



Annual Report 2000

The technology group for turning, milling, lasering
and technical services

GILDEMEISTER

Group Overview

GILDEMEISTER Group		1994	1995	1996	1997	1998	1999	2000
Sales	M €	207.3	381.3	423.4	444.6	580.3	690.4	923.3
EBITDA	M €	-7.9	14.2	20.1	28.1	50.1	61.3	88.4
EBIT	M €	-15.9	4.5	10.8	20.7	40.2	46.4	62.9
Profit or loss on ordinary business activities	M €	-24.0	-6.9	0.7	9.4	29.6	34.5	44.2
EBT	M €	-20.1	-7.5	8.0	7.2	17.0	34.5	44.2
Profit/loss for the year	M €	-21.0	-11.7	3.9	6.4	16.1	32.7	38.1
Cashflow in accordance with DVFA/SG	M €	-46.2	-34.9	5.1	16.1	39.0	51.6	62.7
Investments	M €	24.3	9.1	6.5	13.5	29.8	37.6	39.5
Equity capital	M €	40.6	58.6	44.1	46.2	81.6	107.2	195.7
Balance sheet total	M €	274.6	303.1	269.1	288.2	353.8	419.1	700.5
Employees (31st Dec.)		2,517	2,644	2,324	2,356	2,617	3,340	4,637
Ratios								
Profit on sales	%	-10.1	-3.1	0.9	1.5	2.8	4.7	4.1
Sales per employee	K €	81.8	148.8	171.8	191.2	227.5	210.4	225.4
Sales per employee domestic production plants	K €	120.7	187.4	249.0	252.9	299.6	315.0	339.7
Real net output	M €	69.5	125.6	139.9	147.6	173.5	218.1	275.7
Real net output per employee	K €	27.6	49.1	56.8	63.4	68.0	66.5	67.3
EBIT per employee	K €	-6.3	1.7	4.4	8.9	15.8	14.1	15.3
Return on equity	%	-87.4	-28.8	6.7	14.6	35.0	40.0	35.5
Return on total investments	%	-5.4	1.9	7.0	7.5	8.7	12.1	11.5
ROCE – Return on capital employed	%	-9.4	2.2	5.7	10.9	16.2	14.8	12.0
ROI - Return on investment	%	-9.0	-2.6	2.8	2.6	5.3	8.9	7.9
Result in accordance with DVFA/SG ¹⁾	M €	-23.5	-15.7	-5.9	-1.3	9.9	16.4	20.3
Result / share in acc. with DVFA/SG ²⁾	€	-1.54	-0.82	-0.46	-0.07	0.46	0.76	0.91
Gearing	%	203.7	173.9	176.7	190.9	148.5	121.0	112.0

1) For computation of the results according to DVFA/SG imputed taxes were applied, since there are losses carried forward for GILDEMEISTER Aktiengesellschaft.

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

Key Figures

GILDEMEISTER Group	2000*	1999	Changes	
	M €	M €	2000 against 1999 M €	%
Sales (excl. VAT)				
Total	923.3	690.4	232.9	34
Domestic	483.4	409.0	74.4	18
International	439.9	281.4	158.5	56
% International	48	41		
Order intake				
Total	1,083.8	693.1	390.7	56
Domestic	558.2	406.2	152.0	37
International	525.6	286.9	238.7	83
% International	48	41		
Orders in hand				
Total	422.9	212.0	210.9	99
Domestic	179.1	89.2	89.9	101
International	243.8	122.8	121.0	99
% International	58	58		
Investments	39.5	37.6	1.9	5
Personnel costs	212.5	171.4	41.1	24
Employees - 31st Dec.	4,637	3,340	1,297	39
of which trainees	190	165	25	15

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

Multiple Year Overview

GILDEMEISTER Group		1994	1995	1996	1997	1998	1999	2000	Change against previous year
Sales	K€	207,319	381,343	423,384	444,543	580,328	690,363	923,298	34%
Domestic	K€	113,021	198,404	225,551	249,357	340,361	408,987	483,363	18%
International	K€	94,298	182,939	197,833	195,186	239,967	281,376	439,935	56%
% International	%	45	48	47	44	41	41	48	
Total result	K€	246,250	374,084	424,547	447,319	583,558	700,012	912,884	30%
Personnel costs	K€	85,450	121,114	121,710	126,877	145,786	171,405	212,544	24%
Operating result	K€	-21,427	-3,410	7,332	17,259	36,626	47,478	55,748	17%
Financial result	K€	-8,109	-11,316	-10,153	-11,339	-10,562	-11,903	-18,681	57%
Result from ordinary business activities	K€	-24,040	-6,849	669	9,371	29,615	34,452	44,192	28%
Net income/loss	K€	-21,038	-11,694	3,925	6,433	16,142	32,663	38,079	17%
Adjusted results									
EBITDA	K€	-7,900	14,236	20,070	28,097	50,137	61,302	88,365	44%
EBIT	K€	-15,931	4,462	10,821	20,710	40,177	46,356	62,873	36%
EBT	K€	-20,077	-7,464	8,049	7,243	17,015	34,452	44,192	28%
Result before shares of third parties	K€	-20,795	-15,726	1,735	6,810	17,991	33,586	39,667	18%
Fixed assets	K€	66,914	60,498	47,967	54,162	73,939	98,234	210,486	114%
Intangible assets	K€	12,319	10,169	8,341	11,140	16,327	18,676	80,179	
Tangible assets	K€	51,271	47,620	39,375	42,771	57,497	79,452	130,300	
Financial assets	K€	3,324	2,709	251	251	115	106	7	
Current assets	K€	207,675	242,669	221,163	234,019	279,835	320,830	490,050	53%
Stocks	K€	107,436	113,427	122,385	116,819	123,908	124,973	160,420	
Accounts receivable incl. prepaid expenses	K€	79,753	111,381	91,819	108,723	147,366	182,270	305,534	
Capital resources	K€	20,486	17,861	6,959	8,477	8,561	13,587	24,096	
Equity capital	K€	40,576	58,611	44,114	46,179	81,582	107,174	195,687	83%
Subscribed capital	K€	38,958	48,697	48,697	48,697	55,453	56,398	75,087	
Capital reserves	K€	0	0	0	0	13,513	12,568	48,734	
Reserves	K€	0	0	0	0	681	19,793	39,068	
Net profit/loss for the year	K€	-1,723	-4,017	-8,086	-6,579	6,713	13,202	18,455	
Shares held by other shareholders	K€	3,341	13,931	3,503	4,061	5,222	5,213	14,343	
External capital	K€	234,013	244,556	225,016	242,002	272,192	311,890	504,849	62%
Participating certificate capital	K€	0	0	2,851	7,669	0	0	0	
Special account for investment subsidies	K€	0	300	144	66	50	1,632	1,219	
Provisions	K€	50,613	50,353	60,154	57,434	62,141	81,472	113,928	
Accounts payable incl. prepaid expenses and deferred charges	K€	183,400	193,903	161,867	176,833	210,001	228,786	389,702	
Balance sheet total	K€	274,589	303,167	269,130	288,181	353,774	419,064	700,536	67%

GILDEMEISTER Group		1994	1995	1996	1997	1998	1999	2000	Change against previous year
Balance sheet ratios									
Capitalisation ratio of fixed assets	%	24.4	20.0	17.8	18.8	20.9	23.4	30.1	29%
Working intensity of current assets	%	75.6	80.0	82.2	81.2	79.1	76.6	69.9	-9%
Equity ratio	%	14.8	19.3	16.4	16.0	23.1	25.6	27.9	9%
External capital ratio	%	85.2	80.7	83.6	84.0	76.9	74.4	72.1	-3%
Assets structure	%	32.2	24.9	21.7	23.1	26.4	30.6	43.0	40%
Capital structure	%	17.3	24.0	19.6	19.1	30.0	34.4	38.8	13%
Financial ratios									
1st grade liquidity	%	11.4	8.9	4.1	4.8	4.2	5.8	7.0	21%
2nd grade liquidity	%	58.0	68.3	58.2	66.1	75.0	81.2	91.5	13%
3rd grade liquidity	%	122.5	131.0	131.0	132.9	135.5	134.3	137.9	3%
Employees (31st Dec.)		2,517	2,644	2,324	2,356	2,617	3,340	4,637	39%
Investments	K €	24,309	9,031	6,511	13,500	29,798	37,601	39,490	5%
Depreciation	K €	8,031	9,773	9,248	7,388	9,960	14,946	25,492	71%
Ratios on structure analysis									
Turnover rate raw materials and supplies		3.1	2.8	3.9	4.9	5.1	6.3	5.9	-6%
Turnover rate of inventory		1.9	3.4	3.5	3.8	4.7	5.5	5.8	5%
Turnover rate of receivables		3.3	5.1	5.7	5.2	5.2	5.0	4.0	-20%
Turnover rate of capital		0.8	1.3	1.6	1.5	1.6	1.6	1.3	-19%
Working capital	K €	66.4	86.8	88.4	91.2	112.0	137.1	231.0	69%
Profitability ratios									
Return on equity	%	-87.4	-28.8	6.7	14.6	35.0	40.0	35.5	-11%
Return on total assets	%	-5.4	1.9	7.0	7.5	8.7	12.1	11.5	-5%
Profit on sales (ni+interest f. ec/sales)	%	-6.2	0.2	3.7	4.0	4.7	6.5	6.3	-3%
Profit on sales (profit on ordinary operations)	%	-11.6	-1.8	0.2	2.1	5.1	5.0	4.8	-4%
Productivity ratios									
Material intensity	%	56.8	50.5	54.5	56.4	54.9	55.0	53.1	-3%
Personnel intensity	%	34.7	32.4	28.7	28.4	25.0	24.5	23.3	-5%

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Report of the Supervisory Board

At GILDEMEISTER, transparency and responsibility to its investors are in the foreground of company activities. The Supervisory Board has again in 2000 overseen the development of the business in continuous exchange with the Executive Board. The key points of the activities are summarised in the following report.



Chairman of the Supervisory Board:
Dr.-Ing. Manfred Lenning

The Supervisory Board observed the tasks incumbent on it according to Law and the Articles of Association. The Supervisory Board was actively informed of the status and development of the company and of the principles of the business policies and significant business transactions via four ordinary and three extra-ordinary meetings. 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 – such as the takeover of GILDEMEISTER Italiana S.p.A. and the capital increase from authorised capital – 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.

On 23rd January 2000 an extraordinary Supervisory Board meeting was held, in which eleven members of the Supervisory Board took part. The meeting was called in connection with the takeover of GILDEMEISTER Italiana S.p.A., in order to establish in detail the strategy and proceedings for the public takeover bid (PPO – Public Purchasing Offer). With the repurchase of the company, which belonged to the Group from 1969 to 1996, GILDEMEISTER rounded out the lathe business and created the conditions for targeted expansion of its position in Italy and other important world markets. The Supervisory Board voted unanimously to agree to the planned acquisition when all preconditions were fulfilled. The Executive Board additionally presented at this meeting the provisional figures for the business year 1999.

A further extraordinary meeting followed on 23rd March 2000 with eight Supervisory Board members, because of a counter-offer submitted within the time limit for the takeover of GILDEMEISTER Italiana S.p.A. The Supervisory Board voted unanimously on this day to raise the purchase offer. It thereby created the preconditions for the successful further conduct of the PPO.

The principal subjects of the Supervisory Board meeting on 3rd April 2000 were the Annual Financial Statement and Group Annual Financial Statement of GILDEMEISTER Aktiengesellschaft, and the passing of the agenda for the annual meeting of shareholders. The Supervisory Board decided among other matters to restructure the profit and loss transfer agreements and control agreements in the Group, and

agreed the new formations of DMG Los Angeles and DMG Korea, together with capacity expansions in the production plants. Eleven Supervisory Board members took part in this meeting.

On 25th May 2000, the Supervisory Board, which was fully present at this meeting, discussed with the Executive Board the successful takeover of 86% of the share capital of GILDEMEISTER Italiana S.p.A. The high acceptance of the offer by the shareholders of GILDEMEISTER Italiana S.p.A. demonstrated that the industrial conception of GILDEMEISTER had been convincing. In addition to the current business activities, the Executive Board presented the new laser technology business area. The Supervisory Board approved investments for the increase of capacity at LASERTEC GmbH, Pfronten. During the year under review, the company had brought 3D laser techniques to application maturity, and broadened the product offerings of the Group with the futuristic business area of laser technology. The Supervisory Board also authorised the construction of the new technology centre for DMG Stuttgart – the largest DMG sales and service company. Stuttgart is the most important DMG location, in view of the concentration of customers and competition in the Baden-Württemberg region.

The Personnel Committee of the Supervisory Board met on 26th May 2000. A meeting of the Committee under § 27 Para. 3 of the co-determination law was not called.

On the 25th August 2000, the Executive Board presented to the Supervisory Board, of which eleven members were present, the concept for the increase of capital of GILDEMEISTER Aktiengesellschaft from authorised capital in accordance with § 5 Para. 3 of the Statutes. The Supervisory Board agreed the concept in principle, and commissioned a committee to take all further decisions on the increase of capital in conjunction with the Executive Board as long as the framing conditions remain unchanged. Further subjects were, in addition to the current position of the business, a status report on the integration into the GILDEMEISTER Group of GILDEMEISTER Italiana S.p.A. and its daughter companies GRAZIANO Tortona S.p.A. and SACO S.p.A., and the new draft of the Rules of Procedure for the Supervisory Board and the Executive Board. The Supervisory Board discussed the future product strategy in detail with the Executive Board.

Since the conditions in respect of the increase of capital had changed, an extraordinary meeting of the Supervisory Board was called on 9th November 2000. Eleven members of the Supervisory Board took part in this meeting. The resolutions necessary for carrying out the increase of capital were passed unanimously and the Supervisory Board authorised the Committee to take further necessary decisions.

In the meeting on 30th November 2000, in which the Supervisory Board was fully represented, the emphasis lay on the business planning for 2001 to 2003, including sales, results, investment, and personnel planning. Additionally, the formation of the DMG sales and service companies in Australia and Mexico were passed. The

Executive Board reported over the current status of the increase of capital. The final details – particularly the fixing of the benchmark price – were passed by the committee of the Supervisory Board on 1st December 2000.

For the Accounts Supervisory Board meeting on 30th March 2001, the Annual Financial Statements and Group Annual Financial Statements of GILDEMEISTER Aktiengesellschaft were available, as well as the Audit Reports of the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt am Main for both financial statements. The Auditor of the Accounts was present at the deliberation of the Annual Financial Statements and Group Annual Financial Statements in the Supervisory Board, and reported in detail over the course and the fundamental results of the audit and was available for supplementary information. The papers were discussed extensively. Regarding the existing early risk recognition system, the Auditor stated that the Executive Board had met the measures required by § 91 Para. 2 AktG, and that the monitoring system can meet its requirements. The Supervisory Board was fully represented.

The Annual Financial Statements and Group Annual Financial Statements to 31st December 2000 produced by the Executive Board and the Annual Report of the GILDEMEISTER Aktiengesellschaft with the amalgamated Group Annual Report were audited by the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin/Frankfurt am Main, chosen as Accounts Auditor by the Shareholders meeting and appointed by the Supervisory Board. The Accounts Auditor issued the unqualified certificate. On the basis of its own audit of the Annual Financial Statements, the Group Annual Financial Statements, the amalgamated Annual Report, and the proposal for the application of the net profit for the year, the Supervisory Board agreed the results of the audit by the Accounts Auditor. It approved the Annual Financial Statements, in accordance with § 172 AktG. It concurred with the proposal of the Executive Board for the application of the net earnings.

The members of the Supervisory Board thank the Executive Board, the business managers, the employees representatives and all employees for their engagement and commitment in the business year 2000.

Bielefeld, 30th March 2001
THE SUPERVISORY BOARD



Dr.-Ing. Manfred Lennings
Chairman

The Supervisory Board

Dr.-Ing. Manfred Lennings,

Essen,
Chairman,
Independent industry consultant

Harry Domnik,

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

Gerhard Dirr,

Vils/Austria,
Chairman of the Works Council of
DECKEL MAHO Pfronten GmbH

Alfred Geißler,

Pfronten,
Representative of the senior executives

Dr.-Ing. Peter-Jürgen Kreher,

München,
Chairman of the Executive Board
of Schaltbau Holding AG

Arno Kruck,

Bielefeld,
Chairman of the Works Council of
DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER

Prof. Dr.-Ing. Walter Kunerth,

Zeitlarn,
Senior Advisor Lazard & Co. GmbH

Hans Henning Offen,

Düsseldorf,
Deputy Chairman of the Executive Board
of Westdeutsche Landesbank Girozentrale

Peter Oxfart,

Creuzburg,
Chairman of the Works Council of
DECKEL MAHO Seebach GmbH

Dr. jur. Rupert Pfeffer,

Geretsried,
Chairman of the Executive Board of
LfA Förderbank Bayern i. R.

Günther Johann Schachner,

Peiting,
Executive Board Member of IG Metall Frankfurt,
1st secretary of the IG Metall
(engineering workers' Union) headquarters
Weilheim

Hans Peter Schreib,

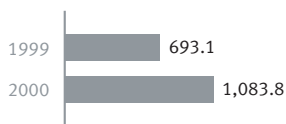
Attorney at Law, Düsseldorf,
Member of the Executive Board of the
Deutschen Schutzvereinigung für
Wertpapierbesitz e.V. (DSW)
(German Association of Securities Owners)

To our shareholders and business associates

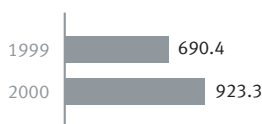
GILDEMEISTER has achieved record results in the business year 2000: we have been able to raise order intake, sales and earnings. We have sold 6,500 lathes, milling machines and laser machines worldwide and further expanded our international market presence – all in the presence of intense competition.

Ladies and Gentlemen,

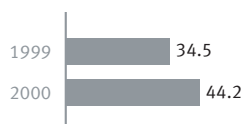
**Record level of orders taken,
at 1,083.8 M € (+56%)**



**Sales growth of 34%
to 923.3 M €**



**Results from ordinary
business activities increased 28%,
to 44.2 M €**



Your company has achieved record results in the 130th year of its existence. We have reached the targets we had set ourselves. We have strengthened our business portfolio in lathes with the repurchase of our former subsidiary GILDEMEISTER Italiana, opened new technology centres in Asia and America, brought 20 new product innovations to market, successfully carried out an increase of capital, and, not least, achieved an extremely successful business year in which we were able to expand our position as the leading manufacturer of metal cutting machine tools. We have increased sales by 34% to 923 M €, and the intake of orders has climbed to the record level of 1,084 M €. The profit performance of the company has again increased strongly. The net income for the year rose to 38.1 M €. You should benefit from this. We will thus recommend to the shareholders meeting on 18th May 2001 the distribution of an increased dividend of 0.60 € per share, which means a dividend yield of 7.3%.

We owe all this not least to our most important resource, the employees, who work every day with dedication in the most varied areas of the Group – now throughout the whole world. Their motivation is exemplary. We want to give our heartfelt thanks to all employees for this.

The development of our share price has further improved in the past business year. While the SDAX grew 6%, the GILDEMEISTER share increased by 21%. We will intensify our investor relations activities which we expect will further increase the share price in the current year. It has not yet been sufficiently appreciated by the capital market that GILDEMEISTER is an innovative technology group with traditional values, modern products and services, offering extensive e-business know-how.

**The Executive Board of GILDEMEISTER
Aktiengesellschaft (from left):
Dr. Raimund Klinkner, Dr. Rüdiger Kapitza,
Chairman of the Executive Board,
and Dieter Schäfer.**



Our strengths lie in our high innovation capability and speed of deployment, in our mature product and application competence in lathe and milling machine technology. We offer market-oriented technical services, close customer liaison, and a global market presence through a wide-ranging direct sales and service organisation. GILDEMEISTER's lathes, and the milling machines and laser machines of DECKEL MAHO carry out every day throughout the whole world the most varied work duties: they manufacture precision parts in the automobile industry, machine mobile phone housings in the telecommunications trade; they produce mould parts for ski bindings, machine engine components in the aerospace industry, and laser micro-cavities for the electronic industry. These are just a few examples of the diversified applications of our machines in the most varied industries.

Through the application of the newest technologies, we are purposefully expanding our competitive position. Where it makes sense, we apply modern information and communications technology. The whole value creation chain of the company – internal and external – is increasingly becoming electronically networked. We have developed our e-business know-how in orientation to the customers, both in marketing and in technical services. All internal processes are electronically networked, for example all knowledge databases in research and development, in quality management, and in logistics and production. We will considerably improve our volume business in the immediate future with the changeover to electronic processing of our procurement and the preparation of replacement parts. E-business offers new opportunities for GILDEMEISTER, creates transparency, enhances rapidity, improves efficiency, and also reduces costs.

**Group net income for the year
rose 17%, to 38.1 M €**



**Profit per share according
to DVFA/SG 0.91 € (+20%)**



To our shareholders and business associates

The products of DECKEL MAHO and GILDEMEISTER have achieved a technological pinnacle position on a world scale. We have been able to win market share with growth rates two figures above the average for the industry. In order to ensure our continued success also in the future, we have in the past months optimised our product portfolio, and have substantially pressed ahead with the alignment of the Group as a full-liner in lathe, milling and laser technologies, and technical services. In order to exist successfully in the market, our customers expect from us absolutely reliable products and comprehensive technical services. GILDEMEISTER has at its disposal today, with over 1,500 employees in 41 sales and service companies – in 31 countries – worldwide, the densest sales and service network in the industry. This manifests itself through the consequent closeness to the market, omnipresent direct sales, and customer-oriented technical services.

Our goals for 2001: GILDEMEISTER has clearly defined its four business areas and its product lines, and thereby sets itself new challenges. On the foundation of high levels of orders in hand, we plan this year to increase sales to above 1 Bn €. In the domestic market we are forecasting stable sales volumes. In export we assume an increasing share of market volumes - that means a further increase in the most important European markets, a successful Asian business, and higher intake of orders in America. Our medium-term target is to expand our market share in Asia and America to 15 - 20% in each region. GILDEMEISTER expects particular impetus from the EMO 2001 in Hanover, which, as the world's largest machine tools exhibition, has a special significance for the industry and its buyers. With over 50 exhibits, GILDEMEISTER will for the first time present comprehensively its four business areas of lathes, milling machines, lasers, and technical services.

We will concentrate in particular on the introduction of new technologies such as linear and laser technology, and the concerted application of e-commerce tools. It must be our objective, not least because of the increasing internationalisation of our customers, to be among the leading worldwide manufacturers in the area of metal cutting machine tools. We came a good step closer to this objective in 2000.

Our financial objectives derive from the continuously positive business development of the previous years. We are looking to improve the result from ordinary business activities for the sixth year in succession. As a result, the key performance ratios of the Group will further improve. In the current business year, we will make a further step towards the achievement of a shareholder's equity ratio of 30%.

Our growth strategy is based on value-oriented management, high rate of innovation, and advancing internationalisation. Ladies and Gentlemen Shareholders, your company is on the right path. We will do everything to justify your faith in GILDEMEISTER and its employees through successful work in this year also.

Your GILDEMEISTER Executive Board



Dr. Rüdiger Kapitza



Dr. Raimund Klinkner

Dieter Schäfer

The Year 2000



DECKEL MAHO presents the first of a total of 20 new developments in the year 2000 at the traditional in-house exhibition in Pfronten with the DMU T-production series manufactured in monoblock construction.

GILDEMEISTER publishes benchmark figures for the previous business year. The net income for the year is double that of the previous year.

GILDEMEISTER raises its participation in FAMOT Pleszew S.A., acquired last year, to 96%.

Top Quality. The product development process is optimised in a group-wide offensive. Consistent quality monitoring is achieved along the whole value creation chain.



GILDEMEISTER reinforces deployment of e-commerce tools. For the first time, two standard machines are offered on the home page for sale through the Internet. The first machines are ordered only a few days after inclusion on the web site.

GILDEMEISTER raises the dividend by 78%. The shareholders meeting votes on 26th May 2000 for a distribution of 0.50 € per share for the previous business year.

The leading exhibition of metal machining, the METAV in Düsseldorf, is the highpoint in the European exhibition calendar in 2000. The Group achieves a particular success, with order taking of approx. 30 M €.



2000

January

GILDEMEISTER submits a public takeover bid to the shareholders of GILDEMEISTER Italiana S.p.A..

DMG Poland opens for business. With this newly formed company, GILDEMEISTER is expanding into the traditional East European market.

February



With the DMP 60 linear, DECKEL MAHO presents to the trade a technological milestone in Seebach. This world-wide patented slant-bed milling centre sets standards with its innovative construction and the consistent application of high-dynamic linear drives.

March

April

With the formation of DMG Malaysia, the GILDEMEISTER Group further expands its sales and services activities in Asia.

Following on from Chicago, Charlotte and Houston, GILDEMEISTER opens its fourth technology centre in North America with DMG Canada.



May



The shareholders of GILDEMEISTER Italiana S.p.A. accept the takeover bid by a large majority. GILDEMEISTER acquires 86% of the share capital at a purchase price of 114.9 M € and thereby strengthens the lathes business area and its position in Italy.

June

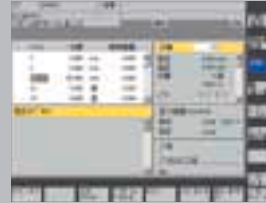


DMG Netservice:
all new machines are equipped as standard with an Internet interface. GILDEMEISTER guarantees access within seconds to its competent service know-how with one click on a mouse.

At the South German machine tool fair AMB in Stuttgart, GILDEMEISTER appears for the first time in the new high-tech design 2000.



130 years of GILDEMEISTER: the Group celebrates its birthday: the company was founded on 1st October 1870. The jubilee year also became the most successful in the history of the firm.



Exhibition success in the Far East: DECKEL MAHO and GILDEMEISTER present their innovations at the JIMTOF in Tokyo, the most significant trade fair in Asia. All machine control surfaces have a Japanese user interface available.

GILDEMEISTER successfully completes the increase of capital. All 7,188,007 new shares were placed at the issue price of 7.50 €. The first trading day for the new shares is 6th December.

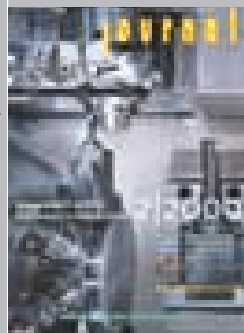


July

DMG Korea in Seoul opens for business. With this formation GILDEMEISTER strengthens its representation in this important industrial country.

With the opening of a technology centre in Los Angeles, the GILDEMEISTER Group introduces its fifth location in North America.

August



GILDEMEISTER realigns its expanded lathes business area. Now with seven product lines in this technology line, the Group offers the market the most complete sales programme in the world.

September

October

DECKEL MAHO Pfronten brings the new assembly hangar for the mega-milling machines of the 200 production series into service. High precision manufacturing is guaranteed through full climate control.



November

GILDEMEISTER increases its' capital in the ratio 3:1. All new shares are already fully dividend-entitled for the new business year. The funds of 53.9 M € flowing from the increase of capital will enable the further implementation of the globalisation strategy and the development of forward-looking business areas.

December

2001

Group Annual Report and Annual Report of GILDEMEISTER Aktiengesellschaft

ECONOMIC REPORT: General Situation

Overall economic growth continued worldwide in the year 2000 with variable dynamics at a high level. In the USA the previously stable economic situation weakened towards the end of the year. While the Japanese economy showed little impetus, the economic situation firmed in Europe.

The worldwide demand for machine tools strengthened in the year 2000. Production and usage was higher than in the previous year. The German machine tool manufacturers were also able to achieve an increase in production, although they were not able to keep up with the drastic increase in order volumes, with double digit percentage increases.

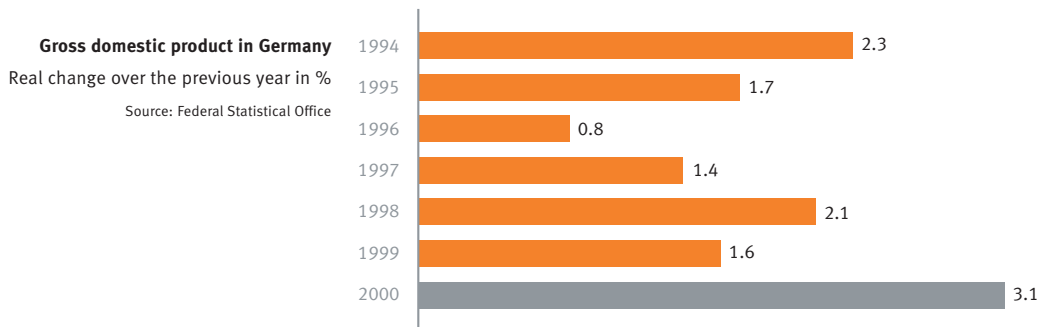
General Economic Development

Overall economic growth was very strong in 2000. Although with significant regional variation. It was characterised by a stable economic situation in the USA, although this weakened towards the end of the year. Europe made up for lost time, while the Japanese economy showed little impetus. In all, total economic production increased according to provisional calculations by 4.8% (1999: 3.2%).

In the **USA**, the gross domestic product achieved growth of 5.0% (1999: 4.1%). However, the economic situation cooled off noticeably in the second half of the year. The labour market showed initial tendencies to weakness, and investment activity fell back. Reasons for this, among others, were the oil price and interest rates.

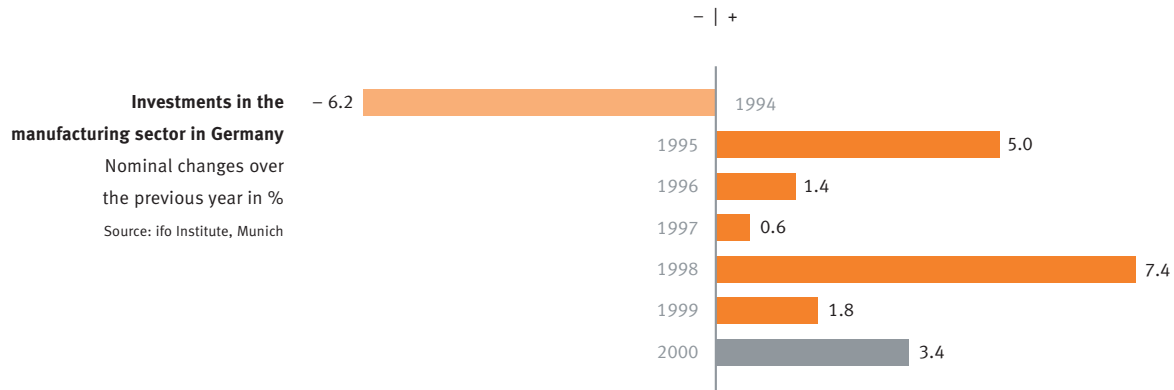
In **Japan**, doubts over a deep-reaching improvement were confirmed. The heralded recovery did not take place. The gross domestic product grew moderately by 2.0% (1999: 0.3%). Falling prices lent no impetus to private consumer demand. Due to the expansive state financial policies of recent years, the public budget remained strained.

In **Europe** the economy strengthened, consumption and investment rose. The growth rate of the gross domestic product in the European Union reached 3.3% (1999: 2.2%). The pace of growth slowed – as in the USA – due to the oil price and the Euro exchange rate. The economic impetus came principally from internal demand.

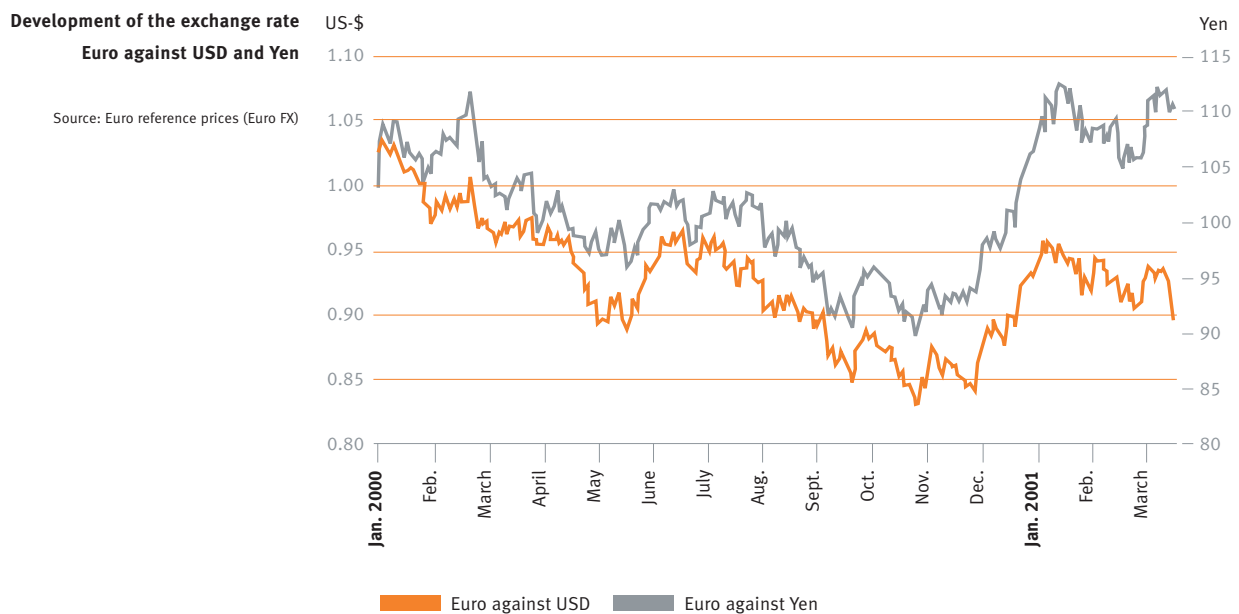


The economic situation in **Germany** developed favourably as a whole, in spite of slight weakening of industrial production in the autumn. The growth rate of the gross domestic product, calculated by the Federal Statistical Office and the Kiel Institute for World Economy at 3.1% (1999: 1.6%), was the highest since 1991 and twice as high as on average in the last decade.

Above all, strong exports – benefited by the generally stable world economic situation and the weak Euro – served as a buttress. A new export record was achieved, with over 500 Bn. €. Export winners were, among others, machines. The loss of purchasing power, arising from higher oil prices, particularly affected private consumption in the second half of the year, which, according to the forecasts of economic researchers, should actually have stood next to exports as a buttress of growth. The rise in consumer prices turned out to be moderate in spite of the oil price development seen over the whole year at 1.9%. Sectors giving growth were led by machinery with an increase of 9.5% together with private consumer expenditure with a real increase of 3.3%. The balance in the employment market was fair to middling. On the one hand, the monthly jobless figures were lower than in the previous year, but the level remained nevertheless high. The average number of jobless fell by around 200,000 to some 3.8 M.



GILDEMEISTER, as a predominantly European company and manufacturer of investment goods, profited from the positive tendencies in all important industrial countries. The development of the Euro exchange rate against the Dollar and the Yen aided the competitive situation in the customer countries most important to the Group. However, GILDEMEISTER had to pit itself against the established competition in America and Asia. In America the Group was able to strengthen its market position, with order volumes above the level of the previous year. The Asian business went successfully according to plan. We were able to expand our market positioning and service provision in the most important Asian countries.



Development of Machine Tool Industry

International Development

The world-wide demand for machine tools rose further in the year 2000. Both production and consumption lay above the figures for the previous year. World-wide, machine tools to a value of 37.1 Bn. USD were produced. **World production** was 4% higher in comparison with the previous year, at 35.8 Bn. USD. The largest producer, with 8.8 Bn. USD (1999: 7.5 Bn. USD) was Japan, followed by Germany with 7.3 Bn. USD (1999: 7.8 Bn. USD)¹⁾ and the USA with 4.0 Bn. USD (1999: 4.3 Bn. USD). The subsequent places, 4 and 5, in the ranking list were occupied, as previously, by Italy with 3.9 Bn USD and Switzerland with 2.3 Bn. USD. In sixth place lay the PR China with 2.1 Bn. USD, ahead of South Korea, with 1.6 Bn USD. In places 8 to 10, followed Taiwan with 1.6 Bn. USD, Spain with 0.9 Bn. USD and France with 0.8 Bn. USD. Japan, Germany, the USA and Italy represent 66% of world-wide machine tool manufacture.

1) In contrast to the original information, Germany was actually in first place in the world ranking list ahead of Japan in the year 1999, according to the higher figures subsequently reported by the German Machine Tool Association (VDW).

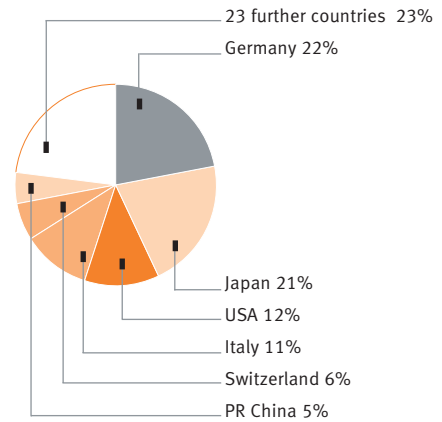
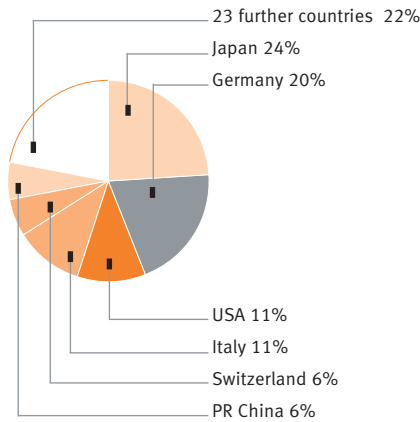
Shares of the individual world regions of international production:	Share of world-wide production	2000 in %	1999* in %
Europe		48	51
(of which Germany)		(20)	(22)
Pacific region		38	34
(of which Japan)		(24)	(21)
America		14	15

* Comparison figures for 1999 on the basis of figures revised since last report.

World-wide production of machine tools

2000: Total 37.1 Bn. USD

1999: Total 35.8 Bn. USD



In the reporting year, 58% of world production was exported, the same as the preceding year. In **exports**, there was renewed confirmation of the leading roles of Japan, with an export proportion of 77% (previous year: 74%), and Germany, with an export proportion of 53% (previous year: 51%). Japan and Germany together accounted for 50% (1999: 46%) by value of world exports. Some distance behind followed Switzerland, Italy, the USA and Taiwan. Their proportions, were in each case under 10%.

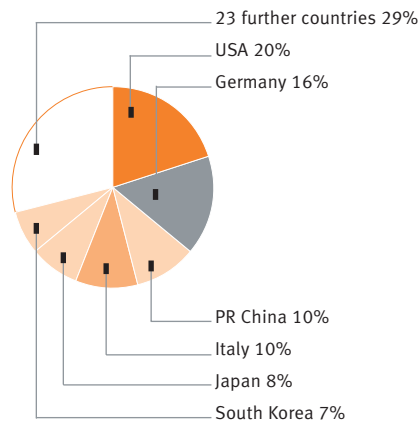
The world-wide **consumption** of machine tools lay at 35.5 Bn. USD 4% higher than the previous year's level (1999: 34.2 Bn. USD). It was distributed among the triad markets and the rest of the world as follows:

World-wide consumption of machine tools	Share of consumption world-wide	2000 in %	1999* in %
		Europe	45
	(of which Germany)	(16)	(18)
	Pacific region	29	26
	(of which Japan)	(8)	(8)
	America	26	27

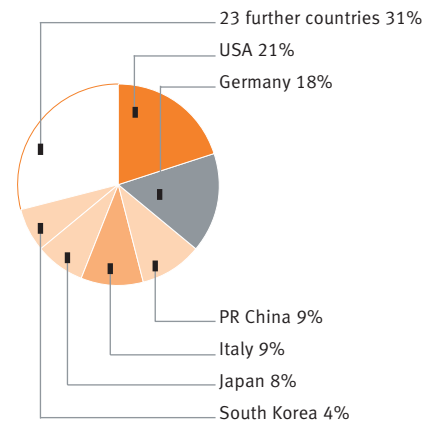
* Comparison figures for 1999 on the basis of figures revised since last report.

**World-wide consumption
of machine tools**

2000: Total 35.5 Bn. USD



1999: Total 34.2 Bn. USD



The world's largest market for machine tools remained the USA with 7.1 Bn. USD, a share of 20% (1999: 21%) of the consumption of all countries. Germany lay in second place with 5.6 Bn. USD with a slightly reduced share of 16% (1999: 18%). The PR China occupied third place with 3.6 Bn. USD and a share of 10% (previous year: 9%). Further significant machine tool markets were Italy with 10%, Japan with 8%, South Korea with 7%, and France and Taiwan with 4% each.

The largest **importer** of metal working machines was again the USA. Imports here constituted 61% (1999: 60%) of total American consumption. In spite of a drop of around 10% in imports, Germany occupied second place in the import ranking. China again took third place. In Japan, the import proportion of domestic consumption is always low. In 2000, this share reached its highest level of 29% of the domestic demand of 2.8 Bn. USD. This represents an absolute import volume of 0.8 Bn. USD.

Source: The basis of the world machine tool statistics is the data published by the US-American information service «METALWORKING Insiders' Report». They are requested in the autumn of each reporting year from the national producers associations of the individual countries, and are based on the current actual values, with careful estimations with the help of the values revised in the interim for the preceding year. The figures of the numbers available from the individual countries are converted into US Dollars on the basis of average exchange rates.

Explanation of the problem of exchange rates **World Machine Tool Statistics**

of exchange rates

The international exchange rates distort the global comparison. This effect is always present, but it was particularly marked in 2000 and had dramatic effects. Both the world machine tool statistics published annually by the METAL-WORKING Insiders' Report on a US Dollar basis, and the figures compiled by VDW (German Association of Machine Tool Manufacturers) for the producing and consuming countries on the basis of Euro values as basis currency were strongly influenced by the movement in the exchange rates used for re-calculation. The changes in the world production arise not only from higher or lower production, but also from the effects of the exchange rates. The real picture thereby becomes substantially distorted.

As established by the latest investigations of the VDW, the 4% rise in production in the year 2000 on a US Dollar basis represents a 20% increase when the original values of the individual countries are re-calculated in Euro. Eliminating the influence of exchange rates, the increase in world production would amount to 9%.

The actual production increase of the machine tool industries in the individual countries and the development over a medium-term time-frame can only be seen from the production values in the respective local currencies. The corresponding rates of change against 1999 for the five most important producing countries are as follows:

Rates of change against 1999

Japan	+9%
Germany	+9%
USA	-5%
Italy	+18%
Switzerland	+3%

It is to be noted here that the increase in production in Japan rose from a low starting level, while German and Italian machine tool construction have increased production continuously since 1994 and 1993 respectively. In the USA, production of machine tools fell back in both the last two years.

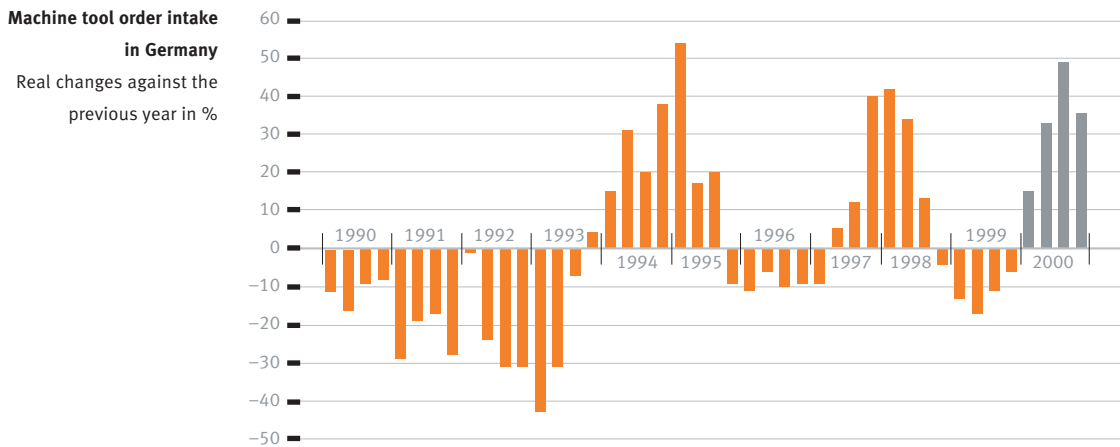
Source: «The German Machine Tool Industry in the year 2000»

VDW (Verein Deutscher Werkzeugmaschinenfabriken, Association of German Machine Tool Manufacturers)

The German Machine Tool Industry

The year 2000 brought a production increase of 9% for the German machine tool producers, which was proportionate to the development of the industry internationally. However, the increase in production was not able to keep pace with the dramatic increase (+37%) in orders taken. Orders at home and abroad rose again at a two-digit rate of change. In exports, the German producers were able to surpass the previous year's values by 13%.

Orders taken increased by 37% to a total of 10.9 Bn € (previous year 7.9 Bn. €). The development is above all to be attributed to international orders, which rose by 62%. The growth in domestic orders was 15%. Still more pronounced was the development in metal cutting machines, which relate to the manufacturing catalogue of DECKEL MAHO GILDEMEISTER. Here orders taken rose by as much as 42%. They improved continuously throughout the course of the year 2000. The rates of change of the German machine tool industry remained at a high level throughout the whole year.



**Our machines.
To make life easier.**

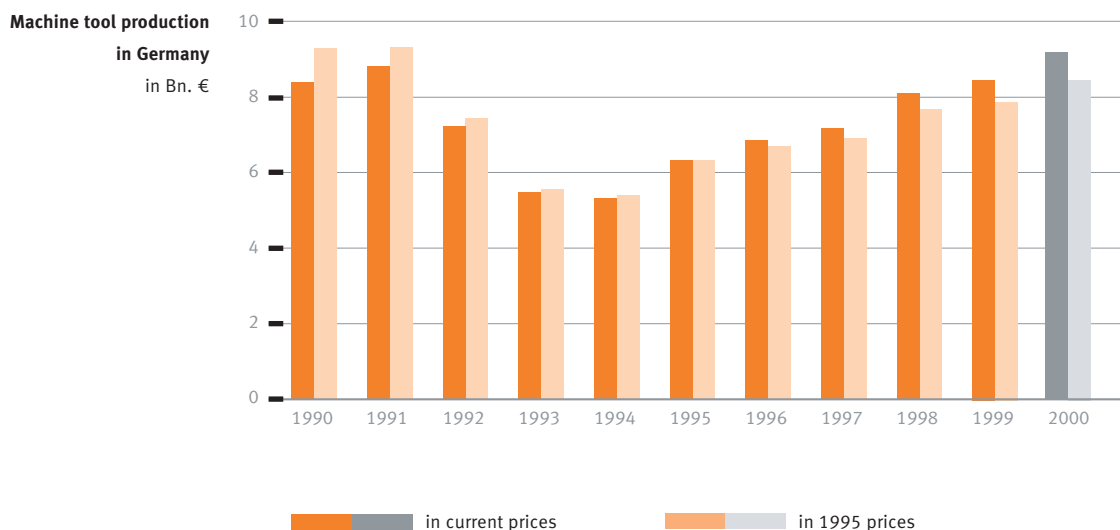
Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER contribute to making your day easier. The preparation of moulds for producing PET bottles is only one of many tasks that our machines carry out daily throughout the world.



The business climate in the principal purchasing industries – such as the automobile and industrial supply industries, generic machine construction, and electrical and electronic engineering – tended to remain stable, according to the figures of the Munich ifo Institute. The VDW made no forecast for orders in the year 2000, but did not expect a slump.

The machine tool industry was able to achieve **production growth** of 9% in the year 2000, with production rising to a total of 9.2 Bn. €, and thereby surpassed the previous record from the year 1991 (8.8 Bn. €). The weaker first half of the year was compensated for by distinct increases in the second half. Sales both of machine tools in total and of metal cutting machines rose by 6% each against the previous year.

Of the machine tools produced in Germany in the reporting year, 54% were exported (1999: 52%). The upswing in the industry resulted above all from strong international trade. In comparison with the previous year, **exports** increased by 13% to 5.0 Bn. €. The most important market for German machine tools was, as in previous years, the United States. Based on the figures available so far, for the first three quarters of the year 2000, 20 % of the export proceeds came from this market (1999: 19% for the whole year). The subsequent places in the ranking of the important purchasing countries were occupied by France with a share of 8% (1999: 9%), Italy with 8% (1999: 7%), Great Britain with 7% (1999: 5%), Switzerland with 6% (1999: 6%) and Austria with 5% (1999: 4%).



The renewed growth in **imports** of 4% to 3.0 Bn. € in the reporting year (1999: 2.9 Bn. €) in conjunction with the 4% higher domestic purchases of 4.2 Bn. € (1999: 4.1 Bn. €) resulted in an increase in **domestic consumption** of 4% to 7.2 Bn. €. Around 42% (1999: 41%) of German machine tool imports came from the European Union. As previously, Switzerland remained by a long way the largest delivering country. Substantial delivery volumes came additionally from Japan, Italy, France, the USA, Great Britain, Belgium and Austria.

In the course of the year 2000, **capacity utilisation** increased to 96.8%, which represents practically full utilisation (1999: 92.3%). A still higher utilisation of 98.5% was achieved for metal cutting machines. The strong increase of demand was reflected in the **backlog of orders**. The level of orders in hand rose from 7.4 production months at the beginning of the year to an average of 8.3 months at year-end. This calculated average value for the industry is a coarse indicator of the extent of orders in hand, which includes, besides standard machines with extremely short delivery times, special machines and large shaping machine tools with long delivery periods.

Employment in the German machine tool construction firms increased only slightly in comparison to 1999. While in the first half of the year 2000 the previous year's level of 66,000 employees was maintained, the number employed rose in the second half year to 67,000. This slight increase is to be attributed in the first instance to higher production: however, on the other side, it was countered by improved productivity and to a considerable degree the reduction of the manufacturing depth of the machine tool producers.

A statement on the **profits situation** in the German machine tool industry is difficult, since few firms publicize their figures, and thus reliable statements are only available in individual cases. Even though the Association is dependent on estimations, there are some indications that profits in the German machine tool industry have slightly improved in the reporting year. The net profit on sales in machine construction is thought to be higher than the value for the previous year, with an estimated 3.5 - 4%. The high capacity utilisation has helped to firm profits. For many companies, however, the profit situation has hardly changed in 2000, and for a few, even losses are indicated. Nevertheless, the profits on sales in the industry as a whole are not satisfactory. On the one side, they had to contend with competitive effects and structural changes; on the other, high product development costs and investments in the future were observed.

**Our machines.****The basis for your safety.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER contribute to creating the basis for your safety. The machining of mould parts for ski bindings is only one of many tasks that our machines carry out daily throughout the world.

ECONOMIC REPORT: Company Situation and Business Activities

GILDEMEISTER has achieved record results in the business year 2000! We have been able to raise the intake of orders, sales, and profits. Group sales rose by 34% to 923.3 M €; this is 232.9 M € more than in the previous year. We have thereby more than doubled sales over the last three years. We achieved record order intake of 1,083.8 M € (+56%). Growth rates were again above the trend for the industry. Orders in hand nearly doubled, rising to 422,9 M €. This is a solid basis for our business year 2001.

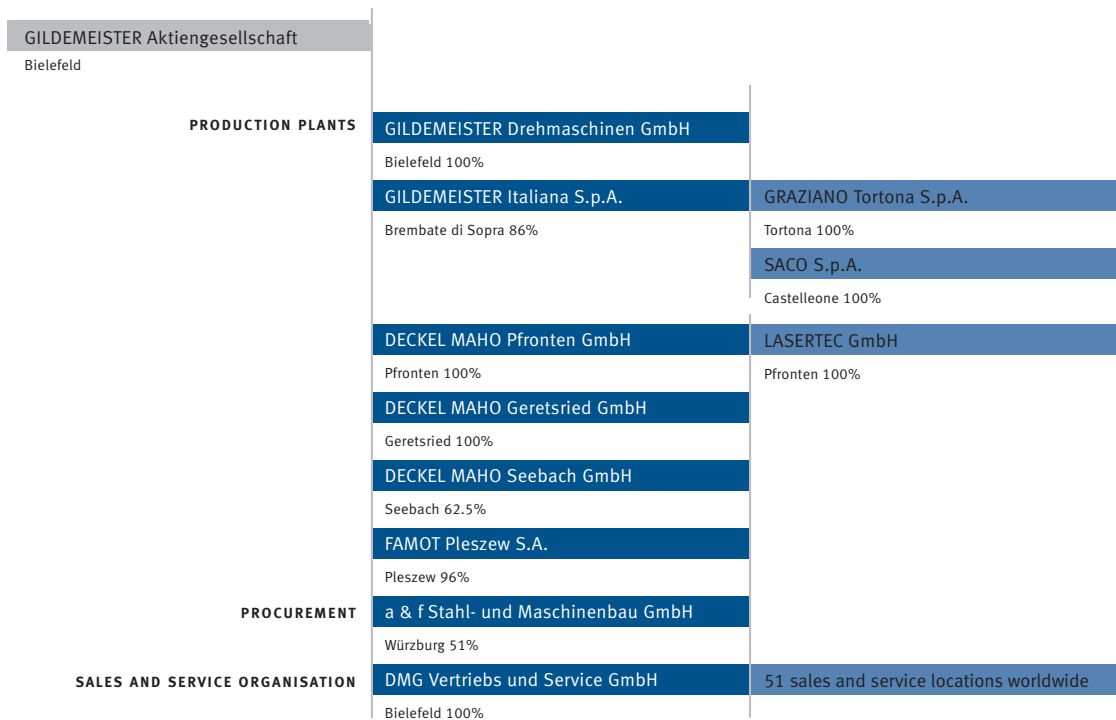
The profit situation of the company also continued to improve. The result for ordinary business activities rose in the Group by 28.3% to 44.2 M € (previous year: 34.5 M €). The net income for the year increased by 16.6% to 38.1 M € (previous year: 32.7 M €). The Executive Board and Supervisory Board will recommend to the shareholders meeting a raising of the dividend to 0.60 € for the past year (1999: 0.50 €).

GILDEMEISTER expects particular impetus from the world's largest exhibition of machine tools, the EMO 2001, which is held every four years in Hanover in September. Our innovations, which will secure the leading technological position of the Group again in 2001, are aligned to this important date for the industry. We will implement our globalisation strategy in orientation to the market, particularly through the further expansion of our presence in America and Asia.

The GILDEMEISTER Group consisted at the 31st December 2000 of the _____ GILDEMEISTER Aktiengesellschaft as holding 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.

GILDEMEISTER Group structure



The Group annual report covers all Group companies in which GILDEMEISTER Aktiengesellschaft has a controlling influence. GILDEMEISTER Italiana S.p.A. was taken into the consolidation of the GILDEMEISTER Group with effect from the take-over date, 18th May 2000. GILDEMEISTER Italiana, with its 100% owned subsidiaries GRAZIANO Tortona S.p.A., Tortona, and SACO S.p.A., Castelleone, constitutes a sub-group, just as DECKEL MAHO Pfronten GmbH and DMG Vertriebs und Service GmbH do with their respective subsidiaries.

GILDEMEISTER, with its four business areas: Turning, Milling and Laser Machines, and Technical Services, is engaged in the metal cutting machine tool segment. In respect of the products, there is a high co-ordination between the business areas. Technical services operates across the other business areas, in direct connection to the products, which are sold in all important international markets. A differentiation of **segments** with respect to business domains is not made in our Group.

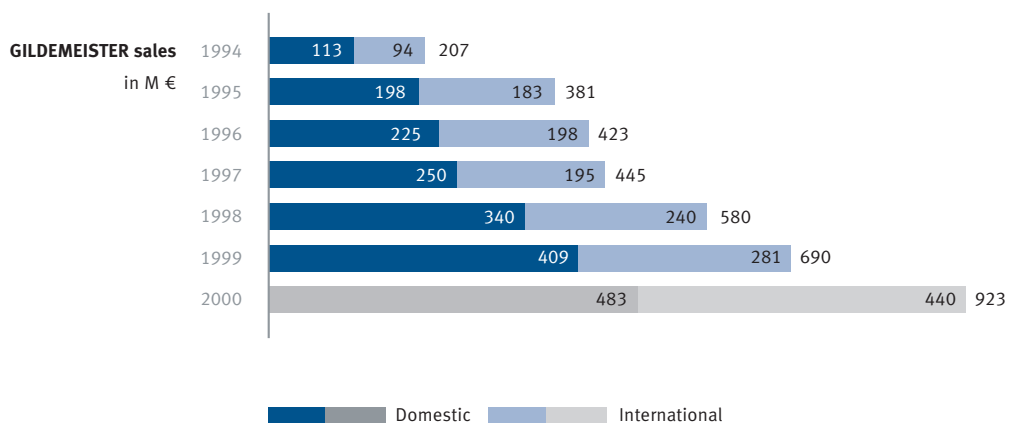
Sales

GILDEMEISTER achieved in the business year 2000 the highest Group revenue to date in its 130-year company history. Revenue rose by 34%, or 232.9 M €, from 923.3 M €, and has thereby more than doubled over the last three years.

This increase came predominantly from exports. However, we were also able to raise domestic sales by 18%, or 74.4 M € to 483.4 M €. Export business rose by 56%, or 158.5 M € to 439.9 M €. The export proportion thus improved to 48% (previous year: 41%).

Both the organic growth of the Group and the additional revenue from GILDEMEISTER Italiana S.p.A. contributed to this development. International sales excluding GILDEMEISTER Italiana were 841.7 M €; this was 22%, or 151.3 M € over the value for the previous year.

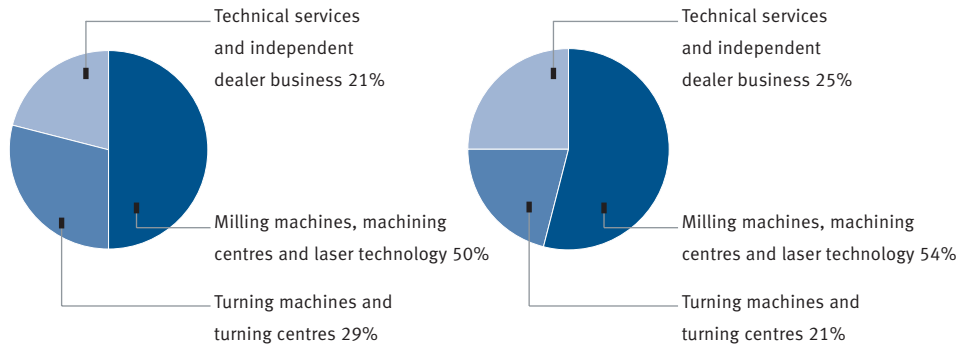
The continued sales growth shows the enormous improvement of the GILDEMEISTER Group production plants. The largest sales generator, with 50% (previous year: 54%) was again the milling machines, machining centres, and laser machines of DECKEL MAHO. The volume of this business area has increased in absolute values. With the takeover of GILDEMEISTER Italiana, we have expanded our turning machine business. The contribution of the turning machines and turning centres to Group sales rose to 29% (1999: 21%).



GILDEMEISTER Group sales distribution by business area

2000: total 923.3 M €

1999: total 690.4 M €



Of the increased sales volume, 21% came from the technical services of DMG Vertriebs und Service GmbH (previous year: 25%). With its subsidiaries at home and abroad, DMG – next to independent dealer business and business on a commission basis for the Group companies as well as for third-party makes – essentially operates in the growing, forward-looking business area of technical services. This comprises the service and spare parts business, education products and qualification services, application techniques, commissioning, and the growing business with used machines.

GILDEMEISTER made in the reporting year for the first time sales via electronic methods, with the expectation that this sector will significantly rise in the near future. The sale of universal machines through e-commerce and particularly of technical services – such as the successfully introduced DMG Netservice, and education services through CNC Nettraining, is increasingly gaining importance. Through electronic networking of business relationships with our customers and suppliers via Intranet and Internet, we were able to achieve a performance increase in business activities.

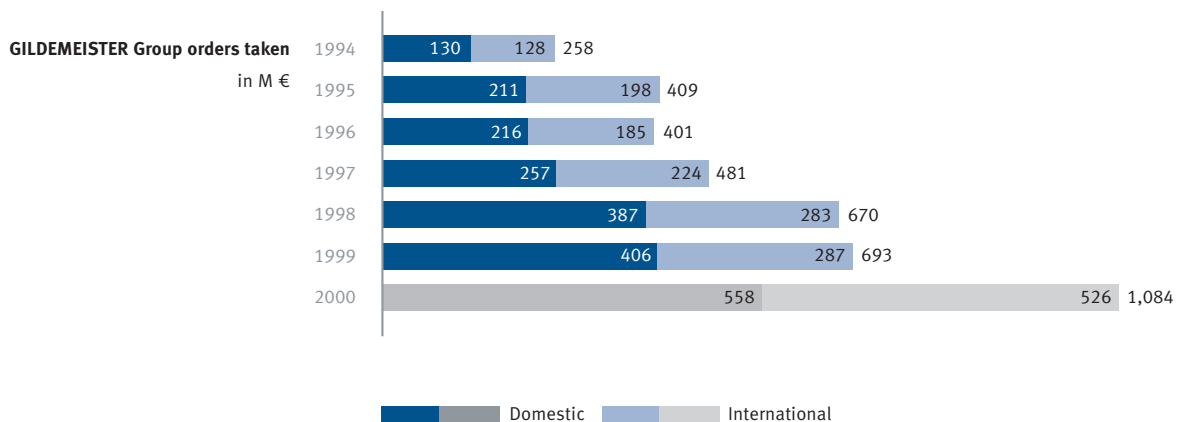
Order Intake

GILDEMEISTER was able to continue its growth trend in the reporting year. Order intake again lay markedly above the industry average at a record level of 1,083.8 M €. This corresponds to an increase in order volumes of 56% or 390.7 M € against the previous year.

Domestic orders again increased strongly by 37% or 152.0 M €, to 558.2 M €. As with the whole industry, international orders rose at GILDEMEISTER to exceptional levels: they climbed by 83%, or 238.7 M €, to 525.6 M €. The international proportion increased in the reporting year to 48% (previous year: 41%).

This record intake of orders reflects both the excellent organic growth of the Group and the strong trend of order intake at GILDEMEISTER Italiana (takeover date 18th May 2000). Without taking the Italian company into account, the order intake volume reached 992.4 M €. This corresponds to an increase of 43%, or 299.3 M €.

DMG Vertriebs und Service GmbH, with its 38 technology centres active worldwide, was again extremely successful. DMG distinguished itself through consistent closeness to the market, an exhaustive direct sales operation, and a comprehensive offering of customer-oriented technical services.

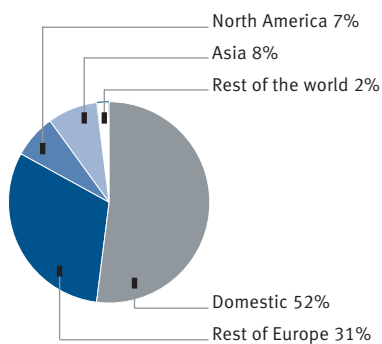


In the reporting year, GILDEMEISTER booked 86% more orders for turning machines and turning centres than in 1999 (previous year: minus 3%). The order intake of 273.2 M € (export component: 55%) increased substantially more than the industry average. The DECKEL MAHO companies, which represent the business areas of milling machines, machining centres and laser technology in the Group, also recorded a significant growth in orders. Here the volume of orders was at 587.4 M € (export component: 45%) in the reporting year at 43% higher than the previous year (1999: plus 8%).

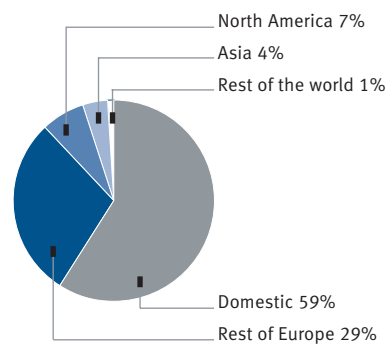
DMG Vertriebs und Service GmbH and a & f Stahl- und Maschinenbau GmbH achieved in 2000 order intake of 223.2 M € (export component: 51%), which essentially consists of technical services and independent dealer business. All in all, DMG sold 6,500 turning machines, milling machines and used machines to 3,850 different customers world-wide in the reporting year, corresponding to an increase in **sales volume** of 53% over the previous year. **Sales prices** were slightly raised in the middle of the year within the framework of product-specific market opportunities. By and large, sales increased satisfactorily for each market region, although competitive pressure continued to be significant.

GILDEMEISTER Group
order intake by region

2000: total 1,083.8 M €



1999: total 693.1 M €



DMG Vertriebs und Service GmbH was again able in 2000 to achieve considerable sales success. The sales performance of the domestic DMG companies was markedly above the comparative figures for the previous year. Significant increases were achieved in the key European markets of Italy, France, Switzerland, Great Britain and Austria. Developments in the smaller markets of the Czech Republic, Poland and Hungary were also encouraging. In the remaining East European countries, increasing independent dealer business was concluded. The sales increases were supported by the first successes of the Group's strengthened globalisation strategy. The increased exports are, with one exception, attributable to the significant European markets and to one successful Asian business. Here, the counter-cyclic sales and service investments which GILDEMEISTER had purposefully carried out in the previous years, in spite of weaknesses in demand, begin to pay off. We have also expanded our market position in America in accordance with plan: order intake was above the level of the previous year. Substantial opportunities of growth still exist, particularly in the US market.

Technical services also returned an increased volume of orders, with 150.8 M € (1999: 115.0 M €). The service business was further expanded, and orders for training products and qualification services, as well as service products and DMG Netservice, also increased further. Order intake in the used machine business was particularly good with 46.9 M € (previous year: 28.5 M €).

The customers are increasingly using the possibilities of e-commerce offered by GILDEMEISTER for their orders. They can not only call up extensive and detailed information, but also directly order a range of product types and services online.

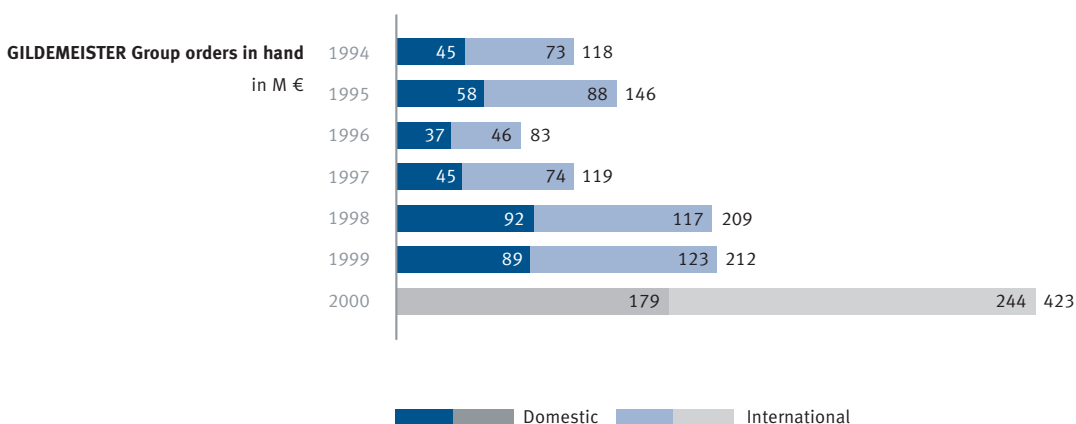
Orders in hand

Orders in hand in the Group were at 422.9 M € at the year-end. They thus nearly doubled in comparison with 31st December 1999 (212.0 M €). Of the orders in hand 58% came from abroad (1999: also 58%). Export orders in hand rose in the reporting year by 121.0 M €, or 99%, to 243.8 M €. In the same time period, domestic orders in hand increased by 89.9 M €, or 101%, to 179.1 M €. Orders of GILDEMEISTER Italiana and its subsidiaries of 50.8 M € are included in the orders in hand.

Orders in hand correspond to an average delivery time of five months: this is a solid basis for the current business year. The average value for this was predominantly determined through the technology machines of our production programme with the correspondingly longer delivery periods. Higher orders in hand have also meant, however, longer delivery times: this has already impinged somewhat negatively on order intake – particularly in competition with Japanese suppliers and their short-term delivery possibilities. In the logistics and production area, we have made extensive provisions for increasing capacity in order to be able to fulfil the short delivery times demanded by the market.

Orders in hand for turning machines and turning centres at the end of the reporting year were 104.6 M €. This value represents 25% of Group orders in hand, of which 63% is for export contracts. For the DECKEL MAHO companies, orders in hand at the year-end were at a level of 244.2 M €, or 58% of Group orders in hand, with 47% of these orders coming from abroad.

74.1 M € of the Group orders in hand arose essentially from DMG Vertriebs und Service GmbH and its subsidiaries. The orders in hand of the DMG companies are composed predominantly of orders on an independent dealer basis at home and abroad, together with orders for third-party makes, used machines, accessories and technical services. The export component in the DMG orders in hand lay at 86% (previous year: 92%).



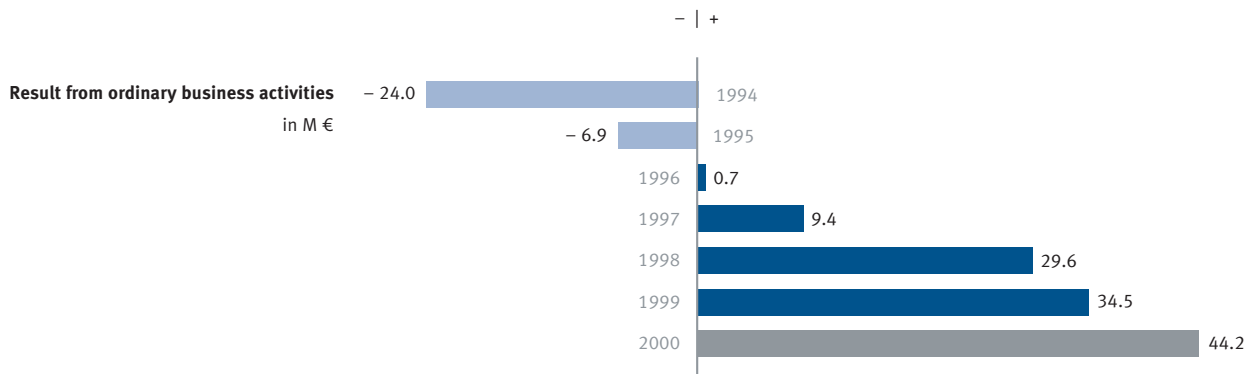
Results, Net Worth, and Financial Position

Results 2000

GILDEMEISTER succeeded in markedly improving the profits performance again. Although market demand world-wide and the exchange rate of the Euro were favourable for the Group, the pressure of international competition particularly from the Far East remained significant. We had planned further high expenditures for the development of numerous new machines and for the further expansion of the international markets. Apart from this, a range of special impacts are to be taken into account, which are included in the results for the reporting year as one-off expenditures. GILDEMEISTER achieved in the business year 2000 the best result in the history of the company.

The **result from ordinary business activities** rose to 44.2 M €. We were able thereby to surpass the previous year's result (34.5 M €) by 28.3%, 9.7 M €. All our organisations and subgroups have delivered positive operating results in the reporting year. The quality of results varied however between the individual companies.

The **result according to DVFA/SG** was 20.3 M €, 23.8% above the previous year's value (16.4 M €). In accordance with the DVFA/SG accounting method, the result was adjusted for expenditures and profits due to special influences. Since GILDEMEISTER still has tax losses carried forward, we have taken imputed profit taxes into account. The derivation of the DVFA results is set out in the chapter «GILDEMEISTER shares».



GILDEMEISTER Group Consolidated Income Statement

	2000		1999		change against previous year	
	K€	%	K€	%	K€	%
Gross performance	912,884	100.0	700,012	100.0	212,872	30.4
Cost of materials	-485,095	-53.1	-385,218	-55.0	-99,877	25.9
Gross yield	427,789	46.9	314,794	45.0	112,995	35.9
Personnel costs	-212,544	-23.3	-171,405	-24.5	-41,139	24.0
Other income and expenses	-126,880	-13.9	-82,087	-11.7	-44,793	54.6
Fixed asset depreciation	-25,492	-2.8	-14,946	-2.1	-10,546	70.6
Financial result	-18,681	-2.0	-11,903	-1.7	-6,778	56.9
Result from ordinary business activities	44,192	4.9	34,453	5.0	9,739	28.3
Taxes on corporate income and business profits	-6,113	-0.7	-1,790	-0.3	-4,323	241.5
Net income for the year	38,079	4.2	32,663	4.7	5,416	16.6

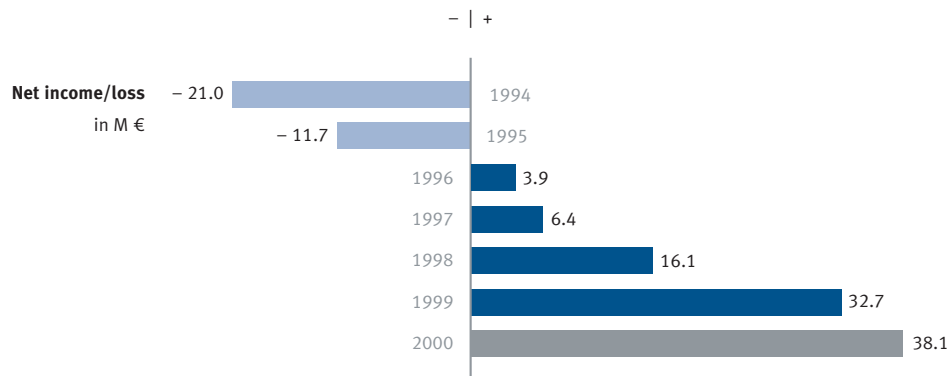
Total production grew by 30.4%, 212.9 M € to 912.9 M € (1999: 700.0 M €). In comparison with the previous year the cost of materials ratio of 55.0% was reduced to 53.1%. The gross yield was 427.8 M € and is thus 35.9% above the level for the previous year – this represents an improved net amount of 46.9% (1999: 45.0%). With the rise of total production, the absolute expenditure amounts have also risen. The personnel cost proportion fell from 24.5% to 23.3%. The balance of the other income and expenses rose by 54.6%, or 44.8 M €, to 126.9 M € (previous year: 82.1 M €). Included in this are the costs of the takeover of GILDEMEISTER Italiana of about 7.8 M €, the costs of the increase of capital in the fourth quarter, and the contribution to the German Business Foundation Initiative (Stiftungsinitiative der Deutschen Wirtschaft) are one-off expenses. Leasing and rental expenditures in the reporting year were 13.5 M € (previous year: 10.3 M €). At 31st December 2000 leasing and rental obligations for the business year 2001 stood at 13.6 M €. The rise in the depreciation figure to 2.8% from 2.1% in the previous year is related to



**Our machines.
To keep you on top.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER contribute to keeping you on top. The machining of shaping parts for the production of trainers is just one of many tasks that our machines carry out daily throughout the world.





the extensive investment activity. Of the total depreciation of 25.5 M €, 4.5 M € is for goodwill amortisation. The costs of the interim financing of the takeover of GILDEMEISTER Italiana are included in the financial result of 18.7 M € (previous year: 11.9 M €). Increased charges for taxes on profits occurred for the first time in the reporting year, which were predominantly connected with GILDEMEISTER Italiana S.p.A. The **net income for the year** rose by 16.6% to 38.1 M € (1999: 32.7 M €). Further details of the individual expenditure and income elements, and GILDEMEISTER Italiana's share in these, are presented in the Annex.

In recent business years we have succeeded in increasing not only revenue and results from ordinary business activities, but also the annual net income with two-figure annual growth rates.

Development of sales and results since 1998

		1998	1999	2000
Sales	K€	580,328	690,363	923,298
Year-on-year change	%	30.5	19.0	33.7
Result from ordinary business activities	K€	29,615	34,452	44,192
Year-on-year change	%	216.0	16.3	28.3
Annual net income	K€	16,142	32,663	38,079
Year-on-year change	%	150.9	102.3	16.6

The margin analysis shows that we have continuously improved the profit position of the Group. Because of the improvements of the material and personnel ratios, the EBITDA is also improved. The positive improvement of EBITDA was however partly offset by the higher write-offs connected with the strong investment activity of the Group. Thus EBIT and EGG remained on a steady plane. The annual surplus of the business year 2000 is impacted by the increase of taxes on profits.

Margin development of the GILDEMEISTER Group in %	1998	1999	2000
Overall performance	100.0	100.0	100.0
Net amount	45.1	45.0	46.9
EBITDA	8.6	8.8	9.7
EBIT	6.9	6.6	6.9
Result from ordinary business activities	5.1	5.0	4.9
EBT	2.9	5.0	4.9
Income and profits taxes	0.1	0.3	0.7
Annual net income/loss	2.8	4.7	4.2

The results of **GILDEMEISTER Aktiengesellschaft** as parent company arise from the returns from the affiliated companies. The profit for the year of GILDEMEISTER Aktiengesellschaft increased from 38.3 M € in the previous year to 44.2 M € in the reporting year, i.e. by 15.4%. An amount of 22.0 M € was added to the revenue reserves. Taking into account the profit of 1.0 M € carried forward in 1999 the balance sheet profit amounts to 23.2 M €.

The Executive Board and Supervisory Board will recommend to the shareholders meeting on 18th May 2001 the distribution of an increased **dividend** in the amount of 0.60 € per share for the business year 2000 (1999: 0.50 €). The total of the dividend will amount to 17.2 M €. The distribution ratio of GILDEMEISTER Aktiengesellschaft in relation to the annual net amount has thus increased from 28.5% in the previous year to 38.9%. A tax credit note for shareholders entitled to an imputation credit is not linked to the dividend. To further reinforce the equity capital it will be recommended to the shareholders meeting to put the remaining amount of the balance sheet profit of 6.0 M € into reserves. Further information on the dividend is to be found in the Chapter «The GILDEMEISTER Share».

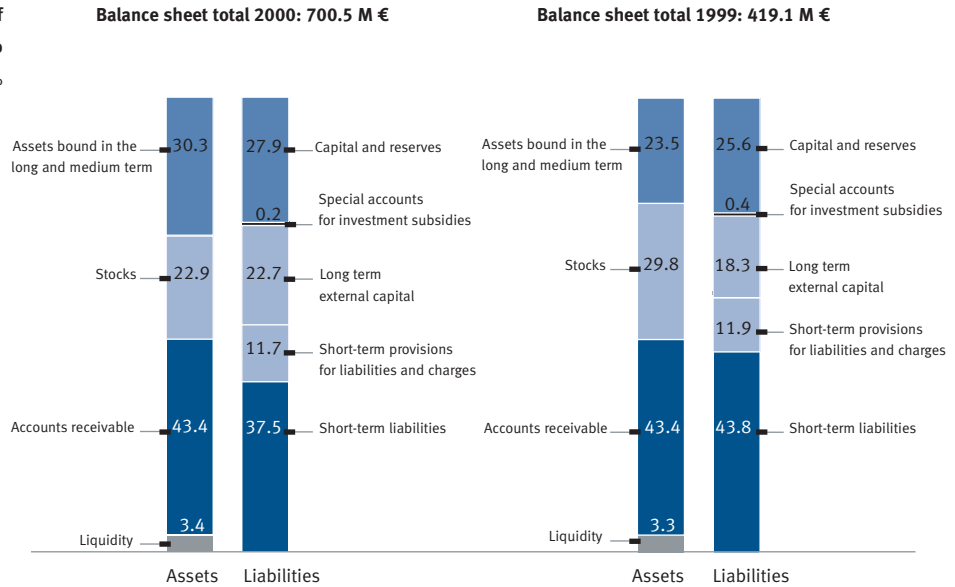
Asset and Financial Situation

GILDEMEISTER Group Balance Sheet

	31.12.2000		31.12.1999		changes against previous year	
	K€	%	K€	%	K€	%
Assets						
Assets bound in the long and medium term						
Fixed assets	210,486	30.1	98,234	23.4	112,252	114.3
Current assets	1,553	0.2	481	0.1	1,072	222.9
	212,039	30.3	98,715	23.5	113,324	114.8
Assets bound in the short term						
Stocks incl. down payments	160,420	22.9	124,973	29.8	35,447	28.4
Accounts receivable and mis- cellaneous other current assets	303,981	43.4	181,789	43.4	122,192	67.2
Cash in hand	24,096	3.4	13,587	3.3	10,509	77.3
	488,497	69.7	320,349	76.5	168,148	52.5
Balance sheet total	700,536	100.0	419,064	100.0	281,472	67.2
Liabilities						
Long and medium-term funding						
Capital and reserves	195,687	27.9	107,174	25.6	88,513	82.6
Special account for investment subsidies	1,219	0.2	1,632	0.4	-413	-25.3
Outside capital						
Provisions	32,262	4.6	31,749	7.6	513	1.6
Liabilities	126,595	18.1	45,077	10.7	81,518	180.8
	158,857	22.7	76,826	18.3	82,031	106.8
	355,763	50.8	185,632	44.3	170,131	91.6
Short-term funding						
Provisions	81,666	11.7	49,723	11.9	31,943	64.2
Liabilities	263,107	37.5	183,709	43.8	79,398	43.2
	344,773	49.2	233,432	55.7	111,341	47.7
Balance sheet total	700,536	100.0	419,064	100.0	281,472	67.2

The growth of the GILDEMEISTER Group has further accelerated in the business year 2000. This development, and the takeover of GILDEMEISTER Italiana are expressed in the increased **balance sheet value** by 67.2%, or 281.5 M € to 700.5 M € (previous year: 419.1 M €).

Assets and capital structure of the GILDEMEISTER group
in %



Within **assets** there was a significant increase in **fixed assets**, which increased by 114.3%, or 112.3 M €, to 210.5 M € and thereby more than doubled (1999: 98.2 M €). Of this, 59.9 M € can be applied to the intangible property due to the inclusion of the subgroup GILDEMEISTER Italiana, and 39.5 M € arises from investments in fixed assets and tangible assets. The capitalisation ratio (ratio of fixed assets to total assets) thus increased from 23.4% to 30.1%. The individual fixed asset additions are explained in more detail in the chapter «Investments».

Stock in hand rose by 28.4%, or 35.4 M €, to 160.4 M € (previous year: 125.0 M €) The increase is proportionately lower than the balance sheet total and overall performance. The ratio of stock in hand to the balance sheet total fell to 22.9% from 29.8% in 1999. This development reflects our productivity increases. Thus in the reporting year the warehousing period of the raw materials and consumables was reduced from 59 days to 54 days. Stock turnover ratio (sales to stock) rose from 5.5 to 5.8. This reduces our working capital requirement.

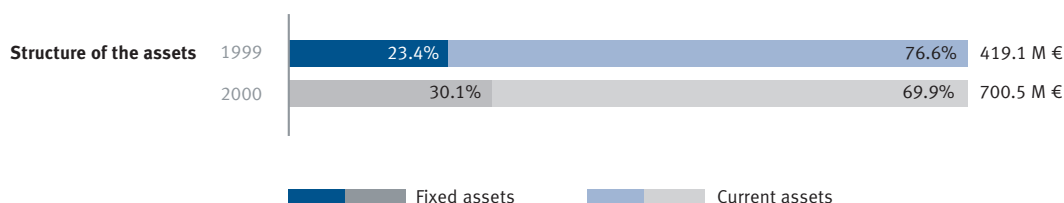
Receivables and miscellaneous other assets developed in proportion to the balance sheet total. Receivables rose in line with the industry-specific, very high sales performance at year-end. Apart from this, the export ratio improved from 41% to 48%, which brought an increase of receivables with it – due to the longer settlement times which are granted for international business.

Cash funds increased by 77.3%, or 10.5 M € in relation to the previous year. The **liquidity position** of the Group became markedly stronger during the business year 2000.

Development of the key liquidity figures in the GILDEMEISTER Group		1998	1999	2000
1st grade liquidity		4.2%	5.8%	7.0%
2nd grade liquidity		75.0%	81.2%	91.5%
3rd grade liquidity		135.5%	134.3%	137.9%

The improvement in liquidity is attributed to the increased strength of our results, as well as the increase of capital successfully carried out in December 2000.

Looking at the development of the assets as a whole, this is dominated by an increase in the fixed assets and a simultaneous reduction of stock in hand. Thus there is a shift from short-term asset commitment to long-term.

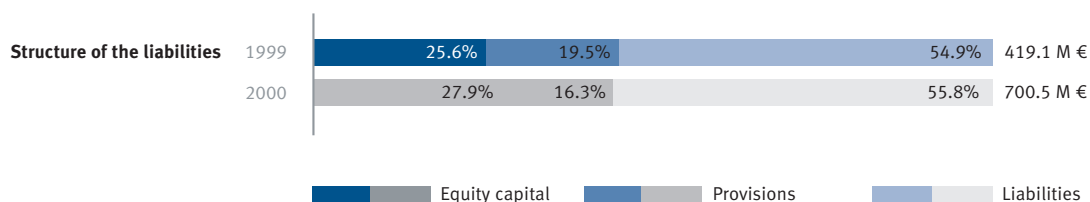


The structure of the **liabilities** follows a similar development. The **equity capital** has significantly increased, by 82.6%, or 88.5 M €, to 195.7 M € (1999: 107.2 M €), both because of the increased profit for the year and the increase of capital. The **equity ratio** rose to 27.9% against 25.6% in the previous year. We have thus come a step closer to realising our goal of an equity ratio of 30%. The relationship of the average net indebtedness to the average equity capital (gearing) improved from 121.0% to 112.0%.

The proportion of **long-term loan capital** grew from 18.3% to 22.7%. The absolute increase amounted to 106.8%, or 82.0 M €, to 158.9 M € (previous year: 76.8 M €). This is essentially the effect of the financing of the purchase price of

GILDEMEISTER Italiana at 80.0 M €, which will be repaid after a period of six years. The **long-term provisions** for liabilities and charges remained more or less constant. While the provisions for liabilities and charges for partial retirement and anniversaries increased, the provisions for pensions fell back slightly in the reporting year. All in all GILDEMEISTER has 50.8% **long and medium term funding** at its disposal (previous year: 44.3%). This represents an increase of 91.6%, or 170.1 M €.

In the area of **short-term funding**, the provisions increased in proportion to the balance sheet total with an increase of 64.2%, or 31.9 M €, to 81.7 M € (1999: 49.7 M €). Short-term liabilities, in contrast, grew proportionally less by 43.2%, or 79.4 M €. The reason for this development is that we have used the liquidity developed during the course of the year to reduce short term bank and supplier liabilities.



The **financing** of total assets by liabilities is now well balanced. The increase in funding available in the middle and long-term to 355.8 M € has funded the increase in fixed assets. Thus the total of fixed assets and stock in hand of 370.9 M € is covered 95.9% by medium and long term funding.

The growth of the Group is secured through a balanced mix of internal and external funding. With the cash funds available and the bank facilities additionally available, the Group has at its disposal sufficient funding to finance both the business expansion we are striving for and investments we have planned. Further explanations of the balance sheet positions as well as multi-year overviews of the development of key figures for the group are provided in the Annex.

**Our machines.
To save you power.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER contribute to providing you with the right transport in every situation. The machining of mountain bike components is only one of the many tasks that our machines carry out every day throughout the world.



Cashflow Statement for the GILDEMEISTER Group*

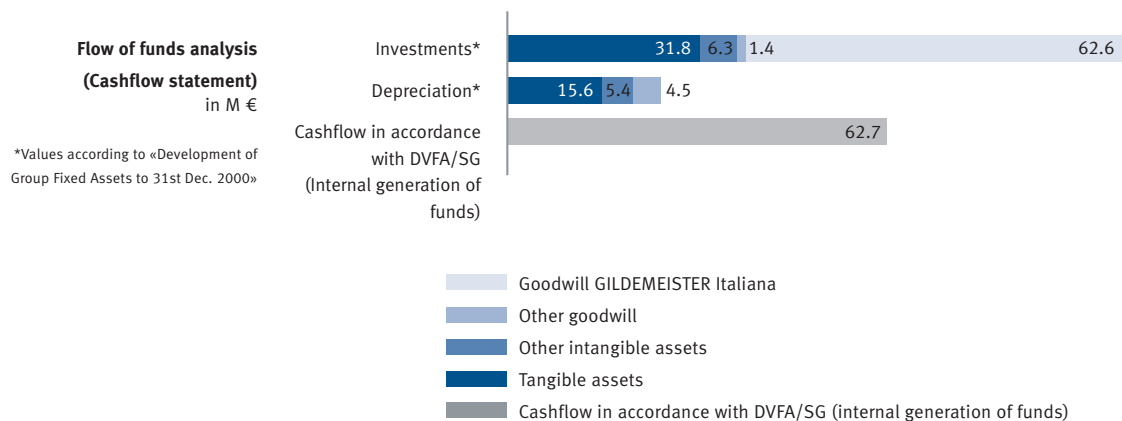
	2000 K€	1999 K€	changes against pre- vious year K€
Cashflow from current business activities			
1. Annual net profit	38,079	32,663	5,416
2. Fixed asset depreciation	24,542	14,881	9,661
3. Increase in long-term reserves	513	4,950	-4,437
4. Other non-payment income	-413	-944	531
Cashflow according to DVFA/SG	62,721	51,550	11,171
5. Increase in short-term reserves	18,349	14,120	4,229
6. Loss (profit) on disposal of fixed assets	28	-35	63
7. Increase in stocks, trade debtors, and other assets which are not to be attributed to investment or financing activities	-46,641	-30,629	-16,012
8. Decrease in trade creditors and other liabilities which are not to be attributed to investment or financing activities	-39,479	-11,067	-28,412
	-5,022	23,939	-28,961
Cashflow from investment activities			
1. Receipts from disposals of tangible fixed assets	4,267	1,134	3,133
2. Payments for investments in tangible fixed assets	-31,787	-30,456	-1,331
3. Receipts from disposals of intangible fixed assets	33	404	-371
4. Payments for investments in intangible fixed assets	-6,927	-3,192	-3,735
5. Payments for investments in financial assets	-7	-55	48
6. Changes in the group assets due to change in the consolidation scope	-110,280	-6,566	-103,714
	-144,701	-38,731	-105,970
Cashflow from financing activities			
1. Receipts from the take-up of loan facilities	119,905	26,120	93,785
2. Dividend payments to shareholders	-10,846	-6,100	-4,746
3. Capital repayments to other partners	-832	-563	-269
4. Dividends to other partners	-1,112	-1,849	737
5. Receipt of investment subsidies	0	2,526	-2,526
6. Receipts from the increase of capital	53,910	0	53,910
	161,025	20,134	140,891
Changes affecting payments	11,302	5,342	5,960
Consolidation and exchange rate related changes not affecting payments	-793	-316	-477
Liquid funds at 1st January	13,587	8,561	5,026
Liquid funds at 31st December	24,096	13,587	10,509

* Flow of funds analysis (cashflow statement) in accordance with the German statement computation standard No.2 (DRS2) (Rechnungslegungsstandard). Because the scope of consolidation was widened, some of the changes represented in the cashflow statement cannot be compared directly with the individual positions in the consolidated balance sheet.

In the **flow of funds analysis (cashflow statement)** the payment flows from one business year are captured in order 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 annual net profit the expenditures against which no cash payments resulted and subtracting from it revenue from which no cash receipts resulted. Effects from currency revaluation as well as from the changes to the scope of consolidation are removed.

The **outflow of funds from current business activities** amounts to 5.0 M € in total (previous year: inflow of funds 23.9 M €). The source of this increase lies in the increase in the current assets associated with the expansion of the business. Additionally, short-term liabilities which are not subject to interest charges decreased.

In the reporting year the **cashflow according to DVFA/SG** rose by 11.2 M €, or 21.7%, to 62.7 M € (previous year: 51.6 M €). The reason for this improvement of the internal generation of funds was the renewed growth of the annual net profit to 38.1 M €, or 16.6%, against 32.7 M € in the previous year. Depreciation and appreciation of the fixed assets rose by 9.7 M € to 24.5 M € (previous year: 14.9 M €).



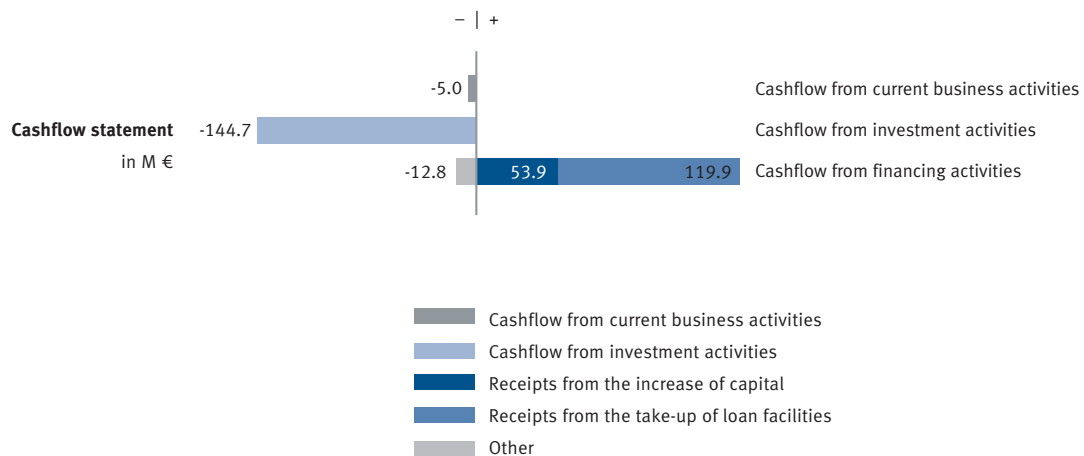
In addition, there was an increase in the long-term provisions which were 4.4 M € lower at 0.5 M € (previous year: 5.0 M €). The increase in the short-term provisions amounted to 4.2 M € to 18.3 M € (previous year: 14.1 M €). The increase in stocks, trade debtors, and other assets amounted to a total of 16.0 M € more than in the previous year. At the same time, trade creditors and other liabilities fell by 39.5 M €.

The high investment activity of the Group is expressed in the **outflow of funds**. Net investments rose in total in the reporting year by 106.0 M € to 144.7 M € (previous year: 38.7 M €). This increase was particularly influenced by the changes of the scope of consolidation affecting payments of 103.7 M € to 110.3 M € after 6.6 M € in the year 1999. Specifically, this concerns the purchase price payment for the acquisition of shares in GILDEMEISTER Italiana (114.9 M €), whereby the cash funds acquired (4.6 M €) were taken into the balance. The share purchase of a further 21.0% of FAMOT Pleszew S.A. for 1.8 M € is included in payments for investments in intangible fixed assets. The financing was made out from the current cashflow. The net value of investments in fixed assets amounts to 31.8 M €, compared to 30.5 M € in the previous year. There was no sale of companies or other business units in the reporting year.

The acquisition of GILDEMEISTER Italiana also explains the **inflow of funds from financing activities**, which rose by 140.9 M € to 161.0 M € against 20.1 M € in 1999. In detail, the receipts from the uptake of loan facilities rose by 93.8 M € to 119.9 M €. Included in this is the external capital component of the purchase price for GILDEMEISTER Italiana S.p.A. of 80.0 M €. The dividend payments to shareholders for the business year 1999 increased in comparison with the previous year by 4.8 M € to 10.9 M €. In December 2000 53.9 M € were received from the increase of capital carried out.

There were no investment or financing activities not affecting payments in the reporting year.

Cash funds increased within the reporting year by 10.5 M €, or 77.3%, to 24.1 M € (previous year: 13.6 M €). All in all, the flow of funds analysis shows the good financial strength of the GILDEMEISTER Group associated with the positive development of the business.



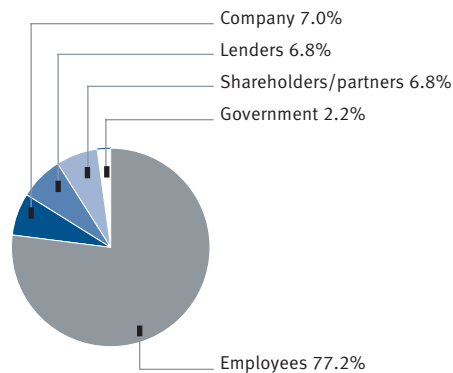
The **movements balance sheet** drawn from the flow of funds analysis (cash-flow statement) makes clear the application of funds and the sources of funds in the reporting year.

Movements balance sheet GILDEMEISTER Group	Application of funds	2000		1999	
		K€	%	K€	%
	Outflow of funds from current business activities	5,022	2.9	0	0
	Outflow of funds from investment activities	144,701	82.8	38,731	73.6
	Consolidation and exchange rate related changes not affecting payments	793	0.5	316	0.6
	cash funds at 31st December	24,096	13.8	13,587	25.8
		174,612	100.0	52,634	100.0
	Source of funds				
	Cash funds at 1st January	13,587	7.8	8,561	16.3
	Inflow of funds from financing activities	161,025	92.2	20,134	38.3
	Inflow of funds from current business activities	0	0	23,939	45.4
		174,612	100.0	52,634	100.0

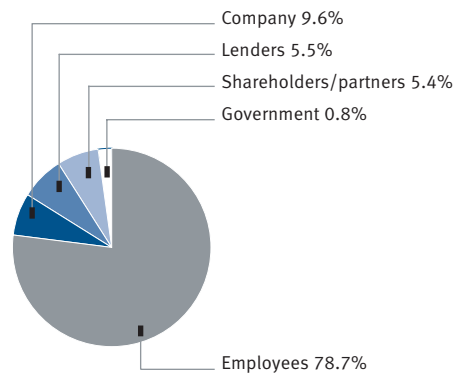
The **calculation of real net output** of the GILDEMEISTER Group shows the difference between the company's output and the consumption measured by the value of externally purchased products and services. In the distribution calculation, the contribution of those participating in the value creation process – employees, government, lenders, shareholders/partners, and company – is set out.

The GILDEMEISTER Group has achieved a value creation of 275.7 M € in the year 2000 (previous year: 218.1 M €). This represents an increase of 26.4%, or 57.6 M €. The largest component of the increase in the value creation, at 41.2 M € arose, as in the previous year, from the employees. The contribution of the shareholders and the company rose by 5.3 M €. The following table represents the detailed calculation of real net output.

**Distribution of real net output
In the GILDEMEISTER Group** **2000: total 275.7 M €**



1999: total 218.1 M €



Calculation of Real Net Output of the GILDEMEISTER group

	2000		1999		change against previous year	
	M €	%	M €	%	M €	%
Generation						
Sales revenues	923.3		690.4		232.9	
Other revenues	11.9		29.4		17.5	
Operating performance	935.2	100.0	719.8	100.0	215.4	29.9
Raw materials and consumables	485.1	51.9	385.2	53.5	99.9	25.9
Depreciation	25.5	2.7	15.0	2.1	10.5	70.0
Other expenditures	148.9	15.9	101.5	14.1	47.4	46.7
Purchased materials and services	659.5	70.5	501.7	69.7	157.8	31.5
Surplus values	275.7	29.5	218.1	30.3	57.6	26.4

	2000		1999		change against previous year	
	M €	%	M €	%	M €	%
Distribution						
Employees	212.9	77.2	171.7	78.7	41.2	24.0
Company	19.2	7.0	20.9	9.6	-1.7	-8.2
Lenders	18.7	6.8	11.9	5.5	6.8	57.1
Shareholders/partners	18.8	6.8	11.8	5.4	7.0	59.3
Government	6.1	2.2	1.8	0.8	4.3	238.9
Surplus values	275.7	100.0	218.1	100.0	57.6	26.4

Risk Reporting

Systematic **risk management** is a decisive element for the lasting success of a company. All entrepreneurial activity is associated with opportunities and risks, and intended to limit risks as far as possible and to utilise opportunities optimally. In order that GILDEMEISTER is not exposed to uncontrolled dangers, risks are identified and classified using the methodology of risk management, systematically monitored, controlled, and minimised. Risk identification is continuously carried out in all observation domains using checklists and questionnaires. The individual methods range from market and competition analyses, through supplier coaching, to surveys of employees. Risk analysis and evaluation are carried out in many domains with quantitative measurements. For the monitoring and control of risks, we use a series of instruments which go far beyond classical financial control and are continuously being further developed.

General economic risks: in respect of the risks in the context of the general economic development, GILDEMEISTER does not see itself currently view as being exposed to any substantial dangers. As far as the political and economic developments in our principal purchaser markets can be estimated. We also expect no significant negative influences on current business activities. Additionally, the current legal and tax conditions as well as the forecast developments of the capital markets are stable and calculable in the important purchasing countries. Negative influences arising from interest rate and exchange rate developments are not currently recognisable. The **competitive development of the industry** in machine tool construction is positively assessed by the German machine tool association for 2001. Entry of new competitors into the market or the introduction of new technologies in which GILDEMEISTER does not participate are not currently recognised. In recent years, a wave of mergers of machine tool manufacturers on the one hand, and of insolvencies on the other, has occurred. These are changing the competitive landscape at short intervals. GILDEMEISTER is however strategically well positioned through its globalisation strategy in association with consistent market orientation and stringent product development.

Research and development risks: the alignment of our product strategy to the respective market needs is guaranteed through the direct sales of the products by our own worldwide sales organisation. The associated market presence of the group leads to optimal client proximity, the opportunities for building up long term business relationships, and the capacity for quick reaction. We perceive technological and product-related developments early, and implement them stringently in market-oriented inter-disciplinary teams. As well as construction and sales, purchasing, production, quality control and controlling also participate in design reviews in various development phases, in order to prevent cost and time over-runs.

Sales risks: in order to recognise risks and opportunities, complete customer data is recorded in our Marketing Information System (MIS), and market and competition data analysed. Using the demand scenarios available in MIS, we are able to make forecasts using statistical methods of customer orders to be expected by machine type and sales region in the short and medium term planning domains. MIS is supplemented by the new scheduling system, which shows the load factors of the production plants to those responsible for distribution in all DMG companies. Through dynamic feedback from distribution to the plants, the production plans can be exactly matched in advance with market developments.

Production and procurement risks: we secure the implementation of the speed of high innovation and growth through flexible production and logistics structures. In recent years we have analysed and transformed all processes in the creation of value, as well as in the adjacent functional areas. In accordance with these process analyses, we have optimised the production procedures and the workflow within the GILDEMEISTER group so that materials and part-manufactured goods can be delivered according to the just-in-time concept. Thus the purchasing strategy for all important key components has been consistently expanded to double-sourcing. We meet further materials and production risks through own manufacture of know-how components and through group-internal resources at a & f Stahl- und Maschinenbau GmbH and FAMOT Pleszew S.A. The continuing improvement of the production processes is permanently monitored and documented using the production development figures. Thus, for example, with the reduction of stocks, not only is the capital commitment reduced, but also the realisation risk. The early recognition of risks is also served by our quality hotline, to which the decentralised DMG companies world-

Our machines.

So you can drive accurately.

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER help you to reduce handicaps. The precision machining of driver components for golf is just one of the many tasks that our machines carry out every day, worldwide.



wide rapidly report quality defects in the machines in use. On the basis of this data, we can we can immediately introduce constructive modification measures, in the event that this is necessary. In addition to this, all products and working procedures are critically checked and optimised through the suggestion system, which integrates the employees actively in a continuous improvement process.

Personnel risks: a substantial part of the GILDEMEISTER group's turn-around success relies on the performance of our employees. Intensive competitions exists, particularly for qualified skilled and leadership staff with technical or industry specific backgrounds. In order to gain employees and to keep them, we offer integration and staff participation programs as well as an attractive compensation scheme. We value our employees as a highly valuable resource for effective risk management, and sponsor them through both internal and external further training and qualification procedures.

Information technology (IT), organisational and other risks: in order to secure the best possible performance and results, clear rules determine the activity frameworks of the group companies which we conduct as profit centres. In order that the companies can concentrate themselves fully on their core responsibilities, we establish integrated group-wide IT infrastructures. Through the application of modern hardware and software, and in cooperation with competent service partners, provisions against potential risks are made. In particular, measures are taken to secure high availability of the computer systems and networks, daily updated mirroring and archiving of data, and protection against attacks from outside. In addition to information technology, further cross-domain key functions are centrally coordinated through GILDEMEISTER Aktiengesellschaft as parent company. Included among these are personnel, marketing and the finance and controlling area. The production plant control functions and the decentral and central control function of DMG Vertriebs und Service GmbH report to the central control function of GILDEMEISTER Aktiengesellschaft. The business managers of all companies are also linked directly into the reporting through the existing monthly reporting system. Important business events and changes of results are continually analysed and fed back. Based on market oriented, decentralised planning in the individual DMG companies, quarterly

projections are made which are simultaneously reconciled with the production plant planning. Out risk management also includes limit systems, monitoring of important contracts with suppliers and customers, and overall, modular hierarchical reporting. In addition, besides routine technical information exchange at nearly all company levels, regular management meetings are held at which opportunities and risks in the business development are analysed and discussed in detail.

Financial risks: monitoring and control for the avoidance of financial risks is carried out through the application of instruments such as annual financial planning with weekly analysis of deviations from the plan. In the debtors area, the development of the trade debtors and the debtors structure are permanently monitored and analysed by the companies. Thereby, potential risks are identified very early and corresponding counter-measures instituted. The financial structure of the GILDEMEISTER group is characterised by close cooperation with multiple credit institutions with first class credit ratings. Concentration or dependency on a single credit provider is avoided. The volume of credit lines which are authorised but not utilised secures from today's view sufficient financing and liquidity provision. Thus sufficient account is taken of the further growth of the group in accordance with our planning. There are also no negative influences to be recognised from currently envisaged developments in the capital markets on the basis of anticipated interest rate and exchange rate developments. Our hedging trades reduce the risks and contribute to controlling them. The majority of the business is transacted within Europe and thus in Euro territory without exchange rate risk. Risk management is rounded out with a group-wide insurance package aligned to the requirements of operational economics.

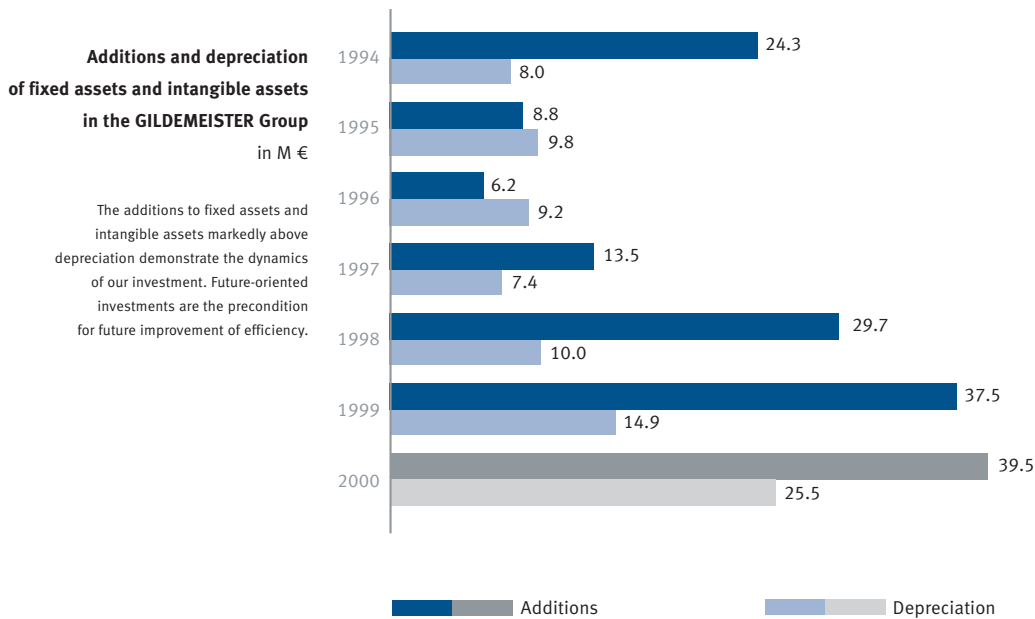
Legal risks: legal or arbitration proceedings which have a substantial influence on the economic status of the companies of the GILDEMEISTER group are, to the knowledge of the company, neither pending nor threatened. Insofar, we expect no significant effect on business development. A proceeding has been opened by the Italian stock exchange monitoring authority CONSOB against GILDEMEISTER Italiana S.p.A., which is directed against the reported annual financial statement of this company for 1999. The subject is the accounting for a compensation claim for the dissolution of a commercial dealership contract. GILDEMEISTER Aktiengesellschaft has taken account of this position within the framework of the group annual financial statements. In the event of a verdict in favour of the Italian exchange supervisory, this affair will not lead to any significant material or liquidity effects, either at the company concerned or in the GILDEMEISTER group.

Overall risk: the existence of the GILDEMEISTER group is not at risk either from substantial or from liquidity aspects. This estimation is objectively documented through the positive improvement of the earning power in connection with the cash-flow development. The equity capital presently available represents a good basis for the implementation of the current business planning. There are also no existence-threatening risks recognisable in the foreseeable future. The decentralised organisation of the worldwide distribution system, the broad dispersion of the customers over the most varied industries, together with high customer loyalty, limit the organisational risks. In order to continue to determine originating causes of risk and to identify opportunities early, risk management is a basic principle at GILDEMEISTER which we actively implement across all company areas, functions and hierarchies. Our risk management methodology, which we continuously developed further, is integrated into the orderly conduct of the business and is a constituent part of the audit of the annual financial statements.

Investments

The Group’s globalisation strategy is also evident in investments. In the reporting year GILDEMEISTER invested 39.5 M € worldwide in tangible and intangible assets (previous year: 37.5 M €). In the financial assets, the repurchase of GILDEMEISTER Italiana S.p.A. and the increase of participation in FAMOT Pleszew S.A. to 96% led to an increase of the firm’s value to 61.0 M €. The investments were depreciated by 25.5 M €. In comparison with 1999, with 14.9 M €, this is a rise of 71%.

Focal points of our investments in fixed assets were the optimisation of production and logistics processes, and the renewed extension of the Pfronten location with a newly built climate-controlled hall for precision manufacturing. To strengthen our worldwide market presence and to secure the future growth of the GILDEMEISTER Group, we have continued our investments in the build-up of new sales and service companies, and the expansion of the existing ones.

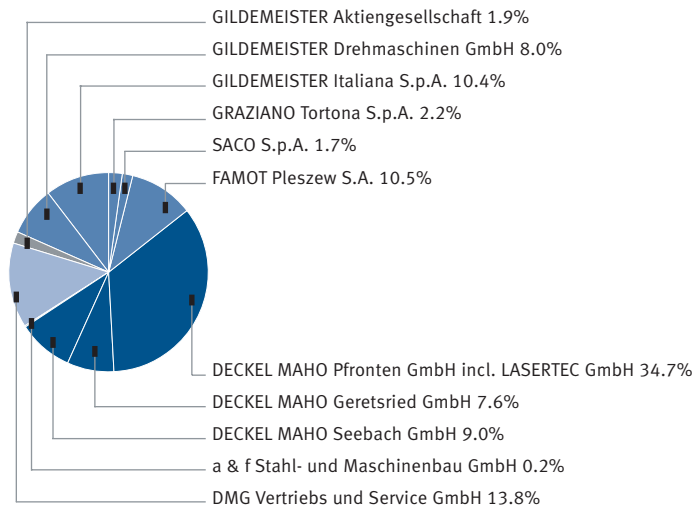


The introduction of the 3D CAD system, which began in the year 1998 – with a total investment volume of 8.2 M € over a timeframe of four years – was optimised in the reporting year through the link to the group ERP System (Enterprise Resource Planning). In addition to this we have integrated our IT systems by means of Intranet and Internet. With the help of e-commerce tools, we shape our business processes still more efficiently. Procurement is organised group-wide, which reduces material costs; sales can, thanks to the Internet, respond more efficiently to customer wishes. An essential prerequisite for raising performance was the integration of a high-end server into the network structure for 3.2 M €. The financing was accomplished through leasing. Thus we were able to link five further international sales companies and FAMOT Pleszew S.A. into the group-wide client-server architecture.

The expenditure on leasing of operational and business equipment amounted to 2.3 M € in the reporting year, with 4.3 M € for buildings.

Share total of the individual companies in the investments in fixed assets and intangible assets

2000: Total 39.5 M €



Investments in the individual companies

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

GILDEMEISTER Drehmaschinen GmbH invested 3.2 M € in the reporting year, of which 2.4 M € was for the expansion of the 3D CAD system. For the development and manufacturing of new products, the company made investments in models and appliances amounting to 0.4 M €. A product of this is the new vertical lathe CTV 200 with high dynamic linear drives and a trendsetting design.

0.4 M € was invested for the further optimisation of assembly and logistics. This included, among other items, a sealing of the hall floor - a prerequisite for the deployment of driverless transport systems for the improvement of logistical procedures.

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

The company invested 4.1 M € in the reporting year. Machine plant, tools, verification technology, appliances and transport facilities were acquired for 2.2 M €, for the modernisation of manufacture, assembly and quality assurance. The largest single item was a machining centre for the high-precision machining of large components.

1.9 M € was spent on the introduction of the integrated J.D. Edwards IT system. This investment was already initiated before the acquisition by GILDEMEISTER.

GRAZIANO Tortona S.p.A., Tortona

The company invested 0.9 M € in the reporting year with the objective of further modernising assembly and optimising logistical procedures.

SACO S.p.A., Castelleone

SACO S.p.A. invested 0.7 M € in the modernisation of manufacture and assembly with new machines and equipment. In November 2000 an investment project amounting to 1.3 M € was agreed for the expansion of component manufacture and the assembly capacity for bar loader magazines. It will be completed in the second half of 2001.

FAMOT Pleszew S.A., Pleszew

FAMOT Pleszew made investments of 4.1 M €. For the further modernisation of mechanical manufacture and for capacity increase, the company acquired the most modern machines and machine equipment such as two surface grinding machines, a portal mill machining centre and a new hardening device for the inductive hardening of machine beds. Additionally, the assembly area was expanded. The costs of this amounted to 2.5 M € in total. FAMOT was able to optimise production processes with the construction of a new logistics hall. The company was certified according to DIN ISO 9001 in the reporting year. It spent 0.3 M € for the acquisition of operating and business equipment. With these investments, it was able to increase its productivity further and raise the production of rump machines to 1,022 examples.

DECKEL MAHO Pfronten GmbH, Pfronten

The investment value for DECKEL MAHO Pfronten amounted to 13.6 M € in total in the business year. After a project time of only nine months, the capacity expansion measures begun in the previous year were completed in October: an additional climate-controlled production hall and construction measures for optimisation of the logistical procedures and processes was completed. Surface area productivity was thereby further increased. This investment, 9.1 M € in total, largely relates to the increased surface area requirement for the large Universal Milling Centre DMU 200 P as well as the production capacity, aligned to market requirements, for the successful new T construction series. The company also invested 1.4 M € in the group-wide 3D CAD system.

For the new machine types, and improved processes within the operation, the company acquired tools, appliances, models and machines to a value of 1.4 M €. The investments in operational and business equipment ran at 1.7 M €.

LASERTEC GmbH, Pfronten

LASERTEC GmbH invested 0.1 M € in equipment for process optimisation in the reporting year. In view of the planned expansion of the laser technology business area and the start-up of serial production, DECKEL MAHO Pfronten GmbH increased the capital of LASERTEC GmbH by 3.1 M €.

DECKEL MAHO Geretsried GmbH, Geretsried

Investments at DECKEL MAHO Geretsried GmbH amounted in the reporting year to 3.0 M €. The company was almost able to complete the extension investment in the Geretsried location in the year 1999. A further 0.6 M € was invested in 2000 for the completion of an assembly hall. It was thereby possible to conclude the construction, which began at the end of 1998, of the modern production facility for machining centres including all areas for product-associated services. 17.6 M € in total has been invested in recent years in the modernisation of the DECKEL MAHO Geretsried GmbH location. Besides DECKEL MAHO Geretsried GmbH, the company's property now also houses DMG München Vertriebs und Service GmbH, DMG Trainings-Akademie GmbH, DMG Service BAZ GmbH and DMG Gebrauchtmaschinen GmbH. The result is a modern centre, optimised from the logistical viewpoint, with all functions and services around the product line of machining centres. The Geretsried location is now able to offer all services from a single source.

The company invested 0.9 M € in the 3D CAD system. Additional investments 1.5 M € were made in the past business year for crane facilities and area haulage vehicles, IT and communications technology, and models, tools and appliances for product development. Through these investments, in order to achieve optimisation of the logistical process chain, DECKEL MAHO Geretsried GmbH was able to extend its production capacity by some 50%.

DECKEL MAHO Seebach GmbH, Seebach

DECKEL MAHO Seebach GmbH invested 3.6 M € in the reporting year. For the modernisation of mechanical manufacture, assembly and quality control, the company acquired tools, verification technology, appliances and transport equipment for 1.0 M €. It is thus possible to accomplish high-precision manufacture of know-how components of the new products in modern multi-process machining in a shorter space of time. The company invested 1.4 M € in technical facilities and machines. DECKEL MAHO Seebach GmbH was able to further optimise the 3D CAD system in the development area with investments of 0.6 M €, and thereby further shorten development times. 0.6 M € was used for the acquisition of operational and business equipment. The building of an extension for the assembly of the new construction series of travelling-column machines and a technology centre are planned for the Seebach location for the year 2001.

a & f Stahl- und Maschinenbau GmbH, Würzburg

The investments of a & f Stahl- und Maschinenbau GmbH in fixed assets amounted to 0.1 M €.

DMG Vertriebs und Service GmbH, Bielefeld

The investments of DMG Vertriebs und Service GmbH, Bielefeld amounted to 5.5 M € in the reporting year. The emphasis was on further expansion, and extension of the technology locations. Further DMG technology centres were set up in Poland, Los Angeles, Canada, Korea and Malaysia.

The company created the necessary conditions for market expansion of DMG Netservice through further investments in hardware and software. Further investments of 2.2 M € were made for replacement purchases of automobiles. They were financed through leasing.

Group Organisation

	Production plants	
GILDEMEISTER Aktiengesellschaft Bielefeld	GILDEMEISTER Drehmaschinen GmbH Bielefeld 100%	
	GILDEMEISTER Italiana S.p.A. Brembate di Sopra 86%	GRAZIANO Tortona S.p.A. Tortona 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 62,5%	
	FAMOT Pleszew S.A. 96%	
	Procurement	
	a & f Stahl- und Maschinen- bau GmbH, Würzburg 51%	
	Sales and Service Organisation	
	DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER Holding, Bielefeld 100%	

The GILDEMEISTER Group is Europe's leading lathe and milling machine manufacturer, with nine production plants and 51 domestic and international sales and service locations, of which 38 have prestigious technology centres. DMG Vertriebs und Service GmbH holds 100% of the shares in the nominal capital of each of its subsidiary companies.

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 Dreher GmbH Bielefeld
DMG München Vertriebs und Service GmbH	DMG France S.a.r.l. Les Ulis, Lyon, Scionzier	DMG Chicago Inc. Chicago/Schaumburg	DMG Malaysia SDN BHD Kuala Lumpur	DMG Service BAZ GmbH Geretsried
DMG Hilden Vertriebs und Service GmbH	DMG Büll & Strunz GmbH Wiener Neudorf (fdd. 2001)	GITAL America Inc. Chicago/Elgin	DMG Australia Melbourne, Sydney, Adelaide	DMG Service UFB GmbH Pfronten
DMG Bielefeld Bielefeld, Hannover	DMG (Schweiz) AG Zürich/Dübendorf	DMG Houston Inc. Houston	DMG China Beijing, Shanghai, Xian	DMG Service UFB Seebach GmbH Seebach
DMG Berlin Berlin, Chemnitz	DMG (UK) Ltd. Luton	DMG Los Angeles Inc. Los Angeles	DMG Technology Trad. Co. Ltd. Shanghai	DMG Gebrauchtmaschinen GmbH, Geretsried
DMG Frankfurt Vertriebs und Service GmbH	DMG Danmark Kvistgård	DMG Canada Inc. Toronto	DMG India Pvt. Ltd.; Bangalore, Delhi, Mumbai, Chennai	DMG Trainings-Akademie GmbH Bielefeld, Geretsried, Pfronten
	DMG Nederland B.V. Veenendaal		DMG Nippon K.K. Yokohama	
	DMG Belgium B.V.B.A. Zaventem		DMG Taiwan Ltd. Taipeh	
	DMG Iberica S.L. Barcelona, Bilbao, Madrid		DMG Korea Ltd. Seoul	
	DMG Czech s.r.o. Brno			
	DMG Polska Sp. z o. o. Pleszew			

Organisation and Administration

The GILDEMEISTER Group comprises nine production plants, a & f Stahl- und Maschinenbau GmbH and the DMG sales and service companies. GILDEMEISTER Aktiengesellschaft is the holding company for these companies.

With effect from 18th May 2000, GILDEMEISTER Italiana S.p.A. was taken back into the GILDEMEISTER Group. With its wholly-owned subsidiaries GRAZIANO Tortona S.p.A. and SACO S.p.A , it constitutes a subgroup.

DECKEL MAHO Pfronten GmbH is the parent company of LASERTEC GmbH. Together with DECKEL MAHO Geretsried GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, FAMOT Pleszew S.A. and the three companies of the GILDEMEISTER Italiana subgroup, these companies constitute the group's production plants. a & f Stahl- und Maschinenbau GmbH has particular responsibility for component procurement. DMG Vertriebs und Service GmbH, Bielefeld, is also a parent company. With its numerous domestic and international subsidiaries, it functions as the worldwide sales and service company for the production plants.

All companies in the group are consistently managed as profit centres. Within the context of the decentralised organisation, clear rules determine the framework of activities in order to achieve the best possible service and results. The IT infrastructure is organised on a group-wide basis and thus provides a platform for standardised working processes and procedures. Key cross-discipline functions of GILDEMEISTER Aktiengesellschaft such as controlling and finance, the personnel department and marketing, are discharged centrally. 41 employees were active in the Board responsibilities. The organisation costs of GILDEMEISTER Aktiengesellschaft including the central IT costs amounted to 14.8 M €.

The responsibilities of the Board of Directors of GILDEMEISTER Aktiengesellschaft were unchanged in 2000 and were as follows: Dr. Rüdiger Kapitza as Chairman of the Board was responsible for Strategy and Product Development, Sales, Marketing, Technical Services and Personnel, as well as Press and PR work. Mr. Dieter Schäfer took responsibility for Finance, Accounting and Controlling, and Dr. Raimund Klinkner was responsible for Logistics, Materials Management, Production, IT and Projects.

Legal Company Organisation

The shares of GILDEMEISTER Aktiengesellschaft are mainly in widespread shareholdings. Westdeutsche Landesbank holds the largest share with 6.75%, followed by Deutsche Balaton AG with 5.01%. Further shares are held by international investors and funds as well as private investors, with 1 to 2% of the share capital each. Thus a multitude of small investors dominates.

GILDEMEISTER Aktiengesellschaft has concluded 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,
- ___ 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 *.

* The control agreements and profit and loss transfer agreements were terminated with effect from the 31st December 2000, and replaced by new agreements with DMG Vertriebs und Service GmbH with effect from 1st January 2001.

GILDEMEISTER Aktiengesellschaft has acquired more than 86% of the share capital of GILDEMEISTER Italiana S.p.A through the newly formed subsidiary Holding Macchine Utensili S.p.A. A new subgroup thus became integrated into the group alliance. GILDEMEISTER Italiana S.p.A. formed GILDEMEISTER Italiana s.r.o., Zlín, Czech Republic in the business year 2000. This engineering company will initially participate in the construction and development of the new multi-spindle generation.

In the reporting year GILDEMEISTER Aktiengesellschaft acquired a further 21% of the shares of FAMOT Pleszew S.A. within the framework of a takeover offer to external shareholders, with the result that GILDEMEISTER now disposes of 96% of the capital.

DECKEL MAHO Pfronten GmbH, Pfronten, took over the remaining portion of 3% of the shares in LASERTEC GmbH, Pfronten, with the result that it is now the sole property of the company.

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

- ___ DMG Stuttgart 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 Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Gebrauchtmachines 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.

The company organisation of DMG Vertriebs und Service GmbH changed in the year 2000 through the formation of five new sales and service companies and the purchase of two companies, as follows:

In the reporting year DMG Vertriebs und Service GmbH formed DMG Polska Sp. z o.o., Pleszew, DMG Canada Inc., Toronto, and DMG Korea Ltd., Seoul. DMG Asia Pacific Pte. Ltd., Singapore, formed DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, thereby expanding its involvement in the South East Asian area.

In addition to these companies, DMG Service UFB Seebach GmbH, Seebach, has taken on its function as fourth service company. We have thereby completed the new alignment in the technical services business area.

In the course of the acquisition of GILDEMEISTER Italiana S.p.A., DMG Vertriebs und Service GmbH took over 100% of the shares in GITAL Iberica M.H. S.L., Berriz (Bilbao), from GILDEMEISTER Italiana S.p.A. and transformed it into DECKEL MAHO GILDEMEISTER Iberica S.L. The activities of the existing Spanish branch of DMG Vertriebs und Service GmbH will be brought into this company.


DMG America Inc. has taken over 100% of the shares in GITAL America Inc., Elgin, from GILDEMEISTER Italiana S.p.A. GITAL America Inc. is in particular responsible for the multi-spindle activities in the American market.

Within the framework of the takeover of GILDEMEISTER Italiana S.p.A., the following sales organisations were brought together:


- ___ GITAL Werkzeugmaschinen GmbH, Stuttgart, with DMG Stuttgart Vertriebs und Service GmbH,
- ___ GITAL France SAS, Scionzier, with DMG France S.a.r.l., Les Ulis.

On 1st January 2001 GITAL S.r.l., Brembate di Sopra, was merged with DMG Italia S.r.l., Gorgonzola. DMG Houston and DMG Los Angeles, until now branches of DMG America Inc., act as independent companies since 1st January 2001. They are now subsidiaries of DMG America Inc., Charlotte, and constitute a subgroup together with it and DMG Charlotte Inc. and its subsidiaries DMG Chicago Inc. and GITAL America Inc.

The GILDEMEISTER group possesses exclusively affiliated companies and has no participation holdings.



GILDEMEISTER Drehmaschinen GmbH:
The centre of competence within the
Group for the product lines universal
lathes, vertical lathes, and two-spindle
lathes.



GILDEMEISTER Italiana S.p.A.:
The product spectrum includes the pro-
duct lines multi-spindle lathe automats
and long lathe automats. The company
holds a leading position in the market
world-wide for multi-spindle lathes.



Affiliated Companies

The Turning Business Area

A work process which removes shavings, typically for the production of rotation-symmetric parts, in which the piece to be worked rotates and the cutting tool carries out advancing motions along and across the rotation axis, is known as «turning». The field of application of this technology is extremely multi-faceted. It includes, for example, the manufacture of shafts, axles, coupling elements, and armatures. The turning business area is concentrated in the affiliated companies listed below, which generate 29% of the sales volume. Synergies in the areas of product development, logistics and acquisition are being realised through the agreed cooperation in the seven-lines product strategy of the now four lathe manufacturers.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

The Bielefeld location is the centre of competence within the group for the product lines NEF Universal Lathes, CTV Universal Lathes, CTV Vertical Lathes and TWIN two-spindle lathe centres. With the development of a vertical construction series, GILDEMEISTER Drehmaschinen GmbH was able to open up a new product line in the reporting year. The CTV-type machines are the first vertical lathes in the world with a linear drive which is manufactured in series.

With advancing flexibility of the assembly team and the integration of new qualified employees, the company was able to increase sales by 11%. The production and logistics processes were continuously optimised, for example through the introduction of megalifts and a pallet shelf installation for the improvement of materials logistics. It thereby became possible to react more quickly to changing market needs and product mix deferrals. The acquisition risk for high-value assemblies and components was reduced by the training of suppliers, and the materials ratio improved by increased usage of building-block systems. GILDEMEISTER Drehmaschinen GmbH again accomplished a positive result in the reporting year.

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

The acquisition of GILDEMEISTER Italiana S.p.A. and its subsidiaries GRAZIANO Tortona S.p.A., Tortona, and SACO S.p.A., Castelleone, took place on 18th May 2000. This brought about a complementary expansion of the product portfolio of the group. The product spectrum of the Italian company includes two product lines: multi-spindle and long-turn lathe automats. GILDEMEISTER Italy holds a leading position in the market worldwide for the multi-spindle machines: its production technology is highly specialised for the manufacture of these products.

The integration of the company was accomplished within a few months. Synergies resulted within the group in the areas of purchasing, logistics, and marketing and sales. There is additional potential in the areas of construction and development, and IT infrastructure. On the basis of our merger experience, we are conscious that this high integration tempo led to a short-term impairment of sales and development effectiveness, and thus to a reduction of the earnings potential of the company. The motivation of the employees was exemplary. The GILDEMEISTER Italiana subgroup concluded the business year 2000 with a satisfactory result.

GRAZIANO Tortona S.p.A., Tortona

GRAZIANO Tortona S.p.A, Tortona, has belonged to GILDEMEISTER Italiana since 1998. It is aligned to the production of CNC Universal lathes, two-spindle CNC lathe centres and CNC lathe automats. GRAZIANO extends the CTX and the TWIN construction series with its product offering and will in the future develop into a centre of competence for the whole Sprint construction series.

SACO S.p.A., Castelleone

The firm SACO S.p.A. has belonged to GILDEMEISTER Italiana S.p.A. since 1990. SACO produces tool assemblies, tool holders and gripping tongs for the multi-spindle lathe automats, and supplies third parties, as well as the parent company. Bar loaders and other components in the realm of lathes will be added to the SACO product programme in the future.

FAMOT Pleszew S.A., Pleszew

FAMOT Pleszew S.A. is the most significant manufacturer of machine tools in Poland. The company is well known in Central and Eastern Europe for its lathe program and looks back on a 120-year tradition in machine construction. GILDEMEISTER holds 96% of the shares in this company.

With FAMOT Pleszew S.A., the GILDEMEISTER group combines the cost advantages of Central Europe with date-precise supply to the other plants from a group-internal company. It thus forms a cornerstone of the group's strategic production alliance. After investments of 4,1 M € since takeover in the most modern machines and in a new logistical alignment of the manufacturing and assembly processes, and the associated increases in productivity FAMOT delivered in the reporting year 1.022 rump machines to group plants and assured the supply of these important basis components at a high quality level. In accordance with group strategy, FAMOT also develops and produces its own lathes for the product lines of the NEF and CTX construction series in the lower price range. The company achieved sales of 20,2 M € with 508 employees and high manufacturing depth, and delivered a positive result again in 2000.

Milling and Laser Business Areas

A work process which removes shavings, in which the cutting tool rotates and which creates surfaces on the piece being worked through advancing motions in multiple axes both of the tool and of the piece being worked, is known as «milling». These activities of the GILDEMEISTER group are brought together in the companies under the banner of DECKEL MAHO.

DECKEL MAHO characterises itself as a specialist in milling and laser technology. At the Pfronten, Geretsried and Seebach locations, four companies operate as independent profit centres, which in the reporting year combined to produce 50% of the sales volumes. Goal-oriented innovations and clear product strategies have established DECKEL MAHO in the important world markets. DECKEL MAHO is a worldwide leader in the realm of milling machines, and vertical and horizontal machining centres. The traditional product programme is complemented by the innovative technology of 3D lasers, which was brought to application maturity by the subsidiary LASERTEC GmbH in Pfronten.

DECKEL MAHO Pfronten GmbH, Pfronten

DECKEL MAHO Pfronten GmbH develops and produces the universal milling machines and machining centres of the DMU-T and DMU-P construction series. In this area it is a leader of innovation and a trendsetter. For DECKEL MAHO Pfronten, universality means not only horizontal and vertical 5-side and 5-axis complete machining on a machine: universality means also modular machine construction, modular construction of the hardware and software, and the integration of various technologies in one machine. Account is thereby taken of market demands for ever shorter throughput times, higher flexibility, complete machining and low investment volumes.

Milling and turning in the machines of the FD construction series was brought to series maturity, and the new IT-CNC control was developed and introduced into the series. The whole production programme with the exception of the machine type DMC 200 P was newly brought into the series within the reporting period. Particularly to be emphasised is the T construction series in monoblock construction, which achieved extremely positive success in the market. The fast implementation of innovation brought about significant sales growth.

The prerequisites for this were process optimisation, surface area extension, and climate control of the assembly hall for the high precision machines. These were also accomplished within the reporting period. The Pfronten location again delivered the best result within the GILDEMEISTER group in the year 2000.

LASERTEC GmbH, Pfronten

LASERTEC GmbH, Pfronten, is now 100% owned by DECKEL MAHO Pfronten GmbH after the purchase of all remaining shares.

Laser technology represents a new, innovative and forward-looking business area. DECKEL MAHO is the only manufacturer of machines which can laser in three dimensions. 3D laser machining makes it possible to create very small high-precision cavities for the computer industry, for medical technology, and for the automobile, aircraft and space industries. The futuristic area of microtechnology and ever increasing miniaturisation are an interesting growth market for LASERTEC.

After these technologies were brought to application maturity in 1999, the first product introduction followed in the business year 2000. LASERTEC presents its new products at many domestic and international trade fairs.


The technology has an excellent take up in the market. The distribution of laser machines is carried out through DMG Vertriebs und Service GmbH – this makes worldwide market access possible in a short space of time. Already in the reporting year some two thirds of the revenue is being realised abroad – with emphasis on the Far East.

GRAZIANO Tortona S.p.A. specialises in the manufacture of numerically controlled universal lathes, two-spindle lathe centres and CNC lathe automats with fixed spindle.


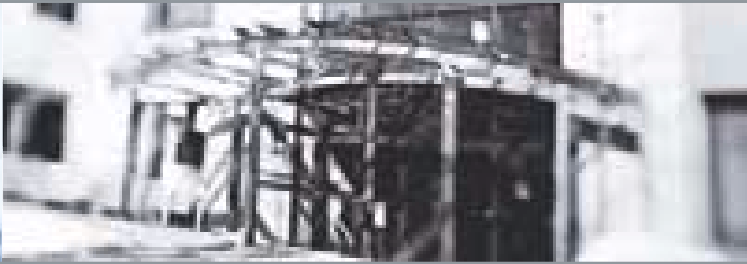


DECKEL MAHO Pfronten GmbH: Trendsetter in the development and production of CNC universal milling machines and machining centres for 5-axis and 5-side machining.





DECKEL MAHO Geretsried GmbH:
The first port of call for production of
machining centres. In particular, the
machines with special properties for
high-speed cutting work have won a
world-wide reputation.



DECKEL MAHO Seebach GmbH
produces CNC universal milling machines
and machining centres and is the guar-
dian of know-how for mechanical manu-
facture of machine components in the
high-precision domain.



DECKEL MAHO Geretsried GmbH, Geretsried

DECKEL MAHO Geretsried GmbH represents with the construction series DMC-H and DMC-V the group centre of competence for horizontal and vertical machining centres. The machining centres constitute the largest business area. This dynamic series of machines for serial manufacturing distinguishes itself through long-term high precision under particularly heavy pressure. The customers for horizontal machining centres make high demands on availability, long-term high precision and reliability of our products. The programme of the vertical machines stretches from standardised, highly precise machining centres which are manufactured in large numbers, to the high-tech machines for tool and form construction with particular strengths in HSC (High Speed Cutting) milling. The latest and most modern linear drive technology is being taken up for serial production in a new generation of the vertical machines.

The basis of the strong sales growth was the good intake of orders and the high acceptance of the products by the customers. Thanks to the new building completed at the end of 1999 and the optimised production processes, capacities were adjusted to the strengthened demand. In the reporting year DECKEL MAHO Geretsried GmbH was able to realise the strongest sales growth in the group and close with a positive result.

DECKEL MAHO Seebach GmbH, Seebach

DECKEL MAHO Seebach GmbH is the producer of smaller and medium-sized CNC universal milling machines and machining centres of the DMU construction series and manufactures high precision machine components used throughout the group. Production was substantially increased in the area of mechanical production through investments, above all in new large-scale machines.

The first prototype of a linear driven 45° slant-bed DMP 60 linear was introduced at the in-house exhibition in Seebach in February. With this innovative machine concept, the Seebach location now also offers a product for large-scale serial producers in automobile construction, air travel, the electronic industry and their suppliers.

Construction and distribution were specifically adapted to these new market requirements. For DECKEL MAHO Seebach GmbH, the business year 2000 was the most successful of its existence in respect of its order intake, sales and results development.

Procurement

a & f Stahl- und Maschinenbau GmbH, Würzburg

GILDEMEISTER Aktiengesellschaft holds 51% of a & f Stahl- und Maschinenbau GmbH. The company is active in the area of qualified procurement of mechanical components and construction assemblies. In addition to the German production plants of the GILDEMEISTER Group, it supplies many well-known customers in the machine and equipment construction businesses. Of particular mention are the manufacturers of wind power facilities. Good contacts to a high-performing network of suppliers – particularly in Central and Eastern Europe – are used for procurement, and continuously expanded. The procurement spectrum is systematically expanded with demanding, complex and high-precision parts and assemblies. a & f Stahl- und Maschinenbau GmbH thereby distinguishes itself in its competitive environment and was able to further expand its position in the market. The company has once more achieved a positive result.

Technical Services Business Area

DMG Vertriebs und Service GmbH, Bielefeld, and branches

DMG Vertriebs und Service GmbH is our worldwide sales and service interface to the market for all products of the GILDEMEISTER group. DMG was present in all countries significantly active in the purchase of machine tools with its 32 independent subsidiaries operated as profit centres (previous year 20) and its 10 additional sales and service locations (previous year: 9). It employs 1,323 staff – this corresponds to 29% of all employees – and achieved the considerable proportion of 21% of group sales in the reporting year. Consistent closeness to the market, comprehensive direct sales and customer-oriented technical services distinguish this worldwide acting organisation with its domestic and international technology centres. Additional success factors are the short times-to-market (i.e. short timespans between the initial presentation of the product and individual presentations to customers), and the extensive offering of technical services from a single source.

In the reporting year, DMG Korea Ltd. in Seoul and DMG Malaysia SDN BHD in Puchong/Kuala Lumpur were formed. The decentralisation already introduced in North America was carried further: in Los Angeles (California) DMG America Inc., Charlotte (North Carolina), opened a further Service Centre and DMG Canada Inc. initiated its business activities in Toronto. The objective is to significantly improve proximity to the customer in North America.

DMG began the build-up of a specialised technology service for the products of DECKEL MAHO Seebach GmbH with DMG Service UFB Seebach GmbH.

The result of DMG Vertriebs und Service GmbH is again positive, in spite of the build-up and expansion costs of the worldwide sales and service organisation. DMG achieved the second-best absolute result in the Group.

Branch Offices

In addition to the 32 sales and service companies, DMG Vertriebs und Service GmbH, Bielefeld, a wholly owned subsidiary of GILDEMEISTER Aktiengesellschaft, maintains the following branch offices abroad which are not legally independent:

___ DMG Danmark,

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

___ DMG Vertriebs und Service GmbH

DECKEL MAHO GILDEMEISTER, Sucursal en España,
San Sebastian de Los Reyes (Madrid)/Spanien

___ 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

DMG Danmark and DMG España function as sales and service branches for the DECKEL MAHO and GILDEMEISTER programme. On 1st January 2001, DECKEL MAHO GILDEMEISTER Iberica S. L. took over the business in Spain. The above-named branch office of DMG in Spain will be dissolved during the course of the year 2001. DMG Czech s.r.o. took up its business activities in the reporting year, with the consequence that the no longer active branch of DMG Vertriebs und Service GmbH in Brno could be closed. The sales branches of DMG Vertriebs und Service GmbH in Beijing, Shanghai and Xian are accredited for the procurement of group products in the PR China. DMG Technology Trading (Shanghai) Co. as wholly owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, is responsible for the service functions in this market.

DMG America, Inc., Charlotte (North Carolina), a wholly owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, maintained at end 2000 two branch offices which are not legally independent.

—DMG America Inc.,
Houston, Texas/USA

—DMG America Inc.,
Los Angeles, California/USA

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

—DMG Australia,
Melbourne/Australia

Domestically there are no branch offices. DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, has in addition to operating duties holding functions in particular. DMG America Inc., Houston, DMG America Inc., Los Angeles, and DMG Australia are active as sales and services branches of the respective parent companies within their restricted areas.

Business development in the branch offices ran according to plan in the reporting year.

Procurement, Logistics and Production

The strategic emphasis in the area of **procurement, logistics and production** consisted in the reporting year of increasing revenues in correspondence with the high intake of orders and at the same time raising productivity and stock turnover.

The GILDEMEISTER Group was able to achieve positive purchasing gains within **procurement** through synergy creation and volume bundling. This was achieved at all production locations through the cross-location, strategic coordination of purchasing activities and through the alignment of the procedures and processes of the decentralised procurement organisations. At the same time, GILDEMEISTER was able to increase the necessary flexibility in the operational business by involving the suppliers more deeply in the planning and information cycles. We have unified the purchasing functions across the Group and successfully integrated the companies GILDEMEISTER Italiana, GRAZIANO and SACO in Italy as well as FAMOT Pleszew in Poland into the common procurement activities. We were able to gain cost advantages of up to 10% in individual cases through the synergy effects resulting from this. The supply of all production locations was at all times stable and secure, due to a well balanced relationship between own manufacture and third party procurement. We were able to raise the processing capacities at all locations. Cost advantages of procurement in Central and Eastern Europe were assured through the delivery network of a & f Stahl- und Maschinenbau GmbH.

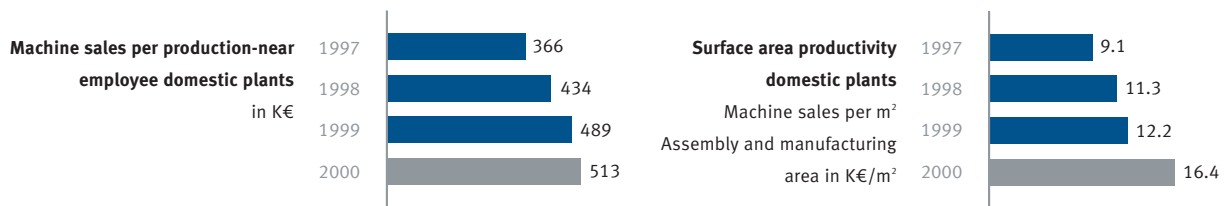
As well as the strategic **assurance of supply**, each production plant used a local network of suppliers, that ensured quick, friction-free communication, and allowed flexible reaction to changing customer requirements on the material side.

GILDEMEISTER was able to achieve high price and supply security through long-term framing agreements with the suppliers. This applies for all materials and assemblies which are designated critical – such as cast for basic chassis – and for manufacturing and assembly capacities. In order to support the high Group targets, we have integrated our suppliers and partners into the production planning and thus assured matching of the capacities. The «Supplier Coaching» programme was initiated to sponsor cooperation with the suppliers. The key point of this programme is to measure the performance of the suppliers in respect of the quality and timeliness of the deliveries, and the quality of cooperation. Measures are derived together to address weaknesses and are implemented with the objective of optimising the whole value creation chain, and thereby to attain bilateral cost and competitive advantages.

In the reporting year GILDEMEISTER has set an organisationally determining switch to ensure security for long-term price advantages with higher component and assembly part quality. GILDEMEISTER has concluded strategic partnership agreements with the **strategic suppliers**, particularly for high-tech components, which will bring innovations impetus and competitive advantages. We are building up centres of competence in procurement which will establish group-wide, material-oriented procurement strategies, and drive forward the global procurement market research.

Through the use of the most modern procurement instruments in the domain of e-commerce tools, the first suppliers will be connected to the GILDEMEISTER Group via Internet technology during the current business year. We will thereby achieve needs-synchronous manufacturing at the suppliers and a just-in-time delivery to the production locations.

As a result of the optimisation methods in **logistics and production**, we were able to raise **machine sales per production-near employee** in the domestic production plants of the GILDEMEISTER Group, after an increase of 13% in the previous year, by a further 5% from 489 K € to 513 K €. Over the same time-period, the **surface area productivity** of the domestic plants rose to 16.4 K €/m², which represents an increase of 34% against the previous year's values of 12.2 K €/m².





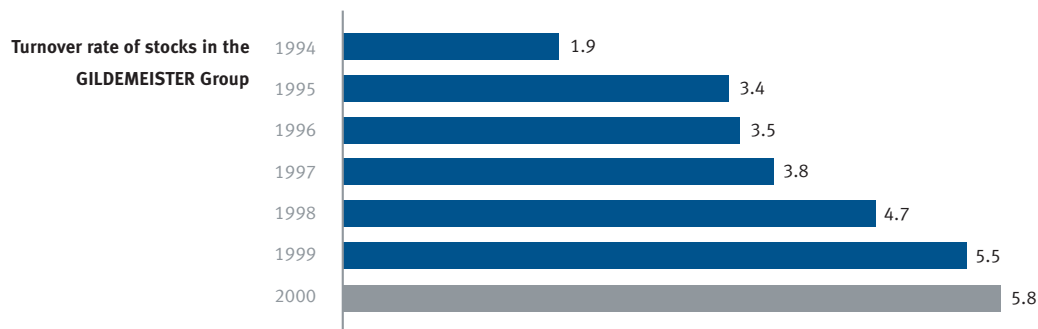
With the optimisation of the material flow and the production procedures, GILDEMEISTER meets the high demands of customers for individuality, short delivery times, and meeting deadlines.



In the reporting year GILDEMEISTER has further built up its Polish location FAMOT, Pleszew, in its importance as a deliverer of rump and final machines. FAMOT delivered 1,022 rump machines (1999: 461 rump machines), an increase of 122%.

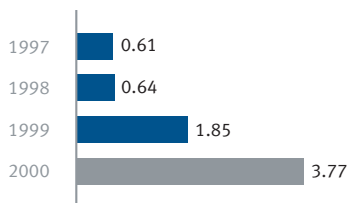
We were able to raise the **turnover rate of stocks** in the GILDEMEISTER Group without the Italian production plants through further optimisation of the logistical processes from 5.5 to 6.5– an increase of 18%. GILDEMEISTER is thereby, with a stock turnover of 5.8 even with inclusion of GILDEMEISTER Italiana S.p.A., significantly above the average value for the machine construction industry, which lies at 4.5.

Source: VDMA Kennzahlenkompass



The existing PULL System (Produktions- und Logistik-Leistung Production and Logistics Performance) was consistently further developed and optimised in all locations, with the objective of reducing capital commitment and further increasing production performance capability. The focal point of these activities consisted principally of synchronising production with the supporting disciplines of production planning and control together with procurement and construction.

**Suggestions for improvement
domestic production plants**
Number per employee



The employees have also supported the PULL activities to a high degree in the year 2000. They have not only taken part in workshops and implemented the optimisation approaches in manufacturing, assembly and administration, but were also more active than ever as conveyors of ideas. This is shown by the record ratio of **3.77 improvement suggestions** per employee in the domestic production plants in the reporting year. This means an increase of 103.8% against the previous year's value of 1.85 suggestion per employee. The engagement of the staff and their identification with the company objectives take first place in a cross-industry comparison (e.g. Automobile Industry: 0.79 suggestions per employee, machine construction: 0.43 suggestions per employee)*. With a total of 6,682 suggestions for improvement submitted, and a net value of 1.7 M € (value of the suggestions less the cost of implementation) the operational suggestion body is a powerful instrument in the usage of the knowledge present in the firm. Because of the great success in the domestic plants, we will also carry the operational suggestion body over to the international group subsidiaries during the course of the current business year.

*Source: dib, Deutsches Institut für Betriebswirtschaft e.V.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

GILDEMEISTER Drehmaschinen GmbH, Bielefeld has introduced a direct capture and feedback system for completed assembly steps with the help of laser bar code systems with hand scanners, and thereby created the basis for process-synchronous order-tracking. Through this close coupling between the planning and producing domains, it was possible to improve the precision of planning in procurement and order completion.

In order to increase the quality of deliveries, the company has created in the reporting year consistent quality monitoring along the whole value creation chain right up to the after-sales service domain on the basis of a group-wide error code. The Bielefeld location has further refined the system of preventive quality assurance in order to guarantee a high development maturity for introductions of new machines. Experts from the production and service areas check virtual prototypes in 3D representation while development is still in progress, using structured and verifiable methods. It is thereby possible to undertake targeted and timely optimisations, and to restrict disruptions in the series introduction phase to a minimum.

GILDEMEISTER Italiana (subgroup)

Demands on procurement, logistics and production grew with the inclusion of the Italian locations and the associated extension of the product portfolio. At the same time, with increasing company size, there are greater opportunities for exploiting synergy potential offered by the co-operation of the location. Thus the Group was able to achieve planned synergy improvements both in international procurement and in the field of production optimisation.

In July 2000 we initiated the transfer of the proven PULL Systematic (Produktions- and Logistik-Leistung, Production and Logistics Performance) to the Italian production plants. Focal points of the activities are the process-synchronous material call-off after the KANBAN principle and the structuring of the assembly areas in accordance with logistical viewpoints. Increase of productivity and reduction of capital-committing material stocks were defined as priority objectives. We were thus able in the reporting year to achieve a significant increase of 15% in the machine sales per production-near employee for the Italian production plants, and at the same time to raise their stock turnover by 30% from 3.0% (1999) to 3.9%.

FAMOT Pleszew S.A., Pleszew

As an internal supplier FAMOT is an integral part of the procurement strategy for the whole Group. The production of machined large cast components and rump machines was significantly raised through the formation of a new logistics centre, the expansion and modernisation of the manufacturing capacity, and optimisation of the assembly processes. At the same time FAMOT was able to increase the production of its machine programme by 43% to 186 machines (previous year: 130 machines). To come to terms with the growing demands of the market in respect of development duration and development quality, the Group invested in modern 3D CAD workplaces for construction. The high Group standard was thereby realised in the development departments here as well, with the result that FAMOT is taking on an ever strengthening role both in development and in the flexible production plant alliance of the GILDEMEISTER Group.

DECKEL MAHO Pfronten GmbH, Pfronten

DECKEL MAHO Pfronten GmbH, Pfronten has achieved sales growth of 19% through targeted management of the introduction of new products supported by the background of stable logistical processes. The Pfronten location has fulfilled the pre-condition for further growth in sales revenue, particularly for machines in the high-precision domain, with the construction of a new, fully climate-controlled assembly hall. Through improved logistical processes in the replacement parts domain, component availability grew by more than 92%, with the effect that professional customer care in the after-sales area is assured.

DECKEL MAHO Geretsried GmbH, Geretsried

DECKEL MAHO Geretsried was able to increase sales revenue in the reporting year by 32% through the extensions of the assembly hall in the area of horizontal machining centres realised in 1999. For the first time in the Group a more direct and thus more process-synchronous material call-off between the individual assembler and the materials warehouse was realised by means of the Intranet. This technology makes it possible for Assembly to be supplied exactly to the minute with high-volume and capital-intensive material.

DECKEL MAHO Seebach GmbH, Seebach

At the Seebach location the activities of planning, control and material supply were concentrated in an organisational unit through the newly created order centre. DECKEL MAHO Seebach GmbH has achieved process-near order coordination. This enabled an increase of 26% in sales revenues, while at the same time raising stock turnover by 19%.

Products and Services

With the introduction of a total of 20 new products, DECKEL MAHO and GILDEMEISTER were able to further extend their technological peak position on a world-wide scale in the reporting year.

The acquisition of GILDEMEISTER Italiana S.p.A. has rounded out the turning business area in an ideal way. With the turning machines and turning automats manufactured in Italy and a newly developed vertical construction series, we now have over seven product lines in this type of technology and are now represented through our agreed programme in all areas of turning machining. The product portfolio reaches from CNC universal turning machines to CNC production turning machines and multi-spindle automats. We are thus able to cover the whole application and price spectrum.

The milling business area also includes seven product lines, whose technological peak positions we have assured particularly through the increase of the machining speeds on the basis of linear drive technology. In the area of laser machining, the breadth of possible applications was extended through improved technologies. The binding force for all these products is the technical services business area, which is operated market-oriented and customer-oriented by DMG Vertriebs und Service GmbH and its subsidiaries world-wide.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

The product portfolio of GILDEMEISTER Drehmaschinen GmbH was broadened and expanded following the trend to complete machining. Through standardisation measures, the company was able to further expand its product and services offering in spite of hard international competition.

GILDEMEISTER Drehmaschinen GmbH took up in the reporting year the series production of the newly developed turning centres TWIN 32 and TWIN 500, and the vertical turning machines CTV 200 and CTV 250. It thereby fulfilled the pre-conditions for obtaining market share in the business area of production lathes. New technologies such as linear motors and integrated spindle motors in synchronous technology found broad application. The modern Windows-based control generation was further optimised in order to support the Netservice activities.

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

With the multi-spindle lathes and long lathe automat product lines, GILDEMEISTER Italiana has a complete offering for its customers for the mass production of precision components. The sales markets for its products are the automobile, instruments, electronics and supply industries. In July 2000 we formed GILDEMEISTER Italiana Zlín s.r.o. based in Zlín, Czech Republic. Qualified constructors and developers were engaged here, who develop new products together with GILDEMEISTER Italiana. GILDEMEISTER Italiana stands for continual improvement of production technologies and product innovations.

GRAZIANO Tortona S.p.A., Tortona

The SPRINT 42 was introduced at the Stuttgart AMB Fair. It distinguishes itself with its twin-spindle solution and its three tool revolver heads. A design with a 65 mm max. bar capacity and the option of a y-axis was developed for the SPRINT construction series.

The CTX series was extended with a smaller machine, which was introduced at the Milan BIMU Trade Fair. It is laid out for the turning of medium to large parts with low revolution rates and high metal cutting performance. The automatic realisation of the CTX 400 was also introduced at the BIMU. This machine complements the basic turning machines with a CNC-controlled gripper for automatic loading and unloading of the parts.

SACO S.p.A., Castelleone

The company manufactures tool installations and modular tool holders for multi-spindle machines, and chuck and axis clamps for single and multi-spindle lathes. GILDEMEISTER Italiana is the principal purchaser of SACO's products.

FAMOT Pleszew S.A., Pleszew

FAMOT supplies the sister plants in the Group alliance with high-value construction assemblies and components. In addition to this, FAMOT has further developed two group machines and taken them into its own product range. The CTX 400 with FANUC control and the NEF 320 K complement the product portfolio of the group in an ideal way.

DECKEL MAHO Pfronten GmbH, Pfronten

DECKEL MAHO Pfronten covers the market for universal milling machines and machining centres in a machining domain of 600 to 2000 mm. The consistent modular construction and part-sharing principle enables at the same time a cost-effective and also performance-effective expansion of the machines on the basis of the generic machines. Thus the application of various technologies, such as 5-axis simultaneous machining, milling and turning, in a single machine is made possible, or high precision machining. Apart from this, different automation assemblies can be built in.

The new DMU-T construction series in monoblock construction and the high stability and dynamics they bring has replaced the earlier console machine.

The further development of the DMU-P and DMC-U construction series takes account of increased requirements for dynamics and economy. These machines, with a new, fast, horizontal tool changer, and the higher dynamics and speed of the whole machine, were produced in series in the reporting year and were positively accepted by the market due to their new application sphere.

The new generation of computer controls with two processors and higher performance is available over the whole product spectrum. With these market-oriented and application-oriented innovations and an excellent price/performance ratio, we were able to open up further new applications, target groups and markets, in particular outside Europe.

LASERTEC GmbH, Pfronten

LASERTEC develops and manufactures machines for laser milling and laser boring. In the laser machine construction series DML 40, DML 40 S and DML 40 SI, it is a matter of machines for manufacture of filigree moulds and cavities, which are becoming necessary in view of ever-increasing miniaturisation. Laser technology offers substantial cost advantages in comparison with conventional erosion machining, since the machining times are shorter and the personnel commitment in the manufacturing process is less.

The company delivers the laser technology for DECKEL MAHO's combi-milling machine DMU 60 L. In a conventional milling machine, the laser head takes over the high-precision machining of fine details in the same operation.

DECKEL MAHO Geretsried GmbH, Geretsried

The new machine concept introduced in the previous year, with linear drive technology, was brought to series maturity. These machines distinguish themselves through extreme dynamics and can also significantly improve the precision of the machined workpieces. For this type, a new tool magazine in shelf construction was introduced for the first time, which will be carried over to other products.

The DMC 65 V and DMC 85 V linear fulfil the demands of the market for production strength vertical machining centres through the development of standardised machine expansions. The complexity of these high performance centres is made clear by the figure of nine regulated axes. Timesavings for customers amount to up to 60%.

In the past business year, the expansion of the business area of horizontal machining centres stood particularly in the foreground. These machines are intended for application in flexible serial manufacturing. DECKEL MAHO Geretsried GmbH has complemented its construction series with two machines. First, the DMC 63 H machining centre with box-in-box construction can now be delivered in series. These machines with high dynamic properties complement the existing product programme in the area of lighter machining, as particularly required by the automobile industry and its suppliers. Additionally, the DMC 50 H was introduced, which complements

the construction series of horizontal machining centres with a complete entry machine. It has an unusually good price/performance ratio and was conceived particularly for the international market. With the DMC 50 H it was possible to win a new circle of customers, who have previously bought Asian and American competitive products in this price segment. With its service offering for application techniques, the company has a particular competence at its disposal. For horizontal machining centres customer-specific and workpiece-specific technology outfittings are often required as complete solutions. The standardisation of the machines in connection with customer-specific technology for appliances, tools and programmes was further expanded in the reporting year.

DECKEL MAHO Seebach GmbH, Seebach

The year 2000 began for DECKEL MAHO Seebach with a high profile presentation. In February the innovative DMP 60 linear was introduced, which expands the product spectrum of Seebach in the domain of machining centres. The machine achieves extremely high acceleration and process speeds of more than 100 m/min with its linear drive technology. For high-dynamic dry machining with high revolution speeds, the DMP 60 linear has marked advantages over its horizontal and vertical counterparts due to its novel slant-bed construction.

The new DMU 70 eVolution matches the increasing trend to extend 5-axis technology to the small and medium series domain. The small milling machines from Seebach in particular achieved high acceptance. With its easy-to-operate CNC control, the DMU 35 M has profiled itself as the entry level for the modern education establishment as well as for the classical workshop. The increasing need of the customers for fine control is met in that all machines of the Seebach product portfolio are now uniformly outfitted with SIEMENS 810 D or 840 D control.

DMG Vertriebs und Service GmbH, Bielefeld

DMG Vertriebs und Service GmbH and its subsidiaries constitute a central success factor for GILDEMEISTER. The desire of customers for total customer support – i.e., competent technical advice, training of customer staff, provision of application technology, right up to trade-in of the used machine – is constantly increasing. Customers expect the best quality, the shortest reaction times, and the highest reliability.

Technical services comprise the service and spare parts business, education products, qualification services, application technology, commissioning and business with used machines. Other important components are the product-specific customer training and training through the DMG Trainings-Akademie. DMG Gebrauchtmaschinen GmbH additionally offers a comprehensive service package from a single source. It includes both the taking back and the technical reworking and resale of the used machines.

The Internet has also changed the application of machine tools: Since July 2000 all new machines are delivered as standard with a DMG-Netservice interface. This enables access to the service know-how of the GILDEMEISTER Group within seconds through a mouse-click. With this fault analysis tool the machines are connected directly to our network. The connection to the DMG specialists is carried out with one simple keypress on the CNC control.

In addition to this, DMG Vertriebs und Service GmbH offers a broad range of service products for the machines in the market, as well as retro-fitting of delivered machines with a DMG-Netservice interface in the regional technology centres.

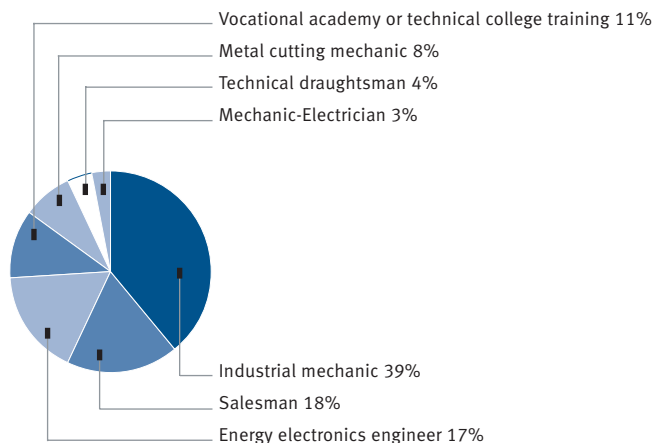


With the DMG-Netservice, GILDEMEISTER has set a new standard in service. With one mouse-click, our machines are connected online to the Netservice specialists within seconds.

Employees

On 31st December 2000 there were 4,637 employees (previous year: 3,340) in GILDEMEISTER, of whom 190 were trainees. The number of employees rose in the reporting year by 1,272 specialists and 25 trainees. Of these, 735 (including 4 trainees) came from GILDEMEISTER Italiana S.p.A. and its subsidiaries GRAZIANO and SACO. The increase of personnel by 541 employees and 21 trainees was determined by the growth process of the Group. It concerned predominantly the technical services area, the expansion of the DMG international companies in Canada, Korea, Australia and Poland, and the capacity expansions in the Pfronten, Geretsried and Bielefeld plants. A large proportion of the employment relationships are on short-term contracts. At year-end, 2,781 employees were active in the domestic companies, and 1,856 in the international, 40% of the Group work force. 1,323 employees were working in DMG Vertriebs und Service GmbH worldwide at year-end (previous year: 1,043), of which 75% were in the technical services area (service, spare parts logistics, application technology and training).

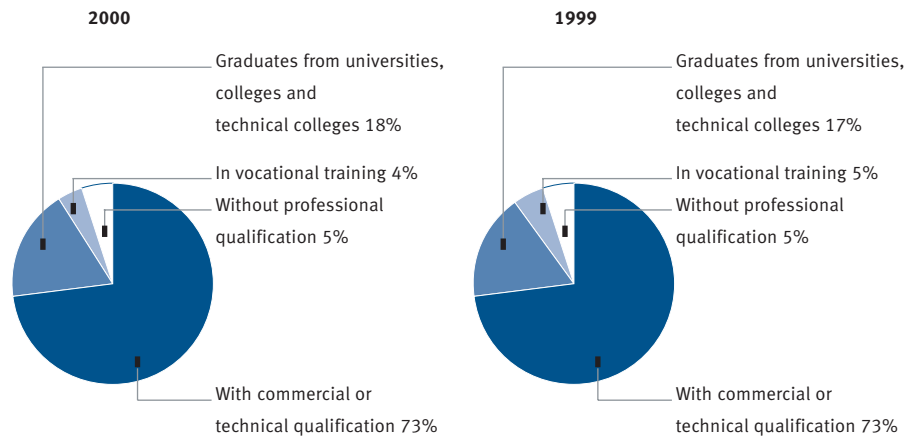
Training in the GILDEMEISTER Group
Distribution by special fields in %



During the reporting year 190 young people received vocational training in the GILDEMEISTER Group. We have thus raised the number of trainees by 15% against the preceding year. Our growing need for well-trained employees is the reason we place special value on vocational training within the Group. Besides classical vocational training, proven training courses were offered and developed in cooperation with regional vocational academies and technical colleges. We train in 12 vocational disciplines in all.

The vocational training in all Group companies is agreed and further harmonised by a training coordinator in the central personnel section. The qualification structure of our employees makes clear what value is accorded to qualified vocational training in the GILDEMEISTER Group:

Qualification structure of the employees in the GILDEMEISTER Group



95% of those employed in the Group have a professional qualification or are in training. The diagrams show that with an increased number of staff, the qualification level has only slightly changed.

Excellent vocational training and permanent further training are an indispensable competitive advantage for the technology and services Group GILDEMEISTER.

The DMG Trainings-Akademie carried out 532 internal training courses in the reporting year, the number of training days rose by 3% in comparison with the previous year. In the development and construction area, the employees were trained in the new 3D CAD system. In addition to this there was an emphasis on training in the disciplines of office communications and databases. The qualification of our domestic and international employees in the new machine generations represented the most extensive education action. Language courses facilitate the process of internationalisation of our enterprise. The total expenses for internal employees training and external further education activity amounted to 3.0 M € in the reporting year.

Personnel costs in the Group amounted in the year 2000 to 212.5 M € (1999: 171.4 M €). Wages and salaries accounted for 179.0 M € of this (1999: 143.1 M €), social contributions 29.6 M € (1999: 23.7 M €) and expenditure for old age pensions 3.9 M € (1999: 4.6 M €). The increase of 41.1 M € arises primarily from the increased number of employees, from tariff increases and from success-dependent salary components.

The average personnel expenditure per head in the domestic production companies was 53.7 K € in the reporting year (previous year: 51.5 K €). Reasons for the higher expenditure are tariff increases and the high capacity utilisation. Taking into account the international production plants, a Group value of 42.3 K € is obtained (previous year: 40.9 K €). The average personnel expenditure in DMG Vertriebs und Service GmbH in 2000 was 71.8 K € (previous year 70.0 K €). The variable success-dependent bonuses and the high utilisation in the service sector formed the reason for the increased expenditure.

The employees of the GILDEMEISTER Group had the opportunity in the year 2000 to participate in a three-level employee share programme and thus to profit from the successful development of the company. 41% or 31% respectively of the employees participated in the first two levels. The employee share programme runs up to 30th November 2001.



The high qualification level and the permanent further training of the employees secure the ever growing need for qualified workers and are a competitive advantage for GILDEMEISTER as a technology and service company.

Within the scope of the partial retirement plan we have concluded 86 partial retirement agreements. The «block model» was applied for this, i.e. the whole period of partial retirement is classified into active and passive phases of equal length. The goal of the partial retirement plan is to ease the way for more young people to enter our attractive working world.

Traffic and operational accidents in the year 2000 were higher than previous year's figure at 152 (1999: 91). Adjusted for the total number of employees this represents a slight increase of 3.3% (previous year: 2.7%). The level of sickness was, as in the previous year, at 3.7% and thus again below the average for the industry of 4.1%.

During the reporting period, 6 employees in the GILDEMEISTER Group celebrated their 40th anniversary with the company, and 35 employees celebrated their 25th. All of these deserve our thanks for their loyalty to the company and their cooperation.

At this point we would like to thank all our employees. Due to their exemplary commitment, they have contributed to making GILDEMEISTER successful once more. Finally, we would like to thank our works council members: through their sovereign and above all un-bureaucratic mediation, they have contributed to ensuring that decisions were quickly and correctly implemented.

Environmental Protection

It is part of the fundamental thinking of all GILDEMEISTER companies to bring economic and ecological aspects into harmony with each other. We consistently evaluate all our technical innovations as to how far they protect natural resources. Equally self-evident for us are the world-wide high standards for equipment safety.

In the selection of our suppliers, we pay attention to the environmental compatibility of materials used and the production processes. For all new developments it is imperative that the materials used must be recyclable. In addition, exclusively environmentally compatible materials are used in production, whose processing is regulated by the safety standards of the European Union.

The light environmental loading of GILDEMEISTER products relies on the simple return of the materials used to the material cycle. Apart from the cast and steel materials, this applies also to the disassembled and sorted plastic and rubber components as well as the small parts of our manufactures. Only the emulsions employed in the machines requires professional reworking. Guide elements and drive spindles with minimal lubrication contribute substantially to the protection of the environment. For reducing energy requirements, the new axis and main drives are already equipped with restoring units which feed surplus electrical energy back into the network during the braking process.

For high-volume and packaging-intensive construction assemblies, we use predominantly reusable packagings. For the remaining components, separation of pure materials and return of the different packaging materials has been achieved through reconfiguration of the commissioner zones and disposal stations. The modernised energy supplies of the Bielefeld and Seebach locations reduces the consumption of energy as well as its costs. In the construction of the new heavy load hall in Pfronten, we used an ecological climate control technique which uses groundwater for cooling, and thus requires no external energy sources. We had already in the previous year started with the sealing of the floors in the production areas. This was carried through particularly in the Bielefeld and Geretsried plants.

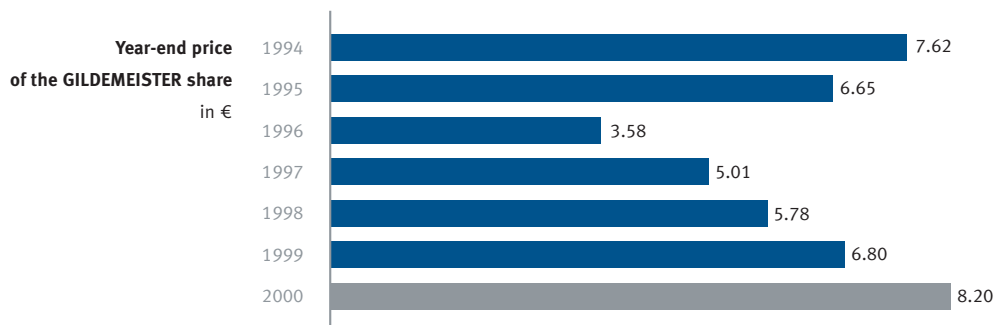
Dry machining is one of the environmental protection measures which have recently been introduced by DECKEL MAHO and GILDEMEISTER. With this form of metal cutting, machining results comparable with those of conventional full cooling are now being achieved. In order to reduce the air loading by aerosols, all of the Group's high performance machines have full enclosure of the work area. Further, the Group's machines fulfil both the guidelines for electromagnetic compatibility and the regulations on noise emission. Low stress, compatible working conditions are thus achieved for the machine operators.

In the year 2000 the GILDEMEISTER Group invested 5.1 M € in total (1999: 3.6 M €) in environmental protection measures. In the current year we will exceed this figure.

GILDEMEISTER Shares

The Stock Exchange Year 2000

The year 2000 was world-wide a poor stock exchange year. The developments in the USA affected all other **finance markets**. The German share index (DAX, Deutsche Aktienindex) lost 7.5% on the year. In New York the Dow Jones weakened more than 6% on the year, the Euro STOXX 50 around 5%. The London FTSE 100 Index lost 10.2%. The Japanese Nikkei Index closed the year down by 27.2%. The Neuer Markt (New Market) experienced a price fiasco. Thus the NEMAX-50 fell back by 43.6%, the Nasdaq by 39.3%. After the disappointments on the Neuer Markt and with many standard stocks, fund managers in Germany invested more strongly since the year end in MDAX stocks and the SMAX, the quality segment of the Frankfurt securities exchange, on which the GILDEMEISTER share has traded since 1st December 1999.



In comparison with the volatile course of the capital market in the year 2000, the GILDEMEISTER share proved to be a good investment. The range of the share price was from 6.80 € on 2nd January 2000 through the peak rate of 10.30 € on 18th July 2000 to the year end price of 8.20 €. Based on the price at 30th December 2000 a dividend yield of 7.3% is calculated for the GILDEMEISTER share.

Key indicators for the GILDEMEISTER share

		1994	1995	1996	1997	1998	1999	2000
Share capital	M €	39.0	48.7	48.7	48.7	55.5	56.4	75.1
No. of shares ¹⁾	M share	15.2	19.0	19.0	19.0	21.7	21.7	28.7
Market capitalisation	M €	116.1	126.7	68.2	95.4	125.4	147.5	235.6
Year end price ²⁾	€	7.62	6.65	3.58	5.01	5.78	6.80	8.20
Highest price ^{2) 3)}	€	12.78	9.92	8.74	7.52	9.31	7.30	10.30
Lowest price ^{2) 3)}	€	5.24	4.86	2.86	3.53	4.78	5.05	6.65
Annual average price ^{2) 4)}	€	8.78	7.25	4.70	5.38	6.26	6.20	8.66
Dividend	€	-	-	-	-	0.28	0.50	0.60
Dividend amount	M €	-	-	-	-	6.1	10.9	17.2
Dividend yield	%	-	-	-	-	4.8	7.4	7.3
Profit per share according to DVFA/SG ⁴⁾	€	-1.54	-0.82	-0.46	-0.07	0.46	0.76	0.91

1) 1999 the share capital was split 1:10; values for previous years have been adjusted accordingly.

2) Prices 2000 and 1999 Frankfurt, otherwise Düsseldorf

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

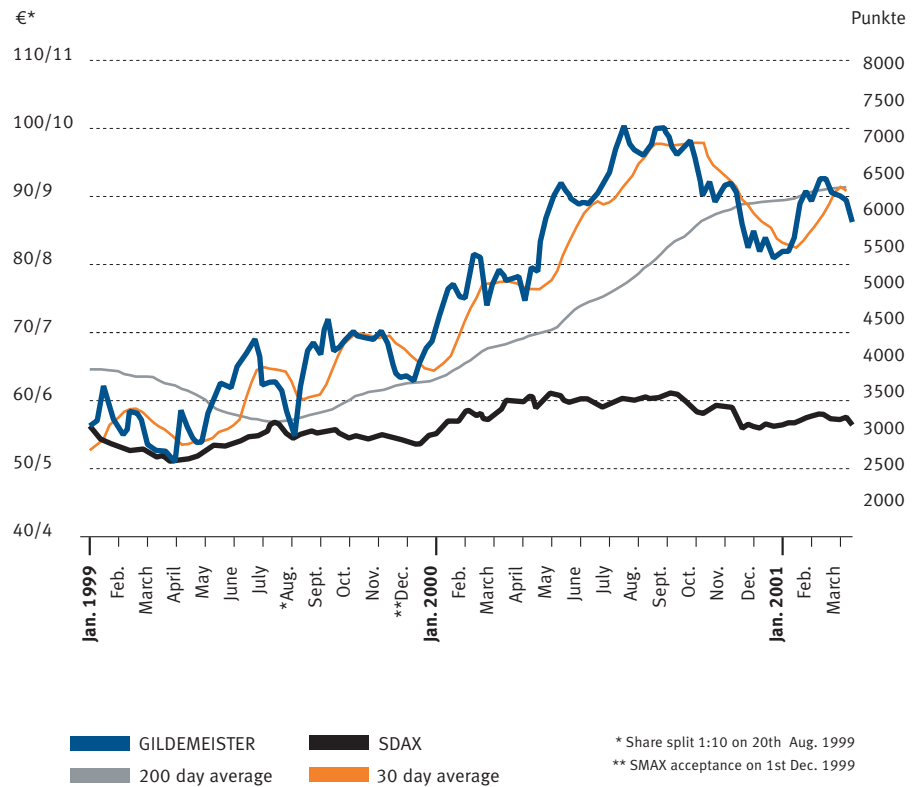
4) Annual average price on the basis of closing prices

Progress of the GILDEMEISTER share

With a rise in price of 21%, the **GILDEMEISTER share** has increased more dynamically than the SDAX (+6%) in the course of the year. It achieved a high point of 10.30 € in July. The low for the year was 6.65 € at the end of February. On 29th December 2000 it was quoted at 8.20 €.

In comparison with the volatile nature of the capital market in the year 2000, the GILDEMEISTER share showed itself to be a good investment. The acquisition of the former Italian subsidiary GILDEMEISTER Italiana S.p.A. was positively evaluated by the shareholders. The capital increase successfully completed in December was completely accepted by the market– the new shares are already dividend-entitled for the business year 2000. The GILDEMEISTER share is considered to be a high-yield capital investment. It is currently recommended by analysts as a buy, on the basis of its attractive price/earnings ratio.

The GILDEMEISTER share in comparison to the SDAX; January 1999 to March 2001



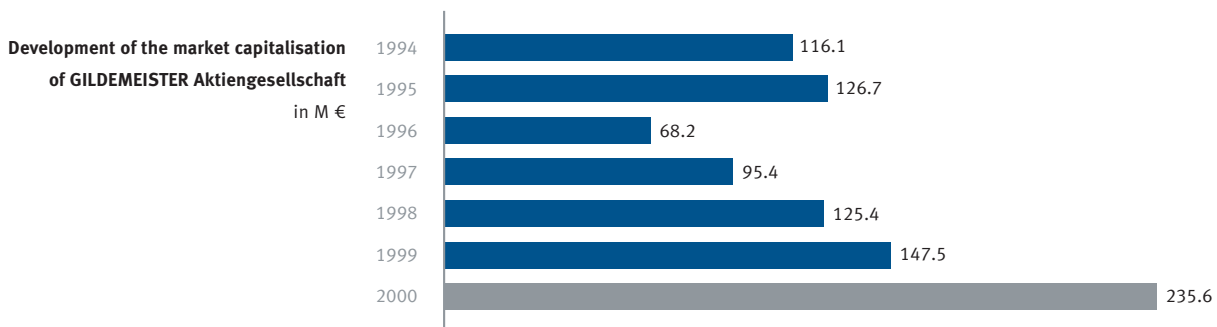
Current studies of the GILDEMEISTER share from the Research Departments of the following banks are available: WestLB Panmure (10th November 2000/ 6th February 2001), BHF-BANK (10th November 2000), DG Bank Research (10th November 2000) and HSBC Trinkaus & Burkhardt (9th February 2001).

Market listings, market volumes and market capitalisation

The GILDEMEISTER share is traded on the Frankfurt stock exchange, the most important and highest-volume market. It is also listed on the Rheinisch-Westfälischen exchange in Düsseldorf and the Berlin exchange. Investors can place orders from 9 a.m. to 8 p.m. on all trading days over the XETRA electronic trading system.

Interest in the GILDEMEISTER share has risen markedly, and the company also gained **market volume**. The average daily trading volume rose to 59,245 shares (1999: 48,689 shares). **Smallholdings** changed from 93% in the previous year to approx. 88% in the reporting year. At year-end 2000 two institutional investors with voting rights of over 5% each are known, West LB and Deutschen Balaton AG. Taking account of the free float of 88%, the turnover factor of the free share capital in the business year was 0.8.

The **market capitalisation** of GILDEMEISTER Aktiengesellschaft rose from 147.5 M € to 235.6 M €. Taking into account the capital increase, the rise represents an increase of 60% in the value of the business.



Result per share

The **result per share according to DVFA/SG** has increased in spite of the capital increase and the consequent increase in the number of shares. The result per share rose from 0.76 € in the previous year to 0.91 €, more than 20%. Due to tax losses carried forward, GILDEMEISTER Aktiengesellschaft did not pay any taxes on profits. Imputed taxes were included in the calculation, in accordance with the DVFA pre-conditions. Additionally, one-off effects are also to be taken into account in the determination of this normalised result.

Determination according to DVFA/SG		
	Result from normal business activities	44.2 M €
	Allowance for profit taxes	-24.2 M €
	Profit corrections	-0.4 M €
	Expense corrections	+2.3 M €
	Results share of third parties	-1.6 M €
	Result according to DVFA/SG	20.3 M €
	Number of underlying shares, taking account of the capital increase in December 2000	22,290,420
	Result per share according to DVFA/SG	0.91 €

Dividends at a satisfactory level

Our shareholders will also benefit from the continuous growth and the improved result of the Group in the business year 2000. Executive Board and Supervisory Board will recommend to the shareholders meeting on 18th May 2001 a raising of the **dividend** by 20% to 0.60 € per share for the business year 2000. That is 23% with reference to the computational nominal value of the quota share of 2.60 €. In comparison, the dividend amounted to 0.50 € per share in 1999 (19%). The total sum of the distribution for the 28.7 M dividend-entitled shares will amount to 17.2 M € (1999: 10.9 M €). This will be the **highest distribution** so far. A tax credit for shareholders entitled to an imputation credit is not affiliated with the dividends, because the distribution is made from equity capital shares coming from tax-free foreign income (EK 01). The statutory income tax of 25% plus solidarity surcharge will be retained.

Development of the dividend		
2000		0.60 €
1999		0.50 € ¹⁾
1998	5.50 DM (equivalent to 2.81 €)	
1997 up to 1991		no dividend payment
1990	8 DM (equivalent to 4.09 €)	
1989	8 DM (equivalent to 4.09 €)	
1988	6 DM + 2 DM Bonus (equivalent to 4.09 € in all)	

1) After the share split in the ratio 1:10

Investor Relations

The GILDEMEISTER Group has made a decisive step forwards in its company strategy. This was also significant for the **Investor Relations** policy. With the acceptance into the SMAX, GILDEMEISTER committed itself to **quarterly reporting**. The acquisition of GILDEMEISTER Italiana S.p.A. and the capital measure carried out resulted in a high information need among our shareholders, which we fulfilled with many activities. In addition to DVFA analyst conferences, many individual meetings and investor presentations were held at home and abroad. We will expand roadshows, conference calls and company presentations further, in order to do justice to the rising demands of the capital market.

We publish all press releases and quarterly reports promptly on our Internet website www.gildemeister.com. Also available are background information and the share price at 15-minute intervals. The number of accesses to the Investor Relations pages is developing at breakneck pace: in 1998 they ran at about 100 per month, and reached the order of magnitude of more than 2,000 per month. Significantly rising user figures at the time of the results publication show that the Internet now enjoys a high significance among the Investor Relations target Group. We will extend our Internet service during the current year. In order to offer the international investor more transparency and comparability, the GILDEMEISTER Group will switch to international standards for the presentation of the accounts within the next two years.

The dialogue with our shareholders, potential investors and finance analysts has a high degree of significance for us. We intend to strengthen the faith of shareholders in GILDEMEISTER and win new investor circles for our company with an open information policy. Our goal is to raise the value of our company on a lasting basis and to achieve high earnings power in the interest of the shareholder. Value-oriented dealings will also remain priority for the GILDEMEISTER management in the future.

Your contact to the GILDEMEISTER Investor Relations team:

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On the GILDEMEISTER homepage 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.



www.gildemeister.com

With the broadcast of a TV advertising spot, GILDEMEISTER has shown itself to be a communications trendsetter in the industry as well. More than 260,000 Internet visitors were registered in the year 2000.



Marketing / Press and Public Relations

Highlights of GILDEMEISTER's marketing activities in 2000 include: 56 appearances at trade fairs, 260,000 Internet visitors, 1,500,000 newspapers, 4,600,000 supplements in trade magazines and 560 TV spot insertions. These highlights illustrate the intensity and resonance of GILDEMEISTER's communication proceedings, which experienced a marked expansion in the year 2000. Numerous innovations, the new alignment of the business areas and the modern high-tech design of the machines determined the marketing activities, which were closely linked with other marketing activities, such as product conception, corporate design, sales, pricing and innovation policy. The goal was to better utilise market potential, develop new market segments and to gain in market share. The GILDEMEISTER Group spent 19.7 M € (1999: 11.3 M €) in all in the Communication/Marketing area.

Trade fairs and exhibitions are among the most important marketing instruments for investment goods. DECKEL MAHO and GILDEMEISTER were present at 56 important trade fairs and exhibitions at home and abroad in the reporting year. On a total of 10,345 square metres exhibition space, 165 turning machines, 245 milling machines and the new laser machines were presented in action around the globe. Over 30,000 captivated trade visitors were advised – 6,271 offers made and 686 machines sold directly at the exhibition space show the results of our success. The most important events for the industry were the METAV in Düsseldorf, the IMTS in Chicago, the AMB in Stuttgart and the JIMTOF in Tokyo. GILDEMEISTER invested in trade fairs and exhibitions in the reporting year 9.7 M €, representing 49% of the total marketing expenditure.

The classical discipline of **advertising** finds its application at GILDEMEISTER predominantly in product marketing. The customer magazine «DMG Journal» appeared twice in the reporting year, each time in an edition of 750,000. 26 language versions – twice as many as in the previous year – were distributed world-wide in 29 countries as mailings or hand-outs. The emphasis on product advertising was also represented in prospects and brochures, which in accordance with strategic objectives were translated for the first time into Asian languages such as Japanese, Korean and Chinese. They appeared – matched to the machines – in a completely new design. For the first time a common product range brochure was produced for all business areas – turning, milling, lasering and technical services – which contributed to the



On a total of 10,345 square metres of exhibition space, 165 turning machines, 245 milling machines and the new laser machines were presented in action around the globe. The customer magazine DMG Journal was distributed world-wide in 26 different versions and in two editions, each of 750,000 copies.

penetrating market communication: 160,000 copies went into circulation. The intensity of the supplements in trade magazines was also a record: 4.6 million copies touted and informed in the most important media world-wide for the innovations of DECKEL MAHO and GILDEMEISTER. The significant use of printed matter brought a noticeable thrust in higher recognition and more penetrating market information. The expenses for product marketing ran at 8.8 M € in total, representing 45% of the marketing expenditure.

GILDEMEISTER is deploying the Internet more powerfully, enabling direct interaction with our customers and shareholders. The Group homepage **www.gilde-meister.com** enjoys increasing popularity. The Internet pages give information, among other things, over product news, the current share price, and the latest company developments. Business and interim reports are made available as downloads, and mailing actions stimulate active participation. E-commerce complements traditional distribution methods with special offers and current information. Since April, standard machines are offered for sale on the GILDEMEISTER homepage. We were able to book our first sales just a few days after the start of sales. GILDEMEISTER thus opened the age of e-business for machine tools and realised sales over the Internet effectively for the first time. Thus the Internet has established itself as an additional sales platform. However, it also possesses great potential as an information and contact medium: c. 5,000 offers were requested over the Internet, and with a total of 260,000 visitors, the frequency of the «surfers» in the year 2000 has grown by a factor of almost 2.5. DMG-Netservice makes its know-how available within seconds through a mouse-click. 325 installations of Netservice and the CNC Nettraining had been realised at customers up to the end of 2000. The e-commerce tools were accompanied by advertising actions to a level of 1.2 M €, which represents 6% of marketing expenditure.

Investor Relations activities: Since the beginning of the reporting year, GILDEMEISTER provides company figures also on a quarterly basis for the first time. The Group accompanied this with a completely newly drawn up image campaign. Parallel to the publications, GILDEMEISTER inserted large-format advertisements in the important daily and business newspapers and 560 TV spots in the news broadcasts of n-tv, N24 and Bloomberg. We had not only potential machine customers in our sights, but also special investors for the GILDEMEISTER share.

The contribution of the trade press for the image and recognition of our products and the GILDEMEISTER brand is not to be underestimated. Some 480 journalists took part in press conferences in Germany, Europe and overseas. The result: more than 1,000 reports, trade articles and interviews in more than 100 leading trade magazines worldwide.

The basis of **public relations activities** is a long-term communication concept. It provides for active company communication with the outside, and should secure the position of the GILDEMEISTER Group in the image of the public. The declared objective of this strategy is, after international coordination of all communications measures with respect to content, form and timing, to deploy the budget as effective and efficiently as possible. A central component of the press and public relations work is informing the print and electronic media as well as all interested target groups about the respective current development of the Group. This is to be competently, quickly and comprehensively carried out. The general goal is continuous and open dialogue with the national and international business and trade press, the shareholders and finance experts, associations and other institutions. GILDEMEISTER invested 2.4 M € in all in the area of investor and public relations activities.

At GILDEMEISTER, the guiding image of market-oriented company management includes a systematic, continuous expansion of our own capacity. Intensive market research investigations form the basis for timely recognition and short-term implementation of customer wishes and future world-wide trends. Our success would be unthinkable without convincing communication. It is aligned to credible positioning of brands and products with social acceptance. The most important working areas in communications include marketing instrumentation, and investor and public relations activities.

SUPPLEMENTARY REPORT

In contrast to the development of the general economy, which in the first months of this year showed slight weakening, the economy of the German machine tool industry continues to run at a high level.

GILDEMEISTER was able to start the new business year successfully. We were able to accomplish further increases in comparison with the previous year both in sales and in order intake – among others through a large order from Malaysia and some larger key account projects. In the framework of the implementation of our globalisation strategy, we have made two former branch offices in the USA independent and formed a further sales and service company in Austria. At the first in-house exhibitions of this year we have been able to present two new high-tech products.

Economic Development 2001

The general setting of the **overall economic development** has slightly worsened in the first months of the current year. According to the current forecasts of various research institutes, a world-wide downturn in growth is looming, which, however, has different characteristics in different regions and countries.

The economy of the **German machine tool industry** continued to run at a high level at the start of the year 2001. The strong trend of demand has held up. In this year orders came largely from home, after export was the vehicle for economic development in the previous year. At the beginning of the year 2001, the industry's order intake was 19% higher than the corresponding value for the previous year, while sales have risen by 17% (status at February 2001). Orders in hand increased at the end of February 2001 to 8.7 production months (comparative value from the previous year: 7.4 months).

Source: VDW; VDMA, FV Werkzeugmaschinen und Fertigungssysteme

Corporate situation after the end of the reporting year

GILDEMEISTER was able to start successfully in the **current business year** and avoid the otherwise usual start-up delays, both in sales and in order taking, typical for the industry. Group sales rose to 135.9 M € (previous year: 87.1 M €) in the first two months of this year in comparison with the value for the comparable months of the previous year. Order intake in the GILDEMEISTER Group rose in this period to 222.5 M € (previous year's period: 116.5 M €). Orders in hand increased at 28th February 2001 to 509.5 M € (previous year: 241.4 M €). In the comparison with previous year's values it should be noted that GILDEMEISTER Italiana is not taken into account, since the acquisition took place on 18th May 2000.

The growth rates of the first two months however should not be extrapolated to the whole year. Our planning assumes slight growth (compare forecast 2001).

A statement of the results for the first two months of the business year is not yet possible at the present time. The next published results will be the GILDEMEISTER quarterly report, which we will publish in the middle of May within the framework of our reporting according to the SMAX guidelines.

To adapt to the increasing globalisation of international companies, we concentrated on **key accounting** in the last business year. To meet the requirements of the large purchasers, key accounts works cross-territory and cross-product in looking after our **large customers**. With order intake in the last year of nearly 40 M € from this area, our expectations were surpassed. The successes continued in this year. Thus we were able to secure not only diverse acquisition projects from the printing and packaging machine industry with a sales volume of 4.5 M € in all, but also a large order from Malaysia with a value of 9 M € for 134 lathe and milling machines for vocational and further training of technical staff.

Within the framework of the implementation of our **globalisation strategy**, we have made two former branch offices, DMG Houston and DMG Los Angeles, in the USA independent. They are now active in the American market as wholly owned subsidiaries of DMG America Inc., Charlotte. In close agreement and in cooperation with the long-term contract partner, we have transferred the market activities and the service business in Austria to the newly founded DMG Büll & Strunz GmbH, Wiener Neudorf.

No purchases or sales of participations or **parts** of a business has occurred in the time period mentioned. We do not plan any changes of capital in 2001.

We have had an encouraging start to the year with in-house exhibitions in Pfronten, Bielefeld and Italy. As well as the current product range, GILDEMEISTER presented two new high-tech products, the DML 40 SI and the DMF 220. The DML 40 SI for 6-axis laser machining with three optical and three mechanical axes encompasses all possibilities that CNC laser machining offers in practice at the status of today's research. The world premiere DMF 220 linear is a modern travelling-column machining centre with linear drive in the area of the long X-traversing path and offers a perfect symbiosis of metal cutting performance, productivity and precision with a price/performance ratio to market requirements. The latest version of the DMG-Journal, in a print run of 750,000 with the trends 2001 and the four business areas, was sent strategically to our customers and interested parties. We have selectively increased the **sales price** of our product programme at the beginning of the year 2001.

FORECAST 2001

A reduced dynamic is forecasted for world economic development this year. Tendencies to weakness are showing in the United States, Europe is expected to remain stable, and the Japanese economy is still showing little buoyancy. On the basis of high levels of orders in hand, GILDEMEISTER plans a further increase in sales revenue in the current business year. The industry expects particularly strong impetus from EMO 2001, the largest machine tool trade fair in the world, which is held every four years in Hanover. Innovations, which also in 2001 will ensure GILDEMEISTER's technological peak position, are aligned to this important industry date. We will promote our globalisation strategy oriented to the market, particularly through the further expansion of our presence in America and Asia.

Economic development as a whole is expected to be less dynamic this year. Despite the signs of business weakening in the **USA**, the world economy is not expected to slide into recession. The Bundesbank assesses the world economic perspectives in general as no longer so favourable, but sees no cause for anxiety. Globally a growth rate of 3.7% is forecasted among others by the Institut für Weltwirtschaft (IfW, Insititute for World Economy) at the University of Kiel. In the USA, the nearly ten years old business boom could come to an end. Business researchers expect on the whole a cooling off of the American economy. The lightening of tax burdens promised by the new Bush government could admittedly have a revivifying effect. According to the opinions of the experts, American business could start to recover again in the second half of the year. Growth should be 1.7% according to the IfW.

Increasing difficulties and a growth rate of only 1% are to be expected for business in **Japan**. At the same time, the country offers good opportunities for long term investment at this time and since in the past the Japanese have proven their ability for radical turn-arounds, according to professionals. The average growth in **Europe** is expected to ease to 2.6% according to estimates of the Kiel Institute and the G-10 issuing banks, not least as a consequence of the tendency to be expected in the United States. Professional analysts, however, do not see this as a weakening, but only as a realignment.

In **Germany** the upward trend of business will, according to forecasts, be only slightly affected. Monetary policy may be slightly restrictive, and the upward tendencies of the Euro against the US dollar and the Yen will dampen exports. Forecasts lie between 2.9% (Institut der deutschen Wirtschaft) and 2.4% (IfW) after 3.1% in the past year. With the easing of the export dynamic, the driving forces are expected to switch to domestic demand. Positive impacts could above all come from tax reform and the rising employment rate. The Munich ifo Institute expects a reduction of the annual average number of jobless to 3.63 million. The rise in prices is again seen at just 2%. The growth process is expected to be sustained through the year 2001.

Sources: Deutsche Bundesbank, Institut für Weltwirtschaft (IfW) at the University of Kiel, Institut der deutschen Wirtschaft, ifo Institut für Wirtschaftsforschung e.V.

The **world-wide market for machine tools** may be able to maintain the level of the previous year in 2001 thanks to its good conditions. In spite of uncertain outlooks and a slowing tempo of growth, there is much talk of further growth in production. These forecasts are supported by high orders in hand and the expectation that the intake of orders from the world-wide machine tool markets will run at an only slightly weakened level.

The **German machine tool industry** bases its estimates for the **industry business** in 2001 on equally strong perspectives. Order intake in the past year exceeded production by more than 1.6 Bn. € and caused orders in hand to rise to more than 8.3 months at year-end. The capacity utilisation of 96.8% recently achieved represents in our industry practically full utilisation. Against this background and in view of the still strongly performing intake of orders at the beginning of the year, the Verband der deutschen Werkzeugmaschinenfabriken (VDW, Association of German Machine Tool Companies) expects a continued growth in production of some 8% to nearly 10 Bn. €. For the following year, the analysts of the VDW estimate with a further increase of 2%, then with a slight falling off of production to around 9.5 Bn. €. In these prognoses of the market potential, a vitalisation of domestic demand, a continuation of growth in nearly all European countries, a cooling off of the American economy as «soft landing», and a slight upward movement in South Korea, Singapore, Malaysia and Japan was assumed.

Source: «Die deutsche Werkzeugmaschinenindustrie im Jahr 2000»
VDW (Verein Deutscher Werkzeugmaschinenfabriken)

The industry expects order impetus from EMO 2001 (Exposition mondiale de la machine outil). It is the most important machine tool trade fair world-wide, and takes place from 12th to 19th September 2001 in Hanover. Comprehensive market transparency and comparability of the technical offerings are synonymous with this fair. The exhibitors have considerably increased their presentation areas and thereby signal, a high degree of optimism for the future development of the industry.

We do not at present and for the foreseeable future see a substantial change in the **industry structure** with any negative developments and risks for GILDEMEISTER. GILDEMEISTER with its innovative high-tech products and its global market presence is well equipped in international competition to successfully defend and further expand its position as Europe's leading manufacturer of metal cutting machine tools.

GILDEMEISTER plans a further increase of sales for the business year 2001 on the basis of good orders in hand. At home, we forecast with sales remaining roughly steady. Abroad, we assume an increasing share of the market volume. We also expect particular impetus from EMO. With over 50 exhibits, DECKEL MAHO and GILDEMEISTER will for the first time exhibit a comprehensive presentation of its four business areas turning, milling, laser machining and technical services.

In the business year 2001 the GILDEMEISTER Group has up to now been able to maintain its growth rate. **Order intake** in January and February amounted to 222.5 M € (previous year comparison: 116.5 M €). It includes GILDEMEISTER Italiana (acquisition day 18th May 2000) and continues to be in line with our planning. In the further course of the year, we forecast – particularly against the background of the EMO – sales volumes of the order of magnitude of the previous year. Supported by a multiplicity of marketing measures and numerous innovations, we plan to increase our share of the world-wide market volume. In all, we expect an order intake for the whole year which could again be above 1 Bn. €. With respect to the regional distribution of the order intake, there could be a favourable displacement of the regions Europe, Asia and America.



With the DMC 65 V in gantry construction, DECKEL MAHO entered a new epoch of vertical machining: high speed cutting, dry machining, and universal application in form construction and series, with still more dynamics and precision.



Machines from GILDEMEISTER have always been developed according to the concept of sustainably increasing the competitive effectiveness of our customers. With the new high-dynamics CTV 250 linear, GILDEMEISTER has now set a new standard in vertical turning as well.

Group revenue has developed according to plan in the current year. It reached 135.9 M € in the first two months (previous year's value: 87.1 M €). Based on the high level of orders in hand, with a range of five to six months and the order intake to be expected in the current business year, we assume a sales increase to over 1 Bn. €. With a domestic market share of c. 50%, we expect market share of around 31-33% for the rest of Europe, around 7-8% for America, and around 8-9% for Asia.

Orders in hand in the Group rose to 509.5 M € at the end of February. The orders in hand, high for us, also mean longer delivery times, which during the current business year will continue to impact negatively on order intake – particularly in competition with Asian suppliers with their short-term delivery possibilities.

A statement regarding the **result** for the current business year at the present time would be premature. The permanent improvement of the profit situation of the Group remains the principal goal of the management. Based on a sales expectation of over 1 Bn. € for 2001 and presupposing the assumed course of the year, the result to be expected from ordinary business activities is oriented to approximately the profit on sales (EGG) achieved in the previous year. With the business running in accordance with plans, a **target dividend** at the level of the previous years can be expected.

At present the **financing** of the GILDEMEISTER Group takes place over separated financing syndicates at home and abroad with adequate banking facilities. Up to the end of the year, the domestic financing is expected still to be covered through a group-wide financing syndicate via GILDEMEISTER Aktiengesellschaft.

The **risk management** of the Group will continue in the future to be characterised by the principle of caution. From today's view there are no substantial risks to be recognised from environmental factors which might have a material influence on the assets, finance or profit situation. This also applies for the Group's production plants in the various locations in Germany, Italy and Poland, as well as for the domestic and international markets in which the sales and service companies of DMG are active. In the operational functional sectors (procurement, production, sales, personnel, finance and investment) we assume the usual business risks. The decentralised organisation of the world-wide distribution system, a broad distribution of the circle of customers over large-scale industry, medium-sized companies and many small operations from the most varied industries, together with good customer commitment through our technical services limit the entrepreneurial risks. Material and

production risks are reduced by proprietary production of know-how parts; critical supplier parts are secured by double sourcing. The main share of the GILDEMEISTER Group's sales are achieved in Europe, and there predominantly in the Euro territory without exchange rate risks. The securing of exchange rate risks is carried out by the Group company or through GILDEMEISTER Aktiengesellschaft, depending on the business.

The planned volume of **investments** in the business year 2001 for intangible assets and tangible assets amounts to 58.0 M €. To this is to be added a further 13.5 M € for tangible assets, which will be financed through leasing. The high investment volume will open up further rationalisation potential for the improvement of the result and should further accelerate the improvement of competitiveness. One emphasis of the investments is the extension of the area capacities for assembly. Additionally, projects in the area of IT and communications are planned. To be highlighted here is the construction of a virtual Group-internal network (VPN – virtual private network), to which all domestic and international companies will be connected.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld will invest 3.3 M € in the current business year, to optimise the intra-operation production procedures and to create a flow production for the CTX construction series. GILDEMEISTER Italiana has planned investments at a level of 8.3 M €. The acquisition of new machine tools amounting to 2.0 M € will lead to better flexibility in manufacturing and to a better machining quality. In order to achieve additional synergy effects in research and development between all GILDEMEISTER locations, the Italian locations will also be equipped in the business year with the 3D CAD system implemented throughout the Group. Additionally, a new assembly hall will be constructed at SACO S.p.A. for 1.3 M €, in which bar loader magazines will be manufactured for Group companies. DECKEL MAHO Pfronten plans investments of 15.3 M € in the business year. The up to date configuration of construction and preparatory work is the most important project. Apart from that the assembly areas must be rounded out for the series introduction of the new DMU 160. At the Geretsried location DECKEL MAHO will further extend the technology centre and complete its logistics and assembly areas. A focal investment

of the Group in 2001 will be carried out at DECKEL MAHO Seebach. For 9.6 M €, a new production hall will be constructed, together with a new customer centre for the demonstration of Group products. Since the new travelling-column machine is very area-intensive, additional assembly surface will be needed with the series introduction of this machine. Investments of 15.6 M € are planned for the expansion and build-up of the domestic and international sales and services companies. The emphasis here is on the new construction of technology centres for DMG Stuttgart and DMG Frankfurt with a total value of 10.0 M €, which will be financed through leasing.

Through an Internet-based electronic linking of the suppliers to the materials economy of the GILDEMEISTER Group, a new standard of quality will be attained in cross-company synchronisation along the process chain. This solution allows each supplier to accept requirements from GILDEMEISTER into his system world without having to invest – other than in a minimal configuration. In order to improve the **procurement processes**, we will create a supplier portal within the GILDEMEISTER Group's Internet presence. Current and potential suppliers receive here a specific offering for communication and order winning, that facilitates an accelerated decision process for both sides. The optimisation of value creation through a long-term secured and logistically reliable supply of rump machines also represents in the future a key point of the GILDEMEISTER production system in the future. We will therefore work with high emphasis on securing and tightening this sourcing strategy.

Central to the measures within **production and logistics** are methods which have already been implemented in the domestic locations within the framework of the PULL systematic, and are now being transferred to the international locations. The adaptation of this system to the needs of machine overhauls at DMG Gebrauchtmaschinen GmbH will lead to a reduction of throughput times, so that stocks are reduced and flexibility is improved.

Because of the extremely positive experiences with the implementation of an order centre in the Seebach plant, we will establish further order centres in the Geretsried, Bielefeld and Brembate di Sopra plants. The general process-oriented co-ordination markedly accelerates and simplifies order processing in these locations. Following on from the good initial experiences, we will also introduce in the other Group plants the concept of trans-shipment points likewise realised in the Seebach plant. The material flows to and from the plant will thereby be processed by an attendant, who as logistics partner of the GILDEMEISTER Group additionally carries out goods receipt, warehousing, and input control, as well as demand-oriented delivery.

As important partners in the value creation chain, the suppliers of the GILDEMEISTER Group are central to the second stage of PULL. This is to improve further the material supply of the production plants through targeted supplier coaching in a customer-supplier partnership relationship. Thus, the first GILDEMEISTER suppliers meeting in February 2001 created the formal surroundings for an intensive strategic communication, and for the evaluation and giving of awards to outstanding supplier partners.

In order to simplify the processes of replacement parts distribution, we will introduce an e-commerce ordering procedure, which offers the customer of the GILDEMEISTER Group a quick and simple process for transaction of replacements parts orders.

The networking of our open control systems and software modules across company boundaries raises value to customers through futuristic electronic **products and services** such as DMG Netservice, CNC Nettraining and other e-commerce tools, whose expansion will be driven forward.

Environmental protection is an important goal of the company. Within the framework of the research Group «Umweltschonende Drehmaschine» (environmentally friendly lathe), GILDEMEISTER is developing in common with important partners from industry and research alternative solutions for the substitution of the currently used hydraulic equipment. Both ecological damage through leakages and disadvantages in waste disposal can thereby be avoided. The concept of the «environmentally friendly lathe» will be transferred to all machines in the GILDEMEISTER Group as it becomes successful. The project timescale is 36 months, and the costs will amount to c. 2.0 M €.



The machines of the FD product line from DECKEL MAHO unite the technologies of turning and milling in one machine concept. Table revolution speeds of up to 500 per minute make comprehensive turning operations on unwieldy work-pieces possible.



With GILDEMEISTER Italiana's multi-spindle lathe automats, GILDEMEISTER is now also the market leader in the business area of precision mass manufacturing. The newly developed GM 20-6 CNC multi-spindle lathe automat is the first of a completely new generation of CNC-controlled multi-spindle machines.



Some changes could occur in the **legal company structure** through the acquisition or sale of participations. We do not currently intend to make any substantial changes in **organisation and management**.

The growth rate of the GILDEMEISTER Group places high demands on future employee development. Emphasis lies on the further training of the specialist staff in new technologies and in the particular sponsorship of our best **employees**. Within the framework of our internationalisation we will expand language ability in the Group through special schools. Young employees will be educated and trained to take on leadership functions. In the current business year we will take on additional employees in the production plants particularly for the expansion of technical services.

The high expenditures in the field of **research and development** in the GILDEMEISTER Group are delivering 25 new developments in the current year, which were developed in close co-operation with system suppliers, key customers and scientific institutions, and which secure our leading technological position. A focus of this is the increase of productivity through a significant increase in the machine dynamics. Our high dynamic **linear drives** in the main axes of series machines are a significant distinguishing feature in the market. The new CNC multi-spindle construction series is to open up a new high-yield business area in mass manufacturing. The trend-setting 3D laser technology will, through the technological expansion, deliver a contribution to Group sales for the first time in 2001. With futuristic innovations and a consistent market orientation, GILDEMEISTER is well prepared for the global challenges in the year 2001.

RESEARCH AND DEVELOPMENT

Our product development is strictly aligned to customer needs, and thereby forms the basis for the market success of the GILDEMEISTER Group. Technological trends are put into practice in interdisciplinary development teams in direct orientation to the market. The expenditures for research and development in the reporting year were in accordance with plans and amounted to 34.2 M €. With 338 employees, 11% of the staffing in the production plants were occupied with the development of new products. Additionally, more than 100 further development staff are deployed in external construction offices for DECKEL MAHO and GILDEMEISTER.

GILDEMEISTER presented a total of 20 new developments at 56 national and international trade fairs and exhibitions in the business year 2000. 90% of the current product range was developed in the last three years. The emphasis of innovation lay in the integration of the turning and milling technologies, the expansion of three-dimensional laser machining, and the raising of machining speeds through fast linear drives. The DMG Netservice, as a modern tool for quick diagnosis, and CNC Nettraining were already well taken up by the market, with 325 installations.

The systematic for preventive quality assurance developed in the previous year was applied across the board in the reporting year for all new machine developments. The construction disposition of the machines was accomplished exclusively on the modern 3D CAD development system. Its newly created interface to the ERP (Enterprise Resource Planning) production system fulfils – in conjunction with the corresponding simulation and computation periphery – the preconditions for speedy product introduction and enables time-to-market periods.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld

The product offering of GILDEMEISTER Drehmaschinen GmbH was extended with new developments aligned to the market. Development expenditure rose to 7.0 M €. The personnel expansion of the development area was continued in the year 2000 and a project organisation further developed to shorten development times and to improve the development quality. The semi-CNC lathes were complemented with the newly developed NEF 720 with a 2 m turning length. Together with the smaller NEF 320 and NEF 520, the construction series emphasises ergonomics and technology. GILDEMEISTER has thereby risen to be market leader in Europe for this class of machines. The lathe-milling centre TWIN 500 was presented in May 2000 as the new high-end production machine: a revolutionary machine concept that sets new standards in relation to machining technology, tool supply and tool change times.

Vertical turning represents a new business area for GILDEMEISTER Drehmaschinen GmbH. The CTV 200 and CTV 250 were presented to world view for the first time at the IMTS in Chicago in September. The theme of these machines is a platform concept with emphasis in the domain of universality and ergonomics. However, due to innovative lathe spindle and linear drive technology, these machines also set new benchmarks in respect of machine dynamics.

GILDEMEISTER Drehmaschinen GmbH is presently participating in two running projects which are sponsored by the Federal Ministry for Training and Research. Together with universities, other tool and machine tool manufacturers, control manufacturers, and end-users, research projects are carried out in the fields of high-precision machine tools and virtual product origination. The projects run until the year 2002.

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

In the business year 2000, the development phase of the CNC-controlled six-spindle lathe automat GM 20-CNC was completed. It is intended for the machining of complex precision parts of smaller to medium batch sizes with bar diameters up to 25 mm. This machine type will be equipped with integrated spindle motors and linear drives in time for the EMO 2001. At the same time, the development of the GM 35-CNC lathe automat for a maximum bar capacity of 35 mm began. In addition, the development phase of the new GM 20-8 eight-spindle lathe automat with cam drive and a maximum bar capacity of 20 mm was completed. It distinguishes itself through innovative technical features which enable high productivity, flexibility and economy. With these new multi-spindles, GILDEMEISTER Italiana will expand its leading position in this market segment.

In the area of CNC long lathe automats, the development of the new construction types SPRINT 20 and SPRINT 32 for the machining of small components in middle to large batch sizes with a maximum diameter of 32 mm was completed. This product will complete the range of long lathe automats and cover the future demand of users of conventional lathes, which are still in use in their thousands in the turneries. The expenditures were particularly high at GILDEMEISTER Italiana at 4.6 M €, since a wholly new generation of machines was constructed.

GRAZIANO Tortona S.p.A., Tortona

With the SPRINT 42 GRAZIANO presented a new machining automat in the domain of short turning. This machine concept allows expansion to up to three tool turrets, which can work parallel to the main and counter-spindle, in order to meet demanding duties in complete machining. Powered tools and an optional y-axis complete the offering.



The new SPRINT machines from GILDEMEISTER make the machining of highly complex turning pieces from the bar even more productive. With up to 6 axes, the SPRINT machines are adaptable to all requirements for flexibility and precision.



The DML 40 SI encompasses all possibilities that CNC laser machining currently offers. Its application domain encompasses moulds and workpieces with extreme filigree contours in almost all workpiece qualities.



SACO S.p.A., Castelleone

SACO S.p.A., Castelleone will attain a greater strategic importance as supplier in the turning domain through the expansion of the product range in the Group-internal production network. In addition, the existing product portfolio of tool fittings, tool holders and chuck clamps will be extended with bar loading magazines and other products in the sphere of turning machines. For this, constructional interfaces of the rod-loaders to the machines will be successively standardised and the options offering thus broadened through the build-up of a logistically reliable supplier.

FAMOT Pleszew S.A., Pleszew

In the reporting year the NEF 320 K was developed as the first machine in a new construction series, and the lathe portfolio of the GILDEMEISTER Group thus extended in the entry area. The machine concept is based on the generic-machine platform of the existing NEF CNC construction series. Instead of the power transfer elements usual in this class of machines, the NEF 320 K has an innovative electromechanical solution with tailored electronic control. The user interface possesses a touch-screen display with intuitive user steering.

DECKEL MAHO Pfronten GmbH, Pfronten

The reporting year was a year of powerful innovative thrusts from DECKEL MAHO Pfronten GmbH, whose whole product range, with the exception of the DMU 200 P, has been newly brought into series. All new and further developments were taken up with great success by the market. For the in-house exhibition in Pfronten, the DMU 60 T and DMU 100 T types were presented in February for the first time. The DMU 80 T, which completes the DMU-T construction series, followed at the METAV in May.

DMU-T construction series is a new machine concept in monoblock construction. It distinguishes itself through a generation leap in the dynamics, the speed and the tool changer times coupled with the universality in various expansion stages. This new product series with an outstanding price/performance ratio was taken up extraordinarily positively by the market, and was able to open up new markets particularly in the export domain. By the time the first series machine was delivered, 270 were already reserved with customer orders.

Also in February, the further development of the DMU 60/80 P and the DMU 60/80 U with higher dynamics, high speeds, and a new horizontal changer with short tool change times were presented to the market for the first time. This was rounded off with the presentation of DMU 125 P and the DMC 125 U at METAV. Also the DMC 200 U, a universal machining centre with a 200 mm path, a pallet changer and further modular automation expansion stages, was shown to the general public for the first time in February.

DECKEL MAHO Pfronten GmbH invested 7.8 M € in research and development in the reporting period. 66 internal staff and a further 18 external colleagues drove the innovation process in Pfronten permanently forward. DECKEL MAHO Pfronten will also continue to carry out research and development in close cooperation with universities and technical institutes in the future. Additional focal points were advanced control concepts and process integration.

LASERTEC GmbH, Pfronten

Focal point of the product development of LASERTEC was the further optimisation of the DML 40 laser erosion machine with regard to process precision, the manufacturability of its vertical walls, and the improvement of the erosion measurement. The revision of the Lasersoft 3D control enabled a still better customer application.

DECKEL MAHO Geretsried GmbH, Geretsried

The emphasis of the activities at DECKEL MAHO Geretsried GmbH lay in the development of machines for production customers with high piece volumes, both for horizontal and vertical machining centres. The product range of the DMC H series was complemented with the smaller DMC 50 H machine, and in the high-speed domain through new optional machine configurations. The DMC V series was extended with numerous machine options which specifically optimise the application for series manufacturing.

In the past business year Geretsried has taken on new development projects and further increased the speed of innovation. Two new machine types were started, which will be presented at the world's largest trade fair for machine tools, the EMO 2001. Regarding these new developments the DMC 165 V is a larger machine for classical tool and form construction. The concept has already been presented to a few key customers and has met with great approval.

In the entry domain of the vertical machining centres, which are applied both in production and in tool and form construction, the company will also present a new product at the EMO. These new developments will increase still further the budget for research and development which already grew in the reporting year.

The number of employees in development rose to 46. This represents nearly 12% of the staffing of the location. The expenditures rose accordingly to 6.9 M € (previous year: 4.3 M €).

DECKEL MAHO Geretsried has in the year 2000 taken the horizontal machining centre in box-in-box-construction, the DMC 63 H, from the development stage into series production. Equally, the innovative DMC 85 V linear, with linear drive technology in all axes, was brought to series maturity. With the DMC 50 H a completely new market segment could be reached. In its basic configuration, the machine already has trend-setting technical advantages and will be offered at a price/performance ratio that is highly competitive in all world markets. The DMC 63 V / 103 V volume machines, the most built machine tools in Europe, were once more technically upgraded with an increase in the spindle rotation speed. This machine has become a very successful product, particularly in the Asian market.


DECKEL MAHO Seebach GmbH, Seebach

The structuring of the development department according to product parts was also consistently implemented in Seebach. In total, c. 7.2 M € were spent in the year 2000 for development and construction.

The DMU 70 eV universal milling machine was newly developed and presented to the AMB in Stuttgart in September. The great interest of the customers for this new machine in the DMU 50 eV / 70 eV construction series led to the decision to raise the production quantity of the successor series in the year 2001. The development of the DMP 60 linear production milling machine was continued.

In the field of CNC control technology, Seebach has achieved great progress in the reporting year. With the MillPlus CNC control, electronics are now available which will be introduced Group-wide according to a unified concept. The MillPlus IT with a second processor was presented for the first time to the JIMTOF in Japan. The range of offerings was completed with the development of the SINUMERIK control for the DMU 50 eV and 70 eV as well as for the 50 T. A control desk with 15" FT screen was offered for the first time at the AMB 2000.

In all DECKEL MAHO Seebach has taken great strides in the year 2000 in product renewal and raising of quality. It will be able to build on this work in the year 2001 and deliver the necessary contribution to the future increase of sales value development.



The highly dynamic DMP 60 linear from DECKEL MAHO with a patented slant-bed concept meets all the demands of modern 5-side and 5-axis complete machining, thanks to CNC swivelling round table, integrated pallet changer and linear drive concept.



Group annex and annex of the 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 have been compiled in compliance with the regulations stipulated in the HGB, the AktG, and the GmbHG.

The following annotations encompass statements and remarks which, in addition to the balance sheet and the statement of income according to commercial law, must be included in the consolidated financial statement and the financial statement of the GILDEMEISTER Aktiengesellschaft as an annex.

To simplify reporting and to avoid repetitions where possible, we have summarised these explanations. They refer to the consolidated financial statements unless express reference is made to GILDEMEISTER Aktiengesellschaft. In order to structure the balance sheet and the statement of income clearly, we have adopted into the annex with commenting remarks all annotations, including those applicable to the annex or in the balance sheet respectively in the statement of income.

A differentiation of segments with regard to business units in respect of our products and the markets in which we operate is not given.

2. Consolidated group

Number of fully consolidated companies	31st Dec. 2000	31st Dec. 1999
Domestic	20	16
International	29	13
Total	49	29

The consolidated group at the date of the balance sheet including GILDEMEISTER Aktiengesellschaft includes 50 companies, of which 49 have been included in the consolidated financial statements within the scope of full consolidation. The company GILDEMEISTER Italiana s.r.o., Zlín, is not included in the consolidation, as it is a new formation and business activities did not commence until the end of 2000. Neither pro rata consolidation according to § 310 HGB nor a consolidation of associated companies according to § 311 HGB is required to be performed.

The group consolidation differs from that of the previous year through the first-time inclusion of the following companies:

- ___ Holding Macchine Utensili S.p.A., Milan, Italy
- ___ GILDEMEISTER Italiana S.p.A., Brembate di Sopra, Italy
- ___ GRAZIANO Tortona S.p.A., Tortona, Italy
- ___ SACO S.p.A., Castelleone, Italy
- ___ GITAL S.r.l., Brembate di Sopra, Italy
- ___ DECKEL MAHO GILDEMEISTER Iberica S.L., Berriz, Spain
- ___ DMG Czech s.r.o., Brno, Czech Republic
- ___ DMG Polska Sp. z o.o., Pleszew, Poland
- ___ DMG Charlotte Inc., Charlotte, USA
- ___ DMG Chicago Inc., Schaumburg, USA
- ___ GITAL America Inc., Elgin, USA
- ___ DMG Houston Inc., Houston, USA
- ___ DMG Los Angeles Inc., Los Angeles, USA
- ___ DMG Canada Inc., Toronto, Canada
- ___ DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, Malaysia
- ___ DMG Korea Ltd., Seoul, Korea
- ___ DMG Service Dreher GmbH DECKEL MAHO GILDEMEISTER, Bielefeld
- ___ DMG Service BAZ GmbH DECKEL MAHO GILDEMEISTER, Geretsried
- ___ DMG Service UFB GmbH DECKEL MAHO GILDEMEISTER, Pfronten
- ___ DMG Service UFB Seebach GmbH DECKEL MAHO GILDEMEISTER, Seebach
(previously GILDEMEISTER Seebach Fertigungstechnik GmbH)

GILDEMEISTER Italiana S.p.A. and its subsidiaries (subgroup GILDEMEISTER Italiana) are taken into the group consolidation with effect from 18th May 2000, the date of acquisition.

On 31st January 2000 GILDEMEISTER Aktiengesellschaft made a public takeover bid (PPO = Public Purchasing Offer) to the shareholders of GILDEMEISTER Italiana S.p.A. through its newly formed subsidiary Holding Macchine Utensili S.p.A., Milan. GILDEMEISTER Aktiengesellschaft holds 99% of the shares in Holding Macchine Utensili S.p.A., while DMG Italia S.r.l. holds 1%.

On completion of the PPO on 18th May 2000, Holding Macchine Utensili S.p.A. had taken over 86% of the shares in GILDEMEISTER Italiana S.p.A. for a purchase price of 114.9 M€.

For the interim financing of the purchase price, a German-Italian banking consortium made a credit facility of 131.6 M€ available.

As security, 67% of the share capital of GILDEMEISTER Italiana S.p.A. was pledged to the banks. In addition, GILDEMEISTER Aktiengesellschaft gave a guarantee for this loan. In September 2000, the existing loan was refinanced through a banking consortium. 80,0 M€ was financed with a medium term loan, which is to be paid off in quarterly instalments of 3.6 M€ up to 31st March 2006.

The remaining amount was taken back by Holding Macchine Utensili S.p.A. in December 2000. GILDEMEISTER Aktiengesellschaft granted Holding Macchine Utensili S.p.A. a loan for this purpose from the funds raised by the increase of capital carried out in December.

Since there is no direct comparison of the group financial statement with the previous year, because of the inclusion of the subgroup GILDEMEISTER Italiana since 18th May 2000, the fundamental disclosures in the balance sheet and the expenditure and revenue statements are additionally explained.

All other group companies that were fully consolidated for the first time in 2000 are either distribution companies acquired from GILDEMEISTER Italiana S.p.A. or sales and service companies newly formed by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER. A general overview of all subsidiaries is given at the end of the annex.

3. Consolidation principles

Capital consolidation was performed by all companies according to the reducing balance method. The book values of the participations are thereby calculated with the group share of the equity at the time of acquisition or first consolidation. Residual balances are booked to assets and debtors in so far as their actual value varies from the book value. Active residual balances are shown as goodwill and depreciated over the foreseeable period of use. Passive residual balances from the capital consolidation are – insofar as they have reserve characteristics – included within the reserves.

The active residual balances with goodwill character originating from initial consolidation with the DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER (50% of shares) in 1993 and by expansion of the consolidation group by the DECKEL MAHO GmbH in 1994 will continue to be depreciated over the 10-year period of anticipated use.

The shares in equity capital of subsidiaries not due to the parent company were itemised as «shares of other partners». Mutual accounts payable and receivable bet-

ween the companies considered in the consolidated financial statement were offset against each other. The resulting residual balances were consolidated affecting current-period results. Group-internal income and expenses were eliminated without affecting current-period results.

4. Balancing and valuation principles

The annual financial statements of the companies included in the group annual financial statement are carried out according to uniform balancing and valuation principles, which have not changed from the previous year. The financial statements produced according to country specific regulations are for this purpose adjusted to the group-wide balancing and valuation principles of GILDEMEISTER Aktiengesellschaft, so far as they do not correspond to the HGB-principles and the valuation differentials are significant.

Intangible fixed assets and fixed assets

	Period of use of fixed assets
Intangible fixed assets	4 to 15 years
Business and production buildings	10 to 50 years
Plant and machinery	6 to 20 years
Office and plant equipment	2 to 20 years

The intangible assets and the fixed assets were valued at purchase or production cost, reduced by regular depreciation. The depreciation was made by the linear method on the basis of the usual period of use in the operation.

Additions to fixed assets were depreciated pro rata temporis during the year of purchase. Domestically, additions to non-real-estate fixed assets from the first half of the business year were taken into account at the full annual amount of depreciation, additions in the second half of the business year were taken into account at half of the annual amount.

Low value items were fully depreciated in the year of addition. The depreciation method has not changed with respect to the past year. The depreciation rates also remained unchanged.

There were no additional depreciations on the basis of tax legislation (§§ 254, 280 Abs. 2 HGB) and no extraordinary depreciations.

Financial fixed assets

Financial assets were balanced at acquisition cost. In the reporting year neither depreciations nor appreciations were made.

Current assets

Valuation of stocks was performed at purchasing or production cost, or at lower market values when lower or to a lower allocated value. Components of the production cost are, besides the production material and production wages, pro rata material and production overhead on the basis of current utilisation. Expenditures for general administration and for voluntary social security benefits as well as expenditure for old age pensions and interest on external capital were not taken into the production costs.

Inventory risks resulting from the warehousing period as well as reduced usability were taken into account by means of reasonable valuation adjustments. Current orders were balanced without losses. Raw materials and supplies as well as products and trade goods were valued according to the average method. Receivables as well as miscellaneous other current assets were valued at nominal values. Detectable individual risks were taken into account by means of corresponding depreciation to lower current values. General bad-debt provision was additionally made for trade debtors.

Provisions and Liabilities

Valuation of pension reserves was performed according to actuarial principles according to § 6 a EStG assuming an interest rate for accounting purposes of 6% p.a. In contrast to tax regulation, additions according to the new mortality charts were in the group already fully added to reserves during the previous year.

Reserves for warranties were made assuming values from experience and already known guarantee instances.

The remaining reserves were assessed so that they take into account all detectable risks and uncertain obligations. The valuations were made on the basis of cautious business judgement. In each case the foreseeable compliance amount was used. Reserves for payments on occasion of employee anniversaries were discounted using an interest rate of 5.5% p.a. Liabilities are assessed at their repayment amounts.

5. Foreign currency conversion

In the individual statements, accounts receivable in foreign currency are valued using the exchange rate at the balance sheet date, or at the most with the original exchange rate; exchange-rate accounts payable are valued with the acquisition rate or with the rate at the balance sheet date if higher. The hedging of exchange rate risks was carried out on a transaction basis by the subsidiaries and by GILDEMEISTER Aktiengesellschaft.

Conversion of all annual financial statements made by subsidiary companies in foreign currency will be converted at the official exchange rate at the balance-sheet date (market price on reporting date method). The exchange rate moves of individual currencies in relation to the Euro between the balance-sheet dates did not affect current-period results.

The exchange rates of significant currencies have changed as follows:

Currency	ISO-Code	Rate = 1 €	
		31.12.2000	31.12.1999
US-Dollar	USD	0.93020	1.00280
Japanese Yen	JPY	106.83000	102.51000
Pound Sterling	GBP	0.62330	0.62020
Swiss Franc	CHF	1.52240	1.60470
Polish Zloty	PLN	3.86000	4.72420
Czech Kroner	CZK	35.05000	36.03000
Singapore Dollar	SGD	1.61300	1.67000
Chinese Rimimbi	CNY	7.26000	8,13830

Expenses and income were also converted with the market price on reporting date.

Annotations to individual balance sheet items

6. Intangible assets

Of the itemised goodwill, 62,679 K€ relates to the residual balances from capital consolidation, reduced by the depreciation, and 5,296 K€ relates to the goodwill from the individual financial statements reduced by depreciation. These goodwill values will be depreciated according to plan over ten years, with the exception of the goodwill from the part acquisition of GILDEMEISTER Italiana in the amount of 57,759 K€, which will be depreciated over 15 years.

Patents obtained, utility-model patents and trademarks, together with IT software, are included, among others, in the value for patents, trademarks and similar rights.

These rights and software are depreciated according to plan over a utilisation period of four years.

7. Fixed assets

The development of the fixed assets of the group and GILDEMEISTER Aktiengesellschaft is represented in the annotations to the balance sheets. The investments are explained in the status report. The exchange-rate changes between the balance-sheet dates and the change in the fixed assets due to the addition of the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A. are itemised in the Flow of Assets for the group under «other changes».

Land and buildings are charged with liens on property to secure long term bank credits.

From the itemised value of the tangible assets, an amount of 37,685 K€ relates to the subgroup GILDEMEISTER Italiana.

8. Financial assets

The development of the financial assets of the group and the GILDEMEISTER Aktiengesellschaft are stated in the annotations to the balance sheets. The companies included under «shares in affiliated companies» and «participations» are listed in a separate synopsis together with details on domicile, equity capital, capital shares, and the results of the business year 2000.

In comparison with the previous year, as well as the shares in the newly formed subsidiary Holding Macchine Utensili S.p.A., the additionally acquired shares in FAMOT Pleszew S.A. are set out for GILDEMEISTER Aktiengesellschaft.

GILDEMEISTER Aktiengesellschaft acquired a further 21% of the shares of FAMOT Pleszew S.A. within the framework of a takeover bid to the outstanding shareholders at a purchase price of 1,759 K€, with the result that GILDEMEISTER now disposes of 96% of the capital. There was no separate financing of the purchase price. No provisions for liabilities and charges for potential restructuring or liquidation procedures had to be made for either of the two companies acquisitions.

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

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

A profit pass-over claim was agreed with the minority partner of DECKEL MAHO Seebach GmbH.

With the passage of 31st December 2000, the control agreements and the profit and loss transfer agreements with DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER, DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER were terminated. Die DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, has concluded new control agreements and profit and loss transfer agreements with these companies with effect from 1st January 2001.

In addition, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has concluded control agreements and profit and loss transfer agreements with the following subsidiaries:

- ___ DMG Stuttgart 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 Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER,
- ___ DMG Gebrauchtmachines 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.

9. Stocks

Stocks are allocated in the balance sheet. They were increased or decreased by customer prepayments for orders. Stocks rose against the previous year by 35,447 K€. Interim gains arose for the stocks from trade debtors and trade receivables between the group companies in the amount of 8,124 K€. The residual balances for the previous year were offset against each other.

Of the stated value of stocks, an amount of 32,919 K€ relates to the subgroup GILDEMEISTER Italiana.

10. Accounts receivable and other assets

	GILDEMEISTER GROUP			GILDEMEISTER AG		
	Balance sheet statement of 31st Dec. 2000	Not due within one year	Balance sheet statement of 31st Dec. 1999	Balance sheet statement of 31st Dec. 2000	Not due within one year	Balance sheet statement of 31st Dec. 1999
	K€	K€	K€	K€	K€	K€
1. Accounts receivable	266,753	0	159,475	130	0	4
2. Amounts owed by affiliated companies	0	0	0	165,442	0	75,707
3. Other assets	26,880	1,553	18,818	7,221	668	6,447
	293,633	1,553	178,293	172,793	668	82,158
Balance sheet at 31st Dec. 1999		481	178,293		443	82,158

In the accounts receivables of 61,936 K€, and other assets of 6,880 K€ in the other assets, arising from the inclusion of the subgroup GILDEMEISTER Italiana and the Holding Macchine Utensili S.p.A. Of this, an amount of 527 K€ is due after more than one year.

Individual risks were taken into account through direct write-downs. A flat-rate value adjustment was made for the general credit risk.

The amounts owed to GILDEMEISTER Aktiengesellschaft by affiliated companies are essentially composed of receivables from the transfer of profits and participation yields, together with cost and finance apportionments.

The other assets are composed of the following items:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	As of	As of	As of	As of
	31st Dec. 2000	31st Dec. 1999	31st Dec. 2000	31st Dec. 1999
	K€	K€	K€	K€
Claims to tax refunds	12,161	3,810	5,344	5,915
Accounts receivable loans and payments in advance	5,351	5,383	0	20
Deutsche Factoring Bank	3,990	3,999	0	0
Amounts owed by employees and former employees	1,623	520	1,018	2
Security deposits and other warranties	820	1,840	15	15
Provisions for social security for employees	778	496	668	495
Short term loans to third parties	527	1,575	0	0
Others	1,630	1,196	176	0
	26,880	18,819	7,221	6,447

11. Securities

This represents shares of GILDEMEISTER Aktiengesellschaft (1,205 K€) and securities of GILDEMEISTER Italiana S.p.A.

12. Cash in hand, deposits at the Bundesbank, and cash in other bank accounts

This represents predominantly deposits with Banks.

13. Accruals and deferred income

Accruals comprise essentially interest, rent, leasing fees, and insurance premiums.

14. Equity Capital

GILDEMEISTER GROUP	Subscribed capital K€	Capital reserves K€	Profit reserves K€	Balance sheet profit		Shares of other partners K€	Total K€
				Bal. sheet profit carried forw. K€	Net income for the year K€		
As of 1st Jan. 2000	56,398	12,569	19,793	574	12,627	5,213	107,174
Increase of capital	18,689	35,221	0	0	0	0	
Dividend	0	0	0	0	-10,846	0	
Allocation to reserves	0	944	19,276	0	-20,000	0	
Balance-sheet profit carried forward	0	0	0	1,390	-1,782	0	
Net income for the year	0	0	0	0	38,079	0	
Share of other partners	0	0	0	0	-1,588	9,130	
As of 31st Dec. 2000	75,087	48,734	39,069	1,964	16,490	14,343	195,687

GILDEMEISTER AG	Subscribed Capital K€	Capital reserves K€	Profit reserves K€	Balance sheet profit		Total K€
				Bal. sheet profit carried forw. K€	Net income for the year K€	
As of 1st Jan. 2000	56,398	13,513	47,480	592	19,221	137,204
Increase of capital	18,689	35,221	0	0	0	
Dividend	0	0	0	0	-10,846	
Allocation to reserves	0	0	30,000	0	-30,000	
Balance-sheet profit carried forward	0	0	0	375	-375	
Net income for the year	0	0	0	0	44,223	
As of 31st Dec. 2000	75,087	48,734	77,480	967	22,223	224,491

Subscribed capital

The Executive Board is empowered up to 31st December 2001 with the approval of the Supervisory Board, to increase the capital by up to a nominal 20,451,675.25 € through a single issue or multiple issues of quota shares against cash contribution. The statutory subscription right of the shareholders to a part amount of at least 19,451,675.25 € is preserved. New shares can be issued to employees of the company and employees of affiliated companies in respect of a part amount of up to nominal 1,000,000.00 €; to this extent the statutory subscription right of the shareholders is excluded.

On 8th November 2000, The Executive Board of GILDEMEISTER Aktiengesellschaft with the approval of the Supervisory Board of 9th November 2000 made use of its empowerment for the utilisation of the authorised share capital. The equity capital of GILDEMEISTER Aktiengesellschaft was increased from 56,397,692.00 € by

18,688,818.20 € to 75,086,510.20 € against cash contribution through the issue of 7,188.007 new quota shares issued to the bearer with a computational nominal share in the equity capital of 2.60 € with full profit entitlement.

The increase of capital by 18,688,818.20 € was carried out on 4th December 2000 in the Trade Register of the Bielefeld District Court.

The equity capital of GILDEMEISTER Aktiengesellschaft thus amounts to 75,086,510.20 € and is divided into 28,879,427 quota shares issued to the bearer with a nominal value of 2.60 € each.

After the increase of capital, there remains an authorised share capital of 1,762,857.05 €.

Capital reserves

Capital reserves rose by 35,221,234.00 € against the previous year. This resulted from the allocation of the premiums from the increase of capital in December 2000.

Profit reserves

Legal reserves

Legal reserves amounted to 680,530.00 €, both in the group annual financial statements and in the annual financial statements of GILDEMEISTER Aktiengesellschaft.

Reserves for own shares

Reserves for own shares amounting to 1,205,448.00 € represents the value of own shares of GILDEMEISTER Aktiengesellschaft.

Other reserves

For GILDEMEISTER Aktiengesellschaft, 8,000,000.00 € from the profit for the year 1999 was allocated to other reserves. From the net income for the year 2000, 20,000,000.00 € is allocated to other reserves of the group, and 22,000,000.00 € to other reserves of GILDEMEISTER Aktiengesellschaft.

Proposal for profit appropriation

GILDEMEISTER Aktiengesellschaft's business year 2000 resulted in a net income for the year of 44,222,579.00 €. The balance-sheet profit carried forward from the previous year is 967,393.00 €. It will be proposed to the annual meeting on 18th May 2001 to apply the remaining balance sheet profit of 23,189,972.00 €, after the

allocation of 22,000,000.00 € to other reserves, as follows:

- ___ Distribution of 17,237,247.60 € to the shareholders through a payment of a Dividend of 0.60 € per share,
- ___ Allocation of 5,952,724.40 € to other reserves.

The dividend is not entitled to a tax credit balance for shareholders entitled to imputation credits.

Development of the balance sheet profit of GILDEMEISTER Aktiengesellschaft	K€
Balance sheet profit as of 31st Dec. 1999	19,813
Distribution to shareholders	-10,846
Allocation to other reserves according to decision of annual meeting	-8,000
	967
Net income for the year 2000	44,223
Allocation to other reserves according to empowerment by statutes	-22,000
Balance sheet profit as of 31st Dec. 2000	23,190

Group results

Beginning from the net income for the year of GILDEMEISTER Aktiengesellschaft the group balance sheet profit for the year has developed as follows:

	K€
Net income for the year of GILDEMEISTER Aktiengesellschaft	44,223
Net income for the year of the included subsidiaries	
According to uniform group principles	69,382
Consolidation elimination of income from investments in affiliates	-72,538
Elimination of unrealised profit in stocks	-557
Other consolidation adjustments affecting operating results	-2,431
Group net income for the year	38,079
Profit/loss allocated to other partners	-1,588
Balance sheet profit carried forward	1,964
Allocation to other profit reserves	-20,000
Group net income shown in the balance sheet	18,455

15. Special account for investment subsidies

This is an investment subsidy granted from the funds of the Thuringian Ministry for Economics and Infrastructure for improvement of the regional economic structure.

16. Reserves for old age pensions

The calculation of the old age pension reserves was based on their going-concern value in accordance with § 6a EStG assuming an interest rate of 6% following the 1998 guideline schedule from Prof. Dr. Heubeck. In variance to the prescripts of tax legislation, the full additional expenditure from the updating of the mortality tables was carried as a liability. The reserve represents the cash value of the future liabilities.

In the annual financial statements of GILDEMEISTER Aktiengesellschaft, the adjustment to the updated mortality tables is carried out over three years according to the prescripts of tax legislation.

17. Provisions for taxation

Provisions for taxation relate to taxes on income and earnings, as well as other company taxes for the current business year and for periods not yet assessed for tax purposes. In the business year 2000, provisions of 188 K€ for supplementary tax payments on the basis of a government tax audit are included for GILDEMEISTER Aktiengesellschaft.

At 31st December 2000, 5,719 K€ in deferred tax provisions are carried as liabilities in the group annual financial statements. Deferred tax assets of 817 K€ were included within the tax provisions. The deferred taxes result without exception from the subgroup annual financial statement of GILDEMEISTER Italiana.

18. Other reserves

The significant other reserves are listed below:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	As of 31st Dec. 2000	As of 31st Dec. 1999	As of 31st Dec. 2000	As of 31st Dec. 1999
	K€	K€	K€	K€
Personnel costs	30,606	18,965	1,662	1,530
Risks from warranties and conversions	20,329	14,491	0	0
Selling expenses	10,402	9,380	0	0
Legal and consulting fees, costs of balance sheet	2,233	2,693	706	603
Outstanding reckonings	2,014	767	0	0
Deferred maintenances	895	603	0	0
Impending losses from pending proceedings	548	486	0	0
Other	6,703	4,377	1,313	1,289
	73,730	51,762	3,681	3,422

The other reserves essentially represent open accounts with suppliers and, for GILDEMEISTER Aktiengesellschaft, expenses of a prudent nature for payment of interest for the tax assessment notes 1987 to 1991 for corporate income tax, which were modified following a government tax audit. An appeal was lodged against fixing of the interest payment after the application for abatement was rejected. The reserves for personnel expenses of the group include 1,684 K€ for partial retirement as well as 358 K€ for employee participation in GILDEMEISTER Aktiengesellschaft.

Reserves for anniversaries and partial retirement were discounted and carried as a liability at their cash value. All other reserves are due in less than a year. The determination of the reserve amounts is made effective at the balance sheet date.

An amount of 10,427 K€ from the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A. is included in the other reserves.

19. Liabilities

GILDEMEISTER GROUP	Statement in the	of this			Statement in the
	balance sheet at 31st Dec. 2000 K€	due within up to 1 year K€	due within 1 to 5 years K€	due within over 5 years K€	balance sheet at 31st Dec. 1999 K€
1. Amounts owed to banks ¹⁾	232,735	111,669	106,659	14,407	112,830
2. Accounts payable	109,999	106,786	3,213	0	67,618
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange	13,624	13,624	0	0	26,434
4. Other liabilities ²⁾	29,192	26,876	2,167	149	19,865
	385,550	258,955	112,039	14,556	226,747
Residual terms as of 31st Dec. 1999		181,671	30,256	14,820	226,747

1) of these, secured by liens on property: 73,211 K€ (previous year 54,486 K€)

2) of these for taxes: 11,548 K€ (previous year 9,195 K€), of these for social security: 5,475 K€ (previous year 3,405 K€)

GILDEMEISTER AG	Statement in the	of this			Statement in the
	balance sheet at 31st Dec. 2000 K€	due within up to 1 year K€	due within 1 to 5 years K€	due within over 5 years K€	balance sheet at 31st Dec. 1999 K€
1. Amounts owed to banks ¹⁾	49,927	41,874	8,053	0	24,350
2. Accounts payable	6,343	4,896	1,447	0	4,068
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange	700	700	0	0	924
4. Liabilities to affiliated companies	66	66	0	0	9,041
5. Other liabilities ²⁾	5,443	5,443	0	0	3,225
	62,479	52,979	9,500	0	41,608
Residual terms as of 31st Dec. 1999		29,437	11,864	307	41,608

1) of these, secured by liens on property: 12,015 K€ (previous year 15,594 K€)

2) of these for taxes: 4,624 K€ (previous year 3,000 K€), of these for social security: 53 K€ (previous year 41 K€)

Included in the amounts owed to banks is an amount of 102,875 K€ from the sub-group GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A. 67,0% of the share capital of GILDEMEISTER Italiana S.p.A. is pledged for a credit volume of 80,0 M € to the banks giving credit. In addition, further securities in the form of surrenders of claims and assigned transfers of security of items of the fixed assets by FAMOT Pleszew S.A. and DECKEL MAHO Seebach GmbH were granted to the banks giving credit for long and short term loans.

20. Prepaid expenses and deferred charges

The prepaid expenses and deferred charges result essentially from the subgroup GILDEMEISTER Italiana (2,086 K€). They concern the deferral of future interest rate amounts from a specific financing programme of the Italian state (Sabatini financing).

21. Liabilities and other financial obligations

The following liabilities and other financial obligations were in existence at the balance sheet date:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	As of 31st Dec. 2000 K€	As of 31st Dec. 1999 K€	As of 31st Dec. 2000 K€	As of 31st Dec. 1999 K€
Liabilities				
Bill endorsements - commitments	17,890	337	1,077	3,639
Sureties	4,695	1,812	157,383	109,478
Warranties	394	2,558	207	2,315
Other liabilities	12,151	0	2,357	3,155
	35,130	4,707	161,024	118,587
Liabilities from rental and leasing contracts due				
within 1 year	13,577	8,225	2,882	822
in 1 to 5 years	21,532	12,061	5,529	1,812
after 5 years	3,014	3,488	2,335	3,321
	38,123	23,774	10,746	5,955
Ordering commitment assets	593	5,464	0	5,264

GILDEMEISTER Aktiengesellschaft's securities include maximum-sum sureties valued at 106,063 K€ (previous year 58,610 K€). The corresponding bank liabilities as of 31st December 2000 were 102,232 K€ (previous year 44,141 K€).

In addition, GILDEMEISTER Aktiengesellschaft has sureties for any claims from a factoring bank valued at 26,140 K€ (previous year 21,228 K€).

Advance payment sureties valued at 1,544 K€ (previous year 1,161 K€) were issued to customers of GILDEMEISTER Drehmaschinen GmbH, Bielefeld, DECKEL MAHO Pfronten GmbH, Pfronten, and DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld.

Additionally, GILDEMEISTER Aktiengesellschaft gave declarations of patronage for DECKEL MAHO Seebach GmbH, Seebach, a & f Stahl- and Maschinenbau GmbH, Würzburg, DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Kornwestheim, and FAMOT Pleszew S.A., Pleszew. Liabilities from such declarations were valued at 27,467 K€ (in the previous year 21,995 K€) as of 31st December 2000.

Annotations to items of the statement of income

22. Sales revenues

The sales revenues are comprised of the considerations for deliveries and services charged to customers less granted discounts, deductions, and penalties. The sales revenues are broken down by product type as follows:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2000 K€	1999 K€	2000 K€	1999 K€
Machine tools	729,405	516,283	0	0
Technical services	193,893	174,080	19,710	16,669
	923,298	690,363	19,710	16,669

Analysed by sales area, this is composed as follows:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2000 K€	1999 K€	2000 K€	1999 K€
Germany	483,363	408,987	19,710	16,669
EU (excl. Germany)	265,404	163,924	0	0
USA	51,398	37,212	0	0
Other countries	123,133	80,240	0	0
	923,298	690,363	19,710	16,669

Sales revenues of 81,590 K€ arose from the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A.

23. Other operating revenues

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2000 K€	1999 K€	2000 K€	1999 K€
Revenues unrelated to accounting period				
Retransfer of reserves	5,609	2,528	14	7
Retransfer of value adjustments	1,120	2,214	0	10
Additions to fixed assets	950	65	0	0
Income from fixed asset disposals	687	161	0	0
Payment of claims written off	144	47	139	11
Retransfer of special items for investment subsidies	0	521	0	0
Tax refunds	0	13	0	13
Other revenues unrelated to accounting period	898	597	0	0
	9,408	6,146	153	41
Other operating revenues				
Exchange rate changes	5,140	2,884	0	0
Consumption of reserves	2,968	3,810	0	0
Charges and cost refunds	1,571	4,384	908	1,221
Rentals and leases	779	470	0	0
Reversal of special postings with reserve component	413	423	0	0
Revenues from the disposal of securities from current assets	244	0	244	0
Bonuses and subsidies	242	229	0	0
Appreciation of current assets	226	233	226	233
Payment of damages	179	549	8	0
Others	1,174	699	0	0
	12,936	13,681	1,386	1,454
Total	22,344	19,827	1,539	1,495

24. Material expenses

The acquired services predominantly refer to expenses for external production. 34,219 K€ of the stated amount results from the subgroup GILDEMEISTER Italiana.

25. Personnel costs

The expenditures for old age pensions in the business year 2000 in the group amounted to 3,865 K€ (previous year 4,550 K€) and for GILDEMEISTER Aktiengesellschaft to 1,853 K€ (previous year 2,018 K€). The total amount paid to active members of the Executive Board was 1,157 K€ (previous year 1,105 K€). 694 K€ (previous year 587 K€) was paid to a former member of the Executive Board and his surviving dependants.

A total of 6,279 K€ (previous year 5,828 K€) has been put into reserve for former members of the Executive Board and their surviving dependants.

No advances or loans were given to Board members. Equally, no liabilities were incurred on behalf of this group of people.

15,890 K€ of the stated personnel costs falls to the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A.

The average number of employees for the year under review and for the previous year was as follows:

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2000	1999	2000	1999
Wage recipients	1,549	1,197	0	0
Salary recipients	2,387	1,945	41	37
Trainees	161	139	0	0
	4,097	3,281	41	37

Included in the figures above, the average number of employees of the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A. is 457 employees.

26. Other operating expenses

	GILDEMEISTER GROUP		GILDEMEISTER AG	
	2000 K€	1999 K€	2000 K€	1999 K€
Expenses unrelated to the accounting period				
Other taxes	142	154	116	125
Losses from decline in economic usefulness of fixed assets items	716	126	0	0
Other personnel costs	358	869	358	869
Other expenses unrelated to the accounting period	140	211	0	0
	1,356	1,360	474	994
Other operating expenses				
Marketing and trade fairs	19,660	11,245	305	162
Other external services	16,877	13,553	6,851	4,928
Sales commissions	14,004	9,291	25	0
Travelling and entertainment expenses	13,949	11,180	501	311
Rent and Leasing	13,460	10,308	1,389	894
Outgoing freight, packaging	13,188	10,476	0	0
Legal and consulting fees, charges for balance sheet	10,220	5,964	5,164	1,813
Additions to reserves	9,922	8,774	0	0
Office material, mail, and telephone charges	6,594	5,524	664	541
Monetary transactions and capital procurement	5,193	623	1,583	36
Other personnel costs	4,434	2,981	432	101
Losses from decline in economic usefulness of current asset items	3,392	2,321	32	0
Investor Relations	2,402	48	1,902	48
Insurances	2,207	1,627	483	439
Losses from currency translation	1,731	654	2	142
Stiftungsinitiative der Deutschen Wirtschaft	716	0	716	0
Other taxes	558	819	77	77
Licences and trademarks	451	442	8	19
Others	8,910	4,724	1,347	1,162
	147,868	100,554	21,481	10,673
Total	149,224	101,914	21,955	11,667

In the total figure for the other operating expenses, one-off special expenses outside of current business activities of 7,790 K€ are included, which arise from the takeover of the subgroup GILDEMEISTER Italiana, the costs of the increase of capital in the fourth quarter of the reporting year, and the contribution to the Stiftungsinitiative der Deutschen Wirtschaft (German Business Foundation initiative).

The additions to reserves result essentially from expenses for warranties, conversions, and losses from pending proceedings.

In the other operating expenses an amount of 18,313 K€ from the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A. is included.

In the business year 2000, 351 K€ (in the previous year 326 K€) was put into reserves for fees paid to members of the Supervisory Board.

27. Income from profit transfer agreements

The income from profit transfer agreements of GILDEMEISTER Aktiengesellschaft of 49,098 K€ (previous year 42,362 K€) arose, as in the previous year, from six affiliated companies.

28. Income from participations

The stated income of 10,613 K€ (Previous year 4,552 K€) for GILDEMEISTER Aktiengesellschaft in the reporting year relates, as in the previous year, to the allocations of dividends by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and a & f Stahl- and Maschinenbau GmbH.

29. Expenses from takeover of losses

In the business year 2000, no expenses from takeover of losses arose. In the previous year there were losses of 2,545 K€ from DECKEL MAHO Geretsried GmbH which were taken over by GILDEMEISTER Aktiengesellschaft

30. Other interest and similar income

Of the amount of 1,728 K€ stated for the group, 1,138 K€ arose from the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A.

GILDEMEISTER Aktiengesellschaft charged interest of 6,384 K€ (previous year 2,697 K€) to affiliated companies.

31. Interest and similar expenses

The majority share of interest expenditures relates to interest on loans. GILDEMEISTER Aktiengesellschaft was charged interest in the amount of 88 K€ (previous year 143 K€) by affiliated companies.

5,983 K€ of the stated amount arose from the subgroup GILDEMEISTER Italiana and Holding Macchine Utensili S.p.A.

32. Extraordinary expenses and income

There were no extraordinary expenses or income in the business year 2000.

33. Taxes on income and revenues

This item represents corporate income tax for domestic companies and comparable taxes for international companies determined on the basis of the recommendations for profit appropriation. This determination was made on the basis of the tax regulations applicable to the individual companies. An amount of 1,286 K€ resulted from supplementary tax payments for the previous year. Revenue taxes of 2,798 K€ arose in the subgroup GILDEMEISTER Italiana.

Affiliated companies

	Equity capital		Participation ratio %	Result for the business year 2000 in K€
	National currency	K€		
Production plants and procurement				
GILDEMEISTER Drehmaschinen GmbH, Bielefeld ^{1/100}		16,650	100.0	0
Holding Macchine Utensili S.p.A., Milan, Italy	K ITL 33,470,363	17,286	100.0	-3,600
GILDEMEISTER Italiana S.p.A., Brembate di Sopra, Italy ³⁾	K ITL 120,267,833	62,113	86.0	4,682
GRAZIANO Tortona S.p.A., Tortona, Italy ⁴⁾	K ITL 6,646,877	3,433	100.0	
SACO S.p.A., Castelleone, Italy ⁴⁾	K ITL 15,581,878	8,047	100.0	
GILDEMEISTER Italiana s.r.o., Zlín, Czech Republic ⁴⁾	K CZK 100	3	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten ^{1/100}		26,000	100.0	0
LASERTEC GmbH, Pfronten ^{2/100}		4,089	100.0	-398
DECKEL MAHO Geretsried GmbH, Geretsried ¹⁰⁰		10,714	100.0	714
DECKEL MAHO Seebach GmbH, Seebach ^{1/100}		8,363	62.5	0
FAMOT Pleszew S.A., Pleszew, Poland	K PLN 15,831	4,101	96.0	41
a & f Stahl- und Maschinenbau GmbH, Würzburg ¹⁰⁰		1,737	51.0	1,557
Sales and service companies				
DMG Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Bielefeld (subgroup financial statement) ¹⁰⁰		6,114	100.0	3,820
DMG Stuttgart Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Kornwestheim ^{5/6/100}		517	100.0	
DMG München Vertriebs und Service GmbH für Werkzeugmaschinen				
DECKEL MAHO GILDEMEISTER, München ^{1/5/100}		600	100.0	
DMG Hilden Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Hilden ^{1/5/100}		800	100.0	
DMG Bielefeld Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Bielefeld ^{1/5/100}		300	100.0	
DMG Berlin Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Berlin ^{5/6/100}		301	100.0	
DMG Frankfurt am Main Vertriebs und Service GmbH				
DECKEL MAHO GILDEMEISTER, Frankfurt am Main ^{5/6/100}		307	100.0	
DMG Italia S.r.L., Gorgonzola, Italy ⁵⁾	K LIT 1,200,427	620	100.0	
GITAL S.r.L., Brembate di Sopra, Italy ⁹⁾	K LIT 109,672	57	100.0	
DMG France S.A.R.L., Les Ulis, France ⁵⁾	K FFR 25,415	3,874	100.0	
DMG (Schweiz) AG				
DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland ⁵⁾	K CHF 6,078	3,992	100.0	
DMG (U.K.) LIMITED, Luton, Great Britain ⁵⁾	K GBP 468	751	100.0	
DMG NEDERLAND B.V., Veenendaal, Holland ⁵⁾	K NLG 4,427	2,009	100.0	
DMG Belgium B.V.B.A., Zaventem, Belgium ⁵⁾	K BEF 16,004	397	100.0	
DECKEL MAHO GILDEMEISTER Iberica S.L., Berriz, Spain ⁵⁾	K ESP 3,413	21	100.0	
DMG Czech s.r.o., Brno, Czech Republic ⁵⁾	K CZK 13,451	384	100.0	
DMG Polska Sp.zo.o., Pleszew, Poland ⁵⁾	K PLN 1,250	324	100.0	
DMG America Inc., Charlotte, USA ⁵⁾	K USD 470	505	100.0	
DMG Charlotte Inc., Charlotte, USA ⁷⁾	K USD 1	1	100.0	
DMG Chicago Inc., Schaumburg, USA ⁷⁾	K USD 304	327	100.0	
GITAL America Inc., Elgin, USA ⁷⁾	K USD 42	45	100.0	
DMG Houston Inc., Houston, USA ⁷⁾	K USD 1	1	100.0	
DMG Los Angeles Inc., Los Angeles, USA ⁷⁾	K USD 1	1	100.0	
DMG Canada Inc., Toronto, Canada ⁵⁾	K CAD 181	130	100.0	
DMG ASIA PACIFIC PTE LTD, Singapore ⁵⁾	K SGD 1,211	751	100.0	
DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, Malaysia ⁸⁾	K MYR 100	28	100.0	
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China ⁵⁾	K CNY 2,358	313	100.0	
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, India ⁵⁾	K INR 9,557	220	100.0	
Nippon DMG K.K., Yokohama, Japan ⁵⁾	K JPY 1,316	12	100.0	
DMG Machinery Taiwan Ltd., Taipeh, Taiwan ⁵⁾	K NTD 6,917	225	51.0	
DMG Korea Ltd., Seoul, Korea ⁵⁾	K KRW 65,215	55	100.0	

Affiliated companies

	Equity capital		Participation ratio %	Result for the business year 2000 in K€
	National currency	K€		
Sales and service companies (continued)				
DMG Service Drehen GmbH				
DECKEL MAHO GILDEMEISTER, Bielefeld ^{5/6/10)}		26	100.0	
DMG Service BAZ GmbH				
DECKEL MAHO GILDEMEISTER, Geretsried ^{5/6/10)}		25	100.0	
DMG Service UFB GmbH				
DECKEL MAHO GILDEMEISTER, Pfronten ^{5/6/10)}		25	100.0	
DMG Service UFB Seebach GmbH				
DECKEL MAHO GILDEMEISTER, Seebach ^{5/10)}		110	100.0	
DMG Gebrauchtmachines GmbH				
DECKEL MAHO GILDEMEISTER, Geretsried ^{5/6/10)}		2,517	100.0	
DMG Trainings-Akademie GmbH				
DECKEL MAHO GILDEMEISTER, Bielefeld ^{5/6/10)}		271	100.0	

- 1) with control agreements and profit and loss transfer agreements with GILDEMEISTER Aktiengesellschaft
- 2) Participation of DECKEL MAHO Pfronten GmbH
- 3) Participation of Holding Macchine Utensili S.p.A.
- 4) Participation of GILDEMEISTER Italiana S.p.A.
- 5) Participation of DMG Vertriebs und Service GmbH
- 6) with control agreements and profit and loss transfer agreements with DMG Vertriebs und Service GmbH
- 7) Participation of DMG America Inc.
- 8) Participation of DMG ASIA PACIFIC PTE LTD.
- 9) Participation of DMG Italia S.r.L.
- 10) The domestic subsidiary in the legal form of an equity company has fulfilled the conditions necessary under § 264 Abs. 3 HGB for the availment of the exemption regulations and thus refrains from making public its annual financial statement information.

Organs of the company

- Supervisory Board in accordance with § 100 AktG
- * membership in comparable domestic and international control bodies of business enterprises

Supervisory Board

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

- Bayer AG, Leverkusen
- B.U.S. Berzelius Umwelt-Service AG, Duisburg (Chairman)
- Deutsche Post AG, Bonn
- IVG Holding AG, Bonn (Chairman)
- Thyssen Krupp AG (up to 24th May 2000)
- * Heitkamp-Deilmann-Haniel GmbH, Herne (Chairman) (since 25th May 2000)

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

- * MHP Mannesmann Präzisionsrohr GmbH, Hamm

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

Alfred Geißler,
Pfronten,
Representative of the senior executives

Dr.-Ing. Peter-Jürgen Kreher,
Munich,
Chairman of the Executive Board
of Schaltbau Holding AG

- Dürkopp Adler AG, Bielefeld
- * DST Werkzeugmaschinenbau GmbH, Mönchengladbach

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

Prof. Dr.-Ing. Walter Kunerth,
Zeitlarn,
Senior Advisor Lazard & Co. GmbH,
Frankfurt

- Basler AG, Ahrensburg (Chairman)
- Götz AG, Regensburg (Chairman)
- Paragon AG, Delbrück (Chairman)
(since 1st November 2000)
- * Suspa Holding GmbH, Altdorf (Chairman)
- * Autoliv Inc., Stockholm

Hans Henning Offen,

Düsseldorf,

Deputy Chairman of the Executive Board
of Westdeutsche Landesbank Girozentrale
Düsseldorf/Münster

- Basler AG, Ahrensburg
(up to 24th May 2000)
- Kaufhof Warenhaus AG, Cologne
- Kaufring AG, Düsseldorf
(up to 1st June 2000)
- Preussag AG, Hanover/Berlin
- RWE Plus AG, Essen
(since 1st October 2000)
- Thyssen Krupp Materials & Services AG,
Düsseldorf
- Trienekens AG, Viersen
- WestLB (Europa) Holding AG, Düsseldorf
- * AKA Ausfuhrkreditgesellschaft mbH,
Frankfurt (up to 29th March 2000)
- * Banque d'Orsay, Paris
- * Deutsche Shell GmbH, Hamburg
(since 30th May 2000)
- * Familienstiftung Schwarz, Neckarsulm
- * West Intell AG & Co. KG, Düsseldorf
(since 18th July 2000)

Peter Oxfart,

Creuzburg,

Chairman of the Works Council of
DECKEL MAHO Seebach GmbH,
Seebach

Dr. jur. Rupert Pfeffer,

Geretsried,

Chairman of the Executive Board of
LfA Förderbank Bayern i.R., Munich

- König Ludwig Musical AG,
Füssen (since 1st September 2000)
- Schmidt Bank KG aA, Hof

Günther Johann Schachner,

Peiting,

Member of the board of the IG Metall Frankfurt,
1st secretary of the IG Metall (engineering
workers' Union) headquarters
Weilheim

Hans Peter Schreib,

Attorney at Law, Düsseldorf,

Member of the Executive Board of the
Deutschen Schutzvereinigung für
Wertpapierbesitz e.V. (DSW)
(German Association of Securities Owners)

- K + S AG, Kassel
- Metro AG, Cologne

Group annex and annex of the
GILDEMEISTER Aktiengesellschaft

Executive Board

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

Dr.-Ing. Raimund Klinkner,
Bielefeld

- Dürkopp Adler AG, Bielefeld

Dipl.-Kfm. Dieter Schäfer,
Steinhagen

Annexes

Consolidated balance sheet

Consolidated income statement

Statement of consolidated fixed assets

Balance sheet of GILDEMEISTER Aktiengesellschaft

**Income statement of
GILDEMEISTER Aktiengesellschaft**

**Statement of
fixed assets of GILDEMEISTER Aktiengesellschaft**

**Consolidated balance sheet 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Consolidated income statement
for the period from 1st January to 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Consolidated income statement for the period
from 1st January up to 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

	Annex	2000		1999
		€	€	€
1. Sales revenues	22		923,297,567	690,362,892
2. Decrease (prev. yr. increase) in finished goods and work in progress			-10,760,811	9,317,473
3. Work performed by the undertaking for its own purposes			346,894	331,624
4. Other operating income	23		22,343,906	19,826,810
			935,227,556	719,838,799
5. Material expenses	24			
a) Expired cost of raw materials supplies and acquired merchandise		397,903,811		324,207,253
b) Expired cost of acquired services		87,191,003	485,094,814	61,010,875
6. Personnel costs	25			
a) Wages and salaries		179,064,964		143,128,229
b) Social security levies and cost of retirement plans and related benefits		33,478,885	212,543,849	28,276,749
7. Depreciation on property, plant and equipment together with intangible assets			25,491,665	14,946,171
8. Other operating charges	26		149,224,260	101,913,943
9. Other interest and similar income	30		1,727,601	388,902
10. Interest and similar expenses	31		20,408,792	12,292,130
11. Result from ordinary business activities				44,191,777
				34,452,351
12. Taxes on income and profit	33			6,112,560
				1,789,532
13. Net income for the year				38,079,217
				32,662,819
14. Share in profit to other partners				-1,588,111
				-923,265
15. Balance-sheet profit carried forward				1,964,209
				574,359
				38,455,315
				32,313,913
16. Allocation to other reserves				20,000,000
				19,112,112
17. Net profit for the year				18,455,315
				13,201,801

**Consolidated balance sheet as of 31st December, 2000
of the GILDEMEISTER Aktiengesellschaft, Bielefeld**

Assets	Annex	As of		As of
		31st Dec. 2000	31st Dec. 2000	31st Dec. 1999
		€	€	€
A. Fixed assets				
I. Intangible assets	6			
1. Goodwill		67,975,398		8,245,336
2. Patents, trademarks and similar rights		9,723,866		9,793,892
3. Payments on account		2,479,308		637,132
			80,178,572	18,676,360
II. Tangible assets	7			
1. Land and buildings		86,151,085		54,804,697
2. Plant and machinery		19,493,766		5,106,311
3. Other fixtures and fittings, tools and equipment		22,080,606		16,240,235
4. Payments on account and tangible assets in course of construction		2,574,279		3,300,270
			130,299,736	79,451,513
III. Financial assets	8			
Shares in affiliated companies			7,217	105,565
			210,485,525	98,233,438
B. Current assets				
I. Stocks	9			
1. Raw materials and consumables		67,803,689		51,204,104
2. Work in progress		68,432,295		40,705,158
3. Finished goods and goods for resale		57,253,527		49,666,932
4. Payments on account		1,741,967		1,100,032
5. Payments received on account of orders		34,811,233		17,703,128
			160,420,245	124,973,098
II. Accounts receivable and other assets	10			
1. Accounts receivable		266,753,252		159,474,651
2. Other assets		26,879,794		18,818,810
			293,633,046	178,293,461
III. Securities	11		7,394,526	1,294,568
IV. Cash in hand and on deposit with the Deutsche Bundesbank and cash in other bank accounts	12		24,096,259	13,586,733
C. Prepaid expenses and deferred charges	13		4,505,971	2,682,529
			700,535,572	419,063,827

Liabilities	Annex	As of	
		31st Dec. 2000	31st Dec. 1999
		€	€
A. Equity capital	14		
I. Subscribed capital			75,086,510
II. Capital reserves			48,734,269
III. Reserves			
1. Legal reserves			680,530
2. Reserves for own shares			1,205,448
3. Other reserves			37,181,728
IV. Net profit for the year			18,455,315
V. Shares held by other shareholders			14,343,487
			195,687,287
B. Special account for investment subsidies	15		1,218,598
C. Provisions for liabilities and charges			
1. Provisions for pensions	16	27,393,358	27,523,793
2. Provisions for taxation	17	12,804,665	2,185,810
3. Other provisions	18	73,730,386	51,762,130
			113,928,409
D. Liabilities	19		
1. Amounts owed to credit institutions		232,734,652	112,830,202
2. Trade creditors		109,998,677	67,618,306
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange		13,624,398	26,434,079
4. Other creditors		29,192,674	19,864,765
			385,550,401
E. Accruals and deferred income	20		4,150,877
			700,535,572
			419,063,827

**Development of the consolidated fixed assets
at 31st December 2000 of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Development of the consolidated fixed assets
at 31st December 2000 of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Costs of acquisition and production	As of 1st Jan. 2000 €	Other Changes €	Additions €	Disposals €	Book transfers €	As of 31st Dec. 2000 €
I. Intangible assets						
1. Goodwill	20,445,965	64,751,072	1,357,464	0	0	86,554,501
2. Patents, trademarks and similar rights	16,107,403	5,500,984	4,910,459	5,650	110,204	26,623,400
3. Payments on account	637,132	555,603	1,427,546	30,769	-110,204	2,479,308
	37,190,500	70,807,659	7,695,469	36,419	0	115,657,209
II. Tangible assets						
1. Land and buildings	74,548,138	24,973,520	10,511,913	950,912	1,672,476	110,755,135
2. Plant and machinery	13,799,280	33,351,342	5,573,594	1,423,215	-21,867	51,279,134
3. Other fixtures and fittings, tools and equipment	46,438,301	10,398,115	12,085,472	3,487,072	264,967	65,699,783
4. Payments on account and tangible assets in course of construction	3,300,270	693,892	3,616,650	3,120,957	-1,915,576	2,574,279
	138,085,989	69,416,869	31,787,629	8,982,156	0	230,308,331
III. Financial assets						
Shares in affiliated companies	105,565	0	7,217	105,565	0	7,217
	105,565	0	7,217	105,565	0	7,217
Total fixed assets	175,382,054	140,224,528	39,490,315	9,124,140	0	345,972,757

Depreciation

	As of 1st Jan. 2000 €	Other Changes €	Additions €	Book transfers €	Appreciation €	Book transfers €	As of 31st Dec. 2000 €	As of 31st Dec. 2000 €	As of 31st Dec. 1999 €
I. Intangible assets									
1. Goodwill	12,200,629	1,830,114	4,548,360	0	0	0	18,579,103	67,975,398	8,245,336
2. Patents, trademarks and similar rights	6,313,511	5,248,102	5,341,402	3,481	0	0	16,899,534	9,723,866	9,793,892
3. Payments on account	0	0	0	0	0	0	0	2,479,308	637,132
	18,514,140	7,078,216	9,889,762	3,481	0	0	35,478,637	80,178,572	18,676,360
II. Tangible assets									
1. Land and buildings	19,743,441	3,141,180	3,131,163	463,916	949,294	1,476	24,604,050	86,151,085	54,804,697
2. Plant and machinery	8,692,969	20,649,449	3,679,002	1,102,739	0	-133,313	31,785,368	19,493,766	5,106,311
3. Other fixtures and fittings, tools and equipment	30,198,066	7,618,012	8,791,738	3,120,476	0	131,837	43,619,177	22,080,606	16,240,235
4. Payments on account and tangible assets in course of construction	0	0	0	0	0	0	0	2,574,279	3,300,270
	58,634,476	31,408,641	15,601,903	4,687,131	949,294	0	100,008,595	130,299,736	79,451,513
III. Financial assets									
Shares in affiliated companies	0	0	0	0	0	0	0	7,217	105,565
	0	0	0	0	0	0	0	7,217	105,565
Total fixed assets	77,148,616	38,486,857	25,491,665	4,690,612	949,294	0	135,487,232	210,485,525	98,233,438

Net book value

**Balance sheet as of 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Income statement
for the period from 1st January up to 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Income statement
1st January up to 31st December 2000
for GILDEMEISTER Aktiengesellschaft, Bielefeld

	Annex	2000		1999
		€	€	€
1. Sales revenues	22		19,709,551	16,668,876
2. Other operating income	23		1,538,836	1,494,933
			21,248,387	18,163,809
3. Material expenses	24			
a) Expired cost of raw materials, supplies and acquired merchandise		6,760		3,385
b) Expired cost of acquired services		2,363,916	2,370,676	1,659,985
4. Personnel costs	25			
a) Wages and salaries		4,626,642		3,358,141
b) Social security levies and cost of retirement plans and related benefits		2,260,194	6,886,836	2,360,257
5. Depreciation on property, plant and equipment together with intangible assets			5,070,830	4,718,121
6. Other operating charges	26		21,955,116	11,666,889
7. Income from profit transfer agreements	27		49,097,745	42,362,069
8. Income from investments	28		10,613,367	4,551,832
9. Expenditure from takeover of losses	29		0	2,544,612
10. Other interest and similar income	30		6,529,990	2,709,018
11. Other interest and similar expenses	31		6,837,811	3,142,054
12. Profit or loss from ordinary business activities				44,368,220
13. Taxes on income and on profit	33			145,641
14. Net income for the year				44,222,579
15. Balance-sheet profit carried forward from the previous year				967,393
16. Allocation to other reserves				22,000,000
17. Net profit for the year				23,189,972
				19,813,103

**Balance sheet as at 31st December 2000
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

Assets	Annex	As of 31st Dec. 2000		As of 31st Dec. 1999
		€	€	€
A. Fixed assets				
I. Intangible assets	6			
1. Patents, trademarks and similar rights		5,309,080		8,601,612
2. Payments on account		22,524		637,132
			5,331,604	9,238,744
II. Tangible assets	7			
1. Land and buildings		14,487,367		14,990,511
2. Other fixtures and fittings, tools and equipment		1,984,919		3,515,116
3. Payments on account		64,541		0
			16,536,827	18,505,627
III. Financial assets	8			
Shares in affiliated companies			105,730,068	85,049,220
			127,598,499	112,793,591
B. Current assets				
I. Accounts receivable and other assets	10			
1. Accounts receivable		130,146		3,844
2. Amounts owed by affiliated companies		165,442,356		75,707,232
3. Other assets		7,220,986		6,447,000
			172,793,488	82,158,076
II. Securities	11		1,205,448	1,294,568
III. Cash in hand and on deposit				
With the Deutsche Bundesbank				
and cash in other bank accounts	12		3,330,559	7,911
C. Prepaid expenses and deferred charges	13		64,750	115,885
			304,992,744	196,370,031

Liabilities	Annex	As of		As of
		31st Dec. 2000		31st Dec. 1999
		€	€	€
A. Capital and reserves	14			
I. Subscribed capital			75,086,510	56,397,692
II. Capital reserves			48,734,269	13,513,035
III. Profit reserves				
1. Legal reserves			680,530	680,530
2. Reserves for own shares			1,205,448	0
3. Other reserves			75,594,551	46,800,000
IV. Net profit for the year			23,189,972	19,813,103
			224,491,280	137,204,360
B. Provisions for liabilities and charges				
1. Provisions for pensions	16	14,152,865		14,134,882
2. Provisions for taxation	17	188,156		0
3. Other provisions	18	3,681,489		3,422,101
			18,022,510	17,556,983
C. Liabilities	19			
1. Amounts owed to credit institutions		49,927,087		24,349,755
2. Trade creditors		6,342,767		4,068,211
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange		699,948		924,431
4. Amounts owed to affiliated companies		66,114		9,041,433
5. Other creditors		5,443,038		3,224,858
			62,478,954	41,608,688
			304,992,744	196,370,031

**Statement of the fixed assets of GILDEMEISTER Aktiengesellschaft, Bielefeld
as of 31st December 2000**

**Statement of the fixed assets of GILDEMEISTER Aktiengesellschaft, Bielefeld
as of 31st December 2000**

Costs of acquisition and production	As of 1st Jan. 2000 €	Additions €	Disposals €	As of 31st Dec. 2000 €
I. Intangible assets				
1. Patents, trademarks and similar rights	12,959,208	196,720	0	13,155,928
2. Payments on account	637,132	22,524	637,132	22,524
	13,596,340	219,244	637,132	13,178,452
II. Tangible assets				
1. Land and buildings	27,026,257	5,113	0	27,031,370
2. Other fixtures and fittings, tools and equipment	5,775,073	448,475	1,178,445	5,045,103
3. Payments on account	0	64,541	0	64,541
	32,801,330	518,129	1,178,445	32,141,014
III. Financial assets				
Shares in affiliated companies	85,049,220	20,710,848	30,000	105,730,068
	85,049,220	20,710,848	30,000	105,730,068
Total fixed assets	131,446,890	21,448,221	1,845,577	151,049,534

Net book value

Depreciation	As of 1st Jan. 2000 €	Additions €	Disposals €	As of 31st Dec. 2000 €	As of 31st Dec. 2000 €	As of 31st Dec. 1999 €
I. Intangible assets						
1. Patents, trademarks and similar rights	4,357,596	3,489,252	0	7,846,848	5,309,080	8,601,612
2. Payments on account	0	0	0	0	22,524	637,132
	4,357,596	3,489,252	0	7,846,848	5,331,604	9,238,744
II. Tangible assets						
1. Land and buildings	12,035,746	508,257	0	12,544,003	14,487,367	14,990,511
2. Other fixtures and fittings, tools and equipment	2,259,957	1,073,321	273,094	3,060,184	1,984,919	3,515,116
3. Payments on account	0	0	0	0	64,541	0
	14,295,703	1,581,578	273,094	15,604,187	14,551,908	14,990,511
III. Financial assets						
Shares in affiliated companies	0	0	0	0	105,730,068	85,049,220
	0	0	0	0	105,730,068	85,049,220
Total fixed assets	18,653,299	5,070,830	273,094	23,451,035	125,613,580	109,278,475

Auditors' Examination Certificate

We have audited the annual financial statement under inclusion of accounting of GILDEMEISTER Aktiengesellschaft, Bielefeld, as well as the consolidated financial statements and the situation report about the situation of the company and the group prepared by it for the business year from 1st January up to 31st December 2000. Compilation of this documentation according to German regulations under commercial law has been performed within the responsibility of the Board of Directors of the company. It is our task, on the basis of the audit performed by us, to make an assessment about the annual financial statements under inclusion of accounting as well as the consolidated financial statement prepared by it and its report about the situation of the company and the group.

We have performed our audit of the annual financial statements and the consolidated financial statements according to § 317 HGB under observation of the principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW, Institute of Business Auditors). According to these, the audit must be planned and implemented so that incorrectnesses and violations having a substantial effect on the image conveyed by representation of the annual financial statements and the consolidated financial statements under observation of the principles of proper accounting and due to the report about the situation of the company and the group of the asset, financial and profit situation are detected with sufficient security. For establishment of the auditing activities, the knowledge about the business activities and about the economic and legal environment of the company as well as expectations about possible faults have been considered. Within the scope of the audit, the effectiveness of the internal controlling system in relation to the statement computation standard, as well as proof for the information in accounting, in the annual financial statements and the consolidated financial statements and in the report about the situation of the company and the group have been mainly assessed on the basis of random samples taken. The audit includes assessment of the balancing and consolidation principles applied and the essential assessment of the board of directors as well as consideration of the overall representation of the annual financial statements and the consolidated financial statements as well as the report about the situation of the company and the group. We are of the opinion that our audit forms a sufficiently secure basis for our assessment.

Our audit did not lead to any objections.

According to our conviction, the annual financial statements and the consolidated financial statements convey, under observation of the principles of proper accounting, an image of the asset, financial and profit situation of the company and the group corresponding to the actual situation. The report about the situation of the company and the group in total conveys a correct impression of the situation of the company and the group, and correctly represents the risks of future development.

Berlin and Frankfurt am Main, 30th March 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schumacher
Auditor

Luther
Auditor

Planned Dates

Balance sheet press conference	5th Apr. 2001
Discussion with analysts	5th Apr. 2001
Interim report to 31st Mar. 2001	9th Apr. 2001
Shareholders' meeting	18th May 2001 at 10 a.m. in the Stadthalle Bielefeld
Dividend payment	21st May 2001
Interim report to 30th June 2001	9th Aug. 2001
Interim report to 30th Sep. 2001	8th Nov. 2001
Preliminary report on the business year 2001	7th Feb. 2002
Shareholders' meeting	17th May 2002 at 10 a.m. in the Stadthalle Bielefeld

Contact

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Glossary

Commercial glossary

Affiliated companies See Subsidiaries

Business on a commission basis Business conducted by DMG Vertriebs und Service GmbH and its subsidiaries for which they receive a commission for procuring an order for the production companies.

Cashflow Flow of financial funds achieved from the current business during the period, adjusted for significant expenditures and revenues having an effect on payments

Current assets Assets which are intended to serve the business on a short term basis

Deferred taxes Temporary timing differences between calculated taxes on results stated according to the commercial and tax balance sheets, with the objective of showing the tax expense according to the correct commercial result

DVFA/SG Result Calculation method jointly developed by the method commission of the Deutsche Vereinigung für Finanzanalyse und Anlageberatung e. V. (DVFA, German Association for Financial Analysis and Financial Consulting) and the working group «Externe Unternehmensrechnung» (External Company Accounting) of the Schmalenbach – Gesellschaft – Deutsche Gesellschaft for Betriebswirtschaft e. V. (SG, Schmalenbach Society – German society for Business Studies) with the goal of establishing the most objective standards possible for the assessment of the earnings power of companies through adjustment of the net income/loss for the year for expenditures and revenues from special effects

EBITDA Earnings before interest, taxes, depreciation and amortisation

EBIT Earnings before interest and taxes

EBT Earnings before taxes

Equity capital Cash which is made available to a company from its owners by paying in or deposit, or through retained profits

Fixed assets Assets which are intended to serve the business on a permanent basis

Flow of funds analysis Analysis of the development of liquid funds and payment flows, taking account of the source and use of those funds within the business year

Free Float Number or proportion of shares which are not in the possession of strategic investors and are thus available for trading on the stock exchange

Gearing Ratio of the average net indebtedness to the average equity capital

Goodwill	The amount by which purchase price exceeds the fair value of the assets of the going-concern.
Independent dealer business	The sale of machines purchased from the production companies by DMG Vertriebs und Service GmbH and its subsidiaries, in its own name and on own account
Journal entries	Payments in the reporting period whose effect on the results falls in a later time-period
KonTraG	Law on control and transparency in the business domain
Letter of comfort	Declaration of commitment - e.g. from a parent company in favour of a subsidiary - to a bank, as collateral for a loan
Loan capital	General designation for the provisions, liabilities, and journal entries to be entered on the liabilities side of the balance sheet
Market capitalisation	Value of a company determined by multiplying the number of issued shares by the share price
Net indebtedness	Balance of interest-bearing asset and liability positions (amounts owed to credit institutions and exchange liabilities less the securities of the current assets and liquid cash)
ROCE	(Return on capital employed) - ratio of EBIT to the sum of equity capital, provisions, and net indebtedness
ROI	(Return on investment) - ratio of earnings before taxes to average total capital
SDAX	Stock exchange index which comprises the 100 strongest SMAX companies
SMAX	«Small Cap Exchange» - constituted in April 1999 by the Deutsche Börse AG as a new stock exchange segment within the MDAX: participants are small and medium companies in traditional industries (such as machine construction or automobile suppliers)
Subsidiaries	All companies which are directly or indirectly controlled by a parent company on the basis of a majority holding and/or common management

Technical Glossary

Benchmark	A benchmark is the extra-firm or intra-firm comparison of companies or departments by means of selected key figures.
Box-in-Box construction	A special arrangement of the machine frame for high dynamics. Two box-shaped frame components are nested. This construction method provides high mechanical rigidity at optimal weight.
Cavity (microcavity)	By cavity, a small mould-form is meant.
Client-server architecture	In client-server computer applications, the work-place computer (client) takes over with its own computing power the post-processing of information which is provided by the central computer (server).
CNC Nettraining	With control surfaces based on the Microsoft Windows operating system (e.g. MILL PLUS IT, TURN PLUS IT), interactive training over the Internet is possible, either directly on the machine or on a simulation. With CNC Nettraining, the trainer communicates with students who may be at various customer sites.
Concept of trans-shipment points	A logistical concept by which an attendant brings together input and output shipments from various suppliers at a node point, and delivers production-synchronous to the production locations.
CTV	The CTV product line offers general purpose lathes with vertically arranged turning spindle and integrated part loading for high shaving performance and high piece numbers.
CTX	The CTX product line offers a graduated catalogue of universal lathes with numerous options for simple to demanding machining tasks.
Design review	In a design review, segments of a development project are audited by an inter-disciplinary team. After successful acceptance, the next segment can begin.
DMU	The DMU product line offers an extended product catalogue of DECKEL MAHO universal milling machines for 5-axis complete machining.
Double sourcing	Double sourcing means procurement from two supply sources.
e-business/ e-commerce	These terms stand for the whole bandwidth of electronic, Internet-supported communication between companies and end customers. The exchange of business information is intrinsically paperless. The applications range from information, through sales, to worldwide simultaneous auctions between partners in the Internet.
Entry machine	The entry machines are the entry models in the DECKEL MAHO GILDEMEISTER product catalogue. They offer a good basic configuration at an attractive price.

Full cooling/dry machining	For many shaving tasks, the heat generated by the machining process must be dissipated using special emulsions or oils (full cooling). On environmental and cost grounds, the use of cooling lubricants is avoided through the further development of cutting materials and the process parameters (dry machining, or minimal quantity lubrication).
High end machine	The high end machines round out the DECKEL MAHO GILDEMEISTER product catalogue with technically sophisticated machines capable of the most complex applications
High end server	A computer system with very high computing power and storage capacity.
Horizontal changer/pallet changer	A horizontal changer exchanges tools from a tool magazine with movements horizontal to the machining spindle. A pallet changer exchanges the pallet with the workpiece from the machine table in the workspace to an equipment space.
Intranet	Based on internet technology, an Intranet is a network for company-internal communication sealed off from the outside.
KANBAN principle, (KANBAN, jap. map)	The KANBAN principle is a simple method of material supply. For example, in an often employed KANBAN system, two containers of assembly material are available. When the take-up of material from the second container starts, the first, emptied, container goes back to the warehouse or to a supplier to be refilled. By means of documentation with the container, the warehouse worker or the supplier knows the correct re-stocking of the container. Further control of the procedure with an IT system is not in principle necessary.
Linear drive technology and rotating ball spindle	Linear drive technology uses a new type of electromagnetic drive principle which does not rotate as usual, but has a linear movement path. Intermediary mechanics are thereby made redundant, with the result that the motor moves the machine axles directly, with higher precision and acceleration. Previously, the feed motion of the machining axis was powered by a drive unit consisting of a motor and a revolving ball spindle. Now, a ball bushing attached to the machine sled travels on the turnable spindle like a mother on a thread
MILL PLUS – MILL PLUS IT	Variants of the machine control surface MILL PLUS. IT indicates implementation on a Windows basis. This provides the surface with great openness for Netservice, Internet and third-party applications.
Monoblock construction	In contrast to a construction method in which the machine frame consists of multiple components (bed, stand, etc.), in monoblock construction the core of the machine consists of a rigid, compact base unit.
NEF	The NEF product line offers user-friendly entry machines with modern lathe technology at a competitive price. The machines have universal layouts for single-part and small series manufacturing.
PRO/E (PRO/Engineer)	Brand name for a full function 3D CAD system. The machine components are modelled as volume bodies. The construction engineer can carry out calculations on these volume bodies to determine temperature behaviour and machine loading, such as tension analysis.

Process-synchronous material call-off	In this type of disposition, material call-off is directly oriented to the progress of assembly. Assemble events, e.g. the completion of a certain assembly stage, automatically trigger the preparation of the material for the next assemble stage.
PULL (Produktions- und Logistik-Leistung)	PULL is a programme which has been implemented throughout the GILDEMEISTER group since June 1998, and has the objective of raising the efficiency of production and the near-production areas such as disposition, goods intake and warehousing in the individual companies.
Q-Monitoring, (Quality monitoring)	Quality monitoring systematically includes all quality-relevant events along the production chain of a machine, from suppliers, through assembly, final checking, and taking into service, to the end of the warranty period. The results are processed, and applied particularly in quality discussions to achieve improvement.
Sales per production-near employee	Sales per employee in assembly, manufacturing, and the neighbouring areas of materials management (procurement, warehousing, commissioning)
Slant-bed milling centre	In a slant-bed milling centre, the machining table of the machine is set at an angle. The advantage over an ordinary horizontal machining table is the process-safe removal of shavings. The DMP 60, produced by DECKEL MAHO in Seebach, is a slant-bed milling centre in which the table is set at an angle of 45°.
Semi-CNC	In the cycle-controlled machines (e.g. the NEF product line), the programming instructions are implemented directly into machine movements with the help of a user-friendly application program (MANUAL TURN, MANUAL PLUS). In contrast to a full CNC machine, programming in DIN code is not necessary.
Sinumerik	Brand name of the SIEMENS firm for all CNC control components
Time-to-Market	Time from the start of development to the introduction of the machine to the market.
Total customer support	This term is used to designate full services, including investment preparation, machine installation, training (e.g. CNC Nettraining), a comprehensive service package, and an optimal replacement part and wear-and-tear provision, with the objective of providing complete customer satisfaction.
Touchscreen display	User instructions can be input directly with a finger or a pen on a touch-sensitive display monitor.
TWIN	The TWIN product line offers lathes with two independent turning spindles, for complete machining of demanding feed and bar parts
User interface	The user interface is the interface between the user and the control surface of a machine. The user commands are transformed into machine movements with the help of interactive input masks.

Explanation of key figures

Balance sheet ratios (in %)

Capitalisation ratio of fixed assets

Fixed assets : total assets x 100

Working intensity of current assets

Current assets : total assets x 100

Equity ratio

Equity capital: total capital x 100

Loan capital ratio

Loan capital : total capital x 100

Asset structure

Fixed assets : current assets x 100

Capital structure

Equity capital: Loan capital x 100

Key figures on financial status

1st grade liquidity

Cash funds : short term liabilities x 100

2nd grade liquidity

(cash funds + short term trade debtors) :
short term liabilities x 100

3rd grade liquidity

(cash funds + short term trade debtors + stocks) :
short term liabilities x 100

Benchmarks for structural analysis

Turnover rate of the raw materials and supplies

Expenditure for raw materials and supplies : stock of
raw materials and supplies

Turnover rate of stocks

Sales revenues : stock

Turnover rate of trade debtors

Sales revenues + VAT : average trade debtors

Turnover rate of capital

Sales revenues : total capital

Working capital

Current assets - short term liabilities

Efficiency ratios (in %)

Return on equity

profit for the year : equity capital at the start
of the year x 100

Return on total investment

profit for the year before taxes and interest on
loan capital : average total capital x 100

Percentage return on sales (profit for the year +
interest on loan capital / sales revenues)

Profit for the year and interest
on loan capital : sales revenues x 100

Percentage return on sales

Profit or loss on ordinary business activities :
sales revenues x 100

Productivity ratios (in %)

Intensity of materials

Material expenses : total operating performance x 100

Intensity of personnel

Personnel costs : total operating performance x 100

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