



THE NEW GERMANY FUND

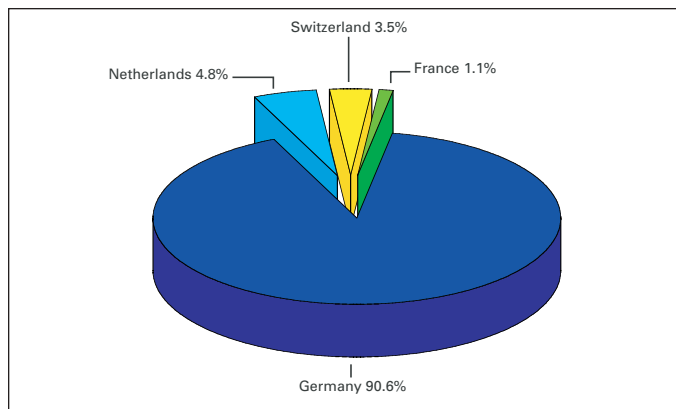
EXCHANGE-TRADED FUND

Fund Profile

The New Germany Fund (GF) is an actively managed Exchange-Traded Closed-End Fund that invests primarily in the Mittelstand—an important group of small and mid-cap German companies. Its benchmark is a composite index consisting of 60% MDAX and 40% NEMAX 50. The Fund may invest up to 20% in other Western European companies. The New Germany Fund is managed by the Deutsche Bank Group.

Hanspeter Ackermann, CIO of the New Germany Fund, manages the portfolio with specialists at Deutsche Asset Management International in Frankfurt providing advice. Organized in 1990 through the largest initial public offering of a country fund at the time, the New Germany Fund remains the only investment vehicle of its kind specializing in mid-cap German stocks.

Country Breakdown as of October 31, 2002



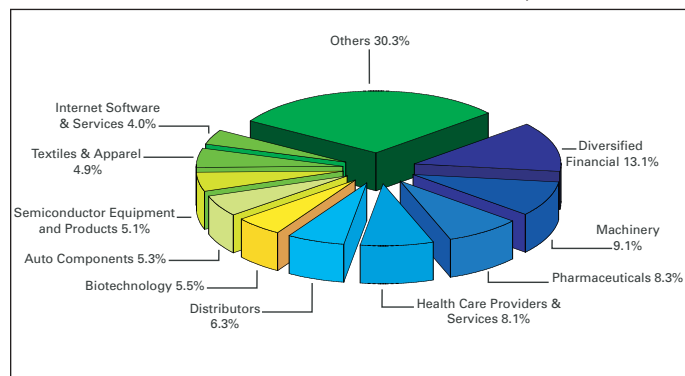
Comments from the CIO

The Fund will be presenting at Capital Link's European Small Cap Conference in New York on November 21. The conference starts at 9:00 a.m. and will be held at the Pierre Hotel. The presentation will be webcast afterwards at: www.capitallinkforum.com.

Top Ten Holdings as of October 31, 2002 % of Portfolio

Rank	Company Name	% of Portfolio
1	Deutsche Boerse	11.0%
2	Medion	6.3%
3	Continental	5.3%
4	Singulus Technologies	5.1%
5	Puma	4.9%
6	Qiagen	4.3%
7	Gehe	4.2%
8	T-Online International	4.0%
9	Rhoen Klinikum	4.0%
10	Fraport	3.8%
Total		52.9%

Portfolio Sector Breakdown as of October 31, 2002



Total Return Performance as of October 31, 2002

	For the ten months ended October 31, 2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Net Asset Value	-39.60%	-35.68%	-11.46%	-2.22%	23.85%	8.48%	21.73%	7.91%	4.19%	32.19%	-12.79%
Market Value	-40.37%	-33.86%	-14.35%	3.64%	21.58%	18.36%	27.10%	4.65%	-12.00%	39.93%	-10.99%
Benchmark	-36.75% ¹	-33.46% ²	-16.13% ²	-9.79% ³	14.62% ³	6.84% ³	7.16% ³	13.20% ⁴	5.80% ⁴	36.50% ⁵	-8.00% ⁵
Per Share Distribution		\$0.00	\$1.73	\$1.07	\$3.66	\$2.32	\$1.40	\$0.41	\$0.16	\$0.09	\$0.18

(1) Represents 60% MDAX/40% NEMAX 50 from 1/1/02 - 8/31/02 and 75% MDAX/25% NEMAX 50 from 9/1/02 - 10/31/02

(2) Represents 60% MDAX/40% NEMAX 50

(3) Represents the MDAX Index

(4) Represents the CDAX Index

(5) Represents the DAX Index



THE NEW GERMANY FUND

GF
LISTED
NYSE

EXCHANGE-TRADED FUND

Dear Shareholder,

October 28, 2002

Year to date, the German equity market has performed poorly, especially during the month of September. Despite being Europe's largest economy, Germany's economic growth has lagged behind its peers over the past two years and the outlook for 2003 looks disappointing as well. In addition to being burdened by worries over an economic recovery and potential war in Iraq, investors had to contend with political issues. In the closest election since World War II, Germany re-elected Gerhard Schroeder, with only a 4 seat majority. Initially, the equity market reacted negatively to the results as the lack of a clear majority may make it more difficult for the government to pass reforms. However, the market has since recovered somewhat as pension and tax reforms are moving forward. After falling almost 62% from its high reached in March 2000, the German equity market is attractively valued among the developed countries. Equity prices have now reached the point where dividend yields are directly competitive with interest rates. The dividend yield on the MDAX Index is currently 2.9% (vs. 1.8% for the S&P 500), the same as two year German bonds. It has been decades since the gap between dividend yields and interest rates have been so tight and this should provide a support for the German equity market.

Due to the market developments over the past two years, the market capitalization of the MDAX and the NEMAX 50 has shifted in favor of the MDAX. As a result, the Fund's current composite index, 60% MDAX and 40% NEMAX 50, no longer reflects the proportionate weighting of the two segments. Therefore, the Directors of the New Germany Fund have decided to adjust the weighting of the composite index to 75% MDAX and 25% NEMAX 50, effective September 1, 2002. For the nine months ended September 30, 2002, the net asset value per share of the New Germany Fund declined 47.1% while its share price declined 45.1%. The Fund's composite index declined 44.5% in US dollar terms during the same period.

FUND STATISTICS as of October 31, 2002

The New Germany Fund, Inc. (GF)

www.newgermanyfund.com

1-800-GERMANY

Hanspeter Ackermann, Chief Investment Officer and Senior Portfolio Manager (with Deutsche Bank since 1996)

Initial offering: 1/4/90

Objective: Seeks long-term capital appreciation through investment in German mid-cap equity securities.

Portfolio: Primarily German equity securities.

Portfolio composition: Common stocks 89.1%,

Preferred stocks 10.9%

CUSIP number: 644465106

Total Net Assets: \$125.6 million

Shares Outstanding: 27,721,143

Market Value: \$3.50 **NAV:** \$4.53

Number of equity issues: 41

2001 dividend: \$0

Expense ratio: 1.25% **Portfolio turnover:** 86.7% (both for FY 2001)

Dividend reinvestment plan, Voluntary cash purchase plan

In September, the Frankfurt Stock Exchange announced plans to introduce a new equity market segmentation and a new index construction approach in order to create the highest transparency standards in Europe. The listing requirements have been tightened and the market will be divided into two segments: the "Prime Standard" and the "General Standard." Requirements for companies in the "Prime Standard" will include: quarterly earnings reports, international accounting standards, and regular meetings with securities analysts. Companies in the "General Standard" segment will have to fulfill requirements prescribed by German law, which are less stringent than in the Prime Standard. The restructuring should have a positive effect on many of the companies listed on the Neuer Markt that plan to move to the Prime Standard. Profitable Neuer Markt companies have become relatively inexpensive with P/E ratios of 9 and 7, respectively, on 2002 and 2003 earnings.

The New Germany Fund continued its open-market purchases of its shares, buying 446,900 shares during the first nine months of the year. The Fund's average discount to its net asset value improved to 15.8% during the first nine months, compared with 17.4% for the same period last year.

Sincerely,

Christian Strenger
Chairman

Richard T. Hale
President

CONTACT:

The New Germany Fund, Inc.
c/o Deutsche Bank Securities Inc.

Robert R. Gambee
Chief Operating Officer

280 Park Avenue, 7-East
New York, NY 10017
Tel: 212-454-1695
Fax: 212-454-1706