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## Contents

→	4 - 10	<b>GILDEMEISTER Aktiengesellschaft Annual Report 2004</b>
	4	<b>Preliminary Notes</b>
	4	<b>Economic Situation and Course of Business</b>
→	11 - 34	<b>GILDEMEISTER Aktiengesellschaft Notes to the Financial Year 2004</b>
	11	<b>Notes</b>
	11	A. General Declaration
	11	B. Accounting and Valuation Principles
	13	C. Notes to individual Items of the Balance Sheet
	20	D. Notes to individual Items in the Income Statement
	24	E. Corporate Directory
	26	<b>Affiliated Companies</b>
	27	<b>Income Statement of GILDEMEISTER Aktiengesellschaft</b>
	28	<b>Fixed Assets Movement Schedule of GILDEMEISTER Aktiengesellschaft</b>
	30	<b>Balance Sheet as at 31 December 2004 of GILDEMEISTER Aktiengesellschaft</b>
	32	<b>Auditor's Report</b>
	34	<b>Financial Calendar</b>

### **Preliminary notes**

GILDEMEISTER Aktiengesellschaft has no operative business, but runs the GILDEMEISTER group as a management holding company across all functional areas. The shown sales revenues of the parent company result, with very few exceptions, from the performance of the holding functions for the group. The income situation of GILDEMEISTER Aktiengesellschaft differs from that of the group in terms of level and structure. It is primarily dominated by the management and profit and loss transfer agreements with four national subsidiaries, by further income from investments and the income and expenses relating to the holding functions.

This Management Report refers only to the Annual Financial Statements of GILDEMEISTER Aktiengesellschaft, which were prepared in accordance with the rules of the HGB and AktG. The GILDEMEISTER group is represented in detail in our Annual Report 2004 and the Consolidated Financial Statements contained therein, which was prepared in accordance with International Financial Reporting Standards (IFRS).

## **Economic Situation and Course of Business 2004**

### **Overall Economic Development**

In 2004, overall economic development initially moved towards growth, however, it lost its vigour in the second half of the year. One of the causes for this was the development of the oil prices. The global economy was primarily driven by the USA and China. But growth in Japan was also above average. In the European Union (EU) on the other hand, improvement in the general economic situation was less strong. This also applied to Germany, which once more was barely able to keep up with the general trend. According to provisional calculations by the Institute for World Economics (IWF) based at Kiel University, aggregate output rose globally by 4.9% (previous year: 3.9%).

### **Development of the Machine Tool Building Industry**

For the first time since the year 2000, worldwide demand for machine tools has increased in the reporting year. According to its latest figures, the German Association of Machine Tool Factories (VDW) expects an increase in global output of 12% to € 36.4 billion for 2004 (previous year: € 32.5 billion). For the German Machine Tool Industry the year 2004 was dominated by positive developments. As had become apparent by the end of 2003, the improvement in economic conditions and strong international demand in the reporting year caused a turn-round in the difficult business environment of the previous few years. For the first time since 2001, the industry's central parameters again recorded growth: order intake in the machine tool industry

rose by 17%. This growth was primarily driven by international demand that increased by 22% (previous year: 3%), whilst domestic orders contributed 10% to total growth (previous year: -18%).

### Results, Net Worth and Financial Position

In the second quarter 2004 GILDEMEISTER Aktiengesellschaft increased its share capital in order to strengthen its financial base. Following the issue of 14,423,076 new shares the number of shares rose to 43,302,503 and the company's registered capital from € 75,086,510.20 to € 112,586,507.80. Subscription rights were exercised by 99% of existing and new GILDEMEISTER shareholders. In July 2004, a long-term corporate bond with a volume of € 175.0 million was successfully placed and the extension until June 2007 of a syndicated loan in the amount of € 141.0 million was agreed to. The proceeds of the corporate bond were mainly used to repay short-term liabilities.

In the financial year 2004, the result of GILDEMEISTER Aktiengesellschaft was determined by dividend payouts and profit transfers by the affiliated companies in the value of € 35.0 million and by the writedown of the investment book value of GILDEMEISTER Italiana S.p.A. of € 40.4 million. The delayed start-up of the newly developed multi-spindle lathe generation and the exchange-rate-related and competitive pricing pressure affected the company's profitability. This required an adjustment in the valuation of the investment despite the company's positive earnings situation. GILDEMEISTER Aktiengesellschaft has therefore closed at an annual loss of € 31.7 million (previous year: annual profit of € 4.7 million) that will be set off against revenue provisions. As at 31 December 2004, GILDEMEISTER Aktiengesellschaft has achieved breakeven on the "Net profit" line.

In 2004 sales revenues of € 16.9 million were on the same level as 2003 (€ 16.2 million). In the same period, other operating income increased from € 7.4 million to € 12.0 million. This increase is primarily due to higher profits arising from the disposal of fixed assets in comparison to the previous year. In this financial year, a 94.9% participation in DECKEL MAHO Geretsried GmbH was transferred to GILDEMEISTER Beteiligungen Aktiengesellschaft at book value.

Expenses for purchased services relate mainly to the maintenance works at the Bielefeld site; at € 2.7 million they are about € 0.4 million above the figure of the previous year (€ 3,1 million).

Personnel costs of € 10.1 million (previous year: € 10.2 million) and depreciation of € 2.1 million (previous year: € 1.9 million) changed only marginally in comparison to the previous year.

Other operating income amounted to € 34.3 million, thereby exceeding the figure for the previous year (€ 18.5 million) by € 15.8 million. € 15.1 million of the above amount related to the expenses arising in connection with the capital measures, the corporate bond and the extension of the syndicated loan.

The income from investments (€ 2.3 million) and management and profit and loss transfer agreements (€ 32.7 million) decreased from € 41.3 million for the previous year to € 35.0 million for the reporting year. There were no expenses arising from loss transfers in 2004 (previous year: € 6.7 million).

A different composition of accounts in contrast to the previous year was primarily due to a change in associated companies (DECKEL MAHO Geretsried GmbH) and to the inclusion of the profit and loss transfer agreement with GILDEMEISTER Beteiligungen Aktiengesellschaft for the first time.

On 16 March 2004, a management and profit and loss transfer agreement was entered into between GILDEMEISTER Aktiengesellschaft and GILDEMEISTER Beteiligungen Aktiengesellschaft. This agreement was approved at the general meeting of shareholders held on 14 May 2004. To achieve high flexibility to act and in order to pool our investment activities, GILDEMEISTER Aktiengesellschaft contributed 94.9% of its shares in DECKEL MAHO Geretsried GmbH to GILDEMEISTER Beteiligungen Aktiengesellschaft as a noncash capital contribution, thereby increasing the capital of GILDEMEISTER Beteiligungen Aktiengesellschaft to € 10.0 million. DECKEL MAHO Geretsried GmbH sold its activities in the vertical machining centre area to DECKEL MAHO Seebach GmbH and its activities in the horizontal machining centre area to DECKEL MAHO Pfronten GmbH. In the financial year 2004, capital was increased by € 20.0 million at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and by € 5.8 million at DMG (Shanghai) Machine Tools Co., Ltd.

Retrospectively, as from 1 January 2004, SAUER GmbH merged with LASERTEC GmbH. The strategic alignment of the two innovative technologies was thereby accommodated in one company under a single management structure. The transfer of place of business and the renaming from LASERTEC GmbH to SAUER GmbH took place in October 2004. The remaining 10% of shares in a & f Stahl- und Maschinenbau GmbH were acquired in 2004. GILDEMEISTER Aktiengesellschaft also increased its investment in FAMOT Pleszew S.A., Poland, to 100%. In 2004, GILDEMEISTER Aktiengesellschaft transferred 100% of the shares in DMG MICROSET GmbH to DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER in line with the company's positioning in the "Services" segment.

The net interest result of € -5.6 million decreased by € 8.0 million in comparison with the previous year (€ +2.4 million). This increase was due to increased interest rates and one-off expenditure arising in relation with the group's finance restructuring measure. Tax profits of € 0.2 million relate to tax refunds for previous years.

The balance sheet total as at 31 December 2004 increased by 17% to € 593.8 million (previous year: € 507.6 million). Compared to the previous year, the assets side showed decreases in the shares in affiliated companies of € 5.8 million to a total of € 297.2 million.

Current assets increased by a total of € 93.1 million to € 279.7 million when compared to the previous year. Due to a change in clearings of financial accounts receivables from affiliated companies increased in comparison to the previous year. In the same period, the other assets took a reverse development due to tax refunds received from prepaid taxes. Bank balances increased by € 45.0 million. The high level of cash in hand is due to sales revenues generated in the last quarter, resulting in a high level of payments received towards the end of the year. Due to different maturities of bank balances and liabilities to bank, no net balance could be represented.

Due to the annual loss, the equity ratio of GILDEMEISTER Aktiengesellschaft decreased from 50.9% in the previous year to 48.2% as at 31 December 2004. Net indebtedness of GILDEMEISTER Aktiengesellschaft increased from € 137.6 million by € 82.4 million to € 220.0 million over the same period. This change is primarily due to the corporate bond placement. The decrease in liabilities to affiliated companies is due to financial clearings.

#### **Dividend**

GILDEMEISTER Aktiengesellschaft will not distribute a dividend for the financial year 2004. Due to the positive business and performance prospects, we are planning to distribute a dividend for the financial year 2005.

#### **Employees**

As at 31 December 2004, GILDEMEISTER Aktiengesellschaft was divided into three executive units with the following functional areas: sales/services/production programme planning, production/logistics and finances/controllers/IT. On 31 December 2004, GILDEMEISTER Aktiengesellschaft had 64 employees (incl. Executive Board), which is five less than on 31 December 2003.

#### **Research and Development**

GILDEMEISTER Aktiengesellschaft is responsible for the research and development strategy. The research and development activities are conducted at group companies' level.

### **Corporate Governance**

The declaration of compliance in accordance with Section 161 of the German Companies Act (AktG) regarding the German Code of Corporate Governance was announced on 31 December 2004. It meets all recommendations of the German Code of Corporate Governance as amended on 21 May 2003, with the exception that the Executive Board members' remuneration is not disclosed individually.

### **Risk Reporting**

The global activities of the GILDEMEISTER technology group require the constant weighing of risks and rewards. Our international entrepreneurial activities are based on the principle of identifying risks and the opportunities resulting from these risks, and of developing risk limiting strategies. We are thereby able to analyse risks accurately and to take only those risks where we can expect the benefit to outweigh the risk and where the ongoing existence of our company will not be jeopardised.

One of the key tasks of GILDEMEISTER Aktiengesellschaft is the optimisation of the group's financing and the limitation of its financial risks. The hedging of risk items from currency and interest rate fluctuations is often carried out through the use of derivative financial instruments such as forward exchange dealings and interest rate swaps. The hedging activities cover risks arising from changes in interest rates from underlying transactions and, in the case of currency risks, also risks from pending supply transactions. To monitor and control the group's liquidity we use instruments for financial planning and financial analysis that had further been developed in the past financial year. The operative financial risks, for example in the trade debtors' area, are permanently monitored by supervising terms for accounts receivable on both company's and group level.

The difficult overall economic conditions in Germany, aggravated by the Basel II regulations, are still reflected in the granting of outside funds to many of our small to medium-sized customers. In addition to the occasional loss of contract, this has continued to result in a substantial commitment of funds with respect to accounts receivables at GILDEMEISTER. GILDEMEISTER Aktiengesellschaft and its national subsidiaries cover their short-term liquidity requirements via a number of financial institutions.

This banking consortium is led by two major banks of good rating. Our short-term financing is managed with a cash pooling system. The related syndicated loan with a total volume of € 141.0 million has been extended to 30 June 2007. Our measures to rearrange the group's financial structure included a share capital increase through a rights issue amounting to gross value of € 60.1 million and a corporate bond issue with a volume of € 175.0 million. In the context of the syndicated loan facility and the corporate bond financial covenants were agreed. A break of covenants would entitle lenders to terminate the agreements. With the funds received we repaid most of the bilateral loans of our international subsidiaries, thus increasing the group's financial flexibility.

Our internal risk management system that is integrated into the ordinary operation of our business, serves the early identification, assessment and control of risks and rewards in the GILDEMEISTER group. In this context both the Executive Board and the Supervisory Board are regularly informed on the current risk situation of each group company. In addition, we have defined threshold values which, when exceeded, immediately alert the Executive Board. The risk management policy has been audited by the auditor. It fully meets the requirements of Section 91 para. 2 AktG.

#### **Events following the end of the Reporting Year**

In January 2005, GILDEMEISTER Aktiengesellschaft transferred its 100% participation in a & f Stahl- und Maschinenbau GmbH to DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER in line with the company's positioning in the "Services" segment. Holding Maccine Utensili S.p.A., the former finance company for the Italian production facilities, merged with GILDEMEISTER Italiana S.p.A. No acquisitions or sales of participations or operating units were made in the first two months.



## Forecast 2005

According to economic experts, global economic development is likely to continue to improve throughout the current financial year. Actual forecasts for 2005 with regard to mechanical engineering and particularly with regard to the machine tool industry as one of the major industry associations, again expect growth. According to economic experts, the cyclical driving forces for overall economic development ensure that the period of economic recovery will continue despite the uncertainty of oil prices and fading impetus from the monetary and financial policy.

For the financial year 2005, we expect further improvement in our order intake. Further fresh stimuli are expected from the largest trade fair for machine tools worldwide, the EMO in Hanover. In the financial year 2005, we are planning for our order intake to exceed € 1,150 million.

Our capital measures have strengthened the group's financial base. GILDEMEISTER starts the new financial year with confidence. Due to the completion of the restructuring process in the financial year 2004 and the ongoing optimisation of our cost and process management, we expect a substantial strengthening of our profitability. For the financial year 2005, we expect a noticeable improvement in the results for the year. Due to the positive business and performance prospects, we are planning to distribute a dividend for the current financial year.

## Notes for the Financial Year 2004

### A. General Declaration

The Annual Financial Statements of GILDEMEISTER Aktiengesellschaft for the year ended 31 December 2004 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Companies Act (AktG). The form of the previous year's statement, particularly the subdivision of the Balance Sheet and the Income Statement, has been retained.

### B. Accounting and Valuation Principles

The intangible assets and tangible fixed assets were shown at their acquisition costs, reduced by scheduled depreciation/amortisation. For depreciation the straight line method was applied in accordance with the useful life expectancy.

#### Useful life of assets

Intangible assets	3 to 4 years
Office and factory buildings	10 to 50 years
Factory and office equipment	3 to 13 years

Additions to intangible and tangible assets were depreciated pro rata temporis in the year of purchase. Additions at acquisition costs of up to € 410 (low value assets) were fully depreciated in the year of addition. The depreciation method has not changed from the previous year. The rates of depreciation also remained unchanged with respect to intangible assets, office and factory buildings and factory and office equipment. One exception is the EDP hardware, the useful life of which was extended from three to five years following a changed assessment compared to the previous year. Extraordinary depreciation did not apply.

Financial assets were shown in the balance sheet at their acquisition costs.

In the reporting year, financial assets were written off amounting to € 40,367 K (previous year: € 19,366 K).

Receivables and other assets falling due within one year were shown at face value, receivables and other assets falling due after more than one year were shown in the balance sheet at their cash value. In the financial year there was no need to depreciate these to a lower fair value for identifiable individual risks.

Receivables in foreign currencies were translated at the exchange rate at reporting date. If receivables in foreign currencies have been hedged by using forward exchange dealings and the hedging position is closed, the receivables are measured using the hedging rate.

The valuation of pension provisions was carried out on an actuarial basis in accordance with Section 6a EstG (German Income Tax Law) with an assumed rate of interest of 6% p.a. This was based on the reference tables of 1998 by Prof. Dr. Klaus Heubeck.

The pensions are not covered by an external pension funds.

Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement lay-off phase and increase payments. These provisions are accrued from instalments from the start of the active phase of the partial retirement and assessed at the cash value.

The remaining provisions were assessed while taking into account all identifiable risks and contingent obligations. The valuations were made on the basis of proper commercial judgement. In each case the anticipated cost of fulfilment was taken into account. Provisions for anniversary bonuses were discounted at an interest rate of 5.5% p.a.

Liabilities are assessed at their amounts repayable.

## C. Notes to the individual Items of the Balance Sheet items

### Assets

The movements of the individual fixed assets are set out in the fixed-asset movement schedule, which is attached.

#### 1 INTANGIBLE ASSETS AND TANGIBLE ASSETS

The value shown for industrial property rights and similar rights includes mainly data processing software.

Land and buildings are mortgaged as security for long-term bank loans.

#### 2 FINANCIAL ASSETS

The changes in financial assets of GILDEMEISTER Aktiengesellschaft are set out in the Balance Sheet supplement. The companies included in the “Shares in affiliated companies” account, and the corresponding information on principal places of business, equity capital, capital shares and results as at 31 December 2004 are stated in a separate summary at the end of these Notes.

In comparison to the previous year, the balance sheet of GILDEMEISTER Aktiengesellschaft includes additions to financial assets totalling € 91,698 K.

In the reporting year, GILDEMEISTER Aktiengesellschaft increased its participation in FAMOT Pleszew S.A. to 100% through the purchase of shares. In addition, GILDEMEISTER Aktiengesellschaft acquired the remaining 10% of shares in a & f Stahl- und Maschinenbau GmbH at a price of € 813 K. GILDEMEISTER Aktiengesellschaft transferred its 100% participation in DMG MICROSET GmbH to DMG Vertriebs und Service GmbH at a price of € 850 K.

A noncash contribution of € 20,000 K to the capital provision of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER resulted in a corresponding increased book value of the participation held by GILDEMEISTER Aktiengesellschaft in the above company.

For the pooling of participation activities, GILDEMEISTER Aktiengesellschaft contributed 94.9% of its shares at a value of € 54,031 K in DECKEL MAHO Geretsried GmbH to GILDEMEISTER Beteiligungen Aktiengesellschaft by way of a noncash capital contribution at a book value of € 62,852 K. In addition to the existing management and profit and loss transfer agreements GILDEMEISTER Aktiengesellschaft entered into a new management and profit and loss transfer and control agreement with GILDEMEISTER Beteiligungen Aktiengesellschaft in the reporting year.

Retrospectively, as from 1 January 2004, SAUER GmbH merged with LASERTEC GmbH. GILDEMEISTER Aktiengesellschaft contributed 99.8% of its shares in SAUER GmbH to a book value of € 2,222 K to DECKEL MAHO Pfronten GmbH, as part of a capital increase.

Capital was increased at DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. by way of a cash contribution of € 5,800 K by GILDEMEISTER Aktiengesellschaft.

In the reporting year, the book value of investment of GILDEMEISTER Italiana S.p.A. was written off to the lower fair value of € 40,367 K.

GILDEMEISTER Aktiengesellschaft has entered into management and profit and loss transfer agreements with the following companies:

- \_GILDEMEISTER Drehmaschinen GmbH,
- \_DECKEL MAHO Seebach GmbH,
- \_DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- \_GILDEMEISTER Beteiligungen Aktiengesellschaft (since 1 January 2004).

3 RECEIVABLES AND  
OTHER ASSETS

Receivables from affiliated companies amounting to € 231,445 K (previous year: € 180,120 K) resulted primarily from receivables from management and profit and loss transfer agreements, cost allocations and financial clearings. All receivables fall due within one year.

Other assets include tax refund claims of € 272 K (previous year: € 4,624 K), creditors with debit balance to a value of € 502 K (previous year: € 0 K) and asset values from reinsurance for the social protection of employees of € 1,734 K (previous year: € 1,334 K).

Other assets amounting to € 2,236 K (previous year: € 1,334 K) fall due after more than one year.

4 OTHER SECURITIES

The securities held in current assets were valued at the market price as at the reporting date.

5 CASH IN HAND,  
BANK BALANCES

The statement pertains mainly to bank balances. The amount shown includes funds arising from the corporate bond issue, which are earmarked and may only be used for the repayment of credit lines based on bilateral loan agreements.

6 PREPAID EXPENSES

Prepaid expenses pertain to the deferral of rents and fees for data processing maintenance and funding and maintenance costs of software licenses.

## Total Equity and Liabilities

### Subscribed capital

In the first six months of the reporting year, GILDEMEISTER Aktiengesellschaft accomplished a share capital increase. Following the issue of 14,423,076 new shares the number of shares increased to 43,302,503 and the company's subscribed capital from € 75,086,510.20 to € 112,586,507.80 with an accounting par value of € 2.60 per share.

The Executive Board was authorised, with the approval of the Supervisory Board, to increase the registered capital by up to € 37,500,000.00 in nominal terms during the period until 31 March 2006 by issuing new shares for cash or noncash consideration. Following the capital increase the remaining approved capital, including a statutory subscription right of the shareholders, amounts to € 2.40.

The registered capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 owner shares (conditional capital I). The conditional capital increase is to be effected only in so far as the options or conversion rights relating to warrant or convertible bonds, issued or granted by the company or a 100% indirect or direct holding company of the company pursuant to an authorising resolution passed by the general meeting of shareholders held on 14 May 2004 in the period up to 31 March 2009, are exercised, or any conversion obligation or obligation to exercise an option under the above named bonds are fulfilled. The new shares will be issued at an option or conversion price to be determined in accordance with the above named authorising resolution. The new shares will profit as of the beginning of the financial year, in which they are issued following the exercising of options or conversions rights, or the fulfilment of conversion or option obligations. The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the implementation of the conditional capital increase.

### Capital provisions

Following the capital increase, the capital provisions increased by € 22,563,592.37 to € 71,297,862.06 € in comparison to the previous year.

### Revenue provisions

Statutory provisions

The statutory provision of GILDEMEISTER Aktiengesellschaft is € 681 K.

#### Other revenue provisions

The transfer of the retained profits of € 9,094,375 from the previous year to other revenue provisions and the withdrawal of the annual loss of € 31,689,024 have resulted in a reduction in the value of other revenue provisions to € 101,932,901.

#### Proposed appropriation of profits

In accordance with the German Companies Act (AktG), the Annual Financial Statements of GILDEMEISTER Aktiengesellschaft form the basis for the appropriation of profits of the financial year. The dividend to be distributed to shareholders is therefore subject to the retained profits shown in the Annual Financial Statements of GILDEMEISTER Aktiengesellschaft.

The financial year 2004 of GILDEMEISTER Aktiengesellschaft closes with an annual loss of € 31,689,024. The Executive Board has decided to set off the annual loss against revenue provisions. As at 31 December 2004, GILDEMEISTER Aktiengesellschaft has thereby recorded a balanced net result for the year.

Development of the net profit for the year at GILDEMEISTER Aktiengesellschaft	€ K
Net profit for the year as at 31 December 2003	9,094
Transfer to revenue provisions	-9,094
Annual loss 2004	-31,689
Withdrawal from revenue provisions	31,689
<b>Net profit for the year at 31 December 2004</b>	<b>0</b>

#### 8 TAX PROVISIONS

Tax provisions include value added tax of € 13 K and wage tax of € 95 K following an external wage tax audit for the years 2000 to 2004.

#### 9 OTHER PROVISIONS

Other provisions primarily include expenses for legal, consulting and year-end fees in the value of € 1,687 K (previous year: € 1,925 K), for profit-sharing bonuses in the value of € 1,550 K (previous year: € 1,106 K), for other personnel costs of € 636 K (previous year: € 668 K) and remaining other provisions of € 1,153 K (previous year: € 1,207 K).

## 10 LIABILITIES

	Balance sheet as at 31 Dec. 2004	of which falling due within 1 year	of which falling due within 1-5 years	of which falling due after 5 years	Balance sheet as at 31 Dec. 2003
	€ K	€ K	€ K	€ K	€ K
1. Bond	175,000	0	0	175,000	0
2. Bank loans and overdrafts <sup>1)</sup>	90,070	1,848	87,420	802	137,644
3. Trade creditors	1,768	1,768	0	0	1,391
4. Amounts owed to affiliated companies	10,170	10,170	0	0	83,154
5. Other liabilities <sup>2)</sup>	10,988	10,988	0	0	3,418
	287,996	24,774	87,420	175,802	225,607
Outstanding in each maturity period at 31 Dec. 2003		220,008	4,725	874	225,607

1) of which secured by mortgage: € 5,599 K (previous year: € 10,000 K)

2) of which from taxes: € 3,176 K (previous year: € 3,258 K), of which social security contributions: € 76 K (previous year: € 93 K)  
of which accrued interest payments: € 7,631 K

In July of the reporting year, GILDEMEISTER Aktiengesellschaft issued a long-term, subordinated corporate bond. The bond with a nominal volume of € 175.0 million and a coupon of 9.75% p.a. will mature in June 2011. Other liabilities include € 7,631 K (previous year: € 0 K) from accrued interest charges on the corporate bond.

The group companies DECKEL MAHO Geretsried GmbH, DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, GILDEMEISTER Beteiligungen Aktiengesellschaft, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, FAMOT Pleszew S.A. and GILDEMEISTER Italiana S.p.A. are guarantors in relation to the bond agreement. In addition, the shares of the above companies to the nominal value of € 96,177 are pledged in second rank in favour of the bondholders. Besides, the claims to the respective dividend in the pledged shares, including any interest, have secondarily been pledged to the bondholders.

The short and medium term liquidity requirements of GILDEMEISTER Aktiengesellschaft and, as part of the intragroup cash management system, of the majority of national subsidiaries are covered through a syndicated loan agreement. The previous syndicate agreement with a volume of € 180.0 million and a term until 31 December



2005 was rearranged in July 2004. The new syndicated loan facility has a term until 30 June 2007 and a volume of € 141.0 million. The total volume contains three tranches, which differ in terms of amounts, usability, maturity/drawing terms and the agreed interest rates. The shares of DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, DECKEL MAHO Geretsried GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen Aktiengesellschaft, FAMOT Pleszew S.A. and GILDEMEISTER Italiana S.p.A., to the nominal value of € 96,177 K (previous year: € 69,181 K) were pledged in first rank to the national lending banking consortium. Besides, the claims to the respective dividend in the pledged shares, including any interest, have been pledged, each in first rank, to each of the lending banks.

The above group companies are also guarantors to the syndicated loan agreement.

Liabilities in the amount of € 84,471 K to lenders of the banking consortium are set off against balances amounting to € 45,033 K in the current accounts at these banks.

11 CONTINGENCIES  
AND OTHER  
FINANCIAL  
OBLIGATIONS

At the balance sheet date the following contingencies and other financial obligations existed, shown at their face value:

	As at 31 Dec. 2004	As at 31 Dec. 2003
	€ K	€ K
<b>Contingencies</b>		
Bill commitments	0	422
Guarantees	105,671	157,882
Warranties	8,695	6,539
Other contingencies	0	2,137
	114,366	166,980
<b>Obligations from tenancy agreements due</b>		
within 1 year	3,084	2,813
within 1 – 5 years	5,896	1,921
after 5 years	1,140	1,536
	10,120	6,270
<b>Order commitments for fixed assets</b>	<b>0</b>	<b>600</b>

The guarantees of GILDEMEISTER Aktiengesellschaft include maximum-amount guarantees of € 82,530 K (previous year: € 160,251 K) in favour of affiliated companies. The amount of the liabilities to banks pertaining to these guarantees valued as at 31 December 2004 to € 37,253 K (previous year: € 89,273 K). As of the balance sheet date GILDEMEISTER Aktiengesellschaft was jointly and severally liable for liabilities of € 17,491 K (previous year: € 21,178 K).

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees in favour of affiliated companies for contingent claims of a factoring bank amounting to € 25,533 K (previous year: € 20,646 K).

Advance guarantees of € 3,025 K were given to customers of DECKEL MAHO Seebach GmbH, GILDEMEISTER Italiana S.p.A., DMG Gebrauchtmachines GmbH and DMG Gebrauchtmachines GmbH cz s.r.o.

GILDEMEISTER Aktiengesellschaft has also raised a guarantee loan facility of € 22,549 K (previous year: € 20,000 K), which can be used for advance and performance guarantees of the national subsidiaries with secondary liability of GILDEMEISTER Aktiengesellschaft. As at 31 December 2004, an amount of € 21,639 K (previous year: € 17,987 K) of this was utilised.

In addition, GILDEMEISTER Aktiengesellschaft issued letters of comfort to DECKEL MAHO Geretsried GmbH, DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, SAUER GmbH and DMG Malaysia SDN BHD. The related liabilities were fixed at 31 December 2004 at an amount of € 729 K.

In addition, GILDEMEISTER Aktiengesellschaft has entered into two leasing arrangements for DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, and DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg. The monthly rental instalment for these contracts is € 83 K. Their terms will end in 2024.

## 12 DERIVATIVE FINANCIAL INSTRUMENTS

The face and fair market values of derivative financial instruments existing at the balance sheet date are set out below:

	Face values		Fair market values	
	31 Dec. 2004	31 Dec. 2003	31 Dec. 2004	31 Dec. 2003
	€ K	€ K	€ K	€ K
Forward exchange dealings	5,725	0	275	0
Interest rate swaps	40,000	0	-155	0
	45,725	0	120	0

The face values correspond with the non-balanced total of the currency and interest portfolio. The fair market values shown correspond to the price, at which third parties would take over the rights or obligations arising from the financial instruments. The fair market values represent the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions. The fair market values of the derivative financial instruments used are determined on the basis of quoted market prices or through accrual methods based on customary models.

The closing and processing of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and controlling.

All existing forward exchange dealings carried out mature within one year and serve as hedging of receivables from group companies in foreign currencies such as YEN, AUD and SGD.

In the financial year, GILDEMEISTER Aktiengesellschaft entered into two interest swaps with terms of 1 and 1.5 years, which include payment of fixed interest within a range of 2.61% – 2.83% p.a. against the 3-month Euribor as reference interest rate.

## D. Notes to individual Items in the Income Statement

### 13 SALES REVENUES

The sales revenues of € 16,921 K (previous year: € 16,207 K) are primarily sales arising from the group-wide holding functions.

### 14 OTHER OPERATING INCOME

Other operating income consists mainly of income from cost allocation and refund of expenses.

It also includes income related to other periods arising from the disposal of financial assets of € 8,821 K million (previous year: € 4,809 K).

In addition, it includes income from the release of provisions to the amount of € 1,775 K (previous year: € 123 K).

## 15 PERSONNEL COSTS

In the financial year 2004 the employee pension plan contributions amounted to € 1,836 K (previous year: € 2,088 K). The remuneration of the active members of the Executive Board totalled € 2,122 K (previous year: € 2,226 K), including 950 K for variable profit-sharing bonuses (previous year: € 750 K). Previous year's figures have been adjusted by the management bonuses granted in 2004 for the financial year 2003 in the amount of € 300 K. € 598 K (previous year: € 625 K) were paid to former Executive Board members and their surviving dependants.

Company pension provisions of € 6,105 K (previous year: € 6,393 K) were set up for former Executive Board members and their surviving dependants.

Advances and credits to Board members were not granted. No contingencies in favour of Board members were entered (Sect. 285 no. 9c / Sect. 314 para. 1 no. 6c HGB).

In comparison with the previous year the average number of staff has developed as follows:

	2004	2003
Salary earners	62	67

## 16 OTHER OPERATING EXPENSES

Other operating expenses result mainly from external services in the amount of € 9,131 K (previous year: € 6,058 K), year-end, legal and consulting fees to the value of € 11,916 K (previous year: € 2,837 K), costs of monetary transactions and capital procurement to the value of € 5,381 K (previous year: € 3,606 K) and losses from fixed-assets disposals to the value of € 209 K (previous year: € 0 K). Other taxes for previous years totalling € 109 K (previous year: € 353 K) are also included.

The increase in the year-end, legal and consulting fees and in the costs of capital procurement over the previous year, result primarily from the capital measures carried out in the financial year.

In the financial year 2004, € 173 K (previous year: € 158 K) were transferred to provisions for Supervisory Board members' remuneration. Provisions for the variable components were also accrued. In accordance with the Articles of Association, the variable component is based on the future performance of the company and cannot be paid out before the underlying objectives have been accomplished.

The Supervisory Board members' remuneration pursuant to Section 12 of the GILDEMEISTER Aktiengesellschaft Articles of Association breaks down as follows:

	Fixed Remuneration	Remuneration for committee work	Total
	€	€	€
Hans Henning Offen, Chairman (since 15 May 2004)	16,300	6,850	23,150
Dr.-Ing. Manfred Lennings, Chairman (until 14 May 2004)	13,700	8,150	21,850
Gerhard Dirr, Deputy Chairman	15,000	5,000	20,000
Wulf Bantelmann	10,000	-	10,000
Günther Berger	10,000	-	10,000
Harry Domnik	10,000	7,500	17,500
Alfred Geißler	10,000	5,000	15,000
Dr.-Ing. Jürgen Harnisch	10,000	-	10,000
Ulrich Hocker	10,000	-	10,000
Prof. Dr.-Ing. Walter Kunerth	10,000	5,000	15,000
Peter Oxfart	10,000	-	10,000
Günther-Johann Schachner	10,000	-	10,000
<b>Total</b>	<b>135,000</b>	<b>37,500</b>	<b>172,500</b>

17 INCOME FROM PROFIT  
TRANSFER AGREEMENTS

The income from profit transfer agreements of GILDEMEISTER Aktiengesellschaft of € 32,700 K (previous year: € 30,698 K) was attributed to four (previous year: two) affiliated companies.

18 INCOME FROM  
PARTICIPATING INTERESTS

The income from investments of € 2,258 K (previous year: € 10,567 K) was attributed to three (previous year: three) affiliated companies.

19 OTHER INTEREST  
RECEIVABLES AND  
SIMILAR INCOME

In the reporting period affiliated companies were charged with interest to the value of € 14,966 K (previous year: € 13,352 K).

20 AMOUNTS WRITTEN  
OFF FINANCIAL ASSETS  
AND SHORT-TERM  
INVESTMENTS

In the reporting year this position related to the writedown of the investment in GILDEMEISTER Italiana S.p.A. to the lower fair value of € 40.367 K.

- 21 INTEREST PAYABLE AND SIMILAR EXPENSES Interest payable, amounting to € 20,934 K (previous year: € 11,016 K) include interest for the utilisation of the bond of € 7,631 K (previous year: € 0 K). It also includes € 3,821 K (previous year: € 1,734 K) interest charged by the affiliated companies. The remaining interest charges relate primarily to interest on bank liabilities.
- 22 TAXES ON PROFITS In the financial year, income of € 135 K resulted from interest on corporate tax for previous years. This also included expenditure for trade tax for previous years of € 363 K.
- 23 DECLARATION ON THE CORPORATE GOVERNANCE CODE The declaration of compliance in accordance with Section 161 AktG was made on 31 December 2004 and has been made accessible to the shareholders on our website [www.gildemeister.com](http://www.gildemeister.com)

## Corporate Directory

• Supervisory seats pursuant to Section 100 AktG

\* Membership of comparable domestic and international management boards of business enterprises

### Supervisory Board

#### **Hans Henning Offen,**

Großhansdorf, born 1940,  
Chairman since 15 May 2004,  
Independent Industry Consultant,

- \* Schwarz Beteiligungs GmbH,  
Neckarsulm, member of the Advisory Board
- \* Familienstiftung Schwarz, Neckarsulm  
member of the Supervisory Board
- \* Kaufland Stiftung & Co. KG, Neckarsulm,  
member of the Supervisory Board
- \* Lidl Stiftung & Co. KG, Neckarsulm,  
member of the Endowment Board
- \* Heckler & Koch GmbH, Neckarsulm,  
member of the Advisory Board since 16 July 2004,  
Chairman of the Advisory Council since  
10 December 2004

#### **Dr.-Ing. Manfred Lennings,**

Essen, born 1934,  
Chairman of the Supervisory Board until 14 May 2004,  
independent Industry Consultant

- Deutsche Post AG, Bonn, member of the  
Supervisory Board,
- ENRO AG, Essen, member of the Super-  
visory Board,
- IVG Immobilien AG, Bonn, member  
of the Supervisory Board
- \* Bauunternehmung E. Heitkamp GmbH,  
Herne, member of the Supervisory Board
- \* Deilmann-Haniel GmbH, Dortmund  
member of the Supervisory Board
- \* Heitkamp-Deilmann-Haniel GmbH,  
Herne, Chairman of the Supervisory Board  
until 31 December 2004, member of the  
Supervisory Board since 1 January 2005

#### **Gerhard Dirr,**

Vils/Austria, born 1964,  
Deputy Chairman, Chairman of the Works Council  
at DECKEL MAHO Pfronten GmbH, Pfronten

#### **Wulf Bantelmann,**

Bielefeld, born 1947,  
Chairman of the Works Council of GILDEMEISTER  
Drehmaschinen GmbH, Bielefeld

#### **Günther Berger,**

Munich, born 1948,  
Divisional Executive Board member at the  
Bayerische Hypo- and Vereinsbank AG, Munich

#### **Harry Domnik,**

Bielefeld, born 1953,  
1st Secretary of the IG Metall-headquarters, Bielefeld

- \* ThyssenKrupp Umformtechnik GmbH,  
Ludwigsfelde

#### **Alfred Geißler,**

Pfronten, born 1958,  
Head of construction/development,  
Senior executives' representative

#### **Dr.-Ing. Jürgen Harnisch,**

Essen, born 1942,  
independent Industry Consultant

- ThyssenKrupp Automotive AG, Bochum  
member of the Supervisory Board
- ThyssenKrupp Technologies AG, Essen,  
member of the Supervisory Board
- ThyssenKrupp Budd Company, Troy/Michigan,  
USA, member of the Board of Directors
- \* ThyssenKrupp Presta AG, Eschen, Liechtenstein,  
member of the Supervisory Board
- \* Huf Hülsbeck & Fürst GmbH & Co. KG,  
Velbert, Chairman of the Supervisory Board
- \* Presswerk Krefeld GmbH & Co. KG, Krefeld,  
member of the Supervisory Board

#### **Ulrich Hocker,**

Düsseldorf, born 1950,  
Legal counsel, Chief manager  
Deutsche Schutzvereinigung für  
Wertpapierbesitz e.V. (German association of  
securities owners) (DSW), Düsseldorf

- E.ON AG, Düsseldorf, member of the  
Supervisory Board
- Feri Finance AG, Bad Homburg, member  
of the Supervisory Board
- KarstadtQuelle AG, Essen, member of the  
Supervisory Board
- ThyssenKrupp Steel AG, Duisburg, member  
of the Supervisory Board
- \* Phoenix Mecano AG, Kloten, Switzerland, CEO
- \* Gartmore Capital Strategy Fonds, St. Helier,  
Jersey Member of the Board

**Prof. Dr.-Ing. Walter Kunerth,**

Zeitlarn, born 1940,  
independent Industry Consultant

- Basler AG, Ahrensburg, Chairman of the Supervisory Board until 03 June 2004
- Götz AG, Regensburg, Chairman of the Supervisory Board
- Paragon AG, Delbrück, Chairman of the Supervisory Board
- \* Autoliv Inc., Stockholm, Sweden, Member of the Board of Directors
- \* Suspa Holding GmbH, Altdorf, Chairman of the Supervisory Board until 06 August, 2004

**Peter Oxfart,**

Creuzburg, born 1943,  
Chairman of the Works Council at  
DECKEL MAHO Seebach GmbH, Seebach until  
31 January 2005, member of the Supervisory  
Board until 31 January 2005

**Günther-Johann Schachner,**

Peiting, born 1952, member of the Executive Board  
at IG Metall Frankfurt, 1st Secretary of IG Metall  
headquarters, Weilheim

**Rainer Stritzke,**

Seebach, born 1957, design engineer,  
member of the Works council at DECKEL MAHO  
Seebach GmbH, Seebach (since 1 February 2005)

**Executive Board****Dipl.-Kfm. Dr. Rüdiger Kapitza,**

Bielefeld,  
Chairman

**Prof. Dr.-Ing. Raimund Klinkner,**

Bielefeld,  
Deputy Chairman

**Dipl.-Kfm. Michael Welt,**

Pfronten

- Staufen Akademie  
Beratung und Beteiligung AG,  
Bad Boll, Deputy Chairman  
of the Supervisory Board



### Affiliated companies

	Equity <sup>1)</sup>		Investment- quota in %	Profit/loss for the accounting year 2004 <sup>1)</sup>	
	National currency	€ k		in € k	
GILDEMEISTER Drehmaschinen GmbH, Bielefeld <sup>1)</sup>		16,650	100.00	0	
Holding Macchine Utensili S.p.A., Milano, Italy		20,366	100.00	77	
GILDEMEISTER Italiana S.p.A., Brembate di Sopra, Italy		32,993	100.00	1,151	
GILDEMEISTER Beteiligungen Aktiengesellschaft, Bielefeld <sup>1)</sup>		62,897	100.00	0	
DECKEL MAHO Geretsried GmbH, Geretsried		57,423	5.10	0	
DECKEL MAHO Pfronten GmbH, Pfronten		28,222	6.20	0	
SAUER GmbH, Stipshausen/Idar-Oberstein		6,529	0.04	0	
DECKEL MAHO Seebach GmbH, Seebach <sup>1)</sup>		8,363	100.00	0	
a&f Stahl- und Maschinenbau GmbH, Würzburg		1,112	100.00	930	
DMG Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld <sup>1)</sup>		44,539	100.00	0	
FAMOT Pleszew S.A., Pleszew, Poland	k PLN	16,702	4,086	100.00	840
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China	k CNY	53,102	4,704	100.00	-1,240

<sup>1)</sup> management and profit and loss transfer agreement with GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft is a parent company within the meaning of Section 290 of the German Commercial Code (HGB) and is obligated to provide Consolidated Financial Statements. The Annual Financial Statements and the Consolidated Financial Statements are lodged at Bielefeld District Court under HRB 7144.

Bielefeld, 29 March 2005

GILDEMEISTER Aktiengesellschaft

The Executive Board

Dr. R. Kapitza

Prof. Dr.- Ing. R. Klinkner

Dipl.-Kfm. M. Welt

**Income Statement**  
**for the period 01 January to 31 December 2004**  
**of GILDEMEISTER Aktiengesellschaft**

	Notes	2004		2003	
		€	€	€	€
1. Sales revenues	13		16,920,994		16,207,242
2. Other operating income	14		11,987,517		7,381,229
				28,908,511	23,588,471
3. Cost of materials					
a) Cost of raw materials and consumables for purchased goods		59,995			36,208
b) Cost of purchased services		2,749,221	2,809,216		3,107,805
4. Personnel costs	15				
a) Wages and salaries		7,637,837			7,422,616
b) Social contributions, pensions and other benefits		2,508,653	10,146,490		2,804,214
5. Depreciation of tangible and intangible assets			2,072,277		1,926,780
6. Other operating expenses	16		34,306,715	49,334,698	18,517,403
7. Income from management and profit and loss transfer agreements	17		32,700,187		30,698,406
8. Income from affiliated companies	18		2,257,677		10,567,000
9. Other interest and similar charges	19		15,305,122		13,370,825
10. Amounts written off financial assets and short term investments	20		40,366,576		19,367,513
11. Cost from loss transfers			0		6,719,997
12. Interest payable and similar charges	21		20,934,406	-11,037,996	11,015,969
13. Results from ordinary business				-31,464,193	7,306,197
14. Taxes on profits	22			224,841	2,561,311
15. Annual Profit/loss (profit in previous years)				-31,689,024	4,744,886
16. Profit carried forward				0	4,349,489
17. Withdrawal from revenue provisions				31,689,024	0
18. Net profit for the year				0	9,094,375

**Fixed Asset Movement Schedule**  
**as at 31 December 2004 of GILDEMEISTER Aktiengesellschaft**

**Aquisition and production costs**

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**I. Intangible assets**

Industrial property and similar rights values and licences to such rights and values

---

**II. Tangible assets**

1. Land and buildings
  2. Other equipment, factory and office equipment
  3. Payments on account and construction in progress
- 

**III. Financial assets**

Shares in affiliated companies

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**Total fixed assets**

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**Depreciation**

---

**I. Intangible assets**

Industrial property and similar rights and values and licences to such rights and values

---

**II. Tangible assets**

1. Land and buildings
  2. Other equipment, factory and office equipment
  3. Payments on account and construction in progress
- 

**III. Financial assets**

Shares in affiliated companies

---

**Total fixed assets**

---

As at 01 Jan. 2004	Additions	Disposals	Book transfers	As at 31 Dec. 2004
€	€	€	€	€
15,841,004	979,413	0	127,146	16,947,563
<b>15,841,004</b>	<b>979,413</b>	<b>0</b>	<b>127,146</b>	<b>16,947,563</b>
29,131,803	0	0	76,184	29,207,987
6,157,083	222,576	79,650	111,935	6,411,944
529,730	0	214,465	-315,265	0
<b>35,818,616</b>	<b>222,576</b>	<b>294,115</b>	<b>-127,146</b>	<b>35,619,931</b>
322,341,112	91,697,646	57,104,114	0	356,934,644
<b>322,341,112</b>	<b>91,697,646</b>	<b>57,104,114</b>	<b>0</b>	<b>356,934,644</b>
<b>374,000,732</b>	<b>92,899,635</b>	<b>57,398,229</b>	<b>0</b>	<b>409,502,138</b>

### Book value

As at 01 Jan. 2004	Additions	Disposals	Book transfer	As at 31 Dec. 2004	As at 31 Dec. 2004	As at 01 Dec. 2004
€	€	€	€	€	€	€
14,479,875	1,280,384	0	0	15,760,259	1,187,304	1,361,304
<b>14,479,875</b>	<b>1,280,384</b>	<b>0</b>	<b>0</b>	<b>15,760,259</b>	<b>1,187,304</b>	<b>1,361,304</b>
14,147,572	578,364	0	0	14,725,936	14,482,051	14,984,231
5,386,437	213,529	79,650	0	5,520,316	891,628	770,646
0	0	0	0	0	0	529,730
<b>19,534,009</b>	<b>791,893</b>	<b>79,650</b>	<b>0</b>	<b>20,246,252</b>	<b>15,373,679</b>	<b>16,284,607</b>
19,366,070	40,366,576	0	0	59,732,646	297,201,998	302,975,042
<b>19,366,070</b>	<b>40,366,576</b>	<b>0</b>	<b>0</b>	<b>59,732,646</b>	<b>297,201,998</b>	<b>302,975,042</b>
<b>53,379,954</b>	<b>42,438,853</b>	<b>79,650</b>	<b>0</b>	<b>95,739,157</b>	<b>313,762,981</b>	<b>320,620,778</b>

**Balance Sheet as at 31 December 2004  
of GILDEMEISTER Aktiengesellschaft**

Assets	Notes	As at	
		31 Dec. 2004	31 Dec. 2003
		€	€
<b>A. Fixed Assets</b>			
<b>I. Fixed assets</b>	1		
Industrial property and similar rights and values and licences in such rights and values		1,187,304	1,361,129
<b>II. Tangible assets</b>	1		
1. Land and buildings		14,482,051	14,984,231
2. Other equipment, factory and office equipment		891,628	770,646
3. Payments on account and construction in progress		0	529,730
		15,373,679	16,284,607
<b>III. Financial assets</b>	2		
Shares in affiliated companies		297,201,998	302,975,042
		313,762,981	320,620,778
<b>B. Current Assets</b>			
<b>I. Receivables and other assets</b>	3		
1. Trade debtors		257,616	53,462
2. Affiliated companies		231,445,035	180,119,712
3. Other assets		2,932,544	6,407,576
		234,635,195	186,580,750
<b>II. Securities</b>	4	53,443	21,276
<b>III. Cash in hand, Bundesbank balance and bank balances</b>	5	45,050,520	13,485
<b>C. Prepaid Expenses</b>	6	318,862	341,929
		593,821,001	507,578,218

## Equity and Liabilities

	Notes	As at	
		31.12.2004	31.12.2003
		€	€
<b>A. Equity</b>	7		
<b>I. Subscribed equity</b>		112,586,508	75,086,510
<b>II. Capital provisions</b>		71,297,862	48,734,269
<b>III. Revenue provisions</b>			
1. Statutory provisions		680,530	680,530
2. Other revenue provisions		101,932,901	124,527,552
<b>IV. Net profit</b>		0	9,094,375
		286,497,801	258,123,236
<b>B. Provisions</b>			
1. Pension provisions		14,192,371	14,681,852
2. Tax provisions	8	108,551	4,260,847
3. Other provisions	9	5,026,580	4,905,423
		19,327,502	23,848,122
<b>C. Liabilities</b>	10		
1. Bond		175,000,000	0
2. Bank loans and overdrafts		90,069,940	137,643,864
3. Trade creditors		1,767,891	1,390,804
4. Amounts owed to affiliated companies		10,169,906	83,153,799
5. Other liabilities		10,987,961	3,418,393
		287,995,698	225,606,860
		593,821,001	507,578,218

### Auditor's Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of the GILDEMEISTER Aktiengesellschaft for the business year from January 1, 2004 to December 31, 2004. It should be understood that auditing the content of "Entsprechenserklärung", in particular § 161 German Stock Corporations Law (AktG) in the group management report, is not object of our audit. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with the German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that the misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are 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 management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents of the risks of future development.

Berlin and Frankfurt am Main, 29 March 2005

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rehnen  
Auditor

Droste  
Auditor



31 March 2005	Press conference on Financial Statements
31 March 2005	Publication of the Annual Report 2004
01 April 2005	Discussion with analysts
12 May 2005	First Quarterly Report 2005 (01 January to 31 March)
20 May 2005	General meeting of shareholders at 10am in the Town Hall Bielefeld
23 August 2005	Second Quarterly Report 2005 (01 April to 30 June)
08 November 2005	Third Quarterly Report 2005 (01 July to 30 September)
14 February 2006	Press release on provisional figures for the financial year 2005
19 May 2006	General meeting of shareholders at 10am at the Town Hall in Bielefeld

Subject to alteration

**Contact details**

GILDEMEISTER Aktiengesellschaft

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