous accounts payable, € 3,355,000 and € 739,000 relate to taxes and € 1,681,000 and € 1,517,000 relate to social-security contributions for FY 2002 and FY 2001, respectively. In the case of the ElringKlinger Group, € 5,305,000 and € 1,773,000 relate to taxes and € 2,419,000 and € 2,231,000 relate to social-security contributions for FY 2002 and FY 2001, respectively.

Notes on the Income Statements for ElringKlinger AG and the ElringKlinger Group

Net Sales

Contributions by Geographic Markets

	ElringKlinger AG		The ElringKlinger Group	
	FY 2002	**FY 2001**	**FY 2002**	**FY 2001**
	€ (thousands)	€ (thousands)	€ (thousands)]	€ (thousands)
Germany	125,671	120,383	159,743	160,625
Rest of the world	145,252	133,091	236,535	210,794
	270,923	253,474	396.278	371,419
Discounts, bonuses, rebates	(3,066)	(3,430)	(3,757)	(4,098)
	267,857	**250,044**	**392,521**	**367,321**

Of the total sales revenues of ElringKlinger AG, € 262,454,000 for FY 2002 and € 243,577,000 for FY 2001 came from sales of motor-vehicle parts and € 5,403,000 for FY 2002 and € 6,467,000 for FY 2001 was income from the operation of industrial parks.

Approximately 87 % of the total FY 2002 sales revenues of the ElringKlinger Group came from manufacture and sale of motor-vehicle parts and replacement parts, which was up slightly from the 85 % reported for FY 2001. The remainders came from sales of plastic products, which accounted for around 11 % of total sales revenues for FY 2002 and 12 % for FY 2001, and by income from the operation of industrial parks and service income.

Miscellaneous Operating Income

The figures reported for miscellaneous operating income in the case of ElringKlinger AG include € 451,000 from the dissolution of extraordinary items, including portions thereof allocated to reserves, for FY 2002 and € 499,000 for FY 2001. In addition, income carried forward from prior periods and largely attributable to retirements of manufacturing equipment, appreciation of long-term investments, and dissolutions of reserves totaling € 4,503,000 for FY 2002 and € 996,000 for FY 2001 was received during the respective fiscal years.

Miscellaneous operating income reported for the ElringKlinger Group includes income carried forward from prior periods totaling € 4,085,000 for FY 2002 and € 1,367,000 for FY 2001, which, for FY 2002, was largely attributable to retirements of manufacturing equipment (3,321,000), appreciation of long-term investments (€ 428,000), and dissolutions of reserves (€ 271,000). Income totaling € 102,000 from the dissolution of extraordinary items, including portions thereof allocated to reserves, which remained unchanged from FY 2001, is also included under this item.

Cost of Materials

	ElringKlinger AG		The ElringKlinger Group	
	FY 2002	FY 2001	**FY 2002**	FY 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Cost of raw materials, tooling, ixtures, operating supplies, and purchased salable goods	98,856	94,481	141,670	127,171
Cost of purchased services	8,506	9,342	11,476	12,638
	107,362	**103,823**	**153,146**	**139,809**

Personnel Costs

	ElringKlinger AG		The ElringKlinger Group	
	FY 2002	FY 2001	**FY 2002**	FY 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Wages and salaries	65,349	59,696	103,214	96,107
Social-security contributions and contributions to retirement plans	14,668	14,362	20,650	20,328
Portions thereof for retirement plans	2,833	3,257	3,466	3,991
	80,017	74,058	**123,864**	116,435

Depreciation Allowances
Depreciation of fixed assets, as demanded by tax regulations, in prior fiscal years increased the net incomes of both ElringKlinger AG and the ElringKlinger Group by € 75,000 for FY 2002 and € 58,000 for FY 2001 over what would have resulted if these options allowed by tax regulations had not been exercised.

Included in the depreciation allowances reported for FY 2002 for both ElringKlinger AG and the ElringKlinger Group are € 2,622,000 in extraordinary depreciation allowances arising from the transfer of earnings from the sale of real estate, as demanded by § 6b, EStG.

Miscellaneous Operating Expenses
Included in the figures stated for the miscellaneous operating income of ElringKlinger AG are income carried forward from prior fiscal years resulting from uncollectable accounts receivable, retirements of fixed assets, and damage settlements totaling € 768,000 for FY 2002 and € 532,000 for FY 2001.

Included in the figures stated for the miscellaneous operating income of the ElringKlinger Group are income carried forward from prior fiscal years totaling € 1,009,000 for FY 2002 and € 583,000 for FY 2001.

Income from Stockholdings
In the case of ElringKlinger AG, income from stockholdings is accounted for by income from stockholdings totaling € 14,203,000 for FY 2002 and € 15,863,000 for FY 2001, adjusted to allow for depreciation allowances on long-term investments totaling € 800,000 for FY 2002 and zero for FY 2001. Income from stockholdings in affiliated companies totaled € 14,197,000 for FY 2002 and € 15,855,000 for FY 2001.

Income from Stockholdings in Affiliated Companies
The ElringKlinger Group's income from stockholdings in affiliated companies for FY 2002 consisted of income totaling € 800,000, adjusted to allow for related expenses totaling € 7,000.

Interest Income

	ElringKlinger AG		The ElringKlinger Group	
	FY 2002	FY 2001	**FY 2002**	FY 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Income from other securities and loans of corporate financial assets	65	120	168	258
Miscellaneous interest income and similar income	641	75	323	348
Interest expenses and similar expenses	(4,612)	(5,994)	(5,105)	(7,532)
Depreciation allowances on long-term investments	0	(5)	0	(5)
	(3,906)	**(5,804)**	**(4,614)**	**(6,931)**

The figures for net interest income stated on ElringKlinger AG's annual closing statements include income from loans of corporate financial assets to affiliated companies totaling € 5,000 for FY 2002 and zero for FY 2001, interest income realized by affiliated companies totaling € 464,000 for FY 2002 and € 34,000 for FY 2001, and interest paid to affiliated companies totaling € 63,000 for FY 2002 and € 236,000 for FY 2001, all of which have been eliminated on consolidation, and thus do not appear on the ElringKlinger Group's annual closing statements.

Taxes on Income and Earnings
The figures for taxes on income and earnings appearing on the annual closing statements of ElringKlinger AG include income carried forward from prior fiscal years totaling € 100,000 for FY 2002 and € 808,000 for FY 2001. The corresponding figures for the ElringKlinger Group are € 113,000 and € 798,000, respectively.

Commitments

ElringKlinger AG has incurred commitments totaling € 147,000 for FY 2002 and zero for FY 2001 from issuance and transferal of notes. Commitments totaling another € 2,944,000 for FY 2002 and € 15,703,000 for FY 2001 were incurred due to issuance of guarantees and completion bonds, of which € 2,847,000 and € 15,699,000 were issued on behalf of affiliated companies, respectively.

In accordance with § 133, Pars. 1 and 3, UmwG, ElringKlinger AG and its affiliate, ElringKlinger Motortechnik GmbH, are jointly committed to honor debts of the latter that were incurred prior to the effective date on which it was split off from the former and separately incorporated.

ElringKlinger AG has undertaken a commitment to financially support an affiliated company to the extent that it will be able to meet its payment commitments accruing under a work contract at all times.

ElringKlinger AG has also agreed to honor the future debts of one of its affiliated companies to one of the latter's suppliers in the event that the affiliated company should fail to honor them within a specified period.

The ElringKlinger Group's financial commitments consisted of guarantees and completion bonds issued to customers totaling € 97,000 for FY 2002 and € 4,000 for FY 2001 and € 147,000 in commitments under notes for FY 2002.

Miscellaneous Financial Commitments

Financial commitments arising under current business operations remained within normal bounds.

Additional Notes

Averaged over the respective fiscal years, ElringKlinger AG and the ElringKlinger Group had the following numbers of **employees:**

	ElringKlinger AG		The ElringKlinger Group	
	FY 2002	FY 2001	**FY 2002**	FY 2001
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Wage earners	1,045	1,063	1,935	1,898
Salaried employees	425	417	833	755
	1,470	1,480	2,768	2,653
Trainees	56	51	63	57
	1,526	**1,531**	**2,831**	**2,710**

Corporate Officers

Supervisory Board

Mr. Karl Uwe van Husen, Waiblingen, Germany, **Chairman**	Managing director
Mr. Walter Herwarth Lechler, Stuttgart, Germany, **Vice-Chairman**	Managing stockholder of Lechler GmbH, Metzingen, Germany Member of the advisory boards or administrative boards of Lechler, Inc., St. Charles, Missouri, USA, Lechler Ltd., Sheffield, England, Kecskemét, Hungary, Lechler France S.A., Montreuil, France, Lechler AB, Hagfors, Sweden, Lechler S.A., Wavre, Belgium, and Lechler S.A., Madrid, Spain.
Mr. Gert Bauer, Reutlingen, Germany, **employee representative**	Chief authorized representative of the Reutlingen/Tübingen chapter of the "IG Metall" labor union.
Mr. Walter Greiner, Grabenstetten, Germany, **employee representative**	Chairman of ElringKlinger AG's company council
Dr. Rainer Hahn, Stuttgart, Germany	Managing director of Robert Bosch GmbH, Stuttgart, Germany Member of the supervisory boards of Bosch Rexroth AG, Stuttgart, Germany, Rieter Holding AG, Winterthur, Switzerland, and Wüstenrot & Württembergische AG, Stuttgart, Germany, and member of the stockholders' committee of TÜV Süddeutschland Holding AG, Munich, Germany
Dr. Thomas Klinger-Lohr, Egliswil, Switzerland	President of the management board Managing director of Betal Netherlands Holding B.V., Rotterdam, The Netherlands, and a member of the advisory boards or administrative boards of the following of its subsidiaries: Klinger Holding PLC, Sidcup, England, Klinger S.p.A., Mazzo di Rho, Italy, Saidi, Madrid, Spain, Klinger AG, Egliswil, Switzerland, Klinger Ltd., Welshpool, Australia, Klinger (Pty.) Ltd., Wadeville, South Africa, Klinger Finland Oy, Masala, Finland, Klinger Sogefiltres N.V., Brussels, Belgium, Klinger-Picoff B.V., Rotterdam, The Netherlands, Thermoseal, Inc., Sidney, Ohio, U.S.A., Rich. Klinger S.A.A.C.I. y F., Buenos Aires, Argentina, Rich. Klinger Grundstücksverwaltung GmbH, Idstein, Germany, and Uni Klinger Ltd., Mumbai, India.
Mr. Rolf Rauscher, Bad Urach, Germany, **employee representative**	Employee of ElringKlinger AG's logistics division.
Mr. Helmut Ritzer, Stuttgart, Germany	Management consultant
Mr. Manfred Strauß, Stuttgart, Germany	Managing director

Compensation paid to members of ElringKlinger AG's supervisory board by ElringKlinger AG and the ElringKlinger Group during FY 2002 totaled € 98,000 and remained unchanged from FY 2001.

Management Board

Dr. Helmut Lerchner, Aichtal, Germany, **Chairman**	Responsible for affiliated companies, the company’s central finance, auditing, OEM-sales, legal & personnel, OEM-sales, investor-relations, data-processing, and public-relations departments, and its replacement-parts division.
Mr. Horst Klusmann, Weilheim/Teck, Germany	Responsible for the company’s cylinder-head-gasket/central-research-and-development, special-purpose-seal, housing-component/module/elastomer-products, and shielding-component divisions, and its central quality-assurance and environmental-protection, tool-and-die-making, and purchasing departments.

Compensation

Members of ElringKlinger AG’s management board received compensation totaling € 5,886,000 from ElringKlinger AG and the ElringKlinger Group during FY 2002.

Reserves for Pensions and Compensation Paid Former Management-Board Members

A total of € 4,653,000 has been set aside by ElringKlinger AG and the ElringKlinger Group to cover the pensions of former management-board members, managing directors of companies with which they have merged, and surviving members of their families. Altogether, the compensation paid former management-board members and former members of companies with which they have merged by ElringKlinger AG and the ElringKlinger Group during FY 2002 amounted to € 466,000.

Announcements in Compliance with § 21, Par. 1, of the Securities-Trading Act

On May 2, 2002, we published the following statements in the “Frankfurter Allgemeine Zeitung” in keeping with § 41, Par. 3, of the Securities-Trading Act, in conjunction with § 25, Par. 1, Sentences 1 and 2, of the Securities-Trading Act. All percentages stated refer to the status as of April 1, 2002.

Stockholder	Percentages of Total Voting Stock Held
Klaus Lechler, Stuttgart, Germany (on behalf of, and authorized by, the respective companies stated)	13.25 %, held by Elgarta GmbH, Basel, Switzerland. Voting rights accruing thereto have been assigned to Mr. Klaus Lechler in compliance with § 22, Par. 1, No. 1, of the Securities-Trading Act. 12.13 %, held by Lechler Beteiligungs-GmbH, Stuttgart, Germany. Voting rights accruing thereto have been assigned to Mr. Klaus Lechler in compliance with § 22, Par. 1, No. 1, of the Securities-Trading Act. 10.68 %, held by Elgarta GmbH, Basel, Switzerland.
Walter Herwarth Lechler, Stuttgart, Germany	15.21 %
Walter Herwarth Lechler, Stuttgart, Germany (on behalf of, and authorized by, the respective companies stated)	6.94 %, held by Lechler GmbH, Metzingen, Germany. Voting rights accruing thereto have been assigned to Mr. Walter Herwarth Lechler in compliance with § 22, Par. 1, No. 1, of the Securities-Trading Act. 5.12 %, held by Lechler Verwaltungs-GmbH, Metzingen, Germany. Voting rights accruing thereto have been assigned to Mr. Walter Herwarth Lechler in compliance with § 22, Par. 1, No. 1, of the Securities-Trading Act.
Betal Netherlands Holding B.V., Rotterdam, The Netherlands	10.00 %

These announcements refer to stockholdings that have exceeded, or fallen below, thresholds stipulated by the Securities-Trading Act. The stockholdings stated above may, therefore, differ from those in effect at December 31, 2002.

Declaration of Compliance with the Corporate Governance Code

In December, 2002, the management board and supervisory board of ElringKlinger AG issued a declaration of compliance with the Corporate Governance Code and published that statement on its web site. That declaration of compliance shall remain on view there indefinitely and shall be published in future annual reports.

Proposed Application of Earnings

At the forthcoming annual general stockholders' meeting, the management board will propose that the balance-sheet earnings of ElringKlinger AG at December 31 , 2002, be applied as follows:

	€
Disbursement of dividends amounting to € 2.50/share	12,000,000.00
To be transferred to other retained earnings	3,800,000.00
To be carried forward to subsequent accounting periods	76,942.99
Balance-sheet earnings	**15,876,942.99**

Dettingen/Erms, Germany, March 14, 2003

The Management Board

Dr. Helmut Lerchner

Horst Klusmann

List of Corporate Shareholdings at December 31 , 2002, and Companies Consolidated

Company Name	Headquarters	Acronym	Share-holding (%)	Company Equity Capitalization	Company Net Income	Local Currency	Exchange Rate*	Stockholders' Equity (€)	Consolidated Net Income (€)	Last Closing Date
Parent firm: ElringKlinger AG	Dettingen/Erms, Germany									
Shareholdings in affiliated companies consolidated on group closing statements										
Gedächtnisstiftung KARL MÜLLER BELEGSCHAFTSHILFE GmbH	Dettingen/Erms, Germany	KMBH	100.00	109,439.59	(18,101.94)	EUR	–	109,439.59	(18,101.94)	Dec. 31 , 2002
ElringKlinger Motortechnik GmbH	Idstein, Germany	EKM	92.90	2,030,326.91	159,207.40	EUR	–	2,030,326.91	159,207.40	Dec. 31 , 2002
ElringKlinger Logistic Service GmbH	Rottenburg a.N., Germany	EKLS	76.00	63,242.45	(36,757.55)	EUR	–	63,242.45	(36,757.55)	Dec. 31 , 2002
ElringKlinger Kunststofftechnik GmbH	Bietigheim-Bissingen, Germany	EKT	67.00	16,531,665.24	4,183,440.30	EUR	–	16,531,665.24	4,183,440.30	Dec. 31 , 2002
Elring Klinger (Great Britain) Limited	Redcar, England	EKGB	100.00	6,801,465.13	1,992,712.38	GBP	153.70427	10,454,142.33	3,062,884.02	Dec. 31 , 2002
Elring Klinger S.p.A.	Mazzo di Rho-Milano, Italy	EKI	100.00	1,238,742.80	322,738.93	EUR	–	1,238,742.80	322,738.93	Dec. 31 , 2002
TECHNIK-PARK HELIPORT Kft.	Kecskemét, Hungary	TPH	100.00	1,197,330,780.08	55,434,868.50	HUF	0.42409	5,077,760.10	235,093.73	Dec. 31 , 2002
Elring Klinger Polska Sp. z o.o.	Walbrzych, Poland	EKP	100.00	10,155.74	(244.26)	PLN	24.98126	2,537.04	(61.02)	Dec. 31 , 2002
ElringKlinger Sealing Systems SL	Reus, Spain	EKSL	90.00	740,744.00	49,066.00	EUR	–	740,744.00	49,066.00	Dec. 31 , 2002
Elring Parts Ltd.	Gateshead, England	EP	90.00	486,846.00	108,802.00	GBP	153.70427	748,303.09	167,233.32	Dec. 31 , 2002
Elring Klinger S.A.	Reus, Spain	EKSA	51.00	6,570,167.00	2,903,503.00	EUR	–	6,570,167.00	2,903,503.00	Dec. 31 , 2002
ElringKlinger Sealing Systems, Inc.	Leamington, Ontario, Canada	EKSS	100.00	6,051,352.00	(3,485,364.00)	CAD	60.97561	3,689,848.79	(2,125,221.96)	Dec. 31 , 2002
ElringKlinger Sealing Systems USA, Inc.	Livonia, Michigan, USA	EKSU	100.00	3,093,730.00	(560,148.00)	USD	96.01536	2,970,455.99	(537,828.12)	Dec. 31 , 2002
Elring Klinger México, S.A. de C.V.	Toluca, Mexico	EKMX	100.00	71,108,341.27	6,648,352.00	MXN	9.33097	6,635,097.98	620,355.73	Dec. 31 , 2002
EKASER S.A. de C.V.	Toluca, Mexico	EKAS	100.00	4,060,062.43	3,875,563.43	MXN	9.33097	378,843.21	361,627.66	Dec. 31 , 2002
Elring Klinger do Brasil Ltda.	Piracicaba, Brazil	EKB	100.00	(297,660.89)	(4,045,083.42)	BRL	27.35454	(81,423.77)	(1,106,513.96)	Dec. 31 , 2002
Elring of North America, Inc.	Middlesex, New Jersey, USA	ELNA	60.00	1,523,956.00	271,635.00	USD	96.01536	1,463,231.84	260,811.32	Dec. 31 , 2002
Elring Gaskets (Pty.) Ltd.	Johannesburg, South Africa	EGS	51.00	8,409,038.00	4,069,214.00	ZAR	11.08955	932,524.47	451,257.52	Dec. 31 , 2002
Changchun Elring Gaskets Company Ltd.	Changchun, P.R. China	CEG	78.00	39,418,700.00	1,570,494.00	RMB	11.59985	4,572,510.07	182,174.95	Dec. 31 , 2002
Affiliated companies accounted for on group closing statements using the equity method										
Jeil Elring Co. Ltd.	Changwon, South Korea	Jeil Elring	50.00	2,409,613,562.00	543,566,978.00	KRW	0.08021	1,932,751.04	435,994.96	Dec. 31 , 2002
Marusan Corporation	Tokyo, Japan	MARUSAN	10.00	4,069,784,833.00	19,914,692.00	YEN	0.80483	32,754,849.27	160,279.42	Dec. 31 , 2002

* Per 100 units local currency as of the closing date.

Consolidated Statement of Changes in the Assets of ElringKlinger AG (Gross Figures)

	Purchase Prices/Manufacturing Costs					Depreciation Allowances						Book Values	
	At Jan. 1, 2002	Additions	Rebookings	Deletions	**At Dec. 31 , 2002**	At Jan. 1, 2002	For the Fiscal Year	Rebookings	Deletions	Appreciations	**At Dec. 31 , 2002**	At Dec. 31 , 2001	**At Dec. 31 , 2002**
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Intangible assets Commercial rights and licenses	3,797	405	0	29	4,173	2,900	468	0	29	0	3,339	897	834
Prepayments	0	8	0	0	8	0	0	0	0	0	0	0	8
	3,797	**413**	**0**	**29**	**4,181**	**2,900**	**468**	**0**	**29**	**0**	**3,339**	**897**	**842**
Fixed Assets Land and buildings	113,853	3,166*)	0	10,638	106,381	47,392	5,272	0	3,713	0	48,951	66,461	57,430
Manufacturing equipment and machinery	89,860	6,123	319	2,251	94,051	70,336	6,125	0	1,967	0	74,494	19,524	19,557
Other equipment, plant and office furnishings	73,590	12,126	2.798	9,280	79,234	48,922	14,358	0	9,136	0	54,144	24,668	25,090
Prepayments and facilities under construction	3,131	5,013	(3,117)	14	5,013	0	0	0	0	0	0	3,131	5,013
	280,434	**26,428**	**0**	**22,183**	**284,679**	**166,650**	**25,755**	**0**	**14,816**	**0**	**177,589**	**113,784**	**107,090**
Long-Term Investments Shareholdings in affiliated companies	111,806	800	2,691	45	115,252	12	800	2,180	0	0	2,992	111,794	112,260
Other shareholdings	7,063	0	(2,691)	0	4,372	2,691	0	(2,180)	0	511	0	4,372	4,372
Loans to affiliated companies	0	0	444	78	366	0	0	0	0	0	0	0	366
Loans to partly owned companies	678	0	(444)	234	0	428	0	0	0	428	0	250	0
Securities	35	0	0	35	0	5	0	0	5	0	0	30	0
Miscellaneous loans	417	32	0	11	438	0	0	0	0	0	0	417	438
	119,999	**832**	**0**	**403**	**120,428**	**3,136**	**800**	**0**	**5**	**939**	**2,992**	**116,863**	**117,436**
	404,230	**27,673**	**0**	**22,615**	**409,288**	**172,686**	**27,023**	**0**	**14,850**	**939**	**183,920**	231,544	225,368

* * € 135,000 thereof are depreciation allowances.

Consolidated Statement of Changes in the Assets of the ElringKlinger Group (Gross Figures)

	Purchase Prices/Manufacturing Costs									Depreciation Allowances									Book Values	
	At Dec. 31 , 2001	Changes Due to Exchange Rates	At Jan. 1, 2002	Changes Due to Extensions of Companies Consolidated	Additions	Rebookings	Appreciations	Deletions	**At Dec. 31 , 2002**	At Dec. 31 , 2001	Changes Due to Exchange Rates	At Jan. 1, 2002	Changes Due to Extensions of Companies Consolidated	Additions	Rebookings	Appreciations	Deletions	**At Dec. 31 , 2002**	At Dec. 31 , 2001	**At Dec. 31 , 2002**
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Intangible assets Commercial rights and licenses	4,330	(1)	4,329	1,146	449	0	0	127	5,797	3,186	0	3,186	842	513	0	0	127	4,414	1,144	1,383
Goodwill	35,577	-685	34,892	0	0	0	0	0	34,892	8,555	(50)	8,505	0	2,326	0	0	0	10,831	27,022	24,061
Prepayments	0	0	0	0	8	0	0	0	8	0	0	0	0	0	0	0	0	0	0	8
	39,907	**-686**	**39,221**	**1,146**	**457**	**0**	**0**	**127**	**40,697**	**11,741**	**(50)**	**11,691**	**842**	**2,839**	**0**	**0**	**127**	**15,245**	**28,166**	**25,452**
Fixed Assets Land and buildings, including buildings on nonowned plots of land	139,545	(966)	138,579	1,246	3,498	21	214	10,637	132,921	56,563	(32)	56,531	447	6,141	0	33	3,713	59,373	82,982	73,548
Manufacturing equipment and machinery	160,369	(5,418)	154,951	7,988	9,383	14,227	325	2,613	184,261	108,247	(1,695)	106,552	5,992	14,198	8,031	(324)	2,327	132,770	52,122	51,491
Other equipment, plant and office furnishings	104,888	-632	104,256	1,296	12,974	(6,793)	25	9,614	102,144	71,298	(271)	71,027	654	17,836	(8,031)	-24	9,404	72,106	33,590	30,038
Prepayments and facilities under construction	8,311	(819)	7,492	0	5,956	(7,455)	0	14	5,979	0		0	0	0	0	0	0	0	8,311	5,979
	413,113	**(7,835)**	**405,278**	**10,530**	**31,811**	**0**	**564**	**22,878**	**425,305**	**236,108**	**(1,998)**	**234,110**	**7,093**	**38,175**	**0**	**(315)**	**15,444**	**264,249**	**177,005**	**161,056**
Long-Term Investments Shareholdings in affiliated companies Other shareholdings	7,486	(248)	7,238	(2,758)	64	0	0	0	4,544	3,102	61	3,163	(2,180)	0	0	729	0	254	4,384	4,290
Loans to affiliated companies Loans to partly owned companies	678	0	678	(444)	0	0	0	234	0	428	0	428	0	0	0	428	0	0	250	0
Securities	30	0	30	0	0	0	0	30	0	0	0	0	0	0	0	0	0	0	30	0
Miscellaneous loans	1,026	0	1,026	0	141	0	0	342	825	0	0	0	0	0	0	0		0	1,026	825
	9,220	(248)	8,972	(3,202)	205	0	0	606	5,369	3,530	61	3,591	(2,180)	0	0	1,157	0	254	5,690	5,115
	462,240	**(8,769)**	**453,471**	**8,474**	**32,473**	**0**	**564**	**23,611**	**471,371**	**251,379**	**(1,987)**	**249,392**	**5,755**	**41,014**	**0**	**842**	**15,571**	**279,861**	210,861	**191,623**

Changes in the ElringKlinger Group's Equity Capitalization

	Subscribed Share Capital	Capital Surplus	Group Total Capitalization	Adjustments to Allow for Foreign-Currency Conversions	Other Inconsequential Transactions	Stockholders' Equity	Minority Equity*)	Total Stockholders' Equity
			Parent Company					
			Cumulative Group Net Income					
	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
Status at Dec. 31 , 2000	**28,800**	**12,553**	**30,361**	**1,854**	**907**	**74,475**	**4,412**	**78,887**
Shares issued						0	(1,517)	0
Dividend disbursements			(4,908)			(4,908)	4,044	(6,425)
Adjustments to allow for changes in consolidated companies					1,220	1,220		5,264
Adjustments to allow for consolidations				1,073		1,073	166	1,239
Adjustments to allow for other changes					237	237		237
Group net income for the fiscal year			15,658			15,658	3,194	18,852
Other group net income						0		0
Status at Dec. 31 , 2001	**28,800**	**12,553**	**41,111**	**2,927**	**2,364**	**87,755**	**10,299**	**98,054**
Shares issued						0		0
Dividend disbursements			(6,000)			(6,000)	(3,167)	(9.167)
Adjustments to allow for changes in consolidated companies					1,487	1,487	836	2,323
Adjustments to allow for consolidations				(5,304)		(5,304)	(283)	(5,587)
Adjustments to allow for other changes						0		0

Group net income for the fiscal year			17,094			17,094	3.153	20,247
Other group net income						0		0
Status at Dec. 31 , 2002	**28,800**	**12,553**	**52,205**	**(2,377)**	**3,851**	**95,032**	**10,838**	**105,870**

* Includes adjustments to allow for foreign-currency conversions that were of negligible importance.

Consolidated Statement of Changes in Financial Position

	FY 2002	FY 2001
Group net income for the fiscal year, including portions of earnings due minority stockholders, before extraordinary items	20,247	18,854
Depreciation allowances on assets, exclusive of appreciations	39,608	36,274
Additions to reserves	9,583	1,757
Miscellaneous expenses/income requiring no expenditures and yielding no disbursable income (dissolutions of extraordinary items, depreciation allowances on deferred charges assessed on loans, changes in deferments of latent taxes)	(502)	(184)
Income from deletions of assets, adjusted to allow for losses thereon	(3,065)	(53)
Changes in inventories, accounts receivable for goods and services, and other assets, other than those allocatable to long-term investments or financial transactions	(6,643)	(893)
Changes in accounts payable for goods and services and other liabilities, other than those allocatable to long-term investments or financial transactions	9,577	1,122
Effects of changes in balance-sheet items attributable to extensions of the companies consolidated on items related to normal business operations	915	1.234
Foreign-exchange effects on items related to normal business operations	(668)	338
Payments on/withdrawals from, extraordinary items	0	(2)
Cash flow from normal business operations	**69,052**	**58,447**
Income from sales of fixed and intangible assets	10,499	341
Income from sales of long-term investments	606	663
Expenditures for purchases of common stock	(724)	0
Disbursements for investments in intangible assets	(457)	(319)
Disbursements for investments in fixed assets	(31,811)	(38,926)
Disbursements for investments in long-term investments	(205)	(246)
Income from sales of securities	(174)	630

Cash flow from investment transactions	(**22,266**)	**37,857**()
Disbursements to company owners and minority stockholders	9,167()	(6,425)
Changes in accounts payable to banking institutions	(37,595)	(10,843)
Changes in accounts payable to banking institutions attributable to initial consolidations	(1,909)	(4,676)
Payments on equity by minority stockholders	836	149
Effects of foreign-exchange rates on items related to financial transactions	2,762	337
Cash flow from financial transactions	(**45,073**)	(**21,458**)
Changes in cash and commercial paper requiring expenditures or yielding disbursable income	1,713	(868)
Additions to cash and commercial paper attributable to initial consolidations	274	0
Effects of changes in foreign-exchange rates on liquid assets	(686)	(24)
Funds on hand at the start of the fiscal years	5,880	6,772
Funds on hand at the close of the fiscal years	7,181	5,880

Funds on hand consist of those liquid assets stated on balance sheets. Interest payments totaling € 5,454,000 and income-tax payments totaling € 12,840,00 were disbursed during FY 2002.

Report on Individual Market Segments

The organizational structure of the ElringKlinger Group is characterized by its orientation around five fields of business. Its markets are thus segregated into the market segments “OEM,” “replacement parts,” “plastic products,” “industrial parks,” and services.”

Its operations in the “OEM” and “replacement parts” segments involve the manufacture and sale of parts for motor-vehicle engines, transmissions, and exhaust systems. Services are also provided in conjunction with those operations.

Its operations in the “plastic-products” segment involve the manufacture and sale of engineering-plastic products for the automotive industry and general industry.

Its operations in the “industrial parks” segment involve the administration and rental of land and buildings.

Its operations in the “services” segment largely involve contract operation of engine test benches and providing engine-engineering services.

The tabular performance summary appearing overleaf lists the net sales of, and net incomes, from the various market segments, along with their respective asset and liability allocations. With the lone exception of items supplied to the “replacement-parts” segment by the OEM-segment, intersegment sales of goods and services are slight. Intersegment sales of goods and services are listed on a consolidated basis. Intersegment sales are concluded and booked at the same pricing that applies to outside customers.

Performance by Market Segment

	Fiscal Year	Net Sales	Intersegment Sales	Consolidation Adjustments	Sales to Outsiders	Income from Normal Operations*	Segment Assets	Portion Thereof Segment Stockholdings in Affiliated Companies	Investments in Intangible and Fixed Assets	Depreciation Allowances	Interest Income
		€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)	€ (thousands)
OEM	2002	327,709	19,051	40,031	268,627	18,716	138,979	4,282	30,385	36,389	(2,968)
	2001	291,337	17,894	32,482	240,961	13,569	146,964	4,376	36,237	31,272	(4,885)
Replacement parts	2002	84,709	0	12,960	71,749	7,913	9,508	8	664	714	(740)
	2001	83,905	0	13,707	70,198	9,141	9,842	8	768	628	(871)
Plastic products	2002	45,080	0	2,552	42,528	6,729	13,251	0	821	1,714	273
	2001	47,341	0	2,529	44,812	8,265	14,496	0	1,647	2,093	411
Industrial parks	2002	7,347	0	125	7,222	2,441	27,375	0	234	1,300	(1,142)
	2001	8,316	0	127	8,189	2,888	36,315	0	250	1,706	(1,508)
Services	2002	4,769	0	2,374	2,395	215	2,510	0	164	897	(38)
	2001	5,823	0	2,662	3,161	640	3,244	0	342	1,109	(78)
Totals for the group	**2002**	**469,614**	**19,051**	**58,042**	**392,521**	**36,014**	**191,623**	**4,290**	**32,268**	**41,014**	(**4,615**)
	2001	**436,722**	**17,894**	**51,507**	**367,321**	**34,503**	**210,861**	**4,384**	**39,244**	**36,808**	(**6,931**)

* Commencing with FY 2002, intercompany pricing has been based on working capital, which has shifted some income from the “OEM”-segment to the “replacement-parts” segment.

The “OEM”-segment accounted for 64 % and the “replacement-parts” segment for 24 % of the group’s total current assets. The remainder was largely accounted for by the “plastic-products” market segment.

The “OEM”-segment accounted for 71 %, the “replacement-parts” segment for 14 %, and the “industrial-parks” segment for 10 % of the group’s total liabilities. The remainder was largely accounted for by the “plastic-products” market segment.

The figures stated for miscellaneous operating income include income requiring no expenditures and yielding no disbursable income and income from stockholdings in affiliated companies totaling € 102,000 and € 793,000, respectively, attributable to the “OEM”-segment.

Two customers from the “OEM”-segment account for more than 10 % of the group’s consolidated net sales each. These two customers collectively account for approximately 30 % of the group’s consolidated net sales to outsiders.

Performance by Geographic Territory

	Fiscal Year	Net Sales	Assets	Investments in Intangible and Fixed Assets
		€ (thousands)	€ (thousands)	€ (thousands)
Europe	2002	280,635	162,578	29,898
	2001	269,631	178,708	29,310
The Americas	2002	79,767	25,210	2,368
	2001	68,942	32,148	9,934
Asia and Australia	2002	26,428	3,830	0
	2001	23,162	0	0
Africa	2002	5,691	5	2
	2001	5,586	5	0
Totals	**2002**	**392,521**	**191,623**	**32,268**
	2001	367,321	210,861	39,244

Report by the Auditing Certified Public Accountants

We have examined the annual closing statements of ElringKlinger AG, Dettingen/Erms, Germany, including related accounting records, the annual closing statements of the ElringKlinger Group, and management's report on the status of the company and the group for the fiscal year commencing January 1, 2002, and ending December 31 , 2002. Preparation of that documentation in accordance with the provisions of German commercial law and supplementary regulations appearing in the company's articles of incorporations is the responsibility of its management board. Our task is submitting an assessment of its annual closing statements, including related accounting records, the annual closing statements for the group that it prepared, and management's report on the status of the company and the group based on those audits conducted by us.

We have conducted our audits of its annual closing statements and those of the group in accordance with § 317, HGB, and in conformity with generally accepted German auditing standards established by the Institute of Certified Public Accountants, according to which, audits are to be planned and conducted such that errors and violations that significantly affect the picture of the company's and the group's assets, financial situations, and earnings conveyed by their annual closing statements, in conformity with generally accepted accounting principles applied on a consistent basis during the period, and by management's report on the status of the company and the group, will be recognized with sufficient certainty. In establishing those auditing operations to be performed, we have drawn upon knowledge of the company's and the group's business operations and the economic and legal environments in which it operated, as well as our expectations regarding potential errors. In conjunction with our audits, we assessed the effectiveness of the company's internal auditing systems, the evidence supporting statements appearing on its accounting records, its annual closing statements, the group's annual closing statements, and its management's report on the status of the company and the group, largely on the basis of spot checks. Our audits included assessments of those principles employed in preparing balance sheets and performing consolidations, major predictions by its management board, and the general impressions conveyed its annual closing statements and those of the group and by management's report on the status of the company and the group. In our opinion, our audits constitute adequately sound grounds for our assessments.

Our audits yielded no grounds for complaint.

In our opinion, the annual closing statements of ElringKlinger AG and the ElringKlinger Group fairly present their assets, financial situations, and earnings, in conformity with generally accepted accounting principles applied on a consistent basis during the period. Management's report on the status of the company and the group fairly presents a general picture of the company's and the group's current situations and the risks affecting their future growth.

Stuttgart, Germany, March 14, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Certified Public Accountants

Burchards, Certified Public Accountant

Hagg, Certified Public Accountant

Financial Calendar

Press conference in conjunction with the release of our annual report for FY 2002	April 15, 2003
Release of our report on the first quarter of FY 2003	May 2003
Annual general stockholders' meeting at the "Kultur- und Kongresszentrum Stuttgart"	June 5, 2003
Participation in the DVFA capital-market conference, together with other corporate members of the BWSC with publicly traded stock, Frankfurt/Main	July 16, 2003
Release of our report on the second quarter and first half of FY 2003	August 2003
Analysts' forum at the "IAA," Frankfurt/Main	September 2003
Release of our report on the third quarter and first nine months of FY 2003	November 2003
Press conference in conjunction with the release of our annual report for FY 2003	April 2004
Release of our annual report for FY 2003	May 2004
Release of our report on the first quarter of FY 2004	May 2004
Annual general stockholders' meeting at the "Kultur- und Kongresszentrum Stuttgart"	June 2, 2004

We will be pleased to e-mail you our quarterly and semiannual reports in the form of pdf-files. Simply 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.

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

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