

Financial Calendar

- 14 Sept., 2001: 2nd DVFA Automotive Forum, analyst conference at the IAA 2001, Frankfurt
- Nov., 2001: Report for the Third Quarter, FY 2001
- Feb., 2002: Report for the Fourth Quarter, FY 2001
- April, 2002: Press conference held in conjunction with the release of our annual report and closing statements for FY 2001
- May, 2002: Annual Report and Closing Statements for FY 2001, Report for the First Quarter, FY 2002
- 11 June, 2002: Annual general stockholders' meeting
- August, 2002: Report for the Second Quarter and First Half, FY 2002
- Nov., 2002: Report for the Third Quarter, FY 2002

Report for the Second Quarter and First Half, FY 2001

Dear stockholder:

This report to ElringKlinger AG's stockholders is intended to keep you up to date with developments at your company over the second quarter and first half of the current fiscal year.

Continued Gratifying Sales and Income Growth Due to Exceptional Influences

The cooling economies in ElringKlinger's major geographic markets continued into the second quarter of the current fiscal year. Signs of an impending recession in the USA, where seasonally adjusted industrial output for June, 2001, was down by 3.6 % compared to last year's figure, continue to appear. The weak American economy has also slowed economic growth in the other triad countries. Here in Germany, the net output of the country's manufacturing industries has been lagging behind last year's levels since April, 2001. The industrial outputs of the other European countries has remained below last year's levels since May, 2001. The economies of Japan and Southeast Asian countries are also on the decline. The economic crisis in South America continues unabated.

Passenger-car deliveries to customers over the first half of calendar 2001 were down by 1.7 % here in Europe and 4.6 % in the USA.

All statements regarding foreign market trends have been taken from sources available to the general public. No liability for their correctness is assumed.

However, over the reporting period in question, European manufacturers of premium **passenger cars**, as well as some European manufacturers of mid-range and compact passenger cars, once again launched efforts to further boost their manufacturing volumes above last year's levels through product innovations and managed to gain market share in both Europe and the USA. However, the manufacturing volumes of those European manufacturer's of mid-range and compact passenger cars that sell in Europe only who failed to introduce any significant product innovations have lagged behind last year's levels. Total European passenger-car production for the first half of calendar 2001 was virtually identical to that for the first half of last year, while the corresponding figure for the USA declined by 6 %.

Replacement-parts markets, led by Germany, North America, and Iran, were waning to stagnating over the reporting period in question.

Nevertheless, the **ElringKlinger Group** was able to boost its **consolidated sales for the second quarter of FY 2001 by a gratifying 16.8 % to € 91.5 million. Consolidated sales for the first half of FY 2001 rose by 15.9 % to € 177.6 million**, where 6.3 percentage points of the latter increase was attributable to the inclusion of sales by the group's Canadian subsidiary, ElringKlinger Sealing Systems, Inc., Leamington, Ontario, which it acquired in November, 2000. Internally generated sales growth for the group was thus 10.4 % for the second quarter and 9.6 % for the first half.

ElringKlinger AG's second-quarter sales rose by 7.4 % to € 63.6 million, while its first-half sales rose by 10.5% to € 126.7 million, in both cases compared to the corresponding periods for the preceding fiscal year.

ElringKlinger Sealing Systems, USA, and **ElringKlinger, Mexico**, reported the largest rises in sales of any of our affiliated companies. **ElringKlinger Kunststofftechnik GmbH** also reported substantial sales growth. However, **ElringKlinger Motortechnik GmbH**, which was hard hit by the automotive industry's lack of orders, reported a drop in sales due to cutbacks in the development area by its major customers. However, signs of a return to normalcy were evident over the second half of FY 2001.

Second-quarter sales for our **OEM-business** segment rose by 22.1 %, while first-half sales were up by 23.0 %, in both cases, compared to the corresponding period of the preceding fiscal year. For the reasons stated above first-half **replacement-parts** sales declined by 2 %, most of which was attributable to poor sales during the first quarter. However, the replacement parts market had fully recovered by the second quarter, and second-quarter sales were up by 4.5 % compared to the corresponding period of the preceding fiscal year.

Our income growth failed to keep pace with our sales growth over both the second quarter and first half of the current fiscal year, which was largely attributable to price cuts imposed by market conditions, much higher prices for materials, particularly stainless-steel alloys, which represent the major constituents of our current lines of gaskets, startup costs incurred in conjunction with the construction of, and startup of manufacturing operations at, our cylinder-head-gasket manufacturing plant at Leamington, Ontario, Canada, and the repeated devaluation of the Brazilian Real. However, the expenses incurred in conjunction with the construction of, and startup of manufacturing operations at, our Canadian plant are of a nonrecurring nature.

The current high pricing levels for stainless-steel alloys will probably return to normal levels once the full impact of the current economic decline has set in. However, in view of the current South-American economic crisis, we do not expect any significant improvements in exchange rates for the Brazilian Real over the near future.

The **ElringKlinger Group's consolidated pretax income** for the second quarter, € 7.7 million, thus remained roughly at last year's level, while those for the first half declined by 11.5 % to € 17 million, for the reasons mentioned above. However, it should be noted that the **group's income/sales ratios remained encouragingly high** at 8.4 % for the second quarter and 9.6 % for the first half.

After-tax income for the second quarter were € 3.8 million, a decline of 5 % compared to the corresponding period for the preceding fiscal year, which was due to dividend distributions by domestic affiliates to ElringKlinger AG during the second quarter that were to be accounted for during the second quarter of the current fiscal year for taxation purposes and had not been disbursed during the preceding fiscal year.

First-half after-tax income rose to € 9.0 million, an increase of 38.5 % compared to the corresponding period for the preceding fiscal year, largely due to the high tax liabilities on distributions of retained earnings and the earnings of affiliated companies totaling € 29.5 million during the first half of fiscal year 2000 incurred in conjunction with the mergers that took place during that fiscal year and, of course, did not recur this fiscal year. **ElringKlinger AG's pretax income**, adjusted to allow for intragroup earnings distributions in order to provide for better comparability to the

figures reported for the preceding fiscal year, for the second quarter rose by 10.3 % to € 4.3 million, while those for the first half declined by 13.8 % to € 10 million, in both cases compared to the corresponding period of the preceding fiscal year.

ElringKlinger AG's second-quarter **after-tax income** rose to € 2.8 million, an increase of 27.3 % compared to the corresponding period of the preceding fiscal year, while its first-half after-tax income remained roughly unchanged at € 6.4 million.

The ElringKlinger Group had a total of 2,748 employees at 30 June, 2001.

Research and Development

ElringKlinger's participation in development projects in the field of fuel-cell technology, where it has had the opportunity to gain early entry into long-term ventures that are likely to be of great importance to the company, is encouraging. Devices and processes developed in conjunction with these projects will be protected by patent applications to the maximum extents possible.

Real-Estate Operations

We have thus far been unable to conclude our planned sale of our Technik-Park Heliport Kft. Hungarian industrial park although we thought we had a buyer for it, since the company that was interested in buying it suddenly withdrew from the project due a strategic reorientation that it had meanwhile undergone. We are thus actively seeking another prospective buyer for it.

The Outlook

The ElringKlinger Group expects that the leveling off in demand that became evident in June, 2001, will continue into the months of July and August, 2001, which is largely attributable to the usual summertime plant vacations, in some cases, extended plant vacations, and other interruptions in manufacturing operations at German suppliers to the American automotive industry.

Order receipts from the European automotive industry indicate that business should pick up commencing in September, i.e., once those manufacturing operations that have favorable impacts on ElringKlinger's business are back in full swing. Nevertheless, we expect that we will have to adjust our sales and income goals for the full fiscal year, although we should still manage to slightly exceed the rather good figures reported for the preceding fiscal year.

The condensed reviews appearing on the following pages present quarterly and semiannual accounting figures and the consolidated balance sheet of ElringKlinger AG at 30 June, 2001, along with comparisons to the corresponding figures for the preceding fiscal year.

Yours very truly,



Dr. Helmut Lerchner

Comparative Sales and Income Figures for the Second Quarter and First Half of FY 2001 (all amounts listed are in million €)

The ElringKlinger Group

	2nd Quarter		Change [%]	1st Half		Change [%]
	2001	2000		2001	2000	
Sales	91.5	78.3	+ 16.9	177.6	153.2	+ 15.9
EBITDA	18.5	14.8	+ 25.0	38.6	35.3	+ 9.3
EBIT	9.6	8.1	+ 18.5	20.8	21.8	- 4.6
Pretax income	7.7	7.7	0.0	17.0	19.2	- 11.5
After-tax income	3.8	4.0	- 5.0	9.0	6.5	+ 38.5

ElringKlinger AG*

	2nd Quarter		Change [%]	1st Half		Change [%]
	2001	2000		2001	2000	
Sales	63.6	59.2	+ 7.4	126.7	114.7	+ 10.5
EBITDA	11.6	9.4	+ 23.4	24.2	22.0	+ 10.0
EBIT	6.0	5.5	+ 9.1	13.3	14.3	- 7.0
Pretax income	4.3	3.9	+ 10.3	10.0	11.6	- 13.8
After-tax income	2.8	2.2	+ 27.3	6.4	6.4	0.0

* All earnings/income figures listed are exclusive of any earnings/income distributions received from affiliated companies.

Group Sales by Business Segment

	2nd Quarter		Change [%]	1st Half		Change [%]
	2001	2000		2001	2000	
OEM's	62.4	51.1	+ 22.1	122.4	99.5	+ 23.0
Replacement parts	18.4	17.6	+ 4.5	34.0	34.7	- 2.0
Plastic items	7.8	6.5	+20.0	15.4	12.9	+ 19.4
Industrial parks	2.1	2.0	+ 5.0	4.1	4.0	+ 2.5
Services	0.8	1.1	- 27.3	1.7	2.1	- 19.0

Group Sales by Geographic Territory

	2nd Quarter		Change [%]	1st Half		Change [%]
	2001	2000		2001	2000	
Germany	32.5	31.6	+ 2.8	70.2	65.2	+ 7.7
Rest of Europe	32.6	30.0	+ 8.7	60.2	54.9	+ 9.7
NAFTA-countries	13.8	5.7	+142.1	26.1	12.0	+117.5
Asia	7.8	6.4	+ 21.9	12.0	12.7	- 5.5
South America/ other countries	4.8	4.6	+ 4.3	9.1	8.4	+ 8.3

DVFA-Income

(Per-share income is expressed in €)

	1st Half		Change [%]
	2001	2000	
DVFA cash flow	26.4	22.6	+ 16.8
DVFA pretax income	17.3	22.6	- 23.5
DVFA after-tax income	9.4	9.8	- 4.1
DVFA/SG per-share income	1.95	2.04	- 4.4

Consolidated Balance Sheets of ElringKlinger AG

Assets

	At 30 June,		Change [%]
	2001	2000	
Fixed assets	227.0	212.9	+ 6.6
Current assets	91.4	86.0	+ 6.3
Totals	318.4	298.9	+ 6.5

Liabilities and Stockholders' Equity

	At 30 June,		Change [%]
	2001	2000	
Stockholder's equity	99.4	95.9	+ 3.6
Debt	219.0	203.0	+ 7.9
Totals	318.4	298.9	+ 6.5

Our quarterly, semiannual, and annual reports are also available in the form of PDF-files. To register to receive them, send your e-mail address to Dr. Stefan Wolf at stefan.wolf@elringklinger.de or call him at +49-(0) 71 23 / 724-264.

www.elringklinger.de