

ANNUAL REPORT 2001

The Technology Group: Turning, Milling, Laser/Ultrasonic
and Services



GILDEMEISTER

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GROUP OVERVIEW

GILDEMEISTER group		1995	1996	1997	1998	1999	2000	2001
Sales	€ M	381.3	423.4	444.6	580.3	690.4	923.3	1,144.2
EBITDA	€ M	14.2	20.1	28.1	50.1	61.3	88.4	103.5
EBIT	€ M	4.5	10.8	20.7	40.2	46.4	62.9	70.0
Profit or loss on ordinary activities	€ M	-6.9	0.7	9.4	29.6	34.5	44.2	49.2
EBT	€ M	-7.5	8.0	7.2	17.0	34.5	44.2	49.2
Profit/loss for the year	€ M	-11.7	3.9	6.4	16.1	32.7	38.1	41.0
DVFA/SG cashflow	€ M	-34.9	5.1	16.1	39.0	51.6	62.7	75.9
Investments	€ M	9.1	6.5	13.5	29.8	37.6	39.5	57.3
Equity capital	€ M	58.6	44.1	46.2	81.6	107.2	195.7	215.1
Balance sheet total	€ M	303.1	269.1	288.2	353.8	419.1	700.5	801.2
Employees (31 st Dec.)		2,644	2,324	2,356	2,617	3,340	4,637	5,212
Ratios								
Profit on sales	%	-3.1	0.9	1.5	2.8	4.7	4.1	3.6
Sales per employee	€ K	148.8	171.8	191.2	227.5	210.4	225.4	224.5
Sales per employee, domestic production plants	€ K	187.4	249.0	252.9	299.6	315.0	339.7	369.0
Value added	€ M	125.6	139.9	147.6	173.5	218.1	275.7	341.0
Value added per employee	€ K	49.1	56.8	63.4	68.0	66.5	67.3	66.9
EBIT per employee	€ K	1.7	4.4	8.9	15.8	14.1	15.3	13.7
Return on equity	%	-28.8	6.7	14.6	35.0	40.0	35.5	21.0
Return on total investment	%	1.9	7.0	7.5	8.7	12.1	11.5	9.6
ROCE – Return on capital employed	%	2.2	5.7	10.9	16.2	14.8	12.0	11.1
ROI – Return on investment	%	-2.6	2.8	2.6	5.3	8.9	7.9	6.5
DVFA/SG result ¹⁾	€ M	-15.7	-5.9	-1.3	9.9	16.4	20.3	28.6
DVFA/SG result per share ²⁾	€	-0.82	-0.46	-0.07	0.46	0.76	0.91	0.99
Gearing	%	173.9	176.7	190.9	148.5	121.0	112.0	119.8

¹⁾ To determine the result according to DVFA/SG notional taxes are applied, since losses have been carried forward at GILDEMEISTER Aktiengesellschaft.

²⁾ The share capital was split 1:10 in 1999; the values from the previous years have been adjusted accordingly.

KEY FIGURES

GILDEMEISTER group	2001	2000*	Changes	
	€ M	€ M	2001 against 2000	
	€ M	€ M	€ M	%
Sales				
Total	1,144.2	923.3	220.9	24
Domestic	566.9	483.4	83.5	17
International	577.3	439.9	137.4	31
% International	50	48		
Order intake				
Total	1,103.1	1,083.8	19.3	2
Domestic	566.1	558.2	7.9	1
International	537.0	525.6	11.4	2
% International	49	48		
Orders on hand**				
Total	381.8	422.9	-41.1	-10
Domestic	178.3	179.1	-0.8	0
International	203.5	243.8	-40.3	-17
% International	53	58		
Investments	57.3	39.5	17.8	45
Personnel costs	270.6	212.5	58.1	27
Employees**	5,212	4,637	575	12
of which trainees	203	190	13	7

* incl. GILDEMEISTER Italiana and its subsidiaries from 18th May 2000

** reporting date 31st December

GILDEMEISTER: Growth through Innovation

The GILDEMEISTER group is one of the major manufacturers of cutting machine tools world-wide. As technological leader it is up to us to ensure that our customers are able to strengthen their competitive position. At the same time, all customers expect top quality, shortest response times and greatest reliability as well as a comprehensive range of services and service products from one place. GILDEMEISTER meets these requirements. More than 5,000 motivated employees and more than 50 national and international group companies safeguard our great innovative power, consistent market proximity and the industry's tightest sales and service network world-wide. We will continue to expand our strong market position. Our aim is the long-term increase in our company value through innovation and growth.

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**38 Economic Report:
Corporate Situation**



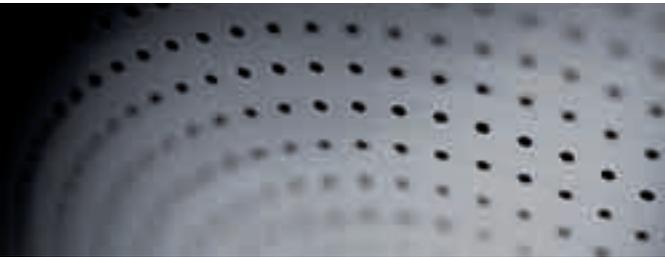
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CAPTION >> **Waver board made from silicon for the semiconductor industry:** With ultrasoncis for the processing of modern hard-brittle materials the GILDEMEISTER subsidiary SAUER is pushing forward into the segment of "advanced materials".

KEY FIGURES **Record order intake**
at € 1,103.1 million (+2%)

Growth in sales by 24%
to € 1,144.2 million

	Record order intake	Growth in sales
2000	1.083,8	923,3
2001	1.103,1	1.144,2

GILDEMEISTER has reached its goals for the year 2001. For the seventh successive year we were able to achieve new records in sales, order intake and earnings. For our success we depend on the trust of our customers, suppliers, shareholders and the public. Prerequisite for this is a good and transparent corporate governance, which will ensure that the management and supervision of the GILDEMEISTER group, is directed towards a long-term increase in value.

REPORT SUPERVISORY BOARD | EXECUTIVE BOARD



Directing the management and control of a company towards increase in value is the aim of modern corporate governance. The realisation of this principle in the previous financial year was once again possible due to continuing dialogue between the Supervisory Board and Executive Board. The key activities of the Supervisory Board are set out in the following report with the openness and transparency required.



Dr.-Ing. Manfred Lennings

has been chair of the Supervisory Board since January 1985. His professional career began after completing his studies in Munich and at the Clausthal School of Mining at the machine tool group Gutehoffnungshütte (GHH) in Oberhausen. As early as 1969 he became a deputy member of the management board with GHH, took over the leading position at the Howaldtswerke-Deutsche

Werft AG in Hamburg in 1970 and from 1975 until the end of 1983 was in charge at GHH.

During the subsequent years Dr. Lennings worked as an advisor and member of many supervisory boards. In 1990 he was appointed to the board of administration of the Berliner Treuhandanstalt which he chaired from 1993 until the company dissolved.

In the financial year 2001, the Supervisory Board fulfilled the tasks incumbent on it according to law and the Articles of Association. In four ordinary meetings it was kept informed in detail of the status and development of the company, the principles of the business policies and significant business transactions. Additionally, comprehensive information was supplied at all times through regular written and verbal reports from the Executive Board. The Executive Board informed the Supervisory Board directly regarding projects and events of particular importance separately from the regular meetings. Resolutions of the Executive Board, which required the agreement of the Supervisory Board, were laid before it as resolution papers.

The principal subjects of the first meeting of the Supervisory Board on 30th March 2001 were the Annual Financial Statements and the Group Annual Financial Statements of GILDEMEISTER Aktiengesellschaft and the passing of the agenda for the annual meeting of shareholders. The Supervisory Board which was fully represented at this meeting, decided among other matters on the acquisition of the remaining shares of the DECKEL MAHO Seebach GmbH from the Thüringer Industriebeteiligungs-GmbH & Co. KG and agreed the foundation of the DMG Büll & Strunz GmbH. Additionally, the Executive Board discussed with the Supervisory Board an increased participation in GILDEMEISTER Italiana S.p.A.

Eleven Supervisory Board members took part in the meeting on 17th May 2001. The Executive Board informed the Supervisory Board of the current course of business and explained in detail the risk management structure of the GILDEMEISTER group. The auditors of KPMG also participated in this discussion. The Supervisory Board also decided on the new formation of the DMG Brasil Ltda. and agreed the planned investments at sites in the Czech Republic and Great Britain. The Executive Board reported on the successful introduction of the Euro as internal currency and the thoughts about converting the group's accounting from HGB (German commercial code) to international accounting principles – the International Accounting Standards (IAS).

The Personnel Committee of the Supervisory Board met on 17th May and 7th September 2001. This Committee is responsible for staff matters concerning the Executive Board members. A committee meeting according to Section 27 para. 3 of the German co-determination law (Mitbestimmungsgesetz) was not called.

Apart from discussing the current course of business, the agenda for the meeting on 7th September 2001 lay particular emphasis on the group's further strategic planning, and with this the further extension of the sales structure of DMG Vertriebs und Service GmbH. The Supervisory Board and the Executive Board discussed these matters in detail. The proposal of an increased participation in GILDEMEISTER Italiana S.p.A. that had been presented on 30th March 2001, was explained in more detail and presented to the Supervisory Board. The Supervisory Board unanimously agreed the increase in participation through public bid. In this meeting the Supervisory Board voted in favour of the conversion of the group's accounting to international accounting principles (IAS) and agreed the take-over of SAUER GmbH & Co. KG. Eleven Supervisory Board members were present at this meeting.

The last meeting of the year, which took place on 29th November 2001, was entirely devoted to company planning for the years 2002 to 2004. The Supervisory Board discussed and adopted the sales, results, investment and personnel planning. A further focus was the current business status and the effects of the changed economic situation on the company. The members of the Supervisory Board were all present at this meeting.

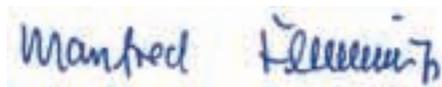
For the Accounts Supervisory Board meeting on 22nd March 2002, at which the Supervisory Board was fully represented, the Annual Financial Statements and Group Annual Financial Statements of GILDEMEISTER Aktiengesellschaft were available, as was the Audit Reports of KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt am Main. The Auditor of the Accounts was present at the Supervisory Board's deliberation of the Annual Financial Statements and Group Annual Financial Statements, and reported in detail on the course and the results of the audit and was available to provide supplementary information. The papers were discussed extensively. In relation to the existing early risk recognition system, the Auditor stated that the Executive Board had met the measures required by Sect. 91, para. 2 AktG (German Companies Act), and that the monitoring system can meet its requirements.

The Annual Financial Statements and Group Annual Financial Statements to 31st December 2001 prepared by the Executive Board and the combined Management Report and Group Management Report of GILDEMEISTER Aktiengesellschaft were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt am Main, chosen as Accounts Auditor by the Shareholders meeting. The Accounts Auditor issued the unqualified audit certificate for each report. On the basis of its own audit of the Annual Financial Statements, the Group Annual Financial Statements, the combined Management Reports and the proposal for the appropriation of the net profit for the year, the Supervisory Board agreed the results of the audit by the Accounts Auditor and approved the Annual Financial Statements in accordance with Section 172 AktG. It concurred in the proposal of the Executive Board for the appropriation of the net profit for the year.

The members of the Supervisory Board would like to thank the Executive Board, the managements and all employees of the group companies for their active commitment. They would like to extend their thanks to the employee-elected representatives for their objective and constructive collaboration in the interest of our company.

Bielefeld, 22nd March 2002

THE SUPERVISORY BOARD

A handwritten signature in blue ink that reads "Manfred Lennings". The signature is written in a cursive style.

Dr.-Ing. Manfred Lennings

Chair

THE SUPERVISORY BOARD

Dr.-Ing. Manfred Lennings,
Essen,
Chair,
Independent Industry Consultant

Harry Domnik,
Bielefeld,
Deputy Chair,
1st secretary of the IG Metall
(engineering workers' Union)
headquarters

Gerhard Dirr,
Vils/Austria,
Chair of the Works Council of
DECKEL MAHO Pfronten GmbH

Alfred Geißler,
Pfronten,
Senior Executives' representative

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

Arno Kruck,
Bielefeld,
Chair of the Works Council of
DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER

Prof. Dr.-Ing. Walter Kunerth,
Zeitlarn,
Senior Advisor Fonds Partenaires GmbH,
Frankfurt

Hans Henning Offen,
Düsseldorf,
Deputy chair of the Executive Board
of Westdeutsche Landesbank Girozentrale

Peter Oxfart,
Creuzburg,
Chair of the Works Council of
DECKEL MAHO Seebach GmbH

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

Günther Johann Schachner,
Peiting,
Executive Board member of the IG Metall
Frankfurt (engineering workers' Union)

Hans Peter Schreib,
Legal counsel, Düsseldorf,
Member of the Executive Board of the
Deutsche Schutzvereinigung für
Wertpapierbesitz e.V. (DSW)
(German Association of Securities Owners)

TO OUR SHAREHOLDERS AND BUSINESS ASSOCIATES

GILDEMEISTER has reached its goals! In the financial year 2001 – for the seventh successive year – we were once again able to increase our sales, earnings and order intake. We have sold 5,900 lathes, milling machines and laser machines throughout the world and have continued to expand our international market presence – despite the difficult economic situation and intense competition.



Dr. Rüdiger Kapitza (47)

Chair of the Executive Board since April 1996 and co-founder of the current DMG Vertriebs und Service GmbH. Trained as machinist and industrial clerk at GILDEMEISTER, Bielefeld. The economic scientist who holds a doctor's degree is responsible for Strategics and Product Development, Sales and Marketing, Services and Personnel as well as Press and Public Relations. Dr. Rüdiger Kapitza was appointed to the Executive Board of GILDEMEISTER Aktiengesellschaft in 1992.



Dr. Raimund Klinkner (37)

Studied mechanical engineering at the Technical College of Munich and has been a member of the Executive Board since May 1998. His areas of responsibility include Logistics, Supply and Procurement as well as Production. Other units led by Dr. Klinkner are Information Technology and Projects. Before he joined GILDEMEISTER Aktiengesellschaft, Dr. Raimund Klinkner worked in the car industry.

Dieter Schäfer (49)

Has been a member of the Executive Board since May 1997 and is responsible for the Finances and Controlling department. The economic scientist joined GILDEMEISTER in 1991 as leader of Central Controlling. He then held various management posts in the group. Dieter Schäfer also participated in the formation of the current BMG Vertriebs und Service GmbH.

Dear ladies and gentlemen,

The tragic events of September 11th have changed the world in many ways. They also had a noticeable effect on the development of the world economy. The economic situation that had already slowed down was curbed even further. Numerous investors were severely disappointed and many had to put up with dramatic losses due to the agitation in the share markets. The GILDEMEISTER share was able to maintain its position against the odds and in 2001 proved yet again to be a good and solid investment. This is not a miracle, but the result of foresighted planning and hard work – as well as little bit of good luck – which can be seen when reading this Annual Report.

Successful financial year 2001. GILDEMEISTER has reached its goals for the year 2001. For the seventh successive year we were able to achieve new records in sales, order intake and earnings. The sales raised by 24% to € 1,144.2 million. Despite strongly declining sector trends (-13%) and intense competition in the market, the order intake exceeded last year's all-time high with € 1,103.1 million (+2%). The company's profitability improved again with double-digit figures and was thus even above the expected margin. The profit on ordinary activities increased by 11% to € 49.2 million, and the group's profit for the year increased to € 41.0 million. We will propose to the Shareholders' General Meeting on 17th May 2002 that again a dividend of € 0.60 per individual share certificate be distributed; this is a dividend yield of 6.4%. Since 27th December 2001 the GILDEMEISTER share has been listed on the MDAX – an event that also had a positive effect on the performance.

For the first time: segmental reporting. From now on our reporting of the GILDEMEISTER group's course of business will be even more detailed and up-to-date and thus even more transparent to you. We have already converted to segmental reporting for the reporting year 2001. Business activities include the segments of "Machine Tools", "Services" and "Corporate Services". The long-term increase in company value as well as the management and control of the group are focused on these segments. In addition, from 2001 our balance sheet will be prepared in accordance with international accounting principles (IAS).

Our company strategy. We lay unconditional claim to technological leadership. This is what made us what we are today: one of the major manufacturers of cutting machine tools. For 2001 we intend to make maximum progress in our strategy. We have further optimised our product portfolio and pushed forward the group's focus on becoming a full-liner in the turning and milling technologies. With our extensive product range we are able to meet all customers' demands and open up new market segments. As an innovative high-tech company we are already present in the fast growing markets with our advanced laser and ultrasonic technologies. The majority-controlling interest in SAUER GmbH & Co. KG has tapped into the growth market of machining of advanced materials such as ceramics, cemented metal carbide and glass. With our state-of-the-art technologies such as the 3D-laser machining, the open control technology or the linear drive technology we are focusing on the strengthening of our competitive position. In 2002 we will centre our activities on pushing forward the use of e-commerce tools. New automated communication technologies are gaining ground. GILDEMEISTER is setting section trends in this area, too, and with the DMG-Netservice offers an exemplary online service tool. The machine check system DMG-Messenger is the latest brainchild of our forward-looking Services segment. A strong presence in all major industrial countries, consistent market proximity and global extensive direct selling – all these form the basis of our successful customer-orientated variety of services. With more than 1,600 employees in this segment in 41 sales and services companies – operating in 33 countries – GILDEMEISTER possesses the industry's tightest sales and services network. A good strategy requires determined and vigorous implementation. This also applies in the year 2002. Our strength lies in our great power of innovation combined with rapid implementation, in our increased product and application capabilities, in our market-orientated range of services and in our close network of global customer relationships.

Forecast 2002 – reserved optimism. A year of great challenges lies ahead of us. A forecast for 2002 from today's point of view continues to be problematic. It is too early to be able to anticipate when the demand for machine tools will revive. We are careful and tend to assume a more restrained course of demand for the current financial year. However, it does look as if demand will pick up during the course of the year, and our order intake will be able to reach € 1 billion for the entire year. Sales could again be above € 1 billion in 2002. Even if economic development starts off unfavourably, this assessment is realistic due to our existing orders on hand. We intend to continue intensifying our Asia business and to systematically place our products next to those of the relevant competitors. We will utilise the gradual recovery of the USA in order to increase the order volume in America. It is our medium-term goal to raise the sales quota in Asia and America to 15-20% each. Due to the unfavourable overall economic situation we expect a decrease in operating profit. However, a more detailed statement regarding the profit development for the current financial year is currently not possible. GILDEMEISTER will adapt to the actual market conditions as required, rationalise further and utilise models of flexible working hours. We will adjust the production capacity for new machines on a selective basis, as required. We will facilitate additional sales by taking our newly developed products to market maturity more rapidly than before. Our investments will not exceed the value of depreciation. We will continue to intensify our sales and marketing activities.

Value-orientated corporate governance. Our financial goals derive from the continuing business developments of the previous years. We are working on being able to maintain the corporate profitability even under the unfavourable global economic conditions of 2002. The focusing of our corporate governance on a long-term increase in value, is an essential element of GILDEMEISTER's company ethos. Our strategy is committed to value-orientated management. Its principle is our strength: high speed in innovation and implementation and a strong global presence in all the major industrial countries of the world.

Dear shareholders, as you can see, the financial year 2002 will not be an easy year; even so we are able to face it with cautious optimism, because, despite the existing market risks, there are also many opportunities, which we intend to exploit. For this we are backed by a motivated, talented and committed team, and we would like to take this opportunity to thank them with all our heart. My fellow members of the Executive Board and myself are absolutely convinced that GILDEMEISTER is ready to tackle any challenges the future might bring. Together with all GILDEMEISTER employees we will be able to maintain our position even in the face of unfavourable market conditions. Of course, our thanks are extended to all of our customers and business partners, and last, but certainly not least, to you, dear shareholders, for your trust, your loyalty and your support. Please remain true to us!

Yours truly,

A handwritten signature in blue ink that reads "Rüdiger Kapitza". The signature is written in a cursive style with a diagonal slash separating the first and last names.

Dr. Rüdiger Kapitza
Chair of the Executive Board
Bielefeld, March 2002

THE YEAR 2001

JANUARY

GILDEMEISTER announces 25 new developments for the year 2001. New fields of application in the airline and aerospace industry, computer and medical technology and the automotive field secure additional sales capacities.



DMG Ibérica is taking up business. The GILDEMEISTER group is expanding its sales and service activities in Spain with modern technology centres in Barcelona, Bilbao and Madrid.

With the formation of DMG Service UFB Seebach GmbH, a fourth central service company, the GILDEMEISTER group is further expanding the future-orientated services market.

FEBRUARY

GILDEMEISTER has obtained a major order from the Malaysian government for 134 lathes and milling machines to the value of € 9 million. Institutes of vocational training and further education throughout the country will be equipped with modern machines from DECKEL MAHO and GILDEMEISTER.



With an order intake of more than € 20 million, the traditional company exhibition of DECKEL MAHO in Pfronten is crowned with success and offers scope for many highlights: The opening of a new heavy loads hall for the large universal milling centres; for the first time, a suppliers' day arranged by the group; more than 500 employees take part in this internal world-wide sales and services meeting.

MARCH

Highlight in Bielefeld: At the "Open House" of DMG Bielefeld and GILDEMEISTER Drehmaschinen GmbH the new machining centre in travelling column design DMF 220 linear is presented for the first time. This internal trade fair is also met with great local interest.



APRIL



At the fourth major trade fair world-wide, the CIMT in Peking, more than 5,700 expert visitors obtain information at the DMG stall. Numerous new orders are booked – another important success for the group's internationalising strategy.

MAY

The shareholders' general meeting on 18th May agrees an increased dividend per share of € 0.10 to € 0.60 for the previous financial year. A total of € 17.2 million is distributed to the shareholders.



JUNE



The building works for the new DMG technology centre in Stuttgart begin. Around € 10 million are invested. The new site unites the two bases in Kornwestheim and Stuttgart-Degerloch.

JULY

GILDEMEISTER Drehmaschinen GmbH première: The installation of the first basic machine of the production programme CTX 400 series 2 at the newly installed assembly plant marks the beginning of the flow line production.



AUGUST

Of all companies listed on the German stock exchange, GILDEMEISTER publishes the best Annual Report 2000. This is the opinion of the jury of the "manager magazin". The magazine "Capital" also give the Annual Report an excellent rating.



SEPTEMBER

At the most important machine tools trade fair world-wide, the EMO 2001, the group achieved tremendous success. 86 high-tech machines are presented in operation on the stall that is nearly 4,000 qm large. Orders to the value of € 81.4 million are booked.



GILDEMEISTER Aktiengesellschaft acquires remaining shares in DECKEL MAHO Seebach GmbH.

OCTOBER

At DECKEL MAHO in Seebach the group has invested more than € 13 million in the expansion of an innovative production plant for machine tools in East Germany. The centre of the complex of buildings houses a modern assembly centre for the production lines DMP linear and DMF linear.



NOVEMBER

With a majority controlling interest in SAUER GmbH & Co. KG GILDEMEISTER expands its range of products by the innovative technology of ultrasonic machining for modern materials.



DECEMBER

On 27th December 2001, GILDEMEISTER moves up to the MDAX providing a fresh boost for the share according to expert opinion. The MDAX combines the 70 main German share values of the "second rank". Together MDAX and DAX form the DAX 100.





CAPTION >> Thermodynamic precision:
pipe for injection nozzles during injection mould production. Lets the plastics industry stay in shape.

GENERAL SITUATION

In 2001, overall economic development was affected by a strong slowdown and made worse by the events of September 11th. Demand for machine tools was also affected. Despite the weak economy and intense competition GILDEMEISTER was able to resist the general trend and continued to grow in 2001.

Economic Report: General Situation

Due to developments in the USA, in 2001, overall economic development was affected by a strong slowdown in nearly all parts of the world. The shock effect of the terror attacks on September 11th caused an additional braking effect nearly everywhere in the world. The United States and Japan slipped into recession. In most member states of the European Union (EU) the increase in production gradually reached a standstill. By the end of the year, Germany, too, demonstrated recessionary trends. In Central and Eastern Europe on the other hand, the slowdown in economic activity was only minor, whilst the People's Republic of China was able to continue its strong growth.

The global demand for machine tools decreased in 2001. Production and consumption were slightly below the previous year's values. The German machine tool manufactures also had a difficult year. Although they were able to achieve increases in production, the order intake was substantially lower.

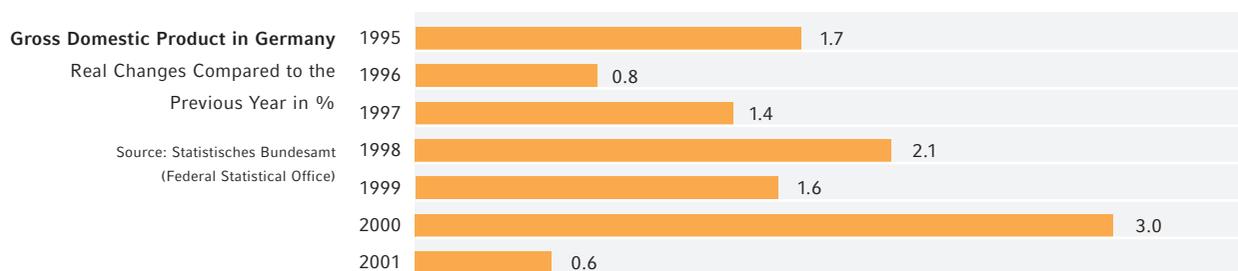
Overall Economic Development

In 2001 the global economy – with a few exceptions – experienced an extremely weak year. The producing sector suffered setbacks. Many industries experienced overcapacity due to overinvestment. This negative overall trend was intensified by the terror attacks on September 11th. The developments in the USA were crucial for most countries and regions. Growth in both the United States and the European Union was marginal during the entire year. Japan headed for a deep, long-term recession. According to provisional calculations by the Institute for World Economics based at the University of Kiel, aggregate production rose by just 1.8% in all (2000: 4.7%).

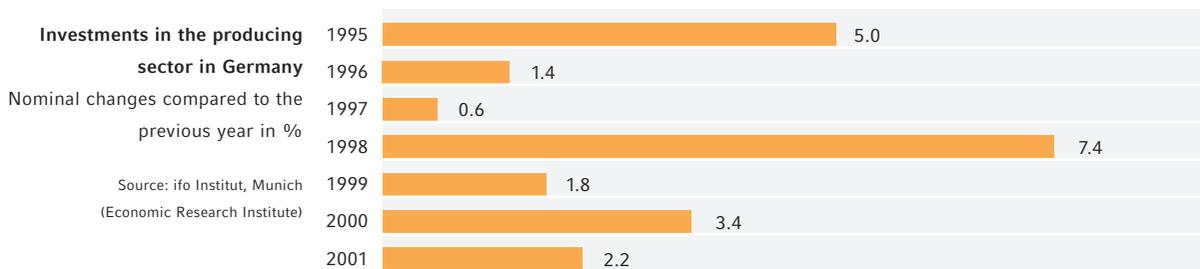
For the time being, the **USA** had to say good-bye to the previous years' high growth rates. The gross domestic product rose by just 1.1% during the entire year (2000: 4.1%); it dwindled during the second half of the year. September 11th provided yet another negative momentum, it has to be borne in mind, though, that even without the terror attacks it would have come to recession. Politics and the bank of issue responded with quick aid programmes and reduced interest rates. At the end of the year, various factors indicated that the depression of the American economy would be of relatively short-term nature.

Japan slipped into recession for the third time within ten years – according to experts, possibly the deepest after World War Two. The gross domestic product of the second-largest industrial nation shrunk by 0.3% (2000: +1.7%) As a result of the global economic downswing Japan's exports shrunk substantially, and due to a wave of company bankruptcies and a substantial number of redundancies consumer spending also decreased. The government of Koizumi, which had held office since the middle of the year, refrained from most of the reflationary programmes it had adopted during previous years.

Due to developments in the USA, the economic development in many parts of **Europe** came to a standstill during the course of the year. In the European Union, the growth rate of the gross domestic product reached 1.7% for the entire year (2000: 3.1%). The terror attacks led to further restraint by both investors and consumers, after the tentative recovery during the summer.



The economic situation in **Germany** corresponded with the global situation. According to calculations by the Statistical Federal Office the growth rate in gross domestic product amounted to 0.6% (2000: 3.0%). This was the weakest growth since German unity. Germany was thus bottom of the EU table and fell short of the expectations from the beginning of the year by approximately 2 percentage points. The development was mainly supported by foreign trade. Exports increased by 5.1%, imports by 2%. Private consumption (+1.4%) and public spending (+1.3%) proved to be further pillars of the economy. In comparison, enterprises spent 3.4% less for machinery and equipment and 5.7% less for construction work. The growing economic difficulties following the terror attacks in the USA – which were also increasingly felt in Germany – resulted in a sharp increase in insolvencies and increased redundancies. During the middle of the year the employment market suffered a drastic reverse. In August, there were 3.8 million unemployed, which means that, for the first time in a long period, more men and women were unemployed than was the case during the corresponding period of the previous year. By the end of the year the number of unemployed hit the 4 million mark, with numbers on the rise. According to the Federal Statistical Office meat scandals and gas prices that have risen enormously, led to the highest inflation rate since the mid-nineties at 2.5%. Gross wages and salaries in Germany could not keep up: The average increase in income was 2.1%. The public deficit doubled. With a deficit quota of 2.6% Germany came close to the targets of the Maastricht treaty.

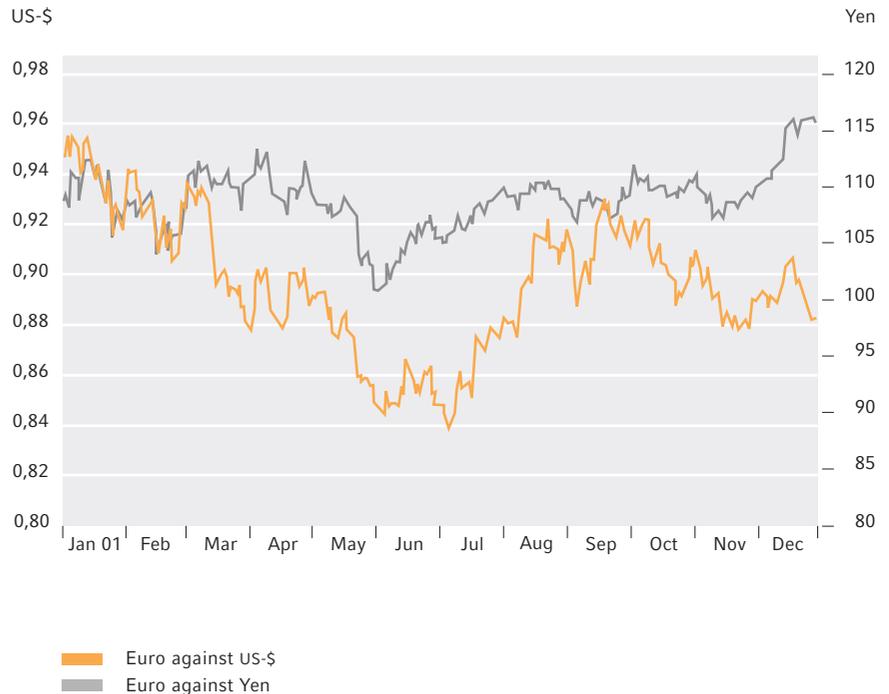


GILDEMEISTER was able to resist the general trend and continue its successful course. As a predominantly European company and manufacturer of machinery and equipment we were able, despite the global recessionary tendencies, to maintain a positive course of business in the major industrial countries. However, the fluctuating exchange rates of the Euro against the Dollar and the Yen affected the group's competitive position in its most important customer countries. More detailed explanatory notes on the development of the Euro in comparison of selected currencies are set out on page 32. In America we were able to maintain our order volume at almost the previous year's level, and in Asia, too, we have maintained our position – despite the continuing weak market. In the main Asian countries we were able to strengthen our market position and service efficiency even further. In the PR of China, in Korea and India the order intake increased compared to the previous year.

Development of the exchange rate

Euro against US-\$ and Yen

Source: Euro Reference Prices (Euro FX)



Our machines. So that tears dry more quickly. DECKEL MAHO and GILDEMEISTER lathes, milling, laser and ultrasonic machines help her to discover the world in style. The manufacture of comforter moulds for the plastics industry is only one of many tasks, which our machines are solving daily all around the world.



Development of the Machine Tool Building Industry

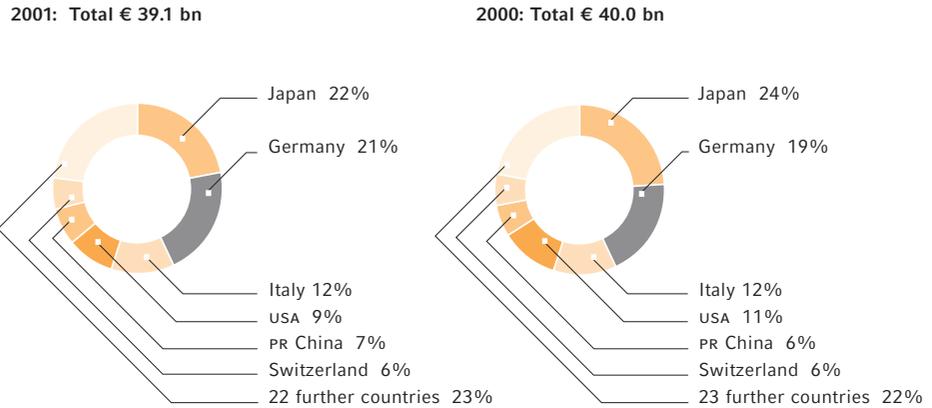
International Development

The world-wide demand for machine tools declined in the year 2001. However, due to the high volume of orders on hand, according to evaluations by the German Association of Machine Tool Factories (VDW), the **global machine tool production** will decline only slightly in comparison with the previous year. Based on current figures the VDW expect the value of production for the year 2001 to be € 39.1 billion. Compared with the previous year's value of € 40.0 billion, this is a decline by 2%. At € 8.7 billion, Japan was again the largest producer with a 22% share in global production; followed by Germany with € 8.3 billion and a 21% share. Italy with € 4.6 billion (12%) was placed third in 2001 before the USA. At € 3.7 billion (9%) the USA lost their usual third place. Japan, Germany, Italy and the USA represent 64% of the world-wide machine tool production (previous year: 66%).

The individual world regions' shares in international production	Share of world-wide production	2001 in %	2000* in %
		Europe	51
	(of which Germany)	(21)	(19)
	Pacific Region	36	38
	(of which Japan)	(22)	(24)
	America	13	14

* Comparison figures are for 2000 and based on figures revised since last report.

World-wide production of machine tools



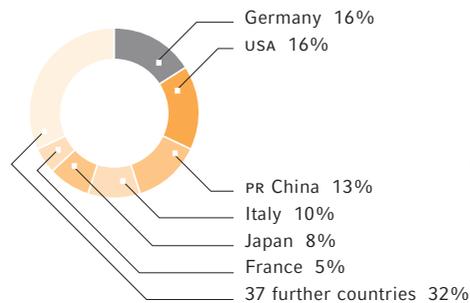
In the reporting year 61% of global production was exported. In **exports**, there was a renewed confirmation of the leading roles of Japan with an export proportion of 71% (previous year: 78%), and Germany with an export proportion of 57% (previous year: 58%): Together Japan and Germany accounted for 46% (2000: 48%) by value of world exports. Some distance behind followed Italy, the USA, Switzerland and Taiwan. Their proportions, like the proportion of the remaining countries, were below 10% respectively.

The world-wide **consumption** of machine tools, also stated at € 39.1 bn, was distributed among the major markets and the rest of the world as follows:

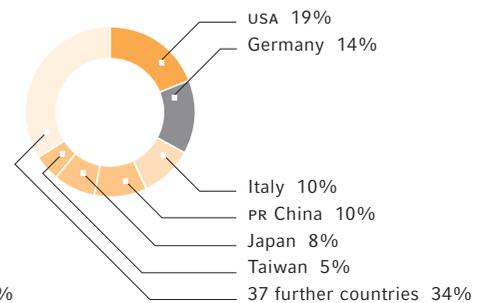
World-wide consumption of machine tools	Share of consumption world-wide	2001 in %	2000* in %
		Europe	45
	(of which Germany)	(16)	(14)
	Pacific Region	29	29
	(of which Japan)	(8)	(8)
	America	22	25
	Rest of the world	4	3

* Comparison figures for 2000 on the basis of figures revised since last report.

World-wide consumption of machine tools 2001: Total € 39.1 bn



2000: Total € 40.0 bn



The world's largest market for machine tools used to be the USA. In 2001 Germany, for the first time, occupied the first place a short distance ahead of the USA. The consumption in Germany amounted to a rounded figure of € 6.2 billion with a share of slightly over 16% of the consumption of all countries. The USA came second with a rounded figure of € 6.2 billion also and a share just reaching 16%. Place three was occupied by the PR of China with € 4.9 billion and a consistently increasing share of currently 13%. Further important machine tool markets were Italy (10%) and Japan (8%).

In 2001 the USA again recorded the most extensive **imports** of metal cutting machines. Despite a decline of 8%, exports constituted 73% (2000: 63%) of total American consumption. Germany occupied second place in the import ranking. China again took third place. In Japan, the import proportion of domestic consumption has always been low. In 2001 this share reached 22% of the total domestic consumption of € 3.3 billion. This represents an absolute import volume of € 0.7 billion.

Source: The basis of the world machine tool statistics is the data published by the vdw (Verein Deutscher Werkzeugmaschinenfabriken e.V. – Association of German Machine Tool Manufacturers) (excluding parts and accessories). This data is requested by the national producers' associations of the individual countries and are based on the current actual values or, for the remainder of the year, on careful estimations based on the updated values of the preceding year.

Explanatory notes on the problem of exchange rates **World Machine Tool Statistics**

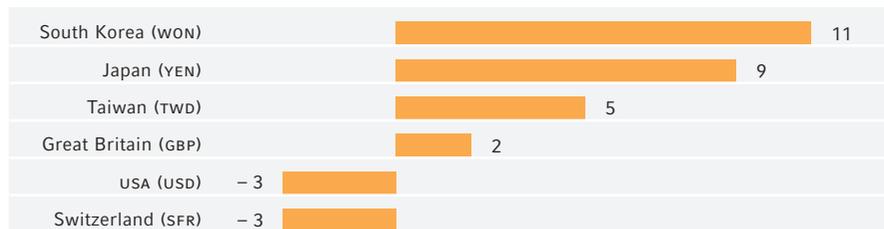
Until now the world machine tool statistics have always been published on the basis of us Dollar values. The introduction of the common currency was followed by the conversion to Euro as single currency.

The subject of currency distortion, which was discussed in great detail in the preceding year, has ceased to play a role since conversion took place within the Euro states, but remains relevant in regard to third currencies such as the us Dollar or the Yen. If, with regard to the Euro, the year 2000 was shaped by substantial tendencies towards devaluation compared to the premature cheering that took place in the introduction year 1999, in the reporting year the Euro remained weak particularly against the Dollar.

The diagram for the development of the Euro compared to selected currencies demonstrates significant, but not dramatic upward revaluations against the Won, Yen and Taiwan Dollar, whilst rather moderate losses of spending power could be noted compared to the us Dollar and Swiss Franc on an annual average.

Changes of the Euro 2001 compared with 2000 against the individual national currencies
in %

Source: Deutsche Bundesbank

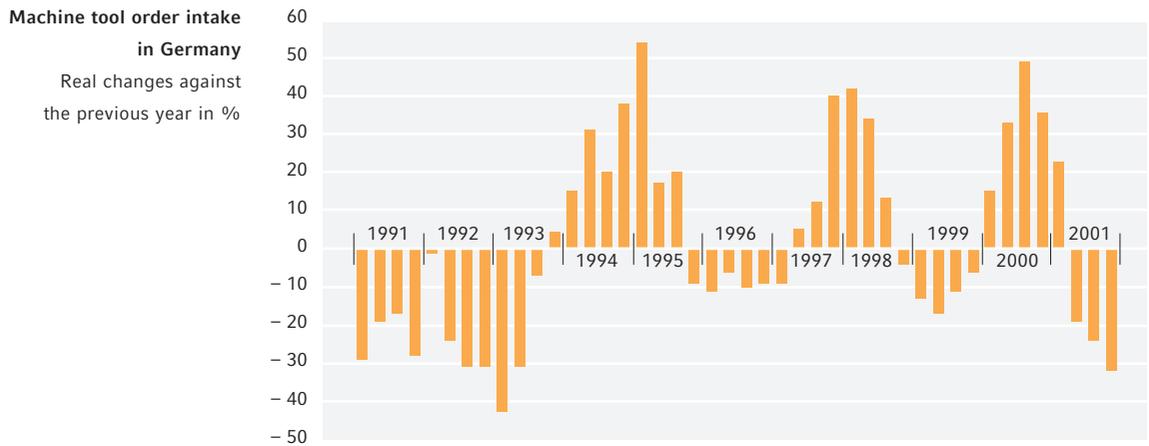


Source: The German Machine Tool Industry in the year 2001
vow (Verein Deutscher Werkzeugmaschinenfabriken – Association of German Machine Tool Manufacturers)

German Machine Tool Industry

The year 2001 brought a 10% increase in German machine tool production, a deviation from the international section trend. These increases in production are mainly due to the fact that the previous year's high level of order backlogs had to be worked off. Whilst the intake of new orders declined compared with the previous year, increases in domestic sales and export of German machine tools was still possible at this time. In the reporting year, export reached € 5.6 billion.

Compared with the previous year, **order intakes** decreased by 13% to a total of € 9.4 billion (previous year: € 10.8 billion). This change is due to the fact that last year foreign orders dropped by 22%, and domestic orders decreased by 3%. The total rate of change for machine tools and for cutting machines was falling during the course of the entire year.



Our machines. To let you enjoy every day.

Turning, milling, laser and ultrasonic machines from DECKEL MAHO and GILDEMEISTER contribute to making your day easier and more enjoyable. The production of high quality components for coffee-makers is just one of many tasks that our machines carry out daily throughout the world.



The business climate in the principal purchaser industries, such as the mechanical engineering, road vehicle construction and electrical engineering industries, dropped during the course of the year, until it stagnated at a low level during the last months, according to figures of the Munich-based Economic Research Institute (ifo).

The machine tool industry was able to achieve a **production growth** of 10% in the year 2001, with production rising to a total of € 10.0 billion and thereby reaching a new record (2000: € 9.1 billion). Whilst sales increased by 24% during the first half of the year, due to the decline in order intake this development slowed down in the second half of the year so that the whole of the year saw a growth of just 14%.

Of the metal cutting machines produced in Germany, 56% were exported in the reporting year (2000: 57%). Compared with the previous year, **exports** rose by 9% to € 5.6 billion. The most important market for German machine tools was, as in previous years, the United States. Based on the available figures for the first three quarters of 2001, 16% of the proceeds from exports was attributed to this market (2000: 18% for the whole year). The subsequent places in the ranking of the major purchasing countries were occupied by France with a share of 8% (2000: 9%), Italy with 7% (2000: 8%), Switzerland with 5% (2000: 6%) and the PR of China also with 5% (2000: 4%).



The renewed growth in **imports** of 11% to € 3.5 billion in the reporting year (2000: € 3.1 billion) together with the 11% increase in domestic sales of € 4.4 billion (2000: € 3.9 billion) led to an increase in domestic consumption of 11% to € 7.8 billion. Approximately 42% (2000: 41%) of the German machine tool imports originated from the European Union. As previously, Switzerland remained by a long way the largest supplier country. Other countries with substantial supply volumes were Japan, Italy, France, the USA, the Czech Republic and Belgium.

At the end of 2000, **capacity utilisation** increased to 96.8%, representing a full use of capacity. During 2001 this figure dropped to 93.4%. An even higher utilisation of 95.5% was achieved for metal cutting machines. The demand trend is also reflected in the orders on hand. The extent of **orders on hand** during the production months decreased from 8.3 months at the beginning of the year to 7.4 months in October 2001. This computed average value for the industry can only be a rough indicator of the extent of order volumes due to its compilation, which includes – apart from standard machines with extremely short delivery times – special machines and large cutting machine tools with long delivery times.

Employment in German machine tool building companies increased by 3% compared with 2000. During the first half of 2001 the number of employees increased only slightly to 67,800, and then rose to 69,500 employees during the second half of the year.

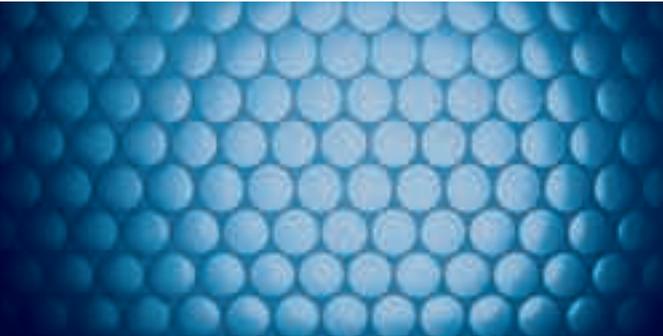
According to estimates by the Association of German Machine Tool Manufacturers (vdw), for most companies there has not been a substantial improvement in **profitability** when compared with the previous year. A statement on this matter is difficult, though, since only a few companies publish their figures. Reliable statements are only available in individual cases so that the Association has to rely on estimates. For the machine tool building industry, the vdw estimates the average annual after-tax-rate of return to be 3.4%. However, the industry's annual rates of return are, on the whole, not satisfactory. The industry is not only affected by the cyclical effects and structural changes of the previous years, but also by the high product development costs and investments focused on future developments.

Source: vdw; vdMA – Fachverband Werkzeugmaschinen und Fertigungssysteme
(Trade Association Machine Tools and Production Systems)
(Figures for the previous year were partly updated)

Our machines. Make listening fun.

Turning, milling, laser and ultrasonic machines from DECKEL MAHO and GILDEMEISTER help her to enjoy life with all her senses. The production of high-tech components for the entertainment industry is only one of many tasks that our machines carry out daily throughout the world.





CAPTION >> Glass blank with pre-drilled stick lenses:
 our products milled with the use of ultrasonic technology for the convergence of light, do not only play a crucial role in the laser technology, they are also used where IT systems or modern medical technology require fresh high-performance impetus.

GILDEMEISTER
 Aktiengesellschaft
 Bielefeld

PRODUCTION PLANTS

GILDEMEISTER Drehmaschinen GmbH Bielefeld 100%	GILDEMEISTER Italiana S.p.A. Brembate di Sopra 86%	DECKEL MAHO Pfronten GmbH Pfronten 100%	DECKEL MAHO Geretsried GmbH Geretsried 100%
	GRAZIANO Tortona S.p.A. Tortona 100%	LASERTEC GmbH Pfronten 100%	
	SACO S.p.A. Castelleone 100%		

CORPORATE SITUATION

GILDEMEISTER in the year 2001 – this means growth rates in sales, order intake and returns. By optimising our product portfolio and orientating the group towards becoming a full-liner in the turning and milling technologies, we have set the course for the future. Innovation is our credo. We are ready for any challenges and are well positioned for the years to come.

				PROCUREMENT	SALES AND SERVICE ORGANISATION
DECKEL MAHO Seebach GmbH Seebach 100%	FAMOT Pleszew S.A. Pleszew 96%	SAUER GmbH & Co. KG Stipshausen 50,5%	a & f Stahl- und Maschinenbau GmbH Würzburg 51%	DMG Vertriebs und Service GmbH Bielefeld 100%	51 Vertriebs- und Servicestandorte weltweit

Economic Report: Corporate Situation and Business Development

In the financial year 2001, GILDEMEISTER was again able – for the seventh successive year – to increase their order intake, sales and returns. The order intake reached € 1,103.1 million (+2%) and thus exceeded even the record figures of the previous year (€ 1,083.8 million), even though the sector trend had strongly declined (-13%). The group's sales volume rose by 24% to € 1,144.2 million; this is € 220.9 million more than the previous year.

The group's profitability improved again in the financial year 2001. The profit on ordinary activities increased by 11% to € 49.2 million (previous year: € 44.2 million). Earnings before interest and taxes (EBIT) rose by 11% to € 70.0 million (previous year: € 62.9 million). The profit for the year increased to € 41.0 million (previous year: 38.1 million). The Executive Board and Supervisory Board will again propose to the Shareholders' General Meeting the distribution of a dividend of € 0.60.

At € 381.8 million (previous year: € 422.9 million), the orders on hand form a solid basis for the new financial year. Despite the difficult global market conditions, GILDEMEISTER is ready to tackle the challenges of the year 2002.

We expect a rather restrained course of demand for the current financial year and will adjust our production capacities to the market conditions in the required flexible manner. For the successful representation of the technological superiority of our products, we will continue to push forward our developments and marketing activities. By being well represented through the group's sales and services organisation on all major industry markets, we stand a good chance of asserting ourselves against the competition with our existing share of the market.

At 31st December 2001, the GILDEMEISTER group was composed of the
—— 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,
- a & f Stahl- und Maschinenbau GmbH, Würzburg,
- DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld.

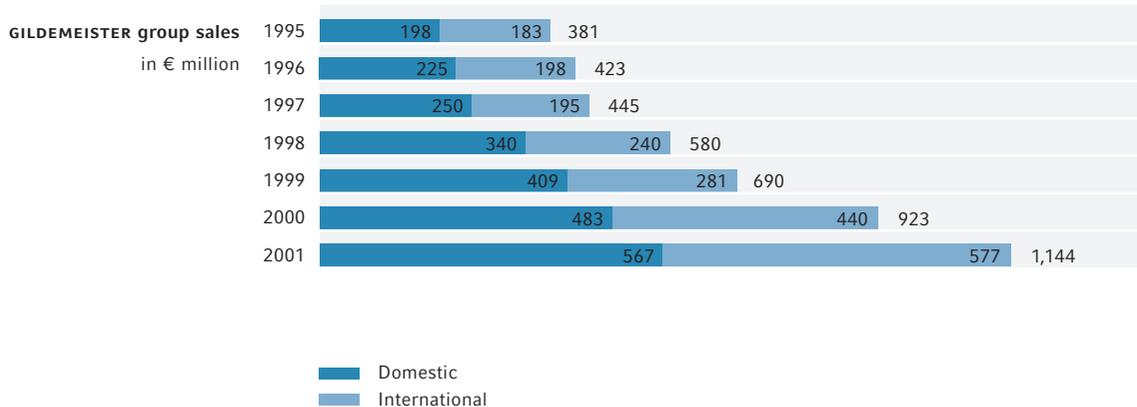
The consolidated company report includes all group companies controlled by GILDEMEISTER Aktiengesellschaft. SAUER GmbH & Co. KG, a company taken over on November 1st, 2001 (50.5%), will be included into the consolidation from January 1st, 2002. GILDEMEISTER Italiana together with its fully owned subsidiaries, GRAZIANO Tortona S.p.A., Tortona, and SACO S.p.A., Castelleone, is a subgroup, as is DECKEL MAHO Pfronten GmbH and DMG Vertriebs und Service GmbH each with its subsidiaries.

GILDEMEISTER operates in the metal-cutting technology field. Business activities include the **segments** "Machine Tools", "Services" and "Corporate Services". The group's corporate governance is directed towards these business segments. The **"Machine Tools"** segment is made up of the technologies "turning", "milling" and "laser/ultrasonics". All of our machines are to be allocated to the cutting machine tools, and all business segments are highly concurrent with each other. The **"Services"** segment, which covers all business segments, is directly related to the machines. The "Services" are offered to all relevant international markets via the DMG Vertriebs und Service GmbH. **"Corporate Services"**, the third segment, covers the business operation of the GILDEMEISTER Aktiengesellschaft and the holding company Macchine Utensili S.p.A., Milano.

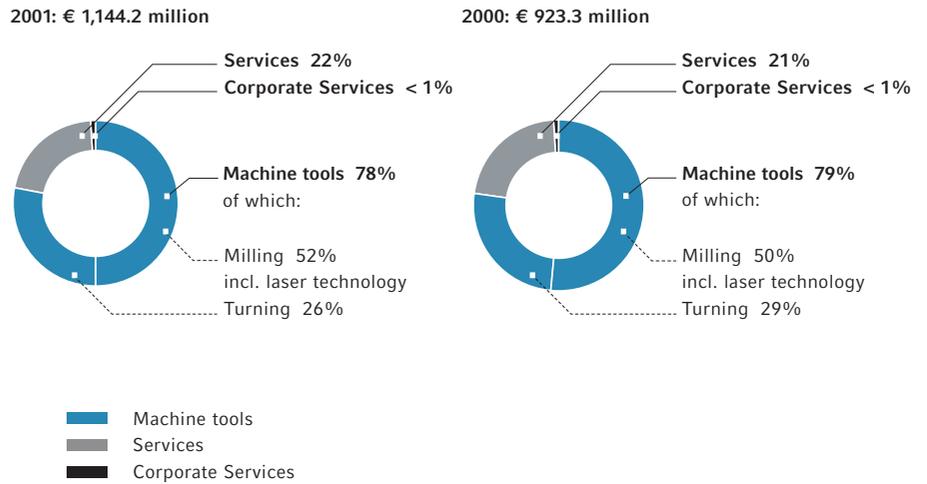
Sales

We have achieved our goal! GILDEMEISTER was able to achieve another two-digit sales increase in the financial year 2001, for the 7th successive year. GILDEMEISTER increased its sales volume by 24% to € 1,144.2 million. This is € 220.9 million more than the previous year (€ 923.3 million). Domestic sales increased by 17% or € 83.5 million to € 566.9 million. International business increased by 31% or € 137.4 million to € 577.3 million. The export share increased to 50% (previous year: 48%).

This further sales increase demonstrates another increase in performance for the eight production facilities of the GILDEMEISTER group which represent the “Machine Tools” segment at five sites in Germany and three sites abroad. The strongest performer with 78% (previous year: 79%) was again the new machines business of the production facilities. The milling machines and machining centres from DECKEL MAHO together with the laser technology contributed 52% of the group’s sales volume (previous year: 50%). The contribution of the turning machines and turning centres from GILDEMEISTER, GRAZIANO and FAMOT amounted to 26% (previous year: 29%). With a clear increase in the sales volume, 22% (previous year: 21%) of foreign sales were attributed to the “Services” segment, ie. the DMG Vertiebs- und Service GmbH, a & f Stahl- und Maschinenbau GmbH and saco S.p.A. with their components business. With both trading on their own account and on a commission basis for the group companies and third-party products, DMG together with its subsidiaries in Germany and abroad operates the promising “Services” division. a & f operates within the qualified procurement field of mechanical machine parts and assembled structural components. saco, Castelleone, produces tool equipment, tool holders, collet chucks and motor spindles mainly for automatic lathes.



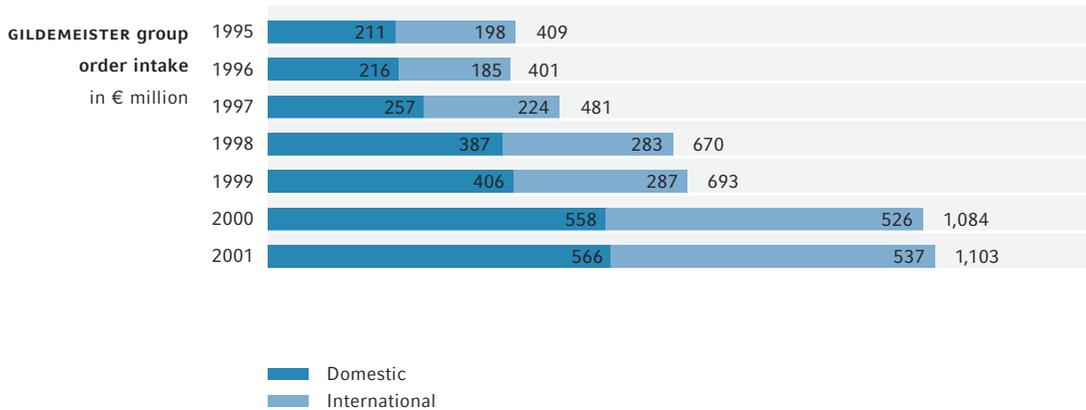
GILDEMEISTER group sales distribution by segments/divisions



The sales contribution that could be achieved via e-commerce has gained in significance. It is mainly attributed to services such as the proven DMG-Netservice and CNC-Nettraining. In the business process with our customers and suppliers we were able to achieve a substantial increase in performance from electronic networking.

Order Intake

We have reached our goal! All in all, GILDEMEISTER was able to enter a satisfactory order intake despite the sharply declining industry trend. The order intake reached € 1,103,1 million and as a result was 2% or € 19.3 million above the previous year's record (2000: € 1,083.8 million). We have thus reached our high targets and exceeded the planned order intake of € 1,050 million as specified in the last interim reports. Domestic orders slightly exceeded the previous year's level with € 566.1 million (€ 558.2 million). Foreign orders increased by 2% or € 11.4 million to € 537.0 million. The foreign share increased to 49% (previous year: 48%).

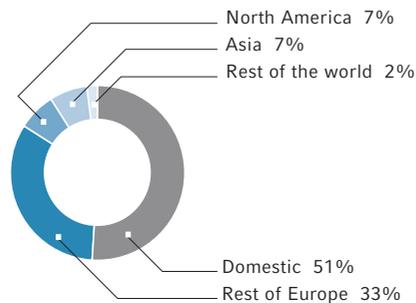


In 2001, too, the group-owned DMG Vertriebs- und Service GmbH with its 39 technology centres operating throughout the world, its consistent market proximity, a direct selling covering all areas and the extensive range of customer-related services, was again able to achieve positive sales results. With its comprehensive range of services, DMG offers our customers an additional benefit in connection to the machines of DECKEL MAHO and GILDEMEISTER.

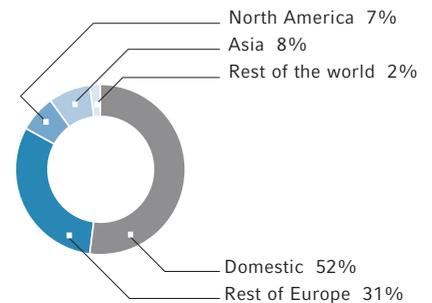
The national DMG Gesellschaften were successful again; last year's good results were again slightly exceeded. The increase in exports are a result of an increased order intake from Europe – particularly Italy, Austria, Switzerland and Spain. In America we were able to maintain our order intake on the previous year's level. In Asia GILDEMEISTER maintained its competitive position despite the continuing weakness of the market. We were able to increase our order intake compared with the previous year's level in individual countries such as the PR of China, Korea and India.

GILDEMEISTER group order intake
by regions

2001: Total € 1,103.1 million



2000: Total € 1,083.8 million



78% of the order intake for the reporting year was attributed to the “Machine Tools” segment (previous year: 79%), 21% to the group’s “Services” (previous year: 21%) and less than 1% to the “Corporate Services” division. With an increased order intake volume, in the year 2001 a total of 5,900 turning, milling, laser/ultrasonic and used machines were sold to 4,245 different customers in Germany and abroad. This resulted in a smaller **sales volume** than last year, however, due to the machines’ better technological equipment, the average individual value per machine exceeded the previous year’s value by 12%. During the course of the year **selling prices** were slightly raised within the limited market by between 0% and 3% depending on each specific product. Apart from individual market regions, the sales proceeds were, all in all, still satisfactory considering the continuing enormous competitive pressure.

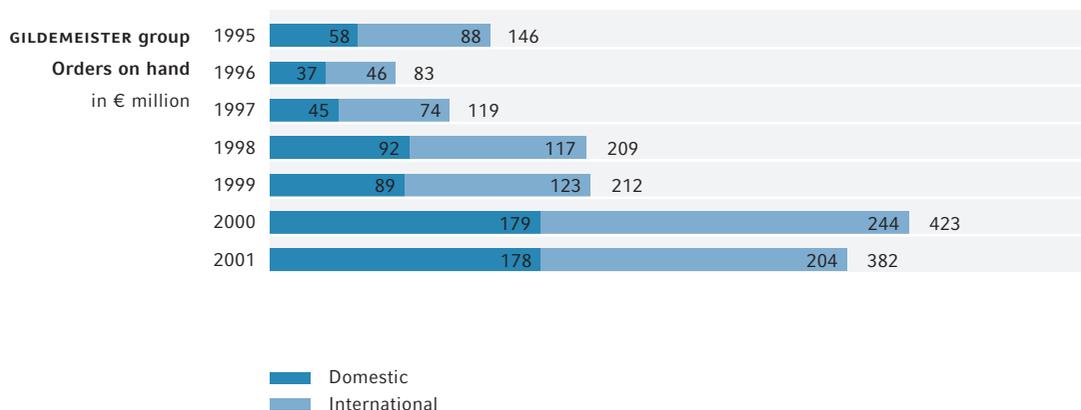
The development of our order intake, which clearly lies above the section trend, is a result of our innovative high-tech products, the global expansion of our DMG Vertriebs- und Servicegesellschaften and our presence at international trade fairs and increased marketing. At the EMO, the world’s most important machine tools fair, GILDEMEISTER achieved an above average trade fair success with an order intake of € 81.4 million. All 25 innovations introduced as world premières were met with great interest from a specialist audience.

Orders on Hand

On December 31st, 2001 the group's orders on hand amounted to € 381.8 million. This was a reduction of 10% compared to the previous year (2000: € 422.9 million) which is due to our capacity adjustment measures, the resulting shorter delivery times and lower order intake during the last six months of the year. 53% of the present order intake were attributed to foreign orders (previous year: 58%). In the reporting year, foreign orders on hand decreased by € 40.3 million or 17% to € 203.5 million. During the same period, the domestic orders on hand remained nearly unchanged at € 178.3 million compared to the previous year (2000: €179.1 million).

The orders on hand that had built up during the course of the year could be reduced by 25% in the fourth quarter due to completed assembly capacities. This meant that our delivery periods for standard machines returned to the normal short delivery required by the competitive market.

For computing purposes, our orders on hand correspond to a production capacity utilisation of approximately four months, thus forming a good starting point for the current financial year. The average utilisation value is mainly determined by the technology machines of our production scheme with corresponding longer processing times.



The orders on hand for “Machine Tools” amounted to € 319.3 million at the end of the reporting year; this is an 84% share in the group's orders on hand. 53% of these were foreign orders (previous year: 52%). € 62.5 million or 16% of the group's orders on hand were attributed to “Services”, particularly to the DMG Vertriebs- und Service GmbH and its subsidiaries. The relating export share was 55% (previous year 86%).

Results, Net Worth and Financial Position

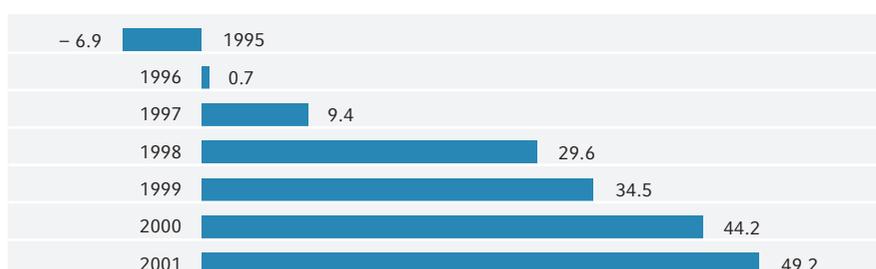
Results 2001

In the financial year 2001 GILDEMEISTER exceeded the record performance of the previous year – even though demand was declining in most of the major markets and competitive pressure had intensified. Heavy spending on product development and the opening up of new markets secured our technological leadership and extensive market shares.

Profits on ordinary activities reached € 49.2 million. Compared with the value of the previous year of € 44.2 million this is an increase of € 5.0 million or 11.2%. Our national companies together with the DMG subgroup have generated positive results for the reporting year. Only LASERTEC GmbH closed with a planned loss of € 0.8 million – this was mainly due to the start-up costs of new products. The GILDEMEISTER Italiana subgroup showed a slightly negative operating result. This result was affected by the change of model, currently taking place at GILDEMEISTER Italiana, to CNC multi-spindle automatic lathes and by the revised GRAZIANO programme. SACO's profit contribution was positive. Our Polish subsidiary FAMOT showed negative results, which were affected by heavy investments in the modernisation of production and the exchange rate development of the Polish Zloty.

We were able to improve **results according to DVFA/SG** to € 28.6 million from € 20.3 million. In accordance with the DVFA/SG accounting method, revenue and expense from special influences are eliminated from the result. The derivation of the DVFA results is set out in detail in the chapter "GILDEMEISTER Share" on page 66, an overview of several years in the table "Group Overview" inside the front cover. For the last time, GILDEMEISTER will be able to claim for tax loss carryforward from corporate income tax for 2001; for this reason notional taxes on income were taken into account.

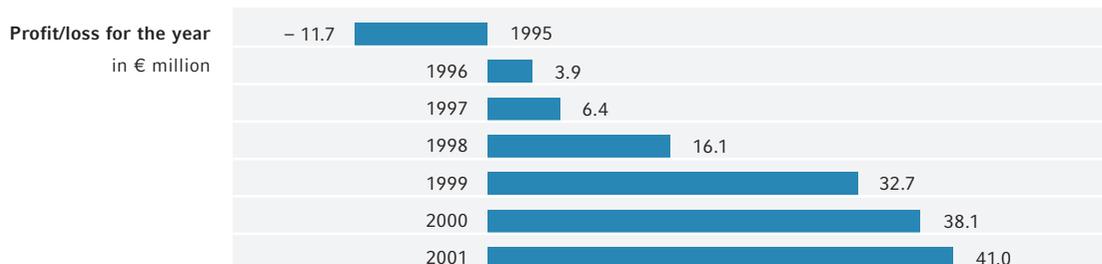
Profits on ordinary activities
in € million



GILDEMEISTER Group Income Statement

	2001		2000		changes against previous year	
	€ k	%	€ k	%	€ k	%
Gross performance	1,188,944	100.0	912,884	100.0	276,060	30.2
Cost of materials	-649,942	-54.7	-485,095	-53.1	-164,847	34.0
Gross yield	539,002	45.3	427,789	46.9	111,213	26.0
Personnel costs	-270,623	-22.8	-212,544	-23.3	-58,079	27.3
Other income and expenses	-164,891	-13.9	-126,880	-13.9	-38,011	30.0
Fixed asset depreciation	-33,461	-2.8	-25,492	-2.8	-7,969	31.3
Financial result	-20,870	-1.7	-18,681	-2.0	-2,189	11.7
Profits on ordinary activities	49,157	4.1	44,192	4.9	4,965	11.2
Taxes on corporate income and business profits	-8,120	-0.6	-6,113	-0.7	-2,007	32.8
Profit for the year	41,037	3.5	38,079	4.2	2,958	7.8

At € 1,188.9 million, the gross performance for the first time exceeded the one billion mark and lay above the previous year's value by 30.2% or € 276.1 million. The materials quota increased from 53.1% to 54.7%. The gross yield reached € 539.0 million and lies 26.0% above the previous year's value (€ 427.8 million). This is a gross yield margin of 45.3% (2000: 46.9%). The main reason for this development is the high number of newly developed products and their serial start-up. Personnel costs rose under-proportionately to the gross yield so that this quota improved from 23.3% to 22.8%. The balance of other income and expenses changed in accordance with business development and rose by € 38.0 million to € 164.9 million (previous year: € 126.9 million). Leasing and rental expenditure amounted to € 17.4 million in the reporting year (previous year: € 13.5 million). At 31st December 2001, leasing and rental obligations for the financial year 2002 stood at € 16.8 million. The annual depreciation expense at 2.8% corresponded with the previous year's value. The depreciation value of € 33.5 million includes goodwill amortisation of € 6.5 million. The financial result of € 20.9 million (previous year: € 18.7 million) changed under-proportionately to the balance sheet total due to better lending terms. Both national and international companies incurred taxes on income. Due to the corporate income tax reform, the imputation system no longer applies to the national companies. The **net annual profit** reached € 41.0 million. This is an increase of 7.8% compared with the previous year (€ 38.1 million). Further details on revenue and expense items are set out in the Notes starting on page 186.



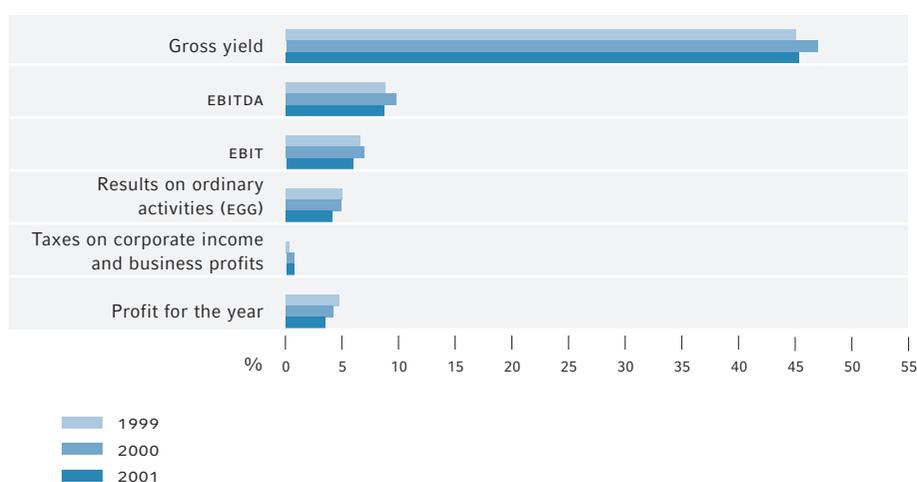
For the past financial year, GILDEMEISTER was again able to achieve significant growth rates in sales volume, results on ordinary activities and profit for the year.

Development of sales and results

		1999	2000	2001
Sales	€ k	690,363	923,298	1,144,239
Annual change	%	19.0	33.7	23.9
EGG	€ k	34,452	44,192	49,157
Annual change	%	16.3	28.3	11.2
Profit for the year	€ k	32,663	38,079	41,037
Annual change	%	102.3	16.6	7.8

The margin analysis shows that, despite the continuing absolute improvement in the group's profitability, the rates of profit are lower than the previous year. This is due to the lower gross yield margin. This change can be partly compensated for by the positive development of the personnel costs rate and the other revenue and expense items. Another burden on the profit for the year 2001 were the higher taxes on income.

Margin development of the GILDEMEISTER group		1999	2000	2001
Gross performance		100.0	100.0	100.0
in %	Gross yield	45.0	46.9	45.3
	EBITDA	8.8	9.7	8.7
	EBIT	6.6	6.9	5.9
	Results on ordinary activities (EGG)	5.0	4.9	4.1
	Taxes on corporate income and business profits	0.3	0.7	0.6
	Profit for the year	4.7	4.2	3.5



The distribution of dividends of the affiliated companies determine the result of the **GILDEMEISTER Aktiengesellschaft** as parent company. Their profit for the year grew by 33.6% to € 59.1 million (previous year: € 44.2 million). The transfer to other revenue reserves was € 29.5 million. The net income shown in the balance sheet increased from € 23.2 million to € 29.6 million.

The Executive Board and Supervisory Board will recommend to the shareholders' general meeting on 17th May 2002 the distribution of an unchanged **dividend** of € 0.60 per share for the financial year 2001. This will amount to € 17.3 million. In relation to the profit for the year of **GILDEMEISTER Aktiengesellschaft**, the rate of distribution thereby amounts to 29.3% (previous year: 38.9%). In relation to the group's profit for the year of € 41.0 million, the distribution of a dividend of € 17.3 million amounts to a higher rate of distribution of 42.2% (previous year: 45.2%). Another proposal to the shareholders' general meeting will be the transfer of the remaining balance sheet net income of the **GILDEMEISTER Aktiengesellschaft** of € 12.3 million to other revenue reserves, to further strengthen the equity capital. Further details on the dividend are set out in the chapter "GILDEMEISTER Share" on page 66.



Our machines. To let light into your life.

Turning, milling, laser and ultrasonic machines from DECKEL MAHO and GILDEMEISTER help to show your work in the correct light. The production of lighting moulds is only one of many tasks that our machines carry out daily throughout the world.



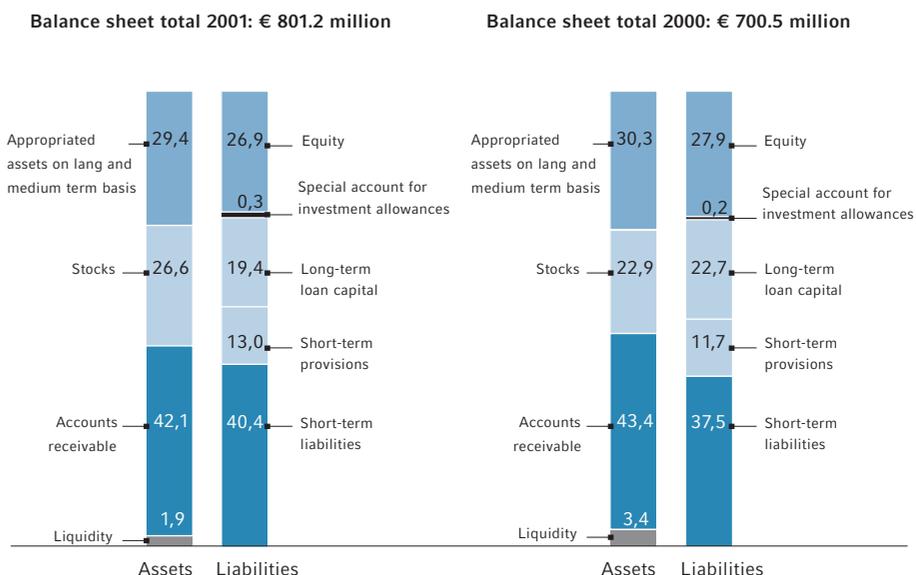
Net Worth and Financial Position

GILDEMEISTER group balance sheet

	31 st Dec. 2001		31 st Dec. 2000		Changes against previous year	
	€ κ	%	€ κ	%	€ κ	%
Assets						
Appropriated assets on long and medium term basis						
Fixed assets	233,747	29.2	210,486	30.1	23,261	11.1
Current assets	1,493	0.2	1,553	0.2	-60	-3.9
	235,240	29.4	212,039	30.3	23,201	10.9
Appropriated assets on short term basis						
Stocks incl. payments on account	213,035	26.6	160,420	22.9	52,615	32.8
Accounts receivable and other assets	337,647	42.1	303,981	43.4	33,666	11.1
Liquid funds	15,254	1.9	24,096	3.4	-8,842	-36.7
	565,936	70.6	488,497	69.7	77,439	15.9
Balance sheet total	801,176	100.0	700,536	100.0	100,640	14.4
Liabilities						
Long and medium term funds						
Equity	215,129	26.9	195,687	27.9	19,442	9.9
Special account for investment allowances	2,387	0.3	1,219	0.2	1,168	95.8
Loan capital						
Provisions	33,960	4.2	32,262	4.6	1,698	5.3
Liabilities	121,786	15.2	126,595	18.1	-4,809	-3.8
	155,746	19.4	158,857	22.7	-3,111	-2.0
	373,262	46.6	355,763	50.8	17,499	4.9
Short-term funds						
Provisions	104,114	13.0	81,666	11.7	22,448	27.5
Liabilities	323,800	40.4	263,107	37.5	60,693	23.1
	427,914	53.4	344,773	49.2	83,141	24.1
Balance sheet total	801,176	100.0	700,536	100.0	100,640	14.4

The growth of the GILDEMEISTER group has risen further in the financial year 2001. This development is reflected in the increased **balance sheet** total of 14.4% or € 100.6 million to € 801.2 million (previous year: € 700.5 million).

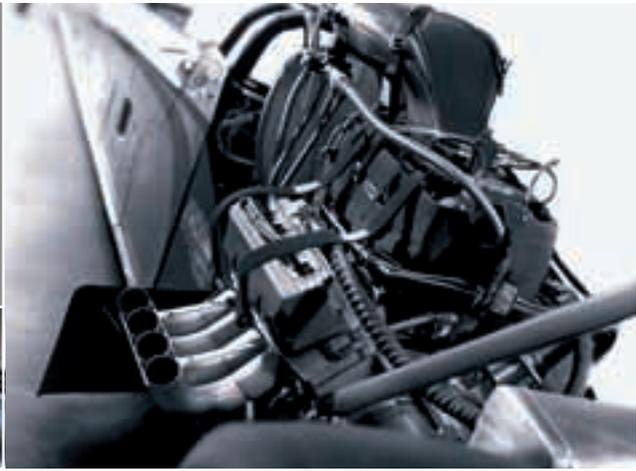
**Assets and capital structure of the
GILDEMEISTER group**
in %



There was an increase in **fixed assets** of 11.1% or € 23.3 million to € 233.8 million (previous year: € 210.5 million). These investments pertained mainly to increased capacity and logistical optimisation measures at the Seebach, Pfronten, Geretsried and Castelleone sites. Intangible fixed assets decreased by € 5.7 million due to depreciation. The capitalisation ratio (fixed assets to total assets) decreased to 29.2% (previous year: 30.1%). The asset additions are set out in more detail in the “Investments” chapter on page 79.

In the reporting year, **stock on hand** rose by 32.8% or € 52.6 million to € 213.0 million (previous year: € 160.4 million). The main part of this increase, at € 32.4 million, is attributed to the inventory of finished goods. This is due mainly to our lively international trade fair activities during the third and fourth quarter of 2001, and the equipment of our technological centres with additional demo machines. Stocks in raw materials and consumables (RHB) on the other hand rose by only 6.4%, which is substantially lower than the increase in the balance sheet total. The rate of turnover pertaining to RHB, which rose to 7.2 (previous year: 5.9), shows clear efficiency gains in the procurement and logistics areas. In all, the stock on hand share in the balance sheet total rose to 26.6% in the reporting year, compared to 22.9% in the previous year.

Our machines. To allow new dimensions in performance. Turning, milling, laser and ultrasonic machines from DECKEL MAHO and GILDEMEISTER help you tackle even the most demanding machining tasks. The production of highly resistant engine components is only one of many tasks that our machines carry out daily throughout the world.

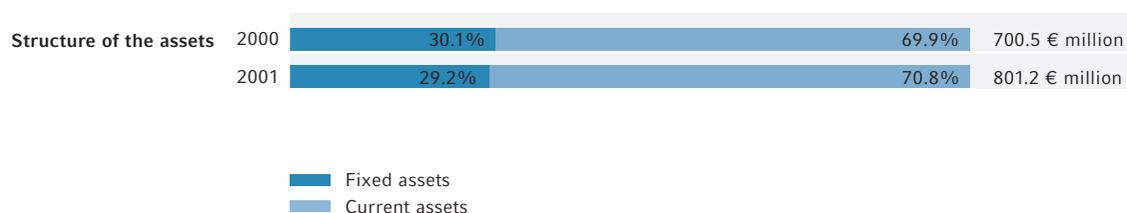


Thanks to our improved debt claims management, the increase in **accounts receivable and other assets** was slightly under-proportionate to the balance sheet total. The accounts receivable rose by only € 29.4 million or 11.0%, whilst other assets increased by € 8.4 million or 31.2%. The rate of turnover pertaining to accounts receivable improved to 4.5 (previous year: 4.0).

Liquid funds amounted to € 15.3 million at the balance sheet date, representing 1.9% of the balance sheet total (previous year: 3.4%). In view of our business expansion in 2001 and the simultaneous under-proportionate increase of finance expenditure, these figures indicate the success of our debt claims and liquidity management. The fact that the liquid asset ratio has decreased despite this measure, is due to the over-proportionate increase in stocks. The relatively moderate decrease in the current ratio demonstrates the significance of the stocks and their funding for this ratio.

Development of the liquid asset ratios in the GILDEMEISTER group in %		1999	2000	2001
Cash ratio		5.8	7.0	3.6
Ratio of financial current assets to current liabilities		81.2	91.5	80.5
Current ratio		134.3	137.9	130.1

Overall, the assets demonstrate a slight shift to a short-term appropriation of assets.

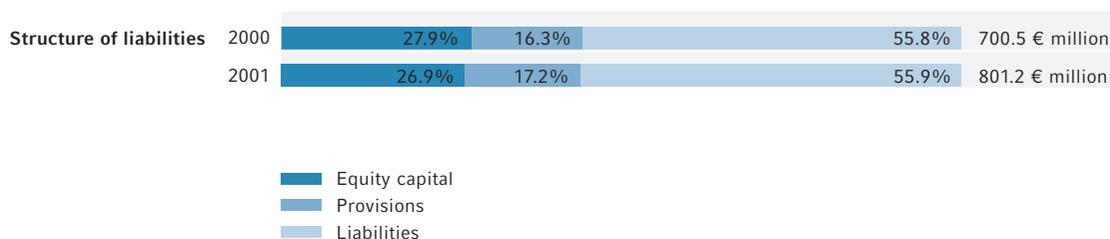


With regard to the **liabilities**, the positive annual result led to an increase in **equity capital** of 9.9% or € 19.4 million to € 215.1 million (previous year: € 195.7 million). The **equity ratio** is approximately 26.9%, compared to the previous year's 27.9%. The reason for this slight decline is the further business expansion during the reporting year. The ratio of the average net indebtedness to the ordinary share capital (gearing) developed from 112.0% to 119.8%.

The proportion of **long-term loan capital** decreased from 22.7% to 19.4%, since the repayments exceeded the borrowing. The absolute decrease was € 3.1 million to € 155.8 million (previous year: € 158.9 million). At 4.2% to 4.6%, the rate of **long-term provisions** decreased slightly. The **long and medium term funds** increased by € 17.5 million or 4.9% to € 373.3 million in the reporting year. The appropriated assets on long and medium term basis are funded by 158,7% (previous year: € 167,8%) by funds that are available on a long and medium term basis. This indicates a balanced financing structure of the balance sheet.

The **short-term funds** increased by € 83.1 million or 24.1% to € 427.9. This includes an increase in short-term provisions of 27.5% or € 22.4 million to € 104.1 million (2000: € 81.7 million). This increase in provision was necessary due to the strong expansion in business volume. Short-term liabilities increased by 23.1% to € 323.8 million. The increase in short-term funds runs parallel to the development of stock on hand.

The liabilities still demonstrate a balanced **funding** of the total assets. The total fixed assets and stock on hand of € 446.8 million is covered by medium-term and short-term funds at 83.5%. The structure of the liabilities does not show any substantial changes compared with the previous financial year.



The group’s further dynamic growth is secured through a balanced mix of own and borrowed funds. With the total of existing liquid funds plus the available bank facilities, the group has sufficient funds at its disposal to finance both the intended business expansion and planned investments. Further explanations of the balance sheet positions and multi-year overviews of the group’s ratio development are set out in the Notes.

GILDEMEISTER group Cashflow Statement*

	2001	2000	Changes against prev. year
	€ κ	€ κ	€ κ
Cashflow from operating activities			
1. Profit for the year	41,037	38,079	2,958
2. Fixed asset depreciation	33,461	24,542	8,919
3. Increase in long-term provisions	1,698	513	1,185
4. Other income not affecting payment	-314	-413	99
Cashflow according to DVFA/SG	75,882	62,721	13,161
5. Increase in short-term provisions	22,448	18,349	4,099
6. Losses from fixed assets disposal	286	28	258
7. Increase in stocks, trade debtors and other assets	-86,053	-46,641	-39,412
8. Increase/decrease in trade creditors and other liabilities	7,753	-39,479	47,232
	20,316	-5,022	25,338
Cashflow from investment activities			
1. Receipts from tangible fixed assets disposals	6,520	4,267	2,253
2. Payments for investments in fixed assets	-51,607	-31,787	-19,820
3. Receipts from intangible fixed assets disposals	0	33	-33
4. Payments for investments in intangible fixed assets	-4,658	-6,927	2,269
5. Payments for investments in financial assets	-9,550	-7	-9,543
6. Changes in the group assets due to changes in the consolidated group	0	-110,280	110,280
	-59,295	-144,701	85,406
Cashflow from financing activities			
1. Receipts from borrowing (finance) loans	47,691	119,905	-72,214
2. Dividend payments to shareholders	-17,237	-10,846	-6,391
3. Capital repayments to other company members	0	-832	832
4. Dividend to other company members	-1,108	-1,112	4
5. Receipt from investment allowance	1,481	0	1,481
6. Receipt from the increase of capital	0	53,910	-53,910
7. Receipts from other company members	245	0	245
	31,072	161,025	-129,953
Changes affecting payments	-7,907	11,302	-19,209
Consolidation and exchange rate related changes not affecting payments	-935	-793	-142
Liquid funds at 1 st January	24,096	13,587	10,509
Liquid funds at 31 st December	15,254	24,096	-8,842

* Flow of funds analysis (cashflow statement) in accordance with the German Accounting Standard No. 2 (DRS 2)

In the **flow of funds analysis (cashflow statement)** the payment flows from one financial year are recorded to represent the inflow and outflow of liquid funds. The origins of the funding employed are thus set out against the investment activities. The **cashflow** is calculated by adding to the profit for the year those expenses that are not set off against any payments, and subtracting from it income that did not result in the receipt of monies. Changes due to foreign currency translation and the changes in the consolidated group are adjusted accordingly. The cashflow statement of the preceding year shows the acquisition of the interest in GILDEMEISTER Italiana in the accounts "Changes in the group assets due to changes in the consolidated group" and "Receipts from the borrowing of (finance) loans" in accordance with legal provisions. In the current year, the flow of funds from the business operation of GILDEMEISTER Italiana will, for the first time, be shown in all accounts of the cashflow statement. Therefore, a comparison of the individual accounts for both years is not possible.

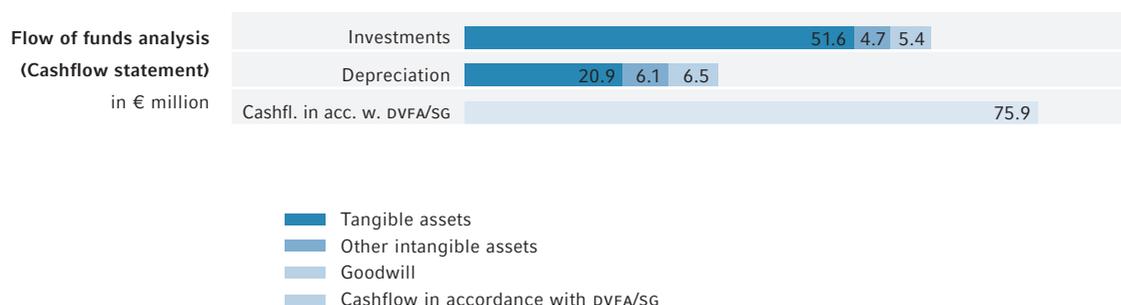
At € 20.3 million, the **development of the cashflow (inflow of funds)** from operating activities went very well. This figure equals an increase of € 25.3 million (previous year: outflow of funds € 5.0 million) and illustrates the further growth of the group's financial power.

The **cashflow according to DVFA/SG** rose by € 13.2 million or 21.0% to € 75.9 million (previous year: € 62.7). The continuing growth in the profit for the year to € 41.0 million (previous year: € 38.1 million) also led to a further strengthening of our internal financing power. The fixed asset depreciation rose due to last year's investment activities by € 8.9 million to € 33.5 million. (previous year: € 24.5 million). The increase in long-term provisions is due to obligations from old age partial employment and employee's anniversary gifts.

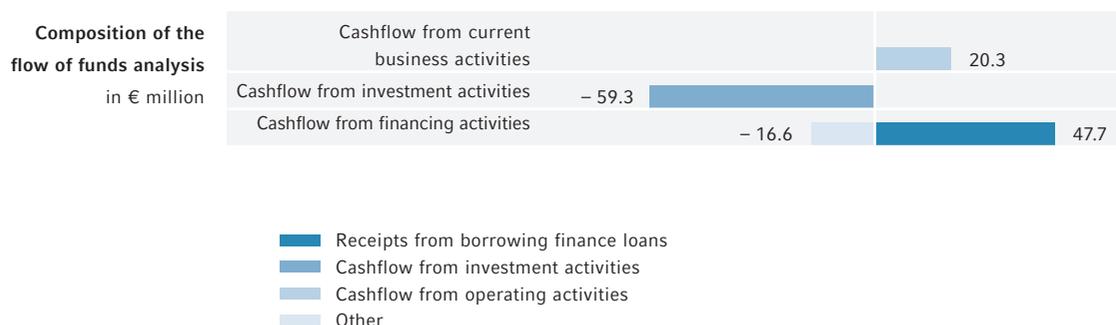
The short-term provisions increased by € 22.4 million (previous year: € 18.3 million). The total increase in stocks, trade debtors and other assets is € 86.1 (previous year: € 46.6 million). The reasons for the increase in stocks are set out in the notes on the net worth position on page 53. The increase in trade creditors and other liabilities is € 7.8 million.

The group's still high investment volume is reflected in the **cashflow (outflow of funds) from investment activities**. In the reporting year, net investments were € 59.3 million compared with € 144.7 million in the previous year. It must be taken into account that the previous year's value included the purchase price payment for the acquisition of the share in GILDEMEISTER Italiana (€ 114.9 million). The investments in tangible fixed assets were € 51.6 million (previous year: € 31.8 million). Further details are set out in the "Investments" chapter on page 79. € 8.5 million was spent on the acquisition of the remaining 37.5% of the shares in DECKEL MAHO Seebach GmbH at 1st October 2001. This amount is included in the payments for investments in financial assets. Companies or other business units were not sold during the reporting year.

The **cashflow (inflow of funds) from financing activities** amounted to approximately € 31.1 million (previous year: € 161.0 million. After adjustments due to the special circumstances arising from the purchase of GILDEMEISTER Italiana and the increase in capital that took place last year, the cashflow development runs parallel to the group's business activities. The dividend payments to shareholders' for the financial year 2000, in 2001 led to an outflow of funds of € 17.2 million (previous year: € 10.9 million). There were no investment and financing activities not affecting payments in the reporting year. Liquid funds at the balance sheet date were € 15.3 million (previous year: € 24.1 million).



The cashflow statement illustrates the financial power of GILDEMEISTER group due to the positive business development.



The statement of sources and **application of funds** derived from the cashflow statement illustrates the application and source of funds during the reporting year.

GILDEMEISTER group Statement of sources and application of funds	2001		2000	
	€ κ	%	€ κ	%
Application of funds				
Outflow of funds from operating activities	0	0	5,022	2.9
Outflow of funds from investment activities	59,295	78.6	144,701	82.9
Consolidation and exchange rate related changes not affecting payments	935	1.2	793	0.5
Liquid funds at 31 st December	15,254	20.2	24,096	13.8
	75,484	100.0	174,612	100.0
Source of funds				
Liquid funds at 1 st January	24,096	31.9	13,587	7.8
Inflow of funds from investment activities	31,072	41.2	161,025	92.2
Inflow of funds from operating activities	20,316	26.9	0	0
	75,484	100.0	174,612	100.0

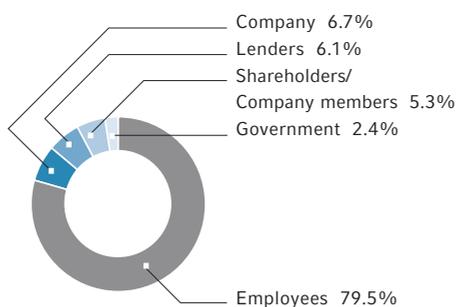
The **value added statement** demonstrates the difference between the company's output and the value of products and services purchased from other firms. The distribution statement shows the contribution of those participating in value-added activities – employees, company, lender, shareholder/company members and government. In the reporting year, the real net output of the GILDEMEISTER group amounted to € 341.0 million compared with € 275.7 million in the previous year. This is an increase of 23.7% or € 65.3 million. The employees received € 271.0 million of this amount, leaving a total of € 41.0 million for the shareholders and the company, which represents an increase of € 3.0 million. The following table shows the value added statement in detail:

GILDEMEISTER group value added statement

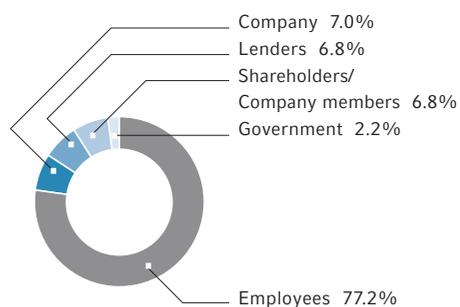
	2001		2000		Changes against previous year	
	€ M	%	€ M	%	€ M	%
SOURCE						
Sales revenues	1,144.2	94.5	923.3	98.7	220.9	23.9
Other revenues	66.6	5.5	11.9	1.3	54.7	459.7
Operating performance	1,210.8	100.0	935.2	100.0	275.6	29.5
Raw materials and consumables	649.9	53.7	485.1	51.9	164.8	34.0
Depreciation	33.5	2.8	25.5	2.7	8.0	31.4
Other expenses	186.4	15.4	148.9	15.9	37.5	25.2
Purch. materials and services	869.8	71.8	659.5	70.5	210.3	31.9
Real net output	341.0	28.2	275.7	29.5	65.3	23.7

	2001		2000		Changes against previous year	
	€ M	%	€ M	%	€ M	%
DISTRIBUTION						
Employees	271.0	79.5	212.9	77.2	58.1	27.3
Company	22.9	6.7	19.2	7.0	3.7	19.3
Lenders	20.9	6.1	18.7	6.8	2.2	11.8
Shareholders/Comp. members	18.1	5.3	18.8	6.8	-0.7	-3.7
Government	8.1	2.4	6.1	2.2	2.0	32.8
Real net output	341.0	100.0	275.7	100.0	65.3	23.7

Distribution of the real net output in the GILDEMEISTER group 2001: Total € 341.0 million



2000: Total 275.7 million

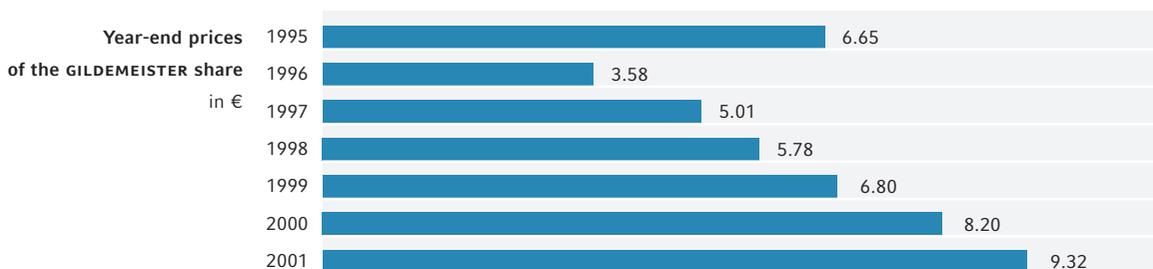


GILDEMEISTER Share

The Trading Year 2001

In the current weak economy, the global **stock markets** were on the decline, which, after September 11th, accelerated temporarily. However, the various stock exchanges were affected in different ways: Whilst the central stock exchange of the US escaped relatively easily and the Dow Jones sank by only 7.1% in the course of the year, the German Aktienindex (DAX) suffered its worst annual loss since 1990 with a deficit of 19.8%. Similarly negative trends were suffered by the Euro STOXX 50 (-20.2%), the London FTSE-100-Index (-16.2%) and the Japanese Nikkei (-23.5%). Once again, the new markets were affected disproportionately. The American Nasdaq decreased by 21.1%, whilst the German NEMAX-50 had to endure a slump of 60%.

In the end, the attacks of September 11th did not leave any lasting scars in the stock exchanges. The absolute low on September 20th was soon followed by a gradual recovery everywhere. At the end of the year, all indexes had exceeded the level before the terror attacks.



Key data of the GILDEMEISTER share

Security code number (WKN)		587800
Stock symbol		
Börse		GIL
Reuters	Börse Frankfurt	GILG.F
	Xetra-Handel	GILG.DE
Bloomberg		GIL



In comparison with the volatile development in the capital market in 2001, the GILDEMEISTER share proves to be a solid investment with a dividend yield of 6.4%. In all, our security developed on a stable 9 Euro level. Triggered by the terror attacks in the USA, the share briefly reached its lowest value of € 6.20 on 21st September 2001. By the end of the year we recorded an increase in price of 13.6%. The listing on the MDAX on 27th December 2001 had a positive effect on the performance of the GILDEMEISTER share.

GILDEMEISTER share key figures

		1995	1996	1997	1998	1999	2000	2001
Capital stock	€ M	48.7	48.7	48.7	55.5	56.4	75.1	75.1
Number of shares ¹⁾	M share	19.0	19.0	19.0	21.7	21.7	28.7	28.9
Market capitalisation	€ M	126.7	68.2	95.4	125.4	147.5	235.6	269.2
Year-end price ²⁾	€	6.65	3.58	5.01	5.78	6.80	8.20	9.32
Highest price ^{2) 3)}	€	9.92	8.74	7.52	9.31	7.30	10.30	9.90
Lowest price ^{2) 3)}	€	4.86	2.86	3.53	4.78	5.05	6.65	6.20
Annual average price ^{2) 4)}	€	7.25	4.70	5.38	6.26	6.20	8.66	8.78
Dividend	€	-	-	-	0.28	0.50	0.60	0.60
Total dividend	€ M	-	-	-	6.1	10.9	17.2	17.3
Dividend yield	%	-	-	-	4.8	7.4	7.3	6.4
Net earnings per share in accordance with DVFA/SG ⁴⁾	€	-0.82	-0.46	-0.07	0.46	0.76	0.91	0.99

1) In 1999 the capital stock was split 1:10; the previous year's values were adjusted accordingly.

2) Prices since 1999 Frankfurt, before that Düsseldorf

3) Highest / lowest prices on the basis of variable prices

4) Annual average price on the basis of closing prices

Development of the GILDEMEISTER share

In the course of 2001, the GILDEMEISTER share developed at a stable 9 Euro level. In the fourth quarter, though, even our share was no longer able to avoid the general weakness in the stock markets. Triggered by the terror attacks in the USA, it traded briefly at an all-time low of € 6.20 on 21st September 2001. However, as early as October, it developed significantly better than the SDAX and was back at its old level. By the end of the year (28th December 2001) the GILDEMEISTER share was worth € 9.32; this is an increase in price of 13.6%. Whilst the capital market in 2001 appeared weak and volatile, our security proved to be a solid investment with a dividend yield of 6.4%.



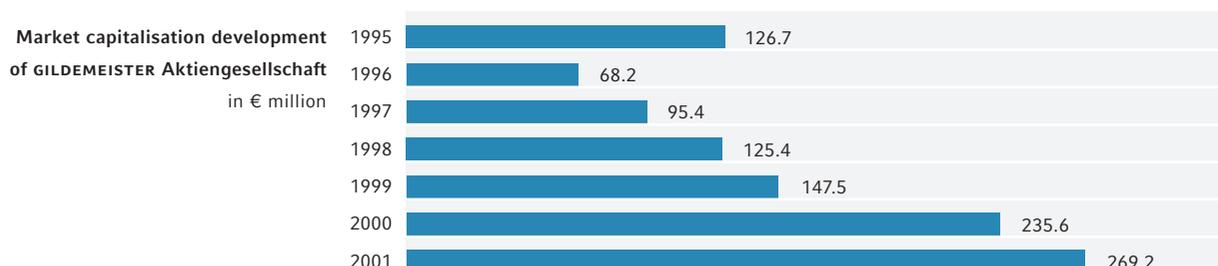
Since December 27th, 2001 the GILDEMEISTER share has been listed on the MDAX, which has established itself as yardstick for the performance of companies with mid-size capitalisation and as a benchmark for investment decisions. The listing on the MDAX had a positive influence on price performance. At the beginning of the new financial year the share showed an upward trend. On 13th March 2002 it reached a price of € 11.70. Due to its membership of the Midcap Index the GILDEMEISTER share now plays a more important role for institutional investors. Its existing potential and attractive price-earnings ratio ensure that it continues to be a good investment. Numerous analysts recommend purchase of the share. Up-to-date studies of the GILDEMEISTER share carried out by the research departments at the following banks are available: WestLB Panmure (10th April 2001), HSBC Trinkaus & Burkhardt (10th August 2001), Bankhaus Lampe (15th August 2001 / 12th November 2001), HypoVereinsbank (10th December 2001), BHF-bank (2nd January 2002), Deutsche Bank (1st February 2002) and Baden-Württembergische Bank (4th February 2002).

Stock market listing, trading volume and market capitalisation

The GILDEMEISTER share is traded at the Frankfurter Wertpapierbörse, the most important and highest-volume market in Germany. In addition, it is listed at the Rheinisch-Westfälische Börse in Düsseldorf and the Berliner Börse. Investors can place orders from 9am to 8pm on all trading days via the XETRA electronic trading system.

In 2001, interest in the GILDEMEISTER share was again high, and the **market volume**, too, was at a high level. The average trading volume amounted to 49,478 shares (previous year: 59,245 shares). Like last year, **portfolio investment** remained at approximately 88%. At the end of 2001, two institutional investors were known, the WestLB and the Deutsche Balaton AG, with a voting share of 6.75% and 5.01% respectively. Taking into account the Free Float of 88%, the turnover factor of the free share capital in the financial year was 0.5.

The **market capitalisation** of the GILDEMEISTER Aktiengesellschaft rose from € 235.6 million to € 269.2 million; this is an increase in company value of 14.3%.



Earnings per share

The **earnings per share in accordance with DVFA/SG** again developed well. The earning per share rose from € 0.91 in the previous year to € 0.99. Due to tax loss credits, GILDEMEISTER Aktiengesellschaft did not incur any taxes on income. In the calculation according to DVFA guidelines, notional taxes and one-off effects are to be taken into account when determining this normalised result.

		2001
Determination of earnings according to DVFA/SG	Profit on ordinary activities	49.2 € million
	Allowance for taxes on income	-19.3 € million
	Earnings adjustments	-0.5 € million
	Profit shares of third parties	-0.8 € million
	Profit in accordance with DVFA/SG	28.6 € million
	Number of underlying shares	28,879,427
	DVFA/SG earning per share	0.99 €

Dividend again on very good level

Although the general situation is worse than before, the group was able to record a good business trend in 2001. The Executive Board and Supervisory Board will propose to the shareholders' general meeting on 17th May 2002 a **dividend** of € 0.60 per share for the past financial year. This represents 23% pertaining to the accounting par value of the individual share certificate of € 2.60. For comparative purposes: In 2000 the dividend per share was also € 0.60 (23%). The **distribution amount** for the 28.9 million individual share certificates that are entitled to dividend totals € 17.3 million (2000: € 17.2 million). Due to the corporate income tax reform, the shareholders cannot be granted a corporate income tax credit when crediting their dividend. Due to the Halbeinkünfteverfahren (one half of dividends are liable to taxation), there are no creditable taxes in accordance with Section 3, No. 4a EStG (German Income Tax Law). The same applies to tax exemption for dividends (Dividendenfreistellung) in accordance with Section 8b, para. 1 KStG (German Corporation Income Tax Law).

Dividend development	2001	0.60 €
	2000	0.60 €
	1999	0.50 € ¹⁾
	1998	5.50 DM (equals 2.81 €)
	1997 to 1991	no dividend payment
	1990	8 DM (equals 4.09 €)
	1989	8 DM (equals 4.09 €)

1) after share split in the ratio 1:10

Great interest in staff shares

Prerequisites for the success of a company are the employees' willingness to achieve and their motivation. In the reporting year, GILDEMEISTER, for the third time, gave its employees the opportunity to buy employee shares to allow them to benefit from the company's economic success. All employees were able to buy GILDEMEISTER shares at a special price. A total of 43% of staff took part in the innovative three-phase staff share programme; this represents nearly half of the group's staff. The aim was to achieve an improved identification with the company as well as encouraging the staff to become aware of the stock market culture.

Corporate Governance

Corporate governance at GILDEMEISTER is an integral part of the company management, which is aimed at a continuing growth of the company value. The principles and rules of corporate governance are included in our company policies and are taken into account by the management in all corporate activities. In close collaboration with the Supervisory Board, the GILDEMEISTER Executive Board develops the group's strategy and is responsible for its implementation. We are committed to the consistent and lasting increase in company value. Our value-orientated management team acts responsibly and looks after the interests of our shareholders to let them benefit from a profitable investment in GILDEMEISTER. To maintain the trust of the investors and the acceptance in the capital market, we regularly report on the company's corporate strategy and the anticipated future development of the group as well as on risks for current and intended business activities. We observe the principles of transparency, contemporariness, openness, comprehensibility and equal opportunities. Via modern communication systems we provide actual and potential shareholders (Investor Relations), customers (Customer Relations) and the public (Public Relations) with up-to-date information.

Investor Relations

Our **Investor Relations** related activities are an important element of the company's success-orientated strategy. GILDEMEISTER meets the high information demand of the capital market with a wide range of activities. During the reporting year, there were again numerous contacts to institutional investors, financial analysts and private investors. Apart from the DVFA analysts conference, various events for investors were held both in Germany and abroad. In future, we will continue to expand road shows, conference calls and company presentations to meet the increasing demands of the capital market. The fact that we have been listed on the MDAX since 27th December 2001, gives us as an additional incentive.

The Internet has gained in significance especially for our information policy. We publish press releases, quarterly financial reports and trade information on our website, www.gildemeister.com, in an up-to-date and contemporary fashion. The GILDEMEISTER share price can be called up just minutes after its publication. During the reporting year, visits to our Investor Relations pages have continued to increase strongly. At the end of the year, there were more than 3,000 hits per months; whilst three years ago, we started off with about 100 hits per months. We have further expanded our Internet service. For example, the most important financial tables can be called up in Excel version from our website. Our image campaign, which can be viewed in the Business Press page together with the publication of the quarterly figures, is being praised by many private investors and creates fresh interest in our share. Further details on our Investor Relations related activities are set out on page 124. To offer more transparency and comparability to our international investors, the GILDEMEISTER group will, for the first time, prepare a balance sheet for the current financial year in accordance with international accounting standards (IAS).

Dialogue with our shareholders, potential investors and financial analysts is very important to us. An open and transparent information policy is intended to contribute to strengthening the shareholders' trust in GILDEMEISTER and to generate a new circle of investors. Our goal is to raise the value of our company on a lasting basis. Value and market orientated activities in the interest of our shareholders will remain the priority of the GILDEMEISTER management.

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On the GILDEMEISTER website at www.gildemeister.com you will find extensive information about the group, the latest developments and current news on the GILDEMEISTER share. Included here are current price listings, press releases and ad hoc reports. You can also obtain our annual report and quarterly reports as a download in various languages.

Risk Reporting

The global business activities of the GILDEMEISTER technology centres are naturally exposed to a number of risks, which are inseparable from the running of any business. Our business observes the principle of dealing carefully with risks so that opportunities can be utilised systematically.

Our risk management is actively employed in the consistent identification, assessment and control of risks as an integral part of normal business operations.

General economic risks: Potential risks for the future development of the GILDEMEISTER group result mainly from economic influences in the markets that are relevant to the company segments. The events of September 11th slowed down the development of the global economy and cast a cloud over the business climate in many parts of the world. The positive impetus from the USA, which until then had been evident to many parts of the world, has changed completely. In our opinion, the dwindling inclination to invest, present in the major markets, also affected the business development of the GILDEMEISTER group in the year 2002.

Germany was also unable to avoid the global situation and showed recessionary tendencies, particularly towards the end of the year. The increasing economic problems resulted in a sharp increase in insolvencies and increased redundancies. To limit the effects a further deterioration in economic conditions that would affect the company's profits, we have developed action plans that can be implemented without delay. The actions for the reduction or control of risks include the constant observation of the overall economic trend across all management levels of the group.

Permanent risks from the overall economic development that are associated with cyclical policy and socio-political trends, cannot be seen. GILDEMEISTER does not expect any substantial restrictions on business development due to the development of the capital markets and the interest rate level.

GILDEMEISTER, too, is affected by new legal regulations, such as the updated law on obligations passed on 9th November 2001, which results in substantial changes in legal and tax conditions. The reformed law on obligations affects every company, since the changes include the warranty periods granted by contracts for sale and work. GILDEMEISTER has analysed the new regulations pertaining to the reform for its own contract policy, and has implemented them throughout the group in its General Standard Terms and Conditions and standard set of agreements with effect from 1st January 2002.

Section risks result mainly from the cyclical trends of the section. According to the assessments of the German Machine Tool Association, in 2002 these are expected to be restrained in the machine tool industry. In the Association's latest publications it is assumed that the volume of mechanical engineering orders will not improve before the second half of 2002. There are currently no indications of any market entry of new competitors or the launching of new, significant technologies without the participation of GILDEMEISTER. GILDEMEISTER, with its globalisation strategy coupled with a consistent market orientation and stringent product development is strategically well positioned. Risks from a section-related concentration are not known. GILDEMEISTER faces risks from cyclical section trends with its technological superiority and a wide production programme. In addition, we are continually analysing both customer behaviour and the competition. In 2002 GILDEMEISTER will continue to push forward its global presence at trade fairs, and further focus its strategy in the market.

Risks from operational tasks can be individually identified:

Research and development risks: Technological and product-related developments are utilised at an early stage and stringently implemented by interdisciplinary teams in a market-orientated fashion. Apart from Construction and Sales, Purchasing, Production, Quality Control and Controlling also participate in design reviews during the various stages of development to ensure that cost and time limits are not exceeded. Our product strategy alignment to market requirements is guaranteed by the direct selling of our products via our own world-wide sales organisation. The group's market presence is associated with this, leading to optimal customer proximity, opportunities for developing long-term business relationships and the ability to react quickly. For the successful transition from the prototype phase to the start-off of serial production of new machines, the system-supported methodology of the series start-up management (Serienanlaufmanagement = SAM) was implemented throughout the group.

Sales risks: For the early identification of risks and rewards, our comprehensive Marketing Information System (MIS) records all customer data world-wide and analyses market and competition related information. Using the request events stored in MIS we are able, with the use of statistical methods, to forecast customer orders to be expected by machine type and sales region within the short and medium term planning domain. The sales risk is further limited by the fact that we do not depend on crucial customers and individual regions. In addition, all market introductions are supported locally by our world-wide sales organisation. MIS is supplemented by modern logistics systems through which the sales department has the opportunity to obtain information on the production status at any time.

In September 2001, at the largest machine tool trade fair world-wide, the EMO in Hanover, GILDEMEISTER carried out a representative survey of the assessment and positioning of suppliers via an independent institute. The objectives of the survey included: the assessment of technological trends, the significance of selected procurement criteria from the demander's point of view and the significance of services accompanying the product. This customer survey allowed GILDEMEISTER to obtain valuable findings on its competitive position in comparison to another survey carried out by the EMO in 1997. All in all, during the last four years, the group's market position has developed into a market-leading position. Our products enjoy a high market acceptance, mainly thanks to their high technical standard. Good results were also achieved in relation with the increasing significance of product-accompanying services and Internet functionalities. Apart from the Seven Lines Strategy of the new machines business, GILDEMEISTER offers a comprehensive range of services to the market.

Production and procurement risks: Without flexible production and logistics structures, the achievement of the fast innovation and growth speed of the GILDEMEISTER group would not be possible. For this reason, we have analysed and re-organised all processes for the creation of goods and services and related areas of activities during the last few years. After carrying out these process analyses, we have optimised the production sequences and work-flow within the GILDEMEISTER group so that materials and goods in process can be delivered according to the just-in-time principle. The supply strategy for all important key components has been consistently expanded to double-sourcing. We meet further material and production risks by manufacturing know-how components ourselves, and through the availability of further group-internal resources at a & f Stahl- und Maschinenbau GmbH and FAMOT Plezew S. A. The continuing improvement in the production processes is permanently monitored and documented using the production progress figures. This way, a reduction of stocks, for example, does not only result in a reduction of the capital tie-up, but also in a reduction of the utilisation risk. We also employ further quality and production related key figures to monitor possible risk potentials. Our quality hot-line also serves the early identification of risks, so that quality defects in the machines in use can be reported without delay throughout the world by our de-centralised DMG Companies. On the basis of this data, we can immediately introduce constructive modification measures, should this be necessary. In addition, all products and operational processes are critically checked and optimised by our employees who are integrated into a continuing improvement process via the Corporate Suggestion System.

Personnel risks: Our employees' performance represents a crucial success factor for increasing the company value of the GILDEMEISTER group. There is intense competition for qualified skilled labour and senior staff with technical or section-specific background. To find and keep employees, we offer integration and training programmes as well as attractive compensation schemes. Making staff aware of the risks that are part of the company and its activities, supports the risk management considerably. Risk awareness is the expression of the GILDEMEISTER group's company culture. Our employees are systematically trained for this awareness through internal and external further education and training activities. The consistent development of personnel is a crucial part of the activities of risk management. By evaluating different key figures, we are able to recognise early important factors such as the qualification, motivation and turnover of our employees.

Financial risks: One of the key tasks of the GILDEMEISTER Aktiengesellschaft is the optimisation of the group's financing and the limiting of financial risks. The group's liquidity is monitored and controlled by the use of instruments for financial planning and financial analysis. In the debtors' area, the development of the existing receivables and the structure of the receivables are permanently monitored and analysed by the group companies. This way, potential risks can be identified very early and appropriate counter-measures taken. Several banks with a first-class credit standing act to finance the short-term resource requirements of GILDEMEISTER Aktiengesellschaft and – within the group's cash management – of all its national subsidiaries. There is no concentration, or even a dependence, on individual lenders. The term of the contracts for the financing of resources has been extended to 31st December 2003. From today's point of view, the available credit volume guarantees a sufficient supply of funding and liquidity, and takes sufficient consideration of the further growth of the group that underlies our budgeting. Even in view of the currently forecast trends in the capital markets, no negative effects due to interest rate and exchange rate developments are expected. The majority of our business is transacted in Euro-territory, without exchange risks; hedging transactions also contribute to the reduction of risks. The hedging against currency risks is carried out in the business through the group companies or the GILDEMEISTER Aktiengesellschaft. To control the risks due to, and opportunities arising from change in interest rates, short-term fixed interest rate agreements are used. The investment transactions within the GILDEMEISTER group are consistently monitored and assessed in relation to their profitability by Central Controlling with the use of various instruments. The risk management is completed with a group-wide insurance package aligned to commercial requirements.



Our machines. To let you express your personality.
Turning, milling, laser and ultrasonic machines from DECKEL MAHO and GILDEMEISTER help you to express yourself. The production of moulds for packing components in the cosmetic industry is just one of many tasks that our machines carry out daily throughout the world.



Legal risks: In the financial year 2000 we reported on legal proceedings brought before the court by the Italian stock market supervisory authority, CONSOB, against GILDEMEISTER Italiana S.p.A., regarding the reported annual financial statements of this company for 1999. The basis of this case is the recording of a compensation claim for the termination of a commercial dealership agreement in the balance sheet. GILDEMEISTER Aktiengesellschaft has taken this matter into account during the preparation of last year's group annual financial statements. Should the decision be in favour of the Italian stock market supervisory authority, no significant material or liquidity effects are to be expected, either at the company concerned or the GILDEMEISTER group.

Customer complaints are speedily dealt with by our responsible companies. To our knowledge, there are no court or arbitration proceedings pending or threatened, which could significantly affect the economic situation of the GILDEMEISTER group's companies. We do not expect any significant negative effects on the business development in this respect.

Other risks and IT risks: To allow the companies to fully concentrate on their core responsibilities, we use integrated IT infrastructures that are standardised throughout the group. Potential IT risks are met by the use of modern hardware and software, and collaboration with competent service partners. We have taken particular measures to secure the high availability of the computer systems and networks, the daily updated mirroring and archiving of data, and to protect against external attacks. An excellent knowledge of the system and practise-orientated data-processing seminars also allow for the continuing optimisation of our IT systems. Apart from IT, GILDEMEISTER Aktiengesellschaft, as parent company, is also responsible for the central co-ordination of other key functions across all areas. These include the responsibilities of the Personnel Management, Marketing and Finance & Controlling. The Plant Controlling of our production companies as well as the de-centralised and centralised Controlling of DMG Vertriebs und Service GmbH are continually reporting to the Central Controlling of GILDEMEISTER Aktiengesellschaft. Important business events and changes in the results are continually analysed and fed back. Based on market-orientated, de-centralised planning within the individual DMG companies, quarterly projections are made which are simultaneously co-ordinated with the production plant planning. Our risk management also includes limit systems, the monitoring of important contracts with suppliers and customers, and a reporting system that runs through the various levels of authority. Apart from a routine exchange of technical information at nearly all company levels, regular management meetings are also held where rewards and risks in the business development are analysed and discussed in detail. To secure optimal performance and results, clear rules determine the scope of activities of the group companies that are systematically run as profit centres.

Overall risk: Summed up, it can be said that the future existence of the GILDEMEISTER group is not at risk either with regard to the group's substance or liquidity. There are no risks that would jeopardise the group's existence in the foreseeable future. During the past years, both the group's equity capitalisation and earning power have continued to develop positively, forming the basis for our future business development. As far as possible we have taken precautions for typical business risks that would substantially affect the company's financial and profit situation. To continue tackling the original sources of risks and identifying opportunities at an early stage, the risk management principle at GILDEMEISTER is actively implemented across all company divisions, functional areas and levels of authority. Our range of instruments for risk management are continually developed and integrated into the ordinary operation of the business. The annual audit includes the assessment of the internal control system and risk management. In addition, we utilise the more objective assessment of an independent rating system for the quantification of the overall risk and for the presentation of the development of the overall risk position by comparing development over the course of time. With the help of selected key figures from the audited information of the annual financial statements, the company's viability and steadfastness in times of crises can be assessed. As part of the risk reporting, GILDEMEISTER has had a balance sheet rating carried out for the past years regarding the group's financial statements.

BBR Baetge Balance Sheet Rating

The BBR Baetge Balance Sheet Rating is the result of an objective, empirical/mathematical process, the so-called Artificial Neural Network Analysis. It was developed at the Institut für Revisionswesen (Institute of Auditing) of the Westfälische Wilhelms University in Münster (irw) in association with Baetge+Partner GmbH & Co. KG. With the help of this credit rating, an N value is determined from a total of 14 key figures, which, on a scale from +10 (excellent viability) to -10 (existence at very high risk) quantifies the overall risk (risk affecting the continued existence).

On the basis of the annual financial statements (HGB) for the financial year 2001, the GILDEMEISTER group was rated with an N value of the CC category (sufficient viability). The risk affecting the ongoing existence (across all industries) for this category is 0.66%. Compared with this figure, the average risk affecting the continued existence of German companies of 1% is almost twice as high.

Quality and risk categories of the
BBR Baetge Balance Sheet Rating:

N-Value	Quality categ.	Risk affecting continued existence	Degree of viability/risk in %	
8 to 10	AA	excellent viability	0.02	QUALITY CATEGORIES
6 to 8	A	very good viability	0.12	
4 to 6	BB	good viability	0.12	
2 to 4	B	satisfactory viability	0.35	
0 to 2	CC	sufficient viability	0.66	
-2 to 0	C	hardly sufficient viability	0.86	
-4 to -2	I	viability slightly at risk	2.09	RISK CATEGORIES
-6 to -4	II	viability at average risk	3.09	
-8 to -6	III	viability at high risk	7.44	
-10 to -8	IV	viability at very high risk	15.23	

GILDEMEISTER-group
BP 14 – 5-year-overview
Ratio overview

		1997	1998	1999	2000	2001	Changes against previous year %
Net worth position							
Duration of capital tie-up 1	days	66.3	63.4	48.4	48.8	39.6	-18.9
Duration of capital tie-up 2	days	66.7	63.7	49.1	48.2	41.1	-14.7
Capital tie-up	%	32.1	28.9	26.3	28.3	27.5	-3.1
Ratio of outside capital to total capital	%	61.4	58.5	55.7	49.6	52.7	6.2
Structure of outside capital	%	67.0	69.6	66.5	70.7	70.3	-0.5
Equity ratio 1	%	18.1	22.3	27.0	23.1	23.4	1.3
Equity ratio 2	%	44.9	46.6	54.2	53.2	52.1	-2.2
Financial position							
Financial power 1	%	5.7	14.6	14.1	12.4	13.3	7.3
Financial power 2	%	6.7	17.2	16.6	13.7	14.6	6.4
Equity-to-fixed assets ratio	%	501.3	388.2	438.2	444.6	388.4	-12.7
Profitability							
Percentage return on sales	%	1.3	5.1	4.2	4.0	3.9	-3.2
Cash Flow 1 – Rol	%	4.6	11.2	10.4	8.9	9.7	8.8
Cash Flow 2 – Rol	%	4.8	11.2	11.0	8.9	9.8	9.3
Personnel costs ratio	%	28.4	25.0	24.5	23.3	22.8	-2.2
N value		-2.42	-0.32	0.96	0.55	1.01	

**Ratios of the
BBR Baetge Balance Sheet Rating**

Net worth position ratios

Information area	Abbrev.	Definition
Duration of capital tie-up	KBD1	((Acceptances + trade creditors) x 360) : gross performance
	KBD2	((Acceptances + trade creditors) x 360) : sales revenue
Capital tie-up	KB	((Short-term bank indebtedness + short-term trade creditors + acceptances + other short-term debts) : sales revenue
Indebtedness	FKQ	(Short-term outside capital – customer prepayments) : balance sheet total
	FKS	(trade creditors + acceptances + bank indebtedness) : (outside capital – customer prepayments)
Capital structure	EKQ1	(Economic equity capital – intangible assets) : (balance sheet total – intangible assets – liquid funds – land and buildings)
	EKQ2	(Economic equity capital + provisions) : (balance sheet total – liquid funds – land and buildings)

Financial position ratios

Financial power	FINK1	Profit-based cash flow : (outside capital – customer prepayments)
	FINK2	Profit-based cash flow : (short-term outside capital + medium-term outside capital – customer prepayments)
Structure of financial cover	AD	Wirtschaftliches Eigenkapital : (Sachanlagevermögen - Grundstücke und Bauten)

Profitability ratios

Profitability	UR	Operating result : sales revenue
	CF 1-ROI	Profit-based cash flow : balance sheet total
	CF 2-ROI	(Profit-based cash flow + provisions for company pension reserves) : balance sheet total
Aufwandsstruktur	PAQ	Personnel expenses : gross performance

Systematic **risk management** is a crucial factor for the lasting success of a company. Organising risk management creates the required structures that enable and support appropriate responses by the decision-makers in the day-to-day running of the company. All entrepreneurial activities are associated with opportunities and risks, are geared towards limiting risks as far as possible and leveraging of opportunities. To avoid GILDEMEISTER'S exposure to uncontrolled dangers, risk management uses a range of instruments to identify, classify, monitor, control and minimise risks in a systematic manner. Organisationally, the risk management is integrated in both the Controlling of the group and the individual companies. Risks are continually identified and measured with the help of checklists and surveys. The individual methods range from market and competition analysis, through to the coaching of suppliers, to surveys of employees. Risk analyses and evaluations are carried out in many areas using quantitative measures. For the monitoring and controlling of risks, we use a series of instruments that go far beyond classical financial controlling and are continuously being developed.

An important contribution to the communication between the company units and the GILDEMEISTER Aktiengesellschaft is the regular reporting on the current situation to the Executive Board. The company's speed of response is improved by the decision-orientated processing of information and rapid communication of risk matters. As a result, rewards and risks concerning the entire company portfolio can be effectively evaluated and controlled. The success factors of an efficient risk management within the company include, apart from the so-called "hard factors" such as check-ups, the separation of functions, limit systems, etc., the "soft factors" such as the company philosophy, the style of management as well as the employment and the specific development of the staff. By integrating risk management into the existing organisation structure and structuring of operations, the relevant areas of authority and responsibility are guaranteed.

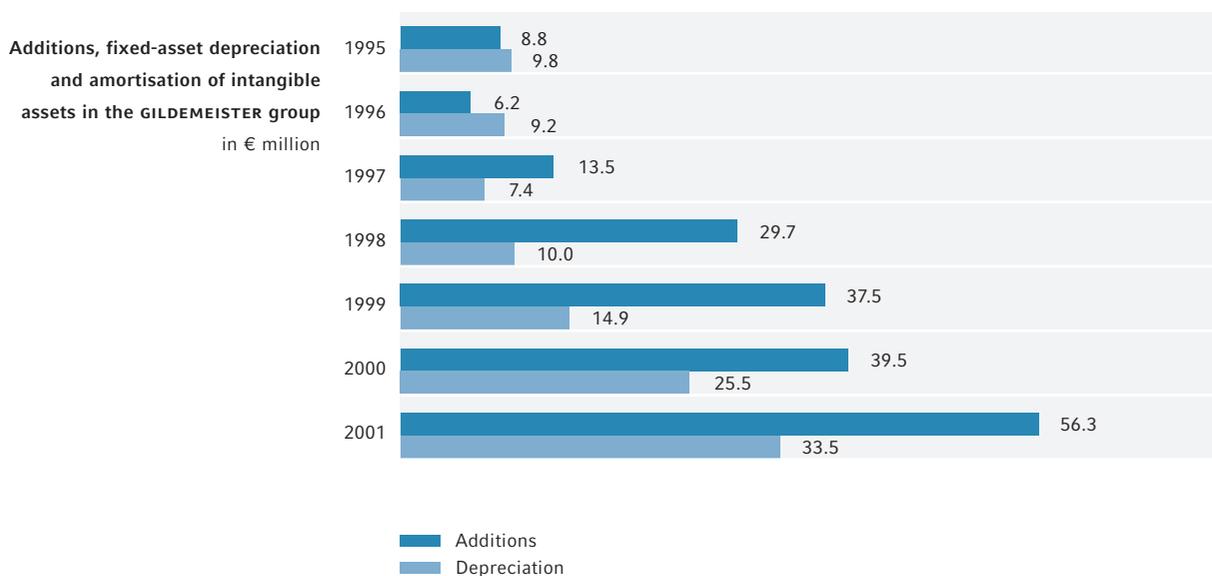
Investments

In the financial year 2001, GILDEMEISTER's investment transactions were again determined by the group's strategic alignment to its global presence and to future-orientated technologies. We have invested a total of € 56.3 million (previous year: € 39.5 million) in tangible and intangible assets. With regard to financial investments, the acquisition of a majority controlling interest in SAUER GmbH & Co. KG must be mentioned. We have also bought the remaining 37.5% of the shares in DECKEL MAHO Seebach GmbH. In the reporting year, depreciation of fixed assets and long-term investments amounted to € 33.5 million, exceeding the previous year's figure of € 25.5 million by 31%.

At the Pfronten, Seebach, Geretsried and Castelleone sites we have expanded the area capacities to reduce delivery periods, and in Bielefeld we have installed an assembly line. These were our key investments in tangible assets. By forming new, and expanding existing sales and service companies we have created the conditions required for the development for further market potential.

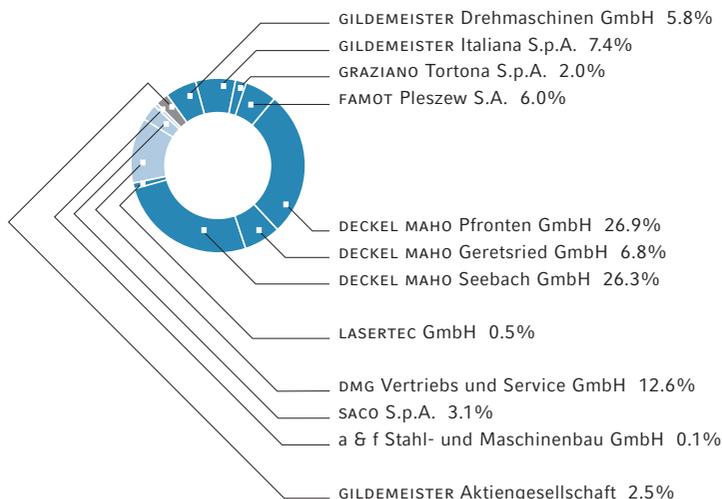
The ongoing integration of the group's information technology and communication systems contributed to the acceleration of processes, the improved availability of existing resources and the implementation of cost-cutting potentials. Examples include the connection of 15 sites throughout the world to the Virtual Private Net (VPN) and the integration of two sites into the group-wide Enterprise Resource Planning (ERP) system, BaaN. The group-wide introduction of the 3D-CAD system was continued at the Geretsried and Tortona sites.

€ 3.7 million was spent on the leasing of office and plant equipment, € 5.2 million for buildings.



In the financial year 2001, the value of depreciation was again exceeded by our investments. Our investments correspond with the dynamic growth of GILDEMEISTER and guarantee its future innovative competence and profitability.

Contributions of the individual group companies to the investments in tangible and intangible assets



Investments in the individual group companies

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

In the reporting year, GILDEMEISTER Drehmaschinen GmbH invested € 3.3 million. € 0.6 million went on the installation of a clocked assembly belt for the flow line production of the CTX series. Processing times were thereby reduced by more than 50% and assembly reliability further increased. We have invested € 1.1 million in the modernisation and expansion of the construction and development department. A total value of € 1.0 million was necessary for the purchase of models, tools, devices and machines in order to guarantee the serial start-up of new machine types and for the further improvement of the production and logistics processes.

GILDEMEISTER Italiana S.p.A., Brembate di Sopra

In the reporting year, the company invested € 4.2 million. For the production start-up of the new CNC multi-spindle lathes, the company purchased devices, models and tools to the value of € 1.6 million. In addition, mechanical production was further rationalised and modernised. The related expenses amounted to € 0.2 million for a CTX 400 lathe and € 1.8 million for a machining centre for the high-precision production of machine elements. The machining centres were funded through leasing. The production halls were partially air-conditioned for a further € 0.3 million.

GRAZIANO Tortona S.p.A., Tortona

During the reporting period, GRAZIANO Tortona S.p.A. invested € 1.1 million. An important sub-project was the introduction of a new 3D-CAD system for € 0.1 million. GRAZIANO is thereby integrated into the modern standard of the group's product development and profits from the numerous synergy effects. As a result of the re-structuring of the storage area, the optimisation of the assembly and of the logistical processes, area productivity rose by 43%.

FAMOT Pleszew S.A., Pleszew

In the reporting year, investments at the FAMOT Pleszew S. A. amounted to € 3.4 million. This included the purchase of several plants and machinery for a total of € 2.4 million for the further modernisation of the mechanical production and the improvement of the existing production capacity. With investments of around € 10 million since its purchase around the middle of 1999, FAMOT has developed into a centre of competence for mechanical production within the group. These investments include five surface grinding machines for large sized machine tool parts, two machining centres for the optimisation of production technology and five further new production machines. As a result, FAMOT is now at the most progressive state of technological development. With the streamlining of the production and logistics processes, we have modernised the storage area and thereby increased the turn-over of stock by 26%.

DECKEL MAHO Pfronten GmbH, Pfronten

In the financial year, the investment volume in tangible and intangible assets at the DECKEL MAHO Pfronten site totalled € 15.1 million, representing the group's highest volume. At € 8.5 million the largest of these investments is attributed to the erection of a heavy-load hall. This investment was necessary mainly due to the increased area requirement for the large machining centre, the DMC 200 U. It also meets the production capacity that was adjusted according to increased demand, and is intended for the installation of the new universal milling centre, the DMU 160 P, which was successfully

taken up. The erection of an additional production hall for the new monobloc production series has also begun in the reporting period. It is intended to allow assembly in a flexible continuous production process, thus considerably optimising the logistical processes. The extension of the existing office areas by adding another storey has also begun in order to create the capacity required for the planning and controlling of production.

For the production start-up of new machines, the company bought machines, devices, models and tools to the value of € 1.9 million. € 1.4 million was invested in the modernisation of internal transportation.

DECKEL MAHO Geretsried GmbH, Geretsried

In the reporting year, investments at DECKEL MAHO Geretsried GmbH amounted to € 3.8 million. The expansion of the assembly hall for horizontal machining centres was completed after just four months and according to plan by 1st July 2001. For this, the company invested € 1.9 million. Due to the increased capacity it was possible to reduce the delivery times, despite increased demand, and as a result to further strengthen the company's competitive position.

During the financial year 2001, € 0.2 million were invested in the 3D-CAD system and in the existing data processing equipment and communication technology. The product development and start-up of serial production of new machines required measuring instruments, tools, devices and models to the value of € 0.8 million.

DECKEL MAHO Seebach GmbH, Seebach

In the financial year 2001, the investments of DECKEL MAHO Seebach GmbH amounted to € 14.8 million.

For a total of € 11.5 million, the most progressive production facility for machine tools in East Germany was built in less than a year covering an area of more than 8,100 sq. m. With a usable floor space of more than 9,000 sq. m. partly stretching over several storeys, a large assembly hall has been erected in the centre of the new block of buildings that provides optimal production conditions for the inclined bed machining centres of the DMP production line and the navigation stand machines of the DMF production line. The investment included the air-conditioning of the hall, which ensures a constant temperature of approximately 1 degree above/below zero, thus providing optimal conditions for the assembly of high-precision machines. This structural-engineering feature is aimed to meet the high demands for precision from customers in the serial production area.

After the opening of the assembly hall, the new technology and demonstration centre of more than 1,000 sq. m in size could be moved into. Along with their own products, this centre is also used for the live presentation of turning, milling, laser and ultrasonic machines of the other group companies, thereby enabling comprehensive process and procedure studies.

The remaining investment volume was mainly attributed to plants and machinery to the value of € 1.3 million, tools and devices to the value of € 1.1 million and data processing equipment to the value of € 0.3 million.

LASERTEC GmbH, Pfronten

During the reporting year, LASERTEC GmbH invested € 0.3 million in tangible assets. These resulted in the improvement of processes and the furnishing of LASERTEC's new site in Kempten. As a result, the equipment of this company's premises, which is particularly focused on research and development and the opening of new markets, is now one of the most technologically advanced.

DMG Vertriebs und Service GmbH, Bielefeld

In the reporting year, DMG Vertriebs und Service GmbH invested € 7.0 million. New DMG companies were formed in Brazil and Mexico. At the sites in Stuttgart, Frankfurt and Taipeh in Taiwan, the erection of progressive technology centres has begun, and will be completed during the course of 2002.

Investments in new tools and measuring devices to the value of € 0.9 million were required for the success of the rapidly growing service business. € 5.1 million were invested in car replacements for the sales and service areas, funded through leasing.

SACO S.p.A., Castelleone

At the Castelleone site, € 1.8 million were invested in new machinery and equipment. A new assembly hall of 1,400 sq. m. was also completed for € 1.5 million in November 2001. The expansion of the assembly capacity is intended for the production of new bar loaders, spindle engines and construction units that are mainly delivered to group companies.

a & f Stahl- und Maschinenbau GmbH, Würzburg

a & f Stahl- und Maschinenbau GmbH invested € 0.1 million in tangible assets.

Group structure

	Production facilities	
GILDEMEISTER Aktiengesellschaft Bielefeld	GILDEMEISTER Drehmaschinen GmbH, Bielefeld 100%	
	GILDEMEISTER Italiana S.p.A. Brembate di Sopra 86%	GRAZIANO Tortona S.p.A. 100%
		SACO S.p.A. Castelleone 100%
	DECKEL MAHO Pfronten GmbH 100%	LASERTEC GmbH, Pfronten 100%
	DECKEL MAHO Geretsried GmbH 100%	
	DECKEL MAHO Seebach GmbH 100%	
	FAMOT Pleszew S.A. 96%	
	SAUER GmbH & Co. KG Stipshausen 50,5%	
	Procurement	
	a & f Stahl- und Maschinenbau GmbH, Würzburg 51%	
	Sales and service organisation	
	DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER (Holding), Bielefeld 100%	

The GILDEMEISTER group is one of the major producers of cutting machine tools with ten production facilities and 51 national and international sales and service sites, 39 of which have prestigious technology centres. The DMG Vertriebs und Service GmbH holds 100% of the respective share capital of its subsidiaries with one exception.

Germany	Europe	America	Asia	Technical services
DMG Stuttgart Vertriebs und Service GmbH	DMG Italia S.r.l. Gorgonzola	DMG America Inc. Charlotte	DMG Asia Pacific Pte. Ltd. Singapore	DMG Service Drehen GmbH Bielefeld
DMG München Vertriebs und Service GmbH	DMG France Nord S.a.r.l. Les Ulis	DMG Chicago Inc. Chicago/Schaumburg	DMG Australia Melbourne, Sydney	DMG Service BAZ GmbH Geretsried
DMG Hilden Vertriebs und Service GmbH	DMG France Sud SAS Lyon, Scionzier	DMG Houston Inc. Houston	DMG China Beijing, Shanghai, Xian	DMG Service UFB GmbH Pfronten
DMG Bielefeld Bielefeld, Hannover	DMG Büll & Strunz GmbH Wiener Neudorf (51%)	DMG Los Angeles Inc. Los Angeles	DMG Technology Trad. Co. Ltd. Shanghai	DMG Service UFB Seebach GmbH
DMG Berlin Berlin, Chemnitz	DMG (Schweiz) AG Zürich/Dübendorf	DMG Canada Inc. Toronto	DMG India Pvt. Ltd.; Bangalore, Delhi, Mumbai, Chennai	DMG Gebrauchtmaschinen GmbH, Geretsried
DMG Frankfurt Vertriebs und Service GmbH	DMG (UK) Ltd. Luton	DMG México Monterrey	DMG Nippon K.K. Yokohama	DMG Trainings-Akademie GmbH Bielefeld, Geretsried, Pfronten
	DMG Danmark Kvistgård	DMG Brasil Ltda. São Paulo	DMG Taiwan Ltd. Taipeh	
	DMG Nederland B.V. Veenendaal		DMG Korea Ltd. Seoul	
	DMG Belgium B.V.B.A. Zaventem		DMG Malaysia SDN BHD Kuala Lumpur	
	DMG Iberica S.L. Barcelona, Bilbao, Madrid			
	DMG Czech s.r.o. Brno			
	DMG Polska Sp. z o. o. Pleszew			

Organisation and Administration

The GILDEMEISTER group is made up of ten production facilities, a & f Stahl- und Maschinenbau GmbH and DMG Vertriebs und Service GmbH as well as their subsidiaries. GILDEMEISTER Aktiengesellschaft acts as the parent company of these companies.

With effect from 1st November 2001, SAUER GmbH & Co. KG joined the GILDEMEISTER group as the tenth production site. SAUER GmbH & Co. KG is controlled by GILDEMEISTER Aktiengesellschaft (50.5% interest). This company will be included in the consolidated group with effect from 1st January 2002.

DECKEL MAHO Pfronten GmbH is the parent company of the LASERTEC GmbH. Together with DECKEL MAHO Geretsried GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, FAMOT Pleszew S.A., the three companies of the subgroup GILDEMEISTER Italiana and SAUER GmbH & Co. KG, these companies form the group's production facilities. a & f Stahl- und Maschinenbau GmbH is mainly responsible for the supply of components. Another parent company is DMG Vertriebs und Service GmbH. With its numerous national and international subsidiaries it is the production plants' sales and services interface with the market. In the reporting year, GILDEMEISTER Aktiengesellschaft acquired a majority controlling interest (51%) in Personnel Consulting GmbH. As a result, the group has direct control over centralised personnel services such as the international acquisition of skilled labour and senior personnel.

The group consistently runs all group companies as profit centres. To achieve optimal performance and results, clear rules determine the scope of responsibilities. Via the data processing infrastructure that is co-ordinated throughout the group, all operational processes and sequences are standardised. The data processing system thereby acts as an integral link within the group structure. Key functions across all areas of the group are implemented centrally. This includes the controlling and financial functions, personnel, marketing, the legal sector as well as logistics and procurement. 54 people were employed in the executive units. The organisational expenses

of GILDEMEISTER Aktiengesellschaft amounted to € 10.7 million.

In the reporting year, the allocation of the executive units of GILDEMEISTER Aktiengesellschaft remained unchanged as follows: Dr. Rüdiger Kapitza, as chair of the Executive Board, was responsible for Corporate Strategy and Product Development, Sales & Marketing, Services & Personnel as well as Press & Public Relations. Mr. Dieter Schäfer was responsible for Controlling and Finance & Accounting, and Dr. Raimund Klinkner for Logistics, Purchase & Procurement, Production, IT and Projects.

Legal Corporate Structure

The shares of GILDEMEISTER Aktiengesellschaft are mainly held in portfolio investments. In the reporting year, the largest share of 6.75% was held by the Westdeutsche Landesbank, Düsseldorf, followed by the Deutsche Balaton AG, Wiesbaden, with 5.01%. The circle of shareholders was further made up by a large number of small private investors and some international institutional investors and funds. During the reporting year, the executive board spoke individually to a variety of financial analysts and potential investors at road shows and conferences.

___ GILDEMEISTER Aktiengesellschaft has entered into profit and loss transfer agreements and control agreements with the group companies listed below:

___ GILDEMEISTER Drehmaschinen GmbH,
DECKEL MAHO Pfronten GmbH,
DECKEL MAHO Seebach GmbH.

In the financial year 2001, GILDEMEISTER Aktiengesellschaft participated in the formation of Personnel Consulting GmbH, Erkelenz, with 51%.

With the acquisition of the majority controlling interest (from 1st November 2001) in SAUER GmbH & Co. KG (50.5%), GILDEMEISTER increased its range of products with the innovative technology of ultrasonic machining for modern materials such as ceramics, cemented metal carbide and glass.

In the reporting year, GILDEMEISTER Aktiengesellschaft acquired the remaining shares (37.5%) in DECKEL MAHO Seebach GmbH.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, as holding company, runs the operative units of the sales and service organisation. It entered into profit

and loss transfer agreements and control agreements with the following subsidiaries:

- DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG München Vertriebs und Service GmbH für Werkzeugmaschinen
- DECKEL MAHO GILDEMEISTER, *
- DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, *
- DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, *
- DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service BAZ GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service UFB GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service UFB Seebach GmbH DECKEL MAHO GILDEMEISTER, *
- DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER,
- DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER.

*The profit and loss transfer and control agreements were re-entered into with effect from 1st January 2001.

During the financial year 2001, the equity investment field of DMG Vertriebs und Service GmbH was expanded with three new business starts of sales and service companies: The market activities and service businesses in Austria were transferred to the newly formed DMG Büll & Strunz GmbH, Wiener Neudorf, in close agreement and collaboration with our long-standing sales partner. DMG Vertriebs und Service GmbH holds 51% of the shares in this company. In the reporting year, DMG Brasil Ltda. was formed in São Paulo, and DMG México S.A. de C.V. in Monterrey.

— The following sales companies were merged in 2001:

- die GITAL America Inc., Elgin, mit der DMG Chicago Inc., Schaumburg,
- die GITAL S.r.l., Brembate di Sopra, mit der DMG Italia S.r.l., Gorgonzola.

In the reporting year, DMG Vertriebs und Service GmbH acquired the remaining shares (49%) in DMG Taiwan. DMG Asia Pacific Pte. Ltd., Singapore, transferred all shares in DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, to DMG Vertriebs und Service GmbH.

The GILDEMEISTER group only has affiliated companies and has **no shareholdings**.

Affiliated Companies

The “Machine Tools” Segment

All affiliated companies of GILDEMEISTER Aktiengesellschaft, operating as production facilities and producing machine tools, together with their new machines business, form the “**Machine Tools**” segment. This segment includes the “turning”, “milling” and “laser/ ultrasonic” divisions.

The “Turning” Division

A cutting machining process for the production of usually rotationally symmetrical parts, where the work piece rotates and the cutting tool carries out feed motions along and across the rotation axis, is known as “turning”. The field of application for this technology is extremely versatile. It includes the production of shafts, axles, joining elements, and fittings. The companies listed below are the centres of competence for the group’s turning technology. The co-ordinated collaboration in the seven-lines product strategy of the four lathe manufacturers creates further synergies in the product development, logistics and procurement areas.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

The Bielefeld site is the centre of competence with its product lines, universal lathes (NEF), CNC universal lathes (CTX), vertical lathes (CTV), general purpose centre lathes (Sprint) as well as the two-spindle lathes and turning and milling centres of the TWIN line. With its products, GILDEMEISTER Drehmaschinen GmbH operates in five of the seven product lines of the turning division. The company sees itself as technological partner with its customers, and exploits the increasing trend to integrated machining in the application technology to gain a strategic benefit. The company’s competitive position was further enhanced with the successful introduction of seven new machines at the EMO 2001.

With measures such as the implementation of an assembly production and the increased flexibilisation of the assembly team, the company was able to increase sales volume by 13%. In 2001, GILDEMEISTER Drehmaschinen created an order processing centre to improve the production of goods and services and meet customer deadlines more efficiently. In the reporting year, the company was certified in accordance with the process-orientated ISO standard specification 9001:2000. For this purpose, the quality assurance processes were updated and, as far as possible, configured to an Intranet solution. An even closer association with our suppliers reduced the procurement risk. The more extensive use of identical components helped to reduce the materials quota. In the reporting year, GILDEMEISTER Drehmaschinen GmbH together with its 466 employees again achieved positive results.

GILDEMEISTER Drehmaschinen GmbH:

The site in Bielefeld is the centre of competence for universal, vertical and production lathes as well as two-spindle lathes and turning and milling centres.



GILDEMEISTER Italiana S.p.A.:

The production programme consists of CNC long turning automatic screw machines and multi-spindle machines as well as an innovative production line of CNC multi-spindle automatic lathes.



GILDEMEISTER Italiana S.p.A., Brembate di Sopra

The integration of GILDEMEISTER Italiana and the subsidiaries GRAZIANO Tortona S.p.A., Tortona, and SACO S.p.A., Castelleone, was successfully completed. Synergies in sales, purchase and logistics had a noticeable cost-cutting effect. In addition, product developments are carried out in agreement with the group.

The production programme, consisting of CNC long turning automatic screw machines and multi-spindle machines, was completed by a comprehensively innovative production line of CNC multi-spindle lathes. The new technologies do not only allow the flexible integrated machining of complex components, but also a reduction in unit costs. For this trade fair novelty, GILDEMEISTER Italiana S.p.A. received the Innovation Award 2001 in the "Cutting Machine Tools" category from a leading trade magazine. With 765 employees, the subgroup GILDEMEISTER Italiana concluded the financial year 2001 with a slightly negative operative result.

GRAZIANO Tortona S.p.A., Tortona

GRAZIANO Tortona S.p.A., which has been part of GILDEMEISTER Italiana S.p.A. since 1998, has 151 employees and is the second-largest producer of universal automatic lathes in Italy. The company's production programme covers the universal turning and four-axis automatic lathes areas. In the past financial year, the company continued the re-organisation of its range of products as part of the group's innovation strategy. The stronger focus on the universal turning field is represented with the two product developments, CTX 310 and CTX 320 linear, and resulted in a reduction in the existing intricacy. The two new machines were effortlessly integrated into the group's seven-lines strategy.

FAMOT Pleszew S.A., Pleszew

FAMOT Pleszew S.A. is the group's centre of competence for the production of trunk machines. FAMOT also develops and produces, in accordance with the group's strategy, its own universal and CNC universal automatic lathes from the production lines NEF and CTX in the lower price group. This production line makes FAMOT the most important

producer of machine tools in Poland.

With FAMOT Pleszew S.A., the GILDEMEISTER group can combine the cost advantage of Central Europe with a highly scheduled supply of the other facilities from a group-owned company, which makes FAMOT a supporting pillar in the group's strategic production association. After investing in the most progressive production facilities, further optimising the production and assembly processes and, as a result, further increasing productivity, FAMOT, in the reporting year, delivered 1,182 trunk machines to the group's plants, and with these important basic components safeguarded the group's supply situation at a high quality level.

In the reporting year, FAMOT produced 408 universal automatic lathes, 120 of which were delivered to Malaysia. Together with its 507 employees, the company achieved a sales volume of € 27.7 million, but recorded an annual net loss of € 1.6 million in the reporting year.

The "Milling" Division

"Milling" is a cutting machining process where the cutting tool rotates and, via feed motions of the tool and the work piece, creates work piece surfaces of any kind on several axes. These activities of the GILDEMEISTER group are brought together in those companies trading under the name of DECKEL MAHO. DECKEL MAHO is a specialist in milling technology. Three companies operate as independent profit centres at sites in Pfronten, Geretsried and Seebach. Purposeful innovations and clear production strategies have established the trade name DECKEL MAHO in the major industrial markets of the world. DECKEL MAHO is the global leader in milling machines and vertical and horizontal machining centres.

DECKEL MAHO Pfronten GmbH, Pfronten

DECKEL MAHO Pfronten GmbH develops and produces the universal milling machines and machining centres of the production programmes DMU-T and DMC-U. In this field, DECKEL MAHO Pfronten is the innovative leader and trend-setter in the market for users of milling technology. The milling machines and machining centres from DECKEL MAHO Pfronten are universal both in respect of horizontal and vertical 5-sided and 5-axis integrated machining in one machine, and the modular machine design from various production programmes and their technological solutions in the hardware and software field. The machines from DECKEL MAHO Pfronten cannot only be employed for milling machining, but also for combined milling and turning machining. DECKEL MAHO, with its range of products, can thereby successfully meet the demands of the market for both high flexibility and versatile opportunities of use. The high demand from the market for the products of DECKEL MAHO Pfronten was met through the expansion of

GRAZIANO Tortona S.p.A.:

The second-largest producer of universal automatic lathes in Italy providing universal turning and four-axis lathes.



DECKEL MAHO Pfronten GmbH:

The Pfronten facility is a trend-setter in the development and production of universal CNC milling machines and machining centres for 5-axle and 5-side integrated machining.



DECKEL MAHO Geretsried GmbH:

The number one address for the production of horizontal and vertical machining centres, particularly of machines for high-speed milling.



DECKEL MAHO Seebach GmbH:

The company's wide range of products includes the small and medium-sized CNC universal milling machines and machining centres. The facility at Seebach is also expert in the mechanical production of high-precision machine components.



assembly capacities during the reporting period.

DECKEL MAHO Pfronten continues to rely on short cycles of innovation, thereby safeguarding its above average growth and continuously high productivity. Together with its 769 employees, the facility at Pfronten again recorded the best result throughout the GILDEMEISTER group in the reporting year 2001.

DECKEL MAHO Geretsried GmbH, Geretsried

With its production programmes, DMC-H and DMC-V, DECKEL MAHO Geretsried GmbH is the centre of competence for horizontal and vertical machining centres of the GILDEMEISTER group. The horizontal machining centre division has continued to gain in significance and business volume. These machines for serial production stand out due to their high dynamics and continuous precision, even with heavy loads. The customers for horizontal machining centres have very high demands with regard to availability, continuous precision and reliability of products. The programme for vertical machining centres ranges from standardised high-precision machines, produced in great numbers, to high-tech machines for the construction of tools and moulds.

Basic to the company's increased sales volume was the high volume of orders at the beginning of the year, and a positive order intake during the following months. New accounts from the automotive industry could be developed for the horizontal machining centres, and clientele within the low-cost section in respect of the DMC 50 H. In the reporting year, DECKEL MAHO Geretsried GmbH with its 444 employees achieved a further growth in sales, whilst profit development remained positive.

DECKEL MAHO Seebach GmbH, Seebach

DECKEL MAHO Seebach GmbH produces the small and medium-sized CNC universal milling machines for the DMU production line. In the reporting year, it also successfully introduced the 45-degree inclined bed turning lathe, the DMP 60 linear, to the market. This machine has modern linear drive engineering in all even axes. Two further round axes in combination with the inclined bed construction complete the DMP 60 as a new high-tech machine generation for serial production in the construction of cars, the aircraft industry, the electronics industry and related suppliers. The facility's third line of products was introduced with the navigation stand line – with the DMF 220 linear as first machine of this line – and complemented by the DMF 300, in time to be presented at the EMO. Both machine types integrate the linear drive technology in the long X-axis. These machines enable high productive machining, particularly of long

parts, and also pendulum machining in two work areas.

Due to continuing high demand in the market during the reporting period, the erection of a new assembly hall with integrated demo and service centre was accomplished at the facility in Seebach.

The year 2001 was the most successful year for DECKEL MAHO Seebach GmbH since it opened. Both order intake and sales increased compared with the previous year. In the reporting period, the company had 429 employees and again contributed positively to the group's result.

The "Laser/Ultrasonic" Division

In relation to our laser machines, "laser beam machining" is an eroding process, where an innovative 3-D machining of metal moulds, but also of materials that are not easily machinable such as ceramics or cemented metal carbide, is carried out via a spot-beam with a high energy level. Most of the material, which has been cut off the surface in layers through the laser beam (laser = light amplification by stimulated emission of radiation), evaporates, or is pumped out as melt. For the first time, the new "ultrasonic" production process enables the economic processing of hard-brittle materials such as heavy-duty ceramics or glass. With this technology we use diamond tools that were specifically developed for ultrasonic machines. Through the combination of an ultrasonically energised main spindle with a modern milling machine, the traditional cutting machining process is overlaid by a high-frequency oscillating motion. At a low thermal load, the cut volume is thereby greatly increased. During the next financial years, we will be specifically promoting the promising "laser" and "ultrasonic" technologies.

LASERTEC GmbH, Pfronten

LASERTEC GmbH, Pfronten is a fully-owned subsidiary of DECKEL MAHO Pfronten GmbH. With its laser technology it is a technological trend-setter within the group. Based on the successful machine architecture of DECKEL MAHO Pfronten GmbH, the laser technology facilitates the production of the finest contours and cavities with high process security and precision. It thereby meets the demands of the advancing miniaturising technology. In comparison with traditional machining, the machines for the erosion of material via laser beam (LBM = laser beam machining) offer additional cost advantages for the user, since no costs for tools are incurred and machining times are short. After the successful start-up of production in 2000, further conditions for the development of laser technology were created in the reporting year. The sales, production and technology departments were moved to the new site at Kempten. Due to the marketing strategy, successful presence at trade fairs and customer applications, the intake of new orders and the sales volume doubled over the year. In the reporting period, the company had 28 employees. The net loss for the year was € 0.8 million.

SAUER GmbH & Co. KG, Stipshausen

With its majority controlling share in SAUER GmbH & Co. KG, GILDEMEISTER gained access to the growth market for the machining of advanced materials such as ceramics, cemented metal carbide and glass. In comparison with traditional processes, the ultrasonic technology that is used for this offers a three to ten-fold increase in productivity benefits, higher precision with improved surfaces, and a significantly higher flexibility in machinable part geometries.

The already existing high demand for machines for ultrasonic machining is another example of the market's very positive response to the innovation management of GILDEMEISTER. The company has 13 employees, and in the financial year 2002, will be included in the consolidated GILDEMEISTER group for the first time.

The "Services" Segment

The "Services" segment is mainly made up of the promising services division of DMG Vertriebs und Service GmbH and its subsidiaries. Also included in this segment are the supply services of a & f Stahl- und Maschinenbau GmbH and the components of SACO S.p.A.

Sales and Service, Technical Services

DMG Vertriebs und Service GmbH, Bielefeld, and branch offices

DMG Vertriebs und Service GmbH is our world-wide sales and services interface with the market for all products of the GILDEMEISTER group. With its 36 independent subsidiaries (previous year: 32) that are run as profit centres, five branch offices (previous year: eight) and ten further sales and service sites (previous year: ten), DMG was represented in all major purchaser countries for machine tools. The company had 1,521 employees – which represents 29% of all employees – and, in the reporting year, contributed substantially to the sales of the group. The globally operating entity with its national and international technology centres stands out due to its consistent market proximity, direct selling covering all areas, and comprehensive, customer-orientated one-stop technical services. The reporting year saw the formation of DMG Brasil in São Paulo and DMG México in Monterrey. The de-centralising process, already introduced in North America, continued: DMG Los Angeles (California) and DMG Houston (Texas) began operating. With DMG Service UFB Seebach GmbH, DMG Vertriebs und Service GmbH the development of a specialised technological service began, which includes the products of DECKEL MAHO Seebach.

Despite the costs of further extensive, market-orientated reconstruction and expansion of the world-wide sales and service organisation, the DMG sub-group achieved the group's second-best result.

Branch Offices

DMG Vertriebs und Service GmbH, Bielefeld, a fully-owned subsidiary of GILDEMEISTER Aktiengesellschaft, maintains, apart from the 36 sales and service companies, the following international branch offices, which are not legally independent enterprises:

DMG Danmark,
Filial af DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER, Tyskland,
Kvistgård/Dänemark

DMG China DECKEL MAHO GILDEMEISTER
Beijing Representative Office,
Beijing/VR China

DMG China DECKEL MAHO GILDEMEISTER
Shanghai Representative Office,
Shanghai/VR China

DMG China DECKEL MAHO GILDEMEISTER
Xian Representative Office,
Xian/VR China

The sales offices of DMG Vertriebs und Service GmbH in Beijing, Shanghai and Xian are accredited for the acquisition of group products in the PR China. DMG Technology Trading (Shanghai) Co., as a fully owned subsidiary of DMG Vertriebs und Service GmbH, Bielefeld, is responsible for the service activities in this market.

DMG Asia Pacific Pte. Ltd., Singapore, a fully owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, maintains a branch office that is not a legally independent enterprise:

DMG Australia,
Melbourne/Australien

DMG Danmark and DMG Australia operate as sales and service offices for their respective parent companies in their respective allocated areas.

There are no branch offices at home. Apart from running the operative business, DMG Vertriebs und Service GmbH, Bielefeld, acts mainly as a holding company. During the reporting year, business in the branch offices continued to rise.

Components and Procurement

SACO S.p.A., Castelleone

This subsidiary of GILDEMEISTER Italiana has complemented its original production programme of toolholders, collets and devices for multi-spindle automatic lathes with the production of bar loaders, spindle engines and structural components for the German production plants. Apart from the parent company and group companies SACO S.p.A., with 96 employees, also supplies third parties. In the reporting year, the company's result was again positive.

a & f Stahl- und Maschinenbau GmbH, Würzburg

a & f Stahl- und Maschinenbau GmbH operates in the field of qualified procurement of mechanical parts and assembled construction components. Along with the domestic plants of the GILDEMEISTER group, it mainly supplies third parties. Its well-known customers from the machine engineering and terotechnology industries include the producers of wind power facilities. A competitive net of suppliers – mainly in the countries of Central and Eastern Europe – facilitates the systematic expansion of the procurement range to include demanding, more complex and high-precision components and structural components. a & f Stahl- und Maschinenbau GmbH thereby clearly stands out from its competitors and was able to continue the consistent development of its market position. GILDEMEISTER Aktiengesellschaft has a 51% interest in the company. With 27 employees, the company recorded another positive result.

Procurement

In the financial year 2001, the GILDEMEISTER group has achieved further positive results in the **procurement** field by expanding the group's alliance with suppliers in a spirit of partnership, and simultaneously utilising cost-cutting potentials.

The reduction of the price level for series production start materials of more than 3% and the punctual supply at the production sites, have positively contributed to the company's performance. With respect to the procurement of goods, this improved situation is due to the co-ordination of procurement activities across all sites, the standardisation of individual sub-assemblies and an optimised co-ordination process with the procurement partners. To guarantee the **supply**, concentrated efforts were made in individual cases.

The processing of orders was further optimised by an Internet-supported connection of suppliers to our data processing systems (GILDEMEISTER-eSupply). This system offers a synchronised view of the GILDEMEISTER production planning. In 2001, we have networked all top suppliers to our system. The resulting improved communication increases the reliability of supply, which lets us avoid most supply bottlenecks in advance. At the same time, suppliers are integrated stronger into the GILDEMEISTER product development process. This has resulted in earlier maturity regarding the serial production of newly developed products, in improved quality of start materials, and has successfully promoted the group's strong innovative power.

At the first Suppliers Day of the GILDEMEISTER group, more than 150 representatives of the 100 top supply companies took part in the "Supplier of the Year Award". The overall winner – together with the partners who were awarded in the categories of innovation, quality and supply performance – represent the increasing integration of suppliers into the production of goods and services process.

The expansion of **strategic supply partnerships** has influenced our procurement market strategy in 2001. This affected the entire chain of value-added activities, and led to significantly shorter delivery times. Due to the further improved procurement integration of FAMOT Pleszew S.A. who has now become the group's most important supplier of base machines, and of other Central European supply companies, we were able to guarantee supply with more than 3,200 base machines.



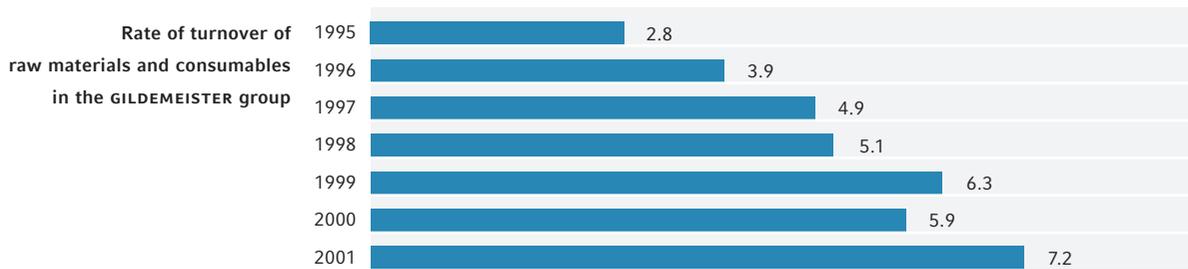
CTX Serial production, Bielefeld.

To create the highest quality, production sequences must be organised in an optimal way. By continually monitoring and optimising the processes, GILDEMEISTER meets the high demands of customers for individuality, short delivery times and deadlines.



We have re-structured both the internal and external material flow and thus optimised the procurement logistics of start materials for assembly. For example, at the Seebach site we were able to achieve that delivery of more goods is on schedule by setting up a **“Transshipment Point”**, whilst simultaneously reducing the plant’s supplier contacts. After changing the delivery conditions from “free of charge to address of buyer” to “ex works” we were able, with the help of a logistics service company, we were able to systematise the forwarding processes.

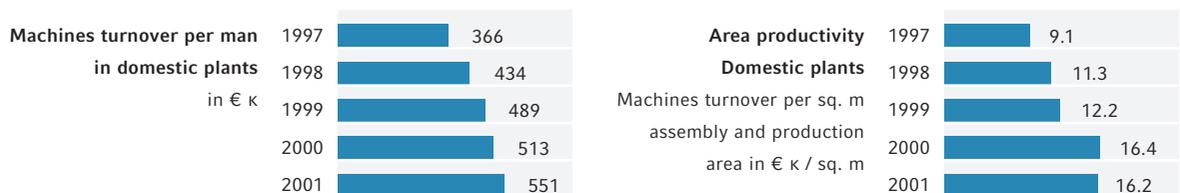
All the measures taken in the procurement logistics field have lead to an increased rate of **turnover of raw materials and consumables (RHB)** by 22% from 5.9 to 7.2. This resulted in a low appropriation of funds in the group, positively contributing to the group’s liquidity.



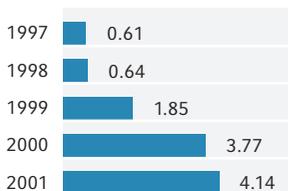
Production and Logistics, Products and Services

In the past year, GILDEMEISTER was again able to increase its efficiency in **production and logistics** by a large scale expansion of the PULL production system (**Produktions- und Logistik-Leistung** = performance of production and logistics). Fresh stimulus was obtained by filling the newly created posts for PULL managers from within the company and with the introduction of a clocked line assembly. Additional measures included the implementation of a mutual, internal auditing process, which benefits both the transfer of know-how and the production controlling. The required adaptation of the production to new products and processes was further accelerated. As a result of the improvement measures, the **machines turnover per man in the domestic plants** of the GILDEMEISTER group increased by a further 7% compared with the preceding year's improvement of 5%.

The capacity expansion through the erection and expansion of assembly halls at the sites in Seebach, Geretsried and Pfronten could be integrated into the production process so that the area productivity of the respective sites was hardly affected. In all, we have expanded the area productivity by 12,337 sq. m to a total of 79,807 sq. m. The



Suggestions for improvement Domestic plants
Number per employee



domestic area productivity in the reporting period was approximately € 16.2 K / sq. m.

The extraordinary motivation of our employees is demonstrated by a further rise in **suggestions for improvement**: In 2001, each employee of the domestic production plants handed in an average of 4.14 suggestions for improvement; this is a 10% rise compared with the value of the previous year of 3.77 suggestions per employee. In the foreign production plants the number of suggestions per employee rose over-proportionately by 38%. This means, a total of 10,834 suggestions for improvements were handed in at all production plants with a total net benefit (benefit from suggestions minus costs of implementation) of € 2.3 million. The group’s outstanding position in ideas management can be clearly seen in comparison with all industries for the year 2001 (for example, automotive industry: 0.79 suggestions per employee, machine engineering: 0.48 suggestion per employee)*.

*Source: DIB, Deutsches Institut für Betriebswirtschaft e.V. (German Institute of Business Management)

To help us cope with the serial start-up for the 25 product innovations of the reporting year, we have introduced a group-wide series start-up management (Serienanlaufmanagement = SAM). The existing optimisation potential is consistently recorded through intense system-supported co-ordination, visualisation and communication, the participating areas are synchronised during the above processing, deadlines are monitored and integration with the supply partner is guaranteed. It was not long before the series start-up management, which is supervised at each production facility by a “start-up manager”, demonstrated a higher problem solving speed and quality.

In the reporting year, the GILDEMEISTER group was able to further expand its technological leading position in the global market by developing new **products**. In the area of turning, the product portfolio ranges from universal lathes to CNC multi-spindle automatic lathes. In the area of milling, the GILDEMEISTER group is also a full-liner covering the whole range of applications.

With the forthcoming laser and ultrasonic technologies, GILDEMEISTER is already gaining access to the growth market of hybrid material engineering. Highly developed laser or ultrasonic components facilitate the production of filigree cavities for products of major growth industries.

In the **services** field, GILDEMEISTER offers comprehensive service products, ranging from seminars and training products to updates in the electronics and mechanics areas. In addition, DMG Gebrauchtmachines GmbH offers a customer-orientated one-stop service package for used machines.

Human Resources.

The success of the GILDEMEISTER group is largely the result of the qualifications and commitment of its employees. Their extraordinary motivation is demonstrated by the high number of in-plant suggestions for improvement.



GILDEMEISTER Drehmaschinen GmbH, Bielefeld

At GILDEMEISTER Drehmaschinen GmbH, last year was dominated by the installation and start-up of the assembly production for the CTX line of products. It was not long before this clocked assembly line along with the accompanying logistical process improvements, led to a cut in processing time by more than 50% to five work days, with a consistent shift operation of 2 x 7 hours per day. A major part of this success results from the new Kanban-controlled material supply of the line assembly that operates as a pilot scheme at the site. With the introduction of the order processing centre, the entire production obtained a new standardised interface with the customer for the duration of the order processing. The increase in complexity, due to new products and increasing customer individualisation, could thereby be counter-balanced and dealt with. In the turning field, the company operates in five of the seven product lines and benefited from the successful integration of GILDEMEISTER Italiana and GRAZIANO. Together with FAMOT Pleszew S.A., GILDEMEISTER now offers the most comprehensive production programme for lathes in the world. The collaboration of the group's now four lathe producers creates synergies in product development, standardisation and purchasing. GILDEMEISTER Drehmaschinen GmbH was able to expand its market position with an increased range of products, and presented seven developments at the EMO 2001. The facility at Bielefeld sees the production of machines for the product lines universal lathes, CNC universal lathes, vertical lathes, two-spindle turning centres and general purpose centre lathes.

In the reporting period, new customers were acquired mainly for vertical lathes and turning centres. The company is able to keep pace with market trends such as integrated machining through the integration of the turning and milling technologies or linear technology, which achieves higher machine dynamics. In addition, the company safeguarded the user's increase in productivity through the use of innovative and open control systems.

GILDEMEISTER Italiana S.p.A., Brembate di Sopra

In the reporting period, GILDEMEISTER Italiana S.p.A. took up operation of an order processing centre at the same time as the Bielefeld site, which successfully contributes to an improvement in the logistical process. Collaboration with suppliers was also further intensified at this site. The company is attempting to make innovative improvements in production and logistics via the transfer of methods – for example from the automotive industry. In Brembate, these process optimisations resulted in a hig-

her supply reliability during the production preparatory time.

The range of products of GILDEMEISTER Italiana S.p.A. includes a complete programme of CNC long and multi-spindle automatic lathes for small-lot, medium-lot and mass production of precise lathe works. With the CNC multi-spindle automatic lathes, which are innovative in many respects, the company now offers a production line that uniquely combines the benefits of the traditional machining of mass lathe works with the flexibility of CNC-controlled machines and the speed and precision of linear drives. The supplier industry, with its demands for low per-unit costs and just-in-time deliveries represents an increasing sales focus.

GRAZIANO Tortona S.p.A., Tortona

Further expansion of the GILDEMEISTER production system combined with the restructuring of inventories has resulted in an above proportion increase of the area productivity by 43%. The production programme of GRAZIANO consists of universal and four-axle general purpose centre lathes. With the model, CTX 310, which was developed in the financial year 2001, GRAZIANO produces the group's capture model of the CNC universal lathes. The CTX 320 linear, also developed in 2001, offers the customer substantial advantages in productivity compared with traditional machines. With these developments, the complete integration of the machines produced by GRAZIANO into the seven-lines product strategy has been continued.

FAMOT Pleszew S.A., Pleszew

In the reporting period, FAMOT was able to increase its production of Rumpfmaschinen for the group companies by another 16% to 1,182 units per year. In the same period, the production of lathes was more than doubled to 408 units per year. In addition, the assembly of construction components was re-structured and re-organised, and the stock room optimised and modernised. This resulted in an increase in inventory turnover of 26%. The co-ordination with the production plants for the series start-up of new products – resulting in the series start-up of new Rumpfmaschinen assemblies at FAMOT – was achieved through the integration into the series start-up management and the appointment of the company's own "start-up manager".

In the reporting year, FAMOT Pleszew S.A. supplied both the group companies and other companies with high-quality sub-assemblies and components. Apart from 14 different body machine types, FAMOT also produced head stocks and large castings. In addition, FAMOT produced both the universal lathes NEF 320 K and NEF 520 K for two different centre distances, and the CNC controlled lathes CTX 400 with Fanuc control.

DECKEL MAHO Pfronten GmbH, Pfronten

The biggest challenge of the facility at Pfronten during the reporting period was to increase sales by 37%. Numerous projects for optimising the logistical processes made this possible. This included the introduction of the Kanban-controlled supply of various construction components directly into production stores situated close to the assembly. Thanks to these improvements, the rate of inventory turnover at the Pfronten plant also rose by 17% to 8.2. At the same time, the erection of a new assembly hall created the structural conditions to expand capacity and assembly of new products.

DECKEL MAHO Pfronten supplies the market with CNC universal milling machines and universal machining centres within a machining range of 600 to 2,000 mm, and is represented in four of the seven milling production lines. The modular machine programme offers the customer individually assembled machines at prices that are typical for standard products. In addition to the performance features of the basic machines, a wide range of technologies and variations of equipment can be used – for example, the 5-axle simultaneous machining, the milling and turning in one machine or the so-called high-speed cutting (HSC). The DMU-T line in monobloc construction that was presented in the previous year has been successfully introduced to the market in greater numbers. The FD line for combined milling and turning machining that was developed in the same year has been expanded by the DMU 125 FD and DMU 200 FD machines. The DMU 160 P complemented the successful DMU-P line of the CNC universal milling machines for simultaneous 5-axle / 5-sided machining.

DECKEL MAHO Geretsried GmbH, Geretsried

During the reporting period, the measures taken to improve production and logistics at the Geretsried facility focused on an extension of the assembly hall for the technologically-intense, horizontal machining centres. Even with the production start-up on the new assembly surface, area productivity could be increased by 18%. This success is based on the new order processing centre that was also introduced at the Bielefeld and Brembate facilities.

With the DMC-H and DMC-V production lines, the company produces horizontal and vertical machining centres for serial production. In the reporting year, both lines could be expanded by numerous machine options that offer the user substantial benefits in respect of productivity and flexibility. In the past reporting year, DECKEL MAHO Geretsried GmbH has taken the DMC 50 H that was developed in 2000 to serial maturity. This cost-effective horizontal machining centre fills a market segment that has been

dominated by products from Japanese competitors. Due to substantial competitive benefits in the cutting field the DMC 63 H was able to increase its market share, particularly in the automotive industry and the related components supplying industry. The competence of the facility in serial production was further strengthened with the expansion of the product-accompanying range of services.

At the EMO 2001, a new vertical machining centre for the high-tech tool manufacture and mould making industries was presented, the DMC 165 V linear. For the first time, this machine with its large working area gives access to customers who have so far bought products from the competition. Customers were particularly interested in the possibility of combining two spindles on one machine. The machine is equipped with linear drive technology on all axes, thus achieving dynamics and precision that are extraordinary for a machine of this size. The vertical machining centre programme demonstrates particular strength in HSC milling, and in the precision and surface quality it is able to reach.

DECKEL MAHO Seebach GmbH, Seebach

With the erection of the new assembly hall that links the demo and service centre, the company at the Seebach facility implemented the group's largest construction project of the past year. Even before construction started, all procedures and processes were simulated with state-of-the-art planning tools and with the support of the University of Chemnitz. This resulted in an improvement in the production and logistics ratio despite the construction work and increase in production. The sales per man rose by 11%.

DECKEL MAHO Seebach produces small and medium-sized CNC universal milling machines and machining centres of the DMU, DMF and DMP lines. With the completed development of the DMF line of traversing column machines a completely new line of products was created that was met with great interest at the EMO 2001 in Hanover. Equipped with linear drives on the long X-axis, the machine reaches rapid traverse speeds of up to 100 m/min and accelerations exceeding 0.5 g. With the beginning of 2001 the first newly developed universal milling machines DMU 70 eVolution were supplied. The benefits of 5-axis machining and the high machining precision in combination with rapid traverse speeds of up to 50 m/min and accelerations of up to 0.8 g result in a higher productivity, thus facilitating the entry into small-lot and medium-lot production. In 2001, thanks to the high customer approval, a total of 170 machines from this newly developed line could be supplied throughout the world. The DMU 35 ultrasonic that was developed with the group company SAUER was also presented at the EMO.

DMG Netservice.

With the DMG Netservice GILDEMEISTER sets further new standards in services. With one click of the mouse our customers can request our net service specialists' professional support within seconds.



LASERTEC GmbH, Pfronten

LASERTEC GmbH develops and produces machines for laser beam machining and drilling. The DML 40 with the S and S1 variants machines the finest contours and cavities at high process security and precision. In comparison with erosion processes, even materials that are not easily machinable such as ceramics or cemented metal carbides can be machined directly and without the need to produce electrodes. This saves manufacturing time and costs. The new laser beam milling centre, DML 60 HSC, combines high-speed milling with the benefits of laser technology. The intense machining process is carried out via HSC milling, whilst the high-filigrée machining tasks are carried out by laser beam. The entire machining process is accomplished in just one setting.

DMG Vertriebs und Service GmbH, Bielefeld

GILDEMEISTER's success in the market is mainly based on the implementation of the total customer support strategy. DMG Vertriebs und Service GmbH and its subsidiaries are responsible for competent technological advice, training of customer employees, provision of application technology and services of the spare parts and service business. Further details on DMG Vertriebs und Service GmbH, its products and services are set out in the chapter "Services" of the segmental reporting on page 132.

SACO S.p.A., Castelleone

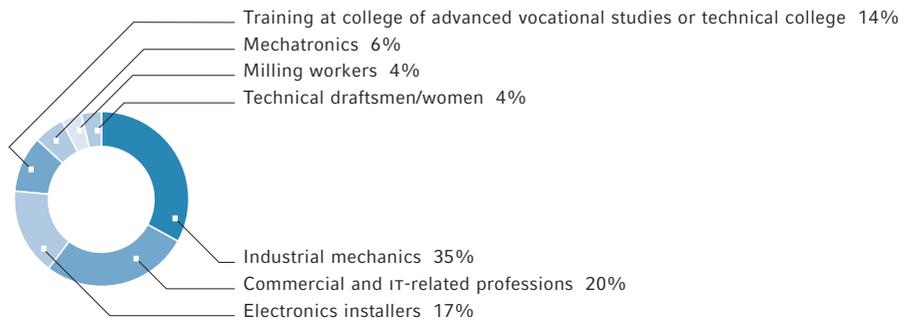
At SACO S.p.A., the erection of a new production hall facilitated the conditions required for the secure and future-orientated supply of the group companies with the products of SACO S.p.A. For example, in the reporting year, the company's wide range of products was expanded by integrated spindle engines. Supply of the sites at Pfronten, Geretsried and Seebach was thereby possible and created the basis for a lasting capacity utilisation. In addition, the products of SACO that are extremely competitive in both a technological and commercial respect, have clearly reduced the occasional dependency on external suppliers. Apart from plant equipment, SACO also offers numerous new products such as integrated spindle engines, bar loading magazines and machine parts.

Employees

On 31st December 2001, the group had 5,212 employees, 203 of which were trainees (previous year: 4,637). During the reporting year, the number of the group’s employees rose by 562 skilled workers and 13 trainees. This increase happened mainly in the service area, due to the further expansion of the DMG companies in Austria, Spain, Taiwan and Korea, and at the two domestic production facilities at Pfronten and Seebach. In the fourth quarter the number of personnel remained almost unchanged. Compared with 30th September 2001 (5,219 employees) the number of staff reduced by seven at the end of the year. The increasing steadiness in the number of skilled employees corresponds with the group’s adequate and contemporary personnel planning and is in line with company development.

By the end of the year, 3,239 people were employed at the domestic companies. The number of employees at foreign companies was 1,973; this is 38% of the group’s personnel.

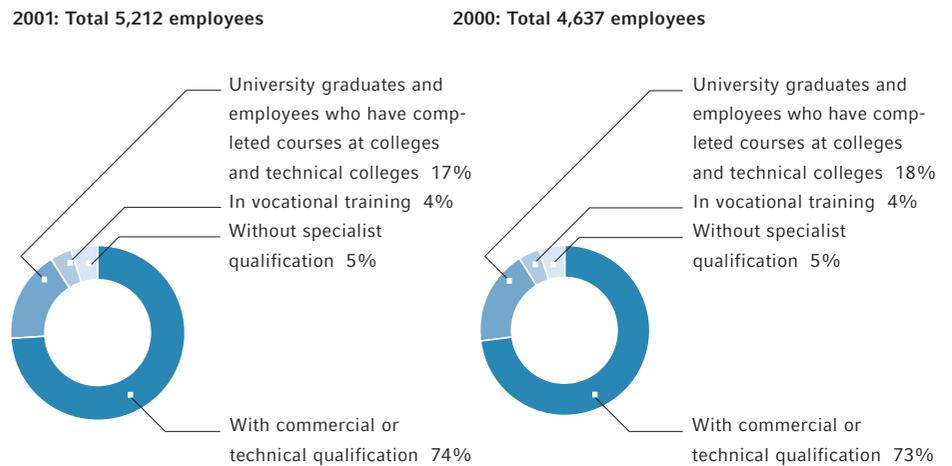
**Training in the
GILDEMEISTER group 2001**
Allocation by fields in %



To continue to meet the demand for well qualified employees, a total of 68 extra trainees were taken on by the end of the year. The services in particular benefit from a qualified and future-orientated vocational training. In the reporting year, a total of 203 young people were trained at the GILDEMEISTER group. The number of trainees was therefore 7% above the previous year's figure. The growing demand for well qualified employees forms the basis for the special status of vocational training in the group's commercial/technical field. Apart from the traditional training for trades requiring an apprenticeship, tried and tested courses of study are offered and developed in association with regional colleges of advanced vocational studies and technical colleges. The GILDEMEISTER group provided vocational training in a total of 13 different training occupations. In comparison with the previous year, training courses for IT/commercial clerks and IT specialists were added.

The qualification structure of our employees demonstrates that specialist vocational training enjoys a very high status in the GILDEMEISTER group:

Qualification structure of employees in the GILDEMEISTER group



As illustrated by the figures in the graph showing their qualification structure, 95% of our employees have a professional qualification or are currently in training.

Excellent vocational training and ongoing further training provide an essential competitive advantage for the technology and service group of GILDEMEISTER. In the reporting year, the DMG Training Academy together with the respective personnel departments, were responsible for in-house training. 2,476 employees took part in further education, representing 47% of the entire staff. The extensive training activities in 2001 included qualifying our domestic and foreign service employees for the new machine generations. Another centre of activity in respect of training included the areas of office communication and data bases. Language courses promote the internationalising process of our company. In the reporting year, we have spent a total of € 2.9 million on further training (previous year: € 3.0 million). This decrease compared with the previous year is mainly due to the fact that the seminars regarding the 3D CAD system have now been completed.

The group's personnel costs amounted to € 270.6 million (2000: € 212.5 million). Of this, € 227.5 million was attributed to wages and salaries (2000: € 179.0 million), € 39.2 million to social contributions (2000: € 29.6 million) and € 3.9 million to old-age pensions (2000: € 3.9 million). The increase of € 58.1 million compared with the previous year's figure is due mainly from the increase in staff. The increase in personnel costs results from success-related pay elements and increases of standard wages.

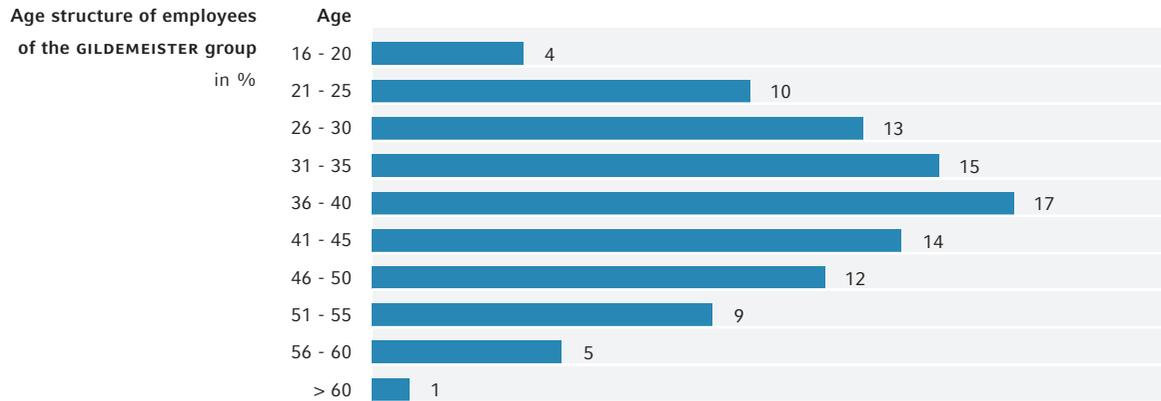
As part of the group's part-time retirement plan we have entered into 78 part-time retirement agreements. For this purpose, we have applied the so-called "block model", i.e. the whole period of part-time retirement is divided into active and passive phases of equal length. 51 employees were in the active phase, 27 in the passive phase. The purpose of the part-time retirement plan is to give more young people the opportunity of joining our attractive world of work.

Construction and development.

To secure our leading market position in the machine tool building industry, we are constantly working on new and further developments of our innovative high-tech products.



59% of GILDEMEISTER employees are younger than 40, and 85% younger than 50.



In 2001, the number of traffic and operational accidents, 149, was 2% below the previous year's figure (2000: 152). In relation to the total number of staff this is a decrease to 2.9% (previous year: 3.3%). The level of sickness was at an average 3.2% and thus not only below the previous year's figure (2000: 3.7%), but also below the industry average of 3.8%.

During the reporting period, 21 employees of the GILDEMEISTER group celebrated their 40th anniversary and 54 employees their 25th anniversary. In addition, for the first time 76 employees were honoured for their 10-year service with the group at an in-house celebration. All these employees deserve our respect for their loyalty and continuous commitment.

At this point, we would like to thank all our employees. It is mainly thanks to their talents and their willingness to perform that GILDEMEISTER was, once again, more than successful. Not least we would like to extend our thanks to our employee councils. Their unbiased and unbureaucratic mediation between company management and staff has contributed time after time to the rapid and purposeful implementation of decisions.

Environmental Protection

Environmental protection enjoys a special status in all companies within the GILDEMEISTER group. Economic and ecological issues do not exclude each other, but at GILDEMEISTER are integrated in a harmonious operation. Our environmental measures contribute to the promotion of the group's performance with lasting effect. The careful handling of our natural resources is an integral element of the company's strategy. To GILDEMEISTER, acting responsibly also means to guarantee a maximum of security for both employees and the environment.

When developing new products, we are very careful to constantly reduce the use of ecologically undesirable lubricants. With the installation of energy-saving driving components, the development of quiet building components and the use of recyclable materials, we produce machine tools that meet environmental protection requirements to a high degree. Another matter of course is the careful separation of waste and the employment of certified waste disposal systems at our production facilities. The sealing of the floors in the production areas at the plants at Bielefeld, Pfronten and Seebach was continued in phases so that the effective protection of the ground water is guaranteed. The new assembly hall in Pfronten has been equipped with a low temperature floor heating that allows savings in energy of up to 15% compared with the systems used previously. The installation of low temperature ceilings and modern ventilation and aeration technologies created the conditions required for a low energy consumption in the new offices. At DECKEL MAHO in Seebach a central cooling lubricant supply was installed to protect the environment.

Environmental protection also plays an important role in the group's logistics. GILDEMEISTER has for some time used mainly returnable packaging for bulk and building components that need a lot of packaging. We have continued to consistently develop the strategy of the "low-package factory". For example, at the site at Pfronten the volume of the packaging material was reduced by 15% in the reporting year. The use of packaging material for deliveries is based on strict legal requirements and the demands of our customers. The number of our plant-operated deliveries by lorry was cut due to the transport-optimised collection and systematising of procurement material. This way, we were able to further reduce air pollution.

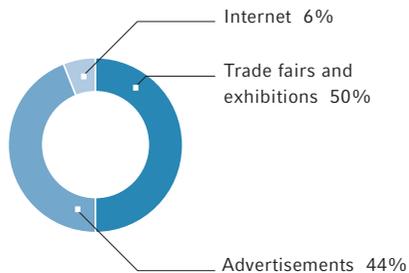
GILDEMEISTER's internal and external communication is also under the microscope from an ecological perspective. With the DMG Netservice the group runs a continually growing area that combines economic and ecological requirements in an exemplary manner. Thanks to its online using and programming support, the DMG Netservice reduces local service calls and avoids polluting travel activities as far as possible. For the exchange of information within the group and with external business partners, personal meetings that require a lot of travelling, are increasingly replaced by video conference systems at the production sites, resulting in a cut in ecologically undesirable journeys.

In 2001 the GILDEMEISTER group invested a total of € 4.0 million (2000: € 5.1 million) in activities to protect the environment.

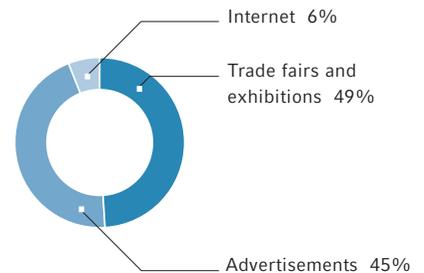
Marketing / Press and Public Relations

In 2001, the market image of the GILDEMEISTER group was multi-faceted: Apart from 55 trade fairs and in-house exhibitions, it included 850,000 journals, 1,000,000 brochures, 3,800,000 supplements in trade magazines and our website with more than 440,000 Internet visitors. The tv advertisement “Number One Thinking” was broadcast 150 times. Our image advertisements in the major German daily and economic newspapers were also met with great interest. These examples demonstrate the intensity of GILDEMEISTER’s ongoing communication with the external world in 2001. Our marketing activities focused once again on our numerous innovations and the completion of our lines of products. Activities in corporate design, sales, pricing and innovation policy were closely linked to our marketing measures. Above all, our aims were the leveraging of global market potentials, gaining access to new market segments and increasing our market share. The GILDEMEISTER group invested a total of € 24.9 million in communication/marketing (2000: € 19.7 million).

Allocation of marketing expenses in the GILDEMEISTER group 2001: Total € 24.9 million



2000: Total € 19.7 million



Trade fairs and exhibitions are among the most important marketing instruments for capital goods. DECKEL MAHO and GILDEMEISTER were present at 55 important trade fairs and exhibitions at home and abroad, where they were met with great interest. In a total exhibition space exceeding 11,000 sq. m, 280 lathes, 239 milling machines and 26 laser/ultrasonic machines were installed around the globe and presented in action. A recorded specialist audience of 53,000 generated a direct sales volume of € 146 million. The most significant event of the year was the EMO in Hanover, where on a stall almost 4,000 sq. m in size – the largest of the fair – 69 exhibits could be viewed in full operation. At this event alone we advised 22,400 specialist visitors, resulting in a total order balance of € 81.4 million. In the reporting year, GILDEMEISTER invested € 12.4 million (2000: € 9.7 million) in trade fairs and exhibitions, representing 50% of the total marketing expenses.

At GILDEMEISTER **advertising** primarily means the marketing of our products. In the reporting year, the customer journal “DMG Journal” was published twice, each time with a circulation figure of 850,000, in eleven languages. The readers were decision-makers in 30 industrial countries throughout the world. In 2001, the advertising of our products focused again on the publication of illustrated catalogues and brochures. The number of copies totalled over 1,000,000. These covered products from DECKEL MAHO with 480,000 copies, and lathes from GILDEMEISTER with 551,000 copies. For the first time, the design of the brochures was standardised throughout the group. The supply programme, available in five languages, had a print-run of 37,000. For the first time, all products of the group were presented together. Supplements in trade journal were also widely used in 2001: The innovations of DECKEL MAHO and GILDEMEISTER were advertised and presented in 3.8 million copies in the most important media of the world, in 27 countries and 17 languages. Our high-quality publications brought a noticeable increase in higher recognition. The total expenses for product marketing amounted to € 10.9 million, representing 44% of the marketing expenses (2000: € 8.8 million).

For GILDEMEISTER, the role of the **Internet** has become more and more important. Thanks to the Internet we are able to directly and rapidly contact customers, shareholders and all those whose attention has been drawn to our company. The group’s web-site (**www.gildemeister.com**) has become a very popular medium. In 2001, a total of 440,000 visitors have been recorded, representing an increase of about 180,000 compared to the previous year. “Surfers” from all over the world clicked their way into GILDEMEISTER. Our Internet pages give information on product novelties, current share prices, latest company developments and much more. Annual and interim finan-

Marketing and communication.

The EMO in Hanover with its record exhibition area of almost 4,000 sq. m and 69 exhibited machines in full operation was the absolute high-light of the year 2001.



cial reports are increasingly requested as downloads. Interim reports, for example, were requested more than 6,000 times. Other printed information about the group was also requested via the Internet. In the meantime, e-commerce has become a part of the day-to-day running of the business at GILDEMEISTER, complementing traditional distribution channels. Amongst other things, machines can be purchased via the GILDEMEISTER website. The DMG Netservice, with one click of the mouse, allows access to the group's service know-how within seconds. In the reporting year we have experienced acquiring customers via the Internet. In 2001, this resulted in an acquisition of 30 new customers, with rising figures. Our advertising activities in all aspects of e-commerce tools increased to € 1.6 million (previous year: € 1.2 million), representing a total of 6% of the marketing expenses.

Thanks to our specific **investor relations activities**, the GILDEMEISTER share has also gained in recognition. The company figures were communicated quarterly and supplemented with a professional image campaign with large-sized advertisements. The four advertisement images were published in the major German economic newspapers 25 times. The purpose of these advertisements was, and is, to communicate to the reader, with the help of the end product, the role machine tools play in our daily life. In addition, the tv advertisement "Number One Thinking" was broadcast on the news channels N-TV, N24 and Bloomberg. A long version of the advertisement was presented at trade fairs, exhibitions and at the shareholders' general meeting. These activities were meant for both our customers and current and potential shareholders. Our "Annual Report 2000", of which we distributed approximately 15,000 copies, was met with particularly great interest. It came first in the renowned ranking of the "manager magazin", scoring better than the annual reports of more than 400 other German and

European listed stock corporations.

The trade press plays another major role for the image and recognition of our brand names, DECKEL MAHO and GILDEMEISTER. During the past year, we provided information on all aspects of our company to approximately 250 journalists from 24 nations at a total of nine trade press conferences and in the course of three exclusive trade press discussions. Contacts with other magazines could also be established. This resulted in more than 900 pages of editorial specialist reports.

GILDEMEISTER'S **public relations activities** are based on a long-term communication strategy. The company's communication is directed to the outside world with the aim of improving the image of GILDEMEISTER in the public eye, and strengthening the group's position. All activities are internationally co-ordinated in respect of contents, design and timing resulting in the effective and efficient use of the budget. A central element of the press and public relations activities is to competently, speedily and reliably inform the print and electronic media as well as all interested target groups, on the current situation of the group and its companies. Apart from providing up-to-date information, we value the ongoing and open dialogue with the national and international economic and trade press, with shareholders and financial experts, and with those associations and institutions that are of special importance to us. For investor and public relations activities we invested funds of € 2.3 millions (previous year: € 2.4 million).

Without the help of a compelling communication system based on a variety of marketing instruments and the relating investor and public relations activities, the success of GILDEMEISTER would be unthinkable. The communication is aimed at the convincing and competent presentation of our brand names and products to the market. It fits into the model of our market and value orientated corporate governance. Above all is the intention to systematically and continually develop the group's efficiency. Extensive market studies form the basis for our ability to recognise customer requirements and future global trends early and implement them at short notice.



tv advertisement "Number One thinking".
The tv advertisement "Number One Thinking" was broadcast 150 times on N-TV, N24 and Bloomberg. A long version of the advert was presented at trade fairs, exhibitions and at the shareholders' general meeting.





Segmental Reporting: "Machine Tools"

The "Machine Tools" segment includes the group's new machines business. This includes the lathes and turning centres of GILDEMEISTER, GRAZIANO and FAMOT, the milling machines, machining centres and laser machines of DECKEL MAHO and, since recently, the ultrasonic machines of SAUER.

Key Figures

"MACHINE TOOLS" SEGMENT

	2001	2000*	Changes 2001 against 2000	
	€ M	€ M	€ M	%
Sales				
Total	895.1	729.4	165.7	23
Domestic	453.3	381.1	72.2	19
International	441.8	348.3	93.5	27
% International	49	48		
Order intake				
Total	865.6	860.6	5.0	1
Domestic	434.9	447.7	-12.8	-3
International	430.7	412.9	17.8	4
% International	50	48		
Orders on hand**				
Total	319.3	348.8	-29.5	-8
Domestic	150.0	168.4	-18.4	-11
International	169.3	180.4	-11.1	-6
% International	53	52		
Investments	46.1	32.6	13.5	41
Personnel**	3,514	3,159	355	11
of which trainees	203	190	13	7
EBITDA	74.1	63.1	11.0	17
EBIT	52.1	48.0	4.1	9
EGG	39.7	39.3	0.4	1
Profit for the year	39.0	33.8	5.2	15

* incl. GILDEMEISTER Italiana and its subsidiaries from 18th May 2000

** reporting date 31st Dec.

The **sales** of the “Machine Tools” segment rose by 23% to € 895.1 million. This is an increase of € 165.7 million compared with the previous year (€ 729.4 million). Whilst domestic sales increased by € 72.2 million or 19% to € 453.3 million, international orders rose by € 93.5 million or 27% to € 441.8 million. The export quota increased to 49% (previous year: 48%).

The group’s **order intake** for new machines reached € 865.6 million and was thus slightly above last year’s level (€ 860.6 million). At € 434.9 million, domestic orders fell slightly below last year’s level by € 12.8 million or 3%. At € 430.7 million, foreign orders exceeded the orders of the previous year by € 17.8 million or 4%. The **export share** rose from 48% to 50%. The sales volume was below last year’s level, in the reporting year though the machines were equipped with a better quality technology with corresponding higher **sales prices** per machine.

At December 31st, 2001 **orders on hand** for new machines amounted to € 319.3 million. This is € 29.5 million or 8% less than previous year. Whilst domestic orders on hand decreased by € 18.4 million or 11% to € 150.0 million, foreign orders on hand rose by € 11.1 million or 6% to € 169.3 million. The export share rose from 52% to 53%.

The “Machine Tools” segment again contributed with € 39,7 million the highest share of the **group’s profit** during the reporting period (previous year: € 39,3 million). Due to the high volume of purchased materials and services for the development and market introduction of our product innovations, the result has not yet corresponded with a growth in sales. The achieved gross return pertaining to the sales amounted to 4.4%.

Potential **risks** for the development of the business due to cyclical influences were taken into account. GILDEMEISTER faces changing demands by their globalisation strategy combined with a consistent market orientation and stringent product development. The impressive level of innovation of our products and high technical standard means great market acceptance. Due to the de-centralised organisation of the worldwide sales system and wide scattering of clientele across a whole variety of industries, we are able to limit entrepreneurial risks to a great extent. A re-enforced order management and controlling within our key account organisation helps us to reduce cost estimate risks.

In the reporting period, the **investments** carried out in this segment amounted to € 46.1 million. Details are set out in the chapter “Investments” beginning on page 79.

Further positive results were achieved in 2001 in the **procurement and logistics** area of the GILDEMEISTER group by an even closer association with suppliers as partners and at the same time utilising cost cutting resources. Reducing the price level of important start materials and their punctual supply at the production sites contributed positively to the company’s performance.

Last year GILDEMEISTER increased the productive capacity even further through the intensive optimisation of the **production** processes. The extension of the assembly capacities at the Seebach and Pfronten facilities was incorporated into the production sequence and production management. The fast run-up of production ensured consistent area productivity despite area extension.

The “Machine Tools” segment includes the “turning”, “milling” and “laser/ultra-sonics” areas. With the group companies GILDEMEISTER Drehmaschinen GmbH, GILDEMEISTER Italiana S.p.A., GRAZIANO Tortona S.p.A. and FAMOT Pleszew S.A., GILDEMEISTER offers the most comprehensive delivery programme for lathes world-wide.

The **product portfolio** ranges from conventional lathes over CNC universal lathes and CNC general purpose centre lathes to CNC multi-spindle automatic lathes. The group is thus in possession of a complete production programme from the manufacture of single items to the large-scale production of precise lathe work. GILDEMEISTER is in line with market trends, such as integrated machining via the integration of the turning and milling technologies and the linear technology that ensures higher machine dynamics. With regard to milling, DECKEL MAHO is a full-liner. Production takes place at the three German sites at Pfronten, Geretsried and Seebach. DECKEL MAHO Pfronten GmbH supplies the market with universal milling machines and processing centres. DECKEL MAHO Geretsried GmbH produces vertical processing centres for the highest demands of the tool building and mould designing industries as well as horizontal processing centres which are used in the general machine engineering areas and for serial production. Apart from smaller CNC universal milling machines DECKEL MAHO Seebach GmbH also offers a new production line of traversing column machines that stand out due to their linear drive technology on the X-axis resulting in the fast travel speed of the traversing column.

Research and development: During the year 2001, 25 machines were developed and presented to the world – most at the EMO, the main industry event of the year. All new developments are adapted to the line structure of the innovative production programme in the best possible manner and are consistently geared towards customer satisfaction, thus preparing GILDEMEISTER for the latest challenges of the market. 90% of our modern delivery programme has been developed during the past three years. Our innovations focus mainly on the integration of the turning and milling technologies, the consistent development of the three-dimensional laser beam machining, the new development of a complete line of products of CNC multi-spindle automatic lathes and a substantial increase in processing speeds through fast linear drives and dynamic kinematics. Emphasis should also be given to the ultrasonic and laser technology.

Laser and ultrasonics are successful forthcoming technologies: As an innovative high-tech company GILDEMEISTER is already tapping the rapidly growing, new market of hybrid material engineering. Our machines possess highly developed laser and/or ultrasonic components and are particularly suited for the production of small filigree cavities as required by companies in important growth sectors (for example medical technology, optical and semi-conductor industry). In respect of the forthcoming technologies, GILDEMEISTER expects a business volume of € 15 to 20 million for the financial year 2002.

At the end of the year, 3,514 **people** were employed in the “Machine Tools” segment, representing 67% of the entire personnel of the GILDEMEISTER group. Compared with the corresponding period for the previous year this is an increase of 355 employees or 11%. Employees were mainly taken on at the two production sites with the highest sales increase: Pfronten and Seebach. Most of these contracts of employment were entered into on a temporary basis. In 2001, the average personnel expense per capita at the domestic production plants in the “Machine Tools” segment amounted to approximately € 55.4 k (previous year: € 53.7 k). One of the reasons for the higher expenses are the increases in standard wages and the high-level capacity utilisation at the plants. Combined with the figures pertaining to the international production facilities, the value of the “Machine Tools” segment totals € 44.2 k (previous year: € 42.8 k).

Segmental Reporting: “Services”

The promising “Services” division is operated by DMG Vertriebs und Service GmbH and its subsidiaries. With its products and technical services it represents an independent segment. Due to its nature, this segment tends to be a more stable business, even in times of cyclical weakness, with attractive profit contributions. For this reason, GILDEMEISTER is developing this segment to become a strategic support leg. Apart from the remuneration for introduction and advice activities, this segment includes the service and spare parts business, service products such as the DMG Netservice (online service and advice via Internet/Intranet), the DMG Messenger (machine-check system via email/SMS) and the DMG Service Agent (service reminder and support during maintenance work and the ordering of spare parts), tuition products and training service, the application technology, start-up procedures and the used machines business. Also included are the procurement services of a & f Stahl- und Maschinenbau GmbH and the equipment, components, appliances and tools from SACO.

In the reporting year we achieved a substantial increase in **sales** of € 248.1 million in the “Services” segment. The increase compared with the previous financial year of € 192.8 million amounted to € 55.3 million or 29%. Domestic sales rose by € 11.4 million or 11% to € 112.6 million, international sales by € 43.9 million or 48% to € 135.5 million. The export share reached 55% (previous year 48%).

The **order intake** in the “Services” segment achieved a total increase of 6% to € 236.5 million (previous year: € 222.1 million). Although the international order intake dropped by € 6.4 million or 6% to € 106.3 million, this was more than compensated for by the good domestic results. The order intake at home increased by € 20.8 million or 19% to € 130.2 million. As a result, the export share decreased to 45% (previous year: 51%). With the sale of 573 used machines, the **sales volume** roughly corresponded with the previous year’s level.

Key Figures

"SERVICES" SEGMENT

	2001	2000*	Changes 2001 against 2000	
	€ M	€ M	€ M	%
Sales				
Total	248.1	192.8	55.3	29
Domestic	112.6	101.2	11.4	11
International	135.5	91.6	43.9	48
% International	55	48		
Order intake				
Total	236.5	222.1	14.4	6
Domestic	130.2	109.4	20.8	19
International	106.3	112.7	-6.4	-6
% International	45	51		
Orders on hand**				
Total	62.5	74.1	-11.6	-16
Domestic	28.3	10.7	17.6	164
International	34.2	63.4	-29.2	-46
% International	55	86		
Investments	8.9	6.2	2.7	44
Personnel**	1,644	1,437	207	14
EBITDA	35.7	38.1	-2.4	-6
EBIT	29.5	32.7	-3.2	-10
EGG	24.3	27.8	-3.5	-13
Profit for the year	13.9	22.1	-8.2	-37

* incl. GILDEMEISTER Italiana and its subsidiaries from 18th May 2000

** reporting date 31st Dec.

At 31st December 2001 the **orders on hand** were worth € 62.5 million, this being € 11.6 million or 16% less than in the corresponding period for the previous year. The domestic orders on hand increased by € 17.6 million to € 28.3 million. The international orders on hand on the other hand decreased by € 29.2 million to € 34.2 million. This resulted in a reduced international share from 86% to 55%.

In the “Services” segment the **profit on ordinary activities** reached € 24.3 million. Increased spending on the opening-up of additional industrial markets and the increased performance and capacity of our services represented a burden on profit development for the financial year 2001. In respect of the sales in this segment, we achieved a gross return of 9.8%.

From a risk assessment perspective, the steady business development of the “Services” segment that is influenced only slightly by cyclical or sectional trends, has turned this segment into a potential growth area for the GILDEMEISTER group. In the “Services” segment potential **risks** are scattered due to the wide selection of services offered and the use of world-wide direct selling organisations. With the group’s comprehensive range of services, GILDEMEISTER does not only maintain its product-specific market acceptance, but also high customer loyalty. In addition, the potential loss in receivables outstanding is largely counter-balanced by the group’s direct international representation.

Investments in this business segment in the reporting period amounted to € 8.9 million. Further details are included in the “Investments” chapter beginning on page 79.

In the **procurement and logistics** areas, the GILDEMEISTER spare parts service was further optimised in the year 2001. The world-wide availability of spare parts to the customer has increased substantially. This was ensured via the expansion of our modern logistics centres and the use of an efficiently managed data processing system.

Customers today demand a comprehensive range of **services and service products**. At the same time, all customers expect top quality, shortest processing times and the best reliability. GILDEMEISTER meets these customer requirements with its comprehensive services through the service and spare parts business, training and tuition products, updates in the electronics and mechanics field, application technology and initial operations. New machines are delivered in series with a DMG Net-service interface. This enables instant access to the service know-how of the GILDEMEISTER group with one click of the mouse. The DMG Messenger provides automatic and up-to-date error messages to the machine operator via telecommunication.

In addition, the DMG Gebrauchtmaschinen GmbH offers a customer-orientated one-stop service package. This includes the repurchase, technical reprocessing and resale of used machines. The development strategy pertaining to our services is implemented in accordance with the life-cycle-principle, i.e. it is not just the machine, which forms the focal point, but the system throughout the product's entire life cycle.

Research and development: The service products such as the DMG Netservice and the DMG Nettraining along with new automated communication technologies that were made possible by the consistent use of open control systems in the machines, were systematically improved.

1,644 **people** were employed in the "Services" segment at the end of the year, representing 32% of the group's personnel. This is an increase of 207 employees or 14%, compared with the previous year. The expansion of our sales and service capacities follows the opening-up of new markets and growth in existing markets. 68% of the personnel of the "Services" segment were employed in the services, spare parts logistics, application technology and training services. The average personnel costs in this segment amounted to approximately € 68.9 κ (previous year: € 69.3 κ).

Segmental Reporting: “Corporate Services”

The “Corporate Services” segment includes the GILDEMEISTER Aktiengesellschaft with its group-wide holding functions such as group strategy, product development, logistics and production, funding, controlling, personnel management and marketing as well as the group-standardised data processing infrastructure. Another area is Key Accounting, the management of our major customers, which has been centralised to include all areas and products in order to meet the increasing globalisation of international companies. The holding company Macchine Utensili S.p.A. is also allocated in this business segment as finance company for the Italian production facilities.

Key Figures

“CORPORATE SERVICES” SEGMENT

	2001	2000	Changes 2001 against 2000	
	€ M	€ M	€ M	%
Sales	1.0	1.1	-0.1	-9
Order intake	1.0	1.1	-0.1	-9
Investments	2.3	0.7	1.6	229
Personnel*	54	41	13	32
EBITDA	-7.8	-12.9	5.1	40
EBIT	-13.0	-18.0	5.0	28
EGG	-16.2	-23.0	6.8	30
Profit for the year	-15.2	-23.2	8.0	34

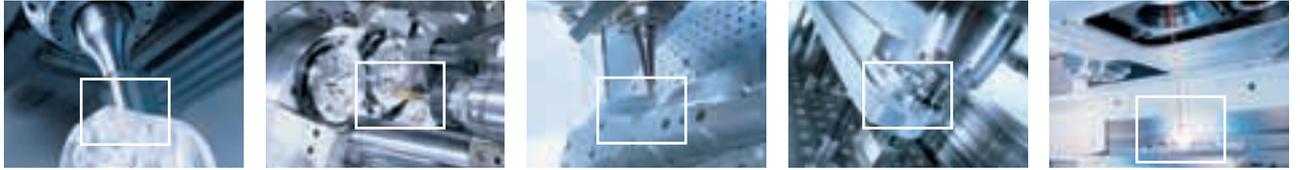
* reporting date 31st Dec.

The **order intake and sales** of the “Corporate Services” segment of € 1.0 million mainly consists of income from rents. The changed composition of the results in comparison with last year is mainly due to the reduction in other operating costs, which last year included the cost of acquiring GILDEMEISTER Italiana S.p.A., the costs of capital increase and the contribution to the Stiftungsinitiative der Deutschen Wirtschaft. The financial results of the GILDEMEISTER Aktiengesellschaft continue to improve. On December 31st, 2001, 54 **people** (1%) were employed in this business segment. **Investments** pertain to hardware and software for information and communication systems at the GILDEMEISTER Aktiengesellschaft. In the reporting year investments totalled € 2.3 million.

The “Corporate Services” segment is comprised of GILDEMEISTER Aktiengesellschaft and the holding company Macchine Utensili S.p.A. as financing holding company. The **risk potential** of this segment is mainly limited to entrepreneurial risks resulting from interests and subsidiaries. No negative circumstances arising from the capital market are to be expected. We will continue to develop our investor relations activities in order to meet the increasing demands of the financial market, especially of the Midcap Index. The dialogue with our shareholders, potential investors and financial analysts enjoys a high status at GILDEMEISTER. The management of GILDEMEISTER Aktiengesellschaft will continue to focus their activities on the lasting growth in company value.



CAPTION >> Aluminium printed circuit board for the aerospace industry:



SUPPLEMENT | FORECAST | RESEARCH AND DEVELOPMENT

GILDEMEISTER expects a restrained demand for the current financial year. We will adapt to existing market conditions. Our newly developed products will be taken to market maturity more rapidly than before. In research and development we lay the foundations for profitable growth. Recognising and meeting our customers' demands for today and for the future – this is the basis of value-increasing innovations.

Supplementary Report

During the first months of this year, overall economic development did still not show any signs of vigour. The demand for German machine tools continued to be slack.

GILDEMEISTER was able to start the financial year 2002 satisfactorily without the customary start-up delays that are typical for the section. As expected, the take-off of order intake was restrained. However, in the first two months we were able to note increasing customer interest in machine investments at our traditional in-house exhibitions that took place in Pfronten and Seebach. The sales volume achieved the level of the previous year as planned.

Economic Development 2002

Overall economic development did not significantly improve during the first months of the current year. The economic situation continues to be weak in the industrial countries that are important to us. However, according to the Kiel Institute for World Economics, signs of a cyclical upturn are increasing. In many countries the monetary policy tends to be expansionary, partly supported by strong fiscal stimuli. The low oil price also has a positive effect. The Organisation for Economic Co-operation and Development (OECD) expect the world economy to recover after the first quarter of 2002. The EU Commission expects an increase in gross domestic product for the twelve Euro states of 0.1% to 0.4% in the first quarter 2002.

Sources: Institute for World Economics (IWW), Kiel
Organisation for Economic Co-operation and Development (OECD), Paris

The cyclical trend in the **German machine tool industry** came to a halt at the beginning of 2002, whilst the demand for German machine tools continued to be restrained. In the first two months of the year the industry's order intake was about 24% below the corresponding figure for the previous year; sales rose by 21% (at: February 2002). By the end of February 2002, orders on hand in production months had decreased to 7.1 months (corresponding figure of the previous year: 8.7 months).

Source: vdw (Association of German Machine Tool Manufacturers – Verein Deutscher Werkzeugmaschinenfabriken)

The Corporate Situation after the end of the Reporting Year

GILDEMEISTER was able to start the current financial year satisfactorily. The customary start-up delays in the **development of business** that are typical for the section could be avoided. In the first two months of this year, the group's sales volume at € 141.3 million was slightly above the figure for the previous year's corresponding period (previous year: 135.9 million). In February the order intake of the GILDEMEISTER group rose again by 20% in comparison with the restrained order intake of the previous month, reaching € 156.8 million for the first two months, as expected (previous year: € 222.5 million). The orders on hand at 28th February 2002 at € 397.3 million lay 4% above the order volume at the end of 2001, but significantly below the previous year's corresponding figure (previous year: € 509.5 million). A statement on the result for the first two months of the financial year is currently not possible. We will report on this development in our next GILDEMEISTER quarterly report, which will be published on 7th May 2002 as part of our ongoing reporting in accordance with MDAX guidelines.

Sales of the GILDEMEISTER group in January and February in € million	2001	135.9
	2002	141.3

During the last financial year, our **key accounting** was further expanded to adapt to the increasing globalisation of our international customers. In key accounting, which concerns the management of our major customers across all areas and products, we were able to achieve an expected order intake of approximately € 48 million (previous year: € 40 million). This success continued during the first two months of the current financial year, and we were able to complete two large-scale orders from the automobile industry to the value of more than € 8 million and one order from the packaging industry of over € 11 million.

With our increased **marketing activities** in the first months we pursued the aim of quickly establishing the newly developed products from DECKEL MAHO and GILDEMEISTER in all international markets and to push forward the business from the start. As early as January we were thus able to sell 60 machines to the value of € 15 million at our traditional in-house exhibition in Pfronten, and to present our first innovation of 2002, the new high-tech vertical machining centre DMC 64 v linear. This was directly followed by another highlight in February: the in-house exhibition in our new, state-of-the-art production facility in Thuringian Seebach. Here our customers ordered 50 machines to the value of € 9 million. Our innovations presented at this exhibition –

the combined laser and high-speed milling machine DML 60 HSC and the new CNC multi-spindle generation GMC ISM – were met with great interest from a specialist audience. Parallel to the in-house exhibition, the annual “World-wide Sales and Service Meeting” took place in Seebach and, for the second time, the Suppliers Meeting. Our **selling prices** remained unchanged in the first two months. At the beginning of 2002 we transferred responsibility for the French market from DMG France S.a.r.l. to DMG France Nord S.a.r.l., Les Ulis and DMG France Sud S.A.S, Lyon as part of our **optimisation activities**. On 25th February 2002 the holding company Maccine Utensili S.p.A. acquired another 5.58% of the share capital in GILDEMEISTER Italiana S.p.A., thereby increasing its interest in the company to 91.55%. In accordance with Section 21 of the German Securities Trading Law (Wertpapierhandelsgesetz -WpHG) we were informed by the Deutsche Balaton AG in Wiesbaden of its changed interest in the voting capital of the GILDEMEISTER Aktiengesellschaft. On 8th March 2002 the voting share of the Deutsche Balaton AG was 0.0%. There were no further changes in the **legal structure** of the company. No acquisitions or sales of interests or operating units were made in the said period. An **increase in, or reduction of capital** did not take place in 2002.

The jury of the renowned French management school INSEAD and the German Wirtschaftshochschule für Unternehmensführung (WHU) voted the new plant of DECKEL MAHO Seebach GmbH as overall winner in the competition “Best Factory™ – Industrial Excellence Award 2002”. This is awarded annually by the journal “Wirtschaftswoche” and the French magazine “L’usine nouvelle”, and is intended for companies that have gained a lasting competitive advantage thanks to their excellent production management. The winners will be announced in the April 2002 issue of the “Wirtschaftswoche”.

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



Two-spindle turning centres.

The unique working area principle and comprehensive performance spectrum of the two-spindle turning centres of the TWIN line give maximum scope for the superior integrated machining of bar, shaft and chuck components.



Forecast 2002

According to forecasts, international economic development will be more dynamic this year. Most research institutes agree that this effect will be felt from around the middle of this year. This pertains mainly to the USA and the European Union. Forecasts for Japan continue to be negative for the time being. However, a prognosis for the current financial year from today's point of view continues to be problematic. It cannot yet be predicted when demand will pick up. In their latest publications, the German Machine Construction Association (VDMA) assumes that from the middle of 2002 the timing of an increase in machine construction orders could be postponed even further, and expects a decrease in machine production by 2%. The German Association of Machine Tool Factories (VDW) and the Ifo Institute (Economic Research Institute) in Munich even expect a drop in production of 10% in the machine tool sector.

Overall, GILDEMEISTER expects a rather restrained course of demand during the current financial year. We will adjust to each market condition as required, rationalise further and utilise models for flexible working hours.

Even faster than ever we will bring our new developments to market maturity in order to encourage additional sales. We will intensify our marketing activities consciously and precisely, and demonstrate the technological superiority of our products at 74 trade fairs and events to all the important world markets. GILDEMEISTER is prepared for any challenges the future might bring and ready to assert itself even under difficult market conditions.

Overall economic development promises to be more dynamic this year. Global economy is expected to recover gradually, though, resulting in rather restrained growth rates for the whole year. International tensions remain an element of uncertainty. Global forecasts, for example by the Kiel Institute for World Economy (IfW), predict an increase in gross domestic product of 2.1%. The Organisation for Economic Co-operation and Development (OECD) on the other hand forecasts a 1% growth for 2002 and accelerated growth of up to 3% in 2003. According to experts, stronger economic

political stimuli within the country will contribute to the recovery of the **USA**. The IfW expects a 2.0% growth for the American economy. The economic situation in **Japan** on the other hand, with its continuing structural problems, will revive only very slightly (IfW forecast: +0.1%). In **Europe** an accelerated increase in production is expected – not least thanks to the single currency – but this will happen gradually, step by step. The growth prognosis by the Kiel Institute for the European Union is 1.7%.

Experts believe that **Germany** has also overcome the economic all-time low and is now – slowly – moving up again. During the year exports should begin to revive thanks to the economic recovery in the US, say experts. Consumer activities, however, will be affected by higher social security contributions and indirect taxes as well as by very high unemployment figures, which are not expected to improve. The forecasts for the growth in gross domestic product for 2002 are at around 1%. The IfW believes this to be 1.2%. Price increases will be moderate. The Deutsche Bundesbank expects a 2% increase. Investments in plant and equipment are likely to decrease by 1% and in building by 2.5%. It will take some time before the economic upward trends will result in increased employment. The German Economic Research Institute (DIW) expects the average annual unemployment figure to be above 4.0 million. Despite the high unemployment, though, there will be a lack of various skilled personnel in 2002. Economists believe that it will not be before 2003 that economic trends will begin to pick up. The DIW expects a growth figure of +2.1%. An improvement in the job market, however, cannot be expected according to the research institutes.

Sources: Institute for World Economics (IfW), Kiel
Organisation for Economic Co-operation and Development (OECD), Paris
German Economic Research Institute (DIW), Berlin
Deutsche Bundesbank, Frankfurt

In 2002, the **world-wide market for machine tools** is unlikely to achieve the level of the two previous years. Due to the declining demand throughout the world and the continuing uncertainty about when activities will increase, we expect both global production and global consumption in machine tools to be lower than the previous year. This forecast is not only based on the negative prospects for Japan and other major Asian markets, but also on the expectation that demands in Europe and North America will only begin to pick up during the course of the year.

Based on its expectations in respect of the **economic situation in the industry**, the **German machine tools building industry** expects a difficult year in 2002. In the previous year the order intake was € 0.6 billion below production, resulting in a drop of order backlog to 7.4 months. The latest plant utilisation rate was at around 93.4%, which no longer represents a full capacity use. Against this background and in the face of a further drop in order intake at the beginning of the year, the Association of German Machine Tool Manufacturers (VDW) expects the decrease in production to be 10%. A deficit in 11% for exports and a decrease of 10% for domestic sales is expected. Although economic activities within the European Union (EU) have developed better than in other economic regions, the Association expects a substantial cooling off in demands for machine tools – here and in the USA – that will only begin to improve during the latter part of 2002. Losses in demand from non-EU countries will be over-proportionate, whilst in respect of the domestic order intake, the course of demand is expected to develop gradually, followed by a late revival, as is the case in respect of foreign orders. In our own view, the actual situation in the machine tool industry both in Germany and globally, differs from the forecasts: the first occurrences of insolvencies in the industry cannot be ruled out, and the number of companies who have to resort to short-time working are on the rise.

Source: "The German Machine Tool Industry in 2001"
VDW (Association of German Machine Tool Manufacturers)

Further insolvencies of **machine tool manufacturers** could result in a substantial change in the industry's structure. At the moment and for the foreseeable future, we do not expect any negative effects or risks for GILDEMEISTER due to any possible change in the market's competitive situation. On the contrary, GILDEMEISTER with its innovative and progressive products and its global market representation has a real opportunity to defend and develop its leading position as a producer of metal-cutting machine tools against the international competition.

GILDEMEISTER is ready to assert itself even under difficult market conditions. The world-wide presence of the DMG Vertriebs- und Serviceorganisation in all important industry markets has created the conditions required for the achievement of an adequate market share. As full-liner, GILDEMEISTER offers the world's most comprehensive delivery programme in the metal-cutting machine tools area. With innovative products and numerous technological advantages along with customer-orientated services we will once again prove our top position in the year 2002.

CNC universal lathes.

Perfection in process and performance as well as increased efficiency of at least 10%: the new machines of the CTX linear line. This is guaranteed by the linear drive in the X-axis, a fast indexing servo-turret and high-end CNC controls.





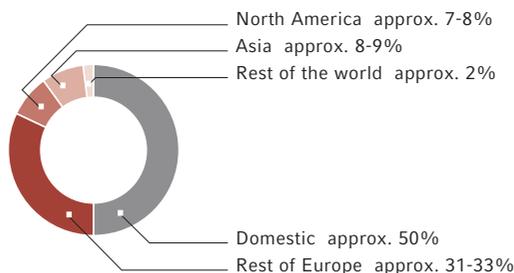
Vertical machining centres.

The new DMC 64 linear from DECKEL MAHO with its highly dynamic linear drives, high-end CNC control and a fast 12,000 rpm main spindle sets a new benchmark in the compact vertical machining centres market.

Overall, we expect a rather restrained course of demand for the current financial year. The **order intake** for January and February amounted to € 156.8 million (in comparison to the previous year: € 222.5 million). This is very much in line with our planning and above the achieved sales, which we see as a positive sign. In the first quarter of 2002, we expect the order intake to be at or even slightly above the level of the previous year's fourth quarter. An annual forecast in respect of the development of the order intake will be given in our first quarterly report on 7th May 2002. Based on our intensified marketing activities and our new innovative machines, we intend to increase our share in the global **market volume**. We expect an increasing **sales volume** during the course of the year. From today's point of view we also expect that demands will pick up during the year, and that our order intake will be able to reach around € 1 billion in the whole year. The finished goods inventories in the global markets, particularly of our Japanese competitors, have increased the pressure on **sales prices** during the last months. In respect of the regional distribution in the order intake we can expect a shift in favour of the Asian and American regions.

In the current financial year the **group's sales** developed very much in line with our plans, reaching € 141.3 million in the first two months (previous year's figure: € 135.9 million). Based on the expected order intake for the current financial year the sales in 2002 could again be above € 1 billion. Even with an initially unfavourable cyclical movement the expected sales figures are, at present, realistic due to the existing orders on hand. It is planned that the group's sales volume during the first quarter of this year should be at around the previous year's level. With a domestic share in sales of about 50%, we expect about 31-33% for the rest of Europe, 7-8% for North America, and about 8-9% for Asia. With regard to the development of the sales over the next two years we expect a further increase of between 5-10%.

Expected sales distribution
2002 of the GILDEMEISTER group
in regions



By the end of February 2002 the group's **orders on hand** had risen to € 397.3 million. This still high level of orders represents a good basic capacity utilisation so that expected fluctuations in the order book for individual machine types can be counter-balanced. Despite the generally high level of orders, GILDEMEISTER, too, is affected by general trends in some areas, for example in the specialist field of multi-spindle automatic lathes, and as a precaution has introduced short-time working in its Italian plant.

With regard to **profit on ordinary activities** (EGG) we expect a decline to € 3 - 6 million during the first quarter, due to the high start-up costs for the new products. A more accurate statement on profit development for the current financial year is currently not possible. We are working on maintaining the group's profitability for the year 2002 even under more unfavourable international economic conditions.

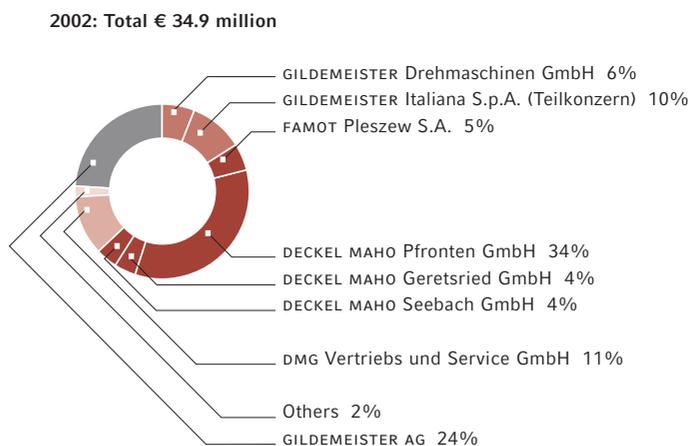
Based on the currently expected business development, we can expect the distribution of a **dividend**. It is, however, currently not possible to define the amount of the dividend.

Since 1st January 2002 domestic **financing** is covered group-wide via GILDEMEISTER Aktiengesellschaft. Based on our intermediate financial planning, the borrowing requirements in respect of the funding of short-term operating funds and business expansion have increased by approximately € 45 million to € 180 million. The borrowing agreements pertaining to this credit volume run for two years until 31st December 2003. The foreign subsidiaries are equipped with the required credit facilities via separate funding circles. The higher financing requirement is partly due to the intended business expansion in America and Asia and partly to the development of further sales and service companies. Larger-scale investment projects and our intended increase in the participating share in GILDEMEISTER Italiana S.p.A. will be realised through separate intermediate funding.

The group's **risk management** will continue to be developed further and systematically on the basis of reward and risk assessments. From today's point of view there are no external risks jeopardising the group's existence. With regard to risks that could substantially affect the group's financial and earnings position we have taken all necessary precautions. Potential risks to future development from the organisational task areas (procurement, production, sales, personnel, financing) have been identified in our companies. Material and production risks are reduced through the in-house production of know-how components; critical suppliers' components are safeguarded through double-sourcing in the procurement system. Overall, entrepreneurial risks are limited through the de-centralised organisation of the world-wide sales system, the wide scattering of our clientele across the large-scale industry, medium-sized businesses and many small firms from a wide variety of industries, and through the high customer loyalty thanks to our comprehensive range of services. The main part of the sales of the GILDEMEISTER group originate in the European Euro area, resulting in a small currency risk. Currency risks from other markets are dealt with individually by our group companies or GILDEMEISTER Aktiengesellschaft.

For the financial year 2002 the planned **investment volume** for property, plant, equipment and intangible assets amounts to € 34.9 million, thus corresponding with the level of planned depreciation. A further € 5.5 million will be invested in property, plant and equipment, to be financed through leasing. Along with the aim of improving processes and maintaining the company's readiness to operate, the investments focus mainly on the start-up of new products. The highest investments are planned by DECKEL MAHO Pfronten GmbH with € 12.1 million. For increased flexibility in the production of the T line, € 1.7 million are designated for assembly line production. € 1.5 million are allocated to the "Front Office" project, which serves to optimise the operative processes and sequences throughout the group. Another important focus is the erection of the new technology centre "Nord" at the Bielefeld facility costing around € 5.0 million. DMG Vertriebs und Service GmbH plans investments of € 8.9 million for the expansion and formation of domestic and foreign sales companies. GILDEMEISTER Drehmaschinen GmbH has planned investments of € 2.0 million for the production of new machine types in the current financial year. The planned investment volume of the subgroup GILDEMEISTER Italiana S.p.A. totals € 3.5 million. Around € 1.4 million of this are allocated to the acquisition of machinery. In addition, the subgroup will expand the group-wide CAD system. FAMOT Pleszew S.A. plans investments to the value of € 1.6 million which are mainly intended to supply the group companies with the newly developed Rumpfmaschinen types. The investments at the Geretsried and Seebach sites in the current financial year are primarily intended for the start-up of new products and to maintain the company's readiness to operate. The **structure of the investments** is well balanced amongst the varying **requirements** of the production sites and markets. According to our current assessments, no risks are involved with the intended investments.

Shares of the individual group companies in the planned investments in property, plant, equipment and intangible assets in %



In **procurement** the expansion of the Internet-supported order processing system helped by the “eSupply” system has been further intensified in 2001. Apart from the already connected top suppliers, GILDEMEISTER intends to also attract suppliers from the B and C categories. This will be achieved through regular information events for suppliers at the individual production sites. The centre of activities is a new approach in the development of highly efficient supply partnerships, which was introduced under the name of “coSupply” during the second GILDEMEISTER suppliers day in Seebach on 1st March 2002. It marked the start of a new phase of focused, joint efforts with the supply partners for an improved readiness and ability to deliver. In the suppliers platform www.cosupply.de both current supply information and data from the supply monitoring system can be called up in respect of each supplier. The value-added optimisation strategy that increasingly relates to Rumpfmachines is further pursued and developed. With the DMU 60 T from Pfronten another Rumpfmachine was acquired from the group company FAMOT Pleszew S.A. The group-wide co-ordinated purchase of aggregates, modules and sub-assemblies is safeguarded through long-term **basic agreements**. The supply of the **purchasing volume** is guaranteed; some of the **purchasing prices** must be agreed retrospectively, in line with market trends of the current financial year. The plants work closely with the respective suppliers within the remit of the systematic material group management that is co-ordinated by central procurement. All activities and procedures in the procurement management are also geared towards having a positive effect on **liquidity** and avoiding additional burdens on liquidity. For example, with the development of our just-in-time principle for the supply of materials we expect substantial positive effects on liquidity due to a low level of tied-up assets.

In **production and logistics** we will set up another assembly line production at the Pfronten plant in 2002 after our extremely positive experience with assembly line production at the Seebach and Bielefeld facilities. The volume model DMU 60 T will be produced in the purpose-built assembly hall. In parallel with the Bielefeld plant, we will thereby achieve a drastic cut in processing times and a far-reaching improvement in the co-ordination of the logistical processes.

With the introduction of a transshipment point in Bielefeld and at further plants, we intend to simplify the supply and reduce stocks. For the simplification of the order processing we have further developed the “Web Kanban” process that was utilised at the Geretsried facility as part of a pilot project. This provides the supplier – via Internet – with a continuously updated picture of the storage area of his products. In 2002 a logistical re-structuring of the assembly and production area will take place at the Brembate facility. The aim is the improvement of the logistical processes and a substantial increase in area productivity. The activities in the production and logistics area also contribute to an increased flexibility in the production system, thus allowing a better synchronising of capacity use with market requirements.



Ultrasonic machines.

The machines of the DMS ultrasonic production line revolutionise the machining of advanced materials thanks to an up to five times higher productivity compared with traditional processes, excellent surface quality and high process security.





CNC multi-spindle turning centres.

The new GMC linear multi-spindle automatic lathes offer optimal performance and precision in the economic production of variable lot sizes through six integrated spindle engines, linear drive technology and high-end CNC control.



Thanks to our highly innovative approach we intend to position 22 further **new products** in the market and introduce them at forthcoming trade fairs during the current financial year. In January 2002, for example, a new vertical machining centre will go into serial production – the **DMC 64 V** linear. This product will set new standards not only in serial production, but also in tool manufacture and mould making. With the **CTX 420** linear the group will, for the first time, produce a machine in series that was consistently developed for assembly line production. At the **METAV** trade fair in Düsseldorf in June 2002, we will introduce more machines including the **DMP 60 V** linear, a highly dynamic and high-precision universal machining centre, and the **GMC 35 ISM**, a CNC multi-spindle automatic lathe with integrated spindle engines. A particular highlight of the new presentations from **DECKEL MAHO Pfronten** will be the **DMU 340 P** from the line of the CNC universal milling machines for 5-sided and 4-axis integrated machining, which will bring the existing production programme to perfection.

Over the years, we will specifically expand our **range of services**. The networking of open control systems and software modules beyond the borders of our company opens up new sales opportunities for electronic products and services, such as the **DMG Netservice**, **CNC Nettraining** and other e-commerce tools, the development of which is pushed forward by **GILDEMEISTER**. The future products are in line with our strategy of expanding production lines and further integrating the linear drives in order to develop our technological leadership.

The protection of our natural resources and minimisation of emissions is an important aim of the company. Within our scope of **activities for the protection of the environment**, **GILDEMEISTER** – in association with our partners from industry and research – seek solutions to avoid or reduce harmful substances in our products. At all our plants, the commitment to environmental protection, is an essential element of the group's corporate policy. Examples include the wider application of a minimal quantity lubrication in other areas. Until now guide elements and driving spindles using a minimal quantity lubrication have contributed significantly to the protection of the environment. At the plant in Pfronten € 1.2 million were invested in the acquisition of a new boiler plant and in the comprehensive modernisation of the air-conditioning and ventilation system.

In Pleszew and Geretsried new ecologically safe waste disposal plans are to be implemented, for which FAMOT will invest € 25 κ in the current year. At the Geretsried plant funds totalling € 0.4 million are spent on environmental protection in 2002.

Apart from the already announced measures such as the increased participation in GILDEMEISTER Italiana S.p.A., no further changes in the **legal structure of the company** are planned in the current financial year. Company sub-ordinations or acquisitions are also not planned at the moment. No substantial changes in the **organisation and administration** of the company are intended, nor are any significant restructuring activities planned.

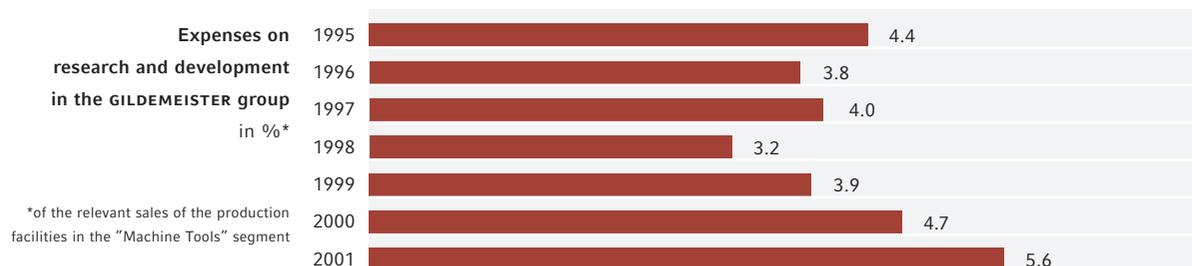
The intense competition in the job market for highly qualified skilled personnel and senior staff will continue, particularly in our industry. We will therefore expand the promotion of young people from our own ranks. We already give young people the opportunity of proving their skills at national and international trade fairs. In addition, an intensified “exchange of best practices” amongst the trainees of the group companies is intended to promote a more efficient vocational training. In 2002 the “Corporate Services” segment will specifically employ **personnel** specialising in IT. In the “Machine Tools” and “Services” segments we will use flexible working time models.

Focal points of our future **research and development** activities include the integration of the turning and milling technologies, the consistent expansion of 3D laser beam machining and the significant increase in machining speeds through fast linear drives and dynamic kinematics. Special emphasis must also be given to ultrasonic machining, which opened up a new range of applications for the machining of modern hard-brittle materials. In addition, we will make a substantial contribution to the successful development of new products in 2002, in the areas of fundamental research, applied research and experimental development through the close collaboration with the suppliers of systems and research organisations. We will further improve the structure of personnel working in research and development through specific training activities. The number of staff and the expenses on research and development will continue to be in line with our strategic aims. This will create the conditions for the further expansion of our technological leadership and market position. The success of this research and development policy is illustrated by the high figure of over 20 for planned innovations in the current financial year.

Research and Development

In 2001, 25 machines were developed and presented to the world, especially at the EMO, the industry event of the year. All new developments are optimally adapted to the line structure of the innovative production programme and are consistently geared towards customer satisfaction. 90% of our modern delivery programme has been developed during the past three years. GILDEMEISTER is thus prepared for the latest challenges of the market.

The research and development organisation is in line with the GILDEMEISTER group's consistent market orientation. Dominated by the EMO, the costs of research and development of € 49.8 million (2000: € 34.2 million) were at their highest in the entire GILDEMEISTER history. In relation to the sales of the "Machine Tools" segments this is 5.6% (2000: 4.7%). 395 employees (previous year: 338), that is 12%, were working on the development of new products in the production facilities. The structure of personnel in research and development is characterised by a high qualification level. Along with scientifically trained staff, skilled personnel with specialist training contribute to the expansion of our technological competitive advantage. The qualification of our personnel is further improved by our constant training activities. In addition, more than 100 constructing engineers are working for DECKEL MAHO and GILDEMEISTER in external engineering departments. € 8.5 million were spent in this respect. Development teams from all disciplines ensure the stringent and market-oriented implementation of technological trends.



The co-ordination of the development projects and teams as regards strategy and subject matter is carried out in group-wide product development discussions that involve all relevant areas of the group. The close collaboration with various research institutes guarantees that our development projects are always in line with the latest scientific research. This collaboration covers all areas of research and development: from the product and production orientated fundamental research through to applied research to the support in the development of building components. To support a successful transfer from the prototype phase to the start of a serial production of new machines, the system-supported methodology of the “series start-up management” was implemented throughout the group.

The promising electronic services – such as the **DMG Messenger**, **DMG Service Agent**, **CNC Nettraining** – and other automated communication technologies increased customer satisfaction through the networking of our open control systems and software modules beyond company borders, and were specifically pushed forward in line with the group’s strategy.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

The range of products offered by **GILDEMEISTER Drehmaschinen GmbH** was expanded with developments that are in line with current market trends. The expenses pertaining to developments rose to a total of € 10 million, this is a 43% increase in comparison with the previous year. In 2001 the expansion in personnel within the development area continued and the project organisation was further developed in order to reduce development times and improve development quality. The number of staff in development and construction rose by 11% to 60. This represents just under 13% of the company’s staffing level. General conditions and communication opportunities significantly improved due to the structural modernisation of the development area.

The universal lathes of the **NEF** line were complemented by the alternative control programme **Siemens 810D ManualTurn** and automation modules. **GILDEMEISTER** is thus expanding its European market leadership with regard to this machine class. At the **EMO** in Hanover **GILDEMEISTER Drehmaschinen GmbH** presented a total of seven of the latest products world-wide. The successful product line of the two-spindle turning centres **TWIN 32** was complemented by the three new, larger machines **TWIN 42/65/102**. These products represent integrated machining at its very best. The optional **CNC controlled B-axis turret** constitutes an innovation for the integration of complex milling machining. In universal **CNC turning**, the new **CTX 420** linear generation means increased productivity of at least 10% through linear drive technology, integrated spindle engines

and an extremely fast indexing toolholder. The vertical turning area has also been expanded. Through the optional optimal linking of right-hand and left-hand machine constructions, automated CTV linear machines can be combined to production systems that are suitable for mass production.

With the new 6-sided turning milling centre TWIN 500 linear with the latest linear technology the most complex building components can be machined economically, setting new standards with regard to machining technology, tool supplies and tool allowance. Thanks to its innovative head spindle technology, this machine with its 1,080 Nm spindle torque also produces optimum values with regard to its machine dynamics.

GILDEMEISTER Drehmaschinen GmbH is currently participating in research projects that are promoted by the German Federal Ministry of Education and Research. In association with various research institutes – such as the Institute for Tool Machines at the University of Hanover, producers of machine tools and controls and operators – the area of high-precision machine tools and their virtual product development is researched. Another project is aimed at examining how production companies adapt flexibly to changing market conditions. We maintain a particularly close working relationship with the Institute for Machine Tools of the University of Hanover, because the current holder of the Chair, until recently, used to be in charge of the development department of GILDEMEISTER Drehmaschinen GmbH.

GILDEMEISTER Italiana S.p.A., Brembate di Sopra

In the reporting period development expenses at GILDEMEISTER Italiana amounted to € 11.0 million. 75 employees are working in this area, representing 17% of the personnel. A further 21 employees of GILDEMEISTER Italiana S.R.O., Zlín, have worked for the parent company in development projects. Until the EMO 2001, the research and development activities of GILDEMEISTER Italiana were dominated by the new CNC multi-spindle automatic lathes. These allow the flexible and economic production of complex precision lathe works starting from medium-sized lots. Integrated spindle engines in all stations facilitate the use of optimal technological values. This results in shorter machining times and lower unit costs. With the new operator-friendly 3D control software it is possible to reduce set-up and machining times and to avoid crash situations.

€ 5 million were spent on the development of these innovative CNC multi-spindle automatic lathes. The machines will contribute substantially to sales over the next years.

For the first time, the CNC long turning automatic screw machines were presented with linear drives at the EMO 2001. Higher rapid traverse speeds and accelerations result in reduced ancillary times. In addition, non-wearing saddle slideways guarantee the machine's long-term quality.



CNC universal milling machines for 5-axis machining.
Lasting top-precision production at high productivity – thanks to state-of-the-art machine building technology that facilitates both 5-sided and simultaneous 5-axis machining. The machines of the DMU P hi-dyn line make it possible.



GRAZIANO Tortona S.p.A., Tortona

The research and development department of GRAZIANO Tortona S.p.A. in association with the other facilities of the “Turning” division continued the re-organisation of the production programme. This resulted in the smooth integration of the two new developments of 2001 into the group’s seven-lines production strategy.

With the CTX 310, GRAZIANO developed the group’s capture model of CNC universal lathes. The CTX 320 that was also developed in 2001 offers significant productivity advantages to the customer compared to traditional machines. In the reporting year GRAZIANO spent € 1.0 million on research and development and employed 11 people in this field (previous year: 3).

FAMOT Pleszew S.A., Pleszew

Apart from the NEF 320 K, FAMOT produced the NEF 520 K in the reporting year as a new model of the NEF line, which was presented for the first time at the EMO 2001. The machine expands the GILDEMEISTER group’s range of products at the entry level of universal turning. In 2001 FAMOT spent € 0.1 million on research and development, which corresponds with the previous year’s level. In the reporting period, 14 people were employed in this area.

DECKEL MAHO Pfronten GmbH, Pfronten

In the past year DECKEL MAHO Pfronten continued the previous year’s innovation strategy. All newly and further developed products proved their worth in the market. At the EMO in Hanover the DMU/DMC 200 FD was presented for the first time, which combines a milling and turning machining in one machine. This machine complements the successful line of products in the upper size segment. Also at the EMO, DECKEL MAHO Pfronten presented the new DMU/DMC 160. This machine complements the operative range of the successful P and U lines in the medium-sized segment. The DMU 160 P represents a leap forward in the development of universal machines with regard to the performance features productivity, dynamics and precision. The innovative highlight in Hanover was the “TriCenter”, which is based on trend-setting parallel kinematics. With this novel machine design the milling head is moved freely in the working area by three actuators. This machine is particularly suited for use in the aviation industry, the automobile industry and the tool manufacture and mould building industries. Thanks to the intense, market-orientated development of this new technology DECKEL MAHO Pfronten gains access to completely new market segments.

In the field of CNC controls the company demonstrated its trend-setting image by the use of the new open control generation Heidenhain IT 530 or Siemens powerline that are equipped with all software modules required by the market.

In the reporting period DECKEL MAHO Pfronten GmbH spent € 10.6 million (previous year: € 7.8 million) on research and development. At the end of the year 90 employees (previous year: 66) of the company's personnel were working in this area. These were supported by about 20 external staff. DECKEL MAHO Pfronten works in association with universities and institutes on a permanent basis, thereby providing a valid contribution to the internal innovation process.

DECKEL MAHO Geretsried GmbH, Geretsried

In the reporting year the focal points of the research and development activities at DECKEL MAHO Geretsried GmbH were the development of machines for the high-end tools manufacture and mould building industries and of a new line of production in the DMC-V low-cost segment. The range of products of the DMC-V line was complemented by the large DMC 165 V linear. The DMC-H line could be expanded by the smaller machine DMC 50 H that came to serial maturity in 2001. Both lines were expanded by numerous machine options providing the customers with better productivity and flexibility.

In the past financial year DECKEL MAHO Geretsried took up development activities for a new line of production of vertical machining centres.

With the DMC 64 V linear the first machine of this line was developed in the volume segment in 2001. This machine is only insignificantly more expensive than the recent DMC 63 V, whilst setting new standards in the low-cost segment not only for manufacturing customers, but also in the tools manufacture and mould building industries. Thanks to its special technological features, this machine is clearly superior to competitive products.

Due to the variety of activities that were pushed forward by the company, the development budget increased significantly in 2001. The number of staff in development rose by 24% to 57. Despite the higher number of personnel, it was not possible to carry out all development activities in-house, which resulted in expenses of € 1.8 million on additional external development capacities. The expenses totalled € 9.8 million, which is € 2.9 million above the previous year's figure (previous year: € 6.9 million).



Traversing column milling centres.
With trend-setting linear technology, high cutting capacity and increased productivity the DMF linear machines from DECKEL MAHO set new standards in the precision machining of heavy work pieces.



DECKEL MAHO Seebach GmbH, Seebach

The performance capacity of the development department of DECKEL MAHO Seebach GmbH was increased through the expansion of personnel capacities in construction, in testing and primarily in software development. The company also invested in new computers, measuring and testing technology. In the reporting year expenses on development and construction amounted to € 6.3 million (2000: € 7.2 million). The newly set up pre-development department took up work and developed a patented, fast tool changing appliance for a general purpose milling machine that is yet to be developed. 57 people were employed in the development field – that is a 24% increase compared with the previous year. Thanks to investments in new assembly areas, the accommodation for test constructions could be improved, resulting in immediate benefits for the development of prototypes in the reporting period.

The revision of the development documents as part of the preventative quality assurance and the introduction of the series start-off management for the new DMF line of production resulted in the further improvement in start-up quality as well as in higher reliability and the reduction of development times.

The said activities created essential conditions for the rapid product development at the Seebach site and contributed substantially to a lasting positive performance of sales and earnings.

LASERTEC GmbH, Pfronten

In the reporting year LASERTEC GmbH developed and optimised its products, taking them to serial production. Special emphasis should be given to the further technological development of the in-process controls and the optimisation of the erosion process. These processes take into account the high demands of the various applications, for example in prototype production and mould building, especially with regard to precision, surface quality and the machining process. With its laser technology for the machining of filigree high-precision parts, LASERTEC GmbH is a global leader. In the reporting period, € 1 million were invested in research and development. Ten employees (previous year: six) are working intensively on the innovation process. For the further safeguarding and expansion of the laser technology with trend-setting applications, the company specifically focuses on the expansion of its development capacities.

Laser machines.

The laser innovations of DECKEL MAHO stand out, because they carry out tasks better, faster and more economically than traditional processes. This includes the new DML 60 HSC, which facilitates milling and turning in one machine.





CAPTION >> Tyre engraving pre-form for the car components supplying industry: perfect forms – our universal milling machines from the DMU-P line put technological trends into action, letting you experience high-tech in every respect.

ANNUAL FINANCIAL STATEMENTS

With the financial statements 2001 we will, for the first time, report by segments, resulting in even more detailed and transparent information on the business development of the GILDEMEISTER group. The business activities that are geared towards a lasting increase in company value, include the “Machine Tools”, “Services” and “Corporate Services” segments. From 2002 our balance sheet will be prepared in accordance with international accounting standards (IAS).

GROUP NOTES AND NOTES OF GILDEMEISTER AKTIENGESELLSCHAFT

1 APPLICATION OF REGULATIONS

The annual financial statements of the GILDEMEISTER Aktiengesellschaft, the consolidated financial statements and the annual financial statements of the affiliated companies included in the consolidated financial statements were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB), the German Stock Corporation Law (AktG), and the German Law on Limited Liability Companies (GmbHG).

The following notes include information and comments, which, according to commercial law, must be included in the consolidated financial statements and the annual financial statements of the GILDEMEISTER Aktiengesellschaft along with the balance sheet and the statement of income.

To simplify reporting and to avoid repetitions where possible, we have summarised these notes. They refer to the consolidated financial statements unless express reference is made to GILDEMEISTER Aktiengesellschaft. For a more comprehensible and clearer presentation of the balance sheet and the statement of income, all comments were included in the Notes with additional explanations, including those that can be included in either the Notes, the balance sheet or the statement of income.

Unlike the previous year, the Notes were extended by detailed segmental reporting in accordance with Section 297 para. 1 sentence 2 HGB, which includes the relevant figures from the previous year.

No further information or notes on adjusted figures from the previous year in accordance with Section 265 para. 2 sentence 3 HGB are required.

Number of fully consolidated companies	31 st Dec. 2001	31 st Dec. 2000
Domestic	20	20
International	30	28
Total	50	48

2 CONSOLIDATED GROUP

At the balance sheet day the GILDEMEISTER group consisted of 55 companies including GILDEMEISTER Aktiengesellschaft, of which 50 are included in the consolidated financial statements as fully consolidated companies. All fully consolidated companies are under the central control of GILDEMEISTER Aktiengesellschaft. The companies Hermann SAUER GmbH & Co. KG, Stipshausen, Hermann SAUER Verwaltungs-GmbH, Stipshausen, PCG Personnel Consulting GmbH, Erkelenz, DMG France Sud S.A.S, Lyon, and DMG Charlotte Inc., Charlotte, are not included in the consolidated group.

The shares in Hermann SAUER GmbH & Co. KG and Hermann SAUER Verwaltungs-GmbH were acquired with effect from 1st November 2001. PCG Personnel Consulting GmbH is a new business that commenced business operations at the end of 2001. Although the formation of DMG France Sud S.A.S took place in December 2001, the company's business operation commenced at the beginning of the financial year 2002. DMG Charlotte Inc., a fully owned subsidiary of DMG America Inc., Charlotte, did not have an operative business in the financial year.

With the exception of DMG Charlotte Inc., all four said companies will be fully consolidated with effect from 1st January 2002.

A proportional consolidation in accordance with Section 310 HGB or a consolidation of affiliated companies in accordance with Section 311 HGB was not required.

Due to the inclusion of the following companies, the consolidated group has changed in comparison with the previous year:

- GILDEMEISTER Italiana s.r.o., Zlín, Czech Republic,
- DMG Büll & Strunz GmbH, Wiener Neudorf, Austria,
- DECKEL MAHO GILDEMEISTER Ltda., São Paulo, Brazil,
- DECKEL MAHO GILDEMEISTER México, S.A. de C.V., Monterrey, Mexico.

GILDEMEISTER Italiana s.r.o., Zlín, that set up business in the financial year 2000 and has been included in the consolidated group with effect from 1st January 2001, is a fully owned subsidiary of GILDEMEISTER Italiana S.p.A.

In the financial year 2001 DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER set up two new sales companies, DECKEL MAHO GILDEMEISTER Ltda., São Paulo, and DECKEL MAHO GILDEMEISTER México, S.A. de C.V., Monterrey, in which it holds 100% of the shares. Both companies have been included in the consolidated group since they were set up.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER holds 51% in the newly formed DMG Büll & Strunz GmbH, Wiener Neudorf, that has been fully consolidated since 1st March 2001.

The new businesses and acquisitions were funded via the available short-term lines of credit. GITAL S.r.L., Brembate di Sopra, and GITAL America Inc., Elgin, left the consolidation group. Both companies merged with group companies in the past financial year who now continue the operative business of the former sales companies.

No company or parts of a company were sold or closed down in the past financial year.

An overall summary of all affiliated companies is set out at the end of the Notes on pages 190 and 191.

3 CONSOLIDATION PRINCIPLES

Capital consolidation of all companies is still carried out according to the book value method. The carrying values of the investments are thereby set off against the group share in equity capital at the time of acquisition or first consolidation. The difference is allocated to assets and liabilities in so far as their current market value varies from the book value. A positive balance is shown as goodwill and will be regularly depreciated over the expected useful life. Negative balances from the capital consolidation are combined with reserves – as long as they have reserve characteristics.

The shares in the subsidiaries' equity capital that do not belong to the parent company are shown as "shares held by other shareholders".

Cross accounts receivable and accounts payable between the companies included in the consolidated financial statements were offset against each other. The resulting balances were consolidated to operating results. Intercompany income and expenses were eliminated without affecting operating results.

The applied consolidation methods remained unchanged compared to the previous year. Resulting effects on the net worth, financial and earnings positions are therefore not included (Section 297 para. 3 sentence 4 an 5 / Section 313 para. 1 no. 3 HGB).

With respect to the comparative figures of the previous year we refer to the fact that GILDEMEISTER Italiana S.p.A. and its subsidiaries (subgroup GILDEMEISTER Italiana) were included in the consolidated group with effect from 18th May 2000.

4 ACCOUNTING AND VALUATION PRINCIPLES

The annual financial statements of the companies included in the group financial statements are prepared according to uniform accounting and valuation principles, which have not changed from the previous year with the exception of the accounting of reserves for old-age part-time employment.

For this purpose, the financial statements that were prepared in accordance with country-specific regulations, have been adapted to the group-wide accounting and valuation principles of GILDEMEISTER Aktiengesellschaft, as far as they do not comply with HGB principles and their valuation differs significantly.

Intangible and tangible fixed assets

	Useful life of assets
Intangible fixed assets	3 to 15 years
Office and factory buildings	10 to 50 years
Technical equipment and machinery	6 to 20 years
Factory and office equipment	2 to 20 years

The intangible assets and tangible fixed assets were shown at their initial costs or costs of production, reduced by regular depreciation. For depreciation the equal-instalment method was applied on the basis of the useful life of the assets.

Additions to property, plant and equipment were depreciated pro rata temporis during the year of purchase. At home, additions to non-real-estate 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 remained unchanged. For additions in the financial year 2001 the rates of depreciation with regard to the domestic companies were adjusted to the new depreciation tables.

Additional depreciation due to tax law provisions (Sections 254, 280 para. 2 HGB) did not apply, neither did extraordinary depreciation.

Financial fixed assets

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.

Current assets

Stocks were evaluated at the lower of initial costs/costs of production or market value or a lower value to be allocated. The costs of production include, besides direct material and direct salaries, pro rata indirect material. General administrative expenses, voluntary social security and employee pension plan contributions and interest rates on borrowings were not included in the costs of production.

Inventory risks from periods of storage and from reduced usability were taken into account with fair valuation adjustments. Current orders were shown without loss. Raw materials and supplies as well as products and trade goods were assessed according to the average cost method. Ongoing production orders were not in process at the balance sheet date. Accounts receivable and other current assets were shown at face value. Identifiable individual risks were taken into account by appropriate adjustments to lower market values. In addition, lump-sum valuation adjustments were carried out on trade debtors.

Provisions and creditors

The valuation of company pension reserves was carried out on an actuarial basis in accordance with Section 6 a EStG (German Income Tax Law) with an assumed rate of interest of 6% p.a.

Compared with the previous year the accounting method with respect of reserves for part-time retirement has changed. Reserves for part-time retirement plans include wages and salaries for employees during the pre-retirement lay-off phase and topping-up payments. These reserves are accrued ratably from the start of the employment phase of the part-time retirement plan and assessed at cash value.

Reserves for warranties were set up on the basis of experience figures and known cases when the warranty was made operative.

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. The expected amount of performance was allocated in each case. 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.

5 FOREIGN CURRENCY CONVERSION In the individual financial statements accounts receivable in foreign currency are shown using the exchange rate of the balance sheet date, up to a maximum of the exchange rate of the date when they were incurred. Accounts payable in foreign currency are shown at the acquisition rate or at the higher rate of the balance sheet date. The hedging of exchange rate risks is carried out individually for each business transaction by the subsidiaries and by GILDEMEISTER Aktiengesellschaft.

Since all foreign subsidiaries are relatively independent, all annual financial statements in foreign currency will be converted at the official exchange rate of the balance sheet date (current date method) analogous to the previous years. Currency movements of individual currencies in relation to the Euro between the balance sheet dates do not affect operating results.

Income and expenses were also converted at market prices on reporting day.

The exchange rates of major currencies developed as follows:

		Rate = 1 €	
Currency	ISO-Code	31 st Dec. 2001	31 st Dec. 2000
British Pound Sterling	GBP	0.60880	0.62330
Swiss Franc	CHF	1.48050	1.52240
Polish Zloty	PLN	3.50680	3.86000
Czech Koruna	CZK	31.99000	35.05000
us Dollar	USD	0.88200	0.93020
Canadian Dollar	CAD	1.41020	1.39290
Mexican Pesos	MXN	8.06000	8.92000
Brazilian Real	BRL	2.05740	1.81400
Japanese Yen	JPY	115.72000	106.83000
Singapore Dollar	SGD	1.63350	1.61300
Malayan Ringgit	MYR	3.35490	3.53400
Indian Rupee	INR	42.59000	43.43000
Chinese Renminbi	CNY	7.30340	7.26000
Taiwan Dollar	NTD	30.94000	30.80000
Korean Won	KRW	1165.00000	1180.00000
Australian Dollar	AUD	1.73320	1.67750

Notes to the individual items of the balance sheet

6 INTANGIBLE ASSETS

Of the stated goodwill, € 63,686 κ relate to the balance from the capital consolidation, reduced by depreciation, and € 3,173 κ relate to the goodwill from the individual accounts, reduced by depreciation. These goodwill values will be depreciated according to plan over ten years, with the exception of the goodwill from the acquisition of the share in GILDEMEISTER Italiana of € 53,794 κ (previous year: € 57,759 κ), which will be depreciated over fifteen years.

Additional goodwill was created in contrast with the previous year, of € 5,355 κ, due to the acquisition of the remaining 37.5% of the shares in DECKEL MAHO Seebach GmbH by GILDEMEISTER Aktiengesellschaft. It will be depreciated by the linear method over ten years. In the year under report an amount of € 134 κ was depreciated.

The value of industrial property rights and similar rights include patents, utility-model patents, trademarks and data processing software. Rights and software are depreciated according to plan over a useful life of four years.

7 TANGIBLE FIXED ASSETS

The movements of the fixed assets of the group and GILDEMEISTER Aktiengesellschaft are set out in the balance sheet supplements. Investments are set out in the Management Report.

The currency movement between the balance sheet days and changes in tangible fixed assets due to the accession into the consolidated group in the financial year 2001, are included in the breakdown of the group's investments under "Other changes".

Land and buildings are charged by encumbrances for the security of long-term bank loans.

8 FINANCIAL ASSETS

The changes in financial assets of the group and GILDEMEISTER Aktiengesellschaft are set out in the balance sheet supplements. The companies included in the "Shares in affiliated companies" account and information on principal places of business, equity capital, capital shares and the results of the financial year 2001 are set out in a separate summary at the end of the notes.

In contrast with the previous year, the balance sheet of GILDEMEISTER Aktiengesellschaft includes additional shares in DECKEL MAHO Seebach GmbH purchased in the financial year 2001.

GILDEMEISTER Aktiengesellschaft purchased a further 37.5 % of shares from the minority shareholding company Thüringer Industriebeteiligungs-GmbH & Co. KG at a price of € 8,491 K so that since 1st October 2001 GILDEMEISTER holds 100% of the capital. This purchase is funded through a long-term syndicated loan of GILDEMEISTER Aktiengesellschaft to the value of € 7.2 million to be repaid in quarterly instalments of € 447 K from September 2003. The loan is secured by encumbrances on business real property of GILDEMEISTER Aktiengesellschaft.

Further additions in financial assets of GILDEMEISTER Aktiengesellschaft arise from payments in capital reserves at the Holding Macchine Utensili S.p.A. of € 20,016 K, and at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER of € 7,889 K that were carried out in the financial year 2001. Due to the formation of PCG Personnel Consulting GmbH and the acquisition of limited partner's shares in Hermann SAUER GmbH & Co. KG and of shares in Hermann SAUER Verwaltungs-GmbH, the financial assets of GILDEMEISTER Aktiengesellschaft rose by a further € 952 K. This amount is also included in the "Shares in affiliated companies" account under financial assets in the breakdown of the group's investments. Also included is the share of DMG France S.a.r.l. in DMG France Sud S.A.S of € 38 K.

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

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

A profit pass-over was agreed with the minority shareholder of DECKEL MAHO Seebach GmbH that was accounted for in the acquisition agreement on a pro rata basis for the previous financial year.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has entered into profit and loss transfer and control agreements with the following subsidiaries:

- ___ DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG München Vertriebs und Service GmbH für Werkzeugmaschinen
DECKEL MAHO GILDEMEISTER,
- ___ DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Service BAZ GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Service UFB GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Service UFB Seebach GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Gebrauchtmachines GmbH DECKEL MAHO GILDEMEISTER.

The profit and loss transfer and control agreements with DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER, DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and DMG Service UFB Seebach GmbH DECKEL MAHO GILDEMEISTER have been in effect since 1st January 2001.

9 STOCKS

Stocks are allocated in the balance sheet. They were increased or decreased by customer prepayments for orders. Compared with the previous year stocks increased by € 52,615 k. Intercompany profits of € 14,804 k arose in stocks from sales and services between the group companies. The balances to the previous year were consolidated to operating results.

10 DEBTORS AND OTHER ASSETS

	GILDEMEISTER GROUP			GILDEMEISTER AG		
	Balance sheet at 31 st Dec. 2001	Not due within 1 year	Balance sheet at 31 st Dec. 2000	Balance sheet at 31 st Dec. 2000	Not due within 1 year	Balance sheet at 31 st Dec. 2000
	€ k	€ k	€ k	€ k	€ k	€ k
1. Trade debtors	295,959	0	266,753	18	0	130
2. Accounts owed by affiliated companies	207	0	0	229,988	0	165,442
3. Other assets	35,275	1,493	26,880	9,722	725	7,221
	331,441	1,493	293,633	239,728	725	172,793
Balance sheet at 31 st Dec. 2000		1,553	293,633		668	172,793

Individual risks were taken into account through the direct method of depreciation. A general bad-debt provision was made for general credit risks. In comparison with the previous year the group has amounts owed by affiliated companies of € 207 κ, arising from business relationships with group companies that are not included in the consolidated group.

The amounts owed by affiliated companies to GILDEMEISTER Aktiengesellschaft are primarily due to profit and loss transfer and control agreements and costs and finances allocations.

The other assets include the following:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	At	At	At	At
	31 st Dec. 2001	31 st Dec. 2000	31 st Dec. 2001	31 st Dec. 2000
	€ κ	€ κ	€ κ	€ κ
Claims from tax refunds	16,381	12,161	8,724	5,344
Deutsche Factoring Bank	6,337	3,990	0	0
Suppliers with debit balances and payments on account	6,255	5,351	0	0
Security deposits and other security payments	961	820	15	15
Amounts due from employees and former employees	845	1,623	3	1,018
Re-insurance for the social protection of employees	819	778	725	668
Short-term loans to third parties	98	527	46	0
Others	3,579	1,630	209	176
	35,275	26,880	9,722	7,221

11 SECURITIES

The securities are held by GILDEMEISTER Aktiengesellschaft (€ 273 κ) and GILDEMEISTER Italiana S.p.A. GILDEMEISTER Aktiengesellschaft has not held any shares at the balance sheet day (previous year: € 1,205 κ).

12 CASH IN HAND, BUNDESBANK BALANCE, OTHER BANK BALANCES

The statement pertains mainly to bank balances.

13 ACCRUALS AND DEFERRALS

Prepaid expenses and accrued income primarily include interest, rent and insurance contributions. The figure shown also includes a discount of € 115 κ.

14 EQUITY CAPITAL

GILDEMEISTER GROUP	Net profit for the year						Total
	Subscribed Capital	Capital reserves	Revenue reserves	Profit c/f	Annual net profit	Shares held by other shareholders	
	€ k	€ k	€ k	€ k	€ k	€ k	
At 1 st Jan. 2001	75,087	48,734	39,069	1,964	16,490	14,343	195,687
Capital increase	0	0	0	0	0	0	
Distribution of dividends	0	0	0	-746	-16,490	0	
Transfer to reserves	0	0	20,000	0	-20,000	0	
Profit carried forward	0	0	-203	0	0	0	
Annual net profit	0	0	0	0	41,037	0	
Shares held by other sharehol.	0	0	0	0	-828	-3,328	
At 31st Dec. 2001	75,087	48,734	58,866	1,218	20,209	11,015	215,129

GILDEMEISTER AG	Net profit for the year						Total
	Subscribed capital	Capital reserves	Revenue reserves	Profit c/f	Annual net profit		
	€ k	€ k	€ k	€ k	€ k	€ k	
At 1 st Jan. 2001	75,087	48,734	77,480	967	22,223		224,491
Capital increase	0	0	0	0	0		
Distribution of dividends	0	0	0	0	-17,237		
Transfer to reserves	0	0	35,453	0	-35,453		
Profit carried forward	0	0	0	-967	967		
Annual net profit	0	0	0	0	59,102		
At 31st Dec. 2001	75,087	48,734	112,933	0	29,602		266,356

Subscribed capital

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 partial amounts. For a partial amount of at least € 29,000,000.00 the shareholders' subscription right is guaranteed. With respect to a partial amount of up to € 7,500,000.00 the shareholders' statutory subscription right is to be excluded by resolution of the Executive Board.

For a further partial amount of up to € 1,000,000.00 in nominal terms, new shares can be issued to employees of the company and to employees of subsidiaries and affiliated companies; in this case the shareholders' statutory subscription right will not apply.

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.

Capital reserve

The capital reserve has not changed since the previous year.

Revenue reserves

Statutory reserve

The statutory reserve in both the consolidated financial statements and the annual financial statements of GILDEMEISTER Aktiengesellschaft is € 680,530.00.

Reserve for own shares

No reserve for own shares was declared in the financial year (previous year: € 1,205,448.00), since GILDEMEISTER Aktiengesellschaft has not held its own shares at 31st December 2001.

All 150,681 shares with an accounting par value of € 391,770.60 of the share capital, were sold to employees in the third phase of the Staff Participation Model of GILDEMEISTER Aktiengesellschaft.

Other revenue reserves

In accordance with the shareholders' resolution from 18th May 2001, € 5,952,724.40 from the net profit for the year 2000 were transferred to other revenue reserves.

Proposed appropriation of earnings

The financial year 2001 of GILDEMEISTER Aktiengesellschaft closes with a profit for the year of € 59,102,483.00. After allocating € 29,500,000.00 to other revenue reserves, the following appropriation of the unappropriated retained earnings of € 29,602,483.00 will be proposed at the shareholders' general meeting on 17th May 2002:

___ Distribution of € 17,327,656.20 to shareholders by payment of a dividend of € 0.60 per share,

___ Allocation of € 12,274,826.80 to other revenue reserves.

Development of the net profit for the year at GILDEMEISTER Aktiengesellschaft	€ κ
Net profit for the year at 31 st Dec. 2000	23,190
Distribution to shareholders	-17,237
Allocation to other revenue reserves in acc. w. shareholders' resolution	-5,953
	0
Profit for the year 2001	59,102
Allocation to other revenue reserves in acc. w. Sect. 58 para. 2 AktG	-29,500
Net profit for the year 31st Dec. 2001	29,602

Inferring group results

Based on the annual net profit of GILDEMEISTER Aktiengesellschaft the consolidated net earnings have developed as follows:

	€ κ
Profit for the year of GILDEMEISTER Aktiengesellschaft	59,102
Profit for the year of consolidated subsidiaries in accordance with group-wide principles	84,771
Consolidation income from investments	-92,745
Elimination of intercompany profits from stocks	-6,680
Other revenue consolidations	-3,411
Consolidated profit for the year	41,037
Profit/loss allocated to other shareholders	-828
Retained profits carried forward	1,218
Allocation to other revenue reserves	-20,000
Consolidated net earnings	21,427

15 SPECIAL ACCOUNT FOR INVESTMENT ALLOWANCES

This is an investment allowance funded by the joint aid programme “Improvement of the Regional Economic Structure”.

In the financial year 2001 investment allowances of € 1,580 κ were received that were allocated to the special account. The special account will be closed in accordance with the depreciation procedure for tax-privileged capital assets.

16 PROVISIONS FOR PENSIONS

Provisions for pensions are calculated in accordance with the method of going-concern value pursuant to Section 6 a EStG with an assumed rate of interest of 6% in accordance with the reference tables of 1998 produced by Prof. Dr. Heubeck. The provisions correspond with the current value of future obligations. The pensions are not insured by an external pension fund.

In the annual financial statements of GILDEMEISTER Aktiengesellschaft the adjustment to updated mortality charts is carried out over three years in accordance with tax law provisions.

In the financial year 2001, € 496 κ were allocated to the group’s provisions for pensions. At GILDEMEISTER Aktiengesellschaft, € 311 κ were allocated.

17 TAX PROVISIONS

Tax provisions include taxes on corporate income and business profits and other company taxes for the current financial year and for periods that have not been assessed. In the financial year 2001 a government tax audit resulted in the formation of provisions for taxes for previous years of € 188 κ and land transfer tax of € 614 κ at GILDEMEISTER Aktiengesellschaft. In the consolidated financial statements at 31st December 2001, € 4,729 κ (previous year: € 5,719 κ) of deferred tax provisions were carried as liability. Deferred taxes on the asset side of € 2,703 κ were combined with tax provisions. The deferred taxes derive entirely from the annual financial statements of the Italian subsidiaries.

18 OTHER PROVISIONS

Other material provisions are set out below:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	At	At	At	At
	31 st Dec. 2001	31 st Dec. 2000	31 st Dec. 2001	31 st Dec. 2000
	€ κ	€ κ	€ κ	€ κ
Personnel costs	34,907	30,606	1,687	1,662
Risks from warranties and retrofitting	26,567	20,329	0	0
Selling expenses	13,966	10,402	0	0
Legal and consulting fees, fee for the preparation of accounts	4,096	2,233	2,016	706
Invoices not yet received	2,065	2,014	0	0
Deferred maintenance	1,151	895	0	0
Anticipated losses related to incomplete contracts	623	548	0	0
Other	8,906	6,703	1,688	1,313
	92,281	73,730	5,391	3,681

The other provisions primarily include outstanding supplier accounts and, at GILDEMEISTER Aktiengesellschaft, prudential reserves for the payment of interest due to corporate income tax assessment notes for 1987 to 1991 that were changed by the government tax audit. After the application for mitigation of tax liability was rejected, a further appeal against the assessment was lodged. The group's provision for staff expenses include € 3,354 κ for part-time retirement plans and € 2,906 κ for anniversary bonuses. The reserves for anniversary bonuses and for part-time retirement plans are discounted and carried as liability at their present value.

All other provisions are immediately carried as liability at their full value. The total term of the remaining reserves is less than one year. The provisions were determined at the value ratios of the balance sheet date.

19 CREDITORS

GILDEMEISTER GROUP	Balance sheet at	of which	of which	of which	Balance sheet at
	31 st Dec. 2001	due within 1 year	due within 1 - 5 years	due after 5 years	31 st Dec. 2000
	€ k	€ k	€ k	€ k	€ k
1. Bank loans and overdrafts ¹⁾	280,426	160,907	104,033	15,486	232,735
2. Trade creditors	115,864	113,918	1,946	0	109,999
3. Bills of exchange payable	14,799	14,799	0	0	13,624
4. Amounts owed to affiliated companies	94	94	0	0	0
5. Other creditors ²⁾	30,797	28,845	1,810	142	29,192
	441,980	318,563	107,789	15,628	385,550
Remaining terms at 31 st Dec. 2000		258,955	112,039	14,556	385,550

1) of which secured by mortgage: € 70,660 k (previous year: € 73,211 k)

2) of which from taxes: € 16,050 k (previous year: € 11,548 k), of which social security contributions: € 6,655 k (previous year: 5,475 k)

GILDEMEISTER AG	Balance sheet at	of which	of which	of which	Balance sheet at
	31 st Dec. 2001	due within 1 year	due within 1 - 5 years	due after 5 years	31 st Dec. 2000
	€ k	€ k	€ k	€ k	€ k
1. Bank loans and overdrafts ¹⁾	84,783	72,129	12,654	0	49,927
2. Trade creditors	3,730	3,730	0	0	6,343
3. Bills of exchange payable	0	0	0	0	700
4. Amounts owed to affiliated companies	23,608	23,608	0	0	66
5. Other creditors ²⁾	5,807	5,807	0	0	5,443
	117,928	105,274	12,654	0	62,479
Remaining terms at 31 st Dec. 2000		52,979	9,500	0	62,479

1) of which secured by mortgage: € 15,594 k (previous year: € 12,015 k)

2) of which from taxes: € 5,633 k (previous year: € 4,624 k), of which social security contributions: € 59 k (previous year: € 53 k)

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 – totals € 134.5 million.

With effect from 1st January 2002, the basic agreement with an original term until 31st December 2001 (STUFF – Short Term Unique Financial Facility) was extended with an increased credit volume of € 180.0 million and a two-year term.

The international share in amounts owed to banks is approximately 47%.

The amounts owed to banks by the group includes a credit with an original volume of € 80.0 million, of which 67% of the share capital of GILDEMEISTER Italiana S.p.A. was pledged to the lending banks. The value date of the credit was fixed at 31st December 2001 at an amount of € 65,455 κ. In addition, FAMOT Pleszew S.A. and DECKEL MAHO Seebach GmbH assigned fixed assets and stocks to the lending banks as further securities for long-term and short-term credits.

20 ACCRUALS AND DEFERRALS

The deferred income results primarily from the subgroup GILDEMEISTER Italiana at an amount of € 2,013 κ (previous year: € 2,086 κ). These pertain to deferred future interest earnings from a specific financing programme of the Italian state (Sabatini funding).

21 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

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

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	At 31 st Dec. 2001	At 31 st Dec. 2000	At 31 st Dec. 2001	At 31 st Dec. 2000
	€ κ	€ κ	€ κ	€ κ
Contingencies				
Bill commitments	19,042	17,890	3,510	1,077
Guarantees	8,034	4,695	166,769	157,383
Warranties	1,445	394	277	207
Other contingencies	8,909	12,151	2,137	2,357
	37,430	35,130	172,693	161,024
Obligations from tenancy agreements due				
within 1 year	16,785	13,577	2,805	2,882
within 1-5 years	26,874	21,532	5,687	5,529
after 5 years	19,762	3,014	1,933	2,335
	63,421	38,123	10,425	10,746
Order commitments fixed assets	2,784	593	0	0

The guarantees of GILDEMEISTER Aktiengesellschaft include guarantees limited in amount to the value of € 127,234 κ (previous year: € 106,063 κ). The value date of the indebtedness to banks pertaining to these guarantees was fixed at 31st December 2001 at an amount of € 92,079 κ (previous year: € 102,232 κ). At the balance sheet date GILDEMEISTER Aktiengesellschaft is jointly and severally liable for liabilities of € 36,315 κ.

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees for contingent claims of a factoring bank amounting to € 24,927 κ (previous year: € 26,140 κ).

Advance guarantees of € 1,637 κ (previous year: € 1,544 κ) were given to customers of GILDEMEISTER Drehmaschinen GmbH, Bielefeld, and to DECKEL MAHO Pfronten GmbH, Pfronten.

In addition, GILDEMEISTER Aktiengesellschaft issued letters of comfort to DECKEL MAHO Seebach GmbH, Seebach, a & f Stahl- und Maschinenbau GmbH, Würzburg, DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Kornwestheim, and FAMOT Pleszew S.A., Pleszew. The liabilities pertaining to these letters were fixed at 31st December 2001 at an amount of € 11,811 κ (previous year: € 27,467 κ).

Notes to segmental reporting

22 NOTES TO SEGMENTS

The business activities of the GILDEMEISTER group consist of the “Machine Tools”, “Services” and “Corporate Services” segments. This segmentation follows the group’s corporate governance. Each group company is allocated to the segment pertaining to its respective economic activities.

The **“Machine Tools”** segment includes the group’s new machines business, and consists of “turning”, “milling” and “laser/ultrasonic” technologies. This includes the lathes and turning machines of

- GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- GILDEMEISTER Italiana S.p.A., Brembate di Sopra,
- GRAZIANO Tortona S.p.A., Tortona,
- FAMOT Pleszew S.A., Pleszew,

the milling machines and machining centres of

- DECKEL MAHO Pfronten GmbH, Pfronten,
- DECKEL MAHO Seebach GmbH, Seebach,
- DECKEL MAHO Geretsried GmbH, Geretsried,

and the laser machines of

- LASERTEC GmbH, Pfronten.

The ultrasonic machines of Hermann SAUER GmbH & Co. KG will also be integrated into this segment.

All produced machines are allocated to metal-cutting machine tools so that the business segments are highly concurrent with each other.

The **“Services”** segment, which covers all areas, is directly related to the machine tools and, with its products and services offered, represents an independent segment. It includes DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, and its subsidiaries.

Along with the remuneration for introduction and advice services, the segment also covers the service and spare parts business, service products such as the DMG Netservice (online service and advice via Internet/Intranet) and the DMG Messenger (machine-check system via email/SMS), course products and training services, application technology, initial operations and the used machines business. Also included are the procurement services of a & f Stahl- und Maschinenbau GmbH as well as the equipment, components, appliances and tools of SACO S.p.A.

The **“Corporate Services”** segment includes GILDEMEISTER Aktiengesellschaft with its group-wide holding functions, such as group strategy, product development, logistics and production, finances and controlling, personnel and marketing and the group-standardised infrastructure. Another area is key accounting, the management of our major customers, which has been centralised to include all areas and products in order to meet the increasing globalisation of international companies. The Holding Macchine Utensili S.p.A. is also allocated to this business segment as the finance company for the Italian production facilities.

23 NOTES TO SEGMENTAL INFORMATION

The definition of terms used in individual segmental information is in line with the management principle for the value-orientated corporate governance of the GILDEMEISTER group.

Segmental assets include all business-connected assets including shares, goodwill and accruals. Segmental debts consist of the entire loan capital and financial liabilities including provisions, the special account for investment allowances and deferred income.

Investments include the additions to property, plant and equipment, intangible assets and financial assets. Goodwill arising from initial consolidation is not included.

Depreciation pertains to segmental fixed assets and includes depreciation of goodwill from the capital consolidation.

The “Transition” column represents the elimination of intercompany interest expenses and income, and of financial assets, accounts receivable and accounts payable.

The secondary segmentation is based on the corporate seats of the group companies and is divided into the regions, Germany, Rest of Europe, North America, Asia and Rest of the World, which includes Mexico and Brazil.

Notes to the individual accounts in the income statement

24 SALES REVENUES

Sales revenues show invoices to customers for deliveries and services, reduced by sales deductions, contract penalties and cash discounts.

The sales revenues are broken down by distribution areas as follows:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2001	2000	2001	2000
	€ κ	€ κ	€ κ	€ κ
Germany	566,865	483,363	18,857	19,710
EU (excl. Germany)	330,719	265,404	232	0
USA	81,310	51,398	23	0
Rest of the world	165,345	123,133	74	0
	1,144,239	923,298	19,186	19,710

The sales revenues of GILDEMEISTER Aktiengesellschaft of € 19,186 κ (previous year: € 19,710 κ) are, without exception, sales arising from the group-wide holding functions.

The sales revenues are explained in detail in the “Segmental Reporting” chapter of the Management Report. A detailed summary is included in the notes.

25 OTHER OPERATING REVENUES

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2001	2000	2001	2000
	€ k	€ k	€ k	€ k
Revenue unrelated to accounting period				
Retransfer of reserves	5,223	5,609	13	14
Retransfer of value adjustments	1,398	1,120	0	0
Profit on asset disposals	243	687	0	0
Profit on asset disposals	0	950	0	0
Receipt of payment for written-off delinquent accounts	15	144	0	139
Tax refunds	0	0	1	0
Other revenues unrelated to accounting period	767	898	0	0
	7,646	9,408	14	153
Other operative revenues				
Use of provisions	5,049	2,968	0	0
Changes in exchange rates	4,235	5,140	0	0
Cost allocation and reimbursements of expenses	2,148	1,571	1,686	908
Bonus and allowances	433	242	0	0
Letting and leasing	320	779	0	0
Retransfer of special items with accrual character	314	413	0	0
Payment of damages	308	179	0	8
Write-up of current assets	144	226	144	226
Revenues from the disposal of marketable securities	0	244	0	244
Other	1,274	1,174	75	0
	14,225	12,936	1,905	1,386
Total	21,871	22,344	1,919	1,539

26 COST OF MATERIALS

Payments received pertain primarily to expenses for external production.

27 STAFF COSTS

In the financial year the group's employee pension plan contributions amounted to € 3,875 k (previous year: € 3,865 k), and € 2,113 k (previous year: € 1,853 k) at GILDEMEISTER Aktiengesellschaft. Executive Board members' remuneration totalled € 1,781 k (previous year: € 1,157 k). € 696 k (previous year: € 694 k) were paid to former Executive Board members and their surviving dependants.

Company pension reserves of € 6,168 k (previous year: € 6,279 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:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2001	2000	2001	2000
Wage earners	2,001	1,549	0	0
Salary earners	2,911	2,387	54	41
Trainees	185	161	0	0
	5,097	4,097	54	41

28 OTHER OPERATING CHARGES

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2001 € k	2000 € k	2001 € k	2000 € k
Expenses unrelated to the accounting period				
Losses from fixed-assets disposals	529	716	0	0
Other taxes	56	142	15	116
Other staff costs	0	358	0	358
Other expenses unrelated to the accounting period	1,005	140	0	0
	1,590	1,356	15	474
Other operating costs				
Marketing and trade fairs	24,866	19,660	367	305
Other external services	20,706	16,877	6,959	6,851
Travelling and entertainment expenses	19,821	13,949	750	501
Sales commissions	18,579	14,004	0	25
Freight out, packaging	17,513	13,188	53	0
Rentals and leases	17,440	13,460	1,603	1,389
Transfer to reserves	15,881	9,922	0	0
Costs of preparation of accounts, legal and consultancy fees	9,672	10,220	2,559	5,164
Stationery, post and telephone expenses	9,155	6,594	719	664
Other staff costs	6,353	4,434	459	432
Losses from the decline in economic usefulness of current assets items	4,494	3,392	0	32
Exchange rate and currency losses	3,044	1,731	723	2
Insurance	2,819	2,207	617	483
Investor relations	2,308	2,402	2,058	1,902
Monetary transactions and capital procurement	1,278	5,193	185	1,583
Other taxes	757	558	77	77
Licences and trademarks	366	451	2	8
German Industry Foundation Initiative	0	716	0	716
Other	10,121	8,910	889	1,347
	185,173	147,868	18,020	21,481
Total	186,763	149,224	18,035	21,955

The transfers to reserves result primarily from expenses for guarantee commitments, retrofittings and losses from pending transactions. In the financial year 2001 € 351 κ (previous year: € 351 κ) were transferred to reserves for Supervisory Board members' remuneration.

29	INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	The income from profit and loss transfer agreements of GILDEMEISTER Aktiengesellschaft of € 59,999 κ (previous year: € 49,098 κ) were attributed to three affiliated companies (previous year: six affiliated companies).
30	INCOME FROM PARTICIPATING INTERESTS	The stated income of GILDEMEISTER Aktiengesellschaft of € 6,505 κ (previous year: € 10,613 κ) for the reporting year pertains, as in the previous year, to the distribution of dividends by a & f Stahl- und Maschinenbau GmbH and DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.
31	EXPENSES FROM LOSS TRANSFERS	As in the previous year, there were no expenses from loss transfers in the financial year 2001.
32	OTHER INTEREST RECEIVABLES AND SIMILAR INCOME	Interest receivables and similar income of the entire group amounted to € 2,325 κ (previous year: € 1,728 κ). In the reporting year GILDEMEISTER Aktiengesellschaft charged affiliated companies interests to the value of € 11,032 κ (previous year: € 6,384 κ).
33	INTEREST PAYABLE AND SIMILAR CHARGES	The interest payable pertains primarily to loan interests. GILDEMEISTER Aktiengesellschaft was charged for interests to the value of € 179 κ (previous year: € 88 κ) by affiliated companies.
34	EXTRAORDINARY CHARGES AND INCOME	There were no extraordinary charges and income in the financial year 2001.
35	TAX ON PROFIT (LOSS)	This account represents corporate income tax for domestic companies and comparable income taxes for international companies calculated on the basis of the proposed appropriation of earnings. This computation was made on the basis of the tax regulations applicable to the individual companies. An amount of € 517 κ derives from tax refunds for previous years.

In the financial year expenses from taxes on income or earnings resulting from the profit/loss on ordinary activities amounted to € 8,637 κ.

In the financial year deferred tax proceeds of € 954 κ arose from adjustments in the annual financial statements of the Italian subsidiaries that were prepared in accordance with Italian law, to the group-standardised accounting and valuation principles.

Affiliated Companies

	Equity capital		Participation ratio	Profit for the financial year 2001	
	National currency	€ κ			in %
Production plants and procurement/components					
GILDEMEISTER Drehmaschinen GmbH, Bielefeld ^{1/9)}		16,650	100.0	0	
Holding Macchine Utensili S.p.A., Milano, Italy		22,007	100.0	-3,838	
GILDEMEISTER Italiana S.p.A., Brembate di Sopra, Italy ³⁾		63,802	86.0	-1,567	
GRAZIANO Tortona S.p.A., Tortona, Italy ⁴⁾		2,318	100.0		
SACO S.p.A., Castelleone, Italy ⁴⁾		8,233	100.0		
GILDEMEISTER Italiana s.r.o., Zlín, Czech Republic ⁴⁾	CZK K	-6,583	-206	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten ^{1/9)}		26,000	100.0	0	
LASERTEC GmbH, Pfronten ^{2/9)}		3,693	100.0	-794	
DECKEL MAHO Geretsried GmbH, Geretsried ⁹⁾		11,865	100.0	1,151	
DECKEL MAHO Seebach GmbH, Seebach ^{1/9)}		8,363	100.0	0	
FAMOT Pleszew S.A., Pleszew, Poland	PLN K	10,227	2,916	96.0	-1,598
Hermann SAUER GmbH & Co. KG, Stipshausen		135	50.5	132	
Hermann SAUER Verwaltungs-GmbH, Stipshausen		28	50.2	1	
a & f Stahl- und Maschinenbau GmbH, Würzburg ⁹⁾		1,727	51.0	1,543	
Sales and service companies					
DMG Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ⁹⁾		6,857	100.0	5,925	
(Group financial statements)					
DMG Stuttgart Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Kornwestheim ^{5/6/9)}		1,000	100.0		
DMG München Vertriebs und Service GmbH for machine tools					
DECKEL MAHO GILDEMEISTER, München ^{5/6/9)}		600	100.0		
DMG Hilden Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Hilden ^{5/6/9)}		800	100.0		
DMG Bielefeld Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ^{5/6/9)}		300	100.0		
DMG Berlin Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Berlin ^{5/6/9)}		301	100.0		
DMG Frankfurt am Main Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Frankfurt am Main ^{5/6/9)}		307	100.0		
DMG Italia S.r.l., Gorgonzola, Italy ⁵⁾		990	100.0		
DMG France S.a.r.l., Les Ulis, France ⁵⁾		4,541	100.0		
DMG France Sud S.A.S, Lyon ⁸⁾		38	100.0		
DMG Büll & Strunz GmbH, Wiener Neudorf, Austria ⁵⁾		1,026	51.0		
DMG (Schweiz) AG					
DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland ⁵⁾	CHF K	8,131	5,492	100.0	
DMG (U.K.) Ltd., Luton, Great Britain ⁵⁾	GBP K	565	1,059	100.0	
DMG Nederland B.V., Veenendaal, Netherlands ⁵⁾		2,639	100.0		
DMG Belgium B.V.B.A., Zaventem, Belgium ⁵⁾		569	100.0		
DECKEL MAHO GILDEMEISTER Iberica S.L., Berriz, Spain ⁵⁾		75	100.0		

Affiliated Companies

	Equity capital		Participation ratio	Profit for the financial year 2001	
	National currency	€ k			in %
Sales and service companies (continued)					
DMG Czech s.r.o., Brno, Czech Republic ⁵⁾	CZK K	32,047	1,002	100.0	
DMG Polska Sp.z o.o., Pleszew, Poland ⁵⁾	PLN K	3,340	952	100.0	
DMG America Inc., Charlotte, USA ⁵⁾	USD K	518	588	100.0	
DMG Charlotte Inc., Charlotte, USA ⁷⁾	USD K	1	1	100.0	
DMG Chicago Inc., Schaumburg, USA ⁷⁾	USD K	233	264	100.0	
DMG Houston Inc., Houston, USA ⁷⁾	USD K	89	101	100.0	
DMG Los Angeles Inc., Los Angeles, USA ⁷⁾	USD K	132	150	100.0	
DMG Canada Inc., Toronto, Canada ⁵⁾	CAD K	34	24	100.0	
DECKEL MAHO GILDEMEISTER Ltda., São Paulo, Brasil ⁵⁾	BRL K	126	61	100.0	
DECKEL MAHO GILDEMEISTER México, S.A. de C.V., Monterrey, Mexico ⁵⁾	MXN K	235	29	100.0	
DMG Asia Pacific Pte. Ltd., Singapore ⁵⁾	SGD K	1,330	814	100.0	
DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, Malaysia ⁵⁾	MYR K	345	252	100.0	
DMG Technology Trading (Shanghai) Co. Ltd. Shanghai, China ⁵⁾	CNY K	2,866	392	100.0	
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, India ⁵⁾	INR K	8,241	193	100.0	
Nippon DMG K.K., Yokohama, Japan ⁵⁾	JPY K	2,055	18	100.0	
DMG Machinery Taiwan Ltd., Taipeh, Taiwan ⁵⁾	NTD K	8	1	100.0	
DMG Korea Ltd., Seoul, Korea ⁵⁾	KRW K	78,631	67	100.0	
DMG Service Dreher GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ^{5/6/9)}			1,500	100.0	
DMG Service BAZ GmbH					
DECKEL MAHO GILDEMEISTER, Geretsried ^{5/6/9)}			1,000	100.0	
DMG Service UFB GmbH					
DECKEL MAHO GILDEMEISTER, Pfronten ^{5/6/9)}			1,500	100.0	
DMG Service UFB Seebach GmbH					
DECKEL MAHO GILDEMEISTER, Seebach ^{5/6/9)}			110	100.0	
DMG Gebrauchtmaschinen GmbH					
DECKEL MAHO GILDEMEISTER, Geretsried ^{5/6/9)}			2,517	100.0	
DMG Trainings-Akademie GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ^{5/6/9)}			271	100.0	
Other					
PCG Personnel Consulting GmbH, Erkelenz			192	51.0	-58

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

2) Participating interest of DECKEL MAHO Pfronten GmbH

3) Participating interest of Holding Macchine Utensili S.p.A.

4) Participating interest of GILDEMEISTER Italiana S.p.A.

5) Participating interest of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

6) Control and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

7) Participating interest of DMG America Inc.

8) Participating interest of DMG France S.a.r.l.

9) The domestic subsidiary that is organised in a corporate form (Kapitalgesellschaft) has complied with the conditions required by Section 264 para. 3 HGB regarding the application of the exemption regulation and therefore waives the disclosure of its annual financial statements and relating documents.

Company Management

Supervisory Board

• Supervisory Board seats pursuant to Section 100 AktG

* Membership with comparable domestic and international control bodies of business enterprises

Dr.-Ing. Manfred Lennings,

Essen,

Chair,

Independent industry consultant

- Bayer AG, Leverkusen
- B.U.S. Berzelius Umwelt-Service AG, Duisburg, chair (until 30th Nov. 2001)
- Deutsche Post AG, Bonn
- IVG Holding AG, Bonn (end of chairmanship 4th Dec. 2001)
- * Heitkamp-Deilmann-Haniel GmbH, Herne, chair

Harry Domnik,

Bielefeld,

Vice Chair,

First secretary of

IG Metall administrative office,

Bielefeld

- * MHP Mannesmann Präzisrohr GmbH, Hamm (until 31st Jan. 2001)

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

Arno Kruck,

Bielefeld,

Chair of the works council of

DMG Vertriebs und Service GmbH

DECKEL MAHO GILDEMEISTER,

Bielefeld

Prof. Dr.-Ing. Walter Kunerth,

Zeitlarn,

Senior Advisor Fonds Partenaires GmbH,

Frankfurt

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

Hans Henning Offen,

Düsseldorf,

Deputy Chair of the Executive Board of the

Westdeutschen Landesbank Girozentrale,

Düsseldorf/Münster

- Kaufhof Warenhaus AG, Köln
- Preussag AG, Hannover/Berlin
- rWE Plus AG, Essen
- Thyssen Krupp Materials & Services AG, Düsseldorf
- Trienekens AG, Viersen
- WestLB (Europa) Holding AG, Düsseldorf
- * Banque d'Orsay, Paris
- * Deutsche Shell GmbH, Hamburg (until 27th June 2001)
- * Familienstiftung Schwarz, Neckarsulm
- * West Intell AG & Co. KG, Düsseldorf

Peter Oxfart,

Creuzburg,

Chair of the works council of

DECKEL MAHO Seebach GmbH,

Seebach

Executive Board

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

- König Ludwig Musical AG, Füssen
- Schmidt Bank KG aA, Hof
(until 11th Dec. 2001)

Günther Johann Schachner,
Peiting,
Member of the board of the IG Metall
Frankfurt,
1st secretary of the IG Metall
(engineering Worker's Union)
headquarters,
Weilheim

Hans Peter Schreib,
Solicitor, Düsseldorf,
Executive Board member of Deutsche
Schutzvereinigung für Wertpapierbesitz
e.V. (DSW), Düsseldorf
(German Association of Securities Owners)

- K + S AG, Kassel
- Metro AG, Köln

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

Dr.-Ing. Raimund Klinkner,
Bielefeld

- Dürkopp Adler AG, Bielefeld

Dipl.-Kfm. Dieter Schäfer,
Steinhagen

**Consolidated income statement
for the period 1st January to 31st December 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

	Notes	2001			2000
		€	€	€	€
1. Sales revenues	24		1,144,239,099		923,297,567
2. Increase (prev. year decrease) in finished goods and work in progress			44,189,770	1,188,428,869	-10,760,811
3. Other own work capitalised				515,514	346,894
4. Other operating income	25			21,871,379	22,343,906
				1,210,815,762	935,227,556
5. Cost of materials	26				
a) Cost of raw materials, consumables and goods for resale		519,536,144			397,903,811
b) Cost of purchased services		130,406,116	649,942,260		87,191,003
6. Staff costs	27				
a) Wages and salaries		227,508,724			179,064,964
b) Social contributions, pension and other benefits		43,113,913	270,622,637		33,478,885
7. Depreciation of fixed intangible and tangible assets			33,461,076		25,491,665
8. Other operating charges	28		186,762,753	1,140,788,726	149,224,260
9. Other interest receivables and similar income	32		2,325,252		1,727,601
10. Interest payable and other similar charges	33		23,194,847	20,869,595	20,408,792
11. Profit on ordinary activities				49,157,441	44,191,777
12. Tax on profit	35			8,120,108	6,112,560
13. Profit for the year				41,037,333	38,079,217
14. Profit share of other shareholders				-828,094	-1,588,111
15. Profit carried forward				1,218,067	1,964,209
				41,427,306	38,455,315
16. Transfer to other earnings reserves				20,000,000	20,000,000
17. Net profit for the year				21,427,306	18,455,315

**Consolidated balance sheet at 31st December 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Assets	Notes	At	
		31 st Dec. 2001	31 st Dec. 2000
		€	€
A. Fixed assets			
I. Intangible assets	6		
1. Goodwill		66,858,970	67,975,398
2. Industrial property and similar rights		6,259,989	9,723,866
3. Payments on account		1,336,450	2,479,308
			74,455,409
II. Tangible assets	7		
1. Land and buildings		102,600,538	86,151,085
2. Technical equipment and machinery		22,254,633	19,493,766
3. Other equipment, factory and office equipment		27,014,435	22,080,606
4. Payments on account and construction in progress		6,429,974	2,574,279
			158,299,580
III. Financial assets	8		
Shares in affiliated companies			991,305
			233,746,294
			210,485,525
B. Current assets			
I. Stocks	9		
1. Raw materials and consumables		72,132,011	67,803,689
2. Work in progress		84,554,710	68,432,295
3. Finished goods and goods for resale		89,679,742	57,253,527
4. Payments on account		1,710,277	1,741,967
5. Payments received on account of orders		35,041,288	34,811,233
			213,035,452
II. Debtors and other assets	10		
1. Trade debtors		295,959,282	266,753,252
2. Amounts owed by affiliated companies		207,183	0
3. Other assets		35,274,121	26,879,794
			331,440,586
III. Securities	11		2,640,070
IV. Cash in hand, Bundesbank balances and bank balances	12		15,253,660
			24,096,259
C. Prepaid expenses	13		5,060,302
			801,176,364
			4,505,971
			700,535,572

Equity and liabilities

	Notes	At	
		31 st Dec. 2001	31 st Dec. 2000
		€	€
A. Equity	14		
I. Subscribed capital			75,086,510
II. Capital reserves			48,734,269
III. Revenue reserves			
1. Statutory reserves			680,530
2. Reserve for own shares			0
3. Other revenue reserves			58,185,152
IV. Net profit for the year			21,427,306
V. Shares held by other shareholders			11,015,384
			215,129,151
			195,687,287
B. Special account for investment allowances	15		2,387,041
			1,218,598
C. Provisions			
1. Provisions for pensions	16	27,699,511	27,393,358
2. Tax provisions	17	18,093,554	12,804,665
3. Other provisions	18	92,280,883	73,730,386
			138,073,948
			113,928,409
D. Creditors	19		
1. Bank loans and overdrafts		280,425,803	232,734,652
2. Trade creditors		115,864,071	109,998,677
3. Bills of exchange payable		14,799,235	13,624,398
4. Amounts owed to affiliated companies		94,051	0
5. Other creditors		30,796,365	29,192,674
			441,979,525
			385,550,401
E. Deferred income	20		3,606,699
			4,150,877
			801,176,364
			700,535,572

>> **Consolidated balance sheet at 31st December 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Consolidated fixed asset movement schedule
at 31st December 2001 of GILDEMEISTER Aktiengesellschaft, Bielefeld

Acquisition and production costs

I. Intangible assets

1. Goodwill
2. Industrial property and similar rights
3. Payments on account

II. Tangible assets

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

III. Financial assets

- Shares in affiliated companies

Total fixed assets

Depreciation

	At 1 st Jan. 2001 €	Other changes €
I. Intangible assets		
1. Goodwill	18,579,103	0
2. Industrial property and similar rights	16,899,534	56,206
3. Payments on account	0	0
	35,478,637	56,206
II. Tangible assets		
1. Land and buildings	24,604,050	142,355
2. Technical equipment and machinery	31,785,368	388,718
3. Other equipment, factory and office equipment	43,619,177	138,768
4. Payment on account and construction in progress	0	0
	100,008,595	669,841
III. Financial assets		
Shares in affiliated companies	0	0
	0	0
Total fixed assets	135,487,232	726,047

	At 1 st Jan. 2001	Other changes	Additions	Disposals	Book transfers	At 31 st Dec. 2001
	€	€	€	€	€	€
	86,554,501	5,355,238	0	0	0	91,909,739
	26,623,400	146,959	2,556,478	12,069	0	29,314,768
	2,479,308	0	2,100,605	3,243,463	0	1,336,450
	115,657,209	5,502,197	4,657,083	3,255,532	0	122,560,957
	110,755,135	297,911	20,833,151	977,943	269,650	131,177,904
	51,279,134	682,942	7,831,176	1,000,459	-210,536	58,582,257
	65,699,783	487,053	17,062,897	3,499,827	327,562	80,077,468
	2,574,279	34,868	5,879,912	1,672,409	-386,676	6,429,974
	230,308,331	1,502,774	51,607,136	7,150,638	0	276,267,603
	7,217	-7,217	991,305	0	0	991,305
	7,217	-7,217	991,305	0	0	991,305
	345,972,757	6,997,754	57,255,524	10,406,170	0	399,819,865

Net book value

Additions	Disposals	Book transfers	At 31 st Dec. 2001	At 31 st Dec. 2001	At 31 st Dec. 2000
€	€	€	€	€	€
6,471,666	0	0	25,050,769	66,858,970	67,975,398
6,111,064	12,025	0	23,054,779	6,259,989	9,723,866
0	0	0	0	1,336,450	2,479,308
12,582,730	12,025	0	48,105,548	74,455,409	80,178,572
4,013,394	194,052	11,619	28,577,366	102,600,538	86,151,085
4,555,133	401,472	-123	36,327,624	22,254,633	19,493,766
12,309,819	2,993,235	-11,496	53,063,033	27,014,435	22,080,606
0	0	0	0	6,429,974	2,574,279
20,878,346	3,588,759	0	117,968,023	158,299,580	130,299,736
0	0	0	0	991,305	7,217
0	0	0	0	991,305	7,217
33,461,076	3,600,784	0	166,073,571	233,746,294	210,485,525

>> Consolidated fixed asset movement schedule
at 31st December 2001 of GILDEMEISTER Aktiengesellschaft, Bielefeld

**Segmental reporting relating to the consolidated financial statements 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Segmentation by business segments

	"Machine Tools"		Changes against the previous year		"Services"	
	2001	2000			2001	2000
	€ K	€ K	€ K	%	€ K	€ K
Sales revenues with third parties	895,113	729,440	165,673	22.7	248,129	192,780
EBITDA	74,123	63,069	11,054	17.5	35,745	38,059
EBIT	52,062	47,964	4,098	8.5	29,499	32,743
Net interest income	-12,392	-8,703	-3,689	-42.4	-5,221	-4,958
Profit/loss on ordinary activities	39,670	39,261	409	1.0	24,278	27,785
Taxes on income	714	5,443	-4,729	-86.9	10,362	5,689
Profit/loss for the year	38,956	33,818	5,138	15.2	13,916	22,096
Segmental assets	659,898	568,573	91,325	16.1	465,577	346,931
Segmental debts	482,279	400,575	81,704	20.4	407,232	330,131
Investments	46,889	36,971	9,918	26.8	16,950	10,994
Depreciation	22,061	15,105	6,956	46.1	6,246	5,316
Employees	3,514	3,159	355	11.2	1,644	1,437

Segmentation by regions

	Germany		Changes against the previous year		Rest of Europe		Changes against the previous year		North America		Changes against the previous year		Asia
	2001	2000			2001	2000			2001	2000			2001
	€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K
Sales revenues with group companies	590,749	480,386	110,363	23.0	73,900	47,300	26,600	56.2	3,336	3,360	-24	-0.7	13,368
Sales rev. with third parties	664,278	560,000	104,278	18.6	367,263	283,603	83,660	29.5	74,292	45,277	29,015	64.1	38,174
Segmental assets	1,050,658	799,186	251,472	31.5	512,307	473,230	39,077	8.3	53,374	42,183	11,191	26.5	31,827
Investments	87,412	55,907	31,505	56.4	12,077	126,829	-114,752	-90.5	699	958	-259	-27.0	2,278

	Changes against the previous year		"Corporate Services"		Changes against the previous year		Transition		Group		Changes against the previous year	
	€ κ	%	2001	2000	€ κ	%	2001	2000	2001	2000	€ κ	%
	55,349	28.7	997	1,078	-81	-7.5	0	0	1,144,239	923,298	220,941	23.9
	-2,314	-6.1	-7,809	-12,941	5,132	39.7	1,429	177	103,488	88,364	15,124	17.1
	-3,244	-9.9	-12,963	-18,012	5,049	28.0	1,429	178	70,027	62,873	7,154	11.4
	-263	-5.3	-3,257	-5,020	1,763	35.1	0	0	-20,870	-18,681	-2,189	-11.7
	-3,507	-12.6	-16,220	-23,032	6,812	29.6	1,429	178	49,157	44,192	4,965	11.2
	4,673	82.1	-1,021	146	-1,167	-799.3	-1,935	-5,165	8,120	6,113	2,007	32.8
	-8,180	-37.0	-15,199	-23,178	7,979	34.4	3,364	5,343	41,037	38,079	2,958	7.8
	118,646	34.2	522,957	421,970	100,987	23.9	-847,256	-636,938	801,176	700,536	100,640	14.4
	77,101	23.4	234,594	191,639	42,955	22.4	-538,058	-417,496	586,047	504,849	81,198	16.1
	5,956	54.2	38,684	136,443	-97,759	-71.6	-45,268	-144,918	57,255	39,490	17,765	45.0
	930	17.5	5,154	5,071	83	1.6	0	0	33,461	25,492	7,969	31.3
	207	14.4	54	41	13	31.7	0	0	5,212	4,637	575	12.4

	Asia	Changes against the previous year		Rest of world		Changes against the previous year		Transition		Group		Changes against the previous year		
	2000	€ κ	%	2001	2000	€ κ	%	2001	2000	2001	2000	€ κ	%	
		2,802	10,566	377.1	86	0	86	0.0	-681,439	-533,848	0	0	0.0	
		34,418	3,756	10.9	232	0	232	0.0	0	0	1,144,239	923,298	220,941	23.9
		22,875	8,952	39.1	266	0	266	0.0	-847,256	-636,938	801,176	700,536	100,640	14.4
		714	1,564	219.0	57	0	57	0.0	-45,268	-144,918	57,255	39,490	17,765	45.0

>> **Segmental reporting relating to the consolidated financial statements 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Income statement
for the period 1st January to 31st December 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld

	Notes	2001		2000	
		€	€	€	€
1. Sales revenues	24		19,186,247		19,709,551
2. Other operating income	25		1,919,294		1,538,836
				21,105,541	21,248,387
3. Cost of materials	26				
a) Cost of raw materials, consumables and goods for resale		34,464			6,760
b) Cost of purchased services		2,979,390	3,013,854		2,363,916
4. Staff costs	27				
a) Wages and salaries		5,067,151			4,626,642
b) Social contributions, pension and other benefits		2,561,592	7,628,743		2,260,194
5. Depreciation of fixed intangible and tangible assets			5,151,653		5,070,830
6. Other operating charges	28		18,034,541	33,828,791	21,955,116
7. Income from profit and loss transfer agreements	29		59,998,795		49,097,745
8. Income from participating interests	30		6,505,491		10,613,367
9. Other interest receivables and similar income	32		11,048,026		6,529,990
10. Interest payable and similar charges	33		6,747,685	70,804,627	6,837,811
11. Profit on ordinary activities				58,081,377	44,368,220
12. Tax on profit (loss)	35			1,021,106	-145,641
13. Profit for the year				59,102,483	44,222,579
14. Profit carried forward				0	967,393
15. Transfer to other earnings reserves				29,500,000	22,000,000
16. Net profit for the year				29,602,483	23,189,972

Balance sheet at 31st December 2001
of GILDEMEISTER Aktiengesellschaft, Bielefeld

Assets	Notes	At	
		31 st Dec. 2001	31 st Dec. 2000
		€	€
A. Fixed assets			
I. Intangible assets	6		
1. Industrial property and similar rights		2,026,068	5,309,080
2. Payments on account		0	22,524
			2,026,068
			5,331,604
II. Tangible assets	7		
1. Land and buildings		14,614,090	14,487,367
2. Other equipment, factory and office equipment		1,333,297	1,984,919
3. Payments on account and construction in progress		75,049	64,541
			16,022,436
			16,536,827
III. Financial assets	8		
Shares in affiliated companies			143,076,854
			105,730,068
			161,125,358
			127,598,499
B. Current assets			
I. Debtors and other assets	10		
1. Trade debtors		18,030	130,146
2. Amounts owed by affiliated companies		229,988,358	165,442,356
3. Other assets		9,722,031	7,220,986
			239,728,419
			172,793,488
II. Securities	11		273,213
			1,205,448
III. Cash in hand, Bundesbank balances and bank balances	12		3,710,141
			3,330,559
C. Prepaid expenses	13		14,096
			64,750
			404,851,227
			304,992,744

Equity and liabilities

	Notes	At		At
		31 st Dec. 2001		31 st Dec. 2000
		€	€	€
A. Equity	14			
I. Subscribed capital			75,086,510	75,086,510
II. Capital reserve			48,734,269	48,734,269
III. Revenue reserves				
1. Statutory reserve			680,530	680,530
2. Reserve for own shares			0	1,205,448
3. Other revenue reserves			112,252,724	75,594,551
IV. Net profit for the year			29,602,483	23,189,972
			266,356,516	224,491,280
B. Provisions				
1. Provisions for pensions	16	14,373,974		14,152,865
2. Tax provisions	17	801,706		188,156
3. Other provisions	18	5,391,163		3,681,489
			20,566,843	18,022,510
C. Creditors	19			
1. Bank loans and overdrafts		84,782,678		49,927,087
2. Trade creditors		3,730,314		6,342,767
3. Bills of exchange payable		0		699,948
4. Amounts owed to affiliated companies		23,607,742		66,114
5. Other creditors		5,807,134		5,443,038
			117,927,868	62,478,954
			404,851,227	304,992,744

>> **Balance sheet at 31st December 2001**
of GILDEMEISTER Aktiengesellschaft, Bielefeld

Fixed asset movement schedule
at 31st December 2001 of GILDEMEISTER Aktiengesellschaft, Bielefeld

Acquisition and production cost

I. Intangible assets

- 1. Industrial property and similar rights
 - 2. Payments on account
-

II. Tangible assets

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

III. Financial assets

- Shares in affiliated companies
-

Total fixed assets

Depreciation

I. Intangible assets

- 1. Industrial property and similar rights
 - 2. Payments on account
-

II. Tangible assets

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

III. Financial assets

- Shares in affiliated companies
-

Total fixed assets

	At 1 st Jan. 2001	Additions	Disposals	Book transfers	At 31 st Dec. 2001
	€	€	€	€	€
	13,155,928	269,428	0	0	13,425,356
	22,524	0	0	-22,524	0
	13,178,452	269,428	0	-22,524	13,425,356
	27,031,370	640,942	0	10,259	27,682,571
	5,045,103	346,307	3,161	76,806	5,465,055
	64,541	75,049	0	-64,541	75,049
	32,141,014	1,062,298	3,161	22,524	33,222,675
	105,730,068	37,346,786	0	0	143,076,854
	105,730,068	37,346,786	0	0	143,076,854
	151,049,534	38,678,512	3,161	0	189,724,885

Net book value

At 1 st Jan. 2001	Additions	Disposals	Book transfers	At 31 st Dec. 2001	At 31 st Dec. 2001	At 31 st Dec. 2000
€	€	€	€	€	€	€
7,846,848	3,552,440	0	0	11,399,288	2,026,068	5,309,080
0	0	0	0	0	0	22,524
7,846,848	3,552,440	0	0	11,399,288	2,026,068	5,331,604
12,544,003	524,478	0	0	13,068,481	14,614,090	14,487,367
3,060,184	1,074,735	3,161	0	4,131,758	1,333,297	1,984,919
0	0	0	0	0	75,049	64,541
15,604,187	1,599,213	3,161	0	17,200,239	16,022,436	16,536,827
0	0	0	0	0	143,076,854	105,730,068
0	0	0	0	0	143,076,854	105,730,068
23,451,035	5,151,653	3,161	0	28,599,527	161,125,358	127,598,499

>> **Fixed asset movement schedule**
at 31st December 2001 of GILDEMEISTER Aktiengesellschaft, Bielefeld

Audit Opinion

We have audited the annual financial statements and accounting records of GILDEMEISTER Aktiengesellschaft, Bielefeld, the consolidated financial statements, the management report and group management report for the financial year from 1st January to 31st December 2001. 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, the consolidated financial statements prepared by the company 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 management reports, are identified with sufficient certainty. When defining the auditing 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 controlling 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 acknowledgment of the overall representation 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, 22nd March 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
Auditor

Luther
Auditor

FINANCIAL CALENDAR

4 th April 2002	Press conference on the balance sheet
5 th April 2002	Discussion with analysts
19 th April 2002	Publication of Annual Report 2001
7 th May 2002	1 st Quarterly Report 2002 (1 st January to 31 st March)
17 th May 2002	Shareholders' General Meeting at 10 am in Stadthalle Bielefeld (Convention Center Bielefeld)
21 th May 2002	Distribution of dividends
08 th August 2002	2 nd Quarterly Report 2002 (1 st April to 30 th June)
07 th November 2002	3 rd Quarterly Report 2002 (1 st July to 30 th September)
06 th February 2003	Press release on provisional figures for the financial year 2002
16 th May 2003	Shareholders' General Meeting at 10 am in Stadthalle Bielefeld (Convention Center Bielefeld)

Contact

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Commercial Glossary

Accruals and deferrals	Figures in the reporting period that affect the profit or loss of a period after the balance sheet date
Affiliated companies	cf. subsidiaries
BBR Baetge Balance Sheet Rating	BBR is a balance sheet credit rating system for companies based on the analysis of disclosed annual financial statements. Key figures are determined on the basis of these data, the overall assessment of which is intended to give a reliable statement on the economic situation and viability of companies.
Borrowed capital	Summarising term for reserves, creditors and deferred income shown on the liabilities side of a balance sheet
Business on a commission basis	DMG Vertriebs und Service GmbH and its subsidiaries receive a commission for arranging an order with the production companies. They act in their own name and on account of a third-party.
Cashflow	Flow of financial funds from current business activities over a period, adjusted by significant charges and income not affecting payment
CONSOB	“Commissione Nazionale per le Società e la Borsa”, Italian stock market supervisory authority
Corporate Governance	Responsible management and control of a company geared towards a lasting increase in company value
Current assets	Assets for the short-term operation of the business
DAX	German stock market index. Calculation is based on the weighted prices of 30 standard German share values of maximum quality.
Deferred taxes	Inter-period differences between calculated taxes on profit or loss from a commercial and tax balance sheet, with the object of showing tax expenditure in accordance with the correct commercial result
Dow-Jones-Index	Stock market index for the 30 major American quoted securities
DVFA/SG result	Computational formula jointly developed by the Commission of Methodology of the German Association for Financial Analysis and Financial Consulting (Deutsche Vereinigung für Finanzanalyse und Anlageberatung e. V. = DVFA) and the “External Financial Reporting” working group of the Schmalenbach Society – German Society for Business Management (Arbeitskreis “Externe Unternehmensrechnung” Schmalenbach Gesellschaft – Deutsche Gesellschaft für Betriebswirtschaft e. V. = SG) with the aim of establishing the most objective standard of comparison possible for the assessment of corporate earnings power by adjusting the net income/loss for the year for expense and income from special effects (cf. cashflow in accordance with DVFA/SG)

EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT	Earnings before interest and taxes
EBT	Earnings before taxes
EGG	Profit/loss on ordinary activities
EMO	“Exposition mondiale de la Machine Outil”. The EMO is the main trade fair in the machining industry and is the largest trade fair for machine tools world-wide. It takes place every two years, alternately in Hanover and Milan.
Equity / equity capital	Funds made available to a company by its owners through deposit and/or contributions or through retained profits
Equity return	Annual net profit to equity ratio
EURO-STOXX 50	Index consisting of the 50 major companies from the EU states (the so-called Blue Chip companies), weighted by market capitalisation, trading volume and industry
Fixed assets	Assets intended for use on a continuing basis
Flow of funds analysis	Statement of the movement of liquid funds/flow of funds taking into account the sources and application of funds during the financial year
Free Float	Part of the share capital in portfolio investments
FTSE – 100	Abbreviation for the Financial Times Stock Exchange 100 stock index. It includes the 100 major quoted securities in Great Britain.
Gearing	Net indebtedness to equity ratio
Goodwill	Excess of cost of an acquired company over the sum of the company’s individual assets minus debts at the time of acquisition
IAS	International Accounting Standards. Internationally applicable standards defined by the International Accounting Standards Board (IASB) for external corporate reporting aimed at reaching world-wide harmonisation of accounting.
KonTraG	German Corporate Control and Transparency Law
Letter of comfort	Formal obligation – for example by a parent company in favour of the subsidiary – to a bank to secure a loan
Loan capital	cf. borrowed capital

Market capitalisation	Current price of a listed company. Determined by the share's market value multiplied by the total number of shares.
MDAX	The Mid-Cap DAX consists of the 70 major companies in German according to trade volume and market capitalisation. It thereby includes the values of the DAX 100 that are not included in the DAX 30.
Mid Cap	Companies listed in the MDAX.
NASDAQ	National Association of Securities Dealers Automated Quotations is an electronic trading system run by NASD. Trading of young dynamic companies from growth industries.
NEMAX 50	The New Market Index includes the 50 major share values in the New Market.
Net indebtedness	Balance of interest-bearing asset and debit items (amounts owed to banks and bills payable minus current asset securities and liquid funds)
Nikkei	Japanese stock index. Criterion is the market capitalisation rate.
Outside capital	cf. borrowed capital
Return on total capital employed	Ratio of earnings before tax and interest on borrowed capital to average total capital
ROCE	EBIT to total capital, reserves and net indebtedness ratio (return on capital employed)
ROI	Earnings before taxes to average total capital ratio (return on investment)
SDAX	Stock index daily representing the 100 strongest SMAX-Werte values
SMAX	"Small Cap Exchange": was positioned in April 1999 by Deutsche Börse AG below the MDAX as a new stock market tier; members: small and medium-sized stock corporations from traditional industries
Subsidiaries	All companies that are directly or indirectly controlled by a parent company due to a majority holding interest and/or a central management
Three major global markets	The three global markets, America, Asia and Europe.
Trading for own account	DMG Vertriebs und Service GmbH and its subsidiaries sell machines bought from the production companies in their own name and on their own account
Xetra trading system	Electronic stock exchange trading system

Technical Glossary

- 3-D-CAD** The term CAD includes all activities that analyse, structure and algorithmitise the planning and construction of building components. The pro/e product (cf. pro/e) used at GILDEMEISTER enables the representation of three-dimensional building component.
- Benchmark** External or in-house comparison of companies or departments with the help of selected key figures.
- Cavity (micro-cavity)** A cavity is a small hollow mould.
- cnc Nettraining** Controls based on the Microsoft Windows operating system (such as MILL PLUS IT, TURN PLUS IT) that enable interactive training via the Internet directly at the machine or a programming location similar to a machine. In the CNC Nettraining a trainer communicates with students at any customer location.
- coSupply** coSupply means the highly efficient supply partnerships at GILDEMEISTER, characterised by the three functions: "communication", "cooperation" and "competence".
- CTV** The CTV product line provides universal lathes with a vertically placed head spindle and integrated handling of components for high cutting capacities and piece numbers.
- CTX** The CTX product line provides a differentiated programme of universal lathes with a variety of options for both simple and demanding machining tasks.
- DMC-H** The DMC-H product line provides horizontal machining centres with high dynamics and precision for a wide range of uses, from general machine construction to serial production in the automobile industry.
- DMC-V** The DMC-V product line provides vertical machining centres with high dynamics and precision for high demands in both the tool manufacture and mould building industries and for small-lot and medium-sized serial production.
- DMF** The DMF product line provides traversing column machines with fast traverse speeds of the traversing column.
- DMG Messenger** Service product integrated into the CNC control for messages per SMS/Email suitable for any identifiable machine status, status modification and event
- DMG Netservice** Interactive online remote access to the control of machines for fault analysing and programming support

DMG Nettraining	cf. CNC Nettraining
DMG Service Agent	Service product integrated into the CNC control for the automated and comprehensive support of all maintenance and service activities that are due and the supply of spare parts
DMP	The DMP product line includes production machining centres for small-lot and mass production.
DMU	This product line provides a well developed programme of universal milling machines for 5-axis integrated machining.
Double-Sourcing	Double-Sourcing is procurement from two supply sources.
E-Business/ E-Commerce	The whole range of electronic Internet-supported communication between companies and end user. It is essentially the exchange of business information without paper. Applications range from relaying information through to sales to word-wide simultaneous auctions between partners via the Internet.
ERP System	Standard application software that is intended to be used in, and adapted to, a variety of organisational conditions in various companies
eSupply	Interactive electronic interfacing of suppliers with the GILDEMEISTER ERP system for the transfer of production-orientated demand information
FD line of products	The FD line of products (milling / turning) consists of universal machining centres that are complemented by an NC turntable to carry out turning operations on large bulky work pieces.
GILDEMEISTER -eSupply	cf. eSupply
GMC	The GMC product line consists of CNC multi-spindle automated lathes with integrated spindle engines that can, on request, be equipped with linear drives on the X-axes.
High-end machine	The high-end machines with their technologically superior machines for complex cases take the DECKEL MAHO GILDEMEISTER range of products to perfection.
Inclined bed milling centre	In an inclined bed milling centre the machine's working table is arranged on a specific incline. The advantage to a traditional horizontal table is the safe discharge of chips. The DMP 60 produced by DECKEL MAHO in Seebach is an inclined bed milling centre where the table is inclined in an angle of 45°.

- Intranet** Based on Internet technology, the Intranet is a network for company-internal communication protected from external dangers.
- ISO standard specification 9001: 2000** The ISO standard specification 9001: 2000 is the revised ISO standard 2000 specification that has been in effect since December 2000. It is an international guide for the setting up of quality management.
- IT connectivity** Internet and telecommunication supported connection of machines with remote maintenance and monitoring services and user notification
- KANBAN principle, (kanban = Japanese: card)** The Kanban principle is a simple method for the supply of materials. For example, a frequently used Kanban system provides two containers with assembly material. When the second container is started, the first, empty container is automatically sent back to the store room to be re-filled or, alternatively, sent to a supplier. Further controlling of the process via the DV system is not necessary.
- Lifecycle customer care** Comprehensive range of services for the customer from consulting through to making a quotation for a new machine to the repurchasing of the used machine
- Linear drive technology** Linear drive technology uses a new, electro-magnetic driving principle that does not rotate as in traditional methods, but has a linear moving direction. Mechanical intermediate elements are therefore no longer necessary so that the engine itself moves the machine axes with high precision and acceleration. Until now the feed motion of the machining axes was created through recirculating ball screws. In this process a ball sleeve attached to the machine slide runs on the turning spindle like a screw nut on a thread.
- Machine turnover per employee** Machine turnover per employee in assembly, production and the adjoining, production-related areas of materials management and control (procurement, stockkeeping, consignment)
- Monobloc construction** Unlike a construction, where the where the machine frame consists of several components (bed, stand, etc.), the core of a machine in monoblock construction is formed by a rigid and compact basic body.
- NEF** The NEF line of products offers an operator-friendly entry-level machine for modern turning technology at an affordable price. Thanks to their universal design, the machines are suitable for piece part manufacture and small-lot production.

- PRO/E (PRO/Engineer)** Trade name for a fully 3D-capable CAD system. The machine parts are modelled as volume bodies. They are available for temperature calculation, tension analyses, etc. The drawings are based on the 3D model.
- PULL** Production PULL is a programme that has been used throughout the GILDEMEISTER group since June 1998 with the aim of increasing the individual companies' production efficiency and logistical performance and improving the production-related areas such as disposition, receipt of goods and stock of goods.
- SAM** (Serial start-up, system-supported method for recording, communication, processing and management). Control of start-up specific tasks with the aim of taking new machines to serial maturity faster
- Total-Customer-Support** This term covers an extended range of services such as preparatory work for investments, setting up of machines, training (for example, CNC Nettraining) and comprehensive service packets such as an optimal supply of spare and expendable parts, all intended to ensure complete customer satisfaction.
- Transshipmentpoint-Konzept** A logistical programme where a service provider brings together incoming freights of various suppliers at one place (transshipment point) and simultaneously delivers them to the plants in time for production. Outgoing freights are transhipped in a similar way.
- TWIN** The TWIN line of production provides lathes with two independent turning spindles for the integrated machining of demanding chuck and rod parts.
- VPN** Virtual VPN are virtual nets of private data connections that transport data via public nets (such as the Internet) which cannot be read by third parties. These nets facilitate a specific exchange of data between customers and suppliers via secure and encoded data connections.
- Web-Kanban** Electronic Kanban process where a supplier is provided with an updated online image of the place of consumption for the goods to be supplied by him via Internet transmission

EXPLANATORY NOTES TO RATIOS

Balance sheet ratios (in %)

Capitalisation ratio of fixed assets	Fixed assets : total assets x 100
Labour intensity of current assets	Current assets : total assets x 100
Equity ratio	Equity capital : total capital x 100
Ratio of outside capital to total capital	Outside capital : total capital x 100
Assets and liabilities structure	Fixed assets : current assets x 100
Capital structure	Equity capital : outside capital x 100

Ratios pertaining to financial position

Cash ratio	Cash : short-term liabilities x 100
Ratio of financial current assets to short-term liabilities	(cash + short-term receivables) : short-term liabilities x 100
Current ratio	(cash + short-term receivables + stocks) : short-term liabilities x 100

Structural analysis ratios

Turnover rate of raw materials and consumables	Cost for raw materials and consumables : Stock of raw materials and consumables
Turnover rate of stocks	Sales revenues : stocks
Turnover rate of trade debtors	Sales revenues + VAT: average trade debtors
Total capital-sales ratio	Sales revenues : total capital
Working Capital	Current assets – short-term liabilities

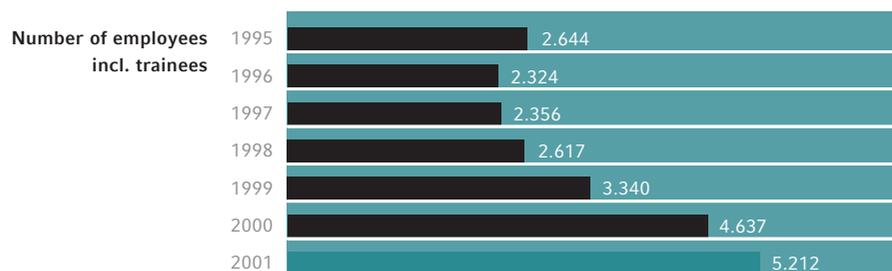
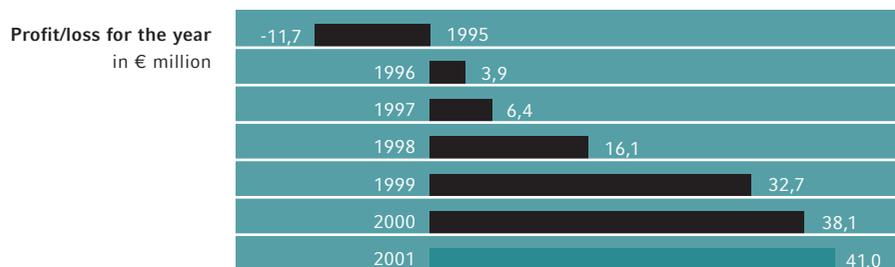
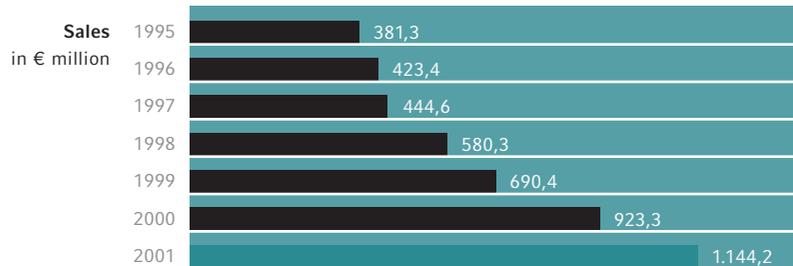
Efficiency ratios (in %)

Equity return	Profit for the year : book equity capital at 1 st January x 100
Return on total investment	Profit for the year before tax and interest on outside capital : average total capital x 100
Percentage return on sales (profit for the year + interest on outside capital/sales)	Profit for the year and interest on outside capital : Umsatzerlöse x 100
Percentage return on sales (EGG)	Profit/loss on ordinary activities : sales revenues x 100

Productivity ratios (in %)

Intensity of materials	Cost of materials : gross performance x 100
Intensity of staff	Staff costs : gross performance x 100

SALES | ORDER INTAKE | PROFIT/LOSS FOR THE YEAR | EMPLOYEES



MULTIPLE YEAR OVERVIEW

GILDEMEISTER group								Changes	
	1995	1996	1997	1998	1999	2000	2001	against prev. year in %	
Sales	€ k	381,343	423,384	444,543	580,328	690,363	923,298	1,144,239	24
Domestic	€ k	198,404	225,551	249,357	340,361	408,987	483,363	566,865	17
International	€ k	182,939	197,833	195,186	239,967	281,376	439,935	577,374	31
% International	%	48	47	44	41	41	48	50	
Total result	€ k	374,084	424,547	447,319	583,558	700,012	912,884	1,188,944	30
Personnel costs	€ k	121,114	121,710	126,877	145,786	171,405	212,544	270,623	27
Operating result	€ k	-3,410	7,332	17,259	36,626	47,478	55,748	66,139	19
Financial result	€ k	-11,316	-10,153	-11,339	-10,562	-11,903	-18,681	-20,870	12
Profit/loss on ordinary activities	€ k	-6,849	669	9,371	29,615	34,452	44,192	49,157	11
Profit/loss for the year	€ k	-11,694	3,925	6,433	16,142	32,663	38,079	41,037	8
Adjusted figures for profit/loss									
EBITDA	€ k	14,236	20,070	28,097	50,137	61,302	88,365	103,488	17
EBIT	€ k	4,462	10,821	20,710	40,177	46,356	62,873	70,027	11
EBT	€ k	-7,464	8,049	7,243	17,015	34,452	44,192	49,157	11
Result before shares of third parties	€ k	-15,726	1,735	6,810	17,991	33,586	39,667	41,865	6
Fixed assets	€ k	60,498	47,967	54,162	73,939	98,234	210,486	233,746	11
Intangible assets	€ k	10,169	8,341	11,140	16,327	18,676	80,179	74,455	
Tangible assets	€ k	47,620	39,375	42,771	57,497	79,452	130,300	158,300	
Financial assets	€ k	2,709	251	251	115	106	7	991	
Current assets	€ k	242,669	221,163	234,019	279,835	320,830	490,050	567,430	16
Stocks	€ k	113,427	122,385	116,819	123,908	124,973	160,420	213,035	
Receivables incl. prepaid expenses	€ k	111,381	91,819	108,723	147,366	182,270	305,534	339,141	
Capital resources	€ k	17,861	6,959	8,477	8,561	13,587	24,096	15,254	
Equity capital	€ k	58,611	44,114	46,179	81,582	107,174	195,687	215,129	10
Subscribed capital	€ k	48,697	48,697	48,697	55,453	56,398	75,087	75,087	
Capital reserve	€ k	0	0	0	13,513	12,568	48,734	48,734	
Reserves	€ k	0	0	0	681	19,793	39,068	58,866	
Net profit/loss for the year	€ k	-4,017	-8,086	-6,579	6,713	13,202	18,455	21,427	
Shares held by other shareh.	€ k	13,931	3,503	4,061	5,222	5,213	14,343	11,015	
External capital	€ k	244,556	225,016	242,002	272,192	311,890	504,849	586,047	16
Particip. certificate capital	€ k	0	2,851	7,669	0	0	0	0	
Special account for investment allowances	€ k	300	144	66	50	1,632	1,219	2,387	
Provisions	€ k	50,353	60,154	57,434	62,141	81,472	113,928	138,074	
Accounts payable incl. prepaid expenses and deferred charges	€ k	193,903	161,867	176,833	210,001	228,786	389,702	445,586	
Balance sheet total	€ k	303,167	269,130	288,181	353,774	419,064	700,536	801,176	14

GILDEMEISTER group		1995	1996	1997	1998	1999	2000	2001	Changes against prev. year in %
Balance sheet ratios									
Capitalisation ratio									
of fixed assets	%	20.0	17.8	18.8	20.9	23.4	30.1	29.2	-3
Working intensity									
of current assets	%	80.0	82.2	81.2	79.1	76.6	69.9	70.8	1
Equity ratio	%	19.3	16.4	16.0	23.1	25.6	27.9	26.9	-4
External capital ratio	%	80.7	83.6	84.0	76.9	74.4	72.1	73.1	1
Assets structure									
	%	24.9	21.7	23.1	26.4	30.6	43.0	41.2	-4
Capital structure									
	%	24.0	19.6	19.1	30.0	34.4	38.8	36.7	-5
Financial ratios									
Cash ratio	%	8.9	4.1	4.8	4.2	5.8	7.0	3.6	-49
Ratio of fin. current assets to short-term liabilities									
	%	68.3	58.2	66.1	75.0	81.2	91.5	80.5	-12
Current ratio	%	131.0	131.0	132.9	135.5	134.3	137.9	130.1	-6
Employees (31st Dec.)									
		2,644	2,324	2,356	2,617	3,340	4,637	5,212	12
Investments									
	€ κ	9,031	6,511	13,500	29,798	37,601	39,490	57,256	45
Depreciation									
	€ κ	9,773	9,248	7,388	9,960	14,946	25,492	33,461	31
Ratios on structure analysis									
Turnover rate of raw materials and supplies									
		2.8	3.9	4.9	5.1	6.3	5.9	7.2	22
Turnover rate of inventory									
		3.4	3.5	3.8	4.7	5.5	5.8	5.4	-7
Turnover rate of receivables									
		5.1	5.7	5.2	5.2	5.0	4.0	4.5	13
Turnover rate of capital									
		1.3	1.6	1.5	1.6	1.6	1.3	1.4	8
Working capital									
	€ κ	86.8	88.4	91.2	112.0	137.1	231.0	248.9	8
Profitability ratios									
Return on equity									
	%	-28.8	6.7	14.6	35.0	40.0	35.5	21.0	-41
Return on total assets									
	%	1.9	7.0	7.5	8.7	12.1	11.5	9.6	-17
Profit on sales (ni + interest f. ec/sales)									
	%	0.2	3.7	4.0	4.7	6.5	6.3	5.6	-11
Profit on sales (profit on ordinary operations)									
	%	-1.8	0.2	2.1	5.1	5.0	4.8	4.3	-10
Productivity ratios									
Material intensity									
	%	50.5	54.5	56.4	54.9	55.0	53.1	54.7	3
Personnel intensity									
	%	32.4	28.7	28.4	25.0	24.5	23.3	22.8	-2