

Interim Report

1st Quarter 2003



GILDEMEISTER

DEAR SHAREHOLDERS,

Overall economic development and demand for German machine tools has continued to be subdued during the first quarter of 2003. GILDEMEISTER's performance for the early part of the financial year 2003 was in line with forecasts. In the first three months, group sales amounted to € 226.0 million (-2% compared with the same quarter of the preceding year). As expected, the intake of new orders reached € 229.0 million (-3%). As announced, EBIT (earnings before interest and taxes), at € 2.6 million, were positive in the first quarter, whilst the results from ordinary activities showed a loss of € -3.8 million. With € 331.8 million, orders on hand continue to represent a satisfactory basic capacity utilisation.

GILDEMEISTER expects a rather restrained course of demand for the current financial year; looking ahead to a moderate revival in the second half of the year. Should demand pick up over the course of the year, our intake of new orders for the entire year could reach more than € 1 billion and sales, too, could again exceed € 1 billion. Based on our already initiated measures, we still hope to achieve another profit for the entire year. We will consider the distribution of a dividend, as soon as the group has generated an adequate annual net profit.

BUSINESS TREND KEY FIGURES

The Consolidated Interim Financial Statements of the GILDE-MEISTER Aktiengesellschaft were prepared in accordance with International Financial Reporting Standards (IFRS). The former International Accounting Standards (IAS) are an integral element of the IFRS Accounting Rules and continue to apply. All benchmark figures for the corresponding period of the preceding year are shown in accordance with IFRS. This Interim Report has not been audited.

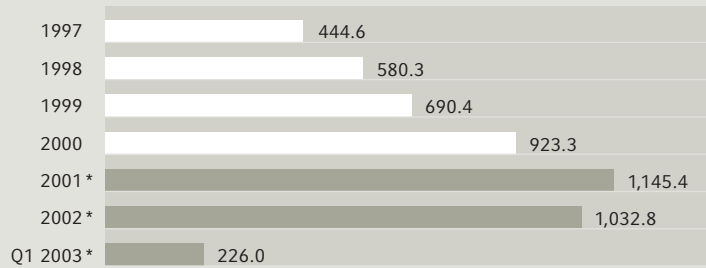
GILDEMEISTER-group	2003	2002	Changes	
	1 st quarter	1 st quarter	2003 against 2002	
	M €	M €	M €	%
Sales				
Total	226.0	231.6	-5.6	-2
Domestic	114.3	114.1	0.2	0
International	111.7	117.5	-5.8	-5
% International	49	51		
Intake of new orders				
Total	229.0	235.2	-6.2	-3
Domestic	110.1	116.8	-6.7	-6
International	118.9	118.4	0.5	0
% International	52	50		
Orders on hand*				
Total	331.8	384.2	-52.4	-14
Domestic	137.0	180.0	-43.0	-24
International	194.8	204.2	-9.4	-5
% International	59	53		
Investments**	4.6	6.7	-2.1	-31
Staff costs	68.2	68.5	-0.3	0
Employees	4,856	5,025	-169	-3
plus trainees	192	178	14	8
Total employees*	5,048	5,203	-155	-3

	2003	2002	Changes	
	1 st quarter	1 st quarter	2003 against 2002	
	M €	M €	M €	%
EBITDA	11.0	21.0	-10.0	-48
EBIT	2.6	11.7	-9.1	-78
Profit/loss on Ordinary activities	-3.8	6.1	-9.9	-162
Profit/loss for the year	-4.3	1.0	-5.3	-530

* Reporting date 31 March

** Tangible and intangible asset additions, excluding capitalised development expenses, goodwill additions and financial leases

Sales
in € M



<< GILDEMEISTER
group key
figures

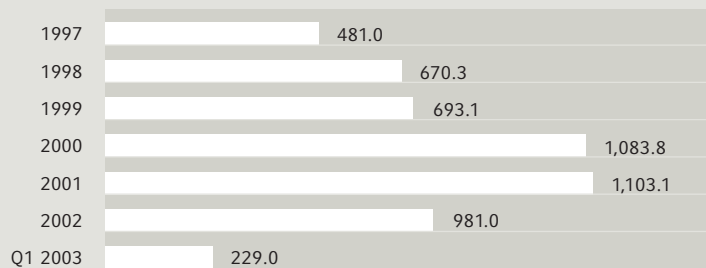
<< Sales

Order intake

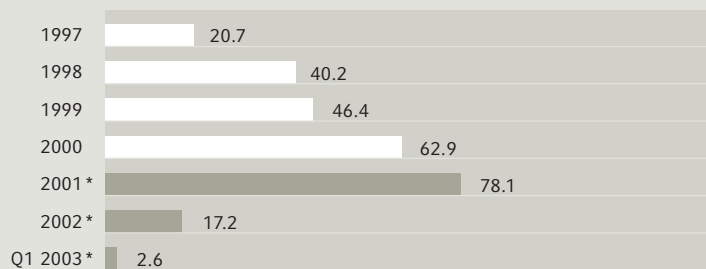
EBIT

Employees

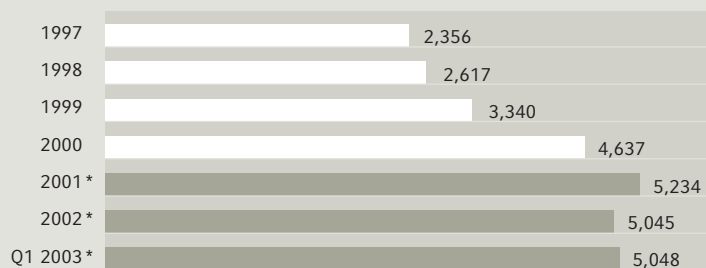
Intake of new orders
in € M



EBIT
in € M



Number of employees
inc. trainees



* according to IFRS

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Economic
Development

Business
Development

Segmental
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Supplementary
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Forecast 2003

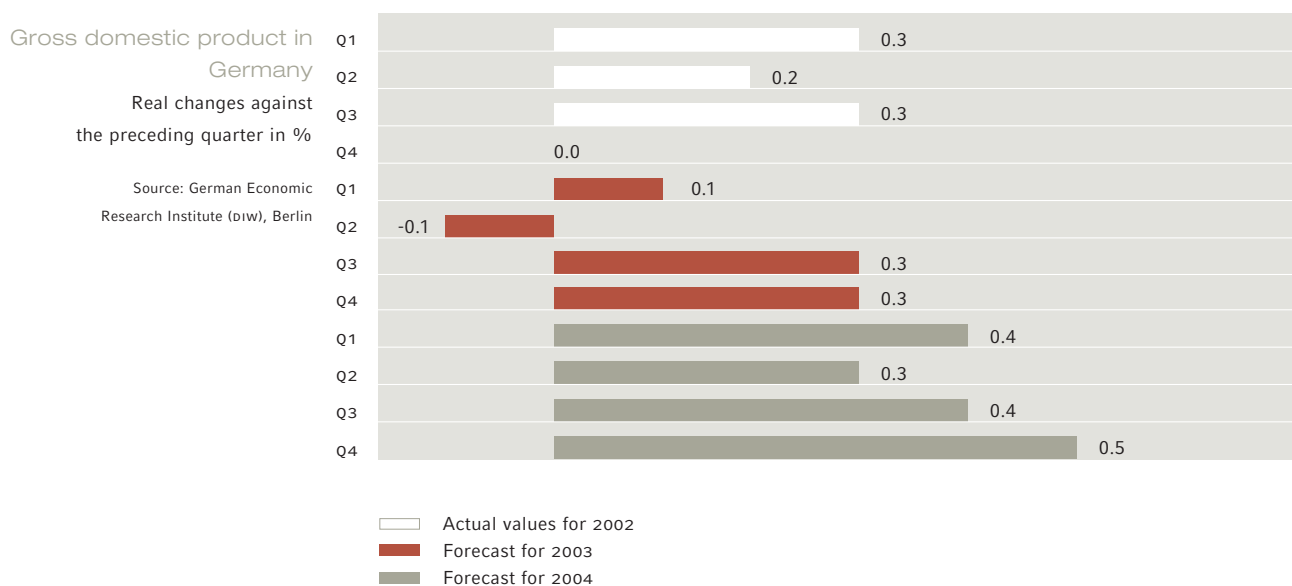
Consolidated Interim
Financial Statements

Financial Calendar

Overall Economic Development

Overall economic development did not significantly improve during the first months of the current year. As before, the forces of economic recovery are weak in most industrial countries. According to economic forecasts, this picture will not begin to brighten before the end of this year. In the **USA**, the war with Iraq cast a shadow over economic activity. The Kiel-based Institute for World Economics (IfW) estimates growth of the American economy for the first quarter at 1.4% (same quarter of the preceding year: 5.0%). In contrast to this, aggregate output in **Asia** increased significantly. China continued to be the driving force in this region. The speed of expansion remained high, and another above average annual growth is expected. Even Japan recorded slightly rising trends. According to estimates by the IfW, the gross domestic product (GDP) rose by 1.3% between January and March (31 March, 2002: -1.5%). **Europe** made no headway at all. The EU Commission calculated for the European Union that the GDP has risen by 0.2% at most during the first quarter of the year. As a provisional figure the IfW reported 0.5% (31 March, 2002: 1.7%). In **Germany** overall development stagnated at 0.1% (same quarter of the preceding year: 0.3%). The ifo business climate index for the manufacturing industry was down again in March, after its slight improvement in February. Many companies continue to be dominated by uncertainty and, as a result, investment activity is still subdued.

Sources: Institute for World Economics, Kiel; ifo-Institut, Munich (Economic Research Institute); EU Commission, Brussels



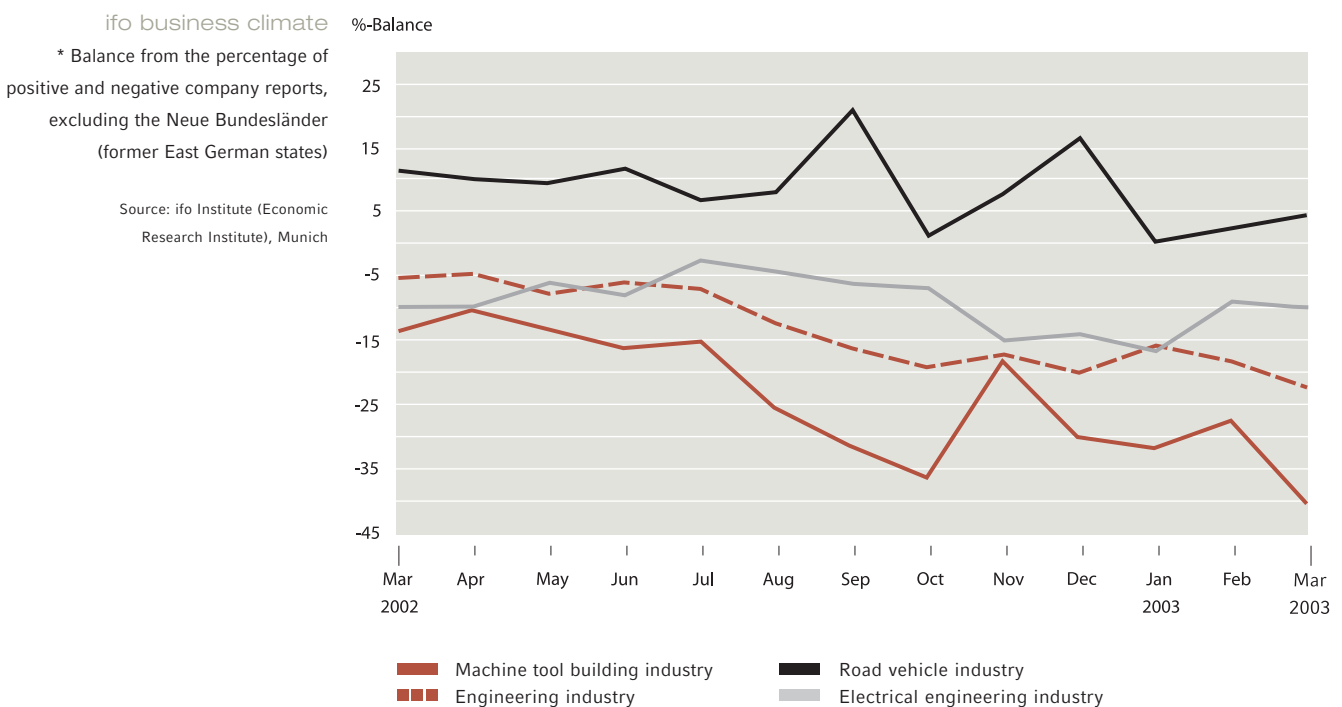
GILDEMEISTER'S performance at the start of the financial year 2003 was in line with forecasts. As before, the forces of an economic recovery are only weak in most industrial countries. Thanks to our innovative machines, we intend to increase our share of the world-wide market volume. Further details are included in the "Order Intake" chapter. We will continue to pursue our innovation-orientated strategy of technological supremacy in cutting machine tools. When implementing this strategy we adapted to economical trends. The exchange rates with respect to those currencies that are relevant to us, i. e. the US-\$ and the Yen, continued to fluctuate in the first quarter when compared with December, 2002. The US-\$ continued to weaken and, at US-\$ 1.05 to US-\$ 1.11 was above the parity line against the Euro. The Yen also lost against the stronger Euro. It traded between Yen 125 and Yen 133. Changes in the exchange rate relations could affect our export business with these currency regions.



Development of the Machine Tool Industry

The **world-wide** decline in the demand trend for machine tools remained unchanged in the first quarter. There are no new forecasts for the most important – the American, Asian and European – markets. We stick to our assessment made in the Forecast 2003 of our Annual Report in which we expect both global output and consumption of machine tools to be around 2-5% below the preceding year's figure that will therefore be between € 31 and 32 billion.

The **German machine tool industry** in its forecast for **sector trends** also expects a difficult year ahead. During the first three months of the year, the order intake remained 5% below the figure for the preceding year. Whilst domestic orders (-14%) declined substantially, international orders (+1%) increased slightly. The development trends for cutting machines that are comparable with the DECKEL MAHO GILDEMEISTER production programme were identical. Here, the intake of new orders also decreased by 5%, and sales dropped by 12%. Different estimates for the first three months of the year are given by the Munich-based ifo Institute with respect to the **business climate** in our principal markets – such as general engineering, road vehicle construction and electrical engineering. In road vehicle construction and – to a limited degree – in electrical engineering, the mood is subdued, but still satisfactory. In contrast to this, the business climate in mechanical engineering has continued to deteriorate in March.



New forecasts with respect to **order intake** and **production** have not been published during the reporting period. The estimates of the vdw, published in our Annual Report, where the intake of new orders and production are, at best, expected to be at the preceding year's level, therefore continue to apply. Taking into account the available up-to-date information for 2002, this would mean an intake of new orders of € 8.6 billion and a production of € 8.8 billion.

In addition to the **export figures** set out in our Annual Report and based on the first three quarters of 2002, we now have available the export figures for the fourth quarter 2002 and the revised values for 2001. According to these data, the ranking of the five major importing countries of German machine tools and their share to the proceeds from exports changed. The United States remained the most important market for German machine tools with a sales share of 13% (2001: 16%). With a 7% share (2001: 5%), China came second in the ranking of major purchasing countries ahead of Italy with a good 6% (2001: 8%). France with a 6% share (2001: 8%) fell back to fourth place, followed by Switzerland with 5% (2001: 5% also).

At the end of 2002, **capacity utilisation** was at 89.6%, dropping to 85.7% by the end of the first quarter 2003. Contrary to our expectations, the level of orders did not drop; but rose from 6.7 months in October last year to 6.9 month in February this year.

Source: vdw (Association of German Machine Tool Factories)

Business Development in the GILDEMEISTER Group



As of 31 March, 2003, the GILDEMEISTER group was made up of

_ GILDEMEISTER Aktiengesellschaft as **parent company** and the following affiliated companies and their subsidiaries:

- _ GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- _ GILDEMEISTER Italiana S.p.A., Brembate di Sopra,
- _ DECKEL MAHO Pfronten GmbH, Pfronten,
- _ DECKEL MAHO Geretsried GmbH, Geretsried,
- _ DECKEL MAHO Seebach GmbH, Seebach,
- _ FAMOT Pleszew S.A., Pleszew,
- _ SAUER GmbH & Co. KG, Idar-Oberstein,
- _ DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai,
- _ a & f Stahl- und Maschinenbau GmbH, Würzburg,
- _ DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld.

The Consolidated Company Report includes all group companies controlled by GILDEMEISTER Aktiengesellschaft. As of 31 March, 2003, the GILDEMEISTER group comprises of 61 companies, including GILDEMEISTER Aktiengesellschaft, 59 of which were included in the Interim Financial Statements as part of the full consolidation process. As previously reported, DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, Ltd. was established in November 2002 and commenced business operations at the beginning of the current financial year. With its fully owned subsidiaries, GRAZIANO Tortona S.p.A., Tortona, and SACO S.p.A., Castelleone, GILDEMEISTER Italiana constitutes a subgroup.

	PROCUREMENT	SALES AND SERVICES ORGANISATION
FAMOT Pleszew S.A. Pleszew 99,2%	SAUER GmbH & Co. KG Idar-Oberstein 50,5%	DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. 100%
	a & f Stahl- und Maschinenbau GmbH Würzburg 90%	DMG Vertriebs und Service GmbH Bielefeld 100%
		48 Sales and Services Organisations world-wide

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As do DECKEL MAHO Pfronten GmbH and DMG Vertriebs und Service GmbH with their respective subsidiaries. GILDEMEISTER Aktiengesellschaft now holds 99.17% of FAMOT Pleszew S.A. (previously 99.0%).

In the metal-cutting technology field, the GILDEMEISTER group comprises of the “Machine Tools”, “Services” and “Corporate Services” segments. We reported in detail on the composition and orientation of these segments in our Annual Report 2002.

As far as we are aware, the shareholders' structure of the GILDEMEISTER Aktiengesellschaft has not changed significantly in the first quarter of 2003. The GILDEMEISTER shares continue to be primarily in diversified holdings. The largest share is held by WestLB AG with an unchanged 6.75%.

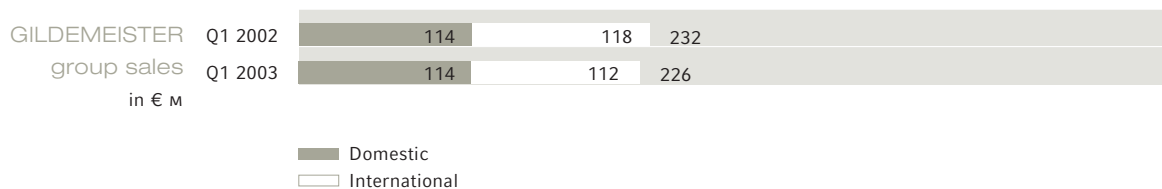
The following change occurred in the **legal corporate structure**: In March, DMG Vertriebs und Service GmbH acquired 40% of the shares in DMG Marketing & Service Snd Bhd, Kuala Lumpur.

An **increase in, or reduction of, capital** did not take place in the reporting period. With respect to **organisation and administration**, the tried and tested management of all group companies as profit centres remained unchanged.

Business development for the GILDEMEISTER group in the first two months of the current financial year was set out in detail in the Annual Report 2002.

Sales

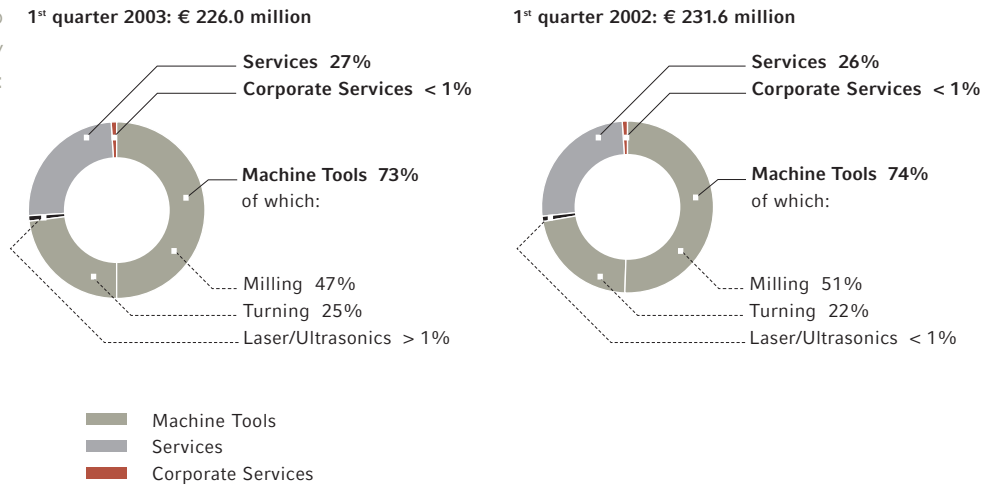
In the first quarter, **group sales** reached € 226.0 million, and was therefore roughly at the preceding year's level (€ 231.6 million), which is slightly better than the forecast published in the Annual Report 2002. International sales dropped by € 5.8 million or 5% to € 111.7 million; whilst domestic sales remained unchanged at € 114.3 million (same period in the preceding year: € 114.1 million). The export share reduced to 49% (same period in the preceding year: 51%).



In the “Machine Tools” segment, the ten production plants of the GILDEMEISTER group (previously nine) contributed 73% of the sales at their six domestic and four international sites (previous year: 74%). As planned, the milling machines and machining centres of DECKEL MAHO contributed 47% (previous year: 51%) and the laser/ultrasonic technologies a good 1% (previous year: almost 1%). Due to increased demand in the “turning” technology, the lathes and turning centres of GILDEMEISTER, GRAZIANO and FAMOT contributed 25% to group sales (previous year: 22%).

The “Services” segment, which includes the services of DMG Vertriebs und Service GmbH and a & f Stahl- und Maschinenbau GmbH as well as the equipment and component business of SACO S.p.A., increased its sales performance by 1% in the first quarter compared with the same period last year; its sales contribution therefore rose to 27% (same quarter in the preceding year: 26%).

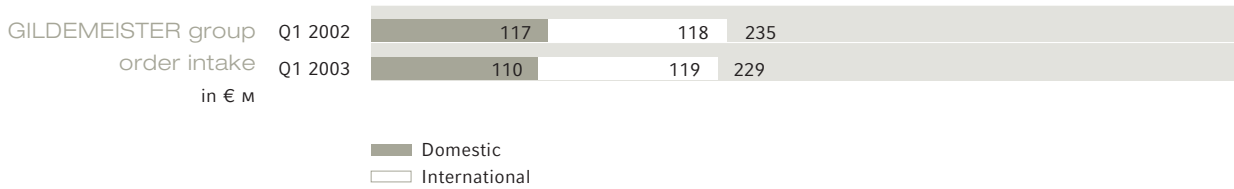
GILDEMEISTER group sales distribution by segments / divisions:



Based on the still satisfactory order backlog of approximately three months and the expected intake of new orders in the current financial year, we stick to our forecast that group sales could again exceed € 1 billion in the year 2003.

Order Intake

As published in the Annual Report 2002, GILDEMEISTER expects a rather restrained course of demand for the current financial year. We, too, expect a revival in demand for machine tools from September onward. In the first quarter of the reporting year, intake of new orders amounted to € 229.0 million and was therefore just slightly below the same quarter of the preceding year (-3%). After we achieved a 20% increase in the intake of new orders as early as February 2003 in contrast to the restrained intake in January, we succeeded in reaching the planned level of new orders for March.

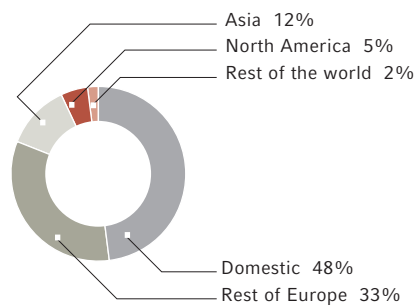


We are therefore above industry trends, which suffered a 5% loss during this period (as of March 2003). Domestic orders reached € 110.1 million; that is € 6.7 million or 6% less than in the same quarter of the preceding year. Our international orders reached € 118.9 million, which is at the level of the same quarter in the preceding year (€ 118.4 million). The export share rose to 52% (same period of the preceding year: 50%).

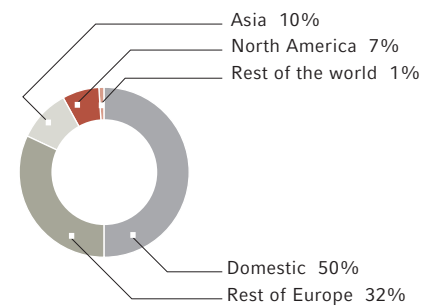
The intake of new orders in each market region developed as follows:

GILDEMEISTER group order intake by regions

1st quarter 2003: total € 229.0 million



1st quarter 2002: total € 235.2 million



In this year, too, DMG as sales and services organisation operating world-wide maintained its position in the face of heavy competition. As in the last financial year, there were again heavy losses in the domestic market during the first quarter of 2003. In Europe we have reinforced our position despite the continuing weakness of the market. In America, the intake of new orders did not reach the level of the same quarter in the preceding year. The increase in export shares is primarily due to orders from Asia, apart from Japan, particularly from China.

In the reporting period, a good 72% of new orders was generated by the “Machine Tools” segment (same quarter last year: a good 75%); almost 28% was attributed to “Services” (same quarter last year: a good 24%) and less than 1% to “Corporate Services”.

During the first quarter of 2003 we sold 1,091 turning, milling, laser/ultrasonic and used machines to 853 different customers both in Germany and abroad. The **sales volume** for the reporting period is therefore 5% less than the corresponding quarter of the preceding year. Due to a changed product mix, the average value per machine was 2% below the value for the preceding year's corresponding period. In the first quarter of this financial year, **selling prices** were raised moderately by between 0% and 3% depending on the particular product. The continuing high pressure on selling prices is due to the finished goods inventories in the world markets, particularly those of the Japanese competitors, but increasingly of the European competition.

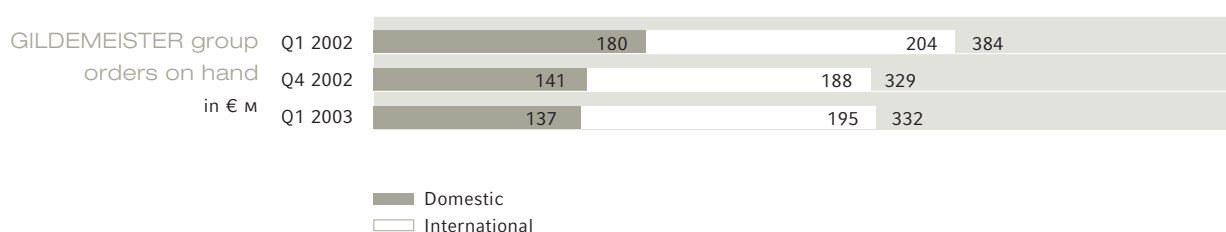
Along with a major order from the fittings industry worth € 4 million and various orders amounting to € 8 million that are being processed via our Key Accounting, we secured 186 orders totalling € 35 million at the traditional in-house exhibitions in Pfronten and Bielefeld. Our innovations from the machine and services area presented at this exhibition were met with great interest from a specialist audience.

The intake of new orders for products by GILDEMEISTER Italiana performed particularly well, with a significant increase against the preceding year's quarter. We succeeded in more than doubling orders not only for multi-spindlers, but also for automatic lathes.

Supported by targeted marketing activities and thanks to our innovative machines, we intend to increase our share of the world-wide market volume. Even after four months, a forecast for the entire year remains problematic. From today's point of view we expect our intake of new orders for the financial year to exceed € 1 billion.

Orders on Hand

On 31 March, 2003, orders on hand of the GILDEMEISTER group amounted to € 331.8 million. 59% of the existing orders were attributed to international orders (previous year: 53%). The backlog of export orders worth € 194.8 million reduced by € 9.4 million or 5% when compared with the same period of the preceding year. In the same period, the backlog of domestic orders dropped by € 43.0 million or 24% to € 137.0 million.



Orders on hand did not change significantly during the first quarter of 2003, since the intake of new orders was slightly above group sales in this period. Compared with the figure of € 328.8 million as at 31 December, 2002, the level of orders for the reporting period even increased by € 3.0 million.

For computing purposes, our orders on hand continue to represent a production capacity utilisation of around three months. With respect to this average value, which continues to constitute a satisfactory basic capacity utilisation for the current financial year, it should be borne in mind that some of the delivery dates agreed with our customers for individual projects extend into the year 2004.

By the end of the reporting period, orders on hand for the "Machine Tools" segment amounted to € 269.7 million; this is an 81% share of the group's orders on hand (preceding year's quarter: 84%). 53% of this were export orders (preceding year's quarter: 49%). € 62.1 million or 19% (preceding year's quarter: 16%) of orders on hand within the group were attributed to "Services", with an export share of 85% (preceding year's quarter: 73%). No order book exists for the "Corporate Services" area.

Results, Net Worth and Financial Position

In the first quarter of the current financial year, GILDEMEISTER achieved, as previously announced, positive **EBIT** (earnings before interest and taxes) of € 2.6 million. A slight loss on ordinary activities of € 3.8 million was recorded. The net loss for the year as of 31 March 2003 totals € 4.3 million (31 March, 2002: net profit for the year of € 1.0 million). Based on our measures already initiated, we hope to achieve a profit for the entire year. We will consider the distribution of a dividend, as soon as the group has achieved an adequate net profit for the year.

In relation to the company's gross performance of € 243.7 million, the materials quota of 54.8% is at about the same level as in the preceding year (54.5%). Due to the reduction in gross performance, gross yield declined by € 9.5 million to € 110.1 million. At 45.2%, the gross yield margin has remained almost constant. Staff costs dropped slightly by € 0.3 million to € 68.2 million. Whilst the balance of € 30.9 million from other income and expenses remained almost unchanged, depreciation of € 8.4 million has fallen below the preceding year's figure by € 0.9 million. The financial result totals € -6.4 million. Due to the smaller actual tax load of € 0.5 million, the tax result improved by € 4.6 million when compared with the preceding year's quarter. The tax load for the previous year amounted to € -5.1 million. Quarterly earnings per share in accordance with IAS 33 amount to € -0.15 (preceding year's quarter: € 0.04; preceding year: € -0.66).

Net worth position
in € m

	31 Mar. 2003	31 Dec. 2002	31 Mar. 2002
Fixed assets	274.0	276.3	255.8
Current assets	604.9	622.1	658.5
Equity capital	188.2	193.8	237.2
Loan capital	690.7	704.6	677.1
Balance sheet total	878.9	898.4	914.3

Since the beginning of the financial year, total equity employed shown in the Consolidated Balance Sheet reduced by about 2% to € 878.9 million. Along with the € 2.3 million reduction in fixed assets to € 274.0 million, current assets including deferred taxes also declined by € 17.2 million to € 604.9 million. The accounts receivable and other assets were essentially reduced by € 38.7 million to € 277.9 million. In line with industry trends, stocks increased by € 21.3 million to € 272.1 million during the first quarter; they are, however, € 33.7 million below the figure for the preceding year's quarter.

The reduction in the balance sheet total on the liabilities side is mainly due to the change in equity from € 193.8 million to € 188.2 million and the reduction in provisions by € 12.4 million to € 136.0 million. Since the balance sheet date, 31 December, 2002, the equity ratio changed only marginally from 21.6% to 21.4%. Since 31 December, 2002, net financial debts have increased by € 8.0 million to € 314.5 million. The benchmark figure as at 31 March, 2002 was around € 298.0 million.

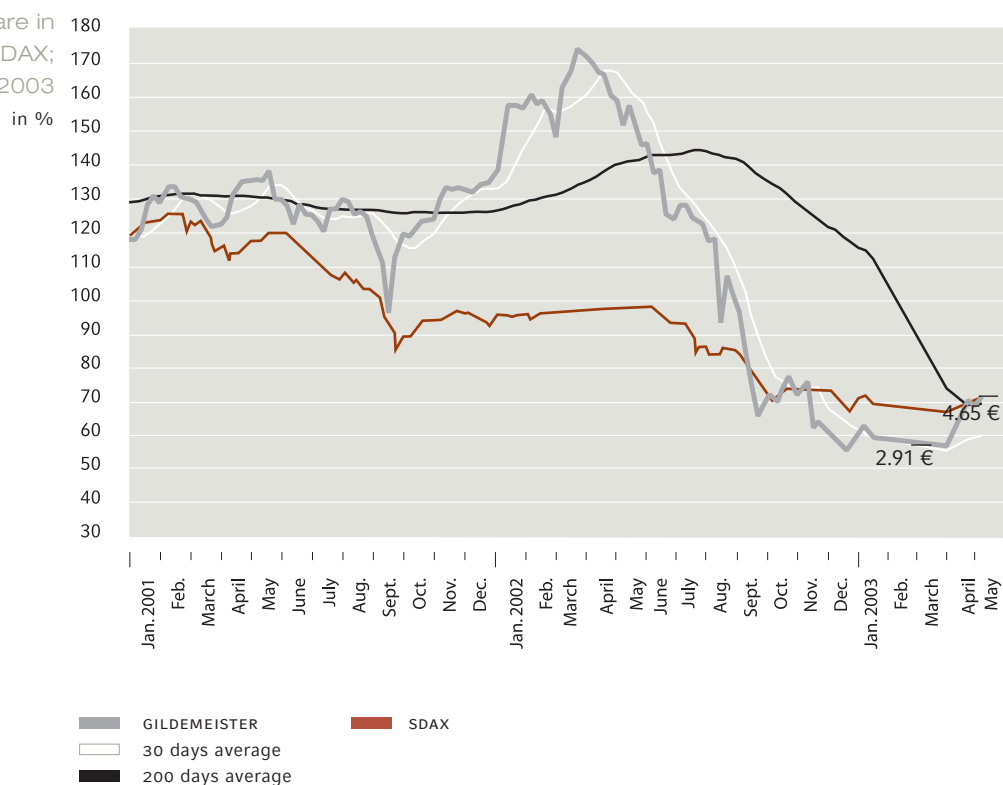
Financial position		Q1 2003	Q1 2002
in € M	Cashflow from current activities	-0.4	-15.5
	Cashflow from investment activities	-6.2	-16.5
	Cashflow from financing activities	2.9	36.6
	Change in cash and cash equivalents	-5.1	4.1
	Cash and cash equivalents 1 Jan.	17.7	15.3
	Cash and cash equivalents 31 March	12.6	19.4

In the first quarter, with € -0.4 million **cashflow from current activities** is more or less balanced. The corresponding figure for the previous financial year was € -15.5 million. This improvement in the operative cashflow is mainly due to the reduction in accounts receivable by € 45.5 million to € 249.7 million. In contrast to this, increased stocks (plus € 21.3 million), increased miscellaneous other current assets (plus € 6.8 million) and reduced provisions (minus € 12.4 million) all had an adverse impact. Spending on investment activities amounted to € 6.2 million, which is € 10.3 million less than in the preceding year's quarter (€ 16.5 million). In the first quarter of 2003, the outflow of funds from current activities and investment activity stood vis-à-vis an inflow of funds from financing activities of € 2.9 million (previous year: € 36.6 million). These financing funds result from borrowing amounts due to banks. As at 31 March, 2003, cash and cash equivalents amounted to € 12.6 million (€ 6.8 million below the preceding year's benchmark figure).

The GILDEMEISTER Share

The **GILDEMEISTER share** has passed its low in the first quarter of 2003. Until the middle of February, our security was traded at a € 4-level, and then began to weaken in the sluggish market due to the Iraq conflict. On 13 March, its lowest value was quoted at € 2.91. Following the press conference on financial statements that was held on 31 March, the GILDEMEISTER share moved ahead at a price of € 3.60. During the following days, this price rose continually. Not even the current price of € 4.65 (5 May, 2003), though, reflects the value of the company. However, according to experts, an overall turn-round in the stockmarket is not expected before there are clear signs of economic recovery. Since 21 March, 2003, the GILDEMEISTER share has been listed on the SDAX due to the new segmentation of the stock indices. According to analysts, the entry in the index will probably play a secondary role in the price performance of the share. Along with the research for the first months of the current year mentioned in the Annual Report 2002, the following up-to-date valuations are currently available: Landesbank Baden-Württemberg (10 April, 2003) and WestLB Panmure (14 April 2003). These surveys can be viewed on the Internet or are available through our Investor Relations Team.

The GILDEMEISTER share in comparison with the SDAX; January 2001 to May 2003



With the Annual Report published in March, we continued our **Investor and Public Relations activities** at our usual high standard. Along with the press conference on financial statements and the analysts conference, there were numerous contacts with institutional investors, financial analysts and private investors. We see our activities in this area as an important element of the company's growth-oriented strategy. Our Investor and Public Relations work is primarily aimed at the open, speedy and comprehensive communication of information. With this approach, we give private and institutional investors, representatives of investment companies and analysts the opportunity to evaluate business conditions and assess our future prospects. The Internet plays a major role in this. The regularly updated **GILDEMEISTER website** (www.gildemeister.com) has become a central medium of communication. Our user-friendly website contains comprehensive and relevant information.

At GILDEMEISTER, **Corporate Governance** enjoys a high standing. In line with its important role, we have, for the first time, included extensive background information on this subject in a separate chapter (starting on page 86) of the Annual Report 2002. As set out in the Report, GILDEMEISTER meets all recommendations contained in the German Code of Corporate Governance; the only exception being the special remuneration for the chair and members of the newly appointed Finance and Auditing Committee. This recommendation will be implemented following the resolution to be passed at the next general meeting of shareholders. Good Corporate Governance represents the responsible management and supervision of companies geared towards the creation of long-term value. The main elements of the Code include the efficient co-operation between the Executive Board and Supervisory Board, respect for the interests of the shareholders and openness and transparency in the company's communication system. The Code's standards and rules are defined in our Code of Practice and are complied with by the management in the performance of all their corporate activities. In close co-operation with the Supervisory Board, the Executive Board of GILDEMEISTER sets the group's strategic direction and ensures its implementation. Our management team is value-oriented and acts responsibly. The safe-guarding of the interests of the shareholders is the main concern.

Your contact to the GILDEMEISTER Investor Relations team:

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Risk Report

General economic risks: Potential risks for the GILDEMEISTER group arise primarily from economic developments in those markets that are relevant to the company. In the USA and in Europe, the first quarter of 2003 continued to be dominated by economic uncertainties. However, with the end of the war with Iraq, the risk potential for the overall economic development was reduced. To what extent the lung disease, SARS, which mainly affects Asia, will have an adverse impact on regional economic activities in the long term, can currently not be foreseen. All in all, there are no risks arising from overall economic development that would jeopardise GILDEMEISTER's existence.

Section risks: Risks arise from the continued restrained course of demand during the first quarter of 2003 for the future development of the GILDEMEISTER group. However, we, too, expect a revival in demand for machine tools from September onward. Our expectation is backed by an increase in demand in the market for multi-spindle automatic lathes, which usually acts as an early indicator of the general demand for tool machines. GILDEMEISTER with its global presence coupled with a consistent market orientation and stringent product development is strategically well positioned even in the face of unfavourable sector trends. Thanks to our starting position, we will be able to profit from the situation, once demand for machine tools begins to pick up. Should our expectations become reality, the GILDEMEISTER group's net worth position would not be substantially affected.

Risks from operative tasks: Individual risks that are inseparable from our entrepreneurial activities are continually monitored by the GILDEMEISTER risk management system. As far as possible, we have taken precautions against those business risks that could substantially affect the company's net worth, financial and profit situation. The continued heavy competition for our products in the international markets is counteracted by reduced costs, enhanced production processes and optimised product start-ups at GILDEMEISTER. We deal with development and product start-up risks of individual product types through regular reviews with the participation of various divisions of the group. The valuation of capitalised deferred taxes on loss carryovers of some of the group companies will depend on the future development of these companies. The group's cash position is affected by the delayed payment pattern of our customers, the

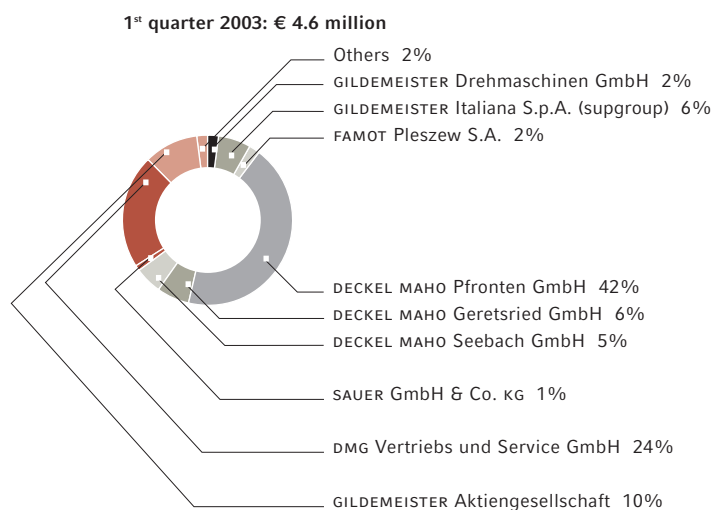
high level of capital tie-up and the losses suffered by some of the group companies. In this respect, various measures were introduced to reduce capital tie-up and improve performance. There are risks and rewards from exchange rate fluctuations for the group. The hedging against currency risks is carried out with each transaction through the group companies or GILDEMEISTER Aktiengesellschaft.

Overall risk: Compared with the end of the last financial year, no major changes have occurred in the risk situation of the GILDEMEISTER group. It becomes evident in the overall assessment that the risks can be controlled and that the future existence of the GILDEMEISTER group is not jeopardised. We do not currently expect any fundamental changes in the group's risk situation. For further details we would refer to the Risk Reporting included in our Annual Report 2002.

Investments

In the first quarter of 2003, investments in tangible and intangible fixed assets amounted to € 4.6 million. This represents 18% of the planned annual volume of € 25.5 million. Compared with the benchmark figure (1st quarter 2002: € 6.7 million) this is a 31% reduction in investments. The investments carried out were primarily used to maintain the group companies' readiness to operate.

Contribution of each group company to investments in tangible and intangible assets



Production and Logistics, Products and Services

In the first quarter, focal points in production, logistics and procurement included the implementation of the globalisation strategy and expansion of our strategic supply partnerships.

To gain access to the steadily growing Chinese market, GILDEMEISTER opened its first production site outside Europe on 15 January, 2003. At our new site in Shanghai, we will initially produce typical line machines with the CTX 310 and the DMC 64 v *linear* that are geared to the growing market segment of Chinese small and medium-sized private enterprises. The new plant is fully integrated into the group's **production and logistics association** and benefits from the existing relationships to suppliers, which will also enable local procurement of machine components. Import duty and costs of transport will thereby be reduced significantly.

The overall logistic strategy of GILDEMEISTER has also convinced at a European level. Following the German Logistics Award 2002, on 23 January, 2003, the jury of the European Logistics Association honoured GILDEMEISTER as the winner of the **"European Award for Logistics Excellence 2002"**.

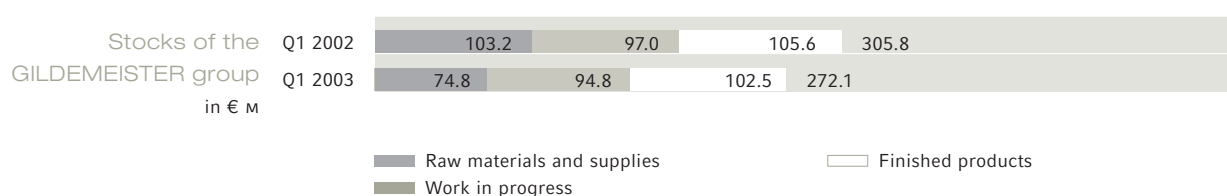
Enhanced logistic processes and shorter processing times that are due to the introduction of line assembly production at the sites in Seebach, Bielefeld and Pfronten resulted in the implementation of another assembly line for the DMU 80 T at the Pfronten plant. In addition, the DMU 60 T and DMU 80 T models can now be assembled on this new line in a model mix, which leads to a significant increase in production flexibility.

The Pleszew site held in-depth workshops to increase productivity. The interdisciplinary teams not only succeeded in the technological simplification of products, but also in the operative implementation of improvement activities in production, construction and procurement. For example, it was possible to utilise a more than 10% cost-cutting potential with respect to a trunk machine.

In **procurement**, the partnership-like collaboration with our strategic suppliers within the coSupply campaign led to a further increase in supply reliability within the GILDEMEISTER group in the first quarter. Along with numerous operative coSupply workshops, the third GILDEMEISTER Suppliers Day was held at the Pfronten plant on 12 February, 2003. More than 200 representatives from the TOP 100 supply companies took part in in-depth specialist discussions and saw the "Supplier-of-the-Year" award. The event therefore represented an important platform for the further development of the coSupply campaign.

Co-ordinated by central procurement, the plants of the GILDEMEISTER group worked on the further optimisation of the systematic materials group management in cooperation with the respective suppliers.

All activities in the procurement area have thereby contributed to an improved procurement of merchandise and enhanced quality of start materials. Compared with the last quarter, **prices and costs** in the procurement market did not change substantially. However, the activities mentioned above did result in another improvement in performance. In addition, stocks were reduced by € 33.7 million when compared with the comparative period of the preceding year. In this respect, the improvements in the logistic processes were reflected in a € 28.4 million reduction in raw materials and consumables.



The GILDEMEISTER group will continue to pursue its innovation-orientated strategy of technological supremacy in cutting machine tools. We resolutely pursued the development our new **products and services**, which will be exhibited at the EMO 2003 in Milan.

Employees

On 31 March, 2003, GILDEMEISTER employed 5,048 people (as of 31 December, 2002: 5,045), 192 of which were trainees. Changes in staff resulted from the construction of the new production plant in China and additions to the workforce in sales and technical services. Staff adjustment measures are directly related to business development in the individual divisions.



At the end of the first quarter, 3,180 employees were working in the domestic companies and 1,868 in the international companies. The resulting 37% share of employees working abroad has remained constant when compared to the last quarter.

In the first quarter, spending on wages and salaries including social insurance contributions amounted to € 68.2 million (€ -0.3 million less when compared to the preceding year's quarter).

Research and Development

The current research and development projects were continued; spending was reduced by 6% to € 9.8 million (preceding year's period: € 10.4 million). External development costs were reduced; the number of employees in Research and Development remained almost unchanged. In the GILDEMEISTER group, 394 employees (first quarter of 2002: 404 employees) are currently working on the development of innovations. This represents an unchanged 13% of the workforce at the production plants.

Our continuing market-orientated strategy of innovative leadership becomes evident in our ten new machines that will be exhibited to the world public in October at the EMO in Milan. In the turning area we would like to draw attention to the world price competitive CNC universal lathe line, which was started with the CTX 310 and was completed by two further models. In the promising ultrasonic technology field, two products will be introduced, the DMS 50-5 ultrasonic and DMS 70-5 ultrasonic; these will enable a simultaneous 5-axis / 5-sided machining of the component.

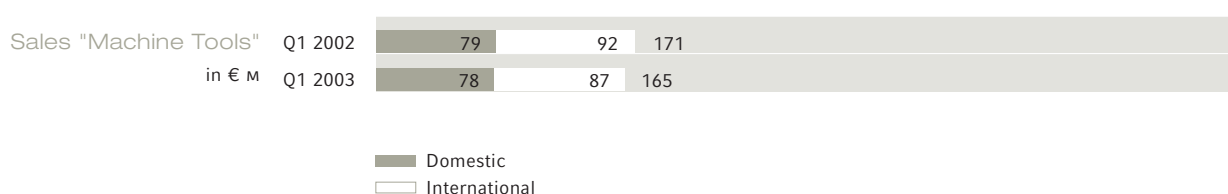
"Machine Tools" Segment

BUSINESS TREND KEY FIGURES	2003	2002	Changes	
	1 st quarter	1 st quarter	2003 against 2002	
	€ M	€ M	€ M	%
Sales				
Total	165.1	171.2	-6.1	-4
Domestic	78.4	79.1	-0.7	-1
International	86.7	92.1	-5.4	-6
% International	53	54		
Order intake				
Total	165.6	177.4	-11.8	-7
Domestic	73.7	79.9	-6.2	-8
International	91.9	97.5	-5.6	-6
% International	55	55		
Orders on hand*				
Total	269.7	320.9	-51.2	-16
Domestic	127.8	163.0	-35.2	-22
International	141.9	157.9	-16.0	-10
% International	53	49		
Investments**	2.9	5.2	-2.3	-44
Employees				
plus trainees	3,153	3,304	-151	-5
Total employees*	192	178	14	8
EBIT	3,345	3,482	-137	-4
Profit/loss for the year	3.4	8.6	-5.2	-60
	-0.4	1.4	-1.8	-129

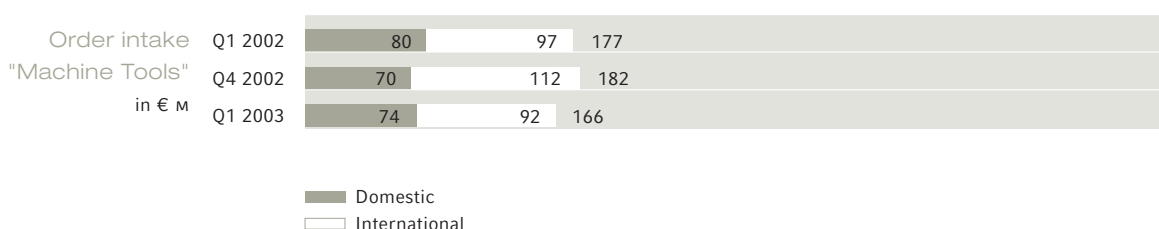
* Reporting date 31 March

** Tangible and intangible asset additions, excl. capitalised development expenses, goodwill additions and financial leases

The “Machine Tools” segment includes the group's new machines business. Its composition has not changed during the reporting period. In the first three months of the financial year, **sales** in this segment amounted to € 165.1 million, thereby remaining 4% below the preceding year's figure of € 171.2 million. Whilst domestic sales of € 78.4 million remained almost unchanged, a slight reduction to € 86.7 million was recorded with respect to international sales. The export share reduced to 53% (preceding year's quarter: 54%).



In the first quarter, the **order intake** for new machines reached € 165.6 million. In comparison with the preceding year's quarter (€ 177.4 million), this is a 7% reduction (€ 11.8 million) in the intake of new orders. There was a reduction in both domestic and international sales. With 55% the foreign share remained at the preceding year's level (55%).



As at 31 March, 2003, **orders on hand** for new machines amounted to € 269.7 million; which means that no substantial change has occurred since the beginning of the financial year. In comparison with the preceding year's quarter on the other hand, the level of existing orders reduced by € 51.2 million or 16%. The export share increased to 53% in the reporting period.

In the first quarter, the new machines business achieved **EBIT** of € 3.4 million, and thereby remained below the figure for the preceding year's quarter of € 8.6 million. Compared with the previous year, profitability is mainly affected by a reduction in gross yield.

In the reporting period, **investments** in this segment totalled € 2.9 million (previous year: € 5.2 million). Further details are set out in the “Investments” chapter.

As at 31 March, 2003, 3,153 **employees** (31 March, 2002: 3,304) and 192 trainees (31 March 2002: 178) were working in the “Machine Tools” segment. This is a total reduction of 137 employees.

Employees in the "Machine Tools" segment (including trainees)	Q1 2002	3,482 (178)
	Q4 2002	3,366 (224)
	Q1 2003	3,345 (192)

"Services" Segment

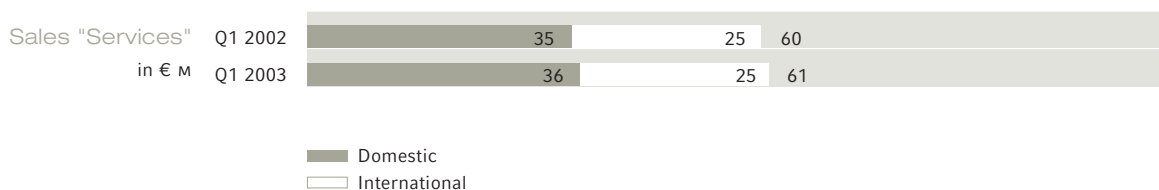
KEY FIGURES	2003	2002	Changes	
	1 st quarter	1 st quarter	2003 against 2002	
	€ M	€ M	€ M	%
Sales				
Total	60.8	60.2	0.6	1
Domestic	35.8	34.8	1.0	3
International	25.0	25.4	-0.4	-2
% International	41	42		
Order intake				
Total	63.3	57.6	5.7	10
Domestic	36.3	36.7	-0.4	-1
International	27.0	20.9	6.1	29
% International	43	36		
Orders on hand*				
Total	62.1	63.3	-1.2	-2
Domestic	9.2	17.0	-7.8	-46
International	52.9	46.3	6.6	14
% International	85	73		
Investments**	1.2	1.1	0.1	9
Employees*	1,637	1,657	-20	-1
EBIT	2.7	4.1	-1.4	-34
Profit/loss for the year	0.5	2.7	-2.2	-81

* Reporting date 31 March

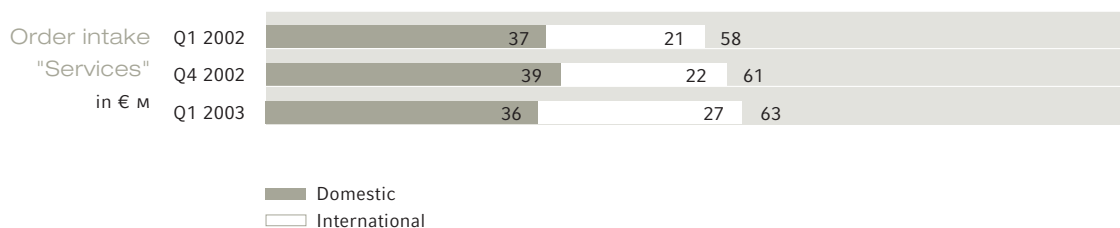
** Tangible and intangible asset additions, excl. capitalised development expenses, goodwill additions and financial leases

The operating area of the “Services” segment remained unchanged against the Risk Reporting included in the Annual Report 2002. The segment's sales contribution to the group's sales volume increased from 26% to 27%. With € 60.8 million, **sales** were slightly above the preceding year's figure of € 60.2 million. Adjusted by the reduced remuneration for introduction and consulting activities over the course of time, which is due to the restrained machine business, a growth in sales in the service and spare

parts business has been recorded. Domestic sales increased by 3% to € 35.8 million. With € 25.0 million, international sales remained constant (previous year: € 25.4 million). The export share thereby dropped from 42% to 41%.



In comparison with the previous year, the **order intake** increased by 10% to € 63.3 million (previous year: € 57.6 million) and was therefore 3% (€ 1.9 million) above the figure for the preceding year's fourth quarter (€ 61.4 million). Whilst domestic orders totalled € 36.3 million (previous year: € 36.7 million), international orders amounted to € 27.0 million (previous year: € 20.9 million). The export share rose to 43%.



Compared with the preceding year's quarter, **orders on hand** only reduced slightly from € 63.3 million to € 62.1 million. Since the beginning of the financial year on the other hand, the level of existing orders rose by € 2.5 million. As at 31 March, the share of international orders on hand had increased from 73% to 85%.

In the first quarter, **EBIT** amounted to € 2.7 million (previous year: € 4.1 million). In comparison with the preceding year's quarter, this reduction in performance is primarily due to the decreasing margin share from the machines business.

In the reporting period, **investments** carried out in this segment amounted to € 1.2 million, as in the previous year. Further details are set out in the "Investments" chapter.

1,637 people (31 March, 2002: 1,657) were **employed** in the Services segment at the end of the quarter. During the course of the first quarter, a new organisational structure was implemented at DMG Vertriebs und Service GmbH. This re-organisation

process is aimed at adapting DMG Vertriebs und Service GmbH even closer to customer and market requirements world-wide. It is thereby intended to consistently develop and push ahead the international customer and market orientation at GILDEMEISTER. The new organisational structure is aligned globally to the German, European, Asian and American markets. The organisational restructuring is in line with plans.

Employees "Services"	Q1 2002	1,657
	Q4 2002	1,614
	Q1 2003	1,637

"Corporate Services" Segment

KEY FIGURES	2003	2002	Changes	
	1 st quarter	1 st quarter	2003 against 2002	
	€ M	€ M	€ M	%
Sales	0.1	0.2	-0.1	-50
Order intake	0.1	0.2	-0.1	-50
Investments**	0.5	0.4	0.1	25
Employees*	66	64	2	3
EBIT	-2.1	-1.6	-0.5	-31
Profit/loss for the year	-3.9	-2.9	-1.0	-34

* Reporting date 31 March

** Tangible and intangible asset additions, excl. capitalised development expenses, goodwill additions and financial leases

The "Corporate Services" segment is comprised of GILDEMEISTER Aktiengesellschaft with its group-wide holding functions and the holding company Macchine Utensili S.p.A. as financing company for the Italian production plants.

The **order intake** and **sales** result from income from rents; amounting to € 0.1 million in the first quarter. On 31 March, 2003, 66 **employees** were working in this segment. With € -2.1 million, **EBIT** is below the preceding year's quarter of € -1.6 million. In the reporting period, **investments** in the "Corporate Services" segment totalled € 0.5 million.

Supplementary Report for April

Overall economic development has not improved as yet. With the quick ending of the war with Iraq, however, one uncertainty factor no longer applies. Nevertheless, a drastic recovery in the global economy is not expected before the second half of the year, as pointed out by the Organisation for Economic Co-operation and Development (OECD) in Paris. Economic activity in the USA did not see any significant progress either. In many parts of the manufacturing industry, production capacity utilisation was inadequate. In **Germany**, hopes for a recovery were dampened again. In April, the business climate index of the Munich-based ifo Institute went down again, after having fallen in March.

Sources: Organisation for Economic Co-operation and Development (OECD), Paris; Ifo Institute, Munich

Economic trends in the **German machine tool industry** continued to decline, and demand remained slack. Industry figures for April have not been published yet. In the first three months, incoming orders for cutting machine tools were 5% below the corresponding figures for the preceding year; sales dropped by 12% (as of: March 2003). Orders on hand in production months with respect to machine tools reduced to 6.9 months (previous year: 7.3 months); and capacity utilisation reached just 85.7% of the full use of capacity customary in the company (previous year: 89.4%).

Source: vdw (Association of German Machine Tool Factories)

According to our assessments, this development has continued to date, which means that in this respect **no change** in the general economic setting has occurred since the end of the reporting period. There is no sign of the turn-round in demand for German machine tools that had been expected for more than a year.

In April, **business development** at GILDEMEISTER was in line with plans. In the first four months, sales reached € 301.3 million (preceding year's period: € 311.7 million).

Sales of the GILDEMEISTER
group January to April
in € m

2002	312
2003	301

During the first four months of this financial year, the order intake amounted to € 316.5 million (previous year: € 312.8 million). We expect to achieve a higher level of incoming orders for the following two months, i.e. the second quarter, than for the first quarter. As of 30 April, 2003, orders on hand totalled € 344.0 million.

A special trade fair success was recorded at the CIMT in Beijing. At this largest Asian trade fair, GILDEMEISTER achieved an intake of new orders of € 12.2 million with respect to 81 machines sold. Just as important are the offers that were triggered for business transactions after the fair. The lasting impetus from the CIMT reinforces GILDEMEISTER's Asia strategy and, with around € 50 million, represents a solid base for the business volume expected for this year.

No further **significant events** have occurred since the end of the reporting period.

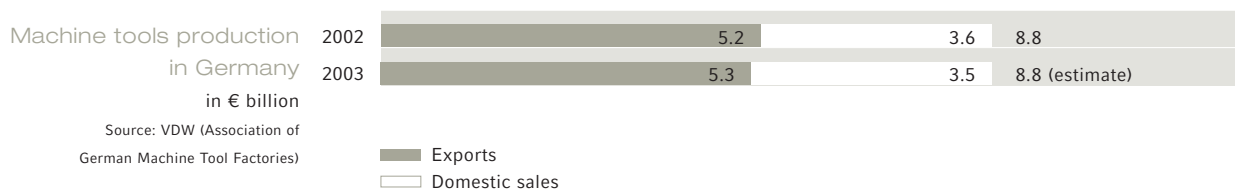
Forecast 2003

According to economic researchers, the **global economy** will gradually begin to show signs of recovery during the course of the year. The end of the war with Iraq has improved growth prospects throughout the world. The International Monetary Fund (IMF) in Washington expects economic activity to move ahead during the second half the year. Different countries and regions will profit from this situation in different ways: The Kiel-based Institute for World Economics (IfW) forecasts a global increase of 3.1% in gross domestic product. In the **USA** the improved general conditions of world politics will lead to a noticeable revival of production and demand from the middle of the year, experts say. The IfW forecasts a 2.5% growth in gross domestic product (GDP); with 2.2% the forecast by the IMF is slightly more cautious. According to forecasts by the economic researchers, growth development in **Asia** will vary: in East Asia, the speed of expansion will remain fast; the driving force for development being China. For 2003 an 8.0% growth in gross domestic product is forecast. In Japan, a dynamic recovery is hindered by continuing deflation and structural problems. The growth forecast by the IfW is around 1.2%. Driving forces – even though not quite so strong – are forecast for **Europe** from summer onward. According to IfW, there could be a 1.0% growth in GDP in the European Union. This corresponds with the assessment of the EU Commission in Brussels. Experts agree that in **Germany** economic activity will only pick up very slowly. The cautious consumption which is due to the uncertainties in employment continues to have a braking effect. A tentative recovery is expected with respect to investments in plant and equipment. In their spring report published in mid-April, the six major research institutes expect just 0.5% growth in GDP. A revival of the German economy with a 1.8% GDP is not expected before the year 2004.

Sources: International Monetary Fund (IMF), Washington; Institute for World Economics (IfW), Cologne; EU Commission, Brussels
Spring report by the six major German research institutes

The **world-wide market for machine tools** will barely reach the preceding year's level in 2003. As set out in the Forecast of our Annual Report 2002, global output and world-wide consumption of machine tools will be lower than in the previous year. Forecasts on international development with provisional figures for the financial year are not available. According to our assessments, we expect a 2 - 5% decline so that both global output and world-wide consumption of machine tools could reach between € 31 and 32 billion for the entire year 2003.

The **German machine tool industry** in its forecast for sector trends also expects another difficult year ahead. If intake of new orders remains low, the vdw (Association of German Machine Tool Factories) expects output to be at the preceding year's level, which would result in a gross output of € 8.8 billion. In line with this forecast, a 2% profit or € 5.3 billion export volume is expected.



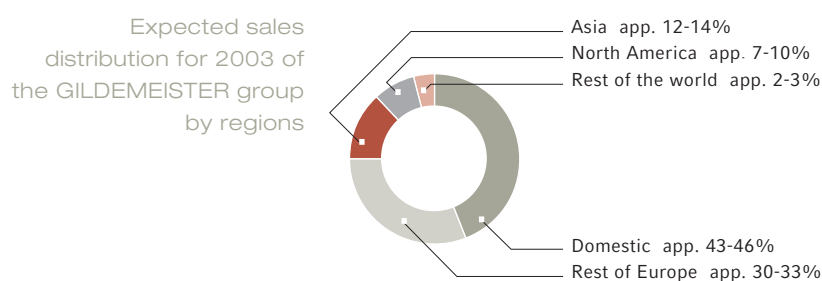
Thanks to its innovations and the expansion of the sales and services organisation, **GILDEMEISTER** is well prepared for any market recovery. We stick to our expectations that we will accomplish most of our planned business targets for the year 2003 even under continuing difficult market conditions.

With respect to the **intake of new orders**, we expect demand for machine tools to pick up from September onward. During the first four months, the intake of new orders within the group totalled € 316.5 million. For the second quarter of 2003, we expect the intake of new orders to be higher than in the first quarter. Supported by targeted marketing activities and thanks to our innovative machines, we expect a moderate third quarter and, as a result of a gradual recovery in demand, noticeably higher figures for the fourth quarter. We intend to increase further our **market shares**. With an improved demand situation during the course of the year, we expect our intake of new orders for the financial year to exceed € 1 billion. With regard to the regional distribution of new orders, there will be another shift in favour of Asia. In view of the difficult competitive environment in the global markets, the high pressure on **selling prices** will remain.

In the first four months of the year, **group sales** achieved € 301.3 million, as planned. Based on the still satisfactory order backlog at the end of April in comparison with the rest of the industry, and the expected intake of new orders during the months to come, we stick to our forecast that sales could again exceed € 1 billion in the year

2003. In this respect we expect sales in the second and subsequent quarters of the financial year to develop as set out in the Forecast of our Annual Report 2002.

For the current financial year, we expect a slight rise in export share to around 55%. Due to the increase in business with China, the sales contribution with respect to Asia will continue to rise. The following chart illustrates the regional sales distribution in the three major international markets and the rest of the world.



At the end of April, **orders on hand** within the group reached € 344.0 million, which represents a still satisfactory basic capacity utilisation for the next months. Expected fluctuations in demand for individual machine models can therefore largely be counter-balanced. Despite the generally high level of orders, GILDEMEISTER, too, is affected by fewer new orders in some areas, with the result that the smooth processing of some orders cannot always be guaranteed.

Performance development: Based on our current planning that assumes a revival in demand during the second half of the year, we expect to achieve a profit for the financial year. To safe-guard our performance we have introduced measures in the materials and staff costs area, and cost reductions in product development and marketing. The **second quarter** will close with positive EBIT and a profit on ordinary activities. We will consider the distribution of a **dividend**, as soon as the group has achieved an adequate net profit for the year.

With respect to our future **financing**, we expect the group's current borrowing facilities to be adequate for the assumed course of business. The group is financed via various financing circles at home and abroad. The consortium agreement, with respect to domestic operating financing, will end on 31 December, 2003. GILDEMEISTER will enter into negotiations with the financing banks in good time, and arrange for a unified form of financing throughout the group which will include international transactions.

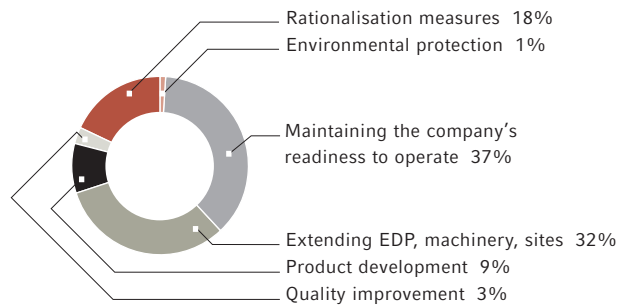
The aim is to reduce assets tied up in accounts receivable and stocks so as to correspond with the turnover ratio for the preceding years, thus enabling a reduction in the group's debt-equity ratio.

With respect to the continuing uncertain economic development, GILDEMEISTER has, as far as possible, taken precautions against those **risks** that could substantially affect the company's net worth, financial and profit situation.

With respect to the “Machine Tools” **segment**, we expect an all together difficult market environment. Based on our current planning and the measures already initiated, and supported by a revival in demand that is expected from September onward, we expect sales and performance to exceed the figures for the preceding years. Based on current conditions, the service and spare parts business of the “Services” segment will also develop well. The result pertaining to the “Corporate Services” will continue to be affected by its high contributions to administrative and financial expenses.

The planned **investments** of € 25.5 million will be consistent with the level of planned depreciation and will be carried out in line with the current course of business. The structure of the investments is well balanced and adjusted to the varying requirements of the production sites and markets. According to current assessments, no risks are involved with the intended investments.

Structure of planned investments for the financial year 2003 within the GILDEMEISTER group



In **procurement** we – in addition to the existing coSupply activities for the joint improvement of processes with our suppliers – intend to further develop the individual evaluation of the TOP suppliers, their anonymised ranking and the procurement monitoring process. It is our long-term aim to expand the strategic supply partnerships and halve the number of suppliers. In this respect, we will continue the strategic internationalisation of procurement. Our assessments set out in the Annual Report 2002 on the development of purchasing prices for start materials, the level of the raw materials and supplies inventory and its impact on the company's liquidity continue to apply.

The **production and logistics** area will continue to play an important role in the performance development of GILDEMEISTER. For example, further machine models will be produced in line assembly.

Following the successful introduction at home, the development of shopfloor visualisation will now be pursued at the international sites. By implementing the DP support for the suggestion management system at the Italian sites, which has already proven successful in the German plants, we now expect an increase in the number of suggestions for improvement and, as a result, an increased net benefit.

GILDEMEISTER will continue to pursue its innovation-orientated strategy of technological supremacy in cutting machine tools and the laser and ultrasonic area. The information on **products and services** set out in the Annual Report 2002 therefore continue to apply. According to current assessments, we will introduce the new products and services on schedule. With respect to our existing delivery programme, we do not expect any deviations from the planned volumes, costs and quality targets.

We are not planning any substantial changes to our **organisation and administration**. Apart from the changes in our **legal corporate structure** that were published in our Annual Report 2002 and the Interim Report, no further measures are currently expected.

The number of **employees** is dependent on the course of business in each segment. With respect to the “Machine Tools” segment, this means the utilisation of flexible models, the reduction of extra working hours and a capacity-orientated staff adjustment. The “Services” will see an increase in the number of employees as required. In the “Corporate Services” the number of employees remains constant.

The lasting protection of natural resources and with it the **protection of the environment** enjoy a very high status at GILDEMEISTER. For example, along with the expansion of the introduced environment management system at the plant in Pfronten, we will also invest € 0.6 million in the modernisation of the air conditioning and ventilation system.

Our objectives in the **research and development** area are the further expansion of our technological leadership and the safe-guarding of our leading market position. With ten innovations, our successful research and development policy will be specifically continued in the current year. Our focal points include the further development of the ultrasonic technology for the machining of modern, hard-brittle materials and trend-setting software and service products.

Consolidated Interim Financial Statements of the GILDEMEISTER Aktiengesellschaft as at 31 March, 2003

Notes to the Consolidated Financial Statements

1 APPLICATION OF REGULATIONS The Consolidated Interim Financial Statements of the GILDEMEISTER Aktiengesellschaft for the quarter ending 31 March, 2003 were prepared, as was the Consolidated Interim Financial Statements for the quarter ending 31 March, 2002 and the Consolidated Annual Financial Statements for the year ending 31 December, 2002, in accordance with International Financial Reporting Standards (IFRS) applicable on the reporting date and in accordance with the interpretation of the above Standards.

The regulations of the IAS 34 on interim reporting were specifically applied. All Interim Financial Statements of those companies that were included in the Consolidated Interim Financial Statements were prepared in accordance with uniform accounting and valuation principles that were also the basis for the Consolidated Interim Financial Statements for the quarter ending 31 March, 2002 and the Consolidated Annual Financial Statements for the year ending 31 December, 2002.

In view of the purpose of quarterly reporting as an information vehicle based on the Consolidated Financial Statements, and in accordance with IAS 1.91, we refer to the Notes to the Consolidated Annual Financial Statements for the year ending 31 December, 2002, which sets out in detail the accounting, valuation and consolidation methods applied. These Notes also cover in particular the exercising of election rights according to IFRS.

The accounting and valuation principles and applied consolidation methods were not changed since the financial year 2002. A representation of the type and impact of any changes on the net worth, financial and profit situation is therefore not included.

These Interim Financial Statements have not been reviewed by our auditor.

2 CONSOLIDATED GROUP As at 31 March, 2003, the GILDEMEISTER group comprised of 61 companies, including GILDEMEISTER Aktiengesellschaft, 59 of which were included in the Interim Financial Statements as part of the full consolidation process. No change in the consolidated group has occurred since the 31 December, 2002.

3 EARNINGS PER SHARE In accordance with IAS 33, earnings per share are determined by dividing the consolidated earnings by the average number of shares, as follows. There were no dilution effects in the shown reporting period.

Group result excluding profit shares of other company members	€ -4,365 K
Number of shares	28,879,427
Earnings per share	€ -0.15

4 SEGMENTAL REPORTING The information with respect to segmental reporting is given in accordance with IAS 34 and IAS 14. A detailed representation and explanatory notes are included in the "Segmental Reporting" chapter.

No changes have occurred in the demarcation of segments or in the determination of the result achieved by each segment compared with the 31 December, 2002.

5 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE No material events have occurred after the date of the Interim Financial Statements except for those presented in the "Business Development in the GILDEMEISTER Group" chapter.

Interim Balance Sheet of the GILDEMEISTER group as at 31 March, 2003

	31 March 2003	31 Dec. 2002	31 March 2002
	€ M	€ M	€ M
Assets			
Fixed assets	274.0	276.3	255.8
Current assets			
Stocks	272.1	250.8	305.8
Accounts receivable and other assets	277.9	316.6	300.9
Securities and liquid funds	12.8	17.9	21.9
Deferred taxes	37.6	32.9	24.6
Prepaid expenses and accrued income	4.5	3.9	5.3
	878.9	898.4	914.3

	31 March 2003	31 Dec. 2002	31 March 2002
	€ M	€ M	€ M
Equity and Liabilities			
Equity/shares held by other company members			
Subscribed capital	75.1	75.1	75.1
Capital reserves	48.7	48.7	48.7
Revenue reserves	68.8	70.0	88.0
Net loss for the year (prev. year: net profit)	4.4	0.0	25.4
	188.2	193.8	237.2
Shares held by other company members	1.0	1.2	6.4
	189.2	195.0	243.6
Provisions	136.0	148.4	147.6
Accounts payable	536.4	537.3	510.2
Deferred taxes	9.2	8.0	7.2
Accruals and deferred income	8.1	9.7	5.7
	878.9	898.4	914.3

Statement of Changes in Equity

	Subscribed capital	Capital reserves	Revenue reserves	Net profit/loss for the year	Group equity	Shares held by other company members	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
As of 1 Jan., 2002	75.1	48.7	83.0	24.3	231.1	10.8	241.9
Profit/loss for the year	0.0	0.0	0.0	1.1	1.1	-0.1	1.0
Fluctuations in currencies/changes in the market value of derivative fin. instr.	0.0	0.0	5.0	0.0	5.0	0.0	5.0
Consolidation measures/other changes	0.0	0.0	0.0	0.0	0.0	-4.3	-4.3
As of 31 March, 2002	75.1	48.7	88.0	25.4	237.2	6.4	243.6
As of 1 Jan., 2003	75.1	48.7	70.0	0.0	193.8	1.2	195.0
Profit/loss for the year	0.0	0.0	0.0	-4.3	-4.3	-0.1	-4.4
Fluctuations in currencies/changes in the market value of derivative fin. instr.	0.0	0.0	-1.2	0.0	-1.2	0.0	-1.2
Consolidation measures/other changes	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2
As of 31 March, 2003	75.1	48.7	68.8	-4.4	188.2	1.0	189.2

Consolidated Income Statement

	2003		2002		Changes	
	1 Jan. - 31 March		1 Jan. - 31 March		2003 against 2002	
	€ M	%	€ M	%	€ M	%
Gross performance	243.7	100.0	263.0	100.0	-19.3	-7.3
Spending on materials	-133.6	-54.8	-143.4	-54.5	9.8	6.8
Gross yield	110.1	45.2	119.6	45.5	-9.5	-7.9
Staff costs	-68.2	-28.0	-68.5	-26.0	0.3	0.4
Other income and expenses	-30.9	-12.7	-30.1	-11.5	-0.8	-2.7
Depreciation of fixed assets	-8.4	-3.5	-9.3	-3.5	0.9	9.7
Financial result	-6.4	-2.6	-5.6	-2.2	-0.8	-14.3
Profit/loss on ordinary activities	-3.8	-1.6	6.1	2.3	-9.9	-162.3
Taxes on corporate income and business profits	-0.5	-0.2	-5.1	-1.9	4.6	90.2
Profit/loss for the year	-4.3	-1.8	1.0	0.4	-5.3	-530.0
Earnings per share	-0.15		0.04			
in acc. w. IAS 33 (in Euro/share)						

Segmental reporting

	Machine tools		Changes	
	Q1 2003	Q1 2002	against previous year	
	€ M	€ M	€ M	%
Sales revenues from transactions with third parties	165.1	171.2	-6.1	-3.6
EBIT	3.4	8.6	-5.2	-60.5
Profit/loss for the year	-0.4	1.4	-1.8	-128.6
Investments	2.9	5.2	-2.3	-44.2
Employees	3,345	3,482	-137	-3.9

Consolidated Cashflow

	31 MARCH 03	31 MARCH 02
	€ M	€ M
Cashflow from current activities		
1. Net loss for the year (prev. year: net profit for the year)	-4.3	1.0
2. Depreciation of fixed assets	8.4	9.3
3. Change in deferred taxes	-3.5	0.1
4. Change in long-term provisions	0.7	-2.9
5. Change in short-term provisions	-13.1	13.2
6. Change in stocks, trade debtors and other assets	16.7	-22.3
7. Change in trade creditors and other liabilities	-5.3	-13.9
	-0.4	-15.5
Cashflow from investment activities		
1. Amounts paid out for investments in fixed assets	-6.3	-9.2
2. Amounts paid out for investments in financial assets	-0.1	-7.3
3. Amounts received from the disposal of financial assets	0.2	0.0
	-6.2	-16.5
Cashflow from financing activities		
Amounts received from raising (financing) credits	2.9	36.6
	2.9	36.6
Changes affecting payments	-3.7	4.6
Changes not affecting payments due to changes in consolidation and exchange rate fluctuations	-1.4	-0.5
Liquid funds as at 1 January	17.7	15.3
Liquid funds as at 31 March	12.6	19.4

Services				"Corporate Services"				Transition		Group			
Q1 2003	Q1 2002	Changes against previous year		Q1 2003	Q1 2002	Changes against previous year		Q1 2003	Q1 2002	Q1 2003	Q1 2002	Changes against previous year	
€ M	€ M	€ M	%	€ M	€ M	€ M	%	€ M	€ M	€ M	€ M	€ M	%
60.8	60.2	0.6	1.0	0.1	0.2	-0.1	-50.0	0.0	0.0	226.0	231.6	-5.6	-2.4
2.7	4.1	-1.4	-34.1	-2.1	-1.6	-0.5	-31.3	-1.4	0.6	2.6	11.7	-9.1	-77.8
0.5	2.7	-2.2	-81.5	-3.9	-2.9	-1.0	-34.5	-0.5	-0.2	-4.3	1.0	-5.3	-530.0
1.2	1.1	0.1	9.1	0.5	0.4	0.1	25.0	0.0	0.0	4.6	6.7	-2.1	-31.3
1,637	1,657	-20	-1.2	66	64	2	3.1	0	0	5,048	5,203	-155	-3.0

Information about GILDEMEISTER Aktiengesellschaft

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 € 3.8 million of the parent company are almost exclusively revenues arising from the company's holding function.

As at 31 March, 2003, GILDEMEISTER Aktiengesellschaft was divided into four executive units with the following functional areas: Strategy and Product Development, Sales and Marketing, Services, Personnel and Public Relations, Production and Logistics and projects across all areas; Controlling, Procurement and Information Technology and also Finances.

Profitability of GILDEMEISTER Aktiengesellschaft is dominated by the profit and loss transfer and control agreements with the four domestic subsidiaries, other income from investments and the expense relating to the holding functions.

On 31 March, 2003, 66 people were employed at GILDEMEISTER Aktiengesellschaft.

Bielefeld, 8 May 2003

Yours truly,
GILDEMEISTER Aktiengesellschaft
The Executive Board

Supervisory Board:
Chair: Dr.-Ing. Manfred Lennings
Deputy: Harry Domnik

Executive Board:
Dipl.-Kfm. Dr. Rüdiger Kapitza,
Chair
Dr.-Ing. Raimund Klinkner, Deputy
Dipl.-Kfm. Dieter Schäfer
Dipl.-Kfm. Michael Welt

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Financial Calendar

16 May 2003	General meeting of shareholders at 10am at the town hall in Bielefeld
07 August 2003	2 nd Quarterly Report 2003 (1 April to 30 June)
11 November 2003	3 rd Quarterly Report 2003 (1 July to 30 September)
10 February 2004	Press release on provisional figures for the financial year 2003
14 May 2004	General meeting of shareholders at 10am at the town hall in Bielefeld

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