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GILDEMEISTER

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PRELIMINARY NOTES. _GILDEMEISTER Aktiengesellschaft has no operational business, but runs the GILDEMEISTER group as a management holding company across all its functional areas. The sales revenues shown of the parent company result, with very few exceptions, from the performance of its holding functions. The income position of GILDEMEISTER Aktiengesellschaft differs from that of the group with respect to level and structure. It is primarily dominated by the profit and loss transfer agreements with the three domestic subsidiaries, by further investment earnings and loss sharing agreements and the revenue and expense relating to the holding functions.

This Annual Report refers only to the Annual Financial Statements of the 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 2002 and the Consolidated Financial Statements contained therein, which were prepared in accordance with International Financial Reporting Standards (IFRS)._

Economic situation and course of business 2002

Overall Economic Development

In the year 2002 overall development world-wide did not meet expectations. In summer 2002, the global economy suffered another downturn after it had initially been able to stabilise under the influence of the USA. Economic pressure was primarily caused by the Iraq conflict, the outcome of which cannot be foreseen, and which directly affected the oil prices. The situation in Japan also remains difficult. In most European Union member states, growth remains below the figures for the previous year. The German economy came to a hold. According to provisional calculations by the Institute for World Economics (IfW) based at Kiel University, aggregate output rose globally by 2.8% (previous year: 2.2%).

Development of the Machine Tool Building Industry

The trend towards a world-wide decline in demand for machine tools continued in the reporting year. According to its latest figures, the Association of German Machine Tool Factories (VDW) expects a global output of € 32.8 billion for 2002. The high level of the preceding year of € 39.1 billion dropped by 16% and was back at the level for 1999. In line with the international section trend, the year 2002 brought a 17% decrease in German machine tool production. This drop in production is mainly due to the fact that,

despite the previous year's high level of order backlogs that had to be worked off, it was not possible to achieve an adequate level of follow-up orders to utilise existing production capacities. Whilst the intake of new orders decreased by just 5% against the previous year, there was a 22% drop in domestic sales and a 14% drop in exports. Exports reached € 5.0 billion in the reporting year.

Results, Net Worth and Financial Position

In contrast to the previous years, when GILDEMEISTER Aktiengesellschaft was able to continuously increase its income, the reporting year showed a loss on ordinary activities of € 17.5 million, from a € 58.1 million profit in the previous year.

In 2002, sales revenues were around € 16.9 million compared to € 19.2 million in the previous year. This decline in sales is primarily due to the lower head office charges for data processing services. During the same period, other operating expenses rose by € 1.1 million to € 19.1 million. This includes non-recurring expenditure of € 3.8 million for the investigation into the proposed merger between GILDEMEISTER and the Thyssen-Krupp machine tools division. However, a pooling of the machine tools business could not be achieved. In view of the difficult economic conditions and tight financial markets the required funding could not be brought together. Both parties have agreed to continue their discussion in order to develop alternative solutions and, if necessary, to implement the plan in individual stages.

The income from participating investments and profit and loss transfer agreements reduced from € 66.5 million for the previous year to € 51.1 million for the reporting year. Expense from loss transfer on the other hand amounted to € 24.9 million in 2002. There had been no expense from loss transfer in the previous year. The reduced earning power of the affiliated companies is reflected in this development. In contrast to this, the financial result improved from € 4.3 million in the previous year to € 4.9 million in the reporting year. Following the tax loss carried forward that could be claimed for the last time in 2001, tax expenditure for 2002 was € 13.1 million. This includes tax expenditure from the previous years of € 2.9 million. In all, GILDEMEISTER Aktiengesellschaft showed a profit for the year 2002 of € 4.4 million (previous year: € 59.1 million).

The balance sheet total increased by 3.7% to € 419.7 million. The assets side shows an increase in financial assets. This is due to the acquisition of interests of € 4.0 million in a & f Stahl- und Maschinenbau GmbH and of € 0.3 million in FAMOT Pleszew S.A. In addition, there was an increase in capital reserves of € 10.0 million each at DECKEL MAHO Geretsried GmbH and at DMG Vertriebs und Service GmbH and of € 10.2 million at Holding Macchine Utensili S.p.A. in the financial year 2002. DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. was established in Shanghai and provided with a € 2.7 million equity by GILDEMEISTER Aktiengesellschaft.

As at 31 December, 2002, the equity ratio of the GILDEMEISTER Aktiengesellschaft was around 60.4%, which is 5.4 percentage points below the ratio for the previous year. Adjusted by liquids, the financial indebtedness rose to € 113.6 million (previous year: € 81.1 million).

There were no major investments in tangible fixed assets by GILDEMEISTER Aktiengesellschaft during the reporting period. For 2003, investments of € 3.5 million in information and communication systems are planned.

Dividend

GILDEMEISTER Aktiengesellschaft closed the financial year with a net profit of € 4.4 million. Due to the group's annual net loss, the Executive Board and Supervisory Board will propose to the general meeting of shareholders, to be held on 16 May 2003, not to distribute a dividend, but to carry forward the GILDEMEISTER Aktiengesellschaft net profit for the year of € 4.4 million to new account for the financial year 2003. We will consider the distribution of a dividend, as soon as the group has obtained another net profit for the year.

Employees

As at 31 December, 2002, GILDEMEISTER Aktiengesellschaft was divided into three executive units with the following functional areas: Group Strategy, Product Development, Production and Logistics, Financing, Controlling, Personnel and Marketing. Following the end of the reporting year, Controlling, Procurement and Information Technology were brought together in a fourth executive unit.

As at 31 December, 2002, GILDEMEISTER Aktiengesellschaft employed 64 people (including the Executive Board). This is 10 more than on 31 December, 2001. This increase in the number of staff is due to a greater integration of the holding company into the Data Processing and Organising areas, and the expansion of Procurement and Logistics.

Research and Development

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

Risk Reporting

The global transactions of GILDEMEISTER are naturally exposed to a number of risks, which are inseparable from the running of any business. Potential risks for GILDEMEISTER result primarily from economic developments in those markets that are relevant to the company.

The cash position of GILDEMEISTER Aktiengesellschaft is primarily determined by the company's financing function for affiliated companies. In the reporting year, it has therefore been affected by the appropriation of assets and the profit situation of the affiliated companies. Following the loss suffered by GILDEMEISTER Italiana S.p.A. in the financial year 2002, it will depend on this company's future business development, whether or not GILDEMEISTER Aktiengesellschaft will be able to maintain the reported profit contribution for Holding Macchine Utensili S.p.A., which was formed for the acquisition of GILDEMEISTER Italiana S.p.A.

For the systematic identification, assessment and control of rewards and risks we actively employ our risk management policy as an integral part of day-to-day operations. The risk management system 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

With effect from 1 January 2003, Mr. Michael Welt, Dipl.-Kfm., was appointed Head of the new Controlling, Procurement and Information Technologies executive unit.

On 13 March, 2003, a profit and loss transfer agreement was entered into between GILDEMEISTER Aktiengesellschaft and DMG Vertriebs und Service GmbH. This contract is subject to an approval reservation of the general meeting of shareholders to be held on 16 May, 2003. At the beginning of 2003, we acquired a further 0.07% of the share capital of FAMOT Pleszew S.A. by public offering. GILDEMEISTER Aktiengesellschaft thereby holds 99.1% in FAMOT Pleszew S.A. On 30 January, 2003, GILDEMEISTER Aktiengesellschaft purchased the remaining 49% of shares in PCG Personnel Consulting GmbH.

No further significant events have occurred since the end of the financial year.

Forecast 2003

Before us lies another year of overall economical weakness. Forecasts suggest a further delay in economic revival which will, at best, be moderate. In addition, political risks increase the existing economic uncertainties. From today's point of view, a forecast for the year 2003 therefore remains difficult. 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. We will adjust to each changed condition of the market as required. In all, we expect the profit for the year 2003 to increase.

Notes for the Financial Year 2002

A. General Declaration

The Annual Financial Statements of GILDEMEISTER Aktiengesellschaft at 31 December, 2002 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Law (AktG). The form of the previous year's statement, particularly the subdivision of the balance sheets and of the profit and loss account, has been retained.

B. Accounting and Valuation Principles

The intangible assets and tangible fixed assets were shown at their initial costs, reduced by regular depreciation. For depreciation the straight line method was applied in accordance with the normal useful life determined by the company.

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

Additions to intangible fixed assets were depreciated pro rata temporis during the year of purchase. Additions to moveable tangible fixed assets from the first half of the financial year were included at their full annual depreciation value, additions in the second half of the financial year were included at half the annual depreciation value. Low value items were fully depreciated in the year of addition. The depreciation method has not changed from the previous year. The rates of depreciation pertaining to the fixed assets recorded in the balance sheet also remain unchanged. Additional depreciation due to tax law provisions (Sections 254, 280 para. 2 HGB) did not apply, neither did extraordinary depreciation.

Financial fixed assets were shown in the balance sheet at their initial costs. There was no re-instated depreciation or depreciation in the reporting year.

Accounts receivable and other current assets were shown at face value. There is no need to depreciate these to lower fractional values for identifiable individual risks.

The valuation of company provisions for pensions 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. in accordance with the reference tables of 1998 produced by Prof. Dr. Klaus Heubeck.

The pensions are not insured by an external pension fund.

Provisions for obligations arising from old-age part-time agreements include expenses for wage and salary payments to employees during the pre-retirement lay-off phase and topping-up payments. These reserves are accrued rateably from the start of the part-time employment phase and assessed at cash value.

The remaining reserves were assessed so that they take 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. The calculation was based on full cost. Positive profit contributions were not balanced out and price increases were not taken into account.

Reserves for anniversary bonuses were discounted at an interest rate of 5.5% p.a. Creditors are assessed at their amounts repayable.

C. Notes to the individual items of the balance sheet

Assets

- | | | |
|---|---|--|
| 1 | INTANGIBLE ASSETS
AND TANGIBLE FIXED
ASSETS | <p>The movements of the individual fixed assets are set out in the balance sheet appendices.</p> <p>The value shown for industrial property rights and similar rights includes mainly data processing software.</p> <p>In comparison with the previous year rights and software are depreciated on the basis of the new AfA tables over a useful life of three years (previously four years).</p> <p>Land and buildings are mortgaged for the security of long-term bank loans.</p> |
| 2 | FINANCIAL ASSETS | <p>The changes in financial assets of the group and GILDEMEISTER Aktiengesellschaft are set out in the balance sheet appendices. 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, 2002 are set out in a separate summary at the end of the notes.</p> <p>In comparison with the previous year the balance sheet of GILDEMEISTER Aktiengesellschaft includes additional shares in a & f Stahl- und Maschinenbau GmbH to the value of € 4,000 K, of FAMOT Pleszew S.A. to the value of € 305 K, of DECKEL MAHO</p> |

GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. to the value of € 2,721 κ as well as of the GILDEMEISTER Beteiligungen Aktiengesellschaft to the value of € 56 κ purchased in the financial year 2002.

Further additions in financial assets of GILDEMEISTER Aktiengesellschaft arise from payments in to capital reserves at Holding Macchine Utensili S.p.A. of € 10,200 κ and at DECKEL MAHO Geretsried GmbH of € 10,000 κ that were carried out in the financial year 2002. Due to the contribution of accounts receivables the capital reserve of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER rose by € 10,000 κ.

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

- _ GILDEMEISTER Drehmaschinen GmbH,
- _ DECKEL MAHO Pfronten GmbH,
- _ DECKEL MAHO Seebach GmbH.

- 3 DEBTORS AND OTHER ASSETS Amounts owed by affiliated companies of € 219,214 κ (Previous year: € 229,988 κ) to GILDEMEISTER Aktiengesellschaft are primarily due to profit and loss transfer agreements and costs and finances allocations. All debts have a residual term of up to a year.
- Other assets include, amongst others, claims from tax refunds of € 240 κ (Previous year: € 8,724 κ) and re-insurance for the social protection of employees of € 1,043 κ (Previous year: € 725 κ).
- Other assets to the value of € 1,043 κ (Previous year: € 725 κ) have a residual term of more than a year.
- 4 OTHER SECURITIES The securities comprising the liquid assets were valued at the rate of exchange on the valuation day.
- 5 CASH IN HAND, BUNDESBANK BALANCE, OTHER BANK BALANCES The statement pertains mainly to bank balances.
- 6 ACCRUALS AND DEFERRALS The prepaid expense items pertain to the deferral of rents and fees for data processing maintenance.

Liabilities

Subscribed capital

The share capital of GILDEMEISTER Aktiengesellschaft is € 75,086,510.20 and is divided in 28,879,427 individual share certificates issued to the holder with an accounting par value of € 2.60.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 37,500,000.00 in nominal terms during the period until 31st March 2006 by issuing new shares for contributions in cash or in kind. This authority can be exercised in tranches. For tranches of at least € 29,000,000.00 the shareholders' subscription right is guaranteed. With respect to a tranche of up to € 7,500,000.00

a) new shares can be issued for contributions in kind;

or

b) new shares can be issued for a cash payment, which at the time of its deposit does not fundamentally fall short of the stock exchange quotation.

In cases a) und b) the shareholders' statutory subscription right is to be excluded by resolution of the Executive Board.

For a further tranche of up to € 1,000,000.00 in nominal terms, new shares for contributions in cash can be issued to employees of the company and to employees of subsidiaries and affiliated companies; in this case the shareholders' statutory subscription right is likewise to be excluded by resolution of the Executive Board.

Capital reserve

The capital reserve has not changed since the previous year.

Revenue reserves

Statutory reserve – The statutory reserve of GILDEMEISTER Aktiengesellschaft is € 681 κ.

Other revenue reserves – In accordance with the shareholders' resolution of 17 May, 2002, € 12,274,826.80 from the net profit for the year were transferred to other revenue reserves.

Proposed appropriation of earnings

The financial year 2002 of GILDEMEISTER Aktiengesellschaft closes with a profit for the year of € 4,349,488.50. It will be proposed at the shareholders' general meeting on 16 May, 2003 to carry forward the net profit for the year to new account for the financial year 2003.

Development of the net profit for the year at GILDEMEISTER Aktiengesellschaft	€ κ
Net profit for the year at 31 December 2001	29,602
Distribution to shareholders	-17,328
Allocation to other revenue reserves in acc. w. shareholders' resolution	-12,274
	0
Profit for the year 2002	4,350
Net profit for the year at 31 December 2002	4,350

8 TAX PROVISIONS

Tax provisions include taxes on corporate income and business profits and other company taxes for the year under report and for the financial year 2002. In addition, provisions for tax on the conveyance of real estate to the value of € 614 κ were set up.

9 OTHER PROVISIONS

Other provisions primarily include expenses for legal, consultancy and year-end costs to the value of € 2,265 κ (Previous year: € 2,016 κ), for bonuses to the value of € 1,000 κ (Previous year: € 1,286 κ), for other staff expenses to the value of € 576 κ (Previous year: € 401 κ) as well as the remaining provision to the value of € 1,121 κ (Previous year: € 1,689 κ).

10 CREDITORS

	Balance sheet at 31 Dec. 2002	of which due within 1 year	of which due within 1-5 years	of which due after 5 years	Balance sheet at 31 Dec. 2001
	€ κ	€ κ	€ κ	€ κ	€ κ
1. Bank loans and overdrafts ¹⁾	115,905	107,085	8,820	0	84,783
2. Trade creditors	3,369	3,369	0	0	3,730
3. Amounts owed to affiliated companies	14,811	14,811	0	0	23,608
4. Other creditors ²⁾	4,084	4,084	0	0	5,807
	138,169	129,349	8,820	0	117,928
Outstanding in each maturity period at 31 Dec. 2001		105,274	12,654	0	117,928

1) of which secured by mortgage: € 12,652 κ (Previous year: € 15,594 κ)

2) of which from taxes: € 3,280 κ (Previous year: € 5,633 κ), of which social security contributions € 77 κ (Previous year: € 59 κ)

11 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

Short-term working funds are provided by several banks for GILDEMEISTER Aktiengesellschaft and – as part of the group's cash management – for all domestic subsidiaries. At the balance sheet date the available short-term credit facilities – to be used as either overdraft facility, credit by way of bank guarantee or acceptance credit – total € 180.0 million. The term of this syndicate agreement (STUFF – Short Term Unique Financial Facility) is until 31 December, 2003.

The shares of DECKEL MAHO Pfronten GmbH, of DECKEL MAHO Seebach GmbH and of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER to the nominal value of € 39,181 K are pledged in first place in favour of the credit giving banks and in second place to a foreign banking consortium.

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

	At 31 Dec. 2002 € K	At 31 Dec. 2001 € K
Contingencies		
Bill commitments	2,994	3,510
Guarantees	163,247	166,769
Warranties	207	277
Other contingencies	2,137	2,137
	168,585	172,693
Obligations from tenancy agreements due		
Within 1 year	3,584	2,805
Within 1 – 5 years	4,385	5,687
After 5 years	1,549	1,933
	9,518	10,425
Order commitments fixed assets	0	0

The guarantees of GILDEMEISTER Aktiengesellschaft include guarantees limited in amount to the value of € 159,493 K (Previous year: € 127,234 K). The value date of the indebtedness to banks pertaining to these guarantees was fixed at 31 December, 2002 at an amount of € 112,758 K (previous year: € 92,079 K). At the balance sheet date GILDEMEISTER Aktiengesellschaft is jointly and severally liable for liabilities of € 24,291 K (previous year: € 36,315 K).

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees for contingent claims of a factoring bank amounting to € 17,196 K (previous year: € 24,927 K).

Advance guarantees of € 8,215 k were given to customers of GILDEMEISTER Drehmaschinen GmbH, Bielefeld, to DECKEL MAHO Geretsried GmbH, Geretsried, to DECKEL MAHO Seebach GmbH, Seebach, and to GILDEMEISTER Italiana S.p.A., Brembate di Sopra.

In addition, GILDEMEISTER Aktiengesellschaft issued letters of comfort to DECKEL MAHO Geretsried GmbH, Geretsried, a & f Stahl- und Maschinenbau GmbH, Würzburg, and DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg. The liabilities pertaining to these letters were fixed at 31 December, 2002 at an amount of € 787 k.

In addition, GILDEMEISTER Aktiengesellschaft have entered into two leasing arrangements for DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, and for DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg. The monthly rental instalment for these contracts is € 80 k. The term of these contracts ends in 2024.

D. Notes to the individual accounts in the income statement

- 12 SALES REVENUES The sales revenues of GILDEMEISTER Aktiengesellschaft of € 16,871 k (previous year: € 19,186 k) are primarily sales arising from the group-wide holding functions.
- 13 OTHER OPERATING REVENUES Other operating revenues consist mainly of revenues from levies and expense reimbursement.
- 14 STAFF COSTS In the financial year 2002 the group's employee pension plan contributions amounted to € 2,245 k (previous year: € 2,113 k) at GILDEMEISTER Aktiengesellschaft. Executive Board members' remuneration totalled € 1,385 k (previous year: € 1,781 k), incl. € 450 k of bonuses (previous year: € 930 k). On the basis of cut-down bonuses for the year 2001 provisions made for that to the value of € 163 k were released during the year under report. € 642 k (previous year: € 696 k) were paid to former Executive Board members and their surviving dependants.
- Company pension reserves of € 6,004 k (previous year: € 6,168 k) were set up for former Executive Board members and their surviving dependants.
- Advances and credits to officers were not granted. Contingencies in favour of officers were also not entered into (Section 285 no. 9 c/Section 314 para. 1 no. 6 c HGB).
- In comparison with the previous year the average number of persons employed has developed as follows:

	2002	2001
Salary earners	60	54

15 OTHER OPERATING CHARGES	<p>Other operating charges result mainly from external services to the value of € 6,717 κ (previous year: € 8,220 κ) and year-end, legal and consultancy expenses to the value of € 6,107 κ (previous year: € 2,559 κ).</p> <p>In the financial year 2002 € 135 κ (previous year: € 351 κ) were transferred to reserves for Supervisory Board members' remuneration.</p>
16 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	<p>The income from profit and loss transfer agreements of GILDEMEISTER Aktiengesellschaft of € 44,905 κ (previous year: € 59,999 κ) was attributed to two affiliated companies (previous year: three affiliated companies).</p>
17 INCOME FROM PARTICIPATING INTERESTS	<p>The stated income of GILDEMEISTER Aktiengesellschaft of € 6,229 κ (previous year: € 6,505 κ) for the reporting year pertains to the distribution of dividends by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and SAUER GmbH & Co. KG.</p>
18 OTHER INTEREST RECEIVABLES AND SIMILAR INCOME	<p>In the reporting year GILDEMEISTER Aktiengesellschaft charged affiliated companies interest to the value of € 14,528 κ (previous year: € 11,032 κ).</p>
19 EXPENSES FROM LOSS TRANSFERS	<p>The expenses from loss transfers pertain to two affiliated companies.</p>
20 INTEREST PAYABLE AND SIMILAR CHARGES	<p>The interest payable pertains primarily to loan interests. GILDEMEISTER Aktiengesellschaft was charged for interest to the value of € 861 κ (previous year: € 179 κ).</p>
21 TAX ON PROFIT (LOSS)	<p>This computation was made on the basis of the tax regulations applicable to the individual companies. An amount of € 10,245 κ derives from provisions for industrial and corporation tax for the current financial year.</p> <p>In addition, charges arose for corporation tax and for industrial tax from the setting up of appropriate reserves for payments of tax arrears for the financial year 2001 to the value of € 2,860 κ.</p>
22 EXPLANATION OF THE CODE CORPORATE GOVERNANCE	<p>The corresponding explanation pursuant to Section 161 AktG was issued on 19 December, 2002 and has been made accessible to the shareholders on our website at www.gildemeister.com.</p>

- Supervisory Board seats pursuant to Section 100 AktG
- * Membership of comparable domestic and international management boards of business enterprises

E. Corporate Directory

Supervisory Board

Dr.-Ing. Manfred Lennings,
Essen,
Chair,
Independent industry consultant

- Bayer AG, Leverkusen
(until 26 April 2002)
- Deutsche Post AG, Bonn
- IVG Immobilien AG, Bonn
- * Heitkamp-Deilmann-Haniel GmbH,
Herne, Chair

Harry Domnik,
Bielefeld,
Deputy Chair,
First secretary of
IG Metall-administrative office,
Bielefeld

* ThyssenKrupp Umformtechnik GmbH,
Ludwigsfelde

Gerhard Dirr,
Vils/Österreich,
Chair of the works council of
DECKEL MAHO Pfronten GmbH, Pfronten

Alfred Geißler,
Pfronten,
Representative of executive employees

Prof. Dr.-Ing. Peter-Jürgen Kreher,
Grünwald,
Senior Advisor Droege & Comp.,
Düsseldorf

- Dürkopp Adler AG, Bielefeld,
Deputy Chair
- * DST Werkzeugmaschinenbau GmbH,
Mönchengladbach
- * Burton Holding GmbH, Melle/Buer,
Chair
- * Albert Ziegler GmbH & Co. KG,
Giengen/Brenz, Chair

Arno Kruck,
Bielefeld, (until 31 January 2003)
Chair of the works council of
DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER, Bielefeld

Heinz-Dethlef Rother,
Bielefeld, (since 1 February 2003)
Chair of the works council of
DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER, Bielefeld

Prof. Dr.-Ing. Walter Kunerth,
Zeitlarn,
Independent industry consultant

- Basler AG, Ahrensburg, Chair
- Götz AG, Regensburg, Chair
- Paragon AG, Delbrück, Chair
- * Autoliv Inc., Stockholm
- * Suspa Holding GmbH, Altdorf,
Chair

Hans Henning Offen,
Großhansdorf,
Former Deputy Chair of the
Executive Board of the
Westdeutschen Landesbank
Girozentrale, Düsseldorf/Münster

- Kaufhof Warenhaus AG, Köln
- RWE Plus AG, Essen
- Trienekens AG, Viersen
(until 29 July 2002)
- TUI AG, Hannover/Berlin
- ThyssenKrupp Materials AG,
Düsseldorf
- WestIntell AG, Düsseldorf, Chair
- WestLB (Europa) Holding AG,
Düsseldorf (until 28 May 2002)
- * Banque d'Orsay, Paris
(until 10 September 2002)
- * Familienstiftung Schwarz, Neckarsulm

Peter Oxfart,
Creuzburg,
Chair of the works council of
DECKEL MAHO Seebach GmbH, Seebach

Dr. jur. Rupert Pfeffer,
Geretsried,
Chair of the Executive Board
LfA Förderbank Bayern i.R., München

- König Ludwig Musical AG & CO. KG,
Füssen

Günther Johann Schachner,
Peiting,
Executive Board member of IG Metall
Frankfurt, First secretary of IG Metall-
Administrative Office, Weilheim

Hans Peter Schreib,
Solicitor, Düsseldorf,
Executive Board member of Deutschen
Schutzvereinigung für Wertpapierbesitz
e.V. (DSW), Düsseldorf

- K + S AG, Kassel
- Metro AG, Köln

Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza,
Bielefeld,
Chair

Dr.-Ing. Raimund Klinkner,
Bielefeld,
Deputy Chair
(since 1 January, 2003)

- Dürkopp Adler AG, Bielefeld

Dipl.-Kfm. Dieter Schäfer,
Steinhagen

Dipl.-Kfm. Michael Welt,
Pfronten (since 1 January, 2003)

- Staufen Akademie
Beratung und Beteiligung AG,
Bad Boll

F. Affiliated companies

	Equity capita at 31 Dec. 2002		Participation ratio	Profit for the financial year at 31 Dec. 2002	
	National currency	€ K			%
GILDEMEISTER Drehmaschinen GmbH, Bielefeld ¹⁾		16,650	100.0	0	
Holding Macchine Utensili S.p.A., Milano, Italien		25,452	100.0	-6,755	
DECKEL MAHO Pfronten GmbH, Pfronten ¹⁾		26,000	100.0	0	
DECKEL MAHO Geretsried GmbH, Geretsried		21,865	100.0	0	
DECKEL MAHO Seebach GmbH, Seebach ¹⁾		8,363	100.0	0	
FAMOT Pleszew S.A., Pleszew, Polen	PLN K	4,350	1,086	99.0	-1,477
Hermann SAUER GmbH & Co. KG, Stipshausen/Idar-Oberstein		908	50.5	806	
Hermann SAUER Verwaltungs-GmbH, Stipshausen/Idar-Oberstein		28	50.2	1	
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai	CNY K	22,825	2,646	100.0	0
a & f Stahl- und Maschinenbau GmbH, Würzburg		813	90.0	626	
DMG Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld		30,039	100.0	2,827	
GILDEMEISTER Beteiligungen Aktiengesellschaft, Bielefeld		51	100.0	-6	
PCG Personnel Consulting GmbH, Erkelenz		68	51.0	-125	

¹⁾ Control and profit and loss transfer agreement with GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft is the parent company in the sense of Section 290 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 HR B 7144.

Bielefeld, 27 March, 2003

GILDEMEISTER Aktiengesellschaft
The Executive Board

Dr. Rüdiger Kapitzka Dr.-Ing. Raimund Klinkner Dieter Schäfer Michael Welt

**Income Statement for
the period from 1 January to 31 December 2002
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

	App.	2002		2001	
		€	€	€	€
1. Sales revenue	12		16,871,385		19,186,247
2. Other operating income	13		3,335,367		1,919,294
				20,206,752	21,105,541
3. Cost of materials					
a) Costs for raw materials and consumables and for purchased goods		24,704			34,464
b) Costs for purchased services		2,355,659	2,380,363		2,979,390
4. Staff costs	14				
a) Wages and salaries		5,962,152			5,067,151
b) Social contributions and pension and other benefits		2,841,840	8,803,992		2,561,592
5. Depreciation of fixed tangible and intangible assets			3,551,038		5,151,653
6. Other operating charges	15		19,113,315	33,848,708	18,034,541
7. Income from profit and loss transfer agreements	16		44,905,582		59,998,795
8. Income from affiliated companies	17		6,229,163		6,505,491
9. Other interest and similar income	18		14,732,629		11,048,026
10. Costs for loss transfers	19		24,935,528		0
11. Interest and similar charges	20		9,836,350	31,095,496	6,747,685
12. Result from ordinary business activities				17,453,540	58,081,377
13. Taxes on income and revenue (previous year: revenue)	21			13,104,051	1,021,106
14. Annual profit				4,349,489	59,102,483
15. Transfer to other revenue reserves				0	29,500,000
16. Net profit				4,349,489	29,602,483

**Balance Sheet as at 31 December 2002 of
GILDEMEISTER Aktiengesellschaft, Bielefeld**

Assets	App.	As at 31 Dec. 2002		As at
		€	€	31 Dec. 2001 €
A. Fixed Assets				
I. Intangible assets	1			
Industry and similar rights and values and licences to such rights and values			742,969	2,026,068
II. Tangible rights	1			
1. Land and buildings		14,108,255		14,614,090
2. Other equipment, factory and office equipment		781,213		1,333,297
3. Payments on account and work in progress		354,460		75,049
			15,243,928	16,022,436
III. Financial assets	2			
Shares in affiliated companies			180,360,252	143,076,854
			196,347,149	161,125,358
B. Current Assets				
I. Trade debtor and other assets	3			
1. Trade debtors		41,492		18,030
2. Due from affiliated companies		219,213,794		229,988,358
3. Other assets		1,653,401		9,722,031
			220,908,687	239,728,419
II. Other securities	4		22,719	273,213
III. Cash in hand, Bundesbank balances and bank balances	5		2,253,761	3,710,141
C. Prepaid Expenses	6		164,026	14,096
			419,696,342	404,851,227

Equity and Liabilities

	App.	As at		As at
		31 Dec. 2002		31 Dec. 2001
		€	€	€
A. Equity	7			
I. Subscribed equity			75,086,510	75,086,510
II. Capital reserves			48,734,269	48,734,269
III. Revenue reserves				
1. Statutory reserves			680,530	680,530
2. Other revenue reserves			124,527,552	112,252,724
IV. Net profit			4,349,489	29,602,483
			253,378,350	266,356,516
B. Provisions				
1. Provisions for pensions		14,592,629		14,373,974
2. Tax provisions	8	8,595,017		801,706
3. Other provisions	9	4,961,634		5,391,163
			28,149,280	20,566,843
C. Liabilities	10			
1. Bank loans and overdrafts		115,904,822		84,782,678
2. Trade creditors		3,368,658		3,730,314
3. Amounts owed to affiliated companies		14,810,749		23,607,742
4. Other liabilities		4,084,483		5,807,134
			138,168,712	117,927,868
			419,696,342	404,851,227

Fixed asset movement schedule
as at 31 Dezember 2002 of GILDEMEISTER Aktiengesellschaft, Bielefeld

Procurement and production costs

I. Intangible assets
Industry rights and similar rights and values and licenes to such rights and values
II. Tangible assets
1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and onstruction in progress
III. Financial assets
Holdings in affiliated companies
Total fixed assets

Depreciation

I. Intangible assets
Industry rights and similar rights and values and licenes to such rights and values
II. Tangible assets
1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and onstruction in progress
III. Financial assets
Holdings in affiliated companies
Total fixed assets

	As at 01 Jan. 2002	Additions	Disposals	Book Transfers	As at 31 Dec. 2002
	€	€	€	€	€
	13,425,356	825,721	0	0	14,251,077
	27,682,571	18,698	0	0	27,701,269
	5,465,055	323,731	91,786	75,049	5,772,049
	75,049	354,460	0	-75,049	354,460
	33,222,675	696,889	91,786	0	33,827,778
	143,076,854	37,283,398	0	0	180,360,252
	189,724,885	38,806,008	91,786	0	228,439,107

Net book value

As at 01 Jan. 2002	Additions	Disposals	Book Transfers	As at 31 Dec. 2002	As at 31 Dec. 2002	As at 31 Dec. 2001
€	€	€	€	€	€	€
11,399,288	2,108,820	0	0	13,508,108	742,969	2,026,068
13,068,481	524,533	0	0	13,593,014	14,108,255	14,614,090
4,131,758	917,685	58,607	0	4,990,836	781,213	1,333,297
0	0	0	0	0	354,460	75,049
17,200,239	1,442,218	58,607	0	18,583,850	15,243,928	16,022,436
0	0	0	0	0	180,360,252	143,076,854
28,599,527	3,551,038	58,607	0	32,091,958	196,347,149	161,125,358

Audit opinion

We have audited the Annual Financial Statements, accounting records of GILDEMEISTER Aktiengesellschaft, Bielefeld, the Consolidated Financial Statements, the Management Report and Group Management Report for the financial year from 1 January to 31 December 2002. Pursuant to German commercial law the company's Executive Board is responsible for the preparation of these documents. It is our duty, on the basis of the audit performed by ourselves, to give our opinion on the Annual Financial Statements, the accounting records and the Management and Group Management Reports.

This audit of the Annual Financial Statements and the Consolidated Financial Statements was performed in accordance with Section 317 HGB pursuant to the German principles of proper auditing defined by the Institute of German Certified Public Accountants (IDW). According to these principles, the audit must be planned and carried out in such a way that any inaccuracies or violations that have a material effect on the picture of the net worth, financial position and results represented by the Annual Financial Statements and the Consolidated Financial Statements in accordance with the principles of proper accounting, and by the Management and Group Reports, are identified with sufficient certainty. When defining the audit process, we take into account the company's knowledge of business activities and of the economic and legal environment of the company as well as an anticipation of possible faults. The audit assesses the effectiveness of the internal control system pertaining to the accounting, and of the evidence for the information given in the books, the Annual Financial Statements, the Consolidated Financial Statements and the Management and Group Management Reports and is based primarily on random samples. The audit includes an assessment of the applied accounting and consolidation principles and of the material evaluations of the Executive Board. It further includes an evaluation of the overall portrayal of the Annual Financial Statements, the Consolidated Financial Statements and the Management and Group Management Reports. In our view, this audit provides an appropriate basis for our opinion.

Our audit did not result in any objections.

We are satisfied that the financial statements and Consolidated Financial Statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of the company and the group. The Management and Group Management Reports provide an accurate representation of the status of both the company and the group and correctly present the risks for future development.

Berlin and Frankfurt am Main, 27 March 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Luther
Wirtschaftsprüfer

Droste
Wirtschaftsprüfer

31 March 2003	Press conference on Financial Statements
31 March 2003	Publication of Annual Report 2002
01 April 2003	Discussion with analysts
08 May 2003	1 st Quarterly Report 2003 (1 January to 31 March)
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

Contact

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