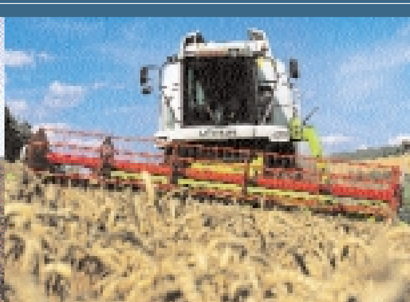
CLAAS

ANNUAL REPORT 2002

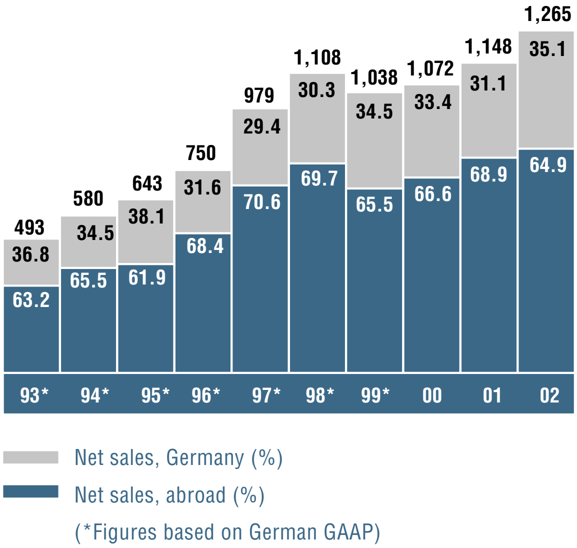
SUSTAINABLE GROWTH



KEY DATA FOR THE GROUP ACCORDING TO US GAAP

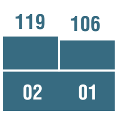
		2002	2001	Change %
PROFIT AND LOSS ACCOUNT				
Net Sales	€ million	1,265.5	1,147.9	10.2
EBIT	€ million	84.0	66.7	25.9
EBITDA	€ million	111.9	111.5	0.4
Net income	€ million	32.5	14.3	127.3
Income before taxes	€ million	55.8	36.1	54.6
Cash flow	€ million	66.9	67.7	(1.2)
R&D expenses	€ million	63.0	51.9	21.4
BALANCE SHEET				
Equity	€ million	292.2	268.8	8.7
Capital expenditure	€ million	54.3	58.1	(6.5)
Balance sheet total	€ million	1,011.3	931.4	8.6
EMPLOYEES				
Employees as at the balance sheet date*		6,114	5,488	11.4
Personnal expenses	€ million	291.7	277.3	5.2

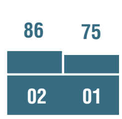
** including trainees*

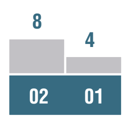


NET SALES
€ million

SEGMENTS OF THE CLAAS GROUP





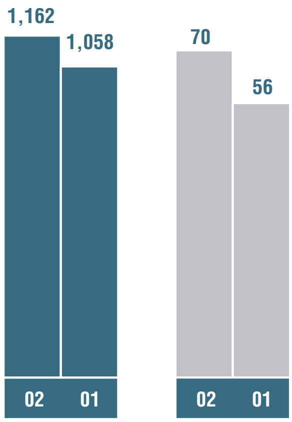


INDUSTRIAL ENGINEERING

- System supplier of drive assemblies and hydraulic components
- Products: ultra-modern axles and transmissions for the international construction machinery and the commercial vehicle sectors

PRODUCTION ENGINEERING

- Specialist expertise in the area of special machinery and toolmaking
- Development of complete production and transfer lines for the automotive and aviation industries



NET SALES // EBIT
€ million

AGRICULTURAL ENGINEERING

- CLAAS' core business with a 91% share of net sales
- Undisputed European combine harvester market leader
- World market leader in self-propelled forage harvesters
- Top market share for balers and green harvest machinery

The human race is expanding by the hour. Today, there are 6 billion people in the world; only 20 years from now, the figure will be 8 billion. Feeding the world's population is a global and so far unsolved challenge.

In the world's less developed regions, in particular, major demographic changes are taking place. Migration from the land and the desire for a better quality of life are leading to the growth of urbanisation in many developing countries, with rural areas and farm land being deserted in consequence. In this scenario, agriculture is the most vital industry in the world.

Professional cultivation of the soil began long before our era. The belief that an infinite amount of land was available for agriculture has long since been dispelled. Arable land is limited and has now become a bottleneck factor. The only way to meet this challenge is by continually increasing efficiency.

»SUSTAINABLE GROWTH«

To meet the demand for nutrition and at the same time in order to farm the land in a sustainable, ecologically and environmentally sound way, the world economy needs sophisticated agricultural machinery and expert know-how. As the market leader and technological leader in agricultural machines, CLAAS is regarded as a pioneer of this forward-looking process. We provide the international agricultural industry with machines, systems and service support of a quality and technical performance that set standards. We are not focussed on the single product alone. We regard our machines and ideas as key elements in the food production process chain.

As a firm committed to economic efficiency, our entrepreneurial role also derives from the broader social responsibility to ensure people have enough to eat in future. Our strength lies in our consistency. Consistent change. Sustainable Growth.

LADIES AND GENTLEMEN,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group´s business situation at its regular meetings during fiscal year 2002. The Board´s assessments were based on reports by the Executive Board on the Group´s strategic orientation, the asset, financial and income positions and operating decisions. The reports were received at two sessions and used as a basis for the decisions of the Supervisory Board.

The primary focal points of the Supervisory Board´s deliberations comprised:

Acceptance of the auditors´ reports and auditing of the annual accounts of CLAAS KGaA mbH and the CLAAS Group and plans for the year 2003, including:

- CLAAS Group product development planning
- Renewal of facilities at the Harsewinkel production site
- Changeover to computer system after SAP R/3
- Implementation of after-sales strategy
- Full takeover of Escorts CLAAS Ltd. (now known as Claas India Ltd.)
- Ending of joint venture with Caterpillar and assumption of complete control of CATERPILLAR CLAAS AMERICA LLC (now known as CLAAS Omaha LLC)
- Restructuring of US interests, including forming a US intermediate holding company
- Formation of a French intermediate holding company

The Supervisory Board was elected in rotation at the ordinary general meeting in January 2001 for a further statutory term of office and its composition remains unchanged from last year.

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as at September 30, 2002 as well as the management reports for CLAAS KGaA mbH and the Group were audited by Deloitte & Touche GmbH, Düsseldorf, the auditors elected by the general meeting on January 28, 2002 and appointed by the Supervisory Board, and received a full audit opinion on November 27 and 28, 2002 respectively.

The auditors´ audit assignment also included the risk management system required by the Law on Control and Transparency in Business (KonTraG). The audit revealed that the Group´s risk early warning system meets the statutory requirements.

The financial statements of CLAAS KGaA, the consolidated financial statements and management reports as well as the proposal for the appropriation of profit were presented to the Supervisory Board upon completion. These documents as well as the auditors´ reports were available to the members of the Supervisory Board and were discussed in detail at the Supervisory Board´s meeting on January 13, 2003 in the presence of the auditor.

Thereupon the Supervisory Board passed the following resolution:

Following an audit of its own, the Supervisory Board agrees with the audit findings. The final result of the audit by the auditor did not give rise to any objections. The Supervisory Board therefore recommends to the shareholders that the annual financial statements be approved as they stand and agrees with the proposal for appropriation of income made by the Executive Board of the personally liable partner.

The Supervisory Board welcomes the orientation of corporate management to corporate responsibility and the accompanying corporate governance, which brings economically efficient operating into accord with environmental and social responsibility.

The Supervisory Board would like to thank the Executive Board and all the employees for their commitment during the past fiscal year. Despite the general slowdown of the economy, close cooperation between the Supervisory Board, the Shareholders´ Committee, the Executive Board and the employees made it possible to achieve a commendable result which is once again higher than that of the previous year.

Harsewinkel, January 13, 2003
The Supervisory Board

Dipl.-Ing. Dr. h. c. Helmut Claas
(Chairman)

LADIES AND GENTLEMAN,

Profitable growth has been our strategy for many years. In the last ten years alone, CLAAS has grown by around 8% annually on average, very much by our own efforts. We have improved our results consistently and continued to operate profitably, even in less good years. Profitability has improved notably during the year under review, with an increase greater than sales growth. Claas operates in heavily cyclical markets. Our strength lies in consistency. Last year´s report was headed »Consistant change«. The motto for the 2002 annual report is »Sustainable growth«. These guiding principles describe the past and are at the same time our messages for the future.

During the year under review we have again remained on a global growth course and have exploited our market opportunities by developing our core business and opening up new growth areas. Sales and profit are both up and are in accordance with our planning targets. We have boosted last year´s record sales by 10% to € 1.265 billion and improved the result before taxes by almost 55% to € 55.8 million. This is all the more remarkable in view of the significant outlay during the year under review on research and development, information technology and our production facilities.

On the one hand, this growth reflects a renewal of propensity to invest in agriculture worldwide. On the other, we are benefiting from the continuing trend in agriculture for large machinery. Our main product, the combine harvester, has once again enabled us to achieve satisfactory growth in important markets. Our already large market share in Germany has risen to over 47% and in Western Europe to 37%. We are thus the top performer in Europe and Number Three in the world market. We are the world market leader in self-propelled forage harvesters, with a market share of around 50%.

Prospects for our products are good. Markets in Western Europe, Central and Eastern Europe, North and South America and Asia continue to present big opportunities. On our West European home market, our market shares still contain some growth potential. In the countries of Central and Eastern Europe and the CIS, the potential is big. This region is set to grow in the medium term on the same scale as Western Europe or North America in terms of agricultural engineering. In the USA, our powerful combine harvesters are just starting to prove their potential within this market. Our presence in the Indian subcontinent is an important pillar for Asia generally. South America offers opportunities in the medium and long term, which we will develop.

As an independent family business, we defend our competitive position against other global players and intend to develop it. This is a challenge we have consistently set ourselves and we will continue to do so. At a time when most companies are tending towards reticence, we have embarked upon a major investment strategy unequalled in the Group´s history. The production facilities at Harsewinkel are set to become one of the world's most modern combine harvester factories, the flagship of our global production network. We have also redesigned and further optimized our green harvest machinery plant at Bad Saulgau. In the USA, we have taken over the 50% share in CATERPILLAR CLAAS AMERICA and are now running the distribution and production facilities for our LEXION combine harvester on our own. We have now also assumed full control of our rice harvester factory in India. We are looking for more production locations of our own in Eastern Europe, in order to incorporate local value added into our production network. Our operations and procedures are being streamlined for even greater efficiency. Changeover of our information system to SAP R/3, which has demanded a great deal of extra administrative and financial effort, was successfully implemented at the Harsewinkel and Hamm sites in 2002 and will be completed throughout the CLAAS Group in 2003.

We do not invest in »iron and steel« alone, however, but also in people and knowledge. Information technology is the key to a sustainable, economically efficient way of operating in agriculture. This requires a high degree of modern know-how as well as technical and economic skills. During the year under review we have spent record sums on research and development, new products and employee further training. Our research and development budget has been increased by almost 40% in the last two years. Expenditure on staff training and development is well above average for the industry. The role of the CLAAS Academy, as a knowledge transfer platform, is to ensure a continuing excellent standard of advice and service in connection with CLAAS products.

Our strength derives from our consistency. This is a hallmark of our corporate culture. In the international economic system, we embody the soundness of the »old economy«, which has proved more enduring than the world of start-ups. In the Claas family, this firm has private lenders who personally identify with the business and the people that make it work. This provides a positive background for our process of opening up to the international financial community. We use value-oriented control systems and operate a method of financial reporting that meets the demands of international financial analysts. Towards the end of 2002 we successfully carried our a private placement transaction in the USA. Besides our own distribution network and production facilities, we have thus established a financial footing in the USA and broadened our international financing base.

The acquisition of Brötje Automation has considerably strengthened CLAAS Fertigungstechnik at the close of 2002. Brötje Automation is the market leader in connection and assembly technology for the aircraft industry. The takeover is a further milestone on a successful path for our subsidiary, which specialises in complex production lines.

CLAAS will continue to grow significantly during the new financial year and lastingly strengthen its profitability. Continuous value increases all along the process chain are part of our corporate philosophy. Corporate responsibility and the accompanying corporate governance are key components of our corporate management. This comprises a constant search for ways of marrying good financial performance with environmental and social responsibility, as a basis for giving equal respect to human needs and protecting the environment. A separate chapter of this report is devoted to this topic.

We would like to thank our employees for their hard work and commitment, their skills and their willingness to join with us and help to shape the necessary changes. We also extend our thanks to our customers, dealers and importers, suppliers and other business partners, whose continued confidence is the foundation of our work. Special thanks are due to our shareholders and their committees for their constructive input during the year. Safeguarding their firm´s independence is our primary task.

RÜDIGER A. GÜNTHER

NIKOLAUS FEIL

DR.-ING. HERMANN GARBERS

WERNER SCHNEIDER

LOTHAR KRISZUN

RÜDIGER A. GÜNTHER

RÜDIGER A. GÜNTHER // SPOKESMAN OF THE MANAGEMENT BOARD FINANCE AND CONTROLLING/MERGERS & ACQUISITIONS

»We will maintain our competitive ability and leading position only if we ensure continuous profitable growth. The closeness of our international, yet family-run, company to the partners guarantees our independence and the capability of making fast decisions in the process of global competition.«

Born 1958, Business graduate, international career with an American investment bank, Finance Manager of one of the world´s leading trading groups. Director of Finance/Controlling at CLAAS since 1993, Managing Director since 1997, spokesman of the management board since 2002.

DR.-ING. HERMANN GARBERS // RESEARCH AND DEVELOPMENT/IT

»The leading technology of CLAAS products offers our customers proven performance and cost advantages. We thereby utilize state-of-the-art information technology to further network machines and systems, thus opening up new opportunities for process optimization.«

Born 1951, held research and teaching posts at Braunschweig Technical University (Agricultural Machinery Institute), Development Manager for combine harvesters, self-propelled forage harvesters and tractors, R & D Manager at CLAAS since 1999.

NIKOLAUS FEIL // PRODUCTION

»Efficiency, speed and flexibility in the manufacture of highly complex products are the decisive factors in beating global competition in the future. The new structure of the CLAAS production processes has prepared the company very well to meet this challenge.«

Born 1944, Engineering graduate, Factory Manager at an automotive group's central plant, developed an automotive plant in South America, in charge of Production at all CLAAS factories since 2000, Managing Director at CLAAS since 2000.

LOTHAR KRISZUN // SALES/MARKETING

»CLAAS is at home in fields throughout the world. Attractive products and services are core success factors in our clients´ companies, thanks to competent distribution. Individual consultation, comprehensive information, customized financing and a complete range of services make it easy to choose CLAAS.«

Born 1952, Business administration graduate. He has held various positions in the CLAAS group since 1981, including Head of the Business Administration division, Commercial Manager of Westfälische Werke, Managing Director of CLAAS-Fertigungstechnik, and most recently spokesman of the management board of CSE. Managing Director for Sales and Services of the CLAAS Group since October 2002.

WERNER SCHNEIDER // HUMAN RESOURCES

»We must promote the competence and expertise of our staff members for their work in the international arena. We need well-educated, cosmopolitan employees. For this reason we recruit young staff throughout the world. Then, after proper preparation, each individual is given the opportunity for an interesting professional career.«

Born 1949, Economics graduate. He has held various positions in human resources management in international corporations in the metal, retail and logistics industries. Most recently he was the Director of Corporate Human Resources at an international logistics company in The Netherlands, Managing Director at CLAAS since June 2002.

Our comfortable liquidity position provides us with financial freedom and entrepreneurial independence. However, we still utilize the entire spectrum of financing instruments to keep ourselves fit for the capital markets.

CLAAS IN THE CAPITAL MARKET

- Crisis of confidence on the trading floor
- Euro bond demonstrates high value stability
- Open to further financing options
- External rating as an option
- Transparency and openness

PARADIGM CHANGE IN THE CAPITAL MARKET

Developments in the capital markets in 2002 were not at all positive. The nosedive of the stock markets after the terrorist attacks in the United States in September 2001 continued without a break during 2002. Triggered by the sharp downturn of the American economy, in whose wake the economies of Europe and Asia wobbled to the edge of a recession, accompanied by balance sheet manipulations of large American companies and unnerved by spectacular bankruptcies, investors fled from equities investments. In an environment of drastic price drops, industrial loans were also affected. The already high risk surcharges in this market segment rose significantly once again.

The crisis in the capital markets has led the investors to a noticeable re-orientation. The euphoria of the late nineties has turned into a hangover. A new sobriety has taken hold of the stock markets. The focus is once again on stable securities. Dividend-oriented securities which can be detached from price falls are experiencing a renaissance. Today more than ever, investors demand high standards of transparency and seriosity in reporting as well as concentration on successful business models.

CONSTANCY IN CAPITAL MARKET ORIENTATION

Unimpressed by the current trends of the past several years, CLAAS has continued to orient itself consistently to the capital markets. The latest turbulence in the markets has not led to a strategic re-orientation, but rather reaffirms the path the company has continuously pursued. Our goals of a differentiation and internationalization of the financing profile and an expansion of the liabilities duration have proved to be trailblazing in view of the current market situation. Many companies which are only now positioning themselves have found out that their entry into the capital market must be prepared long beforehand. In this market environment, we benefit decisively from the strength of a family-run company, whose capital providers support the continuous adaptation to market conditions without the necessity for hectic repositioning.

OPEN TO FURTHER OPTIONS

Thanks to capital market transactions such as bond issues and loan syndication as well as bilateral credit lines from banks and insurance companies, CLAAS has respectable funding commitments of more than € 500 million. With the successful private placement in the United States, we have further strengthened CLAAS´ financing base and simultaneously expanded our investor base. We continue to keep additional financing options open. Our strategy is not one of lopsided optimization of an equity story. We have always paid particular attention to sound risk management and stable relationships with creditors. International investors value a neutral benchmark in the evaluation of their investment decisions. An external credit rating is even more important now that the requirements of Basel II have been implemented. Our options include obtaining an external rating in the short term. For this reason we are intensively reviewing the implications of the rating process.

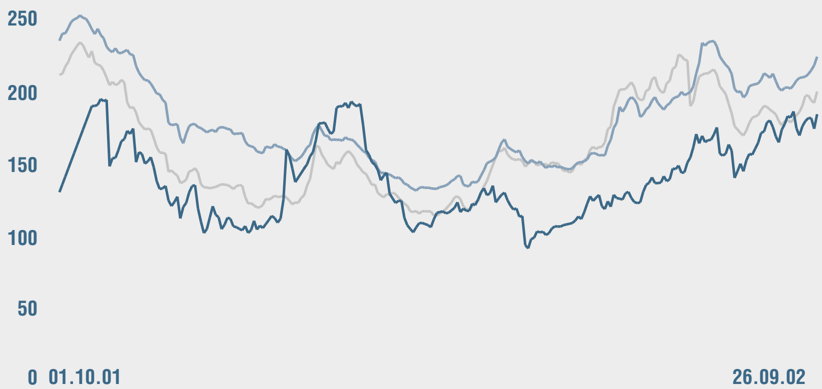
HIGH VALUE STABILITY OF THE CLAAS EURO BONDS

The euro bond we issued for a nominal value of € 100 million in 1999 to take advantage of the historically low interest rate has held its own in the turbulent environment. The increase in the credit spread was moderate compared to the rest of the industry and confirms the value stability of the CLAAS bond. This development is viewed increasingly positively by retail investors as well. With comparatively low credit spread swings and an issue price under par, the CLAAS bond is an attractive form of investment for private investors as well.

DIALOGUE WITH FINANCIAL PARTNERS

CLAAS is not listed on the stock exchange with equity, but behaves in its financial communications like a listed company. In the legal form of a corporation, we take the dialogue with the financial community seriously and see a genuine comparative advantage therein. We completely fulfill requirements of the international capital markets for transparency and comparable real-time information. Our external and internal accounting adheres to international standards. For the first time in fiscal year 2001, the Group balance sheet was drawn up and published in accordance with US GAAP with a discharging effect. For 26 years we have published extensive financial statements which set standards in transparency, openness and creativity. The annual report is the company´s calling card. Every year we explain it to the interested public in a balance sheet press conference. Beforehand, we inform the representatives of our financial partners from all over the world about our balance sheet and our strategy at a conference especially for them. In the meantime, the forum has become an

CLAAS BOND SPREAD TRENDS COMPARISON (basis points*)
Security Identification Number 350533



CLAAS

CORPTOP BBB European industrial bond index
(Source: Reuters)

ECIBBB European BBB industrial bond index
(Source: Dresdner Kleinwort Wasserstein)

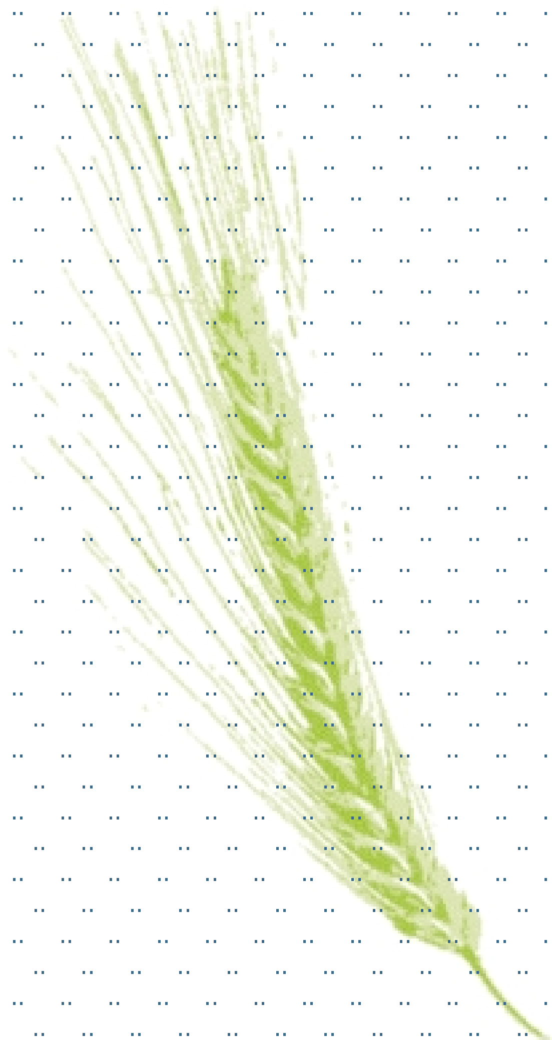
*1% = 100 basis points, term adjusted

established institution in the financial community. In the year under review, we have supplemented the annual balance sheet with a six-month report for the first time. We will continue to practice integral corporate communication policy which sends a plausible and sustained message to all stakeholders of the company. CLAAS, as a high-tech company, is a growth stock. Analysts designate us as a »hidden champion«.

In order to further expand the dialogue with our financial partners, we have increased the number of staff in the investor relations department.

EMPLOYEE PARTICIPATION

As early as 1984 we created an internal capital market in the form of CLAAS-Mitarbeiterbeteiligungs-Gesellschaft (CMG). The extremely positive response to the program demonstrates the strong allegiance of the staff to the company. In the year under review, more than 64% of the 4,000 employees entitled to subscribe in the domestic CLAAS companies acquired shares in CMG. That´s the highest rate since the founding of CMG. The interest-bearing equity at September 30, 2002 amounted to more than € 15 million. The interest paid for the year under review amounted to € 3.3 million.



> Still promising Growth Prospects on the global agricultural Engineering Market

SUSTAINABLE GROWTH

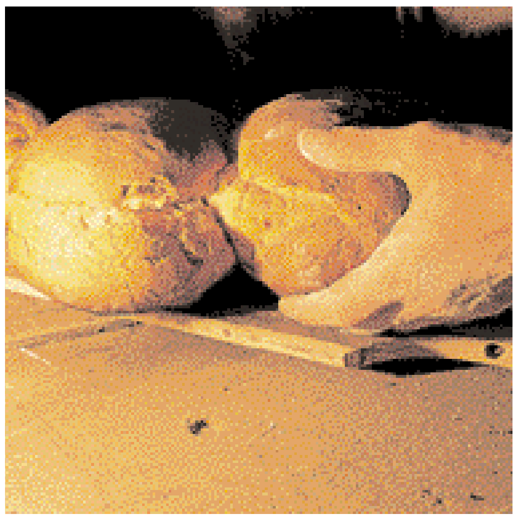
MARKET & POSITIONING

STRATEGY & VALUE MANAGEMENT

The world's population is growing all the time, while the productive land is shrinking. Growing the food to feed that population requires considerable increases in productivity and careful soil management. The »race between the stork and the plough« will be decided by responsible, efficient agricultural engineering. For many years now, CLAAS has significantly boosted the plough's chances of winning. Our machines are at work in fields all over the world.

MARKET & POSITIONING

- Feeding the world – a challenge to be met
- CLAAS – First Mover in agricultural engineering
- Technology always a step ahead of the markets
- Home game in Germany
- Strongholds in Europe
- All the continents in our sights



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Growing food to feed the world´s population requires considerable increases in productivity and careful soil management.

AGRICULTURAL ENGINEERING IS A VITAL GROWTH INDUSTRY

The human race is growing apace. People need food to live – not just food to fill their stomachs, but above all, food that provides a healthy, high-quality, balanced diet. The population explosion is accompanied by a change in nutritional habits. In both industrial and developing countries, an improved standard of living is leading to rising demand for cereals and meat. More meat requires more animal feed. It takes nine kilos of cereals and supplementary feed to produce a weight gain of one kilo in a young bull.

Approximately 1 billion hectares of arable land are available for agriculture worldwide to meet the demand. That is not enough land to feed the growing population in the long term. If harvest yields were to remain at the 2002 level, almost 3 billion hectares of land would have to be put into production over the next 50 years. Land is not an infinitely renewable resource, however. On the contrary: millions of hectare of fertile agricultural land are lost every year because of erosion. Intensive farming makes increasing demands on the land. Wind and water erode and wash away the soil, until finally the yield drops towards nil.

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A growing world population and increased food production require an efficient, responsible agricultural industry.

FEEDING THE WORLD – A GLOBAL CHALLENGE

Satisfying the hungry world population and at the same time raising the standard of living is a global challenge. The UN Food and Agriculture Organization (FAO) talks of a »race between the stork and the plough«. The plough will only win that race if there are significant increases in harvest productivity and if the available agricultural land is treated with respect. A growing world population and increased food production require an efficient, responsible agricultural industry. Agricultural engineering forms a key link in the food chain. Its role is to supply international agriculture with technically refined, high-performance, environmentally compatible agricultural machinery. That role makes agricultural engineering a vital growth industry.

AGRICULTURAL ENGINEERING IS INTERNATIONAL

In nearly every country in the world, farmers depend on machinery for soil tilling and harvesting. This is a risky business. The weather is unpredictable and prices fluctuate. International organizations, such as GATT, and national governments have a considerable influence over agricultural markets. Progress in plant growing leads to changes in harvesting practices. In any case, cultivation requires the use of powerful, demand-driven technology in order to achieve high yields and economic efficiency.

The internationalization trend first started over twenty years ago and is intensifying all the time. Modern agricultural engineering is a global business. The political decision by many countries to open up their markets to free competition has created new framework conditions. Market penetration is no longer confined to exporting alone. In countries that are uncompetitive, have a shortage of foreign exchange and have to contend with infrastructure problems, machines can only be sold where production and value creation take place. In newly industrializing countries, the purely »customer« function comes up against not only political resistance, but also a lack of financial resources for imports. A perceptible local share of production and component manufacture has to be incorporated into sales strategies. The »Think global, act local« strategic approach is the key criterion that distinguishes globalization from the largely concentrated value creation in traditional export business.

TREND FOR LARGE MACHINES

The process of structural adaptation which the world agricultural industry has been undergoing for some years is shaped by three trends. First, competition is accelerating concentration and the creation of larger units. Secondly, mechanization is forging ahead, with a move away from the traditional farmer´s single-machine approach to working with machine systems.Lastly, electronics and modern information technology are making increasingly rapid inroads into agricultural engineering. »Precision farming« heralds a new era in agricultural engineering.

These trends are driving growth in demand for efficient, high-quality agricultural machinery, increasingly required by professional groups such as big farmers and contractors. The structural increase in individual farm area and the use of machines on more than one farm are boosting demand for large machines. These already account for around two-thirds of the total West European market today.

CLAAS – A FIRST MOVER IN AGRICULTURAL ENGINEERING

CLAAS plays a leading role among the big global operators on the world agricultural engineering market. Our route to the top has been paved by innovative products that set us apart from the competition as a First Mover. Our Development departments were responsible for the first European pick-up balers, the first combine harvester designed for Europe and the first self-propelled forage harvester. The completely new LEXION combine harvester, a high-performance machine with a hybrid threshing system, revolutionized the market. We took a global stance long before globalization became a buzz-word in the world economy. Our machines are at work in fields all round the world. Presence on all the continents is only one facet of our globalization strategy. We develop and produce machines for efficient harvesting of a wide range of crops in widely varying climatic zones. We were quicker than others to realize that standard products are not a sufficient basis for an international business.

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CLAAS regards itself as a systems supplier, to cover the whole process chain.

DIVERSITY IN OUR LINE ...

We hold prime positions on agricultural engineering markets. We sell one combine harvester in every three in Europe and every other self-propelled forage harvester worldwide. The vast majority of the forage harvesters sold in the CIS are CLAAS machines. The range includes balers and green harvest machinery. In the world´s tropical and subtropical zones, sugar cane and corn are harvested with machines made by CLAAS. The line includes system, transport and commercial vehicles for farm use as well as the very latest agricultural information technology. We invented continuous yield measurement and mapping during combining according to the light barrier principle by means of GPS. We developed 3-D cleaning for the combine harvester as well as a laser-assisted automatic steering system for agricultural machines. CLAAS is a system supplier of drive technology and hydraulics, not only for the CLAAS Group but also for external customers. In our growth segment, Engineering for Production, we develop and produce complex transfer lines and production lines for the automotive and aircraft industries. We have nine production facilities in Germany and abroad, seven marketing companies and we work with importers all over the world.

... ORIENTATION TO THE CUSTOMER IS OUR STRENGTH

We take account of the complex conditions of modern agricultural management by resolute orientation to the customer. We have an exemplary network of service locations and parts warehouses. The supply of parts all over the world is handled by the restructured Logistics Center at Hamm-Uentrop. And a Service Task Force looks after CLAAS machinery anywhere in the world.

Comprehensive service is absolutely essential in agricultural engineering. Stoppages in the closed circuit of interlinking operations have disastrous consequences for the entire harvest process. There is no guarantee that parts won´t fail or a machine comes to a complete standstill. What we can make sure of, though, is that parts and service will be on site as quickly as possible. That´s one of our strengths.

HOME GAME IN GERMANY

During the year under review we have consolidated our leading position on the domestic market. Our combine harvester market share has once again risen. We are benefiting from the continuing trend for large machines, buoyed up in particular by the new Federal states. Our self-propelled forage harvester market share is well over 50%, with a rise to 42% in the case of square balers. We enjoyed the lion´s share of the 6% growth in the green harvest machinery segment. Hardly any other manufacturer can match us for complete coverage of the »green line«. Our »operation forage harvest« covers all the machines and all our know-how in the area of green harvest and stemmed crop harvesting.

COMBINE HARVESTER STRONGHOLD IN EUROPE

The world combine harvester market has remained at the previous year´s level with a volume of approximately 24,000 units. This pattern conceals considerable regional differences, however. While Central Europe and Germany have achieved perceptible growth rates, the markets in North America and, above all, Argentina have dropped markedly. We have roughly a one-fifth share of the total world market. Our stronghold is Europe. The West European combine harvester market reported slight growth, with notable declines in Spain and Italy being more than offset by bigger volumes in Germany and the UK. We have further expanded our market share in Western Europe to over 37%.

We have made appreciable progress in Central Europe. We can report higher than average growth in this expanding region and have significantly improved our market position. The same is true of the Eastern Europe/Central Asia region.

The North American combine harvester market was in heavy recession, primarily due to the severe drought. Price competition in the USA has increased tangibly and our establishment in this market requires determination and patients.

FORAGE HARVESTERS DOING WELL

The world self-propelled forage harvester market has increased by 12%. Our world market share remains at a very high level of over 50%. We also enjoy a leading position in the USA, although market growth did not come up to our expectations last year. The situation in Eastern Europe/Central Asia did not entirely match our predictions, either.

FURTHER OPPORTUNITIES IN BALERS

A slight increase on the square baler market has been accompanied by stability in terms of round baler market volume. In this context we had no difficulty in maintaining our good market position.

POTENTIAL FOR GREEN HARVEST MACHINERY

The total green harvest machinery market grew by 6%. While growth on the West European and North American markets was only slight, sales in our South America/Overseas region rose by 37%. Sales volumes in Eastern Europe/Central Asia increased more than fivefold, admittedly from a low base. Significant expansion in Western Europe has increased our market share from just on 9% to over 10%. There is further potential for growth here.

KEEPING AHEAD OF THE MARKETS

CLAAS has a high profile in the relevant markets. CLAAS brand awareness is firmly established among our customers, not least because of our ability to bring beneficial innovations on to the market, year after year. Substantial resources are devoted to ensuring that we can do this. During the year under review, the record sum of € 63 million was invested in research and development. That corresponds to 5% of sales. In the combine harvester segment, the introduction of the LEXION Evolution models may be specially mentioned. In addition, we have developed a new combine harvester, the LEXION Montana, which can also be used on extreme slopes, as a further addition to our product line. Among green harvest machinery, the main focuses of development have been in the disk mower area, in preparing for a new swather series and in front attachments.

In accordance with the European market trend in round balers, we have further developed balers with variable chambers. A highlight of the year under review was the market launch of the new VARIANT 280, which produces bales of various sizes. A new introduction among fixed-chamber balers is the ROLLANT 255 Heavy Duty. These balers, designed for high bale numbers, have been developed specially for Ireland and the Scandinavian markets. They are also proving very successful in Germany and especially so in the United Kingdom.

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The structural increase in individual farm area and the use of machines on more than one farm are boosting demand for large machines.

Our AGROCOM subsidiary, specializing in information systems for farmers and agricultural contractors, is working on the further development of tractor/attachment/on-board computer interfaces. The AGRONET NG software developed by AGROCOM has been awarded the Silver Medal for a pioneering innovation in the field of precision farming. AGRONET offers the user yield mapping, crop-cutting record and field management in a single software product with a standard interface for all the relevant management and control tasks in crop production.

Sustainable Growth. That guideline shapes our strategy. We are determined to make optimum use of the growth opportunities available to us. Globalization sets the strategic direction: developing and consolidating our position on traditional markets and opening up new ones. The pillars of our strategy are innovative products, customer-oriented solutions, high productivity, first-class distribution and excellent service.

STRATEGY & VALUE MANAGEMENT

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We will only maintain our competitiveness and our leading positions if we consistently generate profitable growth.

- **Most important aim: remaining independent**
- **Sustainable Growth is the basis**
- **Focus on Central/Eastern Europe, North America and Asia**
- **Innovation offensive underpins global approach**
- **Network of production locations**
- **Corporate value as a guiding principle for management**

CHANGE SHAPED BY TRADITION AND PROGRESS

CLAAS is the only independent family business on the global harvesting technology market. Our strengths are rooted in our resolutely customer-oriented corporate culture and are expressed in significant innovation and a standard of service that is recognized worldwide. They are continually revitalized, by drawing power from the firm´s most important resources: people and finance.

Preserving our independence remains our primary aim. This demands the ability to change and to grow, in equal measure. The framework conditions are changing all the time, requiring the firm to make continual adjustments. We need to react to radical changes on the market when the first signs appear, not after the event. This active process of change requires a management structure in accordance with the corporate goals to provide organizational support. Our Sales and Engineering functions will be able to concentrate even more fully on their own specific operating tasks in future. The divisional managers are also members of the holding company management. One new post created is that of management spokesman, mainly an external liaison role. Customers, suppliers, banks, investors and the media expect an international player to have a high-profile representative and an easily identifiable contact.

In both industrial and developing countries, an improved standard of living is leading to rising demand for cereals and meat.

The organization of our divisions by function brings CLAAS even closer to the customer and even faster on to the market, as well as ensuring efficient, »hands-on« management of business processes. It allows for adaptation to environmental changes and is open to future strategic options.

GROWTH FORMS THE CORE OF OUR STRATEGY

Our competitors, on both our established and our newer markets, are without exception large global operators. We will only maintain our competitiveness and our leading positions if we constantly generate profitable growth. CLAAS has to grow in all the world´s fields.

CULTIVATING TRADITIONAL MARKETS

The biggest share of sales still comes from the EU. Germany is by far our most important market. Europe remains a strategic fixed point for us. With a high level of mechanization in the region, Europe´s agricultural machinery includes a large proportion of new products, which tends to limit the replacement demand. Our strategy has helped us become the market leader as well as the technological leader. We intend to generate further growth at the expense of the competition.

OFFENSIVE IN THE NEWLY INDUSTRIALIZING COUNTRIES

According to FAO estimates, Central and Eastern Europe and South America will see the strongest growth in cereal production in future. Demand for agricultural machinery in Central and Eastern Europe is huge. Over 100,000 combine harvesters were built annually in the former Soviet Union. Estimates assume that Russia currently has only about half of the machine capacity actually needed for sowing and harvesting. The planned eastward expansion of the EU is leading to increased competition on the markets of the candidates for entry and a growing need for rationalization in agricultural engineering. CLAAS has many years´ experience in this region, enjoys an excellent reputation for technology and service and is familiar with financing arrangements on these markets.

Another area with a bright future is Asia´s agricultural industry, first and foremost India. With a population over 1 billion and annual population growth between 2 and 3%, India is one of the fastest-growing and probably the most significant agricultural market in the world. The country is reaching a leading position as a rice grower. We have identified big opportunities for our products, especially green harvest machinery and in particular the combine harvester developed for rice harvesting, not only in India but also in South Korea and China.

South America also offers considerable market opportunities in the medium and long term, which we intend to exploit. At the moment, the crisis in Argentina is having a knock-on effect on Latin American markets, holding our expansion plans in check.

FOCUS ON NORTH AMERICA

The big North American markets, which are to a great extent stable and lucrative, remain a challenge for us. Our aim in those markets is to build on the successes we have enjoyed there, principally in the green harvest market, with our main product, the combine harvester.

EXPANSION NOT CONFINED AGRICULTURAL ENGINEERING

Agricultural engineering is CLAAS´ core business. We will continue to concentrate on product groups such as combine harvesters, self-propelled forage harvesters, balers and green harvest machinery in future. Our products are very powerful, at the leading edge technically and are aimed at professional users. Our customers are those who will emerge as survivors from the competition. Harvest machinery has been and is a motor of growth. That does not mean that our present product line is set in stone. Rounding out our range remains a strategic option.

Past growth has come almost entirely from our own efforts. We are watching the relevant markets, though, and will seize opportunities presented by further market consolidation. We are backed by sufficient capital and cash resources to finance the takeover of companies that meet our standards of quality and profitability and fit in with our corporate culture.

Another strategic growth option is to use existing mechanical engineering know-how to tap and develop adjoining business segments. The pioneer here is CLAAS Fertigungstechnik (CFT) which, prior to being spun off as an independent Group company, produced special-purpose equipment and tools for agricultural machinery production. Today, it enjoys a good reputation as a high-tech supplier of complex production lines for the automotive industry and robot-controlled assembly lines for aircraft construction. This profitable company´s sales are growing all the time, reaching just on € 86 million in the year under review. CFT´s active development further illustrates our endeavours to manage the risks in our cyclical industry by diversifying in the broader area of mechanical engineering.

The same applies to CLAAS Industrietechnik GmbH, a system supplier of drive technology and hydraulics within the Group. The very latest gearboxes and axles are manufactured for the Group´s own mobile machines and also, increasingly, for the international construction machinery and commercial vehicle sector.

BUILDING BLOCKS OF OUR STRATEGY

NETWORK OF PRODUCTION LOCATIONS

Being a global player means more than simply setting up regional sales and service organizations and importing machines built at our own plants. International market leadership demands that we aim at maximum benefit for our customers in terms of function and economic efficiency. Being competitive on global markets also depends on good cost management and capacity for accommodating local value added for economic reasons.

In order to optimize benefit, costs, logistics, service and distribution, we need to allow local value added to play a part on the different markets. We are in the process of setting up internally and externally integrated systems with a selected number of suppliers. We plan our production on the markets in such a way that we are able rapidly and precisely to deliver not only machines but also components and assemblies as required. These machine parts are assembled into finished products at small local production facilities at various locations worldwide, without comprising the customary CLAAS quality.

The investment offensive we have launched serves to implement our global growth and product strategy. At our Harsewinkel headquarters we are building a factory for the future, with production lines for combine harvesters and forage harvesters as well as for components and assemblies. The total investment of € 55 million is a record for CLAAS. At Törökszentmiklos in Hungary, we have spent € 10 million on expanding our component and front attachment plant. We have opened a new logistics center in Hamm and restructured the green harvest machinery plant in Bad Saulgau, South Germany, and the baler plant in Metz, France. The new factory structures will allow rapid adaptation to future market developments as well as considerable flexibility to cope with seasonal fluctuations. The reduction of internal complexity and more flexible production are a response to various customer requirements for world markets.

The takeover of complete control of our operation in Nebraska, USA, previously run as a joint venture, decisively strengthens our North American base. We have taken the initiative and decided from now on to tread the difficult path on our own. We know that the big US combine harvester market is ideal for our powerful LEXION series. The response from American farmers has been positive. Their economic situation has been improved by the new US agricultural legislation, which provides greater support for farmers. We want our combine harvesters to follow previous successes in the USA.

Another milestone is the full takeover of combine harvester production in India. We have acquired the other 60% of Escorts CLAAS Ltd. from our joint venture partner Escorts, a large Indian conglomerate. The rubber-tracked Crop Tiger combine harvesters have been developed specially for local growing and harvesting conditions in wet soil in rice-growing areas. Principal markets for these machines outside India are South Korea and China. 350 units per year have been built in India in the last few years. Development of local value added has enabled us to operate profitably from a very early stage.

FOCUSSED FACILITY – FACTORY MARKETING

Our focussed facility and factory marketing network is designed to take local requirements very much into account. By focussed facility we mean legally independent corporate units which develop, produce and market products under their own control, using their own know-how and on their own strategic responsibility. The focussed facility approach has created a network of distributed expertise and value added in development and production that marries central process and design know-how with local input requirements. Production and development management also performs sales and marketing tasks. The combination of focussed facility and factory marketing creates innovative, cost-conscious, market-oriented, profitable, competitive corporate units. Not only distribution, but the technology too, is close to the market.

THE SYSTEM APPROACH

Our strategic approach corresponds to an integrated way of looking at farming. We think in terms of systems. Our agricultural machines are components of an environmentally and economically oriented production system. We don´t just deliver machines, we take care of the whole process chain. For example: the economic use of forage harvesters requires a transport chain to be available. After corn harvesting, the cut crop has to be removed quickly. Once it´s in the wagon, it has to be placed in the silo. Successful deployment of the forage harvester depends on all the links in the process chain. To overcome the logistical problems with silo maize, we have developed a field shuttle system, where the cut crop is conveyed directly from the forage harvester to an accompanying 35 m^3 bunker. Two bunker-loads are then collected and hauled away by a skip truck. The system increases operating power when maize harvesting, protects the ground and means less traffic on the roads.

One of our strengths is our knowledge of the markets and the ability to anticipate which new technologies our customers will need tomorrow. Our patented new line designed for big farmers and agricultural contractors is a strategic differentiation and unique position feature.

INNOVATIVE FINANCING MODEL

Another important strategic element is our Treasury. The Finance division is organized like a house bank for all the Group companies. It acts as a central procurer of the necessary funds, finances the production process and is responsible for sales financing. The division has responsibility throughout the Group for currency and interest rate risk management. Our reputation in the capital markets is remarkable due to our professional management of borrowed capital positions.

Our special customer financing packages are another innovation. Not only selling machinery and providing after-sales service, we have now added financial services to our product spectrum. Paris-based CLAAS Financial Services, founded jointly with the French BNP-Paribas group, has for several years been providing ground-breaking financial support for our customers. Flexible sales financing is particularly important in the emerging markets, which are almost without exception growth markets for agricultural engineering. We have taken unconventional routes to developing sales and financing programmes in newly industrialized and evolving countries that markedly increase our sales prospects in growth regions such as Central and Eastern Europe, while eliminating significant balance sheet risks.

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Thinking in terms of systems – CLAAS machines are components of an economically and environmentally oriented production chain.

- **Focus on sustained value increase**
- **Sound footing for CLAAS: stable capital structure**
- **Reliable planning of strategic projects**
- **Family business: value management in the truest sense**

VALUE-ORIENTED MANAGEMENT AT CLAAS

The aim behind value-oriented management is sustained growth in CLAAS´ corporate value. At CLAAS, »sustainability« is more than just a word. Shareholder Value – in accordance with the wider Stakeholder Value approach, which takes into account the investors as well as the interests of employees, customers and suppliers – does not, for CLAAS, mean primarily striving for short-term good news. What we want is profitable long-term growth. Accordingly, we are prepared for example to invest heavily in our production network or to devote outlay in the medium term to developing our combine harvester market position in the USA.

This forward-looking approach to our business requires a high degree of consistency in our entrepreneurial actions. At CLAAS, that consistency is made possible by the firm´s specific ownership structure. Through all the cycles that characterize the agricultural machinery sector and the sometimes wild fluctuations on the capital markets, the CLAAS family, as the Group´s sole proprietor, is our guarantor of consistency – with respect to value management. CLAAS does not expect the success of a project to be visible in the very next quarter´s figures. Projects of a strategic nature can be successfully carried out with a high degree of consistency and certainty in the planning. Consequently, CLAAS is able to practice value-oriented management in the true sense.

The main performance indicator which we use in our value management approach is Cash flow-Return on Investment (CF-ROI). This operating yield ratio tells us how much cash after tax has been generated in relation to the capital invested.

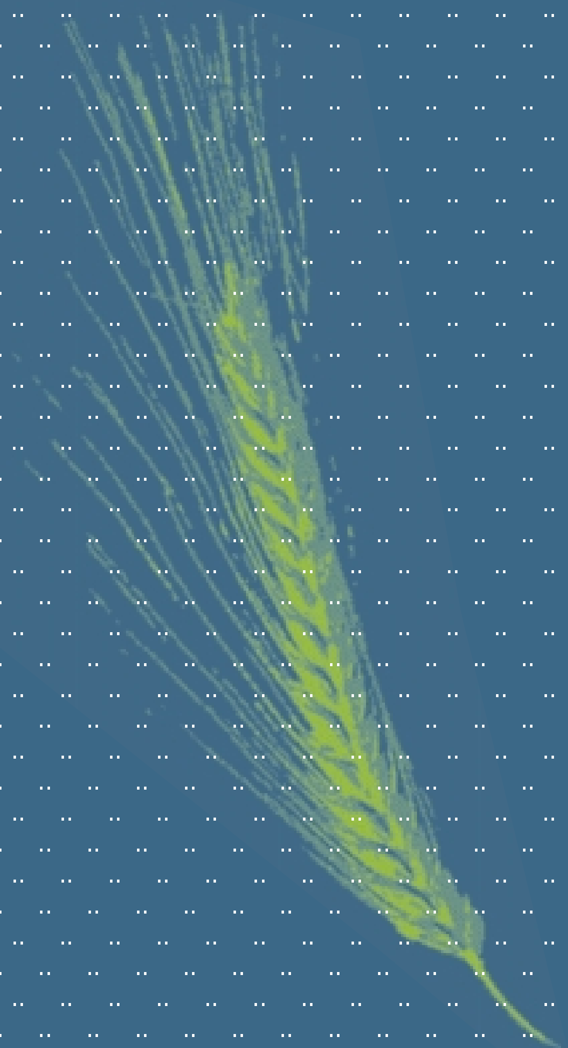
$$\text{Cash flow-Return on Investment (CF-ROI)} = \frac{\text{Gross cash flow}}{\text{Gross investment basis}}$$

The CF-ROI is calculated by dividing the gross cash flow by the gross investment base. In order to determine the gross cash flow, the result after taxes is adjusted by non-operating and non-cash amounts. That figure is related to the gross investment base, which is, the operating capital invested in order to produce the gross cash flow. If capital can be used without paying interest (e.g. in the form of accruals), this is excluded when calculating the gross investment base.

GROSS CASH FLOW	/	GROSS INVESTED CAPITAL
Operating result after tax (special impacts adjusted)		**Assets**
+ interest expense		– tax and other provisions
+ depriciation/amortisation		– trade liabilities
+/- changes of long-term provisions		– other non-interest bearing liabilities
+/- other non-cash expenses/income		+ accumulated depriciation
Gross cash flow		**Gross invested capital**

The gross investment base is higher than the previous year, due – among other things – to our acquisitions (CLAAS India, CLAAS Omaha) and in part to a scheduled inventory build-up, as the factory conversion involves a temporary stoppage of the production line and, corresponding advance production. On the gross cash flow side, as in 2001 very positive effects are apparent due to CLAAS´ strong market position, with record sales leading to a degression in fixed costs. During the recent financial year, the product development and sales offensive coupled with the introduction of new information technologies have made it possible for the additional profit contributions generated by sales growth to be reinvested to reduce cash flow.

In order to measure the increase in value, the CF-ROI is compared with the capital costs. The capital costs express the equity holders´ and lenders´ weighted interest claim after taxes. In this connection, the cost of debt is determined with reference to CLAAS´ long-term financing terms and conditions. The yield expected by the market is reflected in the cost of equity. This value is ascertained by means of a risk analysis of our listed competitors. In the financial year, the cost of capital to CLAAS was around 10% (including a reinvestment premium of 2%, determined by the system). In both years, we were almost 100% successful in reaching this target, despite the burden during that period of pre-operating expenses aimed at achieving a good market position in the USA.



> We will further consolidate and develop our leading Market Positions

In agriculture and in food production, our products are making a contribution to society. We accept the associated responsibility and derive our strategy from it. Our way of thinking and acting is directed at the whole process chain, in the sense of corporate responsibility.

CORPORATE RESPONSIBILITY

- Knowledge and transferring knowledge is the basis of our strength
- Personnel development is a management issue
- We combine economics and ecology in agricultural engineering
- Supporting the customer
- Transparency for investors
- Founded on the principles of integrity and loyalty

WE TAKE RESPONSIBILITY

... FOR EMPLOYEES

LIVING IN A KNOWLEDGE-BASED SOCIETY

Gaining knowledge is no longer confined to a particular period of a person´s life. Nowadays, ´lifelong learning´ is a continuous process, which no-one can escape. Today´s knowledge may be out of date tomorrow. It´s no longer sufficient to be a specialist in one´s field. Managers need to develop´ soft´ skills, such as emotional intelligence and social skills.

In our knowledge-based society, products and systems are becoming more and more complex and the demands made on employees´ skills and experience greater all the time. We have gathered a huge pool of knowledge within the CLAAS Group. That knowledge needs to be available to everyone. Transfer of knowledge across divisions and boundaries is part of our corporate culture.

PERSONNEL DEVELOPMENT IS A MANAGEMENT ISSUE

We have a big need for committed, qualified specialists and managers. A global business requires employees with an international outlook, who can work anywhere. We sell CLAAS machines all over the world. That calls for trained distributors and professional after-sales service. We need employees who are well trained, cosmopolitan and motivated. That´s why we are constantly »in search of excellence«.

The importance we attach to recruitment and employee development is reflected in the management structure. Personnel development is a management issue. Human Resources is one of the central functions and is performed by the holding company management. Helmut Claas, for many years Chief Executive of operations and today Chairman of the Shareholders´ Committee and the Supervisory Board, continues to take a close interest in employee training and maintains personal links with prestigious universities in the drive to hire talented people for CLAAS.

Our unrelenting efforts to ensure good training and planned advancement have turned the supposed disadvantage of our rural location into an advantage. Harsewinkel, a small town in Westphalia, has become an important international center for agricultural engineering. We recruit young people all over the world, train them here and send them back again to work in their own countries.

A MANAGEMENT CULTURE BASED ON OF RESPECT

Our principles of management and collaboration imply mutual respect and recognition of a job well done. Collaboration on a partnership basis is based on credibility, loyalty and trust. We involve everyone concerned in decision processes. We are successful because we all see ourselves as part of CLAAS and because together we regard the process of continual change as an opportunity.

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CLAAS opens the door to advancement: 70% of all management posts are filled in-house.

Our financial commitment to personnel development is above average. Expenditure under this heading during the year under review amounted to over € 6 million, or 2.3% of total personnel costs. Our training ratio of 7.5% is two to three per cent higher than the industry average. During the year under review, 84 young people were taken on. At the end of the year, we had 439 trainees in the Group.

THE CAREER LADDER IS OPEN TO EVERYONE

The CLAAS training and development schemes are based on an effective international trainee programme and twin-track study at professional training institutions and colleges of technology. As part of the strongly international trainee programme, university graduates from a range of disciplines spend 12 to 18 months with the firm, moving from Production to Administration to Sales and Marketing. To encourage self-reliance, the young people are expected as far as possible to organize their training themselves, including the choice of location for the mandatory time spent abroad and the main study topics. A Foreman Training Programme for factory supervisors has also been introduced. This is aimed at employees who have already started or who have completed master craftsman´s training. The programme, of 12 to 18 months´ duration, is designed to prepare them for factory management positions. CLAAS opens the door to advancement: 70% of all management posts are filled in-house.

Twin-track study at universities and colleges combined with practical experience at CLAAS, a scheme which we pioneered, has proven to be an effective way of training highly qualified staff with a commitment to the Group.

Our complete personnel development programme additionally comprises commercial and technical advanced training in over 20 careers as well as a range of seminars to develop technical, method and social skills and use of foreign languages.

CLAAS ACADEMY: PLATFORM FOR KNOWLEDGE

We have institutionalized the gaining and exchange of knowledge by founding the CLAAS ACADEMY. This is a worldwide training institution, open not only to CLAAS staff but also to external service and sales specialists and agricultural engineering distributors. Each year, up to 3,000 qualified employees follow training courses and do practical work in the field at our training centers at Harsewinkel, Bad Saulgau, Metz, Belgograd in Russia and Kiev in Ukraine. We equip staff from the engineering side with general product and service knowledge and support our marketing specialists with sales arguments for our machines and systems.

… FOR THE ENVIRONMENT AND SOCIETY

HELP WITH SOIL CONSERVATION

Agriculture is not possible without fertile, healthy soil. However, land is a scarce resource and needs to be carefully managed. Every day, all round the world, farmers face the tricky task of producing the food essential for life, on the one hand, and ensuring that the basis of their work remains intact, on the other. Agriculture and environmental protection are interdependent.

CLAAS helps to protect the soil. We are aware of our responsibility. We develop machines to meet both economic and environmental demands in the closed system that is soil cultivation. We apply our expertise to developing such things as tyres and track systems to distribute the heavy load over a large contact area. Compressed air regulating systems enable the driver to adjust the tyre/ground interaction to the prevailing conditions. Many of our large agricultural machines have a rubber-tracked ground drive, making them both gentle on the soil and, at the same time, more economical. Specially developed machines for tropical and subtropical zones enable sugar cane and maize to be harvested in a more environmentally sound way. Integration of electronics makes agricultural engineering even more efficient and environmentally compatible. Precision farming is the key. This means focussing on specific parcels of land. Information about growing conditions is electronically recorded and used in a closed precision farming circuit, with the aid of computer-assisted equipment, to optimize sowing, fertilizing and plant protection. Fertilizer is only applied where yields are poor, plant protection only where pests actually occur. Aided by modern satellite systems such as the Global Positioning System (GPS), we play a leading role in agricultural engineering.

ENVIROMENTAL PROTECTION STARTS AT HOME

At the Harsewinkel plant, the new paint line is approaching completion. This is a milestone in the implementation of environmentally compatible production processes. The Federal Ministry of the Environment is supporting the ´Construction of an innovative paint line´ pilot project with a total of € 2.8 million, under the »Investment programme for the reduction of environmental pollution«. The paint line is the core of our new factory. A new surface treatment method has been introduced to protect the environment.

AGRICULTURAL ENGINEERING SERVING SOCIETY

The global challenges to be faced in coming years require a high level of commitment. Agricultural engineering and the science that underpins it are becoming increasingly important. The CLAAS Foundation, set up in 1999, plays a major role here. Its mission is to promote social acceptance and the future development of agriculture and agricultural engineering worldwide. Revenue is used to award research contracts to scientists or bursaries to young students. In addition, support is provided for training and further vocational training courses and competitive prizes are awarded for outstanding scientific work, such as dissertations or theses.

During the year under review, the CLAAS Foundation awarded ten study prizes in the form of the Helmut CLAAS Scholarship. The first three of these prizes went to students at Aachen College of Technology, Munich Technical University and the University of Stuttgart-Hohenheim. The fourth went to a British student at Harper Adams University College.

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Agriculture and environmental protection are interdependent.

... FOR CUSTOMERS AND BUSINESS PARTNERS

CLOSENESS TO THE CUSTOMER IS THE ANSWER

Farming – it sounds so simple: sowing, planting, harvesting. Farmers know better. Cultivating the soil is a chain of processes that mesh like cogs in a gear-wheel. Farmers have to work with varying field sizes, different types of soil, vegetation and harvesting conditions. Harvest seasons are getting shorter and harvesting time is affected by weather and time of day. Machines have to perform reliably at top output, whatever the weather or the state of the grain.

We know how hard business is for our customers. We are aware of their worries and their needs. We understand their requirements and what they expect in terms of technology, quality and service. Responsibility for the customer is our mission. This is demonstrated in our products and our services. We have set up a comprehensive service and support network and we assist with financing. It is a matter of course for us to offer help to customers who get into difficulties through no fault of their own. When agriculture suffered flood damage in the summer of 2002, we responded with an emergency aid programme, through our financing company. Customers who are wholly or partly unable to meet their obligations under current credit and leasing agreements are offered support in the form of special deferral and debt restructuring plans.

Trade fairs and exhibitions are an opportunity for us to meet our customers. In the autumn of this year, we organized the World CLAAS Forum in France. The Forum ranks as one of the big international events in agricultural engineering.

WIN-WIN PARTNERSHIPS

Global presence involves substantial financial and human resources. It requires willingness to co-operate. We are forging partnerships on local markets. Collaboration and the interplay of different skills and abilities in the areas of the product line, manufacture and distribution build »win-win« partnerships for everyone concerned, without any loss of independence. By developing local value added, we are working alongside domestic companies and helping them progress along the often difficult path to own value added, particularly in the newly industrializing countries. The transition from a machine exporter to a global group involves more responsibility for foreign markets and players.

… AND FOR INVESTORS

ACCESS TO THE CAPITAL MARKETS

CLAAS is incorporated as a German »Kommanditgesellschaft auf Aktien mit beschränkter Haftung« meaning, a commercial partnership limited by shares. Corporate governance is the responsibility of the Supervisory Board and the Shareholders´ Committee; Helmut Claas is Chairman of both these bodies. Operations are handled by the senior management team.

CLAAS KGaA mbH is a corporation that has full access to the capital markets, without having to meet the formal requirements applying to a stock corporation. This legal form takes special account of the requirements of a family firm.

TRANSPARENCY AND TRUST

Corporate governance covers all aspects of our business management and control oriented to value added. It comprises the organization of the CLAAS Group, the strategic principles and guidelines and the system of internal control and monitoring mechanisms. Transparent, efficient corporate governance is the basis for investor confidence in CLAAS.

Management and control are based on the interaction of the Executive Board, the Supervisory Board and the Shareholders´ Committee. The Executive Board runs the business on its own responsibility and its decisions are guided by our governing slogan for this year´s report, Sustainable Growth. The Executive Board reports to the Shareholders´ Committee and the Supervisory Board regularly, promptly and comprehensively on all matters relevant to the Group. The Supervisory Board oversees and advises the senior management team in connection with the running of the business. The Board has twelve members, including six employee representatives. The Shareholders´ Committee advises and assists the Executive. This consists of the family shareholders and external representatives of the German economy.

We have clearly defined our business principles and the guiding principles of our conduct and these are firmly established at all levels of the organization and at all our sites. They are binding on all our employees. The guiding principles are based on integrity and loyalty and are fundamental to the main pillars of our corporate philosophy: innovative products, customized solutions, high productivity, first-class distribution and service and, finally, responsibility towards society and the environment.

Mäh-Dresch-Binder 1936 / Super 1946 / Hercules-SF 1953 / Junior 1953 / Super 500 1955 / Huckepack 1956 / Europa 1958 / Columbus 1958 / Super Automatic 1958 / Junior Automatic 19
/ Dominator 80 1970 / Compact 20 1970 / Compact 25 1970 / Dominator 100 1971 / Mercator 70 1972 / Mercator 60 1972 / Mercator 50 1972 / Dominator 105 1974 / Dominator 85 1974 / Compac
116 CS 1981 / Dominator 48 1981 / Dominator 38 1981 / Dominator 68 1982 / Dominator 58 1982 / Dominator 115 CS 1984 / Dominator 114 CS 1984 / Dominator 112 CS 1984 / Dominator 108
1993 / Mega 208 1993 / Mega 204 1994 / Mega 203 1995 / Mega 202 1994 / Lexion 480 1995 / Lexion 460 1997 / Lexion 450 1997 / Lexion 440 1997 / Lexion 430 1997 / Lexion 420 1997 /

THE STORY OF CLAAS

1913	Business established by August Claas at Clarholz, Westphalia
1914	August and Franz Claas found the firm of Gebr. CLAAS
1919	Move to Harsewinkel. Manufacture of straw binders
1921	First CLAAS patent for a knotter for efficient straw binding
1930	Start of development of the first combine harvester
1934	Manufacture of the first pick-up baler
1936	CLAAS markets the first combine harvester built in and for Europe
1937	Volume production of trailed combine harvester starts (reaper-binder)
1953	Construction of the first self-propelled combine harvester
1956	Paderborn factory opened
1962	Production starts at the new baler factory at Metz, France
1969	Production of green harvest machinery begins (takeover of Bautz, Saulgau)
1971	Development of a pick-up sugar cane harvester
1973	Presentation of the first self-propelled forage harvester
1976	ROLLANT, the first CLAAS round baler
1983	New range of JAGUAR self-propelled forage harvesters
1988	CLAAS Fertigungstechnik (Engineering for Production) starts up in Harsewinkel
1992	CLAAS Fertigungstechnik moves to new factory at Beelen in Westphalia

59 / Matador Gigant 1961 / Matador Standard 1962 / Mercur 1963 / Senator 1966 / Mercator 1967 / Garant 1967 / Comet 1967 / Cosmos 1967 / Consul 1967 / Protector 1968 / Corsar 1969
t 30 1975 / Mercator 75 1975 / Dominator 106 1978 / Dominator 96 1978 / Dominator 76 1978 / Dominator 56 1978 / Dominator 85 H 1979 / Dominator 66 1979 / Dominator 86 1980 / Dominator
3 1985 / Dominator 98 1985 / Dominator 88 1985 / Dominator 78 1985 / Dominator 98 Maxi 1988 / Dominator 108 Maxi 1989 / Dominator 118 Maxi 1990 / Commandor 228 CS 1990 / Mega 218
Lexion 410 1997 / Lexion 405 1997 / Medion 340 2000 / Medion 320 2000 / Medion 310 2000 / Lexion 470 2001 / Lexion 460 Evolution 2001 / Lexion 430 Evolution 2001 / Medion 330 2001

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August Claas founded the firm in 1913. In 1936, he marketed the first combine harvester designed for difficult European harvesting conditions.

1995 Launch of the LEXION large combine harvester

1996 Three plants become independent product companies: CLAAS Selbstfahrende Erntemaschinen GmbH in Harsewinkel, CLAAS Industrietechnik GmbH in Paderborn and Usines CLAAS France S.A.S. in Metz

1997 Takeover of a new plant at Törökszentmiklos, Hungary

1998 LEXION combine harvester is »Machine of the Year«

1999 CLAAS Foundation set up. First company bonds issued on the Euro capital market

2000 New parts logistics centre at Hamm-Uentrop becomes operational

2001 Laying of the foundation stone for the brand-new factory building and plant conversion at Harsewinkel. At € 55 million, this is the biggest-ever corporate investment.

2002 **AND IN 2002**

Having parted company from our joint venture partner, Caterpillar, CLAAS is now running the distribution and production facilities for the Lexion combine harvester in Omaha, Nebraska on its own

The rice harvester factory in Faridabad, India is now run as a full Group company, following the acquisition of the 60% share from Indian conglomerate Escorts

Anniversary for CLAAS Fertigungstechnik: 10 years at the Beelen production site

Highest-ever sales achieved: € 1,265 million

MANAGEMENT REPORT

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH US GAAP

MANAGEMENT REPORT OF CLAAS GROUP

INDUSTRY DEVELOPMENT

AGRICULTURAL INDUSTRY´S CAPITAL EXPENDITURE ON MODERN TECHNOLOGY PICKS UP IN 2002

After an overall declining market development in the year 2001, the capital expenditure on agricultural engineering in Europe clearly increased again in the year under review. Relatively good producer prices raised the income of farmers in the EU countries by more than 3% on average and these prices formed the basis for more machine purchases. Sales notably moved up in Great Britain and Scandinavia.

On the German market, the plus amounted to more than 20% in the first six months, but the order intake in the industry declined again from early summer; overall, the market volume increased by about 10%.

France, as the most important individual market in Europe – apart from Germany – currently benefits from relatively high producer prices for agricultural products. The good harvest in 2002 contributed to a new income growth of the farmers.

On the Spanish and the Italian market, the sales were in line with the prior year level.

Great Britain recorded an unexpected positive growth in the year under review, even if on a low basis. The farmers affected by the foot and mouth disease received high compensation payments, which they often invested in machines. Due to the general bad mood in the agricultural industry as a result of the significant contraction process in the last years, no significantly higher capital expenditure is, however, to be expected in the future.

An important and growing sales market for the agricultural engineering industry are the countries of Central and Eastern Europe with an enormous deficit in modern, powerful agricultural machines. The Central European countries developed a remarkable dynamism. On account of the imminent entry into the EU and the clearly increasing competitiveness on the international markets, the acceding countries will in future play an even more prominent role for Western manufacturers of agricultural engineering.

The forthcoming EU entry increases the competitive pressures on the agricultural industry and accelerates the urgently required decisions on capital expenditure for modern agricultural machines. The high backlog demand will ensure continuing growth for years to come. Among the acceding countries, notably Poland, the Czech Republic and Hungary have turned into strong sales markets.

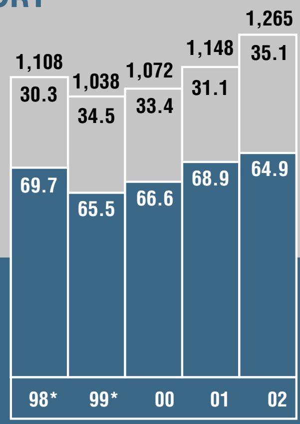
An improved sales development affects Eastern Europe differently. In Russia, the existing political constellation offers more stability and security for investments. Related with this is, however, that – supported by government sales financing programs – machines from Russian production could improve their position on their own markets. Other sales markets in the CIS region developed more positively for Western agricultural engineering products.

The North American agricultural engineering market declined slightly on the whole in the year 2002. The sales of combine harvesters, which had been rising again in 2001 after two poor previous years, fell once more in 2002. Positive effects on capital expenditure are to be expected from the new Farm Bill, which will define the framework conditions until the year 2007 and will step up the subsidies for the US farmers to about US$ 182 billion.

The most important agricultural markets in South America are Brazil and Argentina. The agricultural sector in Brazil continued to grow in the year 2002. The good sales of agricultural machines were determined to a high degree by the government financing programs with privileged interest rates.

In Argentina, the national currency peso has lost more than 70% of its value since its decoupling from the dollar, experiencing inflation of more than 20% since then. Theoretically, the agricultural industry as an export sector benefits from the cessation of the dollar coupling, but it lacks the funds to purchase the required production facilities. In line with the current revenue situation, the agricultural engineering demand of the operations is very weak.

The markets for agricultural engineering in Asia have a heterogeneous structure. More developed countries such as Japan, Taiwan and Korea contrast with the huge, but still underdeveloped markets of India and China. While the Chinese market is much more characterized by human labor, India shows more intensive approaches towards mechanizing the agricultural industry.



SALES
in € million

Sales share domestic in %
Sales share foreign in %
(*Figures based on German GAAP)

RECORD SALES: INCREASE BY 10%

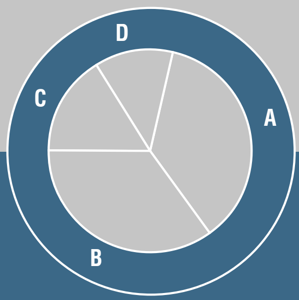
CLAAS continued to develop positively in the year 2002*. The sales clearly increased by 10% to € 1,265.5 million, thus exceeding the prior year record.

In Germany, CLAAS disproportionately benefited from the recovery of the domestic agricultural engineering market. Domestic sales increased by 24.4% to € 443.8 million. This increase resulted in a further expansion of the market leadership. The combine harvester market in the East German federal states, where highly powerful machines, as offered by CLAAS, are in demand on account of the large area cultivation, showed particularly strong growth. The bad weather conditions in summer 2002, which interfered with the harvest and led to a shortage of threshing capacities, triggered new acquisitions.

Sales in the other EU countries increased in total by 2.4% to € 460.7 million. On the most important individual markets France and Great Britain, CLAAS achieved growth rates of 3% and 6%, respectively. In France, the overall market, which had been declining for three years, stabilized. In Great Britain, the trend reversal, which started in the prior year continued. CLAAS generated above-average sales growth in the Scandinavian countries and in Austria. In Italy and Spain, however, sales declined by 6%, respectively.

For three years, CLAAS has now generated a constant sales growth in the Central European countries. The high backlog demand for capital expenditure on modern agricultural machines also promises a growing sales potential for the coming years, in which CLAAS will clearly participate on account of its early and extensive involvement on these markets. In the year under review, the sales with the Central European countries increased by 65% in total, reaching € 124.2 million. The development was particularly expansive in the future EU acceding countries. In some of these countries, CLAAS more than doubled the prior year sales.

**The annual figures refer to the respective business years.*



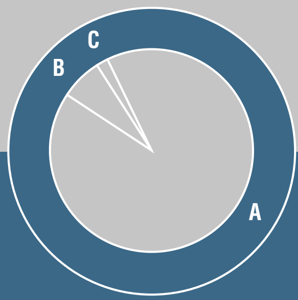
SALES BY REGION
in € million

A	443.8	(+24.4%)	Domestic
B	460.7	(+2.4%)	EU without Germany
C	202.9	(+30.1%)	Other European countries
D	158.1	(-14.7%)	Non-European countries

In Eastern Europe, sales developed irregularly. Both restrictions in the financing of machine imports and the renewed strength of local agricultural machine manufacturers, supported by government subsidies, aggravated a continuous supply business from Western Europe into this region. In order to achieve a sustained expansion of the previous sales successes on these growth markets, CLAAS is intensively involved in building up local manufacturing operations, for which the technical conditions exist. Following the restructuring of the factory in Harsewinkel, CLAAS, in addition to complete harvest machinery, can also supply components that can be supplemented into complete machines in the respective sales markets.

In the non-European countries, the sales development declined and with an amount of € 158.1 million was lower by € 27.2 million or 14.7% than in the prior year. This decline is almost entirely attributable to the countries Argentina and the US. In Argentina, the financial funds for capital expenditure were not available because of the prevailing economic crisis. In the US, the overall market for combine harvesters tumbled sharply on account of the drought prevailing in large parts of the country. After the complete take-over of the US joint venture Caterpillar CLAAS America LLC., the business of CLAAS was impaired as expected by the related build-up of direct relations to Caterpillar traders.

The strong growth in Germany led to a shift of the regional shares in relation to total sales. The export share amounts to 64.9% after 68.9% in the prior year.



SALES BY SEGMENTS
in € million

A	1,157.2	(+10.1%)	Agricultural Engineering*
B	84.2	(+15.4%)	Production Engineering
C	24.1	(+1.4%)	Industrial Engineering
	* 180.4	(+8.4%)	thereof spare parts/accessories

HIGHER SALES FOR COMBINE HARVESTERS, BALERS AND GREEN HARVEST MACHINERY

In Agricultural Engineering, sales increased by 10.1% to € 1,157.2 in total. Above all, CLAAS generated growth with the products combine harvesters, balers and green harvest machinery. In respect of combine harvesters, notably the positive sales development in Germany and Central Europe had an effect. In respect of balers and green harvest machinery, the negative impact of the crises in the agricultural sector (BSE and foot and mouth disease) has been overcome in the meantime. Sales with spare parts/accessories increased by 8.4% to € 180.4 million compared with the prior year, with the increase being largely based on sales with Central Europe. This is due to the growing inventory of machines on the market.

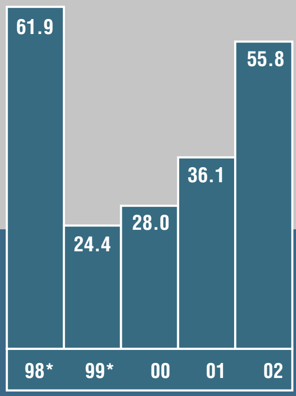
In Production Engineering, sales rose by a remarkable 15.4% to € 84.2 million. In this segment, the sales growth, which has lasted for years, continues. In Industrial Engineering, sales rose by 1.4% to € 24.1 million.

NET INCOME DOUBLED

Gross profit increased by 13.5% to € 378.6 million, above all on account of the strong core business. The increase results primarily from improvements in the product groups combine harvesters, balers, green harvest machinery and the spare parts business.

Gross profit rose disproportionately in relation to sales. Notably the higher utilization of the factories and measures to reduce cost of goods sold at the individual production locations had a positive effect.

The income from investments also strongly improved in the year under review. After, among other things, we suffered high amortization of the book values of the investments in the joint venture companies with Caterpillar in the prior year, the investments made a slightly positive contribution of € 1.8 million in the year under review. The US joint venture with Caterpillar has been taken over completely by CLAAS in 2002 and the European joint venture was terminated so that the proportionate losses which marked the income from investments in the past years ceased to exist. After the take-over of the US joint venture (now: CLAAS Omaha LLC.), necessary further special charges to expand the combine harvester business in North America are reflected in the respective items of the operating income.



PROFIT FROM ORDINARY ACTIVITIES

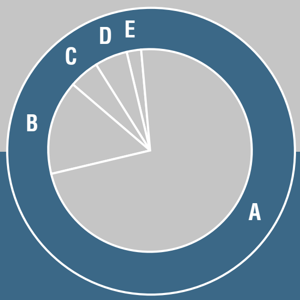
in € million

(*Figures based on German GAAP)

The income from interest and securities improved in the year under review. With tight asset management, CLAAS achieved very good profit contributions with high liquidity notably at the beginning of the business year despite the declining money and capital market interest level. On the financing side, advantage had already been taken in the year 1999 of the then historically favorable interest level with the issue of a euro bond in the amount of € 100 million.

The other financial income is by € 2.7 million below the prior year value. The decline is basically due to the normalization of the extremely positive exchange rate result in the prior year, which fell from € 4.1 million in the prior year to € 1.7 million. Furthermore, the improvement of the consolidated net income resulted in an increased distribution to the CLAAS employees, who participate in the profits of CLAAS in the framework of the CLAAS employee participation. In total, the financial income as the aggregate of other financial income and income from interest and securities amounts to € -14.6 million which is lower than the prior year level by € 0.9 million.

The successes realized in the operative areas are also clearly reflected in the profits from ordinary activities which rose by 54.6% from € 36.1 million to € 55.8 million. The increase in administration as well as research and development expenses results from special charges for information technology and product innovation. As the expense structure shows, cost of goods sold and administration expenses account for about 78% of the operative expenses. The disproportionate increase in selling expenses in relation to sales can be explained with the continued increased sales in countries outside the EU, which require higher expenses, and the first-time consolidation of CLAAS Omaha LLC. Since CLAAS does not have to report extraordinary income and expenses, profit from ordinary activities and income before taxes are identical.



EXPENSE STRUCTURE

in % of total operative expenses
prior year value ( )

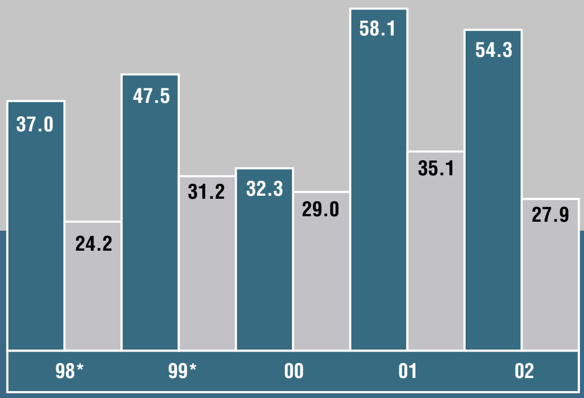
A	72.7	(73.8)	Cost of goods sold
B	15.0	(14.6)	Selling expenses
C	4.8	(4.6)	General and administration expenses
D	5.2	(4.7)	Research and development expenses
E	2.3	(2.3)	Other operating expenses

Net income more than doubled from € 14.3 million to € 32.5 million. The disproportionately high income tax burden of the prior years, which had been caused, among other things, by loss contributions not realizable for fiscal purposes of foreign companies and investments, largely ceased to exist in the current year; the income tax rate now amounts to 40.8% after 61.5% in the previous year.

HIGH CAPITAL EXPENDITURE FOR FURTHER GROWTH

Capital expenditure of CLAAS Group continued to be on a high level with a volume of € 54.3 million on tangible assets and intangible assets (excluding goodwill). They again clearly exceeded depreciation in the amount of € 27.9 million. Including the strategic acquisitions in the US and in India capital expenditure reached a new record level in the business year 2002.

Capital expenditure activities focused on the production locations, above all the Harsewinkel and Bad Saulgau factories. In Harsewinkel, we continued as scheduled the project to optimize production and processes with a capital expenditure volume of more than € 50 million. CLAAS received funds from the Federal Ministry for the Environment for the innovative colorisation plant which constitutes the core of this project. The modernization of production allows the manufacturing of components and packages in addition to finished machines. This flexibility constitutes a decisive competitive advantage for expanding the worldwide production network. Beyond that, considerable funds were spent on type-related tools for model maintenance and for expanding the product range.



CAPITAL EXPENDITURE AND DEPRECIATION
in € million

Capital expenditure
Depreciation
(*Figures based on German GAAP)

In order to strengthen its market presence, CLAAS invested above all in the marketing structures on the European core markets. The equity basis of the sales financing company CLAAS Financial Services S.A.S. has been widened so that this company is able to make available corresponding financing for the increased business volume.

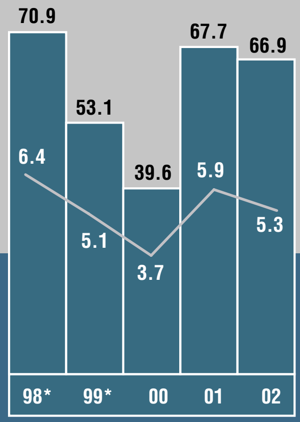
Strategic investments in the US and India create a further basis for future growth. In the US, 50% of the share in the former joint venture Caterpillar CLAAS America LLC. (now: CLAAS Omaha LLC.) have been taken over so that CLAAS now holds 100% of the company's shares. The company's task is to supply the North American market with large combine harvesters. In India, CLAAS acquired the remaining 60% of the shares in Escorts CLAAS Ltd. from the Indian joint venture partner Escorts Ltd. The company with its factory in Faridabad (now: CLAAS India Ltd.) produces rice combine harvesters for the Asian market.

The project, started in the business year 2000, to introduce the SAP R/3 software across the Group was continued as scheduled.

CASH FLOW ON PRIOR YEAR LEVEL

Cash flow according to DVFA/SG remains nearly unchanged with € 66.9 million (prior year: € 67.7 million). Above all the product development and marketing offensive resulted in the fact that additional profit contributions from sales growth were reinvested with cash flow-reducing impact.

The decline of cash flow from operating activities by € 77.4 million is mainly due to an increase in working capital, which is explained in the section dealing with the net worth situation.



CASH FLOW ACCORDING TO DVFA/SG
in € million

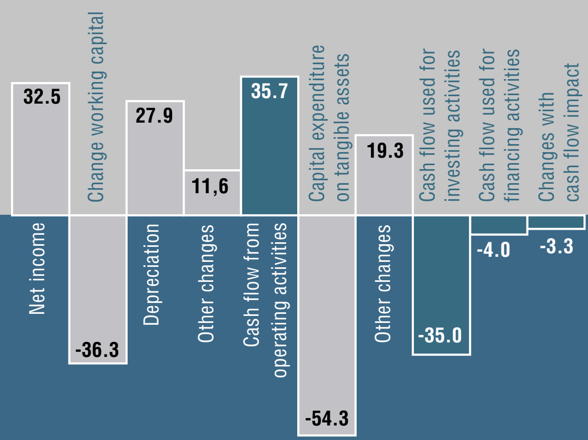
Cash flow
Cash flow to sales ratio
(*Figures based on German GAAP)

The measures, carried out in the year under review, to expand and modernize the production facilities resulted in net capital expenditure (capital expenditure less disinvestments) of € 62.8 million, which is € 1.3 million lower than the prior year value.

Cash flow used for investing activities is covered by the cash flow from operating activities. Under US GAAP, this also includes cash inflow from disposal of securities held as current assets in the amount of € 27.8 million (prior year cash outflow: € 64.0 million). These securities constitute short-term investments. Together with a slight cash outflow from financing activities, cash and cash equivalents fell by a total amount of € 4.2 million to € 168.2 million.

CASH FLOW STATEMENT	2002 € million	2002 %	2001 € million	2001 %
Cash flow according to DVFA/SG	66.9	40	67.7	39
Cash flow from operating activities	35.7	21	113.1	66
Cash flow used for investing activities	(35.0)	(21)	(125.6)	(73)
Cash flow used for financing activities	(4.0)	(2)	(1.9)	(2)
Change in cash and cash equivalents with cash flow impact	(3.3)	(2)	(14.4)	(9)
Influence of foreign exchange	(0.9)	0	(0.4)	0
Opening balance of cash and cash equivalents	172.4	102	187.2	109
Closing balance of cash and cash equivalents	168.2	100	172.4	100

The cash flow according to DVFA/SG of € 66.9 million results in a cash flow to sales ratio of 5.3% (prior year 5.9%).



CASH FLOW STATEMENT
in € million

LIQUIDITY AND FINANCING FLUCTUATE DURING THE YEAR

As at the balance sheet date, CLAAS discloses liquidity which fell from € 334.1 million to € 300.7 million (the liquidity includes cash and cash equivalents plus the securities held as current assets). A high level of cash and cash equivalents at year-end results above all from the fact that the funds commitment in the working capital is at the lowest level towards the end of the business year. Liquidity at year-end is thus not representative for the entire business year. Rather, the cyclical course of business typical for the agricultural machines industry leads to considerable liquidity fluctuations during the year. This »swing« has been reduced considerably with an Asset Backed Securities Program (ABS Program). In this ABS Program, trade receivables are sold to a special purpose vehicle, in particular to reduce the liquidity requirement during the year.

The first-degree liquidity (liquidity in relation to short-term external capital) fell to a value of 85.7% (prior year: 109.7%) through the reduction of cash and cash equivalents with an increase in short-term liabilities. The second-degree liquidity (monetary current assets in relation to short-term external capital) fell to 144.5% (prior year: 173.1%).

Apart from the ABS Program (volume: € 114 million), CLAAS Group has financing commitments of more than € 530 million which are broken down in the notes to the accounts. They include a euro bond, which CLAAS issued on the international capital market. This bond in the amount of € 100 million was issued by CLAAS KGaA mbH at the beginning of March 1999 at the time of a historically favorable interest rate level. It bears an interest coupon of 4.5% and has a maturity of 7 years. Furthermore, we took precautions for the financial safeguarding of the future growth of CLAAS Group through the issuance of participating certificates in the amount of € 41 million and the conclusion of a syndicated credit facility of more than € 100 million.

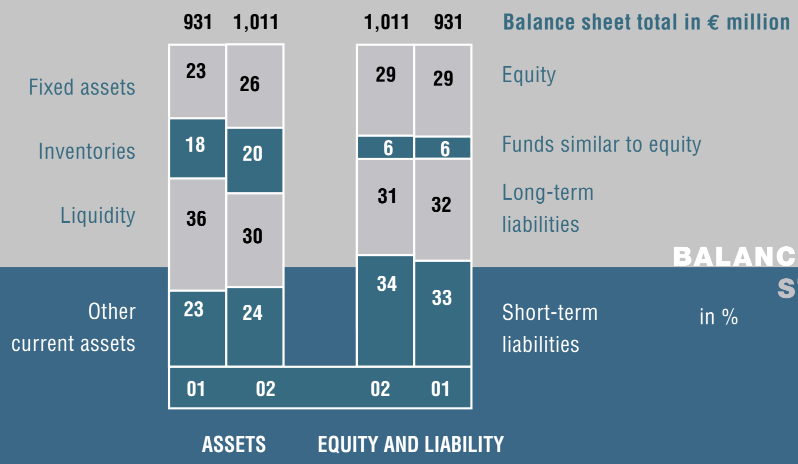
BALANCE SHEET STRUCTURE	2002 € million	2002 %	2001 € million	2001 %
Fixed assets	262.3	25.9	211.2	22.7
Current assets	749.0	74.1	720.2	77.3
Assets	**1,011.3**	**100**	**931.4**	**100**
Equity	292.2	28.9	268.8	28.9
Funds similar to equity	58.3	5.7	56.3	6.0
Long-term liabilities	309.7	30.7	301.9	32.4
Short-term liabilities	351.1	34.7	304.4	32.7
Equity and liabilities	**1,011.3**	**100**	**931.4**	**100**

STABLE ASSET STRUCTURE, HIGH LIQUIDITY

In the year under review, the balance sheet total increased by € 79.9 million to € 1,011.3 million.

Fixed assets rose from € 211.2 million to € 262.3 million. The additions and the effects from consolidations totaling € 94.7 million (prior year: € 84.8 million) are contrasted with disposals at residual book values of € 11.0 million (prior year: € 15.1 million) and depreciation of € 27.9 million (prior year: € 44.7 million). The addition to goodwill in the amount of € 11.0 million disclosed under intangible assets results from the first-time inclusion of CLAAS India Ltd. The additions to tangible assets in the amount of € 50.1 million are concentrated on the modernization of the factory in Harsewinkel. In addition, the first-time consolidation of CLAAS Omaha LLC. and CLAAS India Ltd. resulted in a further increase in tangible assets by € 24.6 million. The disposal amount of € 13.0 million (prior year: € 11.9 million) disclosed in the movements in fixed assets under financial assets for shares in associated companies includes, besides changes caused by valuation, also the disposal of the investment in the joint venture Caterpillar CLAAS America LLC.

The inventories amount to € 207.1 million and exceed the low prior year value of € 168.5 million. The build-up of inventories results basically from intermediate production and from the first-time consolidation of CLAAS Omaha LLC.



BALANCE SHEET STRUCTURE
in %

The trade receivables increased from € 130.5 million to € 139.5 million, but continue to be on a low level. The ratio of trade receivables to sales revenues improved compared with the prior year from 11.4% to 11.0%. This favorable ratio is caused, apart from the receivables sale through the ABS Program, by a strict receivables control that also aims at minimizing credit and country risks.

Compared with the prior year, liquidity (including securities held as current assets) fell from € 334.1 million to € 300.7 million. It accounts for 30% (prior year: 36%) of the balance sheet total.

SOLID COVER RATIOS

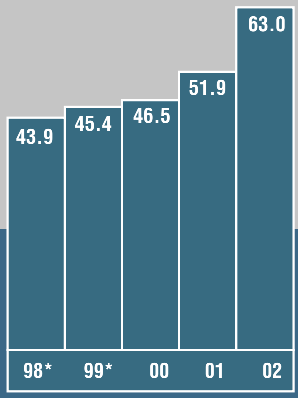
Equity increased from the prior year by € 23.4 million from € 268.8 million to € 292.2 million, which means that the equity ratio of 28.9% remained constant despite the increased balance sheet total.

The long-term liabilities amount to € 309.7 million (prior year: € 301.9 million). They are composed of pension provisions, the other non-current provisions and liabilities with a remaining term of more than one year. The silent partnership of CLAAS-Mitarbeiterbeteiligungs-Gesellschaft (CMG), which under US GAAP is not classified as equity in the actual definition, amounts to € 16.1 million (prior year: € 15.0 million).

The long-term capital, consisting of equity, funds similar to equity and long-term liabilities covers fixed assets at a ratio of 251.7% (prior year: 297.0%). The extended equity-to-fixed-assets ratio (long-term capital in relation to sum of fixed assets and 50% of the inventories) as before also achieves a good value with 180.5% (prior year: 212.2%).

ELECTRONIC SUPPLIER INTEGRATION

In the year under review, we created the basis for the electronic integration of our suppliers into the planning and order processes. In future, we will integrate suppliers into the operational sequences of materials purchasing by using a supplier portal via Electronic Data Interchange Technology or Internet Technology with standardized data transfers.



RESEARCH AND DEVELOPMENT EXPENSES
in € million

(*Figures based on German GAAP)

QUALITY ON HIGH LEVEL

We have introduced new instruments of project controlling in order to safeguard our high quality level. These measures improve the stability of the production processes, notably in the case of series start-ups.

At the locations Harsewinkel, Paderborn and Hungary, we have successfully started first pilot projects within the framework of SIX-SIGMA. We thus achieve a sustained improvement of processes, also from the point of view of cost savings.

The quality management system of the Harsewinkel location was certified in December 2001 according to the new process-based norm DIN EN ISO 9001-2000.

FOCUS ON: RESEARCH AND DEVELOPMENT

The intensive development activities of the past years have been continued. We once more increased the expenses for research and development (R&D) from € 51.9 million to € 63.0 million. They account for about 5% of sales.

The results of the R&D activities resulted in the following product innovations:

- LEXION Montana (combine harvester with slope compensation and automatic cutting angle adjustment for compensation of the machine's sideways slopes of up to 17% and uphill and downhill slopes of up to 6%)
- JAGUAR Speedstar (forage harvester with maximum speed of 40 km/h on the road)
- LASERPILOT for forage harvesters in the grass silage (automatic control in the grass silage with the assistance of the laser pilot)
- VARIANT 260 (Expanding the offer of variable round balers with feeding rotor and roto-cut-system)
- VOLTO 770 H (completing the new tedder family)

Another focus of research and development was on optimizing development processes. Among other things, the establishment of a web-based design exchange portal has been prepared, which provides development partners and suppliers always with the most up-to-date design versions.

OUTLOOK

In Europe, capital expenditure on agricultural engineering increased clearly again in the course of the year 2002. We observe a moderate growth of the industry in all important EU countries. The farmers' income, which increased by more than 3% on average in the EU countries, on the whole forms a solid basis for machine acquisitions. Uncertainties are above all found in the unstable worldwide economic activity, declining producer prices as well as the discussions on the EU agricultural policy which would in particular disadvantage the businesses operating on large areas, if present suggestions were implemented.

For the German agricultural machine sector, expectations for 2003 are reserved against the background of strong sales in the year 2002 and a correspondingly high opening level. On account of this year's lost harvests, the flood damage and the bad general economic situation in Germany, the farmers estimate their present economic situation and their future perspectives as being more unfavorable than at the beginning of the year 2002. Above all in the Eastern federal states, bad grain harvests and changed subsidy rules can lead to restraint in capital expenditure.

In France, the market weakness of the last year appears to have been overcome. The agricultural engineering market recovered slightly. High harvest volumes with good grain quality in connection with presently favorable market prices should be a good basis for capital expenditure on machinery in the season 2003.

The outlook in Central Europe with the EU acceding countries Poland, Hungary and the Czech Republic remains favorable. The accession negotiations with the European Union contribute to increasing the competitive pressures for the agricultural industry and to providing incentives for further capital expenditure. The high backlog demand should ensure that this development will continue in the coming years.

In the Russian agricultural industry, we continue to expect an uneven tendency. Despite generally positive developments, there remain uncertainties and fluctuations in the economic development. Production increased both in terms of vegetable and animal output. The Russian government continues to give particular support to the agricultural sector. The increasing competitiveness of Eastern Europe, notably on the world grain markets, should continue to impact positively on demand for agricultural machines.

The most important statutory change for the US agricultural industry is the new Farm Bill, the implementation of which will release about US$ 182 billion to US farmers over the next 10 years. A stabilizing effect on the capital expenditure of the farmers is to be expected with the new Farm Bill. The Bill should have a noticeable effect on capital expenditure on machinery as early as in the season 2003, an effect which could even be supported by improved producer prices in North America.

For the business year 2003, we attempt to achieve a further sales increase, notably in the US and Eastern Europe. In Western Europe, we expect varying sales developments. On account of the bad harvest in the year under review, we assume in respect of Germany that there will only be demand for reduced volumes of combine harvesters. In other Western European countries we anticipate a stable overall market.

We will consistently continue our growth strategy at the level of CLAAS Fertigungstechnik and we plan a further increase in sales.

In the business year 2003, we will continue to invest in the future of CLAAS with new product developments and process improvements. Nevertheless, we set ourselves the ambitious goal of also achieving the results of the year under review in 2003.

RISK MANAGEMENT

CLAAS, as an internationally orientated group of companies, considers a systematic risk management to be an indispensable instrument as well as an integral part of corporate governance. The permanent monitoring and control of risks threatening the continued existence, always the constant task of management, has been put on a wide information basis through a risk information system as well as risk controlling. Supported and answered for by the operative and administrative areas of responsibility, the risk management system operates within the framework of the existing organizational structures.

CLAAS has systematically identified, analyzed and evaluated the risks that exist in all the Group companies. This course of action is updated regularly in order to be able to guarantee the fastest possible adjustments to a changed corporate environment.

Against the background of constantly changing global economic framework conditions, the risk policy of CLAAS Group consists in managing the multitude of and the changes in risks in order to be able to also make best and efficient use of opportunities arising from the business activity in future.

No risks which can threaten the continued existence of the Company in the period under review and beyond can be identified. The most significant risk areas for CLAAS Group as well as the counteracting measures taken are presented below.

• MACROECONOMIC RISKS

The lasting deterioration of the world economy and negative cyclical movements on sales markets can lead to evident growth losses for CLAAS. Notably markets such as North and South America entail considerable risks. Identifiable risks are counteracted by intensive monitoring and evaluation of the political, legal and financial framework conditions in our sales markets, based on information relevant for the environment provided by the marketing divisions and subsidiaries of CLAAS Group. For further support, indicators and ratios were installed which take account of and weigh the forecast trend of earnings in certain sales countries. The reporting, which assists in preparing detailed internal reports and evaluations on a monthly basis apart from the external data, constitutes a material element for constantly monitoring economic risks. Deviations from budgets, the compliance with planning and the occurrence of new monetary and non-monetary risks are permanently investigated and reviewed.

• RISKS SPECIFIC TO INDUSTRY AND COMPANY

Apart from the general economic developments, the growing intensity of competition entails a risk that is difficult to calculate. With rising transparency of prices, the competition across countries can lead to losses of sales and market shares. CLAAS encounters risks, which may arise from the competitive situation, through constant innovations, an intensive quality management and a multitude of financing options offered to final customers. The crop yield, which can vary strongly on account of the weather, as well as unfavorable decisions in agricultural policy and other country risks constitute further risks. A structured monitoring of market-relevant indicators and the comprehensive gathering of information at central places within the Company ensure the control of these risks. With the increasing involvement of third parties in the complex business processes, we direct our opportunities of exerting influence to, among other things, productivity, quality assurance, supply deadlines and costs. CLAAS counters supplier risks through a close cooperation with suppliers, which, wherever possible, are linked to the Company with long-term supply agreements in the framework of contract management. In addition, high quality requirements are set and intensive incoming-lot controls are carried out. Credit risks, which arise from delayed payments of customers or other difficulties in the collection of receivables, are minimized with the assistance of an intensive receivables management and a close cooperation with banks.

• OPERATIVE RISKS

Since CLAAS's subsidiaries are located around the globe, it is possible to spread risks. However, an international orientation can also entail risks which may lead to quality defects or possibly also disrupt the flow of production. Large distances and a widely spread product portfolio can result in logistic shortages. A central freight management, which develops and implements logistics concepts for all CLAAS locations, effectively contributes to the smooth running of the value-added chain. In order to avoid an impairment of the quality of CLAAS products, production procedures and administrative processes are constantly reviewed, improved and advanced. In addition, manuals and procedural instructions as well as the monitoring of their compliance ensure a successful quality management.

• FINANCIAL MARKET RISKS

CLAAS counters financial and foreign exchange risks by hedging currency and interest positions with derivative financial instruments as well as by a regular close monitoring of a number of early warning indicators. To avoid foreign exchange risks and interest rate fluctuation risks, CLAAS operates a systematic currency and interest rate management, which is controlled centrally by CLAAS KGaA mbH and is organized in line with the principles of due segregation of functions. The relevant risk assessments and detailed guidelines and specifications are taken into account in connection with the use of derivatives. Derivatives are in principle used for hedging underlying transactions, i.e. no transactions for trading or speculative purposes are entered into.

MANAGEMENT STATEMENT CONCERNING THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and the group management report on hand were prepared by the management of CLAAS KGaA mbH; management is responsible for the completeness and accuracy of the information contained therein. The consolidated financial statements as at September 30, 2002 were prepared according to United States Generally Accepted Accounting Principles (US GAAP). They correspond with the directive 83/349/EEC. The prior year figures have been determined according to the same principles. According to § 292a of the German Commercial Code, consolidated financial statements under US GAAP thus have exempting effect. Therefore, consolidated financial statements prepared according to the German GAAP were no longer required.

Internal control systems, standardized guidelines across the Group and continuous employee training and further training ensure that the consolidated financial statements and group management report are orderly drawn up and comply with statutory requirements. The internal auditors keep a running check on compliance with the guidelines laid down for the entire Group in the risk management manual as well as on the reliability and effectiveness of the control systems. After carefully examining the current risk situation we have come to the conclusion that no specific risks exist which could jeopardize the continued existence of CLAAS Group.

Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, audited the consolidated financial statements and group management report and issued the auditor´s report reproduced below.

Harsewinkel, November 28, 2002

Rüdiger A. Günther   Nikolaus Feil

Dr.-Ing. Hermann Garbers   Lothar Kriszun   Werner Schneider

CONSOLIDATED FINANCIAL STATEMENTS

ACC. TO US GAAP

INDEPENDENT AUDITOR´S REPORT

We have audited the consolidated financial statements prepared by CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of balance sheet, profit and loss account, statement of changes in shareholders' equity, cash flow statement and notes to the accounts for the business year from October 01, 2001 to September 30, 2002. The preparation and contents of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit whether the consolidated financial statements comply with United States Generally Accepted Accounting Principles (US GAAP).

We conducted our audit of the consolidated annual financial statements in accordance with the German auditing provisions and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that the opinion that the consolidated financial statements are free from material misstatements can be given with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the values and disclosures in the consolidated financial statements is examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group as well as of the cash flows of the business year in accordance with United States Generally Accepted Accounting Principles.

Our audit, which also covered the group management report prepared by management for the business year from October 01, 2001 to September 30, 2002, has not led to any reservations. In our view, the group management report on the whole provides a suitable understanding of the Group´s position and suitably presents the risks of future development. Furthermore, we confirm that the consolidated financial statements and the group management report for the business year from October 01, 2001 to September 30, 2002 meet the requirements for exempting the Company from preparing consolidated financial statements and a group management report according to German law. We audited the compliance of the preparation of consolidated financial statements with the 7th EU Directive, required for exemption from the requirement to prepare consolidated financial statements under commercial law, on the basis of the interpretation of the directive by DRS 1 »Befreiender Konzernabschluss nach § 292a HGB« (Exempting consolidated financial statements according to § 292a Commercial Code (HGB)) issued by the Deutsche Rechnungslegungs Standards Committee.

Düsseldorf, November 28, 2002

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Schlereth	Kalvelage
German Public Auditor	German Public Auditor

		1 Oct. 2001 to 30 Sept. 2002 € ´000	1 Oct. 2000 to 30 Sept. 2001 € ´000
Net sales	(9)	1,265,469	1,147,932
Cost of goods sold		886,889	814,323
Gross profit		**378,580**	**333,609**
Selling expenses	(10)	183,078	161,606
General and administration expenses	(11)	58,282	50,337
Research and development expenses		63,028	51,898
Other operating income	(12)	22,248	22,929
Other operating expenses	(13)	27,926	25,384
Operating income		**68,514**	**67,313**
Income from investments	(14)	1,826	(17,578)
Financial income	(15)	(14,570)	(13,662)
Profit from ordinary activities	(16)	**55,770**	**36,073**
Taxes on income	(17)	22,762	22,199
Minority interest		(465)	(121)
Income from changes in accounting principles	(18)	0	503
Net income		**32,543**	**14,256**

in €		2002	2001
Earnings per share	(19)	10.85	4.75

ASSETS		30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Intangible assets		20,045	6,790
Tangible assets		192,784	155,491
Financial assets		49,429	48,872
Total fixed assets	(20)	**262,258**	**211,153**
Inventories	(21)	207,058	168,537
Accounts receivable and other assets	(22/23)	208,679	195,592
Securities with a maturity between 90 and 360 days	(24)	132,494	161,616
Cash and cash equivalents	(25)	168,236	172,437
Total currents assets		**716,467**	**698,182**
Deferred taxes	(17)	28,238	17,660
Prepaid expenses		4,335	4,437
Balance sheet total		**1,011,298**	**931,432**

EQUITY AND LIABILITIES		30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Revenue reserves		140,237	133,557
Other comprehensive income	(26)	3,102	4,627
Net income		32,543	14,256
Total equity	(27)	**292,229**	**268,787**
Participating certificates	(28)	40,903	40,903
Silent partnership	(28)	16,064	15,044
Minority interest		1,343	390
Total funds similar to equity		**58,310**	**56,337**
Provisions	(29/30)	324,480	278,784
Liabilities	(31)	329,492	318,088
Deferred taxes	(17)	6,787	9,436
Total external capital		**660,759**	**606,308**
Balance sheet total		**1,011,298**	**931,432**

	2002 € ´000	2001 € ´000
Net income	**32,543**	**14,256**
Depreciation on fixed assets	27,942	44,740
Change in pension provisions	5,030	612
Change in other non-current provisions	(105)	(2,562)
Other expenditure/income not counted as payments	1,486	10,670
Cash flow according to DVFA/SG	**66,896**	**67,716**
Change in current provisions	17,340	33,458
Losses/gains on disposal of fixed assets	(1,755)	(2,166)
Change in inventories, receivables and other assets	(50,096)	257
Change in other liabilities and other equity	2,663	16,236
Change in derivative financial instruments	620	(2,403)
Cash flow from operating activities	**35,668**	**113,098**
Expenditure on investment in fixed assets	(55,371)	(67,005)
Proceeds from retirement of fixed assets	4,616	5,459
Cash outflow from purchase of securities	(71,073)	(180,588)
Cash inflow from disposal of securities	98,917	116,546
Acquisitions net of cash acquired	(12,084)	0
Cash flow used for investing activities	**(34,995)**	**(125,588)**
Proceeds from issuing bonds and other current and non-current borrowings	19,983	16,631
Disbursement on repayment of credits and loans	(17,226)	(14,556)
Proceeds to silent partnership (CMG)	1,021	944
Decrease/increase in loan accounts of the partners	(903)	2,823
Proceeds from/disbursement to minority shareholders	953	(58)
Dividends paid out	(7,800)	(7,669)
Cash flow used for financing activities	**(3,972)**	**(1,885)**
Change in cash and cash equivalents	**(3,299)**	**(14,375)**
Influence of exchange rate and other value changes on cash and cash equivalents	(902)	(427)
Opening balance of cash and cash equivalents	172,437	187,239
Closing balance of cash and cash equivalents	168,236	172,437

in € ´000	Subscribed capital	Capital reserves	Revenue reserves	Other Comprehensive Income: Currency translation	Other Comprehensive Income: Additional pension provisions	Other Comprehensive Income: Unrealized income from securities	Total
As at 30 Sept. 2000/01 Oct. 2000	**76,694**	**38,347**	**145,645**	**5,575**	**(3,084)**	**346**	**263,523**
Capital increase	1,306		(1,306)				0
Dividend payments			(7,669)				(7,669)
Net income			14,256				14,256
Other comprehensive income (OCI)				(335)	2,471	(346)	1,790
Other changes			(3,113)				(3,113)
As at 30 Sept. 2001/01 Oct. 2001	**78,000**	**38,347**	**147,813**	**5,240**	**(613)**	**0**	**268,787**
Changes due to acquisitions			224				224
Dividend payments			(7,800)				(7,800)
Net income			32,543				32,543
Other comprehensive income (OCI)				(951)	(829)	255	(1,525)
As at 30 Sept. 2002	**78,000**	**38,347**	**172,780**	**4,289**	**(1,442)**	**255**	**292,229**

	Historical purchase or manufacturing cost				
	As at 30 Sept. 2001 € ´000	Currency adjustment € ´000	As at 1 Oct. 2001 € ´000	Changes due to acquisitions € ´000	Additions € ´000
I. Intangible assets					
1. Concessions, industrial and similar rights and assets and licenses in such rights	12,370	10	12,380	0	4,209
2. Goodwill	8,922	0	8,922	0	11,015
3. Payments in advance	0	0	0	0	0
	21,292	**10**	**21,302**	**0**	**15,224**
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	97,405	(44)	97,361	17,824	8,236
2. Plant and machinery	185,250	163	185,413	4,043	10,158
3. Other equipment, factory and office equipment	114,999	(29)	114,970	2,587	11,800
4. Payments in advance for construction work in progress	19,344	103	19,447	144	18,072
5. Capital lease	19,913	0	19,913	0	1,838
	436,911	**193**	**437,104**	**24,598**	**50,104**
III. Financial assets					
1. Shares in associated companies	22,893	(275)	22,618	0	3,691
2. Securities held as fixed assets	36,058	(608)	35,450	0	1,077
	58,951	**(883)**	**58,068**	**0**	**4,768**
Total	**517,154**	**(680)**	**516,474**	**24,598**	**70,096**

Historical purchase or manufacturing cost		Depreciation				Net values	
Disposals € ´000	Reclassifi-cations € ´000	Depreciation in the busi-ness year € ´000	Accumulated deprecation € ´000	Thereof currency adjustments € ´000	Thereof changes due to acquisitions € ´000	As at 30 Sept. 02 € ´000	As at prior year € ´000
42	0	1,966	7,975	2	0	8,572	6,331
0	0	0	8,464	0	0	11,473	459
0	0	0	0	0	0	0	0
42	**0**	**1,966**	**16,439**	**2**	**0**	**20,045**	**6,790**
315	11,374	2,991	34,755	(89)	1,038	99,725	66,454
8,997	2,692	9,613	158,813	(20)	1,388	34,496	28,568
6,782	604	10,339	95,191	(25)	1,676	27,988	25,625
192	(14,670)	21	21	0	0	22,780	19,344
7,874	0	3,012	6,082	0	0	7,795	15,500
24,160	**0**	**25,976**	**294,862**	**(134)**	**4,102**	**192,784**	**155,491**
12,953	0	0	454	0	0	12,902	12,814
0	0	0	0	0	0	36,527	36,058
12,953	**0**	**0**	**454**	**0**	**0**	**49,429**	**48,872**
37,155	**0**	**27,942**	**311,755**	**(132)**	**4,102**	**262,258**	**211,153**

RELATED COMPANIES AND SIGNIFIKANT SHARES IN RELATED COMPANIES AS AT SEPTEMBER 30, 2002

I. RELATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

DOMESTIC Ser. No.	Company		Capital	Holding in %	with
1	CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel	€	78,000,000		
2	CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	€	25,600,000	100	1
3	CLAAS Beteiligungsgesellschaft mbH, Harsewinkel	€	52,000	100	2
4	CLAAS Saulgau GmbH, Bad Saulgau	€	7,700,000	100	1
5	CLAAS Vertriebsgesellschaft mbH, Harsewinkel	€	3,100,000	100	1
6	CLAAS Fertigungstechnik GmbH, Beelen	€	5,300,000	100	1
7	CLAAS Industrietechnik GmbH, Paderborn	€	7,700,000	100	1
8	Burkhardt GmbH, Nördlingen	€	260,000	100	6
9	Brandenburger Landtechnik GmbH, Heiligengrabe	€	1,000,000	50.6	5
10	Landtechnik Steigra GmbH, Steigra	€	615,000	90	5
11	Mühlengeez Landtechnik GmbH & Co. Handels KG, Mühlengeez	€	52,000	100	5
12	Mühlengeez Landtechnik GmbH	€	26,000	100	5
13	Semmenstedt Landtechnik GmbH, Semmenstedt	€	500,000	100	5
14	CLAAS Württemberg GmbH, Bad Saulgau	€	800,000	90	5
15	AGROCOM GmbH & Co. Agrarsystem KG, Bielefeld	€	117,600	87.5	1
16	AGROCOM Verwaltungs GmbH, Bielefeld	€	32,150	87.5	1
17	agrocom.Systempartner GmbH, Rostock	€	26,000	52.5	15
18	CLAAS Ukraine Investitions GmbH, Harsewinkel	€	100,000	100	1

FOREIGN Ser. No.	Company		Capital	Holding in %	with
19	CLAAS France Holding S.A.S., Paris/France	€	21,009,000	100	1
20	Usines CLAAS France S.A.S., Metz-Woippy/France	€	2,000,000	100	19
21	CLAAS France S.A.S., Paris/France	€	8,842,043	100	19
22	CLAAS Holdings Ltd., Saxham/Great Britain	£	10,800,000	100	1
23	CLAAS U.K. Ltd., Saxham/Great Britain	£	101,100	100	22
24	J. Mann & Son Ltd., Saxham/Great Britain	£	3,627,448	100	23
25	Southern Harvesters Ltd., Saxham/Great Britain	£	150,000	100	23
26	Seward Agricultural Machinery Ltd., Doncaster/Great Britain	£	500,000	100	23

FOREIGN Ser. No.	Company		Capital	Holding in %	with
27	Kirby Agricultural Ltd., Market Harborough/Great Britain	£	100	100	24
28	Western Harvesters Ltd., Cheltenham/Great Britain	£	16,000	75	23
29	RW Marsh Ltd., Lincolnshire/Great Britain	£	440,000	75	23
30	Teleporters Ltd., Saxham/Great Britain	£	8,401,645	100	22
31	S.I.S. Ltd., Coventry/Great Britain	£	45,000	100	6
32	CLAAS Italia S.p.A., Vercelli/Italy	€	2,600,000	100	1
33	CLAAS Ibérica S.A., Madrid/Spain	€	3,307,000	100	1
34	CLAAS of America Inc., Columbus/Indiana/US	US$	9,800,000	100	1
35	CLAAS Hungaria Kft., Törökszentmiklos/Hungary	HUF	552,740,000	100	1
36	CLAAS Finance B.V., Amsterdam/The Netherlands	€	18,151	100	1
37	CLAAS Vostok GmbH, Moscow/Russia	RUB	170,000	100	1
38	CLAAS Ukraina DP, Kiew/Ukraine	UAH	30,000	100	1
39	Port Mellen S.A., Montevideo/Uruguay	UYU	360,000	100	1
40	CLAAS Argentina S.A., Sunchales/Argentina	ARS	12,000	100	1
41	CLAAS Omaha LLC., Omaha/Nebraska/US	US$	48,000,000	100	34/3
42	CLAAS India Ltd., Faridabad/India	INR	70,000,000	100	1

II. SIGNIFICANT SHARES IN RELATED COMPANIES

Ser. No.	Company		Capital	Holding in %	with
43	CLAAS GUSS GmbH, Bielefeld	€	4,680,000	44.45	1/4
44	CS Parts Logistics GmbH, Bremen	€	1,550,000	50	1
45	Mecklenburger Landtechnik GmbH, Mühlengeez	€	1,000,000	40	5
46	Landtechnik-Zentrum Chemnitz GmbH, Hartmannsdorf	€	750,000	40	5
47	Worch und Schütze Landtechnik GmbH, Schora	€	55,000	39	5
48	CLAAS Valtra Finance Ltd., Basingstoke/Great Britain	£	3,000,000	49	22
49	CLAAS Financial Services S.A.S., Paris/France	€	14,000,000	10	1
50	HMC Investments Ltd., Drogheda/Ireland	€	152,369	49.57	1
51	Harvest Machinery (Sales) Lt., Drogheda/Ireland	€	126,974	11.83	1

01 | GENERAL INFORMATION

The consolidated financial statements of CLAAS KGaA mbH for the business year 2002 (October 01, 2001 to September 30, 2002) were prepared in compliance with United States Generally Accepted Accounting Principles (US GAAP). They were supplemented by a group management report and further explanations required under § 292a of the Commercial Code (HGB). They thus meet the requirements of exemption from the duty to prepare consolidated financial statements in accordance with German GAAP (HGB).

The cost of goods sold format has been applied to the consolidated profit and loss account. The classification of consolidated balance sheet and consolidated profit and loss account is based, as far as admissible under US GAAP, on disclosure principles of German GAAP in the interest of a clear and continuous disclosure. The prior year is reported accordingly.

In order to improve the clarity of presentation, individual items of the consolidated balance sheet and the consolidated profit and loss account have been grouped. These items are broken down in the notes to the accounts and explained correspondingly.

Individual prior year figures were adjusted to the current presentation.

In accordance with § 264 (3) of the Commercial Code, we do no publish the annual financial statements of our subsidiaries CLAAS Fertigungstechnik GmbH, Beelen, CLAAS Industrietechnik GmbH, Paderborn, CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel, CLAAS Vertriebsgesellschaft mbH, Harsewinkel, CLAAS Saulgau GmbH, Bad Saulgau, and Burkhardt GmbH, Nördlingen, in the Official Gazette and do not prepare notes to the accounts and management reports.

02 | SCOPE OF CONSOLIDATION

CLAAS KGaA mbH and all subsidiaries are included in the consolidated financial statements. Together with CLAAS KGaA mbH, there are 42 companies in total (prior year: 38), 18 domestic and 24 foreign. The companies consolidated according to the principles of consolidation are directly or indirectly controlled by the CLAAS KGaA mbH.

Effective February 01, 2002, CLAAS fully took over Caterpillar CLAAS America LLC. head-quartered in Omaha/Nebraska/US and until that time accounted for at equity as joint venture with Caterpillar. In the business year 2002, the company is included in the consolidated financial statements as a related company as at February 01, 2002; it now carries on business under the firm of CLAAS Omaha LLC. The purchase price amounted to € 2,316 thousand. At the time of take-over, the company's assets amounted to € 52,198 thousand; these were matched by equity in the amount of € 7,662 thousand and external capital of € 44,536 thousand. The negative goodwill in the amount of € 6,424 thousand resulting from acquisition was written down taking into account deferred taxes and offset against tangible assets. The amount written down is released with profit and loss impact over the tangible assets' average useful life of 10 years.

Furthermore at the end of the year, CLAAS completely took over Escorts CLAAS Ltd. head-quartered in Faridabad/India; the company then changed its name to CLAAS India Ltd. and was consolidated for the first time as at September 30, 2002. CLAAS India Ltd. had been accounted for at equity until its complete take-over. In the business year 2002, the company is included in the consolidated financial statements as a related company as at September 30, 2002. The purchase price for the take-over of the remaining 60% of the shares amounted to € 13,200 thousand. At the time of take-over, the company's assets amounted to € 6,204 thousand; these were matched by equity in the amount of € 3,642 thousand and external capital in the amount of € 2,562 thousand. The goodwill in the amount of € 11,014 thousand resulting from acquisition was capitalized. In accordance with SFAS 142, goodwill is not amortized on a scheduled basis, but subject to an annual impairment test.

CLAAS GUSS GmbH, Bielefeld, CLAAS Valtra Finance Ltd., Basingstoke/Great Britain, CLAAS Financial Services S.A.S., Paris/France, as well as HMC Investments Ltd., Drogheda/Ireland, Harvest Machinery (Sales) Ltd., Drogheda/Ireland and CS Parts Logistics GmbH, Bremen, are included in the consolidated financial statements as associated companies according to the equity method.

The companies included according to the equity method jointly disclose income before taxes in the amount of € 4,388 thousand. Their assets amount to € 371,758 thousand and their external capital to € 340,765 thousand.

The list of shareholdings is attached to this report.

03 | ACCOUNTING AND VALUATION METHODS

INTANGIBLE ASSETS AND TANGIBLE ASSETS

Intangible assets acquired are capitalized at cost and are amortized over their estimated useful life, if such a useful life can be determined. If the useful life of the assets concerned can not be determined, no scheduled amortization is made. Instead, an impairment test is to be performed annually or even earlier, if corresponding indications for permanent impairment exist. Goodwill is also not amortized on a scheduled basis, but subject to an annual impairment test.

Tangible assets are valued at acquisition or production cost and, where depreciable, taking into account scheduled depreciation. Movable assets are depreciated on a straightline basis over their estimated useful lives. The useful lives amount to 20 to 50 years for buildings. The other items of tangible assets are recognized at useful lives between three and twelve years. Material interest on borrowed capital which arises for a qualified asset during its construction time is capitalized and depreciated after completion of the asset over its useful life.

Where indications of impairments exist for intangible assets or tangible assets, impairment tests are performed. If an impairment exists, a non scheduled depreciation is made on the asset and/or the superior cash generating unit. In the case of non-current assets which continue to be used and are not intended for sale, the carrying amount of the non-current asset and the sum of the expected undiscounted cash flow resulting from the use of the asset are compared in the impairment test. If the sum of the expected undiscounted cash flow is lower than the carrying amount, a write-down to the fair value is performed.

INVESTMENTS

To the extent that it is possible to exercise significant influence, investments in associated companies and in joint ventures are accounted for at the relevant proportion of equity capital (application of the equity method). The other investments are classified as securities that are neither part of the trading portfolio nor held-to-maturity (»available-for-sale«), if the shares held by CLAAS are listed on a stock exchange and/or market prices are publicly available. If no publicly available market price is on hand for other investments, they are accounted for at cost (possibly reduced by write-downs).

SECURITIES

According to SFAS 115, securities are classified into three categories: held-to-maturity, available-for-sale and trading. The securities held by CLAAS are either securities held-to-maturity or sold within the last three months before final maturity (»held-to-maturity«) and securities that are neither part of the trading portfolio nor held-to-maturity (»available-for-sale«). Securities classified as »held-to-maturity« are carried at amortized cost. Securities classified as »available-for-sale« are valued at market price (if available). In a separate equity item, other comprehensive income, unrealized income and expenses from »available-for-sale« securities are disclosed without profit and loss impact, taking into account deferred taxes.

DERIVATIVE FINANCIAL INSTRUMENTS

CLAAS Group uses derivative financial instruments such as swaps, exchange futures, options on interest rate swaps, forward interest rate dealings, caps and floors for hedging purposes. As at October 01, 2000, CLAAS for the first time adopted SFAS No. 133, »Accounting for Derivative Instruments and Hedging Activities«. Accordingly, all derivative financial instruments are to be reported in the balance sheet either as an asset or as a liability at their respective fair value. If a clear hedging connection exists, hedge accounting (setting up valuation units) is possible. In hedge accounting, the market price changes of the derivatives depend on the type of the hedge. In the case of a cash flow hedge, market price changes of the effective part of the derivative are initially booked in equity (other comprehensive income) and only released with profit and loss impact, if the underlying transaction has profit and loss impact. The ineffective part of a hedge is immediately recorded with profit and loss impact. Market price changes of the derivative in the case of a fair value hedge are recognized with profit and loss impact together with the market price changes of the underlying transaction.

MARKET PRICES OF DERIVATIVE

Under US GAAP, financial instruments include derivative instruments (e.g. swaps, options) and original financial instruments (at the level of CLAAS e.g. participating certificates, silent partnership, bonds, cash and cash equivalents). Under US GAAP, the market price of a financial instrument indicates the value at which a financial instrument can be traded among unrelated parties dealing at arm's length if there are parties willing to buy and sell and the transaction concerned is not a compulsory or winding-up sale. The buying and selling prices realized by CLAAS in transactions can, hence, deviate from the market prices disclosed. Where the market prices of financial instruments are not stated explicitly, they do not or only insignificantly deviate from the carrying amounts.

INVENTORIES

Inventories are carried at the lower of cost or market value. Raw materials and consumables as well as merchandise are capitalized at average cost, work in process and finished goods at production-related full cost, i.e. apart from direct material and prime cost, the directly allocable parts of necessary indirect material and production overhead and production-related administration expenses are also capitalized. Inventory risks that result from reduced likelihood of full utilization, as well as disposal risks based on the estimate of achievable sale prices are taken into account through depreciation.

RECEIVABLES

Receivables and other assets are shown in the balance sheet at face value. Adequate allowances are being made for anticipated risks of non-payment. A discount is applied to non-interest-bearing receivables that are not expected to be received within normal payment deadlines.

The percentage of completion method (poc method) is applied when reporting long-term production orders. The amount to be capitalized is disclosed under receivables; at the same time, net sales are realized. The stage of completion is determined according to expenses incurred. At each balance sheet date, the existing contracts are reviewed in respect of possible risks. In the case of anticipated losses, corresponding allowances are made or provisions set up.

CASH AND CASH EQUIVALENTS

Under US GAAP, cash and cash equivalents also include securities with a remaining term at the date of acquisition of up to 90 days. The cash and cash equivalents disclosed in the cash flow statement correspond to the cash and cash equivalents in the balance sheet.

PROVISIONS/LIABILITIES

Pension commitments are measured through actuarial methods according to the projected unit credit method. This projected unit credit method does not only take into account the pensions and accrued vested rights known at the balance sheet date but also the pay and pension increases anticipated in future. Actuarial gains and losses which are outside a range of 10% of the scope of commitments are distributed over the average residual period of service.

Other provisions are set up in respect of all commitments identifiable as at the balance sheet date that are based on past business transactions or past events and the amount and/or due date of which are uncertain. They are valued at the amount repayable and are not netted with positive profit contributions. If the amount repayable is uncertain, the repayment amount with the highest probability of occurrence is taken as a basis. Provisions are only set up, if there is a corresponding legal or de facto obligation to a third party.

Liabilities are generally carried at the amount at which they will be repaid; liabilities in a foreign currency are translated at the rate in effect at the balance sheet date.

CURRENT AND DEFERRED TAXES ON INCOME

Deferred taxes are determined according to SFAS 109 »Accounting of Income Taxes«. They reflect future tax reduction or future tax burdens that arise from temporary differences between consolidated balance sheet and tax balance sheet. Deferred tax assets also comprise tax reduction claims arising from the expected availability of existing loss carryforwards in subsequent years, the realization of which is probable. Deferred taxes are computed using the tax rate that will be authoritative according to the present legal situation at the probable compensation time of the temporary differences. Abroad, tax rates specific to the country are used. An allowance is made on deferred tax assets, if there is a sufficiently high likelihood that not all deferred tax assets can be realized in future through fiscal profits, or if the realization is limited in time.

Effective October 01, 2001, the German corporate income tax rate for distributed profits declined for CLAAS from 30% to 25% and the corporate income tax rate for retained profits from 40% to 25%.

SALES RECOGNITION

Sales are recognized after passage of risk to the customer and performed delivery or service.

In the case of long-term production orders, sales are recorded according to the percentage of completion method in line with reaching contractually agreed milestones or performance progress.

04 | CONSOLIDATION PRINCIPLES

The accounts of the individual companies are prepared on a uniform basis for inclusion in the consolidated financial statements according to the accounting and valuation guidelines existing for CLAAS Group. All financial statements are in principle prepared as at September 30.

For the purposes of capital consolidation, the book values of the investments are offset against the proportionate revalued shareholders' equity of the subsidiaries at the date of acquisition. We attributed debit differences, where requisite, to the assets. Any residual debit differences are capitalized as goodwill and are subject to an annual impairment test. Any arising credit difference is written down taking into account deferred taxes and offset against the non-current non-monetary assets. To the extent that the credit difference exceeds the acquired company's assets that can be written down, extraordinary income is reported.

The investments in associated companies are consolidated according to the equity method. In respect of the elimination of intercompany relations, the same principles as for the full consolidation are used.

Receivables and payables, net sales as well as expenses and income between consolidated entities are eliminated. Stocks from intercompany deliveries included in inventories are adjusted for unrealized profits and losses on intragroup transactions.

Consolidation measures with profit and loss impact take into account deferred taxes to the extent that the deviating tax charge will probably be balanced in later business years. Deferred tax assets and deferred tax liabilities are offset where required.

05 | CURRENCY TRANSLATION

The currency translation according to SFAS 52 is based on the concept of functional currency. The functional currency is the currency predominating in the environment in which a company engages in operations. As a rule, it is the currency in which cash and cash equivalents are generated and used.

In the consolidated financial statements, all balance sheet items of foreign entities are translated at the middle price as at the balance sheet date, expenses and income at the average rate. The translation differences resulting from currency translations in the balance sheets are disclosed without profit and loss impact in equity.

The following exchange rates are used for the countries not belonging to the European Monetary Union:

		Average		Balance Sheet Date	
in €		2002	2001	2002	2001
1	US Dollar	**1.09**	**1.13**	**1.02**	**1.09**
1	Pound Sterling	**1.60**	**1.62**	**1.59**	**1.60**
100	Hungarian forint	**0.41**	**0.39**	**0.41**	**0,39**
100	Indian rupee	**2.24**	**2.40**	**2.10**	**2.28**

06 | LEGAL DISPUTES AND DAMAGE CLAIMS

Companies of CLAAS Group are involved in various legal and official proceedings within the framework of general operations or such proceedings could be initiated or asserted in future (e.g. concerning patents, product liability and competition). Even if the result of individual proceedings cannot be predicted with certainty with a view to the unforeseeable events surrounding legal disputes, according to present estimates the Group's profit situation will not in any way be adversely effected beyond the risks taken into account as liabilities or provisions.

07 | USE OF ESTIMATES

Estimates and assumptions that influence the recorded assets and liabilities, the inclusion of contingent liabilities as at the balance sheet date and the disclosure of income and expenses during the reporting period must be made in the consolidated financial statements to a certain degree. The amounts actually arising can deviate from the estimates.

08 | NEW ACCOUNTING STANDARDS

In June 2001, the FASB issued the Standard SFAS No. 142 »Goodwill and Other Intangible Assets«. This standard contains new regulations on, among other things, scope of reporting and accounting of goodwill resulting from capital consolidation. Accordingly, goodwill from capital consolidation is no longer to be written off on a scheduled basis, but its recoverability is tested periodically by impairment tests. SFAS No. 142 was adopted for the first time in the year under review.

Also revised were the regulations on the impairment test in APB Opinion 30 and SFAS No. 121. SFAS No. 144 approved in this respect in August 2001 contains, among other things, new regulations for impairments of discontinued operations; in the case of impairment tests for goodwill, the special standard SFAS No. 142 now applies. SFAS No. 144 was adopted for the first time in the year under review.

In June 2002, the FASB issued the Standard SFAS No. 146 »Accounting for Costs Associated with Exit or Disposal Activities«. This standard replaces EITF Issue No. 94-3 »Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)«. SFAS No. 146 regulates, among other things, the accounting of cost of disposal and closure of a business. The standard becomes effective for disposal and closure activities that are started after December 31, 2002.

The standards adopted for the first time did not have any material effects on the presentation of the economic situation of CLAAS. As matters stand at present, the new standards are not expected to have any material effects either.

09 | NET SALES

Net sales also include sales from long-term production contracts which have been accounted for according to the percentage of completion method (poc method). The amount to be capitalized from long-term production orders which cannot yet be invoiced is disclosed under poc receivables and net sales.

10 | SELLING EXPENSES

The selling expenses include freight out in the amount of € 31,970 thousand (prior year: € 31,433 thousand).

11 | GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses do not contain general and administration expenses of the marketing subsidiaries, since these expenses constitute selling expenses from the point of view of the Group.

12 | OTHER OPERATING INCOME

The other operating income is composed as follows:

	2002 € ´000	2001 € ´000
Income from retirement of fixed assets	468	328
Income from release of discounts and allowances on receivables	905	519
Income from release of provisions	5,929	7,467
Rental and leasing income	1,173	1,225
Other income	13,773	13,390
Total	**22,248**	**22,929**

13 | OTHER OPERATING EXPENSES

	2002 € ´000	2001 € ´000
Loss from retirement of fixed assets	86	320
Allowances on receivables	1,508	1,628
Other expenses	26,332	23,436
Total	**27,926**	**25,384**

The other expenses comprise a number of minor items, e.g. expenses for litigation, fees and charges and personnel expenses not related to functions.

14 | INCOME FROM INVESTMENTS

	2002 € ´000	2001 € ´000
Income from other investments	97	169
Income from investments in associated companies	1,729	(8,121)
Gain/loss from disposal of investments	0	0
Write-downs on investments	0	(9,626)
Total	**1,826**	**(17,578)**

The income from investments includes all income and expenses realized and incurred in connection with holding or disposal of not fully consolidated investments.

The expenses incurred in the prior year from investments in associated companies reflect the losses in the amount of € 10,460 thousand from the two joint ventures with Caterpillar. Because of the losses from these joint ventures, an impairment test in accordance with APB Opinion 18 was performed in the prior year. In the previous year, this test resulted in depreciation of € 9,626 thousand disclosed as write-downs on investments. The joint ventures have been terminated as of the beginning of the business year 2002.

15 | FINANCIAL INCOME

The financial income is composed of the two components »income from interest and securities« and »other financial income«.

INCOME FROM INTEREST AND SECURITIES	2002 € ´000	2001 € ´000
Interest expenses	(22,081)	(25,001)
Interest income	12,171	10,642
Proceeds from other securities and non-current financial investments	1,094	1,717
Losses from disposal of securities	(14)	(423)
Gains on disposal of securities	1,387	2,580
Write-downs of financial assets (not including investments) and other investments held as current assets	(1,282)	0
Reversals of write-downs of financial assets (not including investments) and other investments held as current assets	9	0
Total	**(8,716)**	**(10,485)**

The income from interest and securities includes all income and expenses realized and incurred in connection with holding or disposal of securities and/or financial assets that are not investments.

OTHER FINANCIAL INCOME	2002 € ´000	2001 € ´000
Remuneration participating certificates	(2,806)	(2,806)
Profits transferred under a partial profits transfer agreement (CMG)	(3,298)	(2,856)
Interest expenses leasing	(353)	(353)
Exchange gains	4,773	7,713
Exchange losses	(3,072)	(3,615)
Other financing income	2	133
Other financing expenses	(1,100)	(1,393)
Total other financial income	**(5,854)**	**(3,177)**
Total financial income	**(14,570)**	**(13,662)**

The item »Profits transferred under a partial profits transfer agreement (CMG)« records the remuneration for the silent partnership held by CLAAS-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG) based on the net income/loss of CLAAS Group. A substantial part of exchange gains results from appreciation of derivatives.

16 | PROFITS FROM ORDINARY ACTIVITIES/INCOME BEFORE TAXES

Income before taxes is to be allocated as follows to domestic and foreign profit contributions:

	2002 € ´000	2001 € ´000
Domestic	42,679	48,222
Foreign	13,091	(12,149)
Total	**55,770**	**36,073**

Since CLAAS has no extraordinary expenses to disclose the profits from ordinary activities and the income before taxes are identical.

17 | TAXES ON INCOME

Taxes on income are composed of current taxes and deferred taxes.

CURRENT TAXES	2002 € ´000	2001 € ´000
Domestic		
Corporate income tax/solidarity surcharge	17,855	12,228
Municipal trade tax	11,175	8,206
Subtotal current taxes domestic	**29,030**	**20,434**
Foreign	3,331	3,907
Total current taxes	**32,361**	**24,341**

DEFERRED TAXES	2002 € ´000	2001 € ´000
Domestic		
Corporate income tax/solidarity surcharge	(5,353)	(427)
Municipal trade tax	(3,649)	(290)
Subtotal deferred taxes domestic	**(9,002)**	**(717)**
Foreign	(597)	(1,425)
Total deferred taxes	**(9,599)**	**(2,142)**
Total taxes on income	**22,762**	**22,199**

Deferred taxes of domestic companies were determined based on a tax rate of 37% in the case of temporary differences.

Deferred taxes result from temporary differences for the following balance sheet items:

	30.09.2002 € ´000	30.09.2001 € ´000
Deferred tax assets		
Fixed assets	5,097	240
Current assets	20,395	10,339
Capital lease	2,256	5,296
Provisions	25,856	21,617
Loss carryforwards	14,082	7,218
Other	1,717	6,077
Total	**69,403**	**50,787**
Allowances	(19,843)	(12,576)
Total	**49,560**	**38,211**
Deferred tax liabilities		
Current assets	8,441	11,180
Tangible assets	13,589	17,775
Other	6,079	1,032
Total	**28,109**	**29,987**
Surplus deferred tax assets	**21,451**	**8,224**

After netting, deferred taxes are disclosed as follows:

	30.09.2002 € ´000	30.09.2001 € ´000
Deferred tax assets	**28,238**	**17,660**
thereof non-current	2,363	741
Deferred tax liabilities	**6,787**	**9,436**
thereof non-current	6,394	9,436
Surplus deferred tax assets	**21,451**	**8,224**

The following table reconciles expenses from taxes on income expected in the prior year and the year under review with the expenses actually recorded. To determine the expected tax charge, the group tax rate valid in 2002 in the amount of 37.0% (prior year: 51.0%), which results from the domestic corporate income tax rate, the solidarity surcharge and the municipal trade tax, is multiplied with the income before taxes.

	2002 € ´000	2001 € ´000
Actual taxes on income	32,361	24,341
Deferred taxes	(9,599)	(2,142)
Effective tax charge	22,762	22,199
Income before taxes	55,770	36,073
Theoretical tax charge at 37.0% (prior year: 51.0%)	**20,635**	**18,397**
Difference to foreign tax rates*	(2,940)	8,473
Tax effects on		
Effects from payment of taxes for prior years	2.876	(530)
Reduction in corporate income tax rate as a result of distribution	(1,372)	(1,763)
Non-deductible expenses	1,404	1,028
Amortization of goodwill from consolidation	0	59
Application of the equity method	(247)	(644)
Revaluation of deferred taxes to lower future tax rates	0	3,220
Other consolidation influences	994	(3,996)
Other	1,412	(2,045)
Effective tax charge	**22,762**	**22,199**
Effective tax rate in %	40.8	61.5

**including losses of associated companies not realizable for tax purposes and utilization of loss carryforwards*

Tax loss carryforwards of the group in the amount of € 37,876 thousand (prior year: € 21,340 thousand) can be carried forward at least until 2005. On account of the lack of recoverability, an allowance is made on loss carryforwards in the amount of € 13,860 thousand (prior year: € 7,218 thousand) and on other deferred tax assets in the amount of € 5,983 thousand (prior year: € 5,358 thousand). Loss carry-forwards are attributable to foreign companies.

18 | INCOME FROM CHANGE IN ACCOUNTING PRINCIPLES

In the prior year, the first-time adoption of SFAS No. 133 »Accounting for Derivative Instruments and Hedging Activities« as at October 01, 2000 resulted in income in the amount of € 503 thousand (after deducting the attributable tax charge in the amount of € 295 thousand).

In the year under review, the first-time adoption of new standards did not have any material effects.

19 | EARNINGS PER SHARE

Undiluted earnings per share are obtained by dividing the net income accruing to the shares by the average number of shares. CLAAS does not issue so-called potential shares (chiefly share options and convertibles) that can dilute the earnings per share. The diluted and the undiluted earnings per share are thus the same.

		2002	2001
Net income	(€ '000)	32,543	14,256
Dividend per share	(€)	2.60	2.56
Number of shares outstanding on September 30	(in '000 units)	3,000	3,000
Earnings per share	(€)	**10.85**	**4.75**

20 | FIXED ASSETS

The movements in fixed assets of CLAAS Group in the business year 2002 are presented on pages 70 and 71.

Additions in shares in associated companies also include the proportionate net income/net loss for the year of the companies accounted for at equity. Disclosed as disposals at the level of the associated companies are the distributions collected in the individual financial statements and to be consolidated to this extent as well as the termination of the joint ventures with Caterpillar.

Additions to intangible assets above all relate to the goodwill created upon the first-time consolidation of CLAAS India Ltd. as well as to the capitalized expenses for the changeover from SAP R/2 to R/3. Among other things, license fees for software and software implementation costs were capitalized and depreciated over an estimated useful life of eight years.

Additions to the securities held as fixed assets also include reinvestment of interest income.

Overall, depreciation in the amount of € 25,976 thousand (prior year: € 33,722 thousand) and € 1,966 thousand (prior year: € 1,393 thousand) was booked on tangible assets and intangible assets, respectively.

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Securities »held-to-maturity«	1,124	1,119
Securities »available-for-sale«	35,403	34,939
Total securities held as fixed assets	**36,527**	**36,058**

The fair values of these securities only differ insignificantly from the carrying amounts.

21 | INVENTORIES

As at September 30, 2002, payments received in the amount of € 39,688 thousand (prior year: € 26,302 thousand) were offset in finished goods and merchandise.

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Raw materials, consumables and supplies	36,283	29,611
Work in process	35,271	26,140
Finished goods and merchandise	126,153	103,342
Payments made on account	9,351	9,444
Total	**207,058**	**168,537**

22 | ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets are composed as follows:

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Trade receivables	139,487	130,450
Receivables from companies in which investments are held	1,067	6,556
Poc receivables	15,151	10,851
Other assets	52,974	47,735
Total	**208,679**	**195,592**

Only € 2,612 thousand (prior year: € 2,384 thousand) of the trade receivables have a remaining term of more than one year. € 16,313 thousand (€ 18,719 thousand) of the other assets have a remaining term of more than one year.

23 | ASSET BACKED SECURITIES

CLAAS sells trade receivables through an on-going ABS Program to a special purpose vehicle that is refinanced through issuing securities on the international capital market. In the framework of the ABS transaction, CLAAS assumes the accounting, the collection of accounts receivable and the dunning system and receives a corresponding remuneration from the special purpose vehicle (service fee). In 2002, the service fee amounted to € 1,313 thousand (prior year: € 966 thousand). The sold receivables constitute a so-called »true sale« according to SFAS 140. In the business year, receivables with net book values of € 344,303 thousand (prior year: € 282,146 thousand) were sold. The obligations remaining from these sales of receivables amount to € 7,090 thousand (prior year: € 9,555 thousand) at year-end. The fair values of the remaining obligations basically correspond to their carrying amounts. On account of the ABS Program, receipts of payment in the amount of € 17,975 thousand (prior year: € 16,159 thousand) from sold receivables are held as reserves.

24 | SECURITIES WITH A MATURITY BETWEEN 90 AND 360 DAYS

Securities held by CLAAS with a maturity between 90 and 360 days are either securities held-to-maturity or sold within the last three months before final maturity (»held-to-maturity«) and securities (»available-for-sale«) which are neither part of the trading portfolio nor held-to-maturity.

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Funds	102,139	121,309
Total securities »available-for-sale«	**102,139**	**121,309**
Foreign notes	30,355	30,351
Domestic issue notes	0	9,956
Total securities »held-to-maturity«	**30,355**	**40,307**
Total securities maturing between 90 and 360 days	**132,494**	**161,616**

Securities classified as available-for-sale are valued at market prices (where available). The unrealized revenue from securities available-for-sale is reported without profit and loss impact in equity as other comprehensive income in the amount of € 255 thousand (prior year: € 0 thousand). Securities disclosed as »held-to-maturity« are reported at amortized cost, which is more or less in line with the fair value.

25 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Securities (maturity up to 90 days)	0	0
Checks, cash-in-hand, bank balances	168,236	172,437
Total	**168,236**	**172,437**

Cash and cash equivalents include receipts of payment in the amount of € 17,975 thousand (prior year: € 16,159 thousand) from receivables sold under the ABS Program.

26 | COMPREHENSIVE INCOME

	2002 € ´000	Taxes on income	2001 € ´000	Taxes on income
Net income	**32,543**		**14,256**	
Translation adjustments	(951)	(558)	(335)	(197)
Unrealized income from securities	255	150	(346)	(203)
Difference arising on pension valuation	(829)	(487)	2,471	1,451
Changes in other comprehensive income	**(1,525)**	**(895)**	**1,790**	**1,051**
Comprehensive income	**31,018**		**16,046**	

The comprehensive income is comprised of the net income and the other comprehensive income. It covers, hence, all changes in equity that are not due to transactions with shareholders (e.g. through capital increases or dividends paid out). The components of the other comprehensive income are determined after deducting a portion of taxes on income, the amount of which is disclosed in a separate column.

27 | EQUITY/MOVEMENTS IN EQUITY

The amounts disclosed as subscribed capital and capital reserves in the consolidated financial statements correspond to the amounts in the individual accounts of CLAAS KGaA mbH. The subscribed capital of CLAAS KGaA mbH is composed of 3 million individual share certificates.

General partner without capital contribution is Helmut Claas GmbH; the shareholders of the commercial partnership limited by shares, CLAAS KGaA mbH, are directly or indirectly exclusively family members.

Movements in equity are separately presented on the face of the financial statements on page 69.

28 | SILENT PARTNERSHIP/ PARTICIPATING CERTIFICATES

The respective repayable participating certificates and the silent partnership of CLAAS-Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG) are remunerated through a profit and loss-related compensation and are to be treated as subordinate in the event of liability. Under US GAAP, repayable transferred capital is, however, disclosed outside the so-called stockholders' equity formally cut off.

The participating certificates disclosed include eighty registered certificates made out to bearer at a total par value of € 40,903 thousand, which were issued in September 1997. The receivables from the participating certificates are subordinate and possibly participate in potential losses up to the full amount. The participating certificates are repayable on March 01, 2005; premature termination through the holders of the participating certificates is excluded.

CMG is paid for its subordinated contribution a compensation that is based on the net income/loss for the year of CLAAS Group; there is also a corresponding loss participation. € 5,703 thousand of the silent partnership can be terminated as of September 30, 2003, there are rights of termination between 2004 and 2007 with respect to another € 5,351 thousand.

29 | PROVISIONS

An analysis of provisions is as follows:

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Provisions for pensions and similar obligations	109,630	104,601
Provisions for income and other taxes	16,590	16,081
Other provisions	198,260	158,102
Total	**324,480**	**278,784**

The provisions for income and other taxes are comprised exclusively of provisions for effective taxes; deferred tax liabilities are separately disclosed.

The long-term provisions amount to € 134,466 thousand (prior year: € 130,069 thousand).

30 | PENSION PROVISIONS AND SIMILAR OBLIGATIONS

Under the defined benefit pension plans implemented by CLAAS, the Company undertakes to comply with its pension commitments towards active and former employees. The pension provision that covers commitments under defined benefit schemes includes also pension fund commitments and is reduced by the amount of the fund assets. Fund surpluses, if any, are capitalized as other assets. Pension provisions are set up for commitments from vested rights and current benefits paid to eligible active and former employees and surviving dependants. The commitments relate primarily to old age pensions, which are paid partially as basic partially as supplementary benefits. Pension commitments are normally based on company seniority and the employees' remuneration.

Pension commitments are measured through actuarial methods according to the projected unit credit method. This projected unit credit method does not only take into account pensions and accrued vested rights known at the balance sheet date but also pay and pension increases anticipated in future. Actuarial gains and losses which are outside a range of 10% of the scope of commitments are recognized over the average residual period of service.

The computation was based on an interest factor of 6% (prior year: 6%), pay rises of 3% (prior year: 3%) and pension increases of 1.5% (prior year: 1.5%). These assumptions refer to the employees working in Germany to whom the predominant part of the pension commitment relates. For the employees assigned abroad, deviating assumptions that take into account the specific circumstances in the country concerned have to be used. The anticipated return on funds amounts to 7% (prior year: 7%).

Pension commitments (pension claims) financed by funds developed as follows:

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Projected benefit obligation financed by funds (plan assets)	25,977	27,826
Less cover by fund	(25,415)	(30,550)
Subtotal	**562**	**(2,724)**
Adjustment based on (non-recognized) actuarial gains/ losses and commitments	(14,507)	(12,092)
Plan assets in excess of PBO	**(13,945)**	**(14,816)**

The surplus of plan assets in excess of PBO in the amount of € 13,945 thousand (prior year: € 14,816 thousand) is capitalized under other assets. The fund assets developed as follows:

	2002 € ´000	2001 € ´000
Fair value of fund assets as at October 01	**30,550**	**40,818**
Actual return on fund assets	(4,814)	(7,547)
Employer's contributions	463	469
Employees' contributions	260	263
Actual pension payments	(805)	(815)
Exchange rate effects	(239)	(1,603)
Other	0	(1,035)
Fair value of fund assets as at September 30	**25,415**	**30,550**

The pension provision is derived as follows from the projected benefit obligation not financed by funds:

	30 Sept. 2002 € ´000	30 Sept. 2001 € ´000
Projected benefit obligation not financed by funds	114,769	110,638
Difference arising on pension valuation carried as a liability	2,543	1,243
Adjustment based on (non-recognized) prior service costs	(1,697)	(1,810)
Adjustment based on (non-recognized) actuarial gains/losses	(5,985)	(5,470)
Pension provision	**109,630**	**104,601**

The pension costs that are financed, and that are not financed, by funds are classified as follows:

	2002 € ´000	2001 € ´000
Cost of pension claims accrued in year under review	4,322	4,453
Interest expense on existing pension claims	8,216	8,262
Adjustment based on recognized prior service costs	114	0
Adjustment based on recognized actuarial gains/losses	410	(801)
Expected return on funds	(2,136)	(2,801)
Other	58	-
Pension costs	**10,984**	**9,113**

The cost of the pension claims accrued in the year under review as well as the interest paid on existing pension claims relate to pension claims that are financed, and that are not financed, by funds.

The pension claims that are financed, and that are not financed, by funds developed as follows:

	2002 € ´000	2001 € ´000
Pension claims as at October 01	**138,465**	**140,240**
Cost of pension claims accrued in year under review	4,322	4,453
Interest expense on existing pension claims	8,216	8,262
Actuarial losses/(gains)	(3,673)	(7,476)
Actual pension payments	(6,580)	(5,877)
Exchange rate effects	(263)	(1,182)
Other	259	45
Pension claims as at September 30 of following calendar year	**140,746**	**138,465**

31 | LIABILITIES

€ ´000	30 Sept. 2002 Remaining term up to 1 year	more than 1 year	Total 30 Sept. 02	30 Sept. 2001 Remaining term up to 1 year	more than 1 year	Summe 30.09.01
Bonds	0	100,000	100,000	0	100,000	100,000
Liabilities to insurance companies	3,801	17,658	21,459	3,801	21,459	25,260
Liabilities to banks	12,384	19,227	31,611	8,938	15,709	24,647
Payments received on account	0	0	0	6,876	0	6,876
Trade payables	57,016	0	57,016	44,244	0	44,244
Liabilities on bills accepted and drawn	1,835	0	1,835	1,282	0	1,282
Accounts payable to investments/associates	423	0	423	1,243	0	1,243
Leasing payables	4,607	2,243	6,850	10,238	7,277	17,515
Other liabilities	74,216	36,082	110,298	69,113	27,908	97,021
Total	**154,282**	**175,210**	**329,492**	**145,735**	**172,353**	**318,088**

The liabilities to insurance companies and the liabilities to banks include liabilities which are collateralized through encumbrances on real property and transfers by way of security in the amount of € 21,459 thousand (prior year: € 25,260 thousand) and € 10,672 thousand (prior year: € 2,876 thousand), respectively.

The fair values and nominal values of the bond as well as of the loans granted by banks and insurance companies are as follows:

in € million	30 Sept. 2002 Nominal value	Fair value	30 Sept. 2001 Nominal value	Fair value
Bonds	100.0	98.5	100.0	95.5
Loans granted by banks and insurance companies (with fair value difference)	34.0	36.1	11.8	12.0
Loans granted by banks and insurance companies (without fair value difference)	19.1	19.1	38.1	38.1
Total	**153.1**	**153.7**	**149.9**	**145.6**

The bond (maturity until 2006) accrues interest at a rate of 4.5% p.a.; interest rates ranging from 4.8% to 8.3% p.a. apply to the loans granted by banks and insurance companies (maturity from 2002 to 2011).

The other liabilities include payables to the shareholders, above all to the shareholders of the commercial partnership limited by shares, in the amount of € 44,931 thousand (prior year: € 45,857 thousand), of which € 27,010 thousand are long-term (prior year: € 27,908 thousand).

32 | CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

The maturities of commitments from leasing and tenancy relationships are as follows:

	Capital lease Nominal value € ´000	Operating lease Nominal value € ´000
Minimum lease payments		
1 year to maturity	4,142	10,061
2 year to maturity	1,939	5,170
3 year to maturity	501	1,363
4 year to maturity	458	1,767
5 year to maturity	256	143
Total	**7,296**	**18,504**
Interest portion	446	
Present value of commitments	6,850	

In the year under review, rent and rental expenses amounted to € 8,647 thousand. The rentals received under non-terminable sublease agreements as at the balance sheet date amount to € 13,230 thousand.

The capital lease and operating lease commitments arise predominantly under leasing programs under which CLAAS agricultural machines are leased from the CLAAS Leasing GmbH and subleased to final customers. The other financial commitments do not include rental and leasing commitments.

	30 Sept. 02 € ´000	30 Sept. 01 € ´000
Contingent liabilities		
Notes payable	12,960	29,909
Liabilities related to guarantees	5,786	276
Liabilities under warranty agreements	14,105	15,461
Total	**32,851**	**45,646**
Other financial commitments	**3,124**	**2,110**

On account of the capital expenditure and investments specified in the management report – notably on production facilities at the Harsewinkel location – there are presently financial commitments at group level that exceed the level of capital expenditure and investments in the course of ordinary business activities.

33 | FINANCING COMMITMENTS

The financing commitments including credit lines as at the balance sheet date may be classified as follows:

in € million	Up to 1 year As at 30 Sept. 02	As at 30 Sept. 01	1-5 years As at 30 Sept. 02	As at 30 Sept. 01	> 5 years As at 30 Sept. 02	As at 30 Sept. 01	Total As at 30 Sept. 02	As at 30 Sept. 01
Bond issue	-	-	100.0	100.0	-	-	100.0	100.0
Credit syndication	-	-	102.3	102.3	-	-	102.3	102.3
Credit lines granted by banks and insurance companies	244.0	198.8	51.8	45.7	36.6	37.4	332.4	281.9
Total	**244.0**	**198.8**	**254.1**	**248.0**	**36.6**	**37.4**	**534.7**	**484.2**

34 | CASH FLOW STATEMENT

The cash flow statement is classified by cash flows from operating activities, from investing activities and from financing activities. Effects of changes in the entities included in consolidation have been eliminated; their impact on cash and cash equivalents – like the influence of exchange rate fluctuations on cash and cash equivalents – is separately shown.

Cash flow from operating activities includes dividends received in the amount of € 1,575 thousand (prior year: € 1,216 thousand); the profit contributions without cash flow impact from the application of the equity method were eliminated. The additions to fixed assets without cash flow impact relate exclusively to additions of leased assets in the amount of € 1,838 thousand (prior year: € 14,917 thousand), which are to be classified as capital lease. Interest paid amounts to € 25,956 thousand (prior year: € 30,192 thousand); the taxes on income paid amount to € 34,477 thousand (prior year: € 22,803 thousand).

35 | EMPLOYEES

ANNUAL AVERAGE NUMBER OF EMPLOYEES	2002	2001
Hourly paid	3,111	3,007
Salaried	2,249	2,145
Trainees	347	306
Total	**5,707**	**5,458**

36 | DERIVATIVE FINANCIAL INSTRUMENTS

On account of its business activities, CLAAS Group is exposed to exchange and interest risks. Exchange risks as well as interest risks are controlled through systematic foreign currency and interest management, using all common financial instruments including derivative instruments. The currency risks relate basically to the US dollar, the Hungarian forint and the British pound. Exchange futures and currency options are entered into for mitigating or eliminating the exchange risk from receivables and payables denominated in foreign currencies including the netting. Interest swaps and interest options serve to hedge the interest risk of asset and liability positions.

Corresponding transactions are concluded exclusively on the basis of existing underlying transactions or transactions that are supported by concrete planning data.

The nominal volume of the hedging transactions constitutes the aggregate of all buying and selling amounts underlying the dealings. The amount of the nominal volume permits to draw conclusions as to the scope of derivatives used, but does not reflect the Group's exposure from the use of derivatives. It is to be emphasized that the nominal volumes in the table below include interest and currency positions that were not entered into through counter transactions because a gross presentation of these amounts would not provide meaningful information in economic terms. The nominal volumes as at the balance sheet date of the interest and currency positions entered into through counter transactions amount to € 210.2 million (prior year: € 110.2 million).

There is a strict segregation of functions in physical and organizational terms between conclusion, control and booking of transactions. The competences in terms of amount and contents are defined in internal guidelines. In the finance area, risk positions are continuously measured by means of tested software.

Business partners are exclusively German and international banks of unquestionable financial standing. Since management and the supervisory bodies of CLAAS attach great importance to systematic risk management, a comprehensive monitoring system, which meets the requirements under the Act on Control and Transparency in the Corporate Sector (KonTraG), has been installed. In this context, the efficiency of the hedging instruments used and the reliability of the internal control systems are regularly controlled through internal and external examinations.

CURRENCY HEDGING	Nominal volume 30 Sept. 02 € ´000	Nominal volume 30 Sept. 01 € ´000	Remaining term > 1 year 30 Sept. 02 € ´000	Remaining term > 1 year 30 Sept. 01 € ´000	Market price 30 Sept. 02 € ´000	Market price 30 Sept. 01 € ´000
Exchange futures	100,871	117,341	5,000	0	1,007	1,966
Currency options	60,035	44,001	10,000	0	361	550
Other currency hedging instruments	0	0	0	0	0	0
Total	**160,906**	**161,342**	**15,000**	**0**	**1,368**	**2,516**

INTEREST RATE HEDGING	Nominal volume 30 Sept. 02 € ´000	Nominal volume 30 Sept. 01 € ´000	Remaining term > 1 year 30 Sept. 02 € ´000	Remaining term > 1 year 30 Sept. 01 € ´000	Market price 30 Sept. 02 € ´000	Market price 30 Sept. 01 € ´000
Interest rate options	210,903	40,903	200,903	40,903	(10)	(51)
Interest rate swaps	190,226	24,800	150,226	20,200	1,714	(560)
Other interest hedging instruments	20,000	20,000	20,000	20,000	143	(191)
Total	**421,129**	**85,703**	**371,129**	**81,103**	**1,847**	**(802)**

The carrying amounts of the derivative financial instruments are recognized in the balance sheet under other assets or other provisions as follows:

CURRENCY HEDGING	Carrying amounts 30 Sept. 02 € ´000	Carrying amounts 30 Sept. 01 € ´000
Exchange futures	1,007	1,966
Currency options	361	550
Other currency hedging instruments	0	0
Total	**1,368**	**2,516**

INTEREST RATE HEDGING	Carrying amounts 30 Sept. 02 € ´000	Carrying amounts 30 Sept. 01 € ´000
Interest options	(74)	(51)
Interest swaps	(407)	(898)
Other interest hedging instruments	143	83
Total	**(338)**	**(866)**

The interest rate hedging transactions disclose a difference between carrying amounts and market prices in the amount of € 2,185 thousand (prior year: € 64 thousand). This difference basically results from accrued interest, which is disclosed under other liabilities or other assets.

37 | SEGMENT REPORTING

in € million	CLAAS Agricultural Engineering 2002	2001	CLAAS Industrial Engineering 2002	2001	CLAAS Production Engineering 2002	2001	Eliminations 2002	2001	CLAAS Group 2002	2001
External sales	1,157	1,051	24	24	84	73	0	0	1,265	1,148
Internal sales	5	7	95	82	2	2	(102)	(91)	0	0
Total sales	**1,162**	**1,058**	**119**	**106**	**86**	**75**	**(102)**	**(91)**	**1,265**	**1,148**
Operating profit (EBIT)	70	56	6	7	8	4	0	0	84	67
Segment assets	949	866	40	39	52	50	(30)	(24)	1.011	931
Goodwill	11	0	0	0	0	0	0	0	11	0
Investment in fixed assets	44	48	3	3	3	2	0	0	50	53
Depreciation	23	39	3	4	2	2	0	0	28	45
Interest income	12	11	0	0	0	0	0	0	12	11

CLAAS defines its segments according to the areas of business covered by the different divisions. The definition of divisions and regions is based on internal reporting data.

Agricultural Engineering is CLAAS' core business. CLAAS is market leader in Europe for its main products, the combine harvester and the forage harvester. CLAAS also holds significant market shares in the baler and green harvest machinery product lines, especially in Western Europe.

CLAAS Industrietechnik GmbH is the system supplier within CLAAS Group for drive assemblies and hydraulic components. The third-party business mainly relates to components for construction machinery and utility vehicles.

The Production Engineering Division is run by CLAAS Fertigungstechnik GmbH. This company has specific expertise in special-purpose mechanical engineering and tool making and in the development and manufacturing of complete transfer and production lines.

Internal sales reflect the amount of sales between Group companies. Internal sales are accounted for under conditions like among unrelated parties dealing at arm's length. Investment in fixed assets relates to acquired tangible assets.

Reconciliation from operating profit, which is defined as EBIT at CLAAS, to consolidated net income:

	2002 € ´000	2001 € ´000
Operating profit (EBIT)	**83,955**	**66,736**
./. Taxes on income	22,762	22,199
./. Interest expenses	22,081	25,001
./. Compensation CMG	3,298	2,855
./. Compensation participating certificates	2,806	2,806
./. Minority interest	465	121
+ Income from change in accounting principles	0	502
Consolidated net income	**32,543**	**14,256**

The increase in sales from € 1,147.9 million to € 1,265.5 million is primarily due to increases in Germany and in the European countries outside the European Union (other European countries), where a sales growth of 30% to € 202.9 million was realized.

CLASSIFICATION OF SALES BY REGIONS	2002 in Mio. €	2001 in Mio. €
Germany	443.8	356.8
Other EU countries	460.7	449.9
Other European countries (excluding EU)	202.9	155.9
Non-European countries	158.1	185.3
Total	**1,265.5**	**1,147.9**

Disclosure concerning important customers: Since CLAAS realizes its sales primarily with green harvest machinery, the clientele of CLAAS also operates predominantly in the agricultural sector. On account of the large number of customers, there are no customers whose sales volume would account for a significant percentage of the Group's sales volume. Furthermore, except for the German market, the customer structure shows no significant concentration on certain geographic regions.

38 | EVENTS AFTER THE BALANCE SHEET DATE

Effective December 01, 2002, CLAAS took over 51% of the shares in Brötje Automation GmbH from the British Baxi Group Ltd. Brötje Automation is the technology leader for internal connection systems and assembly engineering in the aircraft industry. Its customers include Airbus, Boeing, Bombardier-Shorts and other well-known manufacturers. The world market leader for assembly airframes for fuselages and wing parts is located in Northern Germany near Oldenburg and generated sales of about € 40 million with approximately 220 employees in the last business year. In the business year 2003, the company will be included in the consolidated financial statements as a related company as at December 01, 2002. The purchase price amounted to € 12.5 million. At the time of take-over, the company's assets amounted to € 37.4 million; these were matched by equity in the amount of € 1 million and external capital in the amount of € 36.4 million. The acquisition creates goodwill in the amount of about € 12 million.

MATERIAL DIFFERENCES BETWEEN GERMAN GAAP (HGB) AND US GAAP

Material accounting and valuation differences between German GAAP (HGB) and US GAAP are described below.

FIXED ASSETS

Under German GAAP, fixed assets are predominantly depreciated on a reducing-balance basis, with tax depreciation normally being applied also to the commercial balance sheet. The useful lives are generally based on fiscal depreciation tables. No asset item is permitted to be recognized under German GAAP for intangible fixed assets that were not acquired for a compensation.

According to US GAAP, the depreciation method used should reflect the pattern in which the asset´s economic benefits are consumed by the enterprise. Normally, fixed assets are, hence, depreciated on a straight-line basis; no tax depreciation is made at all. Deviating from German GAAP, depreciation for depreciable assets is based on a useful life which can differ from the useful life provided in the fiscal depreciation tables. Furthermore, leased fixed assets are capitalized if the requirements for a capital lease are met. Intangible assets acquired are also amortized over their estimated useful life, if such a useful life can be determined. If the useful life of the acquired intangible asset can not be determined, an impairment test is performed annually (or even earlier, if corresponding indications for permanent impairment exist) instead of scheduled amortization. Goodwill is not to be amortized on a scheduled basis, but to be subject to an annual impairment test. Certain self-generated intangible fixed assets are required to be capitalized under US GAAP.

INVENTORIES

Whereas under German accounting principles, inventories are permitted to be valued at prime cost or at full cost (in compliance with tax regulations), inventories are measured at so-called production-related full cost under US GAAP (this means all allocable overheads are capitalized).

The percentage of completion method (poc) is applied under US GAAP when reporting long-term production orders. Long-term production orders in process are disclosed as poc receivables depending on the stage of completion.

DEFERRED TAXES

According to German accounting principles, deferred tax assets and liabilities are only recognized for temporary differences between the result under German GAAP and the tax result; quasi-permanent differences must not be deferred. Netting deferred tax assets and deferred tax liabilities is admissible.

Under US GAAP, deferred taxes are to be recognized for temporary differences between the values recognized in the consolidated balance sheet and the tax balance sheet. Furthermore, deferred tax assets are to be recognized for anticipated tax reductions from loss carryforwards. Deferred tax assets and deferred tax liabilities are openly netted in the case of identical maturity, identical tax type and identical jurisdiction to tax.

RECEIVABLES/OTHER ASSETS

Under German GAAP, a general allowance is made on receivables in accordance with the prudence concept. According to US GAAP, general allowances are only permitted to be made if substantiable empirical values are available or if a loss of receivables is probable. Under US GAAP, the other assets also include derivatives, which are capitalized at fair value. Under German GAAP, no derivatives are to be capitalized with the exception of paid bonuses. Furthermore, an excess of pension assets over pension commitments is disclosed under other assets at the level of CLAAS in compliance with US GAAP.

INVESTMENTS AND SECURITIES

Under German accounting principles, securities are recognized at acquisition cost or at a lower market value as at the balance sheet date.

Under US GAAP, there are the following three types of securities: Securities that are held-to-maturity (»held-to-maturity securities«) should generally be valued at acquisition cost. Securities that are available-for-sale (»available-for-sale securities«) and securities that are intended to be sold shortly (»trading securities«) are valued at their current market value as at the balance sheet date.

PENSIONS PROVISIONS

Under German GAAP, pension provisions are normally measured according to the entry age normal method under tax law. Probable fluctuations are taken into account on a lump-sum basis. Pay and pension rises must not be taken into account. The discounting factor can be based on tax regulations.

Under US GAAP, pension provisions are measured according to the projected unit credit method. Official fluctuation probabilities as well as pay and pension rises are taken into account. The discounting factor corresponds to the interest rate in the capital market.

If, on account of the change in the bases of computation, the present value of vested pension rights exceeds the pension provision that has been set up with profit and loss impact, the pension provision is increased without profit and loss impact by an additional provision amount (»additional minimum liability«) according to SFAS 87. This amount must be lower than the additional expenses from plan adjustments that remain to be allocated. Otherwise, it is offset against equity. The difference arising on the pension valuation has no profit and loss impact under US GAAP. Under German GAAP, the funding and release of this minimum pension commitment is, however, immediately charged against profit and loss in the profit and loss account.

OTHER PROVISIONS

Under German GAAP, there are certain options with respect to provisions and accruals and provisions for charges that are based on an internal commitment are permitted to be carried as a liability.

According to US GAAP, there are more restrictive requirements for setting up provisions and accruals. There are no options to show or not to show corresponding items as a liability on the balance sheet and recognition is made contingent upon a high probability that a liability will actually arise. Provisions for charges are inadmissible.

CASH AND CASH EQUIVALENTS

Deviating from German GAAP, cash and cash equivalents under US GAAP include also securities with a remaining term at the date of acquisition of up to 90 days.

SILENT PARTNERSHIP/PARTICIPATING CERTIFICATES

The allocation to equity or external capital according to German GAAP depends decisively on profit and loss-related compensation, the loss participation and the treatment as subordinate in the case of bankruptcy. According to these criteria, the silent partnership and the participating certificates of CLAAS are to be classified as equity in accordance with German GAAP. Under US GAAP, however, the repayability of the capital transfer decides on the disclosure within or outside equity.

MINORITY INTEREST

Under German GAAP, minority interest is included in equity. Under US GAAP, minority interest is disclosed as a separate item outside equity on the balance sheet.

COMPREHENSIVE INCOME/OTHER COMPREHENSIVE INCOME

Deviating from German accounting rules, US GAAP provides for a separate equity component, the other comprehensive income, which together with the net income forms a kind of total operating performance, the so-called comprehensive income. The following elements of the other comprehensive income are to be separately disclosed: Foreign currency translation differences, supplementary pension provisions (see pension provision), unrealized gains and losses in connection with the market valuation of securities as well as the effective portion of the market price variance of derivative instruments that meet cash flow hedge requirements.

CLAAS KOMMANDITGESELLSCHAFT AUF AKTIEN MBH, HARSEWINKEL/GERMANY

Holding company, Sales, Customer Service, Parts

INDUSTRIAL ENGINEERING

100% **CLAAS Industrietechnik GmbH, Paderborn/Germany**

Executive management
Hans-Joachim Herbermann (CEO)
Karl Heinz Kalze

PRODUCTION ENGINEERING

100% **CLAAS Fertigungstechnik GmbH, Beelen/Germany**

Executive management
Hans-Bernd Veltmaat

STRUCTURE OF CLAAS KGaA mbH

Personally liable partner

Helmut Claas GmbH

Shareholders

Helmut Claas
Günther Claas
Reinhold Claas

KGaA shareholders

Family Helmut Claas
Family Günther Claas
Family Reinhold Claas

BODIES OF CLAAS KGaA mbH

Shareholders' committee

Helmut Claas, Harsewinkel
Chairman

Supervisory Board

Helmut Claas, Harsewinkel,
Chairman
Guntram Schneider, Münster*
Deputy Chairman
Oliver Claas, Wedel/Holstein
Volker Claas, Harsewinkel
Günther Groß, Beckum*
Claus Helbig, München
Heinz Jakobi, Lichtenau*
Günter Laumann, Harsewinkel*
Wilfried Lochte, Groß Schwülper
Jens Möller, Rheda-Wiedenbrück*
Gerd Peskes, Düsseldorf
Carmelo Zanghi, Paderborn*

Executive Board

Rüdiger A. Günther
(CEO)
Nikolaus Feil
Hermann Garbers
Lothar Kriszun
(since 10/02)
Martin Richenhagen
(until 09/02)
Werner Schneider
(since 06/02)

**Employee representatives*

AGRICULTURAL ENGINEERING

PRODUCT COMPANIES

100% CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel/Germany

Executive management
Lothar Kriszun
(CEO)

Hermann Garbers

Jan Hendrik Mohr
(since 07/02)

100% CLAAS Saulgau GmbH, Bad Saulgau/Germany

Executive management
Rolf Meuther

100% Usines CLAAS France S.A.S., Metz-Woippy/France

President
Guy Larrue

100% CLAAS Hungaria Kft., Törökszentmiklos/Hungary

Executive management
Thomas Lorf
(until 08/02)

Hubertus Köhne
(since 09/02)

87,5% AGROCOM GmbH & Co. Agrarsystem KG, Bielefeld/Germany

Executive management
Michael Quinckhardt

100% CLAAS India Ltd., Faridabad/India

Executive management
P. K. Malik
(until 12/01)

Suresh Babu
(since 12/01)

SALES COMPANIES

100% CLAAS Vertriebsgesellschaft mbH, Harsewinkel/Germany

Executive management
Henning-Christian Paulsen
(CEO)

Uwe Lütkeschümer

100% CLAAS France S.A.S., Paris/France

President
Thierry Lemaire

Generaldirector
Luc Montgobert

100% CLAAS U.K. Ltd., Saxham/Great Britain

Executive management
Clive E. Last

100% CLAAS Italia S.p.A., Vercelli/Italy

Executive management
Pierluigi Navone

100% CLAAS Ibérica S.A., Madrid/Spain

Executive management
August Moormann

100% CLAAS of America Inc., Columbus/Indiana/USA

President
Theo Freye

Executive management
Roger A. Parker

100% CLAAS Omaha LLC., Omaha/Nebraska/USA

Executive management
Theo Freye

100% CLAAS Argentina S.A., Sunchales/Argentina

President
Gero Schulze-Isfort

FINANCING COMPANIES

49% CLAAS Valtra Finance Ltd., Basingstoke/Great Britain

10% CLAAS Financial Services S.A.S., Paris/France

SUMMARY OF FINANCIAL STATISTICS		2002	2001	2000	1999*	1998*	1997*	1996*
PROFIT AND LOSS ACCOUNT								
Net sales	€ million	1,265.5	1,147.9	1,072.5	1,038.5	1,108.5	978,7	749.8
Exports as a share of sales	%	64.9	68.9	66.6	65.5	69.7	70.6	68.4
Income before taxes	€ million	55.8	36.1	26.2	22.4	59.9	68.9	48.6
Net income	€ million	32.5	14.3	11.7	5.8	27.2	27.0	27.9
BALANCE SHEET								
Fixed assets	€ million	**262.3**	**211.2**	**187.1**	**148.1**	**132.0**	**119.3**	**101.3**
Intangible assets	€ million	20.0	6.8	3.5	6.0	8.4	8.0	2.6
Tangible assets	€ million	192.8	155.5	138.7	99.3	83.3	77.1	72.0
Financial assets	€ million	49.5	48.9	44.8	42.8	40.3	34.2	26.7
Current assets	€ million	**716.5**	**698.2**	**656.4**	**582.5**	**542.8**	**519.5**	**383.3**
Inventories	€ million	207.1	168.5	181.2	212.6	224.6	141.0	113.8
Accounts receivable and other assets	€ million	208.7	195.6	190.4	133.1	137.2	149.9	115.6
Liquidity	€ million	300.7	334.1	284.8	236.8	181.0	228.6	153.8
Prepaid expenses/deferred taxes	€ million	**32.5**	**22.0**	**16.1**	**25.5**	**16.9**	**5.1**	**7.6**
Equity	€ million	**292.2**	**268.8**	**263.5**	**261.6**	**261.0**	**241.2**	**175.6**
Funds similar to equity**	€ million	**58.3**	**56.3**	**55.5**				
External capital	€ million	**660.8**	**606.3**	**540.6**	**494.5**	**430.7**	**402.7**	**316.6**
Provisions/deferred taxes	€ million	331.3	288.2	257.0	246.7	263.1	234.1	198.9
Liabilities	€ million	329.5	318.1	283.6	247.8	167.6	168.6	117.7
Balance sheet total	€ million	**1,011.3**	**931.4**	**859.6**	**756.1**	**691.7**	**643.9**	**492.2**
RATIOS								
Return on sales	%	4.4	3.2	2.4	2.2	5.4	7.0	6.5
EBIT	€ million	84.0	66.7	54.0	48.7	89.6	90.1	69.9
EBITDA	€ million	111.9	111.5	82.5	79.9	113.8	118.0	89.9
Return on equity	%	11.1	5.3	4.4	2.2	10.4	11.2	15.9
Return on total equity employed	%	8.3	7.2	6.3	6.4	13.0	14.0	14.2
Cash flow according to DVFA/SG***	€ million	66.9	67.7	39.6	53.1	70.9	63.3	42.1
Equity ratio	%	28.9	28.9	30.7	34.6	37.7	37.4	35.7
First-degree liquidity	%	85.7	109.7	118.3	111.9	74.3	103.6	91.0
Equity-to-fixed-assets ratio	%	251.7	297.0	330.9	367.7	339.5	354.7	318.9
Working capital	€ million	288.1	251.8	274.0	286.6	298.1	209.8	167.4
EMPLOYEES								
Employees as at the balance sheet date (including trainees)		6,114	5,488	5,558	5,853	6,030	5,571	4,831
Personnel expenses	€ million	291.7	277.3	269.7	269.1	262.0	222.8	204.6

**The figures up to and including 1999 are based on German GAAP.*

***Under US GAAP, participating certificates, the silent partnership and minority interest are not part of equity in a narrow sense in contrast to German GAAP.*

****Deutsche Vereinigung für Finanzanalyse und Anlageberatung e.V./Schmalenbach-Gesellschaft (DVFA commission für methodology of financial analysis/Schmalenbach-Gesellschaft).*

PRODUCT OVERVIEW

COMBINE HARVESTERS

FORAGE HARVESTERS

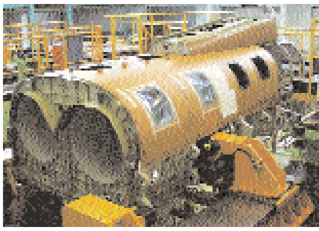
TELESCOPIC LOADERS

GREEN HARVEST MACHINERY

BALERS

SPECIAL PRODUCTS

INDUSTRIAL ENGINEERING/ PRODUCTION ENGINEERING



DEFINITIONS

Return on sales	=	$\frac{\textit{Income before taxes}}{\textit{Net sales}}$
EBIT	=	*Net income + taxes on income + minority interest -/+ income from changes in accounting principles + interest expense + profit transferred under a partial profit transfer agreement (CMG) + remuneration participating certificates*
EBITDA	=	*EBIT + depreciation of tangible assets + amortization of intangible assets*
Return on equity	=	$\frac{\textit{Net income}}{\textit{Equity}}$
Return on total capital employed	=	$\frac{\textit{EBIT}}{\textit{Balance sheet total}}$
Cash flow according to DVFA/SG	=	*Net income + depreciation of tangible assets + amortization of intangible assets +/- changes of pension provisions and other long-term provisions +/- other expenses/ income without cash flow impact*
Equity ratio	=	$\frac{\textit{Equity}}{\textit{Balance sheet total}}$
First-degree liquidity	=	$\frac{\textit{Liquidity}}{\textit{Short-term liabilities}}$
Equity to fixed assets ratio	=	$\frac{\textit{Equity + funds similar to equity + long-term liabilities}}{\textit{Fixed assets}}$
Working capital	=	*Inventories ./. advance payments received +/- accounts receivable/ trade payables +/- accounts receivable/payable to investments/associates +/- notes receivable/ notes payable*

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CONCEPT & DESIGN

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Hamburg, Germany